



Media Statement on S&P Global Ratings' report

Singapore Telecommunications Limited (Singtel) refers to the S&P Global Ratings report on Singtel Optus Pty Ltd (Optus) dated 19 May 2017 (as attached).

At A/Stable, Optus' corporate credit rating by S&P Global Ratings continues to be strong among its peers in the global telecommunications industry. It remains financially-disciplined in its approach to investments and is committed to maintaining an investment-grade credit rating.

###

RatingsDirect®

Research Update:

Singtel Optus Pty Ltd. 'A/A-1' Ratings Affirmed; Outlook Stable; Stand-Alone Credit Profile Revised To 'bbb+'

Primary Credit Analyst:

Graeme A Ferguson, Melbourne (61) 3 9631 2098; graeme.ferguson@spglobal.com

Secondary Contact:

Nupur Maji, Melbourne 61 3 9631 2189; nupur.maji@spglobal.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Ratings Score Snapshot

Related Criteria

Ratings List

Research Update:

Singtel Optus Pty Ltd. 'A/A-1' Ratings Affirmed; Outlook Stable; Stand-Alone Credit Profile Revised To 'bbb+'

Overview

- We are affirming our 'A/A-1' corporate credit ratings on Optus and our issue ratings on the group's debt.
- We continue to assess Optus as a core subsidiary of Singtel group.
- Optus' credit metrics for the year ended March 31, 2017, are weaker than our expectations and we do not expect the credit metrics to be restored over the next couple of years.
- As a consequence, we are revising the stand-alone credit profile on the company to 'bbb+' from 'a-'.
- The stable outlook reflects that on the company's sole owner Singtel.

Rating Action

On May 19, 2017, S&P Global Ratings affirmed its 'A' long-term corporate credit rating on Australia-based telecommunications company Singtel Optus Pty Ltd. (Optus). The outlook is stable. We also affirmed our 'A-1' short-term rating on the company. At the same time, we affirmed the 'A' long-term issue rating on the group's debt and the 'cnAA+' Greater China regional scale rating on subsidiary Optus Finance Pty Ltd.'s Hong Kong dollar notes.

Rationale

The rating on Optus reflects our assessment that Optus remains a core subsidiary of the Singapore Telecommunications Ltd. (Singtel) group. The rating on Singtel includes a full consolidation of Optus and equity accounting of the group's minority telecom investments.

Competition in the Australian telecommunications sector remains intense. Optus' EBITDA fell 4% in fiscal 2017 (year ended March 31, 2017), affected by heightened price competition and increased content costs. Debt also increased as a result of the company's elevated capital expenditure to improve network coverage and quality, as well as payment to the Australian Taxation Office (ATO) of A\$134 million associated with the acquisition financing of Optus by Singtel (currently being disputed).

That said, we expect Optus' ongoing investment in its 4G network and product offering to underpin its market position in mobile services. The National Broadband Network (NBN) should also provide Optus with opportunities to

enhance its product offering, particularly through bundling.

In our opinion, the entry of TPG Telecom as Australia's fourth mobile network operator is likely to further intensify competition for Australian mobile network operators over the next few years. In our opinion, Optus generates about two-thirds of its EBITDA from mobile services. We expect Optus to maintain S&P Global Ratings' adjusted debt-to-EBITDA ratio of 1.5x-2.0x over the next couple of years.

Outlook

The stable rating outlook on Optus reflects that on the company's sole owner Singtel.

Downside scenario

The ratings on Optus may face downward pressure if:

- We revised Singtel's stand-alone credit profile (SACP) downward;
- Singtel reduces its shareholding in Optus, or other evidence emerges that shows Optus' importance in the Singtel group is diminishing, making it no longer consistent with its existing core group status; or
- Optus' business or financial risks materially increase, and as a result, we no longer view Optus to be a core subsidiary of the group. This could include a scenario where Optus maintains a substantially more aggressive financial risk profile than the broader Singtel group.

Upside scenario

An upgrade on Optus would likely be reliant on raising Singtel's SACP.

Ratings Score Snapshot

Corporate credit rating:
A/Stable/A-1

Business risk: Satisfactory

- Country risk: Very low
- Industry risk: Intermediate
- Competitive position: Satisfactory

Financial risk: Modest

- Cash flow/Leverage: Modest

Anchor: bbb+

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)

- Liquidity: Strong (no impact)
- Management and governance: Strong (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb+

- Group credit profile: a
- Entity status within group: Core (+2 notches from SACP)

Related Criteria

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, June 1, 2016
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- Criteria - Corporates - Industrials: Key Credit Factors For The Telecommunications And Cable Industry, June 22, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Ratings List

Ratings Affirmed

Singtel Optus Pty Ltd.

Corporate Credit Rating	A/Stable/A-1
-------------------------	--------------

Optus Finance Pty Ltd.

Senior Unsecured	A
Senior Unsecured	cnAA+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further

information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Standard & Poor's (Australia) Pty. Ltd. holds Australian financial services licence number 337565 under the Corporations Act 2001. Standard & Poor's credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

Copyright © 2016 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.