



## News Release

# Singtel posts strong Q2 operating results

- Net profit stable at S\$1.03 billion; up 3% in constant currency terms
- Operating revenue down 3% to S\$4.18 billion; up 5% in constant currency terms
- Strong mobile data revenue growth seen across core business and regional associates
- Interim dividend maintained at 6.8 cents per share

**Singapore, 12 November 2015** – Singapore Telecommunications Limited (Singtel) delivered strong operating results across each of its markets in the second quarter, offsetting significant currency headwinds. Net profit rose 3% in constant currency.

Ms Chua Sock Koong, Singtel Group CEO said, “This quarter, we have again strengthened our position across Singapore, Australia and the associates’ markets. Mobile data growth continues to be a key focus. Our investments in 3G and 4G network infrastructure and spectrum, alongside increasing smartphone penetration, are delivering improved experiences for customers. While currency weakness has affected our reported numbers, our underlying performance is resilient.”

With the steep 13% decline in the Australian Dollar, operating revenue for the Group slid 3% to S\$4.18 billion, while EBITDA also slid 3% to S\$1.29 billion. In constant currency terms, however, both operating revenue and EBITDA grew by 5%.

In Group Consumer, Singapore posted strong EBITDA growth of 10% on stable overall revenue while Australia delivered revenue and EBITDA growth of 9% respectively.

The mobile data story resonated strongly in our consumer operations in both Singapore and Australia, where customers traded up to higher-tier data plans against a backdrop of 4G network investments and enhanced offerings.

In Singapore, the Group further deployed LTE service on the 900MHz spectrum to improve in-building coverage in residential estates and underground MRT tunnels. In Australia, Optus continued its network investments in 700MHz spectrum with 4G coverage reaching over 90% of the population. It was also ranked ‘best overall’ for data performance on highways<sup>1</sup>.

Across the region, all of the Group’s mobile associates saw sustained adoption of data services and customer growth. The Group’s share of earnings from Telkomsel was particularly strong – up 21% – on the back of robust growth across voice, data and digital businesses. Pre-tax profits from our regional mobile associates remained stable at S\$632 million as a result of the weaker Indonesian Rupiah and significant fair value losses from Airtel.

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<sup>1</sup> According to the P3 CommsDay Mobile Benchmark survey.



In Group Enterprise, ICT showed steady earnings growth with Singapore holding market leadership in local and international data services. Continued investments were made in new growth initiatives, including a S\$400 million data centre to capture rising demand for co-location and cloud services. This quarter also saw the completion of the acquisition of Trustwave, a leading US cyber security services company, which further enhances the Group's cyber security capabilities and customer reach.

Ms Chua Sock Koong, Singtel Group CEO added, "I am pleased that we have continued to execute well in ICT amid pricing pressures. This quarter's results also reflect good progress and new wins in cyber security, cloud services and advanced analytics, as the Singapore government embarks on its smart nation initiative. These are beginning to contribute to our earnings growth."

The Board approved an interim dividend of 6.8 cents per share, representing a payout ratio of 58% of underlying net profit for the half-year ended 30 September 2015.

## **GROUP CONSUMER**

Growth in data revenue underpinned consumer operations in both Singapore and Australia.

In Singapore, more than half of all customers in the prepaid space consumed data services.

The September debut of a SIM-only data plan for postpaid customers also quickly proved popular, being contract-free and fully customisable with SMS, talk time and even more data, depending on customers' needs.

Overall, revenues in Singapore were stable as growth in mobile and consumer home services offset the declining trend in international phone revenue. EBITDA rose 10% with careful cost management from lower traffic and roaming costs, foreign exchange gains and the World Cup losses included in the same quarter last year.

In Australia, Optus Consumer gained further momentum in the quarter, posting strong revenue and postpaid handset customer growth. Mobile service revenue rose 3% with strong gains in ARPU and postpaid handset customers – the highest in over three years. Mobile data grew 21%, fuelled by strong 4G service offerings. EBITDA rose strongly by 9%.

In the content space, Group Consumer scored double wins, securing broadcast rights to the Barclays Premier League competition in England for both Singapore and Australia for the next three seasons starting 2016. In addition, Optus also won mobile rights from Cricket Australia, another step in its strategy to become a mobile-led multimedia company.

Group Consumer revenue and EBITDA rose strongly by 7% and 9% respectively, in constant currency terms.



## **GROUP ENTERPRISE**

Group Enterprise held market share for core carriage services and continued to grow ICT revenue. The ICT revenue mix also improved on higher managed services with the provision of government infrastructure and services, continued on-boarding of Singapore government agencies to the G-Cloud platform, and positive momentum in cyber security services.

Despite intense competition, Optus Business registered a stable performance during the quarter, clinching a three-year multi-million dollar agreement with AccorHotels for fixed voice and mobile services in Australia.

The weaker Australian dollar saw Group Enterprise revenue decline by 1% while EBITDA grew by 2%. In constant currency terms, revenue and EBITDA increased 2% and 4% respectively.

## **GROUP DIGITAL LIFE**

Our digital businesses gained traction across the board. Revenue from digital marketing arm, Amobee, rose strongly with contribution from acquisitions and increased social and video advertising services. EBITDA improved on increased revenue with higher gross profit margins on advertising services. Amobee also established new partnerships with Instagram and Pinterest, adding to its collaboration with Facebook and Twitter. Brands and advertisers can now harness Amobee's Brand Intelligence to drive customer engagement across the four key social media platforms.

In the big data analytics space, DataSpark continues to gain ground with strong order books from the public sector.

Singtel Innov8, our venture fund, joined forces with the innovation arms of Deutsche Telekom, Orange and Telefónica to catalyse new digital businesses. Promising start-ups can now leverage the combined resources, network and more than 1 billion mobile customer base of the four telecom companies globally.

## **Outlook for the current financial year ending 31 March 2016**

For the half year ended 30 September 2015, Mobile Communications revenue in Singapore increased by 2%. This was due to lower contributions from mobile roaming as customers shifted from voice roaming to data roaming services. Reflecting active management of roaming expenses, there had been no material adverse impact to margins for the same period.

Consistent with the first half trend, Mobile Communications revenue is expected to grow by low single digit level for the current financial year ending 31 March 2016. It was previously expected to grow by mid-single digit level.



Optus' mobile service revenue guidance of low single digit growth does not include the impact of the wholesale price changes for mobile terminating access services (MTAS). On 24 August 2015, the Australian Competition and Consumer Commission released its final decision to reduce wholesale prices for MTAS with effect from 1 January 2016. This is not expected to have a material impact on Optus' EBITDA for the current financial year. In the quarter and financial year ending 31 March 2016, Optus' incoming mobile service revenue is expected to be lower by approximately A\$200 million due to the lower MTAS rates.

The Group's guidance does not include the effects of the acquisition of Trustwave, which was completed on 1 September 2015. Trustwave's results, financial position and cash flows are not yet material to the Group.

Other than the above, the Group affirms the guidance previously issued in May 2015.

Please refer to Appendix 2 for further details on the outlook for the current financial year.

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## **About Singtel**

Singtel is Asia's leading communications and ICT solutions group, providing a portfolio of services from next-generation communication, technology services to infotainment to both consumers and businesses. For consumers, Singtel delivers a complete and integrated suite of services, including mobile, broadband and TV. For businesses, Singtel offers a complementary array of workforce mobility solutions, data hosting, cloud, network infrastructure, analytics and cyber-security capabilities. The Group has presence in Asia, Australia and Africa and reaches over 575 million mobile customers in 25 countries. Its infrastructure and technology services for businesses spans 21 countries, with more than 200 direct points of presence in 160 cities.

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**Financial Highlights for the Quarter Ended 30 Sep 2015**

|                                                              | <b>2015<br/>(S\$m)</b> | <b>2014<br/>(S\$m)</b> | <b>YOY<br/>Change</b> | <b>YOY Change<br/>Constant<br/>Currency<sup>2</sup></b> |
|--------------------------------------------------------------|------------------------|------------------------|-----------------------|---------------------------------------------------------|
| Group revenue                                                | 4,184                  | 4,309                  | (2.9%)                | 5.1%                                                    |
| EBITDA                                                       | 1,290                  | 1,334                  | (3.3%)                | 4.5%                                                    |
| Regional Mobile Associates'<br>pre-tax earnings <sup>3</sup> | 632                    | 629                    | 0.5%                  | 1.7%                                                    |
| EBITDA and share of associates'<br>pre-tax earnings          | 1,996                  | 1,978                  | 0.9%                  | 6.5%                                                    |
| Underlying net profit <sup>4</sup>                           | 974                    | 979                    | (0.5%)                | 3.8%                                                    |
| Exceptional items (post tax)                                 | 55                     | 59                     | (6.9%)                | (10.1%)                                                 |
| Net profit                                                   | 1,030                  | 1,038                  | (0.8%)                | 3.0%                                                    |
| Free cash flow                                               | 477                    | 732                    | (34.9%)               | nm                                                      |

**Financial Highlights for the Half Year Ended 30 Sep 2015**

|                                                              | <b>2015<br/>(S\$m)</b> | <b>2014<br/>(S\$m)</b> | <b>YOY<br/>Change</b> | <b>YOY Change<br/>Constant<br/>Currency<sup>2</sup></b> |
|--------------------------------------------------------------|------------------------|------------------------|-----------------------|---------------------------------------------------------|
| Group revenue                                                | 8,393                  | 8,457                  | (0.8%)                | 6.7%                                                    |
| EBITDA                                                       | 2,531                  | 2,588                  | (2.2%)                | 4.9%                                                    |
| Regional Mobile Associates'<br>pre-tax earnings <sup>3</sup> | 1,257                  | 1,223                  | 2.8%                  | 3.6%                                                    |
| EBITDA and share of associates'<br>pre-tax earnings          | 3,903                  | 3,854                  | 1.3%                  | 6.2%                                                    |
| Underlying net profit <sup>4</sup>                           | 1,870                  | 1,860                  | 0.5%                  | 4.2%                                                    |
| Exceptional items (post tax)                                 | 102                    | 13                     | @                     | @                                                       |
| Net profit                                                   | 1,971                  | 1,873                  | 5.3%                  | 8.7%                                                    |
| Free cash flow                                               | 1,451                  | 1,916                  | (24.3%)               | nm                                                      |

@ denotes over +500%  
nm denotes not meaningful

<sup>2</sup> Assuming constant exchange rates from the corresponding period in FY 2015.

<sup>3</sup> Exclude exceptional items.

<sup>4</sup> Defined as net profit before exceptional items.

## Foreign Exchange Movements

| Currency           | Quarter Ended<br>30 Sep 2015  |                                     |        | Half Year Ended<br>30 Sep 2015 |                                      |
|--------------------|-------------------------------|-------------------------------------|--------|--------------------------------|--------------------------------------|
|                    | Exchange<br>Rate <sup>5</sup> | Increase/ (Decrease)<br>Against S\$ |        | Exchange<br>Rate <sup>5</sup>  | Increase / (Decrease)<br>Against S\$ |
|                    |                               | YOY                                 | QOQ    |                                | YOY                                  |
| 1 AUD <sup>6</sup> | S\$1.0089                     | (12.8%)                             | (3.4%) | S\$1.0267                      | (11.7%)                              |
| IDR                | 10,000                        | (6.0%)                              | (2.0%) | 9,910                          | (6.0%)                               |
| INR                | 46.7                          | 3.3%                                | 1.1%   | 47.0                           | 2.3%                                 |
| PHP                | 33.1                          | 5.4%                                | 0.3%   | 33.2                           | 5.4%                                 |
| THB                | 25.3                          | 1.2%                                | (2.0%) | 25.0                           | 3.1%                                 |

<sup>5</sup> Average exchange rates for the quarter and half-year ended 30 September 2015.

<sup>6</sup> Average A\$ rate for translation of Optus' operating revenue.

**Outlook for the current financial year ending 31 March 2016**

- Consolidated results and cash flow may be impacted by material exchange rate movements in the Australian Dollar and regional currencies. The Group's outlook for the current financial year is based on the following average exchange rates during FY 2015:

|                   |       |            |
|-------------------|-------|------------|
| Australian Dollar | AUD 1 | SGD 1.1234 |
| Indonesian Rupiah | SGD 1 | IDR 9,395  |
| Indian Rupee      | SGD 1 | INR 47.5   |
| Thailand Baht     | SGD 1 | THB 25.2   |
| Philippine Peso   | SGD 1 | PHP 34.3   |

- The outlook for the current financial year does not include the impact of the following:
  - Wholesale price changes for MTAS with effect from 1 January 2016, which are expected to reduce Optus' incoming mobile service revenue by approximately A\$200 million for the quarter and financial year ending 31 March 2016. This is not expected to have a material impact on Optus' EBITDA for the current financial year.
  - The effects of the acquisition of Trustwave, whose results, financial position and cash flows are not yet material to the Group.
- Revenue from Core Business (comprises Group Consumer and Group Enterprise) to grow at mid-single digit level and EBITDA to grow at low single digit level.
- Mobile Communications revenue from Singapore to grow at low single digit level.
- Mobile service revenue from Australia to grow at low single digit level.
- Group ICT revenue (comprises Managed Services and Business Solutions) to grow at mid-single digit level.
- Revenue from Amobee Group to be S\$350-S\$400 million. Group Digital Life to record negative EBITDA of S\$150-S\$180 million.
- Excluding acquisitions, consolidated revenue of the Group to grow at mid-single digit level and EBITDA to grow at low single digit level.
- Capital expenditure for the Group on an accrual basis is expected to approximate S\$3.0 billion, comprising approximately S\$1.9 billion for Australia and S\$1.1 billion for Singapore in FY 2016. This reflects the Group's multi-year investments in a new data centre in Singapore, continued strategic investments in mobile network, particularly in Australia, and expected increased spend in customer care and management systems.
- Capital expenditure for the Group on a cash basis is expected to approximate S\$2.3 billion, with credit terms in place.
- Group free cash flow (excluding dividends from associates) to be approximately S\$1.5 billion.
- Ordinary dividends from regional mobile associates are expected to be approximately S\$1.1 billion.