



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.

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Research Update:

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

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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
Senior Unsecured

A
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

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