

# Financial Results Presentation

Q3 FY13: Quarter ended 31 December 2012



14 February 2013  
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Group CEO

# Forward looking statement – important note

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The following presentation contains forward looking statements by the management of Singapore Telecommunications Limited ("SingTel"), relating to financial trends for future periods, compared to the results for previous periods.

Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions. These statements involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those in the statements as originally made. Such statements are not, and should not be construed as a representation as to future performance of SingTel. In particular, such targets should not be regarded as a forecast or projection of future performance of SingTel. It should be noted that the actual performance of SingTel may vary significantly from such targets.

“S\$” means Singapore dollars and "A\$" means Australian dollars unless otherwise indicated. Any discrepancies between individual amounts and totals are due to rounding.



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# Driving transformation for long term growth; Q3 FY13 stable operations across Singapore, Australia & Associates

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<b>Group performance</b>	<b>Revenue</b> › down 5%	<b>S\$4,597m</b>	<b>Net profit</b> › down 8%	<b>S\$827m</b>
			<b>Underlying net profit</b> › down 2%	<b>S\$874m</b>

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<b>Singapore<sup>1</sup></b>	<b>Revenue</b> › up 1%	<b>S\$1,697m</b>	<b>EBITDA</b> › up 1%	<b>S\$531m</b>
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<b>Optus</b>	<b>Revenue</b> › down 6%	<b>A\$2,283m</b>	<b>EBITDA</b> › up 3%	<b>A\$576m</b>
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<b>Regional Mobile</b>	<b>Customers<sup>2</sup></b> › up 9%	<b>473m</b>	<b>Pre-tax earnings<sup>3</sup></b> › up 1% › up 11% in constant currency	<b>S\$455m</b>
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1. Singapore refers to the Group operations but excludes Optus and the Associates.
2. Group mobile subscribers, including SingTel, Optus, and Regional Mobile Associates.
3. Based on the Group's share of Regional Mobile Associates profit before tax and exceptionals.

## Q3 FY13: stable EBITDA

	3 months to Dec 12	3 months to Dec 11	YoY % change	3 months to Sep 12	Sequential % change
Operating revenue	4,597	4,830	(4.8%)	4,572	0.5%
EBITDA	1,262	1,256	0.5%	1,267	(0.3%)
- margin	27.5%	26.0%		27.7%	
Associates pre-tax earnings	486	475	2.2%	574	(15.3%)
EBITDA & share of associates' pre-tax earnings	1,748	1,731	1.0%	1,840	(5.0%)
Depreciation & amortisation	(524)	(499)	5.0%	(535)	(2.1%)
Net finance expense	(78)	(82)	(5.8%)	(86)	(9.6%)
Exceptional Items	(67)	33	N.M.	(26)	163.9%
Pre-tax profit	1,080	1,183	(8.7%)	1,194	(9.6%)
Tax	(252)	(280)	(9.9%)	(326)	(22.7%)
Net profit	827	902	(8.3%)	868	(4.7%)
Underlying net profit	874	895	(2.3%)	886	(1.3%)

# 9M FY13: Resilient earnings amid adverse currency movements

	9 months to Dec 12	9 months to Dec 11	YoY % change
Operating revenue	13,702	14,045	(2.4%)
EBITDA	3,771	3,789	(0.5%)
- margin	27.5%	27.0%	
Associates pre-tax earnings <sup>1</sup>	1,566	1,474	6.2%
EBITDA & share of associates' pre-tax earnings	5,337	5,270	1.3%
Depreciation & amortisation	(1,577)	(1,494)	5.5%
Net finance expense	(234)	(248)	(5.4%)
Exceptional Items	(5)	90	N.M.
Pre-tax profit	3,521	3,619	(2.7%)
Tax	(880)	(918)	(4.2%)
Net profit	2,640	2,700	(2.2%)
Underlying net profit	2,610	2,653	(1.6%)

1. Excludes exceptionals

# Group Q3 FY13 highlights

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## Group Consumer

Revenue  
S\$2,983m

- › Continued LTE expansion in Australia and Singapore
  - › Bharti completed Infratel IPO, raising US\$750m
  - › Announced divestment of Warid
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## Group Enterprise

Revenue  
S\$1,547m

- › Hosted Singapore's largest ICT thought-leadership forum and unveiled 200 innovative ICT solutions



## Group Digital Life<sup>1</sup>

Revenue  
S\$67m

- › mio TV boosts content suite with new genres of entertainment, including kids, music and comedy



1. Comprises digital businesses, such as e-commerce, concierge, hyper-local and mobile advertising. Also includes mio TV operations.



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# Singapore: revenue growth from digital, mobile and ICT

Q3 FY13	Revenue S\$m	YoY Change	Highlights
<b>Total revenue</b>	<b>1,697</b>	<b>+1%</b>	<ul style="list-style-type: none"> <li>&gt; up 3% excluding fibre rollout</li> <li>&gt; new digital business and continued strength in mobile &amp; ICT</li> </ul>
Mobile	507	+3%	<ul style="list-style-type: none"> <li>&gt; strong postpaid customer growth offsets lower roaming revenues</li> </ul>
Data & Internet	409	–	<ul style="list-style-type: none"> <li>&gt; growth in managed services mitigates lower local leased circuits</li> </ul>
NCS	335	+6%	<ul style="list-style-type: none"> <li>&gt; MOE and other contracts</li> </ul>
Sale of equipment	119	+5%	<ul style="list-style-type: none"> <li>&gt; demand for smartphones</li> </ul>
Digital business <sup>1</sup>	21	N.M.	<ul style="list-style-type: none"> <li>&gt; includes contribution from Amobee</li> </ul>

1. Digital business comprises mainly e-commerce, concierge and hyper-local services, and mobile advertising but exclude mio TV.

# Singapore – higher EBITDA on strong cost management

**EBITDA up 1% to S\$531m**

› up 3% excluding Digital business

**Operating expenses up 1% to S\$1,175m**

› down 2% excluding Digital business

## Operating Expenses:

**Selling & Admin** **+6%**

- › higher customer connection costs in fibre broadband
- › increased maintenance & service costs
- › Digital business expenses

**Staff costs** **+10%**

- › annual salary increments
- › write-back of accruals last year
- › inclusion of staff costs from acquisitions

**Cost of sales** **-2%**

- › lower fibre roll-out

**Traffic expenses** **-12%**

- › lower mobile roaming outpayments

	<u>Reported</u>	<u>Excl Digital</u>
<b>Total Opex</b>	<b>+1%</b>	<b>-2%</b>
<b>Selling &amp; Admin</b>	<b>+6%</b>	<b>+2%</b>
<b>Staff costs</b>	<b>+10%</b>	<b>+7%</b>

# Mobile: continued growth momentum

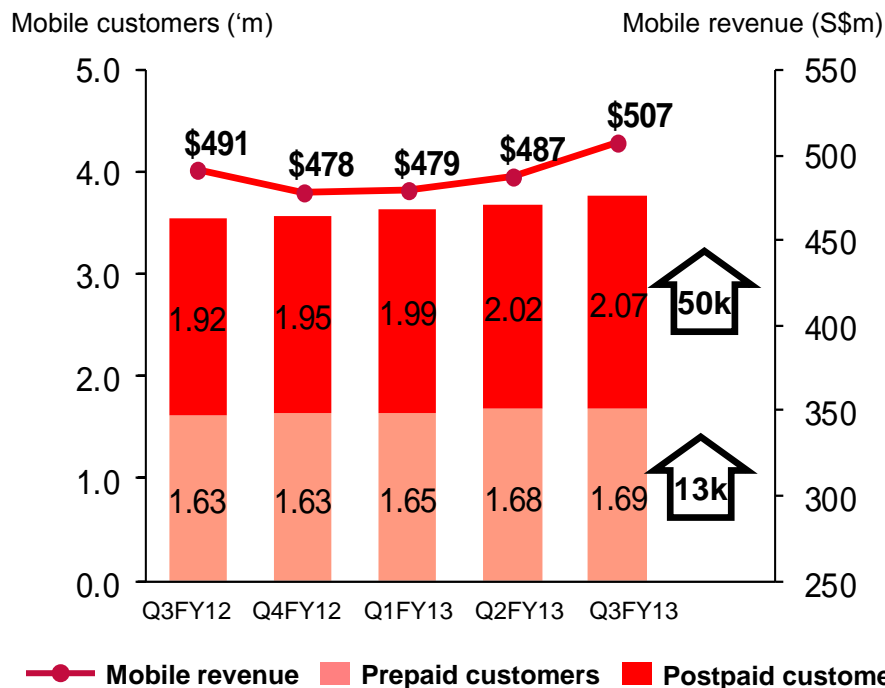
**Mobile revenue**

**S\$507m**

> up 3%

**Market share**

**46.6%<sup>1</sup>**



## Tiered data plans<sup>2</sup>

- > Postpaid customers on tiered plans **17%**
- > Tiered plans customers who exceed data bundles **9%**

## Postpaid ARPU

**S\$81**

- > down 6%
- > lower roaming revenue & increased mix of data-only SIMs

## Wireless BB subs up 27%<sup>3</sup>

**1.5m**

## Acquisition cost per subscriber

**S\$322**

- > down 12% YoY

1. Market share as at 31 December 2012; based on Telco operators' published results.

2. Tiered mobile data plans were introduced in July 2012.

3. Mobile subscribers who registered for monthly mobile broadband data subscription plans, including data packs attached to voice services.

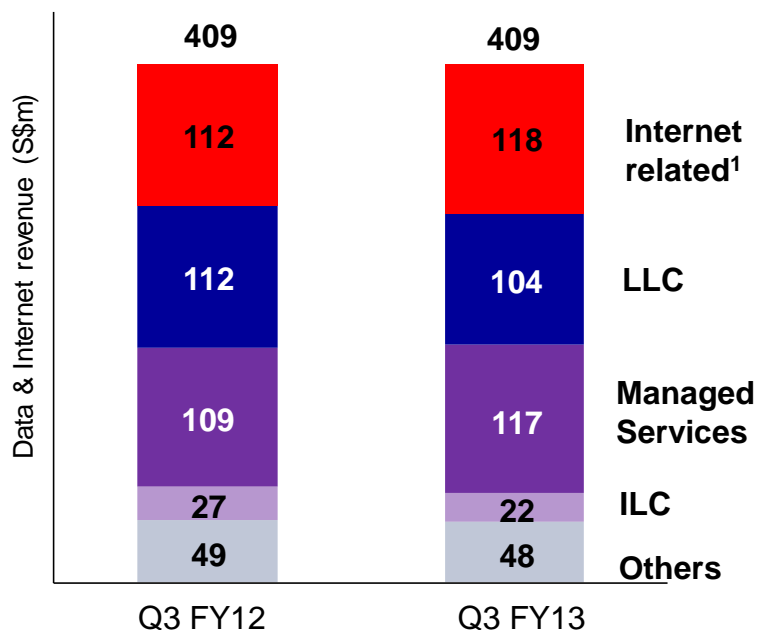
# Data: Driving growth in Managed Services and ICT solutions

**Data & Internet revenue S\$409m**

> stable

**NCS Group revenue S\$335m**

> up 6%



**NCS Group order book<sup>2</sup> S\$2.0b**

## Key wins include:

- > government contracts:
  - maintenance of business management applications
  - development of data processing system
- > contract to provide data centre hosting and managed services to an MNC

1. Include residential broadband revenue of S\$57m for Q3 FY13 (Q3 FY12: S\$52m).

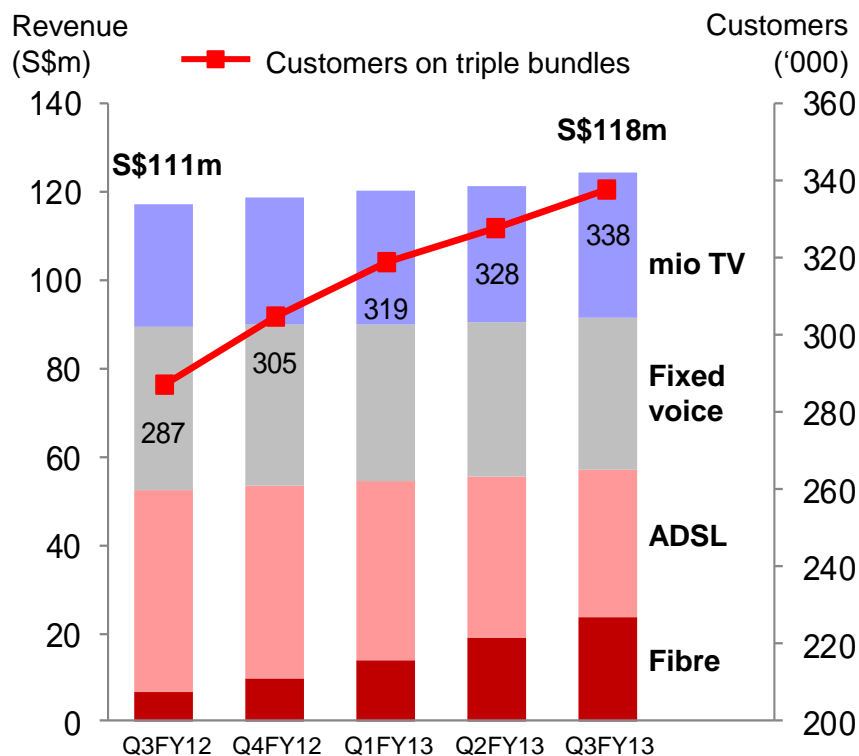
2. As at 31 December 2012

# Owning the homes, leading the digital revolution

**Consumer home revenue<sup>1</sup> S\$118m**

> up 6%

**Growing our digital presence**



**Household ARPU**

**S\$50**

> up 10%

**mio TV revenue**

**S\$33m**

> up 18%

**mio TV customers**

**398k**

> up 7k

**mio TV mobile app**

> 37k downloads



**Fibre customers<sup>2</sup>**

**167k**

> up 32k

1. Revenue from home fixed services – including broadband, mio TV and fixed voice.

2. Refers to residential and corporate subscriptions to broadband internet services using optical fibre networks.



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# Optus: transforming the business

Q3 FY13	A\$m	YoY Change	Highlights
<b>Total revenue</b>	<b>A\$2,283m</b>	<b>-6%</b>	› focus on driving profitable growth and capitalising on data opportunities
<b>Total EBITDA</b>	<b>A\$576m</b>	<b>+3%</b>	› margin: 25.2% (Q3FY12: 23.2%)
Comprising:			
› Mobile	A\$394m	+4%	› reduced traffic and selling expenses
› Business & Wholesale Fixed	A\$124m	-2%	› declines in voice and Data & IP contribution, partially offset by growth in satellite revenue
› Consumer & SMB Fixed	A\$58m	+5%	› lower traffic expenses

# Mobile: growing EBITDA with structural change

## EBITDA

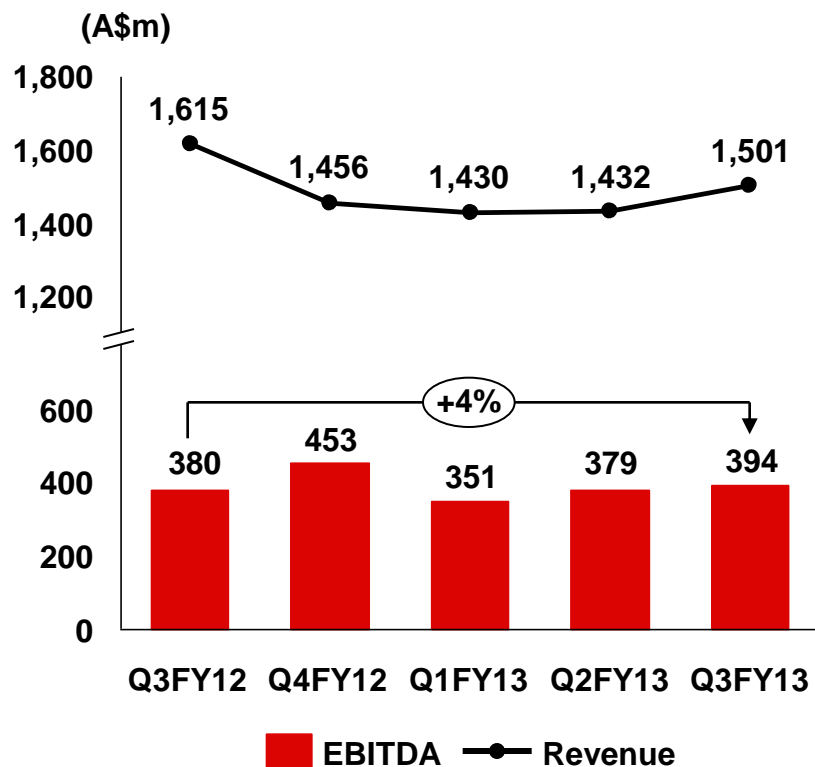
**+4%**

- > EBITDA margin up 2ppts to 26%

## Total revenue

**A\$1,501m**

- > down 7%
  - > MTR decline -3%
  - > Equipment -3%
  - > DRP<sup>1</sup> credits -2%



## Postpaid

- > ARPU **A\$58**
  - down 12%
- > Net adds **+58k**
- > Retail churn **1.8%**
  - up from 1.7%
- > SAC **A\$301**
  - down 7% YoY and down 5% QoQ

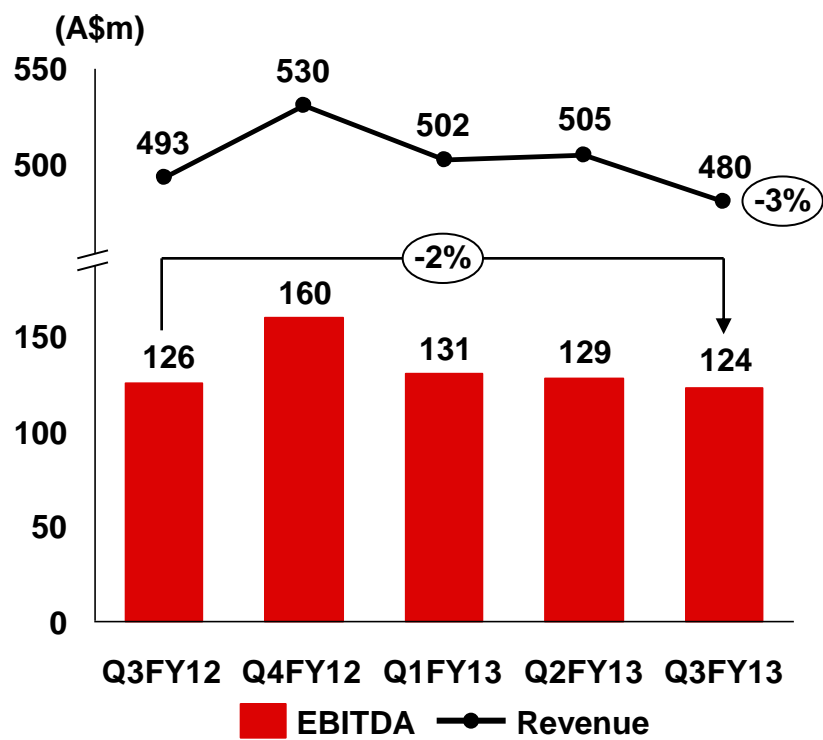
## Prepaid

- > ARPU **A\$22**
  - down 4%
- > Net adds **-36k**
- > SAC **A\$18**
  - down 55% YoY and down 5% QoQ



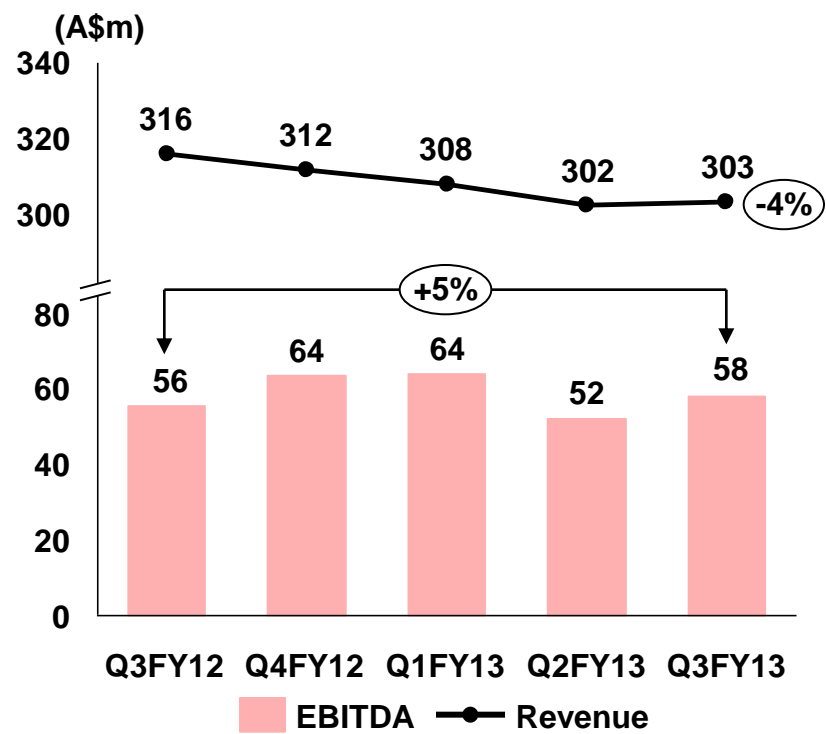
# Fixed: protecting margins

## Business and Wholesale Fixed



› EBITDA margin stable at 26%

## Consumer and SMB Fixed



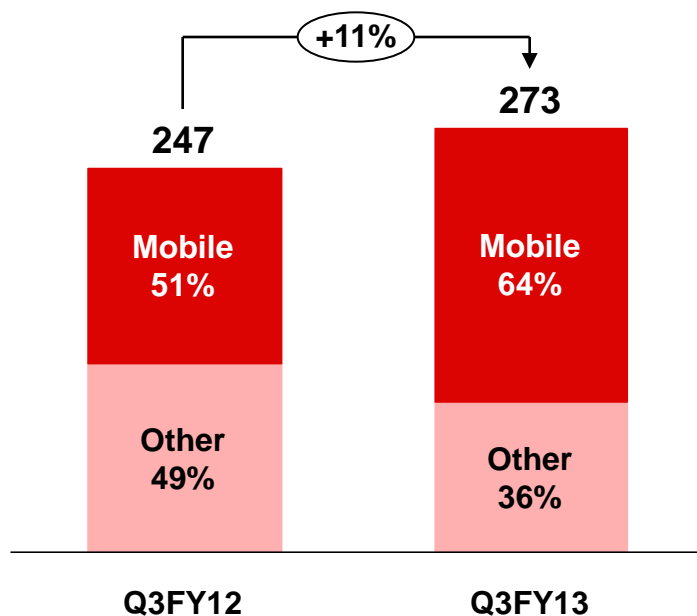
› EBITDA margin up 1ppt to 19%

# Focus on network investment and restructuring cost base

**Capital expenditure** **A\$273m**

> up 11%

**Operating expenses** **-8%**



## Mobile investment

- > 900MHz spectrum migration improves 3G indoor coverage
- > 4G coverage in major capital cities

**Selling & Admin** **-8%**

> reduction in subsidy levels

**Cost of sales** **-11%**

> lower mobile equipment costs

**Traffic expenses** **-9%**

> reduced interconnect costs

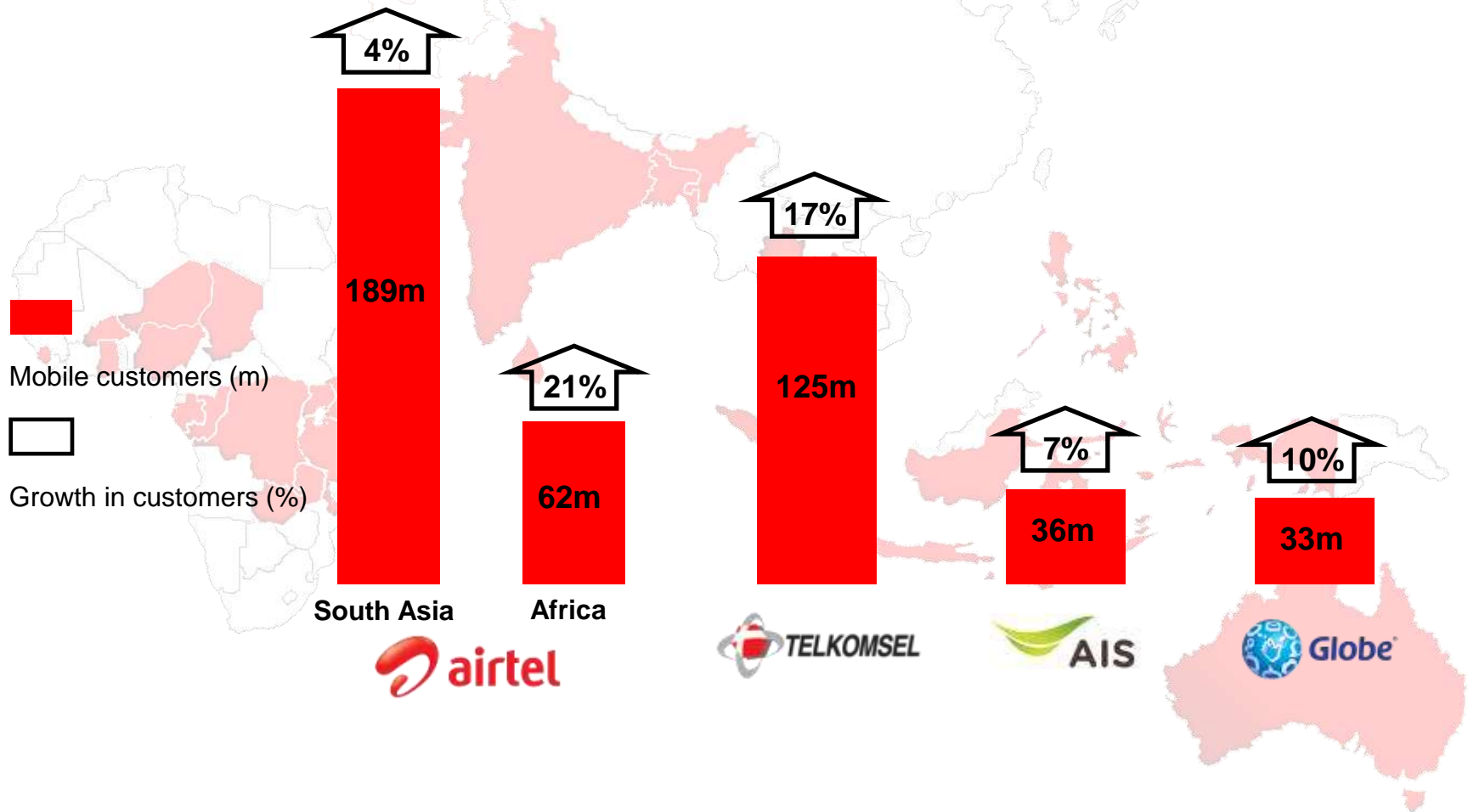
**Staff costs** **-4%**

> Improved processes and workforce reduction



# Regional mobile associates – strong performance

**473 million mobile customers<sup>1</sup>...  
across 26 countries**



1. Group mobile subscribers, including SingTel, Optus, and Regional Mobile Associates.

# Regional mobile associates – strong performance

Q3 FY13	PBT <sup>1</sup> (S\$m)	% Change (S\$)	% Change (local curr)	Highlights
Regional Mobile	455	+1%	N.A.	<ul style="list-style-type: none"> <li>› up 11% in constant currency</li> </ul>
Telkomsel	250	+11%	+25%	<ul style="list-style-type: none"> <li>› strong revenue growth across voice, SMS and data</li> <li>› lower financing costs on reduced borrowings</li> </ul>
AIS	105	+24%	+29%	<ul style="list-style-type: none"> <li>› data growth driven by higher penetration of smart devices and popularity of social networking services</li> <li>› lower depreciation, amortisation and finance costs on reduced capex</li> </ul>
Airtel	70	-46%	-39%	<ul style="list-style-type: none"> <li>› higher depreciation &amp; amortisation, interest costs and fair value losses</li> <li>› South Asia: revenue growth offset by higher costs from expanded network and 3G &amp; LTE investments</li> <li>› Africa: EBITDA growth driven by robust increase in mobile voice traffic</li> </ul>
Globe <sup>2</sup>	31	-17%	-17%	<ul style="list-style-type: none"> <li>› continued revenue growth momentum</li> <li>› higher marketing and subsidy costs impact earnings</li> </ul>

1. Excluding exceptional items – compared to 3 months to Dec 2011.

2. Globe's accelerated depreciation arising from network modernisation & IT transformation has been classified as a Group exceptional item.



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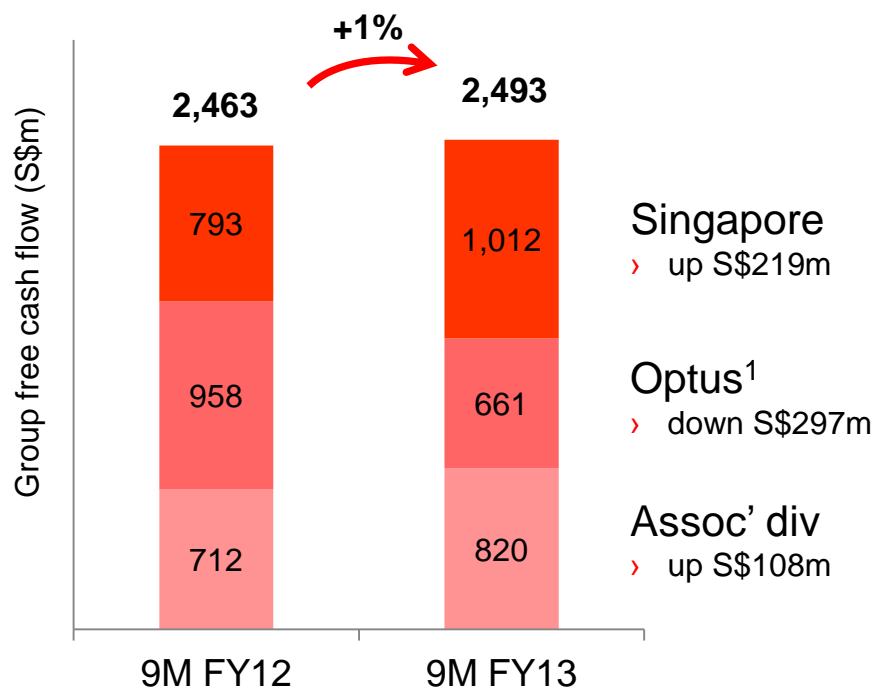
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# Sound financial position

**Free cash flow**

**S\$2,493m**

**Solid balance sheet**



**Net debt**

**S\$7.6b**

**Net gearing<sup>2</sup>**

**25%**

**Net debt: EBITDA & share of associates' pre-tax profits**

**1.1x**

**EBITDA & share of associates' pre-tax profits : Net interest expense**

**23.4x**

**S&P's rating A+**

**Moody's rating Aa3**

1. Reflecting higher capex and higher working capital due to handset receivables.

2. Ratio of net debt to net capitalisation, which is the aggregate of net debt, shareholders' funds and minority interests.



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# Trends in constant currency terms<sup>1</sup>






<b>3 months to Dec 12</b>	<b>3Q FY13 (reported S\$m)</b>	<b>YoY % change (reported S\$)</b>	<b>YoY % change (at constant FX)<sup>1</sup></b>
Group revenue	4,597	(4.8%)	(3.3%)
Group underlying NPAT	874	(2.3%)	1.7%
Optus revenue	2,899	(8.1%)	(5.7%)
Regional Mobile Associates pre-tax earnings <sup>2</sup>	455	1.2%	11.0%

<b>9 months to Dec 12</b>	<b>9M FY13 (reported S\$m)</b>	<b>YoY % change (reported S\$)</b>	<b>YoY % change (at constant FX)<sup>1</sup></b>
Group revenue	13,702	(2.4%)	(1.4%)
Group underlying NPAT	2,610	(1.6%)	1.7%
Optus revenue	8,658	(6.0%)	(4.4%)
Regional Mobile Associates pre-tax earnings <sup>2</sup>	1,487	6.8%	15.2%

1. Assuming constant exchange rates from corresponding periods in FY2012.

2. Based on the Group's share of associates' earnings before exceptionals.

# Foreign exchange movements

Currency	Quarter ended 31 December 2012		
	Exchange rate <sup>1</sup>	Appreciation / (depreciation) against S\$	
		YoY	QoQ
1 AUD <sup>2</sup> 	S\$1.2699	(2.6%)	(2.0%)
INR 	44.2	(11.9%)	–
IDR 	7,874	(12.6%)	(3.1%)
PHP 	33.7	0.3%	(0.3%)
THB 	25.1	(4.1%)	–

1. Average exchange rates for the quarter ended 31 December 2012.

2. Average A\$ rate for translation of Optus' operating revenue.



SingTel