

GCEO Review



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A STRONG, RESILIENT FOUNDATION

In the fast-moving digital world, much has changed for us in the past year, our fifth since embarking on a journey to transition from a traditional telco into that of a communications technology company. I'm pleased to inform that we've managed to hold our own in the new economy by building digital capabilities to capture growth while strengthening our core businesses. At the close of the financial year, our digital and cyber security businesses, while at the early stages of value creation, now contribute over S\$1 billion, or 6% of Group revenue.

Our overall business has stayed resilient and we continue to deliver strong core earnings despite the challenging business environment. Our net profit for FY 2017 was stable at S\$3.85 billion even with the costs of investing in our new businesses and in network and spectrum. In terms of Total Returns to Shareholders, we have been disciplined with our dividend payout and outperformed the STI index over the past five years.

DRIVING VALUE FROM THE CORE

Our core consumer businesses in Singapore and Australia performed well amid heightened competition. Both Optus and Singtel rolled out a host of differentiated services to win over customers who are spending more time on various mobile devices. Value-for-money data plans, sports and entertainment content and smart home services were some of the new offerings introduced. This strategy mitigated the decline in voice and roaming services in both markets, and saw Optus achieve its strongest quarter of mobile handset growth in five years in the quarter ended March 2017.

To provide our customers with the best data experience possible, we continue to invest in network and spectrum. Singtel successfully secured spectrum at the recent spectrum auction which will enable us to further extend our network leadership and support the growth of the Internet of Things and 5G initiatives in the future. In Australia, Optus has been enhancing the competitiveness of its network with unprecedented plans to improve coverage across regional and rural Australia.

While a fourth mobile network operator is set to enter Singapore and Australia next year, neither Singtel nor Optus are new to competition. We remain focused on our customers and will continue to work diligently at earning their loyalty.

DEEPENING RELATIONS WITH OUR REGIONAL ASSOCIATES

Mobile data was also a key theme for our regional associates in the emerging markets. They are reaping the benefits of strategic investments made in networks and spectrum as more customers take to affordable smartphones and digital lifestyles.

Telkomsel was the standout performer, posting its fifth straight year of double-digit growth in revenues, EBITDA and profits, boosted by higher demand for voice, data and digital services. Its strong performance mitigated lower contributions from Airtel which is facing intense price competition in India. Airtel's earnings were adversely impacted by the entry of a new operator which offered free voice and data, despite a better performance in Africa. In the Philippines, Globe gained revenue market share while in Thailand, AIS rolled out its 4G network in record time to cover 98% of the population.

Last November, we increased our effective interests in both AIS and Airtel, through an acquisition of shares in Intouch Holdings and Bharti Telecom. It has always been our intent to raise our investments in our associates under the right terms. While there are headwinds in India now and we recognise the need for regulatory reforms to ensure sustainable investment, we take a long-term view of the business. Airtel, our strategic partner of more than 16 years, is a strong market leader in a market with rapidly increasing smartphone penetration and mobile data adoption.

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ICT STAYS STRONG WITH NEW GROWTH

Our enterprise business delivered a strong performance for the year. Demand for ICT services, particularly cyber security, remained resilient despite the subdued economic and business environment.

As cyber security emerged as a critical issue for governments and businesses, we were in a good position to win new business with our cyber security arm Trustwave. To further strengthen our cyber capabilities and expand our cyber network globally, we launched a new advanced security operations centre in Sydney as well as the NUS-Singtel Cyber Security R&D Lab in Singapore to innovate new IP and technologies. We also formed the Singtel Cyber Security Institute to lift the cyber security expertise and preparedness of C-suites in the region. These investments are designed to develop a comprehensive cyber eco-system and grow our leadership in this space.

We made further progress in securing contracts to build Smart Nation solutions in the areas of transportation, security and building infrastructure. We will leverage advanced analytics and next-generation technologies to deliver innovative solutions that empower residents and create vibrant and sustainable communities.

One key element of Singapore's Smart Nation initiative is the nationwide fibre network which NetLink Trust owns but operates as an independently managed business trust. For regulatory reasons, we will divest our stake in NetLink Trust to less than 25% through an initial public offering in FY 2018.

ACCELERATING OUR DIGITAL STRATEGIES

Our digital strategy to focus on digital marketing, OTT video and data analytics is paying off. These are three areas that best leverage our telco assets and contribute to our core business.

Amobee, our global digital marketing arm and the largest of our digital businesses, did well for the year. In April 2017, it acquired Turn, a leading global technology platform with advanced data analytics capabilities for marketers and agencies. This strategic investment strengthens Amobee's technological edge, allowing it to offer marketers an independent end-to-end advertising and data management platform across all channels, formats and devices. We are confident this will accelerate Amobee's growth into a significant global player as it expands beyond the US and into the Asia Pacific.

HOOQ, our mobile streaming service, launched in Singapore and steadily added to its subscriber base in India, Indonesia, the Philippines and Thailand.

DataSpark, our advanced analytics business, is deploying its products beyond Singapore in markets such as Australia, Indonesia, the Philippines and Thailand.

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While Amobee is on the cusp of breaking even in FY 2018, our other businesses will take time to scale and mature.

A FUTURE-READY TEAM

As we continue our transformation, the composition of our workforce will naturally evolve, affecting the scope of many jobs. We have therefore placed a priority on training and reskilling our people so they can be gainfully redeployed within the Group. We have implemented long-term initiatives to attract, nurture and retain talent, especially in our new growth areas of cyber security, cloud and analytics.

ENSURING DIGITAL BENEFITS EVERYONE

As a communications technology company which touches millions of lives across the region, we recognise that we are in a privileged position to create positive change in our communities even as we grow our business. We believe the digital revolution should benefit and empower everyone, not just those who can afford it or have ready access to such technology.

This is why we collaborate with partners to ensure our communities are not left behind as we all race into an increasingly connected world. Some of the commitments we've made include teaching digital literacy to particularly vulnerable children and youth, training persons with disabilities in new technologies so they can find gainful employment, and supporting social entrepreneurs who are tapping technology to grow their businesses. We're encouraged that our efforts have been acknowledged through our recent ranking among the Global 100 Most Sustainable Companies in 2017.

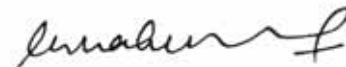
THRIVING IN A DIGITAL WORLD

Singtel today is markedly different from the traditional telco we were five years ago. We've strengthened our competitiveness, and we're also more diversified and resilient.

I would like to thank the Board for their guidance, and our partners and shareholders for their support. Thanks are also very much due to the Singtel team whose unwavering passion, dedication and hard work have propelled us here.

While our transformation continues, I'm confident that a strong foundation is now in place to evolve our business and capture the opportunities ahead.

Yours sincerely,



CHUA SOCK KOONG
Group Chief Executive Officer