

Management Discussion and Analysis

GROUP

	Financial Year Ended 31 March			Change in constant currency ⁽¹⁾ (%)
	2018 (S\$ million)	2017 (S\$ million)	Change (%)	
Operating revenue	17,532	16,711	4.9	4.7
EBITDA	5,089	4,998	1.8	1.5
EBITDA margin	29.0%	29.9%		
Share of associates' pre-tax profits ⁽²⁾	2,461	2,886	-14.7	-13.5
EBIT ⁽²⁾	5,210	5,645	-7.7	-7.2
<i>(exclude share of associates' pre-tax profits)</i>	2,749	2,759	-0.4	-0.7
Net finance expense	(345)	(260)	32.8	32.1
Taxation ⁽²⁾	(1,343)	(1,536)	-12.6	-12.4
Underlying net profit ^{(2) (3)}	3,544	3,871	-8.4	-7.8
<i>Underlying earnings per share (S cents) ⁽²⁾</i>	21.7	24.1	-9.8	-10.0
Exceptional items (post-tax) ⁽²⁾	1,908	(18)	nm	nm
Net profit	5,451	3,853	41.5	42.2
<i>Basic earnings per share (S cents)</i>	33.4	24.0	39.4	38.8
Share of associates' post-tax profits ⁽²⁾	1,823	2,048	-11.0	-9.6

"Associate" refers to either an associate or a joint venture as defined under Singapore Financial Reporting Standards.

"nm" denotes not meaningful.

Notes:

⁽¹⁾ Assuming constant exchange rates for the Australian Dollar, United States Dollar and/or regional currencies (Indian Rupee, Indonesian Rupiah, Philippine Peso and Thai Baht) from the previous year ended 31 March 2017 (FY 2017).

⁽²⁾ Comparatives have been restated to reclassify AIS' 3G/4G handset subsidy costs from exceptional items of the Group to share of associates' results to be consistent with FY 2018.

⁽³⁾ Underlying net profit refers to net profit before exceptional items.

The Group performed in line with its guidance for the financial year ended 31 March 2018.

Net profit for the year hit a new high, rising a robust 42% to S\$5.45 billion. This was due to exceptional divestment gains from NetLink Trust and a strong performance from the core business.

Operating revenue surged 4.9% and EBITDA rose 1.8%, reflecting strong execution in Australia Consumer and the digital businesses following the acquisition of Turn in April 2017. Revenue from ICT and digital businesses increased a strong 19% to S\$4.18 billion and contributed 24% of the Group's revenue, up from 21% last year.

Depreciation and amortisation charges increased on higher investments in mobile infrastructure network and spectrum across the Group.

Consequently, the Group's EBIT (before the associates' contributions) was stable.

In the emerging markets, the regional associates continued to win new customers and drive data growth with investments in network and spectrum. The customer base of the

Group and its regional associates reached 706 million in 21 countries as at 31 March 2018, up 11% or 68 million from a year ago. Singtel has strengthened its collaborations with the regional associates to build an ecosystem of digital services by leveraging the Group's strengths and customer base across these countries.

The associates' post-tax underlying profit contributions declined by 11% on weaker earnings from Airtel and Telkomsel as well as lower contribution from NetLink NBN Trust following the reduction in economic interest of 75.2% in July 2017. The decline was partly mitigated by higher contribution from Intouch (acquired in November 2016).

Airtel's results were impacted by continued intense competition with aggressive pricing led by a new player and further aggravated by mandated cuts in mobile termination rates in India, partly mitigated by continued positive growth momentum in Africa. Telkomsel's earnings fell on softer revenue growth amid heightened price competition in data and steep declines in voice and SMS revenues, coupled with higher depreciation charges and a weaker Indonesian Rupiah against the Singapore Dollar.

Including the associates' contributions, the Group's EBIT declined by 7.7% to S\$5.21 billion.

Net finance expense increased 33% on lower dividend income from the Southern Cross consortium, decline in net interest income from NetLink Trust with the repayment of unitholder loan in July 2017, as well as higher interest expense on increased average borrowings.

With lower associates' contributions, higher depreciation and amortisation charges as well as increased net finance expense, underlying net profit declined by 8.4% for the year.

The Group has successfully diversified its earnings base through its expansion and investments in overseas markets. Hence, the Group is exposed to currency movements. On a proportionate basis if the associates are consolidated line-by-line, operations outside Singapore accounted for three-quarters of both the Group's proportionate revenue and EBITDA.

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BUSINESS SEGMENT

	Financial Year Ended 31 March			Change in constant currency ⁽¹⁾ (%)
	2018 (S\$ million)	2017 (S\$ million)	Change (%)	
Operating revenue				
- Group Consumer	9,826	9,572	2.7	2.2
- Group Enterprise	6,625	6,600	0.4	0.3
Core Business	16,452	16,172	1.7	1.4
- Group Digital Life	1,080	539	100.4	104.5
Group	17,532	16,711	4.9	4.7
EBITDA				
- Group Consumer	3,369	3,295	2.3	1.8
- Group Enterprise	1,856	1,913	-3.0	-3.1
Core Business	5,225	5,208	0.3	**
- Group Digital Life	(51)	(122)	-58.0	-57.4
- Corporate	(85)	(88)	-4.1	-4.1
Group	5,089	4,998	1.8	1.5
EBIT (before share of associates' pre-tax profits)				
- Group Consumer	1,736	1,771	-2.0	-2.3
- Group Enterprise	1,219	1,268	-3.9	-4.0
Core Business	2,955	3,039	-2.8	-3.0
- Group Digital Life	(120)	(190)	-36.7	-35.7
- Corporate	(86)	(90)	-4.3	-4.3
Group	2,749	2,759	-0.4	-0.7

*** denotes less than 0.5%.

Note:

⁽¹⁾ Assuming constant exchange rates for the Australian Dollar and United States Dollar from FY 2017.

GROUP CONSUMER

Group Consumer contributed 56% (FY 2017: 57%) and 66% (FY 2017: 66%) to the Group's operating revenue and EBITDA respectively. Operating revenue and EBITDA grew 2.7% and 2.3% respectively with growth in Australia partly offset by decline in Singapore. EBIT declined 2.0% on higher depreciation and amortisation charges on network investments, spectrum and new billing system.

In Singapore, operating revenue fell 2.7% impacted by fierce competition in mobile services and continued decline in voice services due to data substitution. Mobile Communications, which contributed 54% of Singapore Consumer's revenue, fell 3.3% on declines in both local and roaming voice revenues and increased mix of SIM-only plans which reduced the subscription revenues. The declines were partially offset by strong growth in mobile data. Consumer Home revenue (comprising fixed broadband, Singtel TV and voice) was stable as robust growth in fixed broadband was offset by the decline in TV revenue. With lower operating revenue, EBITDA declined 4.5%.

In Australia, operating revenue grew 3.9% and increased 5.8% excluding the impact of mobile service credits

from device repayment plans. The increase was driven by strong customer additions in mobile and fixed broadband, increased Equipment sales and higher National Broadband Network (**NBN**) migration revenues despite the temporary suspension in connecting and migrating customers to NBN's HFC network. Outgoing mobile service revenue rose 1.7% and would be up 5.7% excluding the service credits. Optus gained mobile market share with net addition of 384,000 customers, underpinned by its investments in network and content. Mass Market Fixed revenue grew 9.4% driven by higher NBN revenue from net addition of 225,000 customers for the year. With higher operating revenue and increase in other income from a dispute settlement, EBITDA grew by 4.0%.

GROUP ENTERPRISE

Group Enterprise contributed 38% (FY 2017: 39%) and 36% (FY 2017: 38%) to the Group's operating revenue and EBITDA respectively. Operating revenue was stable with growth in ICT and Equipment sales offsetting the decline in traditional carriage services. ICT services was boosted by strong contributions from cyber security, cloud, and smart cities which in total contributed approximately S\$1.1 billion in revenue,

an increase of 15% from a year ago. EBITDA and EBIT declined 3.0% and 3.9% respectively due to increased mix of lower-margin ICT business with investments in new growth platforms and pricing pressures in traditional services. In April 2018, the Group consolidated its cyber security operations across Singtel, Trustwave, Optus, and NCS into a single global unit to strengthen and scale the cyber business to accelerate growth.

GROUP DIGITAL LIFE

Group Digital Life has three main businesses, namely digital marketing (Amobee), regional premium OTT video (HOOQ) and advanced data analytics and intelligence (DataSpark). Operating revenue doubled to S\$1.08 billion driven by first time contribution from Turn (acquired in April 2017) and strong performance from Amobee's media and social businesses. With higher operating revenue, negative EBITDA and EBIT were lower by 58% and 37% respectively. Amobee achieved positive EBITDA for the year as it leveraged on increased scale and synergies with Turn while HOOQ's losses narrowed on higher operating revenue.

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ASSOCIATES

	Financial Year Ended 31 March			Change in constant currency ⁽¹⁾ (%)
	2018 (S\$ million)	2017 (S\$ million)	Change (%)	
Group share of associates' pre-tax profits ⁽²⁾	2,461	2,886	-14.7	-13.5
Share of post-tax profits				
Telkomsel	1,031	1,071	-3.7	-0.8
AIS ⁽²⁾	292	278	4.9	0.4
Globe ⁽³⁾				
- ordinary results	180	208	-13.5	-7.1
- exceptional items	22	-	nm	nm
	202	208	-2.7	4.6
Intouch ^{(3) (4)}				
- operating results	106	35	204.0	198.1
- amortisation of acquired intangibles	(21)	(7)	210.6	207.5
	86	28	202.5	195.9
Airtel ⁽³⁾				
- ordinary results (India and South Asia)	(31)	364	nm	nm
- ordinary results (Africa)	145	(102)	nm	nm
- exceptional items	(13)	-	nm	nm
	101	262	-61.5	-62.0
BTL ⁽⁵⁾	(18)	8	nm	nm
	83	270	-69.1	-69.5
Regional associates ⁽²⁾	1,694	1,855	-8.7	-7.1
NetLink NBN Trust/ NetLink Trust ⁽⁶⁾	72	130	-45.0	-45.0
Other associates	57	64	-9.8	-9.8
Group share of associates' post-tax profits ⁽²⁾	1,823	2,048	-11.0	-9.6

"nm" denotes not meaningful.

Notes:

- ⁽¹⁾ Assuming constant exchange rates for the regional currencies (Indian Rupee, Indonesian Rupiah, Philippine Peso and Thai Baht) from FY 2017.
- ⁽²⁾ The share of AIS' 3G/4G handset subsidy costs in FY 2017 previously classified as exceptional items of the Group have been reclassified to share of AIS' ordinary results to be consistent with FY 2018.
- ⁽³⁾ Excluded the Group's share of the associates' certain one-off items which have been classified as exceptional items of the Group.
- ⁽⁴⁾ Intouch, which Singtel acquired an equity interest of 21% in November 2016, has an equity interest of 40.5% in AIS.
- ⁽⁵⁾ Bharti Telecom Limited (**BTL**) holds 50.1% equity interest in Airtel as at 31 March 2018. In BTL's standalone books, its results for FY 2018 comprised mainly interest charges on debt arising from its acquisition of additional equity interest in Airtel.
- ⁽⁶⁾ Singtel ceased to own units in NetLink Trust following the sale to NetLink NBN Trust in July 2017 but continues to have an interest of 24.8% in NetLink NBN Trust, the holding company of NetLink Trust. The share of results included Singtel's amortisation of deferred gain of S\$26 million (FY 2017: S\$52 million) on assets transferred to NetLink Trust in prior years, but excluded fair value adjustments recorded by NetLink NBN Trust in respect of its acquisition of units in NetLink Trust.

	Telkomsel	AIS	Airtel ⁽¹⁾	Globe
Country mobile penetration rate	154%	136%	89%	116%
Market share, 31 March 2018 ⁽²⁾	47.0%	44.8%	25.6%	52.1%
Market share, 31 March 2017 ⁽²⁾	46.0%	44.8%	23.4%	48.1%
Market position ⁽²⁾	#1	#1	#1	#1
Mobile customers ('000)				
- Aggregate	192,752	40,050	395,722	63,263
- Proportionate	67,463	9,340	156,350	29,816
Growth in mobile customers (%) ⁽³⁾	13.8%	-1.5%	11.3%	8.0%

Notes:

- ⁽¹⁾ Mobile penetration rate, market share and market position pertained to India market only.
- ⁽²⁾ Based on number of mobile customers.
- ⁽³⁾ Compared against 31 March 2017 and based on aggregate mobile customers.

The regional associates continued to win new customers and capture strong data growth, reaping the benefits of sustained investments in network and spectrum. However, with weaker earnings from Airtel and Telkomsel and a reduction in economic interest in NetLink NBN Trust partly offset by higher contribution from Intouch, the associates' pre-tax and post-tax underlying profit contributions fell 15% and 11% respectively.

The Group's combined mobile customer base reached 706 million, an increase of 11% or 68 million from a year ago. Telkomsel registered 14% increase in its customer base to 193 million, including 109 million of data customers as at end of March 2018. Airtel's total mobile customer base covering India, Sri Lanka and across Africa, reached 396 million as at 31 March 2018, an increase of 11% from a year ago.

Telkomsel delivered 5% increase in revenue with growth in data and digital services amid heightened price competition. Data and digital services revenue rose 29% on higher data usage, but traditional voice and SMS revenues declined with increased popularity of OTT applications and higher smartphone penetration. EBITDA grew 2% despite higher network expenses from accelerated deployment of 4G network and increased frequency fees for 2300 MHz spectrum acquired in October 2017. With higher depreciation charges from network investments and a weaker Indonesian Rupiah, Telkomsel's post-tax contribution declined 3.7%.

AIS' service revenue (excluding interconnect and equipment rental) grew 5% on increases in data and fixed broadband revenues lifted by higher usage and improved 4G network coverage. EBITDA grew 11% on the back of service revenue growth, lower marketing spend with reduced subsidy costs and lower regulatory fees on reduction in licence fee rate. This was partly offset by higher costs from network expansion and payments to TOT Public Company Limited for the lease of 2100 MHz spectrum, towers, equipment and facilities. With higher depreciation and spectrum amortisation charges and a stronger Thai Baht, AIS' post-tax contribution rose 4.9%.

Globe's service revenue grew 7% driven by growth in mobile data related services as demand for internet and data connectivity continued to increase. EBITDA rose 11% despite higher network costs to support the growing customer base and network expansion. The growth was offset by higher depreciation charges and finance costs from its data network investments. Singtel also recorded its share of Globe's one-off gain of S\$22 million from the increase in fair value of its retained equity interest in its associate (previously a wholly-owned subsidiary). With a weaker Philippine Peso, Globe's post-tax contribution declined 2.7%.

Singtel acquired 21% equity interest in **Intouch**⁽¹⁾ in November 2016. The Group's share of Intouch's post-tax profit was S\$106 million. After including amortisation of acquired intangibles of S\$21 million, Intouch's post-tax contribution was S\$86 million.

In India, **Airtel's** results were adversely impacted by intense competition with aggressive pricing by a new player and further aggravated by mandated cuts in mobile termination rates, despite recording strong customer additions and data usage growth. Consequently, Airtel's revenue in India fell 13% led by a drop in mobile revenue partly mitigated by growth in other segments. EBITDA correspondingly declined 22%. In Africa, operating revenue was stable in constant US Dollar terms and would have increased 5% across the 14 countries if excluding the divested operations, led by strong growth in data and Airtel Money services. EBITDA was up a significant 46% with continued strong cost control initiatives and efficiency gains, as well as improved margins.

In reported Indian Rupee terms, Airtel's consolidated revenue and EBITDA declined 12% and 15% respectively. With higher depreciation charges from network assets and increased spectrum amortisation and financing costs in India, Airtel's post-tax contribution declined 62%. Including the share of Bharti Telecom Limited's (**BTL**) net loss of S\$18 million which comprised mainly net finance expense, the Group's share of post-tax contribution from Airtel and BTL fell 69%.

In April 2018, Airtel announced the merger of Indus Towers and Bharti Infratel to create the largest tower company in the world outside of China, subject to regulatory and shareholder approvals.

Note:

⁽¹⁾ Intouch is listed on the Stock Exchange of Thailand and has investments in telecommunications via its 40.5% equity interest in AIS, as well as in satellite, internet, and media and advertising businesses.

Management Discussion and Analysis

CASH FLOW

	Financial Year Ended 31 March		
	2018 (S\$ million)	2017 (S\$ million)	Change (%)
Net cash inflow from operating activities	5,955	5,315	12.1
Net cash outflow for investing activities	(1,951)	(4,832)	-59.6
Net cash outflow for financing activities	(4,009)	(422)	@
Net change in cash balance	(5)	60	nm
Exchange effects on cash balance	(4)	12	nm
Cash balance at beginning of year	534	462	15.6
Cash balance at end of year	525	534	-1.7
Singtel ⁽¹⁾	1,126	1,040	8.3
Optus ⁽²⁾	989	514	92.2
Associates (net dividends after withholding tax)	1,492	1,500	-0.6
Group free cash flow ⁽²⁾	3,606	3,054	18.1
(exclude ATO tax payment)	3,606	3,197	12.8
Optus (in A\$ million) ⁽²⁾	947	500	89.6
(exclude ATO tax payment)	947	634	49.5
<i>Cash capital expenditure as a percentage of operating revenue</i>	13%	14%	

"@" denotes >500% and "nm" denotes not meaningful.

Notes:

⁽¹⁾ Refers to Singtel Group excluding Optus.

⁽²⁾ FY 2017 included S\$142 million (A\$134 million) paid to the Australian Taxation Office (ATO) for amended assessments under dispute relating to the acquisition financing of Optus.

The Group's net cash inflow from operating activities for the year grew strongly by 12% to S\$5.96 billion. The increase was mainly driven by working capital movements and lower tax payments. Dividend receipts from associates were stable with higher dividends from Telkomsel and Airtel as well as first time dividend from Intouch offset by lower dividends from AIS and the Southern Cross consortium.

The investing cash outflow was S\$1.95 billion. In July 2017, Singtel received net proceeds of S\$1.11 billion from the disposal of units in NetLink Trust and S\$1.10 billion for the repayment of unitholder loan. Other investing cash flows

included payments for spectrum purchases of S\$937 million, and equity investments of S\$337 million for Turn acquired in April 2017 and S\$539 million for the 1.7% upstake in BTL in March 2018. Capital expenditure totalled S\$2.35 billion, comprising S\$783 million for Singtel and S\$1.57 billion (A\$1.49 billion) for Optus. In Singtel, major capital investments in the year included S\$231 million for fixed and data infrastructure, S\$178 million for mobile networks and S\$374 million for ICT and other investments. In Optus, capital investments in mobile networks amounted to A\$880 million with the balance in fixed and other investments.

The Group's free cash flow increased a robust 18% to S\$3.61 billion. The increase was driven by working capital movements and lower tax payments, partly offset by higher capital expenditure.

Net cash outflow for financing activities amounted to S\$4.01 billion. Major cash outflows included net decrease in borrowings of S\$312 million, interest payments of S\$380 million, and payments of S\$1.75 billion for final dividends in respect of FY 2017, S\$1.11 billion for interim dividends and S\$490 million for special dividends in respect of FY 2018.

SUMMARY STATEMENTS OF FINANCIAL POSITION

	As at 31 March	
	2018 (S\$ million)	2017 (S\$ million)
Current assets	5,981	5,918
Non-current assets	42,273	42,377
Total assets	48,254	48,294
Current liabilities	8,293	9,272
Non-current liabilities	10,307	10,808
Total liabilities	18,600	20,081
Net assets	29,654	28,214
Share capital	4,127	4,127
Retained earnings	31,601	29,494
Currency translation reserve ⁽¹⁾	(5,773)	(4,508)
Other reserves	(276)	(900)
Equity attributable to shareholders	29,679	28,214
Non-controlling interests and other reserve	(26)	*
Total equity	29,654	28,214

“*” denotes less than S\$0.5 million.

Note:

⁽¹⁾ ‘Currency translation reserve’ relates mainly to the translation of the net assets of foreign subsidiaries, associates and joint ventures of the Group denominated mainly in Australian Dollar, Indian Rupee, Indonesian Rupiah, Philippine Peso, Thai Baht and United States Dollar.

The Group is in a strong financial position.

Total assets were stable with additions from the purchase of spectrum, acquisition of Turn and upstake of 1.7% equity interest in BTL offset by the repayment of unitholder loan of S\$1.10 billion by NetLink

Trust. Total liabilities decreased on the reduction in borrowings and the release of net deferred gains of S\$1.10 billion on past sales of infrastructure assets to NetLink Trust following the disposal of an effective interest of 75.2% in NetLink Trust in July 2017.

Currency translation losses increased mainly from the translation of the Group’s investments in Optus, Telkomsel and Airtel due to the weaker Australian Dollar, Indonesian Rupiah and Indian Rupee against the Singapore Dollar from a year ago.

Management Discussion and Analysis

CAPITAL MANAGEMENT AND DIVIDEND POLICY

	Financial Year Ended 31 March	
	2018	2017
Group		
Gross debt (S\$ million)	10,345	10,918
Net debt ⁽¹⁾ (S\$ million)	9,820	10,384
Net debt gearing ratio ⁽²⁾ (%)	24.9	26.9
Net debt to EBITDA and share of associates' pre-tax profits (number of times) ⁽³⁾	1.3	1.3
Interest cover ⁽³⁾⁽⁴⁾ (number of times)	20.2	23.4

As at 31 March 2018, the Group's net debt was S\$9.8 billion, 5% lower than a year ago.

The Group has one of the strongest credit ratings among telecommunication companies in the Asia Pacific region. Singtel is currently rated A1 by Moody's and A+ by S&P Global Ratings. The Group continues to maintain a healthy capital structure.

Singtel is committed to delivering dividends that increase over time with growth in underlying earnings. Its dividend payout ratio is between 60% and 75% of underlying net profit. The Group is also committed

to maintaining an optimal capital structure and investment credit grade ratings.

For the financial year ended 31 March 2018, total ordinary dividend, including the proposed final dividend, was 17.5 cents per share, representing 81% of the Group's underlying net profit. Including a special dividend of 3.0 cents, total dividend per share for the financial year was 20.5 cents.

While continuing competition in India may impact Airtel's profit contribution to the Group in the short term, the impact on the Group's cash flow and hence dividend payment

is not expected to be significant. Barring unforeseen circumstances, the Group expects to maintain its ordinary dividends at 17.5 cents per share for the next two financial years and thereafter revert to the payout ratio of between 60% to 75% of its underlying net profit.

Notes:

- ⁽¹⁾ Net debt is defined as gross debt less cash and bank balances adjusted for related hedging balances.
- ⁽²⁾ Net debt gearing ratio is defined as the ratio of net debt to net capitalisation. Net capitalisation is the aggregate of net debt, shareholders' funds and non-controlling interests.
- ⁽³⁾ FY 2017 has been restated to reclassify AIS' 3G/4G handset subsidy costs from exceptional items of the Group to share of associates' profits to be consistent with FY 2018.
- ⁽⁴⁾ Interest cover refers to the ratio of EBITDA and share of associates' pre-tax profits to net interest expense.

OUTLOOK FOR THE FINANCIAL YEAR ENDING 31 MARCH 2019

For the Group's outlook for the financial year ending 31 March 2019, please refer to pages 8 to

10 of the Management Discussion and Analysis for the fourth quarter and year ended 31 March 2018 announced on 17 May 2018.