

## Chairman's Message

**“By repositioning our businesses for a digitally centric world, we have been able to benefit from the growth of data, driven by smartphone adoption, growing video consumption and the numerous applications, which have become central to consumers’ lives.”**



Dear Shareholders,

Singtel delivered a record profit of S\$5.45 billion for the year just ended, with the successful IPO of NetLink Trust. However, underlying earnings declined 8%, largely the result of a decline in Airtel's India earnings and charges from increased network investments and spectrum. Overall, earnings remain resilient and we have made solid progress on our digital transformation.

### **A CHANGING COMPETITIVE LANDSCAPE**

In prior years, I highlighted the growing competition from OTT players disrupting our business. By repositioning our businesses for a digitally centric world, we have been able to benefit from the growth of data, driven by smartphone adoption, growing video consumption and the numerous applications, which have become central to consumers' lives.

We are now entering an era of heightening competition, with the entry of new mobile operators across a number of our markets – a fourth operator in both Singapore and Australia, a possible third operator in the Philippines and an aggressive new player in India which has been described as the world's largest start-up with an investment in the order of US\$30 billion.

In India, Airtel is navigating a brutal price war led by the new entrant that has seen the number of operators reduced from more than a dozen to four in two years. While this is painful in the short term, we have arrived at a more sustainable market structure. Given the right regulations and fair policies, this can be expected to deliver benefits as industry earnings normalise. During the year, we increased our stake in Bharti Telecom, Airtel's holding company, as we continue to take a long-term strategic view of the future of "digital" India.

Singtel has prepared itself for increased competition by investing in content, networks and spectrum. These are key to leading in customer experience, while providing the capacity for growth in an increasingly digital world. We have implemented 4.5G and are trialling 5G.

### **PROGRESS IN DIGITAL TRANSFORMATION**

Considerable progress has been made on digitalising the core of Singtel's operations, incorporating data analytics, machine learning and artificial intelligence. This provides critical insight into operations, drives efficiency, improves agility and positions us well for the Internet of Things era.

Our digital businesses are building new revenue streams with ICT and digital now accounting for nearly 25% of revenue. Smart cities, cloud, digital marketing and cyber security lead the growth.

Our digital marketing business Amobee has reached scale and is now EBITDA positive. The acquisition of Turn, a global programmatic advertising platform, added new capabilities and has since been successfully integrated.

In cyber security, we are integrating all the Group's operations into a single global unit, as we continue to scale and build out a global business. This brings together 10 advanced Security Operations Centres and 2,000 cyber security professionals in Asia Pacific, Europe and the Americas under a newly appointed global CEO.

Your Board is conscious of the investment in building these new businesses and will ensure value is unlocked when we judge it appropriate.

### **CORE BUSINESS PROVES RESILIENT**

Despite increased competition, our Singapore and Australia businesses have proved resilient, leveraging network investments to deliver high quality mobile access, compelling content and competitive pricing.

The significant investments made in network and content in Australia have differentiated the business and led to strong customer growth.

Enterprise business revenues have grown on the strength of smart cities and ICT projects.

# Chairman's Message

**“Our digital businesses are building new revenue streams with ICT and digital now accounting for nearly 25% of revenue. Smart cities, cloud, digital marketing and cyber security lead the growth.”**

## DIVIDENDS

Your Board has recommended to shareholders the payment of a final dividend of 10.7 cents. If approved, taken together with the interim dividend of 6.8 cents and special dividend of 3.0 cents paid, brings the full year payout to 20.5 cents.

The Board is of the view that a dividend of 17.5 cents is sustainable for the next two financial years. Thereafter, barring unforeseen circumstances, the Group will continue with the payout ratio of 60 to 75% of underlying net profit.

## DEEPENING SUSTAINABILITY COMMITMENTS

We have deepened our commitments to sustainable development in the past year, playing a leadership role in various aspects of sustainability that are aligned with global sustainability development goals. Through our stakeholder engagement, the Singtel Board and Management identified key concerns such as customer data privacy and protection, climate change and cyber bullying. These risks and concerns have become important opportunities to strengthen our risk management, and create value and long-term growth for our organisation.

I encourage shareholders to read the full report found at [singtel.com/sr2018](http://singtel.com/sr2018).

## GOVERNANCE

Governance is constantly evolving and remains central to long-term business sustainability and value creation. Singtel's efforts continue to prove impactful, with the Group included in the World's Most Ethical Companies 2018 for the eighth straight year by Ethisphere and ranked for the second year running in Corporate Knight's Global 100 Most Sustainable Corporations. We are now the top ranked Singapore company and second highest ranking for the global telco sector in Global 100. These recognitions tell us we remain on the right governance path.

Mr Peter Ong retires after seven years on the Board and I would like to acknowledge and thank him for his contribution and service.

Yours sincerely,



**SIMON ISRAEL**

**Chairman**