



News Release

Singtel records Q2 net loss of S\$668 million due to Airtel's exceptional item, underlying earnings remain resilient

Quarter ended 30 September 2019

- Net loss of S\$668 million due to Airtel's exceptional item; excluding Airtel, net profit was up 4%
- Resilient consumer business drives growth
- Operating revenue stable and EBITDA up 7% in constant currency terms
- Underlying net profit up 3% to S\$737 million
- Interim dividend at 6.8 cents per share

Singapore, 14 November 2019 – Singtel's operating revenue for the second quarter was S\$4.15 billion and stable in constant currency terms with a resilient performance by the consumer business across Singapore and Australia. However, the enterprise business recorded a decline in revenue due to lower business spending, carriage erosion and headwinds in Australia. EBITDA rose to S\$1.16 billion and was up 7% in constant currency terms, lifted by Australia NBN migration revenue and cost management. The associates delivered robust performances, especially AIS and Globe. Pre-tax profit contributions from the regional associates increased 36% to S\$414 million while underlying net profit rose 3% to S\$737 million.

Airtel was impacted by an adverse court ruling against the industry on the definition of "adjusted gross revenue" (AGR) for the Indian telco industry¹. Airtel together with other carriers in India continue to make representations to the Indian government for relief and to seek further clarification on the AGR matter. In the interim, Airtel has recorded an exceptional provision this quarter of approximately S\$5.49 billion. Singtel's proportionate share of this provision amounted to S\$1.93 billion (pre-tax). Consequently, Singtel recorded a net loss of S\$668 million this quarter, and a net loss of S\$127 million for the half year. Excluding Airtel, net profit grew 4% for the quarter and was stable for the half year.

Ms Chua Sock Koong, Singtel Group CEO, said, "Notwithstanding the court ruling, Airtel has made positive strides in the wake of the recent industry consolidation, gaining market share, and increasing mobile service revenue for a third straight quarter."

¹ On 24 October 2019, the Supreme Court of India delivered a judgement in relation to a long outstanding industry-wide case upholding the view considered by the Department of Telecommunications (DoT) in respect of the definition of "adjusted gross revenue". The Supreme Court has allowed a period of three months to the affected parties to pay the amount due to DoT. This judgement has significant financial implications. Airtel is reviewing its options and remedies available, including but not limited to filing petitions before the Supreme Court and also seeking other reliefs, with others affected in the industry, from the government.



Ms Chua added, "The weak global economic environment has affected the industry although on a positive note, our diversified earnings base and our cost management have lifted our performance. We remain focused on delivering better customer experience and deepening customer engagement. While we expect current challenging conditions to continue into 2020, we will invest to strengthen our market position, enhance our core networks and build strategic capabilities to capture growth, and be 5G-ready."

In Australia, 300 5G fixed wireless sites now serve customers' home broadband needs. In Singapore, Singtel is conducting trials on 5G to develop innovative applications with an ecosystem of partners including government agencies and enterprises while it prepares plans for building a nationwide 5G network in response to the Singapore government's call for proposal.

The regional associates delivered strong results for the quarter underpinned by growth across all markets. Airtel narrowed its pre-tax losses with mobile service revenue growth in India and drove upgrades through its loyalty programme. Its African operations delivered broad-based revenue and margin growth across voice, data and mobile money. In Indonesia, Telkomsel continued to operate in a competitive environment as it transitions from voice to data services. In Thailand, AIS saw strong service revenue and profit growth, reflecting growth in its postpaid base and network cost savings, and in the Philippines, Globe maintained its revenue momentum supported by data growth in mobile and broadband.

Ms Chua said, "Our regional associates have continued to execute well, with increased contributions from Thailand and the Philippines, as well as market stability in Indonesia. As leading players in their respective markets, our associates will continue to benefit from the growing demand for digital content, products and services."

The Group's financial position remains healthy. Net debt increased to S\$13.1 billion from a year ago as a result of additional investments in Airtel and S\$2.4 billion of lease liabilities recognised under the new accounting standards. Free cash flow was S\$1.99 billion for the half year.

Singtel plans to maintain its dividend of 17.5 cents per share for the financial year ending 31 March 2020 as earlier guided. The Board has approved a stable interim dividend at 6.8 cents per share for the half year ended 30 September 2019.

GROUP CONSUMER

In Australia, revenue rose 5% with higher NBN migration revenue as the NBN rolls out to more regions. Optus' investment in the NBN Concierge Program to support customers wanting to get connected to the NBN, improved customer experience and lifted NBN connections to a record 80,000 during the quarter. Mobile revenue was down 4% due to a higher mix of SIM-only customers and data price competition. However, ARPU stabilised against the previous quarter. Customer growth and equipment sales moderated as the market adjusted to Optus' new mobile plans. Postpaid handset customers rose by 29,000 for the quarter. EBITDA increased 19% due to higher NBN migration revenue and strong cost management.



In Singapore, revenue was up 2% despite intense competition and pricing pressures. Mobile revenue increased as postpaid customer growth and higher equipment sales offset voice declines and the amortisation of handset subsidies. Revenue from fixed services was down 1%. Pay-TV revenue was stable² and TV customers increased by 1,100. Broadband revenue rose 5% as 3,000 new customers were added. Overall EBITDA grew 5% from the income from share of infrastructure costs as well as cost management.

Singtel continued to enhance its TV and OTT content suite with the introduction of the popular Hong Kong TVB channels and the Rugby World Cup 2019.

GROUP ENTERPRISE

Group Enterprise's performance for the quarter was impacted by cautious business sentiment, weaker demand from Australia and pricing erosion in traditional carriage services. Group Enterprise revenue, excluding Australia, would have been up 1% and ICT services up by 6%. NCS delivered revenue growth on the back of systems integration and applications projects for the Singapore government. Its order book reached a record S\$3.3 billion. Cyber security arm Trustwave saw growth in managed security services in Asia which mitigated declines in the payment compliance business and lower contribution from Australia. EBITDA for Group Enterprise declined 12% with carriage erosion.

Singtel continued to enhance the Group's international connectivity with an announcement in October that it will invest in the extension of the Southern Cross Cable Network. This network connects Australia and New Zealand to the United States and the extension will be completed by January 2022.

Group Enterprise continues to innovate and was recognised as Asia Pacific Telecom Group of the Year for the fourth consecutive year as well as IoT Service Provider of the Year by Frost & Sullivan.

GROUP DIGITAL LIFE

Group Digital Life's revenue for the quarter decreased 8% with lower spending by digital marketing arm Amobee's clients in its managed media, social and email businesses. However, Amobee's programmatic platform business continued to grow and its business mix improved. Overall EBITDA improved on cost management.

Amobee was recently recognised as a leader in cross-channel video advertising by Forrester, a validation of its strength in advanced TV and digital video solutions.

Mobile streaming service HOOQ continued to grow its base of paying subscribers.

² Excluding contributions from the 2018 FIFA World Cup broadcast in the prior period.



Outlook for the current financial year ending 31 March 2020

The Group's operations are expected to be resilient against a backdrop of intense competition and carriage decline.

Taking into account the results for the half year ended 30 September 2019, the Group expects the following for the current financial year:

- Consolidated revenue³ and EBITDA³ for the Group are expected to be stable.
- Capital expenditure is expected to approximate S\$2.1 billion, comprising A\$1.3 billion for Optus and S\$0.8 billion for the rest of the Group.
- Free cash flow (excluding spectrum payments and dividends from associates) to be around S\$2.4 billion.
- Dividends from the regional associates are expected to be around S\$1.2 billion.
- Revenue from ICT services to grow by low single digit.
- Cyber security revenue is projected to increase by mid single digit. Excluding payment compliance services, it is expected to grow by low teens.
- Amobee's operating revenue is expected to decline by mid single digit and its EBITDA to improve.

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³ Excluding NBN migration revenues in Australia for FY2020 and FY2019.



About Singtel

Singtel is Asia's leading communications technology group, providing a portfolio of services from next-generation communication, technology services to infotainment to both consumers and businesses. For consumers, Singtel delivers a complete and integrated suite of services, including mobile, broadband and TV. For businesses, Singtel offers a complementary array of workforce mobility solutions, data hosting, cloud, network infrastructure, analytics and cyber-security capabilities. The Group has presence in Asia, Australia and Africa and reaches over 700 million mobile customers in 21 countries. Its infrastructure and technology services for businesses span 21 countries, with more than 428 direct points of presence in 362 cities.

For more information, visit www.singtel.com.
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Financial Highlights for the Quarter Ended 30 September 2019

	FY2020 (S\$m)	FY2019 (S\$m)	YOY Change	YOY Change Constant Currency⁴
Group revenue	4,152	4,270	(3%)	Stable
EBITDA	1,162	1,129	3%	7%
Regional associates pre-tax earnings ⁵	414	303	36%	28%
EBITDA and share of associates' pre-tax earnings	1,604	1,459	10%	11%
Underlying net profit ⁶	737	715	3%	1%
Exceptional items (post-tax)	(1,405)	(48)	nm	nm
Net (loss)/profit	(668)	667	nm	nm
Net profit excl Airtel	702	673	4%	3%
Free cash flow	770	676	14%	nm

Financial Highlights for the Half Year Ended 30 September 2019

	FY2020 (S\$m)	FY2019 (S\$m)	YOY Change	YOY Change Constant Currency⁴
Group revenue	8,265	8,404	(2%)	1%
EBITDA	2,345	2,336	Stable	4%
Regional associates pre-tax earnings ⁵	749	694	8%	3%
EBITDA and share of associates' pre-tax earnings	3,147	3,081	2%	4%
Underlying net profit ⁶	1,312	1,448	(9%)	(10%)
Exceptional items (post-tax)	(1,439)	51	nm	nm
Net (loss)/profit	(127)	1,499	nm	nm
Net profit excl Airtel	1,471	1,469	Stable	(1%)
Free cash flow	1,993	2,142	(7%)	nm

nm denotes not meaningful

⁴ Assuming constant exchange rates from the corresponding period in FY2019.

⁵ Excludes exceptional items.

⁶ Defined as net profit before exceptional items.

OUTLOOK FOR THE CURRENT FINANCIAL YEAR ENDING 31 MARCH 2020

- **Consolidated results and cash flow may be impacted by material exchange rate movements in the Australian Dollar, United States Dollar and regional currencies.**
The Group's outlook for the current financial year is based on the following average exchange rates during FY2019:

Australian Dollar	AUD 1	SGD 0.9898
United States Dollar	USD 1	SGD 1.3580
Indonesian Rupiah	SGD 1	IDR 10,526
Indian Rupee	SGD 1	INR 51.5
Thailand Baht	SGD 1	THB 23.8
Philippine Peso	SGD 1	PHP 38.9

- **Excluding acquisitions, consolidated revenue⁷ and EBITDA⁷ for the Group are expected to be stable.**
- **Capital expenditure is expected to approximate S\$2.1 billion, comprising A\$1.3 billion for Optus and S\$0.8 billion for the rest of the Group.**
- **Group free cash flow (excluding spectrum payments and dividends from associates) to be around S\$2.4 billion.**
- **Dividends from the regional associates are expected to be around S\$1.2 billion.**
- **Revenue from ICT services to grow by low single digit.**
- **Cyber security revenue to increase by mid single digit. Excluding payment compliance services, it is expected to grow by low teens.**
- **Amobee's operating revenue (including intragroup revenue) to decline by mid single digit and its EBITDA to improve.**

⁷ Excluding NBN migration revenues in Australia for FY2020 and FY2019.