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Presentation

SIN YANG FONG, VP GROUP IR & COMMUNICATIONS, SINGAPORE TELECOMMUNICATIONS LIMITED : A warm welcome to all investors and analysts. You're listening to SingTel 's earnings conference call for the first quarter ended June 30, 2014. My name is Sin Yang Fong and let me introduce management on the call. Ms. Chua Sock Koong , Group CEO; Mr. Allen Lew , CEO of Group Digital Life; Mr.Bill Chang, CEO of Group Enterprise; Mr. Paul O'Sullivan , CEO of Group Consumer; Ms. Jeann Low , Group CFO. They are also assisted by other members of the management team from Australia and Singapore. Before we starting taking questions, I would like to invite Sock Koong to share some highlights from this set of results.

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CHUA SOCK KOONG, GROUP CEO, SINGAPORE TELECOMMUNICATIONS LIMITED : Thanks, Yang Fong, and very good morning to all of you. We announced our results for the first Q ended June 30 this morning so let me just share some highlights. The Group delivered very resilient operating performance. Earnings were however impacted by currency movements, investments to support business transformation, and also some significant exceptional items. Revenue and EBITDA in constant currency was stable with continued momentum in Singapore while Australia results were affected by lower fixed revenue and equipment sales. Group Consumer EBITDA growth was offset by lower Group Enterprise EBITDA and share of pre-tax profits from the regional mobile associates grew very strongly on the back of strong Airtel results and very robust base of growth across the associates.

Had regional currencies remained stable, underlying net profit would have increased 5% and net profit on constant currency declined 12% on three key items. A one-off gain of SGD150 **million** on the dilution of **stake** in Airtel with the same quarter last year; staff restructuring costs in Australia of AUD34 **million**, I think that translates to about SGD27 **million**; and the Group share of Airtel's exceptional losses for various disputes and provisions. Free cash flow increased by 33% on strong cash flow from both Singapore and Australia. And on the FX movements, I will just highlight that during on the year-on-year basis the Indonesian rupiah actually depreciated by more than 18% and of course the A dollar depreciated by about 5.4%. However, on a sequential quarter basis, currency movement has stabilized.

So maybe I'll stop there and we'll be happy to take Q&A.

SIN YANG FONG: Thank you, Sock Koong. We will now invite questions from participants. Our operator will now assist you to put through your questions.

Questions and Answers

OPERATOR: Luis Hilado, HSBC .

LUIS HILADO, ANALYST, HSBC SECURITIES (SINGAPORE) PTE LTD.: Congrats on the results. I have three questions, all on the Singapore mobile business. The first question was regarding ARPUs. We've seen that blended ARPUs continued to be flat QonQ. This quarter you launched your new WiFi bundled plans that could help that. But just wondering given the first year or so of the WiFi unlimited, would that help also cap your upside in the short to medium term? Second question is we've seen that fixed broadband subs have continued to grow quite healthily, but wondering if you can give us insight on what's happening with ARPUs or were there any impact from the new entrants and upstarts that have got into the fiber broadband business? And last question is there has been headlines in the past about a potential fourth entrant to the mobile sector, if we could get any insights from what you think how the entrant would be accommodated, whether there would be any concessions given to it or whether it will have to be a true startup?

CHUA SOCK KOONG: Let me take this last question on your question on the fourth player in Singapore. I think I believe clearly consistently we were prepared to meet a fourth mobile player. I think each time when they do a spectrum auction, they would always first invite players to set up the mobile business in Singapore or mobile network. I think so far there has been no success. I think they are now looking at it. The recent consultation phases seem to indicate the use of more IT promotion of MVNO, how encouraging the MVNO platform you will take. I don't think that there's a lot of clarity at this stage so I'm not going to speculate whether they are going to set aside spectrum that is where you get preferential treatment if you do MVNO et cetera.

I think that will be purely speculative, I wouldn't go there at this stage. But I think what I would like to emphasize that SingTel through its operations both in Singapore and Australia and also the regional markets have significant experience dealing with new entrants into a highly competitive market. And I think we will be able to bring some of our learnings to bear if a fourth entrant, whether in the form of network operator or a MVNO is to operate in Singapore. With that, I'm going to pass over to Moon to talk about the ARPU trends and to talk about the fiber broadband market in Singapore.

KUAN MOON YUEN , CEO CONSUMER SINGAPORE, SINGAPORE TELECOMMUNICATIONS LIMITED : Thank you, Sock Koong. Luis, this is Moon Yuen from SingTel Singapore. First of all, I think the ARPU, if you look at the year-on-year decline, ARPU reported a 4% decline on postpaid mobile ARPU from last year. Half of the decline, 2% actually comes from the dilution of mobile broadband as well as mobile share plan. So as you are aware that we have introduced mobile sharing plans where we offer an extra SIM card for existing customers to put into their tablets and additional devices. The ARPU for such plans is only SGD10 a month and comparing this with the traditional smartphone plans of SGD40, SGD50, SGD60, you see that there's a dilution effect. So, half of the decline of ARPU arise from this dilution effect.

The other 2% decline actually comes from two other factors. Firstly, comes from the reduction in interconnect charges for SMS that we charge M1 and StarHub for sending SMSes to them. But of course correspondingly, we also pay less from our cost side figures a reduction in SMS from our customers sent to them as well. And the last part on the decline in ARPU year-on-year is also due to the decline in outbound roaming traffic on voice when our customers go overseas to roam and because they are switching to data as well. So, the combination of this effect actually brought down ARPU on a year-on-year basis. Maybe I'll move on to the second question on the fixed broadband.

You see that the industry as a whole is actually being deprived in terms of the overall revenue for fixed broadband and this is not just SingTel , but across the board. If you look at all the established players and new players, I think the overall revenue pool for the fixed broadband has been on the decline for the last few quarters. This is primarily due to more new players all coming into the market building up their own opco and building up a lot of new capacity and trying to loop the network by giving huge discounting and giving promotional prices. And for all of us, especially for SingTel , who have got existing customer base of ADSL and fiber; we do want to ensure that we maintain certain market share in the market and therefore we also participate in some of these promotional activities.

So we continue to see some price pressure on the fixed broadband, but at the same time, we are also seeing some easing of pricing from the smaller players because I think that the model that is going on may not be sustainable because there is too much of a heavy discounting. They only give them the initial crop of new customers, exceeding certain scale they will have to invest again to build a bigger network and that will require more CapEx. So, I think it is really a question of whether the market is sustainable if you continue to give huge discounts at the retail level.

LUIS HILADO: Thanks, Moon. Thanks, Sock Koong. Very clear.

OPERATOR: Peter Milliken, Deutsche Bank .

PETER MILLIKEN, ANALYST, DEUTSCHE BANK AG : First question is in Singapore following on from what Luis was just asking about the ARPU there. Now if I track postpaid ARPU, it has been trending down for about the last four years from a peak of SGD70 down to SGD52. This quarter it actually ticked up a little bit. Do you think that that can be held at that level or will the increased number of people with multiple SIM cards continue to erode that? And then second one is at Optus, we saw EBITDA fall sequentially quarter-on-quarter from SGD657 million to SGD597 million so obviously about 40% of that was from the restructuring cost. But given that acquisition costs also fell, I'm a bit surprised that the EBITDA was down that much. Is there something I'm missing?

CHUA SOCK KOONG: Yes, Moon?

KUAN MOON YUEN : Maybe let me just give a bit more light on the ARPU and how we look at the business. Firstly, I think when the dilution comes from the multi-SIM and the mobile share dilution effect, we are less concerned because while ARPU from this new set of customers were coming on slower than existing, we also have a lower cost of acquisition because we do not subsidize on devices for this multi share and data SIM. So, it is still value accretive and that's why we are tracking the revenue growth. Of course on the other hand, if you look at sequential quarter ARPU sort of flattening out and in fact improve of SGD1, this is really due to seasonality. Our roaming quarter for April to June is higher than January to March on a seasonality. So, you see this as more of a seasonal change as opposed to any change in the usage mix of a customer.

PAUL O'SULLIVAN , CEO GROUP CONSUMER, SINGAPORE TELECOMMUNICATIONS LIMITED : It's Paul here with Murray in Sydney. So Peter, I think we pointed, to begin with, to the fact that we're 4.5% up year-on-year in terms of absolute EBITDA. So, our view would be that the key driver of the QonQ that you're seeing is the seasonality effect. Not sure what else there is that maybe made you query the EBITDA performance. But from my point of view actually, we'd be pointing to the fact that certainly from the consumer business this quarter, you're seeing in the mobile business a significant stabilization in revenues. Our outgoing mobile revenue was actually stable for the first time in quite some time. All of our declines in mobile come from either mobile termination rates or equipment sales. And as I said, we pulled through strength in the EBITDA percentage of 2.5% and also if you look at the percentage margin, it's up year-on-year as well, 31.1% this year versus 28.9% last year. So, I would expect that anybody looking at the numbers will hopefully see that there's actually some strength in the underlying performance of the business and you're starting to see mobile revenue stabilize and that's a very good platform for us as we now look to raise our voice above the line in the market and as we drive our new marketing campaigns, which only began in the last two weeks of the quarter.

PETER MILLIKEN: Okay. Very good. So, the MyPlan isn't causing any noticeable pressure as people transition?

PAUL O'SULLIVAN : You're talking about the launch we did last year, Peter, or the one we just launched in June this year?

PETER MILLIKEN: The one you did last year in July.

PAUL O'SULLIVAN : In fact if you have a look at it actually, what we're seeing is pretty good data utilization. So if you look at the MD&A, you can see that 41% of the base now are on tier data plan, 33% are coming through quarterly with some form of breakage; but that's a soft break in the case of Optus. It's AUD10 per gig if you need it and if you don't, you just revert back. Telling us really that people feel quite safe browsing and that there is not be rationing effect which we were seeing prior to the launch of My Plan. Likewise in terms of MyPlan Plus, it was launched in the last two weeks of the quarter and we've seen very encouraging signs and uptake on that.

PETER MILLIKEN: Brilliant. Thanks a lot.

OPERATOR: Sachin Mittal, DBS.

SACHIN MITTAL, ANALYST, DBS VICKERS. SINGAPORE: The first one is on the Enterprise business, which actually saw 7% EBITDA decline and dragging the Group EBITDA by 3%. Now looking at your guidance, you are guiding for slight growth in Group EBITDA. So I'm wondering what does it mean for the Enterprise business given that it's facing a structural decline due to pricing pressure? So should we expect the decline should be lower, should it stabilize and what are the key drivers here? With the kind of 7% decline, it's a bit concerning for us. And is it the NetLink income or some new projects, what can actually slow the decline here so that you can meet your guidance for low-single-digit Group EBITDA growth? That's my question number one. Question number two is that you recently launched a bundled plan, which actually are offered in countries like South Korea and Hong Kong; however, they are offered free of cost. So what I'm wondering is, is there a difference in the way that you are offering these bundled services versus other operators that there's a separate or slightly higher charge for that? If you could explain that, it would be very useful. Thank you.

CHUA SOCK KOONG: Let Bill take the Enterprise question and then maybe Moon can explain why WiFi service is a different service that what you see in Korea.

BILL CHANG , CEO GROUP ENTERPRISE, SINGAPORE TELECOMMUNICATIONS LIMITED : Thanks, Sock Koong. On the Enterprise side, what we're seeing is a sort of intense competition in the core carriage business and primarily in the domestic prime MVN and to protect our market share, we basically are gliding some of our prices down to maintain that. So our market shares both domestically and internationally, we have maintained our leadership positions. And the other key driver to this EBITDA is actually a large transition project for the public sector and it's a huge project that we have and we are doing the transitioning now. And the project because of the scale of it and the margins and due to the competition, the margins are lower compared to what was the traditional IT business margins, but this would give uplift in the revenues as we have seen in the strong IT services pickup. There were some one-off items from last year due to one of our cable stocks failed and also in some of the traffic items, but those were largely the third factor. The two bigger factors were what I described, MVN and the IT services. We do not give guidance on sort of an overall. We give guidance on ICT services business. At the moment with our trajectory, the guidance for revenues are still on track for the revenue projections.

JEANN LOW , GROUP CFO, SINGAPORE TELECOMMUNICATIONS LIMITED : Sachin, this is Jeann. One, we only give guidance for the core business, the core EBITDA, and we have not given fully for Enterprise nor Consumer. I think on your question about some of the margins impacted by MVN and do we see it in NetLink. I think if you look at our share of income from NetLink, which of course includes OpenNet, I think we have seen some growth there. The share of net profit from NetLink for the quarter is about SGD8 **million**. So obviously if you alleviate that and as the penetration go up and (inaudible).

SACHIN MITTAL: Just to follow-up on that, I'**m** not looking for guidance, but I'**m** looking for the drivers in this business because this is a very sharp decline. So with this kind of decline, it's difficult to meet the guidance, that's why I am asking for the drivers rather than the guidance for Enterprise.

JEANN LOW : We have affirmed our guidance for the Group so there is no change to our guidance.

KUAN MOON YUEN : Sachin, this is Moon here. In regards to the WiFi service offers in Korea, I would say different countries offer bundled WiFi for different reasons. In some countries they offer WiFi purely as a offload to their 4G LTE network because in some of the countries maybe they are offering unlimited 4G data and putting in WiFi as a possible maybe scheme that they do to actually remove the heavy loading on their 4G network. Whereas for SingTel , we offer our WiFi for a totally different reason. First of all, we are trying to offer the WiFi to ensure that we give our customers more data, that's first thing, as opposed to just purely using 4G data. Secondly, we offer it in a way that is managed network where the quality of the WiFi is different from the free public WiFi that you see in Singapore. And again in Singapore, you can also find quite a few options for free public WiFi that's being offered in the market. So the WiFi that we offer is really of a different grade as a managed WiFi service and therefore we look at it more similar to the type of 4G data that we are offering. So, it is for a totally different reason and it is more for managing the experience of our customers.

SACHIN MITTAL: Okay, I got it. Thank you.

OPERATOR: Roshan Raj, Merrill Lynch .

ROSHAN RAJ, ANALYST, MERRILL LYNCH : First on Optus Satellite, revenue has been trending down for a few quarters now, I'**m** just trying to understand what's really leading to this and how should one look at the outlook for this segment. The second question is on your associate Telkomsel. Just a big picture level, how do you think or how do you guide them in terms of really investing in the network? To what extent should they be ahead of the market and when should they actually start moderating the investment? How do you take that call? Some color there, that will be very useful? Thank you.

CHUA SOCK KOONG: Paul, you want to do the satellite question. And then I will get Moon to talk about Telkomsel.

PAUL O'SULLIVAN : So, the main influence you're seeing in the Satellite numbers is that we had a contract with the NBN to help provide satellite broadband services to customers mainly in regional areas. Most of the revenue that has been reduced was for us providing CPE to customers and it was effectively a pass-through so you don't see a big impact on our profitability, but you do see an impact on the revenue line. In terms of guidance, we don't guide Satellite moving forward; but I think most people would know that we have a very strong position in the market. We effectively dominate the space of media and broadcast and we see that as a very strong business. I'll pass back to Singapore for the question on Telkomsel.

KUAN MOON YUEN : This is Moon here. For Indonesia Telkomsel, if you look at the history of how the investment network, primarily you built the network in different parts of Indonesia and you expect the customers to come on. That was the traditional model where they were rolling out 2G. But in the last one or two years, you look at Telkomsel investment is primarily focusing on investing in 3G networks to capture the data market and the growth in data. So if you look at last year or the past one year of CapEx investment, 75% of their CapEx are primarily driven on 3G. And the way Telkomsel does it is really to look at which area or which region have got high data adoption rate. So they look at historical usage of the 2G and 3G network and they see that in this area have got higher demand of data network, they will then double down the investment in that area and at the same time obviously, they will perhaps ensure that there are enough devices that are 3G enabled in these regions to support the growth of data. So, it is a disciplined approach to look at where this demand for data and investing in the network to meet the demand there.

ROSHAN RAJ: Thanks. If I may just follow-up on that. Given their market position in terms of coverage and capacity, are they already in a strong position to really start looking at moderating investments or do you think there is still ample room to invest to support potential growth in the market? What's the trend one can expect?

KUAN MOON YUEN : I think if you look in general, Telkomsel has provided CapEx guidance for their Group so I will not repeat that. Telkomsel, I think if you look at Indonesia as a whole, the data penetration is still very low. I think it's flat [than] 50% or close to 50% so it is still growing and there is still a lot of potential growth. I think it is a question of pace and timing because you don't want to invest too fast ahead where the devices are not ready and the affordability of the consumers are not ready. So it is really about pacing the investment, but generally speaking if you look at the market, it is definitely not penetrated yet. There's still more than 50% of the market not data penetrated yet.

ROSHAN RAJ: Okay. Thanks, Moon. Just going back to Paul's response. So should we expect the Satellite revenue to sort of stabilize at current levels or how should one look at it or you would not be able to share that guidance?

PAUL O'SULLIVAN : We don't guide specifically so I'd love to answer the question, but I don't want to land myself in trouble with a selected guidance. So unfortunately we can't comment at the product level, but I just reinforce my comments that we have a very strong business.

ROSHAN RAJ: All right. Thank you, Paul.

OPERATOR: Sachin Gupta, Nomura Securities .

SACHIN GUPTA, ANALYST, NOMURA SECURITIES : Firstly for Paul. In Australian business, obviously costs are fine, but revenues are still a struggle. Are you reasonably confident that with the new pricing plans, we should be able to see this turnaround? That's one. Secondly for Moon. If you look at the pay-TV business in Singapore, the sub addition or the sub numbers were flat for mio, we had 19,000 cross-carriage. Is that a concern or does that actually make you rethink the content strategy given this impact? And I guess lastly as well on this new WiFi plans, I'**m** sure every market is different, but obviously the customer perception is that WiFi is free and WiFi is unlimited. What sort of reaction do you expect when you start charging for these services and you start capping WiFi?

PAUL O'SULLIVAN : Sachin, this is Paul here on question one. I might guide you through the section of the MD&A, look at the Australia Group Consumer and let me give the exact page to you because I think it's worthwhile trying to highlight the specific numbers that get us there. So that would be page 26. So if you have a look at that, if you look at second tab of the page, you'll see our mobile revenues and if you look at mobile service revenue, you can see it's down 0.8%, of which outgoing is down 0.1%. There are two key points there. First one is total mobile service revenue if I look two quarters ago was declining minus 4%, last quarter was minus 2%, this quarter is minus 0.8%. So, you're seeing the number start to stabilize. And if you look at outgoing, it was two quarters ago minus 3%, last quarter minus 7%, this quarter minus 0.1%, almost flat. So the first thing I'd point you to is you're starting to see us stabilize the revenues.

We did say quite clearly over the last two years that we were voluntarily getting rid of what we thought was unsustainable revenues like the AUD100 per gig that the industry was charging for anybody going over their data allowance or some of the hidden fees. So we had been quite open about saying that we were going to walk away from those and now what you're seeing is we're starting to stabilize the business and to pull it through, which I think is a positive thing. So, that's the first thing I would very much point to in terms of where mobile's at today. And the second thing I'd point out is that if you do look at the decline in mobile service revenues of 0.8%, all of the decline which is around about AUD24 **million**, AUD25 **million** there, all of the decline is in either equipment sales or mobile termination rates. Now, neither of those go through to EBITDA.

Our mobile terminations are actually quite balanced on traffic these days and equipment as you know is simply us providing equipment to customers with no markup of any significance on it. So again, I'd point out the fact that actually what you're seeing is the underlying mobile numbers are now starting to be quite resilient. Moving forward, many outside Australia will not have seen our advertising, but Optus has been probably the most visible it's been in two to three years above the line in the last quarter. Equally importantly, we've been very active on social media, we'd be quite innovative and very much behaving in an un-carrier way not the way that we go to market and standing out from the crowd. That only began in the last two weeks of the quarter, but the early signs of that campaign are quite encouraging. So yes, as we're moving forward, I do believe we'll be able to bring the mobile business back to growth. But clearly I don't want to guide the market in any specific sense and we'll just let our results speak for themselves over the next 12 months.

KUAN MOON YUEN : Sachin, this is Moon here. I think the first question on pay-TV. First of all, last quarter was a quarter that we focused a lot on leveraging on World Cup so a lot of our sales and marketing effort was really trying to get our customers, especially BPL customers, to recontract and to sign up for World

Cup to give us the leverage of using World Cup. So, we were less focused last quarter on signing up new customers. And the 19,000 cross-carriage was primarily for World Cup only, that's why we call it out separately. And also traditionally if you look at our Q1 quarter, it's always been a low season for acquisition because it is the end of BPL season as well. So combining the two factors, you see that holding a flat QonQ subscriber base on pay-TV is actually a good outcome for us.

And more importantly, we actually focus on selling more content to our existing base and that's why you can see a good improvement in ARPU even without the World Cup revenue contribution. So, it jumped up to SGD53 million on revenue on pay-TV. On your second question on WiFi. First of all, let me clarify that the WiFi service that we provide is actually a seamless WiFi service for all our mobile customers we find on the combo plan. What it means is that the customers do not need to have any lock-in credentials or lock-in password. So as long as the phone is switched on to WiFi enabler, once it goes into the hotspot, the phone automatically switches over to this WiFi service that we have configured.

And secondly, this WiFi service is actually a managed WiFi where we are actually dimensioning the network to ensure that we give a much better speed and better throughput experience for our customers from the traditional using the free public WiFi. We projected that the speeds will be typically between 4 meg to 10 meg which is about five times faster than the free public WiFi. So combining the seamlessness and the higher quality of WiFi, we are putting this much more closer to the experience of mobile data experience and therefore, we are creating a new category of WiFi data allowance in our new combo plans package.

OPERATOR: Just to inform, Sachin's line has dropped from the call. Janice Chong, CLSA.

JANICE CHONG, ANALYST, CLSA: First of all for Singapore. You mentioned about the WiFi data allowance, I just wanted to understand whether in the long term will these WiFi access actually cannibalize into your potential data revenues. Basically you are actually allowing consumers to access unlimited WiFi whereby they could actually upgrade to a higher plan later on if their data consumption increases. That's question one for Singapore. Secondly, your prepaid subscribers have not been affected by the SIM card restriction. Unlike your two other competitors who have actually shown a decline in prepaid subs, you have not. Could you elaborate on that?

And third question on Singapore, I just wanted to clarify whether wholesale pricing for mobile, is that regulated in Singapore? On Optus, I just wanted to get a better sense of competition in the Australian mobile landscape. Vodafone has recently come up to say that they will be refarming its existing 15 megahertz. Just wondering whether do you see EBITDA growth sustainable by this year and also financial year 2016 or do you expect the next two years probably would be an investment year for you. That's all for now. Thank you.

KUAN MOON YUEN : Moon here. Let me take the WiFi question again. I think first of all, there are many free public WiFi service available in Singapore. So I think the key question is if we do not build a quality WiFi product as seamless, there will be always be substitution itself. I think by introducing our own WiFi, we have the ability to take some of the traffic back on to our managed network to provide a consistent service. And the initial one year of free unlimited WiFi that is bundled with our premium WiFi service is really more as a rollout phase. As we built up all the hotspots in Singapore to reach 1,000 points of hotspots, we felt that it was not good to start metering so early when there are fewer hotspots.

So by that time we will see really more nationwide coverage of 1,000 hotspots, that's the time that we will start to charge to meter the WiFi 2 gigs of data for everyone. We see this WiFi as completing our 4G networks to provide the seamless experience. We also expect consumers to continue to use their mobile phone and data growth will continue to increase. So while it may take away some traffic initially, but in the longer run, the growth will be able to sustain the loading on both networks. The second question on prepaid, I believe is related to the prepaid registration of 10 SIM cards to three SIM cards. We are equally impacted in terms of the regulation. So, our customers who have more than three SIM cards definitely cannot register for a fourth one.

I think I can't comment on our competitors what's the impact. Of course our focus is really to then look at the quality of our customers to encourage them to do more top-ups, which we are seeing, instead of buying new SIM cards. Our focus has always been getting our customers not to throw away SIMs, but to reuse their existing SIMs by managing our promotional offers to make sure that we do not give a much better offer for new customers and existing customers. So we encourage our customers to top-up more, perhaps that's the reason why we are less impacted in the sense as compared to the other two. On your third question on wholesale mobile, wholesale mobile which are actually not regulated is competitive. We can actually offer and set our own pricing for wholesale prices.

PAUL O'SULLIVAN : So Moon, I might pick up the question on Australia, which was a very broad ranging question, but I'll try and pick up what I think were three big themes in it. First of all on network, to just give you some context about network. This is actually quite an exciting time for Optus in terms of network build so we have acquired 700 megahertz frequencies in the recent auction, which become available to us on the January 1, which is only about four months away. We also have 2600 spectrum and we also have a massive amount of 2300 spectrum in the metro areas, which we acquired two years ago. We are pre-building our sites. There's a major rollout underway with a view to getting that frequency deployed and it will be used for 4G. Our publicly stated goal is to have 90% coverage of subscribers in 4G by April on a national basis. So, that's a very strong story.

And certainly we've heard our competitors' network plans, I'll remind you as well of course that they have a smaller footprint than we have in terms of national coverage. Moving forward in terms of the market and its competitive dynamics, it's been interesting to watch the market over the last few months. We've seen that carriers in general have shifted the focus of competition less on handset and now more on data allowances and certainly we've seen Vodafone go very much aggressive on data allowances. But if I move forward and talk about Optus and where we're going, I can remark that if I look at this directly whenever Optus demonstrates peer differentiation on value, service, and provides a strong and competitive network; it does very well. And if you look at what we're currently executing, I've described our network sales and our network rollout.

On net promoter score, we **lead** the three major carriers by a significant amount on net promoter score and that's independently gathered data. And if you look at our value, we have launched the first-ever data sharing plans that allow you to share your data allowance on a mobile across all your devices with no extra monthly charge. And in prepaid in the last week, we are the only carrier in the market with daily plans, you only pay for the days you use. We've gone right back to our challenger roots and this is the territory which Optus always does well. I've got no doubt the market will be very competition ongoing, it always has been, but I also would remark that I think Optus is well placed to face that competition and we'll certainly continue to focus very heavily on customer experience and value differentiation building on a strong network.

JANICE CHONG: Okay. Thank you. I just got one more question, it's more on the PBTL. I'**m** just wondering what is SingTel 's plans on this associate and whether you have plans perhaps in the future or in the near term to actually divest?

MARK CHONG , CEO INTERNATIONAL, SINGAPORE TELECOMMUNICATIONS LIMITED : This is Mark. On PBTL, we are managing it for cash so essentially that's it.

JANICE CHONG: When you say that managing it for cash, you're saying that basically it's free cash flow positive?

MARK CHONG : It's currently I think on a sustainable basis based on the funds that is obtained through various loans and [cash].

CHUA SOCK KOONG: I think in Bangladesh, we do have a presence in mobile GSM presence in (inaudible). So with PBTL, we are not committed to any further investment so we are basically letting the partners run it, but making sure that the **company** is just managed for cash. There's no additional cash investment required from outside.

JANICE CHONG: Okay. And if there is opportunity to diverse, suppose that you will be happy to look into that?

CHUA SOCK KOONG: I think we are open to divestment opportunities.

SIN YANG FONG: Janice, does that answer your question? Do you have further questions?

JANICE CHONG: No, that's all. Thank you.

OPERATOR: Arthur Pineda, Citigroup .

ARTHUR PINEDA, ANALYST, CITIGROUP : Firstly, can I get some color in terms of the Digital Life operating losses as it seems to have narrowed notably quarter-on-quarter? There seems to be a significant reduction in the cost base and revenues are slightly down as well QonQ. Is this really a seasonal factor or is this linked to the reduction in spending? Second question I had is with regard to Singapore mobile. You've obviously been very active in the launch of all the new plans particularly on the WiFi bundling. These are slightly higher on the base price, but more generous of course on the minutes in data allocation. But based on the usage patterns that you've seen internally versus the plan allocations, do you see this as potentially ARPU accretive or neutral based on the more generous bundles? Last question I have is with regard to strategic investments. We've obviously seen the **Chinese** operators being more active across this space. I'**m** wondering what SingTel 's commitment is for the existing assets. You've mentioned PBTL that you may be open to that. Is the door open for the other assets as well? Thank you.

CHUA SOCK KOONG: I think we'll talk about Singapore where it is not (inaudible). We are open to that obviously, all those got to be on the right terms. Maybe I'll get Allen to talk about Digital Life and then throw it back to Moon to talk about mobile in Singapore.

ALLEN LEW , CEO GROUP DIGITAL LIFE, SINGAPORE TELECOMMUNICATIONS LIMITED : About the Digital Life, your question on the revenue QonQ is primarily because of seasonal effects. I think typically our Q1 of our fiscal year for mobile advertising is little bit lower than the previous quarter so I think that reflects customer spending. I think this Q also we had a little bit of deferred spending from European advertisers in particular deferring their ad dollars spend to the second half of the year and that's why we think it will start to come back a bit more. I think more importantly when you look at our mobile advertising business, if you look at the growth in revenue per quarter from SGD21 million to SGD35 million, [which is] about 80% growth.

If you benchmark to some of the other independent advertising platforms out there in the mobile space, Rocket Fuel for example is growing at about 70% to 75%, Millennial Media which is very much US focused also a SingTelcompany without SingTel technologies differentiator that we have has been growing about 45%, 50%. So, the relative performance of MOB in that market is very important. In terms of the EBITDA, I think there are some one-off impacts of the EBITDA primarily due to the acquisition costs associated with the two acquisitions that we've made that we've basically put into our operating expenses for the year. I think the rest reflects a business that we're building up to scale.

KUAN MOON YUEN : Moon here. Let me just maybe explain a bit on the thinking behind the new combo plan package that we've just launched yesterday. First of all, I think the SGD3 increase in some of the plans, not all the plans, actually primarily because we are giving more value to the customer. We are giving more value on calls, we are giving more value on SMS, we are also introducing a WiFi data bundled plan. So, that's the only reason why it's a higher base price for that. And the question of giving more voice and then taking away the excess usage of voice is really a question of trend. If you look at the last one or two years, we are seeing a similar trend of how SMS have trended down when data is up. So, we are seeing a similar pattern on usage where customers are using lesser voice and also moving towards more data. So actually by repackaging, we are arresting this downward decline of voice and actually upward increase in data. So obviously, we do see that this new packaging allow us to better fit the changing usage behavior and obviously we wanted to be value accretive in the overall packaging of our price lines.

ARTHUR PINEDA: I guess if I put it in a different way. When we look at it from a revenue perspective, should we expect this kind of strategy to actually improve your revenues going forward or is it more neutral because people who used to pay more for voice because of them budgeting their plans in voice more for data because of them budgeting their caps in data, you don't collect more from that. So that SGD3 increment, is that to be viewed as an increase in ARPU down the road?

KUAN MOON YUEN : Well, I guess consumers will have options as we introduce many different plans including earlier on, two months ago we introduced Easy Mobile. We are really creating plans that fit different segments of the market. The combo plan definitely has advantage of having a higher assured monthly fee and perhaps lower excess usage, but we believe that the continuous growth on data consumption will allow us to have a breakthrough in data usage in terms of on a [personal] basis. And if you look at the last few quarters, we have actually consistently grown the number of customers who have exceeded their data package; last quarter it was 16%, this quarter it's 18%. So we believe the data excess usage will continue to grow driven by better handsets, faster network, and more applications of video. So, that will continue and that will definitely overtake the usage on voice access usage. So raising the subscription fee will actually protect certain level of revenue for us in the switching behavior of consumers.

ARTHUR PINEDA: Got it. Thank you.

OPERATOR: Abhijit Attavar, Jefferies.

ABHIJIT ATTAVAR, ANALYST, JEFFERIES & COMPANY: I just wanted to refocus on the Optus EBITDA and in particular, the sequential almost 10% decline we have seen in the first quarter as compared to fourth quarter last year. So if I look back, second quarter last year you had this big rationalization in selling and administrative cost, also your staff cost because of the restructuring exercise you took and cut out your third-party distribution cost and that kind of held through for about three quarters. But again this quarter I see a jump in your selling and administrative cost and also interestingly your staff costs. So, I'm just trying to understand are there any one-offs in this or is this a new trend going forward given that you're building back some of your brand visibility in Australia. So, if I could just get some flavor on that.

MURRAY KING , CFO GROUP CONSUMER, SINGAPORE TELECOMMUNICATIONS LIMITED : It's Murray King here from Optus. In respect to the EBITDA sequential movement, I'll probably refer you to page 29 of the MD&A where we talk about Consumer Australia sequential performance. We clearly cite there a slight growth in revenues, but the selling costs were higher quarter-on-quarter. This is somewhat a reflection of seasonality because in Australia because the March quarter we have the January holiday period and February (inaudible), we normally see a lot lower level of activity in the marketplace. So you've historically seen our EBITDA higher in the fourth quarter versus quarter one. Your point about the staff costs is correct. As we've moved to the owned and operated number of stores of around about 160-ish shops, we are incurring those staff costs. But that's more than offset by lower commission cost in respect to the previous franchise arrangement. So essentially, as Paul indicated earlier, it's a result of the seasonality in the higher selling costs quarter-on-quarter.

PAUL O'SULLIVAN : Paul here. I think we'd reinforce that the cost discipline remains very strong at Optus and it's the 4.5% expansion in EBITDA year-on-year. And the way management sees this challenge at the moment is to build off that platform and to make sure we get some momentum back in the topline.

ABHIJIT ATTAVAR: Thank you. I just wanted to have another question on the Singapore Enterprise EBITDA side where you have seen an 8% decline year-over-year on the EBITDA side. Clearly with more NBN open access, there would be a lot more pricing pressure from your competitors. This is a really high margin business for you. So if you've got a different market share, don't you see a lot more pricing pressure in EBITDA declines and this is a business which contributes almost a third to your consolidated EBITDA. So, how do you protect earnings of this business?

CHUA SOCK KOONG: Bill?

BILL CHANG : Thanks, Sock Koong. So if you look at that, the NBN is a key factor on that and where we are seeing it is in terms of moving away from carriage and bundling more services on those carriage. And in the SME segment, we do quite a fair bit of that, we do have a very strong hold in that in our fiber broadband rollout. In fact we are leading the market in the space with a lot of access rollout to sort of stronghold the [skews] there. Given some of the government's grants and all that they have launched over the last few months announced for the Singapore to help SMEs, we're certainly taking advantage of that in the fiber rollout adoption and our WiFi adoption for SME. So, definitely those are sort of opportunities that we are pursuing to tap into that.

In the large enterprise, we are also rolling out similar strategies in terms of more services primarily in the area around unified communications and collaboration and also cyber security being a very major focus. And finally in the area of cloud, pushing greater; for example the G-Cloud, we're getting a lot of attraction there and also the Enterprise Cloud for commercial accounts. So if you look at that, the transition of this is going to require us to move much faster into that. The managed services portfolio you're seeing that is picking up speed in the space given some of the strong contributions to Q1. So, we expect to continue to do that and continue to drive the growth into the sector and also try and latch on to the infrastructure that the managed services would need to ride on.

ABHIJIT ATTAVAR: And this seems an interesting strategy and I guess it will take time for the services on top of the network to pick up. But in the interim, isn't there a big differential between your current pricing and what would be the wholesale open access pricing and will your competitors not want to arbitrage this down? So in the near term, do you foresee more pressures on the EBITDA from this business? I'**m** talking about the next couple of quarters.

BILL CHANG : Next couple of quarters we will see some pressure, but again like I said, it's about the portfolio management and trying to shoot that and not forgetting that you would see the pick on the MVN is also going to represent value creation for us from an OpenNet standpoint. So that's what Jeann talked about earlier, it's going to go to a part of the Group earnings as well. So for us as an operating arm, we're definitely moving this so we probably see a couple of quarters of this and then after that, we expect to try and uplift that. The other piece that we see there is some kind of a pickup also in the international front where the US market seems to have good activity and that should also be something to uplift for us from primarily US at the moment.

ABHIJIT ATTAVAR: Thank you. And can I just understand what exactly was the transition on this large government ICT project that you had and how exactly is it affecting your EBITDAs?

BILL CHANG : The transition actually refers to the Singapore Government's what's called a Standard Operating Environment, SOE project, for all the government infrastructure. So, we used to be a subcontractor of that.

CHUA SOCK KOONG: I think basically we moved into a contract renewal phase and ultimately there is a pricing reduction and that (inaudible).

BILL CHANG : And beyond the contracts, also from a subcontractor to a prime contractor now for this contract in second phase.

ABHIJIT ATTAVAR: Understood. Thank you very much.

OPERATOR: Steven Liu, Standard Chartered .

STEVEN LIU, ANALYST, STANDARD CHARTERED **EQUITY** RESEARCH: First, maybe on the VoLTE. Since you launched the service, what do you see the pickup in the customer for VoLTE? I mean what kind of reception from the customers. Secondly, regarding your enterprise in Singapore. With now M1 has launched the enterprises service and also StarHub expanding the network coverage and there is also some [all-in] coverage. Do we see the pressure really coming up in the domestic enterprise markets? Thank you.

KUAN MOON YUEN : I'**m** going to answer the VoLTE question first. I think first of all, VoLTE is actually a very new technology that has been introduced into the LTE network. There are very few handset devices today that actually supports VoLTE. So the network is ready and we are progressively turning on VoLTE for customers who come in with the handset that are enabled for VoLTE. So, it will take a while longer before all devices introduced in the market are VoLTE enabled not just in Singapore, but it will also require the rest of the world to catch up with this devices that are VoLTE enabled. So, it's actually very early days. I think the numbers are actually very small today, but obviously for those who actually have it will be good to enjoy the better quality and clarity of the VoLTE voice.

CHUA SOCK KOONG: The enterprise competition in Singapore.

BILL CHANG : The enterprise competition in Singapore, specifically we see this in two main sectors. One in the telecom providers not so much as the players who are the domestic players, but also international players because we serve a large part of MNCs. The other part is because of our IT services piece so we do also compete with IT services companies like IBM and HP and to the likes of Accenture and also to the Indian outsourcers. So, for both the global service providers and global IT services providers as well.

STEVEN LIU: Okay. Thank you.

OPERATOR: Prem Jearajasingam, Macquarie.

PREM JEARAJASINGAM, ANALYST, MACQUARIE BANK LIMITED : Firstly, to what extent have we already converted all our ADSL subscribers to fiber and is this the key drag on the ARPU side for your broadband business? And secondly with regards to all our investments in LTE, could you share with us what you see in terms of the ARPU uplift, the LTE versus 3G, and potentially how that changes your views with regards to handset subsidies going forward? Do we see a need to increase subsidies going forward to get more people onto LTE handsets or are we comfortable with things as they stand and there's room for further declines in the handset subsidy lines? Thank you.

CHUA SOCK KOONG: Just to clarify when you're talking about LTE, you're referring to Singapore or Australia?

PREM JEARAJASINGAM: Singapore first and to a lesser extent Australia as well.

CHUA SOCK KOONG: Maybe Moon, you can go first.

KUAN MOON YUEN : We actually disclosed in our MD&A the fiber base is actually now 347,000 customers and the ADSL is 201,000, basically a much smaller number. So, actually last quarter I mentioned that we crossed over more than 50% actually on fiber. I think we have progressed that even further now so almost 60% of our base are actually on fiber now. With respect to LTE, I think our long-term strategy is definitely to migrate all our postpaid 3G customers into LTE. Firstly, because LTE is a much more efficient network to carry data and with data growth and usage, you would expect our customers who are on the 4G network, who have better opportunity to use more data because it's faster and it's of higher quality than the 3G network in terms of data throughput and experience.

So over time if you look at the 18% of our customers who exceed their data usage as we reported in the tier plan, majority of them obviously are on the 4G LTE network. Therefore you can anticipate that more customers on 4G means more data usage and it's going to be good for the business. In terms of handset subsidy, I think there are two ways of looking at how we migrate. Obviously if you look at our shops, our own **China** selling phones and services together, more than 90% of the phones that we carry today are actually 4G phones. So by natural attrition and customer change out, you will see that all our customers are actually going to be on a 4G plan. And obviously the customers can still buy their own 3G phones in the market, but then they will not be able to enjoy the better experience on a 4G network.

So, it is natural that more and more customers will move into 4G without us having to oversubsidize to encourage the switch. And if you look at yesterday's new price plan, one of the reasons why we remove away the LTE VAS charge is actually to encourage more 3G customers to move into a LTE plan because if you slap on an additional add-on LTE charge, you are actually slowing down by creating more inertias for customers to switch over into LTE. So by removing that and bundling it into the entire combo plan, we are actually facilitating the migration faster and encouraging migration faster.

PREM JEARAJASINGAM: Paul, on Australia?

PAUL O'SULLIVAN : I was just going to really just say not much extra to add other than a few local points, which is just as we've discussed previously, there is definitely a larger uptake of data browsing on a 4G device. For us, that's a combination of the work we've done on making it safe to browse, I described it earlier with our new MyPlans. Also the fact that we've got data sharing, but also the device and the speed of the network does drive that. You've seen that in Australia handset subsidies have been declining over time and customers have been willing to pay more and despite that, we're still seeing very good take-up of 4G. We've got just under 2.5 **million** 4G customers on our network now. We also see a growing trend in Australia of customers buying their own device and then doing a BYO plan because they like the flexibility that it gives. So I would say that it certainly is in our interest to keep ceding 4G devices, however I don't think it necessarily follows that that needs to drive an increase in subsidy and if anything, we may see some relief longer term of the entry into the market of the low cost handset providers. But for now, I'd simply be noting no major departure from trend is how we see it today.

PREM JEARAJASINGAM: Great. Thank you very much.

CHUA SOCK KOONG: Thank you, everybody. We've had a lot of interesting questions, but due to time constrains, we are going to stop the call here. Well, call us if you have questions. We have your names, we will contact you. So thank you very much again for calling in. Should you have further questions, please don't hesitate to contact the IR team in Sydney or in Singapore. On behalf of everyone in SingTel , thank you and goodbye.

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