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**OUR THREE UNITS UNDER THE NEW ORGANISATION – GROUP CONSUMER, GROUP DIGITAL LIFE AND GROUP ICT – ARE STRUCTURED ALONG CUSTOMER SEGMENTS INSTEAD OF GEOGRAPHICAL LINES, ENABLING US TO SHARPEN OUR CUSTOMER FOCUS AND TAKE FULL ADVANTAGE OF OUR SCALE.**

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**Q: DESCRIBE FY2012 FOR SINGTEL FROM YOUR PERSPECTIVE.**

**A:** Let me start by saying that I am very proud of the management team and our 23,000 employees. We faced multiple challenges in FY2012 from currency fluctuations to the emergence of new disruptive competitors seeking to take a bite of our profit pie. Despite all that, the SingTel Group continued to deliver resilient financial results while enhancing our range of product and service offerings to our customers.

As one example, during the year, we rolled out 4G or Long Term Evolution (LTE) services, giving our customers in Singapore unprecedented broadband speeds. Optus extended and enhanced its 3G coverage with the commencement of a spectrum migration programme and started offering 4G connectivity in the Newcastle region of New South Wales. Be it LTE or new generation fibre services, customers today are spoilt for choice when it comes to broadband access.

We are committed to giving the best value and experience to our customers. For our enterprise customers, we expanded our portfolio of cloud-based solutions to help them reduce costs and improve productivity. For consumers, we widened our range of digital offerings to simplify their communications and enhance their lives. Our continued market leadership position reflects the success of our strongly executed strategy.

Optus celebrated a milestone – its 20<sup>th</sup> anniversary and 10<sup>th</sup> year as part of the SingTel Group. The role Optus plays in the Australian communications landscape is a significant one. Optus has long advocated for a regulatory framework that delivers a level playing field and improves competition in the fixed-line market. This will be achieved in part by the rollout of the National Broadband Network which will

transform the telecoms marketplace in Australia by creating a platform for a vibrant and competitive fixed-line sector.

In the emerging markets, our regional mobile associates recorded strong growth in customer numbers. Telkomsel crossed the 100 million customer mark. In less than two years after acquiring mobile operations in Africa, Airtel now has 50 million customers in that continent. Competition has eased in many of our markets and prices have stabilised. Our associates are also tapping into the growth opportunity in mobile data services by introducing data bundles, smartphones and investing in their networks.

Beyond the operational achievements in our various markets, we also established new priorities for ourselves with a definitive move to realign the Group's structure by customer segments as we progress into the new era. The new structure became effective on 1 April 2012.

**Q: THE GROUP MADE A SIGNIFICANT CHANGE IN ITS ORGANISATION STRUCTURE. WHAT IS THE MOTIVATION BEHIND THIS?**

**A:** Our industry is undergoing significant changes. Our competition has expanded beyond traditional telecommunications companies to also include players in the digital space, like device companies, content owners and numerous other firms with web-based service operating models (often described as "over-the-top" or "OTT" players). These companies are expanding beyond their traditional boundaries and entering each other's turf to battle for an increased share of the consumer and enterprise wallets.

With these changes, our relationship with customers is becoming less exclusive, and we run the risk of being marginalised if we do nothing. At the same time, these changes present new opportunities for us to expand our

share of the customer's wallet. To succeed, we need to stay focused on leveraging our many unique strengths and sustainable advantages.

As we look at our competitive landscape, it is clear we need to engage our customers differently. Our three units under the new organisation – Group Consumer, Group Digital Life and Group ICT – are structured along customer segments instead of geographical lines, enabling us to sharpen our customer focus and take full advantage of our scale. We aspire to be a truly global business with strong local customer insights, supported by global delivery capabilities.

**Q: HOW DOES THE NEW GROUP DIGITAL LIFE UNIT FIT INTO THE OVERALL STRATEGY?**

**A:** Over the past few years, we have accumulated an interesting portfolio of digital assets. The formation of Group Digital Life will sharpen our focus in this space and raise our game against non-traditional competitors.

Our unique assets allow us to shape the future of a connected society and truly make a difference to our customers. Among other things, these assets include:

- a market of over 400 million mobile customers;
- extensive customer touch points that are hard to replicate, such as shops, online stores and billing relationships which give trusted telcos the edge against online content providers;
- information on customer preferences that will help us develop relevant and useful services; and
- access to location-based information by virtue of our network intelligence, which enables our services to be truly targeted.

The mobile advertising and marketing industry is in a nascent stage and holds significant potential for mobile operators in both the developed and emerging markets. The location data produced in the normal course of our network operations can help us, with permission from the customer, to uniquely identify customer preferences and habits. We could utilise this knowledge to raise the effectiveness of advertisers' promotions and the value of their marketing expenditure, while consumers benefit from a better mobile experience. We are particularly excited about the potential of mobile marketing in emerging markets, where mobile phones offer advertisers the most compelling avenue to reach hundreds of millions of current and future customers.

As part of our strategy in this space, in March 2012, we announced our plan to acquire US-based Amobee, a premium provider of mobile advertising solutions to global operators, publishers and advertisers. We plan to combine Amobee's advertising expertise and platforms with our customer reach and knowledge to offer advertisers a unique proposition and effective returns on their marketing spend.

We will be making similar moves in other exciting digital spaces as we continue to enhance and leverage the assets of our core carrier business.

### **Q: HOW DO YOU INTEND TO ACCELERATE GROWTH FOR THE GROUP?**

**A:** As we seek new growth avenues, our core telco business remains the critical lynchpin to our success. We will continually review the core foundations of our carrier business to anticipate industry changes rather than simply react to them.

In Group Consumer, our priority is to continue delivering strong profitability and lowering costs, while driving service as well as business model innovations to better meet customer needs. To capture scale benefits from the Group's operations in diverse geographies, we will also drive tighter integration across Singapore, Australia and with

the regional mobile associates, focusing on areas such as procurement, networks and IT.

Our regional mobile associates generate a significant portion of our Group earnings. We are a long-term strategic investor and they remain a key part of our future. But we need to engage them differently. Developments in the emerging markets indicate tremendous opportunities for growth. The new organisation structure reflects our commitment to drive stronger synergies and seize opportunities more effectively across the entire footprint of the SingTel Group.

For our enterprise customers, Group ICT will maximise economies of scale and deliver relevant end-to-end ICT solutions across different verticals globally. It will focus on innovatively bundling IT solutions with voice and data connectivity to drive down costs and simplify administration, while raising the productivity of our enterprise customers.

### **Q: HOW IS SINGTEL RESPONDING TO THE INCREASING GLOBAL DEMAND FOR MOBILE DATA?**

**A:** In recent years, with the advent and adoption of smartphones and other connected devices such as tablets, as well as richer applications, mobile data usage has surged rapidly. Yet revenue for mobile data services significantly lags the growth in data usage as well as related costs.

To grow our carriage business, we must continually meet customers' network performance expectations. We remain committed to making significant investments in our networks from acquiring additional spectrum to introducing more efficient data-handling technologies, such as LTE.

To fund future network investments, it is critical for us to ensure that our revenue from data services keeps pace with the cost of provision. We, along with other carriers

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around the world, are actively seeking new pricing models to achieve this objective without causing unnecessary pain to customers.

In Singapore, we are taking steps to shape customers' behaviour. By delivering the right outcomes to customers with tiered and quality-of-service oriented price plans, we can maximise our chances of achieving returns and sustain ongoing investments in our network. Through initiatives by Group Digital Life, we will also create interesting bundles of traditional and new services to better satisfy our customers.

**Q: WHAT ARE THE CHANGES SINGTEL IS MAKING TO SUCCEED IN THE NEW DIGITAL AGE?**

**A:** Embracing a culture that allows innovation to flourish is important. This will require a shift in our collective mindset – away from failure aversion to one of constant experimentation. We need to learn from past failures and be prepared to reiterate a bold idea if we believe it will eventually bear fruit. Even when we do not succeed, we expect a "fail fast and fail cheap" mentality to produce valuable learnings that can form the basis of long-term advantage against competition.

Nurturing a more global mindset among our staff and bringing out their entrepreneurial spirit will also be important for the Group. As some forms of our competition

are global in scope and scale, we believe that some of our services can only be effective if they are competitive on a global scale.

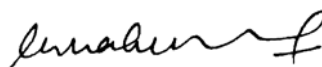
Thus it is important to possess strong local and global perspectives to be able to identify and capture possibilities both at home and in new geographies.

Our corporate discipline is strong and our innovation culture is evolving. We actively encourage innovation within the organisation. For us, innovation is not just about technology. It also involves breaking new ground in our business models and processes.

To complement our existing talents, we are also hiring people from other industries to introduce fresh insights and better execute our vision.

At the heart of this transformation is our commitment to put customers first. We want to lead and shape the communications landscape by making a difference in our customers' lives and enhancing the way they live, work and play.

As an organisation, we have never backed away from new challenges. We have a history of making bold first moves, particularly during times of industry change. We have the confidence and inspiration to prevail in the face of the many challenges and exciting opportunities we see on the horizon.



**Chua Sock Koong**  
 Group Chief Executive Officer