

Chairman's Statement



Dear Shareholders,

The industry trends we discussed last year continued to unfold in FY2014.

LIVING IN THE MOBILE INTERNET ERA

People are consuming and co-creating increasing amounts of information, photos and videos on the internet with their smartphones, tablets and, in the emerging markets, feature phones. They are increasingly turning to cloud applications that provide easy storage and retrieval over multiple devices. Enterprises are similarly taking advantage of advances in cloud computing and enterprise mobility services to manage their massive and complex data over the internet.

OPPORTUNITIES AND THREATS

The increasing volume and variety of data are carried through telcos'

networks. The changes in customer behaviour have also brought new competition into the telecommunications space. Digital or over-the-top (OTT) companies now offer a myriad of online services and mobile applications, which threaten telcos' traditional revenue streams from voice, SMS, TV and data services.

The good news: the relevance of our network cannot be ignored – it is the highway for mobile data traffic, and puts us in an enviable position to address the growing demand for mobile data. We are in the right business and have the right assets to capture and monetise this growth.

Our goal is simple – we want to generate profitable returns by helping customers do more on their connected devices and networks. With this goal firmly in sight, we made good progress on our transformation plans in FY2014.

In our core business, we have restructured our voice-centric price plans to capture the growth in mobile data consumption. The new plans are a big step towards delivering returns on our network and spectrum investments.

We also streamlined our distribution, touchpoints, systems and processes to enhance operations efficiency and customer experience. SingTel is now stronger and more agile than ever to deal with the challenges ahead.

Our regional mobile associates are similarly reinventing themselves to capture the growth in mobile internet, with significant investments in mobile networks, spectrum and data-focused offerings targeted at emerging market consumers.

Group Digital Life is delivering to expectations, giving us the confidence to expand further into the digital space. However, with valuations of internet companies at record-high levels, we have been cautious in our investments. We are focused on investments with proven business models and cash returns, as well as businesses that can leverage the Group's scale of over half a billion mobile customers.

FINANCIAL PERFORMANCE

The Group turned in a resilient performance despite significant investments to support our business transformation and strong currency headwinds. Net profit for FY2014 rose 10% in constant currency terms. With the sharp declines in the Australian Dollar, Indian Rupee and Indonesian Rupiah, reported net profit grew 4%.

"Our goal is simple – we want to generate profitable returns by helping customers do more on their connected devices and networks."

The Board has recommended a final ordinary dividend of 10 Singapore cents per share, bringing the total ordinary dividend for the full year to 16.8 Singapore cents. This represents a payout ratio of 74% of our underlying net profit.

OUR COMMITMENT TO STAKEHOLDERS

We play an important role in society by facilitating consumer interaction and business communications. These in turn power economic growth and improve people's lives. We are committed to building better networks and bringing quality services to more people.

In October 2013, lapses in maintenance procedures led to a fire in an exchange facility in Singapore. It caused major service disruption to customers. Our independent Board Committee of Inquiry gave us a critical review of our operations and made recommendations to prevent a recurrence and ensure our network remains resilient. These have largely been implemented, and we are determined to raise our standards and ensure we continue to offer world-leading services to our customers.

In our community, we actively support vulnerable children and youths so that they can thrive and contribute to tomorrow's society. Our SingTel Touching Lives Fund has raised close to S\$28 million to support children and youth with special needs over the last 12 years.

We have also chosen to focus on cyber wellness. While the internet has brought numerous benefits, it also has risks. Children are increasingly vulnerable to cyber bullying, loss of privacy and access to inappropriate content. We recognise we can play a significant role in promoting online safety among vulnerable children and youth in this digital age and will launch relevant education programmes on cyber wellness. In Australia, together with education experts, we developed the Digital Thumbprint programme to educate students to be savvy, responsible and proactive members of the online community.

I want to thank the employees of the SingTel Group, whose efforts have helped us achieve so much in the past year. They remain the key driving force for our ongoing transformation and will be guided by an experienced and visionary management team.

Naturally, the strength of our executive team and management succession is a topic my fellow Board members and I spend considerable time on. Be assured that we have in place a comprehensive succession plan for key management roles, and diligently review it every year.

The Board is committed to the highest standards in corporate governance, and was recognised for its efforts when it was awarded The Best Managed Board at the Singapore Corporate Awards in August 2013.

In October 2013, the Board visited AIS in Thailand and experienced first-hand the game-changing developments that 3G networks are bringing to the country. We have established a Technology Advisory Panel, chaired by Mr Koh Boon Hwee, a former SingTel Chairman and a respected investor in the technology sector, to advise the Board in the area of digital technology.

I would like to thank my fellow Directors for their contribution throughout a busy year in FY2014. My sincere appreciation goes to Mr Dominic Ho, who will be stepping down from the Board after serving for six years. At the same time, we welcome Mrs Christina Ong, a leading banking and finance lawyer. Her appointment will bring an increased diversity of experience and skills to the Board.

Finally, I look forward to welcoming you to our Annual General Meeting in July.



SIMON ISRAEL
CHAIRMAN