

ANNUAL REPORT 2014

Group Five-year Financial Summary

	Financial Year Ended 31 March				
	2014	2013	2012	2011	2010
Income Statement (S\$ million)					
Group operating revenue	16,848	18,183	18,825	18,071	16,871
SingTel	6,912	6,732	6,551	6,401	5,995
Optus	9,936	11,451	12,275	11,670	10,876
Optus (A\$ million)	8,466	8,934	9,368	9,284	8,949
Group EBITDA	5,155	5,200	5,219	5,119	4,847
SingTel	2,223	2,147	2,128	2,183	2,224
Optus	2,932	3,053	3,091	2,937	2,623
Optus (A\$ million)	2,502	2,381	2,357	2,334	2,153
Share of associates' pre-tax profits	2,201	2,106	2,005	2,141	2,410
Group EBITDA and share of associates' pre-tax profits	7,357	7,306	7,223	7,260	7,257
Group EBIT	5,224	5,178	5,222	5,291	5,379
Net profit after tax	3,652	3,508	3,989	3,825	3,907
Underlying net profit ⁽¹⁾	3,610	3,611	3,676	3,800	3,910
Exchange rate (1 A\$ against S\$) ⁽²⁾	1.174	1.282	1.310	1.257	1.215
Cash Flow (S\$ million)					
Group free cash flow ⁽³⁾	3,249	3,759	3,462	4,038	3,406
Singapore	1,181	1,491	1,170	1,436	1,290
Optus	1,020	1,367	1,451	1,519	1,258
Optus (A\$ million)	903	1,068	1,111	1,206	1,015
Associates' dividends (net of withholding tax)	1,048	900	841	1,084	858
Capital expenditure	2,102	2,059	2,249	2,005	1,923
Balance Sheet (S\$ million)					
Total assets	39,320	39,984	40,418	39,282	37,952
Shareholders' funds	23,868	23,965	23,428	24,328	23,493
Net debt	7,534	7,477	7,860	6,023	6,311
Key Ratios					
Proportionate EBITDA from outside Singapore (%)	76	77	78	76	74
Return on invested capital (%) ⁽⁴⁾	11.6	11.8	12.0	12.5	14.0
Return on equity (%)	15.3	14.8	16.7	16.0	17.8
Return on total assets (%)	9.2	8.7	10.0	9.9	11.0
Net debt to EBITDA and share of associates' pre-tax profits (number of times)	1.0	1.0	1.1	0.8	0.9
EBITDA and share of associates' pre-tax profits to net interest expense (number of times)	28.7	24.5	20.7	21.8	23.5
Per Share Information (S cents)					
Earnings per share - basic	22.92	22.02	25.04	24.02	24.55
Earnings per share - underlying net profit ⁽¹⁾	22.65	22.66	23.07	23.86	24.56
Net assets per share	149.80	150.42	147.08	152.75	147.55
Dividend per share - ordinary	16.8	16.8	15.8	15.8	14.2
Dividend per share - special	-	-	-	10.0	-

"SingTel" refers to the SingTel Group excluding Optus.

Notes:

⁽¹⁾ Underlying net profit is defined as net profit before exceptional items and exchange differences on capital reductions of certain overseas subsidiaries, net of hedging, as well as significant exceptional items of associates.

⁽²⁾ Average A\$ rate for translation of Optus' operating revenue.

⁽³⁾ Free cash flow refers to cash flow from operating activities, including dividends from associates, less cash capital expenditure.

⁽⁴⁾ Return on invested capital is defined as EBIT (post-tax) divided by average capital.

Group Five-year Financial Summary

FIVE-YEAR FINANCIAL REVIEW

FY2014

The Group delivered a resilient performance against industry challenges and currency headwinds. Operating revenue was S\$16.85 billion, 7.3% lower than FY2013 with the Australian Dollar weakening 8% against the Singapore Dollar. In constant currency terms, revenue would have declined 2.3% with lower mobile revenue in Australia and a cautious business climate. EBITDA was

relatively stable at S\$5.16 billion but in constant currency terms increased 4.5% on an improved cost structure.

The associates' pre-tax contributions rose 4.5% to S\$2.20 billion and would have increased strongly by 13% excluding the currency translation impact. The regional mobile associates registered robust demand for mobile

data services, with earnings growth led by Airtel India.

Underlying net profit was stable at S\$3.61 billion and net profit including exceptional items grew 4.1% to S\$3.65 billion. In constant currency terms, underlying net profit and net profit would have increased 5.9% and 10% respectively from FY2013.

FY2013

The Group delivered resilient earnings amid significant industry changes while it continued to invest in transformational initiatives to drive long-term growth. Operating revenue was S\$18.18 billion, 3.4% lower than FY2012 due to lower mobile revenue in Australia. EBITDA was stable at S\$5.20 billion. In constant currency terms, revenue declined 2.1%

but EBITDA grew 1.0% on strong cost management.

The associates' pre-tax contributions grew 5.0% to S\$2.11 billion. Excluding the currency translation impact, the associates' pre-tax contributions would have increased strongly by 12%, underpinned by double-digit earnings growth from Telkomsel and AIS.

Underlying net profit was S\$3.61 billion, a decrease of 1.8% from FY2012. Excluding currency translation impact, underlying net profit rose 1.4%. Including net exceptional losses mainly from disposal of Warid Pakistan in FY2013, net profit declined 12% to S\$3.51 billion in FY2013.

FY2012

The Group's operating revenue grew 4.2% to S\$18.83 billion, underpinned by robust mobile growth in Singapore and 4% appreciation of the Australian Dollar. EBITDA rose 1.9% to S\$5.22 billion with lower customer acquisition costs in Australia partly offset by investments in mio TV content and higher mobile

acquisition and retention costs in Singapore.

The associates' pre-tax contributions declined 6.4% to S\$2.01 billion. Excluding currency translation impact, the associates' pre-tax contributions would have been stable, driven by strong profit growth from Telkomsel and AIS partially offset by Airtel's lower earnings.

Underlying net profit was S\$3.68 billion, 3.3% lower than FY2011. Including net exceptional gains and an exceptional net tax credit of S\$270 million on the increase in value of assets transferred to an associate, net profit grew 4.3% to S\$3.99 billion.

FY2011

The Group's operating revenue grew 7.1% to S\$18.07 billion, led by a robust mobile performance and a 3% strengthening of the Australian Dollar. EBITDA increased 5.6% to S\$5.12 billion with growth from Optus.

The associates' pre-tax contributions declined 11% to S\$2.14 billion. Both Telkomsel and Globe reported lower profits on increased competitive pressures. Airtel's earnings were impacted by higher depreciation and amortisation charges, and losses from

its newly acquired African operations in June 2010, as well as related acquisition financing and transaction costs.

Underlying net profit was S\$3.80 billion, a decrease of 2.8% from FY2010. Including net exceptional gains, net profit declined 2.1% to S\$3.83 billion.

FY2010

The Group's operating revenue grew strongly by 13% to S\$16.87 billion and EBITDA increased 9.4% to S\$4.85 billion, reflecting strong operational performance and an 8% appreciation of the Australian Dollar.

The associates' pre-tax contributions rose 18% to S\$2.41 billion. The growth was driven by strong turnaround in Telkomsel's operational performance and the associates' fair value gains on their foreign currency liabilities.

The Group's net profit grew 13% to S\$3.91 billion in FY2010.

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Group Value Added Statements

GROUP VALUE ADDED STATEMENTS

	2014 S\$ million	2013 S\$ million
Value added from:		
Operating revenue	16,848	18,183
Less: Purchase of goods and services	(9,515)	(10,753)
	7,333	7,430
Other income	108	117
Interest and investment income (net)	125	47
Share of results of associates (post-tax)	1,393	1,397
Exceptional items	114	(40)
	1,739	1,521
Total value added	9,072	8,950
Distribution of total value added		
To employees in wages, salaries and benefits	2,285	2,347
To government in income and other taxes	691	621
To providers of capital on:		
- Interest on borrowings	306	345
- Dividends to shareholders	2,678	2,518
Total distribution	5,960	5,830
Retained in business		
Depreciation and amortisation	2,133	2,127
Retained profits	974	991
Non-controlling interests	5	2
	3,112	3,120
Total value added	9,072	8,950
Average number of employees	21,830	22,191

PRODUCTIVITY DATA

VALUE ADDED

(S\$M)

2014 9,072

2013 8,950

+122

VALUE ADDED PER EMPLOYEE

(S\$'000)

2014 416

2013 403

+13

VALUE ADDED PER DOLLAR OF EMPLOYMENT COSTS

(S\$)

2014 3.97

2013 3.81

+0.16

VALUE ADDED PER DOLLAR OF TURNOVER

(S\$)

2014 0.54

2013 0.49

+0.05

Management Discussion and Analysis

GROUP REVIEW

GROUP	Financial Year Ended 31 March			Change in constant currency ⁽¹⁾ (%)
	2014 (S\$ million)	2013 (S\$ million)	Change (%)	
Operating revenue	16,848	18,183	-7.3	-2.3
EBITDA	5,155	5,200	-0.9	4.5
EBITDA margin	30.6%	28.6%		
Share of associates' pre-tax profits	2,201	2,106	4.5	13.2
EBITDA and share of associates' pre-tax profits	7,357	7,306	0.7	7.0
EBIT	5,224	5,178	0.9	7.2
<i>(exclude share of associates' pre-tax profits)</i>	3,023	3,072	-1.6	3.1
Net finance expense	(181)	(298)	-39.2	-36.4
Taxation	(1,428)	(1,267)	12.7	20.9
Underlying net profit⁽²⁾	3,610	3,611	**	5.9
<i>Underlying earnings per share (S cents)</i>	22.7	22.7	**	5.9
Exceptional items (post-tax)	42	(103)	nm	nm
Net profit	3,652	3,508	4.1	10.1
<i>Basic earnings per share (S cents)</i>	22.9	22.0	4.1	10.1
Share of associates' post-tax profits	1,472	1,485	-0.8	7.2

"nm" denotes not meaningful. "***" denotes less than +/- 0.05%.

"Associate" refers to either an associate or a joint venture as defined under Singapore Financial Reporting Standards.

Notes:

⁽¹⁾ Assuming constant exchange rates for the Australian Dollar and/or regional currencies (Indian Rupee, Indonesian Rupiah, Philippine Peso and Thai Baht) from the previous year ended 31 March 2013 (FY2013).

⁽²⁾ Underlying net profit refers to net profit before exceptional and other one-off items.

The Group delivered a resilient performance against industry challenges and currency headwinds.

Net profit grew 4.1% to S\$3.65 billion and in constant currency terms would have increased 10% from last year.

Operating revenue declined 7.3% to S\$16.85 billion with the Australian Dollar weakening 8% against the Singapore Dollar. In constant currency terms, revenue would have declined 2.3% with lower mobile revenue in Australia and a cautious business climate. EBITDA was stable at S\$5.16 billion but in constant currency terms would have increased 4.5%, reflecting an improved cost structure.

Group Consumer registered lower revenue and stable EBITDA. In Singapore, EBITDA rose strongly by 13% on 3.9% increase in revenue, driven by growth in Mobile Communications and Home Services revenues. In Australia, EBITDA grew 6.8% despite a decline in revenue of 5.9%, with lower handset subsidy costs and cost management. The lower revenue in Australia was due to declines in mobile service revenue, equipment sales and fixed revenues. In constant currency terms, Group Consumer's revenue would have declined 4.1% and EBITDA would be up 8.0%.

Group Enterprise's revenue and EBITDA declined 2.7% and 1.5% respectively. In constant currency terms, both revenue and EBITDA would have been stable, reflecting the cautious business environment and keen competition. In Singapore, revenue was stable with growth in Mobile Communications and Fibre rollout and maintenance revenues partially offset by lower Managed Services. In Australia, revenue declined

2.0% mainly due to declines in Data and IP and Voice revenues partly offset by growth in ICT and Managed Services.

Group Digital Life achieved strong revenue growth of 52%, with Amobee delivering a significant increase in mobile advertising revenue. Ongoing start-up costs and higher investments in digital businesses resulted in negative EBITDA of S\$170 million.

The associates' pre-tax contributions grew 4.5% to S\$2.20 billion, and would have increased strongly by 13% excluding the currency translation impact. The regional mobile associates registered robust demand for mobile data services, with earnings growth led by Airtel India.

Telkomsel recorded revenue and EBITDA growth underpinned by strong data momentum, which was partly offset by higher network maintenance and depreciation charges. Airtel delivered sharply improved earnings on strong data growth and higher margin in India but losses in Africa increased due to higher taxes. AIS reported stable profit amid the unstable political situation in Thailand and higher network costs and depreciation from its 3G rollout. Globe recorded higher profits with growth across mobile and broadband services partly offset by higher expenses to drive customer acquisition and transformation.

With higher depreciation and amortisation charges from increased investments in the mobile network, the Group's EBIT was stable at S\$5.22 billion, and would have been up 7.2% in constant currency terms.

Net finance expense decreased 39% on lower interest expense and recognition

of S\$59 million (FY2013: Nil) of dividend income from Southern Cross Consortium, a joint venture of the Group.

The increase in tax expense resulted from higher withholding taxes on increased dividends from the associates, lower tax credits, as well as the share of Airtel's higher income taxes in Africa due to higher withholding taxes on increased income received from its subsidiaries and various tax assessments.

Underlying net profit (before exceptional items) was stable at S\$3.61 billion and in constant currency terms would have increased 5.9% from last year.

The Group's exceptional items for the year mainly comprised S\$150 million of dilution gain on its equity interest in Airtel, exceptional charges of S\$61 million from the share of Globe's accelerated depreciation and impairment charges of S\$32 million for non-current assets including venture investments.

The Group has successfully diversified its earnings base through its expansion and investments in overseas markets. Consequently, the Group is exposed to currency movements. On a proportionate basis if the associates are consolidated line-by-line, operations outside Singapore accounted for 74% of the Group's proportionate revenue and 76% of proportionate EBITDA.

Management Discussion and Analysis

BUSINESS SEGMENT TOTALS

	Financial Year Ended 31 March			Change in constant currency ⁽¹⁾ (%)
	2014 (\$ million)	2013 (\$ million)	Change (%)	
Operating revenue				
- Group Consumer	10,411	11,629	-10.5	-4.1
- Group Enterprise	6,268	6,443	-2.7	-0.1
- Group Digital Life	169	111	51.5	53.0
Group	16,848	18,183	-7.3	-2.3
EBITDA				
- Group Consumer	3,345	3,331	0.4	8.0
- Group Enterprise	2,032	2,063	-1.5	-0.2
- Group Digital Life	(170)	(104)	63.1	63.9
- Corporate	(52)	(89)	-41.8	-41.8
Group	5,155	5,200	-0.9	4.5
EBITDA margin				
- Group Consumer	32.1%	28.6%		
- Group Enterprise	32.4%	32.0%		
- Group	30.6%	28.6%		
EBIT (exclude share of associates' pre-tax profits)				
- Group Consumer	1,941	1,907	1.8	9.3
- Group Enterprise	1,352	1,397	-3.2	-2.9
- Group Digital Life	(217)	(146)	49.3	50.1
- Corporate	(54)	(86)	-37.5	-37.5
Group	3,023	3,072	-1.6	3.1

Note:

⁽¹⁾ Assuming constant exchange rate for the Australian Dollar from FY2013.

GROUP CONSUMER

Group Consumer's EBITDA margin increased 3.5 percentage points to 32.1% with margin expansion across Singapore and Australia.

Singapore Consumer revenue grew 3.9% with continued growth in Mobile Communications and mio TV partly offsetting the decline in other services. Mobile Communications revenue grew 6.1%, driven by increased take-up of tiered 4G data plans and higher data usage. mio TV revenue rose 43%,

boosted by strong demand for TV bundles and an enhanced content suite. Consumer Home Services revenue, comprising residential mio TV, fixed broadband and voice, grew 5.9% on higher ARPU and a 6.1% increase in the number of customers on bundled plans. With lower handset subsidies and decline in roaming traffic rates, EBITDA and EBIT grew strongly by 13% and 18% respectively.

Australia Consumer continued to transform its business to drive profitable growth, improve customer experience

and capitalise on mobile data usage growth. EBITDA and EBIT grew 6.8% and 6.9% respectively, although operating revenue declined 5.9%, reflecting cost management and yield focus. The lower revenue was due to lower equipment sales from lower shipment volumes and change in channel mix to Optus-owned stores, lower mobile incoming revenue from mandated declines in mobile termination rate and lower fixed revenues.

GROUP ENTERPRISE

Group Enterprise's EBITDA margin was up slightly at 32.4%, despite lower revenue.

In Singapore, operating revenue was stable. Growth in Mobile Communications and Fibre rollout and maintenance revenues were offset by lower Managed Services revenue attributed partly to customers' longer procurement decision cycle in some segments of the market. The order book for Managed Services and Business Solutions remained strong at S\$2.1 billion as at end March 2014.

In Australia, operating revenue declined 2.0% as revenue last year was lifted by the recognition of A\$25 million of one-off contract revenue. Excluding the impact of this one-off contract revenue, operating revenue would be stable. The increase in ICT and Managed Services revenue was offset by declines in Data and IP and Voice revenues due to the impact of price competition and declines in legacy services as customers migrated to lower cost IP-based solutions.

GROUP DIGITAL LIFE

Group Digital Life achieved strong revenue growth of 52% at S\$169 million with growth momentum in mobile advertising. Amobee's revenue more than doubled from a year ago underpinned by customer wins, and outperformed the growth rate of global mobile advertising spend.

Group Digital Life continued to grow and strengthen its digital content suite through its apps and internet portals such as NewsLoop, AMPed, Pixable and HungryGoWhere, which has gained 10 million monthly active customers globally. During the year, Amobee expanded the capabilities of its digital advertising platform by acquiring Gradient X, a developer of market-leading, real-time bidding platform for mobile ads.

OPERATING REVENUE

By Products and Services	Financial Year Ended 31 March		Change (%)
	2014 (S\$ million)	2013 (S\$ million)	
Mobile Communications	7,250	7,837	-7.5
Data and Internet	3,141	3,434	-8.5
Managed Services	1,698	1,744	-2.6
National Telephone	1,503	1,723	-12.8
Sale of Equipment	1,244	1,486	-16.3
International Telephone	689	760	-9.3
Business Solutions	568	560	1.4
Pay Television	252	218	15.5
Digital Businesses ⁽¹⁾	165	111	48.2
Fibre rollout and maintenance	154	117	31.3
Others	186	194	-3.8
Total	16,848	18,183	-7.3

Note:

⁽¹⁾ Comprise revenues mainly from mobile advertising, eCommerce, concierge and hyper-local services. Exclude TV advertising revenue under 'Pay Television' from 1 April 2013.

Operating revenue trends of the Group have been impacted by the weaker Australian Dollar in the year. In constant currency terms, revenue declined 2.3% from last year.

The decline in **Sale of Equipment** revenue was mainly due to lower sales volume and a change in retail distribution strategy in Australia.

Mobile Communications revenue declined 7.5% on lower revenue in Australia and weaker Australian Dollar. In Singapore, SingTel's mobile market share was stable at 47.2% as at 31 March 2014. In Australia, Optus' mobile market share was 30.4% based on latest available published data as at 31 December 2013.

Data and Internet revenue was down 8.5%, reflecting the impact of price competition and decline in legacy data services.

Revenue from **Managed Services** declined 2.6% as the revenue last year was lifted by the recognition of one-off contract revenue of S\$33 million. Excluding the impact of this one-off revenue, Managed Services revenue was stable.

Management Discussion and Analysis

ASSOCIATES

	Financial Year Ended 31 March			Change in constant currency ⁽¹⁾ (%)
	2014 (S\$ million)	2013 (S\$ million)	Change (%)	
Group share of associates' pre-tax profits	2,201	2,106	4.5	13.2
Share of post-tax profits				
Regional mobile associates				
Telkomsel	705	754	-6.5	5.6
AIS	335	338	-1.0	-0.1
Airtel ⁽²⁾				
- ordinary results (India)	479	366	30.9	44.6
- ordinary results (International) ⁽³⁾	(257)	(198)	30.2	43.6
- exceptional items	(19)	-	nm	nm
	203	169	20.6	33.5
Globe ⁽⁴⁾	159	150	5.7	9.1
Warid Pakistan ⁽⁵⁾	-	(18)	nm	nm
	1,402	1,393	0.7	9.3
Other associates	71	92	-23.4	-24.0
Group share of associates' post-tax profits	1,472	1,485	-0.8	7.2

"nm" denotes not meaningful.

Notes:

⁽¹⁾ Assuming constant exchange rates for the regional currencies (Indian Rupee, Indonesian Rupiah, Philippine Peso and Thai Baht) from FY2013.

⁽²⁾ Share of results for FY2014 excluded the Group's share of Airtel's exceptional tax expense of S\$15 million, which has been classified as an exceptional item of the Group.

⁽³⁾ With effect from 1 April 2013, Airtel reported the results of Africa, Bangladesh and Sri Lanka as part of its "International" segment. Comparatives have been restated accordingly.

⁽⁴⁾ Share of results for FY2014 excluded the Group's share of Globe's accelerated depreciation arising from its network modernisation and IT transformation, which has been classified as an exceptional item of the Group.

⁽⁵⁾ Warid Pakistan was disposed in March 2013.

	Airtel ⁽¹⁾	Telkomsel	AIS	Globe	PBTL
Country mobile penetration rate	73%	120%	147%	112%	70%
Market share, 31 March 2014 ⁽²⁾	22.7%	44.1%	45.2%	36.6%	1.2%
Market share, 31 March 2013 ⁽²⁾	21.7%	43.6%	43.6%	32.9%	1.5%
Market position ⁽²⁾	#1	#1	#1	#2	#6
Mobile customers ('000)					
- Aggregate	283,580	132,651	42,363	40,749	1,414
- Proportionate	91,823	46,428	9,879	19,242	636
Growth in mobile customers (%) ⁽³⁾	9.1%	10%	14%	16%	-2.5%

Notes:

⁽¹⁾ Mobile penetration rate, market share and market position pertain to India market only.

⁽²⁾ Based on number of mobile customers.

⁽³⁾ Compared against 31 March 2013 and based on aggregate mobile customers.

The Group's share of the associates' pre-tax profits grew 4.5%. However, the Group's share of post-tax profits was stable with the higher taxes recorded by Airtel. Strong earnings growth from the associates was partially offset by adverse currency movements and fair value losses. If the regional currencies had remained stable from a year ago, the pre-tax and post-tax contributions from the associates would have increased by 13% and 7.2% respectively.

The regional mobile associates continued their strong customer growth momentum. Telkomsel registered 10% increase in its customer base to 133 million, including 63 million data customers at end of March 2014. Airtel's total mobile customer base, covering India, Bangladesh, Sri Lanka and across Africa, reached 284 million as at 31 March 2014, up 9.1% from a year ago. The Group's combined mobile customer base reached 514 million in 25 countries, a growth of 10% or 47 million from a year ago.

Telkomsel accounted for 48% (FY2013: 51%) of the Group's share of associates' post-tax profits. Operating revenue grew 9%, boosted by growth across voice and data with continued customer growth and strong data adoption. EBITDA grew 9% despite higher operation and maintenance costs from increased

network deployment. Including higher depreciation charges on the expanded network rollout and increased fair value losses, the Group's share of Telkomsel's post-tax profit grew 5.6% in Indonesian Rupiah terms. Telkomsel's post-tax contribution, however, declined 6.5% to S\$705 million after accounting for the 13% depreciation of the Indonesian Rupiah against the Singapore Dollar.

AIS' service revenue (excluding interconnect revenue) grew 4% amid the unstable political situation and weak consumer sentiment in Thailand. The revenue growth was driven by strong mobile data growth from 3G 2.1 GHz services launched in May 2013 and increased smartphone penetration. EBITDA grew 3% as higher costs related to the 3G expansion were mitigated by lower regulatory fees. Including higher depreciation and amortisation charges from the 3G rollout, AIS' post-tax contribution was stable at S\$335 million.

Airtel reported strong operating performance in India with revenue growth of 10% underpinned by an enlarged customer base and strong mobile data growth. EBITDA grew strongly by 20% and margin expanded with higher effective call rates and improved operational efficiency. In Africa, with regulatory interventions and political unrest in some parts of

Africa, revenue and EBITDA rose 2% and 1% respectively in US Dollar terms on a higher customer base and growth in mobile data. However, with higher withholding taxes on increased income received from its subsidiaries and tax charges from various tax assessments in Africa, the share of Airtel International's losses increased from last year. Overall, the Group's share of Airtel's total post-tax profit grew 34% in Indian Rupee terms despite higher fair value losses. With the 10% weakening of the Indian Rupee against the Singapore Dollar, overall post-tax contribution from Airtel grew 21% to S\$203 million.

Globe, the second-largest mobile phone operator in the Philippines, recorded service revenue growth of 10%, driven by a higher mobile customer base and strong data momentum. EBITDA rose 4% with higher subsidy and service costs to drive customer acquisition and transformation initiatives. Globe's post-tax contribution grew 5.7% to S\$159 million. This contribution excluded Globe's accelerated depreciation charges related to its network modernisation and IT transformation programmes. The Group's post-tax share of this exceptional charge of S\$61 million (FY2013: S\$83 million) has been classified as an exceptional item of the Group.

Management Discussion and Analysis

CASH FLOW

	Financial Year Ended 31 March		Change (%)
	2014 (S\$ million)	2013 (S\$ million)	
Net cash inflow from operating activities	5,493	5,818	-5.6
Tax benefit payment to NetLink Trust	(143)	-	nm
	5,350	5,818	-8.0
Net cash outflow for investing activities	(2,801)	(2,557)	9.6
Net cash outflow for financing activities	(2,825)	(3,702)	-23.7
Net decrease in cash balance	(276)	(442)	-37.6
Exchange effects on cash balance	(13)	6	nm
Cash balance at beginning of year	911	1,346	-32.3
Cash balance at end of year	623	911	-31.7
Singapore ⁽¹⁾	1,324	1,491	-11.2
Australia	1,020	1,367	-25.4
<i>Australia (in A\$)</i>	903	<i>1,068</i>	-15.4
Associates (net dividends after withholding tax)	1,048	900	16.4
Group free cash flow ⁽¹⁾	3,391	3,759	-9.8
Group free cash flow	3,249	3,759	-13.6
<i>Cash capital expenditure as a percentage of operating revenue</i>	12%	11%	

"nm" denotes not meaningful.

Note:

⁽¹⁾ Adjusted to exclude payment of S\$143 million to NetLink Trust in FY2014 in consideration of tax benefits utilised by the Group. The S\$143 million was subsequently applied by NetLink Trust towards its acquisition of OpenNet Pte. Ltd.

FREE CASH FLOW

The Group's free cash flow, excluding the tax benefit payment to NetLink Trust, declined by 9.8% or S\$368 million to S\$3.39 billion due partly to translation impact of a weaker Australian Dollar. Free cash flow from Singapore declined 11% as a result of higher working capital reflecting higher receivables mainly from the fibre rollout contract with OpenNet. Free cash flow from Australia declined 15% to A\$903 million as strong operating cash flow was offset by higher cash tax payments and capital expenditure. The dividends from the associates rose 16%, mainly on higher dividends from Telkomsel and AIS.

OPERATING ACTIVITIES

The Group's net cash inflow from operating activities for the year (excluding tax benefit payment to NetLink Trust) was S\$5.49 billion, down 5.6% or S\$325 million. The tax benefit payment to NetLink Trust was made in consideration of tax benefits utilised by the Group, and this was subsequently applied towards acquisition of OpenNet by NetLink Trust. The higher cash tax payments in Australia of S\$275 million (A\$236 million) and working capital movements were partly offset by increased dividends from the associates.

INVESTING ACTIVITIES

The investing cash outflow was S\$2.80 billion. Capital expenditure totalled S\$2.10 billion, and represented 12% of the Group's operating revenue, 1 percentage point higher than last year. Major capital investments were made in mobile networks including LTE deployment in Singapore and Australia and in fixed and data infrastructure. During the year, payments of S\$384 million were also made for the acquisition of an additional 3.6% equity interest in Bharti Telecom Limited, and S\$276 million for the acquisition of licences and intangibles including Optus' renewal of the 1800 MHz spectrum and GSM900 apparatus licences.

FINANCING ACTIVITIES

Net cash outflow of S\$2.83 billion for financing activities comprised mainly the payments of S\$1.59 billion for final dividends in respect of the previous financial year ended 31 March 2013, and S\$1.08 billion for interim dividends in respect of the current financial year. Other major financing cash flows included a net increase in borrowings of S\$205 million and interest payments of S\$309 million.

Management Discussion and Analysis

CAPITAL MANAGEMENT

GROUP

	Financial Year Ended 31 March	
	2014	2013
Gross debt (S\$ m)	8,157	8,388
Net debt ⁽¹⁾ (S\$ m)	7,534	7,477
Net debt gearing ratio ⁽²⁾ (%)	24.0	23.8
Net debt to EBITDA and share of associates' pre-tax profits (number of times)	1.0	1.0
Net debt to EBITDA and cash dividends from associates (number of times)	1.2	1.2
Interest cover ⁽³⁾ (number of times)	28.7	24.5
Average maturity of borrowings (years)	6.1	6.8

Notes:

- ⁽¹⁾ Net debt is defined as gross debt less cash and bank balances adjusted for related hedging balances.
- ⁽²⁾ Net debt gearing ratio is defined as the ratio of net debt to net capitalisation. Net capitalisation is the aggregate of net debt, shareholders' funds and minority interests.
- ⁽³⁾ Interest cover refers to the ratio of EBITDA and share of associates' pre-tax profits to net interest expense, where net interest expense is interest expense less interest income.

As at 31 March 2014, the Group's net debt was S\$7.53 billion, 0.8% higher than a year ago.

The Group has one of the strongest credit ratings among telecommunication companies in the Asia Pacific region. SingTel is currently rated Aa3 by Moody's and A+ by Standard & Poor's. The Group continues to maintain a healthy capital structure.

SingTel maintained its dividend payout ratio at between 60% and 75% of underlying net profit. For the financial year ended 31 March 2014, the total dividend payout, including the proposed final dividend, was 16.8 cents per share or 74% of underlying earnings. The dividend payout is influenced by the Group's cash flow generation, including dividends from associates.

The Group remains committed to an optimal capital structure and investment grade credit ratings, while maintaining financial flexibility to pursue growth.

SENSITIVITY ANALYSIS FOR CURRENCY TRANSLATION

If the relevant foreign currency changes against SGD by 10% with all other variables held constant, the currency translation impact on the Group's net profit would be as follows:

	Change in Group's Net Profit	
	2014 S\$ million	2013 S\$ million
Optus' net profit		
1 AUD against SGD		
- strengthened 10%	97.6	93.5
- weakened 10%	(97.6)	(93.5)
Share of Telkomsel's net profit		
IDR against SGD		
- strengthened 10%	70.5	75.4
- weakened 10%	(70.5)	(75.4)
Share of Airtel's net profit		
INR against SGD		
- strengthened 10%	18.8	16.9
- weakened 10%	(18.8)	(16.9)