

GCEO Review

Dear Shareholders,

ACCELERATING OUR DIGITAL TRANSFORMATION

The past year is the sixth since we embarked on our transformation journey, crossing the threshold into digital where disruption is rampant and change is constant. Despite the challenging operating environment and intensifying competition, we managed to accelerate the build out of our new digital businesses in cyber security and digital marketing, and digitalise and strengthen our core business. The resiliency of our earnings while we accelerated changes to our business speaks to the success of our efforts thus far. Our net profit for FY 2018 was S\$5.45 billion on divestment gains from unlocking the value of NetLink Trust and a strong performance by our core business. Our ICT and new digital businesses now represent a meaningful 24% of Group revenue and have helped change our revenue profile.

STRENGTHENING OUR CORE BUSINESS

Our core consumer business across Singapore and Australia performed well as we continued to push forward on content and innovation to stay relevant to customers. High quality mobile and broadband, compelling content and competitive pricing remain at the heart of our value proposition to the market. Data-free streaming and our focus on premium sports content such as the Premier League and World Cup and quality offerings such as Netflix and National Geographic continued to pay off. Optus acquired a record number of postpaid handset mobile customers and Singapore strengthened its market leadership.

As we strive to delight our customers, we continue to invest heavily in our networks so it can handle the huge volume of video and data traffic that customers are increasingly consuming. In Australia, we committed another A\$1 billion in networks to improve and expand mobile coverage in rural and regional Australia. It is important to us that all Australians, wherever they reside, can have the same network experience and access to premium content. We are also taking the lead on the next technology wave like 5G, which we believe will truly transform the way that customers and enterprises connect – with us and with each other. In Singapore, we were the first operator to launch the first nationwide commercial cellular IoT network. In Australia, Optus launched 5G

trials at the Commonwealth Games in the Gold Coast as we further explore ways to use technology to empower and help customers simplify their lives and run their businesses.

CAPTURING NEW GROWTH THROUGH DIGITAL

The Group's digital businesses are adding new value as organisations increasingly adopt digital platforms and modes of operating, from marketing to cyber security to smart city solutions. Recent cyber security breaches around the world and the increasing migration to cloud services underlined the need for organisations to further secure their operating environments and information against cyber threats. To position ourselves well for global leadership in this area, we have integrated all our cyber security assets into a single global cyber security unit. Our cyber-related revenues totalled S\$530 million in FY 2018. Recognising that cyber security requires a wide range of defence capabilities, we recently partnered SoftBank, Telefónica and Etisalat to create the first Global Telco Security Alliance offering enterprises access to a comprehensive portfolio of cyber security services.

On the digital marketing front, our Amobee investment is showing green shoots, crossing S\$1.1 billion in revenue as EBITDA turned positive for the first time. The company's operating performance strengthened with the acquisition of Turn which helps brands optimise their media spend with their programmatic platform. We have also moved to scale the US-based business globally, expanding its operations to Asia and increasing its client base.

TAKING A LONG-TERM VIEW ON DIVERSIFICATION

While our regional associates continue to ride the growth in data, Airtel in India had a challenging year as an aggressive new operator triggered unprecedented market disruption and price erosion. While competition remains intense, we believe fair regulatory policies and sector consolidation should lead to a more stable market structure in the mid term. Our long-term view on India's prospects remains positive as we increased our effective stake in Airtel to 39.5% last year.

Elsewhere in the region, while Telkomsel's earnings were impacted by declines in legacy services and heightened price competition, it continued to leverage its network

A woman with dark hair, wearing a black blazer over a light blue top and black trousers, is smiling and standing in a modern office environment. The background is blurred, showing office furniture and lighting.

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superiority and rising smartphone penetration to grow its digital businesses and spur data usage. In Thailand, AIS' profit grew on revenue improvement and cost management while Globe in the Philippines registered strong earnings growth, deepening its leadership in the market.

We remain focused on the long term when it comes to our regional diversification strategy as it has given us exposure to high-growth developing markets where populations are not just growing but getting more affluent, promising greater smartphone adoption and increasing digitalisation, all of which are growth positive. Together with our associates, the Group now serves some 650 million mobile customers across 21 countries.

UNLOCKING DIGITAL GROWTH IN THE REGION

This footprint spells even greater opportunities for our Group and our associates as we move to leverage each other's reach and capabilities to scale our businesses and better serve our customers. We recently announced for example, Asia's first telco-enabled mobile wallet technology that will allow consumers to transact seamlessly across different digital payment ecosystems through an interoperable platform. Seen in the context of ASEAN's vision of a single digital market, the Singtel Group of companies are particularly well-placed to help facilitate and accelerate the creation of such a market, working in tandem with government and the private sector.

CHAMPIONING SUSTAINABILITY FOR OUR COMMUNITIES

Besides creating value for our shareholders and our customers, we firmly believe in supporting and serving the communities in which we operate. Reinforcing our belief that technology should benefit everyone, our Singtel Group digital citizenship programmes have supported more than 140,000 students by teaching them to be digitally safe and savvy. Singtel Group Future Makers, our social innovation programme covering Australia, Singapore and the Philippines saw six start-ups receive funding to develop socially impactful businesses. We were also among the first in Singapore to pilot the SkillsFuture for Digital Workplace training programme to raise digital literacy and skills among our employees. Beyond our immediate workforce, we have also worked with partners to put in place holistic programmes to develop skills for

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a digital world, launching the Innovation Cyber Security Ecosystem at Block 71 in collaboration with the National University of Singapore, IMDA and the Cyber Security Agency. We have an energised team, excited about our future and that of our communities, and ready and willing to drive our digital growth ambitions and beliefs.

STAYING THE COURSE OF TRANSFORMATION

Singtel has undergone numerous transformations through the years, from statutory board to public-listed company to multinational and has been disciplined in looking for and building new businesses and growth areas. The challenge has always been how to navigate transitions to new business models while protecting the value of our existing businesses. The resilience of our revenues this past year, the increasingly competitive business environment notwithstanding, demonstrates our team's commitment to transformation and ability to execute at the operational level.

I would like to thank the Singtel team for staying the course, the Board for their guidance, and our partners and shareholders for their support. As we further chart our course of transformation, I'm confident that having come from a position of strength, a strong digital foundation is now in place, anchored by relevant assets, to evolve our business and capture the opportunities ahead.

Yours sincerely,



CHUA SOCK KOONG
Group Chief Executive Officer