



## **Singapore Telecommunications Limited And Subsidiary Companies**

### **MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND CASH FLOWS FOR THE FIRST QUARTER ENDED 30 JUNE 2006**

*The financial statements of the Group are prepared in accordance with Singapore Financial Reporting Standards, which are the same, in material respects, to the International Financial Reporting Standards. The financial statements for the period ended, and as at, 30 June 2006 are unaudited.*

*For all pages, "@" denotes more than +/- 500%, "\*" denotes less than +/- S\$500,000 or A\$500,000 and "\*\*\*\*" denotes less than +/- 0.05%.*

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**SECTION I : GROUP**

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**FINANCIAL HIGHLIGHTS  
FOR THE FIRST QUARTER ENDED 30 JUNE 2006**

- **Operating revenue down 1.4% to S\$3.17 billion.**
  
- **Optus' operating revenue was up 5.3% to A\$1.83 billion. In Singapore Dollar terms, Optus' operating revenue was down 2.0% to S\$2.18 billion as the Australian Dollar fell 7% against the Singapore Dollar.**
  
- **Pre-tax profit from associates grew 29% to S\$495 million.**
  
- **The Group's underlying net profit was up 10% to S\$837 million.**
  
- **Free cash flow of S\$462 million, with S\$309 million from Singapore's operations, S\$87 million from the associates, and S\$65 million (A\$54 million) from Australian operations.**

## SECTION I : GROUP

	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
<b>Operating revenue</b>	<b>3,171</b>	<b>3,214</b>	<b>-1.4</b>
<i>Operating expenses</i>	<i>(2,156)</i>	<i>(2,098)</i>	<b>2.8</b>
<i>Operating expenses (ex-Cost of Sales)</i>	<i>(1,672)</i>	<i>(1,680)</i>	<b>-0.5</b>
<b>Operational EBITDA</b>	<b>1,040</b>	<b>1,130</b>	<b>-8.0</b>
<i>Operational EBITDA margin</i>	<b>32.8%</b>	<b>35.2%</b>	
<b>Share of associates' pre-tax earnings</b>	<b>495</b>	<b>384</b>	<b>28.9</b>
- ordinary operations	495	376	31.8
- exceptional items	-	8	nm
<b>EBITDA</b>	<b>1,620</b>	<b>1,599</b>	<b>1.3</b>
<b>Exceptional gains</b>	<b>3</b>	<b>34</b>	<b>-92.7</b>
<b>Underlying net profit</b>	<b>837</b>	<b>759</b>	<b>10.2</b>
<b>Net profit</b>	<b>840</b>	<b>794</b>	<b>5.8</b>
<b>Free cash flow</b>	<b>462</b>	<b>594</b>	<b>-22.3</b>
<b>Underlying earnings per share (S cents)</b>	<b>5.01</b>	<b>4.56</b>	<b>9.9</b>
<b>Basic earnings per share (S cents)</b>	<b>5.03</b>	<b>4.77</b>	<b>5.5</b>

	As at		
	30 Jun	31 Mar	30 Jun
	2006 S\$ m	2006 S\$ m	2005 S\$ m
<b>Total assets</b>	<b>34,106</b>	<b>33,606</b>	<b>35,902</b>
<b>Shareholders' funds</b>	<b>21,849</b>	<b>21,091</b>	<b>19,775</b>
<b>Net debt <sup>(1)</sup></b>	<b>4,656</b>	<b>5,006</b>	<b>7,249</b>
<i>Net debt gearing ratio <sup>(2)</sup></i>	<b>17.6%</b>	<b>19.2%</b>	<b>26.8%</b>
<i>Net debt to EBITDA <sup>(3)</sup></i>	<b>0.72X</b>	<b>0.78X</b>	<b>1.1X</b>
<b>Interest cover:</b>			
<i>- EBITDA/net interest expense <sup>(4)</sup></i>	<b>23.4X</b>	<b>17.0X</b>	<b>15.4X</b>

**Notes:**

- (1) Net debt is defined as gross debt less cash and bank balances adjusted for related hedging balances.
- (2) Net debt gearing 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) Net debt to EBITDA is defined as net debt to annualised EBITDA (excluding exceptional items).
- (4) Net interest refers to interest expense less interest income.

## SECTION I : GROUP

## GROUP SUMMARY INCOME STATEMENTS

For The First Quarter Ended 30 June 2006

	Quarter					YOY Chge %
	30 Jun					
	2006 SingTel S\$ m	2006 Optus S\$ m	2006 Elimin S\$ m	2006 Group S\$ m	2005 Group S\$ m	
<b>Operating revenue</b>	<b>995</b>	<b>2,176</b>	-	<b>3,171</b>	<b>3,214</b>	<b>-1.4</b>
Operating expenses	(532)	(1,625)	-	(2,156)	(2,098)	2.8
	464	551	-	1,015	1,117	-9.1
Other income	9	17	-	25	14	84.7
<b>Operational EBITDA</b>	<b>472</b>	<b>568</b>	-	<b>1,040</b>	<b>1,130</b>	<b>-8.0</b>
- <i>EBITDA margin</i>	<b>47.5%</b>	<b>26.1%</b>		<b>32.8%</b>	<b>35.2%</b>	
Compensation from IDA	84	-	-	84	84	-
Share of results of associates						
- ordinary operations	503	(7)	-	495	376	31.8
- exceptional items	-	-	-	-	8	nm
	503	(7)	-	495	384	28.9
<b>EBITDA</b>	<b>1,059</b>	<b>560</b>	-	<b>1,620</b>	<b>1,599</b>	<b>1.3</b>
Depreciation & amortisation	(123)	(343)	-	(466)	(503)	-7.4
<b>EBIT</b>	<b>937</b>	<b>217</b>	-	<b>1,154</b>	<b>1,096</b>	<b>5.3</b>
Net finance expense						
- net interest expense	(32)	(38)	-	(69)	(104)	-33.3
- other finance income <sup>(2)</sup>	2	1	(2)	*	6	nm
	(30)	(37)	(2)	(69)	(98)	-29.5
<b>Profit before EI</b>	<b>907</b>	<b>181</b>	<b>(2)</b>	<b>1,085</b>	<b>998</b>	<b>8.7</b>
Exceptional items <sup>(3)</sup>	3	326	(326)	3	34	-92.7
<b>Profit before tax</b>	<b>910</b>	<b>506</b>	<b>(328)</b>	<b>1,087</b>	<b>1,032</b>	<b>5.3</b>
Tax expense	(196)	(51)	-	(248)	(240)	3.4
<b>Profit after tax</b>	<b>713</b>	<b>455</b>	<b>(328)</b>	<b>840</b>	<b>793</b>	<b>5.9</b>
Minority interests	*	-	-	*	1	nm
<b>Net profit</b>	<b>713</b>	<b>455</b>	<b>(328)</b>	<b>840</b>	<b>794</b>	<b>5.8</b>
<b>Net profit</b>	<b>713</b>	<b>455</b>	<b>(328)</b>	<b>840</b>	<b>794</b>	<b>5.8</b>
<i>Exclude :</i>						
Exceptional items	(3)	(326)	326	(3)	(34)	-92.7
<b>Underlying net profit</b>	<b>710</b>	<b>129</b>	<b>(2)</b>	<b>837</b>	<b>759</b>	<b>10.2</b>

**Notes:**

- (1) Unless otherwise stated, the presentation of income statements in this document is consistent with prior periods. For income statements presented in accordance with FRS 1 (revised 2004), **Presentation of Financial Statements**, please refer to "SGX Appendix 7.2 Announcement".
- (2) The intra-group elimination of S\$2 million relates to currency translation loss on loan to Southern Cross Cable Holdings Limited, a 39.99% joint venture, recognised in income statement upon reclassification of the loan to short term as at 30 June 2006. The loan, together with the equity investment, was transferred to SingTel by Optus as at 30 June 2006. In prior periods, the loan was treated as a long term quasi-capital loan and hence the related currency translation difference was taken to equity.
- (3) The exceptional gains recorded by Optus from the sale of Southern Cross Cable and an IT subsidiary to SingTel were eliminated upon consolidation.

## SECTION I : GROUP

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### REVIEW OF GROUP OPERATING PERFORMANCE

For the first quarter ended 30 June 2006, the Group reported a 5.8% increase in net profit to S\$840 million, or earnings per share of 5.03 cents, from S\$794 million, or earnings per share of 4.77 cents, in the same quarter last year. Excluding exceptional items, the underlying net profit was up 10% to S\$837 million, or earnings per share of 5.01 cents, from S\$759 million, or earnings per share of 4.56 cents.

The increase in profits was driven primarily by the continued robust growth from the associates, which contributed S\$359 million (1Q 2005:S\$273 million) in post-tax profit, representing 43% of total Group's underlying net profit, up from 36% a year ago. The Group also benefited from lower depreciation and interest costs as C2C, a loss-making 59.5% subsidiary of which the Group has ceased to control, was deconsolidated with effect from 1 January 2006.

The Group's operating revenue fell slightly by 1.4% to S\$3.17 billion. In Australia, where two-thirds of the Group's revenue are derived, operating revenue fell 2.0% in Singapore Dollar terms due mainly to the 7% decline in the Australian Dollar against the Singapore Dollar. In Australian Dollar terms, Optus' operating revenue was up 5.3%, partly reflecting the contributions from Alphawest and Virgin Mobile Australia which were acquired in November 2005 and January 2006 respectively. SingTel's operating revenue was flat at S\$995 million.

Compared to the preceding quarter ended 31 March 2006, the Group's operating revenue was lower by 2.7% due mainly to a decline in IT revenue arising from cyclical factors.

Operating expenses for the quarter ended 30 June 2006 rose 2.8% to S\$2.16 billion and operational EBITDA fell 8.0% to S\$1.04 billion.

Operational EBITDA margin declined 2.4 percentage points to 32.8% attributable mainly to lower margins in Australia. However, the better operational performance of the associates drove the Group's share of pre-tax profit from S\$384 million to S\$495 million, up 29% year-on-year. Bharti and Telkomsel, the two largest associates of the Group, continued to post strong profits on the back of rapid subscriber growth. Consequently, the Group's EBITDA edged up 1.3% to S\$1.62 billion, with Optus accounting for a lower 35% compared to 41% in the same quarter last year.

In this quarter, the results of Globe for its second financial quarter ended 30 June 2006 were equity accounted so as to align the financial period of Globe to that of the Group's for consolidation purpose. On a comparable basis, i.e. excluding the additional quarter's results, the Group's share of pre-tax profit from associates was S\$449 million, representing an increase of 17% from a year ago.

In the quarter, free cash flow fell 22% to S\$462 million as operating cash flows declined, attributable to lower operational performance and lower dividend received from associates, whilst cash capital expenditure remained stable.

Compared to a year ago, both gross debt and net debt gearing ratios fell as C2C's borrowings were deconsolidated from 1 January 2006.

Group's net debt was 0.72 times Group EBITDA, while Group EBITDA was 23.4 times net interest expense. These credit ratios were within leverage commitments made to bond investors in 2001.

**SECTION I : GROUP****SEQUENTIAL QUARTERLY RESULTS**

Results for the current quarter compared to the preceding quarter ended 31 March 2006 were as follows :

	Quarter		QOQ Chge %
	30 Jun	31 Mar	
	2006 S\$ m	2006 S\$ m	
<b>Operating revenue</b>	<b>3,171</b>	<b>3,260</b>	<b>-2.7</b>
Operating expenses	(2,156)	(2,214)	-2.6
<b>Operational EBITDA</b>	<b>1,040</b>	<b>1,097</b>	<b>-5.2</b>
<i>Operational EBITDA margin</i>	<b>32.8%</b>	<b>33.7%</b>	
<b>Profit before exceptional items and tax</b>	<b>1,085</b>	<b>1,081</b>	<b>0.3</b>
<b>Net profit</b>	<b>840</b>	<b>1,682</b>	<b>-50.1</b>
<b>Underlying net profit</b>	<b>837</b>	<b>1,008</b>	<b>-17.0</b>
<b>Free cash flow</b>	<b>462</b>	<b>909</b>	<b>-49.3</b>

**OUTLOOK FOR THE CURRENT FINANCIAL YEAR**

There have been no significant changes to the guidance issued earlier with the results for the financial year ended 31 March 2006. SingTel will formally update its guidance outlook during the half year and full year results.

**SECTION I : GROUP****GROUP OPERATING REVENUE**

	Quarter				YOY Chge %
	30 Jun				
	2006	2006	2006	2005	
	SingTel S\$ m	Optus S\$ m	Group S\$ m	Group S\$ m	
<b>By Products And Services</b>					
Mobile communications	221	1,010	1,231	1,234	-0.3
Data and Internet	296	329	626	623	0.5
National telephone	115	459	574	638	-10.0
IT and engineering	136	106	242	190	27.4
Sale of equipment	49	163	212	204	4.1
International telephone	147	51	198	239	-17.3
Cable television	0	37	37	39	-6.6
Others <sup>(1)</sup>	31	22	52	48	8.9
<b>Total</b>	<b>995</b>	<b>2,176</b>	<b>3,171</b>	<b>3,214</b>	<b>-1.4</b>
<b>Operating revenue</b>			3,171	3,214	-1.4
Associates proportionate revenue <sup>(2)</sup>			1,368	974	40.4
<b>Group's proportionate revenue</b>			<b>4,539</b>	<b>4,188</b>	<b>8.4</b>

**Notes:**

(1) Comprises revenue from lease of satellite transponders and miscellaneous income.

(2) Proportionate share of revenue of associates is based on operating revenue of the associate multiplied by SingTel's effective ownership interest.

	Quarter	
	30 Jun	
	2006	2005
	Mix	Mix
<b>Operating Revenue Mix By Services</b>		
Mobile communications	38.8%	38.4%
Data and Internet	19.7%	19.4%
National telephone	18.1%	19.9%
IT and engineering	7.6%	5.9%
Sale of equipment	6.7%	6.3%
International telephone	6.2%	7.4%
Others	2.8%	2.7%
	<b>100.0%</b>	<b>100.0%</b>

The Group's operating revenue declined slightly by 1.4% to S\$3.17 billion. The decline of 2.0% in operating revenue by Optus (in Singapore Dollar terms) was partially mitigated by the stable operating revenue reported by SingTel. Optus, however, reported an increase of 5.3% in operating revenue in Australian Dollar terms. In Singapore Dollar terms, revenue from Australia accounted for 69% of the Group's total operating revenue, unchanged from a year ago.

Mobile communications, the largest revenue stream of the Group, contributed 39% to the Group's operating revenue, stable from a year ago. National Telephone revenue fell 10% and became the third largest revenue stream, down from being the second largest revenue stream a year ago. IT and engineering grew 27% following new contributions from Alphawest in Australia, and accounted for 7.6% of total revenue, up from 5.9% in the same quarter last year.



**SECTION I : GROUP**

Including the proportionate share of operating revenue from associates, the Group's proportionate revenue increased 8.4% to S\$4.54 billion.

**GROUP OPERATING EXPENSES**  
**(Before Depreciation and Amortisation)**

	Quarter				YOY Chge %
	30 Jun				
	2006	2006	2006	2005	
	SingTel S\$ m	Optus S\$ m	Group S\$ m	Group S\$ m	
Traffic expenses	108	497	605	616	-1.8
Selling & administrative	132	460	593	607	-2.3
Cost of sales	115	370	484	417	16.0
Staff costs	157	258	415	402	3.1
Repairs & maintenance	24	42	66	76	-13.2
Others	(4)	(2)	(6)	(21)	-71.2
<b>Total</b>	<b>532</b>	<b>1,625</b>	<b>2,156</b>	<b>2,098</b>	<b>2.8</b>

As a percentage of operating revenue	Quarter	
	30 Jun	
	2006	2005
Traffic expenses	19.1%	19.2%
Selling & administrative	18.7%	18.9%
Cost of sales	15.3%	13.0%
Staff costs	13.1%	12.5%
Repairs & maintenance	2.1%	2.4%
Others	-0.2%	-0.6%
	<b>68.0%</b>	<b>65.3%</b>

The Group's operating expenses increased 2.8% to S\$2.16 billion as SingTel and Optus registered increases of 1.3% and 3.3% respectively. Operating expenses as a percentage of operating revenue increased to 68% from 65% a year ago.

Excluding cost of sales, the Group's operating expenses would have decreased by 0.5% from a year ago.

Traffic expenses fell 1.8% in the quarter and was the Group's largest expense item, accounting for 19% of revenue. Approximately 70% (1Q 2005: 70%) of the S\$605 million in Traffic expenses were interconnection costs in Australia.

**SECTION I : GROUP****GROUP OPERATIONAL EBITDA MARGINS**

The operational EBITDA margins of the Group are summarised as follows :

	Quarter	
	30 Jun	
	2006	2005
<b>Group</b>	32.8%	35.2%
<b>SingTel</b>	47.5%	47.8%
<i>Telco businesses</i>	53.3%	54.1%
<i>IT business</i>	10.7%	10.9%
<b>Optus</b> (In S\$ terms)	26.1%	29.5%
- <i>excluding Alphawest and Virgin Mobile Australia</i>	27.3%	29.5%

The Group's operational EBITDA margins in the quarter fell 2.4 percentage points to 32.8% from 35.2% a year ago due mainly to lower margins in Australia.

Optus' margins reflected the continued intense market competition and the acquisition of Alphawest and Virgin Mobile businesses which are of lower margins.

**GROUP SUMMARY BALANCE SHEETS**

	As at		
	30 Jun	31 Mar	30 Jun
	2006	2006	2005
	S\$ m	S\$ m	S\$ m
Current assets (excluding cash)	3,607	3,164	3,342
Cash and bank balances	3,079	2,770	3,060
Non-current assets	27,420	27,672	29,500
<b>Total assets</b>	<b>34,106</b>	<b>33,606</b>	<b>35,902</b>
Current liabilities	4,789	5,128	5,759
Non-current liabilities	7,465	7,385	10,358
<b>Total liabilities</b>	<b>12,254</b>	<b>12,513</b>	<b>16,117</b>
<b>Net assets</b>	<b>21,851</b>	<b>21,093</b>	<b>19,785</b>
Share capital	4,781	4,775	2,498
Reserves	17,067	16,316	17,277
<b>Share capital and reserves</b>	<b>21,849</b>	<b>21,091</b>	<b>19,775</b>
Minority interest	3	3	11
	<b>21,851</b>	<b>21,093</b>	<b>19,785</b>

**SECTION I : GROUP****GROUP LIQUIDITY AND GEARING**

	As at		
	30 Jun	31 Mar	30 Jun
	2006	2006	2005
	S\$ m	S\$ m	S\$ m
<b>Gross debt <sup>(1)</sup> :</b>			
Current debt	1,427	1,494	2,098
Non-current debt	5,743	5,907	8,021
Gross debt as reported in balance sheet	<b>7,170</b>	<b>7,401</b>	<b>10,119</b>
Related net hedging liability	565	376	190
	<b>7,735</b>	<b>7,777</b>	<b>10,309</b>
<b>Less</b> : cash and bank balances	(3,079)	(2,770)	(3,060)
<b>Net debt</b>	<b>4,656</b>	<b>5,006</b>	<b>7,249</b>
<b>Gross debt gearing ratio <sup>(2)</sup></b>	<b>26.1%</b>	<b>26.9%</b>	<b>34.3%</b>
<b>Net debt gearing ratio</b>	<b>17.6%</b>	<b>19.2%</b>	<b>26.8%</b>

**Notes:**

- (1) With effect from 1 April 2005, borrowings and related derivatives are revalued to market values at each balance sheet date in accordance with FRS 39.
- (2) Gross debt gearing refers to the ratio of gross debt to gross capitalisation. Gross capitalisation is the aggregate of gross debt, shareholders' funds and minority interests.

The Group's gross debt (net of hedging) as at 30 June 2006 amounted to S\$7.73 billion, S\$42 million lower than a quarter ago. S\$82 million of bank borrowings were repaid in the quarter, with the balance movement due mainly to translation and fair value adjustments of bonds and related derivative instruments under FRS 39.

The net debt gearing decreased 1.6 percentage points to 17.6% from 19.2% a quarter ago as net debt decreased 7.0% with lower gross debt and higher cash balance.

Compared to a year ago, both gross debt and net debt gearing ratios fell as C2C, the 59.5% subsidiary which had outstanding bank borrowings of US\$640 million as at 30 June 2005, was deconsolidated from 1 January 2006.

**SECTION I : GROUP****GROUP CASH FLOW AND CAPITAL EXPENDITURE**

	Quarter			YOY chge %
	30 Jun	30 Jun	31 Mar	
	2006 S\$ m	2005 S\$ m	2006 S\$ m	
<b>Net cash inflow from operating activities</b>				
<b>Profit before tax</b>	<b>1,087</b>	<b>1,032</b>	<b>1,754</b>	<b>5.3</b>
Depreciation	449	499	474	-10.1
Compensation from IDA	(84)	(84)	(84)	-
Share of results of associates	(495)	(384)	(469)	28.9
Exceptional items	(3)	(34)	(673)	-92.7
Net finance expense	69	98	80	-29.5
Other non-cash items	28	12	1	126.6
<b>Non cash items</b>	<b>(36)</b>	<b>106</b>	<b>(672)</b>	<b>nm</b>
<b>Operating cashflow before working capital changes</b>	<b>1,051</b>	<b>1,139</b>	<b>1,082</b>	<b>-7.7</b>
<b>Changes in operating assets and liabilities</b>	<b>(254)</b>	<b>(291)</b>	<b>193</b>	<b>-12.9</b>
	<b>797</b>	<b>848</b>	<b>1,276</b>	<b>-6.0</b>
Cash paid to employees under performance share plans	(5)	-	-	nm
Dividends received from associates	87	180	93	-51.6
Tax paid	(13)	(27)	(29)	-53.0
	<b>867</b>	<b>1,001</b>	<b>1,339</b>	<b>-13.4</b>
<b>Net cash outflow from investing activities</b>				
Payment for purchases of property, plant and equipment	(406)	(407)	(430)	-0.4
Proceeds from sale of property, plant and equipment	2	1	30	240.0
Net investment in associates	(3)	(610)	(1)	-99.5
Deposit in respect of bid for Pakistan Telecom	-	(67)	-	nm
Net sales proceeds from / (purchase of) trading investments	27	*	122	nm
Proceeds from disposal of available for sale financial assets	11	-	73	nm
Payment for acquisition of subsidiary companies, net of cash acquired	*	*	(39)	nm
Others ( <i>interest received etc</i> )	48	21	13	131.1
	<b>(323)</b>	<b>(1,063)</b>	<b>(232)</b>	<b>-69.7</b>
<b>Net cash outflow from financing activities</b>				
Net decrease in borrowings	(82)	(73)	(788)	11.7
Net interest paid on borrowings and swaps	(135)	(126)	(76)	7.7
Payments to minority shareholders	-	-	*	-
Proceeds from share issue in respect of share options	7	21	14	-67.5
Purchase of performance shares	(28)	(4)	(4)	@
Others	-	*	(1)	nm
	<b>(239)</b>	<b>(182)</b>	<b>(854)</b>	<b>30.8</b>
<b>Net increase/ (decrease) in cash &amp; cash equivalents</b>	<b>306</b>	<b>(244)</b>	<b>253</b>	<b>nm</b>
Exchange effects on cash and cash equivalents	2	1	6	83.3
<b>Group cash and cash equivalents at beginning</b>	<b>2,770</b>	<b>3,303</b>	<b>2,512</b>	<b>-16.1</b>
<b>Group cash and cash equivalents at end</b>	<b>3,079</b>	<b>3,060</b>	<b>2,770</b>	<b>0.6</b>
<b>Free cash flow</b>	<b>462</b>	<b>594</b>	<b>909</b>	<b>-22.3</b>
<b>Capital expenditure (accrual basis)</b>				
SingTel	14	31	105	-55.9
Optus	286	298	422	-4.1
<b>Group</b>	<b>300</b>	<b>329</b>	<b>527</b>	<b>-9.0</b>
<b>Cash capex to operating revenue</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	

**SECTION I : GROUP**

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Group operating cash flows (before dividends and tax) for the quarter amounted to S\$797 million, 6.0% lower than the same quarter last year as a result of lower operational performance. Dividends received from associates fell to S\$87 million as Telkomsel plans to pay its first dividend only in September quarter this year, when it had paid its first dividend in June last year.

Net cash outflow from investing activities for the quarter was S\$323 million. Cash capital expenditure of S\$406 million was stable compared to a year ago. Optus' higher cash capital expenditure arising from continuing expenditure on the 3G mobile network, the ULL rollout and the D series satellites was offset by lower cash capital expenditure by SingTel. The cash capital expenditure to operating revenue ratio remained unchanged at 13% compared to the preceding quarter and the same quarter last year.

With the lower cash flows from operating activities and dividend income, and stable cash capital expenditure, free cash flow declined 22% or S\$132 million to S\$462 million.

Net cash outflow from financing activities was S\$239 million, comprising mainly debt repayment of S\$82 million and interest payments of S\$135 million. S\$28 million was incurred on the buy back of SingTel's shares from the market in respect of the performance share plans.

Ending cash balance increased by S\$306 million to S\$3.08 billion.

Please refer to Sections II and III for more information on cash flows.

## **SINGTEL**

### **MANAGEMENT DISCUSSION AND ANALYSIS**

#### **FINANCIAL HIGHLIGHTS**

#### **FOR THE FIRST QUARTER ENDED 30 JUNE 2006**

- **Operating revenue was flat at S\$995 million.**
- **Operational EBITDA margin at 47.5%.**
- **Pre-tax profit from associates, up 32 % to S\$503 million.**
- **EBITDA increased 13% to S\$1.06 billion.**
- **Underlying net profit increased 24% to S\$710 million.**

**SECTION II : SINGTEL**

	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
<b>Operating revenue</b>	<b>995</b>	<b>995</b>	<b>0.1</b>
<i>Operating expenses</i>	<i>(532)</i>	<i>(525)</i>	<i>1.3</i>
<i>Operating expenses (ex- Cost of sales)</i>	<i>(417)</i>	<i>(417)</i>	<i>-0.1</i>
<b>Operational EBITDA</b>	<b>472</b>	<b>476</b>	<b>-0.7</b>
<i>Operational EBITDA margin</i>	<i>47.5%</i>	<i>47.8%</i>	
<b>Share of associates' pre-tax earnings</b>	<b>503</b>	<b>380</b>	<b>32.2</b>
-ordinary operations	503	372	35.1
-exceptional items	-	8	nm
<b>EBITDA</b>	<b>1,059</b>	<b>940</b>	<b>12.7</b>
<b>Exceptional gains</b>	<b>3</b>	<b>34</b>	<b>-91.3</b>
<b>Underlying net profit</b>	<b>710</b>	<b>571</b>	<b>24.4</b>
<b>Net profit</b>	<b>713</b>	<b>605</b>	<b>17.8</b>
<b>Free cash flow</b>	<b>397</b>	<b>409</b>	<b>-3.1</b>

## SECTION II : SINGTEL

**SINGTEL**  
**SUMMARY INCOME STATEMENTS**  
**For The First Quarter Ended 30 June 2006**

	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
<b>Operating revenue</b>	<b>995</b>	<b>995</b>	<b>0.1</b>
Operating expenses	(532)	(525)	1.3
	464	470	-1.4
Other income	9	6	51.7
<b>Operational EBITDA</b>	<b>472</b>	<b>476</b>	<b>-0.7</b>
<b>-EBITDA margin</b>	<b>47.5%</b>	<b>47.8%</b>	
Compensation from IDA	84	84	-
Share of results of associates			
- ordinary operations	457	372	22.8
- ordinary operations of Globe's June '06 quarter	46	-	nm
- exceptional items	-	8	nm
	503	380	32.2
<b>EBITDA</b>	<b>1,059</b>	<b>940</b>	<b>12.7</b>
Depreciation & amortisation	(123)	(166)	-26.0
<b>EBIT</b>	<b>937</b>	<b>775</b>	<b>20.9</b>
Net finance expense			
- net interest expense	(32)	(53)	-40.3
- net investment income	2	6	-72.9
	(30)	(47)	-36.2
<b>Profit before EI</b>	<b>907</b>	<b>727</b>	<b>24.6</b>
Exceptional items	3	34	-91.3
<b>Profit before tax</b>	<b>910</b>	<b>762</b>	<b>19.4</b>
Taxation	(196)	(157)	24.9
<b>Profit after tax</b>	<b>713</b>	<b>605</b>	<b>18.0</b>
Minority interests	*	1	nm
<b>Net profit</b>	<b>713</b>	<b>605</b>	<b>17.8</b>
<b>Net profit</b>	<b>713</b>	<b>605</b>	<b>17.8</b>
<i>Exclude :</i>			
Exceptional items	(3)	(34)	-91.3
<b>Underlying net profit</b>	<b>710</b>	<b>571</b>	<b>24.4</b>



**SECTION II : SINGTEL**

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**REVIEW OF SINGTEL OPERATING PERFORMANCE**

For the current quarter ended 30 June 2006, operating revenue was stable at S\$995 million. Excluding C2C's capacity sales in the June 2005 quarter, operating revenue would have increased by 2.3%. On a sequential quarter basis, operating revenue declined by 7.0% largely due to IT revenue which fell 30% due to cyclical factors. Excluding IT revenue, the telecommunications businesses were stable compared to the preceding quarter.

Mobile communications grew 6.8% year-on-year while data revenue was stable. Excluding C2C's capacity sales revenue in the June 2005 quarter, data revenue would have increased by 6.5%. IT recorded a decrease of 6.1% in revenue due mainly to the closure of an IT subsidiary in late December 2005. International Telephone revenue declined by 3.7% but was stable compared to the preceding quarter.

Operational EBITDA margin for the quarter was resilient at 47.5%, compared to 47.8% a year ago. Compared to the preceding quarter, operational EBITDA margin rose 1.4 percentage points.

Pre-tax contributions from associates continued to be strong, growing by 32% year-on-year to S\$503 million, accounting for 55% (1Q 2005: 52%) of SingTel's profit before exceptional items and tax. In the current quarter, SingTel accounted for an additional quarter of Globe's results of S\$46 million in order to align Globe's accounting period to that of the Group's for consolidation purpose. Excluding this alignment, the share of pre-tax profit from associates would be S\$457 million, representing an increase of 20% from a year ago.

With the deconsolidation of C2C with effect from 1 January 2006 following the loss of control over this subsidiary, depreciation and interest expenses fell.

In this quarter, a deferred tax benefit of S\$42 million (1Q 2005: S\$30 million) was recognised on the interest expense provided by Singapore Telecom Australia Investments Pty Limited, the investment holding company of Optus, on its long term loan from SingTel.

Net profit after tax was S\$713 million. On a comparable basis, i.e. excluding exceptionals, underlying net profit grew 24% to S\$710 million.

Free cash flow generated in the quarter amounted to S\$397 million, down 3.1% from a year ago attributable mainly to lower dividend income received from Telkomsel.

**SECTION II : SINGTEL****SEQUENTIAL QUARTERLY RESULTS**

Results for the current quarter compared to the preceding quarter ended 31 March 2006 were as follows:

	Quarter		QOQ Chge %
	30 June	31 Mar	
	2006 S\$ m	2006 S\$ m	
<b>Operating revenue</b>	<b>995</b>	<b>1,069</b>	<b>-7.0</b>
Operating expenses	(532)	(612)	-13.1
<b>Operational EBITDA</b>	<b>472</b>	<b>493</b>	<b>-4.1</b>
<i>Operational EBITDA margin</i>	<i>47.5%</i>	<i>46.1%</i>	
<b>Profit before exceptional items and tax</b>	<b>907</b>	<b>850</b>	<b>6.6</b>
<b>Net profit</b>	<b>713</b>	<b>1,514</b>	<b>-52.9</b>
<b>Underlying net profit</b>	<b>710</b>	<b>841</b>	<b>-15.5</b>
<b>Free cash flow</b>	<b>397</b>	<b>558</b>	<b>-28.9</b>

**OPERATING REVENUE**

SINGTEL	Quarter				YOY Chge %
	30 Jun				
	2006		2005		
	S\$ m	Mix %	S\$ m	Mix %	
Data and Internet	296	30	300	30	-1.2
Mobile communications	221	22	207	21	6.8
International telephone	147	15	152	15	-3.7
IT and engineering	136	14	145	15	-6.1
National telephone	115	12	125	13	-7.5
Sale of equipment	49	5	33	3	50.8
Others <sup>(1)</sup>	31	3	34	3	-7.8
<b>Total</b>	<b>995</b>	<b>100</b>	<b>995</b>	<b>100</b>	<b>0.1</b>

**Note:**

(1) Comprises revenue from paging services, maritime & land mobile revenue, lease of satellite transponders and miscellaneous income.

Operating revenue was flat at S\$995 million during the quarter. Excluding C2C's capacity sales in the June 2005 quarter, operating revenue would have increased by 2.3%.

Data and Internet services continued to be the largest revenue stream at 30% of total operating revenue. IT & Engineering revenue constituted 14% of total operating revenue, compared to 18% in the preceding quarter as the revenue fell 30% due to cyclical factors.

**SECTION II : SINGTEL****Data and Internet**

SINGTEL	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
<b>Data services</b>			
Local leased circuits <sup>(1)</sup>	89	90	-1.1
Managed services <sup>(2)</sup>	45	39	17.9
International leased circuits (ILC)	42	44	-6.1
Others <sup>(3)</sup>	34	27	26.6
	<b>210</b>	<b>200</b>	<b>5.2</b>
<b>Internet related</b>			
Broadband	64	55	15.2
SingTel Internet Exchange (STiX) <sup>(4)</sup>	9	8	11.4
Narrowband and others	14	16	-9.7
	<b>86</b>	<b>79</b>	<b>9.9</b>
<b>Data and Internet related</b>	<b>296</b>	<b>278</b>	<b>6.5</b>
<b>Capacity sales revenue - C2C</b>	-	22	nm
<b>Total</b>	<b>296</b>	<b>300</b>	<b>-1.2</b>

Key Drivers - Internet related	Quarter		
	30 Jun	31 Mar	30 Jun
	2006	2006	2005
<b>Number of broadband lines (000s) <sup>(5)</sup></b>	<b>372</b>	<b>352</b>	<b>311</b>
<b>Singapore broadband penetration rate <sup>(6)</sup></b>	<b>56%</b>	<b>54%</b>	<b>48%</b>
<b>Broadband market share <sup>(7)</sup></b>	<b>53.9%</b>	<b>53.5%</b>	<b>54.8%</b>
<b>Number of paying Internet dial up customers (000s)</b>	<b>71</b>	<b>77</b>	<b>102</b>

**Notes:**

- (1) Include resale of overseas local leased circuits.
- (2) Include ATM, MEG@POP, Global Corporate IP, Frame Relay, Facility Management and Managed Hosting Services.
- (3) Include ISDN, VSAT, DTE/ DCE, digital video broadcasting etc.
- (4) Include inter-company sales to Optus of S\$2.3 million (1Q 2005: S\$2.1 million).
- (5) SingTel's broadband service comprises all ADSL lines, including SingNet retail broadband lines but excluding leased lines and other broadband access.
- (6) Total estimated ADSL and cable lines divided by total number of households (Source: IDA). For June 2006, figure was based on latest published information for May 2006.
- (7) Based on total SingTel ADSL lines divided by total ADSL and cable lines in the population. For June 2006, figure was based on latest published information for May 2006.

Overall Data and Internet revenue fell 1.2% to S\$296 million. On a comparable basis, if C2C's capacity sales revenue is excluded, the revenue grew 6.5%.

Data revenue for the quarter amounted to S\$210 million, 5.2% higher compared to the same quarter last year.

**SECTION II : SINGTEL**

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Local leased circuit revenue, the largest component at 42% of Data services, was largely flat compared to the same quarter last year. Against the preceding quarter, it fell 3.8%.

Managed services grew 18% and became the next largest component at 22% of Data services. The increase was attributable mainly to higher sales of Global Corporate IP services.

ILC revenue, the third largest component at 20% of Data services, declined 6.1% and 2.6% on a year-on-year and sequential quarter basis respectively. While demand for bandwidth continued to be robust, with sales volume increasing by more than 40% from a year ago, a larger proportion of customers bought higher bandwidth circuits where average prices continued to fall steeply in the quarter.

Internet revenue for the quarter grew 9.9% to S\$86 million. Compared to the preceding quarter, it grew 3.2%.

Increasing affordability of retail broadband plans and attractive promotions have continued to drive growth in Broadband. Broadband revenue rose 15% to S\$64 million year-on-year and increased 4.8% against the preceding quarter. As at 30 June 2006, the number of broadband lines increased 5.5% or 20,000 lines to 372,000 lines from 352,000 lines a quarter ago. The continued growth momentum was attributable to the resounding success of the affordable "knockout" price plans introduced in the preceding quarter, in addition to online promotions offering very attractive subscription rates. The number of broadband lines increased by 61,000 or 19% from a year ago.

Despite intense market competition, SingTel's retained its lead in the broadband Internet market with a share of 53.9% as at May 2006.

## SECTION II : SINGTEL

## Mobile Communications

SingTel	Quarter		YOY Chge
	30 Jun		
	2006 S\$ m	2005 S\$ m	%
Cellular service <sup>(1)</sup>	221	207	6.8

Key Drivers	Quarter		
	30 Jun	31 Mar	30 Jun
	2006	2006	2005
<b>Number of mobile subscribers (000s)</b>			
Prepaid	409	456	405
Postpaid	1,210	1,204	1,148
<b>Total</b>	<b>1,619</b>	<b>1,660</b>	<b>1,553</b>
<b>MOUs per subscriber per month <sup>(2)</sup></b>			
Prepaid	89	72	38
Postpaid	368	368	357
<b>Average revenue per subscriber per month <sup>(2)</sup> (S\$ per month)</b>			
Prepaid <sup>(3)</sup>	14	12	13
Postpaid <sup>(4)</sup>	71	71	70
<b>Blended</b>	<b>56</b>	<b>54</b>	<b>55</b>
<b>Data services as % of ARPU <sup>(5)</sup></b>	<b>25%</b>	<b>24%</b>	<b>21%</b>
<b>Acquisition cost per postpaid subscriber (S\$)</b>	<b>231</b>	<b>247</b>	<b>188</b>
Postpaid external churn per month <sup>(6)</sup>	0.8%	0.9%	1.2%
<b>Singapore mobile penetration rate <sup>(7)(8)</sup></b>	<b>99.3%</b>	<b>100.8%</b>	<b>96.3%</b>
<b>Singapore mobile subscribers ('000s) <sup>(8)</sup></b>	<b>4,322</b>	<b>4,385</b>	<b>4,084</b>
<b>Market share <sup>(8)</sup></b>			
Prepaid	30.3%	28.3%	28.8%
Postpaid	43.4%	43.4%	42.9%
<b>Overall</b>	<b>38.7%</b>	<b>37.9%</b>	<b>38.0%</b>

**Notes:**

- (1) Cellular service revenue excludes revenue earned from international calls classified under "International Telephone" revenue, consistent with prior periods. Bill rebates are charged against mobile communications revenue.
- (2) Based on average subscribers, calculated as the simple average of opening and closing subscribers.
- (3) Prepaid ARPU includes revenue earned from international telephone calls, and is computed net of sales discounts on prepaid cards.
- (4) Postpaid ARPU includes revenue earned from international telephone calls and is computed net of international outpayments for outbound roaming traffic.
- (5) Include revenue from SMS, \*SEND, MMS and other data services.
- (6) Calculated by expressing the number of postpaid subscribers who deactivate or disconnect (both voluntary and the Company's initiated churn) as a percentage of the average subscribers.
- (7) The penetration rates for 2005 are based on previously published figures by IDA, not updated with subsequent changes in population base.
- (8) For June 2006, figure was based on latest published information from IDA for May 2006.

**SECTION II : SINGTEL**

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Mobile communications revenue grew 6.8% on a year-on-year basis and was stable compared to the preceding quarter.

As at 30 June 2006, SingTel registered a net decline of 41,000 mobile subscribers to 1.62 million from a quarter ago, with an increase of 5,000 postpaid mobile subscribers offset by a decline of 46,000 prepaid mobile subscribers.

All prepaid mobile subscribers were required to register their prepaid cards by 1 May 2006. With telcos commencing the termination of unregistered prepaid cards in the quarter, the overall prepaid market as at 31 May 2006 shrank. SingTel cancelled approximately 100,000 prepaid subscribers in the deregistration exercise, but its prepaid market share increased to 30% as at 31 May 2006, up 2 percentage points from 31 March 2006. This was due to aggressive marketing efforts, including the registration bonus promotion, whereby S\$8/S\$10 bonus value was given to every prepaid subscriber who registered.

Prepaid ARPU increased to S\$14, up 14% from a quarter ago as low or no usage prepaid cards were terminated. With postpaid mobile enjoying stable ARPU, blended ARPU increased to S\$56 from S\$54 in the preceding quarter.

Data services remained popular, inching up to 25% of ARPU.

The demand for 3G services continued to be strong, reaching 191,000 subscribers at end June 2006.

The postpaid churn rate dropped to an all time low of 0.8% due to the success of ongoing re-contracting programmes.

Subscriber acquisition cost increased 23% compared to the same quarter last year, but was 6.5% lower than a quarter ago.

To date, SingTel has invested approximately S\$151 million on its 3G network rollout and S\$98 million on the licence fee.

**SECTION II : SINGTEL****International Telephone <sup>(1)</sup>**

SINGTEL	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
International (incl Malaysia) call revenue	117	120	-2.4
Inpayments and net transit	30	32	-8.4
<b>Total</b>	<b>147</b>	<b>152</b>	<b>-3.7</b>
Outpayments	45	50	-9.5
<b>Net</b>	<b>102</b>	<b>103</b>	<b>-0.9</b>
<b>Margin %</b>	<b>69%</b>	<b>67%</b>	

Key drivers	Quarter		
	30 Jun	31 Mar	30 Jun
	2006	2006	2005
International telephone outgoing minutes (m mins) (excl Malaysia)	263	248	220
Average IDD call collection rate - net basis (S\$/ min) (excl Malaysia)	0.388	0.396	0.467

**Note:**

(1) International telephone services include international calling cards, IDD calls and facsimile services into and out of Singapore, other international call services, corporate voice, video and audio conferencing and wholesale voice services. Also include international telephone revenue earned from calls made from mobile phones.

International Telephone revenue declined 3.7% to S\$147 million in this quarter as both inpayment and International call revenues fell. International call revenue declined 2.4% attributable to lower revenue from traffic to Malaysia as well as other countries. The 17% reduction in average collection rates were partially offset by a 19% increase in international telephone outgoing minutes.

On a sequential quarter basis, revenue was stable.

Margins increased from 67% to 69% year-on-year.

**SECTION II : SINGTEL****IT and Engineering Services**

SINGTEL	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
IT & Engineering revenue <sup>(1)</sup>	136	145	-6.1

**Note:**

(1) Generated mainly by NCS and its subsidiaries. Included billings to Optus of approximately S\$11 million (1Q 2005: S\$11 million).

While revenue growth for the Singapore's operations had slowed, NCS' strategy of regionalisation continued to gain momentum, with non-Singapore revenue (excluding IPACS) growing 36% year-on-year.

Compared to the same quarter last year, revenue fell 6.1% due mainly to IPACS which, as reported previously, ceased operations on 29 December 2005. Excluding contribution from IPACS, revenue was stable year-on-year. Compared to the preceding quarter, revenue fell 30% due to cyclical factors, as IT spending usually peaked ahead of the fiscal year end.

The order books continued to remain at a healthy level. Reflecting its dominance in the government sector in Singapore, NCS secured a number of major contracts in the current quarter. Further inroads were also made in the key overseas markets of Australia and Hong Kong.

Major contract wins in the quarter include Disaster Recovery Services for a Singapore Statutory Board and an Estate Management & Maintenance project for the Hong Kong Housing Authority.



**SECTION II : SINGTEL****National Telephone**

SINGTEL	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
Direct Exchange Lines ("DEL")			
- rental	46	47	-2.1
- traffic	31	35	-12.0
Others <sup>(1)</sup>	77	82	-6.3
	42	46	-9.4
Inter-company eliminations	119	128	-7.4
	(3)	(3)	-2.9
	<b>115</b>	<b>125</b>	<b>-7.5</b>

Key Drivers	Quarter		
	30 Jun	31 Mar	30 Jun
	2006	2006	2005
<b>DEL working lines ('000s)</b>			
Residential	1,045	1,053	1,081
Business	753	755	756
<b>Total</b>	<b>1,798</b>	<b>1,808</b>	<b>1,837</b>
<b>Singapore DEL penetration rate <sup>(2)</sup></b>	<b>42.4%</b>	<b>42.4%</b>	<b>43.6%</b>
<b>Singapore DEL working lines ('000s) <sup>(2)</sup></b>	<b>1,843</b>	<b>1,847</b>	<b>1,851</b>
<b>DEL market share <sup>(2)</sup></b>	<b>97.8%</b>	<b>98.0%</b>	<b>99.3%</b>

**Notes:**

(1) Include revenue from enhanced telephone services, payphones, DEL interconnect and call management services such as 1900/1800 call services and Telepoll.

(2) For June 2006, figure was based on latest published information from IDA for May 2006.

National Telephone revenue declined 7.5% to S\$115 million in the quarter, reflecting a decline of 2.1% or 39,000 in the number of DEL lines and lower fixed line and payphone traffic due to increasing broadband usage, mobile substitution and competition.

On a sequential quarter, National Telephone revenue fell 2.9% due mainly to lower payphone revenue.

**SECTION II : SINGTEL****OPERATING EXPENSES  
(Before Depreciation And Amortisation)**

SINGTEL	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
Staff costs	157	153	2.1
Selling & administrative	132	129	2.4
Cost of sales	115	107	6.9
Traffic expenses	108	112	-3.1
Repairs & maintenance	24	30	-20.3
Others <sup>(1)</sup>	(4)	(7)	-40.0
<b>Total</b>	<b>532</b>	<b>525</b>	<b>1.3</b>

As a percentage of operating revenue	Quarter	
	30 Jun	
	2006	2005
Staff costs	15.7%	15.4%
Selling & administrative	13.3%	13.0%
Cost of sales	11.5%	10.8%
Traffic expenses	10.9%	11.2%
Repairs & maintenance	2.4%	3.0%
Others	-0.4%	-0.7%
<b>Total</b>	<b>53.4%</b>	<b>52.7%</b>

**Note:**

(1) Included government grants and recoveries of costs.

Operating expenses were stable year-on-year but fell 13% when compared to the preceding quarter.

## SECTION II : SINGTEL

## Staff Costs

SINGTEL	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
Gross staff costs	141	144	-2.4
Performance share cost <sup>(1)</sup>	7	7	-5.7
Retrenchment cost	12	4	179.1
Capitalisation of staff costs	(3)	(2)	26.1
<b>Total, net</b>	<b>157</b>	<b>153</b>	<b>2.1</b>

Key Drivers	Quarter		
	30 Jun	31 Mar	30 Jun
	2006	2006	2005
<b>SingTel average number of staff</b>	9,593	9,854	10,032
Revenue per staff (S\$'000) <sup>(2)</sup>	104	109	99
<b>As at end of period:</b>			
<b>Number of staff</b>			
NCS Group <sup>(3)</sup>	3,043	3,085	2,941
SingTel and subsidiary companies	6,350	6,753	7,095
<b>SingTel</b>	<b>9,393</b>	<b>9,838</b>	<b>10,036</b>
<b>Optus</b>	<b>9,988</b>	<b>10,124</b>	<b>9,669</b>
- excluding Alphawest and Virgin Mobile Australia	9,272	9,407	9,669
<b>Total Group</b>	<b>19,381</b>	<b>19,962</b>	<b>19,705</b>

**Notes:**

- (1) Performance share expense for a share grant is amortised and recognised in income statement on a straight line basis over the vesting period of 3 years from the date of the grant.
- (2) Based on average employee numbers.
- (3) Headcount as at 30 June 2005 included the 233 headcount of a China IT subsidiary which has since closed.

As at 30 June 2006, SingTel's headcount fell by 445 or 4.5% to 9,393 from a quarter ago. Compared to a year ago, headcount declined by 643 or 6.4%.

The decline in headcount was attributable mainly to staff retrenchments, which had resulted in S\$12 million (1Q 2005: S\$4 million) of ex-gratia payments in the quarter.

## Selling &amp; Administrative Expenses

SINGTEL	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
Selling & administrative expenses	132	129	2.4

Selling & Administrative expenses increased 2.4% attributable to higher mobile subscriber acquisition and re-contract costs partly offset by lower rental and professional fees incurred.

**SECTION II : SINGTEL****Traffic Expenses**

SINGTEL	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
Outpayments	45	50	-9.5
Leases <sup>(1)</sup>	51	50	1.8
Interconnect	13	12	2.5
	<b>108</b>	<b>112</b>	<b>-3.1</b>

**Note:**

(1) Leases comprise backhaul charges, Inmarsat satellite rental, cost of restoring cable breakages and leased circuit charges.

See page 21 for an analysis of outpayments relative to inpayments.

**OTHER INCOME STATEMENT ITEMS****Depreciation And Amortisation**

SINGTEL	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
Depreciation of property, plant and equipment			
- SingTel and subsidiary companies	121	132	-8.1
- C2C	-	33	nm
Amortisation	2	2	12.5
	<b>123</b>	<b>166</b>	<b>-26.0</b>
<b>Depreciation as a percentage of operating revenue</b>	<b>12.1%</b>	<b>16.5%</b>	

The reduction in depreciation of 26% or S\$43 million resulted mainly from the deconsolidation of C2C in the March 2006 quarter. Consequently, depreciation as a percentage of operating revenue fell 4.4 percentage points to 12%.

Against the preceding quarter, depreciation expense fell S\$16 million or 11% due mainly to end of useful lives or decommissioning of certain property, plant and equipment.

**SECTION II : SINGTEL****Net Finance Expense**

SINGTEL	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
<b>Net interest expense:</b>			
- Interest income from third parties	31	20	54.5
- Interest expense (SingTel ex-C2C)	(62)	(59)	4.9
	(32)	(40)	-19.9
- Interest expense - C2C	-	(18)	nm
- Interest income from Optus	-	4	nm
	<b>(32)</b>	<b>(53)</b>	<b>-40.3</b>
<b>Other finance income:</b>			
- FRS 39 fair value adjustments <sup>(1)</sup>	*	*	nm
- Investment gain <sup>(2)</sup>	2	1	183.3
- Foreign exchange gain (net)	*	5	nm
	<b>2</b>	<b>6</b>	<b>-72.9</b>

**Notes:**

- (1) Arising from the revaluation of trading investments at fair values at balance sheet date under FRS 39, **Financial Instruments: Recognition and Measurement**.
- (2) Comprise mainly dividend income and realised gains or losses on disposals of investments held for resale.

Interest income during the quarter increased by 55%, benefiting from the rise in average interest rates. Interest expenses were up at a moderate 4.9% in spite of the increase in interest rates due mainly to lower borrowings following the redemption of the remaining S\$515 million in bond borrowings in March 2006.

**Exceptional Items <sup>(1)</sup>**

SINGTEL	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
Dilution gain on Bharti	3	34	-92.7
Write off of negative goodwill on acquisition of subsidiary from Optus (eliminated at Group)	*	-	nm
<b>Total</b>	<b>3</b>	<b>34</b>	<b>-91.3</b>

**Note:**

- (1) Exceptional items are material non-recurring items for which separate disclosure is considered necessary to avoid distortion of reported results of performance.

As in prior quarters, new Bharti shares were issued upon the conversion of certain debentures into ordinary shares. The resultant gain on dilution in the effective equity interest in Bharti has been recorded as exceptional gain.

## SECTION II : SINGTEL

## Taxation

SINGTEL	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
Taxation			
Withholding taxes on dividend income from associates <sup>(1)</sup>			
- Telkomsel	35	20	73.6
- BSI	-	1	nm
	35	21	65.4
Current and deferred taxes (a)	67	55	22.2
Tax benefit of inter-company interest expense	(42)	(30)	40.7
	60	46	30.2
Share of taxes of associates			
- share of ordinary tax (b)	136	92	48.4
- reversal of Bharti deferred tax benefit (see page 49)	-	19	nm
	136	111	22.7
<b>Total</b>	<b>196</b>	<b>157</b>	<b>24.9</b>
<b>Effective tax rates based on :</b>			
<b>SingTel reported profits before tax (ex-Optus)</b>	<b>21.6%</b>	<b>20.6%</b>	
<b>SingTel profits (ex-Optus and associates)</b>			
Profit before tax	910	762	
Exclude :			
Compensation from IDA	(84)	(84)	
Share of associates' profits	(503)	(380)	
Fair value adjustments	*	*	
Exceptional items	(3)	(34)	
C2C losses	-	37	
Adjusted pre-tax profits (c)	<b>320</b>	<b>300</b>	
Effective tax rate (a)/(c)	<b>20.8%</b>	<b>18.2%</b>	
Applicable statutory tax rate	<b>20.0%</b>	<b>20.0%</b>	
<b>Share of associates' profits</b>			
Share of results from ordinary operations (d)	503	372	
Effective tax rate (b)/(d)	<b>27.1%</b>	<b>24.7%</b>	

**Note:**

- (1) Withholding taxes are deducted at source when dividends are remitted by the overseas associates. For accounting purpose, the dividend income and related withholding taxes are accrued when declared by the associates. Dividend income has no impact on the income statement of the Group as they are eliminated at Group. The cash inflows upon the receipt of dividend are shown in Section IV.

**SECTION II : SINGTEL**

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In this quarter, a deferred tax benefit of S\$42 million (1Q 2005: S\$30 million) was recognised on the current quarter's interest expense provided by Singapore Telecom Australia Investments Pty Limited (the investment holding company of Optus) on its loan from SingTel. The deferred tax benefit was higher, consistent with higher interest expense as a result of higher interest rates. The inter-company interest income/expenses and loans are eliminated at Group.

The higher effective tax rate for associates of 27.1% was due to the expiration of tax holiday for Globe in March 2005.

## SECTION II : SINGTEL

## SINGTEL CASH FLOW AND CAPITAL EXPENDITURE

	Quarter			YOY
	30 Jun	30 Jun	31 Mar	
	2006	2005	2006	Chge
	S\$ m	S\$ m	S\$ m	%
<b>Net cash inflow from operating activities</b>				
<b>Profit before tax</b>	<b>910</b>	<b>762</b>	<b>1,523</b>	<b>19.4</b>
Depreciation	121	164	136	-26.4
Compensation from IDA	(84)	(84)	(84)	-
Share of results of associates	(503)	(380)	(464)	32.2
Exceptional items	(3)	(34)	(673)	-91.3
Net finance expense	30	47	52	-36.2
Other non-cash items	11	8	(17)	34.2
<b>Non cash items</b>	<b>(428)</b>	<b>(280)</b>	<b>(1,049)</b>	<b>53.2</b>
<b>Operating cashflow before working capital changes</b>	<b>481</b>	<b>482</b>	<b>474</b>	<b>-0.2</b>
<b>Changes in operating assets and liabilities</b>	<b>(106)</b>	<b>(147)</b>	<b>88</b>	<b>-27.6</b>
	<b>375</b>	<b>335</b>	<b>562</b>	<b>11.9</b>
Cash paid to employees under performance share plans	(5)	-	-	nm
Dividends received from associates	87	180	93	-51.6
Tax paid	(12)	(26)	(29)	-53.2
	<b>445</b>	<b>489</b>	<b>625</b>	<b>-9.0</b>
<b>Net cash inflow/(outflow) from investing activities</b>				
Payment for purchases of property, plant and equipment	(48)	(79)	(68)	-39.3
Proceeds from sale of property, plant and equipment	2	1	30	240.0
Repayment of loans by Optus	-	-	129	-
Net investment in associates	-	(607)	(1)	nm
Deposit in respect of bid for Pakistan Telecom	-	(67)	-	nm
Net purchase of trading investments	27	*	122	nm
Proceeds from disposal of available for sale investments	11	-	73	nm
Others ( <i>dividends and interest received etc</i> )	31	24	13	31.9
	<b>22</b>	<b>(729)</b>	<b>298</b>	<b>nm</b>
<b>Net cash outflow from financing activities</b>				
Net decrease in borrowings	*	(5)	(516)	nm
Net interest paid on borrowings and swaps	(92)	(81)	(35)	13.0
Proceeds from issue of shares from share options	7	21	14	-67.5
Others ( <i>purchase of performance shares etc</i> )	(15)	(4)	(5)	247.6
	<b>(100)</b>	<b>(70)</b>	<b>(542)</b>	<b>42.4</b>
<b>Net increase in cash and cash equivalents</b>	<b>367</b>	<b>(311)</b>	<b>381</b>	<b>nm</b>
<b>SingTel cash and cash equivalents at beginning</b>	<b>2,631</b>	<b>3,123</b>	<b>2,249</b>	<b>-15.8</b>
<b>SingTel cash and cash equivalents at end</b>	<b>2,997</b>	<b>2,813</b>	<b>2,631</b>	<b>6.6</b>
<b>Free cash flow</b>	<b>397</b>	<b>409</b>	<b>558</b>	<b>-3.1</b>
<b>Free cash flow (excluding dividends from associates)</b>	<b>309</b>	<b>229</b>	<b>465</b>	<b>34.9</b>
<b>Capital expenditure - accrual basis</b>	<b>14</b>	<b>31</b>	<b>105</b>	<b>-55.9</b>
<b>Cash capex to operating revenue</b>	<b>5%</b>	<b>8%</b>	<b>6%</b>	



**SECTION II : SINGTEL**

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For the first quarter ended 30 June 2006, operating cash flow for SingTel (before dividends and tax) was up 12% to S\$375 million mainly due to favourable working capital movements. Dividends received from associates, however, decreased to S\$87 million as Telkomsel planned to pay its first dividend only in September quarter this year compared to the payment of the first dividend in June last year.

Net cash inflow from investing activities amounted to S\$22 million, comprising mainly proceeds from the sale of trading and available-for-sale investments. In the first quarter last year, SingTel invested S\$623 million in Bharti and Pacific Bangladesh Telecom Limited. In addition, a refundable deposit of S\$67 million in relation to its bid for Pakistan Telecom was made.

Cash capital expenditure for the quarter amounted to S\$48 million, 39% lower than the same quarter last year due mainly to lumpiness in capital spending. With lower operating cash partially offset by lower cash capital expenditure, free cash flow for the current quarter fell 3.1% to S\$397 million.

Net cash outflow in financing activities was S\$100 million, with interest payments amounting to S\$92 million.

Cash and cash equivalents for the quarter increased S\$367 million from a quarter ago, with cash balance of nearly S\$3 billion as at 30 June 2006.

**SINGTEL OPTUS PTY LIMITED****MANAGEMENT DISCUSSION AND ANALYSIS****FINANCIAL HIGHLIGHTS****FOR THE FIRST QUARTER ENDED 30 JUNE 2006**

- Operating revenue up 5.3%.
- Operational EBITDA down 6.9%.
- Operational EBITDA margin at 26.1% -- down 3.4 percentage points.
- Underlying net profit of A\$109 million – down 27% (excluding the impact of exceptional items).
- Net profit of \$385 million – up 160% (including net exceptional gain on intra-group divestments)
- Free cash flow of A\$54 million -- down 63% with higher cash capex.

	Quarter		YOY Chge %
	30 June		
	2006 A\$ m	2005 A\$ m	
Operating revenue	1,834	1,741	5.3
- excluding Alphawest and Virgin Mobile	1,766	1,741	1.4
Operational EBITDA	478	513	-6.9
Operational EBITDA margin	26.1%	29.5%	
- excluding Alphawest and Virgin Mobile	27.3%	29.5%	
EBIT	183	252	-27.5
Underlying net profit	109	148	-26.5
Net profit	385	148	160.2
Free cash flow	54	144	-62.7

Optus Mobile results continued to be disclosed as a division, consistent with general industry practice. Optus fixed line revenues have been presented in accordance with the organisational structure by customer segments.

**SECTION III : OPTUS****OPTUS SUMMARY INCOME STATEMENTS – Singapore GAAP  
For The First Quarter ended 30 June 2006**

	Quarter		YOY Chge %
	30 June		
	2006 A\$ m	2005 A\$ m	
<b>Operating revenue</b>	<b>1,834</b>	<b>1,741</b>	<b>5.3</b>
Operating expenses	(1,370)	(1,234)	11.0
	464	507	-8.4
Other income	14	6	127.9
<b>Operational EBITDA</b> <i>- EBITDA margin</i>	<b>478</b> <b>26.1%</b>	<b>513</b> <b>29.5%</b>	<b>-6.9</b>
Share of results of joint ventures	(6)	3	nm
<b>EBITDA</b>	<b>472</b>	<b>516</b>	<b>-8.6</b>
Depreciation & amortisation	(289)	(264)	9.4
<b>EBIT</b>	<b>183</b>	<b>252</b>	<b>-27.5</b>
Net finance expense	(31)	(40)	-22.4
<b>Profit before exceptional items and tax</b>	<b>152</b>	<b>212</b>	<b>-28.4</b>
Exceptional items	276	-	nm
<b>Profit before tax</b>	<b>428</b>	<b>212</b>	<b>101.5</b>
Tax expense	(43)	(64)	-32.9
<b>Net profit</b>	<b>385</b>	<b>148</b>	<b>160.2</b>
<b>Net profit</b> <i>Exclude:</i>	<b>385</b>	<b>148</b>	<b>160.2</b>
Exceptional items	(276)	-	nm
<b>Underlying net profit</b>	<b>109</b>	<b>148</b>	<b>-26.5</b>

## SECTION III : OPTUS

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### REVIEW OF OPTUS OPERATING PERFORMANCE For The First Quarter Ended 30 June 2006

Operating revenue grew 5.3% in the first quarter, with contributions from the recent acquisitions of Alhawest and Virgin Mobile adding A\$68 million.

Excluding the impact of acquisitions, Optus' operating revenue grew 1.4%. This reflected the negative impact of mobile termination rates that were reduced from 18 cents to 15 cents per minute effective 1 January 2006 and the increasing levels of price competition in both mobile and fixed segments.

The ACCC mandatory reduction in mobile termination rates will have a greater negative impact on the revenue growth in the second and third quarters of the current financial year, due to higher commercially negotiated rates in respective quarters of the previous year.

Optus stays committed to its strategy of stabilising market share, attacking costs and investing for growth. In the quarter, Optus continued to defend market share in Mobile through capped plan offers and selective handset subsidies, impacting margins but generating subscriber growth. In June 2006, Optus launched its 'My Time' offers, rewarding customers with lower cost calls and encouraging families to consolidate their mobile phone services with Optus. Optus has also recently introduced its 'HomeOne' plans, offering greater bundling of fixed and mobile services.

To grow market share in Fixed, Optus has continued the migration of resale customers to the ULL network and from dial-up to broadband, and expanded its DSL broadband customer base, which diluted margins. In the quarter, broadband growth has offset the decline in the traditional products, however competition has caused retail prices to decline more rapidly than resale traffic expenses.

Operational EBITDA declined by 6.9% with margins at 26.1% from the continuing impact of mobile capped plans and consequent increases in traffic expenses and lower consumer fixed line margins.

To mitigate the margin pressure, Optus has started the implementation of various cost management and productivity initiatives. These include outsourcing/offshoring projects, reduction in mobile channel commission rates and simplifying customer care and billing systems.

Net profit for the quarter, excluding the impact of exceptional items, fell 27% to A\$109 million.

Free cash flow amounted to A\$54 million, down 63% due to lower operational EBITDA and higher cash capital expenditure related mainly to the continuing rollout of 3G mobile and the ULL network, as well as increased spend on the new Sydney office premises fitout. The ratio of cash capital expenditure to operating revenue was 16%, compared to 15% a year ago.

**SECTION III : OPTUS****SEQUENTIAL QUARTERLY RESULTS**

Results for the current quarter compared to the preceding quarter ended 31 March 2006 were as follows:

	Quarter		QOQ Chge %
	30 June	31 March	
	2006 A\$ m	2006 A\$ m	
<b>Operating revenue</b>	<b>1,834</b>	<b>1,821</b>	<b>0.7</b>
Operating expenses	(1,370)	(1,332)	2.8
<b>Operational EBITDA</b>	<b>478</b>	<b>502</b>	<b>-4.7</b>
<b>Operational EBITDA margin</b>	<b>26.1%</b>	<b>27.6%</b>	
<i>Mobile</i>	35%	38%	
<i>Optus Business and Wholesale Fixed</i>	20%	19%	
<i>Consumer and SMB Fixed</i>	9%	11%	
<b>Profit before tax</b>	<b>428</b>	<b>192</b>	<b>123.2</b>
<b>Underlying net profit</b>	<b>109</b>	<b>139</b>	<b>-21.9</b>
<b>Net profit</b>	<b>385</b>	<b>139</b>	<b>176.2</b>
<b>Free cash flow</b>	<b>54</b>	<b>294</b>	<b>-81.7</b>

Revenue increased slightly from the preceding quarter, while operational EBITDA and underlying net profit declined. In addition, working capital movements contributed to a lower free cash flow.

Operational EBITDA margin declined 1.5 percentage points due mainly to higher mobile subscriber acquisition costs and higher traffic expenses driven by capped plans.

**SECTION III : OPTUS****DIVISIONAL TOTALS**

	Quarter		YOY Chge %
	30 June		
	2006 A\$ m	2005 A\$ m	
<b>Operating revenue by division:</b>			
Mobile	1,014	965	5.1
Optus Business Fixed	288	233	23.7
Optus Wholesale Fixed	143	160	-10.7
Consumer and SMB Fixed	400	397	0.7
Less inter-divisional revenue <sup>(1)</sup>	(11)	(14)	-22.2
<b>Total</b>	<b>1,834</b>	<b>1,741</b>	<b>5.3</b>
<b>Operational EBITDA by division:</b>			
Mobile	355	376	-5.6
Optus Business and Wholesale Fixed	87	88	-2.3
Consumer and SMB Fixed	36	49	-25.3
<b>Total</b>	<b>478</b>	<b>513</b>	<b>-6.9</b>
<b>Operational EBITDA margins by division:</b>			
Mobile	35%	39%	
Optus Business and Wholesale Fixed	20%	23%	
Consumer and SMB Fixed	9%	12%	
<b>Total</b>	<b>26.1%</b>	<b>29.5%</b>	

**Note:**

(1) Inter-divisional revenue represents mobile termination revenue for fixed to mobile calls originating with Consumer and SMB Fixed, and Optus Business Fixed and preselected customers.

In the quarter, the Mobile division contributed 55% to total revenue and 74% to operational EBITDA, largely consistent with the last corresponding quarter.

Certain revenue reclassifications have been made in this quarter. Specifically, Optus' fixed revenue has been presented in line with the customer segments – Business and Wholesale, Consumer and SMB. Incoming mobile revenue from wholesale carrier customers, previously included in Wholesale's results, is now presented within Mobile.

Prior period comparatives have been restated to reflect these changes.

## SECTION III : OPTUS

## OPTUS MOBILE DIVISION

	Quarter		YOY Chge %
	30 June		
	2006 A\$ m	2005 A\$ m	
<b>Mobile communications revenue</b> <sup>(1)</sup>			
Outgoing service revenue	664	638	4.1
Incoming service revenue	212	200	6.4
Service revenue	876	838	4.6
Equipment	138	127	8.0
	<b>1,014</b>	<b>965</b>	<b>5.1</b>
<b>Operational EBITDA</b> <sup>(2)</sup>	<b>355</b>	<b>376</b>	<b>-5.6</b>
- <b>EBITDA margin</b>	<b>35%</b>	<b>39%</b>	

Key Drivers	Quarter			YOY Chge %
	30 Jun	31 Mar	30 Jun	
	2006	2006	2005	
<b>Number of mobile subscribers (000s)</b>				
Prepaid	3,647	3,590	3,196	14.1
Postpaid	2,908	2,896	2,830	2.8
<b>Total</b>	<b>6,555</b>	<b>6,486</b>	<b>6,026</b>	<b>8.8</b>
<b>Mobile penetration rate</b> <sup>(3)</sup>	<b>98%</b>	<b>97%</b>	<b>90%</b>	
<b>MOUs per subscriber per month</b> <sup>(4)</sup>				
Prepaid	61	62	57	5.9
Postpaid	160	155	150	6.3
<b>ARPU per month (A\$)</b> <sup>(4)</sup>				
Prepaid	22	23	20	8.4
Postpaid	71	71	74	-3.4
<b>Blended</b>	<b>44</b>	<b>45</b>	<b>46</b>	<b>-3.7</b>
<b>Data revenue as a percentage of service revenue</b> <sup>(5)</sup>	<b>21%</b>	<b>20%</b>	<b>17%</b>	
<b>Market (000s)</b> <sup>(6)</sup>	<b>20,177</b>	<b>19,908</b>	<b>18,401</b>	<b>9.7</b>
<b>Market share - total</b> <sup>(6)</sup>	<b>32.5%</b>	<b>32.6%</b>	<b>32.8%</b>	
<b>Retail postpaid churn rate per month</b> <sup>(7)</sup>	<b>1.3%</b>	<b>1.2%</b>	<b>1.5%</b>	
<b>% users through wholesale</b> <sup>(8)</sup>	<b>9%</b>	<b>10%</b>	<b>19%</b>	
<b>Acquisition cost per subscriber</b>	<b>A\$146</b>	<b>A\$120</b>	<b>\$156</b>	

**Notes:**

- (1) Included international outgoing and international incoming revenue.
- (2) In calculating divisional EBITDA, shared costs have been allocated using cost allocation methodologies.
- (3) Penetration is measured as total market mobile users divided by Australia's total population.
- (4) Based on average customers, calculated as the simple average of opening and closing customers. MOU includes outgoing minutes only. ARPU excludes equipment revenue.
- (5) Data revenue as a percentage of service revenue as at 31 March 2006 was restated from 19% (as previously reported) to 20%, to adjust for the inclusion of Virgin Mobile data revenues.
- (6) Market size and market share figures are Optus estimates.
- (7) Churn excluded customers transferring from postpaid to prepaid.
- (8) As previously reported, Optus consolidated Virgin Mobile as a wholly owned subsidiary with effect from January 2006. Prior to acquisition, Optus had been accounting for a substantial proportion of Virgin Mobile service revenue through the wholesale relationship.

### **SECTION III : OPTUS**

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Optus Mobile revenue grew by 5.1% to A\$1.01 billion. Excluding the impact of Virgin Mobile, which was consolidated from January 2006, Mobile revenue grew 3.5%. All key mobile revenue lines showed increases in the first quarter, with the growth primarily driven by higher outgoing service revenue.

Although negatively impacted by caps, outgoing service revenue improved in the current quarter, mainly as a result of significant growth in prepaid revenues and the inclusion of Virgin Mobile's results. ARPU was stable compared to the preceding quarter.

Incoming service revenue was adversely affected by the lower termination rates as mandated by ACCC. Average inbound mobile termination rates fell 18% from a year ago, reflecting the reduction in termination rates from 18 cents to 15 cents. Until the new rates for 2006 are negotiated with other carriers, Optus will continue using the 15 cents rate suggested by the ACCC. Despite the sharp decline in mobile termination rates, incoming service revenue increased by 6.4% as a result of strong SMS terminating traffic and higher inbound roaming revenue.

Equipment revenue increased by 8.0%, with the inclusion of Virgin Mobile and the higher volume sold underpinning Optus' customer acquisition and retention strategy.

Virgin Mobile contributed A\$15 million to Optus Mobile revenue in the quarter and consolidation of its results accounted for one percentage point decline in the Mobile division EBITDA margin.

EBITDA fell by 5.6% attributed largely to the continuing impact of mobile caps and the consequent increases in traffic expenses, as well as lower termination rates. Operational EBITDA margin was down 4 percentage points to 35%. Compared to the preceding quarter, EBITDA margin was down 2.5 percentage points due mainly to increased handset subsidies.

The number of mobile subscribers in the first quarter increased by 69,000, and subscriber base grew 8.8% compared to a year ago.

Capped plans are offered by Optus to its retail customers in the small business and consumer segments. In this quarter, around 32% of new and recontracted customers chose capped plans, consistent with the preceding quarter. Approximately 21% of the total Optus postpaid mobile base were under capped plans, up from 19% a quarter ago and 7% a year ago.

Acquisition costs of A\$146 per subscriber were lower than a year ago, but higher than the preceding quarter due to higher handset subsidies to support Optus' customer acquisition and retention strategy.

Optus Mobile continues to focus on three strategies to drive growth.

Firstly, it is growing its market share in the business mobile market, with customer numbers increasing by 11% and revenue in the segment up 2.0%.

Secondly, Optus is stimulating SMS and other data revenue, which increased to 21% of ARPU from 20% in the preceding quarter.

The third strategy is to leverage Optus' scale in the consumer segment. In the quarter, Optus stabilised its market position with strong prepaid revenue growth and a modest increase in postpaid customers.



## SECTION III : OPTUS

## OPTUS BUSINESS &amp; WHOLESALE FIXED DIVISIONS

	Quarter		YOY Chge %
	30 June		
	2006 A\$ m	2005 A\$ m	
<b>Business Fixed revenue</b>			
Voice	107	96	11.4
Data and IP	101	97	4.9
ICT and Managed Services	80	40	98.3
<b>Total Business Fixed revenue</b>	<b>288</b>	<b>233</b>	<b>23.7</b>
- <i>excluding Alphawest</i>	<b>235</b>	<b>233</b>	<b>1.0</b>
<b>Wholesale Fixed revenue</b>			
Voice	39	69	-42.8
Data and IP	43	36	19.4
Satellite	60	55	8.7
Other	1	*	nm
	<b>143</b>	<b>160</b>	<b>-10.7</b>
<b>Total revenue</b>	<b>431</b>	<b>393</b>	<b>9.7</b>
- <i>excluding Alphawest</i>	<b>378</b>	<b>393</b>	<b>-3.7</b>
<b>Operational EBITDA <sup>(1)</sup></b>	<b>87</b>	<b>88</b>	<b>-2.3</b>
- <i>EBITDA margin</i>	<b>20%</b>	<b>23%</b>	
- <i>EBITDA margin excluding Alphawest</i>	<b>23%</b>	<b>23%</b>	

Key Drivers	Quarter			YOY Chge %
	30 Jun	31 Mar	30 Jun	
	2006	2006	2005	
Business voice minutes (m min)	1,376	1,333	1,225	12.3
Wholesale voice minutes (m min)	618	628	697	-11.3
<b>As at end of period:</b>				
64k equivalent lines (000s) <sup>(2)</sup>	1,392	1,280	915	52.1
Buildings connected <sup>(3)</sup>	15,204	15,085	14,623	4.0

**Notes:**

- (1) In calculating divisional EBITDA, shared costs have been allocated using cost allocation methodologies.
- (2) 64k equivalent lines comprised all directly connected voice lines in use, plus the in use portion of directly connected data services, translated to the equivalent number of 64k lines (e.g. a 2 mbs datalink is equivalent to 31 x 64k equivalent lines), but excluding all wholesale lines greater than 128mbs.
- (3) Directly connected buildings include all connections via all access media - fibre, DSL, fixed wireless, satellite and leases.

Alphawest, which Optus acquired in November 2005, added A\$53 million in revenue and contributed modest EBITDA to Optus' results for the quarter.

**SECTION III : OPTUS**

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Excluding Alphawest, operating revenue for the combined division declined 3.7%, with lower wholesale voice transit revenue. Wholesale revenue declined by 11%, while Business revenue was stable.

Optus Business' voice revenue grew 11% with higher voice traffic. Wholesale voice revenues declined reflecting fixed to mobile substitution trend and reduced pricing.

Business Data & IP revenue increased by 4.9% to A\$101 million, with IP growth offsetting declines in traditional data. Uecomm delivered a strong 25% revenue increase in the quarter.

Growth in Wholesale Data and IP revenue of 19% was largely driven by higher transmission capacity and increasing internet bandwidth sales.

ICT and Managed Services revenue, which included Alphawest, doubled to A\$80 million for the quarter.

Satellite revenues grew 8.7% in the quarter with some one-off deals. Optus expects to launch its D1 satellite in September 2006, subject to normal launch contingencies.

Optus continued to win new business including Australian Broadcasting Corporation and Medicare Australia.

Operational EBITDA for the combined division was stable and EBITDA margins excluding Alphawest remained at 23%.

## SECTION III : OPTUS

## OPTUS CONSUMER AND SMB FIXED DIVISION

	Quarter		YOY Chge %
	30 June		
	2006 A\$ m	2005 A\$ m	
HFC voice revenue	93	102	-8.7
Cable Internet revenue	40	34	16.4
Pay TV revenue	31	31	**
<b>HFC</b>	<b>164</b>	<b>167</b>	<b>-1.9</b>
Dial-up Internet revenue	13	20	-33.2
DSL Internet revenue	30	17	78.9
Off network voice revenue	139	143	-3.0
<b>Total Consumer Fixed revenue</b>	<b>346</b>	<b>347</b>	<b>-0.3</b>
Voice	47	46	2.6
Data and IP	7	4	61.0
<b>Total SMB Fixed revenue</b>	<b>54</b>	<b>50</b>	<b>7.3</b>
<b>Total Consumer and SMB Fixed revenue</b>	<b>400</b>	<b>397</b>	<b>0.7</b>
<b>Operational EBITDA <sup>(1)</sup></b>	<b>36</b>	<b>49</b>	<b>-25.3</b>
<b>- EBITDA margin</b>	<b>9%</b>	<b>12%</b>	

Key Drivers	Quarter			YOY Chge %
	30 Jun	31 Mar	30 Jun	
	2006	2006	2005	
<b>HFC</b>				
HFC ARPU per month (A\$)	107	109	108	-1.4
Local telephony customers <sup>(2)</sup>	467	473	489	-4.5
Other customers <sup>(2)</sup>	43	39	32	34.2
<b>Total HFC customers (000s)</b>	<b>510</b>	<b>512</b>	<b>521</b>	<b>-2.1</b>
<b>Local telephony bundling rate <sup>(3)</sup></b>	<b>74%</b>	<b>73%</b>	<b>69%</b>	
<b>Internet customers</b>				
DSL	291	257	162	79.8
HFC broadband	307	289	244	25.7
Business grade broadband <sup>(4)</sup>	20	18	15	31.6
<b>Broadband subtotal</b>	<b>618</b>	<b>564</b>	<b>421</b>	<b>46.7</b>
Dial-up delivered over HFC network	26	32	54	-52.1
Dial-up delivered off network	313	336	365	-14.2
<b>Total Internet customers (000s)</b>	<b>957</b>	<b>932</b>	<b>840</b>	<b>13.9</b>
<b>Off Network and ULL</b>				
Total local call resale and ULL customers	682	655	633	7.6
Total long distance customers	751	732	724	3.7
<b>Local call resale bundling rate <sup>(5)</sup></b>	<b>85%</b>	<b>70%</b>	<b>56%</b>	

**SECTION III : OPTUS**

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**Notes:**

- (1) In calculating divisional EBITDA, shared costs have been allocated using cost allocation methodologies.
- (2) Local telephony customers include all customers who take local telephony over the HFC network, whether or not they take any other service over the HFC network (such as pay TV). Other customers include all customers on the HFC network who do not take a local telephony service - that is, customers who take one or more of pay TV or cable internet.
- (3) Based on customers who are receiving a "bundled benefit" from taking a package of products (local telephony plus at least one of cable internet, dial-up internet or pay TV).
- (4) Business grade retail broadband customers previously not included. Related revenue is included within Optus Business Fixed segment.
- (5) Residential only. Based on customers who are receiving a "bundled benefit" from taking a package of products (local call resale and long distance plus either DSL or dial up internet).

Consumer and SMB Fixed segment's revenue was stable compared to the last corresponding quarter as growth in broadband revenue<sup>1</sup> offset declines in the traditional products. SMB Fixed segment showed 7.3% increase, reflecting focus on growing small and medium business market. Total SMB revenues (fixed and mobile) grew 5% to A\$247 million, compared to the same quarter last year.

Broadband revenue grew strongly by 37%. As at 30 June 2006, Optus had 618,000 broadband customers (including business grade customers), an increase of 197,000 customers or 47% from a year ago, and 54,000 higher than a quarter ago.

Offnet Local Call Resale customers (including ULL) grew by 7.6%, however, usage and price declines led to an overall decrease in fixed voice revenue.

Dial-up internet revenue fell 33%, reflecting migration of customers to broadband.

Optus has continued its ULL network rollout which, together with the existing HFC network, will cover approximately 3.9 million Australian homes. This has the potential to improve margins significantly after the initial phase of start up costs and achieving scale in ULL subscriber base. As at 30 June 2006, there were 148 exchanges and approximately 30,000 subscribers provisioned with services on ULL.

EBITDA for the quarter was down by A\$13 million on the same quarter last year. The lower operational EBITDA margin reflected revenue mix changes caused by lower voice revenues offset by increased broadband revenues.

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<sup>1</sup> Broadband revenue comprises cable and DSL Internet revenues.

**SECTION III : OPTUS****OPTUS OPERATING EXPENSES  
(Before Depreciation and Amortisation)**

	Quarter		YOY Chge %
	30 June		
	2006 A\$ m	2005 A\$ m	
Interconnect	358	336	6.5
Outpayments & other leases	60	59	1.9
Traffic expenses	418	395	5.8
Selling & administrative	388	375	3.7
Cost of sales	312	243	28.0
Staff costs	242	221	9.6
Repair & maintenance and others	41	36	13.4
Capitalisation of costs <sup>(1)</sup>	(31)	(36)	-14.0
<b>Total</b>	<b>1,370</b>	<b>1,234</b>	<b>11.0</b>
<b>As a percentage of operating revenue</b>			
Traffic expenses	23%	23%	
Selling & administrative	21%	22%	
Cost of sales	17%	14%	
Staff costs	13%	13%	
Repair & maintenance and others	2%	2%	
Capitalisation of costs <sup>(1)</sup>	-2%	-2%	
	<b>75%</b>	<b>71%</b>	

	Quarter		
	30 Jun	31 Mar	30 Jun
	2006	2006	2005
<b>Staff statistics</b>			
Number of employees, at end of period	9,988	10,124	9,669
- excluding Alphawest and Virgin Mobile	9,272	9,407	9,669
Average number of employees	10,028	10,247	9,546
- excluding Alphawest and Virgin Mobile	9,322	9,533	9,546
Revenue per employee (A\$'000) <sup>(2)</sup>	181	178	182

**Notes:**

(1) The bulk of the capitalisation relates to staff costs.

(2) Based on average employee numbers.

Excluding Alphawest and Virgin Mobile, operating expenses increased by 5.2% in the current quarter, with growth mainly in Cost of Sales and Traffic expenses. Operating expenses represented 75% of operating revenue.

Traffic expenses rose by 5.8%, with higher wholesale data and IP volume, and growth in mobile traffic and consumer DSL volumes. The increase in this quarter was partially mitigated by lower mobile termination rates from a year ago.

Selling and Administrative expenses increased by 3.7% largely due to increased mobile base station lease costs from 3G network sites and initial ULL rollout costs.

**SECTION III : OPTUS**

Excluding Alphawest, cost of sales increased by 11%, attributable to higher mobile equipment sales and satellite costs.

Total staff costs, excluding Alphawest and Virgin Mobile, rose 3.4% due to a more conservative approach to provisioning for annual incentives this quarter, compared to the same quarter last year. Excluding incentive provisions, staff costs fell by 2%. Average headcount excluding acquisitions declined by 211 from the preceding quarter.

**SHARE OF RESULTS OF JOINT VENTURES**

	Quarter		YOY Chge %
	30 June		
	2006 A\$ m	2005 A\$ m	
Southern Cross Cable Consortium	(6)	3	nm
Bridge Mobile Alliance	*	*	nm
<b>Total</b>	<b>(6)</b>	<b>3</b>	<b>nm</b>

The performance of Southern Cross Cable Consortium in the quarter ended 30 June 2006 was impacted by an additional charge in relation to an upgrade of certain operational equipment.

**OTHER INCOME STATEMENT ITEMS****Depreciation and Amortisation**

	Quarter		YOY Chge %
	30 June		
	2006 A\$ m	2005 A\$ m	
Depreciation of property, plant & equipment	276	262	5.3
Amortisation	13	2	@
	<b>289</b>	<b>264</b>	<b>9.4</b>
<b><i>Depreciation as a percentage of revenue</i></b>	<b>15%</b>	<b>15%</b>	

Optus commenced amortisation of its 3G licence on the commercial launch of 3G services in November 2005. The cost of the licence of A\$292 million, including capitalised interest, is amortised over the remaining licence term ending October 2017.

**SECTION III : OPTUS****Net Finance Expense**

	Quarter		YOY Chge %
	30 June		
	2006 A\$ m	2005 A\$ m	
Interest payable to SingTel	-	3	nm
Interest payable to others	37	44	-14.0
Gross interest on borrowings	37	47	-20.3
Interest capitalised	(4)	(2)	104.8
Net interest expense	33	45	-26.1
Interest income	(2)	(5)	-54.0
<b>Total</b>	<b>31</b>	<b>40</b>	<b>-22.4</b>

Net interest expense fell 22% to A\$31 million due to lower average debt levels.

**Exceptional Items**

In the quarter ended 30 June 2006, Optus sold its interest in Southern Cross Cables Holdings Limited (part of the Southern Cross Cable Consortium) to a subsidiary of SingTel, recording an exceptional accounting gain of A\$276 million (see Section I – page 3).

Optus continues to hold a 39.99% interest in Pacific Carriage Holdings Limited, a US-based legal entity of the Southern Cross Cable Consortium.

Exceptional items in the quarter also included a small loss on disposal of a subsidiary to SingTel, which is eliminated at the group level.

**Taxation**

	Quarter		YOY Chge %
	30 June		
	2006 A\$ m	2005 A\$ m	
Optus' Australian income tax expense	43	64	-32.9
Share of joint ventures' income tax expense	-	*	nm
	<b>43</b>	<b>64</b>	<b>-32.9</b>

The income tax expense reflected primarily the Australian tax rate of 30% together with minor variations between accounting and taxable income. The effective tax rate in the current quarter was affected by the share of losses of joint ventures, which were non-deductible for tax purposes.

## SECTION III : OPTUS

## CASH FLOW AND CAPITAL EXPENDITURE

	Quarter			YOY Chge %
	30 Jun	30 Jun	31 Mar	
	2006 A\$ m	2005 A\$ m	2006 A\$ m	
<b>Net cash inflow from operating activities</b>				
Profit before tax	428	212	192	101.5
Depreciation and amortisation	289	264	293	9.4
Share of results of joint ventures	6	(3)	(5)	nm
Exceptional items	(276)	-	-	nm
Other non-cash items	33	42	26	-21.2
<b>Non cash items</b>	52	303	314	-82.8
<b>Operating cashflow before working capital changes</b>	480	515	506	-6.8
<b>Changes in operating assets and liabilities</b>	(125)	(113)	90	10.8
	<b>355</b>	<b>402</b>	<b>596</b>	<b>-11.7</b>
Tax paid	*	*	*	nm
<b>Net cash inflow from operating activities</b>	<b>355</b>	<b>402</b>	<b>596</b>	<b>-11.7</b>
<b>Net cash outflow from investing activities</b>				
Purchases of property, plant and equipment	(301)	(257)	(302)	16.9
Purchase of subsidiary	*	*	(32)	nm
Others	11	(1)	3	nm
	<b>(290)</b>	<b>(259)</b>	<b>(331)</b>	<b>12.0</b>
<b>Net cash outflow from financing activities</b>				
Net decrease in loans from SingTel	-	-	(100)	-
Net decrease in bank borrowings	(68)	(53)	(152)	28.8
Finance lease payments (excluding interest)	-	*	(74)	nm
Purchase of SingTel shares	(12)	-	-	nm
	<b>(80)</b>	<b>(53)</b>	<b>(326)</b>	<b>50.6</b>
Net interest paid on borrowings and swaps (including finance lease interest)	(37)	(38)	(33)	-
	<b>(117)</b>	<b>(91)</b>	<b>(359)</b>	<b>28.1</b>
<b>Net change in cash and cash equivalents</b>	<b>(52)</b>	<b>52</b>	<b>(94)</b>	<b>nm</b>
Cash and cash equivalents at beginning	121	141	215	-14.4
Cash and cash equivalents at end	<b>69</b>	<b>193</b>	<b>121</b>	<b>-64.2</b>
<b>Free cash flow</b>	<b>54</b>	<b>144</b>	<b>294</b>	<b>-62.7</b>
<b>Cash flow before borrowings<sup>(1)</sup></b>	<b>28</b>	<b>105</b>	<b>232</b>	<b>-73.3</b>
<b>Capital expenditure - accrual basis</b>	<b>241</b>	<b>234</b>	<b>346</b>	<b>2.9</b>
<b>Cash capital expenditure to operating revenue</b>	<b>16%</b>	<b>15%</b>	<b>17%</b>	

**Note:**

(1) Cash flow before borrowings is defined as operating cash flows less investing cash flows and interest paid (including finance lease interest).



### SECTION III : OPTUS

In the quarter, operating cash flow was at A\$355 million, lower than the same quarter last year due to lower operational EBITDA.

Cash capital expenditure continued to grow this quarter as Optus rolled out new mobile and fixed line networks, completed construction of the D series satellites and continued the fitout of the new Sydney office. Cash capital expenditure for the quarter was A\$301 million, up 17% year-on-year.

With higher cash capital expenditure, free cash flow generated was A\$54 million in the quarter, down from A\$144 million a year ago.

Net cash outflow from financing activities in the quarter included the buy back of SingTel shares from the open market for partial settlement upon vesting of 2003 employee performance share plans on 1 June 2006.

#### Cash capital expenditure by division

	Quarter		YOY Chge %
	30 June		
	2006 A\$ m	2005 A\$ m	
Mobile	95	103	-8.4
Business and Wholesale Fixed	88	83	5.5
Consumer and SMB Fixed	42	22	88.9
Other	76	49	56.7
<b>Total</b>	<b>301</b>	<b>257</b>	<b>16.9</b>

In the quarter, cash capital expenditure for the Mobile division was A\$95 million or 32% of the Optus' total capital expenditure. Of this amount, A\$53 million was in relation to the expansion of Optus' 3G network.

The cash capital expenditure for the Optus Business and Wholesale Fixed division of A\$88 million for the quarter accounted for 29% of Optus' total, down from 32% a year ago. The expenditure was largely for the construction of the D series satellites and upgrade of customer access network.

For the Consumer and SMB Fixed division, the increased investment in the broadband ULL network roll out contributed to the higher cash capital expenditure of A\$42 million, from the A\$22 million in the last corresponding quarter.

The increase in other cash capital expenditure is largely attributable to the new Sydney office project. Optus will move to new Sydney headquarter premises during 2007.

**SECTION IV: ASSOCIATES**

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**FINANCIAL HIGHLIGHTS  
FOR THE FIRST QUARTER ENDED 30 JUNE 2006**

- **Pre-tax profit from associates up 29% to S\$495 million.**
- **On a post-tax basis, earnings from associates up 31% to S\$359 million.**
- **Strong profit contributions from Telkomsel, Bharti and Globe.**
- **Equity accounted Globe's results for June 2006 quarter in order to align its accounting period for consolidation purpose.**
- **Group's regional mobile subscribers (including SingTel and Optus) grew 7.4 million in the quarter. Year-on-year, Group's regional mobile subscribers up 30% or 21 million to 92 million. On a proportionate share basis, increase was 25% to over 35 million subscribers.**

## SECTION IV : ASSOCIATES

	Equity Int %	Quarter		YOY Chge %
		30 Jun		
		2006 S\$ m	2005 S\$ m	
<b>Regional mobile associates</b>				
Telkomsel	35.0	225	173	30.4
Bharti Telecom / Bharti Airtel <sup>(3) (4)</sup>	30.5			
- operating results		101	61	64.4
- fair value adjustments on financial items		(10)	5	nm
		91	66	37.5
AIS <sup>(2)</sup>	21.4	73	76	-3.8
Globe Telecom	44.6			
- operating results (Jan-Mar 2006)		64	38	69.8
- operating results (Apr-Jun 2006)		57	-	nm
- fair value adjustments (Apr-Jun 2006)		(11)	3	nm
		110	41	167.9
Pacific Bangladesh Telecom Ltd ("PBTL") <sup>(5)</sup>	45.0	(10)	*	nm
		<b>489</b>	<b>355</b>	<b>37.7</b>
<b>Other SingTel associates</b>				
Singapore Post <sup>(6)</sup>	25.8	10	12	-13.7
PT Bukaka ("BSI")	40.0	3	6	-55.4
New Century InfoComm ("NCIC") <sup>(2)</sup>	24.5	(4)	(3)	32.3
Others		5	3	104.0
<b>SingTel share of ordinary results (pre-tax)</b>		<b>503</b>	<b>372</b>	<b>35.1</b>
<b>Optus share of ordinary results (pre-tax)</b>		<b>(7)</b>	<b>4</b>	<b>nm</b>
<b>Group share of ordinary results (pre-tax)</b>		<b>495</b>	<b>376</b>	<b>31.8</b>
<b>Exceptional items</b>				
Bharti Telecom/ Bharti Airtel <sup>(7)</sup>		-	3	nm
Globe Telecom <sup>(7)</sup>		-	5	nm
<b>Group share of exceptional items</b>		<b>-</b>	<b>8</b>	<b>nm</b>
<b>Group share of pre-tax profit</b>		<b>495</b>	<b>384</b>	<b>28.9</b>
<b>Group share of net profit after tax of associates</b>				
Telkomsel		156	121	28.6
Bharti Telecom/ Bharti Airtel				
- ordinary results		80	58	37.0
- exceptional items		-	3	nm
- reversal of deferred tax benefit		-	(19)	nm
		80	42	88.7
AIS		50	53	-5.9
Globe Telecom				
- ordinary results (Jan-Mar 2006)		44	36	24.2
- additional quarter results (Apr-Jun 2006)		31	-	nm
- exceptional items		-	5	nm
		75	41	85.5
PBTL		(6)	*	nm
<b>Regional mobile associates</b>		<b>355</b>	<b>257</b>	<b>38.1</b>
Others		4	16	-75.8
<b>Group share of net profit (A)</b>		<b>359</b>	<b>273</b>	<b>31.4</b>
<b>(A) as % of Group underlying net profit</b>		<b>43%</b>	<b>36%</b>	

## SECTION IV : ASSOCIATES

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### Notes:

- (1) The statutory accounts of the associates are prepared based on local GAAP. Where applicable, the accounting policies of these associates have been restated to ensure compliance with the Group's accounting policies.
- (2) These associates have December financial year ends. SingTel equity accounted for share of results of these companies based on the financials for the period ended 31 March 2006. One-off transactions between 1 April 2006 and 30 June 2006 which are material are also accounted by the Group in the current quarter.
- (3) Bharti Airtel ("**Bharti**") was previously known as Bharti Tele-Ventures Limited.
- (4) As at 30 June 2006, the Group's equity interest in Bharti Telecom Limited ("**BTL**") was 32.81% and its equity interest in Bharti (an associated company of BTL) was diluted from 15.61% in March 2006 to 15.60% in June 2006 following Bharti's conversion of certain USD denominated bonds into equity shares. This resulted in the overall effective interest in Bharti of 30.49% as at 30 June 2006. The Group's effective interest in Bharti was 30.84% a year ago.
- (5) In June 2005, SingTel purchased a 45% equity interest in Pacific Bangladesh Telecom Limited and commenced equity accounting from June 2005 quarter.
- (6) The Group's equity interest in SingPost was diluted to 25.81% as at 30 June 2006 following partial disposal by SingTel in the December 2005 quarter and the exercise of SingPost employee stock options. The Group's equity interest in SingPost was 30.94% a year ago.
- (7) These items relate to one-off GAAP and other adjustments of individually insignificant values relating to prior periods.

The Group's share of pre-tax profit from its associates amounted to S\$495 million in the quarter, accounting for 46% of the Group's profit before exceptionals and tax, up from 38% a year ago.

In the current quarter, the Group equity accounted for Globe's pre-tax profit for the half year period from 1 January 2006 to 30 June 2006 to align Globe's financial period to that of the Group's for consolidation purpose. Consequently, an additional quarter of Globe's pre-tax profit of S\$46 million and post-tax profit of S\$31 million have been included in the results of the Group for the current quarter ended 30 June 2006.

Excluding the additional quarter of Globe's profit, the Group's share of pre-tax profit of associates increased by 17% or S\$65 million, largely due to higher contributions from Telkomsel, Bharti and Globe.

On a post-tax basis, profit from associates grew 31% to S\$359 million in the current quarter. The associates contributed 43% to the Group's underlying net profit for the quarter, up 7 percentage points from a year ago.

### ***PT Telekomunikasi Selular ("Telkomsel")***

Telkomsel is the leading operator of cellular telecommunications services in Indonesia with over 10,000 radio base stations providing nationwide coverage.

In the quarter ended 30 June 2006, the pre-tax contribution from Telkomsel increased by 30% to S\$225 million year-on-year on the back of continued strong operational performance. The Rupiah was stable in the quarter compared to a year ago.

Compared to the preceding quarter, pre-tax contribution fell 7.9% attributed mainly to higher costs related to the accelerated expansion of network (about 1,400 mobile base stations were commissioned this quarter compared to an average of 300 per quarter in 2005).

## **SECTION IV : ASSOCIATES**

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With its superior coverage, strong brand and wide distribution, Telkomsel maintained its market leader position with a market share of 55%. Its total mobile subscriber base of 29.3 million, comprising 27.7 million prepaid and 1.6 million postpaid, increased by 7.7 million or 36% from a year ago, and 2.3 million or 8.6% from a quarter ago.

### ***Bharti Airtel Group (“Bharti”)***

Bharti is India's leading private sector provider of telecommunications services, offering mobile, fixed line, long distance, broadband and enterprise services. It is listed on the National Stock Exchange and the Stock Exchange, Mumbai and is the only private telecom operator with an “all India” presence offering mobile services in all 23 licenced circles. Bharti is the market leader in India with 29% of the GSM market and 22.5% of the total wireless market.

In the current quarter ended 30 June 2006, Bharti's operating revenue grew strongly by 53%, and its pre-tax operating contribution rose significantly by 64% to S\$101 million. Including the share of fair value loss on financial liabilities and derivatives of S\$10 million as a result of a weaker Indian Rupee, pre-tax profit for the quarter grew at a lower 38% from a year ago.

An all new record of 3.5 million net mobile subscribers were added in the quarter, compared to the previous record of 3.3 million net additions recorded in the March 2006 quarter. As at 30 June 2006, Bharti's total subscriber base was 23.1 million, or 24.6 million if its 1.5 million fixed line subscribers were included. In July 2006, Bharti became the first private telecom operator to cross the 25 million-customer mark, covering mobile, landline as well as broadband, in India.

In a further move to drive affordability in the market, Bharti has introduced an enhanced version of its “lifetime validity” plan, allowing customers to pay the one-time fee in 12 monthly instalments. To offer its customers more choice to stay connected, Bharti has also launched a fixed wireless service this quarter, thus augmenting its telecom presence across all segments of the market.

In the June 2005 quarter, SingTel equity accounted for its share of Bharti's reversal of deferred tax benefit pertaining to a licence fee of S\$19 million.

### ***Globe Telecom, Inc (“Globe”)***

Globe is one of the largest mobile communications services providers in the Philippines and is listed on the Philippine Stock Exchange.

Excluding the additional quarter's profits, Globe's pre-tax contribution in the March 2006 quarter grew strongly by 70% from a year ago to S\$64 million on the back of a 5.7% increase in revenue. The improved performance was driven by increased usage as well as reduced spending on subsidies and marketing. On a post-tax basis, Globe recorded a smaller increase of 24% in net profit with the expiration of its income tax holiday on 31 March 2005.

## SECTION IV : ASSOCIATES

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Due to aggressive marketing spend, Globe's profit contribution declined to S\$57 million in the quarter ended 30 June 2006. The quarter's results were also impacted by the fair value losses on its USD denominated debt arising from a weaker Peso<sup>2</sup>. The Group's share of this loss amounted to S\$11 million.

Globe registered a net addition of 697,000 mobile subscribers this quarter. As at 30 June 2006, its subscribers reached 13.9 million, 2.0% higher than a year ago.

With the rollout of *Globe Mobile Broadband 3G* in April 2006 with HSDPA (High Speed Downlink Packet Access, commonly referred to as "3.5G") technology, Globe is the first mobile operator to make 3G services available in the Philippines and also the first operator in Asia Pacific to introduce 3G with HSDPA capabilities to the general public.

### ***Advanced Info Service ("AIS")***

AIS is the largest mobile communications operator in Thailand. As at 30 June 2006, it was the third largest listed company on the Stock Exchange of Thailand in terms of market capitalisation.

AIS' performance in the quarter ended March 2006 improved against the preceding quarter, as its mobile service revenue grew 3.3% with the expiration of promotional tariff plans in December 2005, coupled with lower marketing and depreciation expenses.

Year-on-year, however, pre-tax contribution dipped 3.8% to S\$73 million despite a 4.1% increase in revenue due primarily to higher staff costs and lower handset margins.

AIS' net mobile subscriber addition in the June 2006 quarter was 684,000, which was three times the 225,000 subscribers added in the March 2006 quarter. Year-on-year, its subscriber base grew by 9.5%, or 1.5 million, to 17.3 million. As at 30 June 2006, AIS continued to lead the market with approximately 52% market share.

### ***Pacific Bangladesh Telecom Limited ("PBTL")***

PBTL is the fourth largest mobile communications services provider in Bangladesh.

PBTL is aggressively rolling out its network to cater to the burgeoning demand in Bangladesh. It added 189,000 net mobile subscribers in this quarter, bringing the total subscribers to 686,000 as at 30 June 2006, an increase of 38% from a quarter ago. The rapid growth in its subscriber base has resulted in hefty subscriber acquisition costs, thus impacting the bottom line.

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<sup>2</sup> The fair value adjustment of Globe for the March 2006 quarter had been taken up in the Group's results in the March 2006 quarter.

**SECTION IV : ASSOCIATES****PROFORMA INFORMATION**

The following tables show unaudited proforma proportionate financial information which has been derived from the Income Statements of the Group prepared on a statutory basis.

Proportionate presentation is not required by Singapore GAAP and is not intended to replace the financial statements prepared in accordance with Singapore GAAP. However, since the associates are not consolidated on a line by line basis, proportionate information is provided as supplemental data to facilitate a better appreciation of the relative contribution from the Group's operations in Australia, Singapore and other regional markets.

Proportionate operating revenue	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
<b>Group operating revenue</b>			
SingTel	995	995	0.1
Optus	2,176	2,220	-2.0
	<b>3,171</b>	<b>3,214</b>	<b>-1.4</b>
<b>Proportionate share of operating revenue of associates</b>			
Regional mobile associates	1,263	860	46.9
Singapore associates	46	48	-4.4
Other overseas associates	59	67	-11.7
	<b>1,368</b>	<b>974</b>	<b>40.4</b>
<b>Enlarged revenue</b>	<b>4,539</b>	<b>4,188</b>	<b>8.4</b>
<b>% of overseas revenue to enlarged revenue</b>	<b>77%</b>	<b>75%</b>	
<b>Contributions to enlarged revenue</b>			
Australia	48%	53%	
Regional mobile associates	28%	21%	
Singapore	23%	25%	
Others	1%	2%	
	<b>100%</b>	<b>100%</b>	

Based on the Group's enlarged revenue, overseas revenue contribution was 77% for the quarter, up 2 percentage points from a year ago, reflecting the strength of the Group's geographical diversification efforts.

**SECTION IV : ASSOCIATES**

Proportionate EBITDA <sup>(1)</sup>	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
<b>Operational EBITDA</b>			
SingTel	472	476	-0.7
Optus	568	655	-13.3
	<b>1,040</b>	<b>1,130</b>	<b>-8.0</b>
<b>Proportionate share of EBITDA of associates</b>			
Regional mobile associates	779	526	48.0
Singapore associates	20	21	-2.9
Other overseas associates	26	33	-20.4
	<b>825</b>	<b>580</b>	<b>42.4</b>
<b>Compensation from IDA</b>	<b>84</b>	<b>84</b>	<b>-</b>
<b>Total proportionate EBITDA</b>	<b>1,949</b>	<b>1,794</b>	<b>8.6</b>
<b>EBITDA margin on enlarged revenue</b>	<b>43%</b>	<b>43%</b>	
<b>Overseas EBITDA as a % of total EBITDA</b>	<b>70%</b>	<b>68%</b>	
<b>Contributions to total proportionate EBITDA</b>			
Regional mobile associates	40%	29%	
Singapore	30%	32%	
Australia	29%	36%	
Others	1%	2%	
	<b>100%</b>	<b>100%</b>	

**Note:**

(1) Proportionate EBITDA represents the Group's effective interests in the respective entities' EBITDA. As such, proportionate EBITDA does not represent EBITDA available to the Group.

The proportionate EBITDA increased by 8.6% to S\$1.95 billion in the current quarter.

Regional mobile associates contributed a significant 40% to the total proportionate EBITDA, up from 29% a year ago.

Proportionate share of mobile subscribers <sup>(1)</sup>	Total Number			Prorata Number		
	30 Jun	31 Mar	30 Jun	30 Jun	31 Mar	30 Jun
	2006	2006	2005	2006	2006	2005
<b>(In 000s)</b>						
SingTel Mobile	1,619	1,660	1,553	1,619	1,660	1,553
Optus	6,555	6,486	6,026	6,555	6,486	6,026
	<b>8,174</b>	<b>8,146</b>	<b>7,579</b>	<b>8,174</b>	<b>8,146</b>	<b>7,579</b>
<b>Regional Mobile Associates</b>						
- Telkomsel	29,270	26,951	21,548	10,245	9,433	7,542
- Bharti	23,073	19,579	12,256	6,934	5,875	3,720
- AIS	17,318	16,634	15,815	3,710	3,563	3,392
- Globe	13,894	13,197	13,627	6,193	5,887	6,082
- PBTL	686	497	318	309	224	143
	<b>84,241</b>	<b>76,858</b>	<b>63,564</b>	<b>27,391</b>	<b>24,982</b>	<b>20,879</b>
<b>Group</b>	<b>92,415</b>	<b>85,004</b>	<b>71,143</b>	<b>35,565</b>	<b>33,128</b>	<b>28,458</b>

**Note:**

(1) Proportionate share of mobile subscribers represents the number of mobile subscribers of an associate multiplied by SingTel's effective percentage ownership in the venture at the respective dates.



## SECTION IV : ASSOCIATES

Telkomsel and Bharti continued to be the two largest regional mobile associates in terms of the number of mobile subscribers.

As at 30 June 2006, the Group's regional mobile subscriber base (including SingTel and Optus) rose 8.7% or 7.4 million to 92 million from a quarter ago. This is the highest quarterly increase since June 2005 quarter. Year-on-year, it was up 30% or 21 million. On a proportionate share basis, the increase was 25% to over 35 million subscribers.

### CASH DIVIDENDS RECEIVED FROM ASSOCIATES <sup>(1)</sup>

	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
<b>Regional mobile associates</b>			
Telkomsel <sup>(2)</sup>			
- final dividend FY2004 (partial receipt)	-	100	nm
AIS <sup>(3)</sup>			
- final dividend FY2005 / FY2004	87	69	25.7
	<b>87</b>	<b>170</b>	<b>-48.6</b>
BSI	-	10	nm
Others	-	*	nm
<b>Total</b>	<b>87</b>	<b>180</b>	<b>-51.6</b>

#### Notes:

- (1) The cash dividends received from overseas associates as stated here are before withholding tax payments.
- (2) Telkomsel declared a full year dividend of 85% on net profit for its 2005 financial year. The interim dividend was paid in December 2005 and the final dividend is expected to be paid in the September 2006 quarter. SingTel's share of the final dividend is approximately S\$340 million. For FY2004, the dividend payout was 60% of net profit, paid during June to August 2005.
- (3) Currently, AIS does not have a fixed dividend policy. However, AIS can pay dividend at any payout ratio provided it obtains at least an 'AA' rating from a credit rating agency approved by the Office of Securities and Exchange Commission of Thailand. AIS declared a full year dividend of 98% on net profit for its 2005 financial year. The interim and final dividends were paid in September 2005 and May 2006 respectively. For FY2004, the dividend payout was 69% of net profit.
- (4) On 31 July 2006, Globe obtained board approval to increase the dividend payout ratio from approximately 50% to 75% of prior year's net profit, payable semi-annually in March and September of each year. Globe will pay its second semi-annual dividend of Peso 30 per share in September 2006. SingTel's share of this gross dividend is approximately Peso 1.77 billion.

In the current quarter, SingTel received a final dividend from AIS of S\$87 million for financial year 2005, up 26% from the same quarter last year due to a higher payout ratio.

Telkomsel paid its first dividend for its 2004 financial year in June 2005, but will only pay its first dividend for its 2005 financial year in September 2006 quarter.

**SECTION IV : ASSOCIATES****KEY OPERATIONAL DATA**

	Telkomsel	Bharti	AIS	Globe	PETL
<b>SingTel's investment:</b>					
Year of initial investment	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1993</b>	<b>2005</b>
Effective shareholding (%)	35.0%	30.49%	21.42%	44.57%	45.0%
Investment to date	S\$1.93 bil	S\$1.55 bil	S\$870 mil	S\$882 mil	S\$204 mil
Closing market share price <sup>(1)</sup>	NA	INR 370	THB 90 <sup>(5)</sup> THB 90 <sup>(6)</sup>	PHP 930	NA
Market capitalisation					
- Total	NA	S\$24.21 bil	S\$11.05 bil	S\$3.67 bil	NA
- SingTel holding	NA	S\$7.38 bil	S\$2.37 bil	S\$1.64 bil	NA
<b>Operational Performance :</b>					
Mobile penetration rate <sup>(2)</sup>	24%	10%	54%	41%	10%
Market share <sup>(2)</sup>	55%	29%	52%	37%	4.7%
Market position <sup>(3)</sup>	#1	#1	#1	#2	#4
Mobile subs ('000)					
- Aggregate	29,270	23,073	17,318	13,894	686
- Proportionate	10,245	6,934	3,710	6,198	309
Growth in mobile subs (%) <sup>(4)</sup>	36%	88%	9.5%	2.0%	116%
Credit ratings					
- Sovereign (Moody's/ S&P's)	B1/B+	Baa3/BB+	Baa1/BBB+	B1/BB-	NA
- Company (Moody's/ S&P's)	NA/BB+	NA/BB+	NA/A-	Ba2/BB+	NA

**Notes:**

- (1) Based on closing market price on 30 June 2006, in local currency.
- (2) Based on latest data available as at 30 June 2006, except for Globe, which is based on data as at 31 March 2006.  
For Bharti, the market share is based on GSM cellular subscribers only. If based on total number of mobile subscribers (GSM and CDMA), Bharti's market share would be 22.5%.
- (3) Based on number of mobile subscribers. For Bharti, it is based on number of GSM cellular subscribers only. Bharti is also ranked first based on total number of mobile subscribers.
- (4) Compared against 30 June 2005.
- (5) Based on local market price quoted on the Stock Exchange of Thailand.
- (6) Based on foreign market price quoted on the Stock Exchange of Thailand.

Please refer to **Appendix 3** for the currency rate movements of the major associates.

**SECTION V : GLOSSARY**

<b>“ACCC”</b>	Australian Competition And Consumer Commission.
<b>“ARPU”</b>	Average revenue per user.
<b>“Associate”</b>	Associated or joint venture company.
<b>“ATM”</b>	Asynchronous Transfer Mode, a transfer mode in which voice, data and video signals are organised into cells for transmission.
<b>“C2C”</b>	C2C Pte Ltd and its subsidiary companies.
<b>“Churn”</b>	The transfer of a customer’s telecommunications service from one provider to another.
<b>“DEL”</b>	Direct exchange lines, which are telephone lines connected directly to a telephone switch.
<b>“DSL”</b>	Digital subscriber line.
<b>“EI”</b>	Exceptional items.
<b>“EBIT”</b>	Earnings before interest and tax.
<b>“EBITDA”</b>	Earnings before interest, tax, depreciation and amortisation.
<b>“FRS”</b>	Financial Reporting Standard.
<b>“Free Cash Flow”</b>	Free cash flow refers to cash flow from operating activities less cash capital expenditure.
<b>“HFC”</b>	Hybrid fibre coaxial cable, a system that has the potential to deliver voice, video and data via fibre optic cable for long haul transmission and via coaxial cable for short haul transmission.
<b>“ICT”</b>	Information and communication technology.
<b>“IP”</b>	Internet protocol.
<b>“MMS”</b>	Multimedia messaging service.
<b>“MOU”</b>	Minutes of use.
<b>“NA”</b>	Not applicable.
<b>“NCS”</b>	NCS Pte Ltd, SingTel wholly owned subsidiary, and its subsidiary companies.
<b>“NM”</b>	Not meaningful.
<b>“Optus”</b>	SingTel Optus Pty Limited, a SingTel wholly owned subsidiary, and its subsidiary companies.
<b>“QTD”</b>	Quarter-to-date.
<b>“SMB”</b>	Small and medium business.
<b>“SMS”</b>	Short Message Service.
<b>“SingTel”</b>	Unless expressly stated, the term refers to SingTel Group excluding Optus.
<b>“ULL”</b>	Unbundled Local Loop.
<b>“Underlying net profit”</b>	Defined as net profit before exceptionals and exchange differences on loan to Optus, net of hedging.

## RESTATEMENT – COMPARATIVE QUARTER ENDED 30 JUNE 2005

As stated in the Management Discussion & Analysis for the preceding quarter ended 31 March 2006, Optus aligned its accounting treatment for operating lease expenditure to be consistent with the technical interpretation of IFRS in Australia. Under this interpretation, if the lease payments provide for fixed rate rent increases year-on-year, such increases are to be recognised on a straight-line basis over the entire lease term, compared to only expensing the contractual amounts paid every year.

The comparative figures for the quarter ended 30 June 2005 have been restated to reflect the change as follows :

	<b>Optus</b>	<b>Group</b>
	<b>A\$ m</b>	<b>S\$ m</b>
Selling & Administrative expenses		
- as previously reported	372	603
- change in accounting treatment	3	4
- restated	<u>375</u>	<u>607</u>
Net profit		
- as previously reported	150	796
- change in accounting treatment	(2)	(3)
- restated	<u>148</u>	<u>794</u>
<i>Operational EBITDA margins</i>		
- as previous reported	29.7%	35.3%
- as restated	<u>29.5%</u>	<u>35.2%</u>

## CONSOLIDATED BALANCE SHEETS

	As at		
	30 Jun 2006 (Unaudited)	31 Mar 2006 (Audited)	30 Jun 2005 (Unaudited)
	S\$ million	S\$ million	S\$ million
<b>Current assets</b>			
Cash and cash equivalents	3,079	2,770	3,060
Available-for-sale financial assets	-	-	5
Derivative financial instruments	73	70	-
Other financial assets at fair value through profit or loss	812	860	944
Trade and other debtors	2,502	2,047	2,175
Inventories	220	186	217
	6,685	5,934	6,402
<b>Non-current assets</b>			
Property, plant and equipment (net)	9,422	9,465	11,558
Goodwill on consolidation	9,557	9,553	9,519
Intangible assets	555	562	597
Associated companies	5,010	5,203	4,974
Joint venture companies	1,363	1,394	1,212
Available-for-sale financial assets	43	52	103
Derivative financial instruments	258	239	274
Deferred tax assets	1,142	1,111	1,180
Other non-current assets	70	93	83
	27,420	27,672	29,500
<b>Total assets</b>	34,106	33,606	35,902
<b>Current liabilities</b>			
Trade and other creditors	2,829	3,183	3,210
Provisions	18	19	17
Derivative financial instruments	87	73	2
Current tax liabilities	427	360	433
Borrowings (unsecured)	1,427	1,493	902
Borrowings (secured)	1	1	1,196
	4,789	5,128	5,759
<b>Non-current liabilities</b>			
Derivative financial instruments	809	606	462
Borrowings (unsecured)	5,743	5,907	7,952
Borrowings (secured)	-	-	70
Deferred tax liabilities	371	376	420
Deferred income	18	19	284
Advance billings	356	312	1,028
Other non-current liabilities	169	166	143
	7,465	7,385	10,358
<b>Total liabilities</b>	12,254	12,513	16,117
<b>Net assets</b>	21,851	21,093	19,785
<b>Share capital and reserves</b>			
Share capital	4,781	4,775	2,498
Translation reserve	98	173	714
Other reserves	16,970	16,143	16,562
<b>Interests of shareholders of the Company</b>	21,849	21,091	19,775
Minority interests	3	3	11
<b>Total equity</b>	21,851	21,093	19,785

Certain comparatives have been restated and reclassified to conform with current quarter's presentation.

**CURRENCY RISK MANAGEMENT & OTHER MATTERS**

The Group maintains a policy of hedging all foreign currency exposures related to commercial commitments or transactions. These commitments or transactions include payment of operating expenses, traffic settlement, capital expenditure, interest and debt. Translation risks of foreign currency EBITDA and net investments are not hedged unless specifically approved by the Board.

Financial instruments such as foreign currency forward contracts and cross currency swaps are used only to hedge underlying commercial exposures and are not held or sold for speculative purposes. All hedging transactions are reviewed regularly.

To minimise the adverse impact of foreign exchange movements on the Group's financial position, the Group determines the appropriate debt currency mix by matching it to the currency mix of the Group's underlying cash flows.

Debt Currency Mix	As at		
	30 Jun	31 Mar	30 Jun
	2006	2006	2005
SGD	59%	59%	50%
AUD	41%	41%	39%
USD	-	-	11%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The debt currency mix is constantly being reviewed and aligned with the Group's cash flows. The USD debt was deconsolidated in the March 2006 quarter following loss of control over C2C.

**CREDIT RATINGS**

As at 30 Jun 2006	SingTel	Optus
Standard & Poor's	A+ (stable)	A+ (stable)
Moody's Investors Service	Aa2 (stable)	Aa3 (stable)

## MAJOR CURRENCY AVERAGE EXCHANGE RATES

1 Australian dollar buys:	Q1	Q2	Q3	Q4	H1	H2	Full Year
Derived weighted average exchange rate <sup>(1)</sup> for:							
Operating revenue							
<u>SGD</u>							
FY06/07	1.1864	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FY05/06	1.2747	1.2731	1.2551	1.2031	1.2739	1.2294	1.2511
Change (last corresponding period)	-6.9%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Underlying net profit							
<u>SGD</u>							
FY06/07	1.1877	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FY05/06	1.2750	1.2742	1.2558	1.2042	1.2746	1.2316	1.2531
Change (last corresponding period)	-6.8%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Note:**

- (1) The monthly income statement of Optus is translated from Australian dollar to Singapore dollar based on the average exchange rate for the month. These rates represent the derived weighted average exchange rates for the Australian dollar for the period to date.

1 Singapore dollar buys:	Q1	Q2	Q3	Q4	H1	H2	Full Year
<u>Rupiah</u>							
FY 06/07	5,747	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FY 05/06	5,747	5,960	5,917	5,714	5,856	5,813	5,831
Change (last corresponding period)	**	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Baht</u>							
FY 06/07	24.0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FY 05/06	24.2	24.6	24.3	24.2	24.4	24.2	24.3
Change (last corresponding period)	-0.8%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Peso</u>							
FY 06/07	32.9	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FY 05/06	33.0	33.4	32.3	31.8	33.2	31.9	32.5
Change (last corresponding period)	-0.3%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<u>Rupee</u>							
FY 06/07	28.7	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FY 05/06	26.3	26.1	26.9	27.2	26.2	27.1	26.7
Change (last corresponding period)	9.1%	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*\* represents less than 0.05%

**OPTUS FINANCIALS IN SINGAPORE DOLLARS**

The Optus' contribution to the Group summary income statements (in Singapore dollars) was:

	Quarter		YOY Chge %
	30 June		
	2006 S\$ m	2005 S\$ m	
<b>Operating revenue</b>	<b>2,176</b>	<b>2,220</b>	<b>-2.0</b>
Operating expenses	(1,625)	(1,573)	3.3
Other income	17	8	108.9
<b>Operational EBITDA</b> <i>- EBITDA margin</i>	<b>568</b> <b>26.1%</b>	<b>655</b> <b>29.5%</b>	<b>-13.3</b>
Share of results of joint ventures	(7)	4	nm
<b>EBITDA</b>	<b>560</b>	<b>659</b>	<b>-14.9</b>
Depreciation & amortisation	(343)	(337)	1.8
<b>EBIT</b>	<b>217</b>	<b>322</b>	<b>-32.5</b>
Net finance expense	(37)	(51)	-27.8
<b>Profit before EI</b>	<b>181</b>	<b>271</b>	<b>-33.3</b>
Exceptional items ("EI")	326	-	nm
<b>Profit before tax</b>	<b>506</b>	<b>271</b>	<b>86.9</b>
Taxation	(51)	(82)	-37.6
<b>Net profit</b>	<b>455</b>	<b>188</b>	<b>141.3</b>
<b>Underlying net profit</b>	<b>129</b>	<b>188</b>	<b>-31.5</b>

**Note:**

The monthly Income statement of Optus was translated from Australian dollar to Singapore dollar based on the average exchange rate for the month. The derived weighted average exchange rates on translation of Optus income statement is shown in **Appendix 3**.



**OPTUS FINANCIALS IN SINGAPORE DOLLARS**

The Optus' contribution to the Group operating revenue by product (in Singapore dollars) was:

	Quarter		YOY Chge %
	30 Jun		
	2006 S\$ m	2005 S\$ m	
<b>Operating revenue by product/ service</b>			
Mobile communications	1,010	1,027	-1.7
National telephone	459	514	-10.6
Data & Internet	329	323	2.1
Sale of equipment	163	171	-4.8
IT & engineering services	106	45	135.2
International telephone	51	87	-41.1
Cable television	37	39	-6.6
Others	22	15	47.3
<b>Total</b>	<b>2,176</b>	<b>2,220</b>	<b>-2.0</b>

The Optus' contributions to certain Group balance sheet items were:

	As at		
	30 Jun 2006 S\$ m	31 Mar 2006 S\$ m	30 Jun 2005 S\$ m
	<b>Property, plant and equipment (net)</b>	<b>6,719</b>	<b>6,651</b>
Gross debt <sup>(1)</sup>			
Current debt	871	927	502
Non-current debt	1,284	1,327	2,325
Gross debt as reported in balance sheet	2,154	2,253	2,827
Related net hedging liability	118	75	196
	2,272	2,328	3,022
<b>Less: cash and bank balances</b>	<b>(81)</b>	<b>(140)</b>	<b>(247)</b>
<b>Net debt<sup>(1)</sup></b>	<b>2,190</b>	<b>2,189</b>	<b>2,775</b>
	<b>A\$ m</b>	<b>A\$ m</b>	<b>A\$ m</b>
<b>Property, plant and equipment (net)</b>	<b>5,696</b>	<b>5,740</b>	<b>5,616</b>
Gross debt <sup>(1)</sup>			
Current debt	738	800	392
Non-current debt	1,088	1,145	1,811
Gross debt as reported in balance sheet	1,826	1,945	2,203
Related net hedging liability	100	65	152
	1,926	2,010	2,355
<b>Less: cash and bank balances</b>	<b>(69)</b>	<b>(121)</b>	<b>(193)</b>
<b>Net debt<sup>(1)</sup></b>	<b>1,857</b>	<b>1,889</b>	<b>2,162</b>

**Note:**

(1) Excluded borrowing from SingTel, if any.