

**NETLINK NBN TRUST
AND ITS SUBSIDIARIES**

**FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE FIRST QUARTER
ENDED 30 JUNE 2019**

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NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FIRST QUARTER ENDED 30 JUNE 2019

INTRODUCTION

NetLink NBN Trust (the “Trust”) is a business trust constituted in Singapore pursuant to a trust deed dated 19 Jun 2017 under the laws of the Republic of Singapore. The Trust was dormant from the date of its constitution until it acquired all the units of NetLink Trust (“NLT”) on 19 Jul 2017, the date on which the Trust was listed (“Listing Date”) on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Trust and its subsidiaries taken as a whole shall hereinafter be referred to as “NetLink Group” or “Group”.

The NetLink Group’s nationwide network is the foundation of the Next Generation National Broadband Network (“Next Gen NBN”), over which ultra-high speed internet access is delivered throughout mainland Singapore and its connected islands. The NetLink Group designs, builds, owns and operates the passive fibre network infrastructure (comprising ducts, manholes, fibre cables and central offices) of Singapore’s Next Gen NBN. The NetLink Group’s extensive network provides nationwide coverage to residential homes and non-residential premises in mainland Singapore and its connected islands.

The principal services provided by the NetLink Group are as follows: (i) the use of the NetLink Group’s network for the purpose of end-user fibre connections, currently for broadband, internet-protocol TV and voice-over internet protocol services, (ii) the use of the other passive infrastructure to provide fibre connections, and (iii) the provision of other non-fibre ancillary services.

With respect to the use of the NetLink Group’s network for the purpose of end-user fibre connections, the network provides three separate connections: (a) residential end-user connections, (b) non-residential end-user connections, and (c) non-building address points (“NBAP”) connections. The provision of mandated services set forth in its facilities-based operations licence by the NetLink Group is regulated, whereby the NetLink Group must offer such services to all Qualifying Persons in Singapore, with each requesting Qualifying Person being a Requesting Licensee, at regulated prices, without preference or discrimination.

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

SUMMARY OF THE NETLINK GROUP RESULTS

	Quarter ended 30 Jun		Variance %
	2019 ("Q1 FY20") S\$'000 (Unaudited)	2018 ("Q1 FY19") S\$'000 (Unaudited)	
Revenue ⁽¹⁾	92,041	86,112	6.9
EBITDA ⁽²⁾⁽³⁾	66,525	60,992	9.1
EBITDA margin ⁽²⁾⁽³⁾	72.3%	70.8%	1.5 pp
Profit after tax for the quarter ("PAT") ⁽²⁾	20,932	19,022	10.0

Note:

(1) Revenue for Q1 FY20 grew by 6.9% mainly due to higher residential connections and installation-related revenue partially offset by lower ducts and manholes service and diversion revenue.

(2) EBITDA and PAT for Q1 FY20 were higher than Q1 FY19 by 9.1% and 10.0% respectively in line with higher revenue for the quarter. EBITDA margin for Q1 FY20 at 72.3% was 1.5 percentage point higher mainly due to the impact from the adoption of Singapore Financial Reporting Standard (International) 16 – Leases ("SFRS(I) 16") where operating leases are capitalised as right-of-use assets and amortised over the period of the lease. Excluding the impact of SFRS(I) 16, EBITDA margin for Q1 FY20 would have been 71.5%, 0.7 percentage point higher compared to 70.8% for Q1 FY19.

Further details of the NetLink Group's financial performance are provided in Note 16.

(3) EBITDA is a non-SFRS financial measure and represents operating profit before depreciation and amortisation expense, net finance costs and income tax expense. EBITDA and EBITDA margin are supplemental financial measures of the NetLink Group's performance and liquidity, and are not required by, or presented in accordance with SFRS, IFRS, Singapore Financial Reporting Standards (International), U.S. GAAP or any other generally accepted accounting principles. Furthermore, EBITDA and EBITDA margin are not measures of financial performance or liquidity, and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with SFRS, IFRS, Singapore Financial Reporting Standards (International), U.S. GAAP or any other generally accepted accounting principles.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FIRST QUARTER ENDED 30 JUNE 2019

The NetLink Group has adopted a new accounting standard, Singapore Financial Reporting Standard (International) 16 – Leases (“SFRS(I) 16”), for the first time on 1 Apr 2019 using the modified retrospective approach. The cumulative effects of applying the standard is recognised as an adjustment to opening balance of retained earnings on 1 Apr 2019, with no restatement of comparative information. Refer to pages 8 to 10 for the Basis of Preparation and for further details of the impact of applying SFRS(I) 16 on the consolidated statements of financial position and financial results of the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Group	Note	Q1 FY20 S\$'000 (Unaudited)	Q1 FY19 S\$'000 (Unaudited)	Variance (%)
Revenue		92,041	86,112	6.9
Other income	2	867	775	11.9
Expenses				
Operation and maintenance costs		(4,483)	(4,562)	(1.7)
Installation costs		(4,371)	(3,280)	33.3
Diversion costs		(1,516)	(2,253)	(32.7)
Depreciation and amortisation	3	(42,040)	(39,776)	5.7
Staff costs		(6,293)	(5,268)	19.5
Finance costs	4	(5,058)	(4,554)	11.1
Management fee		(239)	(241)	(0.8)
Other operating expenses	5	(8,940)	(9,881)	(9.5)
Total expenses		(72,940)	(69,815)	4.5
Profit before income tax		19,968	17,072	17.0
Income tax credit	6	964	1,950	(50.6)
Profit after income tax		20,932	19,022	10.0
Profit attributable to:				
Unitholders of the Trust		20,932	19,022	
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges		(1,796)	2,347	(176.5)
Total comprehensive income attributable to:				
Unitholders of the Trust		19,136	21,369	(10.4)
Earnings per unit:				
- basic and diluted		0.54 cents	0.49 cents	
Weighted average number of units ('000) in issue for calculation of basic and diluted earnings per unit (Unaudited)		3,896,971	3,896,971	

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

STATEMENTS OF FINANCIAL POSITION (GROUP AND TRUST)

	Note	Group		Trust	
		As at 30 Jun 2019 S\$'000 (Unaudited)	As at 31 Mar 2019 S\$'000 (Audited)	As at 30 Jun 2019 S\$'000 (Unaudited)	As at 31 Mar 2019 S\$'000 (Audited)
ASSETS					
Current assets					
Cash and bank deposits		91,972	148,621	1,222	223
Trade and other receivables		51,735	46,925	28,753	57,624
Contract assets		34,412	28,909	-	-
Finance lease receivables		224	221	-	-
Inventories		5,215	4,738	-	-
Other current assets		3,794	4,116	250	310
		187,352	233,530	30,225	58,157
Non-current assets					
Finance lease receivables		87,602	87,659	-	-
Property, plant and equipment		3,101,356	3,124,527	-	-
Rental deposits		670	667	-	-
Goodwill		746,854	746,854	-	-
Licence		87,505	88,564	-	-
Right-of-use assets ^(a)		14,227	-	-	-
Investment in subsidiaries		-	-	2,013,673	2,013,673
Subordinated loan to a subsidiary		-	-	1,100,000	1,100,000
		4,038,214	4,048,271	3,113,673	3,113,673
Total assets		4,225,566	4,281,801	3,143,898	3,171,830
LIABILITIES					
Current liabilities					
Trade and other payables		50,982	56,023	242	521
Deferred revenue		31,404	21,989	-	-
Loan	8	125,799	-	-	-
Lease liabilities ^(a)		2,518	-	-	-
Current tax liabilities		6,941	1,696	-	-
		217,644	79,708	242	521
Non-current liabilities					
Derivative financial instruments	7	2,576	780	-	-
Loan	8	508,958	634,554	-	-
Lease liabilities ^(a)		13,960	-	-	-
Deferred tax liabilities		530,698	536,907	-	-
		1,056,192	1,172,241	-	-
Total liabilities		1,273,836	1,251,949	242	521
Net Assets		2,951,730	3,029,852	3,143,656	3,171,309
UNITHOLDERS' FUNDS					
Units in issue	9	3,117,178	3,117,178	3,117,178	3,117,178
(Accumulated deficit)/Retained earnings		(170,365)	(94,039)	26,478	54,131
Hedging reserve		4,917	6,713	-	-
Total Unitholders' funds		2,951,730	3,029,852	3,143,656	3,171,309

(a) Refer to Basis of Preparation on pages 8 to 10.

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STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS (GROUP)

	Group	
	Q1 FY20 S\$'000 (Unaudited)	Q1 FY19 S\$'000 (Unaudited)
Units in issue at the beginning of year and at end of the period	3,117,178	3,117,178
(Accumulated deficit)/retained earnings at the beginning of year	(94,039)	49,950
Adjustment on adoption of SFRS(I) 16 <i>Leases</i> ^(a)	(2,173)	-
Restated (accumulated deficit)/retained earnings at the beginning of year	(96,212)	49,950
Profit for the period	20,932	19,022
Distribution paid	(95,085)	(126,262)
Accumulated deficit at the end of period	(170,365)	(57,290)
Hedging reserves at the beginning of year	6,713	7,250
Other comprehensive (losses)/income for the period	(1,796)	2,347
Hedging reserves at the end of period	4,917	9,597
Total	2,951,730	3,069,485

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS (TRUST)

	Trust	
	Q1 FY20 S\$'000 (Unaudited)	Q1 FY19 S\$'000 (Unaudited)
Units in issue at the beginning of year and at end of the period	3,117,178	3,117,178
Retained earnings at the beginning of year	54,131	78,133
Profit for the period	67,432	74,953
Distribution paid	(95,085)	(126,262)
Retained earnings at the end of period	26,478	26,824
Total	3,143,656	3,144,002

(a) Refer to Basis of Preparation on pages 8 to 10.

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CONSOLIDATED STATEMENT OF CASH FLOWS

Group	Q1 FY20 S\$'000 (Unaudited)	Q1 FY19 S\$'000 (Restated)
Operating activities		
Profit before income tax	19,968	17,072
Adjustments for:		
- Depreciation and amortisation	41,348	39,776
- Depreciation of right-of-use assets ^(a)	692	-
- Amortisation of transaction fees	203	202
- Allowance of/(write-back of) impairment for trade receivables	11	(64)
- Provision/(write-back of provision) for stock obsolescence	34	(5)
- Interest expense	4,720	4,352
- Interest expense on lease liabilities ^(a)	135	-
- Interest income	(541)	(410)
- Gain on disposal of property, plant and equipment	(4)	-
- Property, plant and equipment written off	250	618
Operating cash flows before working capital changes	66,816	61,541
Changes in working capital:		
- Trade and other receivables ^(b)	(4,448)	(9,829)
- Contract assets ^(b)	(5,503)	(343)
- Trade and other payables	4,306	(1,026)
- Inventories	(511)	(301)
Cash generated from operations	60,660	50,042
Interest received	541	410
Interest paid	(4,694)	(4,361)
Net cash from operating activities	56,507	46,091
Investing activities		
Purchase of property, plant and equipment	(17,318)	(17,326)
Proceeds from sale of property, plant and equipment	4	-
Net cash used in investing activities	(17,314)	(17,326)
Financing activities		
Repayment of lease liabilities ^(a)	(749)	-
Payment of loan arrangement fee	(8)	(8)
Distribution paid	(95,085)	(126,262)
Net cash used in financing activities	(95,842)	(126,270)
Net decrease in cash and cash equivalents	(56,649)	(97,505)
Cash and cash equivalents at beginning of financial year	148,621	166,449
Cash and cash equivalents at end of financial period	91,972	68,944
Cash and cash equivalents consist of:		
Cash and bank balances	79,972	60,944
Capital expenditure reserve fund ^(c)	12,000	8,000
Cash and cash equivalents at end of financial period	91,972	68,944

(a) Refer to Basis of Preparation on pages 8 to 10.

(b) The NetLink Group adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) (“SFRS(I)”) for the first time for the financial year ended 31 Mar 2019 on a retrospective basis. The application of SFRS(I) did not have any significant impact on the financial statements, other than additional disclosures required under SFRS(I) 15 Revenue from Contracts with Customers and SFRS(I) 9 Financial Instruments. Accordingly, comparatives were restated in the NetLink Group’s consolidated statement of cash flows. The NetLink Group’s consolidated cash flows has reclassified unbilled revenue previously classified as “Trade and other receivables” to “Contract assets” for the financial period Q1 FY20.

(c) Capex Reserve comprises monies set aside for at least 20% of capital expenditure reserve fund per year cumulating to S\$40 million over the five-year period from 1 Jan 2018 to 31 Dec 2022, to meet regulatory requirements from Info-communications Media Development Authority (“IMDA”) or for any new network infrastructure projects that improve the capacity, technology, capability or resilience of NLT’s network infrastructure. On a quarterly basis, NLT will set aside additional funds in the capital expenditure reserve on a pro-rata basis computed based on the yearly requirement of S\$8 million. As at 30 Jun 2019, NLT has set aside S\$12 million for the Capex Reserve.

SELECTED NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group prepares its condensed consolidated interim financial information in accordance with Singapore Financial Reporting Standard (International) (“SFRS(I)”) 1-34, *Interim Financial Reporting*. This interim report should be read in conjunction with the most recent audited financial statements for the financial year ended 31 Mar 2019.

The same accounting policies and methods of computation have been applied in the preparation of the financial statements for current quarter as those stated in the most recent audited financial statements for the financial year ended 31 Mar 2019 except for Singapore Financial Reporting Standard (International) 16 – *Leases* (“SFRS(I) 16”) which is effective for the Group from 1 Apr 2019.

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, with exemption for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. This resulted in lower rental expenses and higher depreciation of right-of-use assets and finance cost.

The Group has applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying the Standard recognised as an adjustment to the opening balance of retained earnings at the date of initial application, as permitted under the specific transition provisions in the Standard. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate as of 1 April 2019. The right-of-use assets were measured on a retrospective basis as if the Standard had been applied since the commencement date, but discounted using the Group’s incremental borrowing rate as of 1 April 2019.

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There is no impact to the Trust as a result of the adoption of SFRS(I) 16. The impact on adoption to the Group are as follows:

Consolidated Statements of Financial Position

	Group
As at 1 Apr 2019	S\$'000
ASSETS	
Non-current assets	
Right-of-use assets	14,919
Total assets	14,919
LIABILITIES	
Current liabilities	
Lease liabilities	2,496
Non-current liabilities	
Lease liabilities	14,596
Total liabilities	17,092
Net Liabilities	(2,173)
UNITHOLDERS' FUNDS	
Accumulated deficit	(2,173)
Impact on total Unitholders' funds	(2,173)

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FIRST QUARTER ENDED 30 JUNE 2019

Consolidated Statements of Profit or Loss and Other Comprehensive Income

The purpose of the table below is for illustration for the financial results of Q1 FY20 and Q1 FY19 without the effects of the adoption of SFRS(I) 16:

Group	S\$'000	Q1 FY20		Q1 FY19		Variance (%)
		As reported	Effects of applying SFRS(I) 16	Without effects of SFRS(I) 16 ^(d)	As reported	
Expenses						
Operation and maintenance costs	(4,483)	(324)	(4,807)	(4,562)	5.4	
Depreciation and amortisation	(42,040)	692	(41,348)	(39,776)	4.0	
Finance costs	(5,058)	135	(4,923)	(4,554)	8.1	
Other operating expenses	(8,940)	(425)	(9,365)	(9,881)	(5.2)	
Profit before income tax	19,968	78	20,046	17,072	17.4	
Profit after income tax and attributable to Unitholders of the Trust	20,932	78	21,010	19,022	10.5	

Consolidated Statements of Cash Flows

The purpose of the table below is for illustration for the statement of cash flow of Q1 FY20 and Q1 FY19 without the effects of adoption of SFRS(I) 16:

Group	S\$'000	Q1 FY20		Q1 FY19	
		As reported	Effects of applying SFRS(I) 16	Without effects of SFRS(I) 16 ^(d)	As reported
Operating activities					
Profit before income tax	19,968	78	20,046	17,072	
Adjustments for:					
- Depreciation of right-of-use assets	692	(692)	-	-	
- Interest expense on lease liabilities	135	(135)	-	-	
Net cash from operating activities	56,507	(749)	55,758	46,091	
Financing activities					
Repayment of lease liabilities	(749)	749	-	-	
Net cash used in financing activities	(95,842)	749	(95,093)	(126,270)	

(d) Presented only for the purpose of illustrating the financial result of Q1 FY20 without the effects of adoption SFRS(I) 16 for comparison with Q1 FY19.

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2. OTHER INCOME

	Q1 FY20	Q1 FY19
	S\$'000	S\$'000
Group	(Unaudited)	(Unaudited)
Net gain on disposal of property, plant and equipment	4	-
Interest income	541	410
Others ⁽¹⁾	322	365
	<u>867</u>	<u>775</u>

(1) Others consists mainly of income from Fibre Readiness Certification, Restoration Cost Recovery, Notice for Commencement of Earthworks, Plant Route Plans and Penalty Issued to Contractors.

3. DEPRECIATION AND AMORTISATION

	Q1 FY20	Q1 FY19
	S\$'000	S\$'000
Group	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	40,289	38,717
Amortisation of license	1,059	1,059
Depreciation and amortisation	<u>41,348</u>	<u>39,776</u>
Depreciation of right-of-use assets	692	-
	<u>42,040</u>	<u>39,776</u>

Depreciation and amortisation expenses were higher mainly due to a higher fixed assets base and the depreciation of right-of-use assets arising from the adoption of SFRS(I) 16.

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FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

4. FINANCE COSTS

	Q1 FY20	Q1 FY19
	S\$'000	S\$'000
Group	(Unaudited)	(Unaudited)
Interest expense on:		
- Bank loans	4,584	3,542
- Lease liabilities ^(e)	135	-
- Others	33	35
Financing related costs	356	389
Realised (gain)/loss on interest rate swaps	(50)	588
	<u>5,058</u>	<u>4,554</u>

For cash flow purposes, finance costs do not include amortisation of transaction fees and interest expenses on lease liabilities. Reconciliation to cash flow statement is as below:

Finance costs	5,058	4,554
Amortisation of transaction fees	(203)	(202)
Interest expense on lease liabilities ^(e)	(135)	-
Interest expense	<u>4,720</u>	<u>4,352</u>

5. OTHER OPERATING EXPENSES

The other operating expenses include the following items:

	Q1 FY20	Q1 FY19
	S\$'000	S\$'000
Group	(Unaudited)	(Unaudited)
Property tax	4,072	4,160
System maintenance costs	1,919	2,270
Provision/(write-back) of impairment for trade receivables	11	(64)
Property, plant and equipment written off	250	618
Provision of/(write-back of provision for) inventory obsolescence	34	(5)
	<u>6,286</u>	<u>7,029</u>

(e) Interest expenses relating to lease liabilities under SFRS(I) 16.

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6. INCOME TAX CREDIT

The reconciliation between tax credit and the product of accounting profit multiplied by the applicable corporate tax rate for the financial period is as follows:

	Q1 FY20	Q1 FY19
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Profit before income tax	<u>19,968</u>	<u>17,072</u>
Income tax expense calculated at a tax rate of 17%	(3,395)	(2,902)
Effect of:		
- Tax benefit on the tax exempted interest income derived from qualifying project debt securities [^]	4,882	4,895
- Under provision in prior year	(161)	-
- Others	<u>(362)</u>	<u>(43)</u>
Tax credit attributable to current period's profit	<u>964</u>	<u>1,950</u>

[^] – Relates to the tax benefit on the tax exempted interest income on the S\$1.1 billion in principal amount of subordinated notes due in year 2037 issued by NLT to the Trust, which are qualifying project debt securities ("QPDS").

In Dec 2018, NLT received an amended assessment relating to Year of Assessment 2014 from the Inland Revenue Authority of Singapore where certain capital allowances claimed by NLT were reduced. These capital allowances were previously transferred to Singtel group under the group tax relief system. The additional assessments for the Singtel group amounts to S\$120 million. The amended assessment does not result in any tax payable by NLT under the transfer agreement with Singtel group.

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7. FAIR VALUE MEASUREMENTS

The Group classifies financial assets and liabilities measured at fair value using a fair value hierarchy which reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities **(Level 1)**;
- (b) inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) **(Level 2)**; and
- (c) inputs for the asset or liability which are not based on observable market data (unobservable inputs) **(Level 3)**

The following tables present the assets and liabilities measured at fair value as at the following balance sheet dates:

Group				
30 Jun 2019	Level 1	Level 2	Level 3	Total
(Unaudited)	S\$'000	S\$'000	S\$'000	S\$'000

Financial liabilities

Derivative financial instruments	-	2,576	-	2,576
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Group				
31 Mar 2019	Level 1	Level 2	Level 3	Total
(Audited)	S\$'000	S\$'000	S\$'000	S\$'000

Financial liabilities

Derivative financial instruments	-	780	-	780
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The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. The Group currently has S\$636.0 million (31 Mar 2019: S\$636.0 million) bank loan outstanding and has entered into a series of interest rate swaps to convert the variable interest rates on its bank loan into fixed interest rates, for a total notional principal amount of S\$636.0 million (31 Mar 2019: S\$636.0 million) over the period of the bank loan. Accordingly, 100% (31 Mar 2019: 100%) of the interest in respect of the outstanding amounts under the Group's existing bank loans has been hedged.

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
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8. GROUP'S BORROWINGS AND DEBT SECURITY

	Group			
	Effective Average Interest rate	As at 30 Jun 2019	Effective Average Interest rate	As at 31 Mar 2019
	(%)	S\$'000 (Unaudited)	(%)	S\$'000 (Audited)
Unsecured borrowings				
Repayable within one year				
- Bank loans (unsecured)	2.65	125,799	-	-
Repayable after one year				
- Bank loans (unsecured)	2.91	508,958	2.82	634,554
		634,757		634,554

Committed revolving credit facility ("RCF") and term loan

Commencement Date	Terms	Utilised As at 30 Jun 2019	Utilised As at 31 Mar 2019
		S\$'000 (Unaudited)	S\$'000 (Audited)
- 24 Mar 2016	S\$510 million Five-Year Term Loan	510,000	510,000
- 24 Mar 2016	S\$90 million Five-Year RCF	-	-
- 15 Jun 2017	S\$210 million Three-Year RCF	126,000	126,000
		636,000	636,000
	Transaction costs	(1,243)	(1,446)
		634,757	634,554

9. UNITS IN ISSUE

	Number of units	
	As at 30 Jun 2019	As at 31 Mar 2019
Group and Trust	(Unaudited)	(Audited)
Balance as at beginning of year and at end of period	3,896,971,100	3,896,971,100

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10. NET ASSET VALUE

	Group		Trust	
	As at 30 Jun 2019 Units (Unaudited)	As at 31 Mar 2019 Units (Audited)	As at 30 Jun 2019 Units (Unaudited)	As at 31 Mar 2019 Units (Audited)
NAV per unit based on issued units at the end of period/year (cents)	75.7	77.7	80.7	81.4
Number of units in issue at end of period/year	3,896,971,100	3,896,971,100	3,896,971,100	3,896,971,100

11. COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follow:

	Group		Trust	
	As at 30 Jun 2019 S\$'000 (Unaudited)	As at 31 Mar 2019 S\$'000 (Audited)	As at 30 Jun 2019 S\$'000 (Unaudited)	As at 31 Mar 2019 S\$'000 (Audited)
Property, plant and equipment	43,009	38,811	-	-

12. SEGMENT INFORMATION

The chief operating decision maker has been determined as the Chief Executive Officer of the NetLink Group. The Chief Executive Officer reviews the internal management reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

As the NetLink Group is principally engaged in the provision of duct and manholes, central offices and space in central offices and fibre related services in Singapore, management considers that the NetLink Group operates in one single business and geographical segment.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FIRST QUARTER ENDED 30 JUNE 2019

13. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the unaudited financial statements, the following transactions took place between the NetLink Group and related parties at terms agreed between the parties during the financial period:

	Q1 FY20	Q1 FY19
	S\$'000	S\$'000
	(Unaudited)	(Unaudited)
Services rendered to a substantial Unitholder	40,032	41,356
Services rendered to subsidiaries of a shareholder of a substantial Unitholder	28,761	22,188
Purchase of services from a substantial Unitholder	1,420	1,847
Purchase of fixed assets from a substantial Unitholder	983	1,145
Management fee paid or payable to Trustee-Manager of the Trust	239	241
Purchase of services from subsidiaries of a shareholder of a substantial Unitholder	1,025	924
Purchase of services from associates of a shareholder of a substantial Unitholder	12	4
Purchases of goods from subsidiaries of a substantial Unitholder	<u>195</u>	<u>1,373</u>

14. DISTRIBUTIONS

No distribution has been declared or recommended for the quarter ended 30 Jun 2019 and for the same period last year. In accordance with the Distribution Policy as disclosed in the Prospectus, distributions by the Trust will be made on a semi-annual basis. A distribution in the total amount of S\$95,086,095 or 2.44 Singapore cents per Unit was declared for the Trust's distribution period from 1 Oct 2018 to 31 Mar 2019 and paid on 3 Jun 2019 by NetLink NBN Management Pte. Ltd. (in its capacity as the trustee-manager of the Trust) as a distribution in cash to the Trust's Unitholders. The distribution to Unitholders is exempted from Singapore income tax.

15. OTHER INFORMATION

The statements of financial position as at 30 Jun 2019 and the consolidated statement of profit or loss and other comprehensive income, statements of changes in Unitholders' fund and consolidated statement of cash flows for the first quarter ended 30 Jun 2019 presented in this announcement have not been audited, but have been reviewed by Deloitte & Touche LLP in Singapore in accordance with the Singapore Standard on Review Engagements 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity (see review report on Page 22 of this announcement).

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FIRST QUARTER ENDED 30 JUNE 2019

16. REVIEW OF PERFORMANCE VARIANCE

	Q1 FY20 S\$'000 (Unaudited)	Q1 FY19 S\$'000 (Unaudited)	Variance (%)
Fibre business revenue:			
Residential connections	56,029	49,889	12.3
Non-residential connections	7,678	7,331	4.7
NBAP and Segment connections	1,786	1,680	6.3
Installation-related revenue	6,906	5,201	32.8
Diversion revenue	2,348	3,484	(32.6)
Co-location and Other revenue	5,165	4,953	4.3
Total Fibre Business Revenue	79,912	72,538	10.2
Ducts, manholes and Central Office revenue:			
Ducts and manholes service revenue	7,677	9,407	(18.4)
Central Office revenue	4,452	4,167	6.8
Total Ducts, Manholes and Central Office Revenue	12,129	13,574	(10.6)
Total Revenue	92,041	86,112	6.9

Q1 FY20 vs Q1 FY19

Revenue of S\$92.0 million for Q1 FY20 rose 6.9% mainly due to higher residential connections and installation-related revenue. This was partially offset by lower ducts and manholes service and diversion revenue.

Residential connections revenue increased by S\$6.1 million mainly due to the higher number of connections. As at 30 Jun 2019, there were 1,383,152 connections as compared to 1,217,079 connections as at 30 Jun 2018. The higher installation-related revenue of S\$1.7 million was mainly due to higher residential installation-related revenue and service activation charges as StarHub migrated its coaxial cable subscribers to fibre. The lower ducts and manholes service and diversion revenue of S\$1.7 million and S\$1.1 million respectively were mainly due to the completion of fewer projects in Q1 FY20.

Total expenses for Q1 FY20 were S\$3.1 million higher mainly due to higher installation costs, depreciation and amortisation costs and staff costs, partially offset by lower diversion costs and other operating expenses. Installation costs were S\$1.1 million higher, in line with higher installation revenue. Depreciation and amortisation costs were S\$2.3 million higher mainly due to a higher fixed asset base and the adoption of the SFRS(I) 16. Diversion costs were S\$0.7 million lower, in line with lower diversion revenue. Other operating expenses were S\$0.9 million lower mainly due to a higher write off of fixed assets in Q1 FY19, lower IT maintenance costs and the decrease in rental expenses arising from the adoption of SFRS(I) 16.

The Group achieved a Profit After Tax of S\$20.9 million for Q1 FY20, which was 10.0% higher than Q1 FY19.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FIRST QUARTER ENDED 30 JUNE 2019

REVIEW OF PERFORMANCE - STATEMENTS OF CASH FLOWS

The Group's net cash from operating activities of S\$56.5 million in Q1 FY20 was S\$10.4 million higher than Q1 FY19. The increase was largely due to higher cash flow from operations.

Net cash used in financing activities of S\$95.8 million in Q1 FY20 was S\$30.4 million lower than Q1 FY19 mainly due to distributions paid in Q1 FY19 which was declared for the period from 19 Jul 2017 to 31 Mar 2018.

The resultant cash and cash equivalents balance for the Group as at 30 Jun 2019 was S\$92.0 million.

REVIEW OF PERFORMANCE - STATEMENTS OF FINANCIAL POSITION

The Group reported total assets as at 30 Jun 2019 of S\$4,225.6 million, S\$56.2 million lower than total assets of S\$4,281.8 million as at 31 Mar 2019 mainly due to the decrease in cash and property, plant and equipment, partially offset by the recognition of right-of-use assets of S\$14.2 million (arising from the adoption of SFRS(I) 16 from 1 April 2019), increase in trade and other receivables and contract assets.

The Group reported total liabilities as at 30 Jun 2019 of S\$1,273.8 million, S\$21.9 million higher than total liabilities of S\$1,251.9 million as at 31 Mar 2019 mainly due to the recognition of lease liabilities of S\$16.5 million arising from the adoption of SFRS(I) 16 from 1 Apr 2019, increase in deferred revenue and current tax liabilities, partially offset by lower deferred tax liabilities and trade and other payables. S\$126 million of the S\$636 million bank loans have been reclassified to current liabilities this quarter as the revolving credit facilities ("RCFs") of S\$126 million is maturing on 15 Jun 2020 (please see note 8 on page 15 for more details). Management has plans to refinance these RCFs.

Total Unitholders' funds stood at S\$2,951.7 million as at 30 Jun 2019, lower than S\$3,029.9 million as at 31 Mar 2019 mainly due to the distribution paid, partially offset by profit recognised for the quarter ended 30 Jun 2019.

17. OUTLOOK AND PROSPECT

The NetLink Group is the only telco regulated by IMDA under the Regulated Asset Base (“RAB”) regime which allows NetLink to recover the cost of investment, operating expenditure and earn a regulated rate of return for its fibre network assets. About 80% of revenue is derived from RAB-regulated assets, while the remaining 20% is contributed by the provision of other services and rental of space either at regulated rates or under long-term contracts. The NetLink Group’s resilient business model is expected to provide recurring and predictable cashflows to support distributions to Unitholders.

For FY20, the NetLink Group expects revenues from key connection services to be higher than that of FY19 mainly due to higher residential connections and installation-related revenues. The Group will continue to invest and expand its network to improve the network’s capability and resiliency. The Group expects capital expenditure in FY20 to be higher than that of FY19.

The Group is continuing to expand its network in new housing estates. NetLink has also been working proactively with the RLs (who provide fibre services to Retail Service Providers that in turn provide retail fibre services to end-users) to meet future demand for Non-Residential and NBAP connections, and to support the RLs’ efforts to acquire new Non-Residential and NBAP customers. With its extensive nationwide fibre network, the NetLink Group is well-positioned to support, among others, the Smart Nation initiatives, the developments in Punggol Digital District and Jurong Innovation District, and the fourth mobile telecommunication operator in its mobile network deployment. In addition, the Group is monitoring the development of the 5G network in Singapore and will explore opportunities associated with the new market development.

NETLINK NBN TRUST AND ITS SUBSIDIARIES FOR THE FIRST QUARTER ENDED 30 JUNE 2019

18. INTERESTED PERSON TRANSACTION (“IPT”)

The Group has not obtained a general mandate from Unitholders of the Trust for IPTs. During the financial period, the following IPTs were entered into by the Group:

Name of Interested Person	Aggregate value of all IPTs during the financial period under review (excluding transactions of less than S\$100,0000)
	Q1 FY20 S\$'000 (Unaudited)
NetLink NBN Management Pte. Ltd.	225
- Management fees	225
- Reimbursement of expenses	14
	<hr/>

19. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Trustee-Manager has received undertakings from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

CONFIRMATION BY BOARD

On behalf of the Board of Directors of the Trustee-Manager, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Trustee-Manager which may render the financial statements for the quarter to be false or misleading, in any material aspect.

On behalf of the Board of Directors of the Trustee-Manager

Chaly Mah Chee Kheong
Chairman and Independent Director

Tong Yew Heng
Chief Executive Officer and Executive Director

Singapore

5 August 2019

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
FOR THE FIRST QUARTER ENDED 30 JUNE 2019**

INDEPENDENT AUDITOR'S REVIEW REPORT

The Board of Directors
NetLink NBN Management Pte. Ltd. (as Trustee-Manager of NetLink NBN Trust)
750E Chai Chee Road
#07-03, Viva Business Park
Singapore 469005

Dear Sirs

**NETLINK NBN TRUST AND ITS SUBSIDIARIES
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION AS OF AND FOR THE FIRST
QUARTER ENDED 30 JUNE 2019**

Introduction

We have reviewed the accompanying financial information of NetLink NBN Trust (the "Trust") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Trust as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in Unitholders' funds and consolidated statement of cash flows of the Group and the statement of changes in Unitholders' funds of the Trust for the first quarter ended 30 June 2019, selected notes and other explanatory information ("interim financial information").

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with Singapore Financial Reporting Standards (International) 1- 34 *Interim Financial Reporting* ("SFRS(I)1- 34"). Such interim financial information has been prepared by the Trust for announcement on the Singapore Exchange. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standards on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*" A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, in accordance with SFRS(I) 1- 34.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

5 August 2019