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PRESENTATION

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Good evening, ladies and gentlemen, and welcome to StarHub's third quarter results announcement briefing call. My name is Jeannie Ong, and it is my pleasure to welcome both the media and investment community to join us at this briefing call.

Let me first introduce our panelists to you. We have Neil Montefiore, our CEO, Tan Tong Hai, our COO, and Kwek Buck Chye, our CFO. Assisting them are also representatives from the senior management team namely, Chan Kin Hung, Head of Products & Solutions, as well as Ng Long Shyang, our Head of Sales & Marketing.

Before we begin our presentation, I would like to remind all participants that this call will last for an hour. During the presentation all participants will be in a listen-only mode, and we will conduct a question and answer session at the end of the presentation.

Let me now invite Neil to share some highlights from the third quarter results announcement. Neil, please.

Neil Montefiore - *StarHub Ltd - CEO*

Thank you, Jeannie. And good evening, everybody. If you turn to page six on the slide pack, I'll start there; just a quick overview of the financial position. And then Buck Chye will give some details a bit later on.

So financially, operating revenue was up around 3%; that's third quarter on third quarter '09. Service revenue was up around 4%. EBITDA margin improved quarter on quarter by about 6.4 percentage points, and that was up to 32.3% for the third quarter. So as we've been guiding earlier, it is improving through the year. EBITDA margin for the year to date, though, is still below last year, so it's at 26.9%, just under 27%.

Operationally, we continued to see growth in Mobile; postpaid revenue up year on year 9%, and total customer base up about 13%. Pay TV base after losing BPL did fall off slightly, but not as much as we had been expecting, and we think it's relatively stable. We did see the Pay TV revenue come down a bit as we have reduced our sports channel pricing by about 50%. And the residential broadband business, despite the increased competition in that area, remained relatively stable.

So turning to slide seven, just a few more details there. EBITDA third quarter, SGD172 million; EBITDA margin, as I said before, 32.3%. Net profit after tax, for the quarter was SGD82 million and for the year to date is SGD183 million. Cash CapEx payments, around SGD72 million for the third quarter, and year to date, SGD165 million.

Just possibly, free cash flow, of interest, for the quarter quite low at SGD0.46, but for the year it's still SGD0.179 per share so quite adequate cash flow for our dividend payments. And our gearing's still very low at 1.03 times.

So turning to page eight, just a quick look at the lines of business. Mobile, we saw growth, as I said before, up about 8% in service revenue quarter on quarter from '09, customer base up about 13%.

Pay TV, pretty flat in terms of customer numbers, but down in terms of revenue. Two things there; one is that we did have the World Cup in the previous quarter and that is no longer in this quarter; and also, we've had to reduce the price of our sports group by about 50%.

Cable Broadband, pretty flat; the revenue down a little bit but customer base growing, mainly from the low end users, surprisingly. Despite the fact we are now beginning to market the next generation network, the growth in that area coming from the lower end users.

Fixed Network did quite well; revenue up around 7%, mainly coming from the Data & Internet in terms of total revenues from there. And that's around 15% of our revenue mix.

Hubbing, on page nine, we're very pleased with that. So we see a 6% growth in our triple households, up to 193,000, so those are customers who take at least three services from us.

And the ARPU for the households did fall a little bit, on slide 10. That, again, is because we've had the World Cup, and also the reduction in the sports channel on the Pay TV.

So I'll hand over to Buck Chye to run through a bit more on the financials. So, Buck Chye.

Kwek Buck Chye - *StarHub Ltd - CFO*

Hi, good evening. Turning now to slide 12, and you see the EBITDA and EBITDA margin slide. With total service revenue increasing by 3% for the quarter, compared to last year same period, the Group EBITDA for the third quarter was stable at SGD172 million, compared to the third quarter last year. This is in spite of the higher investment in the higher costs for smartphones this year, as well as higher content costs in the first half of the year.

As a percentage of service revenue, the EBITDA for the quarter rose from 25.9% for the second quarter to 32.3% this quarter. The increase of 6.4 percentage points improvement is obvious, due to content costs being lower, as well as the cost of equipment being lower in the quarter.

For the nine months year to date, Group EBITDA amounted to SGD432 million. This is SGD69 million less than last year. As mentioned, for the whole year to date, there were higher investments in cost of sales due to higher costs of smartphones, as well as content costs for the first half of the year.

The EBITDA margin for the year to date now averages at 27% at this nine month point. It was at 24.2% for the first half year to date this year. Hence, we are still guiding, we are very happy about the improving margins, the EBITDA margin to be about 28% for the full year this year, again, in spite of the higher investment and a more competitive landscape.

The next slide, on page 13, shows an important element of our costs, and that's in cost of sales. For the quarter, the total cost of sales as a percentage of total revenue improved to 37% ratio, the same level as it was last year third quarter, and significantly lower than the sequential quarter two this year. At SGD202 million, total cost of sales is only SGD2 million higher than last year.

Within the cost of sales, the third quarter cost of equipment remained high at SGD61 million. However, this is only SGD9 million higher than last year. The cost of services primary content and programming costs for the quarter is tracking lower than last year at SGD74 million, compared with SGD83 million the previous year same quarter. As explained, the third quarter this year is now without the costs of BPL and World Cup, but it does include some additional content costs to better enhance our Pay TV business.

Now, for the nine months to date, the cost of sales as a percentage of total revenue is tracking at 42%. Obviously, this is higher than the 37% ratio last year, for the reason I have already explained, the investment in cost of sales.

You will notice that the higher cost of equipment has increased by SGD87 million for the nine months, or 58%, to SGD237 million for the period year to date, due to the continued investments in smartphones, and particularly in iPhones, this year. We expect this investment to continue to yield higher service revenue each quarter.

The cost of services, primarily for content programming costs for the year to date, is actually higher by SGD15 million, or 6%, due to BPL, World Cup, and other content costs, which is mostly in the first half of this year. Commencing from the third quarter, we no longer see the costs for BPL and ESPN.

Against the same period last year, traffic expenses for the quarter and the nine months increased only about 2% and 1%, respectively. During the year, we continued to improve and lower the interconnect rates with our carrier partners, which helped to contain the increase in traffic costs as mobile traffic minutes grow year over year.

Now on the subject of other operating expenses; other operating expenses as a percentage of total revenue is higher at 44% ratio. This is mostly attributable to higher staff costs, both for the quarter and for the year to date.

For the quarter, our total other operating expenses, at SGD243 million, was SGD18 million, or 8%, higher than last year. Staff costs alone accounted for an increase of SGD9 million, exchange differences about SGD7 million, and depreciation about SGD4 million of this increase. All these increases are mitigated by savings in marketing promos and other expenses.

Year to date, total other operating expense for the nine months, at SGD733 million, was also 8% higher. Staff costs alone accounted for SGD33 million of this increase. Effectively, year on year for the nine months, staff costs increased by 22%. If you remember, we did talk about the additional bonus that we had factored in the first quarter of this year. That accounted for at least SGD10 million charge in the current year as well.

Other increases are in marketing and promotions for the nine months to date, which increased SGD5 million, for basically smartphones and promotions expenses, higher doubtful debt provision was taken for the year to date of SGD3.6 million, and additional network and system maintenance costs, SGD5 million. Depreciation also increased SGD7 million for the nine months to date, compared with the previous year.

For the nine months, the ratio of the operating expense tracks 44%. Compared with 43%, this is 1 percentage point higher only against the 7% increase in top line. The higher expenses were mainly driven by the Group's gross fixed asset base, which actually expanded 6% for the whole Company.

Next chart, on chart 15. The third quarter profit from operations at SGD107 million was SGD4 million, or 3.6%, lower than last year, in spite of the higher investments in cost of sales. However, compared with the second quarter this year, the profit from operations increased by SGD31 million on the back of SGD18 million increase in sales.

For the nine months to date, profit from operations at SGD243 million was 24% lower than last year, due to the lower EBTIDA earnings this year arising from the investments in cost of sales.

The net profit after tax for the third quarter of SGD82 million was only SGD3 million, or 4%, lower than last year, in spite of the increased competition in all our businesses. For the nine months year to date ending September, the profit after tax of SGD183 million was 26% lower than last year, due to the investments in smartphones and content costs mostly in the first half of this year.

CapEx, on slide 17. Capital expenditure payments for the quarter was higher at SGD18 million higher, totaling SGD72 million. As a percentage of total revenue, the CapEx ratio hit the [13%] for the quarter. The year-to-date CapEx ratio is running at 10% amounting to SGD165 million.

Granted that CapEx spending is lumpy, we do expect higher CapEx for the coming quarter. We continue to guide that CapEx payments for the full year will not exceed 14% of total revenue.

Free cash flow, on slide 18. Free cash flow for the quarter amounted to SGD78 million. This is SGD37 million lower than last year, of SGD115 million in the third quarter last year. And this is due to the higher working capital, primarily for receivables, as we just migrated the systems, and there were delay in billing of some customers, as well as dunning activities which prevented us from going back to our usual collection level, as we see in the quarters before this third quarter.

We do expect to see that we will carry a higher level of working capital through the fourth quarter of this year as we move towards normalized collection when the systems are all tuned and ready to go for the next year.

For the nine months year to date, free cash flow generated, considering the higher investment at payments for handsets and content, is a strong SGD308 million. Free cash flow, per share basis, averaged SGD0.179. This compares well with the three quarter dividend payout of SGD0.15 to date.

With that, Tong Hai.

Tan Tong Hai - *StarHub Ltd - COO*

Thanks, Buck Chye. I will now cover how we performed in the various business segments. Firstly Mobile; if you turn with me to chart number 20. You know that we have added 237,000 customers year on year and expanded our postpaid customer base by 11%. The postpaid ARPU remained stable at SGD69.

Chart 21. This quarter, we added 35,000 and 30,000 to our prepaid and postpaid subscriber base respectively. We are also pleased to announce that we have crossed the 1 million mark for our postpaid subscriber base, and our total subscriber base is now 2.12 million.

Next chart. You'll note that, with more subscribers, we have grown our prepaid revenue to SGD67.4 million and postpaid revenue to SGD230.9 million. Year on year, postpaid ARPU remained stable at SGD69 per month. Although data usage has increased, voice usage has also decreased, resulting in no ARPU increase year on year. Quarter on quarter, postpaid ARPU decreased by SGD1, due to a one-off adjustment in roaming tariff.

Chart 23 shows you the Mobile Non-Voice Services. With the increase in data usage, Mobile Non-Voice Services, as a percentage of revenue, has also increased to 35.9%.

Subscriber acquisition costs has increased to SGD124 per gross connection as a result of more subsidies given to smartphone subscribers. Monthly churn rate is kept low at 1%.

Now, let's take a look at our Pay TV business if you flip to chart 26. It shows you that, year on year, we have added 2,000 Pay TV subscribers. ARPU has decreased to SGD50, leading to a decrease in overall Pay TV revenue by 8%.

Chart 27 shows you the net adds. This quarter, we lost 4,000 Pay TV subscribers. This is due to the end of World Cup and the start of the BPL season. The loss is much lesser than what we expected, and it demonstrated that the reduction in sports package pricing and enhancement in non-sports content are effective in customer retention. So our total Pay TV subscriber base is now 537,000.

If you take a look at the ARPU and revenue, this quarter Pay TV revenue registered SGD92.4 million. The 8% revenue reduction, year on year, is mainly due to the 50% reduction in sports package. Quarter on quarter, Pay TV ARPU reduced by SGD6 to SGD50. This reduction is due to the revision in sports package pricing, and end of World Cup season.

If you take a look at the churn in chart 29, you'll note that the monthly churn rate is still higher than normal at 1.2%, due to post-World Cup and BPL. We expect churn rate to trend down in subsequent quarters.

Now let's take a look at our Residential Broadband business, chart 31. Year on year, we added 20,000 of new broadband subscribers. As these subscribers were of the lower tier pricing, ARPU decreased to SGD47. However, churn rate remained stable at 1.2%. This quarter, we have added 4,000 subscribers and the total Broadband subscriber is now 412,000.

If you take a look at chart 33, it shows you that the Broadband revenue is relatively stable at SGD58.3 million. ARPU has reduced by SGD3, year on year, as the subscriber mix has more lower tier pricing plans. The Broadband churn is kept stable at 1.2%.

Now let's take a look at our Fixed Network Services, chart 36. Year on year, Fixed Network Services revenue increased by 7%. Data & Internet Services maintained 84% contribution to revenue.

Chart 37 shows you that the Fixed Network revenue is now SGD85.1 million. The majority of the growth comes from Data & Internet Services. This quarter, the growth in Data & Internet services includes some one-off credit adjustment with our wholesale telco partners. However, without these one-off adjustments, we will still register steady growth in the Data & Internet Services.

I will now hand over to Neil to provide you with the outlook for 2010.

Neil Montefiore - *StarHub Ltd - CEO*

Thank you, Tong Hai. So the outlook is on slide 39, and I'll just run through it quite quickly. Then we can go into the question stage.

Revenue; we intend to maintain growth guidance at low single-digit range. EBITDA; as previously, we say we'll end the year around 28% EBITDA margin. And cash CapEx will not exceed 14% of operating revenue. And we will maintain our cash dividend payouts, as usual, at SGD0.05 per ordinary share per quarter.

With that, I'll hand back to Jeannie, and we'll go to questions.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Thank you, Neil. We shall take questions now. Before that, a reminder. (Operator Instructions)

QUESTIONS AND ANSWERS

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

The first question comes from Sachin Mittal from DBS Vickers. Hi, Sachin.

Sachin Mittal - *DBS Vickers Securities Pte Ltd - Analyst*

Hi, Jeannie. Hi, everyone. Thanks for the call. Congrats on a good set of numbers. Actually, a couple of questions. First is, Mobile ARPU has declined, despite smartphone sales. Now this higher subsidy for phones without high ARPU, it doesn't appear to be a good sign. Any comments on that?

Okay, second one is, we have seen marketing expenses come down significantly by SGD10 million this quarter. Are these sustainable cost savings? Even with these kind of expenses, you have very good Mobile subscriber growth this quarter. So can you throw some light on that?

And the third one is, what's your take on the Pay TV subscriber base? Do you think that you have passed through the most difficult times in this quarter?

And the last one is again now, given that you have very less Group equity, and again, this is hypothetical, that if you pay out more dividends than earnings, then the Group equity may become negative, although you may have the free cash flow. But the balance sheet may have negative equity because of you paying more dividends than earnings. So would you be open to that idea? But is that something you will not hesitate if the need be?

Yes, these four questions. Thank you.

Neil Montefiore - *StarHub Ltd - CEO*

Okay, thank you very much. I'll quickly address the ARPU one. I think Tong Hai actually covered it. What we are seeing is the smartphones themselves, the new smartphones, which are not all the smartphones on the network, do contribute around SGD10 or so more ARPU per month.

However, we already have about -- coming up to 50% of our phones on the network are smartphones. So when we add a few tens of thousands each month, it doesn't make that much difference to the actual average ARPU.

Also, we are seeing -- and I think this is coming from possibly customers, when they do take a smartphone, actually they do keep an ordinary phone as well. So they have two subscriptions. And obviously, they don't make their calls on all the phones, so we've seen some reduction in the actual per subscription type revenues going out there.

But we still maintain, when we look at the smartphones, standalone, as the whole market moves over to smartphones, we should see an improvement in the ARPUs.

Okay, the marketing question, I'll hand to Tong Hai.

Tan Tong Hai - *StarHub Ltd - COO*

Yes. Well, if you take a look at the marketing expenses, yes it has gone down because certain products sells by itself because, like iPhone, you need not advertise. And also, because the handset manufacturers, they are competing against the iPhone. So they also have a lot of joint marketing promotions with us, and they join us. So we are able to keep the marketing expense low with this kind of partnership arrangement.

Sachin Mittal - *DBS Vickers Securities Pte Ltd - Analyst*

Okay.

Neil Montefiore - *StarHub Ltd - CEO*

I think the third was on Pay TV subscriptions.

Tan Tong Hai - *StarHub Ltd - COO*

Yes. Pay TV subscriber base, I have mentioned that, this quarter, the churn rate is at 1.2%. And it's still high, because of the fact that it's post-World Cup and BPL. And I've also guided that it will trend downward in subsequent quarters. So this is what we expect to see. In a way, I think the most challenging period of post-World Cup, as well as the BPL (inaudible).

Sachin Mittal - *DBS Vickers Securities Pte Ltd - Analyst*

Okay.

Neil Montefiore - *StarHub Ltd - CEO*

I think the last question was really about the dividends. And I think I'll let Buck Chye do that. But really, we do have the retained earnings; it depends how you look at our balance sheet.

Kwek Buck Chye - *StarHub Ltd - CFO*

As Neil pointed out, the entity that pays the dividend is the listed co itself; the Company. The Company is actually sitting on a reserve of SGD893 million. And that has not decreased substantially, in spite of the fact that this quarter, sorry, this year, you'll probably see the full year earnings as being lower than SGD0.20.

But that shortfall, if any, for the current year, is not an issue. The dividends have always been monitored on a three year cash flow, as well as earnings profile. So it doesn't impact, or it doesn't put the dividend at risk, in terms of funding.

Sachin Mittal - *DBS Vickers Securities Pte Ltd - Analyst*

Okay. So you mean that you will not hesitate if -- you don't care about the Group equity, and if it grows negative, you may continue?

Kwek Buck Chye - *StarHub Ltd - CFO*

It's against the Company, the reserve of the limited Company, the legal entity, on which we declare dividends.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

In other words, Sachin, you should look at the Company, and not the Group.

Sachin Mittal - *DBS Vickers Securities Pte Ltd - Analyst*

Okay. Yes, thanks.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Right, thank you. Right, next we have another Sachin, from Nomura.

Sachin Gupta - *Nomura - Analyst*

Yes, hi. Thanks very much. Just two questions. Firstly, sorry, I didn't catch it properly, but this increase in the Data & Internet revenues, you said there is actually a one-off in there as well. Can you just clarify that?

And secondly, even without the one-off, are you actually finding some sort of positive impact in these revenues, from the whole NBN rollout which we have seen so far, on the SME or the Corporate segment?

Neil Montefiore - *StarHub Ltd - CEO*

I'll let Tong Hai do that, but basically, the NBN is not affecting the accounts in any significant way this year.

Tan Tong Hai - *StarHub Ltd - COO*

So the Data & Internet Services contribution comes from our wholesale unit, as well as the enterprise business. So when I talk about the one-off adjustment, that is with our global telco partners. Because they need us to do the local lease -- buy the local links. And also, we have what we call a bilateral arrangement. So there is a one-off credit adjustment.

But as a whole, we're seeing a growth in the enterprise business. With the NGNBN rollout, we expect to see more buildings that we can gain access to. And certainly, this will allow us to be able to go after more corporate customers.

But the good news is, of course, we've got steady and strong Data & Internet business right now. It provides you with the base and the necessary support for any growth in this area.

Sachin Gupta - *Nomura - Analyst*

Okay, thanks for that. And just secondly, on the Pay TV customers as well. I think you mentioned, obviously, you don't think things will get worse from here onwards, but the BPL went live on SingTel in mid August, I think, if I recall. And this happened, you lost no customers in the June quarter, but you actually lost 4,000 customers now. So I'm not sure how many of these actually pertain to the whole BPL packages, versus just the normal or the more aggressive market. I'm just not clear why things won't actually get more aggressive from here onwards.

Tan Tong Hai - *StarHub Ltd - COO*

Well, if you take a look at our Pay TV customers, we do offer, beyond sports, the other content. And I believe that it's a combination of our reduction in sports pricing package, but our attractive non-sports content, that allow us to keep our customers.

Interestingly, while we report that we have a slight dip in our subscriber base, though our competitors have announced that they have added, at the last count, 200,000 subscribers, it means that, if we only register a slight drop, that means that the customer is adopting a dual box strategy. They're just getting the other box to watch soccer, but keeping our box to watch other sports content, but our non-sports content, which remains very attractive for them to keep our box. I believe that this is an effective strategy in our retention strategy for our Pay TV customers.

Sachin Gupta - *Nomura - Analyst*

Okay. Thank you.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Thank you, Sachin. Next, we have Luis from HSBC. Go ahead, Luis.

Luis Hilado - *HSBC - Analyst*

Hi, good evening. Thanks for the call, and congrats on the results. I have three questions. Just first off, on terms of equipment revenues being down 27% Q-on-Q, could ---

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Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Sorry, Luis, before you go any further, can you speak louder, because we are having difficulty hearing you?

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Luis Hilado - *HSBC - Analyst*

Okay, yes. Just three questions from me. First on the equipment revenues, down 27% Q-on-Q. Could we get some color, if it's iPhone hasn't been selling that much in the quarter, or it's a supply constraint, and what the trends are going into this quarter?

Second question is in terms of your progress, in terms of accessing those 20,000 new buildings. Do you have any color on any interested parties in taking yourselves as a service provider?

And last question is more of housekeeping. In previous quarters, in the 2010 outlook, in terms of the DPS, you would highlight that the SGD0.20 full year dividend was intact. But this quarter, you assess the SGD0.05 for the quarter. Do you read anything that about what the fourth quarter DPS could be improved on?

Neil Montefiore - *StarHub Ltd - CEO*

Okay. Tong Hai, do you want to do equipment revenue, or Buck Chye?

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Sale of equipment.

Kwek Buck Chye - *StarHub Ltd - CFO*

It's on sale of equipment?

Neil Montefiore - *StarHub Ltd - CEO*

So just dealing with the SGD0.20 (multiple speakers).

Tan Tong Hai - *StarHub Ltd - COO*

Let me just provide an update for the progress in assessing the 20,000 buildings. First of all, we work on the first question on the equipment, so for why the sales to revenues is dropped quarter on quarter.

Now as we all know, the NGNBN is still new, in the sense that only in September, when we started the rollout. So the buildup is gradual. And there are also, like you have read in the news about teething issues on some of these buildings that you can't access to.

So we have also provided the outlook, that the contribution from NGNBN for this year may not be meaningful. But the good news is, of course, as we gradually build up, as we can access more and more buildings, we will be able to grow this business. So that is where we are, in terms of the progress in accessing the 20,000 buildings.

Do you want to address the --?

Kwek Buck Chye - *StarHub Ltd - CFO*

Yes. As well as the revenue from sale of equipment, you know that that is actually a portion which the customer pays. And this is actually affected not because of the lack of will of satisfying our retention customers, but it is a question of whether the handsets are available that period, and what type of handsets are taken, and what price you actually subsidize to for that customer. And obviously, we are beginning to be more selective. With these high ARPU customers we will generally offer to collect lesser sum.

So it all depends on all these mix. So fair to say that, in the third quarter, the collection from customers for handsets are lower. The volume throughput is also lower, because the supply is depending on whether or not the iPhones are available, beyond the portion that we have been given to supply with.

So to some extent, we could have done more activities, had we had more supplies. You know very well that Apple actually controls the supply of the hand phones.

Luis Hilado - *HSBC - Analyst*

Are you still experiencing that constraint, going into this quarter?

Neil Montefiore - *StarHub Ltd - CEO*

No, we've got much less constraint now. And basically, if you remember, the iPhone 4 launched about the beginning of the quarter we're talking around, and globally, there was quite some demand, and there was some -- you had to restrain it a little bit. So we had quite a big waiting list of people, queuing up for that. But that's also sorted out now.

Tan Tong Hai - *StarHub Ltd - COO*

But actually, the equipment sales is low margin. We don't really focus on the equipment sales. We usually want to sell equipment with a plan, because that is more sustainable, and that's our strategy. So it is really not our focus to really sell more equipment.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

And Neil, will try to address the SGD0.20 [dividend]?

Neil Montefiore - *StarHub Ltd - CEO*

Yes, please don't read anything into that. We didn't put it in the outlook.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Yes, my fault. I forgot to include that in.

Luis Hilado - *HSBC - Analyst*

Okay, thank you.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Thank you, Luis. Next, we have Rama from Daiwa. Hi, Rama.

Rama Maruvada - *Daiwa Securities Markets Hong Kong Ltd - Analyst*

Hi, good evening, everyone. I have three questions. Firstly, with regards to the postpaid Mobile revenue. I vaguely caught commentary on roaming adjustments, so if you could provide a bit more color on why the uptick, on a quarter-on-quarter basis, wasn't as strong as what we saw in the second quarter, compared to the first quarter, that would be good.

The second one is with regards to the World Cup costs provisioning. To what extent was the -- what is the split of the World Cup package, from revenue and costs perspective, between the second and the third quarters? Is it 60%/40% or is it 70%/30% split between the two quarters? That would be good.

Finally, with regards to the depreciation line item, does the current quarter reflect one full quarter of depreciation for Nucleus Connect? Or is it half a quarter? Some color would be good.

Tan Tong Hai - *StarHub Ltd - COO*

Let me take the first one on the postpaid revenue. I have said that, quarter on quarter, the postpaid ARPU dropped by SGD1, and that's primarily due to a one-off adjustment in terms of the roaming tariff.

Now, you know that with the IR and all the other attractions, there are a lot of inbound roamers coming into Singapore but, of course, when we have more customers coming in, the global partners that we would like to negotiate for better rates. So we have a one-off tariff adjustment, and that resulted in the drop, okay.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Buck Chye, the World Cup?

Kwek Buck Chye - *StarHub Ltd - CFO*

Basically the World Cup, the cost is amortized according to the matches played, so most of the matches have been done in the second quarter. So the revenue follows when the subscriber picks it up and, basically, amortized over the period in which he pays for. So I would say that a significant part of World Cup is taken in the second quarter.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Okay. You had a question on depreciation.

Neil Montefiore - *StarHub Ltd - CEO*

Depreciation for Nucleus Connect.

Kwek Buck Chye - *StarHub Ltd - CFO*

The depreciation for Nucleus Connect is not significant because, basically, it only starts operation in end of August. So yes, it doesn't have a significant impact on the Group, as yet, in the year 2010.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Okay, Rama?

Rama Maruvada - *Daiwa Securities Markets Hong Kong Ltd - Analyst*

Okay. If we can just follow up on the Mobile ARPU question, is there a dollar amount in terms of what the roaming adjustment has been, compared to the postpaid revenues?

Kwek Buck Chye - *StarHub Ltd - CFO*

Come again?

Rama Maruvada - *Daiwa Securities Markets Hong Kong Ltd - Analyst*

Is there an absolute number in terms of what was the one-off adjustment that you had for Mobile revenue in postpaid?

Kwek Buck Chye - *StarHub Ltd - CFO*

No, [what the total] transactions add up to --

Neil Montefiore - *StarHub Ltd - CEO*

We can't give the details of that, because they're very confidential bilateral negotiations.

Rama Maruvada - *Daiwa Securities Markets Hong Kong Ltd - Analyst*

Okay. Understood. Thank you.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Nice try, Rama. Arthur from Citi, you're next. Hi, Arthur.

Arthur San Diego Pineda - *Citi - Analyst*

Hi. Congratulations on your results. Just have three questions. Firstly, how does migration from cable broadband to FTTH actually impact your EBITDA? I'm wondering how migration impacts your profitability levels.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Sorry, could you repeat the first question again? I didn't hear it.

Arthur San Diego Pineda - *Citi - Analyst*

Hello, can you hear me better? Okay. First question I had was with regard to the migration from cable to FTTH. I was just wondering how does that impacts your profitability levels? Which one is actually the more profitable for you?

THOMSON REUTERS

Secondly, now that you've had maybe two months of offering FTTH, I was wondering what the take-up levels are like and what your expectations are on migration.

And lastly, with regard to your revenues and expenses, I was just wondering what percent of your revenues and costs are actually denominated in foreign currency?

Neil Montefiore - *StarHub Ltd - CEO*

Okay. On the migration, we don't give out those differences yet. At the moment it's very early days of the next generation network. I think there has been a couple of announcements on the residential side of the total number of connected customers, now around 3,000 in Singapore across all the operators.

But it's very early days before we really can see where that's going. They tend to be the higher end Internet users, and they're going to be early adopters for really the rest of this year, I think.

Second question?

Kwek Buck Chye - *StarHub Ltd - CFO*

Is the percentage of foreign currency exposure. The type of costs that we say in foreign currencies would be mostly for traffic, content, programs. We don't provide details of that publicly, because it's sensitive on content cost.

Arthur San Diego Pineda - *Citi - Analyst*

I was generally wondering what the impact of a stronger Singapore dollar would be on the Company.

Kwek Buck Chye - *StarHub Ltd - CFO*

It should be positive. The only aspect is that generally, if US dollar weakens, it will reduce our costs. But because we have a governance where we cover at least two to three months ahead, we cannot always capture the exchange rate at the lowest point.

And hence, therefore, we actually trail in terms of getting the cost reduction by 1 month, 1.5 months if it is a continued downward trend. But the US dollar is up and down, up and down, so we would just go by our monthly requirements. We cover three months forward, as a conservative strategy.

Arthur San Diego Pineda - *Citi - Analyst*

You don't go out and hedge your expenses?

Kwek Buck Chye - *StarHub Ltd - CFO*

We do, at most three months ahead of our full year requirement. We do it on a 90 days basis.

Arthur San Diego Pineda - *Citi - Analyst*

Understood. Thank you.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Thank you, Arthur. Right from analyst to media, we have Chua Hian Hou from Straits Times. Hi, Chua Hou.

Chua Hian Hou - *Straits Times - Media*

Hi. Congrats on the result. A question on the CapEx. Is it an additional cost for -- you mentioned it's for Nucleus Connect and for the CRM billing system. For the CRM billing system, is it a recurring cost? Or is it one-time, lumpy kind of thing?

And another question is on BPL. A lot of us have said that it's the most important piece of content. Is it still accurate, in light of your not taking much of a hit? And I guess does it mean -- how attractive is it going forward? Will you still be bidding for it, going forward? Thanks very much.

Neil Montefiore - *StarHub Ltd - CEO*

That's three years away. CapEx isn't generally a recurring expense. It's a one-off expense. So yes, three years ago we decided to invest in a unified billing system across all our platforms. That was cut over in August, and some of that CapEx is coming through this year.

And also we've built the OpCo Nucleus Connect, and that's going out this year. And that's the two main things driving the CapEx. It will be slightly higher in 2010.

In terms of BPL, who knows what will happen in three years' time. We have a different media regime here in Singapore.

In terms of sports content, because it's delivered in real time it tends -- and quite often it's the male in the family that wants to have it, so they select the box. But once the box is in, who actually watches it is quite often the children or the oldest lady in the family.

So I think what we have is a broad range of content, still 140 channels, and that appeals to the whole family grouping. So removing a box is quite difficult just because one person doesn't need it any more.

Chua Hian Hou - *Straits Times - Media*

Thank you. Sorry, can I just lead on a question? You've mentioned that the two main things for CapEx is the billing system and Nucleus Connect. Which is the bigger one?

Kwek Buck Chye - *StarHub Ltd - CFO*

They're different kinds. Firstly, before you get scared of the CRM system, the information system, yes, that is non-recurring; it is one time. But we have been paying progressively as works have been done.

One thing probably it's fair to say that we do expect it to happen in the fourth quarter would be the final portion, because once you migrate and you certify whatever final retentions that you have held would be needed to be paid.

So it is not in magnitude like hundreds of millions of dollars any more. It is basically the tail end of an obligation; effectively the retentions for the final certification.

As far as the Nucleus Connect, I guess we have guided basically that inclusive of Nucleus Connect, the year's CapEx is about 14%. The usual CapEx without Nucleus Connect is usually about 10% to 11%. So you work your sums there you probably know what is the magnitude for this year, the full year, for Nucleus Connect CapEx.

Neil Montefiore - *StarHub Ltd - CEO*

Yes, just to add to that. A typical telco in both fixed and mobile has a maintenance CapEx of somewhere around 9% to 11% a year. That would be a typical number of the revenues.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Right, Hian Hou? Has that answered your question?

Chua Hian Hou - *Straits Times - Media*

Yes. That's great, thanks.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Thank you. Next we have Foong from BNP.

Foong Choong Chen - *BNP - Analyst*

Hi. Thanks for the call and congrats on the good results. Just three questions from me. Firstly, on the Pay TV side, as you highlighted, the churn didn't go up much in the quarter. But can you tell us about the churn for sport subscription? Would it be much higher than the average churn of 0.2% that you reported in the quarter?

And then secondly, also on Pay TV appears to be an increasing profitability for the segment in the quarter. Should this be the run rate, going forward? And can we expect that the cost of services to remain stable from here?

And one final question is on the data traffic on the network in the third quarter, it's still growing, but then there has been a bit of a slowdown to low single digit Q-on-Q. I'm just curious to know why that is the case. Yes, thanks.

Neil Montefiore - *StarHub Ltd - CEO*

Okay, yes. First of all on the sports, we don't actually break out for commercial reasons the actual channels and groups within our Pay TV subscription models, so we can't give you that, what the actual sports grouping is now. But what we have said is, there has been a reduction in the ARPU because of both sports subscribers not wanting a channel, and also the reduction in the price for those that do want the channel, the reduction in the price by about 50%.

So we came from SGD25 down to SGD12 a month for our sports channel, still with about 20 sports in there, including La Liga and a few others. So it's still reasonably popular.

What we have seen, of course, with the departure of BPL, is a reduction in the content cost. But that's slightly exaggerated the numbers, because we also have the content cost for the World Cup in there, in the second quarter, and a little bit in the third quarter.

And Data, yes, we saw that the growth in Data has slimmed down a bit. We were looking previously at running about 100% year on year. It seems to have come down to about 30% volume growth.

That is happening globally as well. I think what it is, the main growth in mobile data was driven by the dongle, so the USB modems. They're not peaking out, but people that want them have got them now.

And now it's being driven by the smartphones, which although they are causing data issues on some networks, mostly the data usage from a smartphone, compared to a dongle, is significantly less. So I think we may see a calming down of that growth on the mobile networks.

Foong Choong Chen - *BNP - Analyst*

Thanks.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Thank you. Moving on, we have Simeon or maybe Kelvin from CIMB.

Kelvin Goh - *CIBM Research - Analyst*

Thanks for the call, and congrats on the strong set of results. Just got two questions. First one's on the broadband churns. What do you see with regards to the churns, going forward, especially with NBN in the picture, and more players out there?

And secondly, with regards to your statement about the lower roaming rates. Any updates for us on the Malaysia, Singapore roaming rates or has that been accounted for? Thanks.

Neil Montefiore - *StarHub Ltd - CEO*

I'll deal with the Malaysian roaming rates. We're still in discussions on that, with the operators in Malaysia and their regulators. So that's underway with all the operators.

In terms of broadband churn, Tong Hai?

Tan Tong Hai - *StarHub Ltd - COO*

The NGNBN is more for cater to the higher speed customer. I've mentioned that our mix now predominantly, at a lower tier pricing.

And this is a segment that we can address very well, because they are looking at value for money broadband pricing, and we have dominated this space. So is that any churn is obviously with premium packages that you can bundle with the broadband prices, and this has always been the case.

You look at second quarter, we have a sharp spike in the churn rate, and that's because we did not offer the kind of premium to attach with the broadband for our contract customers. And that's why you see that spike.

So we have managed the churn review well, and this is because the mix has changed to predominantly lower tier pricing. So the NGNBN is for the higher tier pricing.

And right now, it's still at the early stage, because the NGNBN, a lot of the plans -- the FTTH are still on the trial basis, and although yes, the pricing has been up. So the real impact to us will be only on our higher tier pricing, which is a much smaller subscriber basis, compared to the rest.

Kelvin Goh - *CIBM Research - Analyst*

A quick follow up. When you refer to lower end and higher end, could you give us a rough idea as to what speeds or prices they refer to?

Neil Montefiore - *StarHub Ltd - CEO*

Well, higher end on our cable network, 100 megabits per second, and that's where we start on the next generation network as well. So they're definitely the high end. The low end can be as low as 1 megabit per second.

Kelvin Goh - *CIBM Research - Analyst*

Okay, thank you.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

We now have Carey Wong from OCBC.

Carey Wong - *OCBC Investment Research - Analyst*

Hi Jeannie, hi team. A great set of results. I'm just a little bit curious, news that SingTel as well as M1 they're starting their own OpCo. I'd like to know, what do you guys think will be the impact on Nucleus Connect?

Neil Montefiore - *StarHub Ltd - CEO*

Well, Nuclear Connect is definitely going to be our OpCo, and it's the only OpCo that will receive the government support and subsidies. So we think it's in a very good position to compete with whoever wants to go into that market. We've always known that it would be an open market for additional OpCos, and we've been preparing for it.

Carey Wong - *OCBC Investment Research - Analyst*

Okay, just the other side of looking at it is, now that they're free to set their own pricing, outside of what the government has stated, so would that lead to an increase in competition?

Neil Montefiore - *StarHub Ltd - CEO*

It possibly could, but they won't be receiving the government subsidies, so how competitive can they be?

Carey Wong - *OCBC Investment Research - Analyst*

Yes, I think that's the biggest unknown. Okay, great. Thanks a lot.

Neil Montefiore - *StarHub Ltd - CEO*

Thanks.

Jeannie Ong - *StarHub Ltd - Head of Corporate Communications & IR*

Right, with that, we shall end the question and answer session. Thank you all for joining us this evening. A transcript of this call will be posted onto our website very soon, and if you have any additional questions, do feel free to drop us an e-mail.

On behalf of the StarHub management team, we'd like to thank you for joining us, and we look forward to talking to you again. Goodnight.