

**Company:** StarHub  
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### Start of Transcript

Jeannie Ong: Good evening, ladies and gentlemen and welcome to StarHub's First Quarter 2013 Results Announcement Briefing. I am Jeannie, and with me are Tong Hai our CEO Uncle Buck our CFO and Kevin, our MD for Enterprise Business Group(Operator Instructions). So, with that let me now invite Tong Hai to share some highlights from our First Quarter 2013 Results. Tong Hai over to you.

Tan Tong Hai: Yes, let me share with you the first quarter 2013 highlights. Our operating revenue decreased 2% due to lower handset sales and prices. Service revenue is stable. EBITDA grew 3%. EBITDA margin at 33.3% and our net profit after tax increased 3%. If you look at the operational stats, post-paid revenue dropped 2% due to a drop in outbound roaming. Post-paid customer base grew 4%. Pay TV revenue decreased 1% due to a drop in the advertising revenue. Broadband revenue grew 2% and Fixed Network services revenue rose 4%.

Let's take a look at slide 6. You will note that the operating revenue is now SGD580 million, that's the 2% drop I have mentioned earlier due to lower revenue from equipment sales. Service revenue is stable. EBITDA margin is now at 33.3%. Net profit after tax is now at SGD91 million, 3% higher than a year ago. And in terms of CapEx to revenue ratio, it is 8% versus 7% a year ago. Our free cash flow over fully diluted shares is SGD0.053, slightly lower than a year ago because we need to pay cash tax.

Chart 7 will give you a feel of the line of business. Firstly let's cover the Mobile business. The customer base overall grew 1% contributed mainly by post-paid which have grown 4%. Pre-paid subscriber base dropped 3% - later I will share with you the trending. You will note that the pre-paid net adds actually grown quarter on quarter. In terms of service revenue, post-paid revenue dropped 2% due to a drop in the outbound roaming. And pre-paid revenue remains stable.

Pay TV. Pay TV customer base dropped 2% due to the short-term - expiration of the short-term promotional offers. The revenue dropped 1% because of the drop in advertising revenue. And for residential broadband we grew customer base 1%. Service revenue 2% and for Fixed Network services we grew Data Internet by 2% and Voice by 11%.

Next, the Hubbing Scorecard. We have grown our triple service households from 209,000 to 216,000. So that's a 4% increase year-on-year. In terms of the dual service and single service there is a drop. That is because of the short-term promotional offers.

Next Financial Highlights. I will pass the time over to Buck Chye to share with you the financial highlights. Buck Chye, over to you.

Kwek Buck Chye: Hi, good evening let me share with you the Financial Highlights for the First Quarter for StarHub. EBITDA margin on slide 10. The EBITDA margin and profitability this quarter at 182 is SGD5

million or 3% higher than the same quarter last year. And it's also higher than the sequential quarters. This is due to increased adoption grant revenue as well as lower costs of sales from the lower quantities of handsets sold this quarter. EBITDA margin improved by 1.1 percentage points to 33.3%. This compares well with the first quarter last year of 32.2%. However, we're still guiding the full year EBITDA to be 31% of service revenue.

Let me take you to the costs on chart 11. The first part is on cost of sales. The cost of sales as a percentage improves from 42% to 40% of revenue. The total cost of sales was SGD16 million lower year-on-year for the quarter compared with last year. This is contributed by the cost of equipment which at SGD92 million, the lowest bar, in the quarter was 14% or SGD15 million lower than the first quarter the previous year. And this reduced SGD15 million has helped to offset the increase in other costs of services. The cost of service at SGD86 million was 9% or SGD7 million higher and this is for new content and higher costs of existing programs. Traffic costs was SGD1 million or 2% higher.

Next chart. So as I said, the reduction in cost of sale by SGD16 million also helped us to increase - to offset the increase in other operating expense on slide 12. This group of expense increased by SGD8 million or 3% to SGD252 million. The variance year-on-year for the quarter is identified to the following items: there is an unrealised exchange gain of SGD2.5 million booked in this quarter. And that when compared with the previous year first quarter, where we reported SGD2.9 million of exchange gain, is a swing of variance for 5.3. Staff costs did increase by SGD1 million, 1.1%. And maintenance expense increased by SGD2.4 million or 16% but as you know we are expanding our local, as well as our international network as we gear up for increased sites for LTE as well as increased building coverage to meet the regulatory requirements.

Slide 13. On the back of the EBITDA being SGD5 million higher and after deducting slightly higher interest expense and tax this quarter, the net profit at SGD91 million is 2.8 million or 3% improvement over the first quarter of the previous year.

Slide 14 on CapEx. CapEx payment for the quarter for that SGD47 million this was SGD6 million higher than the SGD41 million in the first quarter previous year. As a percentage of operating revenue CapEx extracting 8% of revenue. This is a similar trending of the level of CapEx as it is usual in the first quarter of each year to be lower than the subsequent quarters. Hence, we are still guiding the full year CapEx spending to be about 13% of revenue.

Next chart Free Cash Flow. The free cash flow at SGD92 million is admittedly lower than the SGD104 million the previous year, same quarter by SGD12 million. We did see improved working capital flows mainly from lower receivables. This plus a sustained EBITDA contribution has helped to offset the increased CapEx by that SGD6 million and the SGD16 million cash tax paid in this quarter. As I have guided before, we only started paying cash tax from the second half of last year. So there was no cash tax payment in the first quarter of 2012.

And with that I return the mic to Tong Hai.

Tan Tong Hai: Thanks Buck Chye. Now, I'll be covering the Mobile, TV and Broadband business and then later on I will hand over to Kevin to cover the Fixed Network.

Firstly the Mobile business highlights. Take a look at chart 17. Revenue decreased 2%. Post-paid ARPU at SGD68 excluding inbound roaming and customer base grew 17,000.

Mobile Revenue and ARPU. Mobile pre-paid revenue remains stable at about SGD60.9 million if compared to a year ago is about SGD61.1 million. ARPU is about SGD19. For post-paid revenue there is a drop in post-paid revenue 2% year-on-year. That is due to the drop in outbound roaming so that's the reason why the revenue is lower. If you take a look at the ARPU, the ARPU is SGD1 lower year-on-year due to the drop in the outbound roaming. And please note that the post-paid ARPU has been restated to exclude inbound roaming.

Next chart 19. We have healthy net adds from both pre-paid and post-paid. If you note for pre-paid net adds we have actually two consecutive quarters of positive net adds reversing the negative net adds trend. And post-paid we have been having positive net adds. So this subscriber base is now 2.2 million split almost equally between post-paid and pre-paid.

Chart 20. Post-paid non-voice services and the percentage of ARPU is 44.8%. And our churn rate is kept low at 0.9%.

Next Pay TV chart 22. Revenue decreased 1%. ARPU up SGD1 to SGD52 and customer base decreased 13,000. If you take a look at the Pay TV revenue there is about a million drop year-on-year. This is due to the drop in advertising revenue. ARPU actually increased a dollar year-on-year. This is because we have actually increased the price of the sports pack from SGD12 to SGD18 and also we don't include advertising dollar in our ARPU computation. So ARPU have actually increased because of the increase in the sports pricing.

Chart 24. Net adds is negative 4000 but you must note that we have actually improved this upward trend in the sense that fourth quarter we lost 5000. So, total subscriber base is now 532,000. The churn is kept at about 1.2% so I think the Pay TV business in spite of the so-called the negative adds we still maintain very healthy ARPU as well as the revenue around the SGD95 million range.

Broadband chart 27. Revenue increased 2%. ARPU at SGD45. Customer base grew 4000. The broadband revenue compared to a year ago has grown and that is due to a better brand mix as well as a larger subscriber base. The ARPU was lower at SGD45 due to competitive pricing pressure because there are many so-called NGNBN service provider offering competitive broadband packages.

Chart 29. Net Adds is flat but you have to take a look at in spite of this intense competition that I have mentioned just now, actually we did not lose any customers and our customer base is now at 444,000. The churn rate is 1.3% and you can notice for four consecutive quarters actually we have managed our churn rate pretty well. So this is in spite of the intense competition.

With this I hand over the time to Kevin. Kevin is our MD for Enterprise Business Group and I would like him to share more about our Fixed Network services.

Kevin Lim: Thank you Tong Hai. We are at chart 32. Firstly the highlights. The Data and Internet business revenue grew by 2% and the Voice revenue grew by 11%. If I can get you to turn to slide 33. Our Fixed

Network services revenue was up by SGD3.3 million versus a year ago ending at about SGD88.3 million for the first quarter. Compared with the previous quarter, it was lower as we had a seasonal spike in revenues from solutions sales and in-payment of carrier services in the fourth quarter. Voice revenue saw a growth of SGD1.6 million over the first quarter of 2012 attributed mainly to digital voice home services which became chargeable late last year and higher international interconnect revenues.

In the data internet business, our push into the commercial broadband segment with the next generation broadband network contributed to the growth in revenues to SGD72 million for the quarter. However, provisioning challenges are still slowing our progress. We are undertaking cabling on our own where applicable to address some of the delays. With this I'd like to hand the floor back to Tong Hai.

Tan Tong Hai: I would like to provide the outlook for the year. We have revised our revenue growth to low single digit based on our first Q performance. And we are maintaining EBITDA margin on service revenue to be about 31%. Cash CapEx to be about 13% of operating revenue and we continue to recommend first the interim dividend of SGD0.05 per share and we also intend to maintain annual cash dividend of SGD0.20 per share for the full year 2013.

Okay, now before we open up the time for Q and A, I'm sure other than this press release on our result announcement, you would also have received another press release about the retirement of our CFO, Buck Chye. At the same time the appointment of Nicholas Tan from ST Telemedia to take over with effect from 1 July 2013. Now I have worked with Buck Chye for the past four and a half years and we have a wonderful working relationship. Buck Chye also has shared with me that he has turned 60 this year and he wanted to spend some time with the family. So, the Board took some time to look for a suitable successor and now they have identified Nicholas Tan.

Nicholas is no stranger to me actually. I met him before when I was in my previous job in Singapore Computer Systems in Indonesia where he was the CFO of PT Indosat. PT Indosat is a publicly listed company and is a very big - large telco in Indonesia. So Nicholas understand the mobile and of course broadband as well. I'm delighted to be able to work with him and at the same time I, of course, know that Buck Chye is not leaving us immediately. Buck Chye will be officially retiring end of September this year. So there is still time for a proper handover and I will be working with both parties to ensure a smooth transition. Of course if you ask me the Board and all are very thankful to Buck Chye for his leadership and for being with this Company all these years. I think at this juncture it would be good for me just to pass the time over to Buck Chye to say a few words. Buck Chye, over to you.

Kwek Buck Chye: Thank you Tong Hai, you've been very kind. This is a time in life that you kind of feel that you need to do something different. I would like to say that it is actually a great pleasure to have spent the last 10 years of my senior management career in StarHub. I've learned much from Board members as well as my management colleagues. We have discussed many things about our businesses and very interestingly we have always challenged ourselves as to how do we grow our business and profitability in StarHub. I certainly would like to express my sincere thanks to my Board, Tong Hai and the staff team for the blessings they have given and supported me thus far.

With regards to Nicholas, I am very happy that the Board has elected Nicholas as my successor. One can say that it is another boomerang that is coming back to StarHub because Nicholas was at some point of time in the past, when I came down to StarHub, he was working with me. I have known Nick as a colleague. He is very dependable, very committed and is a strategic person. I am sure he will be similarly blessed working with StarHub Management Team as well as the Board to steer the StarHub Group for the future. I take pleasure in working closely for the next few months to ensure the continuity of the stewardship, leadership as the CFO to be transmitted to this capable man. He will probably be working with me directly and into the second quarter as well.

And I would like to say that all these are part of the succession planning that I have started about two years back. And I look forward to really passing the baton of CFO stewardship to Nicholas. And with that I think we should continue with business matters. Maybe we take your Q and As.

Jeannie Ong: Thank you Uncle Buck. First on we have Oliver Campbell from CLSA. Hi Oliver.

Oliver Campbell (CLSA, Analyst): Hi you guys, good evening. Buck Chye, congratulations if that's the right phrase. Yes, just very quickly, the change in the - the declines in revenue driven by the handsets, let's say, could you maybe give us a bit of detail on what the mix of operating systems were? And in terms of was it the quantity of handsets sold or was it the value of handsets sold, can you just give a bit of detail on that? Secondly, in terms of LTE coverage, in terms of geography and speed and everything else, how is that coming along? Thanks very much.

Tan Tong Hai: Well in terms of the equipment I mentioned that this quarter there is lower handset sales as well as the prices. Increasingly we notice that across the world Android is actually becoming more popular. And there is more variety of Android models and because there are more varieties of course the prices will be lower. So the mix we see a more Android phone set. So that answers the first part of the question on the handsets. With regards to LTE coverage, I have actually put it in my quote we are happy to announce that we have more than 75% coverage as of now. And that we have actually also - all these subscriber who are on the LTE network we have now 200 and - over 270,000. These are all on our tier based pricing on the LTE network. So we are happy with the progress so far.

Oliver Campbell (CLSA, Analyst): Is - sorry just one follow-up question, is that number, 270,000 of LTE subscribers, is that similar to the number of total re-tiered subscribers? That's to say, are there many more 3G subscribers who are re-tiered now, or is it a similar number?

Tan Tong Hai: No different, different numbers. This 270,000 are purely just the LTE on the tier based pricing. Now, we have still our smart SmartSurf subscriber, okay.

Oliver Campbell (CLSA, Analyst): Yes.

Tan Tong Hai: We have 1 million. All in all we have 1 million overall post-paid subscribers and out of this I think 270 - over 270,000 are on our tier based LTE plans.

Oliver Campbell (CLSA, Analyst): Right, so how many of your total post-paid subscribers are now re-tiered?

Tan Tong Hai: Now?

Oliver Campbell (CLSA, Analyst): If 270 are on LTE, how many totally are re-tiered?

Jeannie Ong: Sorry, Oliver, we're not getting your question, what do you mean?

Oliver Campbell (CLSA, Analyst): So are there subscribers who have taken on - let's say they've signed up again to a new handset plan for the next 24 months, maybe on 3G on a re-tiered data plan, or is 270,000 the total amount of re-tiered subscribers?

Tan Tong Hai: There are customers that decide to keep what they call our generous 3G plan, data plan, SmartSurf plan and some of them actually decide to keep the plan they buy their own handsets. That of course in a way we don't need to incur the handset subsidy and we will let them to go on to the plan if they want to, right. We don't have a breakdown on these subscribers as to how many are there but we are happy. So, we are happy to share the number with you this quarter.

Oliver Campbell (CLSA, Analyst): Great, thanks very much guys.

Jeannie Ong: Thank you. Right, next we have Sachin Gupta from Nomura. Hi Sachin.

Sachin Gupta (Nomura, Analyst): Hi good evening, can you hear me okay?

Tan Tong Hai: Yes.

Sachin Gupta (Nomura, Analyst): Thank you. I've just got a few questions. Firstly, just on your revised revenue guidance, I'm just wondering just the rationale or the reasons behind it because it's only 1Q, you've got the data re-pricing kicking in, you've got the BPL cross-carriage. So I was wondering why low single digit and I guess at the same time the margins as well. Why can't it be 33%, 34% for the year? That's one thing.

Second I guess is just on the Mobile business, you've given us ARPUs excluding roaming now. Is it surprising, or is there a reason why the ARPUs should be dropping or why the ARPU is actually coming off? Once again, I mean if the data re-pricing is starting to kick in, should we actually expect this to start going up?

And lastly, I guess, is just I'm not sure how to read all the NBN how that's actually playing out because if you look at your Broadband customers they've been roughly flat and even on the Fixed Services businesses, excluding obviously the seasonality or the one-off contracts, they just haven't really picked up to the extent one would have imagined. So I'm just wondering any thoughts on the NBN transition as well. Thanks.

Tan Tong Hai: Okay the NBN transition I will let Kevin to address. As to the revised revenue to be low single digit, I think this quarter alone we have a drop in the top line by 2% and our operating revenue remains stable. So we think that going forward it will be of course a challenge for us to keep to the single digit, right so that's why we revised it to a low single digit, right. As to the EBITDA margin, yes, we have - we are trending higher than our guidance. But at this moment there may be still uncertainties - I can't anticipate whether there will be - in fact how competitive my competitors will be in terms of their plans and all those. But also there will be new models of phones that are coming on board. So at this moment as what you say is I'd like to keep it at 31% guidance on my EBITDA margin, right.

In terms of the Mobile ARPU, yes we have restated it because it's more accurate to report it without the inbound roaming and the drop of the ARPU is because of the drop in the outbound roaming. And I think there is, of course, in general also other the drop in the usage, it's also there is some substitution in fact from customers using Wi-Fi because consumers are getting smarter these days. So, that's the reason why you see a drop, because of the outbound roaming. In terms of our tier-based pricing, we have said that we have - in September last year when we launched our tier-based prices, we have actually given additional one gig for our subscribers, so this is over a six month promotion. So it will be after six months later, then we can see an upside in terms of access data charges. So that has not kicked in yet and hopefully maybe in the second half we can see these access data charges coming in and that will help in both the revenue as well as the ARPU.

NGNBN, I will hand over to Kevin to address how we are doing in terms of NGNBN.

Kevin Lim: Thank you, Tong Hai. Sachin, I think to understand the NGNBN business in the commercial space, this is actually the lower end broadband business, so we are talking about volumes. So that's where our frustration comes in, where the provisioning is just not fast enough for us to gear - to chalk up enough volume to see a very big impact on the revenue. So we are not dealing with the leased lines here, we're dealing with the broadband. So I think as mentioned in previous quarters as well, we are frustrated by the delays in the provisioning and we wish that this could be resolved so that we can really drive the revenue in this sector.

Tan Tong Hai: But I think, Kevin, has also introduced IPTV with the commercial sector which I thought was a very good initiative to go after those enterprise customers that in the past we couldn't service them using our HFC network. So that commercial IPTV also will be something that is supposed to be bundling with this broadband to provide to the enterprise customers as well as the SMEs. This is a welcome change from the previous mode of transmitting via DTTV and we have actually more than 100 channels for them. So hopefully that will also help to ramp up the growth in terms of the NGNBN take up in the enterprise...

Kevin Lim: Yes, most definitely.

Sachin Gupta (Nomura, Analyst): Actually can I just ask another question, I just thought of another one while you were talking. Obviously with BPL cross-carriage now, firstly do you think it's likely to stick? And if so, what would be the likely impact on your business or on your hubbing?

Tan Tong Hai: I think that you are right to say that the competitor - I think the supplier has actually applied for a stay. Now the outcome is not known yet, that is their application. On our end, what we are doing is that we are doing all the necessary technical preparation to ensure that the BPL [unclear].

Sachin Gupta (Nomura, Analyst): Right, thank you for all your answers.

Tan Tong Hai: Thank you.

Jeannie Ong: Thank you Sachin. From one Sachin to another Sachin, we next have Sachin from DBS. Hi Sachin.

Sachin Mittal: (DBS Vickers Securities, Analyst) Yes, hi. I have two questions. First, why is there a change in ARPU calculations where we are now actually excluding inbound roaming, because - I mean is it some kind of industry standard that it should be like this and it will be for the whole industry now? I mean I'm just wondering why is it.

And secondly, what is the impact of this roaming revenue coming down? Is it something, a structural trend, that roaming is on decline because people are using more of data roaming and then using all the OTT apps, or do you think this is something which was because of Singapore Malaysia price decline and it will come to a halt sooner or later?

And one more question is on spectrum auction, I thought it was expected at some time in April, May now, so any new timeline for that? Thank you.

Tan Tong Hai: Okay, for the first question on the change in ARPU computation, I'll let our CFO answer.

Kwek Buck Chye: Sachin, the objective is to try to measure the incremental revenue per sub of our paying customers, as well as the revenue that we are picking up. So for us we feel that the roaming revenue, the inbound roaming revenue, is actually not something controllable and hence it is better not to take credit for that in calculation of ARPU. But certainly revenue is - from inbound is profitable and it does add to our profitability as well as our top line, but I thought we wanted to see ARPU from the customers that we provide services, not customers that come into our territory and contribute. That is important, but it is not totally controllable by us. I hope that...

Sachin Mittal: (DBS Vickers Securities, Analyst) You're the only one who was doing it right, SingTel, I mean your competitors don't do this kind of accounting. Still they probably...

Kwek Buck Chye: They do the same, they do the same, yes, it's just that somehow in the past we have not changed and we have felt that it was important to find the start of a new year to restate. And it took a while to restate the past year, so that when you get the new activity you can actually compare like with like with the previous years and the years prior to that. So we took a while to restate all our prior period debtors to extract out the inbound revenue portion from ARPU calculation.

Sachin Mittal: (DBS Vickers Securities, Analyst) Okay, so all three are the same now?

Kwek Buck Chye: All are on a comparable basis now.

Sachin Mittal: (DBS Vickers Securities, Analyst) Okay, that's great.

Tan Tong Hai: Okay, now you have asked on the impact of the roaming revenue, well seasonally for quarter 1 you don't find terminating roaming because typically for fourth quarter that's where the people travel more. So there's a seasonal factor to the roaming - drop in roaming revenue. But there's also some substitution effect, as I mentioned, based on the fact that people are smarter, they can use Wi-Fi instead of using roaming. So that's the thing. I wonder if subsequent quarters when people travel more, you will see the - about roaming probing.

So as to the spectrum auction, the rules have just been out. I believe that the auction takes place in the second half of this year.



Sachin Mittal: (DBS Vickers Securities, Analyst) Okay. Okay, great. Thank you very much.

Tan Tong Hai: Thank you.

Jeannie Ong: Right, next we have Roshan from Merrill Lynch.

Roshan Raj: (Merrill Lynch, Analyst) Hi and thanks for the call. Three questions for me. One on Pay TV revenue, there was a comment of some impact from advertisement revenue. Can you share some colour there as to what's driving that and what's the outlook?

The next question's kind of been asked as in kind of the residential subscribers on broadband, it's been flat but one of your competitor's has been saying as subscribers come off contract and as the NBN coverage is pretty good now, they are looking forward to gaining more subscribers there. So what's the expectation in terms of subscribers on the residential broadband side?

And the third one is again going back to post-paid ARPU. I mean keeping aside all the opportunity which might play out in the next few quarters as you have tier plans and all that, but in the last few quarters I'm still not clear as to why the post-paid ARPU should not be actually going up.

Tan Tong Hai: Okay, let me just share with you a bit more about the advertising revenue, because we have our own channels so we of course get advertising revenue. We also sell ad space on our orders. At the same time we run events, so let's say we organise an event like the StarHub TVB Awards we also have sponsors who come in, so that all adds up to our advertising revenue and we pack it together with the Pay TV business.

The first quarter in terms of the advertising revenue, what I understood was that in terms of the various real estate cooling measures it does have an implication and of course not just real estate, I think there is also the car cooling measures. So all this affects the sentiments and that's why the advertising revenue dropped.

Okay, so the outlook of course, we have done, we have announced our plans on local productions like Lady First, this is our partnership with TVB and this will help us of course to grow our sponsorship revenue. We will continue to look for ways to grow our Pay TV business, not just purely from the subscription revenue alone, because we think that when we run external engagement events we actually create more excitement and more attraction and of course we can create exclusivity for our Pay TV subscribers, they're only those who our subscribers can attend. So there is actually a lot of value in terms of this event that we are running and this is very complementary to our overall TV strategy to bring the channel to life. You don't just watch it, you actually can attend it, you can see the stars or you can actually enjoy a meal cooked by the chef. Okay, so that in terms of the Pay TV outlook.

In terms of the...

Roshan Raj: (Merrill Lynch, Analyst) Sorry, just a bit. So say to kind of say there's not much of a competitive pressure which is driving a decline in the advertisement revenue?

Tan Tong Hai: No, if you look at Pay TV business, I think we have announced an increase in ARPU this quarter, right? So you should look at the strength of the Pay TV business by the revenue and the subscribers, and those subscribers that I reported as a loss, they are the trial base, they're not my main

subscribers. So I think we have managed the churn well at 1.2% and also maintain the Pay TV revenue at the SGD95 million range and increasing even the ARPU.

So I think the Pay TV business - by the way, we have just announced we have strengthened the Asian suite of our now TV channels so the Asian programs have been strengthened. We've just also announced this year the launch of Hello! Japan and other channels, so we continue to strengthen our value proposition as the most comprehensive suite of content ranging from Asian, education, entertainment and news, et cetera. Okay, so I hope I've grasped your question on the Pay TV.

Now in terms of the broadband, your question is that it looks relatively flat and then a lot of the smaller players are all announcing wins we've got a loss of subscriber growth and all this, I'm actually happy to know that we have achieved growth revenue this quarter because that is in spite of the intense competition, and I'll also bring to your attention the churn rate actually have been kept low at 1.3%. So for our cable TV subscriber, those who prefer to use fibre broadband, we actually will support them to migrate. But at the same time we are also going after the ADSL subscriber base. SingTel have announced that they're not going to continue the copper, so these customers will be thinking how are you going to deliver ADSL without copper? So we think that the fibre will be of course a good proposition for them, or if they want to choose our cable broadband, we will continue to offer them the best TV and broadband experience.

So I believe that StarHub today have the critical mass and also have the necessary infrastructure. It is the main competition, it's not just about the local bandwidth, there is a lot of shouting about 200 meg, 300 meg of local bandwidth, but what remains constant is the international bandwidth. We have been sharing how consistent our international bandwidth is and most subscribers in Singapore actually access content outside Singapore, so international bandwidth is actually very important. So we believe we still have a very strong proposition in terms of quality broadband. At the same time we give customers a choice of both cable broadband as well as the fibre broadband.

Then - anymore? The post-paid ARPU I have addressed at this quarter, yes, the drop is primarily due to this outbound roaming drop in outbound roaming, there are some seasonality factors in this because it's been first Q. There's also the substitution effect and I mentioned also that in the second half then perhaps the access data charges from our tier based pricing will kick in. So that's how we think the business will go. I think we have still a very healthy mobile business. We have extended our - increased our LTE rollout to 75% and very strong LTE user pick up too.

Roshan Raj: (Merrill Lynch, Analyst) Thank you so much, Tong Hai.

Jeannie Ong: Thank you, Roshan. Right, from analysts we move to media. We next have Peter Yeo from Today. Hi Peter.

Peter Yeo: (Today, Journalist) Hi, just one quick question. How do these cross-carriage rules affect your churn rates for the next quarter?

Tan Tong Hai: Well the cross-carriage through - firstly, I believe you must be referring to the premier league, so the regulator has actually mandated cross-carriage of the premier league. So we will carry it but of course the packaging, the pricing, is dependent on the supplier who supplies the channels. So we do not need to

incur the cost of buying the content, the premier league, and the buyer of the content which we call the supplier, SQL, supplying qualified licensees, will decide the pricing and we just need to carry it. Now of course for our subscribers right now, they have been looking out and they actually wanted to have - to be able to watch this premier league. So being able to watch it on our platform has always been their desire, so they can now be able to watch it on our platform. So there will be, in terms of how this will pan out, I think in the end we have to depend on the final outcome of the ruling by the minister. But it's too early to predict the outcome as to what is the effect.

Peter Yeo: (Today, Journalist) Do you foresee a lower churn rate?

Tan Tong Hai: Hopefully I think we've got ability to watch it on our box [unclear] for subscribers on my box they will be very happy to keep my box, so that's something that I'm hoping for.

Peter Yeo: (Today, Journalist) Okay. All right, thank you.

Jeannie Ong: Thank you, Peter. Next we have Arthur from Citigroup. Hi Arthur.

Arthur Pineda: (Citigroup, Analyst) Hi, good evening. Congratulations to Buck Chye as well.

Kwek Buck Chye: Thank you.

Arthur Pineda: (Citigroup, Analyst) Can you please talk about cross-carriage assuming it does push through? Do you think BPL rates can actually be materially higher than what's currently on offer? And what options do you have if this is the case of course by your competitor?

Second, can you remind me what per cent of your revenues are roaming related? If you can break down the inbound and outbound side, that would be great.

Lastly, you mentioned a while ago that you were having some provisioning problems on the NGNBN. Can you elaborate what exactly is happening, as I thought OpenNet was actually on track and NBA had issued guidelines in terms of connection periods? Where are the bottlenecks in this? Thank you.

Jeannie Ong: Arthur, just so we understand your question, you were asking about the cross-carriage, if it got pushed through what happens, is it?

Arthur Pineda: (Citigroup, Analyst) Yes, if the prices are much higher than what's currently on offer.

Tan Tong Hai: We don't control the pricing. We are just the carriage, so basically what we will benefit of course is the supplier will have to pay the carriage fee for the network charges and then because they use our box we will have to service the customers, service calls and all this, so there'll be a charge on the customer service, et cetera. So that is between supplier and the requester, which is us. As to the pricing, we have no control. It's actually decided by the supplier who bought the content, so they decide the pricing and they decide the bundling and the packaging and we just carry it. So the benefit of course is really subscriber who prefers to watch on our box can continue to keep our box. At the same time they would be able to enjoy all these things.

Arthur Pineda: (Citigroup, Analyst) Presumably if the pricing was actually raised significantly, then the incentive to actually stay would be reduced as well, is that right?

Tan Tong Hai: Well I think I don't want to speculate because it's still too early. We have to wait for the outcome of the application to stay and after that, then we can see what exactly is their bundling and the offer. Then from there we can assess the next steps.

Okay, the question on roaming...

Jeannie Ong: Arthur, we have always said that roaming is about 15% to 20% of our mobile revenue, but we have never given a split between inbound and outbound roaming revenue. All right? Does that answer your question?

Arthur Pineda: (Citigroup, Analyst) Yes, I mean if you can't say it, okay.

Jeannie Ong: Thank you.

Arthur Pineda: (Citigroup, Analyst) Sorry, on the NGNBN?

Kevin Lim: Okay, let me take that question. I think the provisioning issues are mainly in the commercial, the non-residential area, the residential area should be quite acceptable. But for the non-residential area the success rate of the provision within the RFS is less than 50%. So - and in fact the more we sell, the worse the situation becomes.

Arthur Pineda: (Citigroup, Analyst) Aren't there provisions enforced by the IDA on the commercial segment as well?

Kevin Lim: Yes, yes, there are, there are guidelines in terms of what they have to meet in terms of the provisioning timelines and so forth.

Tan Tong Hai: Let me just add on, basically for any service provider you must have a certain service level, deliver let's say next generation broadband. Today there's only one supplier called OpenNet that supply this so called broadband wholesale to the OpCo, and then the OpCo sells to the retail service provider. So Kevin is right, this is mainly the issues we are facing are in the commercial and the - when you order a line you expect it to be up and running but sometimes the line is not up and running, so the service level is actually way below the normal rate. I think Kevin has shared, what, less than 50%, which is not acceptable.

All these issues have been brought up with the regulator, the regulator, IDA, is aware. We are looking into it and hopefully as the service - the NetCo provides the better service level, then we can of course ramp up the service. But in the meanwhile we're not saying they're low because this service is not very - the service level is not up to speed, we are not going to sell more. In fact we will continue to do whatever we can and in those areas where we felt we can make our own investments, lay our own [unclear] and fibre and all this, we will do it, right? So that's how we are handling it, but of course the better outcome is still for OpenNet to deliver the best service level, the required commercial service level.

Arthur Pineda: (Citigroup, Analyst) Understood, thank you very much.

Jeannie Ong: Thank you. Right, next we have Chate from Credit Suisse.

Chate Benchavitvilai: (Credit Suisse, Analyst) Hi, good evening everyone. First of all to Buck Chye, thank you very much and I wish you all the best for you and your family.

Kwek Buck Chye: Thank you, Chate.

Chate Benchavitvilai: (Credit Suisse, Analyst) I have four questions. The first question is regarding the prepaid subscriber quote. Would you talk us through what's the initiatives that you actually implement that allows the prepaid subscriber base to grow again?

Just really quickly on the roaming side, 15% to 20%, may I assume that is basically trending down from 20% down to 15% now?

The next question is regarding the EBITDA growth, despite the real flattish revenue or decline on the mobile side, the EBITDA still grows 3%. So am I right in thinking that that's being driven - I just want to discuss what's the driver behind it; is it because of fixed line revenue growth and you do good margins on that? Or is it lower subsidies that allow the margins to actually expand?

And the last one is regarding the fixed line revenue. Given the provision of bottleneck may I assume that basically your fixed line revenue currently, a very, very limited portion actually comes from NGNBN?

Tan Tong Hai: Let me answer the first part on the prepaid subscriber group. We have mentioned that the reason why we suffered a dip was that we restructured the whole retail channel. In the past we were very dependent on a few big distributors and then the big distributor distributed to the smaller retailer over, right? So we basically have restructured so called our distribution channel and then we are now directly working with the retailer and have a deeper understanding of why are they selling our cards, why are they not selling our cards, et cetera. So with this we are able to now have a better control over the sale of the prepaid card. I believe there is one major transformation that we have done to improve the prepaid subscriber growth.

Chate, do you want to repeat your question on roaming? I didn't catch you when you said 20% to 15%.

Chate Benchavitvilai: (Credit Suisse, Analyst) No problem. I understand that you shared earlier on that roaming contributes around 15% to 20% of the service revenue. So I just assume given the decline in trend, are you suggesting that it used to be 20% maybe like, you know, two years ago, and it's now around 15% of service revenue? Am I right in thinking that?

Tan Tong Hai: Yes, there is definitely a reduced roaming collected charges. I think this is an industry-wide expectation because people are using more Wi-Fi when they are overseas, whether inbound or outbound roaming. The good part about other operators is that our smart plans announced basically a bundle, as well as a cap when they are overseas. I think our alliance partners are also doing the same, our Vodafone partners are doing the same, so in the big alliance stake there is that opportunity to encourage nonstop use of your mobility device while you are in a different territory, right, and both will benefit. So we will see a bottom out of that negative trend of roaming reducing and I think you will probably - so I will say that somehow roaming seems to be seasonal. Coming out of the festive quarter and the fourth quarter it seems to be a low point and then after that it picks up again. So we hope that this repeat is a cycle, but we certainly try to monitor what is the cannibalisation of use of minutes by Wi-Fi or user data charges by Wi-Fi. We don't have enough information yet to tell you that the trend is disturbing or otherwise, yes?

Okay, EBITDA growth, the quarter's EBITDA growth 3%. If you look carefully into the MD&A you will see that a significant portion is contributed by other income which is the adoption grant that we get when our retail customers pick up services from NGNBN that is 100 meg and above. So we are seeing an increased number of customers, some new, some are our own customers migrating to the NGNBN and as they migrate to NGNBN, we get to collect the adoption grant, especially if we are now moving them all above 100 meg. So the quarter is positively intact by the fact that the other income is SGD7 million higher than the same period in the previous year.

So just for the benefit of the rest, this adoption grant, we have a fully owned subsidiary called Nucleus Connect. In the early stage it was awarded the contract, there was the rollout grant and we have completed the network rollout so we got the grants from the government last year. So now it is about adoption, so the more subscribers we can get, the more grants we will get. So this is an indication of our growth in our fibre broadband business, so if you grow more the fibre broadband you will see us growing more, getting more adoption grants.

The final piece on the fixed line revenue, your question was it looks like your - since you have all the provisioning issue than your next generation broadband business should be small. I will leave that to Kevin to address that question.

Kevin Lim: Okay Chate, I think the NGN business as part of our overall fixed business is, yes, currently it's a small part of the business, but if you look at the trending over the last year, you will notice that we will build up the business, so there are other sources of revenue, especially from our solution sales and our other circuits in which we sell. Of course pricing pressure would mean that it will be challenging as well, but there are many other services in which we do sell, NGN being just one of them.

Tan Tong Hai: But NGNBN is very strategic for us because it allows us to access the buildings that we couldn't access before. That's very important, especially for those chain stores which have retail outlets all over Singapore, then you now can sign this with them. It also allows us to offer to all the retail - the entertainment outlets, the clubs, in the past we couldn't access them because they are in the - let's say the East Coast area, so now we can use broadband and most important sell our IPTV too. So this is actually very strategic and really accessibility is the most important because it allows to improve our competitiveness.

Chate Benchavitvilai: (Credit Suisse, Analyst) Okay, just one follow up question, more on housekeeping, just on your broadband, residential broadband revenue. I tried to just calculate from ARPU a number of subscribers, it seems like they are maybe a portion of revenue that is not included in ARPU calculation, or it's just like a timing issue and I miscalculated.

Tan Tong Hai: The broadband revenue - other than those that are totally under our broadband subscriber, we also have the wholesale service, because in the past we are the only provider of cable broadband, so we have open access, we are mandated to open access so other people can buy wholesale cable access from us. So if you add that in that, wholesale revenue, okay? We don't include that in our ARPU computation.

Chate Benchavitvilai: (Credit Suisse, Analyst) Right, okay, that's clear. Thank you very much.

Jeannie Ong: Hi, I'm sorry, in terms of time we have to stop the call here. For those of you who we have not had the chance to address your questions, we have your names and we will contact you very soon. Just a reminder that a transcript of this call will also be posted onto our website by tomorrow.

Lastly, since this may be the last briefing call for Uncle Buck as our CFO, would you want to say something to the investment community and the media?

Kwek Buck Chye: Sure, I must really thank all of you investment analysts and people who are so interested in our business. We actually learn a great deal from you and as a CFO I must say that I enjoy the challenge of you throwing hard questions at me. Now I will do my best to make sure that Nicholas will step up to my shoes. You can't call him Uncle Buck but I'll leave you to give him a good name. But I'm sure he will be equally efficient, the fact that he has done Indosat, he should be able to help you to do your modelling as equally efficient as I would. Once again, I thank you all for giving me so much respect. But I'm sure Jeannie is a good help to all of you and so are her team members. So keep your questions coming, we will take all of them. We will meet the service level agreement to give you guys answers promptly. Thank you.

Jeannie Ong: Thank you and goodbye. On behalf of the management team here, thank you all and I will talk up to you in the next quarter. Good night.

**End of Transcript**