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STARHUB LTD

Announcement of Unaudited Results for the Third Quarter and Nine Months ended 30 September 2018

StarHub is pleased to announce the unaudited results for the third quarter and nine months ended 30 September 2018. The results and financial position are presented in accordance with the new and revised Singapore Financial Reporting Standards (International), ("SFRS(I)") and Interpretations of SFRS(I) ("INT SFRS(I)") which became effective from 1 January 2018.

Results for the Third Quarter and Nine Months ended 30 September 2018

1. GROUP INCOME AND COMPREHENSIVE INCOME STATEMENTS

1.1 GROUP INCOME STATEMENT

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Total revenue	582.2	565.2	17.0	3.0	1,742.5	1,723.8	18.7	1.1
Operating expenses	(506.7)	(479.8)	26.9	5.6	(1,499.6)	(1,436.5)	63.1	4.4
Other income	0.0	3.0	(3.0)	(99.3)	0.6	3.7	(3.1)	(83.0)
Profit from operations	75.6	88.4	(12.8)	(14.5)	243.5	291.0	(47.5)	(16.3)
Finance income	1.0	1.1	(0.1)	(11.6)	2.6	2.6	0.0	1.4
Finance expense ⁽²⁾	(7.5)	(7.4)	0.1	1.5	(22.1)	(22.6)	(0.5)	(2.2)
	69.1	82.2	(13.1)	(15.9)	224.0	271.0	(47.0)	(17.3)
Non-operating (expense) / income ⁽³⁾	-	(0.7)	0.7	100.0	-	(0.7)	0.7	100.0
Share of loss of associate (net of tax)	(0.2)	(0.8)	(0.5)	(71.3)	(0.7)	(1.9)	(1.1)	(60.0)
Profit before taxation	68.9	80.7	(11.9)	(14.7)	223.3	268.5	(45.2)	(16.8)
Taxation	(10.9)	(15.0)	(4.2)	(27.7)	(38.3)	(47.0)	(8.7)	(18.6)
Profit for the period	58.0	65.7	(7.7)	(11.7)	185.0	221.5	(36.5)	(16.5)
Attributable to:								
Equity holders of the Company	57.0	65.4	(8.4)	(12.8)	181.7	221.1	(39.4)	(17.8)
Non-controlling interests	1.0	0.4	0.7	177.8	3.3	0.4	2.9	nm
	58.0	65.7	(7.7)	(11.7)	185.0	221.5	(36.5)	(16.5)
EBITDA	147.0	162.9	(15.9)	(9.8)	456.4	500.3	(43.9)	(8.8)
Service EBITDA ⁽⁴⁾	132.2	150.2	(18.0)	(12.0)	415.2	463.8	(48.6)	(10.5)
Service EBITDA as % of service revenue	28.8%	32.2%	-3.4% pts		30.2%	33.4%	-3.2% pts	
Free Cash Flow ⁽⁵⁾	79.3	120.2	(40.8)	(34.0)	188.3	253.0	(64.7)	(25.6)
<i>Profit from operations is arrived after charging the following:</i>								
Allowance for doubtful receivables and bad debts written off	2.2	3.3	(1.1)	(32.0)	11.1	13.3	(2.2)	(16.6)
Depreciation and amortisation (net of asset grants)	71.4	74.5	(3.1)	(4.1)	212.9	209.3	3.6	1.7
Foreign exchange (gain) / loss	1.3	1.5	(0.2)	(12.4)	8.4	(2.4)	10.7	nm

nm – Not meaningful

Notes:

(1) The Group has adopted the new Singapore Financial Reporting Standards (International) (“SFRS(I)”) that is mandatory for application for the annual periods beginning on or after 1 January 2018 and has applied them retrospectively. Accordingly, comparatives have been restated to take into account adjustments relating to SFRS(I) 1 First-time Adoption of SFRS(I) and SFRS(I) 15 Revenue from Contracts with Customers

(2) Finance expense includes interest and other financing charges

(3) Non-operating (expense)/ income refers to the fair value (loss) / gain on initial recognition of available-for-sale investment

(4) Service EBITDA refers to EBITDA less equipment margin (sales of equipment less cost of equipment)

(5) Free Cash Flow refers to net cash from operating activities less purchase of property, plant and equipment and intangible assets in the cash flow statement

(6) The financial statements include the consolidation of newly acquired subsidiaries, Ensign InfoSecurity (Systems) Pte. Ltd. (formerly known as Accel Systems & Technologies Pte. Ltd.) (“Ensign (Systems)”) from July 2017 and D’Crypt Pte Ltd (“D’Crypt”) from January 2018

(7) Numbers in all tables may not exactly add up due to rounding

1.2 GROUP COMPREHENSIVE INCOME STATEMENT

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Profit for the period	58.0	65.7	(7.7)	(11.7)	185.0	221.5	(36.5)	(16.5)
Other comprehensive income								
Items that will not be reclassified subsequently to profit or loss:								
Net change in fair value of equity investment through other comprehensive income	(6.3)	-	(6.3)	nm	(16.0)	-	(16.0)	nm
Items that are or may be reclassified subsequently to profit or loss:								
Foreign currency translation differences	(0.0)	0.1	(0.1)	nm	(0.0)	0.1	(0.1)	nm
Effective portion of changes in fair value of cash flow hedge	1.1	(2.0)	3.1	nm	9.9	(12.2)	22.1	nm
Net change in fair value of available-for-sale financial assets	-	(5.9)	5.9	100.0	-	3.4	(3.4)	(100.0)
Other comprehensive income for the period (net of taxation)	(5.2)	(7.9)	(2.6)	(33.2)	(6.1)	(8.8)	(2.7)	(30.4)
Total comprehensive income for the period	52.8	57.9	(5.1)	(8.8)	178.9	212.7	(33.8)	(15.9)
Attributable to:								
Equity holders of the Company	51.7	57.5	(5.8)	(10.0)	175.6	212.3	(36.7)	(17.3)
Non-controlling interests	1.0	0.4	0.7	177.8	3.3	0.4	2.9	nm
	52.8	57.9	(5.1)	(8.8)	178.9	212.7	(33.8)	(15.9)

nm – Not meaningful

1.3 GROUP PERFORMANCE REVIEW FOR THE PERIOD ENDED 30 SEPTEMBER 2018

(A) Revenue

Revenue	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)			
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Mobile	213.6	223.1	(9.5)	(4.2)	630.2	672.5	(42.3)	(6.3)
Pay TV	74.6	86.8	(12.2)	(14.1)	240.0	265.4	(25.4)	(9.6)
Broadband	46.8	46.4	0.4	0.8	140.1	139.7	0.5	0.3
Enterprise Fixed	124.6	110.3	14.3	13.0	364.6	310.0	54.6	17.6
Service revenue	459.6	466.7	(7.0)	(1.5)	1,374.9	1,387.5	(12.6)	(0.9)
Sales of equipment	122.6	98.5	24.1	24.4	367.5	336.3	31.3	9.3
Total revenue	582.2	565.2	17.0	3.0	1,742.5	1,723.8	18.7	1.1

The Group's 3Q2018 total revenue of S\$582.2 million was S\$17.0 million or 3.0% higher YoY (year-on-year), while the total revenue for nine-month period of S\$1,742.5 million was S\$18.7 million or 1.1% higher YoY. The higher revenue was mainly due to higher revenue from Enterprise Fixed and Sales of equipment, partially offset by lower revenue from Mobile and Pay TV services.

Against the corresponding periods last year, Mobile service revenue in 3Q2018 and nine-month period was lower by 4.2% and 6.3% respectively. This was mainly due to lower IDD, voice and data usage revenue, lower subscription revenue due to higher phone subsidy given to customers, and a higher mix of SIM-Only plans. This was partially mitigated by higher revenue from roaming and mobile value-added services (VAS).

Pay TV service revenue decreased YoY by 14.1% in 3Q2018 and 9.6% in the nine-month period mainly due to lower subscriber base. Broadband service revenue remained stable YoY at S\$46.8 million in 3Q2018 and S\$140.1 million in the nine-month period.

Enterprise Fixed service revenue grew S\$14.3 million or 13.0% and S\$54.6 million or 17.6% in 3Q2018 and nine-month period YoY respectively as a result of the consolidation of Ensign InfoSecurity (Systems) Pte. Ltd. (formerly known as Accel Systems & Technologies Pte. Ltd.) ("Ensign (Systems)") from July 2017 and D'Crypt Pte Ltd ("D'Crypt") from January 2018. Excluding Ensign (Systems) and D'Crypt, Enterprise Fixed service revenue would have increased by 4.5% YoY in 3Q2018 and 4.1% YoY in nine-month period respectively, primarily driven by higher managed services revenue.

Revenue from sales of equipment increased by 24.4% YoY in 3Q2018 primarily due to higher volume of premium handsets sold and sales of smart home equipment while the YoY increase of 9.3% in nine-month period was primarily due to sales of smart home equipment.

(B) Operating expenses

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)			
Operating expenses	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Cost of sales	260.1	225.2	34.9	15.5	771.0	711.7	59.4	8.3
Other operating expenses	246.6	254.5	(8.0)	(3.1)	728.6	724.8	3.8	0.5
Total	506.7	479.8	26.9	5.6	1,499.6	1,436.5	63.1	4.4

The Group's operating expenses for 3Q2018 was higher by S\$26.9 million YoY. The increase was due to higher cost of sales, partially offset by the decrease in other operating expenses. The Group's operating expenses for nine-month period was higher by S\$63.1 million YoY. The increase was due to higher cost of sales and other operating expenses.

As a percentage of revenue, total operating expenses for 3Q2018 and nine-month period were at 87.0% and 86.1% respectively, compared to 84.9% and 83.3% in the corresponding periods last year.

A breakdown of total operating expenses is as follows:

(i) Cost of sales

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)			
Cost of sales	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Cost of equipment sold	107.8	85.8	22.0	25.7	326.4	299.8	26.6	8.9
Cost of services	114.3	111.2	3.1	2.8	352.7	326.9	25.8	7.9
Traffic expenses	38.0	28.2	9.7	34.5	92.0	85.0	7.0	8.2
Total	260.1	225.2	34.9	15.5	771.0	711.7	59.4	8.3

Cost of sales for 3Q2018 and nine-month period increased by 15.5% and 8.3% YoY respectively. The increase for 3Q2018 and nine-month period were mainly attributed to higher cost of equipment sold, cost of services and traffic expenses.

The increase of 25.7% and 8.9% for cost of equipment sold in 3Q2018 and nine-month period respectively were primarily due to higher volume of premium handsets sold and sales of smart home equipment. Cost of services was higher due to higher Managed Services, Ensign (Systems) and D'Crypt cost, partially offset by lower TV content cost.

The increase of 34.5% and 8.2% for traffic expenses in 3Q2018 and nine-month period YoY were mainly due to higher roaming cost in line with higher roaming revenue, partially offset by lower domestic and international traffic volume.

(ii) Other operating expenses

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)			
Other operating expenses	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Staff costs	68.7	68.5	0.3	0.4	200.3	197.9	2.4	1.2
Operating leases	27.6	28.1	(0.5)	(1.6)	80.7	89.1	(8.4)	(9.4)
Marketing and promotions	24.3	24.8	(0.5)	(2.0)	71.5	68.6	2.8	4.1
Allowance for doubtful receivables	2.2	3.3	(1.1)	(32.0)	11.1	13.3	(2.2)	(16.6)
Repair and maintenance	25.3	24.6	0.7	2.8	74.2	73.3	0.9	1.3
Other expenses	27.0	30.8	(3.8)	(12.4)	77.9	73.4	4.5	6.2
Subtotal	175.2	180.0	(4.9)	(2.7)	515.7	515.5	0.2	0.0
Depreciation and amortisation (net of asset grants)	71.4	74.5	(3.1)	(4.1)	212.9	209.3	3.6	1.7
Total	246.6	254.5	(8.0)	(3.1)	728.6	724.8	3.8	0.5

The Group's other operating expenses for 3Q2018 was lower by S\$8.0 million YoY and higher by S\$3.8 million in the nine-month period YoY. As a percentage of total revenue, other operating expenses were 42.4% in 3Q2018 and 41.8% in nine-month period, compared to 45.0% and 42.0% in the corresponding periods last year.

Analysis of major variances in other operating expenses is provided below:

Staff costs

Staff costs expense was 0.4% and 1.2% higher YoY for 3Q2018 and nine-month period respectively, mainly contributed by the consolidation of Ensign (Systems) and D'Crypt.

Operating leases

Operating leases in 3Q2018 and nine-month period was lower by 1.6% and 9.4% YoY respectively due to lower duct lease rental.

Marketing and promotions

The lower marketing and promotions expenses in 3Q2018 was mainly attributable to fewer promotional activities. For nine-month period, the higher marketing and promotions expenses was higher in line with new partnerships and product launches.

Allowance for doubtful receivables

Allowance for doubtful receivables was lower by S\$1.1 million and S\$2.2 million YoY in 3Q2018 and nine-month period mainly driven by improved collections.

Repair and maintenance

Repair and maintenance expense was 2.8% and 1.3% higher YoY for 3Q2018 and nine-month period respectively, mainly due to higher IT maintenance cost.

Other expenses

Other expenses for 3Q2018 was lower by S\$3.8 million, due to lower outsourcing costs and lower professional fees. For nine-month period, other expenses was higher by S\$4.5 million YoY primarily due to foreign exchange loss of S\$8.4 million compared to a foreign exchange gain of S\$2.4 million in the same period last year, partially offset by lower licence fees, lower professional fees and outsourcing costs.

Depreciation and amortisation

Depreciation and amortisation expense was lower by S\$3.1 million for 3Q2018 mainly due to a higher proportion of property, plant and equipment that were fully depreciated offset by additions of property, plant and equipment and intangible assets. Depreciation and amortisation expense was higher by S\$3.6 million for the nine-month period mainly due to the addition of 4G spectrum rights and the higher additions of intangible assets.

(C) Other income

Other income decreased for both 3Q2018 and nine-month period due to lower grant income in 2018.

(D) Profitability

Profit from operations of S\$75.6 million in 3Q2018 and S\$243.5 million in nine-month period was S\$12.8 million and S\$47.5 million lower YoY respectively. The decrease was mainly due to higher operating expenses, partially offset by higher revenue arising from Enterprise Fixed services, sales of equipment and broadband.

Service EBITDA margin for 3Q2018 at 28.8% was 3.4% points lower YoY. For the nine-month period, Service EBITDA of S\$415.2 million was 10.5% lower YoY. Service EBITDA margin of 30.2% was 3.2% points lower YoY.

The finance income and finance expenses were relatively stable for 3Q2018 and nine-month period.

Share of loss from associate decreased for both 3Q2018 and nine-month period when compared to the corresponding periods last year.

As a result of lower profits from operations, profit before taxation of S\$68.9 million in 3Q2018 and S\$223.3 million in the nine-month period were lower by S\$11.9 million and S\$45.2 million YoY respectively. Correspondingly, taxation expenses for 3Q2018 and nine-month period were lower at S\$10.9 million and S\$38.3 million respectively.

2. BUSINESS REVIEW

Mobile Services

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)			
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Mobile revenue	213.6	223.1	(9.5)	(4.2)	630.2	672.5	(42.3)	(6.3)

	Quarter ended / As of			9 Months ended / As of		YoY
	30 Sep 2018	30 Jun 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017	Incr / (Decr)
Mobile operating statistics	(Restated)			(Restated)		%
Number of registered customers (in thousands)						
Post-paid	1,385	1,376	1,362	1,385	1,362	1.7
Pre-paid	836	882	895	836	895	(6.5)
Total	2,221	2,258	2,256	2,221	2,256	(1.6)
Monthly minutes of use per registered customer						
Post-paid	179	181	186	181	187	(3.0)
Pre-paid	119	109	130	113	143	(21.0)
ARPU with IDD included (S\$ per month) ⁽¹⁾						
Post-paid	44	45	48	44	48	(7.7)
Pre-paid	14	13	14	13	15	(11.0)
Average smartphone data usage (GB)	5.9	5.5	4.5	5.4	4.1	32.2
Average monthly churn rate (post-paid) ⁽²⁾	1.0%	1.1%	1.6%	1.0%	1.2%	-
Singapore mobile penetration ⁽³⁾	147.7%	147.8%	149.2%	147.7%	149.2%	-
Market Share ⁽³⁾	26.7%	27.1%	26.9%	26.7%	26.9%	-

Note:

(1) Comparatives have been restated to take into account the retrospective adjustments relating to SFRS(I) 15

(2) Change in computation basis from end subscriber base to average end subscriber base

(3) Based on latest published statistics

Overall Mobile service revenue of S\$213.6 million in 3Q2018 was S\$9.5 million lower YoY, while Mobile service revenue for the nine-month period was S\$42.3 million lower YoY. The decrease was attributed to lower IDD, voice and data usage revenue, lower subscription revenue due to higher phone subsidy given to customers, and a higher mix of SIM-Only plans. This was partially mitigated by higher revenue from roaming and mobile value-added services (VAS).

Post-paid mobile services

As of 30 September 2018, post-paid mobile subscriber base stood at 1,385,000 after the quarter's net add of 9,000 subscribers. Compared to a year ago, post-paid customer base increased by 23,000 customers or 1.7%.

Post-paid mobile ARPU of S\$44 in both 3Q2018 and nine-month period was S\$4 lower compared to the corresponding periods last year, mainly due to lower excess data usage revenue from higher take-up of DataJump and free unlimited weekend data plans, higher mix of SIM-Only plans and higher proportion of revenue allocated to equipment revenue and recognised in prior periods. The overall average smartphone data usage increased YoY for both 3Q2018 and nine-month period to 5.9 GB and 5.4 GB respectively.

Post-paid mobile monthly average churn rate was 1.0% for both 3Q2018 and nine-month period.

Pre-paid mobile services

As of 30 September 2018, pre-paid mobile customer base was 836,000 after the quarter's net churn of 46,000 customers. Compared to a year ago, pre-paid customer base decreased by 59,000 customers. The decline was due to a lower tourist and foreign worker base.

Pre-paid mobile ARPU of S\$14 for 3Q2018 and S\$13 for the nine-month period was lower due to lower voice and IDD usage.

Pay TV Services

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)			
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Pay TV revenue	74.6	86.8	(12.2)	(14.1)	240.0	265.4	(25.4)	(9.6)

Pay TV operating statistics	Quarter ended / As of			9 Months ended / As of		YoY Incr / (Decr) %
	30 Sep 2018	30 Jun 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017	
	(Restated)			(Restated)		
Number of residential Pay TV customers (in thousands)	423	438	467	423	467	(9.4)
ARPU (S\$ per month) ⁽¹⁾	47	53	51	50	51	(2.1)
Average monthly churn rate ⁽²⁾	1.4%	1.1%	0.9%	1.1%	0.9%	-

Note:

(1) Comparatives have been restated to take into account the retrospective adjustments relating to SFRS(I) 15

(2) Change in computation basis from end subscriber base to average end subscriber base

Pay TV service revenue of S\$74.6 million in 3Q2018 and S\$240.0 million in the nine-month period were 14.1% and 9.6% lower YoY respectively. The decrease was mainly due to lower subscriber base.

As of 30 September 2018, Pay TV households stood at 423,000 after the quarter's net churn of 15,000 households. Compared to a year ago, Pay TV households were lower by 44,000 or 9.4%.

Monthly average churn for 3Q2018 was at 1.4% and 1.1% for the nine-month period.

Pay TV ARPU of S\$47 in 3Q2018 and S\$50 in the nine-month period was lower YoY mainly due to rebates given to customers for the cessation of certain channels this year.

Broadband Services

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)			
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Broadband revenue	46.8	46.4	0.4	0.8	140.1	139.7	0.5	0.3

Broadband operating statistics	Quarter ended / As of			9 Months ended / As of		YoY Incr / (Decr) %
	30 Sep 2018	30 Jun 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017	
	(Restated)			(Restated)		
Number of residential broadband customers - subscription-based (in thousands)	473	471	466	473	466	1.6
Number of fibre broadband customers - subscription-based (in thousands)	403	393	376	403	376	7.1
ARPU (S\$ per month) ⁽¹⁾	32	32	32	32	32	(0.8)
Average monthly churn rate ^{(2) (3)}	1.0%	0.9%	1.1%	0.9%	1.0%	-

Note:

- (1) Comparatives have been restated to take into account the retrospective adjustments relating to SFRS(I) 15
(2) Change in computation basis from end subscribers base to average end subscriber base
(3) Broadband churn has been restated due to reclassification between voluntary and involuntary churn

Broadband service revenue of S\$46.8 million in 3Q2018 and S\$140.1 million in the nine-month period remained stable compared to the corresponding periods last year.

Broadband ARPU remained stable at S\$32 for both 3Q2018 and the nine-month period compared to the corresponding periods last year.

Broadband average monthly churn was at 1.0% for 3Q2018 and 0.9% for the nine-month period.

Enterprise Fixed Services

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2018	2017	Incr / (Decr)		2018	2017	Incr/ (Decr)	
	(Restated)				(Restated)			
Enterprise Fixed revenue	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Data & Internet ⁽¹⁾	71.9	74.1	(2.2)	(3.0)	218.9	220.3	(1.3)	(0.6)
Managed services ⁽¹⁾	41.6	23.4	18.2	77.5	118.5	54.4	64.1	117.8
Voice services ⁽²⁾	11.1	12.8	(1.6)	(12.8)	27.1	35.3	(8.2)	(23.1)
Total	124.6	110.3	14.3	13.0	364.6	310.0	54.6	17.6

Note:

- (1) The revenue for managed services has been excluded from Data & Internet and is shown as a separate item. Managed services include Analytics, Cloud, ICT solutions, Facility Management and Cyber Security services
- (2) Comparatives for Voice services have been restated to take into account the retrospective adjustments relating to SFRS(I) 15 affecting Digital Voice which is part of the HomeHub bundle

Enterprise Fixed service revenue increased by S\$14.3 million or 13.0% and S\$54.6 million or 17.6% YoY in 3Q2018 and the nine-month period respectively. The growth in revenue was contributed by higher revenue from Managed services, partially offset by decrease in revenue from international connection and international voice revenue. Excluding Ensign (Systems) and D'Crypt, Enterprise Fixed service revenue would have increased by 4.5% and 4.1% for 3Q2018 and nine-month period respectively.

Data & Internet service revenue in 3Q2018 and nine-month period was lower due to renewal of domestic leased circuits at lower market rate.

The growth in Managed services revenue was largely contributed by higher demand for cyber security, cloud, cryptographic and digital security solutions. Managed services revenue includes revenue from Ensign (Systems) and D'Crypt.

Voice service revenue for 3Q2018 and nine-month period was lower by 12.8% and 23.1% YoY as a result of lower domestic and international traffic usage.

3. GROUP CASH FLOW STATEMENT

	Quarter ended 30 Sep		Nine Months ended 30 Sep	
	2018	2017 (Restated)	2018	2017 (Restated)
	S\$m	S\$m	S\$m	S\$m
Operating Activities				
Profit before taxation	68.9	80.7	223.3	268.5
Adjustments for :				
Depreciation and amortisation, net of asset grants	71.4	74.5	212.9	209.3
Income related grants	-	(3.0)	(0.6)	(3.7)
Share-based payments	1.3	2.3	(0.5)	0.7
Net finance costs	6.5	6.2	19.5	19.9
Non-operating loss	-	0.7	-	0.7
Share of loss of associate, net of tax	0.2	0.8	0.7	1.9
Others	0.6	0.7	0.9	1.1
Operating cash flow before working capital changes	148.9	162.9	456.2	498.4
Changes in operating assets and liabilities	34.1	41.6	(9.5)	20.1
Income tax paid	(31.0)	(31.9)	(68.9)	(65.0)
Net cash from operating activities	152.0	172.5	377.8	453.6
Investing Activities				
Interest received	0.7	0.4	2.1	1.7
Proceeds from disposal of property, plant and equipment and intangible assets	0.1	0.1	0.3	0.4
Purchase of property, plant and equipment and intangible assets	(72.7)	(52.4)	(189.5)	(200.6)
Purchase of available-for-sale financial assets	-	(15.0)	-	(15.0)
Acquisition of subsidiary, net of cash acquired	-	(22.6)	(56.6)	(22.6)
Repayment of loan from an associate	-	-	-	1.1
Net cash used in investing activities	(71.9)	(89.5)	(243.6)	(235.0)
Financing Activities				
Net proceeds from issue of perpetual capital securities	-	-	-	199.6
Grants received	-	3.1	1.6	6.6
Repayment of bank loans	-	(10.0)	-	(10.0)
Dividend paid to owners of the Company	(69.2)	(69.2)	(207.7)	(224.7)
Perpetual capital securities distribution paid	-	-	(3.9)	-
Interest paid	(5.7)	(5.6)	(20.3)	(20.9)
Net cash used in financing activities	(75.0)	(81.6)	(230.3)	(49.5)
Net change in cash and cash equivalents	5.1	1.4	(96.1)	169.1
Cash and cash equivalents at beginning of the period	244.0	452.9	345.2	285.2
Cash and cash equivalents at end of the period	249.1	454.3	249.1	454.3
Cash and cash equivalents comprise:				
Cash and bank balances	249.6	454.3	249.6	454.3
Restricted cash	(0.5)	-	(0.5)	-
	249.1	454.3	249.1	454.3

The Group's 3Q2018 net cash from operating activities of S\$152.0 million was S\$20.5 million lower YoY. Net cash from operating activities for nine-month period of S\$377.8 million was S\$75.8 million lower YoY. The decrease in 3Q2018 was largely due to higher working capital needs and lower cash flow from operations, partially offset by lower income tax paid. For nine-month period, the decrease was primarily due to higher working capital needs, lower cash flow from operations and higher income tax paid.

The positive working capital changes of S\$34.1 million in 3Q2018 was primarily attributed to lower contract assets, higher trade payables and accruals, offset by higher inventory balances. For nine-month period, the negative working capital changes of S\$9.5 million was primarily attributed to lower trade payables and accruals and higher trade receivables, offset by lower inventory balance, lower contract assets and lower other receivables, deposits and prepayments.

Net cash used in investing activities decreased by S\$17.6 million to S\$71.9 million in 3Q2018, mainly due to higher CAPEX payments, partially offset by investments made in July 2017 for mm2 and Ensign (Systems). For nine-month period, the net cash flow used in investing activities of S\$243.6 million was S\$8.6 million higher YoY mainly due to investment made in January 2018 for D'Crypt, partially offset by lower CAPEX payments.

The Group's CAPEX payments amounted to S\$72.7 million in 3Q2018 and S\$189.5 million in the nine-month period, representing 12.5% and 10.9% of total revenue respectively. CAPEX payments for 3Q2018 and the nine-month period were higher by S\$20.3 million and lower by S\$11.1 million YoY respectively. 1Q2018 CAPEX payments included S\$31.6 million of payment for a building in Tai Seng for Nucleus Connect. Excluding the purchase of this building, CAPEX payments for nine-month period would have amounted to S\$157.9 million or 9.1% of total revenue.

Free cash flow was lower YoY at S\$79.3 million in 3Q2018 primarily due to lower cash from operating activities coupled with higher CAPEX payments. For the nine-month period, free cash flow was lower YoY at S\$188.3 million as a result of lower cash from operating activities, partially offset by lower CAPEX payments.

Net cash used in financing activities was lower YoY at S\$75.0 million in 3Q2018 due to lower receipts of grants and lower repayment of bank loans. For the nine-month period, net cash used in financing activities was higher YoY at S\$230.3 million 2017 as no funds were raised in 2018.

The resulting net cash generated was a surplus of S\$5.1 million in 3Q2018 and deficit of S\$96.1 million in the nine-month period, leading to a lower cash and cash equivalents balance (excluding restricted cash) of S\$249.1 million.

Capital expenditure commitments

As of 30 September 2018, the Group's total outstanding capital expenditure commitments amounted to S\$500.0 million, including the outstanding commitments for 4G spectrum rights of S\$282.0 million.

4. STATEMENT OF FINANCIAL POSITION

	Group		Company	
	30 Sep 18	31 Dec 17 (Restated)	30 Sep 18	31 Dec 17 (Restated)
	S\$m	S\$m	S\$m	S\$m
Non-current assets				
Property, plant and equipment	877.1	870.1	463.3	425.2
Intangible assets	595.4	557.6	98.3	92.3
Subsidiaries	-	-	3,169.5	3,112.1
Associate	23.0	23.7	27.8	27.8
Available-for-sale financial assets	-	60.0	-	60.0
Investment in fair value through other comprehensive income	44.0	-	44.0	-
Amount due from related parties	8.1	7.9	8.1	7.9
Contract assets	64.9	76.7	0.4	1.0
Contract costs	4.9	5.8	0.5	0.4
	1,617.4	1,601.9	3,811.8	3,726.7
Current assets				
Inventories	54.9	71.9	0.7	0.7
Contract assets	290.3	285.0	22.4	18.4
Contract costs	16.7	18.3	1.3	1.6
Trade receivables	223.4	201.5	179.1	167.7
Other receivables, deposits and prepayments	77.5	87.4	37.2	30.9
Amount due from related parties	25.0	24.9	133.5	21.6
Cash and bank balances	249.6	345.2	228.4	321.1
	937.3	1,034.2	602.6	561.9
Less:				
Current Liabilities				
Contract liabilities	69.0	78.6	21.9	21.0
Trade and other payables	589.0	625.0	305.3	313.1
Amount due to related parties	71.6	64.8	541.2	334.3
Borrowings	120.1	120.0	120.0	120.0
Provision for taxation	100.1	125.5	23.4	21.0
	949.8	1,013.8	1,011.8	809.4
Net current (liabilities)/assets	(12.5)	20.4	(409.2)	(247.5)
Non-current liabilities				
Contract liabilities	32.0	22.5	32.0	22.5
Borrowings	858.4	857.5	857.5	857.5
Deferred income	0.5	0.9	0.5	0.9
Deferred tax liabilities	132.9	135.4	74.7	73.9
	1,023.8	1,016.3	964.7	954.8
Net assets	581.1	606.0	2,437.9	2,524.4
Shareholders' equity				
Share capital	299.7	299.7	299.7	299.7
Perpetual Capital Securities	201.9	199.9	201.9	199.9
Reserves	64.5	102.0	1,936.4	2,024.8
Equity attributable to owners of the Company	566.0	601.6	2,437.9	2,524.4
Non-controlling interests	15.1	4.4	-	-
Total equity	581.1	606.0	2,437.9	2,524.4

GROUP BALANCE SHEET REVIEW

As of 30 September 2018, the Group's total non-current assets of S\$1,617.4 million was S\$15.5 million higher when compared to S\$1,601.9 million as of 31 December 2017. The increase was primarily due to higher property, plant and equipment and intangible assets. This was partially offset by the decrease in contract assets and available-for-sale financial assets.

Total current assets as of 30 September 2018 decreased by S\$96.9 million to S\$937.3 million mainly from a decrease in cash and cash equivalents, inventories and other receivables. This was partially offset by the increase in trade receivables and contract assets.

Total current liabilities decreased by S\$64.0 million to S\$949.8 million as of 30 September 2018. The lower current liabilities were primarily due to lower trade and other payables and provision for taxation.

The increase in total non-current liabilities by S\$7.5 million to S\$1,023.8 million as of 30 September 2018 was primarily due to higher contract liabilities, partially offset by lower deferred tax liabilities.

The Group's shareholders' equity decreased by S\$35.6 million to S\$566.0 million as of 30 September 2018 (excluding non-controlling interests of S\$15.1 million). The decrease was mainly due to lower retained profits.

In January 2018, the Group acquired 65.0% of the issued share capital of D'Crypt. D'Crypt is a cryptography and digital security company that provides leading edge cryptographic technology for high security applications, systems and products. The non-controlling interests represent the balance of 35.0% equity in D'Crypt, in addition to the 19.6% equity in Ensign (Systems). As of 3Q2018, the Group accrued S\$2.3 million perpetual securities distribution.

5. GROUP UNSECURED BORROWINGS

	30 Sep 18 S\$m	31 Dec 17 S\$m
Unsecured borrowings		
Amount repayable in one year or less		
Bank loans	120.1	120.0
	120.1	120.0
Amount repayable after one year		
Bank loans	338.4	337.5
Medium term notes	520.0	520.0
	858.4	857.5
Total	978.4	977.5

The Group's unsecured borrowings was higher by S\$0.9 million at S\$978.4 million as of 30 September 2018.

On account of a lower cash and cash equivalent balance, net debt was S\$96.5 million higher at S\$728.8 million as of 30 September 2018 compared to S\$632.3 million as of 31 December 2017. As a ratio of the past 12 months' EBITDA, the Group's net debt was higher at 1.22 times as of 30 September 2018, up from 0.98 times as of 31 December 2017.

6. STATEMENT OF CHANGES IN EQUITY

Group	Share capital S\$m	Perpetual Capital Securities S\$m	Treasury shares S\$m	Merger/ Capital reserve S\$m	Goodwill written off S\$m	Share- based payment reserve S\$m	Fair value reserve S\$m	Hedging reserve S\$m	Translation reserve S\$m	Retained profits S\$m	Total Reserves S\$m	Non- controlling interests S\$m	Total equity S\$m
At 1 Jan 2018 - As previously reported	299.7	199.9	(8.2)	-	(276.3)	13.0	18.1	(10.1)	1.4	103.0	(159.1)	4.4	344.9
Effects of the adoption of SFRS (I) 15	-	-	-	-	-	-	-	-	-	261.0	261.0	-	261.0
At 1 Jan 2018, restated	299.7	199.9	(8.2)	-	(276.3)	13.0	18.1	(10.1)	1.4	364.0	102.0	4.4	606.0
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	124.7	124.7	2.3	127.0
Other comprehensive income													
Foreign currency translation differences	-	-	-	-	-	-	-	-	(0.0)	-	(0.0)	-	(0.0)
Effective portion of changes in fair value of cash flow hedge (net of taxation)	-	-	-	-	-	-	8.9	-	-	-	8.9	-	8.9
Net change in fair value of equity investment through other comprehensive income	-	-	-	-	-	-	(9.7)	-	-	-	(9.7)	-	(9.7)
Total comprehensive income for the period	-	-	-	-	-	-	(9.7)	8.9	(0.0)	124.7	123.9	2.3	126.2
Transactions with equity holders of the Company, recognised directly in equity													
<i>Contributions by and distributions to equity holders of the Company</i>													
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	7.3	7.3
Share-based payments expenses	-	-	-	-	-	(1.7)	-	-	-	-	(1.7)	-	(1.7)
Accrued perpetual securities distribution	-	3.9	-	-	-	-	-	-	-	(3.3)	(3.3)	-	0.7
Perpetual securities distribution paid	-	(3.9)	-	-	-	-	-	-	-	-	-	-	(3.9)
Transfer from treasury shares to share-based payments reserve	-	-	5.2	-	-	(5.1)	-	-	-	-	0.1	-	0.1
Tax impact on transfer of treasury shares	-	-	-	-	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
Dividends paid	-	-	-	-	-	-	-	-	-	(138.4)	(138.4)	-	(138.4)
Total transactions with equity holders of the Company	-	(0.0)	5.2	-	-	(7.0)	-	-	-	(141.7)	(143.5)	7.3	(136.2)
At 30 Jun 2018	299.7	199.9	(3.0)	-	(276.3)	6.0	8.4	(1.2)	1.3	347.0	82.3	14.0	596.0
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	57.0	57.0	1.0	58.0
Other comprehensive income													
Foreign currency translation differences	-	-	-	-	-	-	-	-	(0.0)	-	(0.0)	-	(0.0)
Effective portion of changes in fair value of cash flow hedge (net of taxation)	-	-	-	-	-	-	1.1	-	-	-	1.1	-	1.1
Net change in fair value of equity investment through other comprehensive income	-	-	-	-	-	-	(6.3)	-	-	-	(6.3)	-	(6.3)
Total comprehensive income for the period	-	-	-	-	-	-	(6.3)	1.1	(0.0)	57.0	51.7	1.0	52.8
Transactions with equity holders of the Company, recognised directly in equity													
<i>Contributions by and distributions to equity holders of the Company</i>													
Share-based payments expenses	-	-	-	-	-	1.3	-	-	-	-	1.3	-	1.3
Accrued perpetual securities distribution	-	2.0	-	-	-	-	-	-	-	(1.7)	(1.7)	-	0.3
Dividends paid	-	-	-	-	-	-	-	-	-	(69.2)	(69.2)	-	(69.2)
Total transactions with equity holders of the Company	-	2.0	-	-	-	1.3	-	-	-	(70.9)	(69.6)	-	(67.6)
At 30 Sep 2018	299.7	201.9	(3.0)	-	(276.3)	7.3	2.1	(0.2)	1.3	333.1	64.4	15.1	581.1

6. STATEMENT OF CHANGES IN EQUITY (CONT'D)

Group	Share capital S\$m	Perpetual Capital Securities S\$m	Treasury shares S\$m	Goodwill written off S\$m	Share-based payment reserve S\$m	Fair value reserve S\$m	Hedging reserve S\$m	Translation reserve S\$m	Retained profits S\$m	Total Reserves S\$m	Non- controlling interest S\$m	Total equity S\$m
At 1 Jan 2017 - As previously reported	299.7	-	(12.3)	(276.3)	14.1	12.5	4.5	1.2	151.4	(104.8)	-	194.9
Adjustment to opening balance	-	-	-	-	-	-	-	-	237.1	237.1	-	237.1
At 1 Jan 2017, restated	299.7	-	(12.3)	(276.3)	14.1	12.5	4.5	1.2	388.5	132.3	-	431.9
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	155.8	155.8	-	155.8
Other comprehensive income												
Foreign currency translation differences	-	-	-	-	-	-	-	0.1	-	0.1	-	0.1
Effective portion of changes in fair value of cash flow hedge (net of taxation)	-	-	-	-	-	-	(10.2)	-	-	(10.2)	-	(10.2)
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	9.3	-	-	-	9.3	-	9.3
Total comprehensive income for the period	-	-	-	-	-	9.3	(10.2)	0.1	155.8	154.9	-	154.9
Transactions with equity holders of the Company, recognised directly in equity												
<i>Contributions by and distributions to equity holders of the Company</i>												
Issue of perpetual capital securities	-	199.6	-	-	-	-	-	-	-	-	-	199.6
Share-based payments expenses	-	-	-	-	(1.6)	-	-	-	-	(1.6)	-	(1.6)
Transfer from treasury shares to share-based payments reserve	-	-	3.7	-	(3.7)	-	-	-	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	-	(0.4)	-	-	-	-	(0.4)	-	(0.4)
Dividends paid	-	-	-	-	-	-	-	-	(155.6)	(155.6)	-	(155.6)
Total transactions with equity holders of the Company	-	199.6	3.7	-	(5.7)	-	-	-	(155.6)	(157.5)	-	42.0
At 30 Jun 2017, restated	299.7	199.6	(8.6)	(276.3)	8.4	21.8	(5.7)	1.3	388.7	129.6	-	628.9
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	-	65.4	65.4	0.4	65.7
Other comprehensive income												
Effective portion of changes in fair value of cash flow hedge (net of taxation)	-	-	-	-	-	-	(2.0)	-	-	(2.0)	-	(2.0)
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	(5.9)	-	-	-	(5.9)	-	(5.9)
Total comprehensive income for the period	-	-	-	-	-	(5.9)	(2.0)	-	65.4	57.4	0.4	57.8
Transactions with equity holders of the Company, recognised directly in equity												
<i>Contributions by and distributions to equity holders of the Company</i>												
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	-	-	-	2.2	2.2
Share-based payments expenses	-	-	-	-	2.3	-	-	-	-	2.3	-	2.3
Accrued perpetual securities distribution	-	2.3	-	-	-	-	-	-	(2.3)	(2.3)	-	-
Perpetual securities distribution paid	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from treasury shares to share-based payments reserve	-	-	0.4	-	(0.4)	-	-	-	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	-	0.0	-	-	-	-	0.0	-	0.0
Dividends paid	-	-	-	-	-	-	-	-	(69.2)	(69.2)	-	(69.2)
Total transactions with equity holders of the Company	-	2.3	0.4	-	1.9	-	-	-	(71.5)	(69.1)	2.2	(64.6)
At 30 Sep 2017, restated	299.7	201.9	(8.2)	(276.3)	10.4	15.9	(7.7)	1.3	382.6	117.9	2.6	622.1

6. STATEMENT OF CHANGES IN EQUITY (CONT'D)

Company	Share capital S\$m	Perpetual Capital Securities S\$m	Treasury shares S\$m	Merger/ Capital reserve S\$m	Share- based payment reserve S\$m	Fair value reserve S\$m	Retained profits S\$m	Total Reserves S\$m	Total equity S\$m
At 1 Jan 2018 - As previously reported	299.7	199.9	(8.2)	276.5	13.0	18.1	1,119.5	1,419.0	1,918.6
Effects of the adoption of SFRS (I) 1	-	-	-	(276.5)	-	-	882.4	605.9	605.9
At 1 Jan 2018, restated	299.7	199.9	(8.2)	0.0	13.0	18.1	2,001.8	2,024.8	2,524.3
<u>Total comprehensive income for the period</u>									
Profit for the period	-	-	-	-	-	-	103.0	103.0	103.0
Other comprehensive income									
Net change in fair value of equity investment through comprehensive income	-	-	-	-	-	(9.7)	-	(9.7)	(9.7)
Total comprehensive income for the period	-	-	-	-	-	(9.7)	103.0	93.3	93.3
<u>Transactions with equity holders of the Company, recognised directly in equity</u>									
<i>Contributions by and distributions to equity holders of the Company</i>									
Share-based payments expenses	-	-	-	-	(1.7)	-	-	(1.7)	(1.7)
Accrued perpetual securities distribution	-	3.9	-	-	-	-	(3.3)	(3.3)	0.7
Perpetual securities distribution paid	-	(3.9)	-	-	-	-	-	-	(3.9)
Transfer from treasury shares to share-based payments reserve	-	-	5.2	-	(5.1)	-	-	0.1	0.1
Tax impact on transfer of treasury shares	-	-	-	-	(0.2)	-	-	(0.2)	(0.2)
Dividends paid	-	-	-	-	-	-	(138.4)	(138.4)	(138.4)
Total transactions with equity holders of the Company	-	(0.0)	5.2	-	(7.0)	-	(141.7)	(143.5)	(143.5)
At 30 Jun 2018	299.7	199.9	(3.0)	0.0	6.0	8.4	1,963.1	1,974.5	2,474.1
<u>Total comprehensive income for the period</u>									
Profit for the period	-	-	-	-	-	-	37.7	37.7	37.7
Other comprehensive income									
Net change in fair value of equity investment through comprehensive income	-	-	-	-	-	(6.3)	-	(6.3)	(6.3)
Total comprehensive income for the period	-	-	-	-	-	(6.3)	37.7	31.4	31.4
<u>Transactions with equity holders of the Company, recognised directly in equity</u>									
<i>Contributions by and distributions to equity holders of the Company</i>									
Share-based payments expenses	-	-	-	-	1.3	-	-	1.3	1.3
Accrued perpetual securities distribution	-	2.0	-	-	-	-	(1.7)	(1.7)	0.3
Dividends paid	-	-	-	-	-	-	(69.2)	(69.2)	(69.2)
Total transactions with equity holders of the Company	-	2.0	-	-	1.3	-	(70.9)	(69.6)	(67.6)
At 30 Sep 2018	299.7	201.9	(3.0)	0.0	7.3	2.1	1,930.0	1,936.4	2,437.9

6. STATEMENT OF CHANGES IN EQUITY (CONT'D)

Company	Share capital S\$m	Perpetual Capital Securities S\$m	Treasury shares S\$m	Merger/ Capital reserve S\$m	Share-based payment reserve S\$m	Fair value reserve S\$m	Hedging reserve S\$m	Retained profits S\$m	Total Reserves S\$m	Total equity S\$m
At 1 Jan 2017 - As previously reported	299.7	-	(12.3)	276.5	14.1	12.5	(0.0)	1,143.1	1,434.0	1,733.7
Effects of the adoption of SFRS (I) 1	-	-	-	(276.5)	-	-	-	880.8	604.3	604.3
Effects of the adoption of SFRS (I) 15	-	-	-	-	-	-	-	2.3	2.3	2.3
At 1 Jan 2017, restated	299.7	-	(12.3)	0.0	14.1	12.5	(0.0)	2,026.2	2,040.5	2,340.2
<u>Total comprehensive income for the period</u>										
Profit for the period	-	-	-	-	-	-	-	112.4	112.4	112.4
Other comprehensive income										
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	9.2	-	-	9.2	9.2
Total comprehensive income for the period	-	-	-	-	-	9.2	-	112.4	121.7	121.7
<u>Transactions with equity holders of the Company, recognised directly in equity</u>										
<i>Contributions by and distributions to equity holders of the Company</i>										
Issue of perpetual capital securities	-	199.6	-	-	-	-	-	-	-	199.6
Share-based payments expenses	-	-	-	-	(1.6)	-	-	-	(1.6)	(1.6)
Transfer from treasury shares to share-based payments reserve	-	-	3.7	-	(3.7)	-	-	-	0.0	0.0
Tax impact on transfer of treasury shares	-	-	-	-	(0.4)	-	-	-	(0.4)	(0.4)
Dividends paid	-	-	-	-	-	-	-	(155.6)	(155.6)	(155.6)
Total transactions with equity holders of the Company	-	199.6	3.7	-	(5.8)	-	-	(155.6)	(157.6)	41.9
At 30 Jun 2017, restated	299.7	199.6	(8.6)	0.0	8.4	21.8	(0.0)	1,983.0	2,004.5	2,503.8
<u>Total comprehensive income for the period</u>										
Profit for the period	-	-	-	-	-	-	-	39.5	39.5	39.5
Other comprehensive income										
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	(5.9)	-	-	(5.9)	(5.9)
Total comprehensive income for the period	-	-	-	-	-	(5.9)	-	39.5	33.6	33.6
<u>Transactions with equity holders of the Company, recognised directly in equity</u>										
<i>Contributions by and distributions to equity holders of the Company</i>										
Share-based payments expenses	-	-	-	-	2.3	-	-	-	2.3	2.3
Accrued perpetual securities distribution	-	2.3	-	-	-	-	-	(2.3)	(2.3)	-
Transfer from treasury shares to share-based payments reserve	-	-	0.4	-	(0.4)	-	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	-	0.0	-	-	-	0.0	0.0
Dividends paid	-	-	-	-	-	-	-	(69.2)	(69.2)	(69.2)
Total transactions with equity holders of the Company	-	2.3	0.4	-	1.9	-	-	(71.5)	(69.1)	(66.8)
At 30 Sep 2017, restated	299.7	201.9	(8.2)	0.0	10.3	15.9	(0.0)	1,951.1	1,969.0	2,470.6

7. CHANGES IN COMPANY'S SHARE CAPITAL

Share Capital

As of 30 September 2018, the share capital of the Company was at S\$299.7 million (31 December 2017: S\$299.7 million) comprising 1,730,698,702 (31 December 2017: 1,729,063,932) issued ordinary shares (excluding treasury shares).

Treasury Shares

The treasury share balance as of 30 September 2018 was S\$3.0 million (30 September 2017: S\$8.2 million) comprising 952,741 (30 September 2017: 2,587,511) ordinary shares.

Issue of new shares

For 3Q2018, there was no new issue of ordinary shares.

Subsidiary holdings

As at 30 September 2018, none of the Company's subsidiaries held any shares in the Company (30 September 2017: Nil).

Perpetual Capital Securities

In 2Q2017, the Company issued subordinated perpetual capital securities with an aggregate principal amount of S\$200.0 million. The perpetual capital securities may be redeemed at the option of the Company, in whole, but not in part, on 16 June 2022 or on any Distribution Payment Date thereafter and otherwise upon the occurrence of certain redemption events as defined in the offering circular.

Such perpetual capital securities bear distributions at a rate of 3.95% per annum, with the first distribution rate reset falling on 16 June 2027 and subsequent resets occurring every 10 years thereafter. The distribution rate will be subject to a step-up of 1% per annum from 16 June 2027.

The distribution will be payable semi-annually in arrears on a discretionary basis and will be cumulative and compounding in accordance with the terms and conditions of the offering circular.

As of 30 September 2018, the Group had an accrued balance of S\$2.3 million for perpetual capital securities distribution due in December 2018.

Outstanding Shares – Share-Based Plans

Performance Share Plans

As of 30 September 2018, the outstanding balance of conditional awards under the Performance Share Plans was 1,767,401 (30 September 2017: 2,242,367) ordinary shares.

Restricted Stock Plans

As of 30 September 2018, the outstanding balance of conditional awards under the Restricted Stock Plans was 3,318,725 (30 September 2017: 5,073,755) ordinary shares.

8. AUDIT

The financial statements have not been audited or reviewed.

9. AUDITORS' REPORT

Not applicable.

10. ACCOUNTING POLICIES

The Group and Company have applied the same accounting policies and methods of computation in the financial statements for the current financial period consistent with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of all applicable new and revised Singapore Financial Reporting Standards (International), ("SFRS(I)") and Interpretations of SFRS(I) ("INT SFRS(I)") which became effective from annual periods beginning on or after 1 January 2018.

The application of the new and revised standards and interpretations has no material effect on the financial statements, except as described below:

a) SFRS(I) 1 First-time Adoption of SFRS(I)

i) Investments in subsidiaries at deemed cost

The Group, through its "Hubbing" strategy, operates and delivers its Mobile, Pay TV, Broadband and Enterprise Fixed services on an operationally integrated network, customer service, sales, marketing and administration support. However, the cost of investment in subsidiaries held by the Company is not reflective of the underlying business value of the respective subsidiaries. As such, the Company adopted optional exemption under SFRS(I) 1 to use fair value of its subsidiaries as the deemed cost as of the date of transition. The Company's carrying value of investments in subsidiaries increased with a corresponding increase in retained earnings as of 1 January 2017.

ii) Merger/capital reserve

The Company's merger/capital reserve arose from the acquisition of StarHub Cable Vision Ltd. ("SCV") in 2002. The Company has transferred the merger/capital reserve to retained earnings upon adoption of SFRS(I).

b) SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 provides a five-step model for revenue recognition arising from contracts with customers which requires revenue to be recognised at an amount that reflects the consideration which an entity expects to be entitled to in exchange for transferring goods or services to a customer. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

Under SFRS(I) 15, the Group has identified deliverables in contracts with customers (including variable considerations and material rights) that qualify as performance obligations. Revenue is allocated to each individual element at “fair value” within a customer’s contract, including the sales of equipment. As a portion of service revenue is allocated to equipment revenue, service revenue is lower while sales of equipment revenue is higher compared to the previous accounting treatment. Total assets increased as sales of equipment revenue is recognised at the start of the contract when the equipment is transferred to the customer. In addition, certain incremental costs incurred in acquiring a contract with a customer are deferred on the balance sheet and amortised as revenue is recognised under the related contract.

SFRS(I) 15 also requires reclassification of some items previously presented as accrued revenue and unearned revenue as contract assets and contract liabilities respectively. Contract liabilities are then netted off against contract assets on a contract-by-contract basis.

This new standard has superseded all previous revenue recognition requirements under Singapore Financial Reporting Standards (FRS). A full retrospective application has been applied in alignment with SFRS(I) 1.

The effects of the transition to SFRS(I) are as follows:

Group	Quarter Ended 30 September 2017			Nine Months Ended 30 September 2017		
	As previously reported S\$m	SFRS (I) 15 Adjustments S\$m	As restated S\$m	As previously reported S\$m	SFRS (I) 15 Adjustments S\$m	As restated S\$m
GROUP INCOME STATEMENT						
Revenue	580.4	(15.2)	565.2	1,751.7	(28.0)	1,723.8
Operating expenses	(481.8)	2.1	(479.8)	(1,447.7)	11.2	(1,436.5)
Tax expense	(17.3)	2.3	(15.0)	(49.9)	2.9	(47.0)
GROUP COMPREHENSIVE INCOME STATEMENT						
Profit for the period	76.5	(10.8)	65.7	235.3	(13.8)	221.5
GROUP CASH FLOW STATEMENT						
Profit before taxation	93.9	(13.1)	80.7	285.2	(16.7)	268.5
Changes in working capital	28.5	13.1	41.6	3.4	16.7	20.1
REVENUE						
Mobile	297.0	(74.0)	223.1	895.9	(223.5)	672.5
Pay TV	85.7	1.1	86.8	262.0	3.4	265.4
Broadband	53.2	(6.8)	46.4	159.7	(20.1)	139.7
Enterprise Fixed	109.4	0.9	110.3	307.3	2.7	310.0
Sales of equipment	35.0	63.5	98.5	126.8	209.5	336.3

As at 31 December 2017	Group			Company			
	As previously reported	SFRS (I) 15 Adjustments	As restated	As previously reported	SFRS (I) 1 Adjustments	SFRS (I) 15 Adjustments	As restated
	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m	S\$m
STATEMENT OF FINANCIAL POSITION							
Non-current assets							
Subsidiaries	-	-	-	2,507.8	604.3	-	3,112.1
Contract assets	-	76.7	76.7	-	-	1.0	1.0
Contract costs	-	5.8	5.8	-	-	0.4	0.4
Current assets							
Contract assets	-	285.0	285.0	-	-	18.4	18.4
Contract costs	-	18.3	18.3	-	-	1.6	1.6
Other receivables, deposits and prepayments	183.5	(96.1)	87.4	47.2	-	(16.3)	30.9
Amount due from related parties	30.6	(5.7)	24.9	24.8	-	(3.1)	21.6
Current liabilities							
Contract liabilities	-	78.6	78.6	-	-	21.0	21.0
Trade and other payables	736.5	(111.6)	625.0	334.2	-	(21.1)	313.1
Provision for taxation	71.6	53.9	125.5	20.7	-	0.3	21.0
Non-current liabilities							
Contract liabilities	-	22.5	22.5	-	-	22.5	22.5
Trade and other payables	22.4	(22.4)	-	22.5	-	(22.5)	-
Deferred tax liabilities	133.4	2.0	135.4	73.9	-	-	73.9
Shareholders' equity							
Reserves	(159.1)	261.0	102.0	1,418.9	604.3	1.6	2,024.8

11. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Please refer to Note 10.

12. GROUP EARNINGS PER ORDINARY SHARE

	Quarter ended 30 Sep		Sep	
	2018	2017 (Restated)	2018	2017 (Restated)
Basic				
Earnings per share	3.2 cents	3.6 cents	10.2 cents	12.7 cents
Weighted average number of shares ('000)	1,730,698	1,729,064	1,729,955	1,728,697
Diluted				
Earnings per share	3.2 cents	3.6 cents	10.1 cents	12.6 cents
Weighted average number of shares ('000)	1,735,784	1,736,380	1,735,041	1,736,013

13. NET ASSET VALUE PER ORDINARY SHARE

	Group		Company	
	30 Sep	31 Dec (Restated)	30 Sep	31 Dec (Restated)
	2018	2017	2018	2017
Net asset value per share	32.7 cents	34.8 cents	140.9 cents	146.0 cents

14. ANY VARIANCE BETWEEN PROSPECT STATEMENT PREVIOUSLY DISCLOSED AND THE ACTUAL RESULTS

For nine-month period, the Group's service revenue was lower by 0.9% YoY. This was within our guidance of full year service revenue to be 1% to 3% lower YoY.

The Group's service EBITDA margin after SFRS(I) 15 adoption for 3Q2018 and nine-month period was 28.8% and 30.2% of service revenue respectively. This was within our full year guidance of between 27% to 29% of service revenue after SFRS(I) 15 adoption.

Total CAPEX payments in nine-month period amounted to S\$189.5 million or 10.9% of total revenue. Excluding the purchase of Nucleus Connect's building of S\$31.6 million, CAPEX payments in nine-month period amounted to S\$157.9 million or 9.1% of total revenue. This was below our guidance for 2018 CAPEX at 11% of total revenue (excluding spectrum and building payments).

15. GROUP OUTLOOK

In the Mobile business, mobile data and roaming VAS subscription will continue to be revenue drivers while voice and IDD are expected to continue to decline. With intensifying competition and customers having more MNOs and MVNOs to choose from, StarHub will continue to focus on larger data plans in line with customers' expectations. Value added services like SmartSupport, DataTravel and HappyRoam continue to be well-received.

For the Pay TV business, the focus remains on offering quality content, acquired based on the data analytics of customers' viewership preferences and migrating customers from cable TV to IPTV. StarHub will cease the provision of cable services after 30 June 2019. StarHub Go Streaming Box, powered by Android TV, was recently launched to offer curated OTT subscriptions. The challenges from piracy and alternative viewing options will continue.

For the Broadband business, sustained competition is expected due to the high broadband penetration in the market. StarHub differentiate itself by offering advanced Wi-Fi and mesh routers to enhance the experience of our customers.

The Enterprise Fixed Segment continues to garner steady growth with key wins in the SME, government, hospitality and FSI sectors for connectivity, data centre and cloud, managed security and networks services. The ICT expanded suite of services including IoT, AI and analytics and digital applications have seen increased take-up by customers. To address the burgeoning demand for cyber security solutions and expertise in Singapore and regionally, Ensign InfoSecurity Pte. Ltd. ("Ensign") will provide end-to-end specialist cyber security solutions for governments, large and small enterprises.

As of 4 October 2018, the Group and a Temasek wholly-owned subsidiary has formed a joint-venture company (Ensign InfoSecurity Pte. Ltd.) ("Ensign") from the merger of the Group's Cyber Security Centre of Excellence (COE), Ensign (Systems) and Ensign InfoSecurity (Cybersecurity) Pte. Ltd. (formerly known as Quann World Pte. Ltd.) Ensign aspires to be a global cyber security platform to address needs in both the Singapore and global market and expects to generate revenues in excess of S\$100 million annually. The Group has an effective economic interest of 60.0% in Ensign.

The Group had recently announced a strategic transformation plan to improve productivity, and speed in decision making as well as lower operating expenditure across the board. This will result in workforce reduction of approximately 300 full time employees. A one-off restructuring cost of approximately S\$25 million, which includes funding to support outplacement, training and coaching, will be incurred. Such cost will not have any impact on the Group's guidance for FY2018.

Based on the current outlook, the Group maintains its guidance of 2018 service revenue to be 1% to 3% lower YoY. Group service EBITDA margin is maintained at between 27% to 29% after the adoption of SFRS(I) 15. In 2018, CAPEX payment, excluding spectrum payment of S\$282.0 million and building payment of S\$31.6 million, remains at 11% of total revenue. The Group intends to pay a quarterly cash dividend of 4 cents per ordinary share for FY2018.

Some of the statements in this release constitute "forward-looking statements" that do not directly or exclusively relate to historical facts. These forward-looking statements reflect our current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from our intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained in this release with caution.

16. DIVIDENDS

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend Type	Cash; Tax exempt (1-tier) dividend
Dividend Amount	S\$0.04 per ordinary share
Tax Rate	Exempt (1-tier)

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim
Dividend Type	Cash; Tax exempt (1-tier) dividend
Dividend Amount	S\$0.04 per ordinary share
Tax Rate	Exempt (1-tier)

(c) Date payable

The interim dividend will be paid on 30 November 2018.

(d) Book closure date

Notice is hereby given that the Register of Members and the Transfer Books of the Company will be closed on 20 November 2018 ("Book Closure Date") for the purpose of determining members' entitlement to the interim dividend.

Duly completed registrable transfers received by the Company's share registrar, M & C Services Private Limited, 112 Robinson Road, #05-01, Singapore 068902 up to the close of the business at 5.00 p.m. on 19 November 2018 ("Entitlement Date") will be registered to determine members' entitlement to the interim dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as of 5.00 p.m. on the Entitlement Date will be entitled to the interim dividend.

17. IF NO DIVIDEND HAVE BEEN DECLARED/RECOMMENDED, A STATEMENT TO THAT EFFECT

Not applicable

18. INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S\$100,000) 1 Jul 2018 to 30 Sep 2018 S\$m
Transactions for the Sale of Goods & Services	
Capitaland Limited & its associates	0.5
Singapore Airlines Limited & its associates	0.4
Singapore Power Limited & its associates	0.3
Singapore Telecommunications Limited & its associates	4.3
TeleChoice International Ltd & its associates	24.3
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	1.2
	30.9
Transactions for the Purchase of Goods & Services	
SembCorp Industries Ltd & its associates	3.8
Singapore Telecommunications Limited & its associates	12.7
TeleChoice International Ltd & its associates	80.9
	97.4

19. NEGATIVE ASSURANCE CONFIRMATION

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the above unaudited financial results for the third quarter and nine months period ended 30 September 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Steven Terrell Clontz
Director

Nihal Vijaya Devadas Kaviratne
Director

Singapore
9 November 2018

20. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS

The Company confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual of Singapore Exchange Securities Trading Limited.