

**Company:** StarHub Limited  
**Title:** Quarterly Announcement - First Quarter 2014 Results  
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### Start of Transcript

Eric Loh: Good evening, ladies and gentlemen. Welcome to StarHub's first quarter 2014 results announcement. With us this evening we have the CEO of StarHub, Tan Tong Hai, along with the CFO, Nicholas Tan, as well as the CCO, Kevin Lim.

Now, before we go into the presentation proper - this is a bit of housekeeping. If you want to ask a question press star one, if you want to withdraw your question, press star two.

With that, let's welcome Tong Hai to give us the highlights of the first quarter's results.

Tan Tong Hai: Thanks, Eric. If you turn to slide five, you will see the overview of the first quarter performance. If you look at the financial figures, total revenue has decreased 2% while service revenue decreased 1%. EBITDA decreased 3% but our EBITDA margin is at 32.6%, higher than what we have guided at 32%.

Net profit after tax decreased 8%, mainly due to tax provision as well as less adoption grant from the fibre broadband adoption grant.

If you look at the operational stats, we had subscriber growth in all lines of business and low churn rates across all businesses. Our focus in the enterprise space continues to yield good results in the continued growth of the Mobile and Fixed Networks.

If you took a look at the stats, we have grown the subscribers so the main challenge, of course, is the intense competition. I will show you later on in the Broadband sector that has resulted in the drop in the service revenue.

Let me turn now to slide six to show you the key financial highlights. Total revenue is SGD571 million, dropped by 2%. But if you look at the EBITDA margin we are 32.6% versus 33.3%, still ahead of our guidance at 32%. Tax is higher at SGD21 million, SGD2 million higher than a year ago, and net profit after tax is lower because of less adoption grant and higher tax provision. CapEx is higher at SGD67 million but as a percentage of revenue it's at 12%, still within our guidance of 13%. Free cash flow is SGD0.06, higher than SGD0.053 a year ago. Net debt to EBITDA ratio is 0.42x.

If you turn now to chart number seven it will give you lots of details as to where the revenue contributions coming from, from the lines of business. If you look at the first line which is Mobile services the revenue mix is 53.6%. This is still by far the largest contributor followed by Pay TV at 16.4%. Fixed Network is 15.8% and Broadband 9.4%.

Now, if you take a look at Mobile services across compared on a year-on-year basis, revenue has grown by SGD4.1 million showing that the Mobile services is still growing healthily. That is mainly driven by the growth in the post-paid business segment. If you look at Pay TV services, there's a drop of SGD1 million year-on-year and that is mainly due to the lower subscription. Because if you look at the subscriber base, it's not shown here, later Kevin will show you, we have grown subscriber base in fact to 533,000. So subscriber base has registered growth and the churn rate is actually low at 0.9%.

So the main drop is mainly due to the lower subscription because as we renew our customers we need to recontract them at more attractive rates and also a slight drop in ad sales component.

The next line is the Broadband services. This is where the main drop off for this revenue comes from, the SGD8.5 million drop. This is because if you look at year-on-year basis, last quarter in the fourth quarter, we did some price revision for our cable broadband as well as promotional offers for our fibre broadband. We again achieved market share. If you see year-on-year we have grown our broadband subscribers by 7,000 to 451,000 households now using our broadband. So we have grown and actually churn rate also, we have kept it low at 1%. So mainly this is due to the intense competition that we have to be competitive and that resulted in the drop in the revenue.

The next slide shows you the Fixed Network services which is mainly a reflection of our growth in the enterprise space. You will note that on a year-on-year basis it grew by SGD1.9 million registering a 2.2% growth which shows you that the enterprise business is still growing steadily and healthily. So total service revenue dropped SGD3.5 million year-on-year mainly due to the drop in Broadband services but it's mitigated by the growth in Mobile services as well as in the Fixed Network services. This quarter also had less equipment sales, in fact SGD5.2 million less compared to a year ago and the true health of the business is of course, the service revenue. Total revenue dropped SGD8.7 million because of the SGD5.2 million drop in sale of equipment as well as the SGD3.5 million drop in the service revenue.

Now if you take a look at the next chart it shows you the Hubbing scorecard. Our main focus is in the triple service household and you note that we have grown the triple-service household by 6% from 216,000 to 230,000. Now, if you look at single-service yes there's a drop but that's because of the intense competition in the single service offering primarily in the broadband space, but we have shared before that the triple-service household is our target segment and that they do stay longer with us. So our main focus is focusing on the growth in the triple-service household. Happy to see the 6% growth.

I'm going to pass the time over to CFO to share with you more on the financial highlights.

Nicholas Tan: Thank you Tong Hai. On page 10 EBITDA and EBITDA margin. On a year-on-year basis our EBITDA is lower by SGD5 million or 3% and this is mainly coming from the lower adoption grant for this quarter compared to the previous quarter, SGD3 million, and we also have higher OpEx.

On a quarter-on-quarter basis, however, the EBITDA is higher by SGD5 million. Again, we have a lower adoption grant, around by SGD1.2 million but it is fully offset by our lower cost of sales as well as our tax. EBITDA margin for the quarter ended at 32.6% and that is within our guidance of 32%.

On page 11 cost of sales. Cost of sales is lower for both the year-on-year as well as quarter-on-quarter. On a year-on-year basis it improved by SGD8 million. We have lower traffic cost coming from our low interconnect tariff rates as well as outbound roaming. We also see a lower quantity of handset sales and that is offset by higher cost of services coming both from our TV line of business as well as our fixed line business, including the fibre rollout.

On a quarter-on-quarter basis we experienced a sharp drop in the cost of sales of SGD47 million or 18% but a good, over 90% is coming from the lower quantity of handsets sold this quarter compared to the last quarter. We also see lower traffic cost coming from our lower outbound roaming traffic and we are still seeing high cost of services coming from higher content costs offset by our low fixed costs, specifically in our DLC business.

On page 12 other operating expenses. Now along with the cost of sales we are seeing improvement also in our other operating expenses both for the year-on-year as well as quarter. On a year-on-year basis the other operating expenses is lower by SGD0.5 million. Depreciation and other G&A are lower but offset by higher marketing expenses, around SGD2 million. On a year-on-year basis the other operating expenses we recorded a reduction of SGD1 million and we are seeing lower costs across all the categories of expenses.

On page 13, profitability. On a year-on-year basis our profit from operation is stable. However, the net profit after tax is lower and that is coming mainly from the lower adoption grant of about SGD3 million as well as additional tax due to an under-provision for 2012. That's another SGD3 million. On a quarter-to-quarter basis the net profit after tax is higher by SGD0.5 million and despite the fact that we have lower revenue and lower adoption grant it is fully offset by reduction in both our cost of sales as well as our OpEx.

Page 14, CapEx. CapEx spend for the quarter is SGD67 million, SGD20 million lower than the last quarter and as a percentage of revenue it is 12%, within our guidance of 13%. Free cash flow for the quarter is SGD105 million, significant improvement from the seasonality low of the last quarter and this is still [unclear]. The lower CapEx spend of about SGD20 million mentioned earlier as well as a favourable change in working capital.

That concludes my presentation. I'd like to hand over to Kevin, please.

Kevin Lim: Thank you, Nick. I'm on page 17. I will first take you through the Mobile business. Revenues were higher versus a year ago by 1% and the post-paid ARPU was lower at SGD66 for the quarter and overall mobile customer base grew by 132,000.

Moving on to the next page where we look at the base. Overall mobile subscriber base continues to grow ending the first quarter of 2014 at 2.349 million customers. With the changing market trends and plan initiatives our post-paid contribution to the base is now at 52% of total mobile base.

Page 19 looking at revenues. Our revenues were higher compared with a year ago and this came as the result of higher subscription revenues from a larger base. There were more customers taking up our integrated SmartSurf plans and we also registered higher data usage revenues. This was somewhat offset by lower usage revenues from our pre-paid segment. Revenues were lower compared to quarter four when there were seasonally higher roaming revenues and higher interconnect revenues.

Moving on to the next page on ARPU. Pre-paid ARPU was at SGD16 for the quarter and this is really due to lower SMS and IDD usage especially among permit holders. In post-paid we had higher subscription and usage revenues from an expanded base but this was diluted by our secondary line promotion resulting in a lower ARPU for the quarter.

Page 21. Allow me now to share the trends of our non-voice services. At the end of the first quarter our non-voice services made up 50.6% of the total post-paid ARPU. The take up of our tiered data plans has also increased to 52% of the total post-paid base. Our customer retention management efforts continue to reap the results as can be seen from our churn for post-paid which dropped further to 0.8% for the first quarter.

I'd now like to move on to TV on page 23. Our TV business was stable overall in the first quarter. Revenues were lower by 1%. Our ARPU remained stabled at SGD52 and the customer base continues on an upward trend, growing by another 2000 customers.

Next page on page 24. Looking at the subscriber base the base was higher by 1,700 customers to be precise compared to a year ago. We continue to manage our churn and quarter one actually ended at 0.9%.

Next page. Talking about revenue or looking at our revenue for TV. Our revenues for the - from the Pay TV business saw a marginal decline versus a year ago as we offered higher retention discounts to protect our base. Compared with quarter four the variance is accounted for by seasonally higher advertising revenues during the year-end festive period.

Next page. I'm now on page 27. Let us look at the Broadband business. This line of business has seen intense competition especially from new entrants who chose to compete on price. Revenues were lower for the quarter by 14% and ARPU is now at SGD39. Our competitive efforts, however, translated to a growth in the subscriber base by 7,000 subscribers.

Page 28. Going into some of the details. Our broadband base was at 451,000 subscribers at the end of the first quarter and this was higher versus both a year ago as well as versus last quarter. We were also more effective at keeping our customers as can be seen by a further drop in the churn rate to 1%.

Looking at revenue as it was important to both protect and grow our broadband subscriber base we contested for this space aggressively. Our competitive pricing resulted in a lower revenue at SGD53.9 million and ARPU ended at SGD39.

I'd like now to move onto our Fixed Network services on page 31. Our Fixed Network services revenue were higher overall by 2.2% and the growth in Data & Internet at 7% was offset by a lower Voice revenue which declined 17% in the quarter. Year-on-year the Fixed Network services grew to SGD90.2 million and as mentioned, the growth in the Data & Internet was offset by the declines in Voice.

If I were to turn your attention to page 33. We can see that contribution from Voice declined, impacted mainly by price erosion and lower IDD usage. So Voice revenues for the quarter was at SGD13.6 million.

Data & Internet revenues, however, grew steadily as we continue to penetrate the corporate accounts. Quarter-on-quarter, the variance in Data & Internet can be attributed to projects that were completed later in the year and mostly recognised in the fourth quarter.

With that I'd like to turn it back to Tong Hai for the outlook.

Tan Tong Hai: Thank you Kevin. If you take a look at chart 35, this is the outlook for 2014. We are maintaining our guidance, service revenue to grow in the low single-digit, EBITDA margin to be about 32%, cash - CapEx to be 13% of total revenue. We are paying our interim cash dividend of SGD0.05 per share for the first quarter. We do intend to maintain annual cash dividend payout of SGD0.20 per share for the full year. With this I hand back to Eric to handle the Q&As.

Eric Loh: Right, we're now open for Q&As. First on the line is Sachin from Nomura. Sachin?

Sachin Gupta: (Nomura, Analyst) I've got two questions, firstly just on the recent IDA decision that you can't increase the 4G prices by SGD2, just your thoughts on that and how do you intend to adjust data prices from here on?

Secondly, the adoption grant has been coming down and if the likes of MyRepublic - let's say these guys launched their own OpCo, I mean how will that impact this line going forward, because it does add to your EBITDA margin?

Sorry, I just have one more question, there's no tax paid in the quarter. Is that just a timing issue or is there something else going on the tax-paid line? Thank you.

Kevin Lim: Sachin, this is Kevin. I'd like to address your first question on the 4G speed boost plan. We of course listen to the customers as well as respect the wishes of the regulators, however if you look at our Mobile business we have grown our revenues as well as expanded our base. So we believe that this will continue in our growth, it's actually not predicated on a single package. So we will adjust accordingly.

Tan Tong Hai: And Sachin, of course, we still can do the increase but it's only for new customer so it's a matter of getting it later, delaying the revenue.

With regards to your question on the adoption grant. Actually if you look at the adoption grant this quarter is for three months whereas last year it's six months. So we have recognised because of timing differences in our claim, if you take away the timing differences versus six months versus this quarter is three months, if you look at adoption grants, they've grown. So long as we grow our broadband sub base we will have more adoption grant and this adoption grant is still really until the end of next year. So the drop is not because we have less broadband subscribers but because of three months of claim versus six months. I'll leave for our CFO to answer the last part on the tax.

Nicolas Tan: Sachin, just basically to add some clarity to the adoption grant. We only recognise it in our P&L once we have confirmation from the regulator that it has been accepted. So you have to take that into consideration, on a timing - we get the approval that what we have submitted has been approved.

On the tax it is essentially a timing difference so you're not seeing any tax payment for this quarter.

Sachin Gupta: (Nomura, Analyst) Okay, thank you. Can I just ask to just clarify the first - the 4G - the SGD2 one. So does that still apply to the new customers or are you still - or the SGD2 has been completely vetoed by the regulators?

Tan Tong Hai: No, it's going to be applicable to the new subscribers. So, we cannot apply on the customer currently in contract. So for new customers we definitely can spell out clearly to them, that there's a SGD2 increase.

Sachin Gupta: (Nomura, Analyst) So if that's the case why SGD2, why not SGD4 or SGD10, is there a reason that?

Tan Tong Hai: Well we have to look at the plans and make sure that we are competitive. So far I think that we are the most competitive so there's still room for us to increase.

Sachin Gupta: (Nomura, Analyst) Okay, thank you very much.

Eric Loh: Thank you. Next on the line, let's welcome Luis from HSBC.

Luis Hilado: (HSBC, Analyst) Hi, good evening. Thanks for the call. I have three questions; the first was regarding the guidance. Is it fair to say that it does not incorporate the increase in the LTE rates and therefore that's why you're maintaining the numbers? And as you've mentioned there's a subsequent increase for new subscribers, is that already part of the guidance?

The second question, it's regarding broadband competition, could you give us some indication if today whether it's stabilising already or still worsening?

And the last question is on the tax rate. For the next three quarters should be assume that it will 18% now that the 2012 over provision has been accounted for in the first quarter?

Nicolas Tan: Let me take your last question first, your assumption is correct.

Tan Tong Hai: In terms of - you asked about the increase of the SGD2 whether did we factor in our guidance. Our guided as a whole, a Company as a whole so whether that one come in or not is the overall guidance for the Company, so it is not because of the fact that - in fact without that we're still guiding that we are going to maintain our full year low single-digit growth as far as EBITDA margin. So that tells you that we can maintain the guidance even without the increase.

Now broadband Kevin, you want to comment on the competition?

Kevin Lim: This is a highly contested space with new entrants in the space especially with NGN. So it's difficult for us to say whether it's going to get worse or get better but I can assure that we will remain competitive and we will continue to grow our base, or at least try to grow our base in this space.

Tan Tong Hai: Luis, you think - note that in spite of this intense competition we have grown our high speed broadband subscriber base by 7,000. Now, bearing in mind that our pricing plans are not the cheapest. So we do not compete on just broadband prices alone, the single service, we compete on multiple service.

Today we have a HomeHub service that combines TV and broadband and that's selling very well. So we continue to use Hubbing as a differentiator and not to be dragged into a price competition just on the single pricing plan.

Luis Hilado: (HSBC, Analyst) [Got that, yes]. Thanks that's very clear.

Eric Loh: Thank you. Next is Arthur from Citigroup.

Arthur Pineda: (Citigroup, Analyst) Hi, thanks for the call. Three questions. Where do you see adoption grant as trending for the subsequent quarter, is this just a timing issue that we see now with the drop and should we see some normalisation in the next few quarters?

The second question I had is regards to Mobile. The momentum seems to trail at plus 1% year-on-year versus your peers. What do you think is driving the resurgence in revenue momentum?

The last question I had is regards to the fibre side particularly on IPTV, You've now got fibre capable set-top boxes. How will the margins change as you deliver content via fibre as compared to your DOCSIS network? Thank you.

Nicholas Tan : On the adoption grant, yes, you know, I mean I don't give guidance going - forward guidance, but I'm assuming that we'll - we go back to a more normalised quarter-on-quarter claim.

Kevin Lim: I think you were asking on your second question on Mobile - in terms of the momentum. I believe there are - if you look at our overall mobile base we are growing but this is somewhat offset by our pre-paid business as well which is seeing a lesser usage revenue but if you focus on the post-paid mobile business, this is growing pretty well considering the penetration in the market. And we will continue to push on, on trying to get as much shares as we can in this space.

Tan Tong Hai: Now regarding your question about now that the homes have fibre and we have an IPTV ready set-top box. Yes, we are ensuring that our investment in CapEx on the set-top box will continue to be able to be relevant even for a fibre home. So today then Samsung set-top boxes that we are rolling out have two ports at the back, one is for a coax cable and one is for fibre.

So today if you are a cable home you just use it for your cable point. But if later on you want to switch it to receive the content via fibre, you can just connect via the fibre socket. So from a cost perspective the content cost is the same but we already have paid for the content because it can be delivered via the fibre or via the cable. So it will not change the cost dynamics. In fact, it is better for us in terms of protection of our investment in terms of the CapEx investment.

Arthur Pineda: (Citigroup, Analyst) But does mean as you migrate more subs to the fibre network that you end up for a certain period duplicating expenses because surely you'd have to operate your cable network and you have to pay for the fibre?

Tan Tong Hai: If you look at the homes we are advocating all homes to have both fibre as well as coax because even with the fibre last year we've seen a major outage in the Singapore market and a lot of them have realised that they may want to have both always on internet. And if you want to watch - like some homes they say, we just want to use fibre to watch TV, our box is ready to support this customer.



We actually do not want to force them to say, hey, you either go fibre route or cable route. In fact we are happy if they want to have both, right, and then decide which room they want to have fibre and which one to have coaxial, because we have the cable, because we have flexibility. And I think that's where the beauty of our solution we are supporting the different platform with the same box that is future-proofing our investment.

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

Eric Loh: Right. Next let's welcome Rama from Daiwa.

Ramakrishna Maruvada: (Daiwa Capital Markets, Analyst) Hi, good afternoon. Two questions from me please. Firstly can you comment on the pre-paid ARPU trend, that seems to have a little bit so wondering how we should be thinking about it going forward?

Second, can you help us reconcile the movement in traffic expenses that seems to have fallen a fair bit along with revenue trends in terms of how we should be expecting mobile revenue to trend going forward? That'll be great, thank you.

Kevin Lim: Okay, yes we continue to see a changing environment especially in the pre-paid sector where the work permit sector used to contribute quite a bit, especially SMS and IDD usages. But this has tailed off as there are less work permit holders coming into the country and also consuming less SMS and IDD minutes. What we are focusing on is really the overall Mobile business and continues to strengthen the post-paid business and recognising that there is this trend in the pre-paid sector.

Nicholas Tan: On your second question regarding traffic expenses I think, it is not a new question actually, it's been asked before. My only guidance is really this. It is both rate as well as the volume factors. It goes along with the roaming business, so if the roaming business goes up, then the traffic expense goes up. If it comes down, it comes along with it.

In terms of rates, the interconnect rates that we negotiated with other operators, our international team has done a wonderful job of work in the last couple of years and that's one of the contributing factors that keeps, that our traffic expense has been coming down too.

Eric Loh: Rama, does that answer your question?

Ramakrishna Maruvada: (Daiwa Capital Markets, Analyst) Yes it does, thank you.

Eric Loh: Thank you. Next on the line is Chate from Credit Suisse.

Chate Benchavitvilai: (Credit Suisse, Analyst) Right, good evening, thank you very much for the opportunity to ask questions. I have two questions, just a follow up on the pre-paid revenue. Can you give us actually the magnitude of how pre-paid revenue is coming down year-on-year as well? I just want to try to separate what you actually are doing on the post-paid revenue growth, that quite positive trend.

The second question is regarding your broadband ARPU, now that the broadband ARPU has hit around SGD39 which is basically, kind of, common starting pack for the fibre broadband. Should we expect much further downside to your broadband ARPU or should we start seeing some stability at the current level?



Kevin Lim: Okay, pre-paid - yes, pre-paid revenue has dropped somewhat from a year ago. But as I said, this is something to be expected, quarter-on-quarter I think it's dropped SGD0.9 million, quarter-on-quarter. So we don't - well whether this decline will continue we - as I said we do continue to see drops in SMS and IDD usages by especially the work permit sector. Hence the decision to just focus strongly on the post-paid business.

Tan Tong Hai: Regarding your question on the broadband ARPU, where is it trending? I think the competition is still pretty intense and of course if the further drop in the market pricing you see is trending downwards but I can't give you the forward projection on this but I do think that there's still downward pressure in the ARPU.

Chate Benchavitvilai: (Credit Suisse, Analyst) Okay, just a quick follow up on the pre-paid revenue. In that case can you give us - what kind of magnitude that this so-called work permit sector contributes to your overall pre-paid pie? Like 50% of them from the work permit sector or less?

Tan Tong Hai: Less. Chate, we don't give the detailed breakdown because pre-paid revenue is contributed by a few segments. You've got work permit, you have tourist segment and you have got the local segment, which is primarily the youth and the retirees, so the senior citizens. So in terms of the contribution by each segment we don't really break down the detail. But what Kevin has shared with you is that where he sees as the main drop coming from was mainly the work permits because of the foreign labour policies, as well as if you look at these work permit workers they are also getting smarter in terms of using social media tools and using Wi-Fi and all this for communication. So as a result you see less usage and that contributed to the drop in the pre-paid revenue.

Chate Benchavitvilai: (Credit Suisse, Analyst) All right thank you.

Eric Loh: Thank you, next is Kelvin from CIMB. Kelvin.

Kelvin Goh: (CIMB, Analyst) Yes hi, thanks for the opportunity. A couple of questions here, your post-paid growth looked pretty - post-paid subscribers' growth looks pretty encouraging. Would you be able to give us an idea who we are taking market share from? That's the first question.

The second one is also on post-paid, the ARPUs have come done on a year-on-year basis, so that accounts for seasonality. Any particular reason to that? And I am wondering if it is also to do with international roaming and related to that how - what do you see in terms of the international roaming trends? Has that bottomed out? That's it, thanks.

Kevin Lim: Kelvin, let me take that. Firstly your first question on post-paid growth, who are we taking market share from? I think we compete - there are three of us so we competed relatively in the market and we don't target any one particular competitor. So we focus more on providing services to our customers and being competitive so we are able to win over the customers regardless of who they are with. I think that's our focus, okay.

The ARPU, let me talk a little bit about the ARPU. We grew as you can see we grew our base significantly. As mentioned this ARPU is somewhat diluted by our secondary line which we called the SharePlus promotion. So what the secondary line does is that we offer another line that is tagged to a main line so that

they are able to share the minutes and the data of the main line. This provides stickiness because we are looking at overall household ARPU. So this unfortunately will tend to dilute the overall post-paid ARPU.

International roaming trends we are still growing our roaming and as Tong Hai mentioned earlier penetration in the enterprise space also means that contribution from corporate customers who roam, who tend to roam more would help us to improve in this particular space. I know there are some trends in Europe but for now in Asia we see this continuing. Of course it's extremely competitive and we have introduced our RoamEasy plan which is basically hassle-free for our customers, because they're able to predict what they pay and whether they want to continue to roam or not. This has proven to be quite popular among our customers.

Tan Tong Hai: I think your question is that you observed the ARPU drop in the first quarter, whether - how much is it due to roaming. If you compare the fourth quarter this quarter, seasonally the fourth quarter you have higher roaming contribution and first quarter there will be a drop. But if you look at the drop in the ARPU this one is mainly due to the secondary line that we offer. Net - net we will improve our Mobile revenue. That is what we are going after and also the household ARPU. Because then more members in the household share the plan is actually good as we - in fact it will be - it will create more loyalty and stickiness. This is now Hubbing of lines beyond our Hubbing of services.

Kelvin Goh: (CIMB, Analyst) Okay thanks. Just quickly, when was this SharePlus introduced?

Tan Tong Hai: SharePlus was introduced in the fourth quarter last - early...

Kevin Lim: No, 2012.

Tan Tong Hai: 2012 but then we had promotional offers towards the fourth quarter last year. You saw a sharp jump in our subscribers. In fact we added close to 60,000 in the fourth quarter and we have attributed a lot our SharePlus promo. Of course, this quarter we have not extend the promo so you don't see the sharp jump. But it is still - there are a lot of customers still coming in because this is a really important value proposition. Because family members, especially parents with children, they want them, instead of using a pre-paid card they can also get an additional line and tag on to the plans that the parents, the father, the mother have, yes.

Kelvin Goh: (CIMB, Analyst): Okay. Just quickly a follow-up question on roaming. I mean just about - I think last year you said that there was a trend towards inbound and international and outbound roamers buying pre-paid packs in their destinations. Are you seeing any stabilisation in that trend or is it still a downward trend?

Tan Tong Hai: We know that the customers when they travel they have a couple of options now. They can buy the local pre-paid data plans, they can use Wi-Fi. But we also find that it is a convenience factor and we have come out with a RoamEasy where it makes it so easy SGD10 per 50 megabyte and that is more than sufficient for e-mail reading and all this. So it is not dependent on any operator. Of course, we also have a fixed price at SGD15 per day if you lock onto a particular operator. That one if you are price conscious you say I want to keep the price, yes you lock onto the operator. But we know that in many countries the operator coverage may not be pervasive. So as a result when you lock on to another operator it creates a lot of

disputes in terms of roaming charges. So the RoamEasy Plan is really to tap onto any operator. Today we have more than I think 35 countries and yes really we want to make it so easy for customers to use.

So the convenience factor is there and we do see strong adoption of our RoamEasy plan. So far I think that our plan to increase our roaming, other than to focus on the prosumer space, so this is the professional consumer, and they are less susceptible too in terms of the price but more what they need is always to have the data connectivity and the convenience factor is very important, yes.

Kelvin Goh: (CIMB, Analyst) Oh just a few, so the bottom line here is that are you still seeing weaknesses in roaming revenues or has that stabilised?

Tan Tong Hai: Yes more or less stabilised.

Kelvin Goh: (CIMB, Analyst) Okay, thank you so much.

Eric Loh: Next on the line is Sachin from DBS.

Sachin Mittal: (DBS Vickers, Analyst) Hi, thanks. My first question is on Mobile, it is the traditional question. How many people are exceeding the data cap? If they are exceeding are they still paying extra data charges as of now? That is number one.

Number two, how much is the traction of the local content strategy that you are focusing on the local content? Is there a metric for us or for you which you can disclose to see whether that is working or not? Are really people watching the local content more than the international content going forward?

Number two and number three, enterprise and data overall looks very slow because probably we are seeing first time voice decline. Voice decline for the very first time, year-on-year basis. Is it a continuous trend and if because what - it looks what you gain on the enterprise side is lost on the voice side. So should we think is that the way to go forward? Thank you.

Kevin Lim: Sachin, let me take your first question on the Mobile, on how many of the tiered data plans are exceeding the amount that's currently at 18% right. So 18% are exceeding the data cap.

Sachin Mittal: (DBS Vickers, Analyst) They pay for excess charges?

Kevin Lim: Yes, so they will for excess charges. I will take your third question in terms of the enterprise. If you look at the data internet that has been growing actually it is not declining. It is the voice that contributes to a slower growth in the business. Now when you look at quarter-on-quarter yes there was a dip from quarter four to quarter one and that is mainly because in the corporate business we do a lot of projects. These projects take time to deliver and the delivery would have an impact and so when we actually recognise the revenue. So traditionally the revenues tend to be recognised towards the end of the year as we complete these projects.

So you will see a bump in the revenue in the fourth quarter hence in the first quarter then of course the revenue will start to come down. But these are all seasonal if you look at the trending. The voice difference is really we do wholesale voice as well and as contracts come up for renewal there will be price erosion that is as the environment changes.

Sachin Mittal: (DBS Vickers, Analyst) Right, okay.

Tan Tong Hai: Let me answer the question on the local content strategy. Actually, if you look at our overall Pay TV content strategy is still focusing on quality content. That's the reason why if you look at our Pay TV revenue it remains stable. Our subscriber base is also stable at 533,000 with a low churn rate at 0.9%.

Our focus now is to have zero window so that it makes it even more appealing. You must know that our Pay TV - this is in spite of all the piracy and OTT offers, we still can maintain and in fact with a healthy, steady ARPU at SSGD52.

The local content strategy is to complement our branded content. Because we believe that we should localise and we choose a particular sector, sports, in fact as one of them main focus, main thrust. So we have SuperSports Arena as a free-to-cable sports channel. That is to over time reduce our reliance on the international sports content that seems to be escalating all the time. So we do want to have a strategy to say hey, if we can develop the local sports content and have - if you look at our investment in the Malaysia Super League, the LionsXII, it turned out to be pretty well and we continue to focus on bringing up the - other than the football it's also the inter-school competition between the schools, and that's also what appeals to the youth and others.

So we even did the 'Lady First' which is the localisation of our program with our content partner TVBS in Taiwan, and that also was very well-received. Those are programs that we produce and we inject it into our E-City channel. That is targeted, selected programming.

We don't intend to definitely, for sure, we don't produce a drama, we want to just focus on formats and then also on key areas like sports which we believe will bring us attraction and also it complements very well with Singapore's soon-to-be-launched sports hub and we believe that there will be a lot of sporting activities in Singapore and the sporting channel will blend in very well. So that is actually our local content strategy. If you ask me about viewership yes, there is definitely viewership. The 'Lady First' program was very well-received, and the same, the SuperSports Arena has a strong viewership.

Sachin Mittal: (DBS Vickers, Analyst) Okay, understand. Thank you.

Eric Loh: Thank you, Sachin. We've got time for a couple more callers. Next, there's Luis again from HSBC.

Luis Hilado: (HSBC, Analyst) Hi, thanks. I just had one follow-up question. It seems to be for the quarter your subscriber acquisition seems to be higher. Is this a function more of the mobile side or it's related to the broadband competition?

Nicholas Tan: Sachin - I'm sorry, Luis - your question is whether the subscriber acquisition cost, is it more a function of the mobile or the broadband. My answer is...

[Over speaking]

Nicholas Tan: Yes, it's coming from the mobile side of the business.

Tan Tong Hai: I think if you look at...

Luis Hilado: (HSBC, Analyst) Sorry, is it more of the devices are increasing and if so, which - I understand there isn't much product launch in this quarter so just wondering what strategy.

Tan Tong Hai: I think you mentioned the subsidy. Yes, if you look at the smartphone. Smartphone on the average of course costs more than the feature phone, so definitely in this area we are looking at how do we manage this subsidy, of course this is not something that we can do it on our own. We will look at, monitor what's happening with our competitor, whether they could use the subsidies and all this. So if our competitor increases the subsidy we will have to increase likewise. So this is a reflection of the competition environment and definitely we do see that with the influx of cheaper handsets, these 4G handsets as well as 3G handsets, there is room actually to look at how to reduce subsidies. But at this moment it is still high because of the fact that our competitors still are subsidised.

Luis Hilado: (HSBC, Analyst) Okay, good. Thank you.

Eric Loh: We've got time for one last caller and that's going to come from Abhijit from Jefferies.

Abhijit Attavar: (Jefferies & Company, Analyst) Yes, hi. I just wanted to check if you already started charging that SGD2 extra for 4G and what is the feedback you're getting from your storefronts when customers are signing up for new 4G plans? I just wanted to understand what's the real thinking behind this surcharge because if you really wanted to create a differential pricing between 4G and 3G, why not make it something meaningful like SGD10? And if you don't want to really create a differential then why not just increase the data price buckets? So why this convoluted way of charging more for 4G?

Kevin Lim: Okay, firstly we position it more at the VAS and it's a speed boost VAS so over and above the base plan there is a VAS that allows you to enjoy a higher speed with 4G. So that's how we position it. As to why not SGD10 or SGD20 more, I think pricing is always a function of the market and what customers perceive the value to be and also your competitors and how they are positioning their products. So we also - it's not so much a function of what we want to charge but it's a function of being able to strike a balance between what customers are seeing as a value and what we are able to offer. So as far as charging, no, we have not started to charge but as the regulators have requested that we only apply this for new customers, we will do so, it's only for new customers and we will extend the promotional period for existing customers up to the end of their contract.

Abhijit Attavar: (Jefferies & Company, Analyst) Right. Just for new customers, will you be telling them that their speed boost is actually worth SGD10 but we are charging you SGD2 as promotional, or will it be upfront as SGD2?

Kevin Lim: It's actually SGD2.40.

[Over speaking]

Kevin Lim: SGD2.14. Actually, we have always told the customers that this is a VAS and this is the price and that for the moment it is waived up to the end of the promotional period, which actually ended last year. So I believe our positioning is going to remain the same and we will continue to inform our customers and we will let them know what the packages are and what are the costs.

Abhijit Attavar: (Jefferies & Company, Analyst) Sorry, on the new customers, will you be telling them that this is a VAS which is worth SGD10 a month and we are charging you promotionally only SGD2.47, or you'll be saying okay, this is SGD2.47 for the speed boost?

Kevin Lim: Yes. Yes. Abhijit, yes we will be doing that. We'll be upfront with them.

Abhijit Attavar: (Jefferies & Company, Analyst) Okay, understood. Understood. Thank you so much.

Eric Loh: Thank you. That's all the time we have for this call. For Piyush and Nicole we know you've got questions for us but we'll take it offline with you. Thank you very much for spending this evening with us and we look forward to speaking with you again in the next quarter. Good night.

**End of Transcript**