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STARHUB LTD

Announcement of Unaudited Results for the Third Quarter and Nine Months ended 30 September 2019

StarHub is pleased to announce the unaudited results for the third quarter and nine months ended 30 September 2019.

Results for the Third Quarter and Nine Months ended 30 September 2019

1. GROUP INCOME AND COMPREHENSIVE INCOME STATEMENTS

1.1 GROUP INCOME STATEMENT

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2019 S\$m	2018 S\$m	Incr / (Decr) S\$m	%	2019 S\$m	2018 S\$m	Incr/ (Decr) S\$m	%
Total revenue	572.6	582.2	(9.6)	(1.6)	1,722.2	1,742.5	(20.3)	(1.2)
Operating expenses	(501.6)	(506.7)	(5.0)	(1.0)	(1,521.9)	(1,499.6)	22.3	1.5
Other income	9.0	0.0	9.0	nm	9.1	0.6	8.5	nm
Profit from operations	80.0	75.6	4.4	5.8	209.4	243.5	(34.1)	(14.0)
Finance income	0.3	1.0	(0.7)	(67.3)	1.1	2.6	(1.5)	(57.5)
Finance expense ⁽¹⁾	(9.6)	(7.5)	2.1	28.1	(29.5)	(22.1)	7.4	33.6
	70.7	69.1	1.6	2.4	181.0	224.0	(43.1)	(19.2)
Share of loss of associate, net of tax	(0.7)	(0.2)	0.4	(197.5)	(0.2)	(0.7)	(0.6)	(75.8)
Profit before taxation	70.1	68.9	1.2	1.7	180.8	223.3	(42.5)	(19.0)
Taxation	(13.5)	(10.9)	2.6	23.9	(35.5)	(38.3)	(2.8)	(7.3)
Profit for the period	56.6	58.0	(1.4)	(2.4)	145.3	185.0	(39.7)	(21.5)
Attributable to:								
Equity holders of the Company	58.0	57.0	1.0	1.7	151.5	181.7	(30.2)	(16.6)
Non-controlling interests	(1.4)	1.0	(2.4)	nm	(6.2)	3.3	(9.5)	nm
	56.6	58.0	(1.4)	(2.4)	145.3	185.0	(39.7)	(21.5)
EBITDA	170.5	147.0	23.5	16.0	478.7	456.3	22.4	4.9
Service EBITDA ⁽²⁾	152.8	132.2	20.6	15.6	443.2	415.2	28.0	6.7
Service EBITDA as % of service revenue	35.1%	28.8%	6.3% pts		33.5%	30.2%	3.3% pts	
Free Cash Flow ⁽³⁾	107.0	79.3	27.7	34.9	182.9	188.3	(5.3)	(2.8)
<i>Profit from operations is arrived after charging the following:</i>								
Loss allowances of trade receivables	4.1	2.2	1.9	83.9	15.1	11.1	4.0	35.7
Depreciation and amortisation	90.5	71.4	19.0	26.7	269.4	212.9	56.5	26.5
Foreign exchange (gain) / loss	0.7	1.3	(0.6)	(48.1)	0.6	8.4	(7.8)	(92.9)

nm – Not meaningful

Notes:

- (1) Finance expense includes interest on borrowings and lease liabilities and other financing charges
- (2) Service EBITDA refers to EBITDA less equipment margin (sales of equipment less cost of equipment)
- (3) 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
- (4) 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, D'Crypt Pte Ltd ("D'Crypt") from January 2018 and Ensign InfoSecurity Pte. Ltd. ("Ensign") from October 2018 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.).
- (5) D'Crypt was disposed in September 2019 to Keele Investments Pte. Ltd. ("Keele"), an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited and as part of the transaction, D'Crypt became an indirect subsidiary of Ensign as a result of the rights accorded to Ensign through the purchase of Preference Shares of Keele. The Group now holds 60% of the economic interest in D'Crypt through its shareholding and interest in Ensign.
- (6) 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			
	2019	2018	Incr / (Decr)		2019	2018	Incr/ (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Profit for the period	56.6	58.0	(1.4)	(2.4)	145.3	185.0	(39.7)	(21.5)
Other comprehensive income								
Items that will not be reclassified to profit or loss:								
Net change in fair value of equity investments at fair value through other comprehensive income ("FVOCI"), net of taxation	(1.1)	(6.3)	(5.1)	(81.8)	(10.9)	(16.0)	(5.1)	(32.1)
Items that are or may be reclassified subsequently to profit or loss:								
Foreign currency translation differences	(0.1)	(0.0)	0.0	nm	0.0	(0.0)	0.0	nm
Effective portion of changes in fair value of cash flow hedges, net of taxation	0.7	1.1	(0.4)	(37.6)	0.5	9.9	(9.4)	(95.1)
Share of other comprehensive income of associates and joint ventures	(0.1)	-	(0.1)	nm	(0.1)	-	(0.1)	nm
Other comprehensive loss for the period, net of taxation	(0.6)	(5.2)	(4.6)	(87.9)	(10.5)	(6.1)	4.4	0.7
Total comprehensive income for the period	56.0	52.8	3.2	6.1	134.9	178.9	(44.1)	(24.6)
Attributable to:								
Equity holders of the Company	57.4	51.7	5.6	10.8	141.0	175.6	(34.6)	(19.7)
Non-controlling interests	(1.4)	1.0	(2.4)	nm	(6.2)	3.3	(9.5)	nm
Total comprehensive income for the period	56.0	52.8	3.2	6.1	134.9	178.9	(44.1)	(24.6)

nm – Not meaningful

1.3 GROUP PERFORMANCE REVIEW FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(A) Revenue

Revenue	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2019 S\$m	2018 S\$m	Incr / (Decr) S\$m	%	2019 S\$m	2018 S\$m	Incr/ (Decr) S\$m	%
Mobile	190.0	213.6	(23.6)	(11.1)	574.6	630.2	(55.6)	(8.8)
Pay TV	56.1	74.6	(18.5)	(24.8)	191.6	240.0	(48.5)	(20.2)
Broadband	43.2	46.8	(3.6)	(7.8)	135.3	140.1	(4.8)	(3.4)
Enterprise Business	145.5	124.6	20.8	16.7	419.9	364.6	55.3	15.2
- Network solutions ⁽¹⁾	106.7	108.1	(1.4)	(1.3)	318.6	315.6	2.9	0.9
- Cyber security services ⁽²⁾	38.8	16.5	22.3	135.0	101.3	49.0	52.3	106.8
Service revenue	434.7	459.6	(24.9)	(5.4)	1,321.4	1,374.9	(53.5)	(3.9)
Sales of equipment	137.9	122.6	15.3	12.5	400.8	367.5	33.3	9.0
Total revenue	572.6	582.2	(9.6)	(1.6)	1,722.2	1,742.5	(20.3)	(1.2)

⁽¹⁾ Includes Data & Internet, Managed services and Voice services

⁽²⁾ Includes service revenue from Ensign and D'Crypt

The Group's 3Q2019 total revenue of S\$572.6 million was S\$9.6 million or 1.6% lower YoY (year-on-year), while the total revenue for the nine-month period of S\$1,722.2 million was S\$20.3 million or 1.2% lower YoY. The lower revenues were mainly due to lower revenues from Mobile, Pay TV and Broadband, partially mitigated by higher revenues from Enterprise Business and Sales of equipment.

Against the corresponding periods last year, Mobile service revenues in 3Q2019 and nine-month period were lower by 11.1% and 8.8% respectively. The decrease was mainly due to lower IDD, voice and excess data usage, roaming, data subscriptions and VAS (value-added services) revenues, partially offset by the increase in plan subscriptions and enterprise SMS revenues.

Pay TV service revenue decreased YoY by 24.8% in 3Q2019 and 20.2% in the nine-month period, mainly due to a lower subscriber base and lower ARPUs due to migration from cable to fibre and related promotional activities.

Broadband service revenue decreased YoY by 7.8% in 3Q2019 and 3.4% in the nine-month period, mainly due to lower ARPUs as a result of promotional activities encouraging cable customers to migrate to fibre.

Enterprise Business revenue increased YoY by 16.7% in 3Q2019, mainly due to higher revenues from cyber security services and managed services, partially offset by lower revenues from voice services, internet services and domestic leased circuits. In the nine-month period, revenue increased YoY by 15.2% mainly due to higher revenues from cyber security services, voice and managed services, partially offset by lower revenues from internet services and domestic leased circuits.

Revenue from sales of equipment increased YoY by 12.5% in 3Q2019 due to higher mix of premium handsets sold. Revenue from sales of equipment increased YoY by 9.0% in the nine-month period primarily due to higher volumes of handsets sold.

(B) Operating expenses

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2019	2018	Incr / (Decr)		2019	2018	Incr/ (Decr)	
Operating expenses	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Cost of sales	233.6	252.7	(19.1)	(7.5)	732.5	748.6	(16.1)	(2.1)
Other operating expenses	225.6	241.9	(16.2)	(6.7)	672.1	715.5	(43.4)	(6.1)
Cyber security services ⁽¹⁾	42.4	12.1	30.3	nm	117.3	35.5	81.8	nm
Total	501.6	506.7	(5.0)	(1.0)	1,521.9	1,499.6	22.3	1.5

⁽¹⁾ includes cost of sales and other operating expenses from Ensign and DCrypt

The Group's total operating expenses for 3Q2019 was lower by S\$5.0 million YoY. The decrease was due to lower cost of sales and other operating expenses, partially mitigated by the increase in operating expenses for cyber security services.

The Group's total operating expenses for the nine-month period was higher by S\$22.3 million YoY. The increase was due to higher operating expenses for cyber security services, partially offset by the decrease in cost of sales and other operating expenses.

As a percentage of revenue, total operating expenses for 3Q2019 and nine-month period were at 87.6% and 88.4% respectively, when compared to 87.0% and 86.1% in the corresponding periods last year.

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2019	2018	Incr / (Decr)		2019	2018	Incr/ (Decr)	
Cyber security services ⁽¹⁾	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Cost of sales	19.9	7.4	12.5	170.3	51.3	22.4	28.9	128.9
Other operating expenses	22.5	4.7	17.8	nm	66.0	13.1	53.0	nm
Total	42.4	12.1	30.3	nm	117.3	35.5	81.8	nm

⁽¹⁾ includes cost of sales and other operating expenses from Ensign and DCrypt

A breakdown of total operating expenses is as follows:

(i) Cost of sales

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2019	2018	Incr / (Decr)		2019	2018	Incr/ (Decr)	
Cost of sales	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Cost of equipment sold	120.2	107.8	12.4	11.5	365.3	326.4	38.9	11.9
Cost of services	94.1	107.0	(12.8)	(12.0)	302.6	330.3	(27.6)	(8.4)
Traffic expenses	19.3	38.0	(18.7)	(49.2)	64.6	92.0	(27.3)	(29.7)
Cost of sales (excluding Cyber security services)	233.6	252.7	(19.1)	(7.5)	732.5	748.6	(16.1)	(2.1)
Cost of sales (Cyber security services)	19.9	7.4	12.5	170.3	51.3	22.4	28.9	128.9
Total	253.5	260.1	(6.6)	(2.5)	783.8	771.0	12.8	1.7

Cost of Sales (excluding Cyber security services)

Cost of sales for 3Q2019 and nine-month period decreased YoY by S\$19.1 million and S\$16.1 million respectively, mainly due to lower cost of services and traffic expenses, partially offset by higher cost of equipment sold.

The increase of 11.5% and 11.9% YoY for cost of equipment sold in 3Q2019 and nine-month period respectively were primarily due to higher volumes of handsets sold.

The decrease of 12.0% and 8.4% YoY for cost of services in 3Q2019 and nine-month period respectively were due to lower TV content and pre-paid Mobile costs, partially offset by

higher cable migration cost, cost of services for post-paid Mobile, Broadband and Network Solutions business. Total one-off cost of services incurred for the cable migration amounted to approximately S\$9.6 million for the nine-month period.

The decrease of 49.2% and 29.7% YoY for traffic expenses in 3Q2019 and nine-month period respectively were mainly due to lower domestic and international traffic volumes as well as lower roaming cost in line with lower roaming revenue.

Cost of Sales (Cyber security services)

The increase for cost of sales was primarily due to higher cyber security services revenue generated.

(ii) Other operating expenses

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2019	2018	Incr / (Decr)		2019	2018	Incr / (Decr)	
Other operating expenses	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Staff costs	55.1	65.5	(10.4)	(15.9)	164.4	191.1	(26.7)	(14.0)
Operating leases	9.8	27.6	(17.8)	(64.5)	28.4	80.5	(52.1)	(64.7)
Marketing and promotions	23.3	24.3	(1.0)	(4.1)	69.2	71.5	(2.3)	(3.2)
Loss allowance for trade receivables	4.1	2.2	1.9	83.5	14.9	11.1	3.8	34.5
Repairs and maintenance	24.6	25.2	(0.7)	(2.6)	70.7	74.1	(3.4)	(4.6)
Other expenses	23.8	26.8	(2.9)	(10.9)	70.9	77.4	(6.5)	(8.3)
Depreciation and amortisation	84.9	70.2	14.7	20.9	253.5	209.9	43.6	20.8
Other operating expenses (excluding Cyber security services)	225.6	241.9	(16.2)	(6.7)	672.1	715.5	(43.4)	(6.1)
Other operating expenses (Cyber security services)	22.5	4.7	17.8	nm	66.0	13.1	53.0	nm
Total	248.1	246.6	1.5	0.6	738.1	728.6	9.6	1.3

(1) Includes other operating expenses from Ensign and D'Crypt

The Group's other operating expenses for 3Q2019 was higher by S\$1.5 million YoY. As a percentage of total revenue, other operating expenses was 43.3% in 3Q2019, compared to 42.4% in the corresponding period last year.

The Group's other operating expenses for the nine-month period was higher by S\$9.6 million YoY. As a percentage of total revenue, other operating expenses was 42.9% in the nine-month period, compared to 41.8% in the corresponding period last year.

Other operating expenses (excluding Cyber security services)

Analysis of major variances in other operating expenses (excluding Cyber security services) is provided below:

Staff costs

Staff costs was 15.9% and 14.0% lower YoY for 3Q2019 and the nine-month period respectively, due to lower headcounts.

Operating leases

Operating leases in 3Q2019 and nine-month period was lower by 64.5% and 64.7% YoY respectively, due to adoption of *SFRS(I) 16 Leases* that became effective on 1 January 2019 where certain operating leases are capitalised as right-of-use ("ROU") assets and depreciated over the useful life of the ROU assets. Excluding the effect of *SFRS(I) 16*, operating leases would have been higher YOY by S\$1.2 million or 4.4% for 3Q2019 and lower by S\$0.6 million or 0.8% for the nine-month period.

Marketing and promotions

Marketing and promotions expenses was lower by 4.1% YoY in 3Q2019 and 3.2% YoY in the nine-month period, mainly attributable to lower promotional activities.

Loss allowance for trade receivables

Loss allowance for trade receivables was higher by 83.5% YoY in 3Q2019 and 34.5% YoY in the nine-month period, mainly driven by higher bad debt provision for roaming partners and increase in aged trade receivables.

Repairs and maintenance

Repairs and maintenance expense was lower by 2.6% YoY in 3Q2019 and 4.6% YoY in the nine-month period, mainly due to lower rates negotiated for network maintenance cost.

Other expenses

Other expenses for 3Q2019 was lower by S\$2.9 million YoY, due to lower foreign exchange loss, lower licence fees, lower miscellaneous expenses and lower impairment of contract assets. Other expenses for the nine-month period was lower by S\$6.5 million YoY, due to lower foreign exchange loss and lower impairment of contract assets, partially offset by higher outsourcing costs and lower miscellaneous income.

Depreciation and amortisation

Depreciation and amortisation expense was higher mainly due to higher depreciation of ROU assets.

Other operating expenses (Cyber security services)

The increase for other operating expenses YoY in 3Q2019 and nine-month period was primarily due to the increase in staff costs, depreciation and amortisation and other expenses from Cyber security services.

(C) Other income

Other income increased for 3Q2019 and nine-month period mainly due to the recovery of tunnel fees from TPG as compared to the corresponding periods last year.

(D) Profitability

Profit from operations of S\$80.0 million in 3Q2019 was S\$4.4 million higher YoY. Losses from Cyber security services was S\$3.7 million in 3Q2019 compared to a profit of S\$4.4 million in the corresponding period last year. Excluding Cyber security services, profit from operations would have been S\$83.6 million, which was S\$12.5 million higher YoY due to higher margin from Sales of equipment, higher other income from TPG tunnel fees cost recovery and lower operating expenses, partially offset by lower revenues from Mobile, Pay TV and Broadband and higher cable migration cost.

Profit from operations of S\$209.4 million in the nine-month period was S\$34.1 million lower YoY. Losses from Cyber security services was S\$16.0 million in the nine-month period compared to a profit of S\$13.5 million in the corresponding period last year. Excluding Cyber security services, profit from operations would have been S\$225.4 million, which was S\$4.6 million lower YoY due to lower revenues from Mobile, Pay TV, Broadband and higher cable

migration cost, partially mitigated by lower operating expenses as well as higher other income from the TPG tunnel fees cost recovery.

Service EBITDA margin for 3Q2019 at 35.1% and the nine-month period at 33.5% were 6.3% points and 3.3% points higher YoY respectively, mainly due to the impact from *SFRS(I) 16 Leases* where operating leases are capitalised as ROU assets and depreciated over the asset life. Excluding the impact of *SFRS(I) 16*, service EBITDA margin for 3Q2019 and the nine-month period would have been 30.6% and 29.4% respectively, 1.8% points higher and 0.8% points lower YoY compared to the corresponding periods last year.

Finance income was lower YoY in both 3Q2019 and nine-month period whilst finance expenses were higher in 3Q2019 and nine-month period due to the adoption of *SFRS(I) 16 Leases* which resulted in higher interest expense due to higher lease liabilities coupled with higher loan interest due to higher borrowings.

Share of loss of associate was higher YoY for 3Q2019 and lower YoY for the nine-month period compared to the corresponding periods last year.

As a result of higher profit from operations, profit before taxation of S\$70.1 million in 3Q2019 was higher by S\$1.2 million YoY. Taxation expenses for 3Q2019 was higher at S\$13.5 million as tax credit for Ensign losses is not recognised.

As a result of lower profit from operations, profit before taxation of S\$180.8 million in the nine-month period was lower by S\$42.5 million YoY. Taxation expenses was lower at S\$35.5 million.

Profit for the period in 3Q2019 and the nine-month period was S\$56.6 million and S\$145.3 million respectively.

2. BUSINESS REVIEW

Mobile Services

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2019	2018	Incr / (Decr)		2019	2018	Incr/ (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Mobile revenue	190.0	213.6	(23.6)	(11.1)	574.6	630.2	(55.6)	(8.8)

	Quarter ended / As of			9 Months ended / As of		YoY Incr / (Decr) %
	30 Sep 2019	30 Jun 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018	
Mobile operating statistics						
Number of registered customers (in thousands)						
Post-paid	1,442	1,477	1,385	1,442	1,385	4.2
Pre-paid	785	789	836	785	836	(6.1)
Total	2,227	2,267	2,221	2,227	2,221	0.3
ARPU with IDD included (S\$ per month)						
Post-paid	39	40	44	39	44	(10.3)
Pre-paid	13	14	14	13	13	0.5
Average smartphone data usage (GB)	8.8	7.5	5.9	7.5	5.4	38.5
Average monthly churn rate (post-paid)	1.6%	1.1%	1.0%	1.3%	1.0%	-
Singapore mobile penetration ⁽¹⁾	155.5%	153.9%	147.7%	155.5%	147.7%	-
Market Share ⁽¹⁾	25.1%	25.8%	26.7%	25.1%	26.7%	-

Note:

(1) Based on latest published statistics

Overall Mobile service revenues in 3Q2019 and nine-month period were lower by 11.1% and 8.8% respectively. The decrease was mainly due to lower IDD, voice and excess data usage, roaming, data subscriptions and VAS (value-added services) revenues, partially offset by the increase in plan subscriptions and enterprise SMS revenues.

Post-paid mobile services

As of 30 September 2019, post-paid mobile subscriber base stood at 1,442,000 after the quarter's net churn of 35,000 subscribers. The quarter's churn was mainly due to termination of low ARPU enterprise lines. Compared to a year ago, post-paid customer base increased by 57,000 customers or 4.2%.

Post-paid mobile ARPU at S\$39 in 3Q2019 and nine-month period were S\$5 lower respectively compared to the corresponding periods last year, mainly due to lower data subscription, VAS and data usage revenues. The overall average smartphone data usage increased YoY for both 3Q2019 and nine-month period to 8.8 GB and 7.5 GB respectively.

Post-paid mobile monthly average churn rate was at 1.6% for 3Q2019 and 1.3% for the nine-month period.

Pre-paid mobile services

As of 30 September 2019, pre-paid mobile customer base was 785,000. Compared to a year ago, pre-paid customer base decreased by 51,000 customers. The decline was partly due to the migration of pre-paid customers to SIM-only post-paid plans.

Pre-paid mobile ARPU was at S\$13 for 3Q2019 and the nine-month period respectively.

Pay TV Services

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2019	2018	Incr / (Decr)		2019	2018	Incr / (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Pay TV revenue	56.1	74.6	(18.5)	(24.8)	191.6	240.0	(48.5)	(20.2)

	Quarter ended / As of			9 Months ended / As of		YoY Incr / (Decr) %
	30 Sep 2019	30 Jun 2019	30 Sep 2018	30 Sep 2019	2018	
Pay TV operating statistics						
Number of residential Pay TV customers (in thousands)	347	374	423	347	423	(18.1)
ARPU (S\$ per month)	40	44	47	44	50	(12.6)
Average monthly churn rate	2.2%	2.1%	1.4%	1.9%	1.1%	-

Pay TV service revenue of S\$56.1 million in 3Q2019 and S\$191.6 million in the nine-month period were 24.8% and 20.2% lower YoY respectively. The decrease was mainly due to a lower subscriber base and lower ARPUs, both due to cable to fibre migration and related promotional activities.

As of 30 September 2019, Pay TV households stood at 347,000 after the quarter's net churn of 27,000 households. Compared to a year ago, Pay TV households were lower by 76,000.

Monthly average churn was higher at 2.2% and 1.9% for 3Q2019 and nine-month period respectively mainly due to higher Cable TV churn as a result of the cable network shut down on 1 October 2019.

Pay TV ARPU of S\$40 in 3Q2019 and S\$44 in the nine-month period were lower when compared to the corresponding periods last year.

Broadband Services

	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2019	2018	Incr / (Decr)		2019	2018	Incr/ (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Broadband revenue	43.2	46.8	(3.6)	(7.8)	135.3	140.1	(4.8)	(3.4)

	Quarter ended / As of			9 Months ended / As of		YoY
	30 Sep	30 Jun	30 Sep	30 Sep		Incr / (Decr)
	2019	2019	2018	2019	2018	%
Broadband operating statistics						
Number of residential broadband customers - subscription-based (in thousands)	505	509	473	505	473	6.8
ARPU (S\$ per month)	27	29	32	29	32	(8.8)
Average monthly churn rate	0.9%	1.0%	1.0%	0.9%	0.9%	-

Broadband service revenue of S\$43.2 million in 3Q2019 and S\$135.3 million in the nine-month period were 7.8% and 3.4% lower YoY respectively. The decreases were mainly due to lower ARPUs.

Broadband ARPU of S\$27 in 3Q2019 and S\$29 in the nine-month period were lower when compared to the corresponding periods last year, mainly due to promotional offers to drive higher gross adds and migration of existing cable subscribers to fibre broadband.

Broadband average monthly churn was at 0.9% in 3Q2019 and nine-month period respectively.

Enterprise Business

Enterprise Business revenue	Quarter ended 30 Sep				Nine Months ended 30 Sep			
	2019	2018	Incr / (Decr)		2019	2018	Incr/ (Decr)	
	S\$m	S\$m	S\$m	%	S\$m	S\$m	S\$m	%
Data & Internet ⁽³⁾	69.3	70.3	(1.1)	(1.5)	207.5	214.0	(6.5)	(3.0)
Managed services ⁽¹⁾	26.5	25.1	1.4	5.7	77.4	69.6	7.8	11.3
Voice services ⁽³⁾	10.9	12.7	(1.8)	(14.3)	33.6	32.0	1.6	5.0
Network solutions	106.7	108.1	(1.4)	(1.3)	318.6	315.6	2.9	0.9
Cyber security services ⁽²⁾	38.8	16.5	22.3	135.0	101.3	49.0	52.3	106.8
Total	145.5	124.6	20.8	16.7	419.9	364.6	55.3	15.2

⁽¹⁾ Managed services include Analytics, Cloud, ICT solutions and Facility Management

⁽²⁾ Includes service revenue from Ensign and D'Crypt

⁽³⁾ ISDN revenue has been reclassified from Data & Internet to Voice as ISDN is now used predominantly to support telephone network.

Enterprise Business revenue increased YoY by 16.7% in 3Q2019, mainly due to higher revenues from cyber security services and managed services, partially offset by lower revenues from voice services, internet services and domestic leased circuits. In the nine-month period, revenue increased YoY by 15.2% mainly due to higher revenues from cyber security, voice and managed services, partially offset by lower revenues from internet services and domestic leased circuits.

Data & Internet service revenue in 3Q2019 and nine-month periods were lower YoY due to the renewals of domestic leased circuits and IP transit at lower rates.

Managed services revenue for 3Q2019 and nine-month periods were higher YoY due to more projects completed during the quarter as well as higher demands for cloud, cryptographic and digital security solutions.

Voice services revenue in 3Q2019 was lower YoY mainly due to lower domestic voice and international voice usage, partially offset by higher smart messaging revenues. Voice services revenue in the nine-month period was higher YoY mainly due to higher smart messaging revenues, partially offset by lower domestic voice usage.

The growth in Cyber security services in 3Q2019 and the nine-month periods were largely contributed by the consolidation of Ensign from 4Q2018 onwards and higher demand for these services.

3. GROUP CASH FLOW STATEMENT

	Quarter ended 30 Sep		Nine Months ended 30 Sep	
	2019 S\$m	2018 S\$m	2019 S\$m	2018 S\$m
Operating Activities				
Profit before taxation	70.1	68.9	180.8	223.3
Adjustments for :				
Depreciation and amortisation	90.5	71.4	269.4	212.9
Income related grants	-	-	(0.1)	(0.6)
Share-based payments	0.7	1.3	2.4	(0.5)
Net finance costs	9.3	6.5	28.4	19.5
Share of loss of associate, net of tax	0.7	0.2	0.2	0.7
Others	(0.1)	0.6	2.0	0.9
Operating cash flow before working capital changes	171.1	148.9	483.1	456.2
Changes in operating assets and liabilities	16.6	34.1	(69.7)	(9.5)
Income taxes paid	(32.4)	(31.0)	(66.0)	(68.9)
Net cash from operating activities	155.3	152.0	347.4	377.8
Investing Activities				
Interest received	0.2	0.7	0.8	2.1
Proceeds from disposal of property, plant and equipment and intangible assets	0.1	0.1	0.3	0.3
Purchase of property, plant and equipment and intangible assets	(48.3)	(72.7)	(164.5)	(189.5)
Acquisition of subsidiary, net of cash acquired	-	-	-	(56.6)
Proceeds from dilution of interest in subsidiary	5.0	-	5.0	-
Net cash used in investing activities	(43.0)	(71.9)	(158.4)	(243.6)
Financing Activities				
Repayment of lease liabilities	(10.4)	-	(22.0)	-
Grants received	-	-	0.6	1.6
Dividend paid to owners of the Company	(39.0)	(69.2)	(147.2)	(207.7)
Perpetual capital securities distribution paid	-	-	(3.9)	(3.9)
Interest paid	(6.9)	(5.7)	(26.7)	(20.3)
Purchase of Treasury Shares	-	-	(1.5)	-
Net cash used in financing activities	(56.3)	(75.0)	(200.8)	(230.3)
Net change in cash and cash equivalents	56.1	5.1	(11.8)	(96.1)
Cash and cash equivalents at beginning of the period	97.5	244.0	165.4	345.2
Cash and cash equivalents at end of the period	153.6	249.1	153.6	249.1
Cash and cash equivalents comprise:				
Cash and bank balances	154.3	249.6	154.3	249.6
Restricted cash	(0.7)	(0.5)	(0.7)	(0.5)
	153.6	249.1	153.6	249.1

The Group's 3Q2019 net cash from operating activities of S\$155.3 million was S\$3.3 million higher YoY. Net cash from operating activities for the nine-month period of S\$347.4 million was S\$30.4 million lower YoY. The increase in 3Q2019 was largely due to a higher cash flow from operations and lower working capital needs, partially offset by higher income tax paid. For the nine-month period, the decrease was primarily due to a higher working capital needs and partially offset by higher cash flow from operations and lower income tax paid.

The positive working capital changes of S\$16.6 million in 3Q2019 was primarily attributed to higher trade and other payables and lower trade receivables, partially offset by higher contract assets. For the nine-month period, the negative working capital changes of S\$69.7 million was primarily attributed to higher contract costs and contract assets, lower trade and other payables and lower balances due to related parties, partially offset by lower trade receivables and lower other receivables, deposits and prepayments.

Net cash used in investing activities decreased by S\$28.9 million to S\$43.0 million in 3Q2019, mainly due to lower CAPEX payments and the net proceeds received from the dilution of interest in D'Crypt in September 2019 (refer to Note 5 on page 2). For the nine-month period, the net cash used in investing activities of S\$158.4 million was S\$85.2 million lower YoY due to lower CAPEX payments, net proceeds received from the dilution of interest in D'Crypt in September 2019 and no acquisitions in the same period.

The Group's CAPEX payments amounted to S\$48.3 million in 3Q2019 and S\$164.5 million in the nine-month period, representing 8.4% and 9.6% of total revenue respectively. CAPEX payments were lower YoY by S\$24.4 million in 3Q2019 and S\$25.0 million in the nine-month period mainly due to a decrease in purchase of property, plant and equipment (PPE).

Free cash flow of S\$107.0 million in 3Q2019 was higher YoY by S\$27.7 million primarily due to higher cash from operating activities coupled with lower CAPEX payments. Free cash flow of S\$182.9 million in the nine-month period was lower YoY by S\$5.3 million primarily due to lower cash from operating activities, partially offset by lower CAPEX payments.

Net cash used in financing activities was lower YoY at S\$56.3 million in 3Q2019 and S\$200.8 million in the nine-month period due to lower dividends declared and paid for FY2019, partially offset by the repayment of lease liabilities and higher interest paid.

The resulting net cash generated was a surplus of S\$56.1 million in 3Q2019 and a deficit of S\$11.8 million in the nine-month period, leading to a lower cash and cash equivalents balance (excluding restricted cash) of S\$153.6 million.

Capital expenditure commitments

As of 30 September 2019, the Group's total outstanding capital expenditure commitments amounted to S\$428.1 million, including the outstanding commitments for 4G spectrum rights of S\$282.0 million.

4. STATEMENT OF FINANCIAL POSITION

	Group		Company	
	30 Sep 19	31 Dec 18 (Note A)	30 Sep 19	31 Dec 18
	S\$m	S\$m	S\$m	S\$m
Non-current assets				
Property, plant and equipment	843.0	893.2	443.1	465.1
Intangible assets	675.9	688.0	106.3	102.1
Right-of-use assets	184.7	-	135.3	-
Subsidiaries	-	-	3,256.0	3,304.4
Associate	22.5	22.7	27.8	27.8
Investment in fair value through other comprehensive income	25.1	36.0	25.1	36.0
Amount due from related parties	8.4	8.2	8.4	8.2
Deferred tax assets	-	1.5	-	-
Contract assets	79.4	67.4	0.8	0.1
Contract costs	7.0	5.6	0.4	0.5
	1,846.0	1,722.8	4,003.3	3,944.3
Current assets				
Inventories	76.4	75.2	0.6	0.6
Contract assets	329.5	269.6	27.7	18.7
Contract costs	33.5	24.7	1.5	1.4
Trade receivables	249.3	282.8	175.4	183.1
Other receivables, deposits and prepayments	83.5	94.2	34.6	33.9
Amount due from related parties	26.2	18.3	187.9	14.1
Cash and bank balances	154.3	166.0	117.0	117.6
	952.7	930.7	544.7	369.5
Less:				
Current Liabilities				
Contract liabilities	66.2	70.2	20.8	23.4
Trade and other payables	567.2	594.9	270.9	270.6
Amount due to related parties	41.3	57.5	320.1	235.8
Borrowings	50.1	50.1	50.0	50.0
Lease liabilities	59.6	-	18.7	-
Provision for taxation	92.7	119.5	33.3	23.7
	877.1	892.0	713.8	603.4
Net current assets/ (liabilities)	75.6	38.7	(169.1)	(233.9)
Non-current liabilities				
Contract liabilities	36.6	32.5	36.6	32.5
Trade and other payables	49.8	33.0	10.9	7.0
Borrowings	978.3	978.4	977.5	977.5
Lease liabilities	154.5	-	115.8	-
Deferred income	0.1	0.3	0.1	0.3
Deferred tax liabilities	123.1	129.2	74.6	75.6
	1,342.5	1,173.4	1,215.5	1,093.0
Net assets	579.2	588.1	2,618.7	2,617.4
Shareholders' equity				
Share capital	299.7	299.7	299.7	299.7
Perpetual Capital Securities	201.9	199.9	201.9	199.9
Reserves	14.9	8.6	2,117.2	2,117.9
Equity attributable to owners of the Company	516.4	508.1	2,618.7	2,617.4
Non-controlling interests	62.7	80.0	-	-
Total equity	579.2	588.1	2,618.7	2,617.4

Note:

(A) In accordance with SFRS(I) 3 Business Combinations, StarHub Group has, based on an updated valuation report prepared by a professional valuer, retrospectively adjusted the provisional Purchase Price Allocation amounts recognised at the acquisition date of Ensign to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The provisional goodwill has been adjusted upward due to the revision in the values of intangible assets and liabilities recognised.

GROUP BALANCE SHEET REVIEW

As of 30 September 2019, the Group's total non-current assets of S\$1,846.0 million was S\$123.2 million higher when compared to S\$1,722.8 million as of 31 December 2018. The increase was primarily due to higher ROU assets from the impact of *SFRS(I) 16 Leases* adoption and higher contract assets. This was partially offset by a decrease in PPE, intangible assets and investment in fair value through other comprehensive income.

Total current assets as of 30 September 2019 increased by S\$22.0 million to S\$952.7 million mainly from an increase in contract assets, contract costs and amount due from related parties, partially offset by the decrease in trade receivables, other receivables, deposits and prepayments as well as cash and cash equivalents.

Total current liabilities decreased by S\$14.9 million to S\$877.1 million as of 30 September 2019 mainly due to a decrease in trade and other payables, amount due to related parties and provision for taxation, partially offset by an increase in lease liabilities due to the adoption of *SFRS(I) 16 Leases*.

The increase in total non-current liabilities by S\$169.1 million to S\$1,342.5 million as of 30 September 2019 was primarily due to the higher trade and other payables and higher lease liabilities (as explained above).

The Group's shareholders' equity increased by S\$8.3 million to S\$516.4 million as of 30 September 2019 (excluding non-controlling interests of S\$62.7 million). The increase was mainly due to higher retained profits.

Following the disposal of D'Crypt in September 2019 to Keele, D'Crypt became an indirect subsidiary of Ensign as a result of the rights accorded to Ensign through the purchase of Preference Shares of Keele. The Group now holds 60% of the economic interest in D'Crypt through its shareholding and interest in Ensign.

The non-controlling interests represent the balance of 40% effective economic interest in Ensign attributable to minority shareholders.

5. GROUP UNSECURED BORROWINGS

	30 Sep 19	31 Dec 18
	S\$m	S\$m
Unsecured borrowings		
Amount repayable in one year or less		
Bank loans	50.1	50.1
Medium term notes	-	-
	50.1	50.1
Amount repayable after one year		
Bank loans	458.3	458.4
Medium term notes	520.0	520.0
	978.3	978.4
Total	1,028.4	1,028.4

The Group's unsecured borrowings remained unchanged as of 30 September 2019.

On account of a lower cash and cash equivalent balance, net debt was S\$11.7 million higher at S\$874.1 million as of 30 September 2019 compared to S\$862.4 million as of 31 December 2018. As a ratio of the past 12 months' EBITDA, the Group's net debt was lower at 1.48 times as of 30 September 2019 compared to 1.52 times as of 31 December 2018.

6. STATEMENT OF CHANGES IN EQUITY

Group	Share capital S\$m	Perpetual Capital Securities S\$m	Treasury shares S\$m	Other 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 interest S\$m	Total equity S\$m
At 1 Jan 2019 (Note A on page 16)	299.7	199.9	(3.0)	1.7	(276.3)	8.8	(5.8)	(0.2)	1.3	282.1	8.6	80.0	588.1
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	93.5	93.5	(4.8)	88.7
Other comprehensive income													
Foreign currency translation differences	-	-	-	-	-	-	-	-	0.1	-	0.1	-	0.1
Effective portion of changes in fair value of cash flow hedges, net of taxation	-	-	-	-	-	-	-	(0.2)	-	-	(0.2)	-	(0.2)
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	-	-	(9.7)	-	-	-	(9.7)	-	(9.7)
Total comprehensive income for the period	-	-	-	-	-	-	(9.7)	(0.2)	0.1	93.5	83.7	(4.8)	78.9
Transactions with equity holders of the Company, recognised directly in equity													
<i>Contributions by and distributions to equity holders of the Company</i>													
Net changes in fair value of put liability to acquire non-controlling interests	-	-	-	(1.0)	-	-	-	-	-	-	(1.0)	-	(1.0)
Share-based payments expenses	-	-	-	-	-	1.7	-	-	-	-	1.7	-	1.7
Accrued perpetual capital securities distribution	-	3.9	-	-	-	-	-	-	-	(3.3)	0.7	-	4.6
Perpetual capital securities distribution paid	-	(3.9)	-	-	-	-	-	-	-	-	(3.9)	-	(7.9)
Issue of shares pursuant to share plans	-	-	4.2	-	-	(4.2)	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(1.5)	-	-	-	-	-	-	-	(1.5)	-	(1.5)
Tax impact on transfer of treasury shares	-	-	-	-	-	0.0	-	-	-	-	0.0	-	0.0
Dividends paid	-	-	-	-	-	-	-	-	-	(108.2)	(108.2)	-	(108.2)
Total transactions with equity holders of the Company	-	(0.0)	2.7	(1.0)	-	(2.5)	-	-	-	(111.5)	(112.3)	-	(112.4)
At 30 Jun 2019	299.7	199.9	(0.3)	0.6	(276.3)	6.3	(15.5)	(0.3)	1.4	264.2	(20.1)	75.2	554.6
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	-	58.0	58.0	(1.4)	56.6
Other comprehensive income													
Foreign currency translation differences	-	-	-	-	-	-	-	-	(0.1)	-	(0.1)	(0.0)	(0.1)
Effective portion of changes in fair value of cash flow hedges, net of taxation	-	-	-	-	-	-	-	0.6	-	-	0.6	-	0.6
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	-	-	(1.1)	-	-	-	(1.1)	-	(1.1)
Total comprehensive income for the period	-	-	-	-	-	-	(1.1)	0.6	(0.1)	58.0	57.3	(1.4)	56.0
Transactions with equity holders of the Company, recognised directly in equity													
<i>Contributions by and distributions to equity holders of the Company</i>													
Derecognition of put liability	-	-	-	34.0	-	-	-	-	-	-	34.0	-	34.0
Net effect from business combinations	-	-	-	(16.4)	-	-	-	-	-	-	(16.4)	(11.0)	(27.5)
Share-based payments expenses	-	-	-	-	-	0.7	-	-	-	-	0.7	-	0.7
Accrued perpetual capital securities distribution	-	2.0	-	-	-	-	-	-	-	(1.7)	(1.7)	-	0.3
Issue of shares pursuant to share plans	-	-	0.3	-	-	(0.3)	-	-	-	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	-	-	(0.1)	-	-	-	-	(0.1)	-	(0.1)
Dividends paid	-	-	-	-	-	-	-	-	-	(39.0)	(39.0)	-	(39.0)
Total transactions with equity holders of the Company	-	2.0	0.3	17.6	-	0.4	-	-	-	(40.6)	(22.3)	(11.0)	(31.4)
At 30 Sep 2019	299.7	201.9	(0.1)	18.2	(276.3)	6.7	(16.7)	0.2	1.3	281.5	14.9	62.7	579.2

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 interests S\$m	Total equity S\$m
At 1 Jan 2018	299.7	199.9	(8.2)	(276.3)	13.0	18.2	(10.1)	1.4	364.0	102.0	4.5	606.025
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 hedges, net of taxation	-	-	-	-	-	-	8.9	-	-	8.9	-	8.9
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	-	(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 capital securities distribution	-	3.9	-	-	-	-	-	-	(4.2)	(4.2)	-	(0.3)
Perpetual capital securities distribution paid	-	(3.9)	-	-	-	-	-	-	1.0	1.0	-	(2.9)
Issue of shares pursuant to share plans	-	-	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	8.5	(1.2)	1.3	347.1	82.4	14.079	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 hedges, net of taxation	-	-	-	-	-	-	1.1	-	-	1.1	-	1.1
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	-	(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 capital 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	2.2	(0.2)	1.3	333.2	64.5	15.1	581.1

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

Company	Share capital S\$m	Perpetual Capital Securities S\$m	Treasury shares 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 2019	299.7	199.9	(3.0)	8.8	(5.8)	2,117.9	2,117.9	2,617.4
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	110.1	110.1	110.1
Other comprehensive income								
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	(9.7)	-	(9.7)	(9.7)
Total comprehensive income for the period	-	-	-	-	(9.7)	110.1	100.3	100.3
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	-	-	-	1.7	-	-	1.7	1.7
Accrued perpetual capital securities distribution	-	3.9	-	-	-	(3.3)	0.7	0.7
Perpetual capital securities distribution paid	-	(3.9)	-	-	-	-	(3.9)	(3.9)
Purchase of treasury shares	-	-	(1.5)	-	-	-	(1.5)	(1.5)
Issue of shares pursuant to share plans	-	-	4.2	(4.2)	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	0.0	-	-	0.0	0.0
Dividends paid	-	-	-	-	-	(108.2)	(108.2)	(108.2)
Total transactions with equity holders of the Company	-	(0.0)	2.7	(2.5)	-	(111.5)	(111.3)	(111.3)
At 30 Jun 2019	299.7	199.9	(0.3)	6.3	(15.5)	2,116.6	2,106.9	2,606.5
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	51.3	51.3	51.3
Other comprehensive income								
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	(1.1)	-	(1.1)	(1.1)
Total comprehensive income for the period	-	-	-	-	(1.1)	51.3	50.2	50.2
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	-	-	-	0.7	-	-	0.7	0.7
Accrued perpetual capital securities distribution	-	2.0	-	-	-	(1.7)	(1.7)	0.3
Issue of shares pursuant to share plans	-	-	0.3	(0.3)	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	(0.1)	-	-	(0.1)	(0.1)
Dividends paid	-	-	-	-	-	(39.0)	(39.0)	(39.0)
Total transactions with equity holders of the Company	-	2.0	0.3	0.4	-	(40.6)	(39.9)	(37.9)
At 30 Sep 2019	299.7	201.9	(0.1)	6.7	(16.7)	2,127.3	2,117.2	2,618.7

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

Company	Share capital S\$m	Perpetual Capital Securities S\$m	Treasury shares 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	299.7	199.9	(8.2)	13.0	18.2	2,001.8	2,024.8	2,524.4
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	103.0	103.0	103.0
Other comprehensive income								
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	(9.7)	-	(9.7)	(9.7)
Total comprehensive income for the period	-	-	-	-	(9.7)	103.0	93.3	93.3
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	-	-	-	(1.7)	-	-	(1.7)	(1.7)
Accrued perpetual capital securities distribution	-	3.9	-	-	-	(3.3)	(3.3)	0.7
Perpetual capital securities distribution paid	-	(3.9)	-	-	-	-	-	(3.9)
Issue of shares pursuant to share plans	-	-	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	300	200	(3.0)	6.008	8.5	1,963.1	1,974.6	2,474.1
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	37.7	37.7	37.7
Other comprehensive income								
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	(6.3)	-	(6.3)	(6.3)
Total comprehensive income for the period	-	-	-	-	(6.3)	37.7	31.4	31.4
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 capital 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)	7.3	2.2	1,930.0	1,936.4	2,437.9

7. CHANGES IN COMPANY'S SHARE CAPITAL

Share Capital

As of 30 September 2019, the share capital of the Company was at S\$299.7 million (31 December 2018: S\$299.7 million) comprising 1,731,614,890 (31 December 2018: 1,730,698,702) issued ordinary shares (excluding treasury shares).

Treasury Shares

For the quarter ended 30 September 2019, the Company transferred 118,700 treasury shares to participants of the Company's share plans.

The treasury share balance as of 30 September 2019 was S\$0.1 million (30 September 2018: S\$3.0 million) comprising 36,553 (30 September 2018: 952,741) ordinary shares.

Issue of new shares

For 3Q2019, there was no issue of new ordinary shares.

Subsidiary holdings

As at 30 September 2019, none of the Company's subsidiaries held any shares in the Company (30 September 2018: 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 2019, the Group had an accrual of S\$2.3 million for perpetual capital securities distribution due in December 2019.

Outstanding Shares – Share-Based Plans

Performance Share Plans

As of 30 September 2019, the outstanding balance of conditional awards under the Performance Share Plans was 1,084,020 (30 September 2018: 1,767,401) ordinary shares.

Restricted Stock Plans

As of 30 September 2019, the outstanding balance of conditional awards under the Restricted Stock Plans was 3,639,387 (30 September 2018: 3,318,725) 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 2018, 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 period beginning on or after 1 January 2019.

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

a) SFRS(I) 16 Leases

SFRS(I) 16 is effective for annual period beginning on or after 1 January 2019.

SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

SFRS(I) 16 substantially carries forward the lessor accounting requirements in SFRS(I) 1-17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the SFRS(I) 1-17 operating lease and finance lease accounting models respectively.

The Group and Company have applied SFRS(I) 16 using the modified retrospective method as of 1 January 2019, with no restatement of comparative information.

The Group and Company have also applied the practical expedients to grandfather the definition of a lease on transition, which means that the Group and Company have applied SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

11. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Please refer to Note 10.

12. GROUP EARNINGS PER ORDINARY SHARE

	Quarter ended 30 Sep		Nine Months ended 30 Sep	
	2019	2018	2019	2018
Basic				
Earnings per share	3.2 cents	3.2 cents	8.4 cents	10.2 cents
Weighted average number of shares ('000)	1,731,557	1,730,698	1,731,000	1,729,955
Diluted				
Earnings per share	3.2 cents	3.2 cents	8.4 cents	10.1 cents
Weighted average number of shares ('000)	1,736,280	1,735,784	1,735,724	1,735,041

13. NET ASSET VALUE PER ORDINARY SHARE

	Group		Company	
	30 Sep 2019	31 Dec 2018 (Note 1)	30 Sep 2019	31 Dec 2018
Net asset value per share	29.8 cents	29.4 cents	151.2 cents	151.2 cents

Note

(1) Please refer to Note A under Statement of Financial Position on page 16.

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

Group's service revenue was lower by 3.9% YoY for the nine-month period, below our guidance of stable to 2% decline YoY.

The Group's service EBITDA margin before SFRS(I) 16 adoption for 3Q2019 and nine-month period were 30.6% and 29.4% of service revenue respectively. This was above our full year guidance of between 26% to 28% of service revenue before SFRS(I) 16 adoption. The Group's service EBITDA margin after SFRS(I) 16 adoption for 3Q2019 and nine-month period were 35.1% and 33.5% of service revenue respectively. This was also above our full year guidance of between 30% to 32% of service revenue after SFRS(I) 16 adoption.

Total CAPEX commitment entered in the nine-month period amounted to S\$94.8 million or 5.5% of total revenue, excluding the spectrum payment of S\$282.0 million. This was below our guidance for 2019 CAPEX commitment at 11% to 12% of total revenue (excluding spectrum payment) due to timing of projects.

15. GROUP OUTLOOK

In an increasingly competitive market, we see strong momentum of *giga* since its launch in 2Q2019. Our new “Hello Change” plans continue to attract existing customers to migrate from older plans, prepaid users as well as new subscribers. The strong net promoter score results received also underlined our “Hello Change” success. In 3Q2019, StarHub was the first and only carrier to offer presales for iPhone 11; enabling further growth in our online sales.

For the Home Broadband segment, sustained competition is expected due to the high broadband penetration in the market. To differentiate ourselves, we launched a new fibre gaming offer - a tailor-made bundle with the best gaming router in the market combined with our 2Gbps speed fibre plan.

In line with previous quarters, the overall Pay TV market in Singapore continued to shrink due to piracy and alternative viewing options. This quarter marks the last quarter of StarHub offering cable TV/broadband services as we have completed the cable to fibre migration of our customers. There was a higher churn recorded as a result of the migration. On 30 September 2019, a number of cable customers had indicated that they will be terminating their services and such terminations will be processed in the month of October. In the quarter, we also launched our new *TV Go Max OTT* offer. We have recorded a promising take-up since launch. We will continue our efforts to manage the cost structure on content renewals.

The renewals for connectivity to data centre, cloud and telco solutions across key industry sectors remain a key driver in our Enterprise Business revenue. We continue to see increased take-up for IoT, ICT and Data Centre-related managed services and we remain committed in providing solutions to help our enterprise customers accelerate their digitalisation journey.

Based on the current outlook, we expect the Group’s 2019 service revenue to decline by 2% to 3% YoY. Group service EBITDA margin is expected to be between 30% to 32% (after SFRS(I) 16 adoption). Depreciation and amortisation expense is also expected to increase approximately by S\$6.0 million due to amortisation of intangible assets from recent acquisitions. In 2019, CAPEX commitment, excluding spectrum payment of S\$282.0 million, is expected to be 8% to 9% of total revenue. The Group intends to pay-out at least 80% of net profit attributable to shareholders (adjusted for one off, non-recurring items), as dividend. For FY2019, the Group intends to pay a dividend of 9 cents per ordinary share, at a rate of 2.25 cents per quarter.

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\$0.0225 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 27 November 2019.

- (d) Book closure date

Notice is hereby given that the Register of Members and the Transfer Books of the Company will be closed on 14 November 2019 ("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 13 November 2019 ("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 transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transaction less than S\$100,000) 1 July 2019 to 30 September 2019 S\$m
Transactions for the Sale of Goods & Services	
SembCorp Industries Ltd & its associates	0.2
Singapore Technologies Telemedia Pte Ltd & its associates	6.2
Singapore Power Limited & its associates	0.2
Singapore Telecommunications Limited & its associates	3.2
Singapore Technologies Engineering Ltd & its associates	0.1
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	0.6
	10.4
Transactions for the Purchase of Goods & Services	
SembCorp Industries Ltd & its associates	3.8
Singapore Telecommunications Limited & its associates	25.1
Singapore Technologies Telemedia Pte Ltd & its associates	8.4
Temasek Holdings (Private) Limited & its associates (other than those disclosed above)	5.4
	42.7

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 ended 30 September 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Steven Terrell Clontz
Director

Ma Kah Woh
Director

Singapore
5 November 2019

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.