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PRESENTATION

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

Before we begin our presentation, I would like to remind all that, for our questions and answer session, we will be taking questions from the floor, then the conference call, followed by the audio cast in that order. (Operator Instructions).

Let me now invite Neil to share some highlights from this set of pretty good results. Neil, please.

Neil Montefiore - *StarHub Ltd. - CEO*

Thank you, Jeannie. So if you start off at slide 6, after we've gone through the forward-looking statement. So just a quick overview. Financially, operating revenue was up around 3%; Service revenues are also up around 1%. EBITDA grew quite strongly at about 12%; this is full year '11 over '10. EBITDA margin improved a little bit at 31.1%, and the net profit, after tax, improved 20%.

Operationally, we saw growth in customer numbers in all our business areas. Mobile growth, and particularly in the postpaid, revenue was up around 6%, customer base up about 2%. Pay TV, the customer base grew about 1%. Broadband about 4% and Fixed Network Services revenue, that's the corporate side of our business, that rose around 2% in revenue terms.



If you now look at the next slide, slide 7, I'll just quickly run through the key financial highlights. Buck Chye will go through these in a lot more detail later on, so the quarters just briefly. For the quarter, the Group's operating revenue at SGD613 million, was about SGD54 million higher, about 10% higher, than the fourth quarter 2010, mainly driven by equipment sales and some increase in Service revenues. The Service revenue grew 4% to SGD559 million in the quarter.

For the full year, operating revenue grew 3%, or SGD28 million year on year, to SGD2,312 million. Service revenue for the full year grew by about 1%. The improved revenue performance, and the cost management, resulted in the Group's EBITDA increasing, year on year, by 12% to SGD676 million for the full year.

EBITDA margin ended quite high in the last quarter at 33.1%, but for the full year it's 31.1%, as I mentioned earlier. And the Group's net profit was up 20% to SGD316 million.

If you look at the lines of business, everything growing in terms of customer numbers. In terms of revenue, we saw a decline, year on year, in the Pay TV revenue. That was because the previous year, half the year, we still had the higher income from the sports package because we had the BPL; we also had World Cup revenues in there, too. So that's come down again. The revenue is now pretty stable in terms of the Pay TV. And I think growth in all of the other areas.

Next slide. And if you go to slide 9, then you can see our hubbing households; some expansion there, about 3% growth in the total households that have three or more services from us. So that's the way we're focusing. If you look there, we serve -- about three quarters of Singapore households take at least one service from us, and 205,000 take three or more services from us. So we're quite pleased with that.

Now, I'll just let Buck Chye give you some details and hand over to him for the financial overview. Buck Chye.

Kwek Buck Chye - StarHub Ltd. - CFO

Good evening, I point you to slide 11. This is a slide on EBITDA and EBITDA margin. The improved revenue performance, and the cost management throughout the year, has resulted in the Group's EBITDA rising 9%, year on year, to SGD185 million for the quarter. And EBITDA margin for the quarter achieved 33.1%. For the full year, EBITDA profits, at SGD676 million, is 12% improvement over the year. Consequently, the EBITDA margin rose, as an average, for the year, to 31.1%, and this is above our guidance of 30%.

Next chart shows the cost of sales. The fourth quarter cost of sales increased 29% to SGD271 million for the fourth quarter. The increase was mainly in higher costs of equipment sold and, also, in higher cost of services. Referring to the chart on the left, the cost of equipment sold for the fourth quarter increased SGD52 million, or by 69% higher than the fourth quarter the previous year, for the larger number of smartphones used in our business for retention and acquisition this quarter. Particularly, also, with the iPhone 4S promotion that started in October.

Cost of services was higher by SGD7 million in the quarter, or 10%. Half of this cost increase is for new Pay TV content, as well as higher cost on the renewal. The other half is really for the increase in subcontractor cost in the growing Telecom Enterprise business. For the full year, cost of sales amounted to SGD929 million, and this was only 2%, or SGD16 million, higher than the previous year.

The cost of equipment components increased by SGD71 million, or 23%, for the full year, as we saw more quantities of smartphones used for retention and acquisition activities throughout the year, leading to the fourth quarter launch of iPhone 4S, as well as the festive promotions.

Better cost management of traffic costs reduced, year on year, by SGD15 million. And we also saw lower cost of services. Now, this is a positive variance, when you look at year on year. I would have to point out that, in the previous year, as Neil pointed out, there were the BPL Sports and FIFA World Cup costs that were content cost in cost of services, in the previous year, but no longer in the current year. And that showed an improvement, year on year, a favorable variance of SGD14.5 million for the full cost of services.

The ratio of cost of sales to revenue for the year trended down marginally, from 41% to 40%, on continued focus on cost management.



The other portion of cost is in the next slide, slide 13, other operating expenses. For the fourth quarter, at SGD237 million, this is SG15 million lower, or 6% lower, than the same period last year.

Now, marketing and promotion, look at the green stack, was high, at SGD41 million, and this was SGD4 million higher for the quarter. This is for the festive promotion, and also, the launch of the iPhone 4S.

Depreciation is stable at SGD70 million in the quarter trending. And other G&A was lower by 15%, in the quarter, at SGD125 million. For the full year, the total operating expense was only SGD18 million, or SGD2 million higher than the previous year. This is strictly due to better management, resulting in lower G&A.

Marketing and promotion expenses were actually 9% higher. This was necessary to drive retention and acquisition activities, and also, the fourth quarter festive promotions.

The other increase is in depreciation, which rose by SGD18 million for the year, as a result of the continued capital expansion addition in the year.

The other G&A, at SGD559 million for the full year, was SGD13 million [sic - see slide 13] lower than the previous year. There were increases in staff costs, operating leases for new shops and service centers, and their associated maintenance.

These were offset by one-off reversals of over accruals. These accruals were made in prior periods for maintenance and network systems. In this quarter, they were completed and, consequently, you'll see that it resulted in payment of CapEx. With the projects completed, we had to look at the cost accruals, and any surplus thereon will have to be reversed in the fourth quarter, and that impacted favorably the results.

As a percentage of revenue, other operating cost is maintained stable, at 44% of sales.

As a result of the higher service revenue growth, and cost management, the Group's profit from operations for the quarter ended higher, at SGD115 million, which is 15% better for the quarter. And for the full year, it rose by SGD56 million, or 16% better, to SGD398 million, before tax.

After deducting taxes, at average 17% on profit, the Group's profit after tax was 15% higher, at SGD93 million, for the quarter and, also, 20% higher, at SGD316 million, for the full year. That full year improvement is SGD53 million of profitability.

CapEx. As guided before, is end loaded, usually, in the fourth quarter. You can see that it reaches SGD117 million. That brings the full year CapEx to SGD247 million. As a percentage of revenue, that trends at 10.6%. We have guided not to exceed 12%, so this is within the guidance. CapEx is very hard to forecast. There is about SGD25 million of payments that is carried over to the next year. Otherwise, we would have ended with a higher percentage of revenue ratio.

Free cash flow. The fourth quarter free cash flow, of only SGD29 million, reflects the burden of having paid for the SGD117 million in this quarter. It would have been better if it had been spread out throughout the year, but the projects only completed in the quarter.

For the full year, I'm proud to say that the Company has generated a free cash flow 13% higher than the previous year, at SGD450 million. This translates to a free cash flow of, at least, SGD0.26 per share.

And with that, Tong Hai, I'll leave you to do the operational review.

Tan Tong Hai - *StarHub Ltd. - COO*

Thank you. For the business highlights; Mobile, let's turn to slide 19. We have added 46,000 customers year on year. Our postpaid ARPU increased to SGD74. And non-voice services, as a percentage of postpaid ARPU, at 38.2%.



We had positive net adds for both prepaid and postpaid segments. Total Mobile subscribers is now at 2.19 million, split almost equally between postpaid and prepaid.

Chart 21. Prepaid revenue was lower this quarter, due to lower voice contribution, or voice usage. We have stepped up marketing and distribution activities, to spur usage, and we hope to see increase in prepaid revenue in subsequent quarters.

Postpaid revenue was higher, due to higher subscription revenue from increasing mix of SmartSurf plans. Correspondingly, the ARPU increased to SGD76 for the fourth quarter.

Now, if you take a look at the postpaid non-voice services as a percentage of ARPU, it is now 39.8%, and it reflects a steady growth in data usage by our customers. This quarter, we had mainly re-contract customers from the first batch of iPhone 3GS sign up two years ago so, as a result, churn grew slightly to 1.2%.

Next, Pay TV, slide 24. Pay TV customer base grew 1%; ARPU at SGD50; revenue decreased 5%. If you look a look at the Pay TV net adds, we have added 3,000 more subscribers in fourth quarter, and the total subscriber base is now 545,000.

Pay TV revenue grew to SGD98.7 million. The increase was due to higher HD set-top box rental revenue, and a SGD2 monthly subscription price increase which took effect since August last year. Correspondingly, ARPU increased by SGD1 to SGD51 per month.

The churn rate was reduced to 0.9% as a result of more targeted customer retention activities carried out in the second half of the year. For previous quarters, the higher churn was impacted by the expiry of promotional offers.

Next, Residential Broadband. We have added 18,000 customers; the ARPU is now at SGD45; and revenue increased 2%. We have added 2,000 more Broadband customers in fourth quarter, bringing total Broadband customer subscribers to 440,000.

We managed to grow Broadband revenue slightly to SGD60.6 million, and ARPU was maintained at SGD45 per month. Churn was also maintained at 1.1% if you take a look at slide 32.

Next, Fixed Network Services. Fixed Network Services revenue increased 2%, and Data & Internet services maintained its 84% contribution to revenue. Fixed Network revenue grew to SGD88 million, due to increased contribution from Voice and Data & Internet services. Voice revenue this quarter was higher, due to higher subscription of local voice services, and increased interconnect revenue. This was partially offset by lower IDD revenue.

The sharp growth in Data & Internet services was due to the recognition of the deferred revenue upon settlement of a dispute with a wholesale telco customer.

So contribution from NGNBN services remains low, due to operational issues in OpenNet; I think this was widely covered in the media. We hope that, with the increased attention by the authorities, this issue will be resolved this year so that we can see a higher take-up of NGNBN services.

I will pass the time back to Neil to provide you with outlook for this year.

Neil Montefiore - *StarHub Ltd. - CEO*

I'll just very quickly run through the outlook; that's on slide 37. In terms of revenue, we expect the revenue growth to be in low single digits, which is similar to the guidance we've been giving for this year. EBITDA margin, again around 30% is where we expect it to be for the year.

Cash CapEx not to exceed around 11% of operating revenue. And we will recommend that this year's dividend, the final dividend, to be at SGD0.05 per share, and we do intend to maintain our quarterly payment of dividends running to SGD0.20 per annum for 2012.



So that's the outlook, and I'll hand back to Jeannie and look forward to some questions.

QUESTIONS AND ANSWERS

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

Right, we shall now begin to take questions. (Operator Instructions). The first question from the floor.

Derrick Heng - *Phillip Securities - Analyst*

Congrats on a great set of results. I just have two questions; two one-off items there. The first is the reversal of accruals for maintenance; can we have that number for this?

And the next one is the Data & Internet revenue. You said there was some one-off dispute settlement; could we just have that number as well? That's all, thanks.

Neil Montefiore - *StarHub Ltd. - CEO*

Okay, Buck Chye, do you want to --?

Kwek Buck Chye - *StarHub Ltd. - CFO*

Fourth quarter is traditionally a quarter where there is a lot of closure of transactions. I wouldn't go into the individuals; there are lots of adjustments, because a lot of projects are closed.

Perhaps let's do it this way. If you take the EBITDA for the fourth quarter, and these adjustments are one-offs, and there were provisions made prior periods, in prior years, but the projects are only closed this year. And if we exclude these one-offs, then the EBITDA for the fourth quarter would be 31.3% instead of 33.1%, and for the full year would be 30.7% instead of 31.1%. I think that would allow you to do your modeling on a recurring basis.

If you turn to slide -- this is the Fixed Network services, a few slides before, I just want to show you -- [Heng], your question is how much is the settlement. It's about SGD1.9 million. So you will see that the revenue will average around SGD70 million. As I said, I hope to see increased contributions from NGNBN services.

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

From the floor let's move onto the conference call. Sachin Mittal, DBS Vickers Securities.

Sachin Mittal - *DBS Vickers Securities - Analyst*

A great set of results; congrats. A couple of questions I have. Well, again, just to ask some of the questions, there is a timing gap between quarter to quarter, but on a full-year basis the number -- if you can give me some numbers on a full-year basis for FY'11, what were the one-offs involved in the full financial year of 2011, that will be very useful. Anything in terms of percentage margin of EBITDA; anything will be very useful.

Second question is, any update on NIMS. And do you plan to apply for any compensation for supporting an additional Pay TV platform from the regulator? Is that something you are thinking about? Question number two.



And the question number three is, how are you seeing consumer Broadband versus corporate Broadband? This quarter we can see that your corporate Broadband, which is in the Fixed Line segment, has increased a bit. Is it showing that your progress is good? Are you satisfied with the progress, and is there a progress made in this quarter in the corporate Broadband side?

And the last question is, basically your clarity on the next cash payment from IDA from OpCo, any clarity on this? And secondly, (inaudible), how should we think about dividends? (Inaudible) you have guided already; is there a possibility, depending on the free cash flow, that there could be special dividends this year?

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

Sachin, just so I get you correctly, your first question was about EBITDA margin for fourth quarter wasn't it?

Sachin Mittal - *DBS Vickers Securities - Analyst*

Yes, but not really on fourth quarter. I'm basically looking at the full-year basis --

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

Full-year basis.

Sachin Mittal - *DBS Vickers Securities - Analyst*

Yes, EBITDA margin, or anything which will give clarity on one-offs.

Neil Montefiore - *StarHub Ltd. - CEO*

Okay, I think Buck Chye did address that. If you look at the full-year EBITDA margin, which is reported 31.1%, you took out some of the reversals that Buck Chye had to do, then it would have dropped to 30.7%, so still in line with our guidance of around 30%. So that's that one.

I think the next one was a regulatory question about project NIMS. It's still in discussions with the bidding parties and with the regulator, so we can't really talk too much about that one, I'm afraid.

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

The third question was about provision for the corporate customers for NGNBN, was it -- Broadband?

Sachin Mittal - *DBS Vickers Securities - Analyst*

Yes, or progress.

Neil Montefiore - *StarHub Ltd. - CEO*

Okay. I think, as Tong Hai has said, we're still finding it quite difficult to access all the corporate buildings that we don't have our own network running to. Our own network runs to about 1,100 buildings, which is where all the big multinationals are, and the big Singaporean corporates. But



there are about 20,000 other buildings, mainly SMEs and branches of the big corporates, which we were hoping the next generation network would give us access to.

It is passing the buildings, but there are still a lot of disputes going on between the company running the fibre out and the building management, and lots of reasons. The regulator is on top of it; the Government is on top of it. We're pushing very hard; we think it will be resolved this year, hopefully in the first quarter, second quarter.

Tan Tong Hai - *StarHub Ltd. - COO*

The consumer Broadband, other than the addition from the fibre Broadband, we still see healthy contribution from our cable Broadband. So as a whole, we look at Broadband business, or high-speed Internet, both from cable as well as fibre, and we like to continue to grow the subscriber base.

As I mentioned, we are happy to be able to maintain the ARPU at SGD45 and keep churn relatively stable at 1.1%. And corporate Broadband I believe we could do more, provided we can solve all the operational issues in OpenNet.

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

Right, and your last question was about special dividends.

Neil Montefiore - *StarHub Ltd. - CEO*

We do review it every quarter, as I've often said. We've given the guidance for the year that, just like this year, we'll end up at around SGD0.20 per share, paid quarterly. I think, with the uncertainties in the global and local economic situation, I think it's unlikely we'll do anything, but we do review it every quarter.

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

I hope we have addressed the questions, Sachin.

Sachin Mittal - *DBS Vickers Securities - Analyst*

Just a follow-up on this, because there is some cash payment due for you, right, from Government for OpCo. Any clarity on the timing?

Kwek Buck Chye - *StarHub Ltd. - CFO*

Yes, Sachin. I think your question is referring to NGNBN expecting payment for a portion of the Government grant which is due. You are correct; included in our financials, we have actually invoiced IDA for the milestones that have been completed, and it takes a little time for them to clear through their certification. We expect that about SGD40 million to come through soon in the New Year.

Sachin Mittal - *DBS Vickers Securities - Analyst*

Which will (multiple speakers) over multiple years, right?



Kwek Buck Chye - *StarHub Ltd. - CFO*

Okay, Sachin. There are two parts. The part that is relating to the building of the infrastructure is actually amortised over the period of the asset construction, and any amount of money received for that portion of the rollout grant is amortised over five years.

The other portion that is more driven by activity, called the adoption grant, when you reach certain home passed -- when you connect services to particular consumer or corporate customer, then you get the grant. That's called the adoption grant. Now that one is straight on into the P&L because it is activity based and not amortised.

Sachin Mittal - *DBS Vickers Securities - Analyst*

Okay, great. Thank you very much.

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

We shall limit the number of questions that conference callers can ask. Any questions from the floor please?

Grace Chng - *Straits Times - Media*

I'd like a clarification on the NGBN, the amortisation and adoption grant, that is for Nucleus Connect is it?

Kwek Buck Chye - *StarHub Ltd. - CFO*

Yes.

Grace Chng - *Straits Times - Media*

Great, thanks.

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

HSBC, Luis.

Luis Hilado - *HSBC - Analyst*

Congrats on the results. I just have two questions. One is just to further clarify about the accruals. Does that include also staff costs, because I notice it's down about 11% q-on-q and 3% year on year? Is that part of the reversals done, or is there some other factor for that?

And the second question is more to do with the recent regulatory upgrading of the quality of standards for mobile services. Does your 11% CapEx to sales guidance already bake that in as part of that CapEx budget?

Neil Montefiore - *StarHub Ltd. - CEO*

Yes, the first question I think on the accruals, yes, I think Buck Chye, it does include some staff reversals, yes?



Kwek Buck Chye - *StarHub Ltd. - CFO*

Yes. If you refer to the MD&A on page 23, the commentaries would have highlighted the effect of that reversal. If not for the reversal, then effectively, you will find that the quarter staff costs would be in the same level as the previous year, same quarter.

Neil Montefiore - *StarHub Ltd. - CEO*

In terms of the regulatory issues then, yes, we've been in discussion with IDA about that for some time. In terms of the coverage to an outdoor coverage, we don't think the -- the maintenance CapEx that we've currently guided to will more than cover meeting those objectives.

We need to look a bit more closely at how we meet the in-building requirements, but it won't be a large amount of money to do that. So I don't think there'll be any issue with changing our CapEx guidance over the regulatory changes that have come through.

Luis Hilado - *HSBC - Analyst*

Just one follow-up. Can you disclose what your current in-building coverage is perhaps?

Neil Montefiore - *StarHub Ltd. - CEO*

The current in-building coverage is meant to be 85%, and they've increased it to 95%. So basically, it's very difficult to measure in-building coverage, because you've got to get access to everybody's office and wander around every floor.

So basically, what we're going to be doing, as all three operators, we'll be picking a number of buildings each month and going and measuring it and seeing how we're doing and whether we achieve it. If we don't achieve it, we'll use some of the more modern methods that there are available to actually improve that coverage, from femtocells to picocells to improving some of the rooftops' coverage as well.

So it will not be expensive. It will be well covered within the maintenance CapEx, we believe, but we haven't done that.

There is an issue in Singapore with the heights of the buildings, because it's not just the coverage; it's actually how you optimise your networks. And the higher you get, the more difficult it is to optimise, because you can see more and more cell sites, and you also see them in the different countries from here.

So there are some issues, so we'd have to work them out technically. We'll work with the other operators, and we'll resolve these within our CapEx guidance.

Luis Hilado - *HSBC - Analyst*

Great. Thanks a lot.

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

Wei-Shi?

Wei-Shi Wu - *Deutsche Bank Research - Analyst*

Just one question from me. I notice that your cost of equipment went up by a much smaller extent than the equipment sales. Is that because of a reduction in the subsidies you're offering, or is it because unit costs for smart devices have come down?



Kwek Buck Chye - *StarHub Ltd. - CFO*

It has a lot of permutation here. It's got to do with mix; there is smartphones as well as iPhones. And the reason why you do not see the revenue side being at the same portion as that is because basically, more phones are used for retention, so they don't increase the revenue.

So from the financials itself, you will not be able to see that. One thing's for sure, the unit cost of handset subsidy has not come down; it has actually gone up because the smartphones, iPhones and non-iPhones are a shade higher, as an average.

Wei-Shi Wu - *Deutsche Bank Research - Analyst*

Sorry, just to clarify, you said that the subsidies per handset has actually gone up, and the fact that the cost of equipment on the whole has risen to a smaller extent than your equipment revenues is because of the better mix of device, is that right?

Neil Montefiore - *StarHub Ltd. - CEO*

I think what's happened is that the actual main smartphone subsidies have stayed much as they were, in terms of months of average revenue that we get.

So typically, the top-end smartphones we look at something like six to seven months, and the lower-end smartphones, five months. With the ordinary phones, it's three or four months before we recover what they cost. But as you can see from this, our ARPU has gone up slightly, so that does affect it.

Also, some of the Android phones are getting more popular and the prices have not really come down as much as we'd hoped.

We're hoping, next year, that we'll start to see a bit more competition in the smartphone market, and we'll start to see the prices to us starting to come down. But so far, we haven't noticed that in the last two years; it's stayed pretty stable. There's not been a very large increase in handset subsidies, no.

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

Kelvin, CIMB.

Kelvin Goh - *CIMB - Analyst*

Two questions. Firstly, do you have any exclusive content rights that are expiring this year, and which ones are they, if you can give some details there?

And secondly is on your CapEx. Can I just clarify what the spillover amount is? And secondly, related to that is the cash. You mentioned that your cash CapEx this year will be 11%. Does that include the spillover amount? And if it does, it's therefore a lower CapEx this year. I'm just wondering why is CapEx lower this year. Thanks.

Neil Montefiore - *StarHub Ltd. - CEO*

In terms of the content, we're not allowed to give out any of the details of our agreements with the content owners, but we have said in general that much of our content is on a three to five year exclusive basis.



Some expired last year, and we have renewed that. We have made an announcement that we have actually signed a new piece of exclusive content, which will be the Euro. Do you want to mention that, Tong Hai?

Tan Tong Hai - *StarHub Ltd. - COO*

We signed the Euro Cup as a piece of exclusive content. I think you all know the Euro Cup will be in June this year, so with the cross carriage regime, which means that customers can watch it on any platform. But I think with past World Cup experience, we think that it makes sense for StarHub to build this relationship with our sport subscribers.

Neil Montefiore - *StarHub Ltd. - CEO*

And the CapEx guidance does include any spillover from 2011.

Kelvin Goh - *CIMB - Analyst*

It does?

Neil Montefiore - *StarHub Ltd. - CEO*

It does, yes.

Kelvin Goh - *CIMB - Analyst*

Okay. And what was the spillover amount?

Kwek Buck Chye - *StarHub Ltd. - CFO*

I think I mentioned that. If you look at the CapEx statement of SGD247 million compared with the previous period, the spillover is about SGD25 million.

Kelvin Goh - *CIMB - Analyst*

Right. Okay. All right, Neil, can I just quickly follow up on the content? You said it's locked up for three to five years, and when will this three to five years run out? What years are they?

Neil Montefiore - *StarHub Ltd. - CEO*

It depends on the year we signed it. We're not allowed to give out the details of the content contracts in general, so we'll just say we will have exclusive content for some time. We also will have content that will expire, and if we think it's suitable, we will renew it.

In fact, we've broadened the range of our content significantly in the last year I think. Do you want to mention a few?



Tan Tong Hai - *StarHub Ltd. - COO*

We have, in fact, renewed our content in a non-exclusive manner. So you can watch -- in fact, if you look at Nat Geo Wild, it is in four languages; you can have Mandarin, Bahasa, English, as well as Tamil.

So what we are trying to do is to improve the quality of content, especially HD content. I had mentioned that the growth in the Pay TV revenue, other than the SGD2 increase show a higher take-up of our HD set-top boxes. Of course, they will also subscribe to the HD content. We continue to position StarHub as the home for HD.

Kelvin Goh - *CIMB - Analyst*

Okay. Thank you.

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

Joan from The Edge.

Joan Ng - *The Edge - Media*

I was looking at the numbers for the data versus the minutes of use and the SMS. The minutes of use and the SMS data, the numbers are coming down, while the data numbers are coming up. And I also notice that, even in the prepaid segment, which is generally a more price sensitive segment, actually they are using more data as well.

Can you just talk a little bit about what that means for StarHub, I don't know, in terms of the cost to service and such things, data versus voice, versus SMS, that kind of thing. Could you give some idea of what you're looking at?

Neil Montefiore - *StarHub Ltd. - CEO*

I think, globally, there is a change in the way people are using mobile phones, particularly with the smartphones. Singapore is probably leading the way at the moment; the smartphone revolution here has been stronger than almost any other country in the world. So we now have some -- of the phones we sell on a weekly basis to postpaid customers, something like 97% are smartphones now. Of the total base of postpaid we're well over 70%, I would say, are using smartphones.

And on the prepaid there has been growth, so somewhere just below or around 30% of the prepaid users also uses smartphones. They don't use as much data, but they do use smartphones more than they were a couple of years ago.

In terms of networks, again Singapore is quite lucky in that we have upgraded our networks quite recently in the last three years, so we do have all IP backhaul. We don't have the constraints that some of the bigger countries in the world do like the US and some of the European countries where the data is just completely clogging their networks.

We have had issues here. We had issues initially with the iPhone; nothing to do with the data, it was to do with the way it signaled and it was blocking the signal. But our supplier managed to rectify that and is now selling that solution around the world.

So no real issues and we are continuing to expand our data capacity. If you look across most of the data on our network at the moment is not generated by smartphones, it's still generated by laptops and dongles. They are declining in number, because people are moving away from laptops into more tablet type devices like iPads. The smartphone penetration is very high. At the moment, probably about 30% to 40% of the data on a network comes from smartphones and the rest comes from laptops.



So we're pretty much stable at the moment, and we are investing significantly in increasing the data capacity of the network. We'll be rolling out, this year, some of the LTE infrastructure and re-farming some of our existing spectrum. So no real issues at the moment.

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

Right, let's move over to the conference call. Arthur, Citigroup.

Arthur Pineda - *Citigroup - Analyst*

Two questions from me. Firstly, how did your SAC trends track quarter on quarter on the Mobile division? It seems like EBITDA margins are actually quite stable, even with the iPhone 4S launch was just quite laudable.

Secondly, you seem to be very good in growing your post paid ARPU, just wondering what do you think is driving this differently from your peers who have generally be quite flat throughout the quarters?

And lastly, if you could talk about your LTE plans, if you could just put a little bit more clarity in terms of when you expect to roll out the technology and commercial launch timing? Thank you.

Neil Montefiore - *StarHub Ltd. - CEO*

Could we just check the first question, were you talking about subscriber acquisition costs?

Arthur Pineda - *Citigroup - Analyst*

Yes, that's correct.

Neil Montefiore - *StarHub Ltd. - CEO*

Okay. Again, as I said, they remain fairly stable. It does vary phone to phone, so the top end smartphone is slightly higher than the middle end smartphones, and they're significantly higher than the normal phones. So it has gone up but, as you can see from our results, the ARPU has also gone up. So we do get a payback. We normally contract a postpaid customer for two years, so we do get a payback, even though the actual reach in that payback has taken a month or two longer than it did, say, three years ago.

The second question I missed as well.

Kwek Buck Chye - *StarHub Ltd. - CFO*

Postpaid ARPU seemed to be growing well, what's your differentiation.

Neil Montefiore - *StarHub Ltd. - CEO*

Yes, there's definitely good growth in postpaid. It's because people are adopting the data plans with the higher volume of data. Actually, that is continuing, but we are looking at, in the future, how we actually change the way we charge for data because, as we go forward, texts and voice will definitely decline, even in the Singapore market where it's still very strong. And we need to find a way of monetising the growth in the data, and the change from phone consumers' use of voice and text move to more pure data. So we'll be looking at how we do that over the next year or so.

Arthur Pineda - Citigroup - Analyst

Neil, are you seeing a significant change in terms of your ratios on smartphones versus non-smartphones, versus your competitors at least?

Neil Montefiore - StarHub Ltd. - CEO

No, of the phones we sell, particularly the postpaid phones which, again, is 75% of our revenue is postpaid, then nearly all the phones we sell at the moment are smartphones. People are not buying ordinary phones. I think I'm probably the last user of an ordinary phone.

LTE, where we are, we will be making some announcement soon. I think we made public that we do intend to re-farm some of our 1,800 spectrum for LTE, because we believe that will give much better in-building coverage and better coverage in general. So we'll be rolling that out this year, and you'll see it towards the -- probably third/fourth quarter this year we'll launch some kind of services on it. But initially, because of lack of devices that I think Singaporeans would want to use, I don't think it will be a very big impact on the market, but we'll see more of that probably in 2013.

Arthur Pineda - Citigroup - Analyst

Thank you.

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

Any more questions from the floor? If not, let's go on to Chate, Credit Suisse.

Chate Benchavitvilai - Credit Suisse - Analyst

Congratulations on the result. I have a couple of questions. Number one is regarding the NGNBN; would you kindly share with me how many NGNBN subscribers you actually have right now, or subscribers on fibre?

And also your revenue guidance for FY'12, whether that actually -- what kind of NGN assumption that you're building into that revenue growth guidance?

And the third question is regarding the residential broadband subscriber growth, it seems to have slowed down a little bit in fourth quarter. Do you think that is because of competition?

And the fourth question is regarding CapEx, into the longer term. 11% seems like a low figure; you see that going even lower, or actually you think that it's not actually sustainable and that will increase?

Neil Montefiore - StarHub Ltd. - CEO

Okay, four questions. I think the NGNBN fibre, we don't give out the actual numbers that are on fibre, but in terms of high speed Internet access then StarHub is by far the leader in Singapore. We have probably nearly three times the number of customers accessing over 50 megabits per second than any other operator here.

Those are not all on fibre, because our actual HFC network also delivers up to 100 megabits per second. So we've been offering it to our customers for a lot longer than the other operators. But there are some public numbers we can give you. OpenNet announced they had, both residential and corporate, they had 100,000 connected customers. SingTel claimed to have around 50% of that, and the other operators, the main operators are ourselves and M1. So you can sort of work it out, the sort of numbers that we're talking about.

Tan Tong Hai - *StarHub Ltd. - COO*

The question about the residential broadband signup, why is it not that high compared to others? I think typically in the fourth quarter you have the PC show and, of course, our competitors, a lot of them are very aggressive in bundling notebooks and all the other premiums. For StarHub, we look at what makes sense for the Company and certainly, we like to grow the sub-base, but not irrationally, just to grow sub-base.

We tend to think of more shareholder value. I think that that's why we're happy with the growth, and we can maintain the ARPU at SGD45; we're pretty happy with the results.

Neil Montefiore - *StarHub Ltd. - CEO*

I think, in a fully saturated broadband market, the home penetration is close to 100% here. Our market share has actually grown over the last year and, as I said, we have by far the most high-speed users of the Internet.

I think the next question was about revenue guidance with NGNBN and yes, we have taken that into account.

And the next one was CapEx. Will it come down? Yes, I think as you go forward, if you go out several years from now, certainly in terms of the mobile side of the network, then I think the CapEx as a percentage of revenue will definitely come down. We're seeing significant drops in the cost of network equipment, so that will come down as a percentage.

However, on the other side we are still building fibre and we're still investing there. So that's why we keep the guidance at about 11%.

Chate Benchavitvilai - *Credit Suisse - Analyst*

Thank you very much. Just one follow-up question, if I may, on the Fixed Network data revenue, which increased into the fourth quarter; I missed that comment from you earlier on. Can you just discuss that, what's the driver behind the increase in the fourth quarter and how you see that, going forward?

Tan Tong Hai - *StarHub Ltd. - COO*

I think I mentioned the sharp increase is due to the recognition of the deferred revenue upon settlement of a dispute with a wholesale telco customer. The amount that I mentioned just now was about SGD1.9 million. So that's where we have contributed to the sharp growth. Of course, we would love to see even higher growth, but the NGNBN services contribution remains low at this moment, due to operational issues.

Chate Benchavitvilai - *Credit Suisse - Analyst*

Noted, and thank you very much.

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

Thank you. Any questions from the floor?

Unidentified Audience Member

I have one question on the smartphone, I would appreciate if you can comment on, right now, what kind of smartphone, like is the iPhone or Android phone or other operating system phone are getting more popular or less popular? And what kind of phone price is popular in Singapore?



My second question is, this year we probably will see another iPhone 5S or more smartphone coming out. Will this equipment subsidy moving up will be able to compensate by the ARPU increase, or is it four to six months of the ARPU compensation will be maintained, or be slightly increased? Thank you.

Neil Montefiore - *StarHub Ltd. - CEO*

Okay. The problem we have is we do commit to our suppliers that we won't reveal the exact percentage of what phones go out there.

But I think it's pretty obvious from Singapore that the iPhone is the dominant phone. Android has grown significantly over the last year and doing well. The Symbian phones, globally, they are declining, and BlackBerry also declining. Windows, fairly stable. Maybe with the new Nokia phone that's just been launched it may start to grow again. So that's really where we are.

So Singapore's slightly different to other countries. If you look at the US, the Android penetration now exceeds the iPhone penetration, whereas in Singapore, it's still as it used to be in the US a year or so ago, or two years ago.

The subsidies, I think what will happen in the subsidies -- I'm hoping what will happen is that the subsidies will decline as the market gets more competitive and people realise the benefit of all the different sort of smartphones that are out there, from the Windows, Android, Apple and, possible if RIM reinvents the BlackBerry, maybe they'll start growing again.

Tan Tong Hai - *StarHub Ltd. - COO*

I think we have been pretty generous in terms of our data plan unbundled with the SmartSurf. You are already seeing signs in the other countries, say United States, with peer pricing. So I think that may be a way to go, with better quality of service associated with data.

But I think this all depends on how the whole market develops, but certainly we'll be monitoring what's happening elsewhere and see what makes sense for the Singapore market so that, in the end, we like to be able to offer the best devices, but we must be able to recover our costs of investment in terms of the subsidy.

Don See - *Standard Chartered - Analyst*

Don, from Standard Chartered. I'm still trying to get my head around the ARPU trend questions. You have got high ARPU for this quarter. How much more do you see ARPU going up, given that the base of your customers are already on smartphones?

Then also, is the higher ARPU partly because of product mix, i.e., to say you have less USB dongle users and more smartphone users, that's why ARPU has gone up?

And a follow-up question is, in your capacity plans, your CapEx planning, have you actually taken into account some of the trends in the USB dongle users, such that you actually don't think you need that much capacity because the USB dongle users are coming down?

Neil Montefiore - *StarHub Ltd. - CEO*

Okay. I think, in terms of ARPU, it's very difficult to predict where it will go, but I don't think there'll be massive increases in ARPU in this coming financial year. I think they'll be fairly stable. We'd like to see some growth, but it's going to be difficult to see how it gets there.

If we can start to find different ways of pricing the data, to monetise it in a way that satisfies the whole customer base, then I think we might see some increases in ARPU, going forward.



The other thing that does affect ARPU is that, people's own private lives and their business lives, are they calling overseas? Are they traveling? Because roaming revenues can vary quite dramatically, particularly with smartphones, which is why we've put in our Roam Manager some time ago so customers don't get horrible bill shocks when they travel overseas with their smartphones and run up hundreds of dollars of bills.

So we put that in, and part of the regulatory changes is that all the operators now have to do a similar thing to limit the daily roaming to SGD100, which is still quite a lot of money on data roaming.

So those will affect the ARPUs. There will be many things that will affect it. If people stop traveling, ARPUs will be under pressure. If people stop calling internationally, ARPUs will be under pressure. And if they don't turn the data on when they're roaming, ARPUs could be under pressure.

But, on the other hand, we have seen improvements over the last few months.

Tan Tong Hai - *StarHub Ltd. - COO*

I just want to add that the fourth quarter last year, of course seasonally you have more people traveling. So the roaming revenue grew; that's why you can see the growth in the revenue. Of course, if you look at fourth quarter trending in the chart to first quarter seasonally, so in first quarter, without the roaming contribution, then you see a slight dip.

But roaming is dependent on seasonal factors as well as the economic outlook. Of course, if the economic outlook turns down for the worse, then less people will be traveling, then you won't see the growth.

So that, I think, would explain some of the movement in terms of the ARPU.

Neil Montefiore - *StarHub Ltd. - CEO*

And the question about the USB dongles; at the moment the market is fairly flat, or slightly declining in USB usage, but they are the higher users of data than the smartphones.

However, smartphones will continue to increase in data usage, I think. So there may not be a big change. Certainly, we are still planning to increase the data capacity on our networks.

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

Roshan, Merrill Lynch.

Roshan Raj Behera - *BofA Merrill Lynch - Analyst*

Just three questions. Firstly, in terms of the revenue growth guidance, could you share some color in terms of what are the underlying assumptions or expectations for the segment like Mobile, Fixed and Pay TV? Particularly on the Mobile segment, what are we looking at in terms of the roaming revenue for this year? Is it likely to be flat? Or you are still implying there's some amount of growth in roaming revenue?

The second question is on EBITDA margins. Now, the guidance suggests very much a flat EBITDA margin in 2012. Now, just looking at the broader drivers in the market, we have higher data contribution in Mobile and possibly higher competition in pretty much every other segment, be that Fixed, Pay TV, what have you. But, despite that, why should margins stay stable? What are the cost elements that you think could help you in maintaining that stable margin?

And the third question is on cash tax. What is the guidance for this year? And how should it trend over the next three to five years?



Kwek Buck Chye - *StarHub Ltd. - CFO*

I'll take the question on cash tax. For cash tax, we are beginning to be in cash payment for this year, but it's not significant. It's probably more in the second half of the year.

Neil Montefiore - *StarHub Ltd. - CEO*

In terms of revenue guidance, we don't break it down into the different lines of business. But clearly Mobile, 53% of our revenue comes from Mobile, so we're saying we're expecting fairly stable growth in that area, and that's why we've got low single digit.

The area that we are being slightly conservative in is the Enterprise segment, because we are hoping that we'll see some growth in there, but we've been disappointed over the last year because of the troubles we've had with the next generation network. So there's really a bit of guidance on it but no, we don't spread it out.

And if you look at the results this year, you saw growth in all the areas apart from Pay TV, and the Pay TV one was very easily explainable because of events that were happening.

We're saying the EBITDA margin, in terms of guidance, we're saying flat; the same guidance as we gave at the beginning of last year.

Roshan Raj Behera - *BofA Merrill Lynch - Analyst*

I just wanted to understand, what are the drivers? If you look at the bigger picture, the market is going to be more saturated in 2012. You'll possibly see more competition in pretty much every other segment. You'll have higher data revenue contribution, and the expectation is data revenue generates lower margin.

So despite all that, the margins are going to be stable. So I'm just trying to understand what are the cost metrics which could enable you to maintain stable margins?

Neil Montefiore - *StarHub Ltd. - CEO*

The main elements to the cost of the business are three main areas, which we are controlling. We have content costs, we have staff costs, and we have CPE, which is the customer premise equipment, otherwise handset subsidies. So those are the areas we can control. But we're not going to break it down into massive detail.

Roshan Raj Behera - *BofA Merrill Lynch - Analyst*

Okay. Just to clarify, on the Mobile roaming there is the assumption that it's going to be largely stable, year on year.

Neil Montefiore - *StarHub Ltd. - CEO*

We are taking into account the fact that there are global and local economic uncertainties. However, they don't normally affect the Mobile revenues; change in the economy doesn't.

We may see some changes in the prepaid revenues, if there's a real big downturn in Singapore, particularly because a lot of that revenue comes from the foreign worker market. So if there's a drop in construction or building of oil rigs and ships, then we may see some impact there.



But in previous downturns, and I'm going back over about 25 years now, Mobile doesn't fall off as the economy collapses. In fact, quite often it grows because people are looking for business more and more, talking more and more, and using their mobiles more.

The only time, in my experience, where we've seen a drastic drop, either in roaming or in usage revenues, was when we had the SARS outbreak. That's when people stopped socialising.

Roshan Raj Behera - *BofA Merrill Lynch - Analyst*

Thank you. Just the question on cash taxes, could you suggest or shed some guidance in terms of what the trend is going to be like, starting 2013 and going forward?

Kwek Buck Chye - *StarHub Ltd. - CFO*

I think the guidance I can give you is that, technically speaking, we will start paying cash tax because the deferred tax assets that we booked is now in single digit. However, we can bill additional deferred assets and defer the liabilities only from the capital expenditure that you do new ones.

So if we are still spending about SGD200 million to SGD300 million of capital expenditure and that translates to tax allowance -- initial -- a new allowance, then you have that opportunity to deal with it.

So I think you would take it that, somewhere in the second half this year, we begin to pay cash tax. And the trend would be at least the rate at which -- after the current year, 2012, then perhaps easy modeling is to take your tax expense as deemed to be payable in the next year. Current year tax, accounting expense to be payable in the next year. One year lag.

Roshan Raj Behera - *BofA Merrill Lynch - Analyst*

Thank you. That's very helpful.

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

Pamela from (inaudible). Your question's answered. Rama, Daiwa.

Ramakrishna Maruvada - *Daiwa - Analyst*

Two questions from me, please. Firstly, with regard to the other income line, where there's a significant uptick in this quarter, SGD10 million versus SGD4 million run rate before. Is this all due to the Nucleus Connect? If so, then what is the period in which you have been amortising it? And if you also correlate to the grants received, the grants received haven't really gone up, only SGD5 million infusion this year on the cash statement. So I'm just wondering what's happening here.

The second one is to do with the Fixed Network Services revenue; a sharp uptick in the fourth quarter, and the commentary says it's due to retail service providers. I'm just wondering what's happening here, given that your biggest customer, M1, is actually applying to build its own OpCo.

Neil Montefiore - *StarHub Ltd. - CEO*

Okay. Sorry, who's our biggest customer? No.

Tan Tong Hai - *StarHub Ltd. - COO*

I think I understood --

Neil Montefiore - *StarHub Ltd. - CEO*

Yes. Nucleus Connect. Now I think we are Nucleus' biggest customer, so --

Ramakrishna Maruvada - *Daiwa - Analyst*

Okay, outside the Group, I meant.

Neil Montefiore - *StarHub Ltd. - CEO*

Yes. Outside of us, yes, they're quite large.

Tan Tong Hai - *StarHub Ltd. - COO*

I think the part I really addressed that, we mentioned that, if you look on the year-on-year basis, the contribution from NGNBN services from retail service providers has grown; but it's partially off-set, of course, by the pricing pressure in terms of our international, as far as the local circuits.

In our business case, of course, we have worked in such a way that StarHub is the only video service provider. So if we have other video service provider coming in, that's a bonus. So other than M1, there are other smaller partners, like Super Internet, and Little Green Apple or LGA and others. So it's a bonus if you can get others, but our business case is not based on M1 alone.

Now, the contribution for the Fixed Network Services under the Data & Internet, the NGNB portion is not large at this moment. I mentioned that the delta is because of the recognition of the deferred revenue, because of a dispute item with one of the wholesale customer. So the bulk is still wholesale rev contribution. What we wholesale to other telcos, as well as Enterprise customers, which will be the large accounts, the government accounts in Singapore, as well as the small and medium enterprises.

We do hope that, because of NGNBN, we can grow this broadband services to the SMB customers; but the operational issues we faces with OpenNet do pose a challenge, and we hope that, if this issue can be resolved, we will see a bigger contribution. But at this moment, NGNBN contribution is still not significant; not significant.

Kwek Buck Chye - *StarHub Ltd. - CFO*

Okay. As I mentioned earlier, two elements of Nucleus Connect's income, one is the rollout grant which is amortised, and the other one which is the adoption grant, which recognises other income when received.

If you look at the cash flow, you will see that SGD3.7 million is received in the quarter. That SGD3.7 million, if you look at the SGD10 million for the period, in the quarter, that SGD3.7 million is clearly the adoption grant. If you peel that back, you will see that the balance of it is the amortised three months equivalent of the rollout grant received today. So look at the 21, and you do the same, SGD21.5 million is adoption grant. So you take that, and that's basically the recurring for the grant received.

Now when we receive another portion of the rollout grant, and I've mentioned it's near SGD14 million, then you will amortise the coming in one over 60 months.



Ramakrishna Maruvada - Daiwa - Analyst

Okay. Understood. Thank you very much.

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

Foong, BNP Paribas.

Foong Choong Chen - BNP Paribas Securities - Analyst

I have two questions. Firstly, on the prepaid ARPUs coming down for the last two quarters, can you explain the reasons for that? And we also haven't seen data services within very much the prepaid revenues at StarHub. Do you see that potentially changing in 2012, with more low end smartphones coming into the market?

And my second question is with regard to data pricing. Early on, Neil, you mentioned about trying to find ways to monetise the increasing data usage. So are you looking to re-price some of your data services soon? And if you could also give some idea as to what you might do; would it be like reducing the data allocation, or perhaps increasing the prices? And do you see any impact to your revenue and earnings for this year, and whether your guidance has already included that? Thank you.

Tan Tong Hai - StarHub Ltd. - COO

With regard to your question on prepaid revenue, I've explained that the drop is because of the low usage by the foreign workers segment, okay? So we have actually step up our marketing and distribution activities to spur usage. I also said that, in subsequent quarters, we hope to see the reversal and the growth in the prepaid revenue. I think we have put the necessary steps to make sure that we grow this prepaid revenue again.

Now, yes, we do see the low-end smartphones use by the prepaid segment, and usage of data by them, but at this moment, we're still not seeing the strong cannibalisation of the data usage in the prepaid segment, of the voice business.

Foong Choong Chen - BNP Paribas Securities - Analyst

If I could follow up on that? Do you think data services could actually boost prepaid revenues in 2012 onwards?

Tan Tong Hai - StarHub Ltd. - COO

Okay, you asked about the question about how can we monetise the data usage. We have come out with additional plans. In fact, we have come out with SharePlus plans, as well as i2Surf that is if you have multiple devices. So definitely, we are thinking of more ways to monetise data.

Of course, the easier way is to move towards the tier pricing, but that's not something that we will move on our own. We definitely want to see how the whole market develops, but so far the plans for all the LTE have been focused on tier-based pricing. I think that's where the industry is heading, but we will observe what is happening before we execute and decide what makes sense.

So we will be definitely this is a top priority area of how can we monetise data, and this is something that we are looking into.

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

In the interests of time, I'm going to just have one more question, and that's from Sachin Gupta, Nomura.



Sachin Gupta - *Nomura - Analyst*

I want to just get an update on this content, the exclusive content you guys had recently acquired. Just wondering, what stage are we at in terms of the mechanics of sharing, or the carriage fee? That's one question.

Secondly, I apologise if I missed this earlier; I dialed in a bit late. But if you look at your equipment sales, sequentially they're up about SGD24 million, but your equipment costs are actually up a lot more than that; it's about SGD23 million, SGD24 million. I'm just wondering, should there be such a disconnect? I thought they should be slightly more closely matched; I'm not sure if I'm missing something there? That's it.

Neil Montefiore - *StarHub Ltd. - CEO*

Okay. I don't think we can actually disclose the carriage fees yet, because they're still in negotiation. They're virtually settled, but they're still in negotiation between the parties and the regulator, so we can't actually tell you what they are. But they're manageable, we think. But we haven't actually signed the deal yet, so that should be okay.

Equipment sales, Buck Chye, is that because people are taking the higher packages and getting the higher subsidies, that's why the revenue's down, I think. Do you want to just pick up on that one?

Kwek Buck Chye - *StarHub Ltd. - CFO*

The sales from equipment increased by SGD32 million. The cost increased by SGD35 million. Now, it is fair to say that the sale of equipment is what you collect from the customer, and the amount that you collect from a customer depends on the service plan he buys. The higher the service plan, because of that attractive ARPU, we generally would get back the investment over more like six to seven months. For those with lower ARPU, we are less inclined to invest that much.

So like I say, it is a mix issue, and I'm not skirting the subject matter because of various plans the take-up in the type of phones that come to each quarter, it's difficult to relate whether or not a particular handset you actually subsidised more. It is more the type of plans the customer is prepared to take, and in some cases we are seeing increasingly so.

When you have retention customers, they come early to re-contract, and those customers we need not incrementally give them a lot more subsidy in order to entice them to sign another two years, because they have good experience with us.

So that's the mix of the customer profile that drives the handsets subsidy per acquisition or per retention. So it's a bucket mix.

Sachin Gupta - *Nomura - Analyst*

Okay. That's fine, thanks.

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

In the interests of time, we will have to stop this question and answer session. For those of you whom we have not had a chance to address your questions, and there are a couple of you were on the conference call, we have your names, and we will contact you very soon. Just a reminder that a transcript of this call will be posted onto our website very soon. Should you have any additional questions you know how to reach us.

On behalf of the StarHub management team, it leaves me to thank you for joining us this evening, and we will look forward to talking to you soon. Thank you. Goodnight.

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