TRANSCRIPT – MEDIA CONFERENCE CALL

2Q-2008 RESULTS ANNOUNCEMENT

ST: Question on M1's deal with you guys to offer fixed broadband now. Having offered them the use of your network, are you worried that it will dilute the value of your bundling? Also, you mentioned that raising speeds has more or less ran its course. You expect more competitive pressures. Could you elaborate? Does this mean you are not going to raise speeds any more and increasing prices for residential broadband?

StarHub: With respect to M1's announcement, it was anticipated that they would be launching broadband services. Obviously, we have known about it for some time because they had to talk to us in order to get ready. It should not have been unexpected really because you know with the national broadband network coming up in the next five years, clearly the structure of the industry is changing and the opportunity for a number of us to take advantage of the new national infrastructure will be there. I would simply assume that M1 would be trying to get an early start on understanding how best to attack that market. As you can see, the penetration level of broadband has reached a point where there is not a lot of growth left. So it clearly appears to be more of a defensive strategy than an aggressive strategy. But the good news for us is of course, we have always had a pretty robust wholesale business in Fixed Networks and we are quite happy to wholesale to anyone who is interested in taking our services. And you know we would invite anybody who wants to resell our broadband services to come talk to us.

Can I get you to clarify the second question because I was not sure I followed it?

ST: On slide 32, when you were talking about your various residential broadband plans and milestones, you mentioned something about raising the speeds and having more or less "ran its course", and something about competitive pressures. Can you elaborate? Are you saying that you are no longer going to keep raising the broadband speeds for residential and raising the prices?

StarHub: What we have seen is that the households that want the much higher speeds, we are already serving. We have got the 100 megabit service out there and they seem to be quite pleased with that. We introduced the lower speed plan because it was clear that some households do not need that speed. So the point I was trying to make is that there is plenty of choices for consumers out there and when you add to the fact that now all three mobile operators are providing a wireless data service, as well as the free WiFi service, there is a lot of broadband services available - at different rates, different performances, to consumers. So the idea that if we raised one of our service tiers to a slightly higher speed, I just do not think it would make that much difference any more because there is such a good choice for consumers out there today.

BB: Talking about M1's leasing of Internet capacity, how much are you guys getting in terms of monetary value? And what is the impact on margins or sales? And you guys mentioned that video-on-demand is to be released in Q3, is that correct?

StarHub: We are wholesaling it to M1 and that is a regulated rate. It is an open access arrangement; S$35.71 per month for the 100 megabyte line.

You used the word 'capacity'; these rates are per end-user rates. Connection to end-user rate is that rate you find in the website. It is not leased capacity or pipe like a fixed rate… like a DLC.

Just to be clear, what that is, is the local connection so any reseller would need to arrange for the cable modem, and would need to arrange for the Internet access. It is the Internet exchange, the connectivity into the public Internet. So what weare leasing is simply the transport from their node to the home.

BB: You guys are charging for the end-users speed per se, is that correct? Is that what you guys have been trying to explain?

StarHub: Well, that is for the Local Broadband Access Service – LBAS in sort of regulatory terms. And it is a monthly subscription charge of S$35.71 for each modem line that is connected to our network. What we provide is the co-axial cable and fibre transport from their node to the home and we provide, in sort of technical terms, the backplane that the modem must talk to in order to be activated. So it costs us a little bit more in CAPEX terms to deliver a backplane for a higher speed service. So that is the reason that we do that. But on the consumer end, M1 would have to provide the modem itself - that is the device – and on the other hand, a central office end, if you will, they will have to provide the connectivity to the public Internet.

BB: And video on demand, Q3. Is that correct? Which month are we looking at?

StarHub: Soon. I do not like to tip off the competition any more than I have to. But you do not have to wait too much longer.

BB: You mentioned that lower guidance was mainly due to flat pre-paid revenue. Why are you guys looking at flat? Not looking at more people using it?

StarHub: I think that pre-paid market continues to be pretty strong. What happened was about a year ago, one of our competitors launched a very aggressive pricing plan. What it essentially did was to substantially lower the yield, if you will, of price per minute of use. We thought it was a short term promotion for that particular competitor to gain market share. They clearly did. We allowed that to happen. We held back and did not launch a response until Q2 of this year. So that explains why we have seen a drop in active customers and revenue and so when we launched our response, we immediately saw that our active customers and our revenue stabilised. Quite clearly we are fairly confident that we can hold that for the remainder of the year. But we are not optimistic that we would recapture the customers that have gone. We think a more conservative, maybe a more realistic view, would be that we would just remain flat in pre-paid for the rest of the year. Now that differs from what we had originally thought back at the first part of the year and that is why I explained that the difference in our view of top-line growth is almost exclusively due to the pre-paid segment.

ST: Can I get a sense of what expected impact of SingTel's recently announced Mio TV programme line-up - the '24-hour American shows'… what is the expected impact on your pay-TV business? The other thing, can I get a sense of the trends you have been seeing in the margins you have had for your cable broadband and residential broadband businesses. Is it going down? Are we talking single figure, double figures… double-digit figures?

StarHub: We are again not surprised at what the competitor is doing with their pay TV platform. They are making a relatively sensible move in going after the video-on-demand content because the platform that they have is pretty fit for that purpose. And you know for us, and you can tell from the numbers both revenue and the customer base we have, we have not seen any impact whatsoever on our share of the pay TV market. And that is probably due to the fact that we have very different products. Because pay TV is not about the platform; it is about the content. I think the good news for consumers in Singapore is they have got a lot more choices. So if they are interested in certain TV shows that they want to watch and pay a premium for an earlier release window release then they will have that kind of options in the market. Whether that is with one of our competitors or whether that is with us. So I think it is about just providing more and more choices. The downside is that at the end of the day there might be more than one box sitting next to the TV. If you look around the world in markets that have liberalised pay TV that is exactly what you see. You will see there is more than one box that is scattered around the TV set.

With respect to the broadband business, I think we mentioned that the cable platform margins are expected to sort of lift back up into the sort of mid-20s range. Just keep in mind though that platform margin is a combination of the pay TV and the broadband businesses. The broadband business, in general, is a relatively high margin business but it is always severely impacted negatively in any one quarter by a high amount of customer acquisition and retention activities. So, if it were not for that kind of activities, say in the second quarter, we would have seen higher margins on the pay TV platform. But generally the broadband margins do come in at pretty high levels. With respect to trends, I think I mentioned to you that I do not expect that there is any opportunity to increase prices in the future or increase ARPU. So as customers decide what level of services they want, some may choose to step down from a higher speed to a lower speed and for the ones that do that, it would change the blend of ARPU for any broadband provider. And we have seen some of that. We have seen some migration from the higher speeds down to the lower speeds tier plans. But again it is all about choice.

TDY: You mentioned just now that for the contract between M1 and StarHub, for their offering of broadband, is it correct to say that they are paying StarHub a monthly subscription fee of S$35.71, so that their M1 customers can access broadband? And you mentioned also that you see their move into the broadband arena as more a defensive than an aggressive strategy but are you worried that they are going to take any of your broadband market share?

StarHub: Let me make sure that I explain how the reselling, wholesaling of our service works. One way to think of it is we are a little bit like a NetCo, and we are providing a transport facility to a retail service provider. And M1 is the retail service provider in this case. So we do not do anything special to the connection, we simply give them a good high-speed connection from our head-end, our central node, to whatever home they ask us to deliver it to. And they are responsible for everything else. So they have to come into the home, put the cable modem in, test it and connect to our head-end with their own backbone service to provide the Internet exchange. So if you can imagine that we just provide the local bus route, and they handle everything else.

TDY: So they are paying StarHub the monthly S$35 subscription fee?

StarHub: That is correct. And then they have to provide the other equipment; they have to provide the customer care, the billing, and everything else in order to provide the full service. And of course they brand it their own; there is no reference in their communication material as it being a StarHub pipe.

TDY: So what they are doing is essentially what companies are doing, when you are talking about wholesaling here, right? So what they are doing is essentially, say companies want to set up their own networks are doing, is that correct to say that?

StarHub: I am not sure I understand what you mean. But listen, it is no different to what we do today for others like AT&T and Verizon. You know we have a lot of connectivity in Singapore, and we simply provide a pipe, a connection. And they lease it from us. It is very similar in that case.

TDY: So for my second question, do you foresee them with this new service eating into your market share? Is there a worry?

StarHub: Competition is a reality and I think the good news for consumers is that they are getting a lot of choices. But we have no issue with wholesaling part of our network. As I said, we have been doing it for a number of years and you know in this case there are a couple of scenarios. One scenario is that perhaps M1 might convince one of our broadband customers who is a M1 mobile customer to bundle their broadband service with M1. In which case we get to keep 35 dollars and some change. The other scenario is it happens to be the other guy who provides broadband service in Singapore and he goes over to M1. And that is not so much a bad outcome.

DJ: Can you comment a little on the cost pressures? Whether they are going to persist in the mobile and pay TV going forward? And how is the status with the negotiations with Apple on the iPhone?

StarHub: As you know, iPhone has been launched in various markets in Asia, and it is reported to be launching in Singapore by one of our competitors some time in the quarter. In our discussions with Apple, we believe that we will have the iPhone by the end of the year. So we do not think there will be much time difference in the first launch of iPhone, and when we will have it. We believe possibly that a lot of our customers are pretty deal savvy so I am sure they are going to wait until all three operators have the iPhone and do some shopping around.

With respect to cost pressures, we did talk through those a bit. In mobile, it is very much related to how aggressive the market becomes and premiums and promotions, or say handset subsidies and premiums. We saw quite a bit of that in the first quarter and in the second quarter. Our belief is that that will subside to some extent in the second half of the year. This is for post-paid mobile. The pre-paid side, it is not really cost pressure, it is more a matter of share of the market and again, as I said earlier, we noticed that one of our competitors is very aggressive in trying to grab share and thus book customers as well as revenue. But in terms of cost, we do not see any cost pressure per se, just a lower yield per minute with respect to the revenue. In pay TV, we had seen a fairly significant cost increases, with respect to acquisition of content but most of that, most of that step up in cost was last year, beginning in Q3, when we began amortizing the higher cost of BPL. As I mentioned earlier in the presentation, when you compare the pay TV margins, this quarter and this half against same periods last year, it is a bit ‘apples and oranges’ because we did not begin amortizing the BPL expense until Q3. In broadband, our cost has been relatively stable. We do keep a sharp eye on performance, so as more and more traffic begins to pick up on the network, we do have to add more international links so that does drive up cost marginally but other than that, the cost is really related to more acquisition and retention activity.

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