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STARHUB LTD

Announcement of Unaudited Results for the Half Year ended 30 June 2021

StarHub is pleased to announce the unaudited results for the half year ended 30 June 2021.

Results for the Half Year ended 30 June 2021

1. GROUP INCOME AND COMPREHENSIVE INCOME STATEMENTS

1.1 GROUP INCOME STATEMENT

	Half Year ended 30 Jun			
	2021	2020	Incr / (Decr)	
	S$m	S$m	S$m	%
Total revenue	973.7	959.6	14.1	1.5
Operating expenses	(875.5)	(867.3)	8.2	0.9
Other income	6.4	18.8	(12.3)	(65.8)
Profit from operations	**104.7**	**111.1**	**(6.4)**	**(5.8)**
Non-operating income (1)	1.3	-	1.3	nm
Finance income	1.5	0.9	0.5	57.4
Finance expense (2)	(23.8)	(20.0)	3.8	18.9
	83.7	**92.0**	**(8.3)**	**(9.1)**
Share of gain of associate, net of tax	1.1	0.1	1.0	nm
Share of gain of joint venture, net of tax	0.7	-	0.7	nm
Profit before taxation	**85.5**	**92.2**	**(6.7)**	**(7.2)**
Taxation	(17.4)	(16.2)	1.2	7.3
Profit for the period	**68.1**	**75.9**	**(7.9)**	**(10.3)**
Attributable to:				
Owners of the Company	67.9	77.4	(9.5)	(12.3)
Non-controlling interests	0.2	(1.5)	1.6	nm
	68.1	**75.9**	**(7.9)**	**(10.3)**
Earnings per share (in cents)				
- Basic	**3.7**	**4.2**	**(0.5)**	**(12.9)**
- Diluted	**3.7**	**4.2**	**(0.5)**	**(12.8)**
EBITDA	**245.9**	**265.5**	**(19.6)**	**(7.4)**
Service EBITDA (3)	**232.0**	**244.2**	**(12.2)**	**(5.0)**
Service EBITDA as % of service revenue	**29.8%**	**31.3%**	**-1.5% pts**	
Free Cash Flow (4)	**182.1**	**274.6**	**(92.5)**	**(33.7)**
Profit from operations is arrived after charging the following:				
Loss allowances of trade receivables	*4.0*	*8.1*	*(4.1)*	*(50.5)*
Depreciation and amortisation	*141.2*	*154.4*	*(13.2)*	*(8.5)*
Foreign exchange loss	*2.2*	*4.9*	*(2.7)*	*(55.2)*
Allowance for stock obsolescence	*1.9*	*3.5*	*(1.6)*	*(45.9)*

nm – Not meaningful

Notes:
(1) Non-operating income refers to the gain on liquidation of a subsidiary
(2) Finance expense includes interest on borrowings and lease liabilities and other financing charges
(3) Service EBITDA refers to EBITDA less equipment margin (sales of equipment less cost of equipment)
(4) 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
(5) The financial statements include the consolidation of subsidiary, Strateq Sdn. Bhd. ("Strateq"), acquired on 30 July 2020
(6) Numbers in all tables may not exactly add up due to rounding

1.2 GROUP COMPREHENSIVE INCOME STATEMENT

	Half Year ended 30 Jun			
	2021	2020	Incr / (Decr)	
	S$m	S$m	S$m	%
Profit for the period	**68.1**	**75.9**	**(7.9)**	**(10.3)**
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Net change in fair value of equity investment at fair value through other comprehensive income ("FVOCI"), net of taxation	(8.2)	(11.4)	(3.3)	(28.4)
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	0.6	(0.1)	0.7	nm
Effective portion of changes in fair value of cash flow hedges, net of taxation	2.3	2.2	0.0	2.0
Share of other comprehensive income of associate and joint venture	-	(0.1)	0.1	(100.0)
Foreign currency translation reserve on liquidation of subsidiary	(1.3)	-	(1.3)	nm
Other comprehensive loss for the period, net of taxation	(6.7)	(9.4)	(2.8)	(29.4)
Total comprehensive income for the period	**61.4**	**66.5**	**(5.1)**	**(7.7)**
Attributable to:				
Owners of the Company	61.3	68.0	(6.7)	(9.9)
Non-controlling interests	0.2	(1.5)	1.7	nm
Total comprehensive income for the period	**61.4**	**66.5**	**(5.1)**	**(7.7)**

nm – Not meaningful

1.3 GROUP PERFORMANCE REVIEW FOR THE HALF YEAR ENDED 30 JUNE 2021

(A) Revenue

	Half Year ended 30 Jun			
	2021	2020	Incr / (Decr)	
Revenue	**S$m**	**S$m**	**S$m**	**%**
Mobile	259.8	307.0	(47.2)	(15.4)
Broadband	95.5	84.9	10.6	12.5
Entertainment (1)	90.5	93.7	(3.2)	(3.4)
Enterprise Business	333.6	295.5	38.1	12.9
- Network Solutions (2)	181.1	193.2	(12.1)	(6.3)
- Cybersecurity Services (3)	115.9	102.3	13.6	13.3
- Regional ICT Services (4)	36.6	-	36.6	nm
Service revenue	779.5	781.1	(1.6)	(0.2)
Sales of equipment	194.3	178.5	15.8	8.8
Total revenue	973.7	959.6	14.1	1.5

(1) Consists of service revenue from Pay TV only
(2) Includes Data & Internet, Managed Services and Voice Services
(3) Includes service revenue from Ensign and D'Crypt
(4) Includes service revenue from Strateq

The Group's 1H2021 total revenue of S$973.7 million was S$14.1 million or 1.5% higher year-on-year ("YoY"), mainly due to higher contributions from Broadband, Enterprise Business and Sales of Equipment, offset mainly by lower revenues from Mobile and Entertainment.

Against the corresponding period last year, Mobile service revenues in 1H2021 was 15.4% lower, due to lower postpaid and prepaid revenues. The decrease in postpaid revenues was due to lower IDD, lower excess data usage, lower voice usage, lower VAS (value-added services) revenues and lower roaming, partially offset by the increase in SMS usage and higher plan subscriptions. The decrease in prepaid revenues was due to a decline in the number of tourists and foreign workers from sustained travel restrictions, lower data subscriptions, lower prepaid expired credit and lower IDD. Notably, the impact of COVID-19 on roaming revenues was for the full six months in 1H2021, compared to four months in 1H2020, as global travel and movement restrictions commenced in March 2020.

Broadband service revenue increased 12.5% YoY in 1H2021, due to higher ARPUs from reduced subscription discounts and the absence of a one-time 20% rebate on Home Broadband monthly fee extended to customers for a service disruption in April 2020. Excluding the one-time rebate from prior year, revenue would have been S$9.1 million or 10.5% higher YoY in 1H2021.

Entertainment service revenue decreased 3.4% YoY in 1H2021, due to a lower residential Pay TV subscriber base, offset by higher ARPUs from the increased price in HomeHub bundled plans, lower commercial TV revenue and lower spending on advertising by business customers.

Enterprise Business revenue increased 12.9% YoY in 1H2021, due to higher contributions from Managed Services, Cybersecurity Services and the consolidation of Strateq under Regional ICT Services (acquired on 30 July 2020). This was partially offset by lower revenues from Data & Internet and Voice Services.

Revenue from Sales of Equipment increased 8.8% YoY in 1H2021, mainly due to customers upgrading to 5G handset models, resulting in higher volume of premium handsets sold.

(B) Operating expenses

	Half Year ended 30 Jun			
	2021	2020	Incr / (Decr)	
Operating expenses	**S$m**	**S$m**	**S$m**	**%**
Cost of sales	367.2	396.7	(29.5)	(7.4)
Other operating expenses	353.4	360.9	(7.5)	(2.1)
Cybersecurity Services(1)	118.4	109.7	8.7	7.9
Regional ICT Services(2)	36.5	-	36.5	nm
Total	875.5	867.3	8.2	0.9

(1) Includes cost of sales and other operating expenses from Ensign and D'Crypt
(2) Includes cost of sales and other operating expenses from Strateq

The Group's total operating expenses in 1H2021 was S$8.2 million higher YoY, mainly due to higher Cybersecurity Services operating expenses and the consolidation of Strateq (under Regional ICT Services), partially offset by lower cost of sales and lower other operating expenses.

As a percentage of the Group's total revenue, total operating expenses in 1H2021 decreased to 89.9% compared to 90.4% in the corresponding period last year.

	Half Year ended 30 Jun			
	2021	2020	Incr / (Decr)	
Cybersecurity Services(1)	**S$m**	**S$m**	**S$m**	**%**
Cost of sales	63.5	57.4	6.1	10.7
Other operating expenses	54.8	52.3	2.5	4.9
Total	118.4	109.7	8.7	7.9

(1) includes cost of sales and other operating expenses from Ensign and D'Crypt

As a percentage of Cybersecurity Services revenue, operating expenses for the segment in 1H2021 decreased to 102.2% compared to 107.2% in the corresponding period last year.

	Half Year ended 30 Jun			
	2021	2020	Incr / (Decr)	
Regional ICT Services(1)	**S$m**	**S$m**	**S$m**	**%**
Cost of sales	16.2	-	16.2	nm
Other operating expenses	20.4	-	20.4	nm
Total	36.5	-	36.5	nm

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

As a percentage of Regional ICT Services revenue, the segment's operating expenses in 1H2021 was 99.7%.

A breakdown of total operating expenses is as follows:

(i) Cost of sales

	Half Year ended 30 Jun			
	2021	2020	Incr / (Decr)	
Cost of sales	S$m	S$m	S$m	%
Cost of equipment sold	180.4	157.3	23.1	14.7
Cost of services	152.9	186.6	(33.7)	(18.1)
Traffic expenses	20.6	32.4	(11.8)	(36.3)
Customer acquisition costs	13.2	20.4	(7.2)	(35.1)
Cost of sales (excluding Cybersecurity Services and Regional ICT Services)	367.2	396.7	(29.5)	(7.4)
Cost of sales (Cybersecurity Services)	63.5	57.4	6.1	10.7
Cost of sales (Regional ICT Services)	16.2	-	16.2	nm
Total	446.9	454.1	(7.2)	(1.6)

Cost of sales (excluding Cybersecurity Services and Regional ICT Services)
Cost of sales for 1H2021 decreased S$29.5 million YoY mainly due to lower cost of services, lower traffic expenses and lower customer acquisition costs, partially offset by higher cost of equipment sold.

Cost of equipment sold increased 14.7% YoY in 1H2021, mainly due to a higher volume of premium handsets sold at a higher cost for certain 5G handset models.

The 18.1% YoY decrease in cost of services in 1H2021 was mainly due to lower Pay TV content costs and lower Network Solutions costs, partially offset by higher postpaid Mobile costs and higher Broadband costs.

The YoY decrease of 36.3% for traffic expenses in 1H2021 was mainly due to lower domestic and international traffic volumes, coupled with lower roaming cost in line with lower roaming revenue.

The YoY decrease of 35.1% for customer acquisition costs in 1H2021, was mainly due to lower dealer commission as a result of lower commission rates for postpaid Mobile, coupled with lower prepaid Mobile revenues.

Cost of sales (Cybersecurity Services)
The increase in cost of sales was in line with higher Cybersecurity Services revenue generated.

Cost of sales (Regional ICT Services)
The increase in cost of sales was due to the consolidation of Strateq under Regional ICT Services.

(ii) Other operating expenses

	Half Year ended 30 Jun			
	2021	2020	Incr / (Decr)	
Other operating expenses	**S$m**	**S$m**	**S$m**	**%**
Staff costs	88.2	95.4	(7.2)	(7.5)
Operating leases	16.6	11.2	5.4	48.6
Marketing and promotions	9.5	11.6	(2.1)	(18.1)
Loss allowance for trade receivables	4.3	7.7	(3.5)	(44.7)
Repairs and maintenance	43.7	48.1	(4.4)	(9.2)
Other expenses	65.7	42.4	23.3	54.9
Depreciation and amortisation	125.4	144.4	(19.1)	(13.2)
Other operating expenses (excluding Cybersecurity Services and Regional ICT Services)	353.4	360.9	(7.5)	(2.1)
Other operating expenses (Cybersecurity Services)	54.8	52.3	2.5	4.9
Other operating expenses (Regional ICT Services)	20.4	-	20.4	nm
Total	428.6	413.2	15.4	3.7

The Group's total other operating expenses for 1H2021 was S$15.4 million higher YoY. As a percentage of total revenue, other operating expenses was 44.0% in 1H2021, compared to 43.1% in the corresponding period last year.

Other operating expenses (excluding Cybersecurity Services and Regional ICT Services)
An analysis of major variances in other operating expenses (excluding Cybersecurity Services and Regional ICT Services) is provided below:

Staff costs
Staff costs was 7.5% lower YoY in 1H2021, mainly due to the reversal of provision for restructuring costs relating to the IT transformation that were no longer required and absence of prior year's reversal of provisions for certain staff compensation. Excluding the above, staff costs would have been S$15.6 million or 14.7% lower YoY in 1H2021, mainly due to lower headcount.

Operating leases
Operating leases was 48.6% higher YoY in 1H2021, mainly due to the absence of prior year's rental rebates received for qualifying commercial and industrial properties under the COVID-19 stimulus package, reversal of base station rental accruals that were no longer required and a one-off refund from a landlord for overbilling in 2Q2020. Excluding the above, operating leases would have been S$1.7 million or 11.3% higher in 1H2021 mainly due to a lease of the StarHub Hyperscale Data Centre @ Loyang.

Marketing and promotions
Marketing and promotions expenses was 18.1% lower YoY in 1H2021, as a result of more targeted promotional efforts.

Loss allowance for trade receivables
Loss allowance for trade receivables was 44.7% lower YoY in 1H2021, mainly due to a decrease in general allowance as a result of lower trade receivables, partially offset by higher bad debt written off.

Repairs and maintenance
Repairs and maintenance expenses was 9.2% lower YoY in 1H2021, mainly due to lower maintenance costs for network infrastructure and novation of certain IS contracts to PCCW following the commencement of the IT Transformation in 3Q2020.

Other expenses
Other expenses for 1H2021 was S$23.3 million higher YoY mainly due to higher miscellaneous expense, higher professional services fees and higher IT outsourcing costs, including manpower and repairs and maintenance expense that were previously classified under staff costs and repairs and maintenance expense categories, partially offset by lower licence fees, lower foreign exchange loss and higher miscellaneous income.

Depreciation and amortisation
Depreciation and amortisation expense was S$19.1 million lower YoY in 1H2021, mainly due to lower depreciation of right-of-use (ROU) assets due to cessation of a cable duct lease contract in 1Q2020 coupled with base station contracts negotiated at lower contract terms, lower depreciation of property, plant and equipment (PPE) and lower amortisation of intangible assets.

Other operating expenses (Cybersecurity Services)
The YoY increase in other operating expenses in 1H2021 was primarily due to higher staff costs, partially offset by lower other expenses coupled with lower depreciation and amortisation for Cybersecurity Services.

Other operating expenses (Regional ICT Services)
The increase in other operating expenses was due to the consolidation of Strateq under Regional ICT Services.

(C) Other income

Other income decreased YoY in 1H2021, mainly due to lower Job Support Scheme (JSS) payouts since 2Q2020, partially mitigated by higher recovery of tunnel fees from TPG and higher income grant. The JSS payouts recognised in 1H2021 was S$1.2 million compared to S$15.7 million in the corresponding period last year.

(D) Profitability

Profit from operations for 1H2021 decreased S$6.4 million YoY to S$104.7 million. Operating profit from Cybersecurity Services was S$1.0 million in 1H2021 compared to operating loss of S$2.1 million in the corresponding period last year. Operating profit from Regional ICT Services was S$0.1 million in 1H2021 due to the consolidation of Strateq. Excluding Cybersecurity Services and Regional ICT Services, profit from operations would have been S$103.6 million, S$9.6 million or 8.5% lower YoY. This is due to lower revenues from Mobile, Entertainment and Network Solutions, lower margin from Sales of Equipment and lower other income mainly due to lower JSS payouts, partially mitigated by higher revenue from Broadband coupled with lower operating expenses.

Service EBITDA margin for 1H2021 at 29.8% was 1.5% points lower, compared to the corresponding period last year. Excluding the effect of JSS payouts, 1H2021 service EBITDA margin rose to 29.6% compared to 29.3% in the corresponding period last year.

Finance income was higher YoY in 1H2021 whilst finance expense was higher YoY in 1H2021, mainly due to increased interest expense on higher borrowings coupled with finance cost on financial liabilities associated with the consolidation of Strateq.

Share of results of associate was higher in 1H2021, compared to the corresponding period last year.

Share of results of joint venture was a gain in 1H2021. The joint venture was incorporated last year with another MNO.

Profit before taxation of S$85.5 million in 1H2021 was S$6.7 million lower YoY, mainly due to lower profit from operations and higher net finance costs, partially offset by a non-operating income of S$1.3 million being gain on liquidation of StarHub (Mauritius) Ltd and higher gains from an associate and a joint venture. Taxation expenses was higher at S$17.4 million, mainly due to increase in taxable profits YoY after excluding the JSS payouts, which are not subject to income tax.

Profit after taxation for the period in 1H2021 was S$68.1 million. Excluding the effect of JSS payouts, profit after taxation for the period in 1H2021 would have been S$66.9m.

2. BUSINESS REVIEW

Mobile Services

	Half Year ended 30 Jun			
	2021	2020	Incr / (Decr)	
	S$m	S$m	S$m	%
Mobile revenue	259.8	307.0	(47.2)	(15.4)

Mobile operating statistics	Quarter ended 30 Jun 2021	Quarter ended 31 Mar 2021	Quarter ended 30 Jun 2020	Half Year ended 30 Jun 2021	Half Year ended 30 Jun 2020	YoY Incr / (Decr) %
Number of registered subscribers (in thousands)						
Postpaid	1,443	1,417	1,453	1,443	1,453	(0.7)
Prepaid	508	534	634	508	634	(19.9)
Total	1,950	1,951	2,088	1,950	2,088	(6.6)
ARPU with IDD included (S$ per month)						
Postpaid	28	28	30	28	32	(14.3)
Prepaid	10	10	10	10	11	(6.0)
Average smartphone data usage (GB)	12.9	12.7	10.0	12.8	10.3	23.9
Average monthly churn rate (post-paid) (1)	0.9%	1.0%	0.9%	0.9%	0.9%	-
Singapore mobile penetration (2)	149.5%	148.5%	156.0%	149.5%	156.0%	-
Market Share (2)	22.9%	23.1%	23.5%	22.9%	23.5%	-

(1) Change in computation to include churn from giga! subscribers
(2) Based on latest published statistics.

Mobile service revenues in 1H2021 was 15.4% lower YoY due to lower postpaid and prepaid revenues. The decrease in postpaid revenues was due to lower IDD, lower excess data usage, lower voice usage, lower VAS (value-added services) revenues and lower roaming, partially offset by the increase in SMS usage and higher plan subscriptions. The decrease in prepaid revenues was due to a decline in the number of tourists and foreign workers from sustained travel restrictions, lower data subscriptions, lower prepaid expired credit and lower IDD. Notably, the impact of COVID-19 on roaming revenues was for the full six months in 1H2021, compared to four months in 1H2020, as global travel and movement restrictions commenced in March 2020.

Postpaid mobile services

As of 30 June 2021, postpaid mobile subscriber base stood at 1,443,000 after the quarter's net addition of 26,000 subscribers. Compared to a year ago, the postpaid subscriber base decreased by 10,000 subscribers or 0.7%.

ARPU of S$28 in 2Q2021 and 1H2021 were S$2 and S$4 lower YoY, respectively, compared to the corresponding periods last year. This was mainly due to lower roaming, VAS and excess data usage revenues. The overall average smartphone data usage increased YoY for both 2Q2021 and 1H2021 to 12.9 GB and 12.8 GB, respectively.

Average monthly churn rate was 0.9% for both 2Q2021 and 1H2021.

Prepaid mobile services

As of 30 June 2021, the prepaid mobile customer base stood at 508,000 subscribers, after the quarter's net churn of 26,000 customers. Compared to a year ago, prepaid customer base decreased by 126,000 customers. The decline was mainly due to the impact from COVID-19 measures, which caused an overall decrease in tourist and foreign worker numbers.

ARPU was at S$10 for both 2Q2021 and 1H2021.

Broadband Services

	Half Year ended 30 Jun			
	2021	2020	Incr / (Decr)	
	S$m	S$m	S$m	%
Broadband revenue	95.5	84.9	10.6	12.5

Broadband operating statistics	Quarter ended 30 Jun 2021	Quarter ended 31 Mar 2021	Quarter ended 30 Jun 2020	Half Year ended 30 Jun 2021	Half Year ended 30 Jun 2020	YoY Incr / (Decr) %
Number of residential broadband subscribers - subscription-based (in thousands)	489	495	502	489	502	(2.5)
ARPU (S$ per month)	32	31	28	32	28	13.5
Average monthly churn rate	0.9%	0.7%	0.3%	0.8%	0.4%	-

Broadband service revenue increased 12.5% YoY in 1H2021, due to higher ARPUs from reduced subscription discounts and the absence of a one-time 20% rebate on Home Broadband monthly fee extended to customers for a service disruption in April 2020. Excluding the one-time rebate from prior year, revenue would have been S$9.1 million or 10.5% higher YoY in 1H2021.

As of 30 June 2021, Broadband subscriber base stood at 489,000 after the quarter's net churn of 6,000 subscribers. Compared to a year ago, Broadband subscribers were lower by 13,000 or 2.5%.

ARPU was S$32 in both 2Q2021 and 1H2021, which was S$4 higher YoY, compared to the corresponding periods last year (as explained above).

Average monthly churn rate was at 0.9% and 0.8% in 2Q2021 and 1H2021 respectively.

Entertainment Services

	Half Year ended 30 Jun			
	2021	2020	Incr / (Decr)	
	S$m	S$m	S$m	%
Entertainment revenue (i)	90.5	93.7	(3.2)	(3.4)

Entertainment operating statistics	Quarter ended			Half Year ended		YoY
	30 Jun 2021	31 Mar 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020	Incr / (Decr) %
Number of residential Pay TV subscribers (in thousands)	296	306	324	296	324	(8.8)
ARPU (S$ per month)	42	40	39	41	39	5.7
Average monthly churn rate	1.3%	1.1%	0.4%	1.2%	0.4%	-
Total Entertainment subscribers (2) (in thousands)	388	376	334	388	334	15.9

(1) Consists of service revenue from Pay TV only

(2) Includes residential Pay TV subscribers (with and without over-the-top ("OTT") subscriptions) as well as Mobile and Broadband subscribers with OTT subscriptions

Entertainment service revenue decreased 3.4% YoY in 1H2021, due to a lower residential Pay TV subscriber base, offset by higher ARPUs from the increased price in HomeHub bundled plans, lower commercial TV revenue and lower spending on advertising by business customers.

As of 30 June 2021, Pay TV subscribers stood at 296,000 after the quarter's net churn of 10,000 subscribers. Compared to a year ago, Pay TV subscribers were lower by 28,000 or 8.8%.

ARPU was S$42 in 2Q2021 and S$41 in 1H2021, which were S$3 and S$2 higher YoY, respectively, compared to the corresponding periods last year (as explained above).

Average monthly churn rate was at 1.3% and 1.2% in 2Q2021 and 1H2021 respectively.

As of 30 June 2021, Total Entertainment subscribers stood at 388,000 after the quarter's net addition of 12,000 subscribers. Compared to a year ago, Total Entertainment subscribers were higher by 54,000 or 15.9%, mainly due to higher OTT take-up.

Enterprise Business

	Half Year ended 30 Jun			
	2021	2020	Incr / (Decr)	
Enterprise Business revenue	S$m	S$m	S$m	%
Data & Internet	123.8	136.2	(12.4)	(9.1)
Managed Services [(1)]	41.1	36.3	4.8	13.3
Voice Services	16.2	20.7	(4.6)	(22.0)
Network Solutions	181.1	193.2	(12.1)	(6.3)
Cybersecurity Services [(2)]	115.9	102.3	13.6	13.3
Regional ICT Services [(3)]	36.6	-	36.6	nm
Total	333.6	295.5	38.1	12.9

(1) Managed Services include Analytics, Cloud, ICT solutions and Facilities Management
(2) Includes service revenue from Ensign and D'Crypt
(3) Includes service revenue from Strateq

Enterprise Business revenue increased 12.9% YoY in 1H2021, lifted mainly by higher contributions from Managed Services, Cybersecurity Services and the consolidation of Strateq under Regional ICT Services, partially offset by lower revenues from Data & Internet and Voice Services.

Data & Internet service revenue in 1H2021 was 9.1% lower YoY, mainly due to lower domestic leased circuits revenue and absence of a one-off revenue from the delivery of data transmission equipment in 2Q2020. Excluding this one-off revenue in the prior year, data and internet service revenue would have been lower YoY by S$2.4 million or 1.9% in 1H2021.

Managed Services reported higher YoY revenue of 13.3%, due to higher revenue from facilities management and project completions during the period.

Voice Services revenue in 1H2021 was 22.0% lower YoY, mainly due to lower domestic voice and international voice traffic due to the impact from COVID-19.

Cybersecurity Services revenue increased 13.3% in 1H2021, due to stronger business demand as businesses prepare for post COVID-19 recovery.

The growth in Regional ICT Services revenue in 1H2021 was due to the consolidation of Strateq.

3. GROUP CASH FLOW STATEMENT

	Half Year ended 30 Jun	
	2021	2020
	S$m	S$m
Operating Activities		
Profit before taxation	85.5	92.2
Adjustments for :		
Depreciation and amortisation	141.2	154.4
Share-based payments	1.6	1.8
Net finance costs	22.3	19.1
Share of gain of associate, net of tax	(1.1)	(0.1)
Share of gain of joint venture, net of tax	(0.7)	-
Non-operating income	(1.3)	-
Others	0.2	0.4
Operating cash flow before working capital changes	247.7	267.7
Changes in operating assets and liabilities	48.3	88.8
Income taxes paid	(50.8)	(9.6)
Net cash from operating activities	**245.2**	**347.0**
Investing Activities		
Interest received	0.8	0.7
Purchase of property, plant and equipment and intangible assets	(63.2)	(72.4)
Deferred consideration paid to founding shareholders	(6.2)	-
Proceeds from disposal of rights relating to other investments	1.2	-
Investment in joint venture	(6.5)	-
Net cash used in investing activities	**(73.9)**	**(71.6)**
Financing Activities		
Repayment of lease liabilities	(16.0)	(15.4)
Dividend paid to owners of the Company	(43.3)	(39.0)
Perpetual capital securities distribution paid	(3.9)	(4.0)
Interest paid	(20.1)	(21.3)
Purchase of treasury shares	(1.3)	(3.2)
Proceeds from issuance of medium term notes	200.0	-
Proceeds from bank loans	-	230.0
Repayment of bank loans	(0.5)	(60.0)
Capital contribution from a non-controlling interest shareholder	14.7	-
Net cash from financing activities	**129.6**	**87.2**
Net change in cash and cash equivalents	**301.0**	**362.5**
Cash and cash equivalents at beginning of the period	403.7	116.9
Cash and cash equivalents at end of the period	**704.7**	**479.5**
Cash and cash equivalents comprise:		
Cash and bank balances (Note 1)	717.3	480.2
Restricted cash	(12.6)	(0.7)
	704.7	**479.5**

Note 1: As at 30 June 2021, cash and bank balances in the cash flow statement comprise cash and cash equivalents in the statement of financial position of S$718.6 million (30 June 2020: S$480.2 million) less bank overdraft of S$1.3 million (30 June 2020: S$: NIL).

The Group's net cash from operating activities for 1H2021 declined S$101.8 million to S$245.2 million, mainly due to higher working capital needs, higher income tax paid and lower cash from operations.

The positive working capital changes of S$48.3 million in 1H2021 were mainly due to lower inventories, lower contract assets and contract costs, lower other receivables, deposits and prepayments and higher trade payables and accruals, partially offset by higher trade receivables and higher net balances due from related parties.

Net cash used in investing activities increased by S$2.3 million to S$73.9 million in 1H2021, mainly due to the deferred consideration paid to the founding shareholders of D'Crypt and investment in the joint venture which was incorporated in September last year with another MNO, partially offset by lower CAPEX payments and proceeds from the disposal of rights relating to mm2.

The Group's CAPEX payments amounted to S$63.2 million in 1H2021, representing 6.5% of total revenue. CAPEX payments were S$9.2 million lower YoY in 1H2021, mainly due to the decrease in purchases of PPE and intangible assets.

Free cash flow of S$182.1 million in 1H2021 was S$92.5 million lower YoY, primarily due to lower cash from operating activities, partially offset by lower CAPEX payments.

Net cash from financing activities was higher at S$129.6 million in 1H2021, mainly due to the proceeds from the S$200.0 million issuance of 10-year fixed rate notes, capital contribution from a non-controlling interest shareholder in relation to Ensign investment and lower purchase of treasury shares, partially offset by the absence of net proceeds from bank loans (after repayment of bank loans), and higher dividends declared and paid.

The resulting net cash generated was a surplus of S$301.0 million in 1H2021, leading to a higher cash and cash equivalents balance (excluding restricted cash) of S$704.7 million as of 30 June 2021.

<u>Capital expenditure commitments</u>

As of 30 June 2021, the Group's total outstanding capital expenditure commitments amounted to S$445.0 million, including the outstanding commitments for 4G spectrum rights of S$282.0 million.

4. STATEMENT OF FINANCIAL POSITION

	Group		Company	
	30 Jun 21	31 Dec 20	30 Jun 21	31 Dec 20
	S$m	S$m	S$m	S$m
Non-current assets				
Property, plant and equipment	715.4	755.0	374.7	392.1
Intangible assets	711.5	719.5	77.3	91.6
Right-of-use assets	139.0	150.1	96.9	99.7
Subsidiaries	-	-	3,283.6	3,272.8
Joint venture	9.1	1.9	-	-
Associate	23.9	22.8	27.8	27.8
Investment in fair value through other comprehensive income	7.8	17.1	7.8	17.1
Deferred tax assets	-	0.7	-	-
Contract assets	62.8	71.1	1.5	0.9
Contract costs	2.2	2.5	0.3	0.4
Prepayments	-	30.9	-	2.9
	1,671.6	**1,771.7**	**3,869.9**	**3,905.3**
Current assets				
Inventories	65.4	79.9	5.1	5.0
Contract assets	295.2	317.5	28.2	24.1
Contract costs	27.6	36.3	1.1	1.2
Trade receivables	203.4	192.8	142.5	146.4
Other receivables, deposits and prepayments	96.1	98.5	37.5	41.2
Amount due from related parties	14.0	19.3	42.2	13.9
Cash and bank balances	718.6	415.4	612.2	328.4
	1,420.2	**1,159.6**	**868.9**	**560.3**
Less:				
Current Liabilities				
Contract liabilities	64.5	64.4	18.8	21.2
Trade and other payables	564.7	555.1	245.2	283.4
Amount due to related parties	25.9	34.3	263.4	177.4
Borrowings	8.2	8.7	-	-
Lease liabilities	27.8	27.7	16.2	15.9
Provision for taxation	59.1	82.6	26.5	31.8
	750.2	**772.9**	**570.1**	**529.7**
Net current assets	**669.9**	**386.7**	**298.7**	**30.6**
Non-current liabilities				
Contract liabilities	30.7	31.6	30.7	31.6
Trade and other payables	73.2	94.0	29.8	10.8
Borrowings	1,358.3	1,163.7	1,274.0	1,077.5
Lease liabilities	119.7	130.0	83.8	85.9
Deferred income	3.0	1.5	-	0.0
Deferred tax liabilities	100.3	111.2	57.9	63.3
	1,685.3	**1,532.0**	**1,476.2**	**1,269.1**
Net assets	**656.3**	**626.5**	**2,692.4**	**2,666.8**
Shareholders' equity				
Share capital	299.7	299.7	299.7	299.7
Reserves	55.9	38.7	2,192.9	2,167.3
Perpetual Capital Securities	199.9	199.9	199.9	199.9
Equity attributable to owners and perpetual capital securities holders	**555.4**	**538.3**	**2,692.4**	**2,666.8**
Non-controlling interests	100.9	88.2	-	-
Total equity	**656.3**	**626.5**	**2,692.4**	**2,666.8**

GROUP BALANCE SHEET REVIEW

As at 30 June 2021, the Group's total non-current assets of S$1,671.6 million was S$100.1 million lower compared to S$1,771.7 million as at 31 December 2020. The decrease was primarily due to lower PPE, lower intangible assets mainly from higher amortisation charges, offset by the addition of 5G spectrum right reclassified from prepayment, lower ROU assets, lower investment in fair value through other comprehensive income due to the lower share price of mm2 and lower contract assets, partially offset by higher investments in a joint venture and an associate.

Total current assets as at 30 June 2021 increased by S$260.6 million to S$1,420.2 million, mainly from higher cash and cash equivalents primarily due to the recent S$200.0 million issuance of 10-year fixed rate notes in January 2021 and higher trade receivables, partially offset by lower balances in inventories, contract assets, contract costs, other receivables, deposits and prepayments and amounts due from related parties.

Total current liabilities decreased by S$22.7 million to S$750.2 million as at 30 June 2021, mainly due to lower provision for taxation and lower amounts due to related parties, partially offset by higher trade and other payables.

The increase in total non-current liabilities by S$153.3 million to S$1,685.3 million as at 30 June 2021 was primarily due to the recent S$200.0 million issuance of 10-year fixed rate notes in January 2021 (as explained above), partially offset by lower trade and other payables, lower deferred tax liabilities and lower lease liabilities.

The Group's shareholders' equity increased by S$17.1 million to S$555.4 million as at 30 June 2021 (excluding non-controlling interests of S$100.9 million). The increase was mainly due to higher retained profits, partially offset by higher fair value losses on a quoted investment.

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 57.28% of the economic interest in D'Crypt through its shareholding and interest in Ensign.

Following the acquisition of Strateq in July 2020, the Group holds 88.28% economic interest in Strateq.

The non-controlling interests represent the balances of 42.72% and 11.72% effective economic interest in Ensign and Strateq, respectively, attributable to minority shareholders.

5. GROUP SECURED AND UNSECURED BORROWINGS

Secured and Unsecured borrowings	30 Jun 21 S$m	31 Dec 20 S$m
Amount repayable in one year or less		
Bank overdraft (secured)	1.3	1.3
Bankers' acceptance (secured)	0.2	1.0
Bank loans (secured)	6.7	6.4
Bank loans (unsecured)	-	-
Medium term notes (unsecured)	-	-
	8.2	8.7
Amount repayable after one year		
Bank loans (secured)	0.7	0.7
Bank loans (unsecured)	637.8	642.9
Medium term notes (unsecured)	719.8	520.0
	1,358.3	1,163.7
Total	**1,366.5**	**1,172.4**

The Group's secured and unsecured borrowings was S$194.1 million higher as of 30 June 2021.

On account of a higher cash and cash equivalent balance, net debt was S$109.1 million lower at S$647.9 million as of 30 June 2021 compared to S$757.0 million as of 31 December 2020. As a ratio of the past 12 months' EBITDA, the Group's net debt was lower at 1.25 times as of 30 June 2021 compared to 1.41 times as of 31 December 2020.

6. STATEMENT OF CHANGES IN EQUITY

Group	Share capital S$m	Treasury shares S$m	Capital reserve S$m	Goodwill written off S$m	Share-based payments reserve S$m	Fair value reserve S$m	Hedging reserve S$m	Translation reserve S$m	Retained profits S$m	Total reserves S$m	Perpetual capital securities S$m	Non-controlling interest S$m	Total equity S$m
At 1 Jan 2021	299.7	(1.9)	(9.9)	(276.3)	8.0	(24.7)	(2.1)	0.7	344.9	38.7	199.9	88.2	626.5
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	67.9	67.9	-	0.2	68.1
Other comprehensive income													
Foreign currency translation differences	-	-	-	-	-	-	-	0.6	-	0.6	-	(0.0)	0.6
Effective portion of changes in fair value of cash flow hedges, net of taxation	-	-	-	-	-	-	2.3	-	-	2.3	-	-	2.3
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	-	(8.2)	-	-	-	(8.2)	-	-	(8.2)
Total comprehensive income for the period	-	-	-	-	-	(8.2)	2.3	0.6	67.9	62.6	-	0.2	62.8
Transactions with equity holders of the Company, recognised directly in equity													
Contributions by and distributions to equity holders of the Company													
Share-based payments expenses	-	-	-	-	1.6	-	-	-	-	1.6	-	-	1.6
Accrued perpetual capital securities distribution	-	-	-	-	-	-	-	-	(3.9)	(3.9)	3.9	-	-
Perpetual capital securities distribution paid	-	-	-	-	-	-	-	-	0.7	0.7	(3.9)	-	(3.3)
Purchase of treasury shares	-	(1.3)	-	-	-	-	-	-	-	(1.3)	-	-	(1.3)
Issue of shares pursuant to share plans	-	2.9	-	-	(2.9)	-	-	-	-	-	-	-	-
Changes in ownership interests without a change of control	-	-	2.1	-	-	-	-	-	-	2.1	-	12.5	14.7
Foreign currency translation reclassified to profit & loss	-	-	-	-	-	-	-	(1.3)	-	(1.3)	-	-	(1.3)
Tax impact on transfer of treasury shares	-	-	-	-	(0.0)	-	-	-	-	(0.0)	-	-	(0.0)
Dividends paid	-	-	-	-	-	-	-	-	(43.3)	(43.3)	-	-	(43.3)
Total transactions with equity holders of the Company	-	1.6	2.1	-	(1.3)	-	-	(1.3)	(46.5)	(45.4)	(0.0)	12.5	(32.9)
At 30 Jun 2021	**299.7**	**(0.3)**	**(7.8)**	**(276.3)**	**6.7**	**(32.9)**	**0.2**	**(0.0)**	**366.3**	**55.9**	**199.9**	**100.9**	**656.3**

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

Group	Share capital S$m	Treasury shares S$m	Capital reserve S$m	Goodwill written off S$m	Share-based payments reserve S$m	Fair value reserve S$m	Hedging reserve S$m	Translation reserve S$m	Retained profits S$m	Total reserves S$m	Perpetual capital securities S$m	Non-controlling interest S$m	Total equity S$m
At 1 Jan 2020	299.7	(0.1)	19.4	(276.3)	8.0	(7.5)	(2.1)	1.3	275.8	18.6	199.9	62.0	580.1
Total comprehensive income for the period													
Profit for the period	-	-	-	-	-	-	-	-	77.4	77.4	-	(1.5)	75.9
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	-	-	-	-	-	-	2.1	-	-	2.1	-	-	2.1
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	-	-	(11.4)	-	-	-	(11.4)	-	-	(11.4)
Total comprehensive income for the period	-	-	-	-	-	(11.4)	2.1	(0.1)	77.4	68.0	-	(1.5)	66.5
Transactions with equity holders of the Company, recognised directly in equity													
Contributions by and distributions to equity holders of the Company													
Share-based payments expenses	-	-	-	-	1.8	-	-	-	-	1.8	-	-	1.8
Accrued perpetual capital securities distribution	-	-	-	-	-	-	-	-	(3.9)	(3.9)	3.9	-	-
Perpetual capital securities distribution paid	-	-	-	-	-	-	-	-	0.7	0.7	(4.0)	-	(3.3)
Purchase of treasury shares	-	(3.2)	-	-	-	-	-	-	-	(3.2)	-	-	(3.2)
Issue of shares pursuant to share plans	-	2.8	-	-	(2.8)	-	-	-	-	-	-	-	-
Tax impact on transfer of treasury shares	-	-	-	-	0.0	-	-	-	-	0.0	-	-	0.0
Dividends paid	-	-	-	-	-	-	-	-	(39.0)	(39.0)	-	-	(39.0)
Total transactions with equity holders of the Company	-	(0.4)	-	-	(1.0)	-	-	-	(42.2)	(43.6)	(0.0)	-	(43.6)
At 30 Jun 2020	**299.7**	**(0.5)**	**19.4**	**(276.3)**	**7.1**	**(19.0)**	**(0.0)**	**1.2**	**311.0**	**43.0**	**199.9**	**60.5**	**602.9**

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

Company	Share capital S$m	Treasury shares S$m	Share-based payments reserve S$m	Fair value reserve S$m	Retained profits S$m	Total reserves S$m	Perpetual capital securities S$m	Total equity S$m
At 1 Jan 2021	**299.7**	**(1.9)**	**8.0**	**(24.7)**	**2,185.9**	**2,167.3**	**199.9**	**2,666.8**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	80.0	80.0	-	**80.0**
Other comprehensive income								
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	(8.2)	-	(8.2)	-	**(8.2)**
Total comprehensive income for the period	-	-	-	(8.2)	80.0	71.8	-	**71.8**
Transactions with equity holders of the Company, recognised directly in equity								
Contributions by and distributions to equity holders of the Company								
Share-based payments expenses	-	-	1.6	-	-	1.6	-	**1.6**
Accrued perpetual capital securities distribution	-	-	-	-	(3.9)	(3.9)	3.9	**-**
Perpetual capital securities distribution paid	-	-	-	-	0.7	0.7	(3.9)	**(3.3)**
Purchase of treasury shares	-	(1.3)	-	-	-	(1.3)	-	**(1.3)**
Issue of shares pursuant to share plans	-	2.9	(2.9)	-	-	-	-	**-**
Tax impact on transfer of treasury shares	-	-	(0.0)	-	-	(0.0)	-	**(0.0)**
Dividends paid	-	-	-	-	(43.3)	(43.3)	-	**(43.3)**
Total transactions with equity holders of the Company	-	1.6	(1.3)	-	(46.5)	(46.2)	(0.0)	**(46.2)**
At 30 Jun 2021	**299.7**	**(0.3)**	**6.7**	**(32.9)**	**2,219.4**	**2,192.9**	**199.9**	**2,692.4**

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

Company	Share capital S$m	Treasury shares S$m	Share-based payments reserve S$m	Fair value reserve S$m	Retained profits S$m	Total reserves S$m	Perpetual capital securities S$m	Total equity S$m
At 1 Jan 2020	**299.7**	**(0.1)**	**8.0**	**(7.5)**	**2,044.5**	**2,044.9**	**199.9**	**2,544.4**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	131.1	131.1	-	**131.1**
Other comprehensive income								
Net change in fair value of equity investments at FVOCI, net of taxation	-	-	-	(11.4)	-	(11.4)	-	**(11.4)**
Total comprehensive income for the period	-	-	-	(11.4)	131.1	119.7	-	**119.7**
Transactions with equity holders of the Company, recognised directly in equity								
Contributions by and distributions to equity holders of the Company								
Share-based payments expenses	-	-	1.8	-	-	1.8	-	**1.8**
Accrued perpetual capital securities distribution	-	-	-	-	(3.9)	(3.9)	3.9	**-**
Perpetual capital securities distribution paid	-	-	-	-	0.7	0.7	(4.0)	**(3.3)**
Purchase of treasury shares	-	(3.2)	-	-	-	(3.2)	-	**(3.2)**
Issue of shares pursuant to share plans	-	2.8	(2.8)	-	-	-	-	**-**
Tax impact on transfer of treasury shares	-	-	0.0	-	-	0.0	-	**0.0**
Dividends paid	-	-	-	-	(39.0)	(39.0)	-	**(39.0)**
Total transactions with equity holders of the Company	-	(0.4)	(1.0)	-	(42.2)	(43.6)	(0.0)	**(43.6)**
At 30 Jun 2020	**299.7**	**(0.5)**	**7.1**	**(19.0)**	**2,133.4**	**2,121.0**	**199.9**	**2,620.5**

7. CHANGES IN COMPANY'S SHARE CAPITAL

Share Capital

As of 30 June 2021, the share capital of the Company was S$299.7 million (31 December 2020: S$299.7 million) comprising 1,731,423,265 (31 December 2020: 1,730,153,520) issued ordinary shares (excluding treasury shares).

Treasury Shares
For 1H2021, the Company transferred 2,269,745 treasury shares to participants of the Company's share plans.

For 1H2021, the Company bought 1,000,000 ordinary shares from the market at a consideration of S$1.3 million.

The treasury shares balance as at 30 June 2021 was S$0.3 million (30 June 2020: S$0.5 million) comprising 228,178 (30 June 2020: 325,023) ordinary shares.

Issue of new shares
For 1H2021, there was no issue of new ordinary shares.

Subsidiary holdings
As at 30 June 2021, none of the Company's subsidiaries held any shares in the Company (30 June 2020: 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 is 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.

For 1H2021, the Group had paid out S$3.9 million in perpetual capital securities distribution and had an accrual of S$0.3 million for perpetual capital securities distribution due in December 2021.

Outstanding Shares – Share-Based Plans

Performance Share Plans
As of 30 June 2021, the outstanding balance of conditional awards under the Performance Share Plans was 1,770,000 (30 June 2020: 2,425,133) ordinary shares.

Restricted Stock Plans
As of 30 June 2021, the outstanding balance of conditional awards under the Restricted Stock Plans was 5,886,642 (30 June 2020: 5,475,713) 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 2020.

In the current financial period, the Group and the Company have adopted all applicable new and revised Singapore Financial Reporting Standards (International), ("SFRS(I)") and Interpretations of SFRS(I) ("INT SFRS(I)") that are relevant to its operations and effective for annual periods beginning on 1 January 2021.

The application of the new and revised standard and interpretation did not result in substantial changes to the Group's and the Company's accounting policies and has no material effect on the financial statements.

The Condensed Interim Financial Information is prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting.

11. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Please refer to Note 10.

12. GROUP EARNINGS PER ORDINARY SHARE

	Half Year ended 30 Jun 2021	2020
Basic		
Earnings per share	3.7 cents	4.2 cents
Weighted average number of shares ('000)	1,730,850	1,731,207
Diluted		
Earnings per share	3.7 cents	4.2 cents
Weighted average number of shares ('000)	1,737,360	1,738,432

13. NET ASSET VALUE PER ORDINARY SHARE

	Group		Company	
	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
Net asset value per share	32.1 cents	31.1 cents	155.5 cents	154.1 cents

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

The Group's service revenue was 0.2% lower YoY in 1H2021, which was within our full year guidance of service revenue to remain stable YoY.

The Group's service EBITDA margin for 1H2021 was 29.8% of service revenue, which exceeded our full year guidance of between 24% to 26% of service EBITDA margin.

Total CAPEX commitment entered in the 1H2021 amounted to S$28.3 million or 2.9% of total revenue. This was below our guidance for FY2021 CAPEX commitment at 9% to 11% of total revenue (excluding 5G capex and spectrum right).

15. GROUP OUTLOOK

While the Group continues to navigate challenges resulting from COVID-19, StarHub has continued to offer differentiated value to customers through many first-in-market initiatives including the multi-year exclusive agreements for Disney+ and NVIDIA GeForce NOW Powered by StarHub. These OTT offerings bundled with core services offered by the Mobile, Broadband and Pay TV services enhance StarHub's market differentiation and contributes to the overall stabilisation in ARPUs. Additionally, NVIDIA GeForce NOW Powered by StarHub is operator-agnostic, which allows non-StarHub customers to sign up for the service, thereby creating new and sustainable income streams for StarHub. The Group continues to seek further content partnerships to bolt on consumption drivers for its core services.

The Enterprise segment continues to enjoy sustained recovery in 1H2021. Alongside work-from-home being the default work arrangement for the country, the Group expects continued demand for Mobile, Data & Internet, as well as unified collaboration services. Managed Services will continue to reflect a measured recovery in order book as Enterprise customers commit to strategic initiatives in FY2021 and beyond. With the recent return to Phase 2 (Heightened Alert) in Singapore, the Group will monitor its impact on project timelines and budget prioritisation across Enterprises and SMEs for the rest of the year.

The Group's 5G Standalone ("SA") rollout remains on track as it prepares to launch the SA network in 2021. While the 5G Mobile+ and Biz+ plans continue to gain traction, StarHub has continued to lead the market in extending 5G access to its SIM-Only customers. In February 2021, the Enterprise business launched the 5G IoT platform service enabling customers to integrate disparate IoT systems and massive number of devices into a centralised cloud platform to provide holistic view of operational metrics.

On transformation, the Group will be concluding its three-year DARE transformation programme in October 2021 and expects to achieve cost savings of S$273 million, which will exceed the programme's initial target of S$210 million. The programme has also contributed to consistent YoY reductions in StarHub's operating expenses.

In November 2021, the Group is expected to outline its next phase of transformation – DARE+, which will span five years between FY2022 till FY2026. DARE+ encapsulates StarHub's objectives to be ***Digital*** in everything it does; to ***Accelerate*** value creation; ***Realise*** growth without frontiers; and deliver ***Experiences*** that enrich customers' lives.

Meanwhile, the Group continues to explore synergistic and accretive M&A opportunities that will bolster its market position and offer further diversification.

Based on the current outlook, the Group maintains its FY2021 guidance for service revenue to remain stable YoY and service EBITDA margin to be between 24% and 26%. However, the Group is reducing the guidance for its CAPEX commitment (excluding 5G capex and spectrum right) to be between 7% and 9% of total revenue (from 9% to 11% of total revenue), due to a reduction in CAPEX relating to the IT Transformation as the Group transitions towards a cloud-based OPEX model, as well as expected delays in other CAPEX.

Taking into consideration the ongoing effects of COVID-19, the Group's ongoing investments in, and returns from transformation initiatives, the Group is declaring an interim dividend of 2.5 cents per ordinary share for the half year ended 30 June 2021. The Group remains committed to its FY2021 guidance to distribute the higher of 5.0 cents per ordinary share or as per the Group's dividend policy to distribute at least 80% of net profit attributable to shareholders (adjusted for one-off, non-recurring items), payable on a semi-annual basis.

"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$0.025 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$0.025 per ordinary share
Tax Rate	Exempt (1-tier)

(c) Date payable

The interim dividend will be paid on 31 August 2021.

(d) Record date

Notice is hereby given that the Register of Members and the Transfer Books of the Company will be closed on 17 August 2021.

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 16 August 2021 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 at 5.00 p.m. on 16 August 2021 will be entitled to the interim dividend.

(e) Dividends Paid

During the half year ended 30 June 2021, a final tax-exempt (one-tier) dividend of 2.5 cents per ordinary share totalling S$43.3 million was paid in respect of the previous financial year ended 31 December 2020.

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

Not applicable

18. FAIR VALUE MEASUREMENT

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and Company:

Derivatives

Marked-to-market valuations of the forward exchange contracts are provided by the banks. Those quotes are tested using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the reporting date. Where other pricing models are used, inputs are based on market related data at the reporting date.

Borrowings

The fair values of fixed interest bearing borrowings which reprice within one year of reporting date were assumed to equate the carrying value. All other fixed interest bearing borrowings are calculated using discounted cash flow models based on the present value of future principal and interest cash flows, discounted at the market rate at the reporting date.

As at 30 June 2021, the fair value of bank loans are S$649.0 million (31 December 2020: S$667.1 million) and the fair value of medium term notes are S$748.6 million (31 December 2020: S$540.2 million).

Contingent consideration and forward liability to acquire non-controlling interests

The fair values of contingent consideration and forward liability to acquire non-controlling interests are based on estimates from the associated probabilities of achieving performance targets by the investee and the expected payment amount.

Changing the significant unobservable inputs used to reasonably estimate possible alternative assumptions would have no significant impact on the fair value of the contingent consideration.

The fair value of the forward liability will increase/(decrease) if the expected average financial performance of Strateq is higher/(lower).

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with maturity of less than one year are assumed to approximate their fair values.

The fair value of non-current other financial assets and financial liabilities was calculated using the discounted cash flow model based on the present value of expected cashflows at the market rates at the reporting date. The carrying amounts approximate their fair values.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table represents the assets and liabilities measured at fair value, using the above valuation methods, at reporting date:

	Fair value Level	30 Jun 21 S$m	31 Dec 20 S$m
Group			
Financial assets			
Other investments	1	7.8	17.1
Marked-to-market financial instrument			
– Forward exchange contracts	2	0.2	-
Financial liabilities			
Marked-to-market financial instrument			
– Forward exchange contracts	2	-	2.5
Forward liability to acquire non-controlling interests	3	35.7	34.5
Contingent consideration	3	35.3	34.8
Company			
Financial assets			
Other investments	1	7.8	17.1
Marked-to-market financial instrument			
– Forward exchange contracts	2	0.2	-
Financial liabilities			
Marked-to-market financial instrument			
– Forward exchange contracts	2	-	2.5

The following table presents the reconciliation from the opening balances to the ending balances for fair values based on unobservable inputs (Level 3):

	Forward liability to acquire non-controlling interests 30 Jun 21 S$m	Contingent consideration 30 Jun 21 S$m	Contingent consideration 30 Jun 20 S$m
Balance at 1 January	34.5	34.8	23.9
Total unrealised losses recognised in income statement	1.7	0.7	0.4
Translation differences	(0.5)	(0.3)	-
Balance at 30 June	35.7	35.3	24.3

19. SEGMENT REPORTING

	Telecommunications [1]	Cybersecurity [2]	Total	Telecommunications [1]	Cybersecurity [2]	Total
	Half Year ended 30 Jun			Half Year ended 30 Jun		
	2021 S$m	2021 S$m	2021 S$m	2020 S$m	2020 S$m	2020 S$m
Mobile	259.8	-	259.8	307.0	-	307.0
Broadband	95.5	-	95.5	84.9	-	84.9
Entertainment	90.5	-	90.5	93.7	-	93.7
Enterprise Business	217.7	115.9	333.6	193.2	102.3	295.5
Sales of equipment	194.3	-	194.3	178.5	-	178.5
Total revenue	857.9	115.9	973.7	857.4	102.3	959.6
EBITDA	235.5	10.4	245.9	257.6	7.9	265.5
Depreciation & amortisation	(131.8)	(9.4)	(141.2)	(144.4)	(9.9)	(154.4)
Non-operating income	1.3	-	1.3	-	-	-
Finance income	1.5	0.0	1.5	0.9	0.0	0.9
Finance expense	(23.3)	(0.5)	(23.8)	(19.5)	(0.5)	(20.0)
Share of gain of associate (net of tax)	1.1	-	1.1	0.1	-	0.1
Share of gain of joint venture (net of tax)	0.7	-	0.7	-	-	-
Profit before taxation	**85.0**	**0.5**	**85.5**	**94.8**	**(2.6)**	**92.2**
Taxation	(17.5)	0.1	(17.4)	(15.7)	(0.5)	(16.2)
Profit for the year	**67.5**	**0.6**	**68.1**	**79.0**	**(3.1)**	**75.9**
Assets and liabilities						
Non-current assets	1,488.3	183.4	1,671.6	1,488.3	199.1	1,687.4
Current assets	1,203.2	216.9	1,420.2	1,061.9	143.2	1,205.1
Total assets	**2,691.5**	**400.3**	**3,091.8**	**2,550.2**	**342.3**	**2,892.4**
Borrowings	1,365.8	0.8	1,366.5	1,217.5	0.8	1,218.3
Other non-current liabilities	318.0	8.9	326.9	324.2	(0.8)	323.5
Other current liabilities	620.1	122.0	742.1	645.8	101.9	747.7
Total liabilities	**2,303.9**	**131.6**	**2,435.5**	**2,187.6**	**101.9**	**2,289.5**
Other information						
Capital expenditure	78.1	0.8	79.0	60.7	2.0	62.7
Free cash flow [3]	178.3	3.8	182.1	283.8	(9.2)	274.6

Note:
(1) Telecommunications refers to the Group including Strateq which was acquired in 3Q2020
(2) Cybersecurity refers to Ensign and D'Crypt
(3) Free Cash Flow refers to net cash from operating activities less purchase of fixed assets in the cash flow statement

20. INTERESTED PERSON TRANSACTIONS

	Nature of Relationship	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S$100,000)* 1 January 2021 to 30 June 2021 S$m
Transactions for the Sale of Goods & Services		
Capitaland Limited & its associates	Associates of StarHub Ltd 's controlling shareholder	0.6
SembCorp Industries Ltd & its associates		0.1
Singapore Technologies Engineering Ltd & its associates		0.3
Singapore Technologies Telemedia Pte Ltd & its associates		5.7
Singapore Telecommunications Limited & its associates		11.2
Temasek Holdings (Private) Limited and its associates (other than those disclosed above)	Controlling shareholder of StarHub Ltd and its associates	7.3
		25.2
Transactions for the Purchase of Goods & Services		
Capitaland Limited & its associates		1.3
Singapore Technologies Engineering Ltd & its associates		0.6
Singapore Technologies Telemedia Pte Ltd & its associates		6.4
Singapore Telecommunications Limited & its associates		10.3
Temasek Holdings (Private) Limited and its associates (other than those disclosed above)	Controlling shareholder of StarHub Ltd and its associates	3.3
		21.9

21. 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 half year ended 30 June 2021 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 August 2021

22. 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.