



Astro All Asia Networks plc.

An exclusive report to be distributed with *THE INDEPENDENT*

Transcription of the Interview with:
Dato' Rohana Rozhan
Chief Executive Officer

WORLD REPORT: It is certainly a pleasure to have the opportunity to speak with you today about Astro, multimedia and some of the most dynamic developments in Malaysia's multimedia industry. To begin, as we mentioned in the presentation, Malaysia is putting much effort into innovation and into the transition into a high-income economy, towards the development of ICT (Information and Computer Technology), Internet penetration in rural areas and upgrading the level of technology that it offers.

How does Astro complement Malaysia's transition to an innovation-based economy?

DATO' ROHANA ROZHAN: Astro as a service was launched in September 1996, so we are a relatively young company. Since then, Astro has tended to look at things in a very holistic manner. The key components of the Astro delivery system are, firstly the ground system or the broadcast centre. We have two broadcast centres, one is the All Asia Broadcast Centre (ABC), which is where we currently are, and the other is in Cyberjaya

about 30kms away. Cyberjaya was completed a few of years ago, and it gives us a back-up facility as well as additional capacity.

The second component of our delivery system is the space segment, which are the MEASAT satellites. I think that you are aware that MEASAT satellites are owned by our sister company and what we do is lease the transponder capacity from the MEASAT satellite system. There are currently two satellites up in space, which provide us with the capacity for our delivery system. The final element of our delivery system is the set-top box and dish that a customer has in their home. That is our end-to-end delivery system. The beauty of satellite technology is the fact that from day one, Astro's end-to-end delivery infrastructure covers the entire geography of Malaysia regardless of whether we have one customer or millions. At the time of service launch, Astro was arguably the first end-to-end digital broadcaster in the world.

From then on, it has always been a story of evolution using innovation. When we look at it again, every single thing we do has to encompass that whole chain from a delivery system – broadcast infrastructure, satellite capacity as well as the home unit. Every single time we innovate and evolve, there is an impact on each of these components.

A couple of years ago, we decided that we had to step back and take stock. In this kind of climate and business where there is convergence and where technology moves so fast, we have to step back, externalise, look at global benchmarks and what they are doing, and what customer trends are globally. After we externalise, we analyse and translate it to the local market, addressing gaps.

2nd WORLD REPORT INTERVIEWER: 45% in January 2009...

DATO' ROHANA ROZHAN: Simplistically, there are about six million TV households in Malaysia today. We expect to end at around three million customers, so we will have

WORLD REPORT
2 Old Brompton Road - South Kensington, London SW7 3DQ
Phone +44 207 629 62 13 - Fax + 44 207 495 3707

about 50% penetration roughly. Within that, we actually have to understand what that means, so we analyse that further, and as you rightly pointed out, Malaysia is multiethnic, multicultural and multilingual, so we look at where we are and we try to chart our way forward. In doing so, we have to understand what it means for us, and what we bring to the table and how we do it in the right way. In addition to the components of our end-to-end delivery infrastructure, the two other core elements in that chain have to be our customers and our content. If you take those five areas, and of course our employees, they constitute our whole delivery chain. Within that, we have to ask ourselves what differentiates us, what we are good at, what are our gaps, what are our IPs (Intellectual Property) that we would want to own within that whole chain.

A couple of years ago we realised that we are not going to own the technology IP, so what we try to do is to get onto the roadmap of the global 'best in class' for technology. Last year we upgraded our technology platform, to one considered to be a global 'best in class' amongst the pay TV operators around the world – people who have the know-how and the skill, and also who we can work with to influence their roadmap so that at each and every point, Malaysia and Malaysians will benefit from being at the forefront of technology. That is what we did.

The second component to be addressed is our IT systems. An IT system is important because it is something that will allow us to develop a relationship with the customer. It is not just a one-off transaction we are looking for, we are looking for a lifetime relationship, and a good CRM (Customer Relationship Management) system allows you to do that from an analytical, segmentation and relationship perspective. Again, we made a decision to move towards another global 'best in class' IT system. We are in the midst of this transition.

Our ongoing challenge remains to better understand our customer, our customer trends and our customer content needs so that these can be translated into products and

services. We are in 50% of total Malaysian households. We normally look at it from a household perspective, but if you look at the evolution of customer trends, it is not only about a household anymore, it is also about individuals within households. There is a time for family viewing, and a time for individual viewing as well. If you look at Malaysian demographics in particular, today for instance out of that 50%, we are pretty much more of an urban product. We have over 60% of urban penetration and we have about 26% of rural penetration. We feel very strongly that there is plenty of room to grow within the current business model. Astro aspires to be in 100% of Malaysian homes, and there is no reason why we should not be. It is just a matter of coming up with the right value proposition and the right products and services for the customers, which we will do. That is our aspiration.

We are a very strong believer in trends and in research, so we take a ten-year outlook, or a 'Vision 2020'. In 2020, we feel that household numbers will have grown from 6 million to at least 7.3 million. Another relevant trend is rapid urbanisation. Today I think around 60% of the total 6 million households are urban, and that in ten years' time with urban migration, at least 70% will be in urban centres.

As you know, in Malaysia we have a truly world-class infrastructure, in town centres like Kuala Lumpur. With rapid urbanisation, more people will come into the urban centres with access to world-class infrastructure. That means that with this access to infrastructure and bandwidth, they will have more of a choice when it comes to content. The uniqueness of Malaysian demographics, as in much of Southeast Asia, is that the population is disproportionately young. If you look at today, I think 50% of the total Malaysian population is under 24 years. You then ask yourself what that means, and then you realise that this 50% of the population who have access to infrastructure are what we call 'digital natives'. That means that if you take one of the digital natives who reside in an Astro home today, they not consuming media like their parents are. They have their screen on, and it is like wallpaper, forever on and present. However, kids today will also

WORLD REPORT

2 Old Brompton Road - South Kensington, London SW7 3DQ

Phone +44 207 629 62 13 - Fax + 44 207 495 3707

have their laptops and iPhones switched on while playing with their PSP or Wii, as well as chatting with their friends at the same time. Everything is switched on at the same time. These kids are future Astro paying customers. That means that we have to evolve to stay relevant to them, because they are going to be the ones who pay the bills very soon. It is inevitable.

If you look at Astro today, more or less the bulk of Astro is linear TV at home. We now have to evolve quickly in order to move towards this digital era. The question is how, when and what are our priorities. If you take us today we are on the TV screen and we have every intention of innovating to maintain our market leadership in this space. However, we cannot ignore the growing demand for the Internet, bandwidth, interactivity, portability or mobility.

This brings us onto Astro B.yond, which is just that. Our greatest challenge is to evolve and innovate whilst keeping our current customers happy with products and services. We are taking them with us on this journey. It is an eco-system, where we have to understand what they want, provide it for them and plan for the next customers, while prioritising and getting the timing right so that we are not too far ahead, but ahead enough in the curve to maintain our market leadership, to always stay relevant to our customers. That is truly going to be a challenge for us.

Astro B.yond is about enhancing Astro's services in its linear space to be 'best in class' and moving Astro towards a complete offering at the same time. That is how we plan to evolve through innovation. We prioritise. We constantly ask ourselves what differentiates us from the next person who comes along, what is our franchise and what is our "IP". It is about the customer on one side, and products and services on the other side. It is about content, how you deliver it and aimed at what devices. We understand the customers and hope to understand their trends. We have to evolve quickly when it comes to understanding that the customer is first and foremost the household, but it also comprises

WORLD REPORT

2 Old Brompton Road - South Kensington, London SW7 3DQ

Phone +44 207 629 62 13 - Fax + 44 207 495 3707

a number of people – a mum, a dad, a son and a daughter, and how each individual consumes media, and what each individual's expectations are of that media, the slicing and dicing of that content and how it is delivered. A holistic approach. A whole experience. That is really our challenge. We will use whatever pipes are available to us to deliver it. It is no longer only a satellite delivery system, but we have to supplement it and complement it with all other pipes that are available.

Our IP has to be the ability to understand the customer and the relationship we have with them, perceiving their trends and where they are going, and finally the content. From a content perspective, it is where we feel we have strengths and where we need to invest. A lot of people think of innovation as being purely technology and IT. Innovation to us is throughout – in content, in customer, in creativity and in our people. Innovation is in the whole value chain. That is where we see our experience in content and our relationships in content as one of our IP's. We understand our customers and we look at their content requirements. We promise the best of international and regional content to our customers, localising it to their requirements. We also address their local needs. We feel that we have the best of international content – since we started in Malaysia, we've had a fifteen-year relationship with the best international brands. Because we have worked with them, they also understand the need to localise content. When we say localise, we do not just mean subtitling or dubbing, we also mean sensitivity to our content code as a country and a culture. It is also using local talent, not only for the Malaysian audience, but also to help to provide Malaysian talent with a bigger platform, whether it is regional or international. Since then, there has been quite a lot of local talent who have reached the regional and global platform because of Astro's relationship with these content providers. We have this relationship and we are forever building on that.

We also have an understanding of the different ethnicities and cultures in Malaysia and content requirements, whether it is Chinese, Indian or Bahasa dialects. There is also an overriding need for local content that we are forever investing in, and building skills,

WORLD REPORT

2 Old Brompton Road - South Kensington, London SW7 3DQ

Phone +44 207 629 62 13 - Fax + 44 207 495 3707

franchises and libraries. Looking at last year, if I take the fact that we spent around 34% of our total revenues in content (about 1 billion Ringgit) we can simplistically divide it by three, and say one third is international, another third is international sports and the last third is local content. That is where our constant challenge is – to evolve a content offering that addresses the increasingly diverse needs of our growing customer needs and use innovation in its delivery.

WORLD REPORT: Thank you very much for the overview. Astro plans to invest a great deal in Internet technology, broadband capacity and portability, as it progresses and develops. What does this mean for your customers in the future? Twenty years from now, what will the Malaysian Astro customer have at his or her disposal?

DATO' ROHANA ROZHAN: As mentioned, we try to look ten years ahead to better understand customer trends and the demands of our evolving customer base. For instance, if I said that today the so-called digital natives make up about 25% of total Malaysian individuals, and in ten years it will be about 40%, it then follows that they will be consuming content and media in a different way.

Just to correct a minor point, I did not say that we would be investing in broadband and capacity etc. We would rather look at it from the customer's perspective. Today we deal with push technology; we push the content, and if you subscribe to it you get to watch it. As we speak in the Internet broadband world, there is also pull. The pipe is there, the content is made available and you pull whatever you want. You have a menu as an individual, and define your needs and the share of your wallet that you would like to spend on certain things. It is your choice. We have the content and understand our customers, and will make that content available to our customers in any way they want, be it push or pull, or if they want mobility, it is up to them. It does not matter wherever they get it from or whose pipe it is. We aspire to give our customers the choice of the best

WORLD REPORT

2 Old Brompton Road - South Kensington, London SW7 3DQ

Phone +44 207 629 62 13 - Fax + 44 207 495 3707

content, because we understand that what they want, and how they would like to access it.

If you look at a typical Astro customer today, they will evolve and hopefully we will evolve with them. I do not know what it is in the UK, but the typical Astro customer watches Astro four hours a day. If you look at what they watch in those four hours, three hours are local content. One hour is divided between soccer, news and movie packages. We aspire to evolve and make our content offering available in tandem with our customer expectations.

WORLD REPORT: We are very glad to hear that as a business you are able to identify your areas of strength and weakness. In the areas where you are not competitive, will we see you pursuing more strategic partnerships and alliances?

DATO' ROHANA ROZHAN Today, we own thirty Astro branded channels and within those strong franchises such as Akademi Fantasia, Malaysia's number one reality singing show. In the future, more and more weight will be on franchises such as American Idols or Glee. Some will be bigger than channels, and those are the things that we would like to be able to create, have the creativity to do that and own the IP for that for exploitations on multiple devices to customers. That is where our strengths would be alone, or in partnership with others.

Likewise for infrastructures, as I mentioned, today we use satellite delivery to the end user. In the future, we want to be able to ride on any available platform, be it from a push or pull perspective. I think that you are aware of the fact that all our new boxes are IP ready, so again whatever is available out there.

2nd WORLD REPORT INTERVIEWER: Please tell us about CASBAA (Cable and Satellite Broadcasting Association of Asia), and your relationship with it.

DATO' ROHANA ROZHAN: CASBAA is a forum in Asia that looks at all the content and platforms within the pay TV environment in Asia. We work very closely with them. Our performance has been recognised by them several times. It is an honour to us because the people who vote are our peer groups; whether they are the technology providers, the content providers or fellow pay TV operators. They voted Astro as being an outstanding industry contributor last year, which is quite an honour.

We try to do things in a very holistic manner, because as I mentioned we are in 50% of total homes, and we aspire to be in 100%. What we truly believe is that today we are hopefully present in almost 100% of Malaysia just by our reach and our brand. We are not just on air, but we are also very strongly on the ground. We have concerts, ground events and we go out there and touch people's lives. We are present in the community, and aspire to be a contributing corporate citizen which is extremely important. That brand awareness as well as brand relationship with our stars, talent and employees with the community and the next generation of customers is already there.

That is one of the things that we strongly believe in – the fact that even when we are not physically in homes per se, we are in their lives. We are building that, and it is a conscious effort. That is why two years ago we believed that Astro had to move from just entertainment to 'entertainment plus'. We are the best of entertainment, but we are also in the lifestyle space. We are about a positive lifestyle. Stadium Astro is about sporty lifestyle. It is about encouraging the community and people to have an active and healthy lifestyle as well as to promote good habits such as sportsmanship, exercise and eating well. Those are positive things that we would like to stand for.

In addition, we have also launched Kampus Astro. Astro strongly supports lifelong learning. One of the first things that we did under Kampus Astro was to volunteer to put Astro in every school in Malaysia. There are still blind spots in Malaysia, as you know, which do not have a telephone or free to air TV reception. As I said, the beauty and

WORLD REPORT

2 Old Brompton Road - South Kensington, London SW7 3DQ

Phone +44 207 629 62 13 - Fax + 44 207 495 3707

advantage of satellite delivery is that it is nationwide. There are about 10,000 schools nationwide and we said that we will connect every school with Astro, supply them with the Astro learning package and a PVR (personal video recorder) so that content can be recorded for the teachers' and students' convenience. We also engage with the teaching community to develop learning content that will help them help the kids. That is part of the whole Kampus Astro philosophy. We have every intention to evolve that learning space into lifelong learning.

WORLD REPORT: As a summary, we would like to give you the opportunity to address our British public. What is your final message about Astro?

DATO' ROHANA ROZHAN: Astro is a market leader in Malaysia, and there is plenty of room for us to grow. How we grow is through evolving and continued innovation. Astro understands platforms in terms of TV, radio and other media; we understand our customers and their surrounding community, their diversity and their trends. The story of Astro's growth will continue to be one of innovation and evolution and will focus on the things that we know we are good at, such as platforms as well as content and customers. Astro is unique because it has had the privilege of starting its operations and growing within Malaysia, which, although it is a cliché, is truly Asia. In this way we understand the different cultures, ethnicities and languages – we have Malay, Chinese, Indian and English and that is where our proficiencies are going to be.

As you mentioned, we also have a very productive workforce in Astro and Malaysia. One of the very important things is that if you look at the 3,500 people who work in Astro, it is representative of the mix of the diversity within Malaysia. This is very important because to truly understand your customers, you have to have that balance within the company in order to achieve that.

While we ride on the 'best in classes' we would also like to be represented in their global roadmaps, which means that it is a win-win partnership, because we help our partners to understand the nuances of operating in this region, and actually put that on the roadmap. They can then apply that to other rollouts in similar countries within the region. It is a true partnership; it is not just getting onto a global 'best in class' roadmap. We are in partnership and we actually bring the nuances of this region, which can then be put on the roadmap.

WORLD REPORT

2 Old Brompton Road - South Kensington, London SW7 3DQ

Phone +44 207 629 62 13 - Fax + 44 207 495 3707