

At A Glance



MOBILE
CUSTOMERS
(END-2013)

2.11m



FIBRE CUSTOMERS
(END-2013)

85,000

TOTAL
SHAREHOLDERS' RETURN
(2013)

26.1%

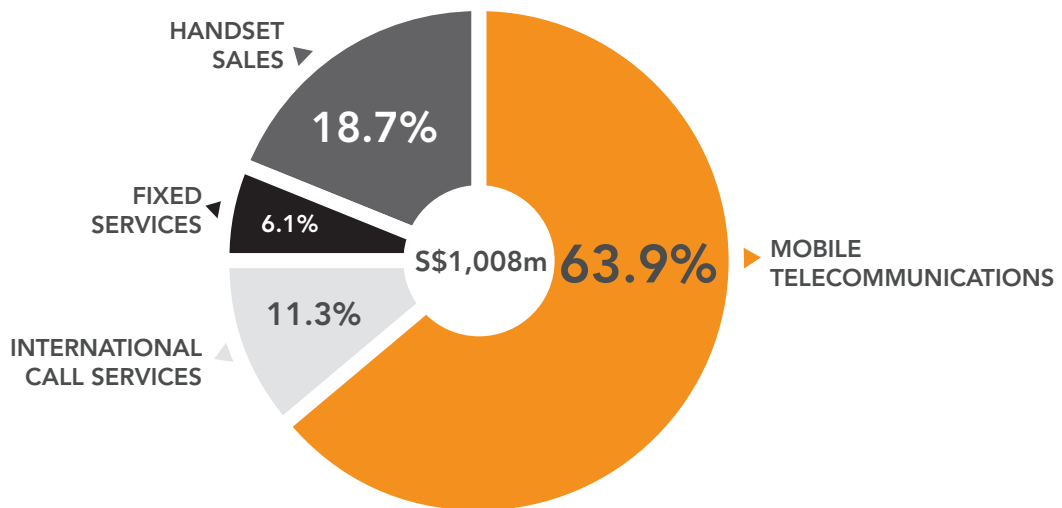


M1 is Singapore's most vibrant and dynamic communications company, providing mobile and fixed services to over 2 million customers. Established in 1997, M1 achieved many firsts, including the first operator to offer nationwide 4G service, as well as ultra high-speed fixed broadband, fixed voice and other services on the Next Generation Nationwide Broadband Network (NGNBN). With a continual focus on network quality, customer service, value and innovation, M1 links anyone and anything; anytime, anywhere.

For more information, visit www.m1.com.sg

2013

Operating Revenue Mix



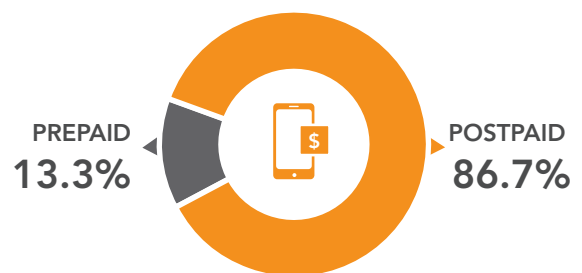
2013

Mobile Customer Mix

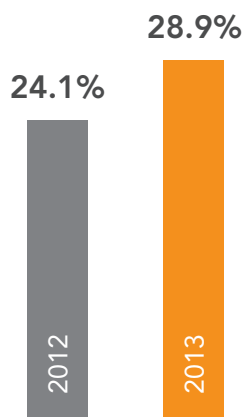


2013

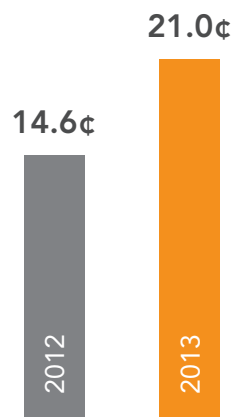
Mobile Telecommunications Revenue Mix



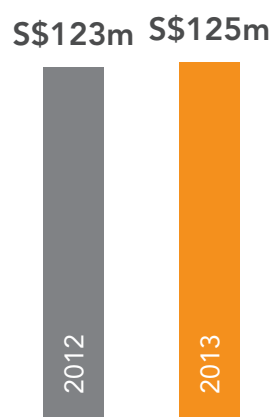
Mobile Data as a % of Service Revenue



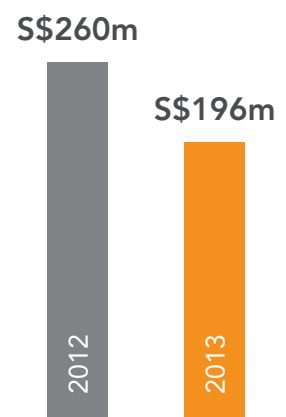
Cash Distribution Per Share (Declared)



Capital Expenditure



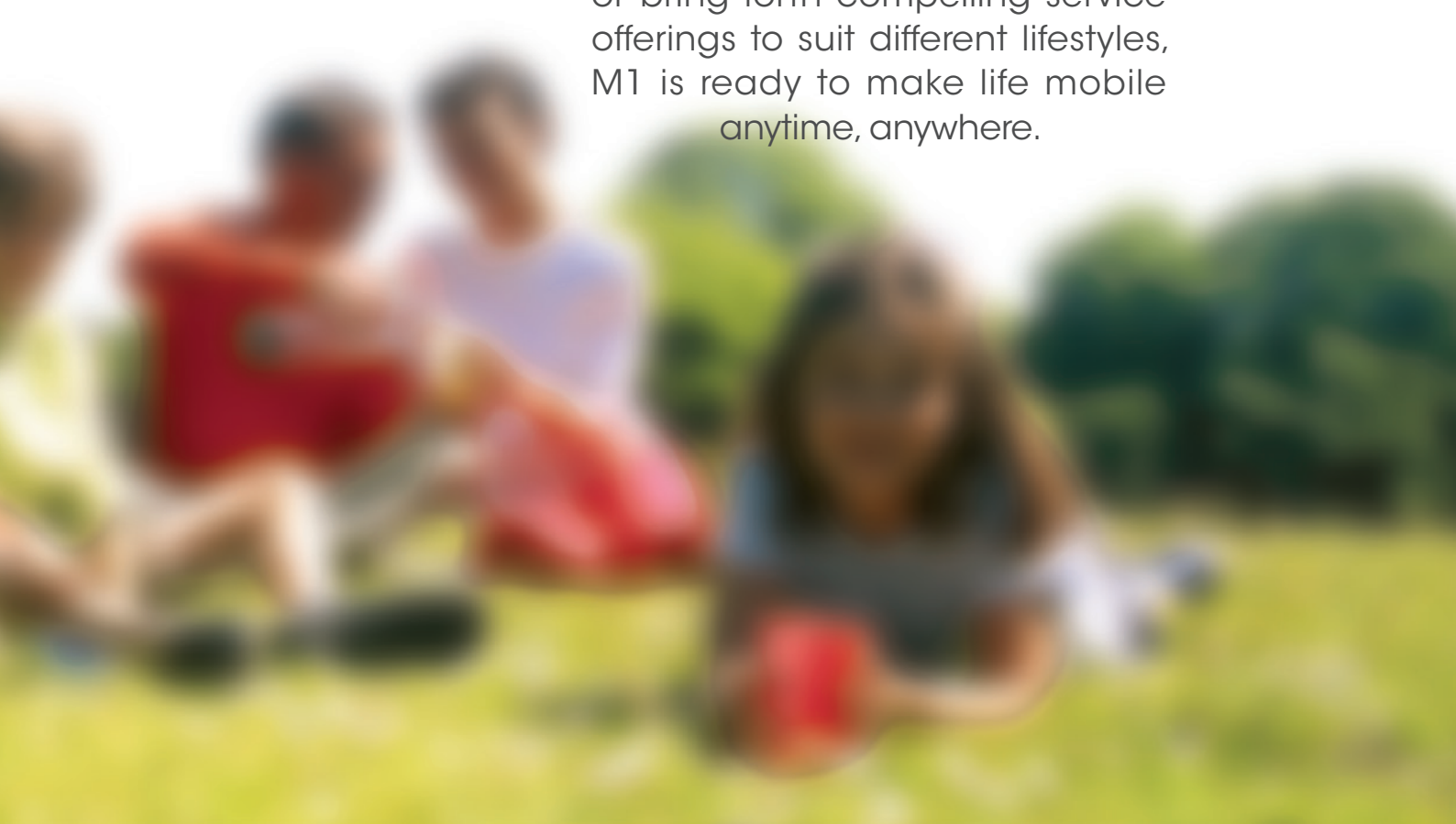
Net Debt





For **EVERY** Where

To stay ahead is to stay connected. We are committed to helping our customers keep up with changing times by linking them with the right solutions to meet their communication needs. Be it the first to introduce Singapore to nationwide 4G service or bring forth compelling service offerings to suit different lifestyles, M1 is ready to make life mobile anytime, anywhere.







For
EVERY
Want

At M1, we leverage on our experience, technical expertise and highly advanced networks to offer a better experience and greater value to both consumers and businesses. As a full-service provider, we have grown our suite of products and services, from mobile to fibre broadband and Internet TV, to give our customers everything they want under the sun.



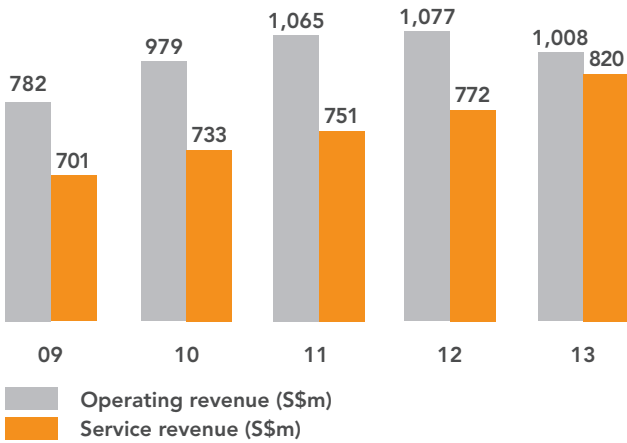


For
EVERY
One

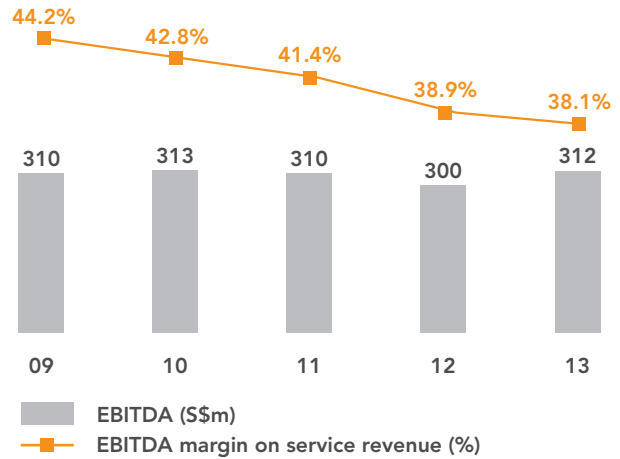
Our people are our greatest asset. We believe in bringing out the best of every individual by providing a dynamic and fulfilling work environment. An engaging corporate culture that motivates our staff to achieve their best and exemplifies our service philosophy – to create a great M1 experience for everyone, always.

Performance Highlights

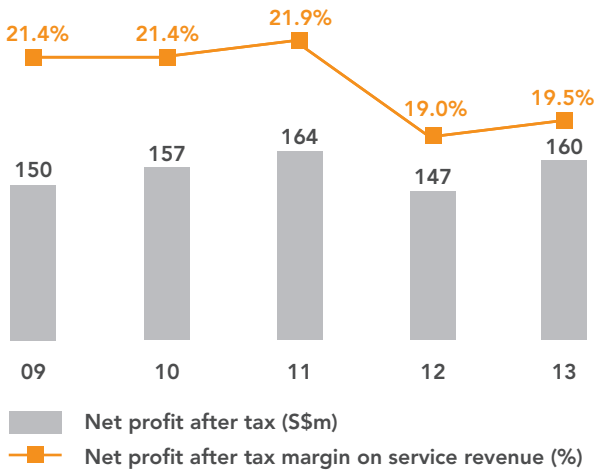
Operating Revenue and Service Revenue



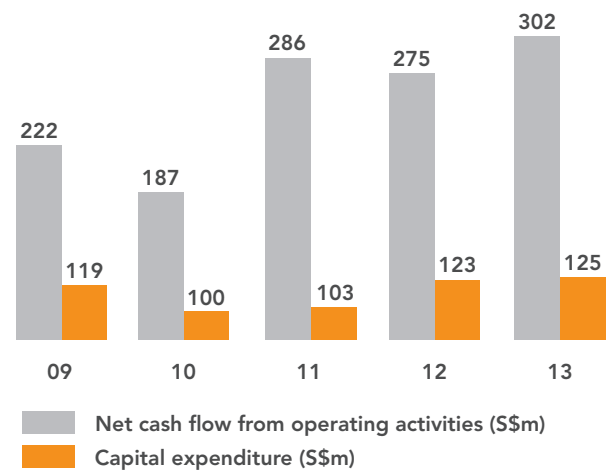
EBITDA



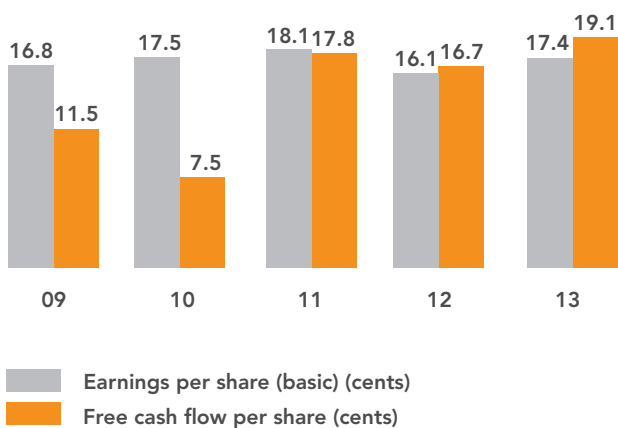
Net Profit After Tax



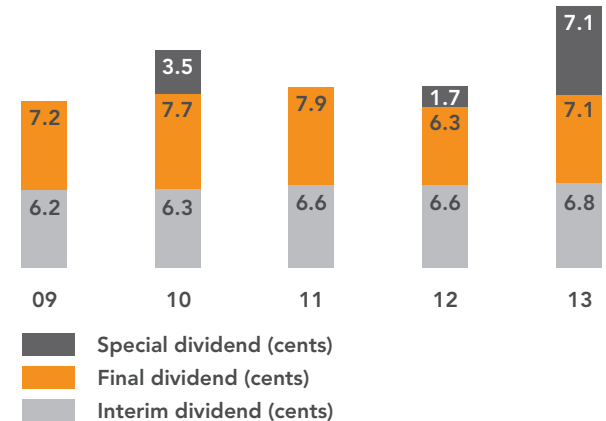
Cash Flow and Capital Expenditure



Earnings and Free Cash Flow Per Share



Cash Distribution Per Share (Declared)



Operating Highlights	2013	2012	Change (%)
Mobile Telecommunications			
Number of mobile customers ('000)			
Postpaid	1,130	1,095	3.2
Prepaid	979	1,014	-3.4
Total	2,109	2,109	0.0
Market share ¹ (%)			
Postpaid	25.0	25.7	-
Prepaid	25.6	26.7	-
Overall	25.3	26.1	-
Singapore mobile penetration rate ¹ (%)	156.0	151.8	-
Average revenue per user (ARPU, S\$ per month)			
Postpaid	61.8	62.7	-1.4
Postpaid (adjusted) ²	53.4	52.8	1.1
Data plan	20.8	23.2	-10.3
Prepaid	14.8	15.4	-3.9
Non-voice services as a % of service revenue	41.6	37.6	-
Average monthly churn rate (%)	1.1	1.3	-
Acquisition cost per postpaid customer (S\$)	346	371	-6.7
Fixed Services			
Number of fibre customers ('000)	85	52	63.9
ARPU (Fibre, S\$ per month)	46.1	50.8	-9.3

¹ Based on IDA statistics as at December 2013

² After adjustment for ARPU allocated to handset sales

Financial Highlights	2013	2012	Change (%)
Operating revenue (S\$m)	1,007.9	1,076.8	-6.4
Mobile telecommunications	644.2	607.0	6.1
International call services	114.0	116.5	-2.1
Fixed services	61.6	48.1	28.0
Handset sales	188.1	305.2	-38.4
EBITDA (S\$m)	312.3	299.9	4.1
Net profit after tax (S\$m)	160.2	146.5	9.4
Free cash flow (S\$m)	176.0	152.3	15.5
Net assets (S\$m)	395.1	347.9	13.6
Net debt (S\$m)	195.5	260.4	-24.9
Financial ratios			
Net debt/equity (x)	0.5	0.7	-33.9
Net debt/EBITDA (x)	0.6	0.9	-27.9
EBITDA/interest (x)	70.1	54.4	28.9
ROE (%)	43.1	43.7	-
ROCE (%)	26.0	24.4	-

Note: Figures may not add up due to rounding

Letter to Shareholders

M1 is well-positioned to meet the challenges of tomorrow in this fast-evolving landscape and continues to be a service provider of choice for customers.

Net Profit After Tax

+9.4% to
S\$160.2m

The info-communications sector has become more exciting than it had ever been before. Today, consumer behaviour and business strategies are increasingly shaped by innovations in info-communications technology. These innovations have opened up new avenues for consumers to communicate and share life moments, and for businesses to be more productive and serve customers more effectively and securely. Faster delivery networks, both mobile and fixed, and smart end-user devices have engendered an ecosystem of products and services that empower consumers and businesses to connect anywhere, anytime on multiple platforms and devices.

Singapore is one of a few developed markets experiencing this socio-technological wave, with strong adoption of 4G mobile and fibre networks, and pervasive use of data services on smart devices. M1 has contributed to this through our relentless drive to bring to market innovative and relevant products and services for our customers.

In so doing, we have consistently led the industry – for example, in being the first in Singapore to launch fibre broadband service on the Next Generation Nationwide Broadband Network in September 2010, the first in Southeast Asia to launch a nationwide 4G service in September 2012, and the first in Singapore to offer 4G prepaid broadband service in March 2013. Making all these possible is our continual investment to upgrade and modernise our networks and support systems. This will ensure that M1 remains well-positioned to meet the challenges of tomorrow in this fast-evolving landscape and continues to be a service provider of choice for customers.

Financial Highlights

We are pleased to report a strong set of financial results for FY2013.

Net profit after tax for the full year grew 9.4% to S\$160.2 million, driven by higher service revenues across both mobile and fixed segments. FY2013 service revenue grew 6.3% year-on-year to S\$819.8 million. Operating revenue declined 6.4% to S\$1,007.9 million due to lower handset sales.

Revenue from non-voice services for FY2013 grew 4.0 percentage points year-on-year to 41.6% of service revenue, driven by growth in mobile data usage. Fixed service revenue increased 28.0% to S\$61.6 million, driven by a larger customer base. Free cash flow for the full year grew 15.5% to S\$176.0 million.

Net debt-to-EBITDA was lower year-on-year at 0.6 times, with net debt at S\$195.5 million compared to S\$260.4 million in 2012.

Performance Highlights

M1's mobile customer base remained stable in 2013. In the year, the postpaid customer base grew by 35,000 to 1.13 million. Customers have also been progressively upgrading to the new tiered data plans that were introduced in September 2012. As at 31 December 2013, 49% of our postpaid mobile customers were on these plans. Our prepaid customer base declined marginally by 35,000 to 979,000, due to higher termination of expired cards. Our fibre customer base grew by 33,000 to 85,000 during the year, driven by expanded coverage of the nationwide fibre network and our attractive fibre broadband plans.

During the year, we introduced several innovative products and services, including Singapore's first 4G prepaid mobile broadband service in March, and Singapore's first symmetric upload and download residential fibre broadband service in May. In July, we unveiled our enhanced Internet TV service MiBox, which offers an enriched library of entertainment and e-learning content to customers who prefer on-demand à la carte content. We also entered into an exclusive partnership with global music streaming service Deezer in December to offer our postpaid mobile customers unlimited access to more than 30 million songs.

M1 committed S\$120 million to upgrade our networks in 2013, in addition to our earlier capital commitment of S\$280 million for 4G deployment. The core infrastructure was upgraded to an all-IP network, with pooling of mobile switching centres and media gateways for enhanced network performance and high service availability.

These upgrades have already benefited customers through the industry's highest call success and the lowest call drop rates, and ongoing upgrades including our 3G radio network in the 900MHz radio frequency spectrum band and small cell (femtocell) solutions will further enhance our coverage.

M1's network upgrades utilise global solutions based on industry specifications, and they are rigorously tested on vendors' R&D labs, as well as our own testbeds, before being deployed onto our live networks. In addition, our networks are built with geo-redundancy and high availability. While we took all possible actions to prevent any disruption during these upgrades, unforeseen circumstances did occur. Such occurrences are taken very seriously, with every incident thoroughly investigated and corrective measures taken to prevent any recurrence.

Customer service has always been one of M1's core values. To that end, we invest in developing our employees' service skills and product knowledge. In recognition of our push for service excellence at the retail shopfront, M1 Shop received the Singapore Service Class (S-Class) certification from SPRING Singapore in March 2013. In addition, we won the Frost & Sullivan Singapore Best Customer Experience in Telecommunications award, with M1 being rated highly for our service offerings, in-store experience and customer support channels. Supplementing our drive to deliver a higher standard of customer service, we revamped three of our M1 Shop outlets at Change Alley, NEX, and Suntec City to create a warmer, more personal retail experience for customers, reduce waiting times and enhance employee productivity. Completion of revamp of the entire network of M1 Shop outlets is expected by end-2014.

The new brand campaign for the year was themed 'M1. For Every One.', emphasising our commitment to deliver solutions that truly meet customers' needs and give them the best experience. The campaign was honoured with the Silver Award for Film Advertising Craft (Best Editing) at the prestigious GONG 2013 Creative Circle Awards.

Letter to Shareholders

Faster networks, smarter devices and data-intensive applications will continue to drive mobile data usage and revenue.

Total Dividends Declared

+43.8% to
21.0 cents

per share

Outlook

The global economy ended 2013 on an optimistic note with renewed growth in key markets such as the United States and China. Should the growth momentum be sustained, it will augur well for the telecommunications industry, as it will lead to increased business activity and consumer spending.

In the mobile segment, faster networks, smarter devices and data-intensive applications will continue to drive mobile data usage and revenue. Smart devices are an integral part of our customers' lives today, and we will continue to offer products and services that bring value to them.

Household fibre penetration grew from 23% last year to about 40% today. With increasing fibre adoption in both the consumer and enterprise segments, there are opportunities for M1 to grow our base. We will continue to enhance our product and service offerings to deliver attractive and effective solutions to our customers.

The completion of a purpose-built data centre, in the second quarter of 2014, as part of our existing building extension at 9 International Business Park, will enable us to further meet the needs of enterprise customers in areas such as managed cloud services, co-location and hosting services, and disaster recovery services.

Corporate Social Responsibility

M1 has a longstanding commitment to contributing to the Singapore community that we are part of. We believe that as we grow our business, we have a responsibility to contribute to the betterment of social causes and preservation of the environment.

Through our M1 Charity Golf and M1 Charity Carnival events, we raised a record S\$355,000 for Beyond Social Services, Children-At-Risk Empowerment Association, Children's Cancer Foundation, Singapore Children's Society and Cerebral Palsy Alliance Singapore.

During the year, we continued to champion the Singapore arts scene. In July, we received our 13th consecutive Distinguished Patron of the Arts Award from the National Arts Council, in recognition for our efforts. In partnership with Netball Singapore, we held the inaugural M1 Corporate Challenge in November. The one-day friendly netball competition, held at Kallang Netball Centre, enjoyed enthusiastic participation from Singapore corporations.

M1 constantly enhances our business operations to further the cause of environmental sustainability, including deploying solar panels to power our offshore base station at St. John's Island and replacing plastic bags with environmentally-friendly reusable bags at our shops.

We are also pleased to share that our upcoming building extension will incorporate environmentally-friendly features including energy-efficient lighting and air-conditioning systems, water-efficient toilet fittings and rainwater storage for irrigation.

Distribution to Shareholders

M1 has a track record of providing attractive capital returns to shareholders. We are committed to maintain a sustainable dividend policy that will enhance long-term shareholder value. Apart from the normal dividend payment, we review our funding requirements and capital structure regularly and, as and when appropriate, return cash in excess of current and foreseeable business requirements to shareholders.

In line with this policy, the Board of Directors has proposed a special dividend of 7.1 cents, in addition to the final dividend of 7.1 cents. Taken together with the interim dividend, the total dividends declared for FY2013, at 21.0 cents, represents a 43.8% increase in dividend per share over the previous year.

M1's share price performed relatively well in 2013. When combined with the dividend received by shareholders in the year, total shareholders' return was a healthy 26.1%.

A Note of Thanks

In closing, we would like to thank M1's customers, shareholders and business partners for their continued support of the Company in 2013.

The Board of Directors' stewardship and unstinting support have made an important difference to M1 in the charting of our strategic directions in this exciting and challenging business. We would like to extend our appreciation to Mr Reggie Thein, who stepped down from the Board on 1 September 2013. Mr Thein joined as an Independent Director in November 2002 and contributed significantly to the Board, particularly in the areas of finance, audit and risk management. We wish him all the best.

Our employees' hard work, passion and dedication have been the enduring hallmarks of our success. Once again, we would like to express our thanks to them and we look forward to their continued contributions to bring M1 to the next level of success.



Teo Soon Hoe
Chairman



Karen Kooi Lee Wah
Chief Executive Officer

Operating and Financial Review

M1 continually invests in upgrading and modernising our networks to deliver reliable mobile and fixed services to our customers. In 2013, we committed \$120 million to enhance and upgrade our mobile networks.

Service Revenue

+6.3% to
S\$819.8m

Company Overview

M1 is Singapore's most vibrant and dynamic communications company, providing mobile and fixed services to over 2 million customers. Established in 1997, M1 achieved many firsts, including the first operator to offer nationwide 4G service, as well as ultra high-speed fixed broadband, fixed voice and other services on the Next Generation Nationwide Broadband Network (NGNBN). With a continual focus on network quality, customer service, value and innovation, M1's mission is to link anyone and anything; anytime, anywhere.

The Group holds Facilities-Based Operator and Services-Based Operator licences issued by the Infocomm Development Authority of Singapore (IDA), for the provision of telecommunication systems and services. M1 also has a Telecommunication Dealer's Class Licence, for the import and sale of telecommunication equipment. M1 also has Internet Access Service Provider and IPTV licences issued by the Media Development Authority, for the provision of our fixed broadband and MiBox Internet TV services.

M1 operates nationwide 4G, 3G/High Speed Packet Access (HSPA) and 2G mobile networks, capable of download speeds of up to 150Mbps and upload speeds of up to 50Mbps. Through these networks, we provide customers with a wide range of voice, data and value-added postpaid and prepaid mobile services. To cater to our customers' varied needs, we offer service plans with a choice of voice, SMS and data bundles.

M1 makes available to our mobile and fixed-line customers International Direct Dial (IDD) services through the 002 and 021 prefixes, as well as a International Calling Card service using prefix 1818. We also trade wholesale voice minutes



with other international and local service providers, as well as provide dark fibre services to carriers and data centres. Since September 2010, M1 has been offering residential customers a range of fibre broadband services with speeds of up to 1Gbps, including fixed voice and other value-added services.

In the enterprise segment, we offer an extensive suite of mobile and fixed services, managed services and data centre services. We also offer enterprise Software as a Service (SaaS) solutions to meet our customers' business needs in areas such as storage, accounting, and human resources. M1 maintains a dedicated team of enterprise account managers to service the needs of customers, as well as a technical team that provides support on provisioning and technical-related matters.

In the course of our history, M1 has achieved the following milestones:

- Commercial launch of mobile services in April 1997;
- Achieved 10% mobile market share within one month of launch, and profitability in the first full year of operations in 1998;
- Listed on the Singapore Exchange in December 2002; and
- First operator in Singapore to launch:
 - 3G mobile services commercially in February 2005;
 - Nationwide mobile broadband services in December 2006;
 - Fibre broadband services on the NGNBN commercially in September 2010;
 - Mobile broadband service on our 4G network in June 2011;
 - Nationwide 4G service in September 2012.

For FY2013, service revenue grew 6.3% year-on-year to S\$819.8 million, driven by growth in postpaid and fixed customers, as well as higher revenue from increased mobile data usage. Contribution from mobile data continued to grow, and revenue from non-voice services rose 4.0 percentage points year-on-year to 41.6% of service revenue. Net profit after tax increased 9.4% year-on-year to S\$160.2 million, and margin on service revenue increased 0.5 percentage point to 19.5%. Free cash flow for the full year was S\$176.0 million, a 15.5% increase from S\$152.3 million the year before.

Our mobile customer base was stable at 2.11 million as at end-2013. During the year, we added 33,000 fibre customers to bring our fibre customer base to 85,000 as at end-2013.

Market Developments

According to published statistics from IDA, Singapore's mobile penetration rate was 156.0% as at end-2013, a 4.2 percentage point increase compared to a year ago. Out of a total of 8,420,700 mobile subscriptions, 53.8% were postpaid customers and 46.2% were prepaid customers.

For the fixed broadband market, the residential broadband penetration rate, comprising fibre, cable and digital subscriber line subscriptions, increased 1.2 percentage points over the year to 106.0% as at end-2013. Household fibre penetration increased from 23% in 2012 to about 40% as at end-2013. Over the same period, the number of residential and corporate fibre broadband subscriptions grew by 77.6% to 505,600, and the number of cable and digital subscriber line subscriptions fell by 12.7% to 557,400 and 26.8% to 324,500 respectively.

Operating and Financial Review

Fibre services continued to gain traction with customers in 2013. M1 continued to champion fibre, and our sustained efforts to drive take-up of fibre broadband services enabled us to add 33,000 customers in 2013 to bring our fibre customer base to 85,000.

Postpaid Mobile

The postpaid mobile segment, which made up 53.6% of our mobile customer base as at end-2013, contributed 86.7% to mobile telecommunications revenue in FY2013. During the year, we added 35,000 postpaid customers to bring our postpaid base to 1.13 million, for a 25.0% market share.

Driven by the growth in adoption of smartphones, faster networks and proliferation of data-centric applications, mobile data revenue continued to grow. Mobile data revenue accounted for 28.9% of mobile service revenue in 2013, compared to 24.1% in 2012. As at end-2013, 49% of our postpaid customers had migrated to our tiered mobile data bundles for mobile broadband and smartphone plans launched in September 2012.

Following a tariff review in 2013, voice call charging was revised to a minimum one-minute charge, followed by per-second billing thereafter, with calling rates remaining unchanged. Excess data charges were also revised to S\$10.70 per GB from S\$5.35 per GB previously, capped at S\$188.32 per

month, and the cap for customers using pay-per-use local mobile data was revised to S\$295.32 per month, applicable to new and re-contracting customers. The tariff changes came into effect on 1 January 2014.

We continue to work closely with device manufacturers to make available their new phones, tablets and mobile accessories to our customers in a timely manner. Key models launched in early 2013 included the iPad with Retina Display (128GB) in February 2013, and the Samsung Galaxy S4 (LTE) and HTC One in April 2013. The second half of the year saw the launch of the iPhone 5S and 5C, Samsung Note 3, and the Sony Xperia Z Ultra, in September 2013, and the LG G Flex in December 2013.

We also worked with our content and services partners to further enhance our suite of fixed products and services. These include the extension of the Mobiroo mobile gaming service to mobile customers in November 2013, and the launch of the Deezer Premium+ music service in December 2013.



Prepaid Mobile

As at end-2013, we had 979,000 prepaid customers. This was a marginal decline of 35,000 year-on-year, due to higher termination of expired cards.

Migrant workers form a major segment of our prepaid customer base, as M1's prepaid service meets their communications needs. Our prepaid service is also used by resident customers such as parents who want to manage their children's mobile usage, and transient visitors to Singapore such as business travellers and tourists.

To expand our market reach, we conduct regular roadshows at high-traffic areas such as heartland estates, shopping malls, and at migrant worker dormitories. We also organised festive celebrations that cater to our migrant worker customers such as Deepavali and the Bangladeshi New Year.

The segment's interest in mobile data services has grown, and we make available a range of SunSurf prepaid data plans to enable our prepaid customers to enjoy the full mobile Internet experience, with access to instant messaging applications, social media networks, web surfing, email, and music and video streaming service.

Fixed Services

Fibre services continued to gain traction with customers in 2013. M1 continued to champion fibre, and our sustained efforts to drive take-up of fibre broadband services enabled us to add 33,000 customers in 2013 to bring our fibre customer base to 85,000.

In May 2013, we launched Singapore's first residential fibre broadband service with symmetric upload and download speeds. This allows customers to enjoy a superior usage experience, such as uploading and sharing large files, play games, and stream HD videos, all at the same time.

We introduced MiBox, an exciting new Internet TV service that offers affordably-priced video-on-demand entertainment and educational titles, games, e-books and applications, in July 2013. The service is targeted at customers who prefer an on-demand, a-la-carte model of TV content consumption. Take-up of the service has been encouraging, and we will continue to add content to the service.

Our suite of fixed services such as fibre broadband, virtual private network, server co-location continued to gain traction with corporate customers during the year. M1 also expanded Wireless@SG coverage to additional public spaces such as schools, hospitals and government ministries.

New Products and Services

We launched a number of innovative and exciting products and services in 2013. These include:

- **DBS One Tap:** In partnership with DBS, we launched Singapore's first virtual credit card on a Near Field Communications-enabled (NFC) mobile phone in March 2013. The DBS One Tap, M1's third NFC service, allows customers to pay for purchases by tapping their NFC-enabled phones at over 30,000 MasterCard® retail acceptance points in Singapore;
- **Prepaid 4G:** To address the needs of prepaid customers who want high-speed mobile Internet access, M1 launched Singapore's first prepaid 4G mobile broadband service in March 2013, followed by Singapore's first prepaid 4G smartphone plans in April 2013;
- **Software as a service (SaaS):** M1's cloud-based business SaaS offering was made available in April 2013, delivering access to human resource, accounting, website creation and maintenance applications to customers conveniently via a PC or smartphone. This solution allows business customers to enjoy easily-scalable enterprise-grade solutions at an affordable monthly cost;
- **Wi-Fi roaming:** Singapore's first Wi-Fi roaming application was launched in April 2013. The application allows our postpaid mobile customers to access Wi-Fi hotspots in more than 120 countries and territories from S\$12 per day using iOS and Android smartphones and tablets;
- **MiBox:** The MiBox Internet TV service, launched in July 2013, offers customers access to thousands of video-on-demand entertainment and educational titles, games, e-books and applications;
- **M1 Mobile Security:** The increased use of smartphones for accessing the Internet has heightened the importance of mobile security. The M1 Mobile Security solution was made available in August 2013 to address the needs of security-conscious customers on Android devices;
- **Future Lab:** The M1 Future Lab, located at our Regional Operating Centre in Aljunied, was opened in October 2013. The laboratory showcases innovative technologies such as cloud services, sensors, surveillance and fleet management, offering our small and medium enterprise (SME) customers a convenient platform to test-bed products and services before going to market;
- **Deezer Premium+:** Launched in December 2013, our exclusive partnership with global music streaming service Deezer delivers unlimited access to more than 30 million songs from international, Asian and local artistes, to our postpaid customers.

Operating and Financial Review

A new brand campaign, with the theme “M1. For Every One.”, was launched in August 2013. The campaign emphasised our commitment to deliver solutions that truly meet our customers’ needs, and give them the best experience.

Sales and Distribution

As at end-2013, we had 15 M1 Shop outlets located islandwide, which provide customers convenient access to our products and services. To further enhance our reach and accessibility, M1’s products and services are also distributed through a number of exclusive distributor outlets. We also conduct regular roadshows in high-traffic locations, such as shopping malls and migrant worker dormitories, and actively participate in major computer and consumer electronics roadshows.

In April 2013, we commenced revamping our M1 Shop outlets to deliver a refreshed, more personable shopping experience to customers. The revamp also sought to improve staff productivity and reduce customer waiting time. As at end-2013, our Change Alley, Suntec City and NEX outlets had been revamped, and we target to complete revamping the remaining outlets by end-2014.

A new M1 website, which leverages on the latest technologies and capabilities to deliver an enhanced online shopping experience to the increasing number of consumers who access the Internet via smartphones and tablets, was launched in November 2013. The new website sports a clean and clear interface, streamlined to help customers navigate and find that information easily. A new section featuring business solutions that cater to the needs of enterprise customers has also been included.

Brand

A new brand campaign, with the theme “M1. For Every One.”, was launched in August 2013. The campaign emphasised our commitment to deliver solutions that truly meet our customers’ needs, and give them the best experience. The campaign, which won the Silver Award for Film Advertising Craft (Best Editing) at the GONG 2013 Creative Circle Awards, was carried on TV, newspapers, outdoor and new media such as online and social media. Facebook and Instagram were also used to engage customers and showcase the positive experiences they had with M1.

Customer Experience

M1 continued to focus on customer service excellence in 2013.

In recognition of our adoption of a holistic and systematic approach to provide service excellence, M1 Shop achieved the Singapore Service Class (S-Class) certification from SPRING Singapore in March 2013. In January 2013, our Changi Airport Terminal 3 M1 Shop received the Changi Airport Group’s Outstanding Outlet Award for exemplary customer service.

We also won the Frost & Sullivan Singapore Best Customer Experience in Telecommunications award, with M1 being rated highly for our service offerings, in-store experience and customer support channels.

At the EXSA (Excellent Service) Awards in October 2013, M1 staff received one Star, eight Gold and 32 Silver awards, for delivering outstanding service to our customers. The EXSA is a national award managed by seven industry organisations including the Association of Singapore Attractions and the Singapore Retailers Association.

Network

M1 continually invests in upgrading and modernising our networks to further enhance the performance and reliability of mobile and fixed services delivered to customers. In 2013, we committed \$120 million to upgrade our networks including:

- **Microwave radio backhaul links:** Expansion work on the Ericsson microwave radio backhaul links was started in first quarter of 2013 and is expected to be completed by first quarter of 2014;
- **900MHz nationwide 3G radio network:** Nokia Solutions and Networks was selected in April 2013 to deploy an additional 3G radio network, complementing our existing 3G network on the 2100MHz frequency band. Work on this additional network began in May 2013 and is expected to be completed by first quarter of 2014;
- **Network modernisation:** A contract was also awarded to Nokia Solutions and Networks in April 2013 to upgrade M1's core infrastructure to an all-IP network with mobile switching centre and media gateway pooling, to enable dynamic allocation of network resources. With its completion in December 2013, M1 now has the most advanced core network in Singapore;
- **Small cell solution:** Alcatel Lucent was appointed in May 2013 to deploy a small cell solution to further enhance our 3G radio coverage and capacity in indoor premises. This solution is being progressively deployed;
- **3G network expansion:** Huawei was appointed to expand and upgrade M1's existing 3G network on the 2100MHz frequency band in May 2013. The contract delivered additional base stations and further optimised our 3G network to improve call connectivity and support data usage growth;
- **4G small cell trials:** In collaboration with Alcatel-Lucent, we conducted two successful trials of 4G small cell technology in 2013. The trials, at the Singapore Grand Prix in September 2013 and at the Marina Bay area during the New Year countdown, delivered enhanced mobile data coverage to our customers in those sites.



Operating and Financial Review

Financial Review

Operating revenue

	Year ended 31 December		
	2013 S\$'m	2012 S\$'m	YoY Change
Operating revenue			
Mobile telecommunications	644.2	607.0	6.1%
International call services	114.0	116.5	-2.1%
Fixed services	61.6	48.1	28.0%
Total service revenue	819.8	771.6	6.3%
Handset sales	188.1	305.2	-38.4%
Total	1,007.9	1,076.8	-6.4%

For 2013, operating revenue decreased 6.4% to S\$1,007.9 million due to lower handset sales. Service revenue increased 6.3% to S\$819.8 million, driven by growth in postpaid and fixed customers.

Mobile telecommunications revenue

	Year ended 31 December		
	2013 S\$'m	2012 S\$'m	YoY Change
Mobile telecommunications revenue			
Postpaid	558.4	529.5	5.4%
Prepaid	85.8	77.4	10.9%
Total	644.2	607.0	6.1%

Average revenue per user (ARPU, S\$ per month)

Postpaid	61.8	62.7	-1.4%
Postpaid (adjusted) ¹	53.4	52.8	1.1%
Data plan	20.8	23.2	-10.3%
Prepaid	14.8	15.4	-3.9%
Non-voice services as a % of service revenue	41.6	37.6	

¹ After adjustment for ARPU offset against handset subsidy

Mobile telecommunications revenue increased 6.1% to S\$644.2 million driven by higher postpaid revenue. Segmentally, postpaid revenue was 5.4% higher at S\$558.4 million due to an enlarged customer base. Prepaid revenue at S\$85.8 million was 10.9% higher YoY.

Non-voice services as a percentage of service revenue increased 4.0% points to 41.6%, driven by higher mobile data revenue.

International call services revenue

	Year ended 31 December		
	2013 S\$m	2012 S\$m	YoY Change
International call services revenue			
Retail revenue	93.8	103.9	-9.8%
Wholesale and bilateral revenue	20.2	12.5	61.3%
Total	114.0	116.5	-2.1%
Total international retail minutes (million)	1,303	1,186	9.8%

International call services revenue decreased 2.1% to S\$114.0 million due to lower retail revenue. International retail minutes increased 9.8% to 1,303 million minutes driven by higher traffic to lower rated destinations.

Handset sales

Handset sales decreased 38.4% to S\$188.1 million due to lower sales volume.

Operating expenses

	Year ended 31 December		
	2013 S\$m	2012 S\$m	YoY Change
Cost of sales	424.1	515.1	-17.7%
Staff costs	108.7	97.4	11.5%
Advertising and promotion expenses	24.7	22.3	10.5%
Depreciation and amortisation	115.1	111.0	3.6%
Allowance for doubtful debts	12.7	12.9	-0.9%
Facilities expenses	78.0	76.1	2.4%
Leased circuit costs	25.0	31.5	-20.7%
General and administrative expenses	24.2	22.2	8.9%
Total	812.4	888.6	-8.6%

The increase in staff costs and depreciation and amortisation was more than offset by the decline in cost of sales and leased circuit costs. As a result, operating expenses decreased 8.6% to S\$812.4 million.

Cost of sales

	Year ended 31 December		
	2013 S\$m	2012 S\$m	YoY Change
Handset costs	284.4	384.8	-26.1%
Traffic expenses	69.7	64.0	8.9%
Wholesale costs of fixed services	30.9	25.0	23.4%
Other costs	39.2	41.3	-5.1%
Total	424.1	515.1	-17.7%

Cost of sales decreased 17.7% to S\$424.1 million mainly due to lower handset costs. Handset costs decreased 26.1% to S\$284.4 million due to lower sales volume. Wholesale costs of fixed services increased 23.4% to S\$30.9 million due to higher customer base.

Operating and Financial Review

Staff costs

Staff costs increased 11.5% to S\$108.7 million due to higher performance-linked incentives paid.

Advertising and promotion expenses

Advertising and promotion expenses increased 10.5% to S\$24.7 million due to higher level of marketing activities.

Depreciation and amortisation

Depreciation and amortisation expenses increased 3.6% to S\$115.1 million, as a result of a higher asset base.

Allowance for doubtful debts

Doubtful debts allowance decreased marginally by 0.9% to S\$12.7 million.

Facilities expenses

Facilities expenses increased 2.4% to S\$78.0 million mainly attributed to higher repair and maintenance expenses.

Leased circuit costs

Leased circuit costs decreased 20.7% to S\$25.0 million due to previous overprovision.

General and administrative expenses

General and administrative expenses increased 8.9% to S\$24.2 million as previous year benefited from higher foreign exchange gain.

Finance costs

Finance costs decreased 19.2% to S\$4.5 million due to lower borrowings and lower interest rate.

Taxation

Provision for taxation decreased 11.7% to S\$32.6 million due to overprovision in respect of prior period.

Net profit after tax

	Year ended 31 December		YoY Change
	2013 S\$m	2012 S\$m	
Net profit after tax	160.2	146.5	9.4%
Net profit after tax margin (on service revenue)	19.5%	19.0%	

Net profit after tax grew 9.4% to S\$160.2 million and net profit margin improved marginally to 19.5%.

EBITDA

	Year ended 31 December		
	2013 S\$m	2012 S\$m	YoY Change
EBITDA	312.3	299.9	4.1%
EBITDA margin (on service revenue)	38.1%	38.9%	

EBITDA increased 4.1% to S\$312.3 million.

EBITDA margin, as a percentage of service revenue, was lower at 38.1%.

Capital expenditure and commitments

Capital expenditure incurred for 2013 was marginally higher at S\$125.3 million. This was mainly for network capacity expansion and coverage enhancement.

Capital commitment as at 31 December 2013 was S\$157.2 million and included S\$104.0 million commitment for the 4G spectrum rights.

Liquidity and capital resources

	Year ended 31 December		
	2013 S\$m	2012 S\$m	YoY Change
Profit before tax	192.8	183.4	5.1%
Non-cash item and net interest expense adjustments	85.7	83.8	2.2%
Net change in working capital	23.5	7.7	206.5%
Net cash provided by operating activities	302.0	274.9	9.9%
Net cash used in investing activities	(122.4)	(121.5)	0.7%
Net cash used in financing activities	(136.8)	(153.6)	-11.0%
Net change in cash and cash equivalents	42.8	(0.2)	@
Cash and cash equivalents at beginning of financial period	11.6	11.8	-1.9%
Cash and cash equivalents at end of financial period	54.5	11.6	@
Free cash flow ¹	176.0	152.3	15.5%

@ Denotes more than +/-300%

¹ Free cash flow refers to net cash provided by operating activities less current year capital expenditure

Operating cash flow increased 9.9% to S\$302.0 million for 2013 and free cash flow was 15.5% higher at S\$176.0 million.

Financial leverage

As at 31 December 2013, gearing ratio was 49.5% compared to 74.8% as at 31 December 2012. Interest coverage ratio (EBITDA/Interest) was 70.1x for 2013, higher than 54.4x for 2012.