

# OPERATING AND FINANCIAL REVIEW



## Company Overview

M1 is Singapore's most vibrant and dynamic communications company, providing mobile and fixed services to close to two 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.

**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).**

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, as well as licences issued by the Media Development Authority of Singapore, for the provision of Internet and MiBox TV services.

M1 operates nationwide 4G/LTE (Long Term Evolution) Advanced, 3G/High Speed Packet Access (HSPA) and 2G mobile networks, capable of download speeds of up to 300Mbps and upload speeds of up to 150Mbps. 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 and data bundles.

We make 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.

M1 offers an extensive suite of mobile and fixed services, including connectivity solutions, managed services, cloud solutions and data centre services to the corporate segment. Our dedicated team of corporate account managers are committed to the needs of our customers, and we also have a technical team to provide support on provisioning and technical-related matters.

In the course of our history, we have 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;
  - Singapore's fastest corporate broadband service on the NGNBN in May 2014; and
  - Nationwide LTE-Advanced service in December 2014.

## Service Revenue

↑ 1.4%  
TO  
S\$831.1m

For 2014, M1's operating revenue increased 6.8% year-on-year to S\$1,076.3 million, on higher handset sales. Service revenue increased 1.4% to S\$831.1 million, driven by growth in postpaid mobile and fixed customer base, as well as higher revenue from mobile data. Revenue from non-voice services increased 5.7 percentage points to 47.3% of service revenue. Net profit after tax increased 9.7% to a record S\$175.8 million, with margin on service revenue increasing 1.7 percentage points to 21.2%. Free cash flow was lower at S\$93.2 million, due to higher capital expenditure and S\$40 million payment on spectrum rights. Net debt-to-EBITDA remained healthy at 0.8 times.

As at end-2014, M1 had a total of 1,852,000 mobile customers, comprising 1,149,000 postpaid and 703,000 prepaid customers. During the year, we added 18,000 fibre customers to bring our fibre customer base to 103,000 as at end-2014.

## Market Developments

According to IDA's reported statistics, Singapore's market penetration rate decreased to 148.0% as at end-2014, from 156.0% a year ago. The change was largely due to lower prepaid mobile subscriptions. As at end-2014, there were a total of 8,093,300 mobile subscriptions, comprising 57.9% postpaid and 42.1% prepaid subscriptions.

In the fixed broadband segment, the residential broadband penetration rate was stable at 106.0% as at end-2014. The total fibre market, including

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both residential and corporate subscriptions, increased 39.3% to 708,100. Household fibre broadband penetration rate is estimated to have increased from about 40% in 2013 to over 50% as at end-2014. Over the same period, the number of cable and digital subscription line subscriptions decreased 9.6% to 503,800 and 27.2% to 236,300 respectively.

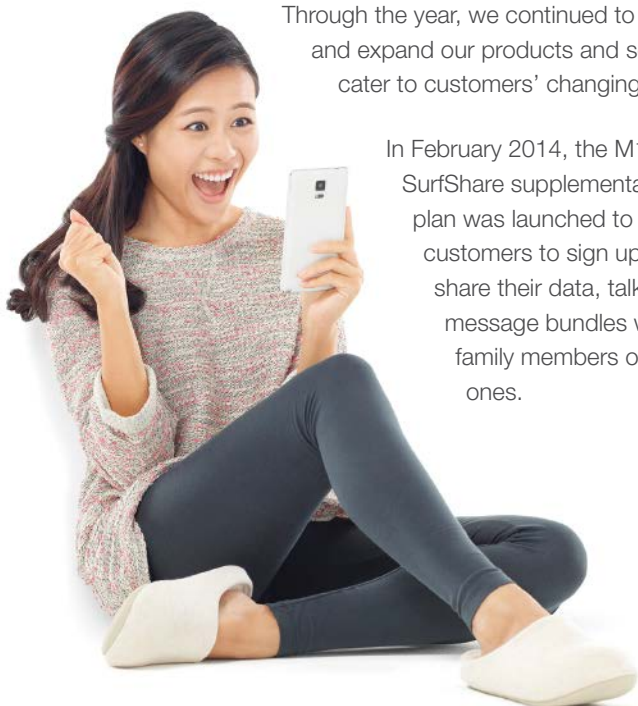
## Postpaid Mobile

The postpaid mobile segment remains the key contributor to our revenue. This segment made up 62.0% of our total mobile customer base as at end-2014 and contributed 88.1% of our 2014 mobile telecommunications revenue. During the year, we added 19,000 postpaid customers to bring our postpaid base to 1,149,000, representing a market share of 24.5%.

Driven by faster networks and devices, mobile data usage continued to grow. Average data usage per smartphone customer grew to 3.0GB per month in the fourth quarter of 2014, up from 2.5GB per month a year ago. Contribution from non-voice services increased to 47.3% of service revenue for 2014, up from 41.6% for 2013. As at end-2014, 66% of our postpaid customers had migrated to tiered data plans, compared to 49% a year ago.

Through the year, we continued to enhance and expand our products and services to cater to customers' changing needs.

In February 2014, the M1 SurfShare supplementary plan was launched to enable customers to sign up and share their data, talktime and message bundles with their family members or loved ones.



The growing appetite for data consumption led to an increased take-up of our data-bundled plans. In September 2014, we discontinued our voice/message-only plans, and revised our data-bundled plans to offer more choices and bigger data bundles. Data add-ons of up to 10GB were also introduced for customers with higher data needs.

In making it easier for our customers travelling overseas to stay connected cost-effectively, we expanded the availability of our \$15/day unlimited data roaming service to additional key destinations, such as India and United States. As at end-2014, this service was available across 18 countries.

Through the year, we continued to work with device manufacturers to make available their new handsets, tablets and accessories to our customers in a timely manner. Key models launched in 2014 included the iPhone 6 and iPhone 6+, iPad Air 2 and iPad mini 3, the Samsung Galaxy Note Edge and Samsung Galaxy S5, as well as the Xiaomi Redmi Note 4G.

## Prepaid Mobile

M1's prepaid mobile service is mainly used by the migrant worker community, resident customers including parents who want to manage their children's mobile usage, and transient visitors to Singapore such as business travellers and tourists.

In April 2014, IDA effected a regulatory change which reduced the number of prepaid SIM cards per customer from ten to three. As a result, our prepaid customer base decreased to 703,000 as at end-2014.

During the year, we introduced new prepaid products for tourists, including a 4G prepaid SunSurf data plan offering 1GB of local data with three days validity at an affordable S\$5. New Travel SIM Cards with local/IDD calls, message and data bundles, in S\$30 and S\$50 denominations, were also made available.

In extending our reach to the migrant worker segment, we organised Deepavali carnivals at recreation centres across Singapore. We also participated in International Migrants' Day

celebration through a new collaboration with Migrant Workers' Centre, where we educated migrant workers on data usage and promoted our 30 days 1GB Prepaid SunSurf plan in English, Mandarin, Bengali and Tamil.

To capitalise on the rise of data usage trend in the prepaid segment, we offered a 50% discount on our 30 days 1GB Prepaid SunSurf data plan to further drive usage.

### Fixed Services

As at end-2014, Singapore's home fibre penetration rate grew to over 50%, up from about 40% a year ago. During the year, M1 continued to champion fibre services with launch of competitive service plans and complementary services in both the residential and corporate segments and in the process, added 18,000 customers to bring our fibre customer base to 103,000.

To cater to customers' increasing bandwidth requirements, we launched our 1Gbps residential fibre service plan at a promotional offer of S\$49 a month. This allows customers to enjoy greater value and a superior usage experience, such as transfer of large files, high-definition video streaming and online gaming.

In the corporate space, we were first to make available 10Gbps service, the fastest fibre service on the NGNBN, to cater to corporate customers with high-bandwidth needs such as banks and cloud-service providers. This was alongside the introduction of a competitively-priced 1Gbps service. In addition, we broadened our suite of products and services, notably with the launch of our state-of-the-art data centre and enhanced cloud solutions through strategic partnerships with key technology vendors.

### New Products and Services

We launched many innovative and exciting products and services in 2014. These include:

- **KyLinTV on mobile:** First introduced on our MiBox Internet TV service in 2013, the KyLinTV service, with 46 live TV channels including CCTV4 Asia and Dragon TV HD,

THE POSTPAID MOBILE SEGMENT REMAINS THE KEY CONTRIBUTOR TO OUR REVENUE. THIS SEGMENT MADE UP 62.0% OF OUR TOTAL MOBILE CUSTOMER BASE AS AT END-2014 AND CONTRIBUTED 88.1% OF OUR 2014 MOBILE TELECOMMUNICATIONS REVENUE.

was extended to mobile devices, including iPads and Android tablets in February 2014. The service is specially designed to meet the needs of multi-generation Chinese families, kids learning Chinese and English-speaking professionals keen to learn more about China;

- **Static IP service:** M1's static IP service, made available in March 2014, allows customers to access devices such as home surveillance cameras and Network-Attached-Storage devices remotely;
- **GrabTaxi:** M1 rolled out Singapore's first carrier billing service for taxi drivers in April 2014. The service allows busy drivers to pay for their GrabTaxi fees through their M1 bill instead of having to make a trip to GrabTaxi's office, saving them time and money;
- **Android and Windows Phone carrier billing:** Our collaboration with Google and Microsoft allows customers to conveniently pay for Android and Windows Phone apps, games and content through their M1 bill;
- **10Gbps corporate fibre:** The fastest broadband service on Singapore's NGNBN, designed to meet the needs of businesses with high-bandwidth demands such as data centres, financial institutions, carriers or cloud service providers, was launched in May 2014. Competitively-priced 1Gbps and 500Mbps services were also made available to corporate customers;

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- Charming China:** M1's MiBox Internet TV service was enhanced with the availability of Charming China's hundreds of hours of Chinese language programming in May 2014. The service includes seven new premium channels offering popular programmes such as Amazing Chinese (出彩中国人), Sing My Song (中国好歌曲), Mop Lady's Spring (抹布女也有春天), Star Restaurant (遥控星料理) and Voice (开讲啦), and an additional four channels specially developed for M1 viewers focusing on entertainment, health and food, and children's edutainment content;
- Next-generation managed security:** In May 2014, M1's partnership with Radware delivered advanced threat protection from distributed denial-of-service (DDoS) attacks for the corporate segment. To help corporate customers further optimise their manpower resources, this service includes monitoring by e-Cop's 24x7 Security Operations Centre manned with cyber-security experts;
- AG Box:** M1's AG (Aggregation Gateway) Box, developed in collaboration with IDA to enable government agencies to deploy smart devices and services at non-building sites swiftly and affordably, was showcased at the CommunicAsia trade show in June 2014;
- ConnectSurf plan:** M1 enhanced its support for the Persons with Disabilities community through the ConnectSurf plan, Singapore's best-value plan for the segment. The affordably priced S\$25.68 ConnectSurf plan offers Persons with Disabilities 500 minutes of outgoing calls, 10,000 SMS/MMS messages and a 6GB data bundle;
- Toggle Prime:** Our partnership with MediaCorp allows customers to conveniently pay for access to Toggle Prime's 20 channels and more than 20,000 on-demand video titles through their M1 bill. Toggle Prime programmes include exclusive Toggle Originals, as well as popular international channels such as Comedy Central Asia, Bloomberg Television, Nick Jr., KBS World and Aniplus HD;
- Enhanced 1Gbps service:** A competitively-priced, refreshed 1Gbps fibre offering, with features such as no peer-to-peer throttling, was made available in September 2014 to deliver even better value to residential customers with heavy bandwidth requirements;
- Next-generation data centre:** M1's state-of-the-art data centre was launched in October 2014. The purpose-built five-storey facility supports more than 900 high-power density racks, triple M1's previous capacity, and is equipped with redundant power and cooling systems, as well as advanced fire suppression and access control measures to give customers added peace of mind;
- Enhanced cloud application services:** M1 partnered Hitachi Data Systems to deliver a suite of reliable and secured cloud-based infrastructure-, computing-, storage- and productivity-as-a-service offerings, to customers. In addition, cloud-based applications including unified communications, managed wired and wireless network security, and digital signage applications were made available through tie-ups with Alcatel-Lucent, Aruba, E-Cop, Ransnet and Samsung;
- LTE-Advanced technology:** Singapore's first nationwide next-generation 4G network was launched by M1 in December 2014, delivering download speeds of up to 300Mbps. The service is available at no additional charge to all existing and new mobile customers with devices that support LTE-A technology;
- Easy e-commerce:** M1's partnership with Rakuten Singapore, announced in December 2014, empowers M1 corporate customers with the tools and knowledge to tap on Singapore's growing e-commerce market.



## Sales and Distribution

Our 14 M1 Shop outlets islandwide provide customers with convenient access to our products and services. We also work with a number of exclusive distributors, hold regular roadshows at high-traffic locations such as shopping malls and migrant worker dormitories, and participate in major consumer technology events, to further augment our reach and accessibility.

In 2013, we started revamping our M1 Shop outlets to deliver a refreshed, more personable shopping experience to customers. As at end-2014, all our M1 Shop outlets had been renovated to the new concept. The re-designed store layout and the adoption of counter-less concept streamlined multiple service touch points into a single one, thus allowing customers to enjoy a seamless retail experience served by just one employee. The new layout also allows customers to move around the shop freely to experience the various products showcases.

Our online channels were also revamped to introduce Singapore's first telco handset pre-order and collection service, allowing customers to select their preferred model, make payment and choose a pickup location, through the M1 website. This further reduced waiting times for customers and allowed us to serve more customers, especially during popular handset launch periods. Customers also have the option of having their handsets delivered to their preferred address, through the pre-order website.

## Brand

To commemorate our 17<sup>th</sup> anniversary, M1 customers were treated to free calls and SMS/MMS messages on Sundays in April 2014. The M1 Sunshine Sundays print campaign ran from 6 to 27 April 2014 and received a Silver award at the SPH Ink Awards 2014.

In May 2014, a new campaign to reinforce our brand platform, "M1. For Every One." was launched with a 45-second TV commercial. The campaign focused on the most important part of our business, the customer, and M1's impact in their lives, through heart-warming advertisements featuring interesting personalities connecting to the people that matter most to them, in their own unique way.

The campaign was further extended into the digital space through three web episodes featuring the characters introduced in the TV commercials. To make the films an even more rewarding experience for customers, viewers were invited to engage with the campaign online through our "Make The Connection and Win" contest, featuring exciting prizes including an Audi A5 Sportback TFSI, Samsung home theatre packages and smartphones.



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OVER THE YEARS, M1'S NETWORK INVESTMENT PROGRAMME HAS CONSISTENTLY ENABLED OUR CUSTOMERS TO BE AT THE FOREFRONT OF THE LATEST TECHNOLOGY DEVELOPMENTS AND ENJOY NEXT-GENERATION PRODUCTS AND SERVICES, OFTEN AHEAD OF COMPETITION.

## Customer Experience

We remained focused on delivering customer service excellence across all touch points in 2014.

Customers are increasingly turning to online self-service channels to manage their accounts, resolve queries or sign up services, from simple tasks such as checking data usage or bill balance, to re-contracting their fibre broadband service. In this aspect, we redesigned and transformed our web portal and My M1 mobile app in 2014 to deliver an enhanced experience, including a dedicated mobile portal for smartphones and tablets, as well as improved functionalities such as the ability to pre-order new handsets. Our customers have responded positively through increased usage across these channels.

M1's service standards continued to be highly regarded. We saw improved performance at the annual EXSA (Excellent Service) Awards in 2014, where M1 employees achieved one Star, 16 Gold, and 58 Silver awards, compared to one Star, eight Gold and 32 Silver awards in the year before. The EXSA Awards, managed by the Association of Singapore Attractions and the Singapore Retailers Association, seeks to recognise outstanding service nationally. During the year, our retail outlet at Changi Airport Terminal 3 was also honoured with the Changi Airport Group's Outstanding Outlet Award for the third time in three years.

## Network

Over the years, M1's network investment programme has consistently enabled our customers to be at the forefront of the latest technology developments and enjoy next-generation products and services, often ahead of competition. Since inception, we have invested more than S\$1.6 billion in expanding and upgrading our mobile network infrastructure and key network initiatives in 2014 include:

- **Doubling 4G download speeds:** Our 4G network was upgraded to double download speeds to up to 150Mbps in February 2014;
- **900MHz nationwide 3G radio network:** The rollout of this additional 3G radio network was completed in 2014, further improving call connectivity and network performance;
- **Expanded fibre network:** Construction on new fibre rings at Shenton Way and Biopolis commenced in 2014, and is expected to be completed in 2015. This will enable M1 to better serve corporate customers in both areas;
- **Small cell technology:** Following the successful trials of 4G small cell technology in 2013, we deployed this technology at the Singapore Grand Prix in September 2014 and the Marina Bay area during the New Year countdown celebrations to meet the increased demand for mobile data and provide a better customer experience;
- **VoLTE:** Testing for VoLTE (Voice over Long Term Evolution), to enable customers to make voice-over-Internet Protocol calls on our 4G network, commenced in 2014. This service is expected to be available in the first half of 2015;
- **LTE-Advanced technology:** M1 launched Singapore's first nationwide LTE-Advanced network in December 2014, delivering download speeds of up to 300 Mbps.

## Financial Review

### Operating revenue

	Year Ended 31 December		
	2014 S\$m	2013 S\$m	YoY Change
<b>Operating revenue</b>			
Mobile telecommunications	671.1	644.2	4.2%
International call services	89.4	114.0	-21.6%
Fixed services	70.6	61.6	14.6%
<b>Total service revenue</b>	<b>831.1</b>	<b>819.8</b>	<b>1.4%</b>
Handset sales	245.3	188.1	30.4%
<b>Total</b>	<b>1,076.3</b>	<b>1,007.9</b>	<b>6.8%</b>

For 2014, operating revenue increased 6.8% to S\$1,076.3 million mainly due to higher handset sales. Service revenue increased 1.4% to S\$831.1 million, driven by growth in postpaid mobile and fixed customers.

### Mobile telecommunications revenue

	Year Ended 31 December		
	2014 S\$m	2013 S\$m	YoY Change
<b>Mobile telecommunications revenue</b>			
Postpaid	591.0	558.4	5.8%
Prepaid	80.1	85.8	-6.7%
<b>Total</b>	<b>671.1</b>	<b>644.2</b>	<b>4.2%</b>

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

Postpaid	S\$62.4	S\$61.8	1.0%
Postpaid (adjusted) <sup>1</sup>	S\$55.6	S\$53.4	4.1%
Data plan	S\$18.9	S\$20.8	-9.1%
Prepaid	S\$14.5	S\$14.8	-2.0%
Non-voice services as a % of service revenue	47.3%	41.6%	

<sup>1</sup> After adjustment for ARPU allocated to handset sales

Mobile telecommunications revenue increased 4.2% to S\$671.1 million due to higher postpaid revenue. Segmentally, postpaid revenue was 5.8% higher at S\$591.0 million driven by increased data usage. Prepaid revenue at S\$80.1 million was 6.7% lower year-on-year.

Mobile data revenue continued to grow with average smartphone data usage increasing to 3.0GB per month in the fourth quarter of 2014 from 2.5GB per month a year ago. Accordingly, non-voice contribution increased by 5.7 percentage points to 47.3%. Data plan ARPU decreased 9.1% to S\$18.9 due to the bundling with fixed services.



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## International call services revenue

	Year Ended 31 December		
	2014	2013	YoY
	S\$'m	S\$'m	Change
<b>International call services revenue</b>			
Retail revenue	75.2	93.8	-19.8%
Wholesale and bilateral revenue	14.2	20.2	-30.0%
<b>Total</b>	<b>89.4</b>	<b>114.0</b>	<b>-21.6%</b>
Total international retail minutes (in millions)	1,131	1,303	-13.2%

International call services revenue decreased 21.6% to S\$89.4 million mainly due to lower traffic. International retail minutes decreased 13.2% to 1,131 million minutes as a result of lower international calls in the prepaid segment.

## Handset sales

Handset sales increased 30.4% to S\$245.3 million due to higher sales volume and selling price.

## Operating expenses

	Year Ended 31 December		
	2014	2013	YoY
	S\$'m	S\$'m	Change
Cost of sales	453.0	424.1	6.8%
Staff costs	113.5	108.7	4.5%
Advertising and promotion expenses	24.4	24.7	-1.3%
Depreciation and amortisation	114.4	115.1	-0.6%
Allowance for doubtful debts	11.4	12.7	-10.6%
Facilities expenses	80.7	78.0	3.5%
Leased circuit costs	30.0	25.0	19.8%
Other general and administrative expenses	29.7	24.1	23.6%
<b>Total</b>	<b>857.1</b>	<b>812.4</b>	<b>5.5%</b>

Operating expenses increased 5.5% to S\$857.1 million mainly due to higher cost of sales.

## Cost of sales

	Year Ended 31 December		
	2014 S\$m	2013 S\$m	YoY Change
Handset costs	330.3	284.4	16.1%
Traffic expenses	52.3	69.7	-24.9%
Wholesale costs of fixed services	32.6	30.9	5.7%
Other costs	37.8	39.2	-3.5%
<b>Total</b>	<b>453.0</b>	<b>424.1</b>	<b>6.8%</b>

Cost of sales increased 6.8% to S\$453.0 million mainly due to higher handset costs. Higher sales volume drove handset costs 16.1% higher to S\$330.3 million. Wholesale costs of fixed services increased 5.7% to S\$32.6 million due to an enlarged customer base.

## Staff costs

Staff costs increased 4.5% to S\$113.5 million due to annual increment.

## Advertising and promotion expenses

Advertising and promotion expenses decreased 1.3% to S\$24.4 million due to lower level of marketing activities.

## Depreciation and amortisation

Depreciation and amortisation expenses decreased 0.6% to S\$114.4 million.

## Allowance for doubtful debts

Doubtful debt allowance decreased 10.6% to S\$11.4 million due to improved collection.

## Facilities expenses

Facilities expenses increased 3.5% to S\$80.7 million, driven by higher base station expenses.

## Leased circuit costs

Leased circuit costs increased 19.8% to S\$30.0 million, as 2013 benefited from adjustment due to overprovision.

## Other general and administrative expenses

Other general and administrative expenses increased 23.6% to S\$29.7 million in respect of higher backend connectivity for fibre services due to growth in customer base and one-off expenses.

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## Finance costs

Finance costs decreased 9.2% to S\$4.0 million due to lower interest rate.

## Taxation

Provision for taxation increased 26.7% to S\$41.3 million as 2013 benefited from overprovision in respect of prior period.

## Net profit after tax

	Year Ended 31 December		
	2014 S\$m	2013 S\$m	YoY Change
Net profit after tax	<b>175.8</b>	160.2	9.7%
Net profit after tax margin (on service revenue)	<b>21.2%</b>	19.5%	

Net profit after tax grew 9.7% to S\$175.8 million and net profit after tax margin improved to 21.2% of service revenue.

## EBITDA

	Year Ended 31 December		
	2014 S\$m	2013 S\$m	YoY Change
EBITDA	<b>335.5</b>	312.3	7.4%
EBITDA margin (on service revenue)	<b>40.4%</b>	38.1%	

EBITDA increased 7.4% to S\$335.5 million driven by higher service revenue.

EBITDA margin, as a percentage of service revenue, was higher at 40.4%.

## Capital expenditure and commitments

Capital expenditure incurred for 2014 was higher at S\$139.6 million due to network capacity expansion and coverage enhancement, as well as building extension.

Capital commitment as at 31 December 2014 was S\$94.7 million which included S\$64.0 million commitment for the 4G spectrum rights.

## Liquidity and capital resources

	Year Ended 31 December		
	2014 S\$m	2013 S\$m	YoY Change
Profit before tax	217.1	192.8	12.6%
Non-cash item and net interest expense adjustments	86.6	85.7	1.1%
Net change in working capital	(30.8)	23.5	-231.1%
Net cash provided by operating activities	272.9	302.0	-9.6%
Net cash used in investing activities	(178.4)	(122.4)	45.8%
Net cash used in financing activities	(126.1)	(136.8)	-7.8%
Net change in cash and cash equivalents	(31.7)	42.8	-173.9%
Cash and cash equivalents at beginning of financial period	54.5	11.6	@
Cash and cash equivalents at end of financial period	22.8	54.5	-58.2%
Free Cash flow <sup>1</sup>	93.2	176.0	-47.0%

@ Denotes more than +/-300%

<sup>1</sup> Free cash flow refers to net cash provided by operating activities less current year capital expenditure and payment for spectrum rights

Operating cash flow decreased 9.6% to S\$272.9 million. Free cash flow was 47.0% lower at S\$93.2 million following spectrum rights payment of S\$40.0 million in December 2014.

## Financial leverage

As at 31 December 2014, gearing ratio was 0.7 times compared to 0.5 times as at 31 December 2013. Interest coverage ratio (EBITDA/Interest) was 83.0 times for 2014, compared to 70.1 times for 2013.