M1 LIMITED
(Reg. No. 199206031W)

Second Quarter and Half Year 2014 Financial Statement Announcement

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Notes:

(1) Numbers in all tables may not exactly add due to rounding.

1(a) Consolidated Statement of Comprehensive Income for:

	Note	2Q14 S$'m	2Q13 S$'m	Change	1H14 S$'m	1H13 S$'m	Change
Operating revenue	(i)	239.7	244.5	-2.0%	479.8	487.5	-1.6%
Operating expenses	(ii)	(184.5)	(196.3)	-6.0%	(370.9)	(387.7)	-4.3%
Other revenue		0.1	0.7	-85.8%	0.7	0.8	-14.3%
Finance costs		(1.0)	(1.2)	-11.9%	(2.0)	(2.5)	-18.4%
Profit before tax		54.2	47.8	13.4%	107.5	98.2	9.5%
Taxation	(iii)	(10.3)	(8.6)	19.5%	(20.8)	(18.0)	15.4%
Net profit		43.9	39.2	12.1%	86.7	80.2	8.2%
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
Fair value changes on interest rate swap		-	0.1	-100.0%	-	0.2	-100.0%
Total comprehensive income for the period		43.9	39.2	11.9%	86.7	80.4	7.9%
Earnings per share (cents)							
Basic		4.7	4.3	11.1%	9.4	8.7	7.1%
Diluted		4.7	4.3	9.3%	9.3	8.7	6.6%
EBITDA (S$'m)		83.2	76.8	8.3%	164.7	155.7	5.8%

The net profit included the following:

	2Q14 S$'m	2Q13 S$'m	1H14 S$'m	1H13 S$'m
Other revenue including interest income	(0.1)	(0.7)	(0.7)	(0.8)
Interest on borrowings	1.0	1.2	2.0	2.5
Depreciation and amortisation	28.0	27.9	55.2	55.1
Allowance for doubtful debts and bad debts written off	2.7	3.0	5.3	6.3
Foreign exchange (gain)/loss, net	0.1	(*)	0.1	0.1
(Gain)/loss on disposal of fixed assets	(*)	(1.0)	(0.3)	(1.1)

* Denotes less than S$0.05 million

1(b) Statements of Financial Position as at:

	Note	Group		Company	
		30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
		S$'m	S$'m	S$'m	S$'m
Non-current assets:					
Fixed assets		660.9	649.4	651.4	640.6
Licences and spectrum rights		67.9	73.8	67.9	73.8
Other intangibles		13.9	13.9	0.1	0.1
Staff loans		0.2	0.2	0.2	0.2
Interest in subsidiaries		-	-	7.0	7.0
Due from a subsidiary		-	-	16.9	16.9
		743.0	737.3	743.6	738.6
Current assets:					
Inventories		20.5	29.1	0.2	0.3
Trade debtors	(iv)	128.3	144.8	126.1	142.5
Other debtors		12.7	11.8	8.3	8.8
Prepayments		8.2	8.8	7.9	8.5
Due from related companies		0.5	0.2	3.9	2.6
Cash and cash equivalents	(v)	16.4	54.5	15.9	54.3
		186.6	249.1	162.4	217.0
Current liabilities:					
Creditors and accruals		(137.2)	(181.0)	(116.0)	(155.4)
Unearned revenue		(25.2)	(24.7)	(23.6)	(23.3)
Due to related companies		(0.4)	(0.6)	(11.1)	(11.5)
Borrowings	(vi)	(10.8)	-	(10.8)	-
Taxation		(31.1)	(28.5)	(31.9)	(28.5)
		(204.7)	(234.8)	(193.4)	(218.7)
Net current assets/(liabilities)		**(18.1)**	**14.3**	**(31.0)**	**(1.7)**
Non-current liabilities:					
Borrowings	(vi)	(250.0)	(250.0)	(250.0)	(250.0)
Deferred tax liabilities		(109.6)	(106.6)	(108.5)	(105.7)
Net assets		**365.2**	**395.1**	**354.1**	**381.2**
Represented by:					
Share capital		195.5	179.8	195.5	179.8
Share option reserve		4.5	5.0	4.5	5.0
Retained profits		165.2	210.2	154.0	196.4
Total shareholders' equity		**365.2**	**395.1**	**354.1**	**381.2**

1(c) Consolidated Cash Flow Statement for:

	2Q14 S$'m	2Q13 S$'m	1H14 S$'m	1H13 S$'m
Cash flows from operating activities:				
Profit before tax	54.2	47.8	107.5	98.2
Adjustments for:				
Share option expenses	0.4	0.5	1.0	0.7
Depreciation of fixed assets	25.1	24.9	49.2	49.2
(Gain)/loss on disposal of fixed assets	(*)	(1.0)	(0.3)	(1.1)
Amortisation	3.0	3.0	5.9	5.9
Interest income	(*)	(*)	(0.1)	(*)
Interest on borrowings	1.0	1.2	2.0	2.5
Operating cash flows before working capital changes	83.5	76.2	165.3	155.3
Changes in:				
Inventories	(2.4)	19.3	8.6	13.0
Trade debtors	10.2	13.3	16.5	26.1
Other debtors	(1.2)	(2.1)	(0.9)	(1.8)
Prepayments	1.4	(0.1)	0.6	(0.6)
Non-current staff loans	(*)	*	(*)	0.1
Creditors and accruals	(19.1)	(4.1)	(43.7)	(21.1)
Unearned revenue	0.8	(4.4)	0.5	(5.3)
Related companies	(0.5)	0.6	(0.4)	0.3
Changes in working capital	(10.8)	22.4	(19.0)	10.8
Interest received	*	*	0.1	*
Interest paid	(2.0)	(2.5)	(2.0)	(2.6)
Payment of tax	(15.6)	(15.2)	(15.2)	(15.0)
Net cash flows from operating activities	55.2	81.0	129.2	148.5
Cash flows from investing activities:				
Purchase of fixed assets	(28.2)	(21.4)	(60.9)	(33.8)
Purchase of intangible assets	-	(0.7)	-	(0.7)
Proceeds from disposal of fixed assets	0.1	3.4	0.4	3.5
Net cash flows used in investing activities	(28.1)	(18.7)	(60.5)	(31.0)
Cash flows from financing activities:				
Proceeds from loans	24.0	2.5	24.0	2.5
Repayment of term loans	(13.2)	(2.5)	(13.2)	(24.5)
Proceeds from issuance of ordinary shares on exercise of employee share options	6.5	9.9	14.2	19.0
Dividends paid to shareholders	(131.8)	(73.6)	(131.8)	(73.6)
Net cash flows used in financing activities	(114.5)	(63.7)	(106.8)	(76.6)
Net changes in cash and cash equivalents	(87.5)	(1.4)	(38.0)	40.9
Cash and cash equivalents at beginning of financial period	103.9	53.9	54.5	11.6
Cash and cash equivalents at end of financial period	16.4	52.5	16.4	52.5

* Denotes less than S$0.05 million

1(d) (i) Statements of Changes in Equity:

Group	Attributable to Equity Holders of the Company				
	Share Capital S$'m	Hedging Reserve S$'m	Share Option Reserve S$'m	Retained Profits S$'m	Total S$'m
As at 1 Jan 14	**179.8**	**-**	**5.0**	**210.2**	**395.1**
Total comprehensive income for the period	-	-	-	42.8	42.8
Issuance of ordinary shares on exercise of employee share options	8.6	-	(0.8)	-	7.7
Expenses on share options	-	-	0.6	-	0.6
As at 31 Mar 14	**188.4**	**-**	**4.8**	**253.1**	**446.3**
Total comprehensive income for the period	-	-	-	43.9	43.9
Issuance of ordinary shares on exercise of employee share options	7.1	-	(0.7)	-	6.5
Expenses on share options	-	-	0.4	-	0.4
Dividends	-	-	-	(131.8)	(131.8)
As at 30 Jun 14	**195.5**	**-**	**4.5**	**165.2**	**365.2**

Group	Attributable to Equity Holders of the Company				
	Share Capital S$'m	Hedging Reserve S$'m	Share Option Reserve S$'m	Retained Profits S$'m	Total S$'m
As at 1 Jan 13	**155.9**	**(0.2)**	**5.9**	**186.3**	**347.9**
Total comprehensive income for the period	-	0.1	-	41.0	41.2
Issuance of ordinary shares on exercise of employee share options	10.1	-	(1.0)	-	9.1
Expenses on share options	-	-	0.2	-	0.2
As at 31 Mar 13	**166.0**	**(0.1)**	**5.1**	**227.4**	**398.4**
Total comprehensive income for the period	-	0.1	-	39.2	39.2
Issuance of ordinary shares on exercise of employee share options	11.0	-	(1.1)	-	9.9
Expenses on share options	-	-	0.5	-	0.5
Dividends	-	-	-	(73.6)	(73.6)
As at 30 Jun 13	**177.0**	**-**	**4.5**	**192.9**	**374.4**

Company

	Attributable to Equity Holders of the Company				
	Share Capital S$'m	Hedging Reserve S$'m	Share Option Reserve S$'m	Retained Profits S$'m	Total S$'m
As at 1 Jan 14	**179.8**	**-**	**5.0**	**196.4**	**381.2**
Total comprehensive income for the period	-	-	-	44.5	44.5
Issuance of ordinary shares on exercise of employee share options	8.6	-	(0.8)	-	7.7
Expenses on share options	-	-	0.6	-	0.6
As at 31 Mar 14	**188.4**	**-**	**4.8**	**240.8**	**434.1**
Total comprehensive income for the period	-	-	-	45.0	45.0
Issuance of ordinary shares on exercise of employee share options	7.1	-	(0.7)	-	6.5
Expenses on share options	-	-	0.4	-	0.4
Dividends	-	-	-	(131.8)	(131.8)
As at 30 Jun 14	**195.5**	**-**	**4.5**	**154.0**	**354.1**

Company

	Attributable to Equity Holders of the Company				
	Share Capital S$'m	Hedging Reserve S$'m	Share Option Reserve S$'m	Retained Profits S$'m	Total S$'m
As at 1 Jan 13	**155.9**	**(0.2)**	**5.9**	**144.5**	**306.1**
Total comprehensive income for the period	-	0.1	-	40.5	40.7
Issuance of ordinary shares on exercise of employee share options	10.1	-	(1.0)	-	9.1
Expenses on share options	-	-	0.2	-	0.2
As at 31 Mar 13	**166.0**	**(0.1)**	**5.1**	**185.1**	**356.1**
Total comprehensive income for the period	-	0.1	-	70.9	70.9
Issuance of ordinary shares on exercise of employee share options	11.0	-	(1.1)	-	9.9
Expenses on share options	-	-	0.5	-	0.5
Dividends	-	-	-	(73.6)	(73.6)
As at 30 Jun 13	**177.0**	**-**	**4.5**	**182.4**	**363.9**

1(d) (ii) Changes in Company's share capital

	Share options		Ordinary shares	
	2Q14	2Q13	2Q14	2Q13
As at 1 Apr	**32,901,200**	**24,573,700**	**926,754,282**	**917,606,782**
Options granted during the financial period ($3.24)	-	8,810,000	-	-
Exercised during the financial period	(2,724,500)	(4,633,500)	2,724,500	4,633,500
Cancelled during the financial period	(940,000)	(440,000)	-	-
As at 30 Jun	**29,236,700**	**28,310,200**	**929,478,782**	**922,240,282**

1(e) Notes to Financial Statements

(i) Operating Revenue

	Group		Group	
	2Q14 S$'m	2Q13 S$'m	1H14 S$'m	1H13 S$'m
Operating revenue				
Mobile telecommunications services	167.9	162.4	331.6	318.7
International call services	23.7	29.6	47.8	58.6
Fixed services	17.4	15.3	33.5	29.6
Total service revenue	**209.0**	**207.3**	**412.9**	**406.9**
Handset sales	**30.7**	**37.2**	**66.9**	**80.6**
Total	**239.7**	**244.5**	**479.8**	**487.5**

(ii) Operating Expenses

	Group		Group	
	2Q14 S$'m	2Q13 S$'m	1H14 S$'m	1H13 S$'m
Cost of sales	86.2	99.5	175.6	195.0
Staff costs	27.8	26.4	55.4	53.0
Advertising and promotion expenses	5.3	7.1	10.8	12.5
Depreciation and amortisation	28.0	27.9	55.2	55.1
Allowance for doubtful debts	2.7	3.0	5.3	6.3
Facilities expenses	19.3	19.6	38.4	38.9
Leased circuit costs	7.8	7.6	15.3	15.5
Licence fees	0.6	0.5	1.1	0.7
Other general and administrative expenses	6.8	4.8	13.9	10.6
Foreign exchange (gain)/loss	0.1	(*)	0.1	0.1
Total	**184.5**	**196.3**	**370.9**	**387.7**

* Denotes less than S$0.05 million

(iii) Taxation

Major components of income tax expense for the periods ended 30 June were:

	Group		Group	
	2Q14	**2Q13**	**1H14**	**1H13**
	S$'m	**S$'m**	**S$'m**	**S$'m**
Current tax				
- Current provision	9.3	9.8	17.3	20.3
- Under provision in prior year	0.4	-	0.4	-
Deferred tax				
- Under provision in prior year	-	-	0.4	-
- Movement in temporary differences	0.6	(1.2)	2.6	(2.2)
Income tax expense	**10.3**	**8.6**	**20.8**	**18.0**

(iv) Trade debtors

	Group		Company	
	30-Jun-14	**31-Dec-13**	**30-Jun-14**	**31-Dec-13**
	S$'m	**S$'m**	**S$'m**	**S$'m**
Mobile and fixed services				
- Billed	58.6	56.3	58.6	56.3
- Accrued service revenue	14.7	12.6	14.7	12.6
- Accrued handsets revenue	58.2	74.5	58.2	74.5
Others				
- Billed	9.8	14.3	7.6	12.0
- Accrued	2.3	2.7	2.3	2.7
	143.6	**160.5**	**141.4**	**158.2**
Allowance for doubtful debts	**(15.3)**	**(15.7)**	**(15.3)**	**(15.7)**
	128.3	**144.8**	**126.1**	**142.5**

(v) Cash and cash equivalents comprise:

	Group		Company	
	30-Jun-14	**31-Dec-13**	**30-Jun-14**	**31-Dec-13**
	S$'m	**S$'m**	**S$'m**	**S$'m**
Cash and bank balances	16.4	54.5	15.9	54.3
	16.4	**54.5**	**15.9**	**54.3**

(vi) Aggregate amount of Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 Jun 14		As at 31 Dec 13	
Secured	Unsecured	Secured	Unsecured
Nil	S$10.8m	Nil	Nil

Amount repayable after one year

As at 30 Jun 14		As at 31 Dec 13	
Secured	Unsecured	Secured	Unsecured
Nil	S$250.0m	Nil	S$250.0m

Details of any collateral

None.

The S$250 million term loan was refinanced in May 2013 at an effective interest rate of 1.59% per annum and is repayable in full in May 2016.

2(a) NEGATIVE ASSURANCE

We, TEO SOON HOE and KAREN KOOI, being two directors of M1 Limited (the "Company") do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company that may render the Second Quarter and Half Year financial results to be false or misleading.

On behalf of the directors

TEO SOON HOE	**KAREN KOOI**
Chairman	**Director**

Singapore
21 July 2014

2(b) AUDIT/ REVIEW

The financial position as at 30 June 2014 and the results, and cash flows and changes in equity for the second quarter and six-month ended 30 Jun 2014 presented in this announcement have not been audited, but have been reviewed by Ernst and Young LLP in accordance with the Singapore Standard on Review Engagements 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Ernst and Young LLP's report is on page 13 of this announcement.

3. BASIS OF PREPARATION

The condensed interim consolidated statement of comprehensive income of the Group and the statements of financial position and statements of changes in equity of the Group and Company have been prepared in accordance with Singapore Financial Reporting Standard ("FRS") 34, Interim Financial Reporting.

The financial statements have been prepared on a historical cost basis except for derivative financial instruments that have been measured at their fair values.

4. ACCOUNTING POLICIES

The Group and Company has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current period as compared with the audited financial statements for the year ended 31 December 2013, except for the adoption of new or revised Financial Reporting Standards ("FRS") and Interpretations to FRS ("INT FRS") which became effective from this financial year. The adoption of these new or revised FRS and INT FRS does not have any significant impact on the financial statements of the Group and the Company.

5. EARNINGS PER SHARE

	2Q14	2Q13	Change	1H14	1H13	Change
Earnings per ordinary share of the Group based on the net profit attributable to shareholders:-						
(i) Based on weighted average number of shares	4.7 cts	4.3 cts	11.1%	9.4 cts	8.7 cts	7.1%
- Weighted average number of shares ('000)	928,498	920,929	0.8%	926,751	917,970	1.0%
(ii) On fully diluted basis	4.7 cts	4.3 cts	9.3%	9.3 cts	8.7 cts	6.6%
- Adjusted weighted average number of shares ('000)	933,901	922,375	1.2%	932,445	919,250	1.4%

6. NET ASSET VALUE

	Group		Company	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
Net asset value per share (cents)	39.3	42.8	38.1	41.3

7. DIVIDEND

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Yes.

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	7.0 cents per ordinary share (one-tier tax)
Tax Rate	N.A

(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
Dividend Rate	6.8 cents per ordinary share (one-tier tax)
Tax Rate	N.A

(c) Date Payable

The Company is pleased to announce that an interim dividend of 7.0 cents per ordinary share tax exempt under the One-Tier system for the financial year ending 31 December 2014 will be paid on 15 August 2014 to shareholders registered in the Register of Members of the Company at 5.00pm on 8 August 2014.

(d) Books Closure Date

NOTICE IS HEREBY GIVEN that the Register of Members and the Transfer Books of the Company will be closed from 11 August 2014 to 12 August 2014 (both dates inclusive) for the preparation of dividend warrants.

Duly completed registered transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to the close of business at 5.00pm on 8 August 2014, will be registered to determine shareholders' entitlement to the interim dividend.

In respect of shares in securities accounts with the Central Depository (Pte) Limited ("CDP"), the said interim dividend will be paid by the Company to CDP which will in turn distribute the interim dividend entitlements to the CDP account holders in accordance with its normal practice.

8. If no dividend have been declared/recommended, a statement to that effect.

Not applicable.

9. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following were significant transactions entered into by the Group and related parties who are not members of the Group at market rates during the quarter:

	2Q14 S$'m	2Q13 S$'m	1H14 S$'m	1H13 S$'m
Sales	(6.2)	(6.7)	(7.2)	(10.0)
Purchases	5.6	4.6	10.7	13.0

10. INTERESTED PERSON TRANSACTIONS

Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S$100,000).

	2Q14 S$'000	2Q13 S$'000	1H14 S$'000	1H13 S$'000
Transactions for the purchase of goods and services				
Singapore Telecommunications Limited & its associates	1,033	755	1,787	1,896
Telekom Malaysia Berhad	3,195	1,869	5,319	7,286
Axiata Group Berhad	163	254	270	487
Keppel Logistics Pte Ltd	243	243	486	486
Keppel FMO Pte Ltd	260	260	520	515
CapitaMall Trust	321	322	639	645
Starhub Ltd	104	669	243	1,466
Temasek Holdings (Private) Limited & its associates	1,452	1,654	3,658	3,746
Transactions for the sale of goods and services				
Telekom Malaysia Berhad	5,193	5,271	5,193	7,074
Axiata Group Berhad	34	66	105	171
Temasek Holdings (Private) Limited & its associates	62	95	155	113
Total Interested Person Transactions	12,060	11,458	18,375	23,885

11. REVIEW OF PERFORMANCE OF THE GROUP

Please refer to the Management Discussion and Analysis of the Group for the half-year financial results ended 30 Jun 2014.

12. AUDITORS' REPORT

21 July 2014

The Board of Directors
M1 Limited
10 International Business Park
Singapore 609928

Dear Sirs

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE MEMBERS OF M1 LIMITED

Introduction

We have reviewed the accompanying interim condensed financial statements of M1 Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 1 to 12, which comprise the statements of financial position of the Group and the Company as at 30 June 2014, the statements of changes in equity of the Group and the Company, and the statement of comprehensive income and cash flow statement of the Group for the second quarter and six month then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Singapore Financial Reporting Standard FRS 34 Interim Financial Reporting ("FRS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with FRS 34.

Yours faithfully,

ERNST & YOUNG LLP
Public Accountants and Chartered Accountants

Singapore

13. REVIEW OF PERFORMANCE

	Group			Group			Group	Change
	2Q14 S$'m	2Q13 S$'m	YoY Change	1H14 S$'m	1H13 S$'m	YoY Change	1Q14 S$'m	(2Q14 vs 1Q14)
Revenues								
Operating revenue								
Mobile telecommunications	167.9	162.4	3.4%	331.6	318.7	4.1%	163.8	2.5%
International call services	23.7	29.6	-19.9%	47.8	58.6	-18.5%	24.1	-1.4%
Fixed services	17.4	15.3	13.5%	33.5	29.6	13.0%	16.1	7.9%
Total service revenue	**209.0**	**207.3**	0.8%	**412.9**	**406.9**	1.5%	**203.9**	2.5%
Handset sales	**30.7**	**37.2**	-17.5%	**66.9**	**80.6**	-17.0%	**36.2**	-15.3%
Total	**239.7**	**244.5**	-2.0%	**479.8**	**487.5**	-1.6%	**240.2**	-0.2%
Key Drivers								
Number of customers ('000)								
Postpaid	1,148	1,116	2.9%	1,148	1,116	2.9%	1,138	0.9%
Prepaid	855	985	-13.1%	855	985	-13.1%	966	-11.5%
Total	2,003	2,100	-4.6%	2,003	2,100	-4.6%	2,104	-4.8%
Market share ^								
Postpaid	24.9%	25.6%	-	24.9%	25.6%	-	24.9%	-
Prepaid	24.2%	25.7%	-	24.2%	25.7%	-	25.0%	-
Overall	24.6%	25.7%	-	24.6%	25.7%	-	25.0%	-
Mobile penetration rate ^	155.4%	154.3%	-	155.4%	154.3%	-	156.3%	-
Monthly minutes of use per active customer (per month)								
Postpaid	274	316	-13.3%	274	311	-12.1%	273	0.4%
Prepaid	307	321	-4.2%	300	328	-8.4%	294	4.6%
Average monthly churn rate	1.1%	1.1%	-	1.1%	1.1%	-	1.1%	-
Acquisition cost per postpaid customer	S$268	S$332	-19.3%	S$289	S$325	-11.1%	S$309	-13.3%

^ Based on latest published statistics.

13.1 Operating Revenue

YoY, operating revenue at $239.7m for 2Q14 and $479.8m for 1H14 was 2.0% and 1.6% lower respectively due to lower handset sales. Compared to 1Q14, it was stable.

13.1.1 Key Drivers

As at 30 Jun 14, our cellular customer base stood at 2,003,000, 4.6% lower than last year's and 4.8% lower than 1Q14. Market share was 24.6% at end Apr 14.

Churn rate was 1.1% for 2Q14 and 1H14.

Customer acquisition cost at $268 for 2Q14 was 19.3% and 13.3% lower compared to 2Q13 and 1Q14 respectively. For 1H14, it was 11.1% lower YoY.

13.1.2 Mobile Telecommunications Services

	Group			Group			Group	Change
	2Q14 S$'m	**2Q13 S$'m**	**YoY Change**	**1H14 S$'m**	**1H13 S$'m**	**YoY Change**	**1Q14 S$'m**	**(2Q14 vs 1Q14)**
Telecommunications revenue								
Postpaid	147.6	140.2	5.3%	292.7	275.6	6.2%	145.1	1.8%
Prepaid	20.3	22.2	-8.7%	39.0	43.1	-9.5%	18.7	8.2%
Total	167.9	162.4	3.4%	331.6	318.7	4.1%	163.8	2.5%
ARPU (per month)								
Postpaid (gross)	S$62.3	S$62.3	0.0%	S$62.3	S$61.7	1.0%	S$62.3	0.0%
Postpaid (net)	S$55.5	S$53.6	3.5%	S$55.3	S$52.8	4.7%	S$55.1	0.7%
Data plan	S$19.7	S$21.3	-7.5%	S$19.6	S$21.6	-9.3%	S$19.5	1.0%
Prepaid	S$13.7	S$15.6	-12.2%	S$13.1	S$15.6	-16.0%	S$12.6	8.7%
Non-voice services as a % of service revenue	46.1%	41.2%		45.6%	40.4%		45.1%	

YoY, mobile telecommunications revenue increased 3.4% to $167.9m for 2Q14 and 4.1% to $331.6m for 1H14 mainly due to higher postpaid revenue. Against 1Q14, it was 2.5% higher.

Postpaid revenue increased 5.3% YoY to $147.6m for 2Q14 and 6.2% to $292.7m for 1H14 due to growth in postpaid customer base. Compared to 1Q14, it was 1.8% higher.

Prepaid revenue at $20.3m for 2Q14 and $39.0m for 1H14 was 8.7% and 9.5% lower YoY respectively due to lower prepaid customer base. Against 1Q14, it was 8.2% higher.

Non-voice services as a percentage of service revenue increased YoY by 4.9% point to 46.1% for 2Q14 and 5.2% point to 45.6% for 1H14 respectively. Compared to 1Q14, it was 1.0% point higher.

13.1.3 International call services

	Group 2Q14 S$'m	Group 2Q13 S$'m	YoY Change	Group 1H14 S$'m	Group 1H13 S$'m	YoY Change	Group 1Q14 S$'m	Change (2Q14 vs 1Q14)
International call services								
Retail revenue	19.9	24.5	-18.6%	40.6	48.5	-16.3%	20.7	-3.5%
Wholesale and bilateral revenue	3.8	5.1	-26.1%	7.2	10.1	-29.1%	3.4	11.5%
Total	23.7	29.6	-19.9%	47.8	58.6	-18.5%	24.1	-1.4%
Total international retail minutes (in millions)	291	329	-11.4%	605	641	-5.6%	314	-7.2%

International call revenue at $23.7m for 2Q14 was 19.9% and 18.5% lower compared to 2Q13 and 1H13 respectively due to lower retail traffic. Compared to 1Q14, it was 1.4% lower.

13.1.4 Handset sales

YoY, handset sales at $30.7m for 2Q14 was 17.5% and 17.0% lower compared to 2Q13 and 1H13 respectively due to lower sales volume. Against 1Q14, it was 15.3% lower.

13.2 Operating Expenses

	Group 2Q14 S$'m	Group 2Q13 S$'m	YoY Change	Group 1H14 S$'m	Group 1H13 S$'m	YoY Change	Group 1Q14 S$'m	Change (2Q14 vs 1Q14)
Cost of sales	86.2	99.5	-13.3%	175.6	195.0	-10.0%	89.4	-3.5%
Staff costs	27.8	26.4	5.1%	55.4	53.0	4.6%	27.6	0.5%
Advertising and promotion	5.3	7.1	-25.4%	10.8	12.5	-14.1%	5.5	-4.5%
Depreciation and amortisation	28.0	27.9	0.5%	55.2	55.1	0.2%	27.1	3.2%
Allowance for bad and doubtful	2.7	3.0	-10.5%	5.3	6.3	-16.8%	2.6	5.3%
Facilities expenses	19.3	19.6	-1.5%	38.4	38.9	-1.3%	19.1	1.1%
Leased circuit costs	7.8	7.6	2.5%	15.3	15.5	-1.1%	7.5	3.4%
Licence fees	0.6	0.5	21.3%	1.1	0.7	66.7%	0.5	34.5%
Other general and administrative	6.8	4.8	43.2%	13.9	10.6	31.2%	7.1	-3.9%
Foreign exchange (gain)/loss	0.1	(*)	@	0.1	0.1	-18.0%	*	@
Total	184.5	196.3	-6.0%	370.9	387.7	-4.3%	186.4	-1.0%

* Denotes less than S$0.05 million
@ Denotes more than -/+300%

YoY, operating expenses decreased 6.0% to $184.5m for 2Q14 and 4.3% to $370.9m for 1H14 due to lower cost of sales. Against 1Q14, operating expenses was 1.0% lower.

13.2.1 Cost of sales

	Group			Group			Group	Change
	2Q14 S$'m	2Q13 S$'m	YoY Change	1H14 S$'m	1H13 S$'m	YoY Change	1Q14 S$'m	(2Q14 vs 1Q14)
Handset costs	52.8	64.3	-18.0%	109.4	126.1	-13.3%	56.6	-6.8%
Traffic expenses	14.3	18.7	-23.5%	29.8	35.2	-15.4%	15.4	-7.4%
Wholesale costs of fixed services	8.1	7.0	15.9%	16.2	14.1	14.7%	8.1	0.7%
Other costs	11.0	9.5	16.6%	20.3	19.6	3.1%	9.2	19.6%
Total	86.2	99.5	-13.3%	175.6	195.0	-10.0%	89.4	-3.5%

Cost of sales decreased 13.3% YoY to $86.2m for 2Q14 and 10.0% to $175.6m for 1H14 due to lower handset costs. Handset costs for 2Q14 and 1H14 was lower YoY due to lower sales volume. Traffic expenses at $14.3m for 2Q14 and $29.8m for 1H14 was 23.5% and 15.4% lower YoY, mainly due to decrease in international traffic. Compared to 1Q14, cost of sales decreased 3.5% mainly due to lower handset costs.

13.2.2 Staff costs

YoY, Staff costs increased 5.1% to $27.8m for 2Q14 and 4.6% to $55.4m for 1H14 due to annual increment. Against 1Q14, staff costs were stable.

13.2.3 Advertising & promotion expenses

Advertising & promotion expenses decreased 25.4% to $5.3m for 2Q14 and 14.1% to $10.8m for 1H14 due to lower marketing promotions. Compared to 1Q14, it was 4.5% lower.

13.2.4 Depreciation & amortisation

Depreciation and amortisation expenses at $28.0m for 2Q14 and $55.2m for 1H14 were 0.5% and 0.2% higher YoY respectively. Against 1Q14, it was 3.2% higher.

13.2.5 Allowance for bad & doubtful debt

For 2Q14 and 1H14, doubtful debt allowance decreased 10.5% and 16.8% YoY to $2.7m and $5.3m respectively. Against 1Q14, it was 5.3% higher.

13.2.6 Facilities expenses

Facilities expenses decreased 1.5% to $19.3m for 2Q14 and 1.3% to $38.4m for 1H14. Against 1Q14, it was 1.1% higher.

13.2.7 Leased circuit costs

Leased circuit costs for 2Q14 increased 2.5% YoY and 3.4% QoQ to $7.8m respectively. For 1H14, it was 1.1% lower YoY at $15.3m.

13.2.8 Other general and administrative expenses

YoY, other general and administrative expenses increased 43.2% at $6.8m for 2Q14 and 31.2% for 1H14 at $13.9m due to increase in fibre backhaul expansion to cater for growth. Against 1Q14, it was 3.9% lower.

13.3 Finance Costs

Compared to last year, finance costs decreased 11.9% to $1.0m for 2Q14 and 18.4% to $2.0m for 1H14 due to lower interest rate.

13.4 Taxation

YoY, provision for taxation increased 19.5% to $10.3m for 2Q14 and 15.4% to $20.8m for 1H14.

13.5 Net Profit

	Group			**Group**			**Group**	**Change**
	2Q14 S$'m	**2Q13 S$'m**	**YoY Change**	**1H14 S$'m**	**1H13 S$'m**	**YoY Change**	**1Q14 S$'m**	**(2Q14 vs 1Q14)**
Net profit	43.9	39.2	12.1%	86.7	80.2	8.2%	42.8	2.4%
Net profit margin (on service revenue)	21.0%	18.9%		21.0%	19.7%		21.0%	

YoY, net profit at $43.9m for 2Q14 and $86.7m for 1H14 were 12.1% and 8.2% higher respectively. Compared to the previous quarter, it was 2.4% higher.

Compared to the corresponding periods last year, net profit margin improved to 21.0% for 2Q14 and 1H14. Against 1Q14, it was stable.

13.6 EBITDA

	Group 2Q14 S$'m	Group 2Q13 S$'m	YoY Change	Group 1H14 S$'m	Group 1H13 S$'m	YoY Change	Group 1Q14 S$'m	Change (2Q14 vs 1Q14)
EBITDA	83.2	76.8	8.3%	164.7	155.7	5.8%	81.5	2.2%
EBITDA margin (on service revenue)	39.8%	37.1%		39.9%	38.3%		40.0%	

YoY, EBITDA at $83.2m for 2Q14 and $164.7m for 1H14 were 8.3% and 5.8% higher respectively. Compared to 1Q14, it was 2.2% higher.

EBITDA margin, as a percentage of service revenue, was 39.8% for 2Q14 and 39.9% for 1H14.

13.7 Capital Expenditure and Commitments

Capital expenditure incurred for 1H14 was $60.9m.

Capital commitment as at 30 Jun 2014 was $160.7m and includes $104.0m commitment for the 4G spectrum rights.

13.8 Liquidity and Capital Resources

	Group			Group			Group	Change
	2Q14 S$'m	2Q13 S$'m	YoY Change	1H14 S$'m	1H13 S$'m	YoY Change	1Q14 S$'m	(2Q14 vs 1Q14)
Profit before tax	54.2	47.8	13.4%	107.5	98.2	9.5%	53.3	1.6%
Non-cash item and net interest expense adjustments	11.8	10.8	9.4%	40.7	39.6	2.8%	28.9	-59.2%
Net change in working capital	(10.8)	22.4	-148.1%	(19.0)	10.8	-276.7%	(8.2)	31.2%
Net cash provided by operating activities	55.2	81.0	-31.9%	129.2	148.5	-13.0%	74.0	-25.6%
Net cash used in investing	(28.1)	(18.7)	50.6%	(60.5)	(31.0)	95.0%	(32.3)	-13.0%
Net cash used in financing	(114.5)	(63.7)	79.9%	(106.8)	(76.6)	39.4%	7.7	@
Net change in cash and cash equivalents	(87.5)	(1.4)	@	(38.0)	40.9	-192.9%	49.4	-277.0%
Cash and cash equivalents at beginning of financial period	103.9	53.9	92.7%	54.5	11.6	@	54.5	90.8%
Cash and cash equivalents at end of financial period	16.4	52.5	-68.8%	16.4	52.5	-68.8%	103.9	-84.2%
Free Cash flow [1]	27.0	58.9	-54.1%	68.3	114.0	-40.1%	41.3	-34.7%

@ Denotes more than -/+300%

[1] Free Cash flow refers to Net cash provided by operating activities less current year capital expenditure

Operating cash flow decreased from $81.0m for 2Q13 to $55.2m for 2Q14. Against 1Q14, it was 25.6% lower.

Free cash flow at $68.3m for 1H14 was 40.1% lower YoY.

13.9 Gearing and Interest Cover

As at end Jun 14, gearing ratio was 66.9% compared to 49.5% as at end Dec 13. Interest coverage ratio (EBITDA/Interest) was 81.7x for 2Q14 compared to 66.4x for 2Q13.

13.10 Balance Sheet

Total non-current assets increased 0.8% from $737.3m as at 31 Dec 13 to $743.0m as at 30 Jun 14 mainly due to higher fixed assets.

Total current assets decreased 25.1% from $249.1m as at 31 Dec 13 to $186.6m as at 30 Jun 14, mainly due to lower cash and cash equivalents and trade debtors balances.

Total current liabilities as at 30 Jun 14 was $204.7m, 12.8% lower than $234.8m for 31 Dec 13 mainly due to lower creditors and accruals balances.

Against 31 Dec 13, total equity as at 30 Jun 14 was 7.6% lower at $365.2m.

14. VARIANCE FROM PROSPECT STATEMENT

For the 6 months ended 30 June 2014, net profit after tax increased 8.2% year on year to $86.7m. This is in line with our previous guidance.

15. OUTLOOK

Faster networks and smart devices will continue to drive data usage. We continually invest and upgrade our networks to enhance customer experience.

During the quarter, we launched several new high-speed fibre broadband services for enterprises, including Singapore's first 10Gbps broadband service on the national fibre network. We will further expand managed service offerings with Unified Communications and Network Applications Services. This will be augmented by our cloud-based data centre, which will be ready in the second half of 2014.

Based on current economic outlook and barring unforeseen circumstances, we estimate moderate growth in net profit after tax for the year 2014.

BY ORDER OF THE BOARD

FOO SIANG LARNG
Company Secretary
21 July 2014