

CEO'S MESSAGE

With the rapid change in technology, it is not just about offering faster or more services. Instead, M1's goal is to make our customers' lives simpler and better, and we will continue to work to make our brand synonymous with this.

I am pleased to report a creditable year in which M1 has successfully delivered revenue and profit growth, as well as made good strategic progress towards our goal of becoming Singapore's preferred full-service operator.

Despite the competitive telecommunications market we operate in, M1 has been able to steadily grow customers and scale in both the mobile and fixed segments. We also launched the region's first Long Term Evolution (LTE) mobile network, and led the industry in moving away from effectively unlimited mobile broadband bundles with our mData plans.

As part of our continuing commitment to service quality and improving competitiveness, we set up our own active network for the Next Generation Nationwide Broadband Network (NGNBN), so as to deliver a better experience to our fibre broadband customers.

RESULTS

FY2011 operating revenue increased 8.8% to S\$1,064.9 million, driven mainly by strong smartphone sales. Service revenue increased 2.4% to S\$750.5 million as a result of M1's enlarged customer base and growth in the fixed services segment. As smartphones became ubiquitous and mobile broadband devices such as tablets rose in popularity in 2011, mobile data usage continued to grow and non-voice services as a percentage of service revenue increased to 35.6%, compared to 31.9% a year ago. Fixed services revenue increased 56.2% to S\$38.3 million, as we continued to drive take-up of fibre services in both the residential and corporate segments.

Net profit after tax rose 4.5% to S\$164.1 million, with margin on our service revenue at 21.9%. Free cash flow increased to S\$161.3 million, from S\$67.5 million a year ago, and the Group's balance sheet stayed healthy, with net debt-to-EBITDA at 0.9 time as at end-2011.

OPERATIONAL HIGHLIGHTS

2011 saw M1 enjoying sustained growth in our core mobile business.

By September, we had crossed the two million customer milestone, and ended the year with 2,015,000 customers, an increase of 104,000 customers from a year ago.

The number of smartphone users continued to climb, accounting for 67% of our postpaid mobile customer base as at end of 2011. These customers helped drive mobile data to 21.0% of service revenue, up from 17.6% a year ago.

September also saw M1 launch a set of new, competitively priced mobile data plans. With prices starting at just S\$12 a month, our well-received mData plans offer customers faster speeds and flexible data bundles that match their usage needs.

The soon-to-be-completed islandwide LTE mobile network will deliver a better customer experience. This new network – South East Asia's first commercial LTE network – represents a significant investment into M1's future, with faster and more efficient mobile data carriage than our existing mobile networks.

We are also pleased to report a credible performance in fixed services.

2011 was the first full year that M1 was able to offer fibre services commercially on the NGNBN, and we ended the year with 44,000 fixed services customers. The majority of our fibre customers are residential users, alongside an increasing number of corporate clients who take up not just connectivity, but also value-added services like managed services and data centre solutions.

While interest in our fibre services is high, some barriers remain in the way of our ability to fully tap on the fibre market. These include installation service delays, accessibility issues relating to commercial buildings and customers being locked in on current contracts. The regulator has raised the quota limit on weekly sign-ups for the NGNBN and we will continue to work with various stakeholders to address the remaining barriers.

The islandwide rollout of our active network for NGNBN was completed in November and it currently serves both our residential and corporate customers. This network will enhance our competitiveness and better serve our customers through greater control of service delivery and improved ability to offer customised solutions for fibre services.

M1's increasing traction in the fixed segment is the result of the careful groundwork we laid in previous years prior to the NGNBN launch, and we will build on the momentum to further entrench our position in the fixed space.

OUTLOOK

The end of 2011 saw many economies facing the troubling prospect of a slowdown and even recession. Being a small and open economy, any changes in global conditions this year will affect Singapore's economy, and this will in turn impact business confidence and consumer spending. Nonetheless, telecommunications remain an essential service for both consumers and businesses. This, combined with our strong balance sheet, will allow the Company to ride out any downturn.

For 2012, growth is expected to come from data usage in both the mobile and fixed segments, and we are gearing up to support this growth.

Mobile services will remain core and we will focus on customer service and innovation to deliver an even better experience for our customers. The adoption of fibre services will likely gain momentum as the NGNBN coverage becomes islandwide by the middle of the year, and we are well-placed to compete and grow our fixed business.

As we extend our market position as a customer-centric full-service operator with a full suite of consumer and business services, we will also continue to invest in our already well-established M1 brand. With the rapid change in technology, it is not just about offering faster or more services. Instead, M1's goal is to make our customers' lives simpler and better, and we will continue to work to make our brand synonymous with this.

COMMUNITY

At M1, we are committed to making a positive impact on the society we operate in. Therefore, we invest significant resources and actively participate in community activities. For 2011, the arts, sports and children causes remained the focus of our Corporate Social Responsibility programme.

The M1 Fringe Festival, in its seventh edition with the theme "Art & Education", continued to bring contemporary and cutting edge works from both local and international artists to engage art patrons and new enthusiasts alike. In line with our long-term approach to partnerships, 2011 also saw us commencing the sponsorship of two leading contemporary dance schools – T.H.E Dance Company and Frontier Danceland, to nurture talents and promote the appreciation and enjoyment of this art form. In recognition of our efforts, M1 was conferred the Distinguished Patron of the Arts award for the 11th consecutive year.

For the charity sector, through several fund-raising activities including the M1 Charity Jamboree and M1 Charity Golf events, we raised nearly S\$300,000 for our adopted children charities. I would like to specially commend the staff volunteers from M1's SunCare Club for their dedication in organising regular activities, mostly in their personal time, for the underprivileged children from our adopted charities throughout the year.

APPRECIATION

Finally, I would like to register my sincere thanks to our customers for their support, M1's Board of Directors for their guidance through the year, and all my colleagues for their hard work in building this great company.

With all your support, M1 will continue to grow from strength to strength in the years ahead, and I look forward to being part of this future.



KAREN KOOI LEE WAH
Chief Executive Officer