

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