

LETTER TO SHAREHOLDERS

In the last two decades, the Internet has grown from a nascent technology enjoyed by a small segment of society to the most pervasive way people, businesses and governments communicate, engage and share.

In doing so, the Internet has created tremendous economic and social impact, delivering significant contribution to nations' GDP, fueling new, innovative industries, and at the same time generating societal change through connecting individuals and communities by providing access to information and education.

The way consumers access the Internet is at the epicenter of this change.

Over the years, access to the Internet has moved from dial-up lines to fixed broadband, and more recently to wireless 3G/4G broadband. Today, with the rapid proliferation of smart devices and faster mobile networks, mobile connectivity is quickly becoming the channel of choice for speedy access to online activities.

Singapore is at the forefront of these developments, with mobile penetration at close to 150% and fibre home penetration at more than 50%. M1 contributed to this through continually leading the industry in empowering our customers in the digitally connected Internet world, from the launch of Singapore's first commercial 3G mobile service in 2005 to Southeast Asia's first nationwide 4G network in 2012. In December 2014, we made available Singapore's first nationwide LTE

(Long Term Evolution) Advanced mobile network, delivering the best 300Mbps coverage. We also strengthened our corporate offerings with the launch of Singapore's first ultra high-speed 10Gbps fixed broadband service on the Next Generation Nationwide Broadband Network (NGNBN) and the provision of an enhanced suite of cloud solutions leveraging on our state-of-the-art data centre.

These achievements are rooted in our commitment to customer centricity, as well as network advancement and resiliency. We will continue to invest in technology advancement to drive further growth in 2015 and beyond.

Financial Highlights

For 2014, M1 reported a record net profit of S\$175.8 million, representing a 9.7% year-on-year growth. Service revenue increased 1.4% to S\$831.1 million. This was mainly driven by growth in postpaid and fixed customer base, as well as higher revenue from mobile data usage. Operating revenue grew 6.8% to S\$1,076.3 million, due to higher handset sales.

Revenue from non-voice services for 2014 increased 5.7 percentage points year-on-year to 47.3% of service revenue, driven by continual growth in mobile data usage. 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.

The Group's balance sheet remained healthy, with net debt-to-EBITDA at 0.8 times as at end-2014.

Performance Highlights

As at end-2014, M1's mobile customer base was 1.85 million. Postpaid customer base increased 19,000 year-on-year to 1.15 million, and the number of customers on tiered data plans increased to 66%, up from 49% a year ago. Prepaid customer base was impacted by a regulatory change in April 2014 which reduced

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SINGAPORE'S FIRST NATIONWIDE LTE
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the number of prepaid SIM cards per customer from ten to three, and consequently decreased to 703,000. Fibre customer base increased during the year by 18,000 to 103,000, driven by our attractive fibre broadband plans and upgraded service offerings.

During the year, we further improved customer experience through the introduction of faster networks, as well as new and enhanced services for retail and corporate customers.

Our continual investment in mobile networks enabled us to double download speeds for customers to 150Mbps in February, and yet again in December to 300Mbps nationwide – a first in Singapore with the launch of our next-generation 4G network. In September, we enhanced our mobile plans to offer more choices and bigger data bundles, to cater to our customers' increased data needs. Through the year, M1 continually championed fibre services with competitive service plans offering customers greater value, including our 1Gbps plan at a promotional offer of S\$49 a month.

The corporate segment has been able to enjoy the benefits of fibre services through our attractively priced 500Mbps and 1Gbps plans. M1's 10Gbps service, the fastest fibre service on the NGNBN, was made available in May to cater to corporate customers with high-bandwidth needs, such as banks and cloud-service providers. The launch of our state-of-the-art data centre in October, alongside a suite of attractive cloud-based solutions, further broadened our proposition to corporate customers.

Customers continue to be at the core of our business, and we continually invest in training, infrastructure and process innovation to improve customer experience at every touch point through the year.

The M1 website was revamped to introduce Singapore's first comprehensive handset pre-order and collection process, as well as first mobile website optimised for smartphones and

Net Profit After Tax

▲ 9.7%
TO
S\$175.8m

tablets, in the telecom industry. The new system enables pre-ordering customers to significantly reduce their waiting time at our shops by allowing them to select their preferred model of handset, make payment and then choose a pickup location online. Alternatively, customers can also have their handsets delivered to their preferred address, through the pre-order website.

The successful revamp of our M1 Shop outlets to streamline the transaction process into a single touch point, thus reducing the need for customers to move between multiple counters and increasing employee productivity, was the highlight of productivity champion Spring Singapore's Learning Journey event in August. Customer feedback on the new retail experience has been positive, with the majority of customers rating their visits Good or Excellent.

Outlook

With our advanced mobile and fixed networks and strong focus on customer centricity, we are well-positioned to capitalise on the growth opportunities in our industry.

Data usage will continue to grow. From social media and online shopping to payment and cloud storage services anytime anywhere, online communications has become an intrinsic part of our lives. Faster network and smarter devices will drive much of the growth in data consumption.

Home fibre penetration rate grew from about 40% last year to over 50% today. With continual fibre adoption in both the consumer and corporate

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segments, there are opportunities for M1 to further grow our fibre customer base. Particularly for the corporate segment, we will build on our broadened range of product and service offerings launched in 2014, as well as the Government's initiatives to promote high-speed connectivity for businesses through the NGNBN, to further entrench our position in the fixed space.

Increasingly, mobile Internet connections are also being embedded in electronics, vehicles, household devices, signages, buildings and energy systems, as well as other devices to form the Internet of Things, and this is transforming the physical world into a giant, digital connected world.

To ensure that we are able to meet the future needs of our customers, M1 will continue to make the necessary strategic investments to enhance our product and service offerings, including investments into new smart solutions and Machine-to-Machine (M2M) platforms.

Corporate Social Responsibility

M1 believes for a company to be successful in the long term, it should help create value for the community it operates in. Hence, we have a longstanding commitment to conduct our business in a responsible and sustainable way, as well as play a positive role in the well-being of our employees, the community and the environment by promoting sustainability.

In 2014, we raised close to S\$500,000 for our adopted charities Beyond Social Services, the Children At-Risk Empowerment Association and

Brahm Centre, through our annual M1 Charity Golf and Charity Carnival events. M1's passionate employees complemented the Group's efforts by investing their personal time in activities, ranging from helping out at fund-raising events to organising fun-filled activities for our adopted charities' beneficiaries, such as visits to Camp Challenge and Snow City.

We have launched the inaugural M1 Students Support Fund, in partnership with the Ministry of Education, to provide financial assistance to underprivileged school-going children from low income families. Starting with financially needy students from 10 primary schools, M1 will donate S\$200,000 towards the Fund each year to help our beneficiaries have a more enjoyable school life and better opportunities to develop their full potential regardless of their families' background.

In recognition of M1's efforts to help grow the quality, diversity and depth of the Singapore arts scene, we received the Straits Times Life! accolade in its Power List 2014 and were presented with the Distinguished Patron of the Arts Award 2014 by the National Arts Council for the 14th consecutive year. New projects which M1 embarked upon in the year include the M1 Chinese Theatre Festival, the M1 CONTACT Contemporary Dance Festival, M1 Dancing on the Frontier Appreciation Series and M1 Dance Mania 2014.

M1 was the first operator in Singapore to introduce a service plan for Persons with Disabilities, through our specially designed MessageSurf plan for the deaf and hard-of-hearing community in 2000, and has continued to improve our offerings over the years. In 2014, we launched ConnectSurf - Singapore's best-value plan for this segment, featuring generous voice, text and data bundles to meet the varied communications needs of Persons with Disabilities. We are also proud to be appointed by the Media Development Authority of Singapore to help low-income households enjoy access to digital free-to-air TV programming and its superior video and sound quality, through the installation of digital set-top boxes.

Environmental sustainability is a continuous journey and we remain committed to do our part in reducing the environmental impact of our business operations. With the revamp of our M1 Shop outlets, we have been able to reduce paper usage by 20% annually. Our newly completed MiWorld building extension achieved the Building and Construction Authority's Green Mark Gold certification and features energy efficient LED lights and rainwater harvesting tanks. During the year, we also completed the installation of a solar photovoltaic (PV) power system at our offshore base station at St. John's Island, to allow us to tap on renewable energy as an alternative power source.


Distribution to Shareholders

M1 remains committed to pursue a sustainable dividend policy that will enhance long-term shareholder value. In line with this approach, the Board of Directors has proposed a final dividend of 11.9 cents, bringing the total dividends declared for 2014 to 18.9 cents and representing a payout of 100% of our net profit after tax.

In 2014, the increase in M1's share price, together with the total dividends paid out, resulted in a healthy total shareholder return of 16.9%.

A Note of Thanks

We would like to thank our customers, shareholders, business partners and Board of Directors for their continued support in 2014.



Choo Chiau Beng
Chairman

Total Shareholder Return

16.9%
FOR
2014

In particular, we would like to remember our late Chairman, Mr Teo Soon Hoe, who passed away last December. Mr Teo had been a part of M1 since our inception 18 years ago, and his unwavering commitment, leadership and vision was instrumental in our transformation from a mobile communications company to a full service provider today. He had given unstintingly of his dedication and commitment, and the Company deeply appreciates his contributions.

Our employees' passion, ingenuity and hard work have been fundamental to our continued success. We would like to take this opportunity to thank all colleagues for their contributions and look forward to working together to take M1 to the next level.



Karen Kooi Lee Wah
Chief Executive Officer