

# Letter to Shareholders

We continue to focus on delivering superior customer experience, improving our business processes and managing our costs, as well as investing for future growth.

The evolution and convergence of technologies have blurred the lines that once separated telecommunications, media and information technology companies.

The emerging digital economy is creating social and economic value to society and end-users, even as it generates new risks and challenges, as well as opportunities, for other stakeholders such as governments and commercial participants.

Nowhere is this more apparent than how OTT (Over-the-top) content providers, offering a large library of on-demand content at low monthly subscription, are impacting viewership habits. Companies such as Netflix from the United States and Viu from Hong Kong, which have launched services here, are challenging the traditional pay TV model, unbundling content from broadband access and further levelling the playing field.

At M1, we never stand still. To remain relevant and capture growth in the digital economy, we continue to focus on delivering superior customer experience, improving our business processes and managing our costs,

as well as investing for future growth. This singular focus has led our mobile network to be recognised in Infocomm Development Authority of Singapore's (IDA) network survey as delivering the best 4G experience<sup>1</sup>. M1 was also honoured with the Award of Excellence in IT sector at the Singapore Productivity Awards 2015<sup>2</sup>, and further extended our lead at consulting firm Frost & Sullivan's 2015 Customer Experience study.

## FINANCIAL HIGHLIGHTS

For 2015, M1 reported a creditable set of financial results. Net profit after tax for the full year grew 1.5% to S\$178.5 million. Operating revenue increased 7.5% to S\$1,157.2 million, on higher handset sales, while service revenue declined 1.1% to S\$822.3 million due to lower international call services revenue.

Mobile data usage continued to grow, with revenue from mobile data for the full year increasing 10.7 percentage points year-on-year to 46.3% of service revenue. Average smartphone data usage per postpaid customer grew to 3.3GB per month in the fourth

quarter of 2015, up from 3.0GB per month a year ago. Fixed services revenue grew 21.7% to S\$85.9 million and accounted for 10.4% of service revenue. The growth was driven by an enlarged customer base and expanded suite of corporate solutions.

The Group's balance sheet remained healthy, with net debt-to-EBITDA at 1.0 time as at end-2015.

## PERFORMANCE HIGHLIGHTS

During 2015, we grew our total customer base to 2.06 million.

Postpaid customer base increased 46,000 year-on-year to 1.20 million, and the number of customers on tiered data plans grew six percentage points to 74% as at end-2015, of which 21% exceeded their data bundles.

Our mySIM plans, launched in July 2015, offered the best value plans for customers who prefer to buy their own smartphones and the flexibility to decide how often they wish to upgrade them. These plans have been well-received.

<sup>1</sup> Results from MyConnection SG Pilot from October 2014 to March 2015, based on the 90th percentile of data sessions tested across all operators

<sup>2</sup> Organised by Singapore Business Federation (SBF) with the judging panel for the Awards comprising SBF, SPRING Singapore, Singapore National Employers Federation, Singapore Retail Association, Singapore Infocomm Technology Federation and DP Information Group



MOBILE DATA AS  
A PERCENTAGE OF  
SERVICE REVENUE  
(2015)

46.3%

3.3GB

AVERAGE SMARTPHONE  
DATA USAGE PER  
POSTPAID CUSTOMER  
PER MONTH

To promote usage of our roaming services, we introduced the unique M1 Data Passport service. The service, which enables our customers to use their data bundles across 29 overseas destinations including Australia, Malaysia, Japan, the United States and popular European countries, helped drive a 45% increase in data roaming users year-on-year.

Prepaid customer base increased 30,000 to 733,000, driven by various marketing campaigns, promotions and new offerings such as the Super Data top up which offers attractive data bundle to cater to this segment's increased data usage. We have also enabled our prepaid customers to use their data bundles in Malaysia and Indonesia at no additional charge, giving them greater convenience in using our prepaid cards when they travel to those countries.

Fibre customer base increased 25,000 to 128,000, as we added new customers in both the residential and corporate segments. During the year, we made available Singapore's best value 1Gbps and 200Mbps residential fibre broadband plans, at highly attractive rates. The corporate segment continues to be a key growth area. In 2015, corporate customers made up 11% of fixed customer base and contributed to 48% of fixed services revenue. During the year, we expanded our suite of GPON (Gigabit Passive Optical Network) fibre connectivity services with speeds of up to 10Gbps. With the appointment as NetLink Trust's key corporate subcontractor to install fibre optic connectivity, we are better able to manage the end-to-end provisioning process for our customers and further improve service experience.

## OUTLOOK

Amidst a weakness in global economic growth arising from a moderation of growth in China, low oil prices and higher interest rates, there are also new opportunities in the digital economy.

Over the years, we have laid the groundwork in our people, technology, networks and financial strength, and we will leverage on these to tap on these new opportunities.

Products and services are increasingly incorporating embedded sensors and connectivity, and we will continue to develop and harness our capability in data analytics, as well as leverage on our recently introduced M2M (Machine-to-Machine) Connect Platform to deliver smart solutions for our customers.

Mobile data and fixed services will continue to drive growth for M1 in 2016, and we will continually invest in our mobile and fixed networks to enhance usage experience and grow our portfolio of innovative products and services to meet customer needs. In collaboration with Huawei, we successfully achieved Southeast Asia's fastest combined mobile upload and download speeds in a lab trial, with peak download speeds of more than 1Gbps and peak upload speeds in excess of 130Mbps.

For fixed services, we are establishing a track record of securing new customers in the government and corporate sectors with our extensive ultra-high speed connectivity solutions, as well as cloud-based data centre and managed services. We will continue to build on our capabilities to grow in this space.



# Letter to Shareholders

With the collective effort of all stakeholders, we have a strong platform to build on for long term growth and value creation for all.

## CORPORATE SOCIAL RESPONSIBILITY

M1 is committed to responsible business practices and making a positive impact on our community and operating environment.

We recognise the positive impact that communications technology can have on improving people's lives and livelihoods, especially for the underprivileged and underserved segments. M1 was the first operator to make available a customised service plan for People with Disabilities. In 2014, we were appointed by the Media Development Authority of Singapore to help low-income households enjoy free access to digital TV, and in 2015, we are proud to be appointed by the IDA to be their Home Access Programme partner, to deliver high-speed broadband to Singapore's low-income households. We believe these initiatives will help narrow Singapore's digital divide and enable even more people to enjoy the benefits that technology brings.

M1 has been a keen supporter of the arts since commercial launch in 1997. Through our support of events such as M1 Singapore Fringe Festival and performance groups such as T.H.E Dance Company and Frontier Danceland, we have established a strong reputation as a champion for Singapore arts and culture.

In recognition of our long-standing support for Singapore's arts scene, M1 was presented with the special SG50 Patron of the Arts award by the National Arts Council in 2015.

Through our annual M1 Charity Golf and Charity Carnival events, we raised more than S\$350,000 for our adopted charities Beyond Social Services, Brahm Centre, the Children-At-Risk Empowerment Association, and the M1 Students Support Fund. The Fund, launched in February 2015, provides supplementary support to school-going children from low income families.

In marking Singapore's 50<sup>th</sup> birthday, we provided our customers free calls, SMS/MMS messages and mobile data for local usage, over the National Day weekend, enabling our customers to express their joy and wishes for our nation with each other freely.

## DISTRIBUTION TO SHAREHOLDERS

M1 is committed to maintain a sustainable dividend policy that will enhance long-term shareholder value. For 2015, the Board of Directors has proposed a final dividend of 8.3 cents, bringing total dividends declared to 15.3 cents, representing a payout of 80% of our full-year net profit after tax.

In determining the dividend payout, the Board of Directors took into

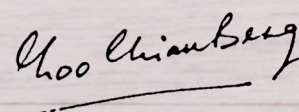
consideration the Company's cash flows, financial leverage, investment requirements and resources available to pursue new business opportunities which may arise in the near or medium term, as well as economic outlook.

## A NOTE OF THANKS

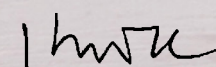
We would like to thank our customers, business partners, shareholders, M1 staff and Board of Directors for their continued support in 2015.

In particular, we would like to remember our late Independent Director, Mr Roger Barlow, who passed away in June 2015. He was the longest serving independent director on the Board and also the previous Chairman of the Remuneration Committee and member of the Nominating Committee. We are deeply grateful for Mr Barlow's invaluable contributions and insights from his extensive experience in the telecommunications industry.

We continue to operate in a fast-moving and ever-changing industry, filled with challenges and opportunities. With the collective effort of all stakeholders, we have a strong platform to build on for long term growth and value creation for all.



**CHOO CHIAU BENG**  
Chairman



**KAREN KOOI LEE WAH**  
Chief Executive Officer