Operating Review

OPERATING REVENUE (2015)

S$1,157.2M

+7.5%

M1 is Singapore's most vibrant and dynamic communications company, providing mobile and fixed services to more than 2 million customers. Since the launch of commercial services in 1997, M1 achieved many firsts, including the first operator to offer nationwide 4G service, as well as ultra high-speed fixed broadband, fixed voice and other services on the Next Generation Nationwide Broadband Network (NGNBN). With a continual focus on network quality, customer service, value and innovation, M1's mission is to link anyone and anything; anytime, anywhere.

The Group holds Facilities-Based Operator and Services-Based Operator licences issued by the Infocomm Development Authority of Singapore (IDA), for the provision of telecommunication systems and services. M1 also has a Telecommunication Dealer's Class Licence, for the import and sale of telecommunication equipment, as well as licences issued by the Media Development Authority of Singapore, for the provision of Internet content.

M1 operates nationwide 4G/LTE (Long Term Evolution) Advanced, 3G/High Speed Packet Access (HSPA) and 2G mobile networks, capable of download speeds of up to 300Mbps and upload speeds of up to 150Mbps. Through these networks, we provide customers with a wide range of data, voice and value-added postpaid and prepaid mobile services. To cater to our customers' varied needs, we offer service plans with a choice of data and voice bundles that they can take up with or without a device.

We make available to our mobile and fixed-line customers International Direct Dial (IDD) services through the 002 and 021 prefixes, as well as a International Calling Card service using prefix 1818. We also trade wholesale voice minutes with other international and local service providers, as well as provide dark fibre services to carriers and data centres. Since September 2010, M1 has been offering residential customers a range of fibre broadband services with speeds of up to 1Gbps, including fixed voice and other value-added services.

Operating Review

The postpaid mobile segment continues to be the key contributor to our revenue.

M1 offers an extensive suite of mobile and fixed services, including connectivity solutions of up to 10Gbps, managed services, cloud solutions, Machine-to-Machine (M2M) and data centre services, to the corporate segment. We have a dedicated and highly committed team of corporate account managers, as well as a technical team that provides round-the-clock support on provisioning and technical-related matters.

In the course of our history, we have achieved the following milestones:
* Commercial launch of mobile services in April 1997
* Achieved 10% mobile market share within one month of launch, and profitability in the first full year of operations in 1998
* Listed on the Singapore Exchange in December 2002
* First operator in Singapore to launch:
  – 3G mobile services commercially in February 2005
  – Nationwide mobile broadband services in December 2006
  – Fibre broadband services on the NGNBN commercially in September 2010
  – Mobile broadband service on our 4G network in June 2011
  – Nationwide 4G service in September 2012

  – Singapore's fastest corporate broadband service on the NGNBN in May 2014
  – Nationwide LTE-Advanced service in December 2014

For 2015, M1's operating revenue increased 7.5% year-on-year to S$1,157.2 million, on higher handset sales. Service revenue decreased 1.1% to S$822.3 million, due to lower international call services revenue. Mobile data revenue continued to grow, increasing 10.7 percentage points year-on-year to 46.3% of service revenue for 2015.

Net profit after tax increased 1.5% year-on-year to S$178.5 million, with margin on service revenue increasing 0.5 percentage point to 21.7%. Free cash flow increased 13.4% to S$105.7 million and net debt-to-EBITDA remained healthy at 1.0 time.
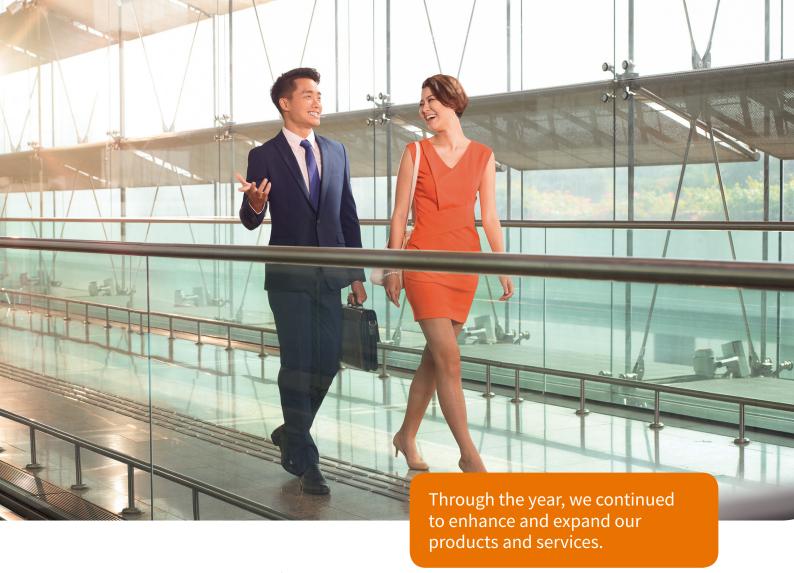
As at end-2015, M1 had a total of 1,928,000 mobile customers, comprising 1,195,000 postpaid and 733,000 prepaid customers. During the year, we grew our fibre customer base by 24.3% to 128,000.

MARKET DEVELOPMENTS

According to IDA's latest reported statistics, Singapore's market penetration rate was 148.4% as at end-December 2015, compared to 148.0% as at end-2014. As at end-December 2015, there were a total of 8.2 million mobile subscriptions, comprising 59.0% postpaid and 41.0% prepaid subscriptions.

In the fixed broadband segment, the residential broadband penetration rate was 102.8% as at end-December 2015. From January to December 2015, the total fibre market including both residential and corporate subscriptions, increased 31.7% to 932,300. Over the same period, cable and digital subscription line subscriptions declined 23.2% to 387,100, and 37.7% to 147,200, respectively.

Through the year, we continued to enhance and expand our products and services.

POSTPAID MOBILE

The postpaid mobile segment continues to be the key contributor to our revenue. This segment made up 62.0% of our total mobile customer base as at end-2015 and contributed 88.5% of our 2015 mobile telecommunications revenue. During the year, we added 46,000 postpaid customers to bring our postpaid base to 1,195,000, representing a market share of 24.6% as at end-December 2015.

Driven by faster networks and devices, mobile data usage grew in 2015. Average data usage per smartphone customer grew to 3.3GB per month in the fourth quarter of 2015, up from 3.0GB per month a year ago. As at end-2015, 74% of our postpaid customers had migrated to tiered data plans, compared to 68% a year ago.

Through the year, we continued to enhance and expand our products and services.

In February 2015, M1 entered into a partnership with the Maritime and Port Authority of Singapore to help the maritime community leverage on mobile technology to enhance productivity and crew welfare, through Singapore's first Corporate Data Pooling Plans. The plans, which offer corporate customers the flexibility of a shared mobile data bundle of up to 100GB, can be used among authorised employees through 4G dongles or handsets, and are available to ships visiting Singapore and local harbour craft. The plans were also extended to other corporate customers during the year.

Operating Review

To provide better value for customers who prefer to use their existing smartphones, we introduced attractive SIM-only plans, known as mySIM, in July 2015. The new mySIM postpaid plans are available from S$30 a month for a 5GB data bundle, 300 minutes of calls, and 1,000 SMS/MMS, to S$125 for a 20GB data bundle with unlimited calls and SMS/MMS, with a 12-month contract. Plans with no contract are also available.

During the same month, we also made available the unique M1 Data Passport service, enabling our customers to use their local data bundles overseas. As at end-2015, M1 Data Passport has been expanded to 29 destinations worldwide, including Malaysia, Australia, Japan, Hong Kong, the United States and popular European countries. To enable customers to have continual connectivity when they travel, M1 launched an unlimited in-flight data roaming service in December 2015. The two services deliver convenience and value to both business and leisure travellers, and give M1 customers the peace of mind to use their smart devices overseas and on flights the way they do at home.

Through the year, we continued to work with device manufacturers to make available their new handsets, tablets, wearables and accessories to our customers in a timely manner. Key models launched in 2015 included the Apple Watch, iPad Pro, iPhone 6S, iPhone 6S+, LG G4, LG G4 Dual LTE, Samsung Galaxy Note 5, Samsung Galaxy S6 Edge+, Samsung Gear S2, Xiaomi Mi 4i and Redmi Note 2.

PREPAID MOBILE

M1's prepaid mobile service is mainly used by the migrant worker community, resident customers including parents who want to manage their children's mobile usage, and transient visitors to Singapore such as business travellers and tourists.

In 2015, we grew our prepaid customer base by 30,000 to 733,000, driven by various marketing campaigns, promotions and new offerings.

During the year, we enabled our prepaid customers to use their existing local data bundles in Malaysia and Indonesia. The data roaming feature, available on M1's partner networks Celcom in Malaysia and XL Axiata in Indonesia, offers roaming customers the convenience of using their existing mobile lines when travelling to neighbouring countries.

FIBRE CUSTOMERS (END-2015)

128,000

+25,000

We also launched Super Data, Singapore's best-value prepaid top up. The S$30 Super Data top-up offers prepaid customers a 2GB data bundle, and S$100 worth of local calls and SMS messages, valid for 30 days, to cater to our customers' increased mobile data usage.

To provide greater ease of use and a hassle-free top-up experience for our customers, we introduced electronic top-up service at more than 400 Cheers and 7-Eleven outlets island-wide. During the year, we worked with DBS to launch Prepaid mobile top-up at DBS/POSB iBanking, SMS Banking and PayLah! App to enhance the convenience of topping up for DBS/POSB customers. Our prepaid top-up is also now available electronically through SingPost SAM web service and mobile app.

A new service, M Send, was launched in December 2015, to enable our prepaid customers to securely transfer prepaid credits to another prepaid mobile account overseas. As at end-December 2015, the service offers prepaid credits transfer to ten countries, to make it easier for our customers to stay connected with their family and friends who are overseas.

In extending our reach to the migrant worker segment, we organised and participated in outreach events at dormitories and recreation centres across Singapore. In August 2015, we set up multiple movie screening and celebratory carnivals in various workers' dormitories island-wide during the SG50 celebrations, to include foreign workers in our National Day festivities. In November 2015, we sponsored Deepavali carnivals at recreation centres across Singapore to celebrate the Festival

of Light with our Indian customers. We also participated in International Migrants' Day celebration through a new collaboration with Migrant Workers' Centre, where we educated migrant workers on data usage and promoted our new Super Data top-up in their native languages. In closing the year, we held a Christmas party at Fort Canning for our Filipino customers.

FIXED SERVICES

Singapore's home fibre penetration rate continued to grow to over 70%, as at end-2015. During the year, we added 25,000 customers to bring our fibre customer base to 128,000, driven by our competitive service plans and complementary services such as Home Fixed Voice and 1GB Mobile Broadband.

In April 2015, the IDA announced the appointment of M1 as its Home Access programme partner, to deliver high speed fibre broadband Internet access to low-income households with at least one Singapore citizen. Through the programme, eligible households are able to enjoy M1's 100Mbps fibre broadband service, and will also receive an Internet router and a 7-inch Alcatel tablet, for only S$6 a month.

> In the corporate space, we continued to drive growth with our extensive range of connectivity solutions, such as Singapore's first 2Gbps to 10Gbps GPON (Gigabit Passive Optical Network) fibre services at highly competitive prices.

In the corporate space, we continued to drive growth with our extensive range of connectivity solutions, such as Singapore's first 2Gbps to 10Gbps GPON (Gigabit Passive Optical Network) fibre services at highly competitive prices, as well as our expanded suite of cloud-based managed services. During the year, M1 was appointed by NetLink Trust, which owns Singapore's NGNBN, as a key subcontractor to install fibre optic connectivity for M1's corporate customers. With the appointment, M1 will install fibre optic cables, termination points, and undertake all other necessary installation work to enable ultra-high speed connectivity from a non-residential building's main distribution frame room to the corporate customers' premise. This further streamlines the fibre provisioning process and enhances our ability to deliver a better service experience to our corporate customers.

Operating Review

PRODUCTS AND SERVICES

M1's innovative and exciting products and services launched in 2015 include:

- **M1 mPOS:** Launched in collaboration with CIMB, MasterCard and Wirecard in June 2015, M1 mPOS (mobile Point of Sale) solution transforms smartphones and tablets into credit, debit and prepaid card terminals. Designed to meet the needs of traditionally cash-based small businesses, startups, and "on-the-go" enterprises, such as push-cart vendors and small cafes, mPOS allows these merchants to offer their customers the convenience of card payment, without the need to purchase, set up, and maintain a traditional POS terminal;

- **Data roaming services:** M1 made available several innovative data roaming services for the benefit of customers who travel overseas. Launched in July 2015, the M1 Data Passport value-added service enables our postpaid customers to use their local data bundles in six overseas destinations. This was expanded to a total of 29 destinations, including Australia, Malaysia, Japan, the United States and other popular Asian and European destinations as at end-2015. In October 2015, M1 made available data roaming to Malaysia and Indonesia to its prepaid customers, at no additional charge. In December 2015, M1 launched unlimited in-flight data roaming services on 18 airlines including Singapore Airlines, British Airways and Qatar Airways, through our preferred in-flight network partner, OnAir;

> Delighting customers through service excellence across all touch points remained our focus during 2015.

- **VSafe:** The VSafe mobile application, made available in August 2015, automatically helps authorised recipients keep track of the whereabouts of their loved ones, especially a child or elderly family member, via their phones. The geofencing tool, at S$2.99 per month, will alert the authorised recipient of the tracked user's activity within a selected map location, and the loved one can also use VSafe to send a distress signal to all authorised recipients;

- **Corporate GPON fibre connectivity services:** M1 launched Singapore's first 2Gbps to 10Gbps GPON (Gigabit Passive Optical Network) fibre services for corporate customers in August 2015. Together with GPON services of up to 1Gbps and 10Gbps Active Ethernet service, Singapore's fastest fibre service on the NGNBN, M1 now offers Singapore's most extensive range of corporate connectivity services;

- **M1 M2M Connect:** Launched in October 2015, the M1 M2M Connect platform enables corporate customers to access, track and manage all their connected devices conveniently, from any authorised computer or mobile phone. They will also be able to set and change business rules, perform device troubleshooting and obtain detailed reporting of all M2M

activities. Additionally, M1 has partnered multiple technology providers, including Aerolion Technologies, Napier Healthcare Solutions, Quantum Inventions, and Parametric Technology, to deliver a wide range of smart M2M solutions for transport, retail, healthcare and security sectors;

- **Smart Lives smart home programme:** In partnership with Keppel Land Limited, the Smart Lives programme, announced in December 2015, will enable 30 households at the Luxurie condominium in Sengkang to enjoy a suite of smart healthcare and home solutions. Through the programme, M1 and Keppel Land will gather feedback to identify additional smart solutions to better meet customers' needs.

SALES AND DISTRIBUTION

Our 14 M1 Shop outlets island-wide provide customers with convenient access to our products and services. We also partner exclusive distributors such as Arrow Communications, Big Box Singapore, Era International Network, and Handphone Shop, and conduct regular roadshows at high traffic locations such as shopping malls, migrant worker dormitories, and major consumer technology events, to further augment our reach and accessibility.

M1's online pre-order and collection system, first launched in 2014 and further enhanced in 2015, has continued to help deliver a better service experience to our customers by enabling them to select their preferred model, make payment and then choose their preferred collection location or have it delivered to them. This system, the Singapore communications industry's most comprehensive handset pre-order system, allows customers to conveniently pick up their handsets from any M1 Shop and reducing collection time to as little as ten minutes. This has enhanced M1's productivity and enabled us to deliver more handsets to our customers, especially during the launch of popular models.

BRAND

M1, which first introduced Singaporeans to the captivating and fascinating world of Cirque du Soleil with Saltibanco in 2000, was the presenting sponsor for TOTEM, Cirque du Soleil's new production. The production, which traces the fascinating journey of the human species from its original amphibian state to its ultimate desire to fly, was staged at its trademark blue-and-yellow big top at Bayfront Avenue next to Marina Bay Sands, from October to December 2015. M1 customers enjoyed a range of benefits and activities, including priority booking, ticket discounts, special souvenirs and premiums, and M1 Shops were also fitted out to reflect the TOTEM theme.

In June 2015, a new brand campaign, "Making Moments Special", exploring the role M1's products and services play in customers' lives, was launched on TV, print, online and outdoor advertising channels. Social media customer engagement programmes, conducted during the new brand campaign, festive periods and M1's 18th anniversary celebrations, further helped build preference for the brand, as well as our products and services.

In celebration of the nation's 50th birthday, M1 customers were treated to free local calls, SMS/MMS messages and data, during the Jubilee Weekend in August 2015.

Our marketing and branding efforts were recognised through various awards in 2015, including the Straits Times Print Ad of the Month in June 2015 for our Brand print ad, as well as the Straits Times and Lianhe Zaobao Print Ad of the month in August 2015 for the SG50 campaign. For our brand building efforts, we were awarded the Most Improved Local Brand at the 11th Singapore Media Awards in August 2015.

CUSTOMER EXPERIENCE

Delighting customers through service excellence across all touch points remained our focus during 2015.

During the year, we completed a major upgrade of our customer care system. The upgraded system enables us to meet the current and future needs of our growing customer base, as well as provides our front-line staff a comprehensive, unified view of all customers across our business lines. The upgrade has also improved the operational efficiency at our retail outlets, as well as in service provisioning, by up to 35%. Additionally, by capturing all customer transactions and consolidating this data into a single system, we are able to serve our customers more effectively, and use data analytics to determine and better address their preferences.

Operating Review

To give our customers more peace of mind in using mobile data, we launched a new feature to alert customers when they are approaching their data bundle cap.

Our efforts were recognised through an Award of Excellence in IT sector at the prestigious Singapore Productivity Awards 2015, for productivity efforts that successfully led to a reduction in customer waiting time. We also extended our leadership at the second annual Frost & Sullivan Customer Experience study, with four of six recognitions, for "Excellence In Customer Experience - Overall Telecommunication Services", "Excellence In Customer Experience - In-Store Channel", "Excellence In Customer Experience - Contact Centre Experience", and "Excellence In Customer Experience - Mobile".

M1 employees' positive engagement with customers were further recognised at the annual Excellent Service Awards (EXSA) in 2015, with 4 Star, 27 Gold, and 68 Silver awards, compared to one Star, 16 Gold and 58 Silver awards in the year before. EXSA, a national award that recognises individuals for their outstanding service, is managed by seven industry bodies and supported by SPRING Singapore. During the year, our Changi Airport Terminal 3 retail outlet received the Changi Airport Group's Outstanding Outlet Award, for the 4th consecutive year.

NETWORKS

M1 continues to invest in networks and technology to improve our capabilities and capacity, and enhance customer experience. Since inception, we have invested more than S$1.8 billion into our fixed and mobile networks and this has enabled our customers to consistently enjoy the latest technology developments and next-generation products and services, often ahead of competition. In 2015, our efforts were recognised in IDA's network survey for delivering the best 4G experience.

Key network initiatives in 2015 include:

- **4G Voice:** Following extensive testing, 4G Voice or Voice over LTE (VoLTE) calls were made available in April 2015 to customers on 4G plans at no additional charge. Through the higher bandwidth available on M1's LTE-Advanced network, VoLTE technology allows calls to be connected faster and offers higher quality voice communications, compared to standard voice calls. By working seamlessly between M1's 3G and 4G networks, 4G Voice also delivers uninterrupted conversation to customers, while on the move;

- **Small cell technology:** Small cell technology was deployed to enhance our customers' mobile data experience at high traffic indoor locations, such as Paragon and Nex shopping malls, and Jurong East Regional Library. Small cell deployments are also underway at Orchard and Raffles Place MRT stations;

- **4G indoor enhancement with MIMO technology:** We have rolled out MIMO (multiple-input and multiple-output) technology for our mobile infrastructure in five commercial buildings to boost indoor 4G speeds and are currently deploying the technology to more buildings;

- **Software-defined networking data centre:** We collaborated with VMware, Palo Alto Networks and Huawei to deploy a next-generation software-defined networking (SDN) technology proof of concept in our cloud-based data centre. SDN technology will allow us to have a comprehensive unified view of our network and effective control over each network element through a central management tool. This will enable us to develop and introduce new services faster and with increased flexibility, to better serve our corporate customers;

- **Fibre network expansion:** We continued to expand our fibre infrastructure to further extend our reach to corporate customers and increase our mobile backhaul self-provision. During the year, we completed a new Southern core fibre ring and are extending fibre to commercial buildings in Shenton Way and Biopolis;

- **4.5G trial:** Through a lab trial conducted with our mobile network vendor Huawei, we successfully achieved peak download speeds in excess of 1Gbps, and peak upload speeds of more than 130Mbps, positioning us well to meet customers' growing data requirements in the future.