

AT A GLANCE



Mobile Customers

(End-2016)

2.02m
+91,000



Fibre Customers

(End-2016)

160,000
+32,000

MOBILE DATA AS A % OF SERVICE REVENUE

54.0%



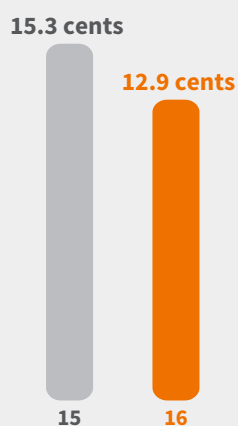
OPERATING REVENUE MIX



- Mobile telecommunications **60.3%**
- International call services **5.8%**
- Fixed services **9.8%**
- Handset sales **24.1%**

CASH DISTRIBUTION PER SHARE (DECLARED)

12.9 cents



CAPITAL EXPENDITURE

S\$141m

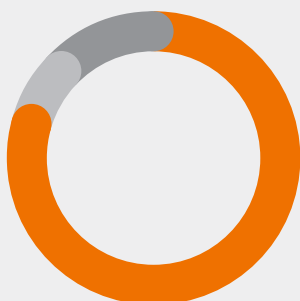


NET DEBT/EBITDA

1.2 times



SERVICE REVENUE MIX



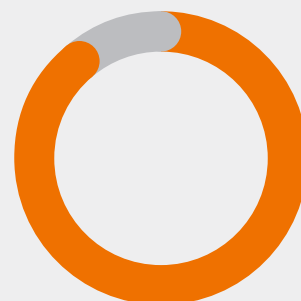
- Mobile telecommunications **79.5%**
- International call services **7.6%**
- Fixed services **12.9%**

MOBILE CUSTOMER MIX



- Postpaid **61.8%**
- Prepaid **38.2%**

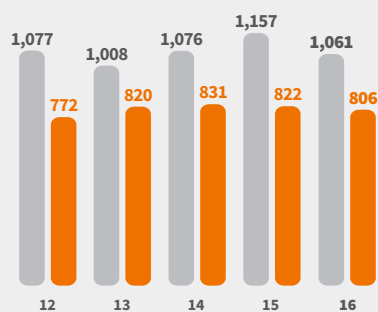
MOBILE TELECOMMUNICATIONS REVENUE MIX



- Postpaid **89.0%**
- Prepaid **11.0%**

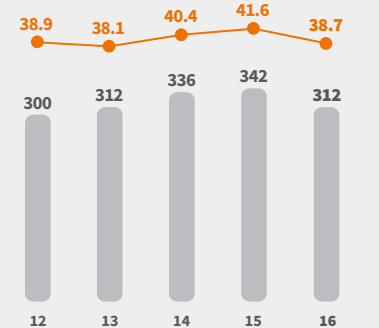
PERFORMANCE HIGHLIGHTS

OPERATING AND SERVICE REVENUES



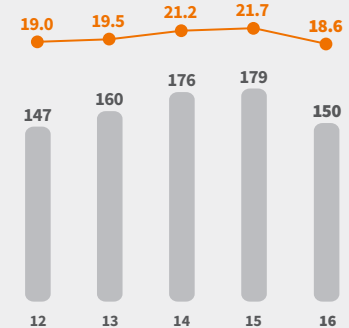
— Operating revenue (S\$m)
— Service revenue (S\$m)

EBITDA



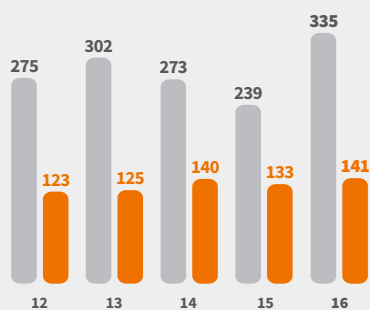
— EBITDA (S\$m)
— EBITDA margin on service revenue (%)

NET PROFIT AFTER TAX



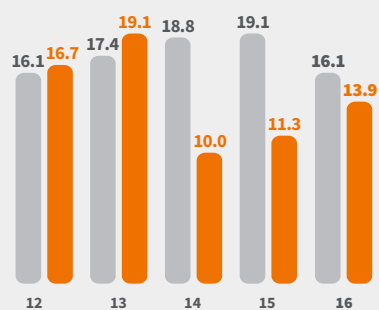
— Net profit after tax (S\$m)
— Net profit after tax margin on service revenue (%)

CASH FLOW AND CAPITAL EXPENDITURE



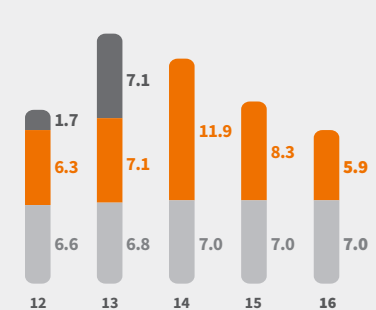
— Net cash flow from operating activities (S\$m)
— Capital expenditure (S\$m)

EARNINGS AND FREE CASH FLOW PER SHARE



— Earnings per share (basic) (cents)
— Free cash flow per share (cents)

CASH DISTRIBUTION PER SHARE (DECLARED)



— Interim dividend (cents)
— Final dividend (cents)
— Special dividend (cents)

OPERATING HIGHLIGHTS

	2016	2015	Change (%)
Mobile Telecommunications			
Number of mobile customers ('000)			
Postpaid	1,247	1,195	4.4
Prepaid	772	733	5.2
Total	2,019	1,928	4.7
Market share ¹ (%)			
Postpaid	24.7	24.6	–
Prepaid	22.4	21.7	–
Overall	23.8	23.4	–
Singapore mobile penetration rate ¹ (%)	149.2	148.4	–
Average revenue per user (ARPU, S\$ per month)			
Postpaid (excludes Data plan)	58.0	61.7	-6.0
Postpaid (excludes Data plan and adjusted) ²	50.3	54.2	-7.2
Data plan	14.8	17.1	-13.5
Prepaid	12.2	14.7	-17.0
Mobile data as a % of service revenue	54.0	46.3	–
Average monthly churn rate (%)	1.0	1.0	–
Acquisition cost per postpaid customer (S\$)	369	363	1.7
Fixed Services			
Number of fibre customers ('000)	160	128	25.3
ARPU (Fibre, S\$ per month)	45.1	46.7	-3.4

1. Based on IMDA statistics as at November 2016

2. After adjustment for ARPU allocated to handset sales

FINANCIAL HIGHLIGHTS

	2016	2015	Change (%)
Operating revenue (S\$m)	1,060.9	1,157.2	-8.3
Mobile telecommunications	640.0	667.7	-4.2
International call services	61.3	68.7	-10.8
Fixed services	104.2	85.9	21.4
Handset sales	255.4	334.9	-23.7
EBITDA (S\$m)	312.1	341.8	-8.7
Net profit after tax (S\$m)	149.7	178.5	-16.1
Free cash flow (S\$m)	129.6	105.7	22.6
Net assets (S\$m)	403.4	413.2	-2.4
Net debt (S\$m)	390.0	343.8	13.4
Financial ratios			
Net debt/equity (x)	1.0	0.8	–
Net debt/EBITDA (x)	1.2	1.0	–
EBITDA/interest (x)	46.2	69.5	–
ROE (%)	36.7	44.2	–
ROCE (%)	19.9	25.1	–

Note: Figures may not add up due to rounding

LETTER TO SHAREHOLDERS

The Internet's impact is felt in every aspect of our modern society, in businesses, jobs, capital allocation, and in our relationships with one another. It has expanded our world and made experiences even more deeply personal, for everyone.

At M1, we feel our responsibilities as the communications provider to over two million people and businesses keenly, and this drives our commitment to always be at the forefront of this always-on, always-connected world to deliver a superior experience to our customers.

In anticipation of the surge in mobile data, M1 launched Singapore's first commercial nationwide 4G network in 2012, following up on this achievement with the first 4G+ network in 2014.

In 2016, we took important steps toward evolving our networks to 5G, as we began the deployment of our NB-IoT (narrowband Internet of Things) and small cell networks. 5G networks are designed to deliver reliable, high-speed and massive connectivity, ensuring we continue to be able to meet the growing data needs of our customers and to support new applications such as virtual/augmented reality and autonomous vehicles.

We leveraged our advanced technology to make available new products and services for our customers across all segments, and capitalised on our expanded capabilities, such as in the area of data analytics and cloud applications, to penetrate new corporate accounts. To improve efficiency and time-to-market, we continued to digitise our operations to ensure we have the right cost structure to remain competitive.

The year 2017 will usher in a significant milestone as we celebrate our 20th anniversary. Since M1's launch in 1997, we have built up a strong brand that stands for excellent service, innovation and value. We will continue to build on these values to meet the challenges ahead, further entrench M1 as the service provider of choice, and

deliver the benefits of our technology to even more customers.

FINANCIAL HIGHLIGHTS

Service revenue for 2016 decreased 2.0% to S\$805.5 million, as traditional revenues were impacted by over-the-top (OTT) services. However, fixed services posted strong growth with a 21.4% increase in revenue to S\$104.2 million, and this accounted for 12.9% of service revenue compared to 10.4% a year ago. The growth was driven by a larger retail customer base and increased contribution from the corporate segment. Operating revenue decreased 8.3% to S\$1,060.9 million on lower handset sales.

OUR COMMITMENT: TO ALWAYS BE AT THE FOREFRONT OF THIS ALWAYS-ON, ALWAYS- CONNECTED WORLD TO DELIVER A SUPERIOR EXPERIENCE TO OUR CUSTOMERS

Net profit after tax for the year decreased 16.1% to S\$149.7 million due to lower IDD and roaming revenues, higher handset subsidy, as well as higher depreciation and amortisation expenses from investments in infrastructure, spectrum and platforms for future services.

Mobile data usage continued to grow, with 2016 revenue from mobile data increasing 7.7 percentage points year-on-year to 54.0% of service revenue. Average data usage per post-paid smartphone customer increased to

3.6GB per month in the fourth quarter of 2016, compared to 3.3GB per month a year ago.

The Group's balance sheet remained healthy, with net debt-to-EBITDA at 1.2 times as at end-2016.

PERFORMANCE HIGHLIGHTS

M1's total customer base grew to 2.18 million as at end-2016.

Postpaid customer base increased 52,000 year-on-year to 1.25 million. The number of customers on tiered data plans grew three percentage points to 77% as at end-2016, of which 28% exceeded their primary data bundles in the fourth quarter of 2016.

To cater to our customers' growing mobile data needs, we launched Upsized Data bundles in March 2016. This enables our customers to significantly increase their data bundles at a highly attractive rate of S\$5.90 per month. In November 2016, we offered even more choices for customers with the launch of Upsized Data Plus and Upsized Data Super, which allowed customers to increase their data bundles by up to 36GB per month.

We also expanded our unique M1 Data Passport service for customers to use their local data bundles affordably to 48 overseas destinations including China, Malaysia, the United Kingdom and the United States, from 29 destinations a year ago. This helped drive more than 100% increase in active data roaming users in 2016 and more than two times increase in data roaming traffic year-on-year.

Prepaid customer base increased 39,000 to 772,000, driven by various marketing campaigns, promotions and new offerings. At the start of the year, we pre-provisioned all new M Cards with 4G speeds and enhanced our prepaid offerings during the year with various data bundles, ranging from 100MB to 100GB of data. We also added three more overseas destinations – Hong Kong, Macau and Taiwan, for prepaid customers to use their data bundles at no additional charge, after introducing Malaysia and Indonesia in 2015. A new IDD prefix, 033, was launched in June 2016, offering all-day flat rates to customers to make international calls on the M Card with the lowest rates to India, Bangladesh, and other popular regional destinations.

Fibre customer base increased 32,000 to 160,000, as we added new customers in both the residential and corporate segments. Throughout the year, we held tactical promotions for our fibre service plans,

**WE HAVE BUILT A
STRONG BRAND
THAT STANDS FOR
EXCELLENT SERVICE,
INNOVATION
AND VALUE**

+21.4%

GROWTH IN FIXED SERVICES
REVENUE



LETTER TO SHAREHOLDERS

WITH THE COLLECTIVE EFFORT OF EVERYONE, WE ARE WELL-POSITIONED TO MEET THE CHALLENGES AHEAD AND EMERGE STRONGER

\$500,000

RECORD AMOUNT RAISED FOR OUR ADOPTED CHARITIES

especially during trade shows. We also introduced the M1 Fibre Sports Bundle, which offers top sports content from around the world including English Premier League games, together with our 1Gbps fibre connection for an additional S\$5.90 per month.

On the corporate front, we partnered with leading security companies to launch the M1 Cyber Security Solutions Suite in September 2016, offering a comprehensive suite of managed cyber security solutions to enhance our connectivity services. Our appointment by Ascendas-Singbridge, as part of Singapore's largest fibre upgrading project to install and enhance the necessary fibre infrastructure at 70 commercial buildings, will enable even more businesses to take up our corporate connectivity and managed solutions.

OUTLOOK

Market conditions will remain challenging in 2017. Traditional telecommunications will continue to be impacted by OTT services, and global economic conditions remain uncertain. We can also expect competition within the communications sector to remain keen ahead of the entry of a fourth mobile network operator in 2018.

In spite of these challenges, consumers and businesses alike appreciate the benefits of connectivity and this will drive continued growth in mobile data and fixed services through 2017. We are also seeing emerging opportunities in areas such as IoT, Smart Cities and Data Analytics, and these will grow as the technologies and business models that underpin them gain greater traction.

As a forward-looking company, we have been investing and innovating in anticipation of these developments – strengthening our core connectivity infrastructure and services, building our digital capabilities, and enhancing our operational structure. Through these efforts, M1 is well on its way to becoming Singapore's Smart Communications Provider of choice, with products and services that are relevant and serve today's, as well as tomorrow's customers' needs.

CORPORATE SOCIAL RESPONSIBILITY

M1 is committed to responsible and sustainable business practices, as well as creating shared value for both our business and society at large. Through long-term partnerships with stakeholders and beneficiaries, we strive to achieve sustained positive outcomes in empowering individuals and enriching communities.

We are particularly proud to be the Info-communications Media Development Authority's (IMDA) appointed NEU PC Plus Programme partner in 2016, to provide broadband access to students and persons with disabilities from low-income households. Through this engagement, eligible applicants receive a complimentary 4G or fixed fibre broadband connection for three years. We also continued to be IMDA's Home Access Programme partner through 2016, in delivering high-speed broadband and telephony services to low income households at highly subsidised rates. These efforts have made a meaningful impact in narrowing the digital divide, enabling families in the underprivileged and underserved segments, to enjoy the benefits of communications technology.

The arts has also been a part of M1 since inception, as we believe a thriving arts scene is important in enriching the quality of life, and in strengthening social bonds and identity, in our multi-cultural society. With our long-term sponsorships of key arts events such as the M1 Singapore Fringe Festival, the M1 Chinese Theatre Festival, as well as leading performance groups such as T.H.E Dance Company and Frontier Danceland, M1 is widely recognised today as a leading corporate patron of the arts and culture in Singapore. In 2016, we extended our sponsorship to become the title sponsor of the M1 Peer Pleasure Youth Theatre Festival, which features productions staged by youths between the ages 13-25 in Singapore, under the guidance of professional theatre practitioners for audiences young and old.

Through our annual M1 Charity Golf and Charity Carnival events, we raised a record S\$500,000 in 2016 for our adopted charities: Beyond Social Services, Brahm Centre, the Children-At-Risk Empowerment Association, and the M1 Students Support Fund. The Fund, which provides supplementary support to school-going children from low income families, has 10 primary schools participating in the programme.

In celebration of our nation's 51st birthday, M1 provided communications services to the parade's elaborate multi-media staging at the National Stadium, while our customers enjoyed free local calls, SMS/MMS messages and mobile data for local usage, on National Day.

DISTRIBUTION TO SHAREHOLDERS

M1 remains committed to maintaining a sustainable dividend policy that will enhance long-term shareholder value. For 2016, the Board of Directors has proposed a final dividend of 5.9 cents, bringing total dividends declared to 12.9 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 flow, financial leverage, investment requirements and the resources available to pursue new business opportunities which may arise in the near or medium term, as well as the outlook on the competitive landscape and economy.

A NOTE OF THANKS

On behalf of the Board of Directors and management, we would like to thank our customers, business partners and shareholders for their continued support in 2016.

M1's Board of Directors and employees are all aligned with the strategic objectives of the Group in creating and delivering long-term value to our stakeholders. With the collective effort of everyone, we are well-positioned to meet the challenges ahead and emerge stronger.



CHOO CHIAU BENG

Chairman



KAREN KOOI LEE WAH

Chief Executive Officer



OPERATING REVIEW



M1 IS SINGAPORE'S MOST VIBRANT AND DYNAMIC COMMUNICATIONS COMPANY, PROVIDING MOBILE AND FIXED SERVICES TO MORE THAN 2 MILLION CUSTOMERS



UP TO 10 GBPS

RESIDENTIAL AND CORPORATE
FIBRE BROADBAND PLANS

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 has 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 Info-communications Media Development Authority of Singapore (IMDA), 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.

M1 operates nationwide 4G/LTE (Long Term Evolution) Advanced and 3G/High Speed Packet Access (HSPA) networks, capable of download speeds of up to 300Mbps. 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, 021 and 033 prefixes, as well as an 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 made available a range of residential fibre broadband services with speeds of up to 10Gbps, including fixed voice and other value-added services.

M1 also offers an extensive suite of mobile and fixed services, including connectivity solutions of up to 10Gbps, managed services, cloud solutions, cyber security 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.



OPERATING REVIEW

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 2016, M1's operating revenue decreased 8.3% year-on-year to S\$1,060.9 million on lower handset sales. Service revenue decreased 2.0% to S\$805.5 million, due to lower international call services and roaming revenues. Mobile data revenue increased 7.7 percentage points year-on-year to 54.0% of service revenue.

Net profit after tax decreased 16.1% year-on-year to S\$149.7 million, due to lower international call and roaming revenues, higher handset subsidy, as well as higher depreciation and amortisation expenses. Net profit after tax margin on service revenue closed 3.1 percentage points lower at 18.6%. Free cash flow increased 22.6% to S\$129.6 million and net debt-to-EBITDA remained healthy at 1.2 times.

As at end-2016, M1 had a total of 2,179,000 customers, comprising 1,247,000 postpaid, 772,000 prepaid and 160,000 fibre customers.

MARKET DEVELOPMENTS

According to IMDA's latest reported statistics, Singapore's market penetration rate was 149.2% as at end-November 2016, compared to 148.4% as at end-2015. As at end-November 2016, there were a total of 8.4 million mobile subscriptions, comprising 59.3% postpaid and 40.7% prepaid subscriptions.

In the fixed broadband segment, the residential broadband penetration rate was 97.6% as at end-November 2016. From January to November 2016, the total fibre market including both residential and corporate subscriptions, grew 20.6% to 1,124,700. Over the same period, cable and digital subscription line (xDSL) subscriptions fell 34.6% to 253,300, and 52.6% to 69,800, 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 61.8% of our total mobile customer base as at end-2016 and contributed 89.0% of our 2016 mobile telecommunications revenue. During the year, we added 52,000 postpaid customers to bring our postpaid base to 1,247,000.

Mobile data usage, driven by faster networks and devices, continued to grow in 2016. Average data usage per smartphone customer increased to 3.6GB per month in the fourth quarter of 2016, up from 3.3GB per month a year ago.

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

In March 2016, we further enhanced our SIM-only offerings with new plans, and launched new Upsized Data bundles to cater to the increasing data usage trend, thus ensuring M1 customers continue to enjoy the best value. Upsized Data, which offers up to 12GB additional data bundle at S\$5.90 per month, was well-received. To enable even more customers to enjoy the benefits of this offering, it was extended in June 2016 to in-contract postpaid customers and customers who take up 12-month mySIM plans. In November 2016, we made available two more Upsized Data options – Upsized Data Plus (S\$11.80 per month) and Upsized Data Super (S\$17.70 per month). Through these options, customers enjoy even greater value and flexibility in their data bundles to meet their growing demand for online activities such as streaming video, gaming or using smartphone apps.

Launched in October 2016, M1 Entertainment Data enables M1 customers to enjoy unlimited local access to their favourite over-the-top video and music services – Netflix, Dailymotion and Deezer – without having to worry about excess data charges. M1 Entertainment Data is available at S\$9.90 per month, and was offered at a promotional launch price of S\$4.90 per month for the first six months.

During the year, we continued to partner device manufacturers to make available a selection of new handsets, tablets, wearables and accessories to our customers in a timely manner. Key models launched during the year include Apple iPhone 7 and iPhone 7 Plus, Huawei Mate 9 and P9, LG G5 and LG V20, Samsung Galaxy S7 and Galaxy S7 edge, Sony Xperia X and Xperia XZ, as well as the Xiaomi Mi 5 and Redmi 3S.

PREPAID MOBILE

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

In 2016, we grew our prepaid customer base by 39,000 to 772,000, driven by various marketing campaigns, promotions and new offerings.

In strengthening our prepaid proposition, we pre-provisioned all new M Cards with 4G speeds in January 2016. We also enhanced the attractiveness of M Card, providing a 100MB and 500MB data bundle with S\$5 and S\$15 M Card activations respectively. In November 2016, we introduced new S\$15 and S\$30 Tourist SIM Cards, available at all M1 Shop outlets and M1 Prepaid Counters at Changi Airport, which come bundled with 100GB of data, valid for 5 days and 10 days respectively.

In 2015, we enabled our prepaid customers to use their data bundles in Malaysia and Indonesia. This was further enhanced with an additional three destinations – Hong Kong, Macau and Taiwan – in April 2016. We also collaborated with leading travel companies and airlines to strengthen awareness of our Prepaid Data Roaming services and M Cards.

A new IDD prefix, 033, was launched in June 2016. Through the service, customers enjoy the lowest flat rates all day on M Card international calls to India, Bangladesh, China, Myanmar, Philippines and Indonesia.

The 2G mobile networks in Singapore are scheduled to be closed from 1 April 2017. To encourage our prepaid customers, especially foreign workers who are still using 2G prepaid services to migrate to 3G and 4G, we offered trade-ins on 2G handsets and special offers on 3G handsets at roadshows in areas popular with this segment, as well as through collaborations with the Migrant Workers' Centre. Throughout the year, we organised and participated in outreach events islandwide such as the Bayanihan



OPERATING REVIEW

Walkathon for the Filipinos, Myanmar New Year celebration for the Burmese, and the Hari Raya Geylang Serai Roadshow for the Indonesians, to promote our prepaid services.

FIXED SERVICES

During the year, we added 32,000 customers to bring our fibre customer base to 160,000, driven by our competitive service plans, tactical promotions and new complementary services such as the M1 Fibre Sports Bundle.

In February 2016, we launched Singapore's fastest residential fibre broadband service. With M1's 10Gbps XGPON (10-Gigabit Passive Optical Network) fibre service, multi-user households can enjoy ultra-fast downloads, incredibly smooth HD video streaming and lag-free gaming simultaneously. The service is priced at S\$189 per month.

In the corporate segment, we were appointed by Ascendas-Singbridge for Singapore's largest fibre upgrading project. M1 will install and enhance the necessary telecommunication and fibre infrastructure at 70 Ascendas-Singbridge commercial buildings. By 2018, the tenants at these commercial buildings are expected to benefit from the enhanced infrastructure, which would allow expedient access to fibre broadband services including M1's innovative, competitively priced, and highly effective connectivity and managed solutions. The first completed site, Ascent, a 7-storey integrated business park, retail, and food and beverage development situated along Singapore Science Park, was announced in November 2016.

PRODUCTS AND SERVICES

We made available a range of new products and services through 2016, across both residential and corporate segments, including:

- **Hosted Unified Communications solution:** Launched in February 2016, M1's next generation Hosted Unified

Communications (UC) solution offers integrated modern business tools including instant messaging, digital voice, conferencing, network presence detection and web collaboration. The solution is made available through a user-friendly desktop and mobile client, enabling mobile workers to access and share information effectively with their colleagues, business partners and customers without relying on unsecured third party tools. The solution's pay-as-you-use subscription hosted model further frees the company from IT or telecommunications infrastructure investments, as well as management costs, and offers seamless scalability as business grows. This allows all kinds of businesses, from start-ups that do not wish to wire up their offices for fixed line phones, to businesses with legacy telephony-only solutions, and large corporates that wish to consolidate their existing proprietary communications solutions, to enjoy the benefits of M1's enterprise-grade solution;

- **Elderly Monitoring:** M1 launched its Smart Activity Monitoring Service in March 2016 to support vulnerable seniors who want to continue to live independently and safely, in their own homes. Through this solution, caregivers will be able to access real-time information in monitoring



seniors in a non-intrusive manner. Using a desktop or mobile Internet browser, authorised recipients will be able to access activity information, as well as set customisable alerts, for instance, when no activity has been detected past a pre-set period at the toilet or kitchen sensor. Data analytics tools built into the M1 Smart Activity Monitoring Service will also help caregivers identify trends and patterns in the data collected, so they can make better sense of the information;

- **Contactless transit payments:** Through a partnership with EZ-Link Pte Ltd (EZ-Link), M1 customers were first to enjoy contactless transit payments with their handsets in March 2016. The NFC (near field communication) transit SIM, when inserted into a supported handset, will enable the user to make payment for MRT, LRT, and public bus rides with just a tap of their handsets. The NFC transit SIM, available at M1 Shop outlets, can be used for public transport, as well as at more than 30,000 EZ-Link acceptance points islandwide including shopping, retail, food & beverage and taxi fare payments. It is also integrated with the M1 Prepaid MasterCard, which allows users to top up M1's prepaid mobile M Card or make purchases at merchants that accept MasterCard Paypass;
- **SOHO fibre plan:** Launched in April 2016, M1's SOHO Fibre Broadband plan, priced affordably at S\$59 a month, combines the symmetric upload and download speed of M1's 1Gbps fibre broadband service with a comprehensive suite of business solutions including web and e-mail hosting, unified communications and fixed voice services. With M1's SOHO Fibre Broadband plan, Singapore's innovative home-based entrepreneurs have everything they need to start and grow their business from home;
- **Best value sports content:** M1 made available the best value sports content with its 1Gbps M1 Fibre Sports Bundle in August 2016, in partnership with Eleven Sports Network. The bundle at S\$44.90 per month, offers highly-anticipated live weekly games from the English Premier League, as well as live coverage of the Emirates FA Cup, English Football League Cup and England international home friendlies. More top live football is also available from the Italian Serie A TIM, Campeonato Brasileiro Série A, Scottish Professional Football League, CONMEBOL 2018 World Cup Russia qualifiers and selected

M1 CUSTOMERS WERE FIRST TO ENJOY CONTACTLESS TRANSIT PAYMENTS WITH THEIR HANDSETS IN MARCH 2016



OPERATING REVIEW

A NEW BRAND CAMPAIGN WAS LAUNCHED IN JUNE 2016, SHOWCASING M1'S ROLE IN PEOPLE'S LIVES, BE IT AT WORK OR AT PLAY, BY BEING A PARTNER ALWAYS THERE TO CONNECT THEM TO EVERYONE, EVERYWHERE

**11 STAR,
41 GOLD,
94 SILVER**

TOTAL NUMBER OF AWARDS WON AT EXCELLENT SERVICE AWARDS (EXSA) 2016

Singapore matches. Badminton, basketball, squash, table tennis, baseball and tennis events from around the world are also available through the Eleven and Eleven Sports channels;

- **Comprehensive cyber security protection:**

Launched in September 2016, the M1 Cyber Security Solutions Suite offers a comprehensive suite of enterprise-grade managed cyber security solutions. A key offering is the Palo Alto Networks Next-Generation Security Platform, which features a next-generation firewall and threat intelligence cloud to enable M1 customers to safely use applications and prevent both known and unknown threats. The Proficio 24/7 Security Operations Centre network monitoring service and Red Sentry's vulnerability scanning and assessment service further enhance the solution, proactively detecting and shutting down cyber-attacks.



SALES AND DISTRIBUTION

As at end-2016, we operated 13 M1 Shop outlets, to provide customers with convenient access to our products and services. In addition, we partner exclusive distributors such as Arrow Communications, Big Box Singapore, Era International Network, Gam3Asia, and Handphone Shop, as well as conduct regular roadshows at high traffic locations such as shopping malls, migrant worker dormitories and major consumer technology events to expand our reach and accessibility.

M1's e-Shop is available for customers' increasing preference to engage with us online. Through our online pre-order and collection system, customer enjoy a better service experience with the ability to choose their preferred model, make payment and select their preferred location for collection or have it delivered to them. Customers who choose to collect their handsets from an M1 Shop enjoy shortened collection times of as low as ten minutes. During the year, we saw an increase in utilisation of the online channel and this enabled us to deliver more handsets to our customers, especially during the launch of popular models.

BRAND

A new brand campaign was launched in June 2016, showcasing M1's role in people's lives, be it at work or at play, by being a partner always there to connect them to everyone, everywhere. The "M1. For Every One. Everywhere." campaign was executed on TV, print, online and outdoor advertising channels.

This was followed by another campaign in September 2016, positioning M1 as a progressive communications company constantly investing in innovative technology to make a difference to people's lives and businesses. The Smart Solutions campaign, focusing on both consumers and businesses, showcased a range of products and services such as Cyber Security, Smart Activity Monitoring Service, Utility Management System, mPOS (mobile point-of-sale) solution, and Unified Communications. The campaign was launched on both print and online advertising channels.

Our marketing and branding efforts were recognised through several awards in 2016, including the Straits Times Print Ad of the Month in July 2016 for our Brand campaign,

as well as the Straits Times Print Ad of the Month in September and October 2016 for the Smart Solutions campaign.

CUSTOMER EXPERIENCE

We continued to strengthen the customer experience across all touch points throughout the year. One such initiative was the enhancement of our My M1 app to provide customers near real-time access to their voice, messaging and data usage information. The upgrade was well-received by customers.

M1 staff's positive engagement with customers was recognised at the highly-regarded annual Excellent Service Awards (EXSA). At the event, M1 staff received 11 Star, 41 Gold, and 94 Silver awards, compared to 4 Star, 27 Gold, and 68 Silver awards 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.

The Contact Centre Association of Singapore (CCAS) Awards 2016 also honoured our staff with both the Best Contact Centre Team Leader and Best Customer Service Professional of the Year awards.

Through our continued efforts to better serve our customers, M1 was able to leapfrog the competition to top the Customer Satisfaction Index of Singapore for 2016 in the residential broadband segment, and further improved our score in mobile telecommunications services.

NETWORKS

Since inception, we have invested more than S\$1.9 billion into our fixed and mobile networks. Through continual investment in networks and technology, we enhance the customer experience, improve business productivity and offer our customers the latest products and services, often ahead of competition.

Key initiatives in 2016 include:

- **4.5G speed trial:** In collaboration with our network partner Huawei, we successfully demonstrated Southeast Asia's fastest combined upload and download speeds in January 2016. In the trial, performed in M1's Long Term Evolution (LTE) Advanced test lab, we were able to achieve peak download speeds of more than 1Gbps and upload speeds of more than 130Mbps.



OPERATING REVIEW

- **Singapore's first WiFi-On-The-Go service:**

M1 deployed Singapore's first connected public buses on selected SMRT vehicles in April 2016, as part of the national HetNet (Heterogeneous Network) Trials. The WiFi-On-The-Go service was offered on buses connected to M1's advanced 4G+ network through an intelligent in-vehicle unit that boosts the bandwidth available to the on-board wireless network.

WiFi equipment across hundreds of high traffic hotspots nationwide, to complement our advanced 4G+ network. The HetNet deployment is also an integral part of our 5G network roadmap, the infrastructure on which we will build a ubiquitous on-demand, high-performance 5G service for our customers in the coming years.

- **NB-IoT deployment:** M1 initiated Singapore's first nationwide commercial narrowband Internet of Things (NB-IoT) network rollout in September 2016. The network, when fully deployed in 2017, will deliver improved network performance for M2M (machine-to-machine) communications – low-bandwidth, robust indoor penetration and low power consumption, and offer the benefits of licensed spectrum such as network reliability and security. The deployment will strengthen M1's ability to support Singapore's IoT eco-system, and drive innovative and effective new fleet management, smart metering, public safety and other smart solutions deployed by our growing customers in the corporate and Government segments. In October 2016, in collaboration with Nokia, M1 conducted Singapore's first NB-IoT demo, simulating an environmental monitoring telemetry service whereby data from a sensor is collected and shared via NB-IoT connectivity.

- **HetNet:** Following successful trials in Paragon Mall, Jurong East, and selected MRT stations, M1 announced Singapore's first nationwide HetNet rollout. HetNet, the integration of large and small cells with different wireless radio technologies such as cellular and WiFi, will enable M1 to provide the best coverage and network capacity to meet customer's increasing demand for data. We will progressively roll out an overlay of Nokia's award-winning Flexi Zone small cells and

M1 WON A MERIT AWARD FOR THE MOST INNOVATIVE USE OF INFO-COMMUNICATIONS TECHNOLOGY AT THE NATIONAL INFO-COMMUNICATIONS AWARDS 2016, FOR OUR MOBILE POINT OF SALE (MPOS) SOLUTION

AWARDS

- M1 and Parallel Wireless won the third place (Mobility Management Solutions) for In-vehicle HetNet Technology at the 2016 CTIA Emerging Technology award
- M1 won a Merit Award for the Most Innovative Use of Info-communications Technology at the National Info-communications Awards 2016, for our mobile Point of Sale (mPOS) solution
- M1 and Parallel Wireless won the Small Cell Forum's Excellence in Commercial Deployment (Urban) 2016 for our WiFi-On-The-Go service on Singapore's first connected public buses
- M1 is the recipient of the 2016 Frost & Sullivan Singapore Overall Telecom Service Provider of the Year Award
- M1 was presented the Patron of the Arts award, our 17th consecutive award by the National Arts Council

FINANCIAL REVIEW

25

OPERATING REVENUE

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
Operating revenue			
Mobile telecommunications	640.0	667.7	-4.2%
International call services	61.3	68.7	-10.8%
Fixed services	104.2	85.9	21.4%
Total service revenue	805.5	822.3	-2.0%
Handset sales	255.4	334.9	-23.7%
Total	1,060.9	1,157.2	-8.3%

For 2016, operating revenue decreased 8.3% to S\$1,060.9 million, mainly due to lower handset sales volume. Service revenue decreased 2.0% to S\$805.5 million, due to lower international call services and roaming revenues.

MOBILE TELECOMMUNICATIONS REVENUE

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
Mobile telecommunications revenue			
Postpaid	569.7	590.8	-3.6%
Prepaid	70.3	76.9	-8.6%
Total	640.0	667.7	-4.2%
Average revenue per user (ARPU, S\$ per month)			
Postpaid (excludes Data Plan)	S\$58.0	S\$61.7	-6.0%
Postpaid (excludes Data Plan and adjusted) ¹	S\$50.3	S\$54.2	-7.2%
Data plan	S\$14.8	S\$17.1	-13.5%
Prepaid	S\$12.2	S\$14.7	-17.0%
Fibre Broadband	S\$45.1	S\$46.7	-3.4%
Mobile data as a % of service revenue	54.0%	46.3%	

¹ After adjustment for ARPU allocated to handset sales

Mobile telecommunications revenue decreased 4.2% to S\$640.0 million. Segmentally, postpaid revenue decreased 3.6% to S\$569.7 million due to lower voice and roaming revenues. Prepaid revenue at S\$70.3 million was 8.6% lower year-on-year due to lower voice traffic.

Mobile data revenue continued to grow with average smartphone data usage increasing to 3.6GB per month in the fourth quarter of 2016 from 3.3GB per month a year ago. Accordingly, mobile data revenue increased 7.7 percentage points year-on-year to 54.0% of service revenue.

FINANCIAL REVIEW

INTERNATIONAL CALL SERVICES REVENUE

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
International call services revenue			
Retail revenue	42.5	53.0	-19.7%
Wholesale and bilateral revenue	18.8	15.8	19.2%
Total	61.3	68.7	-10.8%
Total international retail minutes (in millions)	696	813	-14.3%

International retail minutes decreased 14.3% to 696 million minutes, mainly due to decline in usage to low value destinations. Accordingly, international call services revenue decreased 10.8% to S\$61.3 million.

HANDSET SALES

Handset sales decreased 23.7% to S\$255.4 million as a result of lower sales volume and selling price.

OPERATING EXPENSES

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
Cost of sales	461.5	530.8	-13.1%
Staff costs	115.0	118.2	-2.7%
Advertising and promotion expenses	22.1	24.3	-9.0%
Depreciation and amortisation	126.8	118.4	7.0%
Allowance for doubtful debts	8.4	8.9	-6.1%
Facilities expenses	86.4	82.1	5.3%
Leased circuit costs	31.5	31.7	-0.6%
Other general and administrative expenses	29.3	25.6	14.3%
Total	880.9	940.0	-6.3%

Operating expenses decreased 6.3% to S\$880.9 million, mainly due to lower cost of sales.



COST OF SALES

	Year Ended 31 December		
	2016 S\$m	2015 S\$m	YoY Change
Handset costs	343.9	419.1	-17.9%
Traffic expenses	39.2	39.4	-0.5%
Wholesale costs of fixed services	45.1	38.4	17.5%
Other costs	33.3	34.0	-2.0%
Total	461.5	530.8	-13.1%

Cost of sales decreased 13.1% to S\$461.5 million, driven mainly by lower handset costs. Handset costs decreased 17.9% to S\$343.9 million due to lower sales volume and average unit cost. Wholesale costs of fixed services increased 17.5% to S\$45.1 million as a result of a larger base of fibre customers.

STAFF COSTS

Staff costs decreased 2.7% to S\$115.0 million, due to lower variable performance-based incentive.

ADVERTISING AND PROMOTION EXPENSES

Advertising and promotion expenses decreased 9.0% to S\$22.1 million, due to lower marketing activities.

DEPRECIATION AND AMORTISATION

Depreciation and amortisation expenses increased 7.0% to S\$126.8 million as a result of higher fixed asset base.

ALLOWANCE FOR DOUBTFUL DEBTS

Allowance for doubtful debts decreased 6.1% to S\$8.4 million, due to improved collection.

FACILITIES EXPENSES

Facilities expenses increased 5.3% to S\$86.4 million, driven mainly by higher network maintenance expenses.

LEASED CIRCUIT COSTS

Leased circuit costs at S\$31.5 million was stable year-on-year.

FINANCIAL REVIEW

OTHER GENERAL AND ADMINISTRATIVE EXPENSES

Other general and administrative expenses increased 14.3% to S\$29.3 million, mainly due to higher licence fees provisions.

FINANCE COSTS

Finance costs increased 37.2% to S\$6.7 million, due to higher borrowings and interest rate.

TAXATION

Provision for taxation decreased 27.7% to S\$28.9 million, due to lower profit before tax and overprovision in prior year.

NET PROFIT AFTER TAX

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
Net profit after tax	149.7	178.5	-16.1%
Net profit after tax margin (on service revenue)	18.6%	21.7%	

Net profit after tax at S\$149.7 million was 16.1% lower and net profit after tax margin declined to 18.6% of service revenue.

EBITDA

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
EBITDA	312.1	341.8	-8.7%
EBITDA margin (on service revenue)	38.7%	41.6%	

EBITDA decreased 8.7% to S\$312.1 million.

EBITDA margin as a percentage of service revenue, was lower at 38.7%.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital expenditure incurred for 2016 increased by S\$7.0 million to S\$140.5 million, mainly due to expansion of fibre infrastructure.

Capital commitment as at 31 December 2016 was S\$40.5 million.

LIQUIDITY AND CAPITAL RESOURCES

	Year Ended 31 December		
	2016 S\$'m	2015 S\$'m	YoY Change
Profit before tax	178.6	218.4	-18.2%
Non-cash item and net interest expense adjustments	95.0	80.8	17.6%
Net change in working capital	61.3	(60.1)	-202.0%
Net cash provided by operating activities	334.9	239.1	40.0%
Net cash used in investing activities	(220.2)	(141.8)	-55.2%
Net cash used in financing activities	(113.7)	(110.1)	-3.2%
Net change in cash and cash equivalents	1.0	(12.8)	108.1%
Cash and cash equivalents at beginning of financial year	10.0	22.8	-56.2%
Cash and cash equivalents at end of financial year	11.0	10.0	10.5%
Free cash flow ¹	129.6	105.7	22.6%

¹ Free cash flow refers to net cash provided by operating activities less current year capital expenditure and payment for spectrum rights.

Operating cash flow increased 40.0% to S\$334.9 million. Accordingly, free cash flow was 22.6% higher at S\$129.6 million.

FINANCIAL LEVERAGE

As at 31 December 2016, gearing ratio was 1.0 time compared to 0.8 times as at 31 December 2015. Interest coverage ratio (EBITDA/Interest) was 46.2 times for 2016 compared to 69.5 times for 2015.