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

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.

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

S$500,000

RECORD AMOUNT RAISED FOR OUR ADOPTED CHARITIES

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