

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.



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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



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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



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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.



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- **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