

LETTER TO SHAREHOLDERS

With great ambition and optimism, we look forward to our next 20 years and our role in enabling a digital future for all

In 2017, we celebrated our 20th anniversary. As we reflect on our journey and plan our future, we are mindful that our business environment today is more complex than it has ever been.

Almost every industry is undergoing major changes, catalysed by the latest wave of disruptive technologies. From virtual or augmented reality, to the Internet of Things (IoT), advances in data analytics, cloud solutions and more, digital disruption is building an exciting new future. We see the emergence of new industries and ground-breaking business models across all industries. The telecom sector is not spared. Today, we have to reckon with new competitors from outside our industry. As we evolve, we too are adopting disruptive technologies and building new capabilities quickly.

At M1, it is deeply embedded in our culture to challenge and push boundaries, be ready to quickly adopt new practices, and to collaborate cohesively and with agility in executing our strategic plans. These virtues have been integral to our success in the past 20 years, and they will continue to serve us well in this rapidly-changing market.

Since M1's launch in 1997, we have built a strong reputation for our innovation, excellent service and network quality. In our short history, we have constantly challenged the status quo and stayed ahead of the curve in anticipating industry trends – first 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). Most recently, in August 2017, we launched Southeast Asia's first commercial nationwide NB-IoT (Narrowband Internet of Things) network, the second such network worldwide. We are proud of our leadership in innovation, and will continue to pioneer more firsts in the telecom industry.

In this digital age, one of our key assets is network data. With advances in data analytics, we can obtain both macro and micro insights into customer behaviour, usage patterns, preferences and interests as they happen. These insights allow us to create increasingly

personalised offerings, improve network performance and enhance the customer experience. In B2B terms, M1 is able to use our unique anonymised data to provide big data solutions to corporate customers.

We will continue to invest in our information and communications technology (ICT) capabilities and strengthen our portfolio of digital services to transform to a Smart Communications Provider to capture new opportunities that the digital economy brings. Our ongoing digitalisation to improve operational efficiencies will generate cost savings while providing our customers with a seamless digital experience.

With great ambition and optimism, we look forward to our next 20 years and our role in enabling a digital future for all.

FINANCIAL HIGHLIGHTS

In 2017, service revenue posted consecutive quarter-on-quarter growth to close the year at S\$828.1 million, 2.8% higher year-on-year. Fixed services revenue grew by a strong 24.5% to S\$129.7 million, and this accounted for 15.7% of service revenue compared to 12.9% a year ago. This growth was driven by a larger customer base and contribution from the corporate segment. International call services revenue decreased 8.9% to S\$55.9 million, on continued mobile data substitution. Operating revenue increased 1.0% to S\$1,071.1 million.

EBITDA decreased by 3.1% to S\$302.4 million mainly due to higher handset loss. Net profit after tax for the year decreased by 11.5% to S\$132.5 million as a result of increased depreciation and amortisation expenses and higher interest expense.

Mobile data usage continued to grow, with 2017 revenue from mobile data increasing 1.7 percentage points year-on-year to 55.7% of service revenue. Average data usage per postpaid smartphone customer increased to 4.3GB per month in the fourth quarter of 2017, compared to 3.6GB per month a year ago.

The Group's balance sheet remains healthy, with net debt-to-EBITDA at 1.3 times as at end 2017.

PERFORMANCE HIGHLIGHTS

M1's total customer base grew to 2.23 million as at end 2017.

Postpaid customer base increased by 45,000 year-on-year to 1.29 million. To cater to our customers' growing mobile data needs, we launched the mySIM³ plans to offer more value, including Singapore's first unlimited data 4G mobile plan, as well as mySIM^e plans with bundled handsets.

We also expanded our unique M1 Data Passport service for customers with the launch of two new regional Data Passports – one for nine ASEAN destinations and the other for 23 Asia destinations. With the M1 Data Passport made available in 56 popular destinations worldwide, the number of M1 customers using our data roaming services has increased more than 50% in 2017, with roaming traffic increasing more than 150%.

For corporate customers, we made available M1 Enterprise Mobile plans in April, offering unlimited local messaging and voice calls, as well as up to 12GB data bundles usable across 56 overseas destinations at attractive rates.

During the year, we introduced two new digital services to enhance customers' digital lifestyle. In April, we launched a new mobile remittance service – M1 Remit. Now, our mobile customers can access real-time exchange rates and remit funds anytime, anywhere, through a mobile app or a browser on their smart device. In September, we launched Asia's first network-based mobile malware detection solution – M1 Mobile Guard to offer always-on protection.

Our prepaid customer base decreased by 25,000 to 747,000, following the shutdown of the 2G network in the second quarter of 2017. During the year, we continued to enhance our prepaid propositions to cater to customers' changing preferences for digital and over-the-top (OTT) services. New prepaid roaming plans, with choice of roaming to 12 or 17 popular destinations, including Australia, Hong Kong, Japan, New Zealand and the United States, were launched in June. The M1 Prepaid Portal and M1 Prepaid

App were also made available to enable our prepaid customers to conveniently check balances, top up and purchase data packs that meet their needs.

Fibre customer base increased by 29,000 to 189,000, driven by our competitive service plans, tactical promotions and bundled solutions such as mesh WiFi systems.

We continued to make inroads into the corporate and government segment with major contract wins. This segment continues to grow and currently makes up around 50% of our fixed services revenue. We have also strengthened our product and service offerings, and capabilities in areas such as ICT solutions. In October, we launched the world's first symmetrical 10Gbps PON (passive optical network) connectivity service, as well as our next-generation unified operations monitoring centre for real-time monitoring of network services and IT infrastructure in both private and public clouds.

OUTLOOK

In the near term, market conditions will remain challenging.

The anticipated entry of new mobile service providers in 2018 is likely to ramp up competitive intensity. As a highly customer-centric company backed by quality assets and strong capabilities, M1 is poised to compete. We will continue to improve our services, deepen our segmented offerings and deliver superior customer experience to attract and retain customers.

We are well-placed to capture new opportunities in the IoT and Smart Nation space. As a leading IoT solutions provider, we continue to partner world-class solution providers to expand the suite of IoT products and services for various sectors. However, as it is a new technology and the ecosystem is evolving, mass adoption will take time.

Our Corporate and ICT business will continue to grow. We are building and acquiring competencies, and forming key partnerships with technology and solution providers, to strengthen and expand our corporate solutions, such

A YEAR OF PROGRESS



2.8%
higher service
revenue year-on-year,
closing the year
at S\$828.1m



1.3
times net
debt-to-EBITDA
as at end 2017



2.23m
total customer
base as at end 2017

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As a leading IoT solution provider, we are well-placed to capture new opportunities in the IoT and Smart Nation Space

as in areas of managed infrastructure and security solutions, Smart Nation initiatives, as well as cloud and data analytics.

From strengthening our core connectivity infrastructure, building digital and ICT capabilities, to digitalising our operations, we are on track to transform into a Smart Communications Provider and build new revenue streams that will deliver growth and long-term value for our stakeholders.

CORPORATE CITIZENSHIP

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

We constantly update our products and services to offer meaningful value to customers and society at large. In our multi-year partnership with Info-communications Media Development Authority (IMDA) as the appointed vendor for its NEU PC Plus Programme, Home Access Programme and Digital TV Assistance Scheme, M1 has helped to enable thousands of students and underprivileged households to access and enjoy the benefits of communications technology.

In all our business operations, we act responsibly and ethically, complying with laws and regulations, and supporting voluntary and best practice guidelines. Aligning with our own business values and principles, our Supplier Code of Conduct sets out the ethical standards we expect our suppliers to meet or exceed regarding issues such as human rights, health and safety, and environmental protection.

Our people are key to the success of our business, and we offer every opportunity for them to realise their potential at M1, progressing their careers in a safe, welcoming and inclusive environment. Employees are encouraged to further their knowledge

and broaden their skill sets through in-house training programmes, as well as external courses and longer-term learning such as post-graduate study. Reflecting this aim, the number of training courses attended by M1 employees rose by 30% in 2017 compared to the previous year.

We celebrate workplace equality and diversity – rewarding people on their capabilities and experience – regardless of gender, age or ethnicity. We have a strong culture of collaboration across functions, with robust processes and policies in place to support organisational growth. This enhances our ability to innovate and adapt to change. With active staff engagement, we align our people to our corporate objectives and motivate them to work together to achieve our goals.

We continually review our business operations to identify ways to reduce our impact on the environment while still increasing productivity and delivering consistent quality service to our customers. For example, an increase in the use of recycled NEWater for equipment cooling purposes at various M1 sites has reduced our consumption of potable water, from 100% in 2014 to 77% in 2017. We will continue our efforts to conserve resources in our networks, facilities and general operations.

Within the community, we continue to focus on our support of the arts, sports events and adopted charities. In 2017, we contributed more than S\$1.9 million to the community, through direct sponsorships, donations and funds raised.

Since launching commercial operations in 1997, M1 has supported the arts as we believe a thriving arts scene is important in enriching quality of life and strengthening social bonds in our multi-cultural nation. In 2017, we were accorded the National Arts Council Patron of the Arts Award for the 18th consecutive year in recognition of our sustained contribution to the arts.

The importance we place on the values that are instilled by sports has driven our ongoing support for netball in Singapore. Our association with the sport began in 2009 and, over the

years, we have sponsored schools and community netball initiatives from primary schools to national level. Combining our support for netball with our support for underprivileged children and youths-at-risk, we organised a charity exhibition match between M1 management and Singapore Members of Parliament in 2017, and in appreciation, pledged S\$50,000 to the beneficiaries of our adopted charities.

Further fundraising activities during the year raised more than S\$500,000 for these charities, while staff volunteers dedicated their time to organising regular outings for the underprivileged young beneficiaries.

DISTRIBUTION TO SHAREHOLDERS

M1 remains committed to maintaining a sustainable dividend policy that will enhance long-term shareholder value. For 2017, the Board of Directors has proposed a final dividend of 6.2 cents, bringing total dividends declared to 11.4 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

Firstly, on behalf of the Board, we would like to thank former Chairman Mr Choo Chiau Beng for his strong leadership, dedication and invaluable contribution to M1 during his three years on the Board. Mr Choo, who stepped down from the Board on 1 January 2018, strategically guided the Company through a fast-evolving telecommunications market with his dedicated service, business acumen and drive.

The Board would also like to thank Mr Alan Ow for his dedicated service to the M1 Board since February 2009. Mr Ow retires from office at the Annual General Meeting on 11 April 2018 and

will not be seeking re-appointment. As Chairman of the Audit Committee and member of the Remuneration and Risk Committees, he has contributed significantly to the M1 Board, particularly on audit, risk management and governance matters.

We welcome Mr Tan Wah Yeow to the Board as our new Independent Non-Executive Director and look forward to tapping his varied skills and deep experience.

In closing, we wish to thank our customers and shareholders for making the journey with us, as well as all staff of M1 who put forward their best at work every day, undeterred by the relentless pace of competition and industry shifts. With M1's collective strength, we will forge ahead to strengthen our market position in the digital world, excited about our opportunities and confident in meeting a vibrant future.

DANNY TEOH LEONG KAY
Chairman

KAREN KOOI LEE WAH
Chief Executive Officer

CORPORATE CITIZENSHIP



OUR BUSINESS

Supplier code of conduct which sets ethical standards implemented across M1's entire supply chain



OUR PEOPLE

M1 employees attended 30% more training courses in 2017



OUR COMMUNITY

More than S\$1.9 million contributed to community programmes