



Third Quarter 2016 Financial Statement Announcement

TABLE OF CONTENTS	Page No:
1(a) Consolidated Statement of Comprehensive Income	1
1(b) Statements of Financial Position	2
1(c) Consolidated Cash Flow Statement	3
1(d) Statements of Changes In Equity	4
1(e) Notes to Financial Statements	8
2(a) Negative Assurance	11
2(b) Audit / Review	11
3 Basis of Preparation	11
4 Accounting Policies	11
5 Earnings Per Share	12
6 Net Asset Value	12
7,8 Dividend	12
9 Significant Related Party Transactions	13
10 Interested Person Transactions	13
11 Review of Performance of the Group	13
12 Auditors' Report	14
13 Review of Performance	14
14 Variance From Prospect Statement	21
15 Outlook	21
16 Confirmation that the issuer has procured undertakings from all its Directors and Executive Officers	22

Notes:

(1) Numbers in all tables may not exactly add due to rounding.



1(a) Consolidated Statement of Comprehensive Income for:

		3Q2016	3Q2015		9mth2016	9mth2015	
	Note	S\$m	S\$m	Change	S\$m	S\$m	Change
Operating revenue	(i)	249.1	277.6	-10.3%	747.0	849.3	-12.0%
Operating expenses	(ii)	(207.8)	(223.0)	-6.8%	(604.2)	(684.9)	-11.8%
Other revenue		1.4	1.5	-2.8%	3.9	3.0	26.6%
Finance costs		(1.9)	(1.3)	43.6%	(4.7)	(3.6)	32.0%
Profit before tax		40.8	54.7	-25.5%	142.0	163.8	-13.4%
Taxation	(iii)	(6.4)	(9.9)	-34.9%	(24.1)	(29.0)	-16.9%
Net profit		34.4	44.9	-23.4%	117.9	134.9	-12.6%
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		34.4	44.9	-23.4%	117.9	134.9	-12.6%
Earnings per share (cents)							
Basic		3.7	4.8	-22.8%	12.7	14.4	-12.2%
Diluted		3.7	4.8	-22.8%	12.6	14.4	-12.0%
EBITDA (S\$m)		74.6	86.6	-13.9%	240.0	253.6	-5.3%

The net profit included the following:

	3Q2016	3Q2015	9mth2016	9mth2015
	S\$m	S\$m	S\$m	S\$m
Other revenue including interest income	(1.4)	(1.5)	(3.9)	(3.0)
Interest on borrowings	1.9	1.3	4.7	3.6
Depreciation and amortisation	31.9	30.6	93.3	86.1
Allowance for doubtful debts and bad debts written off	1.9	2.6	6.2	6.4
Write-back for inventory obsolescence	-	-	(0.6)	-
Foreign exchange (gain)/loss, net	(0.2)	(1.2)	0.2	(0.5)
(Gain)/loss on disposal of fixed assets	(*)	(*)	*	(0.1)

* Denotes less than S\$0.05 million



1(b) Statements of Financial Position as at:

	Note	Group		Company	
		30 Sept 2016 S\$'m	31 Dec 2015 S\$'m	30 Sept 2016 S\$'m	31 Dec 2015 S\$'m
Non-current assets:					
Fixed assets		730.4	713.9	713.5	697.3
Licences and spectrum rights		142.5	89.1	142.5	89.1
Other intangibles		14.4	13.8	*	0.1
Staff loans		0.4	0.2	0.4	0.2
Long-term investments		16.2	8.5	-	-
Interest in subsidiaries		-	-	7.1	7.1
Due from subsidiaries		-	-	33.1	25.4
		<u>903.9</u>	<u>825.5</u>	<u>896.6</u>	<u>819.2</u>
Current assets:					
Inventories		28.9	51.5	*	*
Trade debtors	(iv)	149.1	165.9	143.5	161.7
Other debtors		16.1	20.5	9.9	15.0
Prepayments		11.1	12.4	10.7	12.0
Due from related companies		*	0.2	-	0.7
Cash and cash equivalents	(v)	9.7	10.0	8.8	9.2
		<u>214.8</u>	<u>260.5</u>	<u>172.8</u>	<u>198.6</u>
Current liabilities:					
Creditors and accruals		(174.9)	(145.5)	(117.0)	(110.7)
Unearned revenue		(29.9)	(25.5)	(27.2)	(23.1)
Due to related companies		(0.2)	(0.2)	(52.4)	(0.1)
Borrowings	(vi)	(151.3)	(353.8)	(151.3)	(353.8)
Taxation		(27.8)	(36.8)	(24.6)	(33.4)
		<u>(384.2)</u>	<u>(561.8)</u>	<u>(372.5)</u>	<u>(521.2)</u>
Net current liabilities		(169.3)	(301.3)	(199.6)	(322.6)
Non-current liabilities:					
Borrowings	(vi)	(250.0)	-	(250.0)	-
Deferred tax liabilities		(113.5)	(110.9)	(113.9)	(111.4)
Net assets		<u>371.1</u>	<u>413.2</u>	<u>333.0</u>	<u>385.2</u>
Represented by:					
Share capital		217.2	217.1	217.2	217.1
Share option reserve		6.3	5.6	6.3	5.6
Treasury Shares		(18.6)	-	(18.6)	-
Retained profits		166.2	190.5	128.1	162.6
Total shareholders' equity		<u>371.1</u>	<u>413.2</u>	<u>333.0</u>	<u>385.2</u>

* Denotes less than S\$0.05 million



1(c) Consolidated Cash Flow Statement for:

	3Q2016	3Q2015	9mth2016	9mth2015
	S\$'m	S\$'m	S\$'m	S\$'m
Cash flows from operating activities:				
Profit before tax	40.8	54.7	142.0	163.8
Adjustments for:				
Share option expenses	0.2	0.5	0.8	1.6
Depreciation of fixed assets	28.3	27.0	82.6	76.7
Gain on disposal of fixed assets	(*)	(*)	*	(0.1)
Amortisation	3.6	3.6	10.8	9.5
Interest income	(*)	(*)	(*)	(*)
Interest on borrowings	1.9	1.3	4.7	3.6
Operating cash flows before working capital changes	74.8	87.1	240.8	255.0
Changes in:				
Inventories	(10.8)	(8.3)	22.6	(9.2)
Trade debtors	(6.2)	1.4	16.8	(5.3)
Other debtors	3.7	(4.6)	4.4	(4.3)
Prepayments	(1.1)	(2.8)	1.3	(1.6)
Non-current staff loans	(0.1)	*	(0.2)	*
Creditors and accruals	47.0	24.6	27.4	17.9
Unearned revenue	3.6	0.8	4.4	(2.7)
Related companies	0.1	(0.3)	0.3	0.2
Changes in working capital	36.3	11.0	77.0	(4.9)
Interest received	*	*	*	*
Interest paid	(0.2)	(0.3)	(2.8)	(2.6)
Payment of tax	(13.1)	(19.8)	(30.5)	(39.8)
Net cash flows from operating activities	97.8	78.0	284.6	207.7
Cash flows from investing activities:				
Purchase of fixed assets	(26.7)	(26.4)	(99.1)	(91.5)
Purchase of intangible assets	(0.7)	-	(0.7)	-
Purchase of spectrum rights	(64.1)	-	(64.1)	-
Purchase of long-term investment	(6.7)	-	(7.7)	-
Proceeds from disposal of fixed assets	*	*	*	0.1
Net cash flows used in investing activities	(98.2)	(26.4)	(171.6)	(91.4)
Cash flows from financing activities:				
Proceeds from loans	87.8	43.0	145.9	151.5
Repayment of term loans	(21.5)	(36.1)	(98.4)	(102.4)
Purchase of treasury shares	-	-	(19.3)	-
Proceeds from issuance of ordinary shares on exercise of employee share options	0.6	0.2	0.7	14.9
Dividends paid to shareholders	(65.1)	(65.6)	(142.3)	(177.0)
Net cash flows used in financing activities	1.8	(58.5)	(113.4)	(113.1)
Net changes in cash and cash equivalents	1.5	(6.9)	(0.3)	3.3
Cash and cash equivalents at beginning of financial period	8.2	33.0	10.0	22.8
Cash and cash equivalents at end of financial period	9.7	26.1	9.7	26.1

* Denotes less than S\$0.05 million



1(d) (i) Statements of Changes in Equity:

Group	Attributable to Equity Holders of the Company				
	Share Capital S\$'m	Share Option Reserve S\$'m	Treasury Shares S\$'m	Retained Profits S\$'m	Total S\$'m
As at 1 January 2016	217.1	5.6	-	190.5	413.2
Total comprehensive income for the period	-	-	-	42.5	42.5
Issuance of ordinary shares on exercise					
of employee share options	0.1	-	-	-	0.1
Expenses on share options	-	0.2	-	-	0.2
Purchase of treasury shares	-	-	(19.3)	-	(19.3)
As at 31 March 2016	217.2	5.8	(19.3)	233.1	436.7
Total comprehensive income for the period	-	-	-	41.0	41.0
Issuance of ordinary shares on exercise					
of employee share options	(*)	(*)	-	-	(*)
Expenses on share options	-	0.4	-	-	0.4
Treasury shares transferred pursuant to share option plans	-	-	*	-	*
Dividends	-	-	-	(77.2)	(77.2)
As at 30 June 2016	217.2	6.1	(19.3)	196.9	400.9
Total comprehensive income for the period	-	-	-	34.4	34.4
Issuance of ordinary shares on exercise					
of employee share options	0.7	(0.1)	-	-	0.6
Expenses on share options	-	0.2	-	-	0.2
Treasury shares transferred pursuant to share option plans	(0.7)	-	0.7	-	0.0
Dividends	-	-	-	(65.1)	(65.1)
As at 30 September 2016	217.2	6.3	(18.6)	166.2	371.1

* Denotes less than S\$0.05 million



Group

Attributable to Equity Holders of the Company

	Share Capital	Share Option Reserve	Retained Profits	Total
	S\$'m	S\$'m	S\$'m	S\$'m
As at 1 January 2015	200.6	4.9	189.1	394.6
Total comprehensive income for the period	-	-	45.7	45.7
Issuance of ordinary shares on exercise of employee share options	10.3	(0.8)	-	9.5
Expenses on share options	-	0.5	-	0.5
As at 31 March 2015	211.0	4.6	234.7	450.3
Total comprehensive income for the period	-	-	44.3	44.3
Issuance of ordinary shares on exercise of employee share options	5.5	(0.5)	-	5.1
Expenses on share options	-	0.5	-	0.5
Dividends	-	-	(111.4)	(111.4)
As at 30 June 2015	216.5	4.7	167.6	388.9
Total comprehensive income for the period	-	-	44.9	44.9
Issuance of ordinary shares on exercise of employee share options	0.3	(*)	-	0.3
Expenses on share options	-	0.5	-	0.5
Dividends	-	-	(65.6)	(65.6)
As at 30 September 2015	216.8	5.1	146.9	368.8

* Denotes less than S\$0.05 million



Company	Attributable to Equity Holders of the Company				
	Share Capital	Share Option Reserve	Treasury Shares	Retained Profits	Total
	S\$'m	S\$'m	S\$'m	S\$'m	S\$'m
As at 1 January 2016	217.1	5.6	-	162.6	385.2
Total comprehensive income for the period	-	-	-	39.8	39.8
Issuance of ordinary shares on exercise of employee share options	0.1	-	-	-	0.1
Expenses on share options	-	0.2	-	-	0.2
Purchase of treasury shares	-	-	(19.3)	-	(19.3)
As at 31 March 2016	217.2	5.8	(19.3)	202.4	406.0
Total comprehensive income for the period	-	-	-	38.7	38.7
Issuance of ordinary shares on exercise of employee share options	(*)	(*)	-	-	(*)
Expenses on share options	-	0.4	-	-	0.4
Treasury shares transferred pursuant to share option plans	-	-	*	-	*
Dividends	-	-	-	(77.2)	(77.2)
As at 30 June 2016	217.2	6.1	(19.3)	163.9	367.9
Total comprehensive income for the period	-	-	-	29.3	29.3
Issuance of ordinary shares on exercise of employee share options	0.7	(0.1)	-	-	0.6
Expenses on share options	-	0.2	-	-	0.2
Treasury shares transferred pursuant to share option plans	(0.7)	-	0.7	-	-
Dividends	-	-	-	(65.1)	(65.1)
As at 30 September 2016	217.2	6.3	(18.6)	128.1	333.0

* Denotes less than S\$0.05 million



Company

	Attributable to Equity Holders of the Company			
	Share Capital S\$'m	Share Option Reserve S\$'m	Retained Profits S\$'m	Total S\$'m
As at 1 January 2015	200.6	4.9	176.8	382.3
Total comprehensive income for the period	-	-	48.7	48.7
Issuance of ordinary shares on exercise of employee share options	10.3	(0.8)	-	9.5
Expenses on share options	-	0.5	-	0.5
As at 31 March 2015	210.9	4.6	225.5	441.0
Total comprehensive income for the period	-	-	47.8	47.8
Issuance of ordinary shares on exercise of employee share options	5.5	(0.5)	-	5.1
Expenses on share options	-	0.5	-	0.5
Dividends	-	-	(111.4)	(111.4)
As at 30 June 2015	216.4	4.7	161.9	383.0
Total comprehensive income for the period	-	-	28.3	28.3
Issuance of ordinary shares on exercise of employee share options	0.3	(*)	-	0.3
Expenses on share options	-	0.5	-	0.5
Dividends	-	-	(65.6)	(65.6)
As at 30 September 2015	216.8	5.1	124.7	346.6

* Denotes less than S\$0.05 million



1(d) (ii) Changes in Company's share capital

	Share options		Ordinary shares		Treasury shares	
	3Q2016	3Q2015	3Q2016	3Q2015	3Q2016	3Q2015
As at 1 July	38,297,700	30,292,700	929,742,782	936,942,782	7,495,000	-
Exercised during the financial period	(280,000)	(130,000)	280,000	130,000	-	-
Cancelled during the financial period	(810,000)	(225,000)	-	-	-	-
Treasury shares transferred pursuant to share option plans	-	-	-	-	(280,000)	-
As at 30 September	37,207,700	29,937,700	930,022,782	937,072,782	7,215,000	-

1(e) Notes to Financial Statements

(i) Operating Revenue

	Group		Group	
	3Q2016	3Q2015	9mth2016	9mth2015
	SS'm	SS'm	SS'm	SS'm
Operating revenue				
Mobile telecommunications services	155.2	166.2	481.6	499.3
International call services	14.9	16.7	45.8	52.7
Fixed services	27.0	21.6	77.1	61.1
Total service revenue	197.1	204.6	604.5	613.1
Handset sales	51.9	73.0	142.6	236.1
Total	249.1	277.6	747.0	849.3

(ii) Operating Expenses

	Group		Group	
	3Q2016	3Q2015	9mth2016	9mth2015
	SS'm	SS'm	SS'm	SS'm
Cost of sales	101.8	119.3	294.6	380.9
Staff costs	29.1	30.9	85.5	89.7
Advertising and promotion expenses	6.3	5.1	15.8	17.4
Depreciation and amortisation	31.9	30.6	93.3	86.1
Allowance for doubtful debts	1.9	2.6	6.2	6.4
Facilities expenses	21.7	21.0	63.9	62.5
Leased circuit costs	7.9	7.9	23.5	23.8
Licence fees	1.5	0.4	3.1	1.6
Other general and administrative expenses	6.1	6.5	18.1	16.9
Foreign exchange (gain)/loss	(0.2)	(1.2)	0.2	(0.5)
Total	207.8	223.0	604.2	684.9



(iii) Taxation

Major components of income tax expense for the periods ended 30 September were:

	Group		Group	
	3Q2016	3Q2015	9mth2016	9mth2015
	S\$'m	S\$'m	S\$'m	S\$'m
Current tax				
- Current provision	9.6	10.3	24.7	26.7
- Over provision in prior year	(3.1)	-	(3.1)	-
Deferred tax				
- Movement in temporary differences	(*)	(0.5)	2.5	2.3
Income tax expense	6.4	9.9	24.1	29.0

* Denotes less than S\$0.05 million

(iv) Trade debtors

	Group		Company	
	30 Sept 2016	31 Dec 2015	30 Sept 2016	31 Dec 2015
	S\$'m	S\$'m	S\$'m	S\$'m
Mobile and fixed services				
- Billed	56.8	56.0	56.8	56.0
- Accrued service revenue	15.2	16.9	15.2	16.9
- Accrued handsets revenue	67.0	91.1	67.0	91.1
Others				
- Billed	22.5	14.5	16.7	10.1
- Accrued	0.9	1.8	0.9	1.8
	162.4	180.3	156.6	175.9
Allowance for doubtful debts	(13.3)	(14.4)	(13.1)	(14.3)
	149.1	165.9	143.5	161.7

(v) Cash and cash equivalents comprise:

	Group		Company	
	30 Sept 2016	31 Dec 2015	30 Sept 2016	31 Dec 2015
	S\$'m	S\$'m	S\$'m	S\$'m
Cash and bank balances	9.7	10.0	8.8	9.2
	9.7	10.0	8.8	9.2



(vi) Aggregate amount of Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 September 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
Nil	S\$151.3m	Nil	S\$353.8m

Amount repayable after one year

As at 30 September 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
Nil	S\$250.0m	Nil	Nil

Details of any collateral

None.

The S\$250 million term loan was refinanced in May 2016 at an effective interest rate of 2.65% per annum and is repayable in full in May 2021.



2(a) NEGATIVE ASSURANCE

We, CHOO CHIAU BENG and KAREN KOOI, being two directors of M1 Limited (the “Company”) do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company that may render the Third Quarter and Nine Months Ended 30 September 2016 financial results to be false or misleading.

On behalf of the directors

CHOO CHIAU BENG
Chairman

KAREN KOOI
Director

Singapore
18 October 2016

2(b) AUDIT/ REVIEW

The figures have not been audited or reviewed in accordance with Singapore Standard on Review Engagements (“SSRE”) 2410.

3. BASIS OF PREPARATION

The condensed interim consolidated statement of comprehensive income of the Group and the statements of financial position and statements of changes in equity of the Group and Company have been prepared in accordance with Singapore Financial Reporting Standard (“FRS”) 34, Interim Financial Reporting.

The financial statements have been prepared on a historical cost basis.

4. ACCOUNTING POLICIES

The Group and Company has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current period as compared with the audited financial statements for the year ended 31 December 2015, except for the adoption of new or revised Financial Reporting Standards (“FRS”) and Interpretations to FRS (“INT FRS”) which became effective from this financial year. The adoption of these new or revised FRS and INT FRS does not have any significant impact on the financial statements of the Group and the Company.



5. EARNINGS PER SHARE

Earnings per ordinary share of the Group based on the net profit attributable to shareholders:-

	3Q2016	3Q2015	Change	9mth2016	9mth2015	Change
(i) Based on weighted average number of shares	3.7 cts	4.8 cts	-22.8%	12.7 cts	14.4 cts	-12.2%
- Weighted average number of shares ('000)	929,894	937,020	-0.8%	931,810	935,593	-0.4%
(ii) On fully diluted basis	3.7 cts	4.8 cts	-22.8%	12.6 cts	14.4 cts	-12.0%
- Adjusted weighted average number of shares ('000)	930,632	938,393	-0.8%	932,191	938,451	-0.7%

6. NET ASSET VALUE

	Group		Company	
	30 Sept 2016	31 Dec 2015	30 Sept 2016	31 Dec 2015
Net asset value per share (cents)	39.9	44.1	35.8	41.1

7. DIVIDEND

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

8. If no dividend have been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for the financial period.



9. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following were significant transactions entered into by the Group and related parties who are not members of the Group at market rates during the quarter:

	3Q2016	3Q2015	9mth2016	9mth2015
	S\$'m	S\$'m	S\$'m	S\$'m
Sales	(0.5)	(3.2)	(7.6)	(10.3)
Purchases	4.5	4.0	15.5	14.0

10. INTERESTED PERSON TRANSACTIONS

Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S\$100,000).

	3Q2016	3Q2015	9mth2016	9mth2015
	S\$'000	S\$'000	S\$'000	S\$'000
Transactions for the purchase of goods and services				
Singapore Telecommunications Limited & its associates	2,154	1,077	6,189	3,537
Telekom Malaysia Berhad	2,547	1,482	8,408	6,522
Axiata Group Berhad	147	141	447	412
Keppel Logistics Pte Ltd	354	268	1,026	804
CapitaMall Trust	336	335	990	1,018
Starhub Ltd & its associates	1,680	1,652	5,370	3,426
Temasek Holdings (Private) Limited & its associates	1,552	952	3,820	6,065
Transactions for the sale of goods and services				
Singapore Telecommunications Limited & its associates	557	-	1,224	429
Telekom Malaysia Berhad	-	2,174	5,789	7,211
Axiata Group Berhad	144	164	233	275
Starhub Ltd & its associates	-	-	215	429
Temasek Holdings (Private) Limited & its associates	-	200	-	446
Total Interested Person Transactions	9,471	8,445	33,711	30,573

11. REVIEW OF PERFORMANCE OF THE GROUP

Please refer to the Management Discussion and Analysis of the Group for the third quarter and nine-month financial results ended 30 September 2016.



12. AUDITORS' REPORT

Not applicable.

13. REVIEW OF PERFORMANCE

	<u>Group</u>			<u>Group</u>			<u>Group</u>		<u>Change</u>
	<u>3Q2016</u>	<u>3Q2015</u>	<u>YoY</u>	<u>9mth2016</u>	<u>9mth2015</u>	<u>YoY</u>	<u>2Q2016</u>		<u>(3Q2016</u>
	<u>S\$'m</u>	<u>S\$'m</u>	<u>Change</u>	<u>S\$'m</u>	<u>S\$'m</u>	<u>Change</u>	<u>S\$'m</u>		<u>vs</u>
									<u>2Q2016)</u>
<u>Revenues</u>									
Operating revenue									
Mobile telecommunications services	155.2	166.2	-6.6%	481.6	499.3	-3.5%	163.0		-4.8%
International call services	14.9	16.7	-10.9%	45.8	52.7	-13.0%	15.3		-2.8%
Fixed services	27.0	21.6	24.9%	77.1	61.1	26.1%	25.6		5.8%
Total service revenue	197.1	204.6	-3.6%	604.5	613.1	-1.4%	203.9		-3.3%
Handset sales	51.9	73.0	-28.9%	142.6	236.1	-39.6%	36.4		42.6%
Total	249.1	277.6	-10.3%	747.0	849.3	-12.0%	240.4		3.6%
<u>Key Drivers</u>									
Number of customers ('000)									
Postpaid	1,232	1,180	4.4%	1,232	1,180	4.4%	1,222		0.9%
Prepaid	762	711	7.2%	762	711	7.2%	758		0.5%
Total Mobile	1,994	1,891	5.4%	1,994	1,891	5.4%	1,979		0.7%
Fibre	152	120	26.2%	152	120	26.2%	145		4.6%
Total	2,146	2,011	6.7%	2,146	2,011	6.7%	2,124		1.0%
Mobile market share ^									
Postpaid	24.7%	24.6%	-	24.7%	24.6%	-	24.7%		-
Prepaid	22.2%	21.2%	-	22.2%	21.2%	-	22.2%		-
Overall	23.7%	23.2%	-	23.7%	23.2%	-	23.7%		-
Mobile penetration rate ^	148.9%	147.5%	-	148.9%	147.5%	-	148.2%		-
Monthly minutes of use per active customer (per month)									
Postpaid	209	234	-10.7%	213	242	-12.1%	215		-2.9%
Prepaid	196	293	-33.2%	207	305	-32.2%	201		-2.5%
Average monthly churn rate	0.9%	1.0%	-	1.0%	1.0%	-	0.9%		-
Acquisition cost per postpaid customer	S\$357	S\$313	14.1%	S\$336	S\$349	-3.7%	S\$329		8.5%

^ Based on latest published statistics.



13.1 Operating Revenue

YoY, operating revenue at \$249.1m for 3Q2016 and \$747.0m for 9M2016 were 10.3% and 12.0% lower respectively mainly due to lower handset sales. Compared to 2Q2016, it was 3.6% higher.

13.1.1 Key Drivers

As at 30 September 2016, our customer base stood at 2,146,000, 6.7% higher than last year. Compared to 2Q2016, it was 1.0% higher. Market share was 23.7% at end July 2016.

Churn rate was 0.9% for 3Q2016 and 1.0% for 9M2016.

For the quarter, postpaid customer acquisition cost increased 14.1% YoY and 8.5% QoQ to \$357. For 9M2016, it was 3.7% lower.

13.1.2 Mobile Telecommunications Services

	<u>Group</u>		YoY Change	<u>Group</u>		YoY Change	<u>Group</u> Change	
	3Q2016 S\$'m	3Q2015 S\$'m		9mth2016 S\$'m	9mth2015 S\$'m		2Q2016 S\$'m	(3Q2016 vs 2Q2016)
Telecommunications revenue								
Postpaid	137.8	146.7	-6.1%	427.5	441.5	-3.2%	145.0	-5.0%
Prepaid	17.4	19.4	-10.4%	54.1	57.8	-6.5%	18.0	-3.1%
Total	155.2	166.2	-6.6%	481.6	499.3	-3.5%	163.0	-4.8%
ARPU (per month)								
Postpaid (gross)	S\$56.5	S\$61.2	-7.7%	S\$58.3	S\$61.8	-5.7%	S\$59.9	-5.7%
Postpaid (net)	S\$48.3	S\$53.5	-9.7%	S\$50.5	S\$54.3	-7.0%	S\$51.6	-6.4%
Data plan	S\$14.5	S\$16.9	-14.2%	S\$15.0	S\$17.2	-12.8%	S\$14.8	-2.0%
Prepaid	S\$12.0	S\$14.6	-17.8%	S\$12.5	S\$14.9	-16.1%	S\$12.3	-2.4%
Fibre Broadband	S\$45.7	S\$47.3	-3.4%	S\$45.9	S\$46.3	-0.9%	S\$45.1	1.3%
Mobile data contribution as a % of service revenue	54.2%	48.0%		53.8%	44.7%		54.0%	

YoY, mobile telecommunications revenue decreased 6.6% to \$155.2m for 3Q2016 and 3.5% to \$481.6m for 9M2016 mainly due to lower postpaid revenue. Against 2Q2016, it was 4.8% lower.

Postpaid revenue decreased 6.1% YoY to \$137.8m for 3Q2016 and 3.2% to \$427.5m for 9M2016. Compared to 2Q2016, it was 5.0% lower.

Prepaid revenue at \$17.4m for 3Q2016 and \$54.1m for 9M2016 was 10.4% and 6.5% lower YoY respectively. Against 2Q2016, it was 3.1% lower.



Overall, data revenue continued to grow. Data usage has shifted from data only plans to smartphone plans. Average postpaid smartphone data usage increased to 3.4GB per month this quarter from 3.3GB per month a year ago. Accordingly, mobile data contribution increased YoY by 6.2% points to 54.2% for 3Q2016 and 9.1% points to 53.8% for 9M2016 respectively. Against 2Q2016, it was 0.2% point higher.

Data plan ARPU for 3Q2016 was diluted by the bundling with fixed services.

13.1.3 International call services

	<u>Group</u>		YoY Change	<u>Group</u>		YoY Change	<u>Group</u>	Change (3Q2016 vs 2Q2016)
	3Q2016 S\$m	3Q2015 S\$m		9mth2016 S\$m	9mth2015 S\$m		2Q2016 S\$m	
International call services								
Retail revenue	10.4	12.5	-16.6%	32.2	41.1	-21.5%	10.7	-2.4%
Wholesale and bilateral revenue	4.5	4.3	5.7%	13.6	11.7	16.7%	4.7	-3.7%
Total	14.9	16.7	-10.9%	45.8	52.7	-13.0%	15.3	-2.8%
Total international retail minutes (in millions)	175	201	-12.7%	509	627	-18.8%	162	7.9%

YoY, international call services revenue decreased 10.9% to \$14.9m for 3Q2016 and 13.0% to \$45.8m for 9M2016 respectively due to lower retail traffic. Compared to 2Q2016, it was 2.8% lower.

13.1.4 Fixed services

Fixed services grew 24.9% and 26.1% YoY to \$27.0m for 3Q2016 and \$77.1m for 9M2016 respectively due to higher fibre customer base. Against 2Q2016, it grew 5.8%.

13.1.5 Handset sales

YoY, handset sales decreased 28.9% to \$51.9m for 3Q2016 and 39.6% to \$142.6m for 9M2016 respectively due to lower sales volume and selling price. Against 2Q2016, it was 42.6% higher.



13.2 Operating Expenses

	Group			Group			Group		Change (3Q2016 vs 2Q2016)
	3Q2016	3Q2015	YoY	9mth2016	9mth2015	YoY	2Q2016		
	S\$'m	S\$'m	Change	S\$'m	S\$'m	Change	S\$'m		
Cost of sales	101.8	119.3	-14.7%	294.6	380.9	-22.7%	88.0	15.6%	
Staff costs	29.1	30.9	-5.9%	85.5	89.7	-4.7%	29.0	0.2%	
Advertising and promotion expenses	6.3	5.1	23.6%	15.8	17.4	-9.3%	4.9	28.2%	
Depreciation & amortisation	31.9	30.6	4.3%	93.3	86.1	8.4%	31.1	2.5%	
Allowance for doubtful debts	1.9	2.6	-25.4%	6.2	6.4	-3.2%	2.0	-4.1%	
Facilities expenses	21.7	21.0	3.0%	63.9	62.5	2.2%	21.1	2.7%	
Leased circuit costs	7.9	7.9	-0.6%	23.5	23.8	-1.3%	7.9	-0.4%	
Licence fees	1.5	0.4	289.0%	3.1	1.6	94.1%	1.0	51.0%	
Other general & administrative	6.1	6.5	-7.0%	18.1	16.9	7.1%	6.0	2.0%	
Foreign exchange (gain)/loss	(0.2)	(1.2)	-84.8%	0.2	(0.5)	-142.7%	0.2	-179.2%	
Total	207.8	223.0	-6.8%	604.2	684.9	-11.8%	191.1	8.7%	

YoY, operating expenses decreased 6.8% to \$207.8m for 3Q2016 and 11.8% to \$604.2m for 9M2016 mainly due to lower cost of sales. Against 2Q2016, operating expenses was 8.7% higher.

13.2.1 Cost of sales

	Group			Group			Group		Change (3Q2016 vs 2Q2016)
	3Q2016	3Q2015	YoY	9mth2016	9mth2015	YoY	2Q2016		
	S\$'m	S\$'m	Change	S\$'m	S\$'m	Change	S\$'m		
Handset costs	72.8	90.8	-19.8%	209.1	296.7	-29.5%	59.9	21.6%	
Traffic expenses	9.5	9.9	-4.0%	28.6	29.3	-2.3%	9.3	2.2%	
Wholesale costs of fixed services	11.2	10.0	11.7%	33.9	27.8	21.9%	11.5	-3.0%	
Other costs	8.2	8.5	-3.5%	23.0	27.1	-15.1%	7.3	13.1%	
Total	101.8	119.3	-14.7%	294.6	380.9	-22.7%	88.0	15.6%	

Cost of sales decreased 14.7% and 22.7% YoY to \$101.8m for 3Q2016 and \$294.6m for 9M2016 respectively mainly due to lower handset costs. Handset costs for 3Q2016 and 9M2016 were lower YoY due to lower sales volume and unit cost. Traffic expenses at \$9.5m for 3Q2016 and \$28.6m for 9M2016 were 4.0% and 2.3% lower YoY. Compared to 2Q2016, cost of sales increased 15.6% mainly due to higher handset costs. Wholesale costs of fixed services increased 11.7% YoY to \$11.2m for 3Q2016 and 21.9% to \$33.9m for 9M2016 due to higher customer base.



13.2.2 Staff costs

YoY, staff costs decreased 5.9% to \$29.1m for 3Q2016 and 4.7% to \$85.5m for 9M2016 due to lower variable performance-based incentive. Against 2Q2016, it was 0.2% higher.

13.2.3 Advertising and promotion expenses

For the quarter, advertising & promotion expenses increased 23.6% YoY and 28.2% QoQ to \$6.3m due to higher marketing activities. For 9M2016, it was 9.3% lower.

13.2.4 Depreciation and amortisation

Depreciation and amortisation expenses at \$31.9m for 3Q2016 and \$93.3m for 9M2016 were 4.3% and 8.4% higher YoY respectively due to higher fixed asset base. Against 2Q2016, it was 2.5% higher.

13.2.5 Allowance for bad and doubtful debt

For 3Q2016 and 9M2016, doubtful debt allowance decreased 25.4% and 3.2% YoY to \$1.9m and \$6.2m respectively. Against 2Q2016, it was 4.1% lower.

13.2.6 Facilities expenses

Facilities expenses at \$21.7m for 3Q2016 and \$63.9m for 9M2016 were 3.0% and 2.2% higher YoY respectively. Against 2Q2016, it was 2.7% higher.

13.2.7 Leased circuit costs

Leased circuit costs were stable YoY and QoQ at \$7.9m. For 9M2016, it was stable.

13.2.8 Other general and administrative expenses

YoY, other general and administrative expenses decreased 7.0% to \$6.1m for 3Q2016 and increased 7.1% to \$18.1m for 9M2016. Against 2Q2016, it was stable.

13.3 Finance Costs

Compared to last year, finance costs increased 43.6% to \$1.9m for 3Q2016 and 32.0% to \$4.7m for 9M2016 due to higher borrowings and interest rate.

13.4 Taxation

YoY, provision for taxation decreased 34.9% to \$6.4m for 3Q2016 and 16.9% to \$24.1m for 9M2016 due to overprovision in prior year.



13.5 Net Profit

	<u>Group</u>		YoY	<u>Group</u>		YoY	<u>Group</u>	<u>Change</u>
	3Q2016	3Q2015		9mth2016	9mth2015		2Q2016	(3Q2016 vs 2Q2016)
	S\$'m	S\$'m	Change	S\$'m	S\$'m	Change	S\$'m	
Net profit	34.4	44.9	-23.4%	117.9	134.9	-12.6%	41.0	-16.2%
Net profit margin (on service revenue)	17.4%	21.9%		19.5%	22.0%		20.1%	

YoY, net profit at \$34.4m for 3Q2016 and \$117.9m for 9M2016 were 23.4% and 12.6% lower respectively. Compared to the previous quarter, it was 16.2% lower.

Compared to the corresponding periods last year, net profit margin was lower at 17.4% for 3Q2016 and 19.5% for 9M2016. Against 2Q2016, it was 2.7% points lower.

13.6 EBITDA

	<u>Group</u>		YoY	<u>Group</u>		YoY	<u>Group</u>	<u>Change</u>
	3Q2016	3Q2015		9mth2016	9mth2015		2Q2016	(3Q2016 vs 2Q2016)
	S\$'m	S\$'m	Change	S\$'m	S\$'m	Change	S\$'m	
EBITDA	74.6	86.6	-13.9%	240.0	253.6	-5.3%	82.2	-9.2%
EBITDA margin (on service revenue)	37.8%	42.3%		39.7%	41.4%		40.3%	

YoY, EBITDA at \$74.6m for 3Q2016 and \$240.0m for 9M2016 were 13.9% and 5.3% lower respectively. Compared to 2Q2016, it was 9.2% lower.

EBITDA margin, as a percentage of service revenue, was 37.8% for 3Q2016 and 39.7% for 9M2016.

13.7 Capital Expenditure and Commitments

Capital expenditure incurred for 9M2016 was \$99.1m as compared to \$91.5m for 9M2015.

Capital commitment as at 30 September 2016 was \$27.8m.



13.8 Liquidity and Capital Resources

	Group		YoY Change	Group		YoY Change	Group	Change
	3Q2016	3Q2015		9mth2016	9mth2015		2Q2016	(3Q2016 vs 2Q2016)
	S\$'m	S\$'m		S\$'m	S\$'m		S\$'m	
Profit before tax	40.8	54.7	-25.5%	142.0	163.8	-13.4%	49.5	-17.6%
Non-cash item and net interest expense adjustments	20.7	12.3	69.3%	65.6	48.8	34.6%	13.4	54.9%
Net change in working capital	36.3	11.0	230.3%	77.0	(4.9)	@	21.9	65.6%
Net cash provided by operating activities	97.8	78.0	25.4%	284.6	207.7	37.0%	84.8	15.3%
Net cash used in investing activities	(98.2)	(26.4)	-271.9%	(171.6)	(91.4)	-87.7%	(34.5)	-184.5%
Net cash used in financing activities	1.8	(58.5)	103.1%	(113.4)	(113.1)	-0.2%	(53.7)	103.4%
Net change in cash and cash equivalents	1.5	(6.9)	121.3%	(0.3)	3.3	-109.1%	(3.3)	143.9%
Cash and cash equivalents at beginning of financial period	8.2	33.0	-75.1%	10.0	22.8	-56.2%	11.6	-29.0%
Cash and cash equivalents at end of financial period	9.7	26.1	-62.9%	9.7	26.1	-62.9%	8.2	17.9%
Free Cash flow ⁽¹⁾	6.3	51.5	-87.7%	120.7	116.2	3.9%	50.3	-87.4%

@ Denotes more than +/-300%

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

YoY, operating cash flow increased from \$78.0m to \$97.8m for 3Q2016 and from \$207.7m to \$284.6m for 9M2016 due to working capital changes. Against 2Q2016, it was 15.3% higher.

For the quarter, free cash flow decreased 87.7% YoY and 87.4% QoQ to \$6.3m due to payment of \$64m spectrum in Sept 2016. For 9M2016, it was 3.9% higher.

13.9 Gearing and Interest Cover

As at end September 2016, gearing ratio was 1.1 times compared to 0.8 times as at end December 2015. Interest coverage ratio (EBITDA/Interest) was 54.1 times for 3Q2016 compared to 73.9 times for 3Q2015.



13.10 Balance Sheet

Total non-current assets increased 9.5% from \$825.5m as at 31 December 2015 to \$903.9m as at 30 September 2016 mainly due to higher spectrum rights and fixed assets.

Total current assets decreased 17.5% from \$260.5m as at 31 December 2015 to \$214.8m as at 30 September 2016, mainly due to lower inventories and trade debtors balances.

Total current liabilities as at 30 September 2016 was \$384.2m, 31.6% lower than \$561.8m for 31 December 2015 as a result of the reclassification of \$250m term loan from short term to long term borrowings. The term loan has been renewed for another 5 years maturing 23 May 2021.

Against 31 December 2015, total equity as at 30 September 2016 was 10.2% lower at \$371.1m.

14. VARIANCE FROM PROSPECT STATEMENT

For the 9 months ended 30 September 2016, net profit after tax declined 12.6% year-to-date to \$117.9m. This was mainly due to lower service revenue and higher handset loss, as well as higher depreciation and amortisation. The decline was higher than the previous estimate.

15. OUTLOOK

Globally, the telecommunications industry continues to face challenges by disruptive technologies, resulting in decline in traditional revenues. While customers consume more data with over-the-top (OTT) applications, growth in data revenue is likely to be moderated by competitively priced data offerings.

The corporate market remains a growth segment. We continue to build on our suite of cloud-based services bundled with data analytics and connectivity, to further penetrate the corporate and government sectors.

We continue to invest in networks to strengthen our core business. Together with data analytics, internet-of-things (IoT) capabilities and new portfolio of digital solutions, M1 is well-placed to capture new opportunities in the digital space, beyond connectivity.

Based on current outlook and barring unforeseen circumstances, the decline in net profit after tax for the year 2016 is likely to be around the year-to-date range.



16. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

FOO SIANG LARNG
Company Secretary
18 October 2016