MAXIS BERHAD
(867573 - A)
(INCORPORATED IN MALAYSIA)
QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

ANNOUNCEMENT

The Board of Directors of Maxis Berhad ("Maxis" or "the Company") is pleased to announce the following condensed consolidated financial statements for the first quarter ended 31 March 2019 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the audited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		QUARTER ENDED 31/3/2019	QUARTER ENDED 31/3/2018	+ -	PERIOD ENDED 31/3/2019	PERIOD ENDED 31/3/2018	+ -
	Note	RM'm	RM'm	%	RM'm	RM'm	%
Revenue	3	2,232	2,237	*	2,232	2,237	*
Traffic, commissions and other direct costs		(736)	(720)		(736)	(720)	
Spectrum licence fees		(61)	(56)		(61)	(56)	
Network costs		(189)	(200)		(189)	(200)	
Staff and resource costs		(152)	(140)		(152)	(140)	
Operation and maintenance costs		(104)	(64)		(104)	(64)	
Marketing costs		(42)	(39)		(42)	(39)	
Impairment of receivables and deposits, net		(33)	(27)		(33)	(27)	
Government grant and other income		39	48		39	48	
Other operating expenses		(15)	(23)		(15)	(23)	
Depreciation and amortisation		(296)	(235)		(296)	(235)	
Finance income		15	9		15	9	
Finance costs		(114)	(97)		(114)	(97)	
Profit before tax	20	544	693	-22	544	693	-22
Tax expenses	21	(135)	(170)		(135)	(170)	
Profit for the period		409	523	-22	409	523	-22
Attributable to:							
- equity holders of the Company		409	523	-22	409	523	-22
Earnings per share attributable to equity holders of the Company (sen):							
- basic	28	5.2	6.7		5.2	6.7	
- diluted	28	5.2	6.7		5.2	6.7	

Note:
* Less than 1%.

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/3/2019	QUARTER ENDED 31/3/2018	**PERIOD ENDED 31/3/2019**	PERIOD ENDED 31/3/2018
	RM'm	RM'm	**RM'm**	RM'm
Profit for the period	**409**	523	**409**	523
Other comprehensive (expense)/income				
Item that will be reclassified subsequently to profit or loss:				
Net change in cash flow hedge	**(3)**	1	**(3)**	1
Total comprehensive income for the period	**406**	524	**406**	524
Attributable to equity holders of the Company	**406**	524	**406**	524

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	AS AT 31/3/2019 RM'm	AS AT 31/12/2018 RM'm
Non-current assets			
Property, plant and equipment	9	**5,069**	5,189
Intangible assets [(1)]		**10,926**	10,926
Right-of-use assets		**1,016**	-
Financial assets at fair value through other comprehensive income ("FVOCI")		**4**	4
Receivables, deposits and prepayments	25	**1,048**	1,018
Derivative financial instruments	24	**-**	1
Deferred tax assets		**1**	1
		18,064	17,139
Current assets			
Inventories		**32**	16
Receivables, deposits and prepayments	25	**2,058**	2,056
Amounts due from related parties		**32**	30
Derivative financial instruments	24	*****	-
Tax recoverable		**2**	4
Deposits, cash and bank balances		**434**	560
		2,558	2,666
Total assets		**20,622**	19,805
Current liabilities			
Provisions for liabilities and charges		**38**	116
Payables and accruals		**3,796**	4,020
Amounts due to related parties		**14**	5
Borrowings	23	**334**	201
Derivative financial instruments	24	*****	*
Taxation		**268**	199
		4,450	4,541
Net current liabilities		**(1,892)**	(1,875)

Notes:

[(1)] Comprises telecommunications licenses with allocated spectrum rights and goodwill of RM10,707 million and RM219 million respectively, arising from acquisition of subsidiaries.

* Less than RM1 million.

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	AS AT 31/3/2019 RM'm	AS AT 31/12/2018 RM'm
Non-current liabilities			
Provisions for liabilities and charges		**319**	312
Payables and accruals		**182**	168
Borrowings	23	**8,381**	7,439
Derivative financial instruments	24	**2**	-
Deferred tax liabilities		**165**	196
		9,049	8,115
Net assets		**7,123**	7,149
Equity			
Share capital		**2,509**	2,509
Reserves		**4,614**	4,640
Total equity		**7,123**	7,149
Net assets per share (RM)		**0.91**	0.91

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Period ended 31/3/2019	Share capital	Merger relief [(2)]	Reserve arising from reverse acquisition	Other reserves	Retained earnings	Total equity
	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm
Balance as at 31/12/2018, as previously reported	2,509	22,729	(22,729)	119	4,521	7,149
Opening balance adjustments from adoption of MFRS 16	-	-	-	-	(42)	(42)
Restated balance as at 1/1/2019	2,509	22,729	(22,729)	119	4,479	7,107
Profit for the period	-	-	-	-	409	409
Other comprehensive expenses for the period	-	-	-	(3)	-	(3)
Total comprehensive income for the period	-	-	-	(3)	409	406
Dividends for the financial year ended 31 December 2018	-	-	-	-	(391)	(391)
Employee Share Option Scheme ("ESOS") and Long-term Incentive Plan ("LTIP"):						
- share-based payment expense	-	-	-	1	-	1
- shares issued	*	-	-	*	-	*
- share options lapsed	-	-	-	(1)	1	-
Balance as at 31/3/2019	2,509	22,729	(22,729)	116	4,498	7,123

Notes:

(2) Pursuant to Section 60(4)(a) of the Companies Act, 1965, the premium on the shares issued by the Company as consideration for the acquisition of subsidiaries during the financial year ended 31 December 2009 is not recorded as share premium. The difference between the issue price and the nominal value of shares issued is classified as merger relief.

* Less than RM1 million.

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Period ended 31/3/2018	Share capital	Merger relief [(2)]	Reserve arising from reverse acquisition	Other reserves	Retained earnings	Total equity
	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm
Balance as at 31/12/2017, as previously reported	2,469	22,729	(22,729)	151	4,422	7,042
Adjustments from adoption of MFRS 15	-	-	-	-	(97)	(97)
Restated balance as at 31/12/2017	2,469	22,729	(22,729)	151	4,325	6,945
Opening balance adjustments from adoption of MFRS 9	-	-	-	-	(27)	(27)
Restated balance as at 1/1/2018	2,469	22,729	(22,729)	151	4,298	6,918
Profit for the period	-	-	-	-	523	523
Other comprehensive income for the period	-	-	-	1	-	1
Total comprehensive income for the period	-	-	-	1	523	524
Dividends for the financial year ended 31 December 2017	-	-	-	-	(391)	(391)
ESOS and LTIP:						
- share-based payment expense	-	-	-	6	1	7
- shares issued	*	-	-	*	-	*
Incentive arrangement:						
- share-based payment expense	-	-	-	1	-	1
Balance as at 31/3/2018	2,469	22,729	(22,729)	159	4,431	7,059

Notes:

(2) Pursuant to Section 60(4)(a) of the Companies Act, 1965, the premium on the shares issued by the Company as consideration for the acquisition of subsidiaries during the financial year ended 31 December 2009 is not recorded as share premium. The difference between the issue price and the nominal value of shares issued is classified as merger relief.

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	PERIOD ENDED 31/3/2019	PERIOD ENDED 31/3/2018
	RM'm	RM'm
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**409**	523
Adjustments for:		
- non-cash items	**376**	287
- finance costs	**114**	97
- finance income	**(15)**	(9)
- tax expenses	**135**	170
Payments for provision for liabilities and charges	**(93)**	(99)
Operating cash flows before working capital changes	**926**	969
Changes in working capital	**(289)**	(375)
Cash flows from operations	**637**	594
Interest received	**7**	4
Tax paid	**(79)**	(157)
Net cash flows from operating activities	**565**	441
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(140)**	(166)
Proceeds from disposal of property, plant and equipment	*****	-
Net cash flows used in investing activities	**(140)**	(166)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to ESOS	*****	*
Repayment of lease financing	**(31)**	(1)
Payments of finance costs	**(130)**	(109)
Ordinary share dividends paid	**(391)**	(391)
Net cash flows used in financing activities	**(552)**	(501)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(127)**	(226)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	**536**	579
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD[3]	**409**	353

Notes:

(3) The difference between the cash and cash equivalents and deposits, cash and bank balances represent deposits with financial institutions that carry maturity periods of more than three months.

* Less than RM1 million.

1. BASIS OF PREPARATION

The quarterly report has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Bursa Securities Listing Requirements") and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

The significant accounting policies and methods adopted for the unaudited condensed consolidated financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2018, except for changes arising from the adoption of MFRS 16 "Leases" as described below:

Adoption of MFRS 16 "Leases" ("MFRS 16")

The Group has adopted MFRS 16 in the current financial period, where MFRS 16 supersedes MFRS 117 "Leases" and the related interpretations. Under MFRS 16, a lease is a contract (or part of contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases.

MFRS 16 requires the lessee to recognise in the statements of financial position, a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payment for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the statement of profit or loss.

On the date of initial application, the Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption. Right-of-use assets were measured on transition as if the new rules had always been applied.

The adoption of MFRS 16 impacts the Group's financial performance in the current financial period as below:

(a) On the statements of profit or loss, expenses which previously included operating lease rentals within EBITDA as defined in Note 16, were replaced by interest expense on lease liabilities (included within 'finance costs') and amortisation of the right-of-use assets (included within 'depreciation and amortisation').

(b) On the statements of cash flows, operating lease rental outflows previously recorded within 'net cash flows from operating activities' were reclassified as 'net cash flows used in financing activities' for repayment of the principal and interest of lease liabilities.

1. BASIS OF PREPARATION (CONTINUED)

The Group has also adopted the following amendments to MFRS and Issues Committee ("IC") Interpretation that came into effect on 1 January 2019 which did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

• Amendments to MFRS 9	Prepayment Features with Negative Compensation
• Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
• Annual Improvements to MFRSs 2015 – 2017 Cycle	
• IC Interpretation 23	Uncertainty over Income Tax Treatments

MFRS, amendments and improvements to MFRSs and IC Interpretation that are applicable to the Group but not yet effective

The Malaysian Accounting Standards Board had issued the following new standard, amendments and improvements to MFRSs and IC Interpretation, all of which are effective for the financial period beginning on or after 1 January 2020. The Group did not early adopt these new standards, amendments and improvements to MFRSs and IC Interpretation and they are not expected to have a significant effect on its consolidated financial statements:

• Amendments to MFRS 3	Definition of a Business
• Amendments to MFRS 101 and MFRS 108	Definition of Material

2. SEASONAL / CYCLICAL FACTORS

The operations of the Group were not significantly affected by seasonality and cyclical factors.

3. REVENUE

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/3/2019	QUARTER ENDED 31/3/2018	**PERIOD ENDED 31/3/2019**	PERIOD ENDED 31/3/2018
	RM'm	RM'm	**RM'm**	RM'm
Telecommunications and digital services	**1,969**	2,001	**1,969**	2,001
Sale of devices	**263**	236	**263**	236
Total	**2,232**	2,237	**2,232**	2,237
Goods or services transferred:				
- at a point in time	**816**	940	**816**	940
- over time	**1,416**	1,297	**1,416**	1,297
Total	**2,232**	2,237	**2,232**	2,237

4. UNUSUAL ITEMS

Save for those disclosed in Note 16, there were no other significant unusual items affecting the assets, liabilities, equity, net income or cash flows for the three months ended 31 March 2019.

5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the three months ended 31 March 2019.

6. DEBT AND EQUITY SECURITIES

Save for the issuance of 800 ordinary shares under ESOS, there were no other issuance, repurchase and repayment of debts and equity securities by the Group and the Company during the three months ended 31 March 2019.

7. DIVIDENDS PAID

During the three months ended 31 March 2019, fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share totaling to RM391 million in respect of the financial year ended 31 December 2018 was paid on 28 March 2019.

8. SEGMENT REPORTING

Segment reporting is not presented as the Group is primarily engaged in providing integrated telecommunication services in Malaysia.

9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the three months ended 31 March 2019. As at 31 March 2019, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There were no material events subsequent to the end of the financial period up to the date of this report.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the three months ended 31 March 2019.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the normal course of business, there are contingent liabilities arising from legal recourse sought by the Group's customers or vendors and indemnities given to financial institutions on bank guarantees. There were no material losses anticipated as a result of these transactions.

13. CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of reporting date but not recognised as liabilities is as follows:

	RM'm
Property, plant and equipment	319

14. SIGNIFICANT RELATED PARTY DISCLOSURES

The significant related party transactions, balances and commitments described below were carried out in the ordinary course of business and on agreed commercial terms with the related parties.

	Transactions for the financial period ended 31/3/2019	Balances due from/(to) as at 31/3/2019	Commitments as at 31/3/2019	Total balances due from/(to) and commitments as at 31/3/2019
	RM'm	RM'm	RM'm	RM'm
(a) Sales of goods and services to:				
- MEASAT Broadcast Network Systems Sdn. Bhd. [1] (telephony and broadband services)	16	35	-	35
(b) Purchases of goods and services from:				
- MEASAT Global Berhad Group[2] (transponder and teleport lease rental)	13	(5)	(57)	(62)
- Tanjong City Centre Property Management Sdn. Bhd.[3] (rental, signage, parking and utility charges)	8	-	(178)	(178)
- UTSB Management Sdn. Bhd.[3] (corporate management services)	7	(5)	(14)	(19)
- SRG Asia Pacific Sdn. Bhd.[4] (call handling and telemarketing services)	3	(3)	-	(3)
- MBNS Multimedia Technologies Sdn. Bhd. and/or its related corporations[1] (goods and services)	*	*	(3)	(3)

14. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

Notes:

The Group has entered into the above related party transactions with parties whose relationships are set out below.

Usaha Tegas Sdn. Bhd. ("UTSB"), Saudi Telecom Company and Harapan Nusantara Sdn. Bhd. are parties related to the Company, by virtue of having joint control over Binariang GSM Sdn. Bhd. ("BGSM"), pursuant to a shareholders' agreement in relation to BGSM. BGSM is the ultimate holding company of the Company.

The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean is deemed to have an interest in all of the shares of the Company in which UTSB has an interest, PanOcean does not have any economic or beneficial interest in the shares of the Company, as such interest is held subject to the terms of the discretionary trust.

(1) Subsidiary of a company which is an associate of UTSB
(2) Subsidiary of a company in which TAK has a 99.999% direct equity interest
(3) Subsidiary of UTSB
(4) Subsidiary of a company whereby a person connected to TAK has a deemed equity interest
* Less than RM1 million.

15. FAIR VALUE MEASUREMENTS

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 31 March 2019 except as set out below, measured using Level 3 valuation technique:

	CARRYING AMOUNT	FAIR VALUE
	RM'm	RM'm
Financial asset:		
Receivables, deposits and prepayments	**213**	**208**
Financial liability:		
Borrowings		
- Islamic Medium Term Notes	**4,126**	**4,177**

15. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments carried at fair value

The following table represents the assets measured at fair value, using the respective valuation techniques, as at 31 March 2019:

	Level 2	Level 3
	RM'm	RM'm
Financial assets at FVOCI	-	4
Derivative financial instruments (interest rate swap and forward foreign exchange contracts):		
- liabilities	(2)	-

16. ANALYSIS OF PERFORMANCE

Financial indicators (RM'm unless otherwise indicated)	1st Quarter 2019 (unaudited)	4th Quarter 2018 (unaudited)	1st Quarter 2018 (unaudited)	Variance Q1'19 vs Q4'18		Variance Q1'19 vs Q1'18	
				RM'm	%	RM'm	%
Revenue	**2,232**	2,445	2,237	(213)	(9)	(5)	*
Service revenue[(1)]	**1,947**	2,048	1,980	(101)	(5)	(33)	(2)
EBITDA[(2)]	**944**	762	1,023	182	24	(79)	(8)
Adjusted for:							
Unrealised foreign exchange losses	***(6)***	*(9)*	*(17)*				
Upfront spectrum assignment ("SA") fees charged out[(3)]	***15***	*15*	*14*				
Normalised EBITDA	**953**	768	1,020	185	24	(67)	(7)
Normalised EBITDA margin on service revenue (%)	**48.9**	37.5	51.5	NA	11.4	NA	(2.6)
Profit before tax	**544**	364	693	180	49	(149)	(22)
Profit for the period	**409**	266	523	143	54	(114)	(22)
Adjusted for:							
Unrealised foreign exchange losses	***(6)***	*(9)*	*(17)*				
Tax effects of the normalisation adjustments	***1***	*2*	*4*				
Normalised profit for the period	**404**	259	510	145	56	(106)	(21)
Capital expenditure ("Capex")	**127**	524	107	(397)	(76)	20	19
Free cash flow	**264**	217	165	47	22	99	60

Notes:
(1) Service revenue is defined as Group revenue excluding device, hubbing revenue and network income.
(2) Defined as profit before finance income, finance costs, tax, depreciation, amortisation and allowance for write down of identified network costs.
(3) Charge out of SA renewal costs prepaid for license period.
* Less than 1%.

16. ANALYSIS OF PERFORMANCE (CONTINUED)

Operational indicators	1st Quarter 2019	4th Quarter 2018	1st Quarter 2018	Variance Q1'19 vs Q4'18		Variance Q1'19 vs Q1'18	
				'000	%	'000	%
Revenue generating subscriptions ("RGS") ('000)	**9,842**	9,868	9,849	(26)	*	(7)	*
- Postpaid	***3,261***	*3,135*	*2,912*	*126*	*4*	*349*	*12*
- Prepaid	***6,467***	*6,610*	*6,786*	*(143)*	*(2)*	*(319)*	*(5)*
- Wireless Broadband	***114***	*123*	*151*	*(9)*	*(7)*	*(37)*	*(25)*
ARPU (Monthly) (RM)							
- Postpaid	***88***	*94*	*92*	*(6)*	*(6)*	*(4)*	*(4)*
- Prepaid	***40***	*42*	*41*	*(2)*	*(5)*	*(1)*	*(2)*
- Wireless Broadband	***98***	*92*	*81*	*6*	*7*	*17*	*21*
- Blended	***56***	*59*	*56*	*(3)*	*(5)*	*-*	*-*

Note:
* Less than 1%.

(A) Performance of the current quarter against the preceding quarter (1st Quarter 2019 versus 4th Quarter 2018)

For the quarter ended 31 March 2019, service revenue decreased by 4.9% to RM1,947 million from RM2,048 million. This decrease was largely driven by two factors namely reduced ARPU in both Postpaid and Prepaid, due to the new lower Mobile Termination Rates ("MTR") reducing MTR based revenue; and termination of a network sharing agreement. Service revenue, excluding wholesale revenue, was RM1,876 million in Q1'19 versus RM1,930 million in Q4'18.

Postpaid service revenue decreased by 5.0% to RM1,000 million (Q4'18: RM1,053 million) on account of a higher RGS base being offset by a lower ARPU; and termination of a network sharing agreement ending in December with limited roll over in to 2019. The Postpaid RGS grew by 126k, a 4.0% increase to 3,261k (Q4'18: 3,135k) contributed mainly by growth in the MaxisONE Plan subscriber base. Our Hotlink Postpaid Flex and MaxisONE Share offering continued to attract entry level Postpaid subscribers, as well as those migrating from Prepaid to Postpaid. Postpaid ARPU decreased to RM88 (Q4'18: RM94) for the quarter as a result of decreasing MTR and seasonality of roaming. Postpaid smartphone penetration stood at 88% (4Q'18: 87%) and data usage remained consistent at 12.2GB (Q4'18: 12.2GB).

16. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (1st Quarter 2019 versus 4th Quarter 2018) (continued)

Prepaid service revenue declined by 5.7% to RM797 million (Q4'18: RM845 million). Prepaid RGS slightly declined by 143k, a 2.2% reduction to 6,467k (Q4'18: 6,610k) subscribers. We continue to see SIM consolidation and migration from Prepaid to Postpaid. The Hotlink Red Prepaid pack continued to show positive traction, attracting high mobile internet users, as we enhanced our use of data analytics to create value for our customers. Prepaid ARPU declined 4.8% from RM42 to RM40 per month. Similar to Postpaid, the decline in ARPU was a result of reduced MTR and seasonality in IDD call patterns. Prepaid smartphone penetration stood at 84% against 83% in the previous quarter and data usage increased to 11.5GB (Q4'18: 10.4GB).

The Group retained its network superiority in 4G LTE, delivering download speed of more than 5 Mbps 91% of the time in key market centres on a comparable peer basis, and achieving 93% population coverage. Both these factors are key differentiators for digital lifestyle seekers. The Group maintained a high touch point net promoter score ("TP-NPS") of +55 (Q4'18: +53).

Normalised EBITDA increased by 24.1% to RM953 million with a normalised EBITDA margin on service revenue of 48.9% (Q4'18: RM768 million, normalised EBITDA margin on service revenue of 37.5%), noting that Q4'18 had been impacted by one-offs of approximately RM250 million. The Group continues its efforts with the FibreNation campaign, investing the necessary capacity and capability in resources for the Enterprise segment, which are critical in creating the foundation for growth in future years.

The Group reported a higher normalised profit of RM404 million, up 56.0% compared to RM259 million in the preceding quarter. Capex for the current quarter was RM127 million (Q4'18: RM524 million), largely due to normal phasing of capex as the first quarter is focused on planning and tendering for the ongoing continued investment in network capacity to support our planned data traffic growth, investment in Home Fibre and Enterprise growth. Free cash flow increased to RM264 million (Q4'18: RM217 million) mainly as a result of the lower capex spend in the current quarter.

16. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current quarter/year-to-date ("YTD") against the preceding year corresponding quarter/YTD (1st Quarter/YTD 2019 versus 1st Quarter/YTD 2018)

Service revenue for Q1'19 of RM1,947 million was 1.7% lower than RM1,980 million recorded in Q1'18. This was largely contributed by the decline in Prepaid RGS, overall reduction in ARPU, and termination of a network sharing agreement, offset by the growth in Postpaid RGS and Home Fibre RGS. Service revenue, excluding wholesale revenue was RM1,876 million in Q1'19, a slight increase of 1% compared to RM1,860 million in Q1'18.

Postpaid service revenue grew by 1.5% to RM1,000 million compared to RM985 million in Q1'18. The growth was supported by the solid increase in subscriber base of 349k to 3,261k (Q1'18: 2,912k). Hotlink Postpaid Flex and MaxisONE Share continue to be strong catalysts driving incremental port-ins of entry-level Postpaid subscribers. Postpaid ARPU decreased to RM88 (Q1'18: RM92), largely due to the change in the MTR and ARPU dilution from Hotlink Postpaid Flex offerings.

Prepaid service revenue declined by 6.1% to RM797 million from RM849 million on the back of a lower subscription base which was impacted by the continued SIM consolidation, migration from Prepaid to Postpaid, and reduced MTR. Subscribers decreased by 319k from 6,786k at Q1'18 to 6,467k at Q1'19. Mobile internet revenue contributed to the stable underlying ARPU of RM40 per month. This was supported by our enhanced and expanded use of data analytics for segmental and personalised offerings, which attracted high data users.

Data consumption continued to increase with data usage increasing in both Postpaid and Prepaid. Postpaid monthly average data usage for the quarter was 12.2GB, an increase from 9.9GB a year ago. Prepaid monthly average data usage for the quarter was 11.5GB, a significant increase from 6.7GB a year ago, and catching up with Postpaid data usage. This reflects the competitive nature of the mobile business and the bundling of more data and more value.

The Group continued to lead the market in terms of quality and best digital experience. The Group maintained our TP-NPS of +55 (Q1'18: +54), showing our commitment to deliver unmatched personalised experience.

Normalised EBITDA declined 6.6% to RM953 million from RM1,020 million in Q1'18. The EBITDA margin on service revenue was 48.9% for Q1'19, compared with 51.5% in Q1'18. The rebasing of the EBITDA is due to factors including the termination of a network sharing agreement, continued investment in FibreNation and mobilisation of the Enterprise business growth opportunities.

16. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current quarter/year-to-date ("YTD") against the preceding year corresponding quarter/YTD (1st Quarter/YTD 2019 versus 1st Quarter/YTD 2018) (continued)

Consequently, normalised profit for Q1'19 declined 20.8% to RM404 million (Q1'18: RM510 million). This is in line with the revenue and cost drivers discussed in previous sections.

Capex for the current quarter was higher at RM127 million (Q1'18: RM107 million), mainly due to incremental investment for Home Fibre and Enterprise growth. Free cash flow for the current quarter was RM264 million, compared to RM165 million in Q1'18 due to improved working capital management.

(C) STATEMENT OF FINANCIAL POSITION

Financial indicators (RM'm unless otherwise indicated)	AS AT 31/3/2019	AS AT 31/12/2018
Total assets	20,622	19,805
Total equity	7,123	7,149
Debt [(1)]	8,717	7,639
Deposits, cash and bank balances	434	560
Net debt	8,283	7,079
Net debt-to-EBITDA	2.23	1.86

Note:
(1) Debt includes derivative financial instruments designated for hedging relationship on borrowings but excludes payables under deferred payment scheme.

The increase in total assets was mainly due to the recognition of right-of-use assets, arising from the adoption of MFRS 16. This has caused a corresponding increase in debt which includes lease liabilities. Total equity of the Group remained stable. Net debt-to-EBITDA increased from 1.86x as at 31 December 2018 to 2.23x as at 31 March 2019 as a result of increase in lease liabilities as explained above.

17. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019

Our guidance remains unchanged for the full year ending 31 December 2019.

The market is expected to remain competitive and Maxis continues to focus on maintaining its position as Malaysia's leading converged communications and digital services company, leveraging on its strong 4G Network and expanding its presence in the Fixed Broadband market in both Consumer and Enterprise.

In the mobiles market we will focus on building upon our core offerings and in the Consumer and Enterprise segments with innovative new solutions and services. In the Fixed Broadband market we will focus on executing new access agreements with access providers, migrating our existing base to new price points and higher speeds and providing new innovative offerings to both Consumer and Enterprise customers and increased bundling.

Our priorities remain to execute our growth strategy whilst maintaining leadership in the core mobile business.

Notwithstanding the above actions and strong fundamentals in our core mobile business, there are a few key items impacting the Group in year 2019 as previously stated:
- the impact of changes to a major wholesale network sharing agreement in the Q1'19 and Q2'19;
- dilution in Fibre ARPU from the new competitive priced plans and the cost of customer migration initiative coupled with increase in cost to serve; and
- increase in cost of business from Sales & Service Tax introduction.

After incorporating the effects above, and the implementation of MFRS 16 as disclosed in Note 1, our guidance for the financial year ending 31 December 2019 remains unchanged:
- service revenue and EBITDA to decline by low single digit and mid-single digit respectively;
- core network capital expenditure to be around RM1 billion plus capex supporting new growth opportunities in Broadband and Enterprise business (around RM1 billion over 3 years); and
- operating free cash flow (excluding upfront spectrum fee assignment) at a similar level to year 2018.

In view of the change in regulatory environment and market opportunities, the Group is implementing a significant change in strategic direction building on its strong mobile base to deliver its internal annual service revenue target in excess of RM10 billion by year 2023. The Group's vision is to be Malaysia's leading converged communications and digital services organization; achieved through maintaining its leadership in core consumer mobile, taking advantage of its first mover position in Fibre and offering differentiated and customised solutions to Enterprise Business segments.

18. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as the Group did not publish any profit forecast.

19. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

There was no qualification to the preceding audited financial statements for the financial year ended 31 December 2018.

20. PROFIT BEFORE TAX

The following items have been charged/(credited) in arriving at the profit before tax:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/3/2019	QUARTER ENDED 31/3/2018	**PERIOD ENDED 31/3/2019**	PERIOD ENDED 31/3/2018
	RM'm	RM'm	**RM'm**	RM'm
Fair value losses on forward foreign exchange contracts	**1**	3	**1**	3
Gains on foreign exchange (net)	**(7)**	(14)	**(7)**	(14)
Property, plant and equipment:				
- write-offs/impairment losses	**5**	7	**5**	7

Other than as presented in the statements of profit or loss and as disclosed above, there were no material gains/losses on disposal of quoted and unquoted investments or properties and other exceptional items for the current quarter ended 31 March 2019.

21. TAX EXPENSES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/3/2019	QUARTER ENDED 31/3/2018	**PERIOD ENDED 31/3/2019**	PERIOD ENDED 31/3/2018
	RM'm	RM'm	**RM'm**	RM'm
Current tax	**150**	207	**150**	207
Deferred tax:				
- origination and reversal of temporary differences	**(15)**	(37)	**(15)**	(37)
Total	**135**	170	**135**	170

The Group's effective tax rates for the current quarter was 24.8%, higher than the statutory tax rate of 24% mainly due to certain expenses not deductible for tax purposes.

22. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced but not completed.

23. BORROWINGS

	AS AT 31 MARCH 2019			AS AT 31 DECEMBER 2018		
RM denominated	CURRENT LIABILITIES RM'm	NON-CURRENT LIABILITIES RM'm	TOTAL RM'm	CURRENT LIABILITIES RM'm	NON-CURRENT LIABILITIES RM'm	TOTAL RM'm
Secured						
Lease liabilities	134	960	1,094	1	-	1
Unsecured						
Revolving credit	200	-	200	200	-	200
Term loan[1]	-	1,000	1,000	-	1,000	1,000
Commodity Murabahah Term Financing	-	2,295	2,295	-	2,295	2,295
Islamic Medium Term Notes	-	4,126	4,126	-	4,144	4,144
	334	8,381	8,715	201	7,439	7,640
Excluding lease liabilities:						
- weighted average interest rate			4.77%			4.77%
- proportion of borrowings between fixed and floating interest rates			61% : 39%			61% : 39%

Note:
(1) The term loan facility has been partially hedged using Interest Rate Swap ("IRS") as disclosed in Note 24.

Save for the increase in lease liabilities arising from the adoption of MFRS 16, there were no material changes to borrowings for the financial period ended 31 March 2019.

24. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Details of derivative financial instruments outstanding as at 31 March 2019 are set out below:

TYPE OF DERIVATIVE	CONTRACT/ NOTIONAL VALUE	FAIR VALUE
	RM'm	RM'm
Derivatives designated in hedging relationship (cash flow hedge):		
IRS:		
- more than three years	500	(2)
Forward foreign exchange contracts:		
- less than one year	111	*
	611	(2)
Derivatives not designated in hedging relationship:		
Forward foreign exchange contracts:		
- less than one year	39	*
	650	(2)

Note:
* Less than RM1 million.

There have been no changes since the end of the previous financial year ended 31 December 2018 in respect of the following:
(i) the market risk and credit risk associated with the derivatives;
(ii) the cash requirements of the derivatives;
(iii) the policies in place for mitigating or controlling the risks associated with the derivatives; and
(iv) the related accounting policies.

(b) Gains/losses arising from fair value changes of financial liabilities

The Group determines the fair values of the derivative financial instruments relating to the IRS and forward foreign exchange contracts using a valuation technique which utilises data from recognised financial information sources. Assumptions are based on market conditions existing at each reporting date. The fair values of IRS are calculated as the present value of estimated future cash flow using an appropriate market-based yield curve. The fair values of forward foreign exchange contracts are determined using the forward exchange rates as at each reporting date.

25. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	AS AT 31/3/2019	AS AT 31/12/2018
	RM'm	RM'm
Non-current assets		
At net of impairment:		
- Trade receivables	123	101
- Finance lease receivables	20	14
- Contract assets	61	64
Prepayments	771	786
Contract cost assets, net of amortisation	73	53
	1,048	1,018
Current assets		
At net of impairment:		
- Trade receivables	873	906
- Other receivables and deposits	712	709
- Finance lease receivables	11	7
- Contract assets	197	207
Prepayments	197	159
Contract cost assets, net of amortisation	68	68
	2,058	2,056
	3,106	3,074

The Group's credit policy provides trade receivables with credit periods of up to 60 days. In addition, selected eligible customers are allowed to purchase devices on monthly installment scheme up to 24 months.

The ageing analysis of the Group's gross trade receivables as at 31 March 2019 is as follows:

	RM'm
Current	913
1 to 90 days past due	125
91 to 180 days past due	75
	1,113

26. MATERIAL LITIGATION

There is no material litigation as at 19 April 2019.

27. DIVIDENDS

The Board of Directors has declared a first interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2019, to be paid on 27 June 2019. The entitlement date for the dividend payment is 31 May 2019.

A depositor shall qualify for entitlement to the dividend only in respect of:

(i) shares transferred to the depositor's securities account before 4.00 pm on 31 May 2019 in respect of transfers; and

(ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The total dividends for the three months ended 31 March 2019 is 5.0 sen per ordinary share (2018: 5.0 sen).

28. EARNINGS PER SHARE

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31/3/2019	QUARTER ENDED 31/3/2018	**PERIOD ENDED 31/3/2019**	PERIOD ENDED 31/3/2018
(a) Basic earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**409**	523	**409**	523
Weighted average number of issued ordinary shares	('m)	**7,814**	7,808	**7,814**	7,808
Basic earnings per share	(sen)	**5.2**	6.7	**5.2**	6.7
(b) Diluted earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**409**	523	**409**	523
Weighted average number of issued ordinary shares	('m)	**7,814**	7,808	**7,814**	7,808
Adjusted for share options and LTIP	('m)	**18**	20	**18**	20
Adjusted weighted average number of ordinary shares	('m)	**7,832**	7,828	**7,832**	7,828
Diluted earnings per share	(sen)	**5.2**	6.7	**5.2**	6.7

By order of the Board

Dipak Kaur
(LS 5204)
Company Secretary
26 April 2019
Kuala Lumpur