MAXIS BERHAD
(867573 - A)
(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

ANNOUNCEMENT

The Board of Directors of Maxis Berhad ("Maxis" or "the Company") is pleased to announce the following unaudited condensed consolidated financial statements for the third quarter ended 30 September 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 unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		QUARTER ENDED 30/9/2019	QUARTER ENDED 30/9/2018	+ -	**PERIOD ENDED 30/9/2019**	PERIOD ENDED 30/9/2018	+ -
	Note	**RM'm**	RM'm	%	**RM'm**	RM'm	%
Revenue	3	**2,285**	2,264	+1	**6,723**	6,747	*
Traffic, commissions and other direct costs		**(835)**	(684)		**(2,337)**	(2,127)	
Spectrum licence fees		**(63)**	(62)		**(187)**	(180)	
Network costs		**(170)**	(208)		**(542)**	(604)	
Staff and resource costs		**(153)**	(148)		**(471)**	(432)	
Operation and maintenance costs		**(90)**	(97)		**(243)**	(257)	
Marketing costs		**(42)**	(59)		**(127)**	(149)	
Impairment of receivables and deposits, net		**(30)**	(22)		**(91)**	(78)	
Government grant and other income		**58**	60		**138**	160	
Other operating expenses		**(38)**	(15)		**(68)**	(47)	
Depreciation and amortisation		**(346)**	(260)		**(937)**	(763)	
Finance income		**20**	11		**50**	29	
Finance costs		**(115)**	(103)		**(344)**	(294)	
Profit before tax	20	**481**	677	-29	**1,564**	2,005	-22
Tax expenses	21	**(123)**	(164)		**(400)**	(491)	
Profit for the period		**358**	513	-30	**1,164**	1,514	-23
Attributable to:							
- equity holders of the Company		**358**	513	-30	**1,164**	1,514	-23
Earnings per share attributable to equity holders of the Company (sen):							
- basic	28	**4.6**	6.6		**14.9**	19.4	
- diluted	28	**4.6**	6.6		**14.9**	19.4	

Note:
* Less than 1%.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30/9/2019	QUARTER ENDED 30/9/2018	**PERIOD ENDED 30/9/2019**	PERIOD ENDED 30/9/2018
	RM'm	RM'm	**RM'm**	RM'm
Profit for the period	**358**	513	**1,164**	1,514
Other comprehensive expenses				
Item that will be reclassified subsequently to profit or loss:				
Net change in cash flow hedge	**(1)**	(1)	**(7)**	*
Total comprehensive income for the period	**357**	512	**1,157**	1,514
Attributable to equity holders of the Company	**357**	512	**1,157**	1,514

Note:

* Less than RM1 million.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	AS AT 30/9/2019 RM'm	AS AT 31/12/2018 RM'm
Non-current assets			
Property, plant and equipment	9	**4,724**	5,190
Intangible assets [(1)]		**11,214**	10,926
Right-of-use assets		**1,000**	-
Financial assets at fair value through other comprehensive income ("FVOCI")		**4**	4
Receivables, deposits and prepayments	25	**1,094**	1,018
Derivative financial instruments	24	**-**	1
Deferred tax assets		*****	*
		18,036	17,139
Current assets			
Inventories		**4**	16
Receivables, deposits and prepayments	25	**2,253**	2,056
Amounts due from related parties		**16**	30
Derivative financial instruments	24	**1**	-
Tax recoverable		**1**	4
Deposits, cash and bank balances		**844**	560
		3,119	2,666
Total assets		**21,155**	19,805
Current liabilities			
Provisions for liabilities and charges		**88**	116
Payables and accruals		**4,186**	4,020
Amounts due to related parties		**19**	5
Borrowings	23	**337**	201
Derivative financial instruments	24	**-**	*
Taxation		**402**	199
		5,032	4,541
Net current liabilities		**(1,913)**	(1,875)

Notes:

(1) Includes 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 THIRD QUARTER ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	AS AT 30/9/2019 RM'm	AS AT 31/12/2018 RM'm
Non-current liabilities			
Provisions for liabilities and charges		**329**	312
Payables and accruals		**198**	168
Borrowings	23	**8,360**	7,439
Derivative financial instruments	24	**7**	-
Deferred tax liabilities		**125**	196
		9,019	8,115
Net assets		**7,104**	7,149
Equity			
Share capital		**2,532**	2,509
Reserves		**4,572**	4,640
Total equity		**7,104**	7,149
Net assets per share (RM)		**0.91**	0.91

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Period ended 30/9/2019	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	-	-	-	-	1,164	1,164
Other comprehensive expense for the period	-	-	-	(7)	-	(7)
Total comprehensive (expense)/income for the period	-	-	-	(7)	1,164	1,157
Dividends for the financial year ended 31 December 2018	-	-	-	-	(391)	(391)
Dividends for the financial year ending 31 December 2019	-	-	-	-	(782)	(782)
Employee Share Option Scheme ("ESOS") and Long-term Incentive Plan ("LTIP"):						
- share-based payment expense	-	-	-	13	-	13
- shares issued	23	-	-	(23)	-	*
- share options lapsed/expired	-	-	-	(37)	37	-
Balance as at 30/9/2019	2,532	22,729	(22,729)	65	4,507	7,104

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Period ended 30/9/2018	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	-	-	-	-	1,514	1,514
Other comprehensive income for the period	-	-	-	*	-	*
Total comprehensive income for the period	-	-	-	*	1,514	1,514
Dividends for the financial year ended 31 December 2017	-	-	-	-	(390)	(390)
Dividends for the financial year ended 31 December 2018	-	-	-	-	(782)	(782)
ESOS and LTIP:						
- share-based payment expense	-	-	-	15	-	15
- shares issued	40	-	-	(39)	-	1
- share options lapsed	-	-	-	(6)	6	-
Incentive arrangement:						
- share-based payment expense	-	-	-	1	-	1
- shares acquired	-	-	-	(4)	-	(4)
Balance as at 30/9/2018	2,509	22,729	(22,729)	118	4,646	7,273

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	PERIOD ENDED 30/9/2019	PERIOD ENDED 30/9/2018
	RM'm	RM'm
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	1,164	1,514
Adjustments for:		
- non-cash items	1,210	922
- finance costs	344	294
- finance income	(50)	(29)
- tax expenses	400	491
Payments for provision for liabilities and charges	(93)	(105)
Operating cash flows before working capital changes	2,975	3,087
Changes in working capital	(95)	(142)
Cash flows from operations	2,880	2,945
Interest received	22	16
Tax paid	(250)	(613)
Net cash flows from operating activities	2,652	2,348
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(723)	(735)
Proceeds from disposal of property, plant and equipment	1	*
Placement of deposits with maturity of more than three months	(6)	(1)
Net cash flows used in investing activities	(728)	(736)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to ESOS	*	1
Shares acquired pursuant to incentive arrangement	-	(4)
Repayment of lease financing	(111)	(5)
Payments of finance costs	(362)	(301)
Ordinary share dividends paid	(1,173)	(1,172)
Net cash flows used in financing activities	(1,646)	(1,481)
NET CHANGE IN CASH AND CASH EQUIVALENTS	278	131
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]	814	710

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.

PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

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 30/9/2019	QUARTER ENDED 30/9/2018	**PERIOD ENDED 30/9/2019**	PERIOD ENDED 30/9/2018
	RM'm	RM'm	**RM'm**	RM'm
Telecommunications and digital services	**1,963**	2,047	**5,870**	6,082
Sale of devices	**322**	217	**853**	665
Total	**2,285**	2,264	**6,723**	6,747
Goods or services transferred:				
- at a point in time	**776**	869	**2,344**	2,698
- over time	**1,509**	1,395	**4,379**	4,049
Total	**2,285**	2,264	**6,723**	6,747

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 nine months ended 30 September 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 nine months ended 30 September 2019.

6. DEBT AND EQUITY SECURITIES

Save for the issuance of 3,815,310 and 33,000 ordinary shares under the LTIP and ESOS respectively, there were no other issuance, repurchase and repayment of debts and equity securities by the Group and the Company during the nine months ended 30 September 2019.

7. DIVIDENDS PAID

The following single-tier tax exempt dividend payments were made during the nine months ended 30 September 2019:

	RM'm
In respect of the financial year ended 31 December 2018:	
- Fourth interim dividend of 5.0 sen per ordinary share, paid on 28 March 2019	**391**
In respect of the financial year ending 31 December 2019:	
- First interim dividend of 5.0 sen per ordinary share, paid on 27 June 2019	**391**
- Second interim dividend of 5.0 sen per ordinary share, paid on 26 September 2019	**391**
	1,173

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 nine months ended 30 September 2019. As at 30 September 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

On 12 September 2019, Maxis Online Sdn. Bhd. ("MOSB") and Maxis Multimedia Sdn. Bhd. ("MMUL"), companies incorporated in Malaysia and wholly-owned subsidiaries of the Company were fully wound up. The dissolution of MOSB and MMUL are not expected to have any material impact or effect on the business operations, earnings and net tangible assets of Maxis and its Group for the financial year ending 31 December 2019.

Save for the above, there were no changes in the composition of the Group during the nine months ended 30 September 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	304

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 30/9/2019	Balances due from/(to) as at 30/9/2019	Commitments as at 30/9/2019	Total balances due from/(to) and commitments as at 30/9/2019
	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)	39	14	-	14
(b) Purchases of goods and services from:				
- MEASAT Global Berhad Group[(2)] (transponder and teleport lease rental)	38	(5)	(39)	(44)
- Tanjong City Centre Property Management Sdn. Bhd.[(3)] (rental, signage, parking and utility charges)	26	-	(176)	(176)
- UTSB Management Sdn. Bhd.[(3)] (corporate management services)	21	(5)	-	(5)
- SRG Asia Pacific Sdn. Bhd.[(4)] (call handling and telemarketing services)	14	(4)	-	(4)
- MEASAT Broadcast Network Systems Sdn. Bhd. [(1)] (services)	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) Indirect subsidiary of a company in which TAK has a 100% direct equity interest
(3) Subsidiary of UTSB
(4) Subsidiary of a company whereby a person connected to TAK has a deemed equity interest

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 30 September 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	259	253
Financial liability:		
Borrowings		
- Islamic Medium Term Notes	4,125	4,182

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 30 September 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):		
- assets	1	-
- liabilities	(7)	-

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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS

16. ANALYSIS OF PERFORMANCE

Financial indicators (RM'm unless otherwise indicated)	3rd Quarter 2019 (unaudited)	2nd Quarter 2019 (unaudited)	3rd Quarter 2018 (unaudited)	Variance Q3'19 vs Q2'19		Variance Q3'19 vs Q3'18	
				RM'm	%	RM'm	%
Revenue	**2,285**	2,206	2,264	79	4	21	1
Service revenue[1]	**1,940**	1,918	2,027	22	1	(87)	(4)
EBITDA[2]	**945**	940	1,025	5	1	(80)	(8)
Adjusted for:							
Unrealised foreign exchange losses/(gain)	***4***	*(8)*	*7*				
Upfront spectrum assignment ("SA") fees charged out[3]	***15***	*15*	*15*				
Normalised EBITDA	**964**	947	1,047	17	2	(83)	(8)
Normalised EBITDA margin on service revenue (%)	**49.7**	49.4	51.7	NA	0.3	NA	(2.0)
Profit before tax	**481**	539	677	(58)	(11)	(196)	(29)
Profit for the period	**358**	397	513	(39)	(10)	(155)	(30)
Adjusted for:							
Unrealised foreign exchange losses/(gain)	***4***	*(8)*	*7*				
Tax effects of the normalisation adjustments	***(1)***	*2*	*(2)*				
Normalised profit for the period	**361**	391	518	(30)	(8)	(157)	(30)
Capital expenditure ("Capex")	**242**	267	195	(25)	(9)	47	24
Operating free cash flow	**1,066**	1,021	976	45	4	90	9

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.

16. ANALYSIS OF PERFORMANCE (CONTINUED)

Operational indicators	3rd Quarter 2019	2nd Quarter 2019	3rd Quarter 2018[(1)]	Variance Q3'19 vs Q2'19		Variance Q3'19 vs Q3'18	
				RM'm	%	'000	%
Revenue generating subscriptions ("RGS") ('000)	***9,666***	9,631	9,655	35	*	11	*
- Postpaid	***3,232***	3,104	2,875	128	4	357	12
- Prepaid	***6,328***	6,417	6,639	(89)	(1)	(311)	(5)
- Wireless Broadband	***106***	110	141	(4)	(4)	(35)	(25)
ARPU (Monthly) (RM)							
- Postpaid	***90***	91	95	(1)	(1)	(5)	(5)
- Prepaid	***41***	41	42	-	-	(1)	(2)
- Wireless Broadband	***100***	99	86	1	1	14	16
- Blended	***58***	58	58	-	-	-	-

Note:
(1) The comparative information of Postpaid has been restated to exclude non-phone based subscriptions.
* Less than 1%.

(A) Performance of the current quarter against the preceding quarter (3rd Quarter 2019 versus 2nd Quarter 2019)

For the quarter ended 30 September 2019, service revenue increased by 1.1% that is RM22 million to RM1,940 million from RM1,918 million for quarter ended 30 June 2019. Service revenue, excluding wholesale revenue, increased by 1.7% to RM1,920 million in Q3'19 compared to Q2'19 of RM1,887 million. The strong growth in service revenue offset the revenue decline due to the phase out of a network sharing agreement.

Postpaid service revenue for Q3'19 increased by 0.7% to RM979 million compared to Q2'19 of RM972 million on account of a higher RGS base offsetting a slightly lower ARPU; and termination of a network sharing agreement ending in December 2018 with limited roll over in to 1H'19. The Postpaid RGS for Q3'19 grew by 128k, a 4.1% increase to 3,232k compared to Q2'19 of 3,104k contributed mainly by growth in MaxisONE Plan and Hotlink Postpaid Flex 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 by 1.1% to RM90 for Q3'19 compared to Q2'19 of RM91. Postpaid data usage grew to 15.06GB (Q2'19: 13.59GB).

16. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (3rd Quarter 2019 versus 2nd Quarter 2019) (continued)

Prepaid service revenue for Q3'19 increased by 0.4% to RM794 million (Q2'19: RM791 million). Prepaid RGS slightly declined by 89k, a 1.4% reduction to 6,328k (Q2'19: 6,417k) subscribers. We continue to see SIM consolidation and migration from Prepaid to Postpaid. Both the Hotlink Red and Superrr Prepaid pack showed positive traction, attracting high mobile internet users, as we enhanced our use of data analytics to create value for our customers. Prepaid ARPU for Q3'19 remained stable at RM41 per month (Q2'19: RM41). Prepaid data usage increased to 15.2GB (Q2'19: 13.7GB).

The Group retained its network superiority in 4G LTE, delivering download speed of more than 5 Mbps 87% 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. Delivering on its unmatched personalised experience promise, the Group maintained its high touch point net promoter score ("TP-NPS") at +58 (Q2'19: +58).

Normalised EBITDA for Q3'19 increased by 1.8% that is RM17 million to RM964 million with a normalised EBITDA margin on service revenue of 49.7% (Q2'19: RM947 million, and a normalised EBITDA margin on service revenue of 49.4%). The Group is committed to its Home Fibre ambitions and is 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 for Q3'19 a normalised profit of RM 361 million, a decrease of 7.7% that is RM30 million compared to RM391 million in the preceding quarter. Capex for the current quarter was RM242 million (Q2'19: RM267 million), due to normal phasing of capex for the ongoing continued investment in network capacity to support our planned data traffic growth, investment in Home Fibre and Enterprise growth.

Operating free cash flow for Q3'19 increased by 4.4% or RM45 million to RM1,066 million (Q2'19: RM1,021 million) due to the productivity and working capital programs Fuel4Growth capturing results.

16. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current quarter against the preceding year corresponding quarter (3rd Quarter 2019 versus 3rd Quarter 2018)

Service revenue for Q3'19 of RM1,940 million was 4.3% lower, that is lower by RM87 million, compared year-on-year ("YoY") than RM2,027 million recorded in Q3'18. This was largely contributed by the termination of a network sharing agreement, decline in Prepaid RGS, and overall reduction in Prepaid and Postpaid ARPU, offset by the growth in Postpaid and Home Fibre subscribers. Service revenue, excluding wholesale revenue was RM1,920 million in Q3'19, a slight increase of 0.2% compared to RM1,916 million in Q3'18.

Postpaid service revenue for Q3'19 decreased by 4.4% to RM979 million compared to RM1,025 million in Q3'18. Postpaid ARPU at Q3'19 decreased to RM90 (Q3'18: RM95), largely due to the change in the Mobile Termination Rates ("MTR") and ARPU dilution from Hotlink Postpaid Flex offerings. APRU decrease was offset by a strong 12.4% increase in subscriber base of 357k to 3,232k (Q3'18: 2,875k). Hotlink Postpaid Flex and MaxisONE Share continue to be strong catalysts driving incremental port-ins of entry-level Postpaid subscribers.

Prepaid service revenue declined YoY by 6.7% to RM794 million from RM851 million on the back of a lower subscription base which was due to continued SIM consolidation, successful migration from Prepaid to Postpaid, and reduced MTR. Subscribers decreased by 4.7% that is 311k from 6,639k at Q3'18 to 6,328k at Q3'19. Mobile internet revenue contributed to the stable underlying ARPU of RM41 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 YoY with data usage increasing in both Postpaid and Prepaid. 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 +58 (Q3'18: +57), showing our commitment to deliver unmatched personalised experience.

Normalised EBITDA for Q3'19 declined by 7.9% that is RM83 million to RM964 million from RM1,047 million in Q3'18. The normalised EBITDA margin on service revenue was 49.7% for Q3'19, compared with 51.7% in Q3'18.

Normalised profit for Q3'19 declined by 30.3% that is RM157 million to RM361 million (Q3'18: RM518 million). This decline in Normalised profit was driven by the loss of a wholesale agreement and increase in investment for growth in Enterprise, fibre and customer experience.

Capex for the current third quarter was higher at RM242 million (Q3'18: RM195 million), mainly due to incremental investment for Home Fibre and Enterprise growth.

Operating free cash flow for the current quarter was 9.2% higher at RM1,066 million, compared to RM976 million in Q3'18 due to improved working capital management and productivity programs delivering results.

16. ANALYSIS OF PERFORMANCE (CONTINUED)

(C) Performance of the current year against the preceding year (year-to-date “YTD” September 2019 versus YTD September 2018)

Financial indicators (RM'm unless otherwise indicated)	YTD 2019	YTD 2018	Variance	% Variance
Revenue	**6,723**	6,747	(24)	*
Service revenue[(1)]	**5,805**	6,020	(215)	(4)
EBITDA[(2)]	**2,829**	3,037	(208)	(7)
Adjusted for:				
Unrealised foreign exchange gains	***(10)***	*(7)*		
Upfront SA fees charged out[(3)]	***45***	*44*		
Normalised EBITDA	**2,864**	3,074	(210)	(7)
Normalised EBITDA margin on service revenue (%)	**49.3**	51.1	NA	(1.8)
Profit before tax	**1,564**	2,005	(441)	(22)
Profit for the year	**1,164**	1,514	(350)	(23)
Adjusted for:				
Unrealised foreign exchange gains	***(10)***	*(7)*		
Tax effects of the normalisation adjustments	***2***	*1*		
Normalised profit for the year	**1,156**	1,508	(352)	(23)
Capex	**636**	514	122	24
Operating free cash flow	**2,652**	2,348	304	13

Notes:

(1) Service revenue is defined as Group revenue excluding device, hubbing revenues 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)

(C) Performance of the current year against the preceding year (YTD September 2019 versus YTD September 2018) (continued)

Operational indicators	YTD 2019	YTD 2018[1]	Variance	% Variance
RGS ('000)	***9,666***	9,655	11	*
- Postpaid	***3,232***	*2,875*	*357*	*12*
- Prepaid	***6,328***	*6,639*	*311*	*(5)*
- Wireless Broadband	***106***	*141*	*(35)*	*(25)*
ARPU (Monthly) (RM)				
- Postpaid	***91***	*95*	*(4)*	*(4)*
- Prepaid	***41***	*42*	*(1)*	*(2)*
- Wireless Broadband	***99***	*84*	*15*	*18*
- Blended	***57***	*57*	-	-

Note:
[1] The comparative information of Postpaid has been restated to exclude non-phone based subscriptions.
* Less than 1%.

The Group recorded a service revenue for YTD 2019 of RM5,805 million compared to corresponding YTD 2018 of RM6,020 million which represents a 3.6% decline, contributed by the termination of a network sharing agreement and decline in Prepaid that offset the growth in Postpaid and Home Fibre business.

Postpaid service revenue for YTD 2019 declined by 2.2% to RM2,951 million (YTD 2018: RM3,018 million). The Group grew the subscriber base by 357k which represents a 12.4% increase on YTD 2019 versus YTD 2018. The APRU decreased by 4.2% over the same period from RM95 to RM91, largely due to the change in the MTR.

Prepaid service revenue for YTD 2019 declined by 6.7% to RM2,382 million (YTD 2018: RM2,554 million) was mainly attributed to a lower subscription base of 311k, that is a 4.7% reduction, which was due to the continued SIM consolidation and successful migration to Postpaid. ARPU remained relatively high and stable at RM41 per month (YTD 2018: RM42).

Demand for data continued to grow across the Group's customer base with average data usage in both Prepaid and Postpaid exceeding 15GB per month. This was supported by the increase in smart-phone penetration to over 80% on a blended basis.

Normalised EBITDA and EBITDA margin on service revenue for YTD 2019 was respectively RM2,864 million (YTD 2018: RM3,074 million) and 49.3% (YTD 2018: 51.1%). Consequently, YTD 2019 normalised profit for the year was lower by 23.3% or RM 352 million, at RM1,156 million (YTD 2018: RM1,508 million).

16. ANALYSIS OF PERFORMANCE (CONTINUED)

(C) Performance of the current year against the preceding year (YTD September 2019 versus YTD September 2018) (continued)

Capex for YTD 2019 was RM636 million versus YTD 2018 of RM514 million, that is RM122 million or 23.7% higher than the preceding period due to higher investment for capacity and Enterprise business.

Operating free cash flow for the current YTD 2019 was RM2,652 million compared to RM2,348 million in the preceding year, an increase of 12.9% that is RM304 million mainly due to improved productivity and working capital management.

(D) STATEMENT OF FINANCIAL POSITION

Financial indicators (RM'm unless otherwise indicated)	AS AT 30/9/2019	AS AT 31/12/2018
Total assets	21,155	19,805
Total equity	7,104	7,149
Debt [(1)]	8,704	7,639
Deposits, cash and bank balances	844	560
Net debt	7,860	7,079
Net debt-to-EBITDA	2.16	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 2.16x as at 30 September 2019 mainly 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 its long term ambition being 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 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 solutions to both Consumer and Enterprise customers and increased bundling. The Group entered into a new commercial agreement with Astro, cross-selling residential services.

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's EBITDA in year 2019 as previously stated:
- the impact of changes to a major wholesale network sharing agreement ending December 2018 with diminishing rollover into 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 FY2018.

In view of market opportunities and the changes in the regulatory environment in FY2018, the Group is implementing its 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 company; 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 both Consumer and Enterprise Business segment.

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 30/9/2019	QUARTER ENDED 30/9/2018	**PERIOD ENDED 30/9/2019**	PERIOD ENDED 30/9/2018
	RM'm	RM'm	**RM'm**	RM'm
Fair value (gains)/loss on forward foreign exchange contracts	**(2)**	(1)	**(4)**	1
Losses on foreign exchange (net)	**3**	6	*****	8
Property, plant and equipment:				
- write-offs/impairment losses/ (impairment reversal)	**23**	(4)	**34**	4

Note:
* Less than RM1 million.

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 30 September 2019.

21. TAX EXPENSES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30/9/2019	QUARTER ENDED 30/9/2018	**PERIOD ENDED 30/9/2019**	PERIOD ENDED 30/9/2018
	RM'm	RM'm	**RM'm**	RM'm
Income tax:				
- current tax	**165**	241	**470**	650
- (over)/under accrual in prior years	**(14)**	1	**(14)**	1
Deferred tax:				
- origination and reversal of temporary differences	**(39)**	(75)	**(67)**	(157)
- recognition and reversal of prior years' temporary differences	**11**	(3)	**11**	(3)
Total	**123**	164	**400**	491

21. TAX EXPENSES (CONTINUED)

The Group's effective tax rate for both current quarter and nine months ended 30 September 2019 was 25.6%, higher than the statutory tax rate of 24% mainly due to reversal of temporary difference previously recognised.

22. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced but not completed.

23. BORROWINGS

	AS AT 30 SEPTEMBER 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	137	940	1,077	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	-	4,125	4,125	-	4,144	4,144
	337	8,360	8,697	201	7,439	7,640
Excluding lease liabilities:						
- weighted average interest rate			4.68%			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 30 September 2019.

24. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Details of derivative financial instruments outstanding as at 30 September 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	(7)
Forward foreign exchange contracts:		
- less than one year	160	*
	660	(7)
Derivatives not designated in hedging relationship:		
Forward foreign exchange contracts:		
- less than one year	41	1
	701	(6)

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 30/9/2019	AS AT 31/12/2018
	RM'm	RM'm
Non-current assets		
At net of impairment:		
- Trade receivables	189	101
- Finance lease receivables	15	14
- Contract assets	43	64
Prepayments	740	786
Contract cost assets, net of amortisation	107	53
	1,094	1,018
Current assets		
At net of impairment:		
- Trade receivables	1,035	906
- Other receivables and deposits	804	709
- Finance lease receivables	18	7
- Contract assets	165	207
Prepayments	141	159
Contract cost assets, net of amortisation	90	68
	2,253	2,056
	3,347	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 30 September 2019 is as follows:

	RM'm
Current	1,114
1 to 90 days past due	143
91 to 180 days past due	114
	1,371

26. MATERIAL LITIGATION

There is no material litigation as at 18 October 2019.

27. DIVIDENDS

The Board of Directors has declared a third interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ending 31 December 2019, to be paid on 27 December 2019. The entitlement date for the dividend payment is 29 November 2019.

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

(i) shares transferred to the depositor's securities account before 4.30 pm on 29 November 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 nine months ended 30 September 2019 is 15.0 sen per ordinary share (2018: 15.0 sen).

28. EARNINGS PER SHARE

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30/9/2019	QUARTER ENDED 30/9/2018	**PERIOD ENDED 30/9/2019**	PERIOD ENDED 30/9/2018
(a) Basic earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**358**	513	**1,164**	1,514
Weighted average number of issued ordinary shares	('m)	**7,821**	7,814	**7,818**	7,812
Basic earnings per share	(sen)	**4.6**	6.6	**14.9**	19.4
(b) Diluted earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**358**	513	**1,164**	1,514
Weighted average number of issued ordinary shares	('m)	**7,821**	7,814	**7,818**	7,812
Adjusted for share options and LTIP	('m)	**12**	-	**12**	-
Adjusted weighted average number of ordinary shares	('m)	**7,833**	7,814	**7,830**	7,812
Diluted earnings per share	(sen)	**4.6**	6.6	**14.9**	19.4

By order of the Board

Dipak Kaur
SSM PC No. 201908002620
(LS 5204)
Company Secretary
25 October 2019
Kuala Lumpur