



Management Discussion and Analysis

Solid financial performance in a challenging environment; with key differentiating factors of delivering unmatched customer experience and superior network quality fuelling growth.

Financial Review

We are pleased to report solid financial results for the financial year ended 31 December 2017. Despite a challenging operational landscape, revenue and EBITDA were marginally up over 2016 and our results are in line with guidance.

Record high demand for data, coupled with our high quality network, continued to be the key drivers for data revenue growth, which remained strong at 24% for the year. This was supported by the continuous growth in smartphone penetration whereby 81% of our 10 million revenue generating subscribers ("RGS") owned a smartphone compared to 76% last year.

DELIVERED EARNINGS IN LINE WITH GUIDANCE

Service
Revenue

RM8.5

billion

Normalised
EBITDA

RM4.6

billion

Normalised
Profit After
Tax

RM2.1

billion

Cash
Dividends

RM1.5

billion

Normalised Free Cash Flow

RM1.5

billion

LEADING DATA NETWORK

92%

Industry-leading
4G LTE population
coverage with
consistent 4G
download speeds

95%

4G data
sessions at
3Mbps or
higher; best
seamless HD
video streaming

>2x
LTE

Traffic growth;
consistently
great Internet
experience

COMMITTED TO DELIVER UNMATCHED CUSTOMER EXPERIENCE

88%

First contact resolution
across all customer
service touchpoints

+53

Highest overall
touchpoint net promoter
score (NPS)

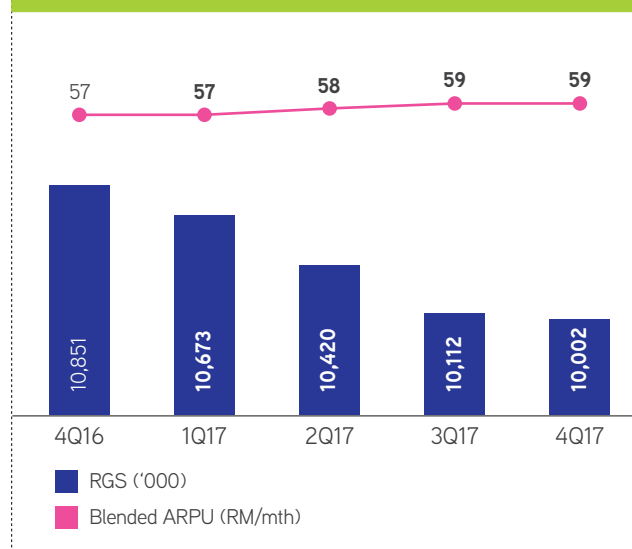


Management Discussion and Analysis

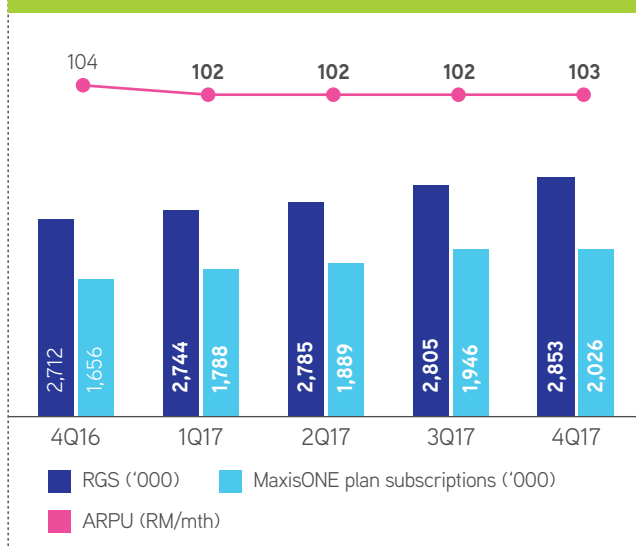
SERVICE REVENUE (RM mn)



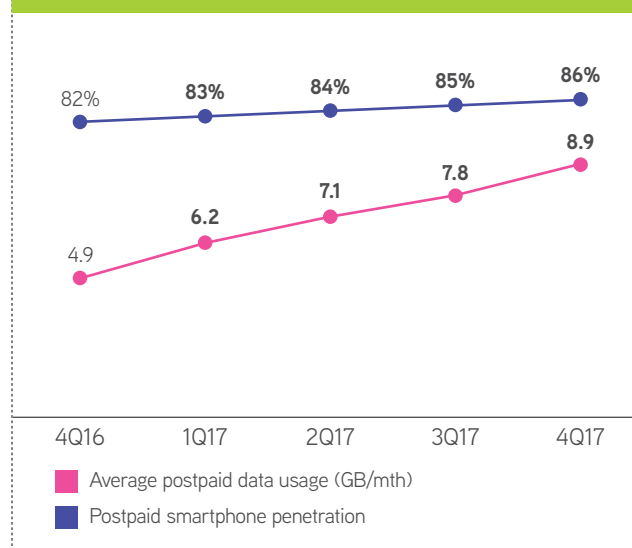
TOTAL RGS AND BLENDED ARPU



POSTPAID RGS AND ARPU



POSTPAID DATA USAGE AND SMARTPHONE PENETRATION



Postpaid revenue grew 4.2% to RM4,117 million, supported by a solid subscription base of 2.9 million subscribers from 2.7 million a year ago.

We continued to enhance the value propositions in both our MaxisONE Plan and device ownership offerings, whilst providing worry-free mobile Internet experiences to our high Average Revenue Per User ("ARPU") subscribers. With more subscribers seeking a seamless Internet experience at home and on-the-go, we launched our first converged offering known as MaxisONE Prime in October 2017, a product bundling offer of home and mobile data solutions with attractive home devices under one

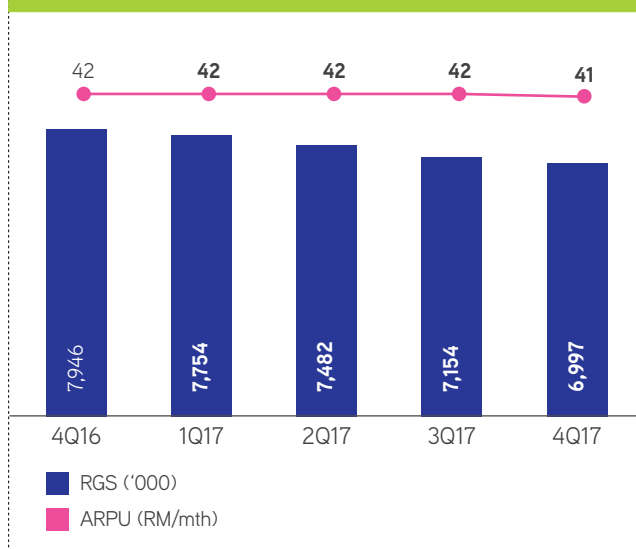
account. All these innovative propositions contributed positively to the MaxisONE plan subscription base which have grown to exceed 2 million subscribers and a stable ARPU of RM119 per month, higher than the overall blended monthly ARPU of RM102.

In terms of data usage, demand for data continued to grow strongly across all segments of our postpaid base, with data usage almost doubling in 2017 to an average of 7.5GB per month from 3.4GB a year ago. This was partly driven by the high smartphone penetration of our postpaid base which stood at 86%.



Management Discussion and Analysis

PREPAID RGS AND ARPU

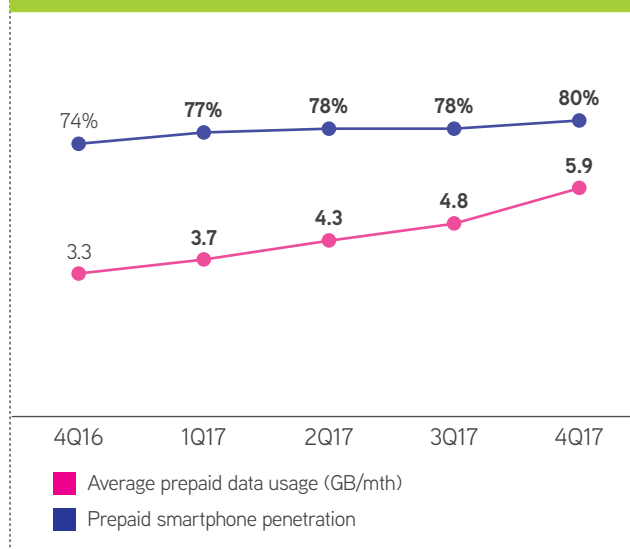


Prepaid revenue declined 3.7% year-on-year to RM3,849 million. This was mainly attributed to the lower subscription base which was impacted by intense price-focused competition, SIM consolidation in the market and migration from prepaid to postpaid. The impact was partly mitigated by the higher average ARPU of RM42 per month, compared to RM40 in the previous year, contributed by higher mobile Internet revenue.

We continued to offer differentiated Internet propositions under Hotlink FAST and have successfully expanded its customer base surpassing 2 million this year, which contributed to the increase in mobile Internet revenue. This was reflected in our high and stable Hotlink FAST average prepaid ARPU of RM44 from RM43 per month in the previous year.

A similar surge in demand for data was seen across all our prepaid segments, with over 6 million mobile Internet users, using on average 4.7GB per month, almost double the average of 2.4GB in the previous year. This was supported by the

PREPAID DATA USAGE AND SMARTPHONE PENETRATION



increase in smartphone penetration which stood at 80% of subscription base. Leveraging on our leading 4G LTE network, our differentiated Internet propositions contributed to the growth in mobile Internet revenue which accounted for more than 52% of prepaid revenue, up from 42% a year ago.

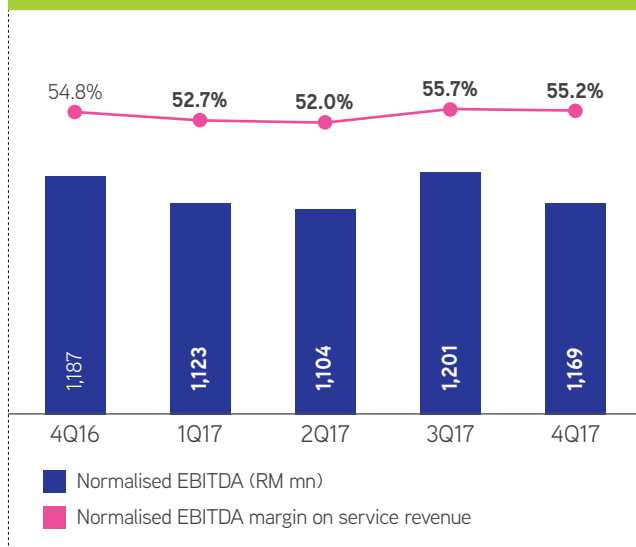
Enterprise Fixed revenue grew 1.4% year-on-year to RM292 million on the back of higher demand for bandwidth capacity, especially for leased lines, dedicated Internet and broadband services.

Home Fibre recorded a year-on-year revenue growth of 21.7% to RM267 million. During the year, we built new capabilities in service assurance. As a result, our Maxperts service continued to be a service differentiator, receiving high customer satisfaction levels.

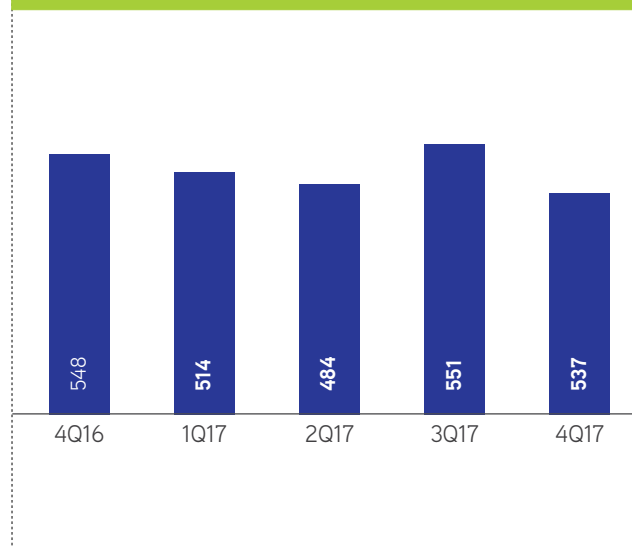


Management Discussion and Analysis

NORMALISED EBITDA AND MARGIN



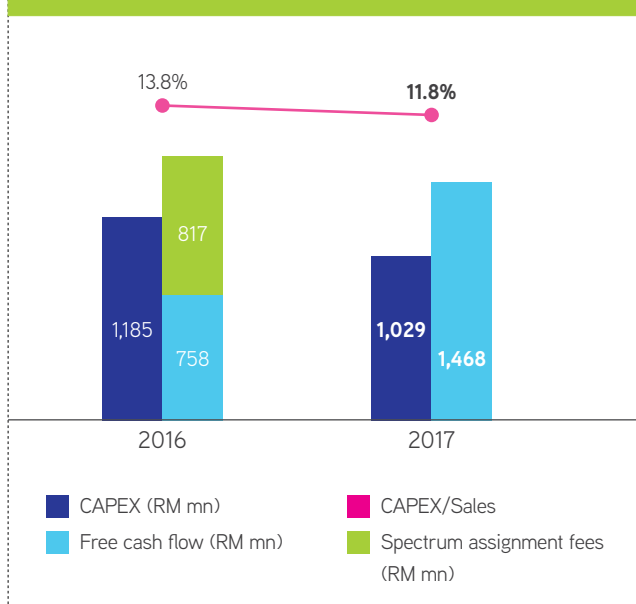
NORMALISED PROFIT AFTER TAX (RM mn)



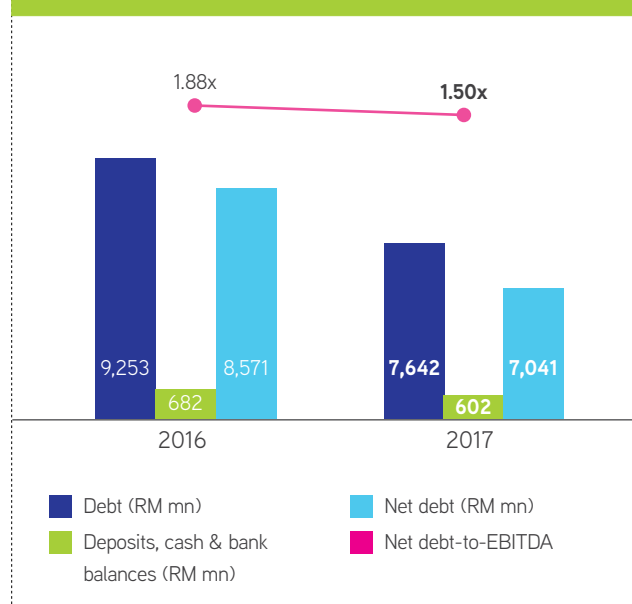
Normalised EBITDA and EBITDA margin on service revenue grew to RM4,597 million and 53.9% respectively (Year 2016: RM4,502 million and 53.2%), mainly a result of higher revenue base, efficient marketing spend and savings from cost optimisation initiatives that were partially offset by higher resource costs.

Normalised profit after tax was higher at RM2,086 million compared to RM1,977 million a year ago, in line with the development in EBITDA. For the financial year 2017, normalised profit after tax excludes net of tax impacts of RM59 million unrealised foreign exchange gains (Year 2016: RM16 million) and service fee reduction of RM47 million (Year 2016: charge of RM14 million), as well as asset impairment and contract obligations provision reversals of RM71 million and accelerated depreciation of RM37 million for financial year 2016.

CAPEX AND FREE CASH FLOW



NET DEBT-TO-EBITDA





Management Discussion and Analysis

Capital Expenditure (Capex) in 2017 was RM1.03 billion, which was mainly for investments in network capacity expansion, as we focused on enhancing our superior quality network to enable our customers to continue enjoying a differentiated digital experience. The record high demand for data saw our 4G LTE users growing to 6.2 million users (Year 2016: 4.6 million) and the average usage for the year increasing from 4.1GB to 7.4GB per month. Despite the growth in demand, we continued to provide Unmatched Customer Experience with our ubiquitous 4G coverage across the country, reaching a high population coverage of 92% on a comparable peer basis.

Free cash flow, normalised for spectrum assignment fees, was relatively stable year-on-year.

Net debt-to-EBITDA dropped to 1.50x from 1.88x in the preceding year. The decrease in net debt from RM8,571 million to RM7,041 million was mainly the result of the private share placement exercise where the proceeds of RM1.66 billion were fully utilised to repay the borrowings of the Group and the Company and their related incidental costs. The exercise was completed in July 2017.

Dividend payout for 2017 totalled approximately RM1.5 billion, comprising four interim dividends of 5.0 sen per share. The payout of 20.0 sen per share represents a dividend yield of 3.3% based on the closing share price of RM6.01 as at the end of 2017.

For further details, please refer to the Investor Relations statement in this Annual Report, as well as the consolidated statements of financial position, consolidated statements of changes in equity and related notes to the consolidated financial statements.

2018 Outlook

We will continue to enhance our differentiated value propositions to our customers, whilst leveraging on our leading 4G LTE network coverage and quality. For financial year ending 31 December 2018, taking into account the impact from progressive termination of a network sharing arrangement, we expect service revenue to decline in low single digits with EBITDA declining at mid single digit level. We will continue to invest to maintain our network superiority. Base capital expenditure is expected to be around RM1.0 billion and free cash flow (excluding upfront spectrum assignment fees) is expected to be at a similar level to financial year 2017.

Notes:

1. The Chairman's and CEO's statements should be read together with the Management Discussion and Analysis.
2. This report by Maxis Berhad ("Maxis") contains forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are historical facts. These statements are based on assumptions and reflect Maxis' current views with respect to future events and are not a guarantee of future performance and does not take into consideration unforeseen circumstances and factors beyond Maxis' control. As such, Maxis provides no representation or assurance in respect of these statements and disclaims all liability whatsoever (whether in negligence or otherwise) for any loss, damage, costs or expenses however arising out of or in connection with these statements and this report.