Independent Auditors' Report to the Members of Maxis Berhad
(Incorporated In Malaysia) (Company No. 867573 A)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Maxis Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 85 to 190.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Assessment of carrying value and useful life of intangible assets with indefinite useful life *Refer to Note 3(d) - Summary of significant accounting policies: Intangible assets, Note 4(a) - Critical accounting estimates and judgements: Intangible assets and Note 16 - Intangible assets.* As at 31 December 2016, the carrying amount of the Group's telecommunications licences with allocated spectrum rights ("spectrum rights") amounted to RM10.7 billion. The spectrum rights are considered to have an indefinite economic useful life as the Directors are of the opinion that the spectrum rights can be renewed indefinitely without significant cost and there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.	
We focused on this area due to the size of the carrying amount of the spectrum rights, which represented 55% of total assets as at 31 December 2016, and the significant assumptions and judgments involved in determining the indefinite useful life of the spectrum rights and impairment assessment. In addition, there were significant regulatory developments in this area during the current financial year. a) As disclosed in Note 16 to the financial statements, the Directors have assessed that the upfront Spectrum Assignment ("SA") fees paid of RM816.75 million during the financial year are in substance a renewal cost to the Group for the continuing use of the allocated frequency bands of 900MHz and 1800MHz ("allocated bands"). Based on the Directors' assessment, there is evidence to support the view that the Group can renew the spectrum rights allocated bands indefinitely without significant costs when compared with the expected future economic benefits expected to flow to the Group from the renewal. Therefore the spectrum rights have been assessed to have an indefinite useful life.	We performed the following audit procedures: We checked the Group's assessment in accordance with MFRS 138 - Intangible Assets that the existing spectrum rights can be renewed without significant cost as follows: i) Read the letters of offer from the Malaysian Communications and Multimedia Commission ("MCMC") for the 900 MHz and 1800 MHz SA to understand the terms and conditions of the SA and discussed with management on how the conditions will be met. All relevant conditions are existing conditions which the Group does not foresee having difficulties to continue to comply with; ii) Obtained evidence that based on past experience, the Group was able to renew the spectrum rights under the previous Apparatus Assignment regime without any material or significant disruptions to business operations; and iii) Checked management's assessment of the significance of the cost of renewal by performing the following: • compared the estimated total renewal costs for all spectrums against the future estimated revenue and net cash flows which we checked as part of our audit procedures on impairment assessment; and • discussed with management to understand the key assumptions used to derive the total spectrum renewal cost, total estimated future revenue and net cash flows used, which we checked as part of our audit procedures on impairment assessment.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
	Based on the procedures performed above, we did not find any exceptions in the Group's assessment that the existing spectrum rights can be renewed without significant cost when compared with the expected future economic benefits expected to flow to the Group from the renewal, and continue to have an indefinite useful life.
b) For purposes of the annual impairment assessment of goodwill and intangible assets with indefinite useful life, the Directors' assessment of the 'value-in-use' ("VIU") of the Group's Cash Generating Unit ("CGU"), being the integrated telecommunications services CGU, involves significant judgements about the future cash flows of the CGU and the discount rate applied to future cash flow forecasts. Based on the annual impairment test performed, the Directors concluded that no impairment is required for goodwill and spectrum rights. The key assumptions and sensitivities are disclosed in Note 16 to the financial statements.	Based on the VIU calculations which cover a period of 5 years comprising the approved financial budget for 2017 and a forecast for the next 4 years, we performed the following: i) Evaluated the Directors' assessment that the integrated telecommunications services is the CGU which represents the smallest identifiable group of assets that generate independent cash inflows, by understanding the business model of the Group; ii) Agreed the 2017 VIU cash flows to the budget approved by the Directors; iii) Discussed with management the key assumptions used in the VIU calculations and compared the compounded revenue and earnings before interest, tax, depreciation and amortisation ("EBITDA") annual growth rates used in the 5 year VIU cash flows to the historical performance of the Group; iv) Discussed with management on the additional capital expenditure required to maintain the Group's network performance following the reduction in spectrum allocation and the impact on the VIU cash flows; and v) Checked the reasonableness of the discount rate and terminal growth rate with the assistance of our valuation experts by benchmarking to industry reports.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
	We also checked the sensitivity analysis performed by management on the discount rate. Based on the procedures performed above, we did not find any exceptions to the Directors' conclusion that no impairment is required for goodwill and spectrum rights as at 31 December 2016.
Assessment of funding requirements and ability to meet the short term obligations *Refer to Note 33(c) - Financial Risk Management - Liquidity Risk* As at 31 December 2016, the Group and the Company had short term borrowings of RM1.1 billion and RM0.6 billion and payables and accruals of RM3.6 billion and RM0.1 billion respectively. We focused on the Group's and Company's funding and ability to meet their short term obligations due to the significant amount of the short term borrowings and payables and accruals, which resulted in the current liabilities of the Group and the Company exceeding current assets by RM2.5 billion and RM0.4 billion respectively at that date. The Group's ability to obtain funding from existing facilities is disclosed in Note 33 to the financial statements.	We performed the following audit procedures: Group • Checked management's cash flow forecasts for the Group over the next 12 months to the annual budget which includes operating, investing and financing cash flows approved by the Directors; • Discussed with management on key assumptions used in the cash flow forecasts including cash collection trends, payment profiles and significant transactions that may occur in developing the cash flow forecasts for the Group; • Checked the borrowing repayment profile of the Group and the Company against the loan agreements; and • Checked the extent of debt that the Group can raise from its existing Unrated Sukuk Murabahah Programme. Company • Assessed the ability of the wholly-owned subsidiaries of the Company to declare dividends to the Company as and when required to meet its short term obligations, by checking to the subsidiaries cash flow forecasts. Based on the procedures performed above, we did not find any exceptions to the Directors' assessment of the Group's and Company's ability to meet their short term obligations.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Accuracy of telecommunication services revenue recognition *Refer to Note 3(u) - Summary of Significant Accounting Policies - Revenue recognition and Note 6 - Revenue* Telecommunication services revenue of RM8.5 billion represents a significant component of the Group's revenue for the year ended 31 December 2016. We focused on the accuracy of this area as telecommunication services revenue involves multiple element arrangements, the revenue is processed by billing systems that are complex, it involves large volumes of data with a combination of different products sold and there were price changes during the financial year.	We performed the following audit procedures: • Evaluated the relevant IT systems and the design of controls, and tested the operating effectiveness of controls over the: - capture and recording of revenue transactions; - authorisation of rate changes and the input of this information to the billing systems; and - accuracy of calculation of amounts billed to customers; • Evaluated the key terms and conditions of significant new revenue agreements entered into during the financial year to check the accuracy of revenue recognition; • Checked the accounting treatment for significant new products and promotions launched with multiple element arrangements, and tested that they are appropriately incorporated in the billing system for new products and product changes; and • Examined material non-standard journal entries and other adjustments posted to revenue accounts. Based on the procedures performed above, we did not find any material exceptions in the accuracy of telecommunication services revenue recognition during the year.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Capitalisation policy and useful lives of property, plant and equipment ("PPE") *Refer to Note 4(b) - Critical accounting estimates and judgements - Estimated useful lives and impairment assessment of property, plant and equipment and Note 15 - Property, plant and equipment* As at 31 December 2016, the Group recorded PPE of RM4.5 billion which comprised mainly telecommunications equipment and office furniture, fittings and equipment. We focused on this area due to the following: a) certain costs capitalised involve estimates and significant judgement in determining whether the capitalisation criteria under MFRS 116 - Property, Plant and Equipment are met; and b) the useful lives assigned to assets are areas of significant judgement by management, and as management regularly reviews the useful lives due to the network and information technology ("IT") modernisation being undertaken by the Group. The network and IT modernisation involves estimating when the assets will be upgraded based on the approved modernisation plans and the useful lives of the network and IT assets are revised accordingly. The estimated useful lives of PPE are reviewed annually by management as disclosed in Note 3(c) and Note 4(b) to the financial statements.	We performed the following audit procedures: • Understood the nature of costs incurred in capital projects by discussing with the network and IT departments and checked whether the expenditure met the capitalisation criteria in accordance with MFRS 116; • Tested the operating effectiveness of the controls over capitalisation of assets, approval of management's assessment of the useful life, asset replacement plans, asset retirement and asset write-off process; • Compared management's estimates of useful lives of the network assets against the expected useful lives in published industry reports; and • Checked the reliability of management's past estimates by comparing the planned modernisation in the accelerated depreciation computation for the previous year against the actual modernisation progress during the year. Based on the procedures performed above, we did not find any material exceptions in the capitalisation policy and management's assessment of useful lives for PPE.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement of Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and other sections of the 2016 Annual Report, which are expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

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OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in page 191 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/18 (J))
Chartered Accountant

Kuala Lumpur
8 February 2017