

Management Discussion & Analysis

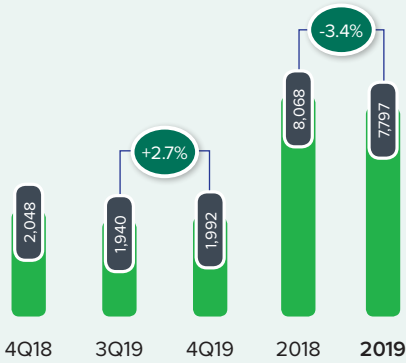
We are pleased with our overall performance in 2019 which was higher than our guidance despite the challenges of an intensely competitive business environment and mature mobile market. Our EBITDA exceeded our expectations with low-single digit decline and recorded strong Operating Free Cash Flow (OFCF).

Our convergence strategy has gained good momentum with strong growth in our fibre subscribers as households prefer superfast fibre plans, packages and devices. We have maintained our mobile leadership with growth in our postpaid subscribers including successful ongoing pre-to-post migration.

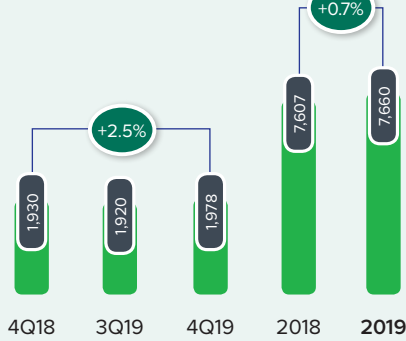
We are confident in our convergence strategy and remain focused on providing attractive and innovative products and solutions, superior connectivity and unmatched personalised experience.

FINANCIAL REVIEW

Service Revenue (RM'm)



Service Revenue (excluding wholesale) (RM'm)

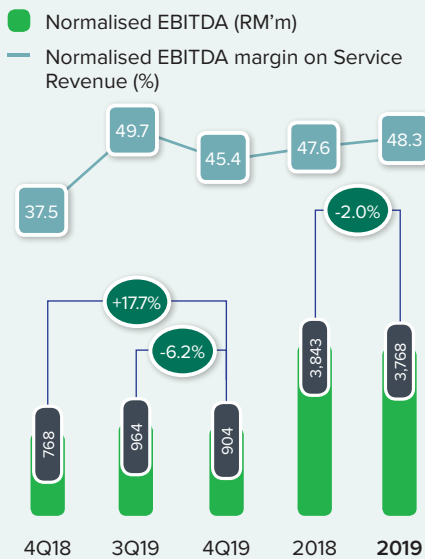


Total RGS & Blended ARPU



Our service revenue increased by 2.7% quarter on quarter but saw an overall decrease of 3.4% year-on-year, mainly due to the termination of a network sharing agreement. However, underlying service revenue excluding wholesale, grew by 0.7% in 2019 compared to 2018 due to growth in fibre and enterprise segments, in line with our convergence ambitions. We closed the year with a total RGS base of 9.70 million subscribers marking an increase of 0.3% from the same quarter in 2018. Our total blended ARPU remains stable at RM59 per month.

Normalised EBITDA



Normalised Profit after Tax (RM'm)



Normalised EBITDA declined to RM3,768 million but normalised EBITDA margin on service revenue increased to 48.3%. We recorded lower normalised PAT of RM1,500 million in 2019 compared to 2018. These were impacted mainly by the termination of a network sharing agreement. The results are in line with our guidance.

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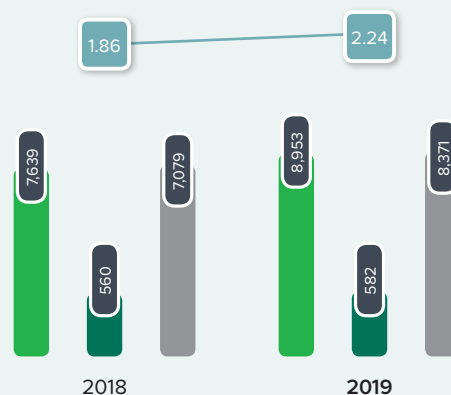
Capex & Operating Free Cash Flow

- Capex (RM'm)
- Operating Free Cash Flow (RM'm)
- Return on Average Assets (%)



Net Debt to EBITDA

- Debt⁽¹⁾ (RM'm)
- Deposit, Cash & Bank Balances (RM'm)
- Net Debt (RM'm)
- Net Debt to EBITDA



Capital expenditure (Capex) in 2019 was RM1,213 million, an increase of 16.9% from 2018. As part of our growth strategy, capex growth is in line with the market guidance, ~RM1bn over 3 years, over and beyond our annual RM1 billion core capex.

OFCF grew by 1.4% to RM3,379 million mainly due to improved working capital management and productivity programmes.

Return on Average Assets (ROAA) decreased to 9.1% due to lower PAT impacted by the termination of a network sharing agreement and higher assets mainly from MFRS 16 adoption.

Net debt-to-EBITDA increased from 1.86x in 2018 to 2.24x in 2019 on the back of higher net debt due to the recognition of lease liabilities, arising from the adoption of MFRS 16.

Note:

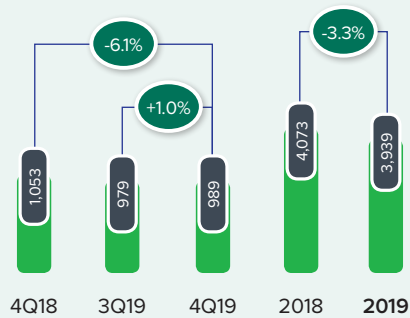
⁽¹⁾ Include derivative financial instruments designated for hedging relationship on borrowings but exclude vendor financing.

Management Discussion & Analysis

PRODUCT PERFORMANCE REVIEW

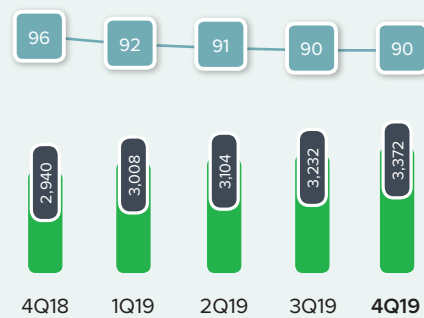
POSTPAID

Service Revenue (RM'm)



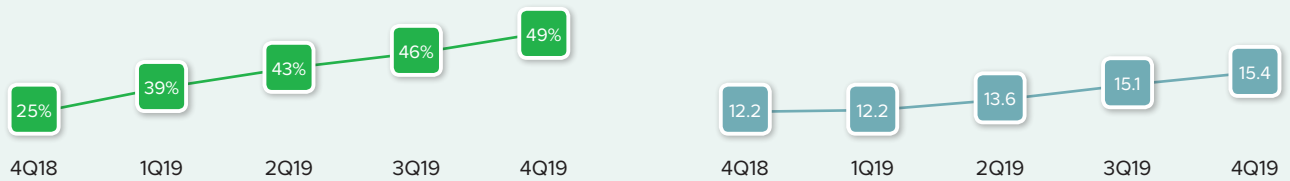
Postpaid Subscription & ARPU

● Postpaid RGS30 ('000) excl. M2M
— Postpaid ARPU (RM/month)



Data Usage & MyMaxis App Penetration

● MyMaxis App Penetration — Data Usage (GB/mth)

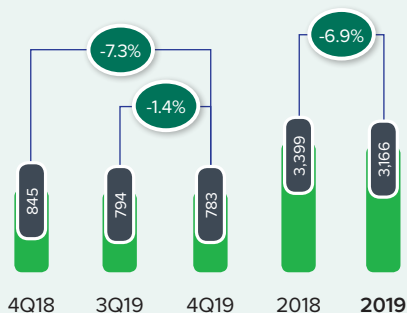


Overall Postpaid revenue declined by 3.3% due to the termination of a network sharing agreement. Our Postpaid subscriber base continued to grow, from 2.94 million at the end of 2018 to 3.37 million at the end of 2019. This was driven mainly by our MaxisONE Plan and Hotlink Postpaid (Flex) attributing to the successful pre-to-post migration. MaxisONE Share and Flex continue to attract entry level subscribers and increase pre-to-post migration. ARPU remains relatively stable at RM90 at the end of 2019.

Data usage has risen to an average 15.4GB per month, compared to 12.2GB in 2018. This is in line with the increase in MyMaxis app penetration, adopted by 49% of our postpaid primary account holders in 2019.

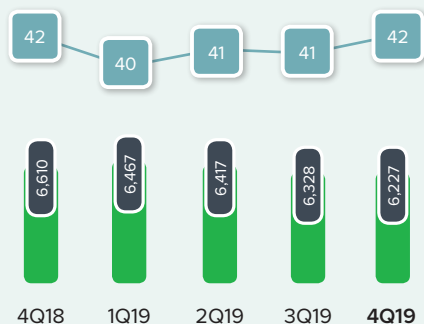
PREPAID

Prepaid Revenue (RM'm)



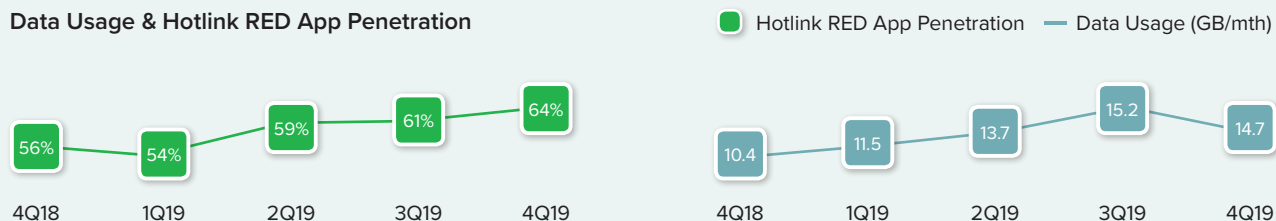
Prepaid Subscription & ARPU

● Prepaid RGS30 ('000)
— Prepaid ARPU (RM/month)



Management Discussion & Analysis

Data Usage & Hotlink RED App Penetration

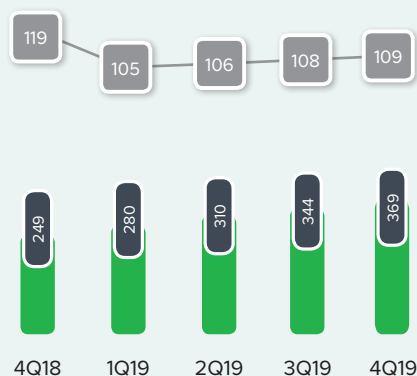


On the back of the decline of the foreign worker segment and accelerated pre-to-post migration, our prepaid subscribers and revenue was negatively affected. However, ARPU remains stable. Through our Hotlink RED App and use of data analytics, we are able to value add through our personalised promotions. Prepaid revenue declined by 6.9% to RM3,166 million in 2019.

FIBRE CONNECTIONS

Total Fibre Connections

● Total Fibre Connections ('000)
— Home Fibre ARPU (RM/month)



Total Fibre Revenue

● Total Fibre Revenue (RM'm)



Through our first mover advantage and successful fibrenation campaign, our total fibre revenue grew from RM359 million in 2018 to RM427 million in 2019, approximately 19% increase year-on-year.

We are proud of our fibre connections growth, for both Home and Business Fibre, from 249,000 in 2018 to 369,000 in 2019.

The dilution of Home and Business Fibre ARPU is in line with our support for the government's initiative to provide affordable connectivity in the country.

Management Discussion & Analysis

Value Generated and Distributed

	2019 RM'm	2018 RM'm	2019 %	2018 %
Value distributed				
To Employees	651	606	13%	12%
To Government	1,126	1,423	22%	28%
To Providers of Capital	2,033	1,952	40%	38%
Retained for Future Reinvestment and Growth	1,260	1,091	25%	22%
Total Distributed	5,070	5,072	100%	100%
Value generated				
Revenue	9,313	9,192	-	-
Less: Operating expenses	(4,504)	(4,391)	-	-
Operating Profit	4,809	4,801	95%	95%
Government grants and other income	191	226	4%	4%
Finance Income	70	45	1%	1%
Total Value Added for Distribution	5,070	5,072	100%	100%

Investor Relations

Creating Long-Term Shareholder Value

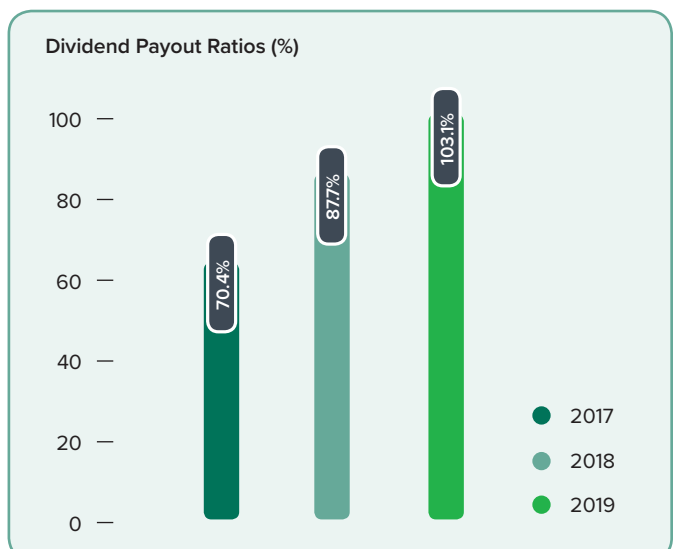
Maxis is committed to creating long-term value with focus on return on equity for its shareholders. For the financial year 2019, Maxis rewarded its shareholders with RM1,564 million four interim cash dividends of 5.0 sen per share each. The total dividend payout of 20.0 sen per share represents a dividend yield of 3.8% based on the closing share price of RM5.32 as at the end of 2019. The proposed dividend payout is aligned with our dividend policy and policy of active capital management.

Dividend Policy

Our full dividend policy, as stated in our IPO Prospectus dated 28 October 2009, is reproduced here for reference: "The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of the Board and any final dividend for the year is subject to shareholders' approval. It is the Company's intention to pay dividends to shareholders in the future. However, such payments will depend upon a number of factors, including Maxis' earnings, capital requirements, general financial condition, the Company's distributable reserves and other factors considered relevant by the Board.

Maxis, intends to adopt a dividend policy of active capital management. The Company proposes to pay dividends out of cash generated by its operations after setting aside necessary funding for network expansion and improvement and working capital needs. As part of this policy, the Company targets a payout

ratio of not less than 75% of its consolidated PAT under Malaysian Generally Accepted Accounting Standards (GAAP) in each calendar year, beginning financial year ending 31 December 2010, subject to confirmation of the Board and to any applicable law, license and contractual obligations and provided that such distribution would not be detrimental to its cash needs or to any plans approved by its Board. Investors should note that this dividend policy merely describes the Company's present intention and shall not constitute legally binding statements in respect of the Company's future dividends which are subject to modification (including reduction or non-declaration thereof) at the Board's discretion.





Management Discussion & Analysis

As the Company is a holding company, its income, and therefore its ability to pay dividends, is dependent upon the dividends and other distributions that it receives from its subsidiaries. The payment of dividends or other distributions by the Company's subsidiaries will depend upon their operating results, financial condition, capital expenditure plans and other factors that their respective board of directors deem relevant. Dividends may only be paid out of distributable reserves. In addition, covenants in the loan agreements, if any, for the Company's subsidiaries may limit their ability to declare or pay cash dividends."

The payout ratios in the financial year 2017, 2018 and 2019 were 70.4%, 87.7% and 103.1% respectively.

Communicating with Our Shareholders

Maxis is committed to maintaining high standards of corporate disclosures and transparency. Our disclosure policy is based on these three key principles:

- i) Maintain open and regular communications with all shareholders;
- ii) Disseminate financial and strategic updates in a timely and transparent manner; and
- iii) Ensure equal treatment and protection of shareholders' interests.

We Actively Communicate with Our Shareholders

We maintain active dialogues with our shareholders throughout the year, through a planned investor relations programme which includes non-deal roadshows and investment conferences.

In addition, we respond to ad-hoc meeting requests and queries from shareholders as well as the investment community. Our investor-focused programmes are further supplemented by a dedicated Investor Relations website, a key resource for corporate information, financial data, stock exchange announcements, quarterly results, annual reports, upcoming investor events, shares and dividend information, and investor presentation slides. Our Investor Relations website is available at  <http://maxis.listedcompany.com/home.html>.

Notes:

1. *The Chairman's and CEO's statement, Our Maxis Strategy, Our Top Material Matters and Value Creation Model sections should be read together with the Management Discussion & Analysis section.*
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.*

We meet regularly with major institutional investors in non-deal roadshows in major financial capitals. We also hold regular sessions with financial analysts to discuss business performance and strategies. These meetings are typically hosted by the Head of Investor Relations and attended by the appropriate mix of senior management including our Chief Executive Officer and Chief Financial & Strategy Officer.

We believe in the constructive use of our Annual General Meetings (AGM) and other general meetings. These meetings are attended by our Board of Directors and the management team. A comprehensive review of the Company's performance is shared and any shareholder present can query the Board and management team at these meetings. Our external auditors are also present to answer any questions on the auditing, preparation and content of the independent auditors' report.

Our stakeholders, especially institutional investors, place great emphasis on how we manage our Economic, Environmental and Social (EES) matters and create value from our operations. Being cognizant of this, we have embarked on a value creation journey to fully integrate our annual report in accordance to the IIRC Framework to form a holistic view of our strategy and growth plans as well as manage key risks and opportunities in order to build and reassure confidence and improve our future performance. Also, we have been listed on the FTSE4Good Bursa Malaysia Index since 2015. Valued by our shareholders and other stakeholders for benchmarking our corporate responsibility practices, we intend to maintain and further improve our position on this index in the future.

Feedback and Enquiries

We welcome feedback on our Investor Relations initiatives and other information we have provided. Queries about and requests for publicly available information, comments and suggestions to the Company can be directed to ir@maxis.com.my. We look forward to continued and effective engagements with our shareholders.