AXIATA GROUP BERHAD (242188-H)

The Board of Directors of Axiata Group Berhad is pleased to announce the following unaudited interim results of the Group for the financial period ended 30 June 2018.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2nd Quarter Ended		Financial Period Ended	
	30/6/2018	30/6/2017	30/6/2018	30/6/2017
	RM'000	RM'000	RM'000	RM'000
Operating revenue	**5,867,065**	6,058,566	**11,615,314**	11,939,538
Operating costs				
- depreciation, impairment and amortisation	**(1,489,038)**	(1,443,646)	**(2,882,249)**	(2,961,628)
- foreign exchange gains/(losses)	**87,727**	(36,615)	**(18,717)**	(89,896)
- domestic interconnect and international outpayment	**(611,211)**	(668,921)	**(1,213,615)**	(1,310,346)
- marketing, advertising and promotion	**(565,847)**	(537,972)	**(1,116,727)**	(1,025,997)
- other operating costs	**(2,121,201)**	(2,124,313)	**(4,264,210)**	(4,293,279)
- staff costs	**(525,638)**	(453,498)	**(941,184)**	(882,056)
- other gains/(losses) - net	**35,983**	(7,658)	**43,007**	(18,488)
Other (expense)/ income - net	**(3,273,839)**	69,120	**(3,216,065)**	134,082
(Loss)/Profit before finance cost	**(2,595,999)**	855,063	**(1,994,446)**	1,491,930
Finance income	**53,411**	53,569	**114,710**	94,379
Finance cost excluding net foreign exchange (losses)/gains on financing activities	**(314,951)**	(337,854)	**(617,473)**	(656,620)
Net foreign exchange (losses)/gains on financing activities	**(202,014)**	105,886	**(76,991)**	169,841
	(516,965)	(231,968)	**(694,464)**	(486,779)
Joint ventures				
- share of results (net of tax)	**170**	(17,322)	**170**	(36,467)
Associates				
- share of results (net of tax)	**46,569**	(78,255)	**(39,505)**	(89,646)
- loss on dilution of equity interests	**(45,384)**	(9,816)	**(402,988)**	(9,816)
(Loss)/Profit before taxation	**(3,058,198)**	571,271	**(3,016,523)**	963,601
Taxation	**(259,477)**	(92,194)	**(395,509)**	(222,491)
(Loss)/Profit for the financial period	**(3,317,675)**	479,077	**(3,412,032)**	741,110
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss:				
- actuarial losses on defined benefits plan, net of tax	**-**	4,423	**-**	2,862
Items that may be reclassified subsequently to profit or loss:				
- currency translation differences	**324,922**	(839,311)	**(1,078,738)**	(629,684)
- net cash flow hedge	**(27,195)**	(23,802)	**(106,156)**	(28,489)
- net investment hedge	**(4,965)**	7,692	**24,476**	(41,267)
- available-for-sale reserve	**(1,600)**	-	**(1,600)**	(1,358)
Other comprehensive income/(expense) for the financial period, net of tax	**291,162**	(850,998)	**(1,162,018)**	(697,936)
Total comprehensive (expenses)/income for the financial period	**(3,026,513)**	(371,921)	**(4,574,050)**	43,174
(Loss)/Profit for the financial period attributable to:				
- owners of the company	**(3,357,307)**	407,205	**(3,504,715)**	646,221
- non-controlling interests	**39,632**	71,872	**92,683**	94,889
	(3,317,675)	479,077	**(3,412,032)**	741,110
Total comprehensive (expenses)/income for the financial period attributable to:				
- owners of the company	**(3,135,671)**	(278,141)	**(4,430,994)**	137,300
- non-controlling interests	**109,158**	(93,780)	**(143,056)**	(94,126)
	(3,026,513)	(371,921)	**(4,574,050)**	43,174
Earnings Per Share (sen) (Part B, Note 12)				
- basic	**(37.1)**	4.5	**(38.7)**	7.2
- diluted	**(37.0)**	4.5	**(38.6)**	7.2

(The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

AXIATA GROUP BERHAD (242188-H)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30/6/2018 RM'000 Unaudited	31/12/2017 RM'000 Audited
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	13,417,939	13,407,253
Reserves	6,739,153	11,323,883
Total equity attributable to owners of the Company	20,157,092	24,731,136
Non-controlling interests	5,722,453	5,773,447
Total equity	25,879,545	30,504,583
NON-CURRENT LIABILITIES		
Borrowings	15,411,108	14,796,319
Derivative financial instruments	1,558,314	1,441,161
Deferred income	329,095	270,915
Deferred gain on sale and lease back assets	713,578	817,073
Trade and other payables	1,921,888	1,644,197
Provision for liabilities	466,220	468,920
Deferred taxation	1,677,561	1,672,496
Total non-current liabilities	22,077,764	21,111,081
	47,957,309	**51,615,664**
NON-CURRENT ASSETS		
Intangible assets	21,429,033	22,176,286
Property, plant and equipment	26,808,567	26,909,970
Joint ventures	26,192	26,022
Associates	3,040,178	7,985,974
Available-for-sale financial assets	61,377	62,030
Derivative financial instruments	-	143,777
Long term receivables	442,354	535,157
Deferred taxation	410,069	270,046
Total non-current assets	52,217,770	58,109,262
CURRENT ASSETS		
Inventories	153,635	174,279
Trade and other receivables	4,079,667	4,496,637
Contract assets	410,147	-
Derivatives financial instruments	198,693	53,109
Financial assets at fair value through profit or loss	47	64
Tax recoverable	28,338	41,615
Deposits, cash and bank balances	6,234,411	6,812,868
Assets classified as held for sale	1,202,440	223,162
	12,307,378	11,801,734
LESS: CURRENT LIABILITIES		
Trade and other payables	11,838,221	12,616,963
Contract liabilities	50,570	-
Deferred gain on sale and lease back assets	119,251	126,017
Borrowings	3,261,264	4,387,670
Derivative financial instruments	150,581	152,621
Current tax liabilities	589,779	754,511
Dividend payable	316,741	-
Liabilities classified as held for sale	241,432	257,550
Total current liabilities	16,567,839	18,295,332
Net current liabilities	(4,260,461)	(6,493,598)
	47,957,309	**51,615,664**
Net assets per share attributable to owners of the Company (sen)	223	273

(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

AXIATA GROUP BERHAD (242188-H)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

		Attributable to equity holders of the Company													
	Note	**Share capital '000**	**Share capital RM'000**	**Currency translation differences RM'000**	**Capital contribution reserve RM'000**	**Merger reserve RM'000**	**Hedging reserve RM'000**	**Actuarial reserve RM'000**	**Share-based payment reserve RM'000**	**AFS reserve RM'000**	**Others reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**NCI RM'000**	**Total equity RM'000**
At 1 January 2018		9,047,951	13,407,253	783,362	16,598	346,774	(341,409)	23,996	133,367	34,640	(1,258,051)	11,584,606	24,731,136	5,773,447	30,504,583
First time adoption adjustments	Part A, 2(c)	-	-	-	-	-	-	-	-	-	-	(99,876)	(99,876)	4,016	(95,860)
Loss for the financial period		-	-	-	-	-	-	-	-	-	-	(3,504,715)	(3,504,715)	92,683	(3,412,032)
Other comprehensive expense:															
-Currency translation differences arising during the financial period:															
-subsidiaries		-	-	(747,795)	-	-	-	-	-	-	-	-	(747,795)	(235,170)	(982,965)
-associates		-	-	(95,773)	-	-	-	-	-	-	-	-	(95,773)	-	(95,773)
		-	-	(843,568)	-	-	-	-	-	-	-	-	(843,568)	(235,170)	(1,078,738)
-Net cash flow hedge		-	-	-	-	-	(106,125)	-	-	-	-	-	(106,125)	(31)	(106,156)
-Net investment hedge		-	-	-	-	-	24,476	-	-	-	-	-	24,476	-	24,476
-Actuarial loss, net of tax		-	-	-	-	-	-	(1,062)	-	-	-	-	(1,062)	(538)	(1,600)
Total comprehensive expense		**-**	**-**	**(843,568)**	**-**	**-**	**(81,649)**	**(1,062)**	**-**	**-**	**-**	**(3,504,715)**	**(4,430,994)**	**(143,056)**	**(4,574,050)**
Transactions with owners:															
-Issuance of new ordinary shares		1,404	6,497	-	-	-	-	-	-	-	-	-	6,497	-	6,497
-Partial disposal of a subsidiary	Part A,12	-	-	(6,351)	-	-	-	-	-	-	-	265,690	259,339	108,094	367,433
-Dilution of equity interest in a subsidiary		-	-	-	-	-	-	-	-	-	-	48	48	800	848
-Acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-		-	755	755
-Dividends payable to shareholders			-	-	-	-	-	-	-	-	-	(316,741)	(316,741)	-	(316,741)
-Dividends paid to NCI		-	-	-	-	-	-	-	-	-	-	-	-	(21,603)	(21,603)
-Share-based payment expenses		-	-	-	-	-	-	-	7,683	-	-	-	7,683	-	7,683
-Transferred from share-based payment reserve upon exercise/vest		384	4,189	-	-	-	-	-	(4,189)	-	-	-	-	-	-
Total transaction with owners		1,788	10,686	(6,351)	-	-	-	-	3,494	-	-	(51,003)	(43,174)	88,046	44,872
At 30 June 2018		**9,049,739**	**13,417,939**	**(66,557)**	**16,598**	**346,774**	**(423,058)**	**22,934**	**136,861**	**34,640**	**(1,258,051)**	**7,929,012**	**20,157,092**	**5,722,453**	**25,879,545**

Available-for-sale ("AFS") Non-controlling interests ('NCI')

(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

AXIATA GROUP BERHAD (242188-H)
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (CONTINUED)

	Attributable to equity holders of the Company														
	Share capital	Share capital	Share premium	Currency translation differences	Capital contribution reserve	Merger reserve	Hedging reserve	Actuarial reserve	Share-based payment reserve	AFS reserve	Other reserve	Retained earnings	Total	NCI	Total equity
	000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	8,971,415	8,971,415	4,081,106	2,288,800	16,598	346,774	(325,702)	11,107	135,647	35,998	(1,316,116)	9,335,025	23,580,652	5,039,552	28,620,204
Profit for the financial period	-	-	-	-	-	-	-	-	-	-	-	646,221	646,221	94,889	741,110
Other comprehensive income:															
-Currency translation differences arising during the financial period:															
-subsidiaries	-	-	-	(470,439)	-	-	-	-	-	-	-	-	(470,439)	(190,177)	(660,616)
-joint venture	-	-	-	(1,070)	-	-	-	-	-	-	-	-	(1,070)	-	(1,070)
-associates	-	-	-	32,002	-	-	-	-	-	-	-	-	32,002	-	32,002
	-	-	-	(439,507)	-	-	-	-	-	-	-	-	(439,507)	(190,177)	(629,684)
-Net cash flow hedge	-	-	-	-	-	-	(28,688)	-	-	-	-	-	(28,688)	199	(28,489)
-Net investment hedge	-	-	-	-	-	-	(41,267)	-	-	-	-	-	(41,267)	-	(41,267)
-Actuarial gain, net of tax	-	-	-	-	-	-	-	1,899	-	-	-	-	1,899	963	2,862
-Revaluation of AFS	-	-	-	-	-	-	-	-	-	(1,358)	-	-	(1,358)	-	(1,358)
Total comprehensive income	-	-	-	(439,507)	-	-	(69,955)	1,899	-	(1,358)	-	646,221	137,300	(94,126)	43,174
Transaction with owners:															
-Issuance of new ordinary shares	2,613	4,039	165	-	-	-	-	-	-	-	-	-	4,204	-	4,204
-Transition to no par value regime	-	4,081,271	(4,081,271)	-	-	-	-	-	-	-	-	-	-	-	-
-Reversal of reserve	-	-	-	-	-	-	-	-	-	-	81	-	81	-	81
-Dilution of equity interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	91,175	91,175	(94,925)	(3,750)
-Private placement of a subsidiary	-	-	-	724	-	-	-	-	-	-	40,087	1,229,275	1,270,086	908,883	2,178,969
-Partial disposal of subsidiaries	-	-	-	(12,879)	-	-	-	-	-	-	18,884	766,797	772,802	390,647	1,163,449
-Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,123)	(2,123)
-Dividends paid to shareholders	-	-	-	-	-	-	-	-	-	-	-	(269,221)	(269,221)	-	(269,221)
-Dividends paid to NCI	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,063)	(18,063)
-Share-based payment expenses	-	-	-	-	-	-	-	-	6,499	-	-	-	6,499	-	6,499
-Transferred from share-based payment reserve upon exercise/vest	-	6,283	-	-	-	-	-	-	(6,283)	-	-	-	-	-	-
Total transactions with owners	2,613	4,091,593	(4,081,106)	(12,155)	-	-	-	-	216	-	59,052	1,818,026	1,875,626	1,184,419	3,060,045
At 30 June 2017	**8,974,028**	**13,063,008**	**-**	**1,837,138**	**16,598**	**346,774**	**(395,657)**	**13,006**	**135,863**	**34,640**	**(1,257,064)**	**11,799,272**	**25,593,578**	**6,129,845**	**31,723,423**

(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

AXIATA GROUP BERHAD (242188-H)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	FOR THE FINANCIAL PERIOD ENDED	
	30/6/2018	30/6/2017
	RM'000	RM'000
Receipt from customers	11,153,032	11,380,713
Payment to suppliers and employees	(6,911,632)	(6,964,585)
Payment of finance costs	(612,900)	(665,341)
Payment of income taxes (net of refunds)	(541,591)	(320,741)
CASH FLOWS FROM OPERATING ACTIVITIES	**3,086,909**	**3,430,046**
Proceeds from disposal of property, plant and equipment	6,890	12,818
Purchase of property, plant & equipment	(3,169,036)	(2,969,087)
Acquisition of intangible assets	(494,806)	(64,615)
Investments in deposits maturing more than three (3) months	(48,530)	140,990
Investment in associates	-	(100,371)
Additional investment in associates	(49,328)	(20,149)
Settlement of deferred purchase consideration of an investment in a subsidiary	-	(19,295)
Other investment	-	(700)
Dividends received from associates	49,017	49,409
Repayment from/(net advances to) employees	57	(346)
Interests received	118,368	91,939
CASH FLOWS USED IN INVESTING ACTIVITIES	**(3,587,368)**	**(2,879,407)**
Proceeds from issuance of shares under Axiata Share Scheme	6,497	4,204
Proceeds from borrowings	3,564,972	3,715,163
Repayments of borrowings	(3,787,280)	(5,890,397)
Proceeds from Sukuks	-	712,860
Net proceed from private placement of a subsidiary	-	2,178,969
Net proceed from partial disposal of subsidiaries	367,433	1,163,449
Repayment of finance lease creditors	(87,195)	(94,115)
Additional investment in a subsidiary	620	-
Capital injection by NCI	848	-
Dividends paid to non-controlling interests	(21,603)	(103,161)
CASH FLOWS FROM FINANCING ACTIVITIES	**44,292**	**1,686,972**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(456,167)	2,237,611
DISCONTINUED CASH FLOW	9,120	-
NET DECREASE IN RESTRICTED CASH AND CASH EQUIVALENT	34,189	352,814
EFFECT OF EXCHANGE RATE CHANGES	(167,924)	(62,882)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	6,471,657	4,649,422
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	**5,890,875**	**7,176,965**

(The above Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

AXIATA GROUP BERHAD (242188-H)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	FOR THE FINANCIAL PERIOD ENDED	
	30/6/2018	**30/6/2017**
	RM'000	**RM'000**
Total deposits, cash and bank balances	6,234,411	7,373,615
Less:		
- Deposit pledged and escrow account	(71,437)	(45,650)
- Deposit on investment in subsidiaries	(67,037)	(15,749)
- Deposits maturing more than three (3) months	(115,175)	(65,722)
- Bank overdrafts	(89,887)	(69,529)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	**5,890,875**	**7,176,965**

(The above Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017)

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

1. Basis of Preparation

The unaudited interim financial statements for the financial period ended 30 June 2018 of the Group have been prepared in accordance with the International Financial Reporting Standards compliant framework, Malaysian Financial Reporting Standards ("MFRS"), MFRS 134 "Interim Financial Reporting", Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Main LR"), and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2017 ("2017 Audited Financial Statements").

2. Accounting Policies

The accounting policies and method of computation applied in the unaudited interim financial statements are consistent with those used in the preparation of the 2017 Audited Financial Statements except for the adoption of new standards/IC Interpretation and amendments to existing standards that are applicable to the Group for the financial period beginning 1 January 2018 as set out below:

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"
- Amendment to MFRS 2 "Share-based Payment" on Classification and Measurement of Share-based Payment Transactions.
- Amendments to MFRS 128 "Investments in Associates and Joint Ventures".

The above adoptions did not have a material impact to the Group during the current quarter and financial period to date.

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"

The impacts of adoption of MFRS 9 and MFRS 5 are as follows:

(a) MFRS 9

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

✓ Those to be measured subsequently at fair value [either through other comprehensive income ("OCI"), or through profit or loss],
✓ and those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

2. Accounting Policies (continued)

(a) MFRS 9 (continued)

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Where the Group has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment assessment on financial assets

The Group adopted expected credit loss model ("ECL") instead of the current incurred loss model on its financial assets. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

(iv) Transition

The Group adopted the standard by using the cumulative catch-up transition method. Hence, the cumulative effect of the initially applied the standard was recognised as an adjustment to the opening balances of retained earnings as at 1 January 2018 as stated in Part A, Note 2(c) to the announcement and comparative was not restated.

The Group will continue to refine the estimate and judgement applied in the adoption of MFRS 9 as facts and circumstances evolved.

(b) MFRS 15

(i) Revenue from bundled contracts (multiple-element arrangements)

Some revenue is recognised earlier, as a larger portion of the total consideration received in a bundled contract is attributable to the component delivered at contract inception (i.e. typically a subsidised handset). Therefore, this produces a shift from service revenue (which decrease) to the benefit of handset revenue. This results in the recognition of a contract asset on the statement of financial position as more revenue is recognised upfront while the cash is received along the subscription period.

(ii) Cost of acquisition of contract

Certain incremental costs incurred in acquiring a contract with a customer are capitalised on the consolidated statement of financial position and amortised over either the average customer retention period or the contract term, depending on the circumstances.

When the amortisation period is one year or less, incremental costs are expensed when incurred.

2. Accounting Policies (continued)

(b) MFRS 15 (continued)

(iii) Transition

The Group has elected modified retrospective approach for the initial adoption of MFRS 15. The Group applied MFRS 15 retrospectively only for those contracts which have not been fulfilled as of 1 January 2018. The resultant impact of conversion was recognised in equity as of 1 January 2018 as disclosed in Part A, Note 2(c) to the announcement and comparative will not be restated.

The Group will continue to refine the estimate and judgement of applied in the adoption of MFRS 15 as facts and circumstances evolved.

(c) First time adoption adjustments of MFRS 9 and MFRS 15 to the consolidated statement of financial position as at 1 January 2018 are as below:

	As at 1 January 2018			
		First time adoption adjustments		
	As reported	MFRS 15	MFRS 9	As adjusted
	RM'000	RM'000	RM'000	RM'000
Total equity:				
- Reserves	11,323,883	(41,137)	(58,739)	11,224,007
- Non-controlling interests	5,773,447	4,916	(900)	5,777,463
Total net assets:				
- Intangible assets	22,176,286	(88,257)	-	22,088,029
- Trade and other receivables	4,496,637	(185,646)	(74,270)	4,236,721
- Contract assets	-	262,946	-	262,946
- Contract liabilities	-	(54,900)	-	(54,900)
- Deferred taxation	(1,672,496)	29,636	14,631	(1,628,229)

2. Accounting Policies (continued)

(d) Adjustments of MFRS 9 and MFRS 15 to the consolidated profit or loss during the current quarter and financial period to date are as below:

	Financial period to date			
		Adoption impacts		
	Before	MFRS 15	MFRS 9	After
	RM'000	RM'000	RM'000	RM'000
Revenue	11,350,628	264,686	-	11,615,314
Costs	(7,192,191)	(319,352)	(24,193)	(7,535,736)
Depreciation, impairment and amortisation	(2,935,880)	53,631	-	(2,882,249)
Finance income	105,781	8,929	-	114,710
Taxation	(400,669)	(730)	5,890	(395,509)
Loss for the financial period				
- owners of the company	(3,492,663)	6,219	(18,271)	(3,504,715)
- non-controlling interests	91,770	945	(32)	92,683
	(3,400,893)	7,164	(18,303)	(3,412,032)

Disaggregation of revenue for financial period to date under MFRS15 is as below:

	Before	MFRS 15	After
	RM'000	RM'000	RM'000
Goods or services transferred:			
-at a point in time	450,034	324,170	774,204
-over time	10,900,594	(59,484)	10,841,110
	11,350,628	264,686	11,615,314

2. Accounting Policies (continued)

(d) Adjustments of MFRS 9 and MFRS 15 to the consolidated profit or loss during the current quarter and financial period to date are as below: (continued)

	Current Quarter			
		Adoption impacts		
	Before	MFRS 15	MFRS 9	After
	RM'000	RM'000	RM'000	RM'000
Revenue	5,750,063	117,002	-	5,867,065
Costs	(3,635,882)	(174,970)	(13,045)	(3,823,897)
Depreciation, impairment and amortisation	(1,530,508)	41,470	-	(1,489,038)
Finance income	47,644	5,767	-	53,411
Taxation	(259,961)	(2,766)	3,250	(259,477)
Loss for the financial period				
- owners of the company	(3,341,476)	(6,043)	(9,788)	(3,357,307)
- non-controlling interests	47,093	(7,454)	(7)	39,632
	(3,294,383)	(13,497)	(9,795)	(3,317,675)

Disaggregation of revenue for current quarter under MFRS15 is as below:

	Before	MFRS 15	After
	RM'000	RM'000	RM'000
Goods or services transferred:			
-at a point in time	40,481	149,329	189,810
-over time	5,709,582	(32,327)	5,677,255
	5,750,063	117,002	5,867,065

3. Seasonal or Cyclical Factors

The operations of the Group were not significantly affected by any seasonal or cyclical factors.

4. Significant Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

The Group's performance for the current quarter and financial period to date has taken into account of the following:

(a) Celcom Axiata Berhad ("Celcom") had on 31 October 2016 received the letter from the Malaysian Communications and Multimedia Commission on the reissuance of the existing Spectrum Assignment in 1950 Mhz to 1965 Mhz and 2140 Mhz to 2155 Mhz for a period of 16 years effective from 2 April 2018, subject to price component payment of RM118.4 million being made in one lump sum before 1 February 2018 and annual fixed fee payment of RM50.0 million payable before 15 December throughout the assignment period. Celcom has submitted the price component fee of RM118.4 million on 30 January 2018.

(b) Following the allotment of equity shares by Idea Cellular Limited ("Idea") as disclosed in Part A, Note 12(b) of this announcement, the Group recognised a loss of dilution amounting to RM357.6 million during the financial period to date.

(c) On 4 February 2018, Robi Axiata Limited applied for tech neutrality in the two bands for a total fee of RM185.2 million (BDT4.0 billion) for the concession upgrade.

(d) On 17 May 2018, the Group entered into a success fee arrangement with a shareholder of a subsidiary amounting to RM199.0 million or USD50.2 million relating to an investment opportunity in the subsidiary which is payable in 2018 and 2019.

(e) On 20 March 2017, the Group had announced that Idea Cellular Limited ("Idea") and Vodafone India Limited ("VIL") are to merge under a scheme of amalgamation. The scheme provided for the amalgamation of Idea with VIL and Vodafone Mobile Services Limited ("VMSL"), a wholly-owned subsidiary of VIL. Idea being the resultant entity was to issue an allotment of fully paid-up equity shares of Idea to the equity shareholders of VIL and VMSL. As a result, the Group's shareholding in Idea is expected to be diluted from 16.33% to 8.88% as at 30 June 2018.

    The Group had reclassified the portion to be diluted as non-current assets held for sale in accordance with MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as the amalgamation is highly probable to be completed within the next 12 months from 30 June 2018. In addition, the Group had also recognised a provision of loss amounting to RM3,379.9 million based on fair value less cost to sell of the investment in Idea as at 30 June 2018. The retained interest of RM1,186.7 million continues to be classified as an investment in associate until the merger is completed.

    On 16 August 2018, the Group had announced that it had relinquished some of its rights under the Subscription Agreement dated 25 June 2008 between Axiata Group and Idea in relation to the subscription of Idea's shares by Axiata Group. Amongst others, the Group had relinquished its rights to appoint an Axiata representative as a Board member and anti-dilution rights. Accordingly, the Group ceased to have significant influence over Idea and had reclassified its entire investment in Idea from non-current assets held for sale and investment in associate to a financial asset measured at fair value through other comprehensive income effective 16 August 2018. The fair value of the investment was re-measured based on the fair value on 16 August 2018.

(f) During the current quarter and financial period to date, the Group recognised net foreign exchange losses of RM 114.3 million and RM 95.7 million mainly arising from the revaluation of USD borrowings and payables.

Other than the above and as disclosed in Part A, Note 12 to this announcement, there were no other unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial period ended 30 June 2018.

5. Estimates

The preparation of unaudited interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

There were no changes in estimates of amounts reported in prior financial years that may have a material effect in the current quarter and financial period to date.

In preparing the unaudited interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the sources of estimates uncertainty were consistent as those applied to 2017 Audited Financial Statements.

6. Issues, Repurchases and Repayments of Debt and Equity Securities

(a) During the financial period to date, the Company issued new ordinary shares under the Axiata Share Scheme and Dividend Reinvestment Scheme ("DRS") as below:

Description	Total ordinary shares of the Company issued	
	'000	RM'000
● Performance-Based Employee Share Option Scheme ("ESOS") at an exercise price of either RM1.81, RM3.45 and RM5.07	1,404	8,493
● Restricted Share Awards at an issuance price from RM5.45 to RM6.29 being the fair value of RSA issued.	384	2,193
Total	1,788	10,686

(b) On 13 February 2018, the Company has settled a total amount of RM724.6 million (USD184.0 million) for its loan undertaken with Hong Kong and Shanghai Banking Corporation ("HSBC") in 2017.

On 15 March 2018, the Company has settled a total amount of RM905.6 million (USD232.0 million) for its loan undertaken with Oversea-Chinese Banking Corporation ("OCBC") in 2017.

On 13 March 2018, the Company undertake a loan with Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad amounting to RM976.1 million (USD250.0 million) with tenure of three (3) years from the date of first drawdown and carry contractual interest rate of LIBOR + applicable interest.

Aside from the above, there were no other significant unusual issues, repurchases and repayments of debt and equity securities during the financial period ended 30 June 2018.

7. Dividend paid

There is no dividend paid by the Company during the financial period to date except for the dividend paid by the Company after the interim period as disclosed in Part A, Note 11 (b) of this announcement.

8. Segmental Information

For the financial period ended 30 June 2018

Segment	Mobile						Infrastructure			
	Malaysia	Indonesia	Bangladesh	Sri Lanka	Nepal	Cambodia	Malaysia	Others	Consolidation adjustments/ eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total operating revenue	3,611,374	3,159,168	1,546,189	1,328,831	1,104,819	536,652	723,350	157,621	-	12,168,004
Inter-segment[1]	(22,628)	(34,861)	(11)	(11,527)	(14,352)	(4,068)	(464,980)	(263)	-	(552,690)
External operating revenue	3,588,746	3,124,307	1,546,178	1,317,304	1,090,467	532,584	258,370	157,358	-	11,615,314
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	951,574	1,214,147	329,989	525,020	691,843	246,870	320,368	(266,374)	66,141	4,079,578
Interest income	48,849	19,136	2,629	2,843	14,766	2,900	15,698	32,521	(24,632)	114,710
Interest expense	(111,820)	(233,897)	(76,585)	(25,583)	(10,545)	(234)	(10,607)	(187,225)	39,023	(617,473)
Depreciation of property, plant & equipment ("PPE")	(411,871)	(1,074,718)	(255,349)	(255,504)	(139,860)	(90,446)	(142,033)	(18,521)	11,356	(2,376,946)
Amortisation of intangible assets	(30,086)	(21,123)	(120,471)	(55,657)	(64,972)	(4,140)	(12,893)	(4,416)	(136,677)	(450,435)
Joint ventures:										
- share of results (net of tax)	170	-	-	-	-	-	-	-	-	170
Associates:										
- share of results (net of tax)[2]	5,897	-	7,872	26	-	2,221	-	(55,521)	-	(39,505)
- loss on dilution of equity interests	-	-	-	-	-	-	-	(402,988)	-	(402,988)
Impairment of PPE, net of reversal	-	1,590	-	(1,414)	(2,290)	-	-	1	-	(2,113)
Other non-cash income/(expenses)[3]	14,823	48,707	(7,066)	(23,128)	5,865	(420)	(5,386)	299,466	(3,654,382)	(3,321,521)
Taxation	(135,600)	21,006	31,545	(23,689)	(126,755)	(32,851)	(67,040)	34,672	(96,797)	(395,509)
Segment profit/(loss) for the financial period	**331,936**	**(25,152)**	**(87,436)**	**142,914**	**368,052**	**123,900**	**98,107**	**(568,385)**	**(3,795,968)**	**(3,412,032)**

[1] Inter-segment operating revenue has been eliminated at the respective segment operating revenue. The inter-segment operating revenue was entered into in the normal course of business and at prices available to third parties or at negotiated terms.

[2] Share of results of associates are mainly contributed by Idea (-RM94.8 million) and M1 Limited (RM60.0 million).

[3] Included in other non-cash income/(expenses) is provision of loss on derecognition of Idea amounting to RM3,379.9 million.

8. Segmental Information (continued)

For the financial period ended 30 June 2017

Segment (restated)	Mobile						Infrastructure			
	Malaysia	Indonesia	Bangladesh	Sri Lanka	Nepal	Cambodia	Malaysia	Others	Consolidation adjustments/ eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total operating revenue	3,225,669	3,597,139	1,775,848	1,307,243	1,175,049	615,390	666,910	145,402	-	12,508,650
Inter-segment[1]	(5,350)	(26,148)	(15)	(9,545)	(10,451)	(4,773)	(499,145)	(13,685)	-	(569,112)
External operating revenue	3,220,319	3,570,991	1,775,833	1,297,698	1,164,598	610,617	167,765	131,717	-	11,939,538
EBITDA	1,102,440	1,339,442	296,957	444,001	784,515	310,546	304,422	(160,820)	6,357	4,427,860
Interest income	31,389	26,946	3,127	3,314	12,821	3,941	6,333	48,615	(42,107)	94,379
Interest expense	(108,825)	(271,704)	(36,301)	(29,173)	(27,819)	(1,562)	(20,574)	(202,974)	42,312	(656,620)
Depreciation of PPE	(416,295)	(1,121,114)	(322,915)	(249,795)	(178,042)	(91,503)	(125,808)	(21,031)	11,692	(2,514,811)
Amortisation of intangible assets	(57,413)	(31,844)	(129,869)	(17,798)	(47,120)	(2,535)	(12,217)	(285)	(152,612)	(451,693)
Joint venture:										
- share of results (net of tax)	(1,516)	(30,964)	-	-	-	-	-	(3,987)	-	(36,467)
Associates:										
- share of results (net of tax)[4]	(11,899)	-	8,547	(559)	-	-	6,594	(92,329)	-	(89,646)
- loss on dilution of equity interests	-	-	-	-	-	-	-	(9,816)	-	(9,816)
Impairment of PPE, net of reversal	-	17,589	-	7,734	-	-	-	-	-	25,323
Other non-cash income/(expenses)[5]	151,050	78,056	(29,226)	(21,520)	(36,358)	2,004	(12,398)	1,077,999	(1,034,515)	175,092
Taxation	(136,947)	38,641	153,229	(23,922)	(142,745)	(44,265)	(49,470)	(20,500)	3,488	(222,491)
Segment profit/(loss) for the financial period	551,984	45,048	(56,451)	112,282	365,252	176,626	96,882	614,872	(1,165,385)	741,110

[4] Share of results of associates are mainly contributed by Idea (-RM134.6 million) and M1 Limited (RM60.3 million).

[5] Included in other non-cash income/(expenses) is elimination of gains arising from partial disposal of subsidiaries (RM797.5 million) and intra-group restructuring gain on associate recorded by respective segments (RM140.0 million)

9. Valuation of PPE

The Group does not adopt a revaluation policy on its PPE.

10. Acquisitions of PPE

During the financial period to date, the Group acquired additional PPE amounting to RM3,192.4 million mainly for its telecommunication network equipment and capital work in progress.

11. Events after the Interim Period

(a) Acquisition of Tanjung Digital Sdn Bhd

edotco Malaysia Sdn Bhd, a wholly owned subsidiary of edotco Group Sdn Bhd, which in turn is a 63.00% subsidiary of the Company, had on 4 May 2018 entered into a Sale and Purchase of Shares Agreement with Utara Jernih Sdn Bhd and Mohd Azam bin Saad for the acquisition of 80,002 ordinary shares representing 80.0% of the issued share capital of Tanjung Digital Sdn Bhd ("TDSB") for a total cash consideration of RM140.0 million ("Proposed Acquisition of TDSB").

The Proposed Acquisition of TDSB was completed on 27 July 2018.

(b) Dividend paid by the Company

On 19 July 2018, the Company paid a total final tax exempt dividend of 3.5 sen under single tier in respect of financial year ended 31 December 2017 per ordinary share of the Company amounting to RM316.7 million. Out of the total cash distribution, a total of RM79.1 million was converted into 19,927,680 new ordinary shares of the Company at the conversion price of RM3.97 per ordinary share under the Dividend Reinvestment Scheme of the Company.

(c) Incorporation of Axiata Digital Labs (Private) Limited ("ADL")

Axiata Investments (Labuan) Limited, a wholly-owned subsidiary of the Group**,** had on 10 July 2018 completed the incorporation of ADL **(**Company No. PV00201847), a private company limited by shares, in Sri Lanka, under the Companies Act, No. 7 of 2007 of Sri Lanka.

ADL was incorporated with a stated capital of LKR10 comprising of 1 ordinary share of LKR10 each. The principal activity of ADL is to function as Software Development and IT Enabled Services venture of the Group.

(d) Dilution of equity interest in Axiata Digital Advertising Sdn Bhd ("ADA")

Sumitomo Corporation had on 20 July 2018 invested in ADA, a subsidiary of Axiata held via Axiata Digital Services Sdn Bhd ("ADSSB"), for the subscription of 3,334,017 shares at a consideration of USD20.0 million representing 18.31% of total issued and paid-up share capital of ADA. Subsequent to the said investment, the shareholdings of ADA are held by ADSSB and Sumitomo at 81.69% and 18.31% respectively.

Other than the above and as disclosed in Part A, Note 4(e) of this announcement, there was no other significant event after interim period that requires disclosure and/or adjustment as at 17 August 2018.

12. Effects of Changes in the Composition of the Group

(a) Additional investment in Headstart Private Limited ("Headstart")

Digital Holdings Lanka (Private) Limited ('DHL'), a wholly owned subsidiary of the Company proceeded with the conversion to equity the 'Bond type D' in Headstart (Private) Limited ('Headstart'), consisting of 258 Ordinary Shares on 1 January 2018. Subsequent to the said conversion, the total shareholding of DHL in Headstart increased from 43.37% to 50.59% consisting of a total of 1,024 Ordinary Shares. Thereby, Headstart is consolidated as a subsidiary of the Group for the period ended 30 June 2018.

The additional investment above did not have material impact to the Group during the financial period to date.

(b) Allotment of shares by Idea on preferential basis and under qualified institutional placement

Idea had on:

(i) 12 February 2018 allotted 326,633,165 equity shares with face value of INR10 each ("Idea Shares") at an issue price of INR99.50 per Idea Share aggregating to INR32.5 billion on preferential basis to several entities to the National Stock Exchange of India Limited; and

(ii) 23 February 2018 further allotted 424,242,424 Idea Shares at an issue price of INR82.50 per Idea Share aggregating to INR35.0 billion to eligible qualified institutional buyers under qualified institutional placement.

Following the non-participation by the Group on the allotment of Idea Shares above, the Group's equity interest in Idea decreased from 19.74% to 16.33%. The impact of the dilution above is disclosed in Part A, Note 4(b) of this announcement.

(c) Members' Voluntary Winding-up of Digital Milestone Sdn Bhd ("Digital Milestone")

Pursuant to Section 459 (5) of the Companies Act 2016, Digital Milestone was dissolved effective from 23 April 2018.

The above winding-up has no material impact to the Group during the current quarter and financial period to date.

(d) Disposal of 10.00% equity interest in Axiata (Cambodia) Holdings Limited ("ACH")

On 12 June 2018, the Group via Axiata Investments (Cambodia) Limited ("AIC") disposed of 10.00% equity interest in ACH to M&Y Asia Telecom Holdings Pte Ltd ("MY Asia") for a cash consideration of RM368.5 million or USD92.4 million in conjunction with the Call Option exercised by MY Asia in accordance with the terms of the Amended and Restated Shareholders' Agreement. Accordingly, AIC and MY Asia respectively holds 72.48% and 20.00% in ACH with the balance 7.52% held by Southern Coast Ventures Inc.

The Group recognised an increase of RM265.7 million in the consolidated retained earnings and non-controlling interests amounting to RM108.1 million with the decrease in consolidated foreign exchange gain reserve of RM6.4 million.

Other than above, there were no other changes in the composition of the Group for the financial period ended 30 June 2018.

13. Significant Changes in Contingent Assets or Contingent Liabilities

Other than as disclosed in Part B, Note 9 of this announcement, there has been no significant change in contingent assets or contingent liabilities of subsidiaries and associates from that disclosed in the 2017 Audited Financial Statements.

14. Capital Commitments

As at	Group	
	30/6/2018	30/6/2017
	RM'000	RM'000
Commitments in respect of expenditure approved and contracted for	**2,846,227**	2,845,286

15. Financial Instruments At Fair Value Measurements

The Group's financial instruments that were measured at fair value as at reporting date were as follow:

- Derivative financial instruments (assets and liabilities); and
- Trading securities

The Group measured the financial instruments based on:

- Level 1 (traded in active markets): Quoted market prices
- Level 2 (not traded in active markets): Valuation techniques such as quoted market prices or dealer quotes for similar instruments, present value of the estimated future cash flows based on observable market curves and forward exchange rates at reporting date with the resulting value discounted back to present value
- Level 3: Unobservable inputs

15. Financial Instruments At Fair Value Measurements (continued)

The Group's derivative financial instruments as at 30 June were grouped as below:

Derivatives Financial Instruments	**2018**				2017			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Financial assets at fair value through profit or loss:								
-Trading security	47	-	-	47	15	-	-	15
Financial assets at AFS:								
- Equity securities	-	61,327	50	61,377	-	61,317	750	62,067
Non-hedging derivatives	-	198,509	-	198,509	-	182,045	-	182,045
Derivative used for hedging	-	184	-	184	-	3,133	-	3,133
Liabilities								
Non-hedging derivatives	-	(1,423,361)	-	(1,423,361)	-	(1,340,612)	-	(1,340,612)
Derivatives used for hedging	-	(285,534)	-	(285,534)	-	(31,940)	-	(31,940)
Total	**47**	**(1,448,875)**	**50**	**(1,448,778)**	15	(1,126,057)	750	(1,125,292)

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

1. Review of Performance

(a) Quarter-on-Quarter (Q2'18 vs Q2'17)

	Current Year Quarter	Preceding Year Corresponding Quarter	Variance	
	30/06/2018	30/06/2017		
	RM'million	RM'million	RM'million	%
Revenue	5,867.1	6,058.6	(191.5)	-3.2
EBITDA	2,043.2	2,273.9	(230.7)	-10.1
PAT[1]	(3,317.7)	479.1	(3,796.8)	> -100
PATAMI[2]	(3,357.3)	407.2	(3,764.5)	> -100

[1] PAT : Profit after tax
[2] PATAMI : Profit after tax and minority interest

Group Performance

During the financial period of quarter-on-quarter (Q2'18 and Q2'17, QoQ), the Malaysian Ringgit (MYR) strengthened against all regional currencies leading to an adverse forex translation impact on the Group's headline performance. For the period, Group revenue and EBITDA decreased by 3.2% and 10.1% to RM5,867.1 million and RM2,043.2 million respectively. At constant currency of Q2'17, revenue grew 6.5% QoQ while EBITDA remained flat.

The Group PAT and PATAMI registered a decline of more than 100% due to the one-off non cash impairment provision of RM3,379.9 million.

Geographical Highlights

- Malaysia: Revenue increased 12.0% to RM1,813.7 million underpinned by strong growth in data segment which grew by 12.3%. EBITDA dropped by 13.5% to RM494.9 million mainly driven by the impact on the adoption of MFRS 15. PAT decreased by 56.1% to RM156.9 million from RM357.5 million quarter-on-quarter mainly attributed to a one-off intergroup gain from disposal of associates recorded in Q2'17, which was eliminated at Group.

1. Review of Performance (continued)

(a) Quarter-on-Quarter (Q2'18 vs Q2'17) (continued)

Geographical Highlights (continued)

- Indonesia: Revenue and EBITDA declined by 14.9% and 13.6% to RM1,569.3 million and RM611.1 million respectively mainly due to unfavourable forex translation impact. At constant currency of Q2'17, revenue and EBITDA registered a marginal decline of 1.9% and 0.5% respectively, compared to previous year corresponding quarter. PAT decreased more than 100% for the period to record a loss of RM28.7 million compared to profit of RM30.6 million recorded in Q2'17 mainly attributable to higher forex loss.

- Bangladesh: Revenue declined by 14.2% to RM777.2 million. EBITDA increased 3.2% to RM147.5 million. At constant currency of Q2'17, revenue registered a decline of 1.7% mainly due to change in go-to-market model of device in 2018 that resulting in a change in revenue recognition of device; EBITDA increase 18.1% contributed from lower operating cost. PAT decreased by more than 100% to record a loss of RM37.6 million as compared to profit of RM39.8 million recorded in the preceding year corresponding quarter mainly attributed to one-off deferred tax credit adjustment of RM102.5 million in Q2'17.

- Sri Lanka: Sri Lanka recorded revenue growth of 2.0% to RM667.4 million. EBITDA grew 17.7% to RM272.5 million from savings in operational costs and adoption of MFRS 15. At constant currency of Q2'17, revenue and EBITDA registered a growth of 15.5% and 33.4% respectively. Higher EBITDA partly offset by higher depreciation charges resulted in PAT increased by 6.1% to RM71.0 million.

- Nepal: Revenue and EBITDA declined by 7.4% and 12.5% to RM554.6 million and RM349.2 million respectively due to unfavourable forex translation. At constant currency of Q2'17, revenue would registered a growth of 5.6% arising from data revenue growth of 33.9%, while EBITDA remained flat. PAT decrease by 10.1% to RM188.6 million due to lower EBITDA partly offset with forex gain.

- Cambodia: Revenue registered a decrease of 4.7% to RM283.7 million due to unfavourable of forex translation. At constant currency of Q2'17, revenue would registered a growth of 4.6%. EBITDA declined 13.9% from lower revenue and higher operational cost. As a result, PAT decrease by 20.8% to RM65.2 million.

- Malaysia (Infrastructure): Revenue and EBITDA grew by 6.2% and 2.8% to record at RM373.1 million and RM163.5 million. Higher forex gain further impacted PAT to increased more than 100% to RM73.2 million as compared to RM33.6 million recorded in preceding year comparative quarter.

1. **Review of Performance (continued)**

(b) Year-on-Year (YTD'18 vs YTD'17)

	Current Year To Date	Preceding Year Corresponding Period	Variance	
	30/06/2018	30/06/2017		
	RM'million	RM'million	RM'million	%
Revenue	11,615.3	11,939.5	(324.2)	-2.7
EBITDA	4,079.6	4,427.9	(348.3)	-7.9
PAT	(3,412.0)	741.1	(4,153.1)	> -100
PATAMI	(3,504.7)	646.2	(4,150.9)	> -100

Group Performance

For the financial period to date 2017 ("YTD'17"), the Malaysian Ringgit (MYR) strengthened against all regional currencies led to an adverse forex translation impact for the Group. Group revenue and EBITDA decreased by 2.7% and 7.9% to RM11,615.3 million and RM4,079.6 million respectively due to the forex translation impact. At constant currency of YTD'17, revenue grew 7.3% driven by better performance from all major operating companies other than Cambodia operation, while EBITDA improved by 2.5%.

PAT and PATAMI declined more than 100% to a loss position of RM3,412.0 million and RM3,504.7 million respectively mainly due to one-off provision of loss on its investment in India of RM3,379.9 million.

Geographical Highlights

- Malaysia: Revenue grew by 12.0% to RM3,611.4 million on the back of 13.9% strong growth in data revenue. EBITDA however, declined by 13.7% to RM951.6 million mainly contributed by the impact on the adoption of MFRS 15. PAT decreased 39.9% to RM331.9 million at entity level as compared to RM552.0 million in prior year mainly attributed to a one-off intergroup gain from disposal of associates recorded in YTD'17 which was eliminated at Group.

- Indonesia: Revenue and EBITDA dropped 12.2% and 9.4% to RM3,159.2 million and RM1,214.1 million respectively mainly due to unfavourable forex translation impact. At YTD'17 constant currency, revenue and EBITDA registered a marginal growth of 1.0% and 4.3% respectively driven by 20.2% data revenue growth and controlled spending. PAT however, decreased more than 100% on the back of higher forex loss.

1. Review of Performance (continued)

(b) Year-on-Year (YTD'18 vs YTD'17) (continued)

Geographical Highlights

- Bangladesh: Revenue declined by 12.9% to RM1,546.2 million mainly due to unfavourable forex translation. At constant currency of YTD'17, revenue would have registered a growth of 1.7% contributed by data revenue growth on the back of strong hold in 4G data business, partly offset with change in revenue recognition of device. EBITDA improved by 11.1% to RM330.0 million from lower network related cost and overhead cost. PAT however, decreased by 54.9% to RM87.4 million mainly due to higher finance cost and lower one-off deferred tax credit adjustment, partly offset with lower depreciation as compared to prior year.

- Sri Lanka: Total revenue improved by 1.7% for the period to RM1,328.8 million, and EBITDA grew by 18.2% to RM525.0 million. At constant currency of YTD'17, revenue and EBITDA would have registered a growth of 16.6% and 35.6% respectively, benefited from positive impact of adoption of MFRS15 and controlled spending. PAT increased by 27.3% to RM142.9 million, contributed by better top line performance partly offset with higher depreciation charge.

- Nepal: Revenue dropped 6.0% to RM1,104.8 million mainly due to unfavourable forex translation. At YTD'17 constant currency, revenue registered an increase of 4.6% due to increase in data revenue outpace the decreased in revenue from International Long Distance ("ILD"). EBITDA recorded a decline of 11.8% to RM691.8 million. At constant currency of YTD'17, EBITDA registered a decline of 1.9%. Despite the lower top line performance, PAT increased marginally by 0.8% to RM368.1 million benefitted from forex gain and lower tax.

- Cambodia: Revenue and EBITDA declined by 12.9% and 20.5% to RM536.7 million and RM246.9 million respectively, mainly due to unfavourable forex translation. At YTD'17 constant currency, revenue and EBITDA registered a lower decrease of 2.7% and 11.3% due to continuing intense price war competition. As a result of lower EBITDA, though cushioned partly by lower tax, PAT decreased by 29.9% to RM123.9 million.

- Malaysia (Infrastructure): Revenue and EBITDA improved by 8.5% and 5.2% to RM723.4 million and RM320.4 million respectively. PAT increased by 1.3% to RM98.1 million a result of higher EBITDA partly offset with one-off prior years' tax of RM15.0 million concluded in current year.

1. **Review of Performance (continued)**

(c) Comparison with Preceding Quarter's Result (Q2'18 vs Q1'18)

	Current Quarter	Immediate Preceding Quarter	Variance	
	30/6/2018	31/3/2018		
	RM'million	RM'million	RM'million	%
Revenue	5,867.1	5,748.2	118.9	2.1
EBITDA	2,043.2	2,036.4	6.8	0.3
PAT	(3,317.7)	(94.4)	(3,223.3)	> -100
PATAMI	(3,357.3)	(147.4)	(3,209.9)	> -100

Group Performance

Group revenue increased marginally by 2.1% to RM5,867.1 million from RM5,748.2 million recorded in preceding quarter (Q2'18 vs Q1'18) from better performance by all mobile operating companies in their respective markets. EBITDA marginally grew by 0.3% to RM2,043.2 million flowing from higher revenue offset by higher operational costs. At constant currency of Q1'18, Group revenue and EBITDA registered a growth of 3.2% and 1.7% respectively.

PAT and PATAMI declined more than 100% to a loss position of RM3,317.7 million and RM3,357.3 million respectively mainly due to the one-off provision of loss on its investment in India of RM3,379.9 million recorded in current quarter.

Geographical Highlights

- Malaysia: Revenue registered an increase of 0.9% to RM1,813.7 million while EBITDA improved 8.4% to RM494.9 million compared to the preceding quarter contributed by lower operating costs. PAT however, decreased by 10.3% mainly due to one-off additional tax charges of prior years' tax assessment concluded in current quarter.

- Indonesia: Revenue decreased 1.3% to RM1,569.2 million and EBITDA increased by 1.3% to RM611.1 million. At constant currency of Q1'18, revenue registered a marginal increase of 0.8%, and EBITDA improved by 3.5% as cost remained controlled. Despite higher contribution from EBITDA, PAT declined by more than 100% due to forex loss.

- Bangladesh: Revenue for the quarter marginally grew by 1.1% to RM777.2 million. EBITDA decreased by 19.2% to RM147.5 million compared to preceding quarter. Normalising MFRS 15 adjustment coupled with lower marketing spend in Q2'18, EBITDA would have improved by 36.9% compared to previous quarter. PAT for the quarter improved by 24.6% benefitted from lower depreciation charges and one-off deferred tax credit adjustment arising from approved prior years' tax assessment of Airtel of RM22.7 million recorded in current quarter.

1. **Review of Performance (continued)**

(c) Comparison with Preceding Quarter's Result (Q2'18 vs Q1'18) (continued)

Geographical Highlights (continued)

- Sri Lanka: Revenue and EBITDA for the current quarter increased by 0.9% and 7.9% to RM667.4 million and RM272.5 million respectively. At Q1'18 constant currency, revenue increased by 2.0% and EBITDA improved by 7.9% benefited from savings in operational costs and adoption of MFRS 15. PAT however, declined by 1.2% to RM71.0 million due to higher depreciation charge.

- Nepal: Revenue and EBITDA recorded a marginal growth of 0.8% and 1.9% to RM554.6 million and RM349.2 million respectively. At Q1'18 constant currency, Nepal registered a higher growth of 4.3% and 5.5% respectively with the data revenue growth of 9.5%. PAT registered an increase of 5.1% to RM188.6 million flowing from higher EBITDA and higher forex gain partly offset by higher depreciation charge.

- Cambodia: Cambodia recorded revenue growth of 12.1% against preceding quarter underpinned by strong growth in all revenue segments. EBITDA improved by 8.4% to RM128.4 million contributed from higher revenue partly net off with higher network related cost and marketing cost. As a result, PAT increased 10.9% to register a profit of RM65.2 million.

- Malaysia (Infrastructure): Revenue and EBITDA increased by 6.5% and 4.3% to RM373.1 million and RM163.5 million respectively. PAT improved by more than 100% to record a profit of RM73.2 million as compared to RM24.9 million in Q1'18, flowing from higher EBITDA and forex gain.

1. **Review of Performance (continued)**

(d) Economic Profit ("EP") Statement

	2nd Quarter Ended		Financial Period Ended	
	30/6/2018	30/6/2017	**30/6/2018**	30/6/2017
			RM'000	RM'000
EBIT	554,131	830,216	1,197,330	1,466,237
Adjusted Tax 24%	(132,991)	(199,252)	(287,359)	(351,897)
Share of results and loss on dilutions of associates	1,355	(105,393)	(84,719)	(135,929)
NOPLAT	422,495	525,571	825,252	978,411
AIC *	40,596,605	44,998,216	40,596,605	44,998,216
WACC	8.52%	7.92%	8.52%	7.92%
Economic Charge (AIC*WACC)	864,708	890,965	1,729,415	1,781,929
Economic Profit	**(442,213)**	(365,394)	**(904,163)**	(803,518)

* Included provision of losses on derecognition of Idea adjusted by the Group during the current quarter and financial period to date.

The EP Statement is as prescribed under the Government Linked Companies Transformation Program and it is disclosed on a voluntary basis.

EP is a yardstick to measure shareholder value as it provides a more accurate picture of underlying economic performance of the Group vis-à-vis its financial accounting reports, i.e. it explains how much return a business generates over its cost of capital. This can be measured from the difference of NOPLAT and Economic Charge.

The factor contributing to lower NOPLAT during the current quarter and financial period to date is mainly contributed by lower EBIT achieved by the Group as disclosed in Part B, Note 1(a) and (b) of this announcement.

The Group recorded a higher WACC during the current quarter and financial period to date mainly resulted from higher cost of equity as a result of higher market risk premium.

<u>Note:</u>

EBIT	=	EBITDA less depreciation, impairment and amortisation
NOPLAT	=	Net Operating Profit/Loss After Tax
AIC	=	Average Invested Capital, consist of average operating capital, average net PPE, and average net other operating assets
WACC	=	Weighted Average Cost of Capital is calculated as weighted average cost of debt and equity taking into account proportion of debt position and market capitalisation at end of the period.

2. Headline Key Performance Indicators ("KPIs") for the financial year ending 31 December 2018

On 22 February 2018, the Group announced its Headline KPIs guidance for the financial year ending 31 December 2018. The Group's 2018 Headline KPIs announced were as below:

Headline KPIs	FY2018 Headline KPIs @ Bloomberg rate	FY2018 Headline KPIs @ constant currency
Revenue Growth (%)	Flat	6.3%
EBITDA Growth (%)	Flat	5.8%
Return on Invested Capital ("ROIC") (%)	4.8% - 5.2%	5.0% - 5.5%
Return on Capital Employed ("ROCE") (%)	4.1% - 4.6%	4.5% - 5.0%

Note: Constant rate is based on the FY17 Average Rate (e.g. 1 USD = RM4.30), Bloomberg rate is based on 2018 Forex Forecast as at 24th January 2018 (e.g. 1 USD = RM3.90).

The Group's performance in the first half of the financial year ending 31 December 2018 was impacted by unfavourable forex translation for all operating companies ("OpCos"), compounded by start-up investments in new core digital businesses and first time adoption of MFRS 15 and MFRS 9 accounting policies. Underlying (constant currency and pre-MFRS basis) Group performance in Q218 was positive as all OpCos' revenue growth was better than their respective markets.

In Malaysia, good execution on the strategy to focus on high-value customers delivers ARPU increase and subscriber growth. Operations in Indonesia records positive revenue growth and gained further traction in data, amidst challenging market dynamics and prepaid SIM registration. Operations in Cambodia improved sequentially from stabilising price war, while operations in Sri Lanka and Nepal continue to deliver excellent results. In Bangladesh 4G drives service revenue growth as bottomline was hit by higher finance cost due to interest rate hike.

Based on performance of the Group to date, barring any unforeseen circumstances and excluding completion of the Deodar acquisition and dilution loss of Idea, the Board of Directors expect the Group's revenue growth and ROCE to be in line with headline KPIs (constant currency and pre-MFRS basis), whilst EBITDA growth and ROIC to be below headline KPIs.

3. **Variance of Actual Profit from Forecast Profit / Profit Guarantee**

The Group has not provided any profit forecast or profit guarantee in a public document in respect of the financial period ended 30 June 2018.

4. **Taxation**

The taxation charge for the Group comprises:

	2nd Quarter Ended		Financial Period Ended	
	30/6/2018	30/6/2017	**30/6/2018**	30/6/2017
			RM'000	RM'000
Income tax	234,556	311,672	407,346	491,812
Deferred tax	24,921	(219,478)	(11,837)	(269,321)
Total taxation	**259,477**	92,194	**395,509**	222,491

The current quarter and financial period to date's effective tax rate of the Group is lower than the statutory tax rate is mainly due to higher non-deductible expenses and provision of loss on derecognition on its investment in an associate.

5. Status of Corporate Proposals

(a) Subscription Agreement for shares in edotco Pakistan (Private) Limited

On 30 August 2017, edotco Investments (Labuan) Limited ("edotco Labuan"), a wholly owned subsidiary of edotco Group, had entered into a Subscription Agreement ("SA") with Dawood Hercules Corporation Limited ("DH Corp") for the subscription of shares in edotco Pakistan (Private) Limited ("edotco PK"), a wholly owned subsidiary of edotco.

Under the SA, edotco Labuan and DH Corp will respectively subscribe to 955,260,813 and 1,743,000,000 of edotco PK shares of PKR10 each ("Proposed Subscription") at consideration of USD154.7 million (equivalent to RM660.6 million) and USD166.0 million (equivalent to RM708.7 million) respectively ("Subscription Monies"). The Subscription Monies including the initial equity injection by edotco Labuan of USD19.2 million (equivalent to RM82.2 million) shall be used to partially fund the acquisition of Deodar (Private) Limited ("Deodar") which owns and operates approximately 13,000 of Pakistan Mobile Communications Limited ("PMCL") tower portfolio, the largest in Pakistan. Upon closing of the Proposed Subscription, edotco Labuan and DH Corp will respectively hold 55% and 45% interest in edotco PK.

On 4 May 2018, Pakistan Telecommunication Authority approved the Proposed Subscription.

(b) Acquisition of Deodar (Private) Limited

On 30 August 2017, Tanzanite Tower (Private) Limited ("TTPL"), a wholly owned subsidiary of edotco Group, had entered into an Agreement for the Subscription, Sale and Purchase of the Shares in Deodar with PMCL for the subscription of up to 3,569,990,000 ordinary shares of PKR10 each and the subsequent acquisition of the remaining nominal amount of shares in the capital of Deodar from PMCL for a total cash consideration of USD940.0 million (equivalent to approximately RM4,012.9 million) ("Proposed Acquisition of Deodar").

Barring any unforeseen circumstances and subject to all approvals being obtained, the Parties had on 31 July 2018 agreed to revise the Long Stop Date to a period of 12.5 months from the agreement signing date.

(c) Acquisition of Sabay Digital Plus Co. Ltd ("SDP")

Smart Axiata Co., Ltd ("Smart"), had on 9 October 2017 entered into the following agreements in relation to its investments in SDP:

(a) Convertible Loan Agreement with SDP under which Smart will make available a loan facility of USD1.5 million to SDP which is convertible to ordinary shares in SDP; and

(b) Call Option Agreement with SDP and Sabay Digital Pte. Ltd ("SDG") for the acquisition of additional SDP shares from SDG as follows:

   (i) Such number of SDP Shares ("Top Up Shares") resulting with the aggregate number of SDP Shares held by Smart is equivalent to 30% of the issued and paid up capital of SDP; and

   (ii) All or part of the remaining issued and paid up capital of SDP ("Balance Shares") from SDG at a price to be agreed by the parties.

5. Status of Corporate Proposals (continued)

(d) Proposed Divestment of Multinet Pakistan (Private) Limited

On 13 July 2018, Axiata Investments (Labuan) Limited ("AIL"), a wholly owned subsidiary of Axiata Group Berhad ("Axiata") had entered into a Share Purchase Agreement with Adnan Asdar Ali ("AA") for the divestment by AIL of its entire 89.0% stake in Multinet Pakistan (Private) Limited ("Multinet") for a sum of USD1.0 on a cash free and debt free basis ("Proposed Divestment of Multinet"). AA is the current shareholder of Multinet holding the remaining 11.0% stake in Multinet.

Multinet is engaged in the business of providing telecommunication and electronic media services including internet services, design, development, implementation of networks including a wide range of non-mobile telecommunications services with a focus on the Business to Business (B2B) segment of the market. A facility-based operator with fibre optic network across Pakistan, Multinet supports fibre-optic connectivity, Long Distance International (LDI) originations / terminations and co-location services. For the last few years, Multinet's financial performance has been declining with accumulated losses of PKR754.0 million (equivalent to approximately RM25.64 million) for the financial year ended 31 December 2017. Accordingly, Multinet's contribution to Axiata's financial and business performance is immaterial.

The Proposed Divestment of Multinet is subject to amongst others, the fulfillment of regulatory and third-party approvals and is not expected to have any material effect on Axiata's consolidated Net Assets ("NA"), NA per share, gearing and consolidated earnings for the financial year ending 31 December 2018.

Other than the above, there is no other corporate proposal announced but not completed as at 17 August 2018.

6. Group's Borrowings and Debt Securities

(a) Breakdown of the Group's borrowings and debt securities as at 30 June were as follows:

	2018		2017	
	Current	**Non-current**	Current	Non-current
	RM'000	**RM'000**	RM'000	RM'000
Secured	117,684	326,206	210,261	799,723
Unsecured	3,143,580	15,084,902	5,596,457	13,492,510
Total	**3,261,264**	**15,411,108**	5,806,718	14,292,233

(b) Foreign currency borrowings and debt securities in RM equivalent as at 30 June were as follows:

Foreign Currencies	2018	2017
	RM'000	RM'000
USD	8,968,773	10,405,749
IDR	2,576,354	3,248,322
BDT	1,645,996	1,009,737
SLR	404,748	338,656
Others	27,812	57,023
Total	**13,623,683**	15,059,487

7. **Outstanding derivatives**

(a) The detail of the Group's outstanding net derivatives financial instruments as at 30 June are set out as follow:

Type of derivatives financial instruments	2018 Notional value	2018 Fair value favorable/ (unfavorable)	2017 Notional value	2017 Fair value favorable/ (unfavorable)
	RM'000	**RM'000**	RM'000	RM'000
Cross currency interest rate swaps:				
- < 1 year	-	(9,268)	2,735	(7,273)
- 1 - 3 years	2,361,938	(76,171)	214,775	54,437
- > 3 years	1,227,400	(200,095)	3,818,700	(21,932)
Interest rate swaps contracts:				
- < 1 year	58,463	184	155,202	287
- 1 - 3 years	-	-	145,425	111
Call spread contracts:				
- < 1 year	1,211,250	190,166	-	-
- 1 - 3 years	-	-	1,288,650	119,266
Put option liabilities over shares held by a non-controlling interests:				
- < 1 year	(141,313)	(141,313)	(150,343)	(150,343)
- 1 - 3 years	(1,282,048)	(1,282,048)	-	-
- > 3 years	-	-	(1,190,270)	(1,190,270)
Convertible warrants in an associate:				
- < 1 years	19,251	8,343	-	-
- 1 - 3 years	-	-	19,251	8,343
Total		**(1,510,202)**		(1,187,374)

(b) The risks associated with the derivative financial instrument and the policies in place for mitigating such risks were disclosed in 2017 Audited Financial Statements.

8. **Fair value changes of financial liabilities**

The Group recognised a total net losses in the consolidated profit or loss arising from the fair value changes on the derivatives financial instruments which are marked to market as at date of statement of financial position are as follow:

	2nd Quarter Ended		Financial Period Ended	
	30/6/2018	30/6/2017	**30/6/2018**	30/6/2017
	RM'000	RM'000	**RM'000**	RM'000
Total net losses	**(13,526)**	(12,558)	**(26,764)**	(24,848)

9. Material Litigation

The status of material litigation of the Group is as follows:

(a) Celcom Trading Sdn Bhd (formerly known as Rego Multi-Trades Sdn Bhd) ("Celcom Trading") vs Aras Capital Sdn Bhd ("Aras Capital") & Tan Sri Dato' Tajudin Ramli ("TSDTR")

In 2005, Celcom Trading, a wholly-owned subsidiary of Celcom Resources (formerly known as Technology Resources Industries Berhad), commenced proceedings against Aras Capital and TSDTR for amounts due to Celcom Trading of RM261.8 million as at 30 November 2004 (subsequently amended to RM264.5 million) together with interest and costs for breach of an investment agreement and a supplemental agreement by Aras Capital and an indemnity letter given by TSDTR ("Main Suit 1").

On 13 May 2005, TSDTR filed its defence and instituted a counterclaim against Celcom Trading, Celcom Resources Berhad (formerly known as Technology Resources Industries Berhad) ("Celcom Resources") and its directors for, amongst others, RM100.0 million and a declaration that the investment agreement, the supplemental agreement and the indemnity letter are void or to be rescinded ("TSDTR's Counterclaim").

On 20 June 2016, the Court allowed Celcom Trading's claim under the Main Suit 1 of RM264.5 million with interest at 5% per annum from 13 May 2013 until full settlement and dismissed TSDTR's Counterclaim with costs of RM100,000.00 after full trial ("Judgment").

On 1 July 2016, TSDTR filed a notice of appeal to the Court of Appeal against the Judgment wherein the appeal was dismissed with costs of RM15,000.00 on 29 November 2017 ("COA Decision").

On 20 December 2017, TSDTR filed an application for leave to appeal to the Federal Court against COA Decision ("Application for Leave to Appeal") and on 19 April 2018, TSDTR's Application for Leave to Appeal was dismissed.

With the dismissal, TSDTR has no other avenue to appeal further and the case is concluded.

On 8 May 2018, a Receiving Order and Adjudication Order ("AORO") were obtained against TSDTR and BR respectively which adjudged TSDTR and BR as bankrupts in the execution proceedings against them. Following the AORO, a proof of debt for TSDTR was filed on 25 July 2018.

(b) Celcom Axiata Berhad [formerly known as Celcom (Malaysia) Berhad] & Another vs TSDTR & 6 Others

On 24 October 2008, Celcom and Celcom Resources commenced proceedings against five (5) of its former directors, namely (i) TSDTR, (ii) Dato' Bistaman bin Ramli ("BR"), (iii) Dato' Lim Kheng Yew ("DLKY"), (iv) Axel Hass ("AH"), and (v) Oliver Tim Axmann ("OTA") (the Defendants named in items (iv) and (v) collectively referred to as the "German Directors"), as well as DeTeAsia Holding GmbH ("DeTeAsia") and Beringin Murni Sdn. Bhd. (collectively with the German Directors referred to as "Defendants").

9. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(b) Celcom Axiata Berhad [formerly known as Celcom (Malaysia) Berhad] & Another vs TSDTR & 6 Others (continued)

Celcom and Celcom Resources are seeking for damages for conspiracy against the Defendants. Celcom and Celcom Resources claim that the Defendants wrongfully and unlawfully conspired with each other to injure Celcom and Celcom Resources by causing and/or committing Celcom and Celcom Resources to enter into the Supplemental Agreement to the Subscription Agreement and the Management Agreement dated 7 February 2002 (“Supplemental Agreement”) and the Amended and Restated Supplemental Agreement dated 4 April 2002 (“ARSA”) in consideration for the renunciation by DeTeAsia of certain rights issue shares in Celcom Resources in favour of TSDTR and BR (“Main Suit 2”).

TSDTR and BR, and each of AH, OTA and DeTeAsia filed their respective applications to strike out Main Suit 2 (“Striking Out Applications for Main Suit 2”) but all the Striking Out Applications for Main Suit 2 were dismissed by the High Court and thereafter, upheld by the Court of Appeal. The leave to appeal to the Federal Court was also dismissed on 31 March 2016. With the dismissal, the full trial proceedings in the High Court resumed.

Separately, Celcom and Celcom Resources reached an amicable settlement with DLKY and the said companies filed their respective notice of discontinuance with no order as to costs and without liberty to file afresh against DLKY on 6 March 2015.

On 23 June 2016, TSDTR and BR filed a statement of defence (“Defence for Main Suit 2”) and counterclaim seeking inter alia payment of the sum of RM6,246,492,000.00 or alternatively the sum of RM7,214,909,224.01 together with interest, being the amount claim by TSDTR in his counterclaim in Kuala Lumpur High Court Suit No. D2-22-673-2006 (“Danaharta Suit”) which was withdrawn pursuant to a purported global settlement and damages (“TSDTR and BR’s Counterclaim for Main Suit 2”). The German Directors filed their respective defence on 30 June 2016.

Celcom and Celcom Resources filed an application to strike out TSDTR and BR’s Counterclaim for Main Suit 2 which was allowed with costs of RM5,000.00. However, on appeal to the Court of Appeal the decision was reversed on 4 May 2017 and TSDTR and BR’s Counterclaim for Main Suit 2 was reinstated. Upon solicitor’s advice, Celcom and Celcom Resources decided not to appeal further.

In the meantime, the following applications have been filed and disposed / pending disposal:

(i) TSDTR and BR filed ex parte applications for leave to issue committal proceedings against Celcom, Celcom Resources and Dato’ Sri Mohammed Shazalli Bin Ramly (“DSSR”) (“Ex Parte Application for Main Suit 2”) on the basis of DSSR’s denial of the existence of a global settlement in his affidavit. The Ex Parte Application for Main Suit 2 was dismissed at the High Court and Court of Appeal.

(ii) Telekom Malaysia Berhad (“TM”) filed an application to intervene in the Main Suit 2 (“TM Intervening Application for Main Suit 2”) in light of the allegations made against TM in TSDTR and BR’s Counterclaim for Main Suit 2. The TM Intervening Application for Main Suit 2 was allowed in the appeal to the Court of Appeal when the TSDTR and BR’s Counterclaim for Main Suit 2 was reinstated.

9. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(b) Celcom Axiata Berhad [formerly known as Celcom (Malaysia) Berhad] & Another vs TSDTR & 6 Others (continued)

(iii) TSDTR and BR had filed an application to amend their Defence for Main Suit 2 and TSDTR and BR's Counterclaim for Main Suit 2 ("Application to Amend for Main Suit 2") and to add Telekom Enterprise Sdn Bhd as party to the proceeding. The Application to Amend for Main Suit 2 and joinder of Telekom Enterprise Sdn Bhd was however dismissed by the High Court and subsequently upheld by the Court of Appeal. The leave to appeal to the Federal Court was also dismissed.

(iv) TSDTR and BR motion for stay of Main Suit 2 pending disposal of the Application to Amend for Main Suit 2 was heard on 22 August 2017 and stay of proceedings was allowed for the period of two months.

(v) Application to set aside subpoena filed by TSDTR and BR's subpoenaed witnesses respectively ("Application to Set Aside Subpoena for Main Suit 2") was heard on 25 October 2017 whereby all Applications to Set Aside Subpoena for Main Suit 2 were dismissed save for managing director of Khazanah, Tan Sri Azman bin Moktar. Solicitors for Celcom and Celcom Resources who represented Putri Noor Shariza and Ng Swee Kee (both solicitor from Shearn Delamore & Co. who represented Celcom and Celcom Resources at the material time) filed an appeal to Court of Appeal and the appeal was subsequently dismissed on 13 March 2018.

(vi) Discussion between experts, appointed by Celcom and Celcom Resources and DeTeAsia respectively to narrow down issues for trial has been completed and the statements for convergence and divergence was filed in Court.

The full trial for Main Suit 2 and TSDTR and BR's Counterclaim for Main Suit 2 commenced on 22 January 2018. Datuk Azzat Kamaludin and former director, Tan Sri Abdul Rahman were called as witnesses to give evidence on behalf of Celcom and Celcom Resources. In view of the AORO obtained against TSDTR and BR in Golden Handshake's case, hearing of the trial has to be adjourned pending Celcom and TRI's application for leave to continue action against TSDTR and BR ("Leave") and filing of application for sanction by TSDTR and BR to defend the case and continue with the Counterclaim ("Sanction").

To date, the Leave and Sanction were granted and obtained by the respective parties. The Court has fixed the following dates for continued trial:

August 2018	: 27-28
September 2018	: 27-28
October 2018	: 18-19, 25-26
November 2018	: 12-16, 19, 26-28
December 2018	: 4-7, 10
March 2019	: 18-21
May 2019	: 13-16

The trial will continue in August and onwards whereby Tan Sri Abdul Rahman will continue to give evidence and subsequently Celcom and Celcom Resources will be calling Encik Shamsuddin Mohd Rasom, Puan Zunika Salim and Puan Suryani Hussein to Court.

9. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(c) Celcom & Another vs TSDTR & 8 Others

On 28 April 2006, Celcom and Celcom Resources commenced proceedings (i) against nine (9) of its former directors, namely (i) TSDTR, (ii) BR, (iii) DLKY, (iv) Dieter Sieber ("DS"), (v) Frank-Reinhard Bartsch ("FRB"), (vi) Joachim Gronau ("JG"), (vii) Joerg Andreas Boy ("JAB"), (viii) AH, and (ix) OTA (the Defendants named in items (iv) and (v) collectively referred to as the "German Directors") (collectively referred to as "Defendants").

The claim is to indemnify Celcom and Celcom Resources for the sums paid to DeTeAsia in satisfaction of the Award granted in August 2005 and the Defendants breach of their fiduciary duties by causing Celcom Resources to enter into a Subscription Agreement dated 25 June 1996 with Deutsche Telekom AG ("Subscription Agreement"), and Celcom and Celcom Resources to enter into the ARSA with TR International Ltd and DeTeAsia whilst they were directors of Celcom and Celcom Resources.

In addition, Celcom and Celcom Resources have also made a claim (ii) against TSDTR only, for alleged unauthorised profits made by him in connection with the execution of the abovementioned agreements ("Main Suit 3"). Celcom and Celcom Resources are seeking an indemnity from the directors for the sums paid by Celcom to DeTeAsia in satisfaction of the award against it; return of the alleged unauthorised profits by TSDTR amounting to RM446.0 million; all monies received by the directors arising out of such breaches; and losses and damages in connection with the entry of Celcom and Celcom Resources into the Subscription Agreement and the ARSA.

Six (6) of the defendants filed their respective applications to strike out Main Suit 3 ("Striking Out Applications for Main Suit 3") but all the Striking Out Applications for Main Suit 3 were dismissed by the High Court and thereafter, upheld by the Court of Appeal. The leave to appeal to the Federal Court were also dismissed on 31 March 2016. With the dismissal, the full trial proceeding in High Court resumed.

Separately, Celcom and Celcom Resources have reached an amicable settlement with DLKY and the said companies have filed their respective notice of discontinuance with no order as to costs and without liberty to file afresh against DLKY on 6 March 2015.

On 23 June 2016, TSDTR and BR filed statement of defence ("Defence for Main Suit 3") and counterclaim against Celcom and Celcom Resources seeking inter alia payment of the sum of RM6,246,492,000.00 or alternatively the sum of RM7,214,909,224.01 together with interest, being the amount claim by TSDTR in his counterclaim in the Danaharta Suit which was withdrawn pursuant to a purported global settlement and damages ("TSDTR and BR's Counterclaim for Main Suit 3"). The German Directors filed their respective defence on 30 June 2016.

Celcom and Celcom Resources filed an application to strike out TSDTR and BR's Counterclaim for Main Suit 3 which was allowed with costs of RM5,000.00. However, on appeal to the Court of Appeal the decision was reversed on 4 May 2017 and TSDTR and BR's Counterclaim for Main Suit 3 was reinstated. Upon solicitor's advice, Celcom and Celcom Resources decided not to appeal further.

9. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(c) Celcom & Another vs TSDTR & 8 Others (continued)

In the meantime, the following applications have been filed and disposed / pending disposal:

(i) TSDTR and BR filed ex parte applications for leave to issue committal proceedings against Celcom, Celcom Resources and Dato' Sri Mohammed Shazalli Bin Ramly ("DSSR") ("Ex Parte Application for Main Suit 3") on the basis of DSSR's denial of the existence of a global settlement in his affidavit. The Ex Parte Application for Main Suit 3 was dismissed at the High Court and Court of Appeal.

(ii) Telekom Malaysia Berhad ("TM") filed an application to intervene in the Main Suit 3 ("TM Intervening Application for Main Suit 3") in light of the allegations made against TM in TSDTR and BR's Counterclaim for Main Suit 3. The TM Intervening Application for Main Suit 3 was allowed in the appeal to the Court of Appeal when the TSDTR and BR's Counterclaim for Main Suit 3 was reinstated.

(iii) TSDTR and BR had filed an application to amend their Defence for Main Suit 3 and TSDTR and BR's Counterclaim for Main Suit 3 ("Application to Amend for Main Suit 3") and to add Telekom Enterprise Sdn Bhd as party to the proceeding. The Application to Amend for Main Suit 3 and joinder of Telekom Enterprise Sdn Bhd was however dismissed by the High Court and subsequently upheld by the Court of Appeal. The leave to appeal to the Federal Court was also dismissed.

(iv) TSDTR and BR motion for stay of Main Suit 3 pending disposal of the Application to Amend for Main Suit 3 was heard on 22 August 2017 and stay of proceedings was allowed for the period of two months.

(v) Application to set aside subpoena filed by TSDTR and BR's subpoenaed witnesses respectively ("Application to Set Aside Subpoena for Main Suit 3") was heard on 25 October 2017 whereby all Applications to Set Aside Subpoena for Main Suit 3 were dismissed save for managing director of Khazanah, Tan Sri Azman bin Moktar. Solicitors for Celcom and Celcom Resources who represented Putri Noor Shariza and Ng Swee Kee (both solicitor from Shearn Delamore & Co. who represented Celcom and Celcom Resources at the material time) filed an appeal to Court of Appeal and the appeal was subsequently dismissed on 13 March 2018.

(vi) Discussion between experts, appointed by Celcom and Celcom Resources and DeTeAsia respectively to narrow down issues for trial has been completed and the statements for convergence and divergence was filed in Court.

The full trial for Main Suit 3 and TSDTR and BR's Counterclaim for Main Suit 3 commenced on 22 January 2018. Datuk Azzat Kamaludin and former director, Tan Sri Abdul Rahman were called as witnesses to give evidence on behalf of Celcom and Celcom Resources. In view of the AORO obtained against TSDTR and BR in Golden Handshake's case, hearing of the trial has to be adjourned pending Celcom and TRI's application for leave to continue action against TSDTR and BR ("Leave") and filing of application for sanction by TSDTR and BR to defend the case and continue with the Counterclaim ("Sanction").

9. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(c) Celcom & Another vs TSDTR & 8 Others (continued)

To date, the Leave and Sanction were granted and obtained by the respective parties. The Court has fixed the following dates for continued trial:

August 2018	: 27-28
September 2018	: 27-28
October 2018	: 18-19, 25-26
November 2018	: 12-16, 19, 26-28
December 2018	: 4-7, 10
March 2019	: 18-21
May 2019	: 13-16

The trial will continue in August and onwards whereby Tan Sri Abdul Rahman will continue to give evidence and subsequently Celcom and Celcom Resources will be calling Encik Shamsuddin Mohd Rasom, Puan Zunika Salim and Puan Suryani Hussein to Court.

(d) Writ petition filed by 7 individuals against Ncell Private Limited, Reynolds Holdings Limited, Axiata Investments (UK) Limited, Large Tax Payers' Office, Inland Revenue Department, Nepal Rastra Bank, Department of Industry, Industry and Investment Promotion Board, Nepal Telecommunications Authority, Sunivera Capital Ventures Pvt. Ltd. and the Office of Company Registrar

A public interest litigation ("PIL") has been filed at the Supreme Court of Nepal ("SC") alleging that Ncell Private Limited ("Ncell") and its holding companies, namely Reynolds Holdings Limited ("Reynolds") and Axiata Investments (UK) Limited ("AIL"), have evaded their tax liabilities and that the tax authority of the Government of Nepal has been complicit in this matter.

The petitioners have demanded various prayers, including demanding an order mandating collection of Capital Gains Tax ("CGT") from Ncell. The Writ petition has been filed on 28 January 2018 by 7 individuals, which includes a retired Secretary of the Government of Nepal and a former acting Auditor General. The petitioners have requested that an order be issued attaching transfer or repatriation of dividend and other amounts from Ncell to its shareholder or in the name of any other foreign person/company until the outstanding CGT in the amount of approximately NPR 39,000,000,000 is collected.

After an initial hearing, the SC issued a show-cause order to Ncell, Reynolds and AIL, amongst others, on 31 January 2018. A written response has been submitted to the SC and is pending continued hearing on 13 September 2018.

9. Material Litigation (continued)

The status of material litigation of the Group is as follows: (continued)

(e) Robi vs NBR (Judicial Review against NBR's demand amounting to BDT 9,244,985,130 on 3 May 2018)

NBR issued 5 show cause cum demand notices to Robi. Robi filed writ petitions on 3 May 2018 to challenge these claims. The details are as below. The NBR referred the matter to the Directorate General of Audit Intelligence and Investigation to re-examine the claims and as such, Robi is not pursing the writ petitions.

(i) The 1st show-cause cum demand notice for USD 88,977,649/ BDT7,118,211,917 was issued based on the credit balance of VAT payable GL (General Ledger) and VAT Return and VAT payable for the period from 2013 to 2016. While conducting its audit, NBR asked for month on month movement of output and withholding GL from Systems, Applications and Products i.e., SAP (Opening, debit balance during the month, credit balance during the month and closing balance). Robi had submitted the required documents. The NBR just considered the total credit balance of SAP GL as payable and compared it with VAT return without considering the documents / explanation submitted by Robi.

(ii) The 2nd show-cause cum demand notice for USD 11,381,250/ BDT910,500,0000 alleges unpaid VAT on merger and spectrum fee. NBR has collected merger fee/spectrum information from BTRC in relation to merger directly, thereafter arbitrarily calculated VAT without considering Robi's documents and information regarding actual payment to BTRC. This issue has already been covered in item A nevertheless NBR still arbitrarily made the same claim separately.

(iii) The 3rd show-cause cum demand notice for USD 206,448/ BDT16,515,802 is to claim that VAT is payable on Interconnection charge from Bangladesh Telecommunications Limited (BTCL) for 2012. The output VAT for BTCL service to customer is centrally collected by NBR and that BTCL cannot adjust input VAT on interconnection charge payable to Robi/Multinational Organizations (MNOs). Therefore, BTCL does not pay the VAT on same to Robi/MNOs. BTCL & MNOs are pursuing to NBR for resolving the issue but the issue is still long pending. This issue has already been covered in item A nonetheless NBR still arbitrarily made the same claim separately.

(iv) The 4th show-cause cum demand notice for USD 446,330/ BDT35,706,349 is to claim that VAT is payable on Interconnection charge from BTCL for 2013 to 2016 - Issue is same as item 3 above but relating to different period (2013-2016).

(v) The 5th show-cause cum demand notice for USD 14,550,639/ BDT1,164,051,062 is for VAT Rebate cancellation on imported telecom items. NBR directly collected imports information from Customs Authority, then cancelled few imported items such as battery, switch, cable, router, system, etc. on arbitrary basis. These are the integral parts of machineries and spare parts.

10. Update on Memorandum of Understanding ("MOU") pursuant to paragraph 9.29, Chapter 9 of the Main LR

There is no MOU entered by the Group during the current quarter and financial period to date.

11. Other Disclosure Requirements under Appendix 9B of the Main LR

Other than those items disclosed in the statements of comprehensive income and notes in Part A of this announcement, there are no material impairment of receivables, inventories, gains/loss on disposal of investments, properties and assets during the current quarter and financial period to date.

12. Earnings Per Share ("EPS")

(a) Basic EPS

	2nd Quarter Ended		Financial Period Ended	
	30/6/2018	30/6/2017	**30/6/2018**	30/6/2017
Profit attributable to owners of the Company (RM'000)	(3,357,307)	407,205	(3,504,715)	646,221
Adjusted weighted average number of shares ('000)	9,049,594	8,973,937	9,049,021	8,973,055
Basic EPS (sen)	**(37.1)**	4.5	**(38.7)**	7.2

Basic EPS of the Group was calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares during the current quarter and financial period to date.

(b) Diluted EPS

For the diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

	2nd Quarter Ended		Financial Period Ended	
	30/6/2018	30/6/2017	**30/6/2018**	30/6/2017
Profit attributable to owners of the Company (RM'000)	(3,357,307)	407,205	(3,504,715)	646,221
Weighted average number of ordinary shares in issue ('000)	9,049,594	8,973,937	9,049,021	8,973,055
Adjusted for ESOS and RSA ('000)	30,916	31,067	32,464	29,980
Weighted average number of ordinary shares for the purpose of computing diluted EPS ('000)	9,080,510	9,005,004	9,081,485	9,003,035
Diluted EPS (sen)	**(37.0)**	4.5	**(38.6)**	7.2

13. Qualification of Preceding Audited Financial Statements

The 2017 Audited Financial Statements were not subject to any qualification.

14. Dividend Proposed

The Board of Directors has declared an interim tax exempt dividend under single tier system of 5 sen per ordinary share each of the Company for the financial year ending 31 December 2018 ("Interim Dividend") (30 June 2017: 5 sen).

The Board of Directors also determined that the Company's Dividend Reinvestment Scheme ("DRS") will apply to the Interim Dividend, whereby shareholders will be given the option to elect to reinvest the whole or part of the dividend into new ordinary shares of the Company. This will be subject to the approval of Bursa Securities for the listing of and quotation for the new ordinary shares of the Company to be issued pursuant to the DRS, an application for which will be submitted in due course.

The decision of Bursa Securities as well as the Book Closure Date will be announced by the Company at a later date.

By Order of the Board

Suryani Hussein (LS0009277)
Secretary

Kuala Lumpur
24 August 2018