**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 31 March 2017.***

**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | 1st Quarter Ended | | Financial Period Ended | |
|---|---|---|---|---|
| | **31/3/2017** | **31/3/2016** | **31/3/2017** | **31/3/2016** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Operating revenue | **5,880,972** | 5,008,841 | **5,880,972** | 5,008,841 |
| Operating costs | | | | |
| - depreciation, impairment and amortisation | **(1,517,982)** | (1,165,058) | **(1,517,982)** | (1,165,058) |
| - foreign exchange losses | **(53,281)** | (266,580) | **(53,281)** | (266,580) |
| - domestic interconnect and international outpayment | **(641,425)** | (496,832) | **(641,425)** | (496,832) |
| - marketing, advertising and promotion | **(488,025)** | (409,963) | **(488,025)** | (409,963) |
| - other operating costs | **(2,168,967)** | (1,840,575) | **(2,168,967)** | (1,840,575) |
| - staff costs | **(428,558)** | (386,089) | **(428,558)** | (386,089) |
| - other losses - net | **(10,830)** | (44,139) | **(10,830)** | (44,139) |
| Other operating income - net | **64,962** | 24,322 | **64,962** | 24,322 |
| Operating profit before finance cost | **636,866** | 423,927 | **636,866** | 423,927 |
| Finance income | **40,810** | 51,350 | **40,810** | 51,350 |
| Finance cost excluding net foreign exchange gains on financing activities | **(318,766)** | (255,516) | **(318,766)** | (255,516) |
| Net foreign exchange gains on financing activities | **63,955** | 264,881 | **63,955** | 264,881 |
| | **(254,811)** | 9,365 | **(254,811)** | 9,365 |
| Joint ventures | | | | |
| - share of results (net of tax) | **(19,145)** | (22,414) | **(19,145)** | (22,414) |
| Associates | | | | |
| - share of results (net of tax) | **(11,391)** | 91,600 | **(11,391)** | 91,600 |
| - loss on dilution of equity interests | **-** | (1,732) | **-** | (1,732) |
| Profit before taxation | **392,329** | 552,096 | **392,329** | 552,096 |
| Taxation | **(130,297)** | (150,896) | **(130,297)** | (150,896) |
| Profit for the financial period | **262,032** | 401,200 | **262,032** | 401,200 |
| Other comprehensive income: | | | | |
| Items that will not be reclassified to profit or loss: | | | | |
| - actuarial losses on defined benefits plan, net of tax | **(1,561)** | - | **(1,561)** | - |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| - currency translation differences | **209,627** | (1,001,623) | **209,627** | (1,001,623) |
| - net cash flow hedge | **(4,687)** | (1,460) | **(4,687)** | (1,460) |
| - net investment hedge | **(48,959)** | 14,001 | **(48,959)** | 14,001 |
| - available-for-sale reserve | **(1,358)** | (2,450) | **(1,358)** | (2,450) |
| Other comprehensive income for the financial period, net of tax | **153,062** | (991,532) | **153,062** | (991,532) |
| Total comprehensive income for the financial period | **415,094** | (590,332) | **415,094** | (590,332) |
| Profit for the financial period attributable to: | | | | |
| - owners of the company | **239,016** | 368,256 | **239,016** | 368,256 |
| - non-controlling interests | **23,016** | 32,944 | **23,016** | 32,944 |
| | **262,032** | 401,200 | **262,032** | 401,200 |
| Total comprehensive income for the financial period attributable to: | | | | |
| - owners of the company | **415,441** | (494,864) | **415,441** | (494,864) |
| - non-controlling interests | **(347)** | (95,468) | **(347)** | (95,468) |
| | **415,094** | (590,332) | **415,094** | (590,332) |
| Earnings Per Share (sen) (Part B, Note 13) | | | | |
| - basic | **2.7** | 4.2 | **2.7** | 4.2 |
| - diluted | **2.7** | 4.2 | **2.7** | 4.2 |

***(The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016)***

**AXIATA GROUP BERHAD (242188-H)**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 31/3/2017<br>RM'000<br>Unaudited | 31/12/2016<br>RM'000<br>Audited |
|---|---|---|
| **CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE** | | |
| Share capital | 13,060,657 | 8,971,415 |
| Share premium | - | 4,081,106 |
| Reserves | 12,558,220 | 10,528,131 |
| Total equity attributable to owners of the Company | 25,618,877 | 23,580,652 |
| Non-controlling interests | 5,635,446 | 5,039,552 |
| Total equity | 31,254,323 | 28,620,204 |
| **NON-CURRENT LIABILITIES** | | |
| Borrowings | 14,482,745 | 15,135,472 |
| Derivative financial instruments | 1,177,711 | 1,165,857 |
| Deferred income | 234,167 | 245,894 |
| Deferred gain on sale and lease back assets | 1,015,592 | 1,053,855 |
| Other payables | 1,546,319 | 1,581,353 |
| Provision for liabilities | 508,397 | 499,720 |
| Deferred tax liabilities | 2,117,243 | 2,241,506 |
| Total non-current liabilities | 21,082,174 | 21,923,657 |
| | **52,336,497** | **50,543,861** |
| **NON-CURRENT ASSETS** | | |
| Intangible assets | 23,097,860 | 23,153,033 |
| Property, plant and equipment | 27,050,711 | 27,466,131 |
| Joint ventures | 95,355 | 109,254 |
| Associates | 8,561,724 | 8,400,152 |
| Available-for-sale financial assets | 135,576 | 63,925 |
| Derivative financial instruments | 290,894 | 398,318 |
| Long term receivables | 98,135 | 117,684 |
| Deferred tax assets | 217,919 | 291,633 |
| Total non-current assets | 59,548,174 | 60,000,130 |
| **CURRENT ASSETS** | | |
| Inventories | 187,746 | 174,747 |
| Trade and other receivables | 4,872,522 | 4,779,575 |
| Derivatives financial instruments | 3,022 | 2,735 |
| Financial assets at fair value through profit or loss | 18 | 18 |
| Tax recoverable | 180,666 | 199,111 |
| Deposits, cash and bank balances | 6,726,159 | 5,332,414 |
| | 11,970,133 | 10,488,600 |
| **LESS: CURRENT LIABILITIES** | | |
| Trade and other payables | 12,316,341 | 12,027,136 |
| Deferred gain on sale and lease back assets | 140,394 | 140,817 |
| Borrowings | 6,196,430 | 7,124,409 |
| Derivative financial instruments | 161,586 | 162,650 |
| Current tax liabilities | 367,059 | 489,857 |
| Total current liabilities | 19,181,810 | 19,944,869 |
| Net current liabilities | (7,211,677) | (9,456,269) |
| | **52,336,497** | **50,543,861** |
| Net assets per share attributable to owners of the Company (sen) | 285 | 263 |

***(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016)***

**AXIATA GROUP BERHAD (242188-H)**

**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

| | | Attributable to equity holders of the Company | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Note** | **Share capital '000** | **Share capital RM'000** | **Share premium RM'000** | **Currency translation differences RM'000** | **Capital contribution reserve RM'000** | **Merger reserve RM'000** | **Hedging reserve RM'000** | **Actuarial reserve RM'000** | **ESOS and RSA 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 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 | | - | - | - | - | - | - | - | - | - | - | - | 239,016 | 239,016 | 23,016 | 262,032 |
| Other comprehensive income: | | | | | | | | | | | | | | | | |
| -Currency translation differences arising during the financial period: | | | | | | | | | | | | | | | | |
| -subsidiaries | | - | - | - | 52,855 | - | - | - | - | - | - | - | - | 52,855 | (23,052) | 29,803 |
| -joint venture | | - | - | - | (407) | - | - | - | - | - | - | - | - | (407) | - | (407) |
| -associates | | - | - | - | 180,231 | - | - | - | - | - | - | - | - | 180,231 | - | 180,231 |
| | | - | - | - | 232,679 | - | - | - | - | - | - | - | - | 232,679 | (23,052) | 209,627 |
| -Net cash flow hedge | | - | - | - | - | - | - | (4,901) | - | - | - | - | - | (4,901) | 214 | (4,687) |
| -Net investment hedge | | - | - | - | - | - | - | (48,959) | - | - | - | - | - | (48,959) | - | (48,959) |
| -Actuarial gain, net of tax | | - | - | - | - | - | - | - | (1,036) | - | - | - | - | (1,036) | (525) | (1,561) |
| -Revaluation of AFS | | - | - | - | - | - | - | - | - | - | (1,358) | - | - | (1,358) | - | (1,358) |
| **Total comprehensive income** | | **-** | **-** | **-** | **232,679** | **-** | **-** | **(53,860)** | **(1,036)** | **-** | **(1,358)** | **-** | **239,016** | **415,441** | **(347)** | **415,094** |
| Transactions with owners: | | | | | | | | | | | | | | | | |
| -Issuance of new ordinary shares | | 2,130 | 2,166 | 165 | - | - | - | - | - | - | - | - | - | 2,331 | - | 2,331 |
| -Transition to no par value regime | A(2)(i) | - | 4,081,271 | (4,081,271) | - | - | - | - | - | - | - | - | - | - | - | - |
| -Accretion/dilution of equity interest in a subsidiary | A(12),(b),(e) | - | - | - | - | - | - | - | - | - | - | - | 87,314 | 87,314 | (87,314) | - |
| -Private placement of a subsidiary | A(12)(c) | - | - | - | - | - | - | - | - | - | - | - | 917,225 | 917,225 | 411,865 | 1,329,090 |
| -Partial disposal of a subsidiary | A(12)(c) | | | | | | | | | | | | 611,541 | 611,541 | 274,653 | 886,194 |
| -Dividends paid to NCI | | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,963) | (2,963) |
| -Axiata Share Scheme: | | | | | | | | | | | | | | | | |
| -value of employees' services | | - | - | - | - | - | - | - | - | 4,373 | - | - | - | 4,373 | - | 4,373 |
| -transferred from ESOS and RSA reserve upon exercise/vest | | - | 5,805 | - | - | - | - | - | - | (5,805) | - | - | - | - | - | - |
| Total transaction with | | 2,130 | 4,089,242 | (4,081,106) | - | - | - | - | - | (1,432) | - | - | 1,616,080 | 1,622,784 | 596,241 | 2,219,025 |
| **At 31 March 2017** | | **8,973,545** | **13,060,657** | **-** | **2,521,479** | **16,598** | **346,774** | **(379,562)** | **10,071** | **134,215** | **34,640** | **(1,316,116)** | **11,190,121** | **25,618,877** | **5,635,446** | **31,254,323** |

Employees Share Option Scheme (“ESOS”) Restricted Share Awards (“RSA”) 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 2016)***

## AXIATA GROUP BERHAD (242188-H)

### UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017 (CONTINUED)

| | Attributable to equity holders of the Company | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Currency translation differences** | **Capital contribution reserve** | **Merger reserve** | **Hedging reserve** | **Actuarial reserve** | **ESOS and RSA reserve** | **AFS reserve** | **Other reserve** | **Retained earnings** | **Total** | **NCI** | **Total equity** |
| | **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 2016** | 8,816,858 | 3,485,891 | 931,111 | 16,598 | 346,774 | (255,992) | (92) | 130,229 | 3,367 | (172,753) | 10,223,278 | 23,525,269 | 2,199,075 | 25,724,344 |
| Profit for the financial period | - | - | - | - | - | - | - | - | - | - | 368,256 | 368,256 | 32,944 | 401,200 |
| Other comprehensive income: | | | | | | | | | | | | | | |
| -Currency translation differences arising during the financial period: | | | | | | | | | | | | | | |
| -subsidiaries | - | - | (650,771) | - | - | - | - | - | - | - | - | (650,771) | (128,168) | (778,939) |
| -joint venture | - | - | (3,165) | - | - | - | - | - | - | - | - | (3,165) | - | (3,165) |
| -associates | - | - | (219,519) | - | - | - | - | - | - | - | - | (219,519) | - | (219,519) |
| | - | - | (873,455) | - | - | - | - | - | - | - | - | (873,455) | (128,168) | (1,001,623) |
| -Net cash flow hedge | - | - | - | - | - | (1,216) | - | - | - | - | - | (1,216) | (244) | (1,460) |
| -Net investment hedge | - | - | - | - | - | 14,001 | - | - | - | - | - | 14,001 | - | 14,001 |
| -Revaluation of AFS | - | - | - | - | - | - | - | - | (2,450) | - | - | (2,450) | - | (2,450) |
| **Total comprehensive income** | **-** | - | (873,455) | - | - | 12,785 | - | - | (2,450) | - | 368,256 | (494,864) | (95,468) | (590,332) |
| Transaction with owners: | | | | | | | | | | | | | | |
| -Issuance of new ordinary shares | 797 | 2,460 | - | - | - | - | - | - | - | - | - | 3,257 | - | 3,257 |
| -Share issue expense | - | (29) | - | - | - | - | - | - | - | - | - | (29) | - | (29) |
| -Dilution of equity interest in a subsidiary | - | - | - | - | - | - | - | - | - | - | (4,052) | (4,052) | 26,346 | 22,294 |
| -Dividends paid to NCI | - | - | - | - | - | - | - | - | - | - | - | - | (3,726) | (3,726) |
| -Axiata Share Scheme: | | | | | | | | | | | | | | |
| -value of employees' services | - | - | - | - | - | - | - | 21,822 | - | - | - | 21,822 | - | 21,822 |
| -transferred from ESOS and RSA reserve upon exercise/vest | 4,820 | 17,592 | - | - | - | - | - | (22,412) | - | - | - | - | - | - |
| Total transactions with owners | 5,617 | 20,023 | - | - | - | - | - | (590) | - | - | (4,052) | 20,998 | 22,620 | 43,618 |
| **At 31 March 2016** | **8,822,475** | **3,505,914** | **57,656** | **16,598** | **346,774** | **(243,207)** | **(92)** | **129,639** | **917** | **(172,753)** | **10,587,482** | **23,051,403** | **2,126,227** | **25,177,630** |

***(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016)***

**AXIATA GROUP BERHAD (242188-H)**

## UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| | FOR THE FINANCIAL PERIOD ENDED | |
|---|---|---|
| | 31/3/2017 | 31/3/2016 |
| | RM'000 | RM'000 |
| Receipt from customers | 5,567,091 | 5,068,016 |
| Payment to suppliers and employees | (2,777,920) | (3,744,832) |
| Payment of finance costs | (387,180) | (236,104) |
| Payment of income taxes (net of refunds) | (273,040) | (187,968) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **2,128,951** | **899,112** |
| Proceeds from disposal of property, plant and equipment | 12,302 | 1,392 |
| Purchase of property, plant & equipment | (1,403,360) | (1,001,895) |
| Acquisition of intangible assets | (6,265) | (37,366) |
| Investments in deposits maturing more than three (3) months | 206,712 | 609,325 |
| Additional investment in associates | - | (36,839) |
| Capital injection in a joint venture | - | (42,433) |
| Net proceed from partial disposal of a subsidiary | 886,194 | - |
| Settlement of deferred purchase consideration of an investment in a subsidiary | (4,967) | (54,794) |
| Other investments | (74,209) | - |
| (Net advance to)/repayment from employees | (1,111) | 106 |
| Interests received | 35,899 | 47,417 |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | **(348,805)** | **(515,087)** |
| Proceeds from issuance of shares under Axiata Share Scheme | 2,331 | 3,257 |
| Share issue expense | - | (29) |
| Proceeds from borrowings | 3,058,401 | 4,552,246 |
| Proceed from Sukuk | - | 1,989,687 |
| Repayments of borrowings | (4,370,824) | (667,689) |
| Net proceed from private placement of a subsidiary | 1,329,090 | - |
| Repayment of finance lease creditors | (100,232) | (105,666) |
| Dividends paid to non-controlling interests | (88,061) | (3,726) |
| **CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES** | **(169,295)** | **5,768,080** |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,610,851 | 6,152,105 |
| NET DECREASE IN RESTRICTED CASH AND CASH EQUIVALENT | 276,852 | 68,483 |
| EFFECT OF EXCHANGE RATE CHANGES | (20,064) | (131,631) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD | 4,649,422 | 4,560,665 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD** | **6,517,061** | **10,649,622** |

***(The above Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016)***

**AXIATA GROUP BERHAD (242188-H)**

**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

| | FOR THE FINANCIAL PERIOD ENDED | |
|---|---|---|
| | **31/3/2017** | **31/3/2016** |
| | **RM'000** | **RM'000** |
| Total deposits, cash and bank balances | 6,726,159 | 10,878,587 |
| Less: | | |
| - Deposit pledged and escrow account | (44,577) | (37,860) |
| - Deposit on investment in subsidiaries | (92,783) | (67,729) |
| - Deposits maturing more than three (3) months | - | (76,725) |
| - Bank overdrafts | (71,738) | (46,651) |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD** | **6,517,061** | **10,649,622** |

***(The above Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016)***

**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 31 March 2017 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 2016 ("2016 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 2016 Audited Financial Statements except for the following:

(i) Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 becomes effective on 31 January 2017. Amongst the key changes introduced in the New Act which affecting the unaudited interim financial statements of the Company during the current quarter and financial period to date is as below:

(a) removal of the authorised share capital;
(b) shares of the Company will cease to have par or nominal value; and
(c) the Company's share premium account had become part of the Company's share capital.

Consequently, the Company reclassified the share premium reserve as at 31 January 2017 to the share capital pursuant to the transitional provision set out in Section 618(2) of the New Act. Notwithstanding this provision, the Company may within twenty four (24) months from the commencement of the New Act, use this amount for the purposes as set out in Section 618(2) of the New Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. The above mentioned financial impact to the Company as at 31 January 2017 is as below:

| | As at 1 January 2017 | New issues | As at 31 January 2017 | Changes in Companies Act 2016 | As at 31 January 2017 |
|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Share capital | 8,971,415 | 65 | 8,971,480 | 4,081,271 | 13,052,751 |
| Share premium | 4,081,106 | 165 | 4,081,271 | (4,081,271) | - |

**2. Accounting Policies (continued)**

(ii) Adoption of amendments to MFRS (continued)

The adoption of amendments to existing standards that are applicable to the Group for the financial period beginning 1 January 2017 as set out below.

- Amendments to MFRS 107 — Disclosure Initiative
- Amendments to MFRS 112 — Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to MFRSs — 2014-2016 Cycle

The adoption of the amendments to existing standards did not have any significant impact to the Group during the current quarter and financial period to date.

**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) During the current quarter and financial period to date, the Group recognised net foreign exchange gains of RM10.7 million mainly arising from the revaluation of USD borrowings and payables.

Other than the above and as disclosed in Part A, 12 of 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 year ended 31 March 2017.

**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 2016 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 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, RM3.15 and RM3.45 | 756 | 3,061 |
| • Restricted Share Awards at an issuance price from RM3.45 to RM5.07 being the fair value of RSA issued. | 1,374 | 5,075 |
| Total | 2,130 | 8,136 |

(b) On 15 February 2017, the Company has early settled a total amount of RM800.9 million (USD180.0 million) under its loan undertaken with Bank of Tokyo Mitsubishi in 2016. Subsequently the Company refinanced its existing loan balance of USD482.0 million (RM2,143.9 million) which was due for settlement on 15 March 2017 with HSBC and OCBC at respective amount of RM1,112.0 million (USD 250.0 million) and RM1,031.9 million (USD232.0 million). Both loans have tenure of twelve (12) months from the date of the Facility Agreement 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 31 March 2017.

## 7. Dividend paid

There is no dividend paid by the Company during the financial period to date.

## 8. Segmental Information

For the financial period ended 31 March 2017

| | Malaysia | Indonesia | Bangladesh | Sri Lanka | Nepal | Cambodia | Others[1] | Consolidation adjustments/ eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Total operating revenue | 1,606,024 | 1,753,504 | 870,372 | 652,666 | 576,261 | 317,693 | 397,630 | - | 6,174,150 |
| Inter-segment* | (3,609) | (21,028) | (7) | (9,694) | (7,099) | (4,763) | (246,978) | - | (293,178) |
| External operating revenue | 1,602,415 | 1,732,476 | 870,365 | 642,972 | 569,162 | 312,930 | 150,652 | - | 5,880,972 |
| Earnings before interest, tax, depreciation and amortisation ("EBITDA") | 530,507 | 632,122 | 154,011 | 212,528 | 385,480 | 161,415 | (30,951) | 108,885 | 2,153,997 |
| Interest income | 14,574 | 13,194 | 2,044 | 2,229 | 3,121 | 1,977 | 25,536 | (21,865) | 40,810 |
| Interest expense | (52,270) | (133,853) | (19,367) | (15,558) | (4,773) | (840) | (114,184) | 22,079 | (318,766) |
| Depreciation of property, plant & equipment ("PPE") | (202,383) | (563,448) | (177,121) | (123,435) | (93,516) | (45,385) | (66,343) | 6,635 | (1,264,996) |
| Amortisation of intangible assets | (26,416) | (16,115) | (66,033) | (7,701) | (43,825) | (1,262) | (6,334) | (76,625) | (244,311) |
| Joint ventures: | | | | | | | | | |
| - share of results (net of tax) | (1,516) | (14,577) | - | - | - | - | (3,052) | - | (19,145) |
| Associates: | | | | | | | | | |
| - share of results (net of tax) | (15,193) | - | 4,175 | (542) | - | - | 169 | - | (11,391) |
| Impairment of PPE, net of reversal | - | 18,025 | - | 3,697 | 1,585 | - | - | - | 23,307 |
| Other non-cash income/(expense) | 7,568 | 39,447 | (25,521) | (13,054) | (32,133) | 2,095 | 50,426 | 3,996 | 32,824 |
| Taxation | (60,397) | 39,657 | 31,565 | (12,822) | (60,516) | (23,624) | (24,321) | (19,839) | (130,297) |
| **Segment profit/(loss) for the financial period** | **194,474** | **14,452** | **(96,247)** | **45,342** | **155,423** | **94,376** | **(169,054)** | **23,266** | **262,032** |

[1] Share of results of associates are mainly contributed by Idea Cellular Limited (-RM25.2 million) and M1 Limited (RM30.7 million).

## 8. Segmental Information (continued)

For the financial period ended 31 March 2016

| | Malaysia | Indonesia | Bangladesh | Sri Lanka | Cambodia | Others[2] | Consolidation adjustments/ eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Total operating revenue | 1,663,185 | 1,741,034 | 632,110 | 613,666 | 256,355 | 251,229 | - | 5,157,579 |
| Inter-segment* | (4,491) | (7,216) | (24) | (9,450) | (6) | (127,551) | - | (148,738) |
| External operating revenue | 1,658,694 | 1,733,818 | 632,086 | 604,216 | 256,349 | 123,678 | - | 5,008,841 |
| EBITDA | 616,817 | 708,018 | 212,579 | 203,590 | 129,106 | 5,222 | 50 | 1,875,382 |
| Interest income | 22,651 | 259 | 1,526 | 1,125 | 2,339 | 55,673 | (32,223) | 51,350 |
| Interest expense | (45,840) | (157,697) | (7,830) | (5,226) | (2,011) | (66,945) | 30,033 | (255,516) |
| Depreciation of PPE | (188,005) | (583,481) | (144,107) | (101,752) | (38,032) | (17,596) | (4,893) | (1,077,866) |
| Amortisation of intangible assets | (15,462) | (22,593) | (31,793) | (7,511) | (1,087) | (5,859) | (1,965) | (86,270) |
| Joint venture: | | | | | | | | |
| - share of results (net of tax) | (612) | (18,509) | - | - | - | (3,293) | - | (22,414) |
| Associates: | | | | | | | | |
| - share of results (net of tax) | (9,362) | - | - | 9 | - | 100,953 | - | 91,600 |
| - loss on dilution of equity interests | - | - | - | - | - | - | (1,732) | (1,732) |
| Impairment of PPE, net of reversal | - | 308 | 59 | 2,712 | - | 1,153 | - | 4,232 |
| Other non-cash income/(expenses) | 12,704 | 147,598 | (2,701) | (4,915) | (385) | (181,164) | 2,193 | (26,670) |
| Taxation | (98,106) | (22,392) | (6,531) | (10,679) | (17,633) | 3,187 | 1,258 | (150,896) |
| Segment profit/(loss) for the financial period | 294,785 | 51,511 | 21,202 | 77,353 | 72,297 | (108,669) | (7,279) | 401,200 |

[2] Share of results of associates are mainly contributed by Idea Cellular Limited (RM65.0 million) and M1 Limited (RM36.2 million).

* 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.

**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 RM1,074.4 million mainly for its telecommunication network equipment and capital work in progress.

**11. Events after the Interim Period**

**(a) Proposed private placement by edotco Group Sdn Bhd ("edotco Group")**

On 18 April 2017, edotco Group had signed a Share Subscription Agreement with Kumpulan Wang Persaraan (Diperbadankan) ("KWAP") on the subscription by KWAP of 136,634,812 ordinary shares in edotco Group ("edotco Shares") at a cash consideration of USD100.0 million (equivalent to RM440.95 million).

On the date of completion, the Company is remained as the majority shareholder holding 62.40% of the issued shares of edotco Group.

**(b) Issuance by PT XL Axiata Tbk ("XL") of Tranche II Sukuk of the IDR5.0 trillion Sukuk Programme of amounting to IDR2.18 Trillion**

On 28 April 2017, XL issued Sukuk Ijarah namely Shelf Sukuk Ijarah I XL Axiata Tranche II Year 2017 amounting to RM712.9 million (IDR 2.18 trillion) with maturity period of 370 (three hundred and seventy days) up to 10 (ten) years and was registered in Indonesia Stock Exchange on 2 May 2017.

**(c) Investment in Localcube Commerce Private Limited ("Localcube")**

The Group via Axiata Investments (Mauritius) Limited ("AIM"), a wholly-owned subsidiary of Axiata Digital Services Sdn Bhd ("ADS") had on 12 May 2017, further subscribed the remaining 1,559 Compulsorily Convertible Preference Shares of Localcube at par value of INR10 per share resulting in AIM's total shareholding of 29.65% of issued and paid up capital of Localcube for a total consideration of RM13.9 million (USD 3.2 million).

There was no other significant event after interim period that requires disclosure and/or adjustment as at 18 May 2017.

**12. Effects of Changes in the Composition of the Group**

**(a) Incorporation of Axiata Digital Ecode Sdn Bhd ("ADE")**

ADS, a wholly-owned subsidiary of the Company, had on 9 January 2017 completed the incorporation of ADE (Company No. 1214970-T), a private company limited by shares, under the Companies Act, 1965.

The issued and paid-up share capital of ADE is RM2 and its intended principal activities are to carry out the business of researching and developing internet services and mobile applications.

The above incorporation did not have any significant impact to the Group during the current quarter and the financial period to date.

**12. Effects of Changes in the Composition of the Group (continued)**

**(b) Acquisition of 31.01% equity interest in edotco Bangladesh Co. Ltd ("edotco BD") by edotco Group from Robi Axiata Limited**

On 18 January 2017, the Call Option exercise to acquire 31.01% of the issued and paid up capital of edotco BD pursuant to the sale and purchase agreement dated 5 November 2014 was completed by edotco Group. Accordingly, the Group's effective interest in edotco BD increased from 84.03% to 93.74%. The Group recorded an increase of RM90.2 million in the consolidated retained earnings and a decrease in non-controlling interests amounting to RM90.2 million during the current quarter and financial period to date.

**(c) Private placement of edotco Group and share divestment on edotco Group**

On 27 January 2017, the private placement of edotco Group and the share divestment on edotco Group by the Company were completed with:

(i) 409,904,436 edotco Group's ordinary shares were issued to Innovation Network Corporation of Japan, at a cash consideration of USD300.0 million (RM1,329.1 million); and

(ii) 273,269,624 edotco Group's ordinary shares were disposed to Mount Bintang Ventures Sdn Bhd at a gross purchase consideration of USD200.0 million (RM888.7 million).

On the date of completion, each of the Company, INCJ and Khazanah are holding 69.88%, 18.07% and 12.05% respectively in edotco Group.

The Group recorded the following in the consolidated statement of changes in equity during the current quarter and financial period to date as below:

(i) an increase of RM917.2 million in the consolidated retained earnings and non-controlling interests amounting to RM411.9 million related to the private placement by edotco Group; and

(ii) an increase of RM611.5 million in the consolidated retained earnings and non-controlling interests amounting to RM274.7 million related to the share divestment by the Company.

**12. Effects of Changes in the Composition of the Group (continued)**

**(d) Additional investment in Headstart (Private) Limited ("Headstart")**

Digital Holdings Lanka (Private) Limited ("DHL"), a subsidiary of Dialog Axiata Plc, proceeded with the conversion to equity the 'Bond type B' and 'Bond type C' in Headstart, consisting of 414 ordinary shares on 15 March 2017. Subsequent to the said conversion, the total shareholding of DHL in Headstart increased from 26.00% to 43.37%.

The additional investment above did not have significant impact to the Group during the current quarter and the financial period to date.

**(e) Acquisition of 30.00% equity interest in edotco (Cambodia) Co. Ltd ("edotco KH") by edotco Group from Smart Axiata Co. Ltd**

In March 2017, edotco Group completed the acquisition of 30.00% of the issued and paid up capital of edotco KH. Accordingly, the Group's effective interest in edotco KH decreased from 92.48% to 81.12%.

The Group recorded a decrease of RM2.9 million in the consolidated retained earnings and a increase in non-controlling interests amounting to RM2.9 million during the current quarter and financial period to date.

Other than above, there were no other changes in the composition of the Group for the financial period ended 31 March 2017.

**13. Significant Changes in Contingent Assets or Contingent Liabilities**

Other than as disclosed in Note Part B, 10 of this announcement, there has been no significant change in contingent assets or contingent liabilities of subsidiaries and associates from that disclosed in the 2016 Audited Financial Statements.

**14. Capital Commitments**

| | **Group** | |
|---|---|---|
| **As at** | **31/3/2017** | **31/3/2016** |
| | **RM'000** | **RM'000** |
| Commitments in respect of expenditure approved and contracted for | **2,007,322** | 1,594,079 |
| Commitments in respect of expenditure approved but not contracted for | **3,542,706** | 2,979,701 |

## 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

The Group's derivative financial instruments as at 31 March were grouped as below:

| **Derivatives Financial Instruments** | **2017** | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | 18 | - | - | 18 | 27 | - | - | 27 |
| Financial assets at AFS: | | | | | | | | |
| - Equity securities | - | - | 135,576 | 135,576 | - | - | 28,712 | 28,712 |
| Non-hedging derivatives | - | 180,576 | - | 180,576 | - | 122,651 | - | 122,651 |
| Derivative used for hedging | - | 113,340 | - | 113,340 | - | 12,734 | - | 12,734 |
| Liabilities | | | | | | | | |
| Non-hedging derivatives | - | (1,332,411) | - | (1,332,411) | - | (185,032) | - | (185,032) |
| Derivatives used for hedging | - | (6,886) | - | (6,886) | - | (2,095) | - | (2,095) |
| **Total** | **18** | **(1,045,381)** | **135,576** | **(909,787)** | 27 | (51,742) | 28,712 | (23,003) |

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

## 1. Review of Performance

### (a) Quarter-on-Quarter

Group revenue grew 17.4% to RM5,881.0 million in the current quarter ("Q1'17") from RM5,008.8 million in the first quarter of 2016 ("Q1'16"), on the back of higher revenue contribution from Nepal (acquired in April 2016) and Bangladesh (merged in November 2016). Concurrently, at constant currency, Group revenue increased by 12.4%. Operating costs increased by 18.9% to RM3,727.0 million in Q1'17 from RM3,133.5 million in Q1'16 also driven by Bangladesh and Nepal, in line with higher revenue recorded. As a result, Group's Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") increased by 14.9% quarter-on-quarter, with its margin at 36.6%, a marginal decrease of 0.8 percentage points. Despite higher EBITDA, Group reported higher depreciation and amortisation charges coupled with higher finance costs and share of losses from associates, hence resulting in a lower Profit After Tax ("PAT") for the quarter. PAT in the period decreased by 34.7% which resulted in a lower profit of RM262.0 million.

Malaysia's operations gross revenue decreased by 3.4% in Q1'17 mainly due to a drop in service revenue, primarily as a result of a decline in revenue contribution from value added services ("VAS") revenue, SMS revenue and voice revenue by 43.9%, 40.3% and 14.7% respectively. Revenue decline was cushioned by growth of data business which saw an increase of 27.7%. Data revenue accounts for 40.4% of total revenue. Operating costs of Malaysia's operations increased by 2.8% mainly due to higher rentals and maintenance costs as well as business license fees in tandem with an increase in the number of network sites as compared to in Q1'16. EBITDA in the period consequently decreased by 14.0% with a margin of 33.0% quarter on quarter, a decline of 4.1 percentage points. PAT posted a decrease of 34.0% to RM194.5 million, mainly due to lower EBITDA and higher share of losses from associates combined with higher depreciation and amortisation charges.

Indonesia's operations gross revenue increased marginally by 0.7% mainly due to forex translation impact of the IDR strengthening against the RM in the current quarter. At constant currency however, Indonesia's revenue would decreased by 6.2% impacted by lower revenue from SMS and voice of 41.4% and 38.9% respectively. Revenue decline was marginally cushioned by the growth in data business which saw an increase of 58.7%. Data revenue accounts for 49.9% of total revenue. Operating costs increased by 8.6% mainly due to higher interconnection and other direct costs which was offset by lower sales and marketing expenses and staff costs. As a result, EBITDA in the period decreased by 10.7% with its margin deteriorating by 4.7 percentage points to 36.0%. PAT for Indonesia's operations declined to RM14.5 million, a decrease of 71.9% compared to RM51.5 million in the same period last year due to higher forex translation losses on its loans which were partly offset by lower depreciation and amortisation charges, finance costs and tax expense.

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

**(a) Quarter-on-Quarter (continued)**

Bangladesh's operations posted a gross revenue growth of 37.7%, an increase of 30.7% at constant currency. The growth was driven by strong performance in data, VAS and voice segments while SMS declined compared to same quarter last year following the Robi and Airtel merger in November 2016. In Q1'17, operating costs increased by 70.8% mainly due to the increase in site and space rentals as well as network maintenance costs with the inclusion of Airtel network. In Q1'17, Robi divested its equity holding edotco BD to 20% and ceased to consolidate edotco BD results. As a result of this dilution, EBITDA for Robi decreased by 27.6% to RM154.0 million and margin contracted by 15.9 percentage points to 17.7%. PAT for the quarter subsequently dipped by more than 100% to a loss after tax of RM96.2 million on the back of lower EBITDA, higher depreciation and amortisation charges with the inclusion of Airtel assets.

Sri Lanka's operations gross revenue grew 6.4% or 4.8% at constant currency mainly contributed to the increase in its data business leading to a growth of 43.5% compared to Q1'16. Data revenue accounts for 19.7% of total revenue. Operating costs increased by 7.3% in line with higher revenue. Consequently, EBITDA grew 4.4% to RM212.5 million whilst margin slightly dipped by 0.6 percentage points to 32.6%. PAT for the quarter decreased by 41.4% to RM45.3 million primarily due to higher depreciation and amortisation charges from new assets acquired, increase in net finance costs and forex translation losses.

Nepal's operations gross revenue decreased by 2.7% in Q1'17 mainly due to a drop in data revenue impacted from lower data tariffs and International Long Distance ("ILD") revenue due to lower incoming traffic from its top destinations. EBITDA decreased by 6.2% mainly as impact from lower revenue. At the same time, PAT declined by 1.5% quarter on quarter mainly due to higher depreciation and amortisation charges resulting from Assets Retirement Obligation ("ARO") charges.

Cambodia's operations registered gross revenue growth of 23.9%, 17.0% at constant currency. Revenue for the quarter was mainly derived by strong performance in data segment which increased 66.5% compared to Q1'16. Operating costs in the current quarter grew 22.8% mainly from higher sales and marketing costs and network related costs. EBITDA grew 25.0% as its margin grew slightly higher at 50.8% in Q1'17. PAT for the quarter registered an excellent growth of 30.5% to RM94.4 million, mainly from the higher EBITDA recorded.

Share of results of associates and joint ventures decreased by more than 100% resulting to a loss of RM30.5 million. The decline was mainly contributed by share of loss of RM25.4 million in India compared to profit of RM65.0 million in Q1'16 as India's operations continue to be negatively impacted by the new entrant in the market.

## 1. Review of Performance (continued)

### (b) Comparison with Preceding Quarter's Result

Group revenue increased by 1.6% to RM5,881.0 million in Q1'17 from RM5,789.4 million in Q4'16 mainly from higher contribution from Bangladesh and Indonesia. At constant currency, Group revenue remained flat from preceding quarter. During the period, Group operating costs decreased by 2.2% to RM3,727.0 million mainly arising from lower operating costs in Nepal, Cambodia and Sri Lanka. Group EBITDA increased by 8.8% and with a margin improvement of 2.4 percentage points to 36.6%. PAT improved by more than 100%, registering a profit of RM262.0 million. This was due to unprecedented forex translation losses against the USD and accelerated depreciation of Bangladesh's operations in Q4'16.

In Q1'17, Malaysia's operations gross revenue registered a decrease of 2.3% compared to the previous quarter due to lower voice revenue of 12.1%. The decrease however, was cushioned by growth in data revenue by 6.4% in the current quarter. Voice and data revenue accounts for 84.7% of total revenue. Operating costs increased by 1.6% mainly from reversal of one-off items in Q4'16. Malaysia's EBITDA decreased by 9.3% and a margin drop of 2.6 percentage points to 33.0%. Consequently, PAT for the period decreased by 5.7% to RM194.5 million mainly due to lower EBITDA.

Indonesia's operations gross revenue improved by 3.2%, 1.0% at constant currency, mainly due to an increase in VAS and Data revenue of 15.5% and 12.3% respectively. During the quarter, operating costs increased by 3.1% from higher business license fees, costs of prepaid cards and maintenance, which was offset by lower sales and marketing costs. This in turn has resulted in improvement of EBITDA by 3.2% whilst margin remained stable at 36.0%. Indonesia's operations recorded PAT of RM14.5 million, a decrease of 78.3% mainly due to the gain on sale of towers recorded in Q4'16.

Bangladesh's operations gross revenue recorded a growth of 9.1%, 6.9% at constant currency. This was supported by higher VAS, data and voice revenue of 51.8%, 29.1% and 15.6% respectively from the consolidation of Airtel subscriber base. Operating costs in the quarter increased by 4.0% mainly due to higher interconnect, sales and marketing expenses and higher rentals. EBITDA for the quarter improved by 41.6% compared to previous quarter while its margin increased by 4.1 percentage points to 17.7% mainly due to one-off items including merger fees recorded in Q4'16. At the back of higher EBITDA and decreased in depreciation and amortisation charges, Bangladesh's operations has improved its loss position by 57.3% compared to previous quarter with a loss after tax of RM96.3 million.

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

**(b) Comparison with Preceding Quarter's Result (continued)**

Sri Lanka's operations gross revenue for the quarter declined by 1.7%, 2.5% at constant currency. The declined in the quarter was due to a hike in Value Added Tax ("VAT") imposed on telecom services resulting to a drop in voice, SMS and data segments its mobile business and fixed line business by 17.3%, 11.0% and 6.7% respectively. Operating costs marginally decreased by 1.6%. EBITDA for the quarter decreased by 2.0% as compared to the previous quarter while its margin maintained at 32.6%. PAT for the quarter increased by 20.6% compared to RM45.3 million mainly due to lower asset impairment and forex translation losses.

Nepal's operations gross revenue decreased by 3.1%, 6.3% at constant currency in Q1'17 mainly arising from lower data revenue and ILD revenue. Operating costs decreased by 2.9% compared to Q4'16, mainly attributed to lower interconnect and other direct costs. Nepal's EBITDA decreased by 3.2% with a margin decreased of 0.1 percentage points to 66.9%. PAT registered a decline of 33.9% to RM155.4 million mainly due to forex translation arising from appreciation of USD against NPR and higher depreciation and amortisation charges.

Cambodia's operations gross revenue grew 3.8%, 0.8% at constant currency, driven by strong performance from its data revenue improving 11.3%. Data revenue accounts for 48.5% of its Q1'17 revenue base. In line with the increase in revenue, operating costs in the current quarter grew 2.2% mainly from higher network and marketing costs. In Q1'17, Cambodia's EBITDA grew by 10.3% and its margin improved by 3.0 percentage points to 50.8%. Higher EBITDA coupled with one-off provision for fixed assets recognised in Q4'16 resulted in PAT increase by 61.5% to RM94.4 million.

For the quarter, share of results from associates and joint ventures improved by 42.5% compared to previous quarter mainly contributed to investments in Malaysia and Indonesia.

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

**(c) Economic Profit ("EP") Statement**

| | Current and Cumulative Quarter | |
|---|---|---|
| | **31/3/2017** | **31/3/2016** |
| | **RM'000** | RM'000 Restated |
| EBIT | 636,021 | 710,324 |
| Adjusted Tax 24% | (152,645) | (170,478) |
| Share of results and loss on dilutions of associates | (30,536) | 67,454 |
| **NOPLAT** | 452,840 | 607,300 |
| AIC | 45,377,505 | 36,110,791 |
| WACC | 8.01% | 7.79% |
| Economic Charge (AIC*WACC) | 908,685 | 703,258 |
| **Economic Profit** | **(455,845)** | (95,958) |

[1] Restatement is to be in line with the methodology used in Group's Headline KPI.

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) 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.

Note:

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 debts and equity taking into account the proportion of debt position and market capitalisation as at end of the period.

**2. Headline Key Performance Indicators ("KPIs") for the financial year ending 31 December 2017**

On 23 February 2017, the Group announced its Headline KPIs guidance for the financial year ending 31 December 2017. The Group's 2017 Headline KPIs announced were as below:

| **Headline KPIs** | **FY2017 Headline KPIs @ Bloomberg[1] rate** | **FY2017 Headline KPIs @ constant currency[2]** |
|---|---|---|
| Revenue Growth (%) | 9% - 11% | 8% - 10% |
| EBITDA Growth (%) | 7% - 9% | 6% - 8% |
| Return on Invested Capital ("ROIC") (%) | 4.5% - 5.0% | 4.5% - 5.0% |
| Return on Capital Employed ("ROCE") (%) | 4.0% - 4.5% | 4.0% - 4.5% |

[1]1 USD = RM4.55

[2]1 USD = RM4.14

Assumed no material fluctuations of regional currencies against Ringgit Malaysia

The Malaysia and Indonesia operations continue to face challenges, however there were some early signs of stabilisation in Q1'17 and we may see improved performance in the second half of financial period ending 31 December 2017. Operations in Nepal was impacted by the decline in International Long Distance (ILD) revenues albeit lesser with on-going campaigns and enhanced product offerings. The integration between Robi-Airtel is well on track, while the operations in Sri Lanka and Cambodia continue to deliver solid profitability. The Group's associates, particularly in India continues to face worse than expected competition and disruptions arising from RJio entrance into the Indian market.

Based on performance of the Group to date, barring any unforeseen circumstances, competitive pressures and adverse foreign currency fluctuations, the Board of Directors expect the Group's performance for the financial period ending 31 December 2017 to be in line with headline KPIs.

The Group will continue to face challenges and remains cautious in executing its business strategies. Amongst the key risks facing operating companies include regulatory challenges, political risks, intense competition and foreign currency fluctuations. Moving forward, the Group will continue to focus on its long-term transformation strategy which includes new approach to current business, venturing into new businesses adjacent to current business, selectively acquiring new assets and managing existing business via data leadership and enhancing data profitability by focusing on pricing, smart investments, network capacity utilisation and other cost saving initiatives including forex mitigation strategies.

## 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 31 March 2017.

## 4. Taxation

The taxation charge for the Group comprises:

| | Current and Cumulative Quarter | |
|---|---|---|
| | **31/3/2017** | 31/3/2016 |
| | **RM'000** | RM'000 |
| **Income tax:** | | |
| Malaysia | | |
| Current year | 52,049 | 86,277 |
| Prior year | (8,956) | - |
| | 43,093 | 86,277 |
| Overseas | | |
| Current year | 137,047 | 50,592 |
| Prior year | - | - |
| | 137,047 | 50,592 |
| **Deferred tax (net):** | | |
| Originating and reversal of temporary differences | (49,843) | 14,027 |
| **Total taxation** | 130,297 | 150,896 |

The current quarter and financial period to date's effective tax rate of the Group is higher than the statutory tax rate is mainly due to higher non-deductible expenses.

**5. Status of Corporate Proposals**

**(a) Proposed acquisition of Suvitech Co. Ltd ("SCL")**

Axiata Business Services Sdn Bhd ("ABS"), a wholly owned subsidiary of the Company, had on 15 May 2017 entered into a Share Sale and Purchase Agreement ("SSPA") for the acquisition of 65.00% of the issued share capital of SCL at a consideration of up to USD11.05 million (equivalent to RM47.9 million).

The salient terms of the SSPA between ABS and the sellers; namely, Mr Chaikorn Boonlapapat ("Seller 1"), Mrs Amornchit Bhatia, Star Pacific Holdings Limited ("Seller 2"), Subin Bhatia and Renu Bhatia (collectively referred to hereafter as "Sellers". ABS and the Sellers are referred to hereafter as "Parties") are as follows:

i) ABS will pay the Purchase Price in cash comprising the following:

a) USD9.1 million for 6,500,000 ordinary shares ("Sale Shares") in the share capital of SCL ("First Instalment"). First Instalment shall be adjusted taking into consideration net indebtedness and actual working capital of SCL ("Completion Accounts"); and

b) USD1.95 million upon fulfillment of certain milestones as agreed by the Parties by the end of the retention period, being twelve (12) months from the date of the Completion Accounts.

ii) The Sale Shares shall be acquired free from any encumbrances, claims or other third party rights; and

iii) The closing of the transaction shall be subject to satisfaction of, inter-alia, the following key conditions within five (5) months from the date of the SSPA (unless extended by the Parties):

a) Incorporation of a wholly-owned private limited company in Labuan as a vehicle for ABS' investment in SCL ("ABS Labuan");

b) Entry into a shareholders' agreement between ABS Labuan, Seller 1 and Seller 2 to govern their relationship in SCL; and

c) Receipt by ABS of an approval from Bank Negara Malaysia to permit the investment in SCL as stipulated in the SSPA.

Other than the above, there is no other corporate proposal announced but not completed as at 18 May 2017.

## 6. Group's Borrowings and Debt Securities

(a) Breakdown of the Group's borrowings and debt securities as at 31 March were as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Current** | **Non-current** | Current | Non-current |
| | **RM'000** | **RM'000** | RM'000 | RM'000 |
| Secured | 286,392 | 862,909 | 156,417 | 689,439 |
| Unsecured | 5,910,038 | 13,619,836 | 5,274,708 | 15,171,393 |
| **Total** | **6,196,430** | **14,482,745** | 5,431,125 | 15,860,832 |

(b) Foreign currency borrowings and debt securities in RM equivalent as at 31 March were as follows:

| Foreign Currencies | 2017 | 2016 |
|---|---|---|
| | **RM'000** | RM'000 |
| USD | 11,086,768 | 11,764,165 |
| IDR | 3,337,857 | 4,191,561 |
| BDT | 840,331 | 506,015 |
| SLR | 353,952 | 298,232 |
| PKR | 60,706 | 44,063 |
| **Total** | **15,679,614** | 16,804,036 |

## 7. Outstanding derivatives

(a) The detail of the Group's outstanding net derivatives financial instruments as at 31 March are set out as follow:

| Type of derivatives financial instruments | 2017 Notional value | 2017 Fair value favorable/ (unfavorable) | 2016 Notional value | 2016 Fair value favorable/ (unfavorable) |
|---|---|---|---|---|
| | **RM'000** | **RM'000** | RM'000 | RM'000 |
| **Cross currency interest rate swaps:** | | | | |
| - < 1 year | 2,735 | (4,151) | - | - |
| - 1 - 3 years | 221,000 | 56,225 | 197,100 | 57,557 |
| - > 3 years | 3,929,380 | 110,128 | 1,182,600 | 12,734 |
| **Interest rate swaps contracts:** | | | | |
| - < 1 year | 159,701 | 287 | 133,187 | (682) |
| - 1 - 3 years | 149,640 | 189 | 275,887 | (1,413) |
| **Call spread contracts:** | | | | |
| - 1 - 3 years | 1,326,000 | 116,009 | 1,182,600 | 56,751 |
| **Put option liabilities over shares held by a non-controlling interests:** | | | | |
| - < 1 year | (154,700) | (154,700) | (185,032) | (185,032) |
| - > 3 years | (1,177,711) | (1,177,711) | - | - |
| **Convertible warrants in an associate:** | | | | |
| - < 3 years | 19,251 | 8,343 | 19,251 | 8,343 |
| **Total** | | **(1,045,381)** | | (51,742) |

(b) The risks associated with the derivative financial instrument and the policies in place for mitigating such risks were disclosed in 2016 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:

| | Current and Cumulative Quarter | |
|---|---|---|
| | **31/3/2017** | 31/3/2016 |
| | **RM'000** | RM'000 |
| Total net losses | **(12,290)** | (28,708) |

**9. Realised and Unrealised Profits or Losses Disclosure**

| | As at | |
|---|---|---|
| | **31/3/2017** | 31/3/2016 |
| | **RM'000** | RM'000 |
| **Total retained profits/(accumulated losses) of the Company and its subsidiaries:** | | |
| - Realised | 13,009,221 | 11,743,242 |
| - Unrealised | (1,125,400) | (1,260,847) |
| | 11,883,821 | 10,482,395 |
| **Total retained profits/(accumulated losses) from associated companies:** | | |
| - Realised | 1,988,916 | 2,171,702 |
| - Unrealised | (147,383) | (354,636) |
| | 1,841,533 | 1,817,066 |
| **Total accumulated losses from joint ventures:** | | |
| - Realised | (174,814) | (82,240) |
| | (174,814) | (82,240) |
| Less : Consolidation adjustments | (2,360,419) | (1,629,739) |
| **Total Consolidated Retained Profits** | **11,190,121** | 10,587,482 |

## 10. 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")**

On 30 November 2004, Celcom Trading instituted a claim against Aras Capital and TSDTR for amounts due to Celcom Trading of RM261.8 million (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 ("Celcom Resources") and its directors for, inter alia, 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, after full trial, the High 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 ("Judgment"). TSDTR's applications to the High Court and thereafter, to the Court of Appeal for stay of execution of the Judgment were dismissed and thereafter upheld with costs of RM5,000.00 and RM10,000.00 respectively.

On 1 July 2016, TSDTR appealed against the Judgment to the Court of Appeal. The hearing has been fixed on 24 August 2017.

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

On 24 October 2008, Celcom and Celcom Resources filed a claim against 5 former directors of Celcom and Celcom Resources (namely (i) TSDTR, (ii) Bistaman Ramli ("BR"), (iii) Dato' Lim Kheng Yew ("DLKY"), (iv) Axel Hass ("AH"), and (v) Oliver Tim Axmann ("OTA")), DeTeAsia Holding GmbH ("DeTeAsia") and Beringin Murni Sdn. Bhd. ("BM") (collectively, the "Defendants"), for conspiring 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 the Main Suit 2 but all the applications were dismissed by the High Court and thereafter, upheld by the Court of Appeal after appeals were filed against the High Court decision. A further application for leave to appeal on the striking out applications to the Federal Court was filed by TSDTR, BR, AH, OTA and DeTeAsia respectively and was also dismissed by the Federal Court on 31 March 2016.

## 10. 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)

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 a counterclaim against Celcom and Celcom Resources for inter alia, RM6,246,492,000.00 or the alternative sum of RM7,214,909,224.01 pursuant to a global settlement in another suit ("TSDTR and BR's Counterclaim"). The High Court allowed Celcom and Celcom Resources' application to strike out the TSDTR and BR's Counterclaim. An appeal to the Court of Appeal was filed against this decision ("Striking Out Appeal").

On 4 May 2017, the Court of Appeal allowed TSDTR and BR's Striking Out Appeal. Since the Counterclaim has been reinstated, the High Court has scheduled the full trial for the Main Suit 2 and the Counterclaim to start on 22 January 2018. In the meantime, TSDTR and BR had filed an application to amend their Defence and Counterclaim and this application is fixed for hearing/clarification on 23 June 2017.

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

On 28 April 2006, Celcom and Celcom Resources instituted a claim (i) against 9 of its former directors, alleging that they had breached 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; and (ii) against TSDTR only, for alleged unauthorised profits made by him in connection with 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, losses and damages in connection with the entry of Celcom and Celcom Resources into the Subscription Agreement and the ARSA.

Six of the defendants filed applications to strike out the Main Suit 3 but all the applications were dismissed by the High Court and thereafter, by the Court of Appeal after appeals were filed against the High Court decisions. Further applications for leave to appeal on the striking out applications to the Federal Court were filed by the 7 defendants and were also dismissed by the Federal Court on 31 March 2016.

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.

## 10. Material Litigation (continued)

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

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

On 23 June 2016, TSDTR and BR filed the TSDTR and BR's Counterclaim against Celcom and Celcom Resources. The High Court allowed Celcom and Celcom Resources' application to strike out the TSDTR and BR's Counterclaim. The same Striking Out Appeal to the Court of Appeal was also filed against the High Court's decision.

On 4 May 2017 the Court of Appeal allowed TSDTR and BR's Striking Out Appeal. Since the Counterclaim has been reinstated, the High Court has scheduled the full trial for the Main Suit 3 and the Counterclaim to start on 22 January 2018. In the meantime, TSDTR and BR had filed an application to amend their Defence and Counterclaim and this application is fixed for hearing/clarification on 23 June 2017.

## 11. 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.

## 12. 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.

## 13. Earnings Per Share ("EPS")

### (a) Basic EPS

| | **Current and Cumulative Quarter** | |
|---|---|---|
| | **31/3/2017** | 31/3/2016 |
| Profit attributable to owners of the Company (RM'000) | 239,016 | 368,256 |
| Adjusted weighted average number of shares ('000) | 8,972,163 | 8,817,777 |
| **Basic EPS (sen)** | **2.7** | 4.2 |

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.

**13. Earnings Per Share ("EPS") (continued)**

**(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.

| | Current and Cumulative Quarter | |
|---|---|---|
| | **31/3/2017** | **31/3/2016** |
| Profit attributable to owners of the Company (RM'000) | 239,016 | 368,256 |
| Weighted average number of ordinary shares in issue ('000) | 8,972,163 | 8,817,777 |
| Adjusted for ESOS and RSA | 29,966 | 39,489 |
| Weighted average number of ordinary shares for the purpose of computing diluted EPS ('000) | 9,002,129 | 8,857,266 |
| **Diluted EPS (sen)** | **2.7** | 4.2 |

**14. Qualification of Preceding Audited Financial Statements**

The 2016 Audited Financial Statements were not subject to any qualification.

**15. Dividend Proposed**

There is no dividend proposed for this current quarter and financial period to date.

**By Order of the Board**

Suryani Hussein (LS0009277)
Secretary

Kuala Lumpur
25 May 2017