

CEO'S STATEMENT

Dear Shareholders,

In a borderless and digital world, competition is increasingly relentless. In FY19, we initiated a strategic review of our business to reappraise our key imperatives, organisational structure and operations to remain efficient, agile and focused.

Henry Tan Poh Hock
Chief Executive Officer



CEO'S STATEMENT

Today, consumers live in an era of abundant choices. As a leading content and consumer company that serves a rich and diverse group of multiethnic, multicultural and multilingual customers, it is essential for us to have our finger on the pulse of each segment and trend. Only then can we maintain and grow our relevance among consumers.

Having entertained Malaysia for well over two decades, we have shared much laughter, and many a tear and cheer with the nation. Our strength remains our reach of 5.7 million Malaysian homes serving 23 million individuals, 16.2 million weekly listeners on radio, 8.3 million average monthly unique visitors on our digital brands, and over 1.8 million registered customers on Go Shop, our commerce platform. Our focus in FY20 is to strengthen our core Pay-TV and NJOI businesses with our key priorities being customers, content and customer experience. A differentiated content offering of our own vernacular IPs, Asian originals and live sports underpins Astro's ability to engage and persuade on

television, radio and digital platforms. In this new world, we recognise that customer experience is a key differentiator, which is why it remains a priority that will help us navigate the changing landscape more effectively.

Resilient financial results and prudent capital management

FY19 was a major sporting year featuring the 2018 FIFA World Cup, which resulted in higher content costs. Despite this and foreign exchange headwinds, our financials remained resilient. Revenue was RM5.5 billion, marginally down from the previous year, and PATAMI was RM463 million, down 40%. Our performance was underpinned by revenue diversification efforts alongside disciplined cost management initiatives across the entire business. Our business remains highly cash generative with free cash flow ("FCF") of RM1.3 billion, backed by sound capital management decisions.

We retain flexibility in funding options by constantly assessing market alternatives

to ensure an optimal capital structure. In FY19, we drew down on a new term loan facility of RM380 million to enhance our existing funding pool while simultaneously prepaying RM629 million of our existing term loan. In combination with FCF, these funding sources were used to fund capital expenditure ("Capex") and provide a return to shareholders. Capex amounted to RM386 million in FY19, invested mainly in the enhancement of technology stacks and deployment of connected Set-Top Boxes ("STBs") with On Demand ("OD") and Personal Video Recorder ("PVR") functionalities to deepen customer engagement. At the end of FY19, our cash position stood at RM632 million, with our net debt/EBITDA level steady at 1.8 times.

In line with our dividend policy of 75% payout of consolidated profits, in FY19 we rewarded shareholders with 9.0 sen of dividends per share, translating to 101% of profits and a yield of 5.4%. We remain committed to our dividend promise, even as we reinvest into our core and adjacent businesses.

astro & broadband



Enhancing our customer value proposition through content and broadband bundles

HBO

AN HBO ORIGINAL SERIES

GAME OF THRONES

EXCLUSIVELY ON ASTRO

**STREAM ALL EPISODES
UNCENSORED ON DEMAND**

FINAL SEASON | 15 APRIL

#FORTHETHRONE
#HBOASIA

Our On Demand content library caters to the shift in consumer viewing habits towards non-linear and OTT platforms

Market landscape

Broadband scene in Malaysia

Through the new National Fiberisation and Connectivity Plan (“NFCP”), the government aims to achieve 98% broadband penetration of populated areas with an average speed of 30Mbps by 2023. The aspiration is to halve broadband prices and double the speed to benefit consumers. The mandatory standard access pricing (“MSAP”) under the NFCP unlocks opportunities for more players to be part of the broadband value chain and provides consumers more varied and affordable broadband options. Liberalisation of the broadband sector opens new avenues for Astro to leverage our differentiated content for a compelling bundling solution for customers.

Cheaper and faster broadband will accelerate the shift in how consumers discover, access and consume content. Today, the average Malaysian consumes around 24 hours of video streaming a week on mobile phones, tablets, laptops and desktops. With mobile broadband penetration at 110%, the smartphone

is the default medium for short-form media consumption on-the-go, while larger screens are mainly for longer-form content. Providing a seamless viewing experience across devices at home and on-the-go is increasingly a key differentiator. Astro’s upcoming technology platform upgrade aims to address this by providing content mobility and portability, unified recommendations and consistent look and feel across STBs and smaller screens.

Acceleration of broadband connectivity will further fuel borderless competition. Global technology giants act as utilities or aggregators, leveraging their extensive ecosystems and more recently, content, to lock consumers’ engagement across different touchpoints. Major media heavyweights are also starting to vie for eyeballs with their own direct-to-consumer OTT plays. To this end, Astro will continue to prioritise vernacular content creation to drive engagement; form partnerships and alliances with local, regional and global value-enhancing partners in the areas of content, broadband bundling and customer

rewards initiatives; and strengthen our customer value proposition amid the industry upheaval.

While we welcome healthy and legal competition, piracy remains the biggest scourge of the industry. Asia Pacific accounts for 44% of the worldwide Android STB market, the highest of any region in the world. Malaysia accounts for the second largest share of content piracy in Southeast Asia, after the Philippines. In 2017, the Malaysian economy lost an estimated RM2.3 billion in revenue and induced spending, RM330 million in tax and over 3,300 jobs as a result of piracy. We applaud MCMC for joining forces with the Asia Video Industry Association (AVIA) and Coalition Against Piracy (CAP) to raise awareness on the damaging impact of digital piracy. We understand that MCMC is now looking to set up an agency to streamline multiple government agencies and industry players to tackle content piracy more effectively. Astro supports these initiatives.

CEO'S STATEMENT

Malaysia's vibrant digital economy and opportunities ahead

As Malaysia becomes a digital nation, the Malaysia Digital Economy Corporation ("MDEC") projects the digital economy to contribute to 20% of the country's GDP by 2020, from 18.2% in 2016.

A key component of a digital economy is online video streaming. The Malaysian online video subscription and advertising market was valued at USD87.7 million in 2018, but is expected to grow by a CAGR of 21% over the next five years. Meanwhile, digital advertising, the fastest growing segment within the advertising market locally, is expected to account for 33% of total advertising revenues by 2023, up from 19% in 2018.

E-commerce is also an important segment within Malaysia's digital economy. With 98% of Malaysian online users owning a smartphone and spending an average of 3.6 hours daily on mobile devices, it is not surprising to find over half of them shopping online through their phones. It is estimated that 60% research their potential purchases on social media prior to buying, ramping up social commerce. E-commerce contribution to GDP has more than doubled to RM86 billion in 2017 from 2010, recording an impressive CAGR of 13%. Through the implementation of the National E-Commerce Strategic Plan, the government aims to increase this to RM211 billion by 2020.

Capitalising on the growth momentum, we are driving initiatives to expand our footprint in the OTT video, digital advertising and e-commerce spaces.

Investor sentiment

Worldwide, a value disconnect exists between media incumbents and disruptors, with capital markets applying differing valuation standards. Investors value stable cash-generating companies based on FCFs but yet, simultaneously, display little concern over the cash-generating capabilities of digital-first corporations.

In recent months we have seen markets being more sensible in valuing these digital-first companies, and their stock prices have since moderated. This may be attributed to cooling growth projections within the climate of slowing global growth, trade wars and political uncertainties; higher compliance costs arising from stricter scrutiny by regulators worldwide on anti-competitive behaviour and possible misuse of data; and increasing cost structures to comply with local regulations as governments contemplate taxes and other policies based on a digital, rather than physical, footprint. We see this as a potential catalyst to narrow the valuation disconnect. Meanwhile, we will seek to capture new value, predicated on our customer relationships, brand trust, and growing data and analytics capabilities by positioning ourselves as the leading

premium content creator and integrated marketing platform in Malaysia.

FY19 Key Highlights

In FY19, we continued to expand our reach across households, individuals, commerce and advertising spaces by enriching our content and customer experience.

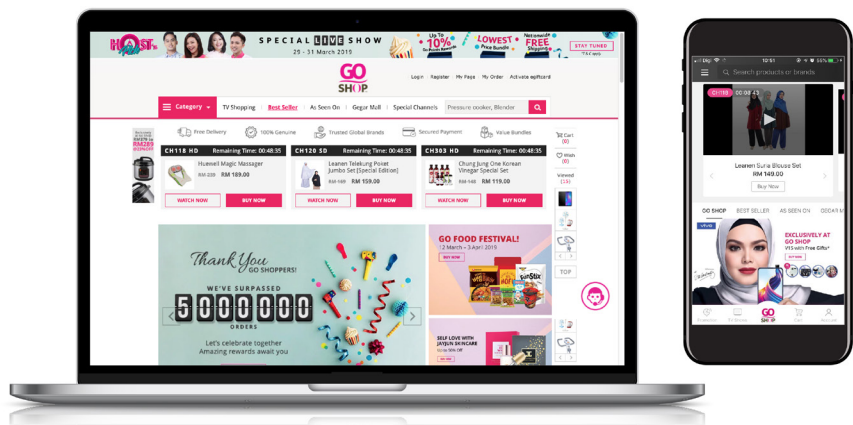
Customer and Experience

Winning over households and individuals

The strength of our combined Pay-TV and NJOI segments has allowed us to increase our household penetration rate to 77%. Our NJOI segment continues to grow, driven by higher prepaid buys across more purchase touchpoints. Our NJOI customers have free access to 30 TV channels, including free-to-air channels and three Go Shop channels, increasing both our commerce and advertising reach. Additionally, customers have the option to purchase skinny bundles, à la carte channel offerings and event passes on a prepaid mechanism, as we acclimatise customers to consume premium content and gear them towards an upsell pathway onto our Pay-TV platform.

In FY19, Pay-TV ARPU was stable at RM99.9 with new customers' incoming ARPU growing by 4% to RM70.6. We surpassed the 1 million mark in the number of Pay-TV connected boxes, showing a 25% year-on-year growth, and driving OD downloads up by 135% to 54 million videos in a year. By connecting to WiFi, our connected customers have access to over 25,000 hours of content within our OD library that includes curated titles, box sets and premium titles, with algorithms tailoring recommendations based on viewing habits.

Our OTT, Astro GO and NJOI Now, complement our current big screen offerings, championing Astro as a 'TV Everywhere' proposition. As we continued to entertain our customers with high quality live streaming and OD content, the customised recommendation engine propelled growth of our Astro GO registered user base by 32% to 2.2 million.



Go Shop offers a multiplatform shopping experience through its website and mobile app

A strategic business review conducted towards the end of 2018 highlighted how the appetite to pay for digital services in ASEAN remains small. As a result, we ceased operations of Tribe, our regional OTT, and Tamago, our live streaming service in favour of reinvesting in our core businesses.

Solidifying commerce penetration

Alongside our three dedicated 24-hour channels in Malay and Mandarin, in FY19 Go Shop introduced programming in English, Hokkien, Cantonese and Tamil, targeting promising new customer segments. Its multiplatform reach via TV, radio and digital that leveraged Astro's production capabilities and talents drove growth in revenue and registered customers of 29% to RM374 million, and 38% to 1.8 million respectively.

Pivoting adex for the digital age

Malaysians enjoyed a tax holiday window between June and August 2018 as the tax regime reverted to SST from GST. This resulted in a contraction of Malaysia's advertising industry by 2% in FY19 as advertisers held back on marketing spends, given the natural demand emerging from consumers during this period. As a major player in the advertising industry, we were affected, with our TV and radex declining by 5% and 10% respectively in FY19. Our digidex grew 43%, outperforming the industry average of 20% as we ramped up our adex push across our growing digital brands.

Entertaining and delighting our fans with great content across 11 leading radio brands has enabled us to retain our position as the No. 1 radio network in Malaysia across all major languages with a radex market share of 76%, up three percentage points. Our overall radio footprint has grown as 16.2 million people listen to us weekly on terrestrial radio alongside 14.8 million average monthly digital streams. While our strong terrestrial radio presence remains essential to our multiplatform advertising proposition, our radio brands are transitioning to establish meaningful

connections with younger digital natives through fan engagement sessions on video, web and social media platforms.

Content: Our key differentiator

In FY19 we commissioned and produced over 12,600 hours of content, bolstering our position as Malaysia's leading premium content creator with an emphasis on local vernacular IPs. We monetised our content through adex, commerce, on-ground events, merchandising and global licensing. Several Astro IPs were licensed worldwide on Netflix for the first time, including our movies *Hantu Kak Limah* and *Paskal*, as well as *Demon's Path*, our first Hong Kong original mini-series which was also licensed to Celestial.

Our signature local content underpins the growth in our overall viewership share across both linear and non-linear mediums of OD and OTT. TV viewership share remained resilient at 75%, even as non-linear viewing

among customers accelerated through OD downloads and the growing base of registered OTT users. With the growing popularity of local and regional content, we are rebalancing content investments into these areas while we continue to aggregate the best of sports, live and international content. Over the medium term, we envisage a more equal split between local/regional and international/sports content spend.

Based on our TV viewership share data, Astro customers watched twice as much vernacular content versus other content. This is also important to our adex proposition which is premised on steady viewership numbers and gives confidence to our clients to continue prioritising spends on Astro's multiplatform offering. Our signature local IPs and Astro-branded channels garnered consistently high viewership and they accounted for up to 70% of our TV adex.



Hantu Kak Limah sets a new GBO benchmark for local movies, beating Hollywood blockbusters

CEO'S STATEMENT

Local productions rivalling Hollywood's biggest franchises

Three of our movies broke local box office records, setting new benchmarks both for ourselves and the Malaysian film industry. Released in the second half of the year, *Hantu Kak Limah* and *Paskal* beat major Hollywood blockbusters and grossed in excess of RM30 million each in the local box office. *Polis Evo 2*, our action movie in collaboration with Emtek, Indonesia's top FTA, likewise garnered over RM20 million. Collectively, our six releases led local movies' GBO collection with over RM100 million, capturing over 60% market share.

Local is the new premium

Our signature local offerings span genres from live shows, such as *Maharaja Lawak Mega 2018*, *Gegar Vaganza (Season 5)* and *Astro Classic Golden Melody*, to news programmes on Astro AWANI and *Evening Edition*, and highly anticipated dramas such as *Rahsia Hati Perempuan* and *Tak Ada*

Cinta Sepertimu, which have captured the hearts of many customers over the years. On the regional front, our local Hokkien entertainment offering *Hua Hee Champion* is exported to Singapore and Taiwan while *Evening Edition* continues to be the No. 1 Mandarin news programme locally for the fourth consecutive year.

We deepened capabilities to serve vernacular online offerings to digital natives. Our short-form content garnered over 1.9 billion minutes watched on our digital brands including Gempak, Ulagam and Xuan. Meanwhile, Astro AWANI was named the 'Most Trusted Malaysian News Source' in the Reuters Institute Digital News Report 2018.

Addressing the young

Our signature kids animation IP, *Didi & Friends* set new records this year, logging more than 1.4 billion YouTube views online. It also became our first kids IP to reach 100,000 YouTube subscribers in Indonesia, and was dubbed into multiple languages,

catering to a global fan base. *Didi & Friends* joins our other key kids animation IPs such as *Cam & Leon*, a comedy series, and *Omar & Hana*, a faith-inspired singalong, which are popular locally and overseas.

To further enrich our kids animation IPs, we entered into a partnership with Les' Copaque to market and distribute *Upin & Ipin*, and with SmartStudy to bring popular characters *Pinkfong* and *Baby Shark* to Malaysia.

Major sporting year

2018 was our biggest sporting year yet with live coverage of the 2018 FIFA World Cup, Winter Olympics, Commonwealth Games and Asian Games. As the home of sports, we brought all 64 World Cup matches live in HD to all sports fans. The World Cup saw 11.6 million and 1.0 million unique viewers on TV and OTT respectively, with 120,000 World Cup passes sold. For the first time ever, we extended our sports proposition to all Malaysians, enabling them to stream



Our signature vernacular content continues to resonate with audiences on all platforms



The Kuala Lumpur Major, an eSports tournament co-organised by eGG Network attracted thousands of Dota 2 fans

by purchasing a World Cup pass via our NJOI Now OTT. Football fans also rejoiced to hear we secured exclusive rights to the Premier League up to the end of the 2021/22 season.

The rise of eSports

Astro has championed eSports since 2016 as a means of engaging gaming millennials. eGG Network, our dedicated eSports channel, is now present in eight countries, the latest being Indonesia. We chalked up another first this year as we co-hosted the inaugural *Dota 2* tournament in Malaysia, The Kuala Lumpur Major. Featuring over 100 professional gamers from around the world, the event was a huge success, with over 7,500 tickets sold and was the seventh most watched eSports tournament globally in 2018.

Looking ahead: FY20

Amid the revolution happening within the content and connectivity spaces, we see

attractive opportunities emerging. FY20 will see us refocusing on our core business and leveraging our key assets, strengths and differentiators to solidify our position as Malaysia's leading content and consumer company.

We will adopt a two-pronged approach, with our Astro branded Pay-TV serving a compelling bouquet of premium content for customers while NJOI will be positioned as a recruitment brand for us to expand our reach across the remaining households in Malaysia. We will continue to protect the premium Pay-TV segment while we grow and monetise NJOI by featuring a freemium proposition with à la carte, skinny bundles, sachets and event passes, with NJOI acting as a gateway for customers to full-fledged Pay-TV offerings. Our valuable customer reach, alongside key enablers of data and talent, facilitates revenue diversification efforts by allowing us to expand beyond content to broadband, commerce, and adex.

Redefining our premium Pay-TV proposition

Enhancing customer experience

As customer experience becomes an increasingly important differentiator, we will continue to adopt emerging technologies to push for better customer experience. We intend to deploy cloud technology to deliver seamless viewing experiences to individuals across TV, OD and Astro GO, while also refreshing our user interface and experience ("UI and UX") across the board. Initially slated for FY19, the launch of this new platform was deferred to FY20 as a result of extended negotiations for better commercial terms with technology providers.

Also planned is the commercial launch of 4K-Ultra High Definition ("UHD") service, following the introduction of the first 4K-UHD broadcast of Premier League matches at selected commercial establishments in FY19.

CEO'S STATEMENT

Elevating customer service

We are undertaking multiple initiatives to holistically enhance customer care and satisfaction, with a focus on improving service levels and ensuring a seamless and hassle-free customer journey throughout their engagement with Astro. This initiative will encapsulate all customer touchpoints across physical, voice and digital engagements, allowing us to sharpen our competitive edge through better service.

A key initiative in FY20 is the introduction of our Astro Rewards loyalty programme. Through Astro Rewards, our Pay-TV customers will enjoy a host of exclusive

privileges, ranging from special discounts, access to lifestyle engagements, off-screen experiences and other benefits negotiated exclusively for them in mind. Our ability to reach, persuade and promote puts us in a unique position to take on an intermediary role between our partners and customers to achieve a win-win proposition, providing partners access in return for preferential value and benefits for our customers. Key for us is to find a winning model that works for our business and customer base, one that is differentiated versus other reward programmes in the market.

Refreshing content

We will continue to create, curate and deliver a rich variety of compelling content formats to serve all segments in a very diverse Malaysia across multiple genres, including sports, movies, news and documentaries. This will be driven increasingly by Astro's own vernacular offerings, where we will place a special focus on Malay content to serve the largest and fastest growing demographic segment in Malaysia, and Nusantara content to address the regional Malay-speaking diaspora. Efforts to export our content verticals, especially kids, Islamic, eSports, and horror will also accelerate.

Building on the success of our theatrical and original IPs in FY19, we intend to further enrich our content offering through partnerships with regional and global OTT players. On digital, we will strengthen our vernacular proposition, supported by our strong content library, reaching younger audiences through savvy use of social media and digital brands to amplify awareness of our content IPs among fans.

Seizing the broadband opportunity

The liberalisation of the broadband sector arising from the change in government regulations and policies provides an opportunity for Astro to leverage our nationwide reach to integrate with the connectivity space. As a content provider, we are platform agnostic and open to partnering with any telco, whether through fixed or mobile broadband to deliver our content and services to customers. Broadband allows us to accelerate the rollout of our connected boxes into households to drive the non-linear, OD consumption that we champion. Indeed, the bundling of content with broadband has proven to be a successful strategy within developed markets, given how the two complement each other.

Short-form content on Gempak is well-received by digital natives



4K UHD

The beautiful game,
now Ultra beautiful.



We brought the first 4K-UHD broadcast of Premier League matches for sports fans in Malaysia

To date, we have established a new partnership with a subsidiary of Tenaga Nasional Berhad ("TNB"), alongside our existing IPTV relationships with Maxis and TIME. While we continue to pursue value-adding partnerships to expand our footprint as a broadband reseller, we are also exploring a more comprehensive long-term plan to strategically venture into the broadband space.

Growing commerce

In FY20, we will continue to grow Go Shop through a multiplatform and multilingual approach by thoughtfully curating products for the needs of our diverse clientele. In line with the diversification of our product portfolios, we will experiment with new content formats via multiple touchpoints and pursue collaborative partnerships to strengthen Go Shop's brand proposition. Underpinning our positive commerce trajectory is Astro's expanding ecosystem, growing capabilities in data and analytics, and core strength in on-screen talent and content production.

Reshaping advertising through a data driven marketing network

On one hand, digital media allows companies access to rich pools of monetisable data and analytics for better decision-making in both the business and marketing spheres. Our digitalisation efforts over the past few years have given us better understanding of our online audience, enabling our push into the digidex space.

On the other hand, there is no denying that TV is still the most powerful medium to persuade. However, the way it is researched, measured and reported leaves much to be desired. We are exploring how to infuse the 'intelligence' of digital analytics with TV's unparalleled 'emotional' persuasive power. Combining these two powerful levers would enable us to create a truly impactful multiplatform advertising experience that moves beyond airtime sales and provides comprehensive solution-oriented offerings to clients.

Our market share across the TV, radio, digital and OTT spaces leaves us well-positioned to be the most efficient and effective marketing platform in the country, enabling our adex partners to tap into niche markets and yield positive conversions.

Leveraging our upcoming technology upgrade, we are looking to introduce a new addressable advertising solution in the second half of FY20, which will allow different advertisements to be simultaneously served to segmentally distinct individuals watching the same type of content.

Nurturing talent

We are proud that Team Astro is as diverse as our nation, underpinning our ability to serve all communities. I would like to thank Team Astro for their commitment and dedication in serving Malaysians.

CEO'S STATEMENT



Serving communities through our key pillars of Lifelong Learning, Community Development, Sports, and Environment

Arising from the need for a leaner organisational structure to enable fast decision-making and nimble execution, we initiated an ESS exercise towards the end of FY19. Around 10% of our talents took up the ESS, trimming our talent base to over 4,600 upon completion of the ESS in February 2019.

As we streamline our workforce for agility and efficiency, we are simultaneously deploying strategic hires to new focus areas including broadband, data analytics, digital and cloud computing. Internal transfers are highly encouraged, and we provide learning, upskilling and reskilling opportunities to cultivate a diverse and fit-for-purpose talent base ready to execute our FY20 strategies.

Emphasis on sustainability

The sustainability of our business hinges on our ability to coexist with, complement and contribute to the community at large, anchored by the four identified key pillars of Lifelong Learning, Community

Development, Sports, and Environment. As we continue to champion impactful programmes including the Astro Kasih Hostels, Kampus Astro and Astro Kem Badminton, I am proud that Team Astro remains committed, and contributed to such initiatives. Meanwhile, our environmental initiatives include the installation of solar panels on the rooftop of our headquarters to promote the use of renewable energy.

On the content front, our Astro Tutor TV channels air content tailored to mirror the current school syllabus. We provide this service to students across Malaysia through our Pay-TV, NJOI and OTT platforms for free. Given our focus on vernacular content creation, we emphasise sourcing of local talent, providing opportunities for them to develop and flourish. On the commerce front, through Go Shop, we feature and promote local products sourced from SMEs to boost demand for domestic goods and spark a positive multiplier effect throughout the local value chain.

In Closing

By activating our substantial customer base and sustaining our leadership in vernacular content, we aspire to be the preferred provider for entertainment, commerce and connectivity. We are committed to elevating customer experience and service, enabled by technology, analytics and our talents. Partnerships will be key as we look for more efficient, mutually beneficial means of collaboration.

On behalf of Team Astro, I would like to record my appreciation to Dato' Rohana Rozhan for her leadership over the last eight years. Thank you to all of Astro's stakeholders – our shareholders and regulators, our business partners, suppliers and community, and foremost to our customers for your continuing support and belief in us. It is you who motivate us to reimagine the possibilities.

Henry Tan

On behalf of Team Astro