MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

ANNOUNCEMENT

The Board of Directors of Maxis Berhad ("Maxis" or "the Company") is pleased to announce the following unaudited condensed consolidated financial statements for the first quarter ended 31 March 2014 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER			**CUMULATIVE QUARTER**		
		QUARTER ENDED 31/3/2014	QUARTER ENDED 31/3/2013	+ -	**PERIOD ENDED 31/3/2014**	PERIOD ENDED 31/3/2013	+ -
	Note	**RM'm**	RM'm	%	**RM'm**	RM'm	%
Revenue		**2,119**	2,327	-9	**2,119**	2,327	-9
Cost of sales		**(707)**	(801)		**(707)**	(801)	
Gross profit		**1,412**	1,526	-7	**1,412**	1,526	-7
Other income		**14**	8		**14**	8	
Administrative expenses		**(404)**	(451)		**(404)**	(451)	
Network operation costs		**(257)**	(322)		**(257)**	(322)	
Other expenses		**(18)**	(16)		**(18)**	(16)	
Profit from operations	19	**747**	745	+<1	**747**	745	+<1
Finance income		**6**	9		**6**	9	
Finance costs		**(96)**	(88)		**(96)**	(88)	
Profit before tax		**657**	666	-1	**657**	666	-1
Tax expenses	20	**(169)**	(190)		**(169)**	(190)	
Profit for the period		**488**	476	+3	**488**	476	+3
Attributable to:							
- equity holders of the Company		**484**	475	+2	**484**	475	+2
- non-controlling interest		**4**	1		**4**	1	
		488	476	+3	**488**	476	+3
Earnings per share attributable to equity holders of the Company (sen):							
- basic	27	**6.4**	6.3		**6.4**	6.3	
- diluted	27	**6.4**	6.3		**6.4**	6.3	

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/3/2014	QUARTER ENDED 31/3/2013	**PERIOD ENDED 31/3/2014**	PERIOD ENDED 31/3/2013
	RM'm	RM'm	**RM'm**	RM'm
Profit for the period	**488**	476	**488**	476
Other comprehensive (expense)/income [1]				
Item that will be reclassified subsequently to profit or loss:				
Net change in cash flow hedge	**(18)**	15	**(18)**	15
Total comprehensive income for the period	**470**	491	**470**	491
Attributable to:				
- equity holders of the Company	**466**	490	**466**	490
- non-controlling interest	**4**	1	**4**	1
	470	491	**470**	491

Note:

[1] There is no income tax attributable to the components of other comprehensive (expense)/income.

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	AS AT 31/3/2014 (Unaudited) RM'm	AS AT 31/12/2013 (Audited) RM'm
Non-current assets			
Property, plant and equipment	8	**3,893**	4,038
Intangible assets (2)		**11,159**	11,167
Derivative financial instruments	23	**127**	145
Deferred tax assets		**102**	128
		15,281	15,478
Current assets			
Inventories		**15**	70
Receivables, deposits and prepayments		**963**	947
Amount due from penultimate holding company		**2**	-
Amounts due from related parties		**20**	24
Tax recoverable		**4**	3
Cash and cash equivalents		**991**	808
		1,995	1,852
Total assets		**17,276**	17,330
Current liabilities			
Provisions for liabilities and charges		**126**	135
Payables and accruals		**1,864**	2,434
Amounts due to fellow subsidiaries		**-**	4
Amounts due to related parties		**22**	23
Borrowings	22	**1,314**	910
Derivative financial instruments	23	**93**	84
Taxation		**124**	71
Dividends payable		**600**	-
		4,143	3,661
Net current liabilities		**(2,148)**	(1,809)
Non-current liabilities			
Provisions for liabilities and charges		**122**	110
Payables and accruals		**381**	372
Loan from a related party	22	**29**	29
Borrowings	22	**6,168**	6,613
Derivative financial instruments	23	**36**	34
Deferred tax liabilities		**501**	495
		7,237	7,653
Net assets		**5,896**	6,016

Note:

(2) Includes telecommunications licences with allocated spectrum rights and goodwill of RM10,707 million and RM219 million respectively, arising from acquisition of subsidiaries.

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	AS AT 31/3/2014 (Unaudited)	AS AT 31/12/2013 (Audited)
	RM'm	RM'm
Equity		
Share capital	**750**	750
Reserves	**5,127**	5,251
Equity attributable to equity holders of the Company	**5,877**	6,001
Non-controlling interest	**19**	15
Total equity	**5,896**	6,016
Net assets per share (RM)	**0.79**	0.80

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →								
Period ended 31/3/2014	**Share capital [3]**	**Share premium**	**Merger relief [4]**	**Reserve arising from reverse acquisition**	**Other reserves**	**Retained earnings (Note 24)**	**Total**	**Non-controlling interest**	**Total equity**
	RM'm	**RM'm**	**RM'm**	**RM'm**	**RM'm**	**RM'm**	**RM'm**	**RM'm**	**RM'm**
Balance as at 1/1/2014	**750**	**20**	**27,758**	**(22,729)**	**121**	**81**	**6,001**	**15**	**6,016**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**484**	**484**	**4**	**488**
Other comprehensive expense for the period	**-**	**-**	**-**	**-**	**(18)**	**-**	**(18)**	**-**	**(18)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(18)**	**484**	**466**	**4**	**470**
Dividends for the financial year ended 31 December 2013	**-**	**-**	**(285)**	**-**	**-**	**(315)**	**(600)**	**-**	**(600)**
Employee Share Option Scheme ("ESOS"):									
- share options granted	**-**	**-**	**-**	**-**	**1**	**-**	**1**	**-**	**1**
- shares issued	*****	**9**	**-**	**-**	**-**	**-**	**9**	**-**	**9**
Balance as at 31/3/2014	**750**	**29**	**27,473**	**(22,729)**	**104**	**250**	**5,877**	**19**	**5,896**
Period ended 31/3/2013									
Balance as at 1/1/2013	750	3	28,989	(22,729)	(49)	85	7,049	8	7,057
Profit for the period	-	-	-	-	-	475	475	1	476
Other comprehensive income for the period	-	-	-	-	15	-	15	-	15
Total comprehensive income for the period	-	-	-	-	15	475	490	1	491
Dividends for the financial year ended 31 December 2012	-	-	(336)	-	-	(264)	(600)	-	(600)
ESOS:									
- shares issued	*	1	-	-	-	-	1	-	1
Balance as at 31/3/2013	750	4	28,653	(22,729)	(34)	296	6,940	9	6,949

Notes:

(3) Issued and fully paid ordinary shares of RM0.10 each.

(4) Pursuant to Section 60(4)(a) of the Companies Act, 1965, the premium on the shares issued by the Company as consideration for the acquisition of subsidiaries in the financial year ended 31 December 2009 is not recorded as share premium. The difference between the issue price and the nominal value of shares issued is classified as merger relief.

* Less than RM1 million.

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	PERIOD ENDED 31/3/2014	PERIOD ENDED 31/3/2013
	RM'm	RM'm
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**488**	476
Adjustments for:		
- non-cash items	**347**	408
- finance costs	**96**	88
- finance income	**(6)**	(9)
- tax expenses	**169**	190
Payments for provision for liabilities and charges	**(20)**	(31)
Operating cash flows before working capital changes	**1,074**	1,122
Changes in working capital	**(548)**	(250)
Cash flows from operations	**526**	872
Interest received	**6**	8
Tax paid	**(85)**	(153)
Net cash flows from operating activities	**447**	727
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	**(55)**	(77)
Purchase of property, plant and equipment	**(100)**	(115)
Net cash flows used in investing activities	**(155)**	(192)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to ESOS	**9**	1
Repayment of lease financing	**(1)**	(1)
Payments of finance costs	**(117)**	(115)
Ordinary share dividends paid	**-**	(600)
Net cash flows used in financing activities	**(109)**	(715)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**183**	(180)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	**808**	967
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	**991**	787

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

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

1. BASIS OF PREPARATION

The quarterly report has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Bursa Securities Listing Requirements") and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

The significant accounting policies and methods adopted for the unaudited condensed consolidated financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2013 except for changes on the segment reporting as disclosed in Note 7 on page 8.

The adoption of the following amendments to MFRSs and IC Interpretation that came into effect on 1 January 2014 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

• Amendments to MFRS 10, 12 and 127	Investment Entities (effective from 1 January 2014)
• Amendments to MFRS 132	Financial Instruments: Presentation (effective from 1 January 2014)
• Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting (effective from 1 January 2014)
• IC Interpretation 21	Levies (effective from 1 January 2014)

MFRS and amendments to MFRSs that are applicable to the Group but not yet effective

Malaysian Accounting Standards Board ("MASB") had issued the following new standards, amendments to standards and IC Interpretation which are effective for financial period beginning on or after 1 January 2015. The Group did not early adopt these new standards, amendments and improvements to published standards.

• MFRS 9	Financial Instruments (effective date to be announced by MASB)
• Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions (effective from 1 July 2014)
• Annual Improvements to MFRSs	2010-2012 Cycle (effective from 1 July 2014)
• Annual Improvements to MFRSs	2011-2013 Cycle (effective from 1 July 2014)

2. SEASONAL / CYCLICAL FACTORS

The operations of the Group were not significantly affected by seasonality and cyclical factors.

PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134 (CONTINUED)

3. UNUSUAL ITEMS

Save for the accelerated depreciation due to the network modernisation programme as disclosed in Notes 15(A) and 15(B), there were no other significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the three-month ended 31 March 2014.

4. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the three-month ended 31 March 2014, except for the change in estimates in asset useful lives of certain telecommunications network equipment as a result of the network modernisation programme being undertaken.

The impact of the change in estimates for the current quarter has reduced the carrying value of property, plant and equipment by RM31 million with a corresponding additional depreciation charge to the statement of profit or loss.

5. DEBT AND EQUITY SECURITIES

Save for the issuance of 1,453,400 ordinary shares of RM0.10 each under the ESOS, there were no other issuance, repurchase and repayment of debt and equity securities by the Group during the three-month ended 31 March 2014.

6. DIVIDENDS PAID

There were no dividends paid during the three-month ended 31 March 2014.

7. SEGMENT REPORTING

Previously, the Group disclosed four key operating segments namely Mobile, International gateway, Enterprise fixed and Home services. During the quarter, the Group refined its operations and management reporting structure in providing integrated telecommunication services to its customers. International gateway, Enterprise fixed and Home services are currently not managed as separate standalone businesses and hence, are not reported as separate segments. Segmental reporting by geographical locations is also not disclosed as the Group's operations are mainly in Malaysia.

8. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the three-month ended 31 March 2014. As at 31 March 2014, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 2 April 2014, the Company entered into an agreement with RHB Islamic Bank Berhad for Commodity Murabahah Term Financing Facility of up to RM2.5 billion ("RM2.5 billion Financing Facility"). Maxis intends to utilise the RM2.5 billion Financing Facility for the following:

(a) approximately RM1.0 billion to refinance borrowings of the Group; and
(b) approximately RM1.5 billion to finance capital expenditure and general working capital requirements of the Group.

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the three-month ended 31 March 2014.

11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the normal course of business, there are contingent liabilities arising from legal recourse sought by the Group's customers or vendors, indemnities given to financial institutions on bank guarantees and claims from the authorities. No material losses are currently anticipated as a result of these transactions.

12. CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment approved by the Board of Directors and not provided for in the unaudited condensed consolidated financial statements as at 31 March 2014 are as follows:

	RM'm
Contracted for	**205**
Not contracted for	**760**
	965

13. SIGNIFICANT RELATED PARTY DISCLOSURES

The significant related party transactions, balances and commitments described below were carried out in the ordinary course of business and on commercial terms that are no more favourable than that available to other third parties.

	Transactions for the financial period ended 31/3/2014	Balances due from/(to) as at 31/3/2014	Commitments as at 31/3/2014	Total balances due from/(to) and commitments as at 31/3/2014
	RM'm	RM'm	RM'm	RM'm
(a) Sales of goods and services to:				
- MEASAT Broadcast Network Systems Sdn. Bhd. [1] (VSAT, telephony, bandwidth and broadband services)	17	11	-	11
- Saudi Telecom Company ("STC") [2] (roaming and international calls)	5	4	-	4
(b) Purchases of goods and services from:				
- Tanjong City Centre Property Management Sdn. Bhd. [3] (rental, signage, parking and utility charges)	10	3	(4)	(1)
- MEASAT Global Berhad Group [4] (transponder and teleport lease rental)	7	(2)	(142)	(144)
- Astro Digital 5 Sdn. Bhd. [1] (content provision, publishing and advertising agent, consultancy and IPTV development services)	2	(4)	-	(4)
- MEASAT Broadcast Network Systems Sdn. Bhd. [1] (mobile TV and IPTV contents)	7	(1)	(21)	(22)
- UTSB Management Sdn. Bhd. [3] (corporate management services fees)	6	(4)	(63)	(67)
- SRG Asia Pacific Sdn. Bhd. [3] (call handling and telemarketing services)	4	(8)	-	(8)
- STC [2] (roaming and international calls)	1	-	-	-

13. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	Transactions for the financial period ended 31/3/2014	Balances due from/(to) as at 31/3/2014	Commitments as at 31/3/2014	Total balances due from/(to) and commitments as at 31/3/2014
	RM'm	RM'm	RM'm	RM'm
(b) Purchases of goods and services from: (continued)				
- UMTS (Malaysia) Sdn. Bhd. (5) (usage of 3G spectrum)	13	(4)	-	(4)

Notes:
The Group has entered into the above related party transactions with parties whose relationships are set out below.

Usaha Tegas Sdn. Bhd. ("UTSB"), STC and Harapan Nusantara Sdn. Bhd. are parties related to the Company, by virtue of having joint control over Binariang GSM Sdn. Bhd. ("BGSM"), pursuant to a shareholders' agreement in relation to BGSM. BGSM wholly-owns Maxis Communications Berhad ("MCB") which in turn is the penultimate holding company of the Company.

The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean and TAK are deemed to have an interest in the shares of the Company through UTSB's deemed interest in BGSM and MCB, they do not have any economic or beneficial interest in the shares as such interest is held subject to the terms of the discretionary trust.

(1) Subsidiary of a joint venture of UTSB
(2) A major shareholder of BGSM, as described above
(3) Subsidiary of UTSB
(4) Subsidiary of a company in which TAK has a 99% direct equity interest
(5) Subsidiary of the Company and associate of a joint venture of UTSB. The transaction values and outstanding balances are eliminated in the unaudited condensed consolidated financial statements

14. FAIR VALUE MEASUREMENTS

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 31 March 2014 except as set out below, measured using Level 3 valuation technique:

	CARRYING AMOUNT	FAIR VALUE
	RM'm	RM'm
Borrowings		
- finance lease liabilities	**11**	**9**
- Islamic Medium Term Notes	**2,452**	**2,496**

(b) Financial instruments carried at fair value

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation technique, as at 31 March 2014:

	RM'm
Recurring fair value measurements	
Derivative financial instruments (Cross Currency Interest Rate Swaps ("CCIRS") and Interest Rate Swaps ("IRS")):	
- assets	**127**
- liabilities	**(129)**

The valuation technique used to derive the Level 2 valuation is as disclosed in Note 23.

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

15. ANALYSIS OF PERFORMANCE

(A) Performance of the current quarter against the preceding quarter (1st Quarter 2014 versus 4th Quarter 2013)

Financial indicators (RM'm unless otherwise indicated)	1st Quarter 2014 (unaudited)	4th Quarter 2013 (unaudited)	Variance	% Variance
Revenue	**2,119**	2,224	(105)	(5)
Service revenue [(1)]	**2,037**	2,108	(71)	(3)
EBITDA [(2)]	**1,073**	971	102	11
EBITDA margin (%)	**50.6**	43.7	6.9	NA
Depreciation	**269**	272	(3)	(1)
Amortisation	**63**	81	(18)	(22)
Profit before tax	**657**	428	229	54
Profit for the period	**488**	292	196	67
Adjustment for one-off items:				
Accelerated depreciation due to network modernisation programme [(3)] *and change in estimated asset useful lives*	***39***	*39*	-	-
CTS costs [(4)]	-	*41*	*(41)*	*(100)*
Provision for contract obligations [(5)]	-	*65*	*(65)*	*(100)*
Write down of assets [(6)]	-	*87*	*(87)*	*(100)*
Tax effects of the above adjustments	***(10)***	*(58)*	*48*	*83*
Comparable profit for the period	**517**	466	51	11

Notes:

(1) Service revenue is defined as Group revenue excluding device and hubbing revenues.

(2) Defined as profit before finance income, finance costs, tax, depreciation, amortisation and allowance for write down of identified network costs.

(3) The network modernisation programme enables the Group to strengthen its access network to enhance the customer experience and usage to drive revenue growth. The modernisation programme will also lower overall operational costs and simplify the network architecture across 2G, 3G and LTE technologies.

(4) The Group had undertaken an organisational refinement exercise to make it more agile and cohesive in delivering its integrated propositions, as well as support its growth strategies. As part of this exercise, the Group had offered CTS to selected employees.

(5) Provision was made in respect of Home services' network and content costs.

(6) Includes impairment of property, plant and equipment, accelerated amortisation of customer acquisition costs and content costs written off arising from the impairment assessment exercise carried out by the Group.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (1st Quarter 2014 versus 4th Quarter 2013) (continued)

Operational indicators	1st Quarter 2014	4th Quarter 2013	Variance	% Variance
Mobile subscriptions ('000) (Market definition)	**12,602**	12,893	(291)	(2)
- Postpaid	***2,794***	*2,769*	*25*	*1*
- Prepaid	***9,238***	*9,528*	*(290)*	*(3)*
- Wireless Broadband	***570***	*596*	*(26)*	*(4)*
ARPU (Monthly) (RM)				
- Postpaid	***96***	*101*	*(5)*	*(5)*
- Prepaid	***33***	*33*	-	-
- Wireless Broadband	***67***	*67*	-	-
- Blended	***48***	*49*	*(1)*	*(2)*
MOU per subscription (Monthly) (minutes)				
- Postpaid	***278***	*293*	*(15)*	*(5)*
- Prepaid	***118***	*117*	*1*	*1*
- Blended	***154***	*155*	*(1)*	*(1)*

The Group reported a 4.7% decline in total revenue to RM2,119 million and a 3.4% decline in service revenue to RM2,037 million in the quarter under review.

The decline in service revenue was primarily driven by lower voice and SMS usage. In addition, service revenue in the quarter was further impacted by the intentional elimination of pay per use charges relating to data roaming and certain mobile Internet propositions. The Group believes such charges are not sustainable in the longer term and will deter new users from adopting mobile Internet which will be the growth driver of the industry moving forward.

EBITDA for the quarter, which stood at RM1,073 million, was 10.5% higher than the RM971 million in the previous quarter. On a comparable basis, EBITDA was at a similar level to the previous quarter after taking into account one-off items totaling RM110 million mainly relating to CTS costs and provision for contract obligations as shown above. In terms of EBITDA margin, the 50.6% margin recorded in the quarter was higher than the previous quarter's reported and comparable margins of 43.7% and 48.6% respectively. The improvement was driven primarily by lower traffic and device related expenses as well as lower marketing spend.

Consequently, the Group's comparable profit for the quarter grew by 10.9% to RM517 million against RM466 million in the previous quarter after taking into account one-off items (net of tax effect) of RM29 million and RM174 million in the respective quarters.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (CONTINUED)

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current year against the preceding year (YTD March 2014 versus YTD March 2013)

Financial indicators (RM'm unless otherwise indicated)	YTD 2014 (unaudited)	YTD 2013 (unaudited)	Variance	% Variance
Revenue	**2,119**	2,327	(208)	(9)
Service revenue [1]	**2,037**	2,143	(106)	(5)
EBITDA [2]	**1,073**	1,122	(49)	(4)
EBITDA margin (%)	**50.6**	48.2	2.4	NA
Depreciation	**269**	313	(44)	(14)
Amortisation	**63**	57	6	11
Profit before tax	**657**	666	(9)	(1)
Profit for the period	**488**	476	12	3
Adjustment for one-off items:				
Accelerated depreciation due to network modernisation programme [3]	***39***	*60*	*(21)*	*(35)*
Tax effect of the above adjustment	***(10)***	*(15)*	*5*	*33*
Comparable profit for the period	**517**	521	(4)	(1)

Notes:
[1] Service revenue is defined as Group revenue excluding device and hubbing revenues.
[2] Defined as profit before finance income, finance costs, tax, depreciation, amortisation and allowance for write down of identified network costs.
[3] The network modernisation programme enables the Group to strengthen its access network to enhance the customer experience and usage to drive revenue growth. The modernisation programme will also lower overall operational costs and simplify the network architecture across 2G, 3G and LTE technologies.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current year against the preceding year (YTD March 2014 versus YTD March 2013) (continued)

Operational indicators	YTD 2014	YTD 2013 (Restated)	Variance	% Variance
Mobile subscriptions ('000) (Market definition)	**12,602**	14,136	(1,534)	(11)
- Postpaid	***2,794***	*2,683*	*111*	*4*
- Prepaid	***9,238***	*10,780*	*(1,542)*	*(14)*
- Wireless Broadband	***570***	*673*	*(103)*	*(15)*
ARPU (Monthly) (RM) [(1)]				
- Postpaid	***96***	*102*	*(6)*	*(6)*
- Prepaid	***33***	*32*	*1*	*3*
- Wireless Broadband	***67***	*65*	*2*	*3*
- Blended	***48***	*46*	*2*	*4*
MOU per subscription (Monthly) (minutes) [(1)]				
- Postpaid	***278***	*307*	*(29)*	*(9)*
- Prepaid	***118***	*125*	*(7)*	*(6)*
- Blended	***154***	*160*	*(6)*	*(4)*

Note:
(1) With effect from 1 July 2013, ARPU and MOU per subscription have been computed based on market definition. Comparatives have been restated to conform with the new definition.

On a year-on-year basis, Group revenue declined by 8.9% to RM2,119 million whilst service revenue declined by 4.9% to RM2,037 million.

Similar to quarter-on-quarter development, the decline in service revenue during the period under review was primarily driven by lower voice and SMS usage. Mobile Internet revenue, however, grew by 12.4% year-on-year to RM524 million despite the adverse revenue impact from the elimination of pay per use charges.

Consequently, EBITDA for the period, which stood at RM1,073 million, was 4.4% lower than the RM1,122 million in the previous period. In terms of EBITDA margin, the 50.6% margin recorded in the period was higher than previous period of 48.2%. The improvement was driven primarily by lower traffic, device related expenses, staff costs and marketing spend.

The Group's comparable profit for the period was slightly lower at RM517 million, against RM521 million in the same period last year after taking into account one-off items (net of tax effect) of RM29 million and RM45 million in the respective periods.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (CONTINUED)

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2014

The composition of the Group's service revenue will continue to shift from traditional voice and messaging to data revenues driven by higher Internet adoption and usage. For the financial year 2014, the Group expects its service revenue to be similar to financial year 2013, as the industry is fast maturing and as the Group undergoes a transformation to deliver the best mobile Internet access and an unmatched customer experience.

17. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as the Group did not publish any profit forecast.

18. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

There was no qualification to the preceding audited financial statements for the financial year ended 31 December 2013.

19. PROFIT FROM OPERATIONS

The following items have been charged/(credited) in arriving at the profit from operations:

	INDIVIDUAL QUARTER		**CUMULATIVE QUARTER**	
	QUARTER ENDED 31/3/2014	QUARTER ENDED 31/3/2013	**PERIOD ENDED 31/3/2014**	PERIOD ENDED 31/3/2013
	RM'm	RM'm	**RM'm**	RM'm
Allowance/(reversal) (net) for:				
- impairment of receivables, deposits and prepayments	**17**	25	**17**	25
- inventory obsolescence	**(9)**	-	**(9)**	-
Amortisation of intangible assets	**63**	57	**63**	57
Bad debts recovered	**(5)**	(5)	**(5)**	(5)
Loss on foreign exchange	**-**	12	**-**	12
Property, plant and equipment:				
- depreciation	**269**	313	**269**	313
- impairment/written off	**(6)**	7	**(6)**	7

Other than as presented in the statements of profit or loss and as disclosed above, there were no gain/loss on disposal of quoted and unquoted investments or properties, gain/loss on derivatives and other exceptional items for the current quarter and period ended 31 March 2014.

20. TAX EXPENSES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/3/2014	QUARTER ENDED 31/3/2013	**PERIOD ENDED 31/3/2014**	PERIOD ENDED 31/3/2013
	RM'm	RM'm	**RM'm**	RM'm
Income tax:				
- current tax	**137**	206	**137**	206
Deferred tax:				
- origination and reversal of temporary differences	**49**	(16)	**49**	(16)
- changes in tax rate	**(17)**	-	**(17)**	-
Total	**169**	190	**169**	190

The Group's effective tax rates for the current quarter ended 31 March 2014 was 25.7%, higher than the statutory tax rate of 25% mainly due to certain expenses not being deductible for tax purposes.

21. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced but not completed.

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (CONTINUED)

22. BORROWINGS

The borrowings as at 31 March 2014 are as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
	RM'm	RM'm	RM'm
Secured			
Finance lease liabilities	7	11	18
Unsecured			
Revolving credit	500	-	500
Term loans	-	1,745	1,745
Syndicated term loans	807	1,960	2,767
Islamic Medium Term Notes	-	2,452	2,452
Loan from a related party	-	29	29
	1,314	6,197	7,511

Currency profile of borrowings is as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
Ringgit Malaysia ("RM")	507	3,488 (1)	3,995
United States Dollar ("USD")	807 (2)	2,529 (2)	3,336
Singapore Dollar ("SGD")	-	180 (2)	180
	1,314	6,197	7,511

Notes:
(1) Includes a term loan facility which has been partially hedged using IRS as disclosed in Note 23.
(2) Includes borrowings of RM3,516 million which have been hedged using CCIRS as disclosed in Note 23.

23. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Disclosure of derivatives

Details of derivative financial instruments outstanding as at 31 March 2014 are set out below:

TYPE OF DERIVATIVE	CONTRACT/ NOTIONAL VALUE	FAIR VALUE
	RM'm	RM'm
Cash flow hedge derivatives:		
CCIRS:		
- less than one year	**842**	**93**
- one year to three years	**1,708**	**36**
- more than three years	**1,014**	**(76)**
IRS:		
- less than one year	**-**	**-**
- one year to three years	**-**	**-**
- more than three years	**700**	**(51)**
Total	**4,264**	**2**

Other than those disclosed in the Group's audited financial statements for the financial year ended 31 December 2013, there were no additional derivative financial instruments entered by the Group during the three-month ended 31 March 2014. Also, there have been no changes since the end of the previous financial year ended 31 December 2013 in respect of the following:

(a) the market risk and credit risk associated with the derivatives;

(b) the cash requirements of the derivatives;

(c) the policies in place for mitigating or controlling the risks associated with the derivatives; and

(d) the related accounting policies.

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(b) Disclosure of gains/losses arising from fair value changes of financial instruments

The Group determines the fair values of the derivative financial instruments relating to the CCIRS and IRS using a valuation technique which utilises data from recognised financial information sources. Assumptions are based on market conditions existing at each reporting date. The fair values are calculated as the present value of the estimated future cash flow using an appropriate market-based yield curve.

As at 31 March 2014, the Group has recognised derivative financial assets and derivative financial liabilities of RM127 million and RM129 million respectively, an increase in fair value losses by RM29 million from the previous financial year ended 31 December 2013, on remeasuring the fair values of the derivative financial instruments. The corresponding decrease has been included in equity in the cash flow hedging reserve.

For the current quarter, RM11 million of the cash flow hedging reserve was reclassified to the statement of profit or loss to offset the unrealised foreign exchange gain of RM12 million which arose from the strengthening of the RM against USD and SGD and interest expense of RM1 million as the underlying interest rates were higher than the hedged interest rates on the borrowings. This has resulted in a reduction in the credit balance of the cash flow hedging reserve as at 31 March 2014 by RM18 million to RM43 million compared with the previous financial year ended 31 December 2013.

The gains recognised in the cash flow hedging reserve in equity of RM43 million as at 31 March 2014 represents the net deferred fair value gains relating to the CCIRS and IRS which will be continuously released to the statement of profit or loss within finance costs until the underlying borrowings are repaid.

As the Group intends to hold the borrowings and associated derivative financial instruments to maturity, any changes to the fair values of the derivative financial instruments will not impact the statement of profit or loss and will be taken to the cash flow hedging reserve in equity.

24. REALISED AND UNREALISED RETAINED EARNINGS

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by Bursa Malaysia Securities Berhad.

	AS AT 31/3/2014	AS AT 31/12/2013
	RM'm	**RM'm**
Retained earnings of the Company and its subsidiaries:		
- realised	**786**	600
- unrealised	**(492)**	(479)
	294	121
Less: Consolidation adjustments	**(44)**	(40)
Total retained earnings as per Consolidated Statements of Financial Position	**250**	81

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (CONTINUED)

25. MATERIAL LITIGATION

There is no material litigation as at 30 April 2014.

26. DIVIDENDS

The Board of Directors has declared a first interim single-tier tax-exempt dividend of 8.0 sen per ordinary share in respect of the financial year ending 31 December 2014, to be paid on 27 June 2014. The entitlement date for the dividend payment is 30 May 2014.

A depositor shall qualify for entitlement to the dividend only in respect of:

(i) shares transferred to the depositor's securities account before 4.00 pm on 30 May 2014 in respect of transfers; and

(ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The total dividends for the three-month ended 31 March 2014 is 8.0 sen per ordinary share (2013: 8.0 sen).

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (CONTINUED)

27. EARNINGS PER SHARE

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31/3/2014	QUARTER ENDED 31/3/2013	**PERIOD ENDED 31/3/2014**	PERIOD ENDED 31/3/2013
(a) Basic earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**484**	475	**484**	475
Weighted average number of issued ordinary shares	('m)	**7,505**	7,501	**7,505**	7,501
Basic earnings per share	(sen)	**6.4**	6.3	**6.4**	6.3
(b) Diluted earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**484**	475	**484**	475
Weighted average number of issued ordinary shares	('m)	**7,505**	7,501	**7,505**	7,501
Adjusted for share options granted	('m)	**3**	1	**3**	1
Adjusted weighted average number of ordinary shares	('m)	**7,508**	7,502	**7,508**	7,502
Diluted earnings per share	(sen)	**6.4**	6.3	**6.4**	6.3

By order of the Board

Dipak Kaur
(LS 5204)
Company Secretary
7 May 2014
Kuala Lumpur