



MAXIS BERHAD
(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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 third quarter ended 30 September 2016 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		QUARTER ENDED	QUARTER ENDED		PERIOD ENDED	PERIOD ENDED	
		30/9/2016	30/9/2015	+	30/9/2016	30/9/2015	+
		RM'm	RM'm	%	RM'm	RM'm	%
Revenue		2,156	2,166	-1	6,398	6,425	<-1
Cost of sales		(682)	(689)		(2,038)	(2,052)	
Gross profit		1,474	1,477	<-1	4,360	4,373	<-1
Other income		57	10		142	62	
Administrative expenses		(478)	(439)		(1,413)	(1,307)	
Network operation costs		(252)	(355)		(684)	(968)	
Other expenses		(23)	(17)		(37)	(62)	
Profit from operations	19	778	676	+15	2,368	2,098	+13
Finance income		13	15		41	41	
Finance costs		(111)	(125)		(347)	(352)	
Profit before tax		680	566	+20	2,062	1,787	+15
Tax expenses	20	(175)	(144)		(554)	(510)	
Profit for the period		505	422	+20	1,508	1,277	+18
Attributable to:							
- equity holders of the Company		503	420	+20	1,509	1,271	+19
- non-controlling interest		2	2		(1)	6	
		505	422	+20	1,508	1,277	+18
Earnings per share attributable to equity holders of the Company (sen):							
- basic	27	6.7	5.6		20.1	16.9	
- diluted	27	6.7	5.6		20.1	16.9	



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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30/9/2016 RM'm	QUARTER ENDED 30/9/2015 RM'm	PERIOD ENDED 30/9/2016 RM'm	PERIOD ENDED 30/9/2015 RM'm
Profit for the period	505	422	1,508	1,277
Other comprehensive Income/(expense)				
Item that will be reclassified subsequently to profit or loss:				
Net change in cash flow hedge	7	20	(48)	22
Total comprehensive income for the period	512	442	1,460	1,299
Attributable to:				
- equity holders of the Company	510	440	1,461	1,293
- non-controlling interest	2	2	(1)	6
	512	442	1,460	1,299



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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	AS AT 30/9/2016 (Unaudited) RM'm	AS AT 31/12/2015 (Audited) RM'm
Non-current assets			
Property, plant and equipment	8	4,262	4,227
Intangible assets ⁽¹⁾		11,238	11,267
Receivables, deposits and prepayments		96	50
Derivative financial instruments	23	357	567
Deferred tax assets		73	55
		<u>16,026</u>	<u>16,166</u>
Current assets			
Inventories		6	13
Receivables, deposits and prepayments		1,450	1,218
Amount due from penultimate holding company		1	-
Amounts due from related parties		20	25
Derivative financial instruments	23	99	210
Tax recoverable		5	56
Cash and cash equivalents		696	1,296
		<u>2,277</u>	<u>2,818</u>
Total assets		<u>18,303</u>	<u>18,984</u>
Current liabilities			
Provisions for liabilities and charges		73	149
Payables and accruals		3,602	3,467
Amounts due to fellow subsidiaries		-	2
Amounts due to related parties		13	9
Loan from a related party	22	31	29
Borrowings	22	557	1,077
Taxation		263	160
		<u>4,539</u>	<u>4,893</u>
Net current liabilities		<u>(2,262)</u>	<u>(2,075)</u>

Note:

⁽¹⁾ 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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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

		AS AT 30/9/2016 (Unaudited)	AS AT 31/12/2015 (Audited)
	Note	RM'm	RM'm
Non-current liabilities			
Provisions for liabilities and charges		162	151
Payables and accruals		412	426
Borrowings	22	8,158	8,801
Derivative financial instruments	23	6	-
Deferred tax liabilities		442	493
		<u>9,180</u>	<u>9,871</u>
Net assets		<u>4,584</u>	<u>4,220</u>
Equity			
Share capital		751	751
Reserves		3,804	3,439
Equity attributable to equity holders of the Company		<u>4,555</u>	<u>4,190</u>
Non-controlling interest		29	30
Total equity		<u>4,584</u>	<u>4,220</u>
Net assets per share attributable to equity holders of the Company (RM)			
		<u>0.61</u>	<u>0.56</u>



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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Period ended 30/9/2016	Attributable to equity holders of the Company								Total equity
	Share capital ⁽²⁾	Share premium	Merger relief ⁽³⁾	Reserve arising from reverse acquisition	Other reserves	Retained earnings (Note 24)	Total	Non-controlling interest	
	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm
Balance as at 1/1/2016	751	60	23,004	(22,729)	141	2,963	4,190	30	4,220
Profit for the period	-	-	-	-	-	1,509	1,509	(1)	1,508
Other comprehensive expense for the period	-	-	-	-	(48)	-	(48)	-	(48)
Total comprehensive (expense)/income for the period	-	-	-	-	(48)	1,509	1,461	(1)	1,460
Dividends for the financial year ended 31 December 2015	-	-	(275)	-	-	(101)	(376)	-	(376)
Dividends for the financial year ending 31 December 2016	-	-	-	-	-	(751)	(751)	-	(751)
Employee Share Option Scheme (“ESOS”) and Long-term Incentive Plan (“LTIP”):									
- share-based payment expense	-	-	-	-	25	-	25	-	25
- shares issued	*	2	-	-	-	-	2	-	2
Incentive arrangement:									
- share-based payment expense	-	-	-	-	6	-	6	-	6
- shares acquired	-	-	-	-	(2)	-	(2)	-	(2)
Balance as at 30/9/2016	<u>751</u>	<u>62</u>	<u>22,729</u>	<u>(22,729)</u>	<u>122</u>	<u>3,620</u>	<u>4,555</u>	<u>29</u>	<u>4,584</u>

Notes:

⁽²⁾ Issued and fully paid ordinary shares of RM0.10 each.

⁽³⁾ 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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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Period ended 30/9/2015	Attributable to equity holders of the Company							Non-controlling interest	Total equity
	Share capital ⁽²⁾	Share premium	Merger relief ⁽³⁾	Reserve arising from reverse acquisition	Other reserves	Retained earnings	Total		
	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm
Balance as at 1/1/2015	751	39	25,331	(22,729)	100	1,224	4,716	22	4,738
Profit for the period	-	-	-	-	-	1,271	1,271	6	1,277
Other comprehensive income for the period	-	-	-	-	22	-	22	-	22
Total comprehensive income for the period	-	-	-	-	22	1,271	1,293	6	1,299
Dividends for the financial year ended 31 December 2014	-	-	(1,201)	-	-	-	(1,201)	-	(1,201)
Dividends for the financial year ended 31 December 2015	-	-	(750)	-	-	-	(750)	-	(750)
ESOS and LTIP:									
- share-based payment expense	-	-	-	-	7	-	7	-	7
- shares issued	*	19	-	-	(1)	-	18	-	18
Incentive arrangement:									
- share-based payment expense	-	-	-	-	6	-	6	-	6
Balance as at 30/9/2015	<u>751</u>	<u>58</u>	<u>23,380</u>	<u>(22,729)</u>	<u>134</u>	<u>2,495</u>	<u>4,089</u>	<u>28</u>	<u>4,117</u>

Notes:

⁽²⁾ Issued and fully paid ordinary shares of RM0.10 each.

⁽³⁾ 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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	PERIOD ENDED 30/9/2016 RM'm	PERIOD ENDED 30/9/2015 RM'm
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	1,508	1,277
Adjustments for:		
- non-cash items	1,084	1,319
- finance costs	347	352
- finance income	(41)	(41)
- tax expenses	554	510
Payments for provision for liabilities and charges	(86)	(19)
Operating cash flows before working capital changes	<u>3,366</u>	<u>3,398</u>
Changes in working capital	(97)	(102)
Cash flows from operations	<u>3,269</u>	<u>3,296</u>
Interest received	28	42
Tax paid	(469)	(532)
Net cash flows from operating activities	<u>2,828</u>	<u>2,806</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(222)	(264)
Purchase of property, plant and equipment	(871)	(820)
Proceeds from disposal of property, plant and equipment	3	1
Net cash flows used in investing activities	<u>(1,090)</u>	<u>(1,083)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to ESOS	2	18
Shares acquired pursuant to incentive arrangement	(2)	-
Drawdown of borrowings	4,340	1,190
Repayment of borrowings	(5,182)	(842)
Repayment of lease financing	(5)	(6)
Payments of finance costs	(364)	(360)
Ordinary share dividends paid	(1,127)	(1,951)
Net cash flows used in financing activities	<u>(2,338)</u>	<u>(1,951)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(600)</u>	<u>(228)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>1,296</u>	<u>1,531</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>696</u></u>	<u><u>1,303</u></u>



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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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 2015 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 2015.

The adoption of the following amendments to MFRSs and improvements to published standards that came into effect on 1 January 2016 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

- Amendments to MFRS 101 Disclosure Initiative (effective from 1 January 2016)
- Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)
- Annual Improvements to MFRSs 2012-2014 Cycle (effective from 1 January 2016)

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

The Malaysian Accounting Standards Board had issued the following new standards and amendments to MFRSs which are effective for the financial period beginning on or after 1 January 2017. The Group did not early adopt these new standards and amendments to MFRSs.

- Amendments to MFRS 15 Clarifications to MFRS 15 (effective from 1 January 2018)
- Amendments to MFRS 107 Disclosure Initiative (effective from 1 January 2017)
- MFRS 9 Financial Instruments (effective from 1 January 2018)
- MFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)
- MFRS 16 Leases (effective from 1 January 2019)

2. SEASONAL / CYCLICAL FACTORS

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



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

3. UNUSUAL ITEMS

Save for those disclosed in Note 5 and items below, there were no other significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the nine months ended 30 September 2016:

- (a) Accelerated depreciation due to modernisation programmes of RM21 million; and
- (b) Reversals of asset impairment (RM47 million) and contract obligation provision (RM47 million) totaling to RM94 million for Home services.

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 nine months ended 30 September 2016.

5. DEBT AND EQUITY SECURITIES

Save for below items, there were no other issuance, repurchase and repayment of debt and equity securities during the nine months ended 30 September 2016:

- (a) repayment of the Company's existing borrowings of RM5,182 million.
- (b) Maxis Broadband Sdn. Bhd. ("MBSB"), a wholly-owned subsidiary of the Company, entered into loan facility agreements with financial institutions for RM1.0 billion term loan and RM2.5 billion Commodity Murabahah Term Financing. MBSB had fully drawn down on these loans to part settle the purchase consideration in relation to the purchase of businesses and undertakings including relevant assets and liabilities of the Company's wholly-owned subsidiaries under the internal reorganisation as announced by the Company on 2 December 2015.
- (c) MBSB had established an Unrated Islamic Medium Term Notes ("Sukuk Murabahah") Programme with an aggregate nominal value of up to RM10.0 billion. The Unrated Sukuk Murabahah Programme has a tenure of 30 years.

The Sukuk Murabahah to be issued shall have a tenure of more than 1 year and up to 30 years and MBSB intends to utilise the proceeds for the purposes set out below:

- (i) to finance the settlement of the remaining purchase consideration in relation to internal reorganisation as explained in Note 5(b) above; and
- (ii) to finance its capital expenditure, working capital and/or other funding requirements.

On 29 July 2016, MBSB issued its first series of the Sukuk Murabahah for a nominal value of RM840 million.

- (d) 304,100 ordinary shares of RM0.10 each were issued under the ESOS.



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

6. DIVIDENDS PAID

The following dividend payments were made during the nine months ended 30 September 2016:

	RM'm
In respect of the financial year ended 31 December 2015:	
- fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share, paid on 25 March 2016	376
In respect of the financial year ending 31 December 2016:	
- first interim single-tier tax-exempt dividend of 5.0 sen per ordinary share, paid on 29 June 2016	375
- second interim single-tier tax-exempt dividend of 5.0 sen per ordinary share, paid on 29 September 2016	376
	<hr/>
	1,127
	<hr/> <hr/>

7. SEGMENT REPORTING

Segment reporting is not presented as the Group is primarily engaged in providing integrated telecommunication services in Malaysia.

8. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the nine months ended 30 September 2016. As at 30 September 2016, 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

There were no material events subsequent to the end of the financial period up to the date of this report.

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the nine months ended 30 September 2016.



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

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. There were no material losses 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 30 September 2016 are as follows:

	RM'm
Contracted for	262
Not contracted for	373
	<hr/>
	635
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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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

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 30/9/2016 <u>RM'm</u>	Balances due from/(to) as at 30/9/2016 <u>RM'm</u>	Commitments as at 30/9/2016 <u>RM'm</u>	Total balances due from/(to) and commitments as at 30/9/2016 <u>RM'm</u>
(a) Sales of goods and services to:				
- MEASAT Broadcast Network Systems Sdn. Bhd. ⁽¹⁾ (telephony and broadband services)	71	14	-	14
- Saudi Telecom Company ("STC") ⁽²⁾ (roaming and international calls)	9	1	-	1
- MEASAT Global Berhad Group ⁽³⁾ (revenue share for the leasing of satellite bandwidth)	5	1	-	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(b) Purchases of goods and services from:				
- Tanjong City Centre Property Management Sdn. Bhd. ⁽⁴⁾ (rental, signage, parking and utility charges)	23	(1)	(217)	(218)
- MEASAT Global Berhad Group ⁽³⁾ (transponder and teleport lease rental)	33	(4)	(16)	(20)
- UTSB Management Sdn. Bhd. ⁽⁴⁾ (corporate management services)	19	(4)	-	(4)



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

13. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	Transactions for the financial period ended 30/9/2016 <u>RM'm</u>	Balances due from/(to) as at 30/9/2016 <u>RM'm</u>	Commitments as at 30/9/2016 <u>RM'm</u>	Total balances due from/(to) and commitments as at 30/9/2016 <u>RM'm</u>
(b) Purchases of goods and services from: (continued)				
- SRG Asia Pacific Sdn. Bhd. ⁽⁵⁾ (call handling and telemarketing services)	12	(3)	-	(3)
- UMTS (Malaysia) Sdn. Bhd. ⁽⁶⁾ (usage of 3G spectrum)	<u>34</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>

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 is the ultimate 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 is deemed to have an interest in all of the Company shares in which UTSB has an interest, it does not have any economic or beneficial interest over the Company shares, as such interest is held subject to the terms of the discretionary trust.

- (1) Subsidiary of a company which is an associate of UTSB
- (2) A major shareholder of BGSM, as described above
- (3) Subsidiary of a company in which TAK has a 99.999% direct equity interest
- (4) Subsidiary of UTSB
- (5) Subsidiary of a company whereby a person connected to TAK has a deemed equity interest
- (6) Subsidiary of the Company and associate of a company which is an associate of UTSB. The transaction values and outstanding balances are eliminated in the condensed consolidated financial statements



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

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 30 September 2016 except as set out below, measured using Level 3 valuation technique:

	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
	RM'm	RM'm
Financial asset:		
Receivables, deposits and prepayments	96	87
Financial liability:		
Borrowings		
- finance lease liabilities	2	2
- Islamic Medium Term Notes (Sukuk Musharakah)	<u>2,456</u>	<u>2,423</u>

(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 30 September 2016:

	RM'm
Recurring fair value measurements	
Derivative financial instruments (Cross Currency Interest Rate Swaps ("CCIRS"), Interest Rate Swaps ("IRS")) and forward foreign exchange contracts:	
- assets	<u>456</u>
- liabilities	<u>(6)</u>

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



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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 (3rd Quarter 2016 versus 2nd Quarter 2016)

Financial indicators (RM'm unless otherwise indicated)	3 rd Quarter 2016 (unaudited)	2 nd Quarter 2016 (unaudited)	Variance	% Variance
Revenue	2,156	2,102	54	3
Service revenue ⁽¹⁾	2,113	2,055	58	3
EBITDA ⁽²⁾	1,130	1,050	80	8
<i>Adjusted for:</i>				
<i>Home services - Reversal of contract obligation provision</i>	-	(47)	47	100
<i>Unrealised foreign exchange losses</i>	9	3	6	>100
Normalised EBITDA	1,139	1,006	133	13
Normalised EBITDA margin (%)	52.8	47.9	4.9	NA
Profit before tax	680	648	32	5
Profit for the period	505	483	22	5
<i>Adjusted for:</i>				
<i>Accelerated depreciation due to IT and network modernisation programmes ⁽³⁾</i>	4	8	(4)	(50)
<i>Home services:</i>				
• <i>Reversal of contract obligation provision</i>	-	(47)	47	100
• <i>Reversal of asset impairment</i>	-	(47)	47	100
<i>Unrealised foreign exchange losses</i>	9	3	6	>100
<i>Tax effects of the above adjustments</i>	(4)	21	(25)	>(100)
Normalised profit for the period	514	421	93	22

Notes:

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

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

⁽³⁾ The IT and network modernisation programmes enable the Group to strengthen its access network to enhance the customer experience and usage to drive revenue growth. The modernisation programmes will also lower overall operational costs and simplify the network architecture.



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PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE
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15. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (3rd Quarter 2016 versus 2nd Quarter 2016)
(continued)

Operational indicators	3 rd Quarter 2016	2 nd Quarter 2016	Variance	% Variance
Mobile subscriptions ('000)	10,903	11,015	(112)	(1)
- <i>Postpaid</i>	<i>2,678</i>	<i>2,660</i>	<i>18</i>	<i>1</i>
- <i>Prepaid</i>	<i>8,007</i>	<i>8,108</i>	<i>(101)</i>	<i>(1)</i>
- <i>Wireless Broadband</i>	<i>218</i>	<i>247</i>	<i>(29)</i>	<i>(12)</i>
ARPU (Monthly) (RM)				
- <i>Postpaid</i>	<i>100</i>	<i>102</i>	<i>(2)</i>	<i>(2)</i>
- <i>Prepaid</i>	<i>41</i>	<i>38</i>	<i>3</i>	<i>8</i>
- <i>Wireless Broadband</i>	<i>71</i>	<i>71</i>	-	-
- <i>Blended</i>	<i>56</i>	<i>54</i>	<i>2</i>	<i>4</i>

The Group's service revenue for Q3 2016 grew 2.8% quarter-on-quarter to RM2,113 million as new plans launched in the previous quarter continued to gain momentum.

Prepaid service revenue grew 6.6% quarter-on-quarter to RM1,022 million. The quarter's strong prepaid performance was mainly supported by significant Mobile Internet ("MI") growth. The new HOTLINK FAST pack launched last quarter has surpassed 1 million users and continued to attract high MI ARPU users. As a result, prepaid ARPU was higher at RM41 per month (Q216: RM38) and MI penetration grew to 55% (Q216: 52%). At the same time, the decline in prepaid subscription base has stabilised towards the end of the current quarter and acquisition momentum continued to improve.

Quarter-on-quarter, Postpaid service revenue declined 1.5% to RM960 million mainly due to lower ARPU. The lower ARPU was the result of increased data allocation across all MaxisONE Plan ("MOP"). The Group's postpaid subscription base grew by 18k, reversing recent negative trends. The Group now has a solid MOP base approaching 1.5 million subscriptions with ARPU of RM129 per month. To drive further growth in average revenue per account ("ARPA") and MI usage, the Group recently added MaxisONE Kid and 4G Pocket WiFi as part of its MOP proposition.



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15. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (3rd Quarter 2016 versus 2nd Quarter 2016)
(continued)

The Group continued to register solid 4G LTE adoption momentum ending the quarter with 4.1 million users (Q216: 3.5 million) who consumed on average 4.4GB per month (Q216: 3.7GB). These represent an increase of 1.9 million and 2.1GB per month respectively, from a year ago. 4G LTE population coverage has reached 88% on comparable peer basis and the Group continued to lead the market in terms of coverage, quality and best digital experience.

Normalised EBITDA in the current quarter stood at RM1,139 million with normalised margin of 52.8%, against RM1,006 million and 47.9% respectively in the previous quarter. EBITDA grew mainly as a result of higher service revenue, lower realised foreign exchange losses and higher other income upon completion of projects.

The Group recorded a higher normalised profit of RM514 million compared to RM421 million in the preceding quarter, on the back of higher EBITDA.



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15. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current year against the preceding year (YTD September 2016 versus YTD September 2015)

Financial indicators (RM'm unless otherwise indicated)	YTD 2016 (unaudited)	YTD 2015 ⁽¹⁾ (unaudited)	Variance	% Variance
Revenue	6,398	6,425	(27)	<(1)
Service revenue ⁽²⁾	6,290	6,365	(75)	(1)
EBITDA ⁽³⁾	3,393	3,169	224	7
<i>Adjusted for:</i>				
<i>Home services - Reversal of contract obligation provision</i>	(47)	-	(47)	>(100)
<i>Unrealised foreign exchange (gains)/losses</i>	(45)	135	(180)	>(100)
Normalised EBITDA	3,301	3,304	(3)	<(1)
Normalised EBITDA margin (%)	51.6	51.4	0.2	NA
Profit before tax	2,062	1,787	275	15
Profit for the period	1,508	1,277	231	18
<i>Adjusted for:</i>				
<i>Accelerated depreciation due to IT and network modernisation programmes ⁽⁴⁾</i>	21	140	(119)	(85)
<i>Home services:</i>				
• <i>Reversal of contract obligation provision</i>	(47)	-	(47)	>(100)
• <i>Reversal of asset impairment</i>	(47)	-	(47)	>(100)
<i>Unrealised foreign exchange (gains)/losses</i>	(45)	135	(180)	>(100)
<i>Tax effects of the above adjustments</i>	29	(69)	98	>100
Normalised profit for the period	1,419	1,483	(64)	(4)

Notes:

(1) The comparative results were restated to provide more comparable information with the current period.

(2) Service revenue is defined as Group revenue excluding device, hubbing revenues and network income.

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

(4) The IT and network modernisation programmes enable the Group to strengthen its access network to enhance the customer experience and usage to drive revenue growth. The modernisation programmes will also lower overall operational costs and simplify the network architecture.



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15. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current year against the preceding year (YTD September 2016 versus YTD September 2015) (continued)

Operational indicators	YTD 2016	YTD 2015	Variance	% Variance
Mobile subscriptions ('000)	10,903	11,956	(1,053)	(9)
- Postpaid	<i>2,678</i>	<i>2,784</i>	<i>(106)</i>	<i>(4)</i>
- Prepaid	<i>8,007</i>	<i>8,850</i>	<i>(843)</i>	<i>(10)</i>
- Wireless Broadband	<i>218</i>	<i>322</i>	<i>(104)</i>	<i>(32)</i>
ARPU (Monthly) (RM)				
- Postpaid	<i>101</i>	<i>97</i>	<i>4</i>	<i>4</i>
- Prepaid	<i>40</i>	<i>38</i>	<i>2</i>	<i>5</i>
- Wireless Broadband	<i>71</i>	<i>70</i>	<i>1</i>	<i>1</i>
- Blended	<i>55</i>	<i>52</i>	<i>3</i>	<i>6</i>

Year-to-date, the Group's service revenue declined slightly to RM6,290 million (YTD 2015: RM6,365 million) and was primarily driven by Prepaid.

Prepaid service revenue declined 4.5% to RM2,994 million mainly attributed to lower subscription base as a result of intense price competition. This has since stabilised towards the end of the current period and acquisition momentum continued to improve. The increase in prepaid ARPU to RM40 per month (YTD15: RM38) was driven by continued traction on MI usage which more than compensated for the decline in voice and SMS.

Postpaid service revenue grew 0.4% year-on-year to RM2,927 million (YTD15: RM2,914 million), supported by a solid base of almost 1.5 million MOP subscriptions with monthly ARPU of RM141 (YTD15: RM159). ARPU declined primarily due to increased data allocation across all MOP. In the last 12 months, the Group added more than 800,000 new MOP subscriptions with MaxisONE Share driving incremental port-ins and pre-to-post migration. The two new product additions to the MaxisONE family namely MaxisONE Kid and 4G Pocket WiFi, are expected to drive further growth in ARPA and MI usage.



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15. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current year against the preceding year (YTD September 2016 versus YTD September 2015) (continued)

Blended smart-phone penetration stood at 74% against 67% in the same period last year. Blended data usage doubled in the last 12 months, and is now at 2.84GB per month. The Group's extensive 4G LTE network, with a nationwide population coverage of 88% on comparable peer basis, will continue to be an important enabler for our customers to enjoy unmatched digital experience.

In the period under review, the Group's normalised cost base was relatively unchanged at RM3,097 million (YTD: RM3,121 million). Consequently, normalised EBITDA and EBITDA margin stood at RM3,301 million and 51.6% against RM3,304 million and 51.4% respectively in the corresponding period last year.

Normalised profit declined by 4% year- on-year to RM1,419 million mainly due to higher depreciation as the Group continue to invest in its network infrastructure.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016

For the financial year ending 31 December 2016, the Group expects service revenue, absolute EBITDA and base capital expenditure to remain at similar levels to financial year 2015. The Group will continue to invest in product and service differentiation and operational efficiency to strengthen its long-term competitiveness.

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 2015.



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19. PROFIT FROM OPERATIONS

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30/9/2016 RM'm	QUARTER ENDED 30/9/2015 RM'm	PERIOD ENDED 30/9/2016 RM'm	PERIOD ENDED 30/9/2015 RM'm
Allowance/(reversal) (net) for:				
- impairment of receivables, deposits and prepayments	26	13	82	37
- inventory obsolescence	1	-	1	-
Bad debts recovered	(4)	(4)	(16)	(14)
Fair value (gains)/losses on forward foreign exchange contracts	(1)	-	3	-
Losses/(gains) on foreign exchange	10	113	(28)	163
Intangible assets:				
- amortisation	83	71	251	199
- impairment	(1)	-	-	-
Property, plant and equipment:				
- depreciation	265	265	796	855
- gain on disposal	(1)	-	(3)	(1)
- impairment/written off	6	9	(19)	18
Reversal of contract obligation provision	-	-	(47)	-

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 and other exceptional items for the current quarter and nine months ended 30 September 2016.



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20. TAX EXPENSES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30/9/2016	QUARTER ENDED 30/9/2015	PERIOD ENDED 30/9/2016	PERIOD ENDED 30/9/2015
	RM'm	RM'm	RM'm	RM'm
Income tax:				
- current tax	160	192	638	597
- over accrual in prior years	(15)	(8)	(15)	(8)
Deferred tax:				
- origination and reversal of temporary differences	25	(31)	(74)	(65)
- recognition and reversal of prior years' temporary differences	5	(14)	5	(14)
- changes in tax rate	-	5	-	-
Total	175	144	554	510

The Group's effective tax rates for the current quarter and nine months ended 30 September 2016 were 25.7 and 26.9% respectively, higher than the statutory tax rate of 24% 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.



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22. BORROWINGS

The borrowings as at 30 September 2016 are as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
	RM'm	RM'm	RM'm
<u>Secured</u>			
Finance lease liabilities	13	2	15
<u>Unsecured</u>			
Term loans	-	1,936	1,936
Syndicated term loans	544	413	957
Commodity Murabahah Term Financing	-	2,504	2,504
Islamic Medium Term Notes	-	3,303	3,303
Loan from a related party	31	-	31
	<u>588</u>	<u>8,158</u>	<u>8,746</u>

Currency profile of borrowings is as follows:

Ringgit Malaysia ("RM")	44	6,810 ⁽¹⁾	6,854
United States Dollar ("USD")	544 ⁽²⁾	1,136 ⁽²⁾	1,680
Singapore Dollar ("SGD")	-	212 ⁽²⁾	212
	<u>588</u>	<u>8,158</u>	<u>8,746</u>

Notes:

⁽¹⁾ Includes a term loan facility which has been partially hedged using IRS as disclosed in Note 23.

⁽²⁾ Includes borrowings of RM1,892 million which have been hedged using CCIRS as disclosed in Note 23.



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23. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Disclosure of derivatives

Details of derivative financial instruments outstanding as at 30 September 2016 are set out below:

TYPE OF DERIVATIVE	CONTRACT/ NOTIONAL VALUE RM'm	FAIR VALUE RM'm
Derivatives designated in hedging relationship (cash flow hedge):		
CCIRS:		
- less than one year	446	(95)
- one year to three years	-	-
- more than three years	1,014	(357)
IRS:		
- less than one year	-	-
- one year to three years	-	-
- more than three years	700	6
Forward foreign exchange contracts:		
- less than one year	39	(1)
- one year to three years	-	-
- more than three years	-	-
	2,199	(447)
Derivatives not designated in hedging relationship:		
Forward foreign exchange contracts:		
- less than one year	107	(3)
- one year to three years	-	-
- more than three years	-	-
	2,306	(450)

During the nine months ended 30 September 2016, the Group entered into:

- (a) IRS contracts to partially hedge against fluctuations in the interest rates of RM1.0 billion term loan; and
- (b) forward foreign exchange contracts to hedge against USD/RM exchange rate fluctuations on certain payable balances and forecast transactions.



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23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Disclosure of derivatives (continued)

There have been no changes since the end of the previous financial year ended 31 December 2015 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.

(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, IRS and forward foreign exchange contracts 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 of CCIRS and IRS are calculated as the present value of estimated future cash flow using an appropriate market-based yield curve. The fair values of forward foreign exchange contracts are determined using the forward exchange rates as at each reporting date.

As at 30 September 2016, the Group has recognised derivative financial assets and derivative financial liabilities of RM456 million and RM6 million respectively, on remeasuring the fair values of the derivative financial instruments for:

- (i) derivative designated in hedging relationship

The decrease in fair values gains from the previous quarter was RM22 million with the corresponding movement included in equity in the cash flow hedging reserve.

For the current quarter, RM29 million was reclassified to the statement of profit or loss to offset the foreign exchange gains of RM78 million which realised upon CCIRS settlement, unrealised foreign exchange losses of RM48 million from the weakening 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 an increase in the credit balance of the cash flow hedging reserve as at 30 September 2016 by RM8 million to RM15 million compared with the previous financial period ended 30 June 2016.



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23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) derivative designated in hedging relationship (continued)

For derivatives designated as cash flow hedge on borrowings, the gains or losses recognised in the cash flow hedging reserve in equity 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.

For derivatives designated as cash flow hedge on forecast transactions, the gains or losses on changes to the fair value of derivative financial instruments are recognised in the cash flow hedging reserve in equity until such time that the hedged items affect profit or loss, then the gains or losses are transferred to statement of profit or loss.

(ii) derivative not designated in hedging relationship

The increase in fair value gains of RM1 million which is due to changes in foreign currency exchange spot and forward rates respectively has been charged to the statement of profit or loss within other expenses.

As the derivative financial instruments are used to hedge the fair value movement attributable to the foreign exchange rate fluctuation associated to certain payable balances denominated in USD as at reporting date, any changes to the fair values of the derivative financial instruments will impact the statement of profit or loss within other expenses until the maturity of the derivative financial instruments.



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24. REALISED AND UNREALISED RETAINED EARNINGS

The following analysis of realised and unrealised retained earnings 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 is based on the prescribed format by Bursa Malaysia Securities Berhad.

	AS AT 30/9/2016	AS AT 31/12/2015
	RM'm	RM'm
Retained earnings of the Company and its subsidiaries:		
- realised	12,863	3,671
- unrealised	(432)	(650)
	<u>12,431</u>	<u>3,021</u>
Less: Consolidation adjustments	(8,811)	(58)
	<u>3,620</u>	<u>2,963</u>
Total retained earnings as per Consolidated Statements of Financial Position	<u>3,620</u>	<u>2,963</u>

25. MATERIAL LITIGATION

There is no material litigation as at 13 October 2016.

26. DIVIDENDS

The Board of Directors has declared a third interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ending 31 December 2016, to be paid on 29 December 2016. The entitlement date for the dividend payment is 30 November 2016.

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 November 2016 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 nine months ended 30 September 2016 is 15.0 sen per ordinary share (2015: 15.0 sen).



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27. EARNINGS PER SHARE

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30/9/2016	QUARTER ENDED 30/9/2015	PERIOD ENDED 30/9/2016	PERIOD ENDED 30/9/2015
(a) Basic earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	<u>503</u>	<u>420</u>	<u>1,509</u>	<u>1,271</u>
Weighted average number of issued ordinary shares	('m)	<u>7,509</u>	<u>7,508</u>	<u>7,509</u>	<u>7,508</u>
Basic earnings per share	(sen)	<u>6.7</u>	<u>5.6</u>	<u>20.1</u>	<u>16.9</u>
(b) Diluted earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	<u>503</u>	<u>420</u>	<u>1,509</u>	<u>1,271</u>
Weighted average number of issued ordinary shares	('m)	<u>7,509</u>	<u>7,508</u>	<u>7,509</u>	<u>7,508</u>
Adjusted for share options	('m)	<u>-</u>	<u>1</u>	<u>-</u>	<u>2</u>
Adjusted weighted average number of ordinary shares	('m)	<u>7,509</u>	<u>7,509</u>	<u>7,509</u>	<u>7,510</u>
Diluted earnings per share	(sen)	<u>6.7</u>	<u>5.6</u>	<u>20.1</u>	<u>16.9</u>

By order of the Board

Dipak Kaur

(LS 5204)

Company Secretary

19 October 2016

Kuala Lumpur