MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

ANNOUNCEMENT

The Board of Directors of Maxis Berhad ("Maxis" or "the Company") is pleased to announce the following condensed consolidated financial statements for the fourth quarter and financial year ended 31 December 2013 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the audited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		QUARTER ENDED 31/12/2013 (Unaudited)	QUARTER ENDED 31/12/2012 (Unaudited)	+ -	**YEAR ENDED 31/12/2013 (Audited)**	YEAR ENDED 31/12/2012 (Audited)	+ -
	Note	**RM'm**	RM'm	%	**RM'm**	RM'm	%
Revenue	7	**2,224**	2,306	-4	**9,084**	8,967	+1
Cost of sales		**(763)**	(810)		**(3,089)**	(3,006)	
Gross profit		**1,461**	1,496	-2	**5,995**	5,961	+1
Other income		**11**	6		**62**	36	
Administrative expenses		**(517)**	(476)		**(1,900)**	(1,755)	
Network operation costs		**(349)**	(379)		**(1,186)**	(1,311)	
Other expenses		**(91)**	(23)		**(146)**	(67)	
Profit from operations	19	**515**	624	-17	**2,825**	2,864	-1
Finance income		**6**	11		**29**	51	
Finance costs		**(93)**	(88)		**(358)**	(339)	
Profit before tax	7	**428**	547	-22	**2,496**	2,576	-3
Tax expenses	20	**(136)**	(169)		**(724)**	(716)	
Profit for the period/year		**292**	378	-23	**1,772**	1,860	-5
Attributable to:							
- equity holders of the Company		**290**	378	-23	**1,765**	1,856	-5
- non-controlling interest		**2**	-		**7**	4	
		292	378	-23	**1,772**	1,860	-5
Earnings per share attributable to equity holders of the Company (sen):							
- basic	27	**3.9**	5.0		**23.5**	24.7	
- diluted	27	**3.9**	5.0		**23.5**	24.7	

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/12/2013 (Unaudited)	QUARTER ENDED 31/12/2012 (Unaudited)	**YEAR ENDED 31/12/2013 (Audited)**	YEAR ENDED 31/12/2012 (Audited)
	RM'm	RM'm	**RM'm**	RM'm
Profit for the period/year	**292**	378	**1,772**	1,860
Other comprehensive income [1]				
Item that will be reclassified subsequently to profit or loss:				
Net change in cash flow hedge	**67**	31	**167**	103
Total comprehensive income for the period/year	**359**	409	**1,939**	1,963
Attributable to:				
- equity holders of the Company	**357**	409	**1,932**	1,959
- non-controlling interest	**2**	-	**7**	4
	359	409	**1,939**	1,963

Note:
[1] There is no income tax attributable to the components of other comprehensive income.

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	AS AT 31/12/2013 RM'm	AS AT 31/12/2012 RM'm
Non-current assets			
Property, plant and equipment	8	**4,038**	4,459
Intangible assets [(2)]		**11,167**	11,152
Derivative financial instruments	23	**145**	28
Deferred tax assets		**128**	121
		15,478	15,760
Current assets			
Inventories		**70**	118
Receivables, deposits and prepayments		**947**	922
Amount due from a fellow subsidiary		**-**	2
Amounts due from related parties		**24**	13
Tax recoverable		**3**	20
Cash and cash equivalents		**808**	967
		1,852	2,042
Total assets		**17,330**	17,802
Current liabilities			
Provisions for liabilities and charges		**135**	72
Payables and accruals	22	**2,434**	2,633
Amounts due to fellow subsidiaries		**4**	-
Amounts due to related parties		**23**	26
Borrowings	22	**910**	2
Derivative financial instruments	23	**84**	-
Taxation		**71**	35
		3,661	2,768
Net current liabilities		**(1,809)**	(726)
Non-current liabilities			
Provisions for liabilities and charges		**110**	102
Payables and accruals	22	**372**	119
Loan from a related party	22	**29**	38
Borrowings	22	**6,613**	6,772
Derivative financial instruments	23	**34**	398
Deferred tax liabilities		**495**	548
		7,653	7,977
Net assets		**6,016**	7,057

Note:

(2) Includes telecommunications licenses 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 FOURTH QUARTER ENDED 31 DECEMBER 2013

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	AS AT 31/12/2013 RM'm	AS AT 31/12/2012 RM'm
Equity		
Share capital	**750**	750
Reserves	**5,251**	6,299
Equity attributable to equity holders of the Company	**6,001**	7,049
Non-controlling interest	**15**	8
Total equity	**6,016**	7,057
Net assets per share (RM)	**0.80**	0.94

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →								
Year ended 31/12/2013	**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 1/1/2013	**750**	**3**	**28,989**	**(22,729)**	**(49)**	**85**	**7,049**	**8**	**7,057**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**1,765**	**1,765**	**7**	**1,772**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**167**	**-**	**167**	**-**	**167**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**167**	**1,765**	**1,932**	**7**	**1,939**
Dividends for the financial year ended 31 December 2012	**-**	**-**	**(546)**	**-**	**-**	**(654)**	**(1,200)**	**-**	**(1,200)**
Dividends for the financial year ended 31 December 2013	**-**	**-**	**(685)**	**-**	**-**	**(1,115)**	**(1,800)**	**-**	**(1,800)**
Employee Share Option Scheme ("ESOS"):									
- share options granted	**-**	**-**	**-**	**-**	**4**	**-**	**4**	**-**	**4**
- shares issued	*****	**17**	**-**	**-**	**(1)**	**-**	**16**	**-**	**16**
Balance as at 31/12/2013	**750**	**20**	**27,758**	**(22,729)**	**121**	**81**	**6,001**	**15**	**6,016**
Year ended 31/12/2012									
Balance as at 1/1/2012	750	-	29,629	(22,729)	(155)	589	8,084	4	8,088
Profit for the year	-	-	-	-	-	1,856	1,856	4	1,860
Other comprehensive income for the year	-	-	-	-	103	-	103	-	103
Total comprehensive income for the year	-	-	-	-	103	1,856	1,959	4	1,963
Dividends for the financial year ended 31 December 2011	-	-	(400)	-	-	(800)	(1,200)	-	(1,200)
Dividends for the financial year ended 31 December 2012	-	-	(240)	-	-	(1,560)	(1,800)	-	(1,800)
ESOS:									
- share options granted	-	-	-	-	3	-	3	-	3
- shares issued	*	3	-	-	-	-	3	-	3
Balance as at 31/12/2012	750	3	28,989	(22,729)	(49)	85	7,049	8	7,057

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 FOURTH QUARTER ENDED 31 DECEMBER 2013

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED 31/12/2013 RM'm	YEAR ENDED 31/12/2012 RM'm
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**1,772**	1,860
Adjustments for:		
- non-cash items	**1,688**	1,620
- finance costs	**358**	339
- finance income	**(29)**	(51)
- tax expenses	**724**	716
Payments for provision for liabilities and charges	**(57)**	(39)
Other payments	**-**	(5)
Operating cash flows before working capital changes	**4,456**	4,440
Changes in working capital	**(278)**	(369)
Cash flow from operations	**4,178**	4,071
Interest received	**30**	47
Tax paid	**(731)**	(697)
Net cash flows from operating activities	**3,477**	3,421
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	**(267)**	(272)
Purchase of property, plant and equipment	**(540)**	(718)
Proceeds from disposal of property, plant and equipment	**6**	-
Net cash flows used in investing activities	**(801)**	(990)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to ESOS	**16**	3
Drawdown of borrowings	**500**	-
Proceeds from issuance of Islamic Medium Term Notes	**-**	2,450
Repayment of borrowing	**-**	(1,450)
Repayment of lease financing	**(2)**	(6)
Repayment of loan from a related party	**(4)**	-
Payments of finance costs	**(345)**	(299)
Ordinary share dividends paid	**(3,000)**	(3,000)
Net cash flows used in financing activities	**(2,835)**	(2,302)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(159)**	129
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**967**	838
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**808**	967

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 2012 and the accompanying explanatory notes attached to the audited condensed consolidated financial statements.

The significant accounting policies and methods adopted for the audited condensed financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2012.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2013 did not have any significant impact on the audited condensed consolidated financial statements upon their initial application except for the additional disclosure on fair value measurement as disclosed in Note 14.

• MFRS 10	Consolidated Financial Statements (effective from 1 January 2013)
• MFRS 12	Disclosure of Interests in Other Entities (effective from 1 January 2013)
• MFRS 13	Fair Value Measurement (effective from 1 January 2013)
• MFRS 119	Employee Benefits (effective from 1 January 2013)
• MFRS 127	Separate Financial Statements (effective from 1 January 2013)
• Amendments to MFRS 7	Financial Instruments: Disclosures (effective from 1 January 2013)
• Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income (effective from 1 July 2012)
• Annual Improvements to MFRS	2009 – 2011 Cycle (effective from 1 January 2013)
• Amendments to MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (effective from 1 January 2013)

MFRS, Amendments to MFRS and IC Interpretation that are applicable to the Group but not yet effective

Malaysian Accounting Standards Board had issued the following standards, amendments to standards and IC Interpretation which are effective for financial period beginning on or after 1 January 2014. The Group did not early adopt these standards, amendments to standards and IC Interpretation except for Amendments to MFRS 136 "Recoverable Amount Disclosures for Non-Financial Assets", which has no impact to the audited condensed consolidated financial statements.

• MFRS 9	Financial Instruments (effective from 1 January 2015)
• Amendments to MFRS 10, 11 and 127	Investment Entities (effective from 1 January 2014)
• Amendments to MFRS 132	Financial Instruments: Presentation (effective from 1 January 2014)
• Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets (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)

2. SEASONAL / CYCLICAL FACTORS

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

3. UNUSUAL ITEMS

Save for the below items as further 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 financial year ended 31 December 2013:

(a) Accelerated depreciation due to the network modernisation programme;
(b) Career Transition Scheme ("CTS") costs due to organisational refinement exercise undertaken by the Group;
(c) Provision for contract obligations for Home services' network and content costs; and
(d) Write down of assets arising from the impairment assessment exercise.

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 financial year ended 31 December 2013, except for the change in estimates in asset useful lives of certain telecommunications network equipment arising from the review of useful economic lives of assets as a result of the network modernisation programme being undertaken.

The impact of the change in estimates for this quarter and for the financial year ended 31 December 2013 has reduced the carrying value of property, plant and equipment by RM39 million with a corresponding depreciation charge to the statement of profit or loss.

5. DEBT AND EQUITY SECURITIES

Save for the issuance of 2,881,900 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 financial year ended 31 December 2013.

6. DIVIDENDS PAID

The following dividend payments were made during the financial year ended 31 December 2013:

	RM'm
In respect of the financial year ended 31 December 2012:	
- fourth interim single-tier tax-exempt dividend of 8.0 sen per ordinary share, paid on 29 March 2013	**600**
- final single-tier tax-exempt dividend of 8.0 sen per ordinary share, paid on 31 May 2013	**600**
In respect of the financial year ended 31 December 2013:	
- first interim single-tier tax-exempt dividend of 8.0 sen per ordinary share, paid on 28 June 2013	**600**
- second interim single-tier tax-exempt dividend of 8.0 sen per ordinary share, paid on 3 October 2013	**600**
- third interim single-tier tax-exempt dividend of 8.0 sen per ordinary share, paid on 27 December 2013	**600**
	3,000

7. SEGMENT REPORTING

The Group is operating in four key segments in Malaysia, comprising the provision of Mobile services which is a major contributor to the Group's operations, Enterprise fixed services, International gateway services and Home services. Inter-segment revenue comprise network services and management services rendered to other business segments within the Group. Some transactions are transacted at normal commercial terms that are no more favourable than that available to other third parties whilst the rest are allocated based on an equitable basis of allocation.

7. SEGMENT REPORTING (CONTINUED)

Quarter Ended 31/12/2013	Mobile services RM'm	Enterprise fixed services RM'm	International gateway services RM'm	Home services RM'm	Other operations RM'm	Elimination RM'm	Group RM'm
Segment revenue							
External revenue	**2,071**	**61**	**69**	**23**	**-**	**-**	**2,224**
Inter-segment revenue	**4**	**6**	**81**	**-**	**133**	**(224)**	**-**
Segment revenue	**2,075**	**67**	**150**	**23**	**133**	**(224)**	**2,224**
Segment results							
Segment EBITDA [1]	**1,011**	**22**	**14**	**(102)**	**26**	**-**	**971**
Profit/(loss) from operations	**681**	**13**	**11**	**(197)**	**7**	**-**	**515**
Finance income							**6**
Finance costs							**(93)**
Profit before tax							**428**

Quarter Ended 31/12/2012	Mobile services RM'm	Enterprise fixed services RM'm	International gateway services RM'm	Home services RM'm	Other operations RM'm	Elimination RM'm	Group RM'm
Segment revenue							
External revenue	2,183	55	57	11	-	-	2,306
Inter-segment revenue	4	6	86	-	113	(209)	-
Segment revenue	2,187	61	143	11	113	(209)	2,306
Segment results							
Segment EBITDA [1]	1,051	18	15	(37)	18	-	1,065
Profit/(loss) from operations	700	2	9	(93)	6	-	624
Finance income							11
Finance costs							(88)
Profit before tax							547

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

7. SEGMENT REPORTING (CONTINUED)

Year Ended 31/12/2013	**Mobile services**	**Enterprise fixed services**	**International gateway services**	**Home services**	**Other operations**	**Elimination**	**Group**
	RM'm	**RM'm**	**RM'm**	**RM'm**	**RM'm**	**RM'm**	**RM'm**
Segment revenue							
External revenue	**8,492**	**240**	**281**	**71**	**-**	**-**	**9,084**
Inter-segment revenue	**16**	**23**	**313**	**-**	**474**	**(826)**	**-**
Segment revenue	**8,508**	**263**	**594**	**71**	**474**	**(826)**	**9,084**
Segment results							
Segment EBITDA [1]	**4,274**	**90**	**49**	**(185)**	**82**	**-**	**4,310**
Profit/(loss) from operations	**3,016**	**49**	**39**	**(307)**	**28**	**-**	**2,825**
Finance income							**29**
Finance costs							**(358)**
Profit before tax							**2,496**
Year Ended 31/12/2012							
Segment revenue							
External revenue	8,537	203	196	31	-	-	8,967
Inter-segment revenue	21	25	264	-	417	(727)	-
Segment revenue	8,558	228	460	31	417	(727)	8,967
Segment results							
Segment EBITDA [1]	4,308	64	48	(109)	48	-	4,359
Profit/(loss) from operations	2,984	27	29	(187)	11	-	2,864
Finance income							51
Finance costs							(339)
Profit before tax							2,576

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

8. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the financial year ended 31 December 2013. As at 31 December 2013, 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 YEAR

There were no material events subsequent to the end of the financial year 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 financial year ended 31 December 2013.

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 audited condensed consolidated financial statements as at 31 December 2013 are as follows:

	RM’m
Contracted for	**132**
Not contracted for	**953**
	1,085

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 year ended 31/12/2013	Balances due from/(to) as at 31/12/2013	Commitments as at 31/12/2013	Total balances due from/(to) and commitments as at 31/12/2013
	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)	51	10	-	10
- Saudi Telecom Company ("STC") [(2)] (roaming and international calls)	19	9	-	9
- Aircel Limited Group [(3)] (interconnect, roaming and international calls)	4	-	-	-
(b) Purchases of goods and services from:				
- Aircel Limited Group [(3)] (interconnect, roaming and international calls)	7	(4)	-	(4)
- Tanjong City Centre Property Management Sdn. Bhd. [(4)] (rental, signage, parking and utility charges)	33	5	(11)	(6)
- MEASAT Global Berhad Group [(5)] (transponder and teleport lease rental)	28	-	(25)	(25)
- Astro Digital 5 Sdn. Bhd. [(1)] (content provision, publishing and advertising agent, consultancy and IPTV development services)	5	(5)	-	(5)
- MEASAT Broadcast Network Systems Sdn. Bhd. [(1)] (mobile TV and IPTV contents)	15	(1)	(27)	(28)

13. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	Transactions for the financial year ended 31/12/2013	Balances due from/(to) as at 31/12/2013	Commitments as at 31/12/2013	Total balances due from/(to) and commitments as at 31/12/2013
	RM'm	RM'm	RM'm	RM'm
(b) Purchases of goods and services from: (continued)				
- UTSB Management Sdn. Bhd. [4] (corporate management services fees)	25	(7)	-	(7)
- SRG Asia Pacific Sdn. Bhd. [4] (call handling and telemarketing services)	26	(6)	-	(6)
- STC [2] (roaming and international calls)	4	(1)	-	(1)
- Getit Infoservices Private Limited Group[1] (purchase of data (Business Listing))	6	(3)	-	(3)
- UMTS (Malaysia) Sdn. Bhd. [6] (usage of 3G spectrum)	42	(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 MCB
(4) Subsidiary of UTSB
(5) Subsidiary of a company in which TAK has a 99% direct equity interest
(6) Subsidiary of the Company and associate of a joint venture of UTSB. The transaction values and outstanding balances are eliminated in the 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 December 2013 except as set out below, measured using Level 3 valuation technique:

	CARRYING AMOUNT RM'm	FAIR VALUE RM'm
Borrowings		
- financial lease liabilities	12	9
- Islamic Medium Term Notes	2,483	2,463

(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 December 2013:

	RM'm
Recurring fair value measurements	
Derivative financial instruments (Cross Currency Interest Rate Swaps ("CCIRS") and Interest Rate Swaps ("IRS")):	
- assets	145
- liabilities	(118)

The valuation technique used to derive the Level 2 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 (4th Quarter 2013 versus 3rd Quarter 2013)

Financial indicators (RM'm unless otherwise indicated)	4th Quarter 2013 (unaudited)	3rd Quarter 2013 (unaudited)	Variance	% Variance
Revenue	**2,224**	2,239	*(15)*	(1)
- Mobile services	***2,071***	*2,086*	*(15)*	*(1)*
- Enterprise fixed services	***61***	*58*	*3*	*5*
- International gateway services	***69***	*77*	*(8)*	*10*
- Home services	***23***	*18*	*5*	*28*
Service revenue [1]	**2,108**	2,127	*(19)*	(1)
EBITDA [2]	**971**	1,052	(81)	(8)
- Mobile services	***1,011***	*1,036*	*(25)*	*(2)*
- Enterprise fixed services	***22***	*16*	*6*	*38*
- International gateway services	***14***	*12*	*2*	*17*
- Home services	***(102)***	*(31)*	*(71)*	*>(100)*
- Other operations	***26***	*19*	*7*	*37*
EBITDA margin (%)	**43.7**	47.0	(3.3)	NA
Depreciation	**272**	239	33	14
Amortisation	**81**	64	17	27
Profit before tax	**428**	667	(239)	(36)
Profit for the period	**292**	474	(182)	(38)
Adjustment for one-off items:				
Accelerated depreciation due to network modernisation programme [3] and change in estimated asset useful lives	***39***	-	*39*	*>100*
CTS costs [4]	***41***	*102*	*(61)*	*(60)*
Provision for contract obligations [5]	***65***	-	*65*	*>100*
Write down of assets [6]	***87***	-	*87*	*>100*
Tax effects of the above adjustments	***(58)***	*(26)*	*(32)*	*>(100)*
Comparable profit for the period	**466**	550	(84)	(15)

Notes:

(1) Service revenue is defined as Group revenue excluding outright 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 has 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 has 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 contents 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 (4th Quarter 2013 versus 3rd Quarter 2013) (continued)

Mobile services – Operational indicators	4th Quarter 2013	3rd Quarter 2013	Variance	% Variance
Mobile subscriptions ('000) (Market definition)	**12,893**	13,213	(320)	(2)
- Postpaid	***2,769***	*2,732*	*37*	*1*
- Prepaid	***9,528***	*9,845*	*(317)*	*(3)*
- Wireless Broadband	***596***	*636*	*(40)*	*(6)*
ARPU (Monthly) (RM)				
- Postpaid	***101***	*100*	*1*	*1*
- Prepaid	***33***	*33*	*-*	*-*
- Wireless Broadband	***67***	*64*	*3*	*5*
- Blended	***49***	*48*	*1*	*2*
MOU per subscription (Monthly) (minutes)				
- Postpaid	***293***	*298*	*(5)*	*(2)*
- Prepaid	***117***	*116*	*1*	*1*
- Blended	***155***	*153*	*2*	*1*

The Group revenue decreased by RM15 million to RM2,224 million for the quarter mainly due to decline in Mobile services revenue and International gateway services.

Group EBITDA stood at RM971 million (43.7%), lower by 8% from the preceding quarter. This was mainly driven by higher direct cost, sales and marketing expenses, allowance for bad debts and provision for contract obligations related to Home services offsetting the lower CTS costs recorded for the period under review. Excluding the CTS costs and provision for contract obligations, Group EBITDA would be RM1,077 million, a decrease of RM77 million against the previous quarter. Consequently, the Group comparable profit for the period declined by RM84 million.

On a segmental basis, *Mobile services* revenue recorded a decline in revenue of RM15 million to end the quarter at RM2,071 million primarily due to the decline in mobile subscriptions. EBITDA decreased by 2% to RM1,011 million predominantly from higher direct cost, sales and marketing expenses and allowance for bad debts.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (4^{th} Quarter 2013 versus 3^{rd} Quarter 2013) (continued)

The decline in mobile subscriptions was impacted by higher churn mainly from legacy subscription plans. However, blended ARPUs and MOUs are relatively stable at RM49 per month and 155 minutes per subscription respectively.

Enterprise fixed services grew by RM3 million to end the quarter at RM61 million, while EBITDA increased by RM6 million to RM22 million mainly due to CTS costs recorded in the previous quarter.

International gateway services recorded lower revenue of RM69 million in the quarter. However, EBITDA grew marginally to RM14 million primarily due to favourable foreign currency exchange rates.

Home services revenue grew by RM5 million in the quarter with higher fibre Internet subscriptions. Nevertheless, EBITDA decreased by RM71 million resulting from provision for contract obligations made in respect of Home services' network and content costs.

Other operations segment represents management services rendered to other business segments within the Group. Its revenue was eliminated at Group level.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current year against the preceding year (Year 2013 versus Year 2012)

Financial indicators (RM'm unless otherwise indicated)	Year 2013	Year 2012	Variance	% Variance
Revenue	**9,084**	8,967	117	1
- Mobile services	***8,492***	*8,537*	*(45)*	*(1)*
- Enterprise fixed services	***240***	*203*	*37*	*18*
- International gateway services	***281***	*196*	*85*	*43*
- Home services	***71***	*31*	*40*	*>100*
Service revenue [(1)]	**8,514**	8,539	(25)	<(1)
EBITDA [(2)]	**4,310**	4,359	(49)	(1)
- Mobile services	***4,274***	*4,308*	*(34)*	*(1)*
- Enterprise fixed services	***90***	*64*	*26*	*41*
- International gateway services	***49***	*48*	*1*	*2*
- Home services	***(185)***	*(109)*	*(76)*	*(70)*
- *Other* operations	***82***	*48*	*34*	*71*
EBITDA margin (%)	**47.4**	48.6	(1.2)	NA
Depreciation	**1,101**	1,182	(81)	(7)
Amortisation	**265**	180	85	47
Profit before tax	**2,496**	2,576	(80)	(3)
Profit for the year	**1,772**	1,860	(88)	(5)
Adjustment for one-off items:				
Accelerated depreciation due to network modernisation programme [(3)] *and change in estimated asset useful lives*	***139***	*162*	*(23)*	*(14)*
CTS costs [(4)]	***143***	*-*	*143*	*>100*
Provision for contract obligations [(5)]	***65***	*-*	*65*	*>100*
Write down of assets [(6)]	***87***	*133*	*(46)*	*(35)*
Tax effects of the above adjustments	***(109)***	*(74)*	*(35)*	*(47)*
Last mile broadband tax incentive	***-***	*(32)*	*32*	*100*
Comparable profit for the year	**2,097**	2,049	48	2

Notes:

(1) Service revenue is defined as Group revenue excluding outright 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 has 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 has offered CTS to selected employees.

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

(6) In year 2013, the write down of assets includes impairment of property, plant and equipment, accelerated amortisation of customer acquisition costs and contents costs written off arising from the impairment assessment exercise carried out by the Group.

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 (Year 2013 versus Year 2012) (continued)

Mobile services - Operational indicators	Year 2013	Year 2012 (Restated)	Variance	% Variance
Mobile subscriptions ('000) (Market definition)	**12,893**	14,091	(1,198)	(9)
- Postpaid	***2,769***	*2,642*	*127*	*5*
- Prepaid	***9,528***	*10,770*	*(1,242)*	*(12)*
- Wireless Broadband	***596***	*679*	*(83)*	*(12)*
ARPU (Monthly) (RM) [(1)]				
- Postpaid	***101***	*107*	*(6)*	*(6)*
- Prepaid	***32***	*33*	*(1)*	*(3)*
- Wireless Broadband	***66***	*68*	*(2)*	*(3)*
- Blended	***47***	*48*	*(1)*	*(2)*
MOU per subscription (Monthly) (minutes) [(1)]				
- Postpaid	***301***	*330*	*(29)*	*(9)*
- Prepaid	***119***	*120*	*(1)*	*(1)*
- Blended	***156***	*160*	*(4)*	*(3)*

Note:
(1) With effect from 1 July 2013, ARPU and MOU per subscription for the current year have been computed based on market definition. The comparative ARPU and MOU per subscription have been restated to conform with current year basis of computations.

On a year on year basis, Group revenue grew by 1% or RM117 million contributed by all business segments except Mobile services. However, Group EBITDA declined by RM49 million to RM4,310 million, with Group EBITDA margin decreased by 1.2% point to 47.4% predominantly from CTS costs of RM143 million and provision for contract obligations related to Home services of RM65 million. Excluding the CTS costs and the provision for contract obligations, EBITDA margin would have increased by 1% point to 49.7%.

Current year Group profit after tax at RM1,772 million was lower than the previous year by RM88 million. On a comparable basis excluding the CTS costs, accelerated depreciation related to our network modernisation programme, write down of assets and provision for contract obligations, the Group profit after tax for the year would have increased by 2% to RM2,097 million.

On a segmental basis, *Mobile services* revenue decreased by RM45 million to RM8,492 million mainly due to the reduction in mobile subscriptions. Consequently, EBITDA decreased by RM34 million, ending the year with an EBITDA margin of 50.3%. The lower margin was mainly due to CTS costs. Blended ARPU declined by RM1 as a result of the reduction in voice and SMS usage not fully compensated by the increase in data usage.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current year against the preceding year (Year 2013 versus Year 2012) (continued)

Enterprise fixed services recorded higher revenue by RM37 million or 18% due to higher volume of leased lines and satellite transmission. As a result, EBITDA grew by RM26 million to RM90 million while EBITDA margin improved by 6% points to 37.5%.

International gateway services revenue was higher by RM85 million, on account of higher hubbing volumes. As this is a relatively low margin business, the corresponding increase in EBITDA was only RM1 million.

Home services revenue increased by RM40 million as a result of higher home fibre Internet subscriptions. The EBITDA loss was primarily due to provision for contract obligations made in respect of Home services' network and content costs.

Other operations segment represents management services rendered to other business segments within the Group. Its revenue was eliminated at Group level.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2014

The Mobile operating environment remains competitive and growth will continue to be driven by data through higher adoption of smart devices. In this regard, the Group will continue to enhance its 3G HSPA+ infrastructure and its 4G LTE coverage footprint to capture the growing demand for high speed Internet access. At the same time, the Group will continue to proactively manage its cost.

For the financial year 2014, the Group expects to maintain its service revenue at the same level as in financial year 2013.

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 2012.

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

19. PROFIT FROM OPERATIONS

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/12/2013	QUARTER ENDED 31/12/2012	**YEAR ENDED 31/12/2013**	YEAR ENDED 31/12/2012
	RM'm	RM'm	**RM'm**	RM'm
Allowance/(reversal) (net) for:				
- impairment of receivables, deposits and prepayments	**26**	11	**84**	97
- inventory obsolescence	**(2)**	(1)	**1**	3
Amortisation of intangible assets	**81**	47	**265**	180
Bad debts recovered	**(4)**	(2)	**(18)**	(17)
CTS costs	**41**	-	**143**	-
Loss/(gain) on foreign exchange	**2**	-	**19**	(9)
Property, plant and equipment:				
- depreciation	**272**	390	**1,101**	1,182
- impairment	**82**	-	**82**	-
- loss/(gain) on disposal	**-**	1	**(1)**	-
- written off	**21**	3	**38**	133
Provision for contract obligations	**65**	-	**65**	-

Other than as presented in the statement 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 financial year ended 31 December 2013.

20. TAX EXPENSES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/12/2013	QUARTER ENDED 31/12/2012	**YEAR ENDED 31/12/2013**	YEAR ENDED 31/12/2012
	RM'm	RM'm	**RM'm**	RM'm
Income tax:				
- current tax	**181**	126	**781**	787
- under/(over) accrual in prior years	**-**	1	**2**	(68)
Deferred tax:				
- origination and reversal of temporary differences	**(28)**	42	**(43)**	(79)
- recognition and reversal of prior years' temporary differences	**-**	-	**1**	76
- changes in tax rate	**(17)**	-	**(17)**	-
Total	**136**	169	**724**	716

The Group's effective tax rates for the current quarter and financial year ended 31 December 2013 was 31.8% and 29.0% respectively, 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.

22. BORROWINGS

The borrowings as at 31 December 2013 are as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
	RM'm	RM'm	RM'm
Secured			
Finance lease liabilities	6	12	18
Unsecured			
Revolving credit	500	-	500
Term loans	-	1,746	1,746
Syndicated term loans	404	2,372	2,776
Islamic Medium Term Notes	-	2,483	2,483
Loan from a related party	-	29	29
Payables and accruals (deferred payment schemes)	12	372	384
	922	7,014	7,936

Currency profile of borrowings is as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
Ringgit Malaysia ("RM")	506	3,520 (1)	4,026
United States Dollar ("USD")	416 (2)	3,314 (2)	3,730
Singapore Dollar ("SGD")	-	180 (2)	180
	922	7,014	7,936

Notes:
(1) Includes a term loan facility which has been partially hedged using interest rate swaps as disclosed in Note 23.
(2) Includes borrowings of RM3,526 million which have been hedged using cross currency interest rate swaps as disclosed in Note 23.

23. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Disclosure of derivatives

Details of derivative financial instruments outstanding as at 31 December 2013 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	**421**	**84**
- one year to three years	**1,683**	**46**
- more than three years	**1,460**	**(101)**
IRS:		
- less than one year	**-**	**-**
- one year to three years	**-**	**-**
- more than three years	**700**	**(56)**
Total	**4,264**	**(27)**

Other than those disclosed in the Group's audited financial statements for the financial year ended 31 December 2012, there were no additional derivative financial instruments entered by the Group during the financial year ended 31 December 2013. Also, there have been no changes since the end of the previous financial year ended 31 December 2012 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 liabilities

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 December 2013, the Group has recognised derivative financial assets and derivative financial liabilities of RM145 million and RM118 million respectively, a reduction in fair value losses by RM82 million from the previous quarter, 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, RM15 million of the cash flow hedging reserve was reclassified to the statement of profit or loss to offset the unrealised foreign exchange loss of RM16 million which arose from the weakening RM against USD and SGD and recognition of additional interest expense of RM1 million as the underlying interest rates were lower than the hedged interest rates on the borrowings. This has resulted in a reduction in the debit balance of the cash flow hedging reserve as at 31 December 2013 by RM67 million and recorded a credit balance of RM61 million compared with the preceding quarter.

The gains recognised in the cash flow hedging reserve in equity of RM61 million as at 31 December 2013 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 31/12/2013	AS AT 31/12/2012
	RM'm	**RM'm**
Retained earnings of the Company and its subsidiaries:		
- realised	**600**	566
- unrealised	**(479)**	(447)
	121	119
Less: Consolidation adjustments	**(40)**	(34)
Total retained earnings as per Consolidated Statements of Financial Position	**81**	85

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 5 February 2014.

26. DIVIDENDS

(a) Interim dividend

The Board of Directors has declared a fourth interim single-tier tax-exempt dividend of 8.0 sen per ordinary share in respect of the financial year ended 31 December 2013, to be paid on 8 April 2014. The entitlement date for the dividend payment is 11 March 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 11 March 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.

(b) Final dividend

The Board of Directors proposes to recommend for shareholders’ approval at the forthcoming Annual General Meeting a final single-tier tax-exempt dividend of 8.0 sen per ordinary share in respect of the financial year ended 31 December 2013, to be paid on a date to be determined.

The total dividends for the current financial year ended 31 December 2013 is 40.0 sen per ordinary share (2012: 40.0 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 31/12/2013	QUARTER ENDED 31/12/2012	**YEAR ENDED 31/12/2013**	YEAR ENDED 31/12/2012
(a) Basic earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**290**	378	**1,765**	1,856
Weighted average number of issued ordinary shares	('m)	**7,503**	7,501	**7,502**	7,500
Basic earnings per share	(sen)	**3.9**	5.0	**23.5**	24.7
(b) Diluted earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**290**	378	**1,765**	1,856
Weighted average number of issued ordinary shares	('m)	**7,503**	7,501	**7,502**	7,500
Adjusted for share options granted	('m)	**4**	2	**2**	2
Adjusted weighted average number of ordinary shares	('m)	**7,507**	7,503	**7,504**	7,502
Diluted earnings per share	(sen)	**3.9**	5.0	**23.5**	24.7

By order of the Board

Dipak Kaur
(LS 5204)
Company Secretary
11 February 2014
Kuala Lumpur