



MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 2014 which 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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		QUARTER	QUARTER		PERIOD	PERIOD	
		ENDED	ENDED	+	ENDED	ENDED	+
		30/9/2014	30/9/2013	-	30/9/2014	30/9/2013	-
		RM'm	RM'm	%	RM'm	RM'm	%
Revenue		2,065	2,239	-8	6,266	6,860	-9
Cost of sales		(652)	(738)		(2,011)	(2,326)	
Gross profit		1,413	1,501	-6	4,255	4,534	-6
Other income		37	24		62	51	
Administrative expenses		(400)	(518)		(1,236)	(1,383)	
Network operation costs		(267)	(239)		(804)	(837)	
Other expenses		(39)	(19)		(61)	(55)	
Profit from operations	19	744	749	-1	2,216	2,310	-4
Finance income		13	7		29	23	
Finance costs		(114)	(89)		(311)	(265)	
Profit before tax		643	667	-4	1,934	2,068	-6
Tax expenses	20	(192)	(193)		(544)	(588)	
Profit for the period		451	474	-5	1,390	1,480	-6
Attributable to:							
- equity holders of the Company		449	472	-5	1,379	1,475	-7
- non-controlling interest		2	2		11	5	
		451	474	-5	1,390	1,480	-6
Earnings per share attributable to equity holders of the Company (sen):							
- basic	27	6.0	6.3		18.4	19.7	
- diluted	27	6.0	6.3		18.4	19.7	



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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30/9/2014 RM'm	QUARTER ENDED 30/9/2013 RM'm	PERIOD ENDED 30/9/2014 RM'm	PERIOD ENDED 30/9/2013 RM'm
Profit for the period	451	474	1,390	1,480
<b>Other comprehensive (expense)/income</b>				
<b>Item that will be reclassified subsequently to profit or loss:</b>				
Net change in cash flow hedge	(17)	81	(35)	100
Total comprehensive income for the period	<u>434</u>	<u>555</u>	<u>1,355</u>	<u>1,580</u>
Attributable to:				
- equity holders of the Company	432	553	1,344	1,575
- non-controlling interest	2	2	11	5
	<u>434</u>	<u>555</u>	<u>1,355</u>	<u>1,580</u>



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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	AS AT 30/9/2014 (Unaudited) RM'm	AS AT 31/12/2013 (Audited) RM'm
<b>Non-current assets</b>			
Property, plant and equipment	8	3,822	4,038
Intangible assets <sup>(1)</sup>		11,157	11,167
Derivative financial instruments	23	107	145
Deferred tax assets		113	128
		<u>15,199</u>	<u>15,478</u>
<b>Current assets</b>			
Inventories		17	70
Receivables, deposits and prepayments		787	947
Amounts due from related parties		21	24
Tax recoverable		75	3
Cash and cash equivalents		1,477	808
		<u>2,377</u>	<u>1,852</u>
<b>Total assets</b>		<u>17,576</u>	<u>17,330</u>
<b>Current liabilities</b>			
Provisions for liabilities and charges		87	135
Payables and accruals		2,274	2,434
Amounts due to fellow subsidiaries		1	4
Amounts due to related parties		20	23
Borrowings	22	821	910
Derivative financial instruments	23	74	84
Taxation		302	71
		<u>3,579</u>	<u>3,661</u>
<b>Net current liabilities</b>		<u>(1,202)</u>	<u>(1,809)</u>

Note:

<sup>(1)</sup> 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 30/9/2014 (Unaudited)	AS AT 31/12/2013 (Audited)
	Note	RM'm	RM'm
<b>Non-current liabilities</b>			
Provisions for liabilities and charges		126	110
Payables and accruals		475	372
Loan from a related party	22	29	29
Borrowings	22	7,947	6,613
Derivative financial instruments	23	21	34
Deferred tax liabilities		414	495
		<u>9,012</u>	<u>7,653</u>
<b>Net assets</b>		<u>4,985</u>	<u>6,016</u>
<b>Equity</b>			
Share capital		751	750
Reserves		4,208	5,251
<b>Equity attributable to equity holders of the Company</b>		<u>4,959</u>	<u>6,001</u>
Non-controlling interest		26	15
<b>Total equity</b>		<u>4,985</u>	<u>6,016</u>
<b>Net assets per share attributable to equity holders of the Company (RM)</b>			
		<u>0.66</u>	<u>0.80</u>



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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

← Attributable to equity holders of the Company →

Period ended 30/9/2014	Share capital <sup>(2)</sup>	Share premium	Merger relief <sup>(3)</sup>	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	-	-	-	-	-	1,379	1,379	11	1,390
Other comprehensive expense for the period	-	-	-	-	(35)	-	(35)	-	(35)
Total comprehensive (expense)/income for the period	-	-	-	-	(35)	1,379	1,344	11	1,355
Dividends for the financial year ended 31 December 2013	-	-	(625)	-	-	(575)	(1,200)	-	(1,200)
Dividends for the financial year ending 31 December 2014	-	-	(1,201)	-	-	-	(1,201)	-	(1,201)
Employee Share Option Scheme ("ESOS"):									
- share options granted	-	-	-	-	3	-	3	-	3
- shares issued	1	16	-	-	(1)	-	16	-	16
Share-based incentive arrangement:									
- shares granted	-	-	-	-	1	-	1	-	1
- purchase of shares	-	-	-	-	(5)	-	(5)	-	(5)
Balance as at 30/9/2014	<u>751</u>	<u>36</u>	<u>25,932</u>	<u>(22,729)</u>	<u>84</u>	<u>885</u>	<u>4,959</u>	<u>26</u>	<u>4,985</u>

Notes:

<sup>(2)</sup> Issued and fully paid ordinary shares of RM0.10 each.

<sup>(3)</sup> 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 CHANGES IN EQUITY (CONTINUED)

Period ended 30/9/2013	Attributable to equity holders of the Company						Total	Non-controlling interest	Total equity
	Share capital <sup>(2)</sup>	Share premium	Merger relief <sup>(3)</sup>	Reserve arising from reverse acquisition	Other reserves	Retained earnings			
	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 period	-	-	-	-	-	1,475	1,475	5	1,480
Other comprehensive income for the period	-	-	-	-	100	-	100	-	100
Total comprehensive income for the period	-	-	-	-	100	1,475	1,575	5	1,580
Dividends for the financial year ended 31 December 2012	-	-	(546)	-	-	(654)	(1,200)	-	(1,200)
Dividends for the financial year ended 31 December 2013	-	-	(605)	-	-	(595)	(1,200)	-	(1,200)
ESOS:									
- share options granted	-	-	-	-	4	-	4	-	4
- shares issued	*	14	-	-	(1)	-	13	-	13
Balance as at 30/9/2013	<u>750</u>	<u>17</u>	<u>27,838</u>	<u>(22,729)</u>	<u>54</u>	<u>311</u>	<u>6,241</u>	<u>13</u>	<u>6,254</u>

Notes:

<sup>(2)</sup> Issued and fully paid ordinary shares of RM0.10 each.

<sup>(3)</sup> 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 THIRD QUARTER ENDED 30 SEPTEMBER 2014

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	PERIOD ENDED 30/9/2014	PERIOD ENDED 30/9/2013
	RM'm	RM'm
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	1,390	1,480
Adjustments for:		
- non-cash items	1,032	1,100
- finance costs	311	265
- finance income	(29)	(23)
- tax expenses	544	588
Payments for provision for liabilities and charges	(21)	(35)
Operating cash flows before working capital changes	<u>3,227</u>	<u>3,375</u>
Changes in working capital	(33)	(13)
Cash flows from operations	<u>3,194</u>	<u>3,362</u>
Interest received	28	23
Tax paid	(451)	(561)
Net cash flows from operating activities	<u>2,771</u>	<u>2,824</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of intangible assets	(178)	(206)
Purchase of property, plant and equipment	(459)	(327)
Proceeds from disposal of property, plant and equipment	2	1
Net cash flows used in investing activities	<u>(635)</u>	<u>(532)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares pursuant to ESOS	16	13
Purchase of shares pursuant to share-based incentive arrangement	(5)	-
Drawdown of borrowing	2,150	-
Repayment of borrowings	(921)	-
Repayment of lease financing	(2)	(1)
Repayment of loan from a related party	-	(4)
Payments of finance costs	(304)	(290)
Ordinary share dividends paid	(2,401)	(1,800)
Net cash flows used in financing activities	<u>(1,467)</u>	<u>(2,082)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>669</u>	<u>210</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<u>808</u>	<u>967</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<u><u>1,477</u></u>	<u><u>1,177</u></u>



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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 10.

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)

### **MFRSs 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 and amendments to standards which are effective for the 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)
- MFRS 15 Revenue from Contracts with Customers (effective from 1 January 2017)
- Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)
- 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.





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

### 3. UNUSUAL ITEMS

Save for below items and those disclosed in Note 5, there were no other significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the nine-month ended 30 September 2014:

- (a) accelerated depreciation due to network modernisation programme of RM156 million; and
- (b) reversal for contract obligation in relation to Home's network cost of RM22 million.

### 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-month ended 30 September 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 and nine-month ended 30 September 2014 have reduced the carrying value of property, plant and equipment by RM57 million and RM148 million respectively with a corresponding additional depreciation charge to the statement of profit or loss.

### 5. DEBT AND EQUITY SECURITIES

- (a) On 2 April 2014, the Company entered into an agreement with RHB Islamic Bank Berhad for Commodity Murabahah Term Financing Facility of RM2.5 billion with a tenure of 10 years for the purposes set out below:
  - (i) to refinance borrowings of the Group; and
  - (ii) to finance capital expenditure and general working capital requirements of the Group.

For the nine-month ended 30 September 2014, the Company had drawn down RM2.15 billion, of which RM921 million were utilised to repay the Company's existing borrowings.

- (b) During the nine-month ended 30 September 2014, a total of 2,700,800 ordinary shares of RM0.10 each were issued under the ESOS.

Save for the above, there were no other issuance, repurchase and repayment of debt and equity securities by the Group during the nine-month ended 30 September 2014.



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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-month ended 30 September 2014:

	RM'm
In respect of the financial year ended 31 December 2013:	
- fourth interim single-tier tax-exempt dividend of 8.0 sen per ordinary share, paid on 8 April 2014	600
- final single-tier tax-exempt dividend of 8.0 sen per ordinary share, paid on 27 June 2014	600
In respect of the financial year ending 31 December 2014:	
- first interim single-tier tax-exempt dividend of 8.0 sen per ordinary share, paid on 27 June 2014	601
- second interim single-tier tax-exempt dividend of 8.0 sen per ordinary share, paid on 26 September 2014	600
	<hr/>
	<u>2,401</u>

## 7. SEGMENT REPORTING

Previously, the Group disclosed four key operating segments namely Mobile, International gateway, Enterprise fixed and Home services. During the financial period, 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 nine-month ended 30 September 2014. As at 30 September 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

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-month ended 30 September 2014.



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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. 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 30 September 2014 are as follows:

	RM'm
Contracted for	300
Not contracted for	174
	<u>474</u>

**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 30/9/2014	Balances due from/(to) as at 30/9/2014	Commitments as at 30/9/2014	Total balances due from/(to) and commitments as at 30/9/2014
	RM'm	RM'm	RM'm	RM'm
<b>(a) Sales of goods and services to:</b>				
- MEASAT Broadcast Network Systems Sdn. Bhd. <sup>(1)</sup> (VSAT, telephony, bandwidth and broadband services)	54	17	-	17
- Saudi Telecom Company ("STC") <sup>(2)</sup> (roaming and international calls)	14	4	-	4
- MEASAT Global Berhad Group <sup>(3)</sup> (revenue share for the leasing of satellite bandwidth)	5	-	-	-



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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 30/9/2014 RM'm	Balances due from/(to) as at 30/9/2014 RM'm	Commitments as at 30/9/2014 RM'm	Total balances due from/(to) and commitments as at 30/9/2014 RM'm
(b) Purchases of goods and services from:				
- Aircel Limited Group <sup>(4)</sup> (interconnect, roaming and international calls)	5	(1)	-	(1)
- Tanjong City Centre Property Management Sdn. Bhd. <sup>(5)</sup> (rental, signage, parking and utility charges)	28	1	(8)	(7)
- MEASAT Global Berhad Group <sup>(3)</sup> (transponder and teleport lease rental)	22	-	(58)	(58)
- Astro Digital 5 Sdn. Bhd. <sup>(1)</sup> (content provision, publishing and advertising agent)	4	(5)	-	(5)
- MEASAT Broadcast Network Systems Sdn. Bhd. <sup>(1)</sup> (mobile TV and IPTV contents)	15	-	(10)	(10)
- UTSB Management Sdn. Bhd. <sup>(5)</sup> (corporate management services fees)	19	(2)	(50)	(52)
- SRG Asia Pacific Sdn. Bhd. <sup>(6)</sup> (call handling and telemarketing services)	13	(5)	-	(5)
- UMTS (Malaysia) Sdn. Bhd. <sup>(7)</sup> (usage of 3G spectrum)	55	(4)	-	(4)



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

**13. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

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 such shares, as such interest is held subject to the terms of such discretionary trust.

- (1) Subsidiary of a joint venture of UTSB
- (2) A major shareholder of BGSM, as described above
- (3) Subsidiary of a company in which TAK has a 99% direct equity interest
- (4) Subsidiary of MCB
- (5) Subsidiary of UTSB
- (6) Subsidiary of a company in which a person connected to TAK has a deemed equity interest
- (7) 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 30 September 2014 except as set out below, measured using Level 3 valuation technique:

	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
	RM'm	RM'm
Borrowings		
- finance lease liabilities	8	7
- Islamic Medium Term Notes	2,453	2,593
	<u>          </u>	<u>          </u>



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

14. FAIR VALUE MEASUREMENTS (CONTINUED)

(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 2014:

	RM'm
<b>Recurring fair value measurements</b>	
Derivative financial instruments (Cross Currency Interest Rate Swaps ("CCIRS") and Interest Rate Swaps ("IRS")):	
- assets	107
- liabilities	(95)

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 (3<sup>rd</sup> Quarter 2014 versus 2<sup>nd</sup> Quarter 2014)

Financial indicators (RM'm unless otherwise indicated)	3 <sup>rd</sup> Quarter 2014 (unaudited)	2 <sup>nd</sup> Quarter 2014 (unaudited)	Variance	% Variance
Revenue	2,065	2,082	(17)	(1)
Service revenue <sup>(1)</sup>	2,049	2,049	-	-
EBITDA <sup>(2)</sup>	1,070	1,086	(16)	(1)
EBITDA margin (%)	51.8	52.2	(0.4)	NA
Depreciation	268	284	(16)	(6)
Amortisation	60	65	(5)	(8)
Profit before tax	643	634	9	1
Profit for the period	451	451	-	-
<i>Adjustments for one-off items:</i>				
<i>Accelerated depreciation due to network modernisation programme <sup>(3)</sup></i>	<i>57</i>	<i>60</i>	<i>(3)</i>	<i>(5)</i>
<i>Reversal for contract obligation <sup>(4)</sup></i>	<i>-</i>	<i>(22)</i>	<i>22</i>	<i>100</i>
<i>Tax effects of the above adjustments</i>	<i>(14)</i>	<i>(9)</i>	<i>(5)</i>	<i>(56)</i>
<b>Comparable profit for the period</b>	<b>494</b>	<b>480</b>	<b>14</b>	<b>3</b>

Notes:

<sup>(1)</sup> Service revenue is defined as Group revenue excluding device and hubbing revenues.

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

<sup>(3)</sup> 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.

<sup>(4)</sup> Reversal for contract obligation was made in relation to Home's network cost.



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

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (3<sup>rd</sup> Quarter 2014 versus 2<sup>nd</sup> Quarter 2014)  
(continued)

Operational indicators	3 <sup>rd</sup> Quarter 2014	2 <sup>nd</sup> Quarter 2014	Variance	% Variance
<b>Mobile subscriptions ('000)</b> <b>(Market definition)</b>	<b>12,415</b>	<b>12,401</b>	<b>14</b>	<b>&lt;1</b>
- <i>Postpaid</i>	<i>2,840</i>	<i>2,828</i>	<i>12</i>	<i>&lt;1</i>
- <i>Prepaid</i>	<i>9,081</i>	<i>9,042</i>	<i>39</i>	<i>&lt;1</i>
- <i>Wireless Broadband</i>	<i>494</i>	<i>531</i>	<i>(37)</i>	<i>(7)</i>
<b>ARPU (Monthly) (RM)</b>				
- <i>Postpaid</i>	<i>94</i>	<i>97</i>	<i>(3)</i>	<i>(3)</i>
- <i>Prepaid</i>	<i>35</i>	<i>34</i>	<i>1</i>	<i>3</i>
- <i>Wireless Broadband</i>	<i>69</i>	<i>67</i>	<i>2</i>	<i>3</i>
- <i>Blended</i>	<i>50</i>	<i>50</i>	<i>-</i>	<i>-</i>
<b>MOU per subscription (Monthly) (minutes)</b>				
- <i>Postpaid</i>	<i>278</i>	<i>283</i>	<i>(5)</i>	<i>(2)</i>
- <i>Prepaid</i>	<i>131</i>	<i>124</i>	<i>7</i>	<i>6</i>
- <i>Blended</i>	<i>165</i>	<i>161</i>	<i>4</i>	<i>2</i>

In the quarter under review, the Group's service revenue was stable at RM2,049 million with mobile Internet revenue, which grew by 4.1% to RM589 million, offsetting the continued decline in voice and SMS usage and a RM16 million impact from the re-pricing of postpaid pay per use charges. The steady pick-up in mobile Internet revenue continued to be driven by the Group's worry free propositions and smart phone momentum as well as customers' demand to access information on the go and the growing popularity of mobile social networks and apps. The Group's blended smart phone penetration stood at 54% this quarter, up 5% points, and was primarily fueled by low-to-mid tier devices.

In the same period, the Group's total cost base stood at RM995 million, similar to that of the previous quarter. As stated previously, the Group intends to invest more in sales and marketing to strengthen its market competitiveness. Consequently, sales and marketing expenses were higher in this quarter. This higher spent together with higher general and administrative expenses were, however, partially mitigated by lower staff costs.

EBITDA for the period of RM1,070 million and EBITDA margin of 51.8% were lower than last quarter by RM16 million and 0.4% respectively due to lower non service revenue. However, profit for the period stood at RM451 million, similar to that of the previous quarter.





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15. ANALYSIS OF PERFORMANCE (CONTINUED)

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

Financial indicators (RM'm unless otherwise indicated)	YTD 2014 (unaudited)	YTD 2013 (unaudited)	Variance	% Variance
Revenue	6,266	6,860	(594)	(9)
Service revenue <sup>(1)</sup>	6,135	6,406	(271)	(4)
EBITDA <sup>(2)</sup>	3,229	3,339	(110)	(3)
EBITDA margin (%)	51.5	48.7	2.8	NA
Depreciation	821	829	(8)	(1)
Amortisation	188	184	4	2
Profit before tax	1,934	2,068	(134)	(6)
Profit for the period	1,390	1,480	(90)	(6)
<i>Adjustments for one-off items:</i>				
<i>Career Transition Scheme ("CTS") costs <sup>(3)</sup></i>	-	102	(102)	(100)
<i>Accelerated depreciation due to network modernisation programme <sup>(4)</sup></i>	156	100	56	56
<i>Reversal for contract obligation <sup>(5)</sup></i>	(22)	-	(22)	>(100)
<i>Tax effects of the above adjustments</i>	(33)	(51)	18	35
<b>Comparable profit for the period</b>	<b>1,491</b>	<b>1,631</b>	<b>(140)</b>	<b>(9)</b>

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 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.
- (4) 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.
- (5) Reversal for contract obligation was made in relation to Home's network cost.



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15. ANALYSIS OF PERFORMANCE (CONTINUED)

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

Operational indicators	YTD 2014	YTD 2013	Variance	% Variance
<b>Mobile subscriptions ('000)</b>	<b>12,415</b>	<b>13,213</b>	<b>(798)</b>	<b>(6)</b>
<b>(Market definition)</b>				
- <i>Postpaid</i>	<i>2,840</i>	<i>2,732</i>	<i>108</i>	<i>4</i>
- <i>Prepaid</i>	<i>9,081</i>	<i>9,845</i>	<i>(764)</i>	<i>(8)</i>
- <i>Wireless Broadband</i>	<i>494</i>	<i>636</i>	<i>(142)</i>	<i>(22)</i>
<b>ARPU (Monthly) (RM)</b>				
- <i>Postpaid</i>	<i>96</i>	<i>102</i>	<i>(6)</i>	<i>(6)</i>
- <i>Prepaid</i>	<i>34</i>	<i>32</i>	<i>2</i>	<i>6</i>
- <i>Wireless Broadband</i>	<i>68</i>	<i>65</i>	<i>3</i>	<i>5</i>
- <i>Blended</i>	<i>49</i>	<i>47</i>	<i>2</i>	<i>4</i>
<b>MOU per subscription (Monthly) (minutes)</b>				
- <i>Postpaid</i>	<i>280</i>	<i>304</i>	<i>(24)</i>	<i>(8)</i>
- <i>Prepaid</i>	<i>124</i>	<i>120</i>	<i>4</i>	<i>3</i>
- <i>Blended</i>	<i>160</i>	<i>157</i>	<i>3</i>	<i>2</i>

Year-to-date, the Group's service revenue declined by 4.2% to RM6,135 million. The decline in service revenue was primarily driven by the decline in prepaid and wireless broadband subscriptions, the decline in voice and SMS usage and the proactive measures taken to offer worry free propositions to the customers with the introduction of capped data roaming prices to 106 countries, free basic Internet for prepaid users and the significant downward re-pricing of postpaid pay per use charges. In spite of the financial impact of some of these measures, mobile Internet revenue grew by 14.5% to RM1,679 million and was primarily driven by higher Internet usage and higher smart phone penetration explained above.

In the period under review, the Group's total cost base was 13.7% lower at RM3,037 million, against RM3,521 million in the same period last year. The reduction was primarily driven by lower traffic and device related expenses, as well as lower staff costs, resulting in EBITDA of RM3,229 million and EBITDA margin of 51.5%, against RM3,339 million and 48.7% in the corresponding period last year.

Consequently, profit for the period was 6.1% lower at RM1,390 million, against RM1,480 million in the same period last year.



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16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2014

Based on the performance in the first nine months, as explained in Note 15, service revenue for the current financial year is expected to be below that of the preceding financial year, with similar EBITDA margin.

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 30/9/2014	QUARTER ENDED 30/9/2013	PERIOD ENDED 30/9/2014	PERIOD ENDED 30/9/2013
	RM'm	RM'm	RM'm	RM'm
Allowance/(reversal) (net) for:				
- impairment of receivables, deposits and prepayments	19	13	49	58
- inventory obsolescence	-	2	(7)	3
Amortisation of intangible assets	60	64	188	184
Bad debts recovered	(4)	(5)	(13)	(14)
Net loss on foreign exchange	8	11	5	17
Inventories written down	-	-	4	-
Property, plant and equipment:				
- depreciation	268	239	821	829
- gain on disposal	(2)	-	(2)	(1)
- impairment/written off	-	-	6	17
CTS costs	-	102	-	102
Reversal for contract obligation	-	-	(22)	-



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19. PROFIT FROM OPERATIONS (CONTINUED)

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 nine-month ended 30 September 2014.

20. TAX EXPENSES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30/9/2014	QUARTER ENDED 30/9/2013	PERIOD ENDED 30/9/2014	PERIOD ENDED 30/9/2013
	RM'm	RM'm	RM'm	RM'm
Income tax:				
- current tax	221	125	611	600
- under accrual in prior years	-	2	-	2
Deferred tax:				
- origination and reversal of temporary differences	(29)	65	(50)	(15)
- recognition and reversal of prior years temporary differences	-	1	-	1
- changes in tax rate	-	-	(17)	-
<b>Total</b>	<b>192</b>	<b>193</b>	<b>544</b>	<b>588</b>

The Group's effective tax rates for the current quarter and nine-month ended 30 September 2014 was 29.9% and 28.1% 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.



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22. BORROWINGS

The borrowings as at 30 September 2014 are as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
	RM'm	RM'm	RM'm
<b><u>Secured</u></b>			
Finance lease liabilities	10	8	18
<b><u>Unsecured</u></b>			
Term loans	-	3,920	3,920
Syndicated term loans	811	1,566	2,377
Islamic Medium Term Notes	-	2,453	2,453
Loan from a related party	-	29	29
	<u>821</u>	<u>7,976</u>	<u>8,797</u>

Currency profile of borrowings is as follows:

Ringgit Malaysia ("RM")	10	5,659 <sup>(1)</sup>	5,669
United States Dollar ("USD")	811 <sup>(2)</sup>	2,138 <sup>(2)</sup>	2,949
Singapore Dollar ("SGD")	-	179 <sup>(2)</sup>	179
	<u>821</u>	<u>7,976</u>	<u>8,797</u>

Notes:

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

<sup>(2)</sup> Includes borrowings of RM3,128 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 2014 are set out below:

TYPE OF DERIVATIVE	CONTRACT/ NOTIONAL VALUE	FAIR VALUE
	RM'm	RM'm
<b>Cash flow hedge derivatives:</b>		
CCIRS:		
- less than one year	842	74
- one year to three years	1,287	21
- more than three years	1,014	(70)
IRS:		
- less than one year	-	-
- one year to three years	-	-
- more than three years	700	(37)
<b>Total</b>	<b>3,843</b>	<b>(12)</b>

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 nine-month ended 30 September 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.



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## 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 30 September 2014, the Group has recognised derivative financial assets and derivative financial liabilities of RM107 million and RM95 million respectively, a reduction in fair value losses by RM71 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, RM88 million of the cash flow hedging reserve was reclassified to the statement of profit or loss to offset the foreign exchange losses of RM87 million which arose 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 a reduction in the credit balance of the cash flow hedging reserve as at 30 September 2014 by RM17 million to RM26 million compared with the previous financial period ended 30 June 2014.

The gains recognised in the cash flow hedging reserve in equity of RM26 million as at 30 September 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.



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## 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 30/9/2014	AS AT 31/12/2013
	RM'm	RM'm
Retained earnings of the Company and its subsidiaries:		
- realised	1,319	600
- unrealised	(381)	(479)
	<u>938</u>	<u>121</u>
Less: Consolidation adjustments	(53)	(40)
	<u>885</u>	<u>81</u>
<b>Total retained earnings as per Consolidated Statements of Financial Position</b>	<b>885</b>	<b>81</b>

## 25. MATERIAL LITIGATION

There is no material litigation as at 7 November 2014.

## 26. DIVIDENDS

The Board of Directors has declared a third 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 26 December 2014. The entitlement date for the dividend payment is 28 November 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 28 November 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 nine-month ended 30 September 2014 is 24.0 sen per ordinary share (2013: 24.0 sen).





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27. EARNINGS PER SHARE

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER	QUARTER	PERIOD	PERIOD
		ENDED	ENDED	ENDED	ENDED
		30/9/2014	30/9/2013	30/9/2014	30/9/2013
<b>(a) Basic earnings per share</b>					
Profit attributable to the equity holders of the Company	(RM'm)	<u>449</u>	<u>472</u>	<u>1,379</u>	<u>1,475</u>
Weighted average number of issued ordinary shares	('m)	<u>7,505</u>	<u>7,502</u>	<u>7,505</u>	<u>7,501</u>
Basic earnings per share	(sen)	<u>6.0</u>	<u>6.3</u>	<u>18.4</u>	<u>19.7</u>
<b>(b) Diluted earnings per share</b>					
Profit attributable to the equity holders of the Company	(RM'm)	<u>449</u>	<u>472</u>	<u>1,379</u>	<u>1,475</u>
Weighted average number of issued ordinary shares	('m)	<u>7,505</u>	<u>7,502</u>	<u>7,505</u>	<u>7,501</u>
Adjusted for share options and shares granted	('m)	<u>1</u>	<u>4</u>	<u>2</u>	<u>3</u>
Adjusted weighted average number of ordinary shares	('m)	<u>7,506</u>	<u>7,506</u>	<u>7,507</u>	<u>7,504</u>
Diluted earnings per share	(sen)	<u>6.0</u>	<u>6.3</u>	<u>18.4</u>	<u>19.7</u>

By order of the Board

Dipak Kaur

(LS 5204)

Company Secretary

13 November 2014

Kuala Lumpur