MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

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 2014 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2013 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 31/12/2014 (Unaudited)	QUARTER ENDED 31/12/2013 (Unaudited)	+ -	**YEAR ENDED 31/12/2014 (Audited)**	YEAR ENDED 31/12/2013 (Audited)	+ -
	Note	**RM'm**	RM'm	%	**RM'm**	RM'm	%
Revenue		**2,123**	2,224	-5	**8,389**	9,084	-8
Cost of sales		**(696)**	(763)		**(2,707)**	(3,089)	
Gross profit		**1,427**	1,461	-2	**5,682**	5,995	-5
Other income		**45**	11		**107**	62	
Administrative expenses		**(467)**	(517)		**(1,703)**	(1,900)	
Network operation costs		**(371)**	(349)		**(1,175)**	(1,186)	
Other expenses		**(34)**	(91)		**(95)**	(146)	
Profit from operations	19	**600**	515	+17	**2,816**	2,825	-<1
Finance income		**15**	6		**44**	29	
Finance costs		**(113)**	(93)		**(424)**	(358)	
Profit before tax		**502**	428	+17	**2,436**	2,496	-2
Tax expenses	20	**(167)**	(136)		**(711)**	(724)	
Profit for the period/year		**335**	292	+15	**1,725**	1,772	-3
Attributable to:							
- equity holders of the Company		**339**	290	+17	**1,718**	1,765	-3
- non-controlling interest		**(4)**	2		**7**	7	
		335	292	+15	**1,725**	1,772	-3
Earnings per share attributable to equity holders of the Company (sen):							
- basic	27	**4.5**	3.9		**22.9**	23.5	
- diluted	27	**4.5**	3.9		**22.9**	23.5	

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/12/2014 (Unaudited)	QUARTER ENDED 31/12/2013 (Unaudited)	**YEAR ENDED 31/12/2014 (Audited)**	YEAR ENDED 31/12/2013 (Audited)
	RM'm	RM'm	**RM'm**	RM'm
Profit for the period/year	**335**	292	**1,725**	1,772
Other comprehensive income/(expense)				
Item that will be reclassified subsequently to profit or loss:				
Net change in cash flow hedge	**17**	67	**(18)**	167
Total comprehensive income for the period/year	**352**	359	**1,707**	1,939
Attributable to:				
- equity holders of the Company	**356**	357	**1,700**	1,932
- non-controlling interest	**(4)**	2	**7**	7
	352	359	**1,707**	1,939

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	AS AT 31/12/2014 RM'm	AS AT 31/12/2013 RM'm
Non-current assets			
Property, plant and equipment	8	**4,008**	4,038
Intangible assets [1]		**11,176**	11,167
Derivative financial instruments	23	**245**	145
Deferred tax assets		**102**	128
		15,531	15,478
Current assets			
Inventories		**12**	70
Receivables, deposits and prepayments		**971**	947
Amounts due from related parties		**27**	24
Tax recoverable		**37**	3
Cash and cash equivalents		**1,531**	808
		2,578	1,852
Total assets		**18,109**	17,330
Current liabilities			
Provisions for liabilities and charges		**65**	135
Payables and accruals		**3,002**	2,434
Amounts due to fellow subsidiaries		**-**	4
Amounts due to related parties		**24**	23
Loan from a related party	22	**29**	-
Borrowings	22	**880**	910
Derivative financial instruments	23	**16**	84
Taxation		**167**	71
		4,183	3,661
Net current liabilities		**(1,605)**	(1,809)

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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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	AS AT 31/12/2014 RM'm	AS AT 31/12/2013 RM'm
Non-current liabilities			
Provisions for liabilities and charges		**134**	110
Payables and accruals		**454**	372
Loan from a related party		**-**	29
Borrowings	22	**8,118**	6,613
Derivative financial instruments		**-**	34
Deferred tax liabilities		**482**	495
		9,188	7,653
Net assets		**4,738**	6,016
Equity			
Share capital		**751**	750
Reserves		**3,965**	5,251
Equity attributable to equity holders of the Company		**4,716**	6,001
Non-controlling interest		**22**	15
Total equity		**4,738**	6,016
Net assets per share attributable to equity holders of the Company (RM)		**0.63**	0.80

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31/12/2014	Share capital [2]	Share premium	Merger relief [3]	Reserve arising from reverse acquisition	Other reserves	Retained earnings (Note 24)	Total	Non-controlling interest	Total equity
	← Attributable to equity holders of the Company →								
	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 year	-	-	-	-	-	1,718	1,718	7	1,725
Other comprehensive expense for the year	-	-	-	-	(18)	-	(18)	-	(18)
Total comprehensive (expense)/income for the year	-	-	-	-	(18)	1,718	1,700	7	1,707
Dividends for the financial year ended 31 December 2013	-	-	(625)	-	-	(575)	(1,200)	-	(1,200)
Dividends for the financial year ended 31 December 2014	-	-	(1,802)	-	-	-	(1,802)	-	(1,802)
Employee Share Option Scheme ("ESOS"):									
- share-based payment expense	-	-	-	-	2	-	2	-	2
- shares issued	1	19	-	-	(1)	-	19	-	19
Incentive arrangement:									
- share-based payment expense	-	-	-	-	1	-	1	-	1
- shares acquired	-	-	-	-	(5)	-	(5)	-	(5)
Balance as at 31/12/2014	751	39	25,331	(22,729)	100	1,224	4,716	22	4,738

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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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	← Attributable to equity holders of the Company →								
Year ended 31/12/2013	Share capital [2]	Share premium	Merger relief [3]	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)
ESOS:									
- share-based payment expense	-	-	-	-	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

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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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2014

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED 31/12/2014	YEAR ENDED 31/12/2013
	RM'm	RM'm
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	1,725	1,772
Adjustments for:		
- non-cash items	1,502	1,688
- finance costs	424	358
- finance income	(44)	(29)
- tax expenses	711	724
Payments for provision for liabilities and charges	(67)	(57)
Operating cash flows before working capital changes	4,251	4,456
Changes in working capital	449	(278)
Cash flows from operations	4,700	4,178
Interest received	43	30
Tax paid	(636)	(731)
Net cash flows from operating activities	4,107	3,477
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(258)	(267)
Purchase of property, plant and equipment	(978)	(540)
Proceeds from disposal of property, plant and equipment	4	6
Net cash flows used in investing activities	(1,232)	(801)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to ESOS	19	16
Shares acquired pursuant to incentive arrangement	(5)	-
Drawdown of borrowing	2,150	500
Repayment of borrowings	(921)	-
Repayment of lease financing	(2)	(2)
Repayment of loan from a related party	-	(4)
Payments of finance costs	(391)	(345)
Ordinary share dividends paid	(3,002)	(3,000)
Net cash flows used in financing activities	(2,152)	(2,835)
NET CHANGE IN CASH AND CASH EQUIVALENTS	723	(159)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	808	967
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	1,531	808

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 audited condensed consolidated financial statements.

The significant accounting policies and methods adopted for the audited 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 audited 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 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 from 1 January 2018)
- MFRS 15 — Revenue from Contracts with Customers (effective from 1 January 2017)
- 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 — 2010-2012 Cycle (effective from 1 July 2014)
- Annual Improvements to MFRSs — 2011-2013 Cycle (effective from 1 July 2014)
- Annual Improvements to MFRSs — 2012-2014 Cycle (effective from 1 January 2016)

2. SEASONAL / CYCLICAL FACTORS

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

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 financial year ended 31 December 2014:

(a) accelerated depreciation due to network modernisation programme and change in estimated asset useful lives of RM269 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 financial year ended 31 December 2014, except for the change in estimates in asset useful lives of certain telecommunications network equipment as a result of on-going and anticipate network modernisation programme.

The impact of the change in estimates for the current quarter and for the financial year ended 31 December 2014 have reduced the carrying value of property, plant and equipment by RM113 million and RM261 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 financial year ended 31 December 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 financial year ended 31 December 2014, a total of 3,126,100 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 financial year ended 31 December 2014.

6. DIVIDENDS PAID

The following dividend payments were made during the financial year ended 31 December 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 ended 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**
- third interim single-tier tax-exempt dividend of 8.0 sen per ordinary share, paid on 26 December 2014	**601**
	3,002

7. SEGMENT REPORTING

In the previous year, the Group disclosed four key operating segments namely Mobile, International gateway, Enterprise fixed and Home services. During the financial year, 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 are managed together with Mobile services. Hence, there are no separate segments.

8. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the financial year ended 31 December 2014. As at 31 December 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 FINANCIALYEAR

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 2014 except for the dissolution of Maxis Asia Access Pte Ltd, incorporated in Singapore, a wholly-owned subsidiary of Maxis International Sdn. Bhd, which in turn is a wholly-owned subsidiary of Maxis on 1 December 2014.

No material impact to the Group's financial results and position for the financial year ended 31 December 2014 arising from the dissolution.

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 2014 are as follows:

	RM'm
Contracted for	**162**
Not contracted for	**958**
	1,120

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 31/12/2014	Balances due from/(to) as at 31/12/2014	Commitments as at 31/12/2014	Total balances due from/(to) and commitments as at 31/12/2014
	RM'm	RM'm	RM'm	RM'm
(a) Sales of goods and services to:				
- MEASAT Broadcast Network Systems Sdn. Bhd. [1] (VSAT, telephony, bandwidth and broadband services)	72	20	-	20
- Saudi Telecom Company ("STC") [2] (roaming and international calls)	17	1	-	1
- MEASAT Global Berhad Group [3] (revenue share for the leasing of satellite bandwidth)	7	3	-	3
(b) Purchases of goods and services from:				
- Aircel Limited Group [4] (interconnect, roaming and international calls)	6	-	-	-
- Tanjong City Centre Property Management Sdn. Bhd. [5] (rental, signage, parking and utility charges)	38	(1)	(6)	(7)
- MEASAT Global Berhad Group [3] (transponder and teleport lease rental)	29	(7)	(17)	(24)
- Astro Digital 5 Sdn. Bhd. [1] (content provisioning, publishing and advertising agent)	5	(6)	-	(6)

13. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	Transactions for the financial year ended 31/12/2014	Balances due from/(to) as at 31/12/2014	Commitments as at 31/12/2014	Total balances due from/(to) and commitments as at 31/12/2014
	RM'm	RM'm	RM'm	RM'm
(b) Purchases of goods and services from: (continued)				
- MEASAT Broadcast Network Systems Sdn. Bhd. [1] (mobile TV and IPTV contents)	20	-	(6)	(6)
- UTSB Management Sdn. Bhd. [5] (corporate management services fees)	25	(7)	(44)	(51)
- SRG Asia Pacific Sdn. Bhd. [6] (call handling and telemarketing services)	19	(3)	-	(3)
- UMTS (Malaysia) Sdn. Bhd. [7] (usage of 3G spectrum)	44	29	-	29

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 whereby 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 condensed consolidated financial statements

14. FAIR VALUE MEASUREMENTS

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

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

(a) Financial instruments carried at amortised cost

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

	CARRYING AMOUNT	FAIR VALUE
	RM'm	RM'm
Borrowings		
- finance lease liabilities	12	10
- Islamic Medium Term Notes	2,484	2,503

(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 2014:

	RM'm
Recurring fair value measurements	
Derivative financial instruments (Cross Currency Interest Rate Swaps ("CCIRS") and Interest Rate Swaps ("IRS")):	
- assets	245
- liabilities	(16)

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

15. ANALYSIS OF PERFORMANCE

(A) Performance of the current quarter against the preceding quarter (4th Quarter 2014 versus 3rd Quarter 2014)

Financial indicators (RM'm unless otherwise indicated)	4th Quarter 2014 (unaudited)	3rd Quarter 2014 (unaudited)	Variance	% Variance
Revenue	**2,123**	2,065	58	3
Service revenue [(1)]	**2,094**	2,049	45	2
EBITDA [(2)]	**1,000**	1,070	(70)	(7)
EBITDA margin (%)	**47.1**	51.8	(4.7)	NA
Depreciation	**334**	268	66	25
Amortisation	**61**	60	1	2
Profit before tax	**502**	643	(141)	(22)
Profit for the period	**335**	451	(116)	(26)
Adjustment for one-off item:				
Accelerated depreciation due to network modernisation programme [(3)] *and change in estimated asset useful lives*	***113***	*57*	*56*	*98*
Tax effect of the above adjustment	***(29)***	*(14)*	*(15)*	*>(100)*
Comparable profit for the period	**419**	494	(75)	(15)

Notes:

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

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

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

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (4th Quarter 2014 versus 3rd Quarter 2014) (continued)

Operational indicators	4th Quarter 2014	3rd Quarter 2014	Variance	% Variance
Mobile subscriptions ('000)	**12,913**	12,415	498	4
(Market definition)				
- Postpaid	***2,849***	*2,840*	*9*	*<1*
- Prepaid	***9,624***	*9,081*	*543*	*6*
- Wireless Broadband	***440***	*494*	*(54)*	*(11)*
ARPU (Monthly) (RM)				
- Postpaid	***97***	*94*	*3*	*3*
- Prepaid	***35***	*35*	*-*	*-*
- Wireless Broadband	***69***	*69*	*-*	*-*
- Blended	***50***	*50*	*-*	*-*
MOU per subscription (Monthly) (minutes)				
- Postpaid	***286***	*278*	*8*	*3*
- Prepaid	***133***	*131*	*2*	*2*
- Blended	***168***	*165*	*3*	*2*

In the quarter under review, the Group's service revenue grew by 2.2%. The main growth driver in the quarter was mobile Internet revenue, which grew 8.3% to RM638 million, despite a RM16 million revenue impact from offsetting the continued decline in SMS and wireless broadband revenue. Similar to the preceding quarter, the Group also took a RM16 million revenue impact to account for the downward re-pricing of postpaid pay per use charges. Voice revenue was stable in the quarter under review.

The steady pick-up in mobile Internet revenue continued to be driven by the Group's worry free propositions, smart-phone momentum as well as more consumers going online and using smart devices to socialize, stay connected, shop and download relevant information. The Group's blended smart-phone penetration stood at 57% this quarter, up 3% points and was primarily fueled by a higher up-take of low-to-mid tier devices. On average, most of our customers are now using close to a gigabyte of data per month.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (4th Quarter 2014 versus 3rd Quarter 2014) (continued)

In the same period, the Group's total costs base stood at RM1,123 million, against RM995 million in the previous quarter. This increase was driven mainly by higher traffic costs, a rise in sales and marketing expenses as well as higher staff costs. The increase in sales and marketing expenses was in-line with the Group's aim to strengthen all-round market competitiveness. The quarter-on-quarter increase in staff costs can be accounted by the one-off reversal of RM44 million in the previous quarter.

Consequently, EBITDA for the period of RM1,000 million and EBITDA margin of 47.1% were lower than the previous quarter. Profit for the period stood at RM335 million, lower than the RM451 million recorded in the preceding quarter, and this was primarily driven by lower EBITDA and higher accelerated depreciation recorded in the quarter under review as we intensified our network modernisation programme.

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

Financial indicators (RM'm unless otherwise indicated)	Year 2014	Year 2013	Variance	% Variance
Revenue	**8,389**	9,084	(695)	(8)
Service revenue (1)	**8,229**	8,514	(285)	(3)
EBITDA (2)	**4,229**	4,310	(81)	(2)
EBITDA margin (%)	**50.4**	47.4	3.0	NA
Depreciation	**1,155**	1,101	54	5
Amortisation	**249**	265	(16)	(6)
Profit before tax	**2,436**	2,496	(60)	(2)
Profit for the year	**1,725**	1,772	(47)	(3)
Adjustments for one-off items:				
Accelerated depreciation due to network modernisation programme (3) and change in estimated asset useful lives	***269***	*139*	*130*	*94*
Career Transition Scheme ("CTS") costs (4)	**-**	*143*	*(143)*	*(100)*
(Reversal)/provision for contract obligations (5)	***(22)***	*65*	*(87)*	*>(100)*
Write down of assets (6)	**-**	*87*	*(87)*	*(100)*
Tax effects of the above adjustments	***(62)***	*(109)*	*47*	*43*
Comparable profit for the year	**1,910**	2,097	(187)	(9)

15. ANALYSIS OF PERFORMANCE (CONTINUED)

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

Notes:
(1) Service revenue is defined as Group revenue excluding device and hubbing revenues.
(2) Defined as profit before finance income, finance costs, tax, depreciation, amortisation and allowance for write down of identified network costs.
(3) The network modernisation programme enables the Group to strengthen its access network to enhance the customer experience and usage to drive revenue growth. The modernisation programme will also lower overall operational costs and simplify the network architecture.
(4) The Group had undertaken an organisational refinement exercise to make it more agile and cohesive in delivering its integrated propositions, as well as support its growth strategies. As part of this exercise, the Group had offered CTS to selected employees.
(5) (Reversal)/provision for contract obligations were made in relation to Home's network cost.
(6) Includes impairment of property, plant and equipment, accelerated amortisation of customer acquisition costs and content costs written off arising from the impairment assessment exercise carried out by the Group.

Operational indicators	Year 2014	Year 2013	Variance	% Variance
Mobile subscriptions ('000)	**12,913**	12,893	20	<1
(Market definition)				
- Postpaid	***2,849***	*2,769*	*80*	*3*
- Prepaid	***9,624***	*9,528*	*96*	*1*
- Wireless Broadband	***440***	*596*	*(156)*	*(26)*
ARPU (Monthly) (RM)				
- Postpaid	***96***	*101*	*(5)*	*(5)*
- Prepaid	***34***	*32*	*2*	*6*
- Wireless Broadband	***68***	*66*	*2*	*3*
- Blended	***49***	*47*	*2*	*4*
MOU per subscription (Monthly) (minutes)				
- Postpaid	***281***	*301*	*(20)*	*(7)*
- Prepaid	***126***	*119*	*7*	*6*
- Blended	***162***	*156*	*6*	*4*

15. ANALYSIS OF PERFORMANCE (CONTINUED)

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

For the year ended 31 December 2014, the Group's service revenue declined 3.3% to RM8,229 million. This decline was driven by lower voice and SMS usage coupled by the proactive measures taken to offer worry free propositions to the customers with the introduction of capped data roaming charges, free basic Internet for prepaid users and the downward re-pricing of postpaid pay per use charges. Despite the revenue impact of these price adjustments, the Group grew mobile Internet revenue by 16.4% to RM2,317 million, against RM1,990 million in the previous financial year. As explained above, mobile Internet revenue continued to grow on the back of higher Internet usage and growing smart-phone penetration.

In the year under review, the Group's total costs base was 12.9% lower at RM4,160 million, against RM4,774 million in the preceding year. The reduction was primarily driven by lower traffic and device related expenses, as well as lower staff costs, resulting in EBITDA of RM4,229 million and EBITDA margin of 50.4%, against RM4,310 million and 47.4% in the corresponding year.

Profit for the year stood at RM1,725 million, lower by RM47 million compared with previous financial year, after taking into account higher depreciation charges in the year under review.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2015

The Group intends to leverage on the positive operational momentum in the latter part of 2014 to drive growth and strengthen our long term competiveness. For the financial year ending 31 December 2015, we expect service revenue growth in the low single digits with EBITDA and base capex spend at similar levels as in financial year 2014.

17. PROFIT FORECAST OR PROFIT GUARANTEE

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

18. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

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

19. PROFIT FROM OPERATIONS

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/12/2014	QUARTER ENDED 31/12/2013	**YEAR ENDED 31/12/2014**	YEAR ENDED 31/12/2013
	RM'm	RM'm	**RM'm**	RM'm
Allowance/(reversal) (net) for:				
- impairment of receivables, deposits and prepayments	**23**	26	**72**	84
- inventory obsolescence	**(5)**	(2)	**(12)**	1
Amortisation of intangible assets	**61**	81	**249**	265
Bad debts recovered	**(5)**	(4)	**(18)**	(18)
CTS costs	**-**	41	**-**	143
Inventories written down	**-**	-	**4**	-
Loss on foreign exchange	**40**	2	**45**	19
Property, plant and equipment:				
- depreciation	**334**	272	**1,155**	1,101
- gain on disposal	**(2)**	-	**(4)**	(1)
- impairment/written off	**7**	103	**13**	120
Provision/(reversal) for contract obligations	**-**	65	**(22)**	65

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 financial year ended 31 December 2014.

20. TAX EXPENSES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/12/2014	QUARTER ENDED 31/12/2013	**YEAR ENDED 31/12/2014**	YEAR ENDED 31/12/2013
	RM'm	RM'm	**RM'm**	RM'm
Income tax:				
- current tax	**88**	181	**699**	781
- under accrual in prior years	**-**	-	**-**	2
Deferred tax:				
- origination and reversal of temporary differences	**82**	(28)	**32**	(43)
- recognition and reversal of prior years temporary differences	**-**	-	**-**	1
- changes in tax rate	**(3)**	(17)	**(20)**	(17)
Total	**167**	136	**711**	724

The Group's effective tax rates for the current quarter and financial year ended 31 December 2014 was 33.3% and 29.2% 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 2014 are as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
	RM'm	RM'm	RM'm
Secured			
Finance lease liabilities	14	12	26
Unsecured			
Term loans	-	1,791	1,791
Syndicated term loans	866	1,671	2,537
Commodity Murabahah Term Financing	-	2,160	2,160
Islamic Medium Term Notes	-	2,484	2,484
Loan from a related party	29	-	29
	909	8,118	9,027

Currency profile of borrowings is as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
Ringgit Malaysia ("RM")	43	5,653 [(1)]	5,696
United States Dollar ("USD")	866 [(2)]	2,280 [(2)]	3,146
Singapore Dollar ("SGD")	-	185 [(2)]	185
	909	8,118	9,027

Notes:

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

(2) Includes borrowings of RM3,331 million which have been hedged using CCIRS as disclosed in Note 23.

23. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Disclosure of derivatives

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

TYPE OF DERIVATIVE	CONTRACT/ NOTIONAL VALUE	FAIR VALUE
	RM'm	RM'm
Cash flow hedge derivatives:		
CCIRS:		
- less than one year	842	16
- one year to three years	1,287	(66)
- more than three years	1,014	(146)
IRS:		
- less than one year	-	-
- one year to three years	-	-
- more than three years	700	(33)
Total	3,843	(229)

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 financial year ended 31 December 2014. Also, there have been no changes since the end of the previous financial year ended 31 December 2013 in respect of the following:

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

(b) the cash requirements of the derivatives;

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

(d) the related accounting policies.

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

As at 31 December 2014, the Group has recognised derivative financial assets and derivative financial liabilities of RM245 million and RM16 million respectively, an increase in fair value gains by RM217 million from the previous quarter, on remeasuring the fair values of the derivative financial instruments. The corresponding increase has been included in equity in the cash flow hedging reserve.

For the current quarter, RM200 million of the cash flow hedging reserve was reclassified to the statement of profit or loss to offset the foreign exchange losses of RM200 million which arose from the weakening RM against USD and SGD. This has resulted in an increase in the credit balance of the cash flow hedging reserve as at 31 December 2014 by RM17 million to RM43 million compared with the previous financial period ended 30 September 2014.

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

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

24. REALISED AND UNREALISED RETAINED EARNINGS

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

	AS AT 31/12/2014	AS AT 31/12/2013
	RM'm	**RM'm**
Retained earnings of the Company and its subsidiaries:		
- realised	**1,767**	600
- unrealised	**(494)**	(479)
	1,273	121
Less: Consolidation adjustments	**(49)**	(40)
Total retained earnings as per Consolidated Statements of Financial Position	**1,224**	81

25. MATERIAL LITIGATION

There is no material litigation as at 30 January 2015.

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 2014, to be paid on 27 March 2015. The entitlement date for the dividend payment is 27 February 2015.

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 27 February 2015 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 2014, to be paid on a date to be determined.

The total dividends for the current financial year ended 31 December 2014 is 40.0 sen per ordinary share (2013: 40.0 sen).

27. EARNINGS PER SHARE

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31/12/2014	QUARTER ENDED 31/12/2013	**YEAR ENDED 31/12/2014**	YEAR ENDED 31/12/2013
(a) Basic earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**339**	290	**1,718**	1,765
Weighted average number of issued ordinary shares	('m)	**7,506**	7,503	**7,505**	7,502
Basic earnings per share	(sen)	**4.5**	3.9	**22.9**	23.5
(b) Diluted earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**339**	290	**1,718**	1,765
Weighted average number of issued ordinary shares	('m)	**7,506**	7,503	**7,505**	7,502
Adjusted for share options	('m)	**1**	4	**2**	2
Adjusted weighted average number of ordinary shares	('m)	**7,507**	7,507	**7,507**	7,504
Diluted earnings per share	(sen)	**4.5**	3.9	**22.9**	23.5

By order of the Board

Dipak Kaur
(LS 5204)
Company Secretary
6 February 2015
Kuala Lumpur