# MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

## QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2015

### ANNOUNCEMENT

The Board of Directors of Maxis Berhad ("Maxis" or "the Company") is pleased to announce the following unaudited condensed consolidated financial statements for the first quarter ended 31 March 2015 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

### UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

| | Note | INDIVIDUAL QUARTER | | | CUMULATIVE QUARTER | | |
|---|---|---|---|---|---|---|---|
| | | **QUARTER ENDED 31/3/2015** | QUARTER ENDED 31/3/2014 | + - | **PERIOD ENDED 31/3/2015** | PERIOD ENDED 31/3/2014 | + - |
| | | **RM'm** | RM'm | % | **RM'm** | RM'm | % |
| Revenue | | **2,149** | 2,119 | +1 | **2,149** | 2,119 | +1 |
| Cost of sales | | **(713)** | (707) | | **(713)** | (707) | |
| Gross profit | | **1,436** | 1,412 | +2 | **1,436** | 1,412 | +2 |
| Other income | | **22** | 14 | | **22** | 14 | |
| Administrative expenses | | **(429)** | (404) | | **(429)** | (404) | |
| Network operation costs | | **(323)** | (257) | | **(323)** | (257) | |
| Other expenses | | **(20)** | (18) | | **(20)** | (18) | |
| Profit from operations | 19 | **686** | 747 | -8 | **686** | 747 | -8 |
| Finance income | | **14** | 6 | | **14** | 6 | |
| Finance costs | | **(110)** | (96) | | **(110)** | (96) | |
| Profit before tax | | **590** | 657 | -10 | **590** | 657 | -10 |
| Tax expenses | 20 | **(178)** | (169) | | **(178)** | (169) | |
| Profit for the period | | **412** | 488 | -16 | **412** | 488 | -16 |
| Attributable to: | | | | | | | |
| - equity holders of the Company | | **410** | 484 | -15 | **410** | 484 | -15 |
| - non-controlling interest | | **2** | 4 | | **2** | 4 | |
| | | **412** | 488 | -16 | **412** | 488 | -16 |
| Earnings per share attributable to equity holders of the Company (sen): | | | | | | | |
| - basic | 27 | **5.5** | 6.4 | | **5.5** | 6.4 | |
| - diluted | 27 | **5.5** | 6.4 | | **5.5** | 6.4 | |

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2015**

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | **QUARTER ENDED 31/3/2015** | QUARTER ENDED 31/3/2014 | **PERIOD ENDED 31/3/2015** | PERIOD ENDED 31/3/2014 |
| | **RM'm** | RM'm | **RM'm** | RM'm |
| Profit for the period | **412** | 488 | **412** | 488 |
| **Other comprehensive expense** | | | | |
| **Item that will be reclassified subsequently to profit or loss:** | | | | |
| Net change in cash flow hedge | **(14)** | (18) | **(14)** | (18) |
| Total comprehensive income for the period | **398** | 470 | **398** | 470 |
| Attributable to: | | | | |
| - equity holders of the Company | **396** | 466 | **396** | 466 |
| - non-controlling interest | **2** | 4 | **2** | 4 |
| | **398** | 470 | **398** | 470 |

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | AS AT 31/3/2015 (Unaudited) RM'm | AS AT 31/12/2014 (Audited) RM'm |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 3,855 | 4,008 |
| Intangible assets [(1)] | | 11,225 | 11,176 |
| Derivative financial instruments | 23 | 320 | 245 |
| Deferred tax assets | | 97 | 102 |
| | | 15,497 | 15,531 |
| **Current assets** | | | |
| Inventories | | 11 | 12 |
| Receivables, deposits and prepayments | | 973 | 971 |
| Amount due from penultimate holding company | | 1 | - |
| Amounts due from related parties | | 30 | 27 |
| Derivative financial instruments | 23 | 48 | - |
| Tax recoverable | | 42 | 37 |
| Cash and cash equivalents | | 1,335 | 1,531 |
| | | 2,440 | 2,578 |
| **Total assets** | | 17,937 | 18,109 |
| **Current liabilities** | | | |
| Provisions for liabilities and charges | | 77 | 65 |
| Payables and accruals | | 2,920 | 3,002 |
| Amounts due to related parties | | 18 | 24 |
| Loan from a related party | 22 | 29 | 29 |
| Borrowings | 22 | 931 | 880 |
| Derivative financial instruments | 23 | - | 16 |
| Taxation | | 229 | 167 |
| | | 4,204 | 4,183 |
| **Net current liabilities** | | (1,764) | (1,605) |

Note:

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

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

| | Note | AS AT 31/3/2015 (Unaudited) RM'm | AS AT 31/12/2014 (Audited) RM'm |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Provisions for liabilities and charges | | 135 | 134 |
| Payables and accruals | | 476 | 454 |
| Borrowings | 22 | 8,131 | 8,118 |
| Deferred tax liabilities | | 445 | 482 |
| | | 9,187 | 9,188 |
| **Net assets** | | 4,546 | 4,738 |
| **Equity** | | | |
| Share capital | | 751 | 751 |
| Reserves | | 3,771 | 3,965 |
| **Equity attributable to equity holders of the Company** | | 4,522 | 4,716 |
| Non-controlling interest | | 24 | 22 |
| **Total equity** | | 4,546 | 4,738 |
| **Net assets per share attributable to equity holders of the Company (RM)** | | 0.60 | 0.63 |

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| Period ended 31/3/2015 | ← Share capital [2] | Share premium | Merger relief [3] | Attributable to equity holders of the Company 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 1/1/2015 | 751 | 39 | 25,331 | (22,729) | 100 | 1,224 | 4,716 | 22 | 4,738 |
| Profit for the period | - | - | - | - | - | 410 | 410 | 2 | 412 |
| Other comprehensive expense for the period | - | - | - | - | (14) | - | (14) | - | (14) |
| Total comprehensive (expense)/income for the period | - | - | - | - | (14) | 410 | 396 | 2 | 398 |
| Dividends for the financial year ended 31 December 2014 | - | - | (600) | - | - | - | (600) | - | (600) |
| Employee Share Option Scheme ("ESOS"): | | | | | | | | | |
| - shares issued | * | 6 | - | - | - | - | 6 | - | 6 |
| Incentive arrangement: | | | | | | | | | |
| - share-based payment expense | - | - | - | - | 4 | - | 4 | - | 4 |
| Balance as at 31/3/2015 | 751 | 45 | 24,731 | (22,729) | 90 | 1,634 | 4,522 | 24 | 4,546 |

Notes:

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

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

* Less than RM1 million.

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

| | ← Attributable to equity holders of the Company → | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Period ended 31/3/2014 | Share capital [(2)] | Share premium | Merger relief [(3)] | Reserve arising from reverse acquisition | Other reserves | Retained earnings | Total | Non-controlling interest | Total equity |
| | RM'm | RM'm | RM'm | RM'm | RM'm | RM'm | RM'm | RM'm | RM'm |
| Balance as at 1/1/2014 | 750 | 20 | 27,758 | (22,729) | 121 | 81 | 6,001 | 15 | 6,016 |
| Profit for the period | - | - | - | - | - | 484 | 484 | 4 | 488 |
| Other comprehensive expense for the period | - | - | - | - | (18) | - | (18) | - | (18) |
| Total comprehensive (expense)/income for the period | - | - | - | - | (18) | 484 | 466 | 4 | 470 |
| Dividends for the financial year ended 31 December 2013 | - | - | (285) | - | - | (315) | (600) | - | (600) |
| ESOS: | | | | | | | | | |
| - share-based payment expense | - | - | - | - | 1 | - | 1 | - | 1 |
| - shares issued | * | 9 | - | - | - | - | 9 | - | 9 |
| Balance as at 31/3/2014 | 750 | 29 | 27,473 | (22,729) | 104 | 250 | 5,877 | 19 | 5,896 |

Notes:

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

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

* Less than RM1 million.

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | PERIOD ENDED 31/3/2015 | PERIOD ENDED 31/3/2014 |
|---|---|---|
| | RM'm | RM'm |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit for the period | 412 | 488 |
| Adjustments for: | | |
| - non-cash items | 435 | 347 |
| - finance costs | 110 | 96 |
| - finance income | (14) | (6) |
| - tax expenses | 178 | 169 |
| Payments for provision for liabilities and charges | (15) | (20) |
| Operating cash flows before working capital changes | 1,106 | 1,074 |
| Changes in working capital | (111) | (548) |
| Cash flows from operations | 995 | 526 |
| Interest received | 14 | 6 |
| Tax paid | (153) | (85) |
| Net cash flows from operating activities | 856 | 447 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of intangible assets | (110) | (55) |
| Purchase of property, plant and equipment | (146) | (100) |
| Net cash flows used in investing activities | (256) | (155) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of shares pursuant to ESOS | 6 | 9 |
| Drawdown of borrowing | 350 | - |
| Repayment of borrowing | (421) | - |
| Repayment of lease financing | (2) | (1) |
| Payments of finance costs | (129) | (117) |
| Ordinary share dividends paid | (600) | - |
| Net cash flows used in financing activities | (796) | (109) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | (196) | 183 |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD** | 1,531 | 808 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD** | 1,335 | 991 |

**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 2014 and the accompanying explanatory notes attached to the unaudited 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 2014.

The adoption of the following improvements to published standards that came into effect on 1 January 2015 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

| | |
|---|---|
| • Annual Improvements to MFRSs | 2010-2012 Cycle (effective from 1 July 2014) |
| • Annual Improvements to MFRSs | 2011-2013 Cycle (effective from 1 July 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 2016. 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 | 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 the accelerated depreciation due to network modernisation programme of RM57 million, there were no other significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the three-month ended 31 March 2015.

## 4. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the three-month ended 31 March 2015.

## 5. DEBT AND EQUITY SECURITIES

Save for below items, there were no other issuance, repurchase and repayment of debt and equity securities by the Group during the three-month ended 31 March 2015:

(a) draw down the remaining RM350 million loan facility pursuant to the Commodity Murabahah Term Financing Facility, which was utilised to repay part of the Company's existing borrowing of RM421 million; and

(b) 1,025,700 ordinary shares of RM0.10 each were issued under the ESOS.

## 6. DIVIDENDS PAID

During the three-month ended 31 March 2015, the fourth interim single-tier tax-exempt dividend of 8.0 sen per ordinary share in respect of the financial year ended 31 December 2014, amounting to RM600 million was paid on 27 March 2015.

## 7. SEGMENT REPORTING

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

## 8. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the three-month ended 31 March 2015. As at 31 March 2015, 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 three-month ended 31 March 2015.

## 11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

## 12. CAPITAL COMMITMENTS

Capital expenditure for property, plant and equipment approved by the Board of Directors and not provided for in the unaudited condensed consolidated financial statements as at 31 March 2015 are as follows:

| | RM'm |
|---|---|
| Contracted for | **278** |
| Not contracted for | **707** |
| | **985** |

## 13. SIGNIFICANT RELATED PARTY DISCLOSURES

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

| | Transactions for the financial period ended 31/3/2015 | Balances due from/(to) as at 31/3/2015 | Commitments as at 31/3/2015 | Total balances due from/(to) and commitments as at 31/3/2015 |
|---|---|---|---|---|
| | 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) | 18 | 21 | - | 21 |
| - Saudi Telecom Company ("STC") [2] (roaming and international calls) | 2 | - | - | - |
| - MEASAT Global Berhad Group [3] (revenue share for the leasing of satellite bandwidth) | 2 | 5 | - | 5 |
| **(b) Purchases of goods and services from:** | | | | |
| - Aircel Limited Group [4] (interconnect, roaming and international calls) | 2 | - | - | - |
| - Tanjong City Centre Property Management Sdn. Bhd. [5] (rental, signage, parking and utility charges) | 8 | (3) | (12) | (15) |
| - MEASAT Global Berhad Group [3] (transponder and teleport lease rental) | 9 | (4) | (27) | (31) |
| - Astro Digital 5 Sdn. Bhd. [1] (content provisioning, publishing and advertising agent) | 2 | (4) | - | (4) |

## 13. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

| | Transactions for the financial period ended 31/3/2015 | Balances due from/(to) as at 31/3/2015 | Commitments as at 31/3/2015 | Total balances due from/(to) and commitments as at 31/3/2015 |
|---|---|---|---|---|
| | 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) | 3 | - | (2) | (2) |
| - UTSB Management Sdn. Bhd. [5] (corporate management services fees) | 6 | (2) | (38) | (40) |
| - SRG Asia Pacific Sdn. Bhd. [6] (call handling and telemarketing services) | 5 | (3) | - | (3) |
| - UMTS (Malaysia) Sdn. Bhd. [7] (usage of 3G spectrum) | 11 | (3) | - | (3) |

Notes:

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

Usaha Tegas Sdn. Bhd. ("UTSB"), STC and Harapan Nusantara Sdn. Bhd. are parties related to the Company, by virtue of having joint control over Binariang GSM Sdn. Bhd. ("BGSM"), pursuant to a shareholders' agreement in relation to BGSM. BGSM is the ultimate holding company of the Company.

The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean and TAK are deemed to have an interest in the shares of the Company through UTSB's deemed interest in BGSM, 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 company which is an associate of UTSB
(2) A major shareholder of BGSM, as described above
(3) Subsidiary of a company in which TAK has a 99% direct equity interest
(4) Subsidiary of BGSM
(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 company which is an associate 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 March 2015 except as set out below, measured using Level 3 valuation technique:

| | CARRYING AMOUNT | FAIR VALUE |
|---|---|---|
| | RM'm | RM'm |
| Borrowings | | |
| - finance lease liabilities | 10 | 9 |
| - Islamic Medium Term Notes | 2,453 | 2,474 |

### (b) Financial instruments carried at fair value

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation technique, as at 31 March 2015:

| | RM'm |
|---|---|
| **Recurring fair value measurements** | |
| Derivative financial instruments (Cross Currency Interest Rate Swaps ("CCIRS") and Interest Rate Swaps ("IRS")): | |
| - assets | 368 |

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 (1st Quarter 2015 versus 4th Quarter 2014)

| Financial indicators (RM'm unless otherwise indicated) | 1st Quarter 2015 (unaudited) | 4th Quarter 2014 (unaudited) | Variance | % Variance |
|---|---|---|---|---|
| **Revenue** | **2,149** | 2,123 | 26 | 1 |
| **Service revenue** [(1)] | **2,127** | 2,094 | 33 | 2 |
| **EBITDA** [(2)] | **1,047** | 1,000 | 47 | 5 |
| **EBITDA margin (%)** | **48.7** | 47.1 | 1.6 | NA |
| **Depreciation** | **294** | 334 | (40) | (12) |
| **Amortisation** | **61** | 61 | - | - |
| **Profit before tax** | **590** | 502 | 88 | 18 |
| **Profit for the period** | **412** | 335 | 77 | 23 |
| *Adjustment for one-off item:* | | | | |
| *Accelerated depreciation due to network modernisation programme [(3)] and change in in estimated asset useful lives* | ***57*** | *113* | *(56)* | *(50)* |
| *Tax effect of the above adjustment* | ***(14)*** | *(29)* | *15* | *52* |
| **Comparable profit for the period** | **455** | 419 | 36 | 9 |

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 (1st Quarter 2015 versus 4th Quarter 2014) (continued)

| Operational indicators | 1st Quarter 2015 | 4th Quarter 2014 (restated)[1] | Variance | % Variance |
|---|---|---|---|---|
| Mobile subscriptions ('000) | **12,192** | 11,864 | 328 | 3 |
| *- Postpaid* | ***2,823*** | *2,809* | *14* | *1* |
| *- Prepaid* | ***8,992*** | *8,656* | *336* | *4* |
| *- Wireless Broadband* | ***377*** | *399* | *(22)* | *(6)* |
| **ARPU (Monthly) (RM)** | | | | |
| *- Postpaid* | ***96*** | *98* | *(2)* | *(2)* |
| *- Prepaid* | ***38*** | *39* | *(1)* | *(3)* |
| *- Wireless Broadband* | ***70*** | *70* | *-* | *-* |
| *- Blended* | ***53*** | *54* | *(1)* | *(2)* |

Note:
[1] The comparative information was restated to reflect revenue generating subscriptions ("RGS"), which is defined as active line subscriptions and exclude those that does not have any revenue generating activities for more than 30 days

For the quarter ended 31 March 2015, service revenue grew by 1.6%, underpinned by solid commercial execution and network improvements. Quarter-on-quarter, prepaid revenue grew 4.5% to RM1,052 million whilst postpaid revenue was relatively stable at RM972 million.

We added more than 300,000 new revenue generating subscriptions ("RGS") in the quarter, taking our total RGS base to over 12 million. We continued to see a steady pick-up in data users as more and more customers go online to stay connected. We now have 9 million mobile Internet users and our blended smart-phone penetration stood at 57% as at 31 March 2015. This continued to be driven by the strong up-take of low-to-mid tier smart devices.

In the same period, total operating cost was marginally lower at RM1,102 million (4Q14: RM1,123 million) as lower sales and marketing expenses, bad debt allowance and other general and administrative expenses off-set higher traffic-related expenses and staff costs.

## 15. ANALYSIS OF PERFORMANCE (CONTINUED)

### (A) Performance of the current quarter against the preceding quarter (1st Quarter 2015 versus 4th Quarter 2014) (continued)

Consequently, on the back of a higher revenue base, EBITDA for the period of RM1,047 million and EBITDA margin of 48.7% were higher than the previous quarter. Profit for the period stood at RM412 million, higher than the RM335 million recorded in the preceding quarter, and this was primarily driven by higher EBITDA and lower accelerated depreciation expenses quarter-on-quarter.

### (B) Performance of the current year against the preceding year (YTD March 2015 versus YTD March 2014)

| Financial indicators (RM'm unless otherwise indicated) | YTD 2015 (unaudited) | YTD 2014 (unaudited) | Variance | % Variance |
|---|---|---|---|---|
| **Revenue** | **2,149** | 2,119 | 30 | 1 |
| **Service revenue** [1] | **2,127** | 2,037 | 90 | 4 |
| **EBITDA** [2] | **1,047** | 1,073 | (26) | (2) |
| **EBITDA margin (%)** | **48.7** | 50.6 | (1.9) | NA |
| Depreciation | **294** | 269 | 25 | 9 |
| Amortisation | **61** | 63 | (2) | (3) |
| **Profit before tax** | **590** | 657 | (67) | (10) |
| **Profit for the period** | **412** | 488 | (76) | (16) |
| *Adjustment for one-off item:* | | | | |
| *Accelerated depreciation due to network modernisation programme [3] and change in in estimated asset useful lives* | ***57*** | *39* | *18* | *46* |
| *Tax effect of the above adjustment* | ***(14)*** | *(10)* | *(4)* | *(40)* |
| **Comparable profit for the period** | **455** | 517 | (62) | (12) |

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)

**(B) Performance of the current year against the preceding year (YTD March 2015 versus YTD March 2014) (continued)**

| Operational indicators | YTD 2015 | YTD 2014 (restated)[1] | Variance | % Variance |
|---|---|---|---|---|
| Mobile subscriptions ('000) | **12,192** | 11,076 | 1,116 | 10 |
| *- Postpaid* | ***2,823*** | *2,749* | *74* | *3* |
| *- Prepaid* | ***8,992*** | *7,822* | *1,170* | *15* |
| *- Wireless Broadband* | ***377*** | *505* | *(128)* | *(25)* |
| | | | | |
| **ARPU (Monthly) (RM)** | | | | |
| *- Postpaid* | ***96*** | *98* | *(2)* | *(2)* |
| *- Prepaid* | ***38*** | *40* | *(2)* | *(5)* |
| *- Wireless Broadband* | ***70*** | *68* | *2* | *3* |
| *- Blended* | ***53*** | *55* | *(2)* | *(4)* |

Note:
[1] The comparative information was restated to reflect revenue generating subscriptions ("RGS"), which is defined as active line subscriptions and exclude those that does not have any revenue generating activities for more than 30 days

Year-on-year, service revenue grew by 4.4% to RM2,127 million (YTD March 2014: RM2,037 million). The improvements were predominantly driven by the proactive measures taken to offer worry free proposition to our customers which included capped data roaming charges and free social chat for prepaid users and downward re-pricing of postpaid pay per use charges. Prepaid revenue grew by 8.6% to RM1,052 million whilst postpaid revenue was relatively stable at RM972 million.

In the period under review, total operating costs increased by 5.4% to RM1,102 million (1Q14: RM1,046 million) mainly due to foreign exchange losses and higher spend on sales and marketing expenses in-line with our aim to strengthen market competitiveness. Consequently, EBITDA and EBITDA margin stood at RM1,047 million and 48.7% against RM1,073 million and 50.6% in the corresponding period last year.

Profit for the quarter stood at RM412 million, 15.6% lower than the same period last year, after taking into account higher accelerated depreciation charges associated with our network modernisation programme.

## 16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2015

The Group intends to build on the current positive operational momentum to drive competitiveness. For the financial year ending 31 December 2015, we expect service revenue growth in the low single digits with EBITDA at similar level as in financial year 2014. Base capex spend is expected to be approximately RM1.1 billion.

## 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 2014.

## 19. PROFIT FROM OPERATIONS

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

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | **QUARTER ENDED 31/3/2015** | QUARTER ENDED 31/3/2014 | **PERIOD ENDED 31/3/2015** | PERIOD ENDED 31/3/2014 |
| | **RM'm** | RM'm | **RM'm** | RM'm |
| Allowance/(reversal) (net) for: | | | | |
| - impairment of receivables, deposits and prepayments | **9** | 17 | **9** | 17 |
| - inventory obsolescence | **-** | (9) | **-** | (9) |
| Amortisation of intangible assets | **61** | 63 | **61** | 63 |
| Bad debts recovered | **(5)** | (5) | **(5)** | (5) |
| Loss on foreign exchange | **39** | - | **39** | - |
| Property, plant and equipment: | | | | |
| - depreciation | **294** | 269 | **294** | 269 |
| - impairment/written off | **6** | (6) | **6** | (6) |

## 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 period ended 31 March 2015.

## 20. TAX EXPENSES

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | **QUARTER ENDED 31/3/2015** | QUARTER ENDED 31/3/2014 | **PERIOD ENDED 31/3/2015** | PERIOD ENDED 31/3/2014 |
| | **RM'm** | RM'm | **RM'm** | RM'm |
| Income tax: | | | | |
| - current tax | **210** | 137 | **210** | 137 |
| Deferred tax: | | | | |
| - origination and reversal of temporary differences | **(27)** | 49 | **(27)** | 49 |
| - changes in tax rate | **(5)** | (17) | **(5)** | (17) |
| **Total** | **178** | 169 | **178** | 169 |

The Group's effective tax rates for the current quarter and financial period ended 31 March 2015 was 30.2%, 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

On 13 March 2015, the Company proposed to establish and implement a long term incentive plan for the eligible employees of Maxis and its subsidiaries which shall be in force for a period of 10 years ("Proposed LTIP"). The maximum number of new Maxis ordinary share of RM0.10 each ("Maxis Shares") which may be made available under the Proposed LTIP and/or allotted and issued upon vesting of the new Maxis Shares under the Proposed LTIP shall not, when aggregated with the total number of new Maxis Shares allotted and issued and/or to be allotted and issued under Maxis existing ESOS, exceed 250 million Maxis Shares at any point in time during the duration of the Proposed LTIP. The Proposed LTIP is subject to shareholders approval at Maxis' Extraordinary General Meeting scheduled on 28 April 2015, and is therefore pending implementation as at the date of this announcement.

Other than the above, there were no corporate proposals announced but not completed.

## 22. BORROWINGS

The borrowings as at 31 March 2015 are as follows:

| | CURRENT LIABILITIES | NON-CURRENT LIABILITIES | TOTAL |
|---|---|---|---|
| | RM'm | RM'm | RM'm |
| **Secured** | | | |
| Finance lease liabilities | 14 | 10 | 24 |
| **Unsecured** | | | |
| Term loans | - | 1,843 | 1,843 |
| Syndicated term loans | 917 | 1,312 | 2,229 |
| Commodity Murabahah Term Financing | - | 2,513 | 2,513 |
| Islamic Medium Term Notes | - | 2,453 | 2,453 |
| Loan from a related party | 29 | - | 29 |
| | 960 | 8,131 | 9,091 |

Currency profile of borrowings is as follows:

| | CURRENT LIABILITIES | NON-CURRENT LIABILITIES | TOTAL |
|---|---|---|---|
| Ringgit Malaysia ("RM") | 43 | 5,985 (1) | 6,028 |
| United States Dollar ("USD") | 917 (2) | 1,958 (2) | 2,875 |
| Singapore Dollar ("SGD") | - | 188 (2) | 188 |
| | 960 | 8,131 | 9,091 |

Notes:
(1) Includes a term loan facility which has been partially hedged using IRS as disclosed in Note 23.
(2) Includes borrowings of RM3,063 million which have been hedged using CCIRS as disclosed in Note 23.

## 23. DERIVATIVE FINANCIAL INSTRUMENTS

### (a) Disclosure of derivatives

Details of derivative financial instruments outstanding as at 31 March 2015 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 | 841 | (48) |
| - one year to three years | 867 | (94) |
| - more than three years | 1,014 | (200) |
| IRS: | | |
| - less than one year | - | - |
| - one year to three years | - | - |
| - more than three years | 700 | (26) |
| **Total** | 3,422 | (368) |

Other than those disclosed in the Group's audited financial statements for the financial year ended 31 December 2014, there were no additional derivative financial instruments entered by the Group during the three-month ended 31 March 2015. Also, there have been no changes since the end of the previous financial year ended 31 December 2014 in respect of the following:

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

(b) the cash requirements of the derivatives;

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

(d) the related accounting policies.

## 23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

As at 31 March 2015, the Group has recognised derivative financial assets of RM368 million, an increase in fair value gains by RM139 million from the previous financial year ended 31 December 2014, 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, RM153 million of the cash flow hedging reserve was reclassified to the statement of profit or loss to offset the foreign exchange losses of RM151 million which arose from the weakening RM against USD and SGD and interest expense of RM2 million as the underlying interest rates were higher than the hedged interest rates on the borrowings. This has resulted in a reduction in the credit balance of the cash flow hedging reserve as at 31 March 2015 by RM14 million to RM29 million compared with the previous financial year ended 31 December 2014.

The gains recognised in the cash flow hedging reserve in equity of RM29 million as at 31 March 2015 represents the net deferred fair value gains relating to the CCIRS and IRS which will be continuously released to the statement of profit or loss within finance costs until the underlying borrowings are repaid.

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

## 24. REALISED AND UNREALISED RETAINED EARNINGS

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

| | **AS AT 31/3/2015** | AS AT 31/12/2014 |
|---|---|---|
| | **RM'm** | RM'm |
| Retained earnings of the Company and its subsidiaries: | | |
| - realised | **2,184** | 1,767 |
| - unrealised | **(499)** | (494) |
| | **1,685** | 1,273 |
| Less: Consolidation adjustments | **(51)** | (49) |
| **Total retained earnings as per Consolidated Statements of Financial Position** | **1,634** | 1,224 |

## 25. MATERIAL LITIGATION

There is no material litigation as at 21 April 2015.

## 26. DIVIDENDS

The Board of Directors has declared a first interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ending 31 December 2015, to be paid on 26 June 2015. The entitlement date for the dividend payment is 29 May 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 29 May 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.

The total dividends for the three-month ended 31 March 2015 is 5.0 sen per ordinary share (2014: 8.0 sen).

## 27. EARNINGS PER SHARE

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|---|
| | | **QUARTER ENDED 31/3/2015** | QUARTER ENDED 31/3/2014 | **PERIOD ENDED 31/3/2015** | PERIOD ENDED 31/3/2014 |
| **(a) Basic earnings per share** | | | | | |
| Profit attributable to the equity holders of the Company | (RM'm) | **410** | 484 | **410** | 484 |
| Weighted average number of issued ordinary shares | ('m) | **7,506** | 7,505 | **7,506** | 7,505 |
| Basic earnings per share | (sen) | **5.5** | 6.4 | **5.5** | 6.4 |
| **(b) Diluted earnings per share** | | | | | |
| Profit attributable to the equity holders of the Company | (RM'm) | **410** | 484 | **410** | 484 |
| Weighted average number of issued ordinary shares | ('m) | **7,506** | 7,505 | **7,506** | 7,505 |
| Adjusted for share options | ('m) | **3** | 3 | **3** | 3 |
| Adjusted weighted average number of ordinary shares | ('m) | **7,509** | 7,508 | **7,509** | 7,508 |
| Diluted earnings per share | (sen) | **5.5** | 6.4 | **5.5** | 6.4 |

By order of the Board

Dipak Kaur
(LS 5204)
Company Secretary
27 April 2015
Kuala Lumpur