MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

ANNOUNCEMENT

The Board of Directors of Maxis Berhad ("Maxis" or "the Company") is pleased to announce the following unaudited condensed consolidated financial statements for the first quarter ended 31 March 2016 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		QUARTER ENDED 31/3/2016	QUARTER ENDED 31/3/2015	+ -	**PERIOD ENDED 31/3/2016**	PERIOD ENDED 31/3/2015	+ -
	Note	**RM'm**	RM'm	%	**RM'm**	RM'm	%
Revenue		**2,140**	2,149	-<1	**2,140**	2,149	-<1
Cost of sales		**(656)**	(713)		**(656)**	(713)	
Gross profit		**1,484**	1,436	+3	**1,484**	1,436	+3
Other income		**53**	22		**53**	22	
Administrative expenses		**(450)**	(429)		**(450)**	(429)	
Network operation costs		**(203)**	(323)		**(203)**	(323)	
Other expenses		**(44)**	(20)		**(44)**	(20)	
Profit from operations	19	**840**	686	+22	**840**	686	+22
Finance income		**14**	14		**14**	14	
Finance costs		**(120)**	(110)		**(120)**	(110)	
Profit before tax		**734**	590	+24	**734**	590	+24
Tax expenses	20	**(214)**	(178)		**(214)**	(178)	
Profit for the period		**520**	412	+26	**520**	412	+26
Attributable to:							
- equity holders of the Company		**518**	410	+26	**518**	410	+26
- non-controlling interest		**2**	2		**2**	2	
		520	412	+26	**520**	412	+26
Earnings per share attributable to equity holders of the Company (sen):							
- basic	27	**6.9**	5.5		**6.9**	5.5	
- diluted	27	**6.9**	5.5		**6.9**	5.5	

MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/3/2016	QUARTER ENDED 31/3/2015	**PERIOD ENDED 31/3/2016**	PERIOD ENDED 31/3/2015
	RM'm	RM'm	**RM'm**	RM'm
Profit for the period	**520**	412	**520**	412
Other comprehensive expense				
Item that will be reclassified subsequently to profit or loss:				
Net change in cash flow hedge	**(35)**	(14)	**(35)**	(14)
Total comprehensive income for the period	**485**	398	**485**	398
Attributable to:				
- equity holders of the Company	**483**	396	**483**	396
- non-controlling interest	**2**	2	**2**	2
	485	398	**485**	398

MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	AS AT 31/3/2016 (Unaudited) RM'm	AS AT 31/12/2015 (Audited) RM'm
Non-current assets			
Property, plant and equipment	8	4,124	4,227
Intangible assets [1]		11,258	11,267
Receivables, deposits and prepayments		83	50
Derivative financial instruments	23	292	567
Deferred tax assets		54	55
		15,811	16,166
Current assets			
Inventories		9	13
Receivables, deposits and prepayments		1,304	1,218
Amount due from penultimate holding company		1	-
Amounts due from related parties		22	25
Derivative financial instruments	23	124	210
Tax recoverable		18	56
Cash and cash equivalents		786	1,296
		2,264	2,818
Total assets		18,075	18,984
Current liabilities			
Provisions for liabilities and charges		77	149
Payables and accruals		3,297	3,467
Amounts due to fellow subsidiaries		2	2
Amounts due to related parties		7	9
Loan from a related party	22	30	29
Borrowings	22	1,008	1,077
Derivative financial instruments	23	8	-
Taxation		236	160
		4,665	4,893
Net current liabilities		(2,401)	(2,075)

Note:

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

MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	AS AT 31/3/2016 (Unaudited) RM'm	AS AT 31/12/2015 (Audited) RM'm
Non-current liabilities			
Provisions for liabilities and charges		157	151
Payables and accruals		388	426
Borrowings	22	8,073	8,801
Deferred tax liabilities		452	493
		9,070	9,871
Net assets		4,340	4,220
Equity			
Share capital		751	751
Reserves		3,557	3,439
Equity attributable to equity holders of the Company		4,308	4,190
Non-controlling interest		32	30
Total equity		4,340	4,220
Net assets per share attributable to equity holders of the Company (RM)		0.57	0.56

MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company →								
Period ended 31/3/2016	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 1/1/2016	751	60	23,004	(22,729)	141	2,963	4,190	30	4,220
Profit for the period	-	-	-	-	-	518	518	2	520
Other comprehensive expense for the period	-	-	-	-	(35)	-	(35)	-	(35)
Total comprehensive (expense)/income for the period	-	-	-	-	(35)	518	483	2	485
Dividends for the financial year ended 31 December 2015	-	-	(275)	-	-	(101)	(376)	-	(376)
Employee Share Option Scheme ("ESOS") and Long-term Incentive Plan ("LTIP"):									
- share-based payment expense	-	-	-	-	9	-	9	-	9
- shares issued	*	1	-	-	-	-	1	-	1
Incentive arrangement:									
- share-based payment expense	-	-	-	-	3	-	3	-	3
- shares acquired	-	-	-	-	(2)	-	(2)	-	(2)
Balance as at 31/3/2016	751	61	22,729	(22,729)	116	3,380	4,308	32	4,340

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.

MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	← Attributable to equity holders of the Company →								
Period ended 31/3/2015	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 1/1/2015	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)
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.

MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	PERIOD ENDED 31/3/2016	PERIOD ENDED 31/3/2015
	RM'm	RM'm
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	520	412
Adjustments for:		
- non-cash items	361	435
- finance costs	120	110
- finance income	(14)	(14)
- tax expenses	214	178
Payments for provision for liabilities and charges	(85)	(15)
Operating cash flows before working capital changes	1,116	1,106
Changes in working capital	(282)	(111)
Cash flows from operations	834	995
Interest received	11	14
Tax paid	(140)	(153)
Net cash flows from operating activities	705	856
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(78)	(110)
Purchase of property, plant and equipment	(183)	(146)
Proceeds from disposal of property, plant and equipment	2	-
Net cash flows used in investing activities	(259)	(256)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to ESOS	1	6
Shares acquired pursuant to incentive arrangement	(2)	-
Drawdown of borrowing	-	350
Repayment of borrowing	(421)	(421)
Repayment of lease financing	(2)	(2)
Payments of finance costs	(156)	(129)
Ordinary share dividends paid	(376)	(600)
Net cash flows used in financing activities	(956)	(796)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(510)	(196)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	1,296	1,531
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	786	1,335

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

1. BASIS OF PREPARATION

The quarterly report has been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Bursa Securities Listing Requirements") and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

The significant accounting policies and methods adopted for the unaudited condensed consolidated financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2015.

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

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

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

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

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

2. SEASONAL / CYCLICAL FACTORS

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

3. UNUSUAL ITEMS

Save for those disclosed in Note 5 and RM9 million accelerated depreciation due to modernisation programmes as explained in Note 15, there were no other significant unusual items affecting the assets, liabilities, equity, net income or cash flows for the three months ended 31 March 2016.

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 2016.

5. DEBT AND EQUITY SECURITIES

Save for below items, there were no other issuance, repurchase and repayment of debt and equity securities during the three-month ended 31 March 2016:

(a) repayment of the Company's existing borrowing of RM421 million; and

(b) 199,700 ordinary shares of RM0.10 each were issued under the ESOS.

6. DIVIDENDS PAID

During the three-month ended 31 March 2016, the fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2015, amounting to RM376 million was paid on 25 March 2016.

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 2016. As at 31 March 2016, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 1 April 2016, the Company announced the completion of the internal reorganisation which consolidated and integrated the business and undertakings of the Company's wholly-owned subsidiaries, namely Maxis Collections Sdn. Bhd., Maxis International Sdn. Bhd., Maxis Mobile Sdn. Bhd. and Maxis Mobile Services Sdn. Bhd., under Maxis Broadband Sdn. Bhd.

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 2016.

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 2016 are as follows:

	RM'm
Contracted for	**254**
Not contracted for	**1,009**
	1,263

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 31/3/2016	Balances due from/(to) as at 31/3/2016	Commitments as at 31/3/2016	Total balances due from/(to) and commitments as at 31/3/2016
	RM'm	RM'm	RM'm	RM'm
(a) Sales of goods and services to:				
- MEASAT Broadcast Network Systems Sdn. Bhd. [1] (Telephony and broadband services)	23	18	-	18
- Saudi Telecom Company ("STC")[2] (roaming and international calls)	2	-	-	-
- MEASAT Global Berhad Group [3] (revenue share for the leasing of satellite bandwidth)	2	1	-	1
(b) Purchases of goods and services from:				
- Aircel Limited Group [4] (interconnect, roaming and international calls)	2	(2)	-	(2)
- Tanjong City Centre Property Management Sdn. Bhd. [5] (rental, signage, parking and utility charges)	8	(1)	(229)	(230)
- MEASAT Global Berhad Group [3] (transponder and teleport lease rental)	11	-	(29)	(29)
- Astro Digital 5 Sdn. Bhd. [1] (content provisioning, publishing and advertising agent)	2	(1)	-	(1)

13. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	Transactions for the financial period ended 31/3/2016	Balances due from/(to) as at 31/3/2016	Commitments as at 31/3/2016	Total balances due from/(to) and commitments as at 31/3/2016
	RM'm	RM'm	RM'm	RM'm
(b) Purchases of goods and services from: (continued)				
- STC [2] (roaming and international calls)	2	(1)	-	(1)
- UTSB Management Sdn. Bhd. [5] (corporate management services)	6	(2)	(13)	(15)
- SRG Asia Pacific Sdn. Bhd. [6] (call handling and telemarketing services)	4	(2)	-	(2)
- UMTS (Malaysia) Sdn. Bhd. [7] (usage of 3G spectrum)	12	(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 is deemed to have an interest in all of the Company shares in which UTSB has an interest, it does not have any economic or beneficial interest over the Company shares, as such interest is held subject to the terms of the discretionary trust.

(1) Subsidiary of a company which is an associate of UTSB
(2) A major shareholder of BGSM, as described above
(3) Subsidiary of a company in which TAK has a 99.999% direct equity interest
(4) Subsidiary of 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 2016 except as set out below, measured using Level 3 valuation technique:

	CARRYING AMOUNT	FAIR VALUE
	RM'm	RM'm
Borrowings		
- finance lease liabilities	6	5
- Islamic Medium Term Notes (Sukuk Musharakah)	2,455	2,420

(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 2016:

	RM'm
Recurring fair value measurements	
Derivative financial instruments (Cross Currency Interest Rate Swaps ("CCIRS"), Interest Rate Swaps ("IRS")) and forward foreign exchange contracts:	
- assets	408

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 2016 versus 4th Quarter 2015)

Financial indicators (RM'm unless otherwise indicated)	1st Quarter 2016 (unaudited)	4th Quarter 2015 (unaudited)	Variance	% Variance
Revenue	**2,140**	2,176	(36)	(2)
Service revenue [1]	**2,126**	2,160	(34)	(2)
EBITDA [2]	**1,213**	1,162	51	4
Adjusted for:				
Unrealised foreign exchange gains	***(57)***	*(41)*	*(16)*	*(39)*
Normalised EBITDA	**1,156**	1,121	35	3
Normalised EBITDA margin (%)	**54.0**	51.5	2.5	NA
Profit before tax	**734**	673	61	9
Profit for the period	**520**	470	50	11
Adjusted for:				
Accelerated depreciation due to IT and network modernisation programmes [3]	***9***	*50*	*(41)*	*(82)*
Unrealised foreign exchange gains	***(57)***	*(41)*	*(16)*	*(39)*
Tax effects of the above adjustments	***12***	*(2)*	*14*	*>100*
Normalised profit for the period	**484**	477	7	1

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

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (1st Quarter 2016 versus 4th Quarter 2015) (continued)

Operational indicators	1st Quarter 2016	4th Quarter 2015	Variance	% Variance
Mobile subscriptions ('000)	**11,164**	11,579	(415)	(4)
- Postpaid	***2,696***	*2,765*	*(69)*	*(2)*
- Prepaid	***8,196***	*8,520*	*(324)*	*(4)*
- Wireless Broadband	***272***	*294*	*(22)*	*(7)*
ARPU (Monthly) (RM)				
- Postpaid	***102***	*102*	-	-
- Prepaid	***39***	*39*	-	-
- Wireless Broadband	***71***	*72*	*(1)*	*(1)*
- Blended	***55***	*55*	-	-

For the quarter ended 31 March 2016, the Group recorded service revenue of RM2,126 million.

Prepaid service revenue stood at RM1,015 million, down 2.5% quarter-on-quarter. This was mainly driven by lower subscription base which was impacted by intense price competition, and high rotational churn of low ARPU and low tenure subscriptions. Prepaid ARPU, however, remained stable at RM39 supported by continued good traction on mobile Internet ARPU. Mobile Internet penetration of our prepaid RGS base crossed the 50% mark in the quarter under review.

Postpaid service revenue declined by 1.7% to RM994 million. This decline was driven mainly by lower seasonal roaming revenue. Our flagship MaxisONE Plan ("MOP") continued to attract high ARPU customers and we added close to 149k MOP subscriptions in the current quarter. We now have 962k MOP subscriptions with stable monthly ARPU of RM150. As a result, more than 50% of our postpaid revenue is now underpinned by a solid bundled base which is insensitive to future decline in voice and text.

On the back of a lower subscription base, mobile Internet users stood at 8.5 million users, against 9.0 million in the previous quarter. We, however, continued to see solid momentum in terms of 4G LTE adoption. We now have close to 3.2 million LTE users on our network, against 1.9 million a year ago. Data consumption of LTE users is higher at 2.59GB/month. Our 4G LTE population coverage has reached 74% and expanding. These are positive drivers in a fairly mature market where data is the primary growth driver.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (1st Quarter 2016 versus 4th Quarter 2015) (continued)

Normalised EBITDA in the current quarter stood at RM1,156 million with normalised EBITDA margin of 54.0% against RM1,121 million and 51.5% in the previous corresponding period. Higher EBITDA in the quarter was primarily driven by lower traffic-related costs and sales and marketing expenses. In-line with higher EBITDA recorded, the Group's normalised profit was marginally higher at RM484 million, compared to RM477 million in the preceding quarter.

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

Financial indicators (RM'm unless otherwise indicated)	YTD 2016 (unaudited)	YTD 2015[1] (unaudited)	Variance	% Variance
Revenue	**2,140**	2,149	(9)	<(1)
Service revenue [2]	**2,126**	2,127	(1)	<(1)
EBITDA [3]	**1,213**	1,047	166	16
Adjusted for:				
Unrealised foreign exchange (gains)/losses	***(57)***	*36*	*(93)*	*>(100)*
Normalised EBITDA	**1,156**	1,083	73	7
Normalised EBITDA margin (%)	**54.0**	50.4	3.6	NA
Profit before tax	**734**	590	144	24
Profit for the period	**520**	412	108	26
Adjusted for:				
Accelerated depreciation due to IT and network modernisation programmes [4]	***9***	*57*	*(48)*	*(84)*
Unrealised foreign exchange (gains)/losses	***(57)***	*36*	*(93)*	*>(100)*
Tax effects of the above adjustments	***12***	*(23)*	*35*	*>100*
Normalised profit for the period	**484**	482	2	<1

Notes:

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

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

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

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

15. ANALYSIS OF PERFORMANCE (CONTINUED)

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

Operational indicators	YTD 2016	YTD 2015	Variance	% Variance
Mobile subscriptions ('000)	**11,164**	12,192	(1,028)	(8)
- Postpaid	***2,696***	*2,823*	*(127)*	*(4)*
- Prepaid	***8,196***	*8,992*	*(796)*	*(9)*
- Wireless Broadband	***272***	*377*	*(105)*	*(28)*
ARPU (Monthly) (RM)				
- Postpaid	***102***	*96*	*6*	*6*
- Prepaid	***39***	*38*	*1*	*3*
- Wireless Broadband	***71***	*70*	*1*	*1*
- Blended	***55***	*53*	*2*	*4*

Year-on year, service revenue was stable at RM2,126 million (YTD 2015: RM2,127 million).

As mentioned above, our prepaid subscription momentum in the period under review was impacted by price-focused competition. Consequently, prepaid service revenue declined by 3.5% to RM1,015 million (YTD 2015: RM1,052 million). Prepaid ARPU, however, was higher at RM39 (YTD 2015: RM38) with continued good traction on mobile Internet ARPU, compensating for voice and SMS decline.

Postpaid service revenue grew 2.3% to RM994 million (YTD 2015: RM972 million); supported by a solid base of 962k MOP subscriptions. In total, we added 571k MOP subscriptions with stable monthly ARPU contribution of RM150 in the past 12 months.

We continued to see rising smart-phone penetration and data usage on our network. Blended smart-phone penetration is at 70%, against 62% in the same period last year. Blended data usage on our network grew more than 50% in the last 12 months and is now at 1.63GB/month.

In the period under review, normalised total operating costs declined by 7.7% to RM984 million (YTD 2015: RM1,066 million), mainly due to the removal of prepaid service tax and lower sales and marketing spend. Consequently, normalised EBITDA and EBITDA margin stood at RM1,156 million and 54.0% against RM1,083 million and 50.4% in the corresponding period last year.

Normalised profit for the year stood at RM484 million, similar to that of the same period last year after taking into account the net of tax effects of higher depreciation and amortisation.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016

For the financial year ending 31 December 2016, we continue to expect service revenue, absolute EBITDA and base capital expenditure at similar levels to financial year 2015. Our focus is on maintaining our strong market position and to provide unmatched experience and innovative products to our customers.

17. PROFIT FORECAST OR PROFIT GUARANTEE

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

18. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS

There was no qualification to the preceding audited financial statements for the financial year ended 31 December 2015.

19. PROFIT FROM OPERATIONS

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/3/2016	QUARTER ENDED 31/3/2015	**PERIOD ENDED 31/3/2016**	PERIOD ENDED 31/3/2015
	RM'm	RM'm	**RM'm**	RM'm
Allowance for impairment of receivables, deposits and prepayments, net	**25**	9	**25**	9
Bad debts recovered	**(5)**	(5)	**(5)**	(5)
Fair value losses on forward foreign exchange contracts	**8**	-	**8**	-
(Gains)/losses on foreign exchange	**(65)**	39	**(65)**	39
Intangible assets:				
- amortisation	**86**	61	**86**	61
- impairment	**1**	-	**1**	-
Property, plant and equipment:				
- depreciation	**269**	294	**269**	294
- gain on disposal	**(2)**	-	**(2)**	-
- impairment/written off	**19**	6	**19**	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 and other exceptional items for the current quarter ended 31 March 2016.

20. TAX EXPENSES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/3/2016	QUARTER ENDED 31/3/2015	**PERIOD ENDED 31/3/2016**	PERIOD ENDED 31/3/2015
	RM'm	RM'm	**RM'm**	RM'm
Income tax:				
- current tax	**254**	210	**254**	210
Deferred tax:				
- origination and reversal of temporary differences	**(40)**	(27)	**(40)**	(27)
- changes in tax rate	**-**	(5)	**-**	(5)
Total	**214**	178	**214**	178

The Group's effective tax rates for the current quarter ended 31 March 2016 was 29.2%, higher than the statutory tax rate of 24% mainly due to certain expenses not being deductible for tax purposes.

21. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced but not completed.

22. BORROWINGS

The borrowings as at 31 March 2016 are as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
	RM'm	RM'm	RM'm
Secured			
Finance lease liabilities	12	6	18
Unsecured			
Term loans	-	1,881	1,881
Syndicated term loans	996	389	1,385
Commodity Murabahah Term Financing	-	2,491	2,491
Islamic Medium Term Notes	-	3,306	3,306
Loan from a related party	30	-	30
	1,038	8,073	9,111

Currency profile of borrowings is as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
Ringgit Malaysia ("RM")	42	6,801 [1]	6,843
United States Dollar ("USD")	996 [2]	1,070 [2]	2,066
Singapore Dollar ("SGD")	-	202 [2]	202
	1,038	8,073	9,111

Notes:

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

[2] Includes borrowings of RM2,268 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 2016 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	867	(124)
- one year to three years	-	-
- more than three years	1,014	(278)
IRS:		
- less than one year	-	-
- one year to three years	-	-
- more than three years	700	(14)
Forward foreign exchange contracts:		
- less than one year	166	8
- one year to three years	-	-
- more than three years	-	-
Total	2,747	(408)

During the current quarter ended 31 March 2016, the Group entered into forward foreign exchange contracts to hedge against USD/RM exchange rate fluctuations on certain payable balances and forecast transactions.

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Disclosure of derivatives (continued)

There have been no changes since the end of the previous financial year ended 31 December 2015 in respect of the following:

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

(b) the cash requirements of the derivatives;

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

(d) the related accounting policies.

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

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

As at 31 March 2016, the Group has recognised derivative financial assets and derivative financial liabilities of RM416 million and RM8 million respectively, a decrease in fair value gains by RM369 million from the previous quarter, on remeasuring the fair values of the derivative financial instruments for:

(i) derivative designated in hedging relationship

The decrease in fair values gains from the previous quarter was RM363 million with the corresponding movement included in equity in the cash flow hedging reserve.

For the current quarter, RM328 million was reclassified to the statement of profit or loss to offset the foreign exchange gains of RM329 million which arose from the strengthening 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 31 March 2016 by RM35 million to RM28 million compared with the previous financial year ended 31 December 2015.

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) derivative designated in hedging relationship (continued)

For derivatives designated as cash flow hedge, the gains or losses recognised in the cash flow hedging reserve in equity represents the net deferred fair value gains/losses relating to the CCIRS, IRS and forward foreign exchange contracts which will be continuously released to the statement of profit or loss until the underlying borrowings are repaid or released to the statement of profit or loss when the hedged items affect profit or loss. For borrowings, 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.

(ii) derivative not designated in hedging relationship

The increase in fair value losses of RM6 million which is due to changes in foreign currency exchange spot and forward rates respectively has been charged to the statement of profit or loss within other expenses.

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

24. REALISED AND UNREALISED RETAINED EARNINGS

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

	AS AT 31/3/2016	AS AT 31/12/2015
	RM'm	**RM'm**
Retained earnings of the Company and its subsidiaries:		
- realised	**3,987**	3,671
- unrealised	**(547)**	(650)
	3,440	3,021
Less: Consolidation adjustments	**(60)**	(58)
Total retained earnings as per Consolidated Statements of Financial Position	**3,380**	2,963

25. MATERIAL LITIGATION

There is no material litigation as at 14 April 2016.

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 2016, to be paid on 29 June 2016. The entitlement date for the dividend payment is 31 May 2016.

A depositor shall qualify for entitlement to the dividend only in respect of:

(i) shares transferred to the depositor's securities account before 4.00 pm on 31 May 2016 in respect of transfers; and

(ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The total dividends for the three-month ended 31 March 2016 is 5.0 sen per ordinary share (2015: 5.0 sen).

27. EARNINGS PER SHARE

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31/3/2016	QUARTER ENDED 31/3/2015	**PERIOD ENDED 31/3/2016**	PERIOD ENDED 31/3/2015
(a) Basic earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**518**	410	**518**	410
Weighted average number of issued ordinary shares	('m)	**7,509**	7,506	**7,509**	7,506
Basic earnings per share	(sen)	**6.9**	5.5	**6.9**	5.5
(b) Diluted earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**518**	410	**518**	410
Weighted average number of issued ordinary shares	('m)	**7,509**	7,506	**7,509**	7,506
Adjusted for share options	('m)	**1**	3	**1**	3
Adjusted weighted average number of ordinary shares	('m)	**7,510**	7,509	**7,510**	7,509
Diluted earnings per share	(sen)	**6.9**	5.5	**6.9**	5.5

By order of the Board

Dipak Kaur
(LS 5204)
Company Secretary
21 April 2016
Kuala Lumpur