MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

# QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 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 second quarter ended 30 June 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 30/6/2016** | QUARTER ENDED 30/6/2015 | + - | **PERIOD ENDED 30/6/2016** | PERIOD ENDED 30/6/2015 | + - |
| | **Note** | **RM'm** | RM'm | % | **RM'm** | RM'm | % |
| Revenue | | **2,102** | 2,110 | -<1 | **4,242** | 4,259 | -<1 |
| Cost of sales | | **(700)** | (650) | | **(1,356)** | (1,363) | |
| Gross profit | | **1,402** | 1,460 | -4 | **2,886** | 2,896 | -<1 |
| Other income | | **32** | 30 | | **85** | 52 | |
| Administrative expenses | | **(485)** | (439) | | **(935)** | (868) | |
| Network operation costs | | **(229)** | (290) | | **(432)** | (613) | |
| Other expenses | | **30** | (25) | | **(14)** | (45) | |
| Profit from operations | 19 | **750** | 736 | +2 | **1,590** | 1,422 | +12 |
| Finance income | | **14** | 12 | | **28** | 26 | |
| Finance costs | | **(116)** | (117) | | **(236)** | (227) | |
| Profit before tax | | **648** | 631 | +3 | **1,382** | 1,221 | +13 |
| Tax expenses | 20 | **(165)** | (188) | | **(379)** | (366) | |
| Profit for the period | | **483** | 443 | +9 | **1,003** | 855 | +17 |
| Attributable to: | | | | | | | |
| - equity holders of the Company | | **488** | 441 | +11 | **1,006** | 851 | +18 |
| - non-controlling interest | | **(5)** | 2 | | **(3)** | 4 | |
| | | **483** | 443 | +9 | **1,003** | 855 | +17 |
| Earnings per share attributable to equity holders of the Company (sen): | | | | | | | |
| - basic | 27 | **6.5** | 5.9 | | **13.4** | 11.3 | |
| - diluted | 27 | **6.5** | 5.9 | | **13.4** | 11.3 | |

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | **QUARTER ENDED 30/6/2016** | QUARTER ENDED 30/6/2015 | **PERIOD ENDED 30/6/2016** | PERIOD ENDED 30/6/2015 |
| | **RM'm** | RM'm | **RM'm** | RM'm |
| Profit for the period | **483** | 443 | **1,003** | 855 |
| **Other comprehensive (expense)/income** | | | | |
| **Item that will be reclassified subsequently to profit or loss:** | | | | |
| Net change in cash flow hedge | **(20)** | 16 | **(55)** | 2 |
| Total comprehensive income for the period | **463** | 459 | **948** | 857 |
| Attributable to: | | | | |
| - equity holders of the Company | **468** | 457 | **951** | 853 |
| - non-controlling interest | **(5)** | 2 | **(3)** | 4 |
| | **463** | 459 | **948** | 857 |

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2016

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | AS AT 30/6/2016 (Unaudited) RM'm | AS AT 31/12/2015 (Audited) RM'm |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | **4,260** | 4,227 |
| Intangible assets [(1)] | | **11,245** | 11,267 |
| Receivables, deposits and prepayments | | **105** | 50 |
| Derivative financial instruments | 23 | **314** | 567 |
| Deferred tax assets | | **86** | 55 |
| | | **16,010** | 16,166 |
| **Current assets** | | | |
| Inventories | | **14** | 13 |
| Receivables, deposits and prepayments | | **1,330** | 1,218 |
| Amount due from penultimate holding company | | **1** | - |
| Amounts due from related parties | | **22** | 25 |
| Derivative financial instruments | 23 | **158** | 210 |
| Tax recoverable | | **1** | 56 |
| Cash and cash equivalents | | **973** | 1,296 |
| | | **2,499** | 2,818 |
| **Total assets** | | **18,509** | 18,984 |
| **Current liabilities** | | | |
| Provisions for liabilities and charges | | **51** | 149 |
| Payables and accruals | | **3,508** | 3,467 |
| Amounts due to fellow subsidiaries | | **-** | 2 |
| Amounts due to related parties | | **8** | 9 |
| Loan from a related party | 22 | **30** | 29 |
| Borrowings | 22 | **1,041** | 1,077 |
| Derivative financial instruments | 23 | **2** | - |
| Taxation | | **325** | 160 |
| | | **4,965** | 4,893 |
| **Net current liabilities** | | **(2,466)** | (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.

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

| | Note | AS AT 30/6/2016 (Unaudited) RM'm | AS AT 31/12/2015 (Audited) RM'm |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Provisions for liabilities and charges | | **161** | 151 |
| Payables and accruals | | **368** | 426 |
| Borrowings | 22 | **8,150** | 8,801 |
| Derivative financial instruments | 23 | **2** | - |
| Deferred tax liabilities | | **425** | 493 |
| | | **9,106** | 9,871 |
| **Net assets** | | **4,438** | 4,220 |
| **Equity** | | | |
| Share capital | | **751** | 751 |
| Reserves | | **3,660** | 3,439 |
| **Equity attributable to equity holders of the Company** | | **4,411** | 4,190 |
| Non-controlling interest | | **27** | 30 |
| **Total equity** | | **4,438** | 4,220 |
| **Net assets per share attributable to equity holders of the Company (RM)** | | **0.59** | 0.56 |

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2016

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| Period ended 30/6/2016 | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | ← 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 1/1/2016 | 751 | 60 | 23,004 | (22,729) | 141 | 2,963 | 4,190 | 30 | 4,220 |
| Profit for the period | - | - | - | - | - | 1,006 | 1,006 | (3) | 1,003 |
| Other comprehensive expense for the period | - | - | - | - | (55) | - | (55) | - | (55) |
| Total comprehensive (expense)/income for the period | - | - | - | - | (55) | 1,006 | 951 | (3) | 948 |
| Dividends for the financial year ended 31 December 2015 | - | - | (275) | - | - | (101) | (376) | - | (376) |
| Dividends for the financial year ending 31 December 2016 | - | - | - | - | - | (375) | (375) | - | (375) |
| Employee Share Option Scheme ("ESOS") and Long-term Incentive Plan ("LTIP"): | | | | | | | | | |
| - share-based payment expense | - | - | - | - | 17 | - | 17 | - | 17 |
| - shares issued | * | 2 | - | - | - | - | 2 | - | 2 |
| Incentive arrangement: | | | | | | | | | |
| - share-based payment expense | - | - | - | - | 4 | - | 4 | - | 4 |
| - shares acquired | - | - | - | - | (2) | - | (2) | - | (2) |
| Balance as at 30/6/2016 | 751 | 62 | 22,729 | (22,729) | 105 | 3,493 | 4,411 | 27 | 4,438 |

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 30/6/2015 | 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 | - | - | - | - | - | 851 | 851 | 4 | 855 |
| Other comprehensive income for the period | - | - | - | - | 2 | - | 2 | - | 2 |
| Total comprehensive income for the period | - | - | - | - | 2 | 851 | 853 | 4 | 857 |
| Dividends for the financial year ended 31 December 2014 | - | - | (1,201) | - | - | - | (1,201) | - | (1,201) |
| Dividends for the financial year ended 31 December 2015 | - | - | (375) | - | - | - | (375) | - | (375) |
| ESOS: | | | | | | | | | |
| - shares issued | * | 15 | - | - | (1) | - | 14 | - | 14 |
| Incentive arrangement: | | | | | | | | | |
| - share-based payment expense | - | - | - | - | 5 | - | 5 | - | 5 |
| Balance as at 30/6/2015 | 751 | 54 | 23,755 | (22,729) | 106 | 2,075 | 4,012 | 26 | 4,038 |

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 SECOND QUARTER ENDED 30 JUNE 2016

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | PERIOD ENDED 30/6/2016 | PERIOD ENDED 30/6/2015 |
|---|---|---|
| | RM'm | RM'm |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit for the period | 1,003 | 855 |
| Adjustments for: | | |
| - non-cash items | 673 | 841 |
| - finance costs | 236 | 227 |
| - finance income | (28) | (26) |
| - tax expenses | 379 | 366 |
| Payments for provision for liabilities and charges | (86) | (17) |
| Operating cash flows before working capital changes | 2,177 | 2,246 |
| Changes in working capital | (106) | (288) |
| Cash flows from operations | 2,071 | 1,958 |
| Interest received | 21 | 26 |
| Tax paid | (258) | (287) |
| Net cash flows from operating activities | 1,834 | 1,697 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of intangible assets | (147) | (192) |
| Purchase of property, plant and equipment | (600) | (463) |
| Proceeds from disposal of property, plant and equipment | 2 | 1 |
| Net cash flows used in investing activities | (745) | (654) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issuance of shares pursuant to ESOS | 2 | 14 |
| Shares acquired pursuant to incentive arrangement | (2) | - |
| Drawdown of borrowings | 3,500 | 1,190 |
| Repayment of borrowings | (3,921) | (421) |
| Repayment of lease financing | (4) | (3) |
| Payments of finance costs | (236) | (221) |
| Ordinary share dividends paid | (751) | (1,576) |
| Net cash flows used in financing activities | (1,412) | (1,017) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | (323) | 26 |
| **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** | 973 | 1,557 |

**MAXIS BERHAD**

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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2016**

**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 standards that are applicable to the Group but not yet effective**

The 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 2017. The Group did not early adopt these new standards and amendments to standards.

| | |
|---|---|
| • Amendments to MFRS 15 | Clarifications to MFRS 15 (effective from 1 January 2018) |
| • 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 items below, there were no other significant unusual items affecting the assets, liabilities, equity, net income or cash flows during the six months ended 30 June 2016:

(a) Accelerated depreciation due to modernisation programmes of RM17 million; and
(b) Reversals of asset impairment (RM47 million) and contract obligation (RM47 million) provisions totalling to RM94 million for Home services.

## 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 six months ended 30 June 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 six months ended 30 June 2016:

(a) repayment of the Company's existing borrowings of RM3,921 million.

(b) Maxis Broadband Sdn. Bhd., a wholly-owned subsidiary of the Company, ("MBSB") entered into loan facility agreements with financial institutions for RM1.0 billion term loan and RM2.5 billion Commodity Murabahah Term Financing. MBSB had fully drawn down on these loans to part settle the purchase consideration in relation to the purchase of businesses and undertakings including relevant assets and liabilities of the Company's wholly-owned subsidiaries under the internal reorganisation as announced by the Company on 2 December 2015.

(c) MBSB has established an Unrated Islamic Medium Term Notes ("Sukuk Murabahah") Programme with an aggregate nominal value of up to RM10.0 billion. The Unrated Sukuk Murabahah Programme has a tenure of 30 years.

The Sukuk Murabahah to be issued shall have a tenure of more than 1 year and up to 30 years and MBSB intends to utilise the proceeds for the purposes set out below:
(i) to finance the settlement of the remaining purchase consideration in relation to internal reorganisation as explained in Note 5(b) above; and
(ii) to finance its capital expenditure, working capital and/or other funding requirements.

As at 30 June 2016, MBSB has not issued any Sukuk Murabahah under this programme.

(d) 286,500 ordinary shares of RM0.10 each were issued under the ESOS.

## 6. DIVIDENDS PAID

The following dividend payments were made during the six months ended 30 June 2016:

| | RM'm |
|---|---|
| In respect of the financial year ended 31 December 2015: | |
| - fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share, paid on 25 March 2016 | **376** |
| In respect of the financial year ending 31 December 2016: | |
| - first interim single-tier tax-exempt dividend of 5.0 sen per ordinary share, paid on 29 June 2016 | **375** |
| | **751** |

## 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 six months ended 30 June 2016. As at 30 June 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 July 2016, an offer of Performance Share Grant involving 6,075,200 new Maxis ordinary shares of RM0.10 each ("Maxis Shares") was made to eligible employees. The Maxis Shares under the offer shall vest on 30 June 2019 subject to meeting performance targets for the period commencing 1 January 2016 to 31 December 2018.

## 10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the six months ended 30 June 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 30 June 2016 are as follows:

| | RM'm |
|---|---|
| Contracted for | **253** |
| Not contracted for | **655** |
| | **908** |

## 13. SIGNIFICANT RELATED PARTY DISCLOSURES

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

| | Transactions for the financial period ended 30/6/2016 | Balances due from/(to) as at 30/6/2016 | Commitments as at 30/6/2016 | Total balances due from/(to) and commitments as at 30/6/2016 |
|---|---|---|---|---|
| | 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) | 47 | 17 | - | 17 |
| - Saudi Telecom Company ("STC")(2) (roaming and international calls) | 5 | - | - | - |
| - MEASAT Global Berhad Group (3) (revenue share for the leasing of satellite bandwidth) | 2 | 2 | - | 2 |
| **(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) | 16 | (1) | (226) | (227) |
| - MEASAT Global Berhad Group (3) (transponder and teleport lease rental) | 21 | - | (28) | (28) |
| - Astro Digital 5 Sdn. Bhd. (1) (content provisioning, publishing and advertising agent) | 2 | - | - | - |

## 13. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

| | Transactions for the financial period ended 30/6/2016 | Balances due from/(to) as at 30/6/2016 | Commitments as at 30/6/2016 | Total balances due from/(to) and commitments as at 30/6/2016 |
|---|---|---|---|---|
| | RM'm | RM'm | RM'm | RM'm |
| **(b) Purchases of goods and services from: (continued)** | | | | |
| - UTSB Management Sdn. Bhd. [5] (corporate management services) | 13 | (4) | (6) | (10) |
| - SRG Asia Pacific Sdn. Bhd. [6] (call handling and telemarketing services) | 8 | (2) | - | (2) |
| - UMTS (Malaysia) Sdn. Bhd. [7] (usage of 3G spectrum) | 23 | (4) | - | (4) |

Notes:

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

Usaha Tegas Sdn. Bhd. ("UTSB"), STC and Harapan Nusantara Sdn. Bhd. are parties related to the Company, by virtue of having joint control over Binariang GSM Sdn. Bhd. ("BGSM"), pursuant to a shareholders' agreement in relation to BGSM. BGSM 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 30 June 2016 except as set out below, measured using Level 3 valuation technique:

| | CARRYING AMOUNT | FAIR VALUE |
|---|---|---|
| | RM'm | RM'm |
| Borrowings | | |
| - finance lease liabilities | **4** | **4** |
| - Islamic Medium Term Notes | **3,325** | **3,296** |

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

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation technique, as at 30 June 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 | **472** |
| - liabilities | **(4)** |

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 (2nd Quarter 2016 versus 1st Quarter 2016)

| Financial indicators (RM'm unless otherwise indicated) | 2nd Quarter 2016 (unaudited) | 1st Quarter 2016[1] (unaudited) | Variance | % Variance |
|---|---|---|---|---|
| **Revenue** | **2,102** | 2,140 | (38) | (2) |
| **Service revenue** [2] | **2,055** | 2,122 | (67) | (3) |
| **EBITDA** [3] | **1,050** | 1,213 | (163) | (13) |
| *Adjusted for:* | | | | |
| *Home services - Reversal of contract obligation provision* | ***(47)*** | - | *(47)* | *>(100)* |
| *Unrealised foreign exchange losses/(gains)* | ***3*** | *(57)* | *60* | *>100* |
| **Normalised EBITDA** | **1,006** | 1,156 | (150) | (13) |
| **Normalised EBITDA margin (%)** | **47.9** | 54.0 | (6.1) | NA |
| **Profit before tax** | **648** | 734 | (86) | (12) |
| **Profit for the period** | **483** | 520 | (37) | (7) |
| *Adjusted for:* | | | | |
| *Accelerated depreciation due to IT and network modernisation programmes* [4] | ***8*** | *9* | *(1)* | *(11)* |
| *Home services:* | | | | |
| • *Reversal of contract obligation provision* | ***(47)*** | - | *(47)* | *>(100)* |
| • *Reversal of asset impairment provision* | ***(47)*** | - | *(47)* | *>(100)* |
| *Unrealised foreign exchange losses/(gains)* | ***3*** | *(57)* | *60* | *>100* |
| *Tax effects of the above adjustments* | ***21*** | *12* | *9* | *75* |
| **Normalised profit for the period** | **421** | 484 | (63) | (13) |

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, hubbing revenues and network income.

(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)

### (A) Performance of the current quarter against the preceding quarter (2nd Quarter 2016 versus 1st Quarter 2016) (continued)

| Operational indicators | 2nd Quarter 2016 | 1st Quarter 2016 | Variance | % Variance |
|---|---|---|---|---|
| Mobile subscriptions ('000) | **11,015** | 11,164 | (149) | (1) |
| *- Postpaid* | ***2,660*** | *2,696* | *(36)* | *(1)* |
| *- Prepaid* | ***8,108*** | *8,196* | *(88)* | *(1)* |
| *- Wireless Broadband* | ***247*** | *272* | *(25)* | *(9)* |
| **ARPU (Monthly) (RM)** | | | | |
| *- Postpaid* | ***102*** | *102* | *-* | *-* |
| *- Prepaid* | ***38*** | *39* | *(1)* | *(3)* |
| *- Wireless Broadband* | ***71*** | *71* | *-* | *-* |
| *- Blended* | ***54*** | *55* | *(1)* | *(2)* |

For the quarter ended 30 June 2016, the Group recorded service revenue of RM2,055 million.

Prepaid service revenue stood at RM959 million, down 5.3% quarter-on-quarter. The decline was mainly driven by a lower subscription base which continued to be impacted by intense price competition. Prepaid ARPU, however, remained relatively stable at RM38, supported by higher Mobile Internet usage. Prepaid Mobile Internet penetration stood at 52% as at the mid-year.

Postpaid service revenue declined by 1.7% to RM975 million. Similar to prepaid, the decline was due to heightened price competition which resulted in a lower subscription base. In late April, the Group proactively upgraded the data allocation of all MaxisONE Plan ("MOP") subscriptions. Since then, the Group's postpaid base has stabilised. However, the full financial effect is only expected in the coming quarters. In terms of MOP subscriptions, this has increased to 1,292k from 962k with monthly ARPU of RM143.

The Group continued to see solid momentum in terms of 4G LTE adoption. 4G LTE users stood at 3.5 million and are consuming an average of 3.7GB/month. These represent an increase from 1.9 million and 2.2GB/month respectively from a year ago. 4G LTE population coverage has reached 87% on comparable peer basis and the Group continued to lead the market in terms of coverage, quality and customer experience.

## 15. ANALYSIS OF PERFORMANCE (CONTINUED)

### (A) Performance of the current quarter against the preceding quarter (2nd Quarter 2016 versus 1st Quarter 2016) (continued)

Normalised EBITDA in the current quarter stood at RM1,006 million with normalised EBITDA margin of 47.9%, against RM1,156 million and 54.0% respectively in the previous corresponding period. EBITDA in the quarter was primarily impacted by higher traffic-related costs from increased IDD traffic, higher sales and marketing expenses as well as realised foreign exchange losses. Sales and marketing expenses rose on the back of new product launches.

On the back of lower revenue and EBITDA, normalised profit declined to RM421 million, compared to RM484 million in the preceding quarter.

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

| Financial indicators (RM'm unless otherwise indicated) | YTD 2016 (unaudited) | YTD 2015[1] (unaudited) | Variance | % Variance |
|---|---|---|---|---|
| **Revenue** | **4,242** | 4,259 | (17) | <(1) |
| **Service revenue** [2] | **4,177** | 4,211 | (34) | (1) |
| **EBITDA** [3] | **2,263** | 2,148 | 115 | 5 |
| *Adjusted for:* | | | | |
| *Home services - Reversal of contract obligation provision* | ***(47)*** | - | *(47)* | *>(100)* |
| *Unrealised foreign exchange (gains)/losses* | ***(54)*** | *45* | *(99)* | *>(100)* |
| **Normalised EBITDA** | **2,162** | 2,193 | (31) | (1) |
| **Normalised EBITDA margin (%)** | **51.0** | 51.5 | (0.5) | NA |
| **Profit before tax** | **1,382** | 1,221 | 161 | 13 |
| **Profit for the period** | **1,003** | 855 | 148 | 17 |
| *Adjusted for:* | | | | |
| *Accelerated depreciation due to IT and network modernisation programmes* [4] | ***17*** | *113* | *(96)* | *(85)* |
| *Home services:* | ***(47)*** | - | *(47)* | *>(100)* |
| • *Reversal of contract obligation provision* | | | | |
| • *Reversal of asset impairment provision* | ***(47)*** | - | *(47)* | *>(100)* |
| *Unrealised foreign exchange (gains)/losses* | ***(54)*** | *45* | *(99)* | *>(100)* |
| *Tax effects of the above adjustments* | ***33*** | *(40)* | *73* | *>100* |
| **Normalised profit for the period** | **905** | 973 | (68) | (7) |

## 15. ANALYSIS OF PERFORMANCE (CONTINUED)

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

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, hubbing revenues and network income.

(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.

| Operational indicators | YTD 2016 | YTD 2015 | Variance | % Variance |
|---|---|---|---|---|
| Mobile subscriptions ('000) | **11,015** | 12,214 | (1,199) | (10) |
| *- Postpaid* | ***2,660*** | *2,796* | *(136)* | *(5)* |
| *- Prepaid* | ***8,108*** | *9,068* | *(960)* | *(11)* |
| *- Wireless Broadband* | ***247*** | *350* | *(103)* | *(29)* |
| | | | | |
| **ARPU (Monthly) (RM)** | | | | |
| *- Postpaid* | ***102*** | *96* | *6* | *6* |
| *- Prepaid* | ***39*** | *37* | *2* | *5* |
| *- Wireless Broadband* | ***71*** | *70* | *1* | *1* |
| *- Blended* | ***54*** | *52* | *2* | *4* |

Year-to-date, service revenue was lower at RM4,177 million (YTD 2015: RM4,211 million).

As mentioned above, our prepaid subscription momentum in the period under review was impacted by price competition. Consequently, prepaid service revenue declined 4.3% to RM1,972 million (YTD 2015: RM2,061 million). Prepaid ARPU, however, increased to RM39 (YTD 2015: RM37) from continued traction on Mobile Internet usage, compensating for voice and SMS decline.

Postpaid service revenue grew 1.3% to RM1,967 million (YTD 2015: RM1,942 million); supported by a solid base of 1,292k MOP subscriptions. In total, the Group added 480k new MOP subscriptions in the period under review. Monthly ARPU remained relatively stable at RM145 level for the period under review.

## 15. ANALYSIS OF PERFORMANCE (CONTINUED)

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

Blended smart-phone penetration stood at 70% against 65% in the same period last year. Blended data usage grew by almost 80% in the last 12 months and is now at 2.2GB/month. The Group's expanded 4G LTE network, with a nationwide population coverage of 87% on comparable peer basis, continued to be an important enabler for our customers to enjoy unmatched digital experience.

In the period under review, our normalised cost base was relatively unchanged at RM2,080 million (YTD2015: RM2,066 million). Consequently, normalised EBITDA and EBITDA margin stood at RM2,162 million and 51.0% against RM2,193 million and 51.5% respectively in the corresponding period last year.

On the back of primarily lower revenue, normalised profit for the year stood at RM905 million (YTD 2015: RM973 million).

## 16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016

For the financial year ending 31 December 2016, the Group expects service revenue, absolute EBITDA and base capital expenditure to remain at similar levels to financial year 2015. The Group will continue to invest in service differentiation and enhance its operational efficiency to strengthen long-term competitiveness.

## 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 30/6/2016 | QUARTER ENDED 30/6/2015 | PERIOD ENDED 30/6/2016 | PERIOD ENDED 30/6/2015 |
| | RM'm | RM'm | RM'm | RM'm |
| Allowance for impairment of receivables, deposits and prepayments, net | 31 | 15 | 56 | 24 |
| Bad debts recovered | (7) | (5) | (12) | (10) |
| Fair value (gains)/losses on forward foreign exchange contracts | (4) | - | 4 | - |
| Losses/(gains) on foreign exchange | 27 | 11 | (38) | 50 |
| Intangible assets: | | | | |
| - amortisation | 82 | 67 | 168 | 128 |
| - impairment | - | - | 1 | - |
| Property, plant and equipment: | | | | |
| - depreciation | 262 | 296 | 531 | 590 |
| - gain on disposal | - | (1) | (2) | (1) |
| - impairment/written off | (44) | 3 | (25) | 9 |
| Reversal of contract obligation provision | (47) | - | (47) | - |

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 and six months ended 30 June 2016.

## 20. TAX EXPENSES

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | **QUARTER ENDED 30/6/2016** | QUARTER ENDED 30/6/2015 | **PERIOD ENDED 30/6/2016** | PERIOD ENDED 30/6/2015 |
| | **RM'm** | RM'm | **RM'm** | RM'm |
| Income tax: | | | | |
| - current tax | **224** | 195 | **478** | 405 |
| Deferred tax: | | | | |
| - origination and reversal of temporary differences | **(59)** | (7) | **(99)** | (34) |
| - changes in tax rate | **-** | - | **-** | (5) |
| **Total** | **165** | 188 | **379** | 366 |

The Group's effective tax rates for the current quarter and six months ended 30 June 2016 were 25.5% and 27.4% respectively, 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 30 June 2016 are as follows:

| | CURRENT LIABILITIES | NON-CURRENT LIABILITIES | TOTAL |
|---|---|---|---|
| | RM'm | RM'm | RM'm |
| **Secured** | | | |
| Finance lease liabilities | 12 | 4 | 16 |
| **Unsecured** | | | |
| Term loans | - | 1,914 | 1,914 |
| Syndicated term loans | 1,029 | 402 | 1,431 |
| Commodity Murabahah Term Financing | - | 2,505 | 2,505 |
| Islamic Medium Term Notes | - | 3,325 | 3,325 |
| Loan from a related party | 30 | - | 30 |
| | 1,071 | 8,150 | 9,221 |

Currency profile of borrowings is as follows:

| | CURRENT LIABILITIES | NON-CURRENT LIABILITIES | TOTAL |
|---|---|---|---|
| Ringgit Malaysia ("RM") | 42 | 6,835 [1] | 6,877 |
| United States Dollar ("USD") | 1,029 [2] | 1,106 [2] | 2,135 |
| Singapore Dollar ("SGD") | - | 209 [2] | 209 |
| | 1,071 | 8,150 | 9,221 |

Notes:
(1) Includes a term loan facility which has been partially hedged using IRS as disclosed in Note 23.
(2) Includes borrowings of RM2,344 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 30 June 2016 are set out below:

| TYPE OF DERIVATIVE | CONTRACT/ NOTIONAL VALUE | FAIR VALUE |
|---|---|---|
| | RM'm | RM'm |
| **Derivatives designated in hedging relationship (cash flow hedge):** | | |
| CCIRS: | | |
| - less than one year | 867 | (158) |
| - one year to three years | - | - |
| - more than three years | 1,014 | (314) |
| IRS: | | |
| - less than one year | - | - |
| - one year to three years | - | - |
| - more than three years | 700 | 2 |
| Forward foreign exchange contracts: | | |
| - less than one year | 33 | 1 |
| - one year to three years | - | - |
| - more than three years | - | - |
| | 2,614 | (469) |
| **Derivatives not designated in hedging relationship:** | | |
| Forward foreign exchange contracts: | | |
| - less than one year | 63 | 1 |
| - one year to three years | - | - |
| - more than three years | - | - |
| | 2,677 | (468) |

During the current quarter and six months ended 30 June 2016, the Group entered into:

(a) IRS contracts to partially hedge against fluctuations in the interest rates of RM1.0 billion term loan; and

(b) 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 30 June 2016, the Group has recognised derivative financial assets and derivative financial liabilities of RM472 million and RM4 million respectively, on remeasuring the fair values of the derivative financial instruments for:

(i) derivative designated in hedging relationship

The increase in fair values gains from the previous quarter was RM55 million with the corresponding movement included in equity in the cash flow hedging reserve.

For the current quarter, RM75 million was reclassified to the statement of profit or loss to offset the foreign exchange losses of RM75 million which arose from the weakening RM against USD and SGD. This has resulted in a reduction in the credit balance of the cash flow hedging reserve as at 30 June 2016 by RM20 million to RM8 million compared with the previous financial period ended 31 March 2016.

## 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 on borrowings, the gains or losses recognised in the cash flow hedging reserve in equity 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.

For derivatives designated as cash flow hedge on forecast transactions, the gains or losses on changes to the fair value of derivative financial instruments are recognised in the cash flow hedging reserve in equity until such time the hedged items affect profit or loss, then the gains or losses are transferred to statement of profit or loss.

(ii) derivative not designated in hedging relationship

The increase in fair value gains of RM4 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 30/6/2016** | AS AT 31/12/2015 |
|---|---|---|
| | **RM'm** | **RM'm** |
| Retained earnings of the Company and its subsidiaries: | | |
| - realised | **12,696** | 3,671 |
| - unrealised | **(402)** | (650) |
| | **12,294** | 3,021 |
| Less: Consolidation adjustments | **(8,801)** | (58) |
| **Total retained earnings as per Consolidated Statements of Financial Position** | **3,493** | 2,963 |

## 25. MATERIAL LITIGATION

There is no material litigation as at 14 July 2016.

## 26. DIVIDENDS

The Board of Directors has declared a second 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 September 2016. The entitlement date for the dividend payment is 30 August 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 30 August 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 six months ended 30 June 2016 is 10.0 sen per ordinary share (2015: 10.0 sen).

## 27. EARNINGS PER SHARE

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|---|
| | | **QUARTER ENDED 30/6/2016** | QUARTER ENDED 30/6/2015 | **PERIOD ENDED 30/6/2016** | PERIOD ENDED 30/6/2015 |
| **(a) Basic earnings per share** | | | | | |
| Profit attributable to the equity holders of the Company | (RM'm) | **488** | 441 | **1,006** | 851 |
| Weighted average number of issued ordinary shares | ('m) | **7,509** | 7,508 | **7,509** | 7,507 |
| Basic earnings per share | (sen) | **6.5** | 5.9 | **13.4** | 11.3 |
| **(b) Diluted earnings per share** | | | | | |
| Profit attributable to the equity holders of the Company | (RM'm) | **488** | 441 | **1,006** | 851 |
| Weighted average number of issued ordinary shares | ('m) | **7,509** | 7,508 | **7,509** | 7,507 |
| Adjusted for share options | ('m) | **-** | 2 | **-** | 3 |
| Adjusted weighted average number of ordinary shares | ('m) | **7,509** | 7,510 | **7,509** | 7,510 |
| Diluted earnings per share | (sen) | **6.5** | 5.9 | **13.4** | 11.3 |

By order of the Board

Dipak Kaur
(LS 5204)
Company Secretary
20 July 2016
Kuala Lumpur