MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

ANNOUNCEMENT

The Board of Directors of Maxis Berhad ("Maxis" or "the Company") is pleased to announce the following condensed consolidated financial statements for the fourth quarter and financial year ended 31 December 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 audited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		QUARTER ENDED 31/12/2016 (Unaudited)	QUARTER ENDED 31/12/2015 (Unaudited)	+ -	**YEAR ENDED 31/12/2016 (Audited)**	YEAR ENDED 31/12/2015 (Audited)	+ -
	Note	**RM'm**	RM'm	%	**RM'm**	RM'm	%
Revenue		**2,214**	2,176	+2	**8,612**	8,601	+<1
Cost of sales		**(684)**	(676)		**(2,722)**	(2,728)	
Gross profit		**1,530**	1,500	+2	**5,890**	5,873	+<1
Other income		**60**	12		**202**	74	
Administrative expenses		**(463)**	(461)		**(1,876)**	(1,768)	
Network operation costs		**(331)**	(271)		**(1,015)**	(1,239)	
Other expenses		**(12)**	(6)		**(49)**	(68)	
Profit from operations	19	**784**	774	+1	**3,152**	2,872	+10
Finance income		**14**	15		**55**	56	
Finance costs		**(123)**	(116)		**(470)**	(468)	
Profit before tax		**675**	673	+<1	**2,737**	2,460	+11
Tax expenses	20	**(170)**	(203)		**(724)**	(713)	
Profit for the period/year		**505**	470	+7	**2,013**	1,747	+15
Attributable to:							
- equity holders of the Company		**504**	468	+8	**2,013**	1,739	+16
- non-controlling interest		1	2		-	8	
		505	470	+7	**2,013**	1,747	+15
Earnings per share attributable to equity holders of the Company (sen):							
- basic	27	**6.7**	6.2		**26.8**	23.2	
- diluted	27	**6.7**	6.2		**26.8**	23.2	

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/12/2016 (Unaudited)	QUARTER ENDED 31/12/2015 (Unaudited)	**YEAR ENDED 31/12/2016 (Audited)**	YEAR ENDED 31/12/2015 (Audited)
	RM'm	RM'm	**RM'm**	RM'm
Profit for the period/year	**505**	470	**2,013**	1,747
Other comprehensive income/(expense)				
Item that will be reclassified subsequently to profit or loss:				
Net change in cash flow hedge	**19**	(2)	**(29)**	20
Total comprehensive income for the period/year	**524**	468	**1,984**	1,767
Attributable to:				
- equity holders of the Company	**523**	466	**1,984**	1,759
- non-controlling interest	**1**	2	**-**	8
	524	468	**1,984**	1,767

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	AS AT 31/12/2016 RM'm	AS AT 31/12/2015 RM'm
Non-current assets			
Property, plant and equipment	8	**4,502**	4,227
Intangible assets [(1)]		**11,297**	11,267
Receivables, deposits and prepayments		**871**	50
Derivative financial instruments	23	**470**	567
Deferred tax assets		**45**	55
		17,185	16,166
Current assets			
Inventories		**6**	13
Receivables, deposits and prepayments		**1,582**	1,218
Amount due from penultimate holding company		**1**	-
Amounts due from related parties		**22**	25
Derivative financial instruments	23	**144**	210
Tax recoverable		**21**	56
Deposits, cash and bank balances		**682**	1,296
		2,458	2,818
Total assets		**19,643**	18,984
Current liabilities			
Provisions for liabilities and charges		**97**	149
Payables and accruals		**3,633**	3,467
Amounts due to fellow subsidiaries		**-**	2
Amounts due to related parties		**14**	9
Loan from a related party		**-**	29
Borrowings	22	**1,101**	1,077
Taxation		**152**	160
		4,997	4,893
Net current liabilities		**(2,539)**	(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.

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	AS AT 31/12/2016 RM'm	AS AT 31/12/2015 RM'm
Non-current liabilities			
Provisions for liabilities and charges		**164**	151
Payables and accruals		**418**	426
Borrowings	22	**8,763**	8,801
Deferred tax liabilities		**580**	493
		9,925	9,871
Net assets		**4,721**	4,220
Equity			
Share capital		**751**	751
Reserves		**3,970**	3,439
Equity attributable to equity holders of the Company		**4,721**	4,190
Non-controlling interest		**-**	30
Total equity		**4,721**	4,220
Net assets per share attributable to equity holders of the Company (RM)		**0.63**	0.56

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to equity holders of the Company						→		
Year ended 31/12/2016	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 year	-	-	-	-	-	2,013	2,013	-	2,013
Other comprehensive expense for the year	-	-	-	-	(29)	-	(29)	-	(29)
Total comprehensive (expense)/income for the year	-	-	-	-	(29)	2,013	1,984	-	1,984
Dividends for the financial year ended 31 December 2015	-	-	(275)	-	-	(101)	(376)	-	(376)
Dividends for the financial year ended 31 December 2016	-	-	-	-	-	(1,126)	(1,126)	-	(1,126)
Employee Share Option Scheme ("ESOS") and Long-term Incentive Plan ("LTIP"):									
- share-based payment expense	-	-	-	-	31	-	31	-	31
- shares issued	*	2	-	-	-	-	2	-	2
Incentive arrangement:									
- share-based payment expense	-	-	-	-	8	-	8	-	8
- shares acquired	-	-	-	-	(6)	-	(6)	-	(6)
Changes in equity interest in a subsidiary	-	-	-	-	-	14	14	(30)	(16)
Balance as at 31/12/2016	751	62	22,729	(22,729)	145	3,763	4,721	-	4,721

Notes:

[2] Issued and fully paid ordinary shares of RM0.10 each.

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

* Less than RM1 million.

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	← Attributable to equity holders of the Company →								
Year ended 31/12/2015	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 1/1/2015	751	39	25,331	(22,729)	100	1,224	4,716	22	4,738
Profit for the year	-	-	-	-	-	1,739	1,739	8	1,747
Other comprehensive income for the year	-	-	-	-	20	-	20	-	20
Total comprehensive income for the year	-	-	-	-	20	1,739	1,759	8	1,767
Dividends for the financial year ended 31 December 2014	-	-	(1,201)	-	-	-	(1,201)	-	(1,201)
Dividends for the financial year ended 31 December 2015	-	-	(1,126)	-	-	-	(1,126)	-	(1,126)
ESOS and LTIP:									
- share-based payment expense	-	-	-	-	16	-	16	-	16
- shares issued	*	21	-	-	(1)	-	20	-	20
Incentive arrangement:									
- share-based payment expense	-	-	-	-	8	-	8	-	8
- shares acquired	-	-	-	-	(2)	-	(2)	-	(2)
Balance as at 31/12/2015	751	60	23,004	(22,729)	141	2,963	4,190	30	4,220

Notes:

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

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

* Less than RM1 million.

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

AUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED 31/12/2016	YEAR ENDED 31/12/2015
	RM'm	RM'm
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	2,013	1,747
Adjustments for:		
- non-cash items	1,538	1,708
- finance costs	470	468
- finance income	(55)	(56)
- tax expenses	724	713
Payments for provision for liabilities and charges	(92)	(20)
Operating cash flows before working capital changes	4,598	4,560
Changes in working capital	(941)	139
Cash flows from operations	3,657	4,699
Interest received	36	55
Tax paid	(593)	(681)
Net cash flows from operating activities	3,100	4,073
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(371)	(369)
Purchase of property, plant and equipment	(1,487)	(1,512)
Proceeds from disposal of property, plant and equipment	28	2
Placement of deposits with maturity of more than three months	(20)	-
Net cash flows used in investing activities	(1,850)	(1,879)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of additional interest in a subsidiary	(16)	-
Proceeds from issuance of shares pursuant to ESOS	2	20
Shares acquired pursuant to incentive arrangement	(6)	(2)
Drawdown of borrowings	7,790	1,190
Repayment of borrowings	(7,631)	(842)
Repayment of lease financing	(7)	(7)
Repayment of loan from a related party	(29)	-
Payments of finance costs	(485)	(461)
Ordinary share dividends paid	(1,502)	(2,327)
Net cash flows used in financing activities	(1,884)	(2,429)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(634)	(235)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	1,296	1,531
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR[4]	662	1,296

Note:

[4] The difference between the cash and cash equivalents and deposits, cash and bank balances represent deposits with banks that have maturity periods of more than three months.

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 audited condensed consolidated financial statements.

The significant accounting policies and methods adopted for the audited condensed consolidated financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 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 audited 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, amendments to MFRSs and IC Interpretation that are applicable to the Group but not yet effective

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

• 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)
• IC Interpretation 22	Foreign Currency Transactions and Advance Consideration (effective from (effective from 1 January 2018)

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 Notes 5, 10 and items below, there were no other significant unusual items affecting the assets, liabilities, equity, net income or cash flows for the financial year ended 31 December 2016:

(a) Accelerated depreciation due to modernisation programmes of RM49 million;
(b) Reversals of asset impairment (RM47 million) and contract obligation provision (RM47 million) totalling to RM94 million for Home Services; and
(c) An upfront fee of RM817 million paid to Malaysian Communications and Multimedia Commission for the spectrum assignment of 2 x 10 of 900 MHz and 2 x 20 of 1800 MHz for a period of 15 years ("Spectrum Assignment"). The amount has been included in prepayments.

4. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the financial year ended 31 December 2016, except for the change in asset useful lives of certain telecommunications and Information Technology ("IT") equipment as a result of the planned network and IT modernisation programmes.

The above change in estimates for the current quarter and for the financial year ended 31 December 2016 have reduced the carrying value of property, plant and equipment by RM5 million and RM8 million respectively with a corresponding additional depreciation charge to the statements of profit or loss.

5. DEBT AND EQUITY SECURITIES

Save for below items, there were no other issuance, repurchase and repayment of debt and equity securities during the financial year ended 31 December 2016:

(a) repayment of the Company's existing borrowings of RM7,631 million.

(b) Maxis Broadband Sdn. Bhd. ("MBSB"), a wholly-owned subsidiary of the Company, 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.

5. DEBT AND EQUITY SECURITIES (CONTINUED)

(c) MBSB had 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 and working capital requirements.

As at 31 December 2016, MBSB had issued in total three series of the Sukuk Murabahah for a total nominal value of RM3,790 million.

(d) On 27 October 2016, MBSB had drawn down a RM500 million revolving credit facility to part finance the Spectrum Assignment fee as disclosed in Note 3(c).

(e) 337,700 ordinary shares of RM0.10 each were issued under the ESOS.

6. DIVIDENDS PAID

The following dividend payments were made during the financial year ended 31 December 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 ended 31 December 2016:	
- first interim single-tier tax-exempt dividend of 5.0 sen per ordinary share, paid on 29 June 2016	**375**
- second interim single-tier tax-exempt dividend of 5.0 sen per ordinary share, paid on 29 September 2016	**376**
- third interim single-tier tax-exempt dividend of 5.0 sen per ordinary share, paid on 29 December 2016	**375**
	1,502

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 financial year ended 31 December 2016. As at 31 December 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 YEAR

There were no material events subsequent to the end of the financial year up to the date of this report.

10. CHANGES IN THE COMPOSITION OF THE GROUP

On 30 December 2016, the Company completed the acquisition of its remaining 25% equity interest in Advanced Wireless Technologies Sdn. Bhd. ("AWTSB") for a purchase consideration of RM16 million. Consequently, AWTSB became a wholly-owned subsidiary of the Company. The principal activity of AWTSB is a provider of wireless multimedia related services.

Save for the above, there were no other changes in the composition of the Group during the financial year ended 31 December 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 audited condensed consolidated financial statements as at 31 December 2016 are as follows:

	RM'm
Contracted for	258
Not contracted for	1,012
	1,270

13. SIGNIFICANT RELATED PARTY DISCLOSURES

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

	Transactions for the financial year ended 31/12/2016	Balances due from/(to) as at 31/12/2016	Commitments as at 31/12/2016	Total balances due from/(to) and commitments as at 31/12/2016
	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)	95	17	-	17
- Saudi Telecom Company ("STC")[(2)] (roaming and international calls)	11	-	-	-
- MEASAT Global Berhad Group [(3)] (revenue share for the leasing of satellite bandwidth)	5	1	-	1
(b) Purchases of goods and services from:				
- Tanjong City Centre Property Management Sdn. Bhd. [(4)] (rental, signage, parking and utility charges)	31	2	(212)	(210)
- MEASAT Global Berhad Group [(3)] (transponder and teleport lease rental)	45	(5)	(13)	(18)
- UTSB Management Sdn. Bhd. [(4)] (corporate management services)	25	(7)	(73)	(80)

13. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	Transactions for the financial year ended 31/12/2016	Balances due from/(to) as at 31/12/2016	Commitments as at 31/12/2016	Total balances due from/(to) and commitments as at 31/12/2016
	RM'm	RM'm	RM'm	RM'm
(b) Purchases of goods and services from: (continued)				
- SRG Asia Pacific Sdn. Bhd. [5] (call handling and telemarketing services)	15	(2)	-	(2)
- MBNS Multimedia Technologies Sdn. Bhd. and/or its related corporations [1] (goods and services)	-	-	(3)	(3)
(c) Acquisition of equity interest:				
- MBNS Multimedia Technologies Sdn. Bhd. [1] (25% of equity interest in AWTSB)	16	-	-	-

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 UTSB
(5) Subsidiary of a company whereby a person connected to TAK has a deemed equity interest

14. FAIR VALUE MEASUREMENTS

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

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

(a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 31 December 2016 except as set out below, measured using Level 3 valuation technique:

	CARRYING AMOUNT	FAIR VALUE
	RM'm	RM'm
Financial asset:		
Receivables, deposits and prepayments	**82**	**74**
Financial liability:		
Borrowings		
- finance lease liabilities	**2**	**2**
- Islamic Medium Term Notes	**3,806**	**3,896**

(b) Financial instruments carried at fair value

The following table represents the assets and liabilities measured at fair value, using Level 2 valuation technique, as at 31 December 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	**614**

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

15. ANALYSIS OF PERFORMANCE

(A) Performance of the current quarter against the preceding quarter (4th Quarter 2016 versus 3rd Quarter 2016)

Financial indicators (RM'm unless otherwise indicated)	4th Quarter 2016 (unaudited)	3rd Quarter 2016 (unaudited)	Variance	% Variance
Revenue	**2,214**	2,156	58	3
Service revenue [1]	**2,165**	2,113	52	2
EBITDA [2]	**1,158**	1,130	28	2
Adjusted for:				
Unrealised foreign exchange losses	***25***	*9*	*16*	*>100*
Normalised EBITDA	**1,183**	1,139	44	4
Normalised EBITDA margin (%)	**53.4**	52.8	0.6	NA
Profit before tax	**675**	680	(5)	(1)
Profit for the period	**505**	505	-	-
Adjusted for:				
Accelerated depreciation due to IT and network modernisation programmes [3]	***28***	*4*	*24*	*>100*
Unrealised foreign exchange losses	***25***	*9*	*16*	*>100*
Tax effects of the above adjustments	***(14)***	*(4)*	*(10)*	*>(100)*
Normalised profit for the period	**544**	514	30	6

Notes:

[1] Service revenue is defined as Group revenue excluding device, hubbing revenues and network income.

[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 (4th Quarter 2016 versus 3rd Quarter 2016) (continued)

Operational indicators	4th Quarter 2016	3rd Quarter 2016	Variance	% Variance
Mobile subscriptions ('000)	**10,851**	10,903	(52)	<(1)
- Postpaid	***2,712***	*2,678*	*34*	*1*
- Prepaid	***7,946***	*8,007*	*(61)*	*(1)*
- Wireless Broadband	***193***	*218*	*(25)*	*(11)*
ARPU (Monthly) (RM)				
- Postpaid	***104***	*100*	*4*	*4*
- Prepaid	***42***	*41*	*1*	*2*
- Wireless Broadband	***71***	*71*	*-*	*-*
- Blended	***57***	*56*	*1*	*2*

The Group's service revenue for Q4 2016 grew 2.5% to RM2,165 million against RM2,113 million in the previous quarter. This positive momentum was primarily driven by the Postpaid segment.

Quarter-on-quarter, Postpaid service revenue grew 4.6% to RM1,004 million on account of a higher revenue generating subscription ("RGS") base and ARPU. The Group added 34k new subscriptions in the quarter marking the second consecutive quarter of net additions. Postpaid RGS growth was primarily driven by the data enriched MaxisONE Plan ("MOP"). In the quarter under review, close to 1.5 million MOP customers were automatically upgraded with a minimum of two-times more data quota at no extra charge. This included a weekend data allocation as more customers are using their smart devices on weekends, especially for entertainment and video. As a result, the Group now has a solid MOP base approaching 1.7 million subscriptions with ARPU of RM127 per month.

Prepaid service revenue stood at RM1,024 million against RM1,022 million in the previous quarter. The Group was able to sustain the revenue momentum against a seasonally high festive-driven revenue in the third quarter and this was mainly supported by significant Mobile Internet ("MI") growth. The Hotlink FAST pack launched in Q216 has surpassed 1.5 million users and continued to attract high MI ARPU users. As a result, MI penetration grew to 59% (Q316: 55%) and Prepaid ARPU was higher at RM42 (Q316: RM41) per month. Whilst the Group ended the quarter with a lower RGS base of 7,946k, the net loss in subscriptions recorded in Q416 has reduced significantly against earlier quarters.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (4th Quarter 2016 versus 3rd Quarter 2016) (continued)

The Group continued to register solid 4G LTE adoption momentum ending the quarter with 4.6 million users (Q316: 4.1 million) who consumed on average 5.9GB per month (Q316: 4.4GB). These represent increases of 2.0 million new users and more than 3GB per month respectively from a year ago. 4G LTE population coverage has reached 88% on comparable peer basis and the Group continued to lead the market in terms of coverage, quality and best digital experience.

Normalised EBITDA in the current quarter grew 3.9% to RM1,183 million with normalised margin of 53.4%, against RM1,139 million and 52.8% respectively in the previous quarter. EBITDA grew mainly as a result of higher revenue and less marketing activities offset by higher realised foreign exchange losses.

The Group recorded normalised profit of RM544 million compared to RM514 million in the preceding quarter, on the back of higher EBITDA.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

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

Financial indicators (RM'm unless otherwise indicated)	Year 2016	Year 2015[1]	Variance	% Variance
Revenue	**8,612**	8,601	11	<1
Service revenue [2]	**8,455**	8,520	(65)	(1)
EBITDA [3]	**4,551**	4,331	220	5
Adjusted for:				
Home Services - Reversal of contract obligation provision	***(47)***	-	*(47)*	*>(100)*
Unrealised foreign exchange (gains)/losses	***(20)***	*94*	*(114)*	*>(100)*
Normalised EBITDA	**4,484**	4,425	59	1
Normalised EBITDA margin (%)	**52.1**	51.4	0.7	NA
Profit before tax	**2,737**	2,460	277	11
Profit for the year	**2,013**	1,747	266	15
Adjusted for:				
Accelerated depreciation due to IT and network modernisation programmes [4]	***49***	*190*	*(141)*	*(74)*
Home Services:				
• *Reversal of contract obligation provision*	***(47)***	-	*(47)*	*>(100)*
• *Reversal of asset impairment*	***(47)***	-	*(47)*	*>(100)*
Unrealised foreign exchange (gains)/losses	***(20)***	*94*	*(114)*	*>(100)*
Tax effects of the above adjustments	***15***	*(71)*	*86*	*>100*
Normalised profit for the year	**1,963**	1,960	3	<1

Notes:

[1] The comparative results were restated to provide more comparable information with the current year.

[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)

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

Operational indicators	Year 2016	Year 2015	Variance	% Variance
Mobile subscriptions ('000)	**10,851**	11,579	(728)	(6)
- Postpaid	***2,712***	*2,765*	*(53)*	*(2)*
- Prepaid	***7,946***	*8,520*	*(574)*	*(7)*
- Wireless Broadband	***193***	*294*	*(101)*	*(34)*
ARPU (Monthly) (RM)				
- Postpaid	***102***	*98*	*4*	*4*
- Prepaid	***40***	*38*	*2*	*5*
- Wireless Broadband	***71***	*70*	*1*	*1*
- Blended	***56***	*53*	*3*	*6*

Year-to-date, the Group's service revenue stood at RM8,455 million (Year 2015: RM8,520 million).

Postpaid service revenue was relatively stable at RM3,931 million (Year 2015: RM3,923 million) as a result of higher ARPU offset by lower RGS base. In the last 12 months, the Group doubled its MOP subscription base to almost 1.7 million with an average monthly ARPU of RM138, much higher than the average Postpaid ARPU of RM102 per month. MaxisONE Share continued to be a strong catalyst driving incremental port-ins with more than one-third of MOP customers having a share line.

Prepaid service revenue declined 3.7% to RM4,018 million (Year 2015: RM4,173 million) mainly attributed to a lower subscription base as a result of intense price competition, particularly in the first half of the financial year under review. The increase in Prepaid ARPU to RM40 (Year 2015: RM38) per month was driven by continued traction on MI usage which more than compensated for the decline in voice and SMS. The increase in MI usage was further supported by Prepaid smart-phone penetration which has risen to 74% against 67% a year ago.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

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

Data consumption continued to increase across the Group's customer base. On a 12-month basis, blended data usage had more than doubled and is now at 3.7GB per month against 1.5GB. The Group's extensive 4G LTE network at 88% nationwide population coverage continued to be an important driver for unmatched digital experience.

Normalised EBITDA and EBITDA margin stood at RM4,484 million and 52.1% against RM4,425 million and 51.4% respectively in the preceding year as a result of efficient marketing spend and cost optimisation programme.

The Group recorded normalised profit of RM1,963 million, relatively unchanged compared to RM1,960 million a year ago.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

For the financial year ending 31 December 2017, the Group expects service revenue, absolute EBITDA and base capital expenditure to remain at similar levels to financial year 2016. To stay competitive, the Group will continue to enhance and strengthen its customers' propositions whilst focusing on providing the best connectivity.

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 31/12/2016	QUARTER ENDED 31/12/2015	**YEAR ENDED 31/12/2016**	YEAR ENDED 31/12/2015
	RM'm	RM'm	**RM'm**	RM'm
Allowance for/(reversal of) (net):				
- impairment of receivables, deposits and prepayments	**23**	10	**105**	47
- inventory obsolescence	**-**	-	**1**	-
Amortisation of intangible assets	**90**	79	**341**	278
Bad debts recovered	**(6)**	(5)	**(22)**	(19)
Fair value gains on forward foreign exchange contracts	**(12)**	(2)	**(9)**	(2)
Losses/(gains) on foreign exchange	**47**	(23)	**19**	140
Property, plant and equipment:				
- depreciation	**294**	299	**1,090**	1,154
- gain on disposal	**(16)**	(1)	**(19)**	(2)
- impairment/write offs	**6**	11	**(13)**	29
Reversal of contract obligation provision	**-**	-	**(47)**	-

Other than as presented in the statements of profit or loss and as disclosed above, there were no material gains/losses on disposal of quoted and unquoted investments or properties and other exceptional items for the current quarter and financial year ended 31 December 2016.

20. TAX EXPENSES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/12/2016	QUARTER ENDED 31/12/2015	**YEAR ENDED 31/12/2016**	YEAR ENDED 31/12/2015
	RM'm	RM'm	**RM'm**	RM'm
Income tax:				
- current tax	**4**	67	**642**	664
- over accrual in prior years	**-**	-	**(15)**	(8)
Deferred tax:				
- origination and reversal of temporary differences	**166**	134	**92**	69
- recognition and reversal of prior years' temporary differences	**-**	-	**5**	(14)
- changes in tax rate to 24%	**-**	2	**-**	2
Total	**170**	203	**724**	713

The Group's effective tax rates for the current quarter and financial year ended 31 December 2016 were 25.2% and 26.5% 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 31 December 2016 are as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
	RM'm	RM'm	RM'm
Secured			
Finance lease liabilities	11	2	13
Unsecured			
Revolving credit	500	-	500
Term loans	-	2,002	2,002
Syndicated term loans	590	448	1,038
Commodity Murabahah Term Financing	-	2,505	2,505
Islamic Medium Term Notes	-	3,806	3,806
	1,101	8,763	9,864

Currency profile of borrowings is as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
Ringgit Malaysia ("RM")	511	7,314 [1]	7,825
United States Dollar ("USD")	590 [2]	1,232 [2]	1,822
Singapore Dollar ("SGD")	-	217 [2]	217
	1,101	8,763	9,864

Notes:

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

[2] Includes borrowings of RM2,039 million which have been hedged using CCIRS as disclosed in Note 23.

23. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Disclosure of derivatives

Details of derivative financial instruments outstanding as at 31 December 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	446	(141)
- one year to three years	-	-
- more than three years	1,014	(463)
IRS:		
- less than one year	-	-
- one year to three years	-	-
- more than three years	700	(7)
Forward foreign exchange contracts:		
- less than one year	41	(1)
- one year to three years	-	-
- more than three years	-	-
	2,201	(612)
Derivatives not designated in hedging relationship:		
Forward foreign exchange contracts:		
- less than one year	38	(2)
- one year to three years	-	-
- more than three years	-	-
	2,239	(614)

During the financial year ended 31 December 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 31 December 2016, the Group had recognised derivative financial assets of RM614 million 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 RM165 million with the corresponding movement included in equity in the cash flow hedging reserve.

For the current quarter, RM146 million was reclassified to the statements of profit or loss to offset the foreign exchange losses of RM145 million which arose from the weakening RM against USD and SGD, and interest expense of RM1 million as the underlying interest rates were higher than the hedged interest rates on the borrowings. This has resulted in an increase in the credit balance of the cash flow hedging reserve as at 31 December 2016 by RM19 million to RM34 million compared with the previous financial period ended 30 September 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 statements 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 statements 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 that the hedged items affect profit or loss, then the gains or losses are transferred to statements of profit or loss.

(ii) Derivative not designated in hedging relationship

The increase in fair value gains from the previous quarter was RM12 million which is due to changes in foreign currency exchange spot and forward rates has been charged to the statements 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 statements 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 31/12/2016	AS AT 31/12/2015
	RM'm	**RM'm**
Retained earnings of the Company and its subsidiaries:		
- realised	**6,341**	3,671
- unrealised	**(580)**	(650)
	5,761	3,021
Less: Consolidation adjustments	**(1,998)**	(58)
Total retained earnings as per Consolidated Statements of Financial Position	**3,763**	2,963

25. MATERIAL LITIGATION

There is no material litigation as at 2 February 2017.

26. DIVIDENDS

(a) Interim dividend

The Board of Directors has declared a fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share in respect of the financial year ended 31 December 2016, to be paid on 28 March 2017. The entitlement date for the dividend payment is 28 February 2017.

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

(i) shares transferred to the depositor's securities account before 4.00 pm on 28 February 2017 in respect of transfers; and

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

(b) Final dividend

The Board of Directors do not recommend payment of any final dividend in respect of the financial year ended 31 December 2016.

The total dividends for the current financial year ended 31 December 2016 is 20.0 sen per ordinary share (2015: 20.0 sen).

27. EARNINGS PER SHARE

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31/12/2016	QUARTER ENDED 31/12/2015	YEAR ENDED 31/12/2016	YEAR ENDED 31/12/2015
(a) Basic earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**504**	468	**2,013**	1,739
Weighted average number of issued ordinary shares	('m)	**7,509**	7,509	**7,509**	7,508
Basic earnings per share	(sen)	**6.7**	6.2	**26.8**	23.2
(b) Diluted earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**504**	468	**2,013**	1,739
Weighted average number of issued ordinary shares	('m)	**7,509**	7,509	**7,509**	7,508
Adjusted for share options	('m)	**1**	3	**1**	3
Adjusted weighted average number of ordinary shares	('m)	**7,510**	7,512	**7,510**	7,511
Diluted earnings per share	(sen)	**6.7**	6.2	**26.8**	23.2

By order of the Board

Dipak Kaur
(LS 5204)
Company Secretary
8 February 2017
Kuala Lumpur