MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

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 2017 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2016 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 31/3/2017	QUARTER ENDED 31/3/2016	+ -	**PERIOD ENDED 31/3/2017**	PERIOD ENDED 31/3/2016	+ -
	Note	**RM'm**	RM'm (Restated)	%	**RM'm**	RM'm (Restated)	%
Revenue		**2,157**	2,140	+1	**2,157**	2,140	+1
Traffic, commissions and other direct costs		**(526)**	(527)		**(526)**	(527)	
Spectrum licence fees		**(41)**	(34)		**(41)**	(34)	
Network costs		**(203)**	(182)		**(203)**	(182)	
Staff and resource costs		**(143)**	(124)		**(143)**	(124)	
Operation and maintenance costs		**(104)**	(26)		**(104)**	(26)	
Marketing costs		**(39)**	(36)		**(39)**	(36)	
Allowance for doubtful debts, net		**(16)**	(20)		**(16)**	(20)	
Government grant and other income		**73**	53		**73**	53	
Other operating expenses		**(49)**	(49)		**(49)**	(49)	
Depreciation and amortisation		**(337)**	(355)		**(337)**	(355)	
Finance income		**14**	14		**14**	14	
Finance costs		**(109)**	(120)		**(109)**	(120)	
Profit before tax	19	**677**	734	-8	**677**	734	-8
Tax expenses	20	**(172)**	(214)		**(172)**	(214)	
Profit for the period		**505**	520	-3	**505**	520	-3
Attributable to:							
- equity holders of the Company		**505**	518	-3	**505**	518	-3
- non-controlling interest		**-**	2		**-**	2	
		505	520	-3	**505**	520	-3
Earnings per share attributable to equity holders of the Company (sen):							
- basic	27	**6.7**	6.9		**6.7**	6.9	
- diluted	27	**6.7**	6.9		**6.7**	6.9	

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/3/2017	QUARTER ENDED 31/3/2016	**PERIOD ENDED 31/3/2017**	PERIOD ENDED 31/3/2016
	RM'm	RM'm	**RM'm**	RM'm
Profit for the period	**505**	520	**505**	520
Other comprehensive expense				
Item that will be reclassified subsequently to profit or loss:				
Net change in cash flow hedge	**(15)**	(35)	**(15)**	(35)
Total comprehensive income for the period	**490**	485	**490**	485
Attributable to:				
- equity holders of the Company	**490**	483	**490**	483
- non-controlling interest	**-**	2	**-**	2
	490	485	**490**	485

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	AS AT 31/3/2017 (Unaudited) RM'm	AS AT 31/12/2016 (Audited) RM'm
Non-current assets			
Property, plant and equipment	8	**4,503**	4,502
Intangible assets [(1)]		**11,324**	11,297
Receivables, deposits and prepayments		**855**	871
Derivative financial instruments	23	**324**	470
Deferred tax assets		**37**	45
		17,043	17,185
Current assets			
Inventories		**17**	6
Receivables, deposits and prepayments		**1,750**	1,582
Amount due from penultimate holding company		**1**	1
Amounts due from related parties		**28**	22
Derivative financial instruments	23	**-**	144
Tax recoverable		**20**	21
Deposits, cash and bank balances		**559**	682
		2,375	2,458
Total assets		**19,418**	19,643
Current liabilities			
Provisions for liabilities and charges		**32**	97
Payables and accruals		**3,552**	3,633
Amounts due to related parties		**13**	14
Borrowings	22	**510**	1,101
Derivative financial instruments	23	**1**	-
Taxation		**259**	152
		4,367	4,997
Net current liabilities		**(1,992)**	(2,539)

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 FIRST QUARTER ENDED 31 MARCH 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	AS AT 31/3/2017 (Unaudited) RM'm	AS AT 31/12/2016 (Audited) RM'm
Non-current liabilities			
Provisions for liabilities and charges		**169**	164
Payables and accruals		**440**	418
Borrowings	22	**9,072**	8,763
Derivative financial instruments	23	**5**	-
Deferred tax liabilities		**523**	580
		10,209	9,925
Net assets		**4,842**	4,721
Equity			
Share capital		**814**	751
Reserves		**4,028**	3,970
Total equity		**4,842**	4,721
Net assets per share (RM)		**0.64**	0.63

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Period ended 31/3/2017	Share capital	Share premium	Merger relief [(2)]	Reserve arising from reverse acquisition	Other reserves	Retained earnings (Note 24)	Total equity
	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm	RM'm
Balance as at 1/1/2017	751	62	22,729	(22,729)	145	3,763	4,721
Transition to no par value regime[(3)]	62	(62)	-	-	-	-	-
Profit for the period	-	-	-	-	-	505	505
Other comprehensive expense for the period	-	-	-	-	(15)	-	(15)
Total comprehensive (expense)/income for the period	-	-	-	-	(15)	505	490
Dividends for the financial year ended 31 December 2016	-	-	-	-	-	(376)	(376)
Employee Share Option Scheme ("ESOS") and Long-term Incentive Plan ("LTIP"):							
- share-based payment expense	-	-	-	-	5	-	5
- shares issued	1	-	-	-	-	-	1
Incentive arrangement:							
- share-based payment expense	-	-	-	-	1	-	1
Balance as at 31/3/2017	814	-	22,729	(22,729)	136	3,892	4,842

Notes:

(2) Pursuant to Section 60(4)(a) of the previous 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.

(3) Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Period ended 31/3/2016	Share capital	Share premium	Merger relief (2)	Reserve arising from reverse acquisition	Other reserves	Retained earnings	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	-	-	-	-	-	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)
ESOS and 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) Pursuant to Section 60(4)(a) of the previous 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 FIRST QUARTER ENDED 31 MARCH 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	PERIOD ENDED 31/3/2017	PERIOD ENDED 31/3/2016
	RM'm	RM'm
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	505	520
Adjustments for:		
- non-cash items	398	361
- finance costs	109	120
- finance income	(14)	(14)
- tax expenses	172	214
Payments for provision for liabilities and charges	(95)	(85)
Operating cash flows before working capital changes	1,075	1,116
Changes in working capital	(245)	(282)
Cash flows from operations	830	834
Interest received	7	11
Tax paid	(114)	(140)
Net cash flows from operating activities	723	705
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(124)	(78)
Purchase of property, plant and equipment	(243)	(183)
Proceeds from disposal of property, plant and equipment	1	2
Net cash flows used in investing activities	(366)	(259)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to ESOS	1	1
Shares acquired pursuant to incentive arrangement	-	(2)
Drawdown of borrowings	744	-
Repayment of borrowings	(766)	(421)
Repayment of lease financing	(1)	(2)
Payments of finance costs	(82)	(156)
Ordinary share dividends paid	(376)	(376)
Net cash flows used in financing activities	(480)	(956)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(123)	(510)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	662	1,296
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD[4]	539	786

Note:

(4) The difference between the cash and cash equivalents and deposits, cash and bank balances represent deposits with financial institutions that carry 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 2016 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 2016 except for changes made to:

(i) comply to the requirements of the Companies Act, 2016 in Malaysia; and
(ii) the presentation of the statements of profit or loss as management is of the view this will be more useful to the financial statements users. As a result, certain reclassifications were made to the comparatives of the statements of profit and loss to conform to the current financial period's presentation.

The adoption of the following amendments to MFRS that came into effect on 1 January 2017 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

• Amendments to MFRS 107	Disclosure Initiative
• Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
• Annual Improvements to MFRSs	2014-2016 Cycle

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. All of which are effective for the financial period beginning on or after 1 January 2018 unless otherwise mentioned. The Group did not early adopt these new standards, amendments to MFRSs and IC Interpretation.

• MFRS 9	Financial Instruments
• MFRS 15 and amendments to MFRS 15	Revenue from Contracts with Customers
• MFRS 16	Leases (effective from 1 January 2019)
• Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
• IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

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, there were no other significant unusual items affecting the assets, liabilities, equity, net income or cash flows for the three months ended 31 March 2017.

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 months ended 31 March 2017.

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 months ended 31 March 2017:

(a) early repayment of the Company's existing United States Dollar ("USD") and Singapore Dollar ("SGD") borrowings and their underlying Cross Currency Interest Rate Swaps ("CCIRS") totalling to RM766 million;

(b) Maxis Broadband Sdn. Bhd. ("MBSB"), a wholly-owned subsidiary of the Company, entered into loan facility agreements with financial institutions for USD50 million (equivalent to RM222 million) and SGD70 million (equivalent to RM222 million) term loans. It had also entered into a corresponding CCIRS contracts to hedge against exchange and interest rates fluctuation on these loans.

The loans had been fully drawn down to part settle the remaining 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; and

(c) On 24 February 2017, MBSB issued its fourth series of the Unrated Islamic Medium Term Notes ("Sukuk Murabahah") for a nominal value of RM300 million. Total nominal value of Sukuk Murabahah issued as at 31 March 2017 amounted to RM4,090 million.

(d) 78,700 ordinary shares were issued under the ESOS.

6. DIVIDENDS PAID

During the three months ended 31 March 2017, fourth interim single-tier tax-exempt dividend of 5.0 sen per ordinary share totalling to RM376 million in respect of the financial year ended 31 December 2016 was paid on 28 March 2017.

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 months ended 31 March 2017. As at 31 March 2017, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

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

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

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the three months ended 31 March 2017.

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 2017 are as follows:

	RM'm
Contracted for	**250**
Not contracted for	**654**
	904

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 31/3/2017	Balances due from/(to) as at 31/3/2017	Commitments as at 31/3/2017	Total balances due from/(to) and commitments as at 31/3/2017
	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)	25	22	-	22
(b) Purchases of goods and services from:				
- Saudi Telecom Company ("STC") [(2)] (roaming and international calls)	3	(8)	-	(8)
- MEASAT Global Berhad Group [(3)] (transponder and teleport lease rental)	11	-	(40)	(40)
- Tanjong City Centre Property Management Sdn. Bhd. [(4)] (rental, signage, parking and utility charges)	8	2	(210)	(208)
- UTSB Management Sdn. Bhd. [(4)] (corporate management services)	7	(2)	(66)	(68)
- SRG Asia Pacific Sdn. Bhd. [(5)] (call handling and telemarketing services)	4	(2)	-	(2)

13. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

	Transactions for the financial period ended 31/3/2017	Balances due from/(to) as at 31/3/2017	Commitments as at 31/3/2017	Total balances due from/(to) and commitments as at 31/3/2017
	RM'm	RM'm	RM'm	RM'm
(b) Purchases of goods and services from: (continued)				
- MBNS Multimedia Technologies Sdn. Bhd. and/or its related corporations [(1)] (goods and services)	-	-	(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 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).

14. FAIR VALUE MEASUREMENTS (CONTINUED)

(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 2017 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	80	72
Financial liability:		
Borrowings		
- finance lease liabilities	1	1
- Islamic Medium Term Notes	4,126	4,237

(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 2017:

	RM'm
Recurring fair value measurements	
Derivative financial instruments (CCIRS, Interest Rate Swaps ("IRS") and forward foreign exchange contracts):	
- assets	324
- liabilities	(6)

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 2017 versus 4th Quarter 2016)

Financial indicators (RM'm unless otherwise indicated)	1st Quarter 2017 (unaudited)	4th Quarter 2016 (unaudited)	Variance	% Variance
Revenue	**2,157**	2,214	(57)	(3)
Service revenue (1)	**2,129**	2,165	(36)	(2)
EBITDA (2)	**1,111**	1,158	(47)	(4)
Adjusted for:				
Unrealised foreign exchange losses	*7*	*25*	*(18)*	*(72)*
Normalised EBITDA	**1,118**	1,183	(65)	(6)
Normalised EBITDA margin on service revenue (%)	**52.5**	54.6	(2.1)	NA
Profit before tax	**677**	675	2	<1
Profit for the period	**505**	505	-	-
Adjusted for:				
Accelerated depreciation due to IT and network modernisation programmes (3)	*-*	*28*	*(28)*	*>(100)*
Unrealised foreign exchange losses	*7*	*25*	*(18)*	*(72)*
Tax effects of the above adjustments	*(2)*	*(14)*	*12*	*86*
Normalised profit for the period	**510**	544	(34)	(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 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 2017 versus 4th Quarter 2016) (continued)

Operational indicators	1st Quarter 2017	4th Quarter 2016	Variance	% Variance
Mobile subscriptions ('000)	**10,673**	10,851	(178)	(2)
- Postpaid	***2,744***	*2,712*	*32*	*1*
- Prepaid	***7,754***	*7,946*	*(192)*	*(2)*
- Wireless Broadband	***175***	*193*	*(18)*	*(9)*
ARPU (Monthly) (RM)				
- Postpaid	***102***	*104*	*(2)*	*(2)*
- Prepaid	***42***	*42*	*-*	*-*
- Wireless Broadband	***71***	*71*	*-*	*-*
- Blended	***57***	*57*	*-*	*-*

For the quarter ended 31 March 2017, the Group recorded service revenue of RM2,129 million against RM2,165 million in the previous quarter which was mainly impacted by seasonality including lower roaming revenue.

Quarter-on-quarter, Postpaid service revenue declined 2.1% to RM989 million mainly driven by lower seasonal roaming revenue highlighted earlier. The Group continued to grow its revenue generating subscription ("RGS") base and added 32k new subscriptions in the quarter. This growth was primarily driven by the enhanced value proposition of our flagship MaxisONE plan. The Group now has a significant MaxisONE base of close to 1.8 million subscriptions with monthly ARPU of RM121, significantly higher than the blended ARPU of RM102.

Prepaid service revenue was relatively stable at RM1,005 million against RM1,018 million in the previous quarter. Prepaid ARPU stood at RM42 per month supported by continued mobile Internet traction. The Hotlink FAST pack launched in Q216 to spearhead the Group's 4G Prepaid market leadership continued to attract high mobile Internet ARPU users and has surpassed 1.7 million subscriptions with monthly ARPU of RM44.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (1st Quarter 2017 versus 4th Quarter 2016) (continued)

The demand for mobile data continued to grow rapidly across all customer segments and the Group ended the quarter with 5.1 million 4G LTE users (Q416: 4.6 million) who consumed on average 6.5GB (Q416: 5.9GB) per month. The Group continued to lead the market in terms of coverage, quality and best digital experience. This was validated in a recent survey that named Maxis as having the best video quality experience in Malaysia.

Normalised EBITDA in the current quarter stood at RM1,118 million with normalised margin of 52.5%, against RM1,183 million and 54.6% respectively in the previous quarter. The EBITDA reflects investments to enhance the Group's efficiencies for long term structural cost benefits. In addition, the Group incurred one time resource cost on performance incentive. These were partially offset by lower realised foreign exchange losses.

Consequently, the Group recorded lower normalised profit of RM510 million compared to RM544 million in the preceding quarter.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current year against the preceding year (YTD March 2017 versus YTD March 2016)

Financial indicators (RM'm unless otherwise indicated)	YTD 2017	YTD 2016[1]	Variance	% Variance
Revenue	**2,157**	2,140	17	1
Service revenue [2]	**2,129**	2,122	7	<1
EBITDA [3]	**1,111**	1,213	(102)	(8)
Adjusted for:				
Unrealised foreign exchange losses/(gains)	*7*	*(57)*	*64*	*>100*
Normalised EBITDA	**1,118**	1,156	(38)	(3)
Normalised EBITDA margin on service revenue (%)	**52.5**	54.5	(2.0)	NA
Profit before tax	**677**	734	(57)	(8)
Profit for the period	**505**	520	(15)	(3)
Adjusted for:				
Accelerated depreciation due to IT and network modernisation programmes [4]	-	*9*	*(9)*	*>(100)*
Unrealised foreign exchange losses/(gains)	*7*	*(57)*	*64*	*>100*
Tax effects of the above adjustments	***(2)***	*12*	*(14)*	*>(100)*
Normalised profit for the period	**510**	484	26	5

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 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 2017 versus YTD March 2016) (continued)

Operational indicators	YTD 2017	YTD 2016	Variance	% Variance
Mobile subscriptions ('000)	**10,673**	11,164	(491)	(4)
- Postpaid	***2,744***	*2,696*	*48*	*2*
- Prepaid	***7,754***	*8,196*	*(442)*	*(5)*
- Wireless Broadband	***175***	*272*	*(97)*	*(36)*
ARPU (Monthly) (RM)				
- Postpaid	***102***	*102*	*-*	*-*
- Prepaid	***42***	*39*	*3*	*8*
- Wireless Broadband	***71***	*71*	*-*	*-*
- Blended	***57***	*55*	*2*	*4*

Year-on-year, service revenue was stable at RM2,129 million (YTD 2016: RM2,122 million) in spite of intense price competition.

Postpaid service revenue stood at RM989 million (YTD 2016: RM997 million), supported by a solid base of almost 1.8 million MaxisONE subscriptions with high monthly ARPU of RM121. The Group added 826k new MaxisONE subscriptions driven by the enhanced value proposition of our flagship MaxisONE plan. As a result, blended Postpaid ARPU sustained at RM102 per month despite intense competition driving down industry price points.

Prepaid revenue was stable at RM1,005 million (YTD 2016: RM1,008 million). Higher mobile Internet revenue negated the impact of lower RGS base caused by churn, mainly in low value customers. Mobile Internet revenue now accounts for 44% of Prepaid revenue against 33% a year ago. This corresponds with an increase in Prepaid ARPU to RM42 per month from RM39 in the same period last year. The increase in mobile Internet usage was further supported by Prepaid smart-phone penetration which has risen to 77% from 67% a year ago.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current year against the preceding year (YTD March 2017 versus YTD March 2016) (continued)

On a 12 month basis, blended data usage had more than doubled to 4.3GB per month against 1.6GB in the same period last year. The Group's extensive 4G LTE network at 88% nationwide population coverage continued to be an important enabler of worry-free digital experience.

Normalised EBITDA and EBITDA margin stood at RM1,118 million and 52.5% (YTD 2016: RM1,156 million and 54.5%) respectively, mainly a result of investment for future efficiencies and one time resource cost. The Group, however, recorded higher normalised profit of RM510 million compared to RM484 million a year ago mainly due to lower property, plant and equipment related charges and tax expense.

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. The Group will continue to further enhance its core customer propositions and maintain a high quality network to enable worry-free digital experience.

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 2016.

19. PROFIT BEFORE TAX

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/3/2017	QUARTER ENDED 31/3/2016	**PERIOD ENDED 31/3/2017**	PERIOD ENDED 31/3/2016
	RM'm	RM'm	**RM'm**	RM'm
Fair value losses on forward foreign exchange contracts	**1**	8	**1**	8
Impairment of intangible assets	**-**	1	**-**	1
Losses/(gains) on foreign exchange	**4**	(65)	**4**	(65)
Property, plant and equipment:				
- gain on disposal	**(1)**	(2)	**(1)**	(2)
- impairment/write offs	**3**	19	**3**	19

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 ended 31 March 2017.

20. TAX EXPENSES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31/3/2017	QUARTER ENDED 31/3/2016	**PERIOD ENDED 31/3/2017**	PERIOD ENDED 31/3/2016
	RM'm	RM'm	**RM'm**	RM'm
Income tax:				
- current tax	**221**	254	**221**	254
Deferred tax:				
- origination and reversal of temporary differences	**(49)**	(40)	**(49)**	(40)
Total	**172**	214	**172**	214

The Group's effective tax rates for the current quarter ended 31 March 2017 was 25.4%, 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 2017 are as follows:

	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL
	RM'm	RM'm	RM'm
Secured			
Finance lease liabilities	10	1	11
Unsecured			
Revolving credit	500	-	500
Term loans	-	1,997	1,997
Syndicated term loans	-	442	442
Commodity Murabahah Term Financing	-	2,506	2,506
Islamic Medium Term Notes	-	4,126	4,126
	510	9,072	9,582

Currency profile of borrowings is as follows:

RM	510	7,633 [1]	8,143
USD	-	1,217 [2]	1,217
SGD	-	222 [2]	222
	510	9,072	9,582

Notes:

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

[2] All USD and SGD borrowings 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 2017 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:		
- more than three years	1,139	(312)
IRS:		
- more than three years	700	(7)
Forward foreign exchange contracts:		
- less than one year	36	*
	1,875	(319)
Derivatives not designated in hedging relationship:		
Forward foreign exchange contracts:		
- less than one year	131	1
	2,006	(318)

Note:
* Less than RM1 million.

During the current quarter ended 31 March 2017, the Group entered into:
(a) CCIRS contracts to hedge against USD/RM and SGD/RM exchange rate fluctuations on USD50 million and SGD70 million term loans respectively; and
(b) forward foreign exchange contracts to hedge against USD/RM exchange rate fluctuations on certain payable balances and forecast transactions.

There have been no changes since the end of the previous financial year ended 31 December 2016 in respect of the following:
(a) the market risk and credit risk associated with the derivatives;
(b) the cash requirements of the derivatives except the contract value of CCIRS has increased by RM125 million following the CCIRS settlements and new CCIRS contracts as disclosed in Note 5;
(c) the policies in place for mitigating or controlling the risks associated with the derivatives; and
(d) the related accounting policies.

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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 2017, the Group had recognised a loss of RM8 million arising from fair value changes of derivative financial liabilities where the instruments are designated as cash flow hedge on 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 statements of profit or loss and will be taken to the cash flow hedging reserve in equity. 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.

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 31/3/2017	AS AT 31/12/2016
	RM'm	**RM'm**
Retained earnings of the Company and its subsidiaries:		
- realised	**6,443**	6,341
- unrealised	**(552)**	(580)
	5,891	5,761
Less: Consolidation adjustments	**(1,999)**	(1,998)
Total retained earnings as per Consolidated Statements of Financial Position	**3,892**	3,763

25. MATERIAL LITIGATION

There is no material litigation as at 20 April 2017.

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 2017, to be paid on 29 June 2017. The entitlement date for the dividend payment is 31 May 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 31 May 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.

The total dividends for the three months ended 31 March 2017 is 5.0 sen per ordinary share (2016: 5.0 sen).

27. EARNINGS PER SHARE

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31/3/2017	QUARTER ENDED 31/3/2016	**PERIOD ENDED 31/3/2017**	PERIOD ENDED 31/3/2016
(a) Basic earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**505**	518	**505**	518
Weighted average number of issued ordinary shares	('m)	**7,509**	7,509	**7,509**	7,509
Basic earnings per share	(sen)	**6.7**	6.9	**6.7**	6.9
(b) Diluted earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**505**	518	**505**	518
Weighted average number of issued ordinary shares	('m)	**7,509**	7,509	**7,509**	7,509
Adjusted for share options	('m)	**-**	1	**-**	1
Adjusted weighted average number of ordinary shares	('m)	**7,509**	7,510	**7,509**	7,510
Diluted earnings per share	(sen)	**6.7**	6.9	**6.7**	6.9

By order of the Board

Dipak Kaur
(LS 5204)
Company Secretary
27 April 2017
Kuala Lumpur