MAXIS BERHAD

(867573 – A)

(INCORPORATED IN MALAYSIA)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 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 30/9/2017	QUARTER ENDED 30/9/2016	+ -	**PERIOD ENDED 30/9/2017**	PERIOD ENDED 30/9/2016	+ -
	Note	**RM'm**	RM'm (Restated)	%	**RM'm**	RM'm (Restated)	%
Revenue		**2,217**	2,156	+3	**6,546**	6,398	+2
Traffic, commissions and other direct costs		**(507)**	(543)		**(1,507)**	(1,608)	
Spectrum licence fees		**(58)**	(39)		**(141)**	(109)	
Network costs		**(199)**	(195)		**(597)**	(586)	
Staff and resource costs		**(150)**	(136)		**(430)**	(395)	
Operation and maintenance costs		**(64)**	(95)		**(235)**	(190)	
Marketing costs		**(43)**	(53)		**(125)**	(152)	
Allowance for doubtful debts, net		**(31)**	(21)		**(65)**	(65)	
Government grant and other income		**51**	57		**170**	142	
Other operating expenses		**(27)**	(6)		**(95)**	(21)	
Depreciation and amortisation		**(362)**	(347)		**(1,035)**	(1,046)	
Finance income		**20**	13		**49**	41	
Finance costs		**(120)**	(111)		**(351)**	(347)	
Profit before tax	19	**727**	680	+7	**2,184**	2,062	+6
Tax expenses	20	**(173)**	(175)		**(551)**	(554)	
Profit for the period		**554**	505	+10	**1,633**	1,508	+8
Attributable to:							
- equity holders of the Company		**554**	503	+10	**1,633**	1,509	+8
- non-controlling interest		**-**	2		**-**	(1)	
		554	505	+10	**1,633**	1,508	+8
Earnings per share attributable to equity holders of the Company (sen):							
- basic	28	**7.1**	6.7		**21.5**	20.1	
- diluted	28	**7.1**	6.7		**21.5**	20.1	

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30/9/2017	QUARTER ENDED 30/9/2016	**PERIOD ENDED 30/9/2017**	PERIOD ENDED 30/9/2016
	RM'm	RM'm	**RM'm**	RM'm
Profit for the period	**554**	505	**1,633**	1,508
Other comprehensive expense				
Item that will be reclassified subsequently to profit or loss:				
Net change in cash flow hedge	**(5)**	7	**(34)**	(48)
Total comprehensive income for the period	**549**	512	**1,599**	1,460
Attributable to:				
- equity holders of the Company	**549**	510	**1,599**	1,461
- non-controlling interest	**-**	2	**-**	(1)
	549	512	**1,599**	1,460

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	AS AT 30/9/2017 (Unaudited) RM'm	AS AT 31/12/2016 (Audited) RM'm
Non-current assets			
Property, plant and equipment	8	**4,627**	4,502
Intangible assets [(1)]		**11,311**	11,297
Receivables, deposits and prepayments	24	**825**	871
Derivative financial instruments	23	**1**	470
Deferred tax assets		**10**	45
		16,774	17,185
Current assets			
Inventories		**16**	6
Receivables, deposits and prepayments	24	**1,556**	1,582
Amount due from penultimate holding company		**1**	1
Amounts due from related parties		**24**	22
Derivative financial instruments	23	**-**	144
Tax recoverable		**28**	21
Deposits, cash and bank balances		**731**	682
		2,356	2,458
Total assets		**19,130**	19,643
Current liabilities			
Provisions for liabilities and charges		**86**	97
Payables and accruals		**3,024**	3,633
Amounts due to related parties		**18**	14
Borrowings	22	**207**	1,101
Derivative financial instruments	23	**1**	-
Taxation		**396**	152
		3,732	4,997
Net current liabilities		**(1,376)**	(2,539)

Note:

(1) Includes telecommunications licenses 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 THIRD QUARTER ENDED 30 SEPTEMBER 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Note	AS AT 30/9/2017 (Unaudited) RM'm	AS AT 31/12/2016 (Audited) RM'm
Non-current liabilities			
Provisions for liabilities and charges		175	164
Payables and accruals		308	418
Borrowings	22	7,633	8,763
Deferred tax liabilities		417	580
		8,533	9,925
Net assets		6,865	4,721
Equity			
Share capital		2,469	751
Reserves		4,396	3,970
Total equity		6,865	4,721
Net assets per share (RM)		0.88	0.63

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Period ended 30/9/2017	Share capital	Share premium	Merger relief [(2)]	Reserve arising from reverse acquisition	Other reserves	Retained earnings (Note 25)	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	-	-	-	-	-	1,633	1,633
Other comprehensive expense for the period	-	-	-	-	(34)	-	(34)
Total comprehensive (expense)/income for the period	-	-	-	-	(34)	1,633	1,599
Issuance of new shares, net of expenses	1,655	-	-	-	-	-	1,655
Dividends for the financial year ended 31 December 2016	-	-	-	-	-	(376)	(376)
Dividends for the financial year ending 31 December 2017	-	-	-	-	-	(765)	(765)
Employee Share Option Scheme ("ESOS") and Long-term Incentive Plan ("LTIP"):							
- share-based payment expense	-	-	-	-	8	-	8
- shares issued	1	-	-	-	-	-	1
Incentive arrangement:							
- share-based payment expense	-	-	-	-	22	-	22
Balance as at 30/9/2017	2,469	-	22,729	(22,729)	141	4,255	6,865

Notes:

(2) 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 during 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) Pursuant to Section 618(2) of the Companies Act 2016 ("New Act") which came into effect on 31 January 2017, the credit standing in the share premium account of RM62m has been transferred to and became part of the share capital account. Pursuant to Section 618(3) of the New Act, the Group may exercise its rights to use the credit amounts from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Period ended 30/9/2016	Share capital	Share premium	Merger relief	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	-	-	-	-	-	1,509	1,509	(1)	1,508
Other comprehensive expense for the period	-	-	-	-	(48)	-	(48)	-	(48)
Total comprehensive (expense)/income for the period	-	-	-	-	(48)	1,509	1,461	(1)	1,460
Dividends for the financial year ended 31 December 2015	-	-	(275)	-	-	(101)	(376)	-	(376)
Dividends for the financial year ended 31 December 2016	-	-	-	-	-	(751)	(751)	-	(751)
ESOS and LTIP:									
- share-based payment expense	-	-	-	-	25	-	25	-	25
- shares issued	*	2	-	-	-	-	2	-	2
Incentive arrangement:									
- share-based payment expense	-	-	-	-	6	-	6	-	6
- shares acquired	-	-	-	-	(2)	-	(2)	-	(2)
Balance as at 30/9/2016	751	62	22,729	(22,729)	122	3,620	4,555	29	4,584

Notes:

* Less than RM1 million.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	PERIOD ENDED 30/9/2017	PERIOD ENDED 30/9/2016
	RM'm	RM'm
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	1,633	1,508
Adjustments for:		
- non-cash items	1,170	1,084
- finance costs	351	347
- finance income	(49)	(41)
- tax expenses	551	554
Payments for provision for liabilities and charges	(97)	(86)
Operating cash flows before working capital changes	3,559	3,366
Changes in working capital	(605)	(97)
Cash flows from operations	2,954	3,269
Interest received	30	28
Tax paid	(443)	(469)
Net cash flows from operating activities	2,541	2,828
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(307)	(222)
Purchase of property, plant and equipment	(935)	(871)
Proceeds from disposal of property, plant and equipment	4	3
Placement of deposits with maturity of more than three months	(3)	-
Net cash flows used in investing activities	(1,241)	(1,090)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares pursuant to Private Placement	1,655	-
Proceeds from issuance of shares pursuant to ESOS	1	2
Shares acquired pursuant to incentive arrangement	-	(2)
Drawdown of borrowings	744	4,340
Repayment of borrowings	(2,205)	(5,182)
Repayment of lease financing	(5)	(5)
Payments of finance costs	(303)	(364)
Ordinary share dividends paid	(1,141)	(1,127)
Net cash flows used in financing activities	(1,254)	(2,338)
NET CHANGE IN CASH AND CASH EQUIVALENTS	46	(600)
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]	708	696

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 and improvements to published standards 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 and 15, there were no other significant unusual items affecting the assets, liabilities, equity, net income or cash flows for the nine months ended 30 September 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 nine months ended 30 September 2017, except for the change in asset useful lives of certain telecommunication equipment.

The above change in estimates for the current quarter and for the nine months ended 30 September 2017 have reduced the carrying value of property, plant and equipment by RM16 million with a corresponding additional depreciation charge to 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 by the Group and the Company during the nine months ended 30 September 2017:

(a) Maxis Broadband Sdn. Bhd. (“MBSB”), a wholly-owned subsidiary of the Company, entered into loan facility agreements with financial institutions for United States Dollar (“USD”) 50 million (equivalent to RM222 million) and Singapore Dollar (“SGD”) 70 million (equivalent to RM222 million) term loans with corresponding Cross Currency Interest Rate Swaps (“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.

These loans were subsequently repaid in full in the current quarter, resulting in an annual interest savings of RM21 million;

(b) 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 for working capital purposes. Total nominal value of Sukuk Murabahah issued as at 30 September 2017 amounted to RM4,090 million;

(c) MBSB partially repaid its revolving credit by RM300 million, resulting in an annual interest savings of RM13 million;

5. DEBT AND EQUITY SECURITIES (CONTINUED)

(d) The Company made an early repayment of all its existing USD and SGD borrowings and their CCIRS contracts totalling to RM1,461 million, resulting in an annual interest savings of RM68 million;

(e) On 30 June 2017, the Company issued 300 million new ordinary shares at an issue price of RM5.52 per share ("Placement Shares") pursuant to a private placement exercise. This exercise was completed on 3 July 2017 and the proceeds have been fully utilised to repay the borrowings of the Group and of the Company and their related incidental costs as intended as at the date of this report.

The Placement Shares rank pari passu in all respects with the existing ordinary shares of the Company; and

(f) 210,400 ordinary shares were issued under the ESOS.

6. DIVIDENDS PAID

The following dividend payments were made during the nine months ended 30 September 2017:

	RM'm
In respect of the financial year ended 31 December 2016:	
- Fourth interim single-tier tax exempt dividend of 5.0 sen per ordinary share, paid on 28 March 2017	**376**
In respect of the financial year ending 31 December 2017:	
- First interim single-tier tax exempt dividend of 5.0 sen per ordinary share, paid on 29 June 2017	**375**
- Second interim single-tier tax exempt dividend of 5.0 sen per ordinary share, paid on 28 September 2017	**390**
	1,141

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 nine months ended 30 September 2017. As at 30 September 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 nine months ended 30 September 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 and indemnities given to financial institutions on bank guarantees. 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 September 2017 are as follows:

	RM'm
Contracted for	291
Not contracted for	231
	522

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 agreed commercial terms with the related parties.

	Transactions for the financial period ended 30/9/2017	Balances due from/(to) as at 30/9/2017	Commitments as at 30/9/2017	Total balances due from/(to) and commitments as at 30/9/2017
	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)	72	14	-	14
(b) Purchases of goods and services from:				
- Saudi Telecom Company ("STC") (2)				
(roaming and international calls)	22	(11)	-	(11)
- MEASAT Global Berhad Group(3)				
(transponder and teleport lease rental)	36	-	(20)	(20)
- Tanjong City Centre Property Management Sdn. Bhd.(4)				
(rental, signage, parking and utility charges)	25	-	(199)	(199)
- UTSB Management Sdn. Bhd.(4)				
(corporate management services)	20	(4)	(53)	(57)
- SRG Asia Pacific Sdn. Bhd.(5)				
(call handling and telemarketing services)	11	(2)	-	(2)
- MBNS Multimedia Technologies Sdn. Bhd. and/or its related corporations(1)				
(goods and services)	-	-	(3)	(3)

13. SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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 the shares of the Company shares in which UTSB has an interest, it does not have any economic or beneficial interest over the shares of the Company, 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 30 September 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	77	69
Financial liability:		
Borrowings		
- finance lease liabilities	1	1
- Islamic Medium Term Notes	4,127	4,215

(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 September 2017:

	RM'm
Recurring fair value measurements	
Derivative financial instruments (interest rate swap and forward foreign exchange contracts):	
- assets	1
- liabilities	(1)

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

15. ANALYSIS OF PERFORMANCE

Financial indicators (RM'm unless otherwise indicated)	3rd Quarter 2017 (unaudited)	2nd Quarter 2017 (unaudited)	3rd Quarter 2016(1) (unaudited)	Variance Q3'17 vs Q2'17		Variance Q3'17 vs Q3'16	
				RM'm	%	RM'm	%
Revenue	**2,217**	2,172	2,156	45	2	61	3
Service revenue (2)	**2,155**	2,122	2,113	33	2	42	2
EBITDA (3)	**1,191**	1,223	1,130	(32)	(3)	61	5
Adjusted for:							
Unrealised foreign exchange (gains)/losses	*(4)*	*(52)*	*9*	*48*	*(92)*	*(13)*	*>(100)*
Service fee (reduction)/charge(4)	*-*	*(67)*	*5*	*67*	*100*	*(5)*	*(100)*
Upfront spectrum assignment ("SA") fees charged out(5)	*14*	*-*	*-*	*14*	*100*	*14*	*100*
Normalised EBITDA	**1,201**	1,104	1,144	97	9	57	5
Normalised EBITDA margin on service revenue (%)	**55.8**	52.0	54.1	NA	3.8	NA	1.7
Profit before tax	**727**	780	680	(53)	(7)	47	7
Profit for the period	**554**	574	505	(20)	(3)	49	10
Total normalisation adjustments as disclosed above	*10*	*(119)*	*14*	*129*	*>(100)*	*(4)*	*(28)*
Accelerated depreciation due to IT and network modernisation programmes (6)	*-*	*-*	*4*	*-*	*-*	*(4)*	*(100)*
Tax effects of the normalisation adjustments	*(2)*	*29*	*(4)*	*(31)*	*>(100)*	*2*	*(50)*
Normalised profit for the period	**562**	484	519	78	16	43	8
Capital expenditure ("Capex")	**273**	211	249	62	29	24	10
Free cash flow	**428**	290	520	138	48	(92)	(18)

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) Write back of service fees accrued for prior years which are no longer required.
(5) Charge out of SA renewal costs prepaid for license period.
(6) 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)

Operational indicators	3rd Quarter 2017	2nd Quarter 2017	3rd Quarter 2016	Variance Q3'17 vs Q2'17		Variance Q3'17 vs Q3'16	
				'000	%	'000	%
Revenue generating subscriptions ("RGS") ('000)	**10,112**	10,420	10,903	(308)	(3)	(791)	(7)
- Postpaid	***2,805***	*2,785*	*2,678*	*20*	*1*	*127*	*5*
- Prepaid	***7,154***	*7,482*	*8,007*	*(328)*	*(4)*	*(853)*	*(11)*
- Wireless Broadband	***153***	*153*	*218*	*-*	*-*	*(65)*	*(30)*
ARPU (Monthly) (RM)							
- Postpaid	***102***	*102*	*100*	*-*	*-*	*2*	*2*
- Prepaid	***42***	*42*	*41*	*-*	*-*	*1*	*2*
- Wireless Broadband	***75***	*72*	*71*	*3*	*4*	*4*	*6*
- Blended	***59***	*58*	*56*	*1*	*2*	*3*	*5*

(A) Performance of the current quarter against the preceding quarter (3rd Quarter 2017 versus 2nd Quarter 2017)

Service revenue for Q3 2017 grew by 1.6% quarter-on-quarter to RM2,155 million driven mainly by growth in Postpaid.

Postpaid service revenue grew by 5.7% during the quarter to RM1,055 million. The strong growth in the quarter was driven by the Power of ONE campaigns including innovative roaming, accessories and content propositions which continued to attract high ARPU customers. The postpaid subscription base now stands at 2.8 million and monthly ARPU remained steady at RM102.

Prepaid service revenue declined by 2.9% to RM955 million. The decline was due to the lower subscription base in the current quarter which was impacted by the continued SIM consolidation and intense price-focused competition in the market. ARPU remained stable at RM42 per month driven by the high mobile Internet usage, whilst ARPU for the Hotlink FAST was at RM43 per month.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(A) Performance of the current quarter against the preceding quarter (3rd Quarter 2017 versus 2nd Quarter 2017) (continued)

The Group ended the quarter with 6.0 million 4G LTE users (2Q17: 5.6 million) with average usage of 7.4GB per month (2Q17: 7.0GB). The increase was partly driven by the high smart-phone penetration which stood at 80.3% on a blended basis. The Group's 4G LTE network, with a nationwide population coverage of 89% on a comparable peer basis, continued to be an important driver for customers to enjoy high speed and unmatched digital experience. The Group also recorded an all-time high touch point net promoter score of +52.

Quarter-on-quarter, normalised EBITDA grew by 9% to RM1,201 million with a 55.8% margin on service revenue, against RM1,104 million and 52.0% respectively in the previous quarter. This was mainly driven by higher total revenue and cost optimisation initiatives in Q3 2017, and realised foreign exchange losses in Q2 2017. Consequently, the Group reported higher normalised profit of RM562 million compared to RM484 million in the preceding quarter.

Capex for the current quarter increased by RM62 million to RM273 million compared to the previous quarter. The increase was mainly attributed to higher capex incurred on IT transformation program. Free cash flow for the quarter was RM428 million, compared to RM290 million in the preceding quarter. The increase is mainly contributed by higher capex and regulatory payments made in Q2 2017.

(B) Performance of the current quarter against the preceding year corresponding quarter (3rd Quarter 2017 versus 3rd Quarter 2016)

Service revenue for Q3 2017 of RM2,155 million was 2% higher than Q3 2016, driven primarily by growth in Postpaid.

Postpaid service revenue grew by 9.3% from RM965 million (restated to include all inbound roaming revenue) to RM1,055 million. The strong growth was driven by the Power of ONE campaigns noted above. The RGS base for the high ARPU MaxisONE Plan grew to 1.95 million in Q3 2017 (3Q16: 1.5 million), thus contributing to the Postpaid ARPU of RM102 per month in the current quarter (3Q16: RM100 per month).

Prepaid service revenue declined by 6.0% from RM1,017 million (restated to exclude inbound roaming revenue) in Q3 2016 to RM955 million in the current quarter. The decline was due to the lower subscription base which was impacted by the continued SIM consolidation and intense price-focused competition in the market. ARPU increase from RM41 to RM42 per month was mainly attributed to the increase in Hotlink FAST subscribers, which crossed 2 million with a higher ARPU of RM43 per month.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(B) Performance of the current quarter against the preceding year corresponding quarter (3rd Quarter 2017 versus 3rd Quarter 2016) (continued)

Demand for data continued to grow with 6.0 million 4G LTE users (3Q16: 4.1 million) and an average usage of 7.4GB per month (3Q16: 4.4GB). This was supported by the increase in smart-phone penetration which stood at 80.3% against 73.7% on a blended basis. The Group continued to lead the market with its expanded 4G LTE network at 89% population coverage, enabling customers to enjoy high speed and unmatched digital experience. In addition, the Group recorded an all-time high touch point net promoter score of +52 in the current quarter compared to +41 in Q3 2016.

Normalised EBITDA grew by 5% from RM1,144 million to RM1,201 million with a margin on service revenue of 54.1% against 55.8% in Q3 2017. The strong EBITDA for the quarter was mainly driven by the higher total revenue and cost optimisation initiatives in Q3 2017. Consequently, the Group reported higher normalised profit in Q3 2017 of RM562 million compared to RM519 million in the preceding year corresponding quarter.

Capex increase of RM24 million was mainly due to higher spend on IT transformation program. Free cash flow for the quarter was RM428 million, a decrease of 18% compared to the preceding year corresponding quarter. The decrease is mainly due to higher capex payments in Q3 2017.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(C) Performance of the current year against the preceding year (YTD September 2017 versus YTD September 2016)

Financial indicators (RM'm unless otherwise indicated)	YTD 2017	YTD 2016[1]	Variance	% Variance
Revenue	**6,546**	6,398	148	2
Service revenue [2]	**6,406**	6,290	116	2
EBITDA [3]	**3,525**	3,393	132	4
Adjusted for:				
Home services - Reversal of contract obligation provision	**-**	*(47)*	*47*	*(100)*
Unrealised foreign exchange gains	***(49)***	*(45)*	*(4)*	*9*
Service fee (reduction)/charge [4]	***(62)***	*14*	*(76)*	*>(100)*
Upfront SA fees charged out [5]	***14***	*-*	*14*	*100*
Normalised EBITDA	**3,428**	3,315	113	3
Normalised EBITDA margin on service revenue (%)	**53.5**	52.7	NA	0.8
Profit before tax	**2,184**	2,062	122	6
Profit for the period	**1,633**	1,508	125	8
Total normalisation adjustments as disclosed above	***(97)***	*(78)*	*(19)*	*24*
Home services - Reversal of asset impairment	**-**	*(47)*	*47*	*(100)*
Accelerated depreciation due to IT and network modernisation programmes [6]	**-**	*21*	*(21)*	*(100)*
Tax effects of the above adjustments	***24***	*26*	*(2)*	*(8)*
Normalised profit for the period	**1,560**	1,430	130	9
Capex	**647**	737	(90)	(12)
Free cash flow	**992**	1,369	(377)	(28)

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(C) Performance of the current year against the preceding year (YTD September 2017 versus YTD September 2016) (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) Write back of service fees accrued for prior years which are no longer required.
(5) Charge out of SA renewal costs prepaid for license period.
(6) 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.

Operational indicators	YTD 2017	YTD 2016	Variance	% Variance
RGS ('000)	**10,112**	10,903	(791)	(7)
- Postpaid	***2,805***	*2,678*	*127*	*5*
- Prepaid	***7,154***	*8,007*	*(853)*	*(11)*
- Wireless Broadband	***153***	*218*	*(65)*	*(30)*
ARPU (Monthly) (RM)				
- Postpaid	***102***	*101*	*1*	*1*
- Prepaid	***42***	*40*	*2*	*5*
- Wireless Broadband	***73***	*71*	*2*	*3*
- Blended	***58***	*55*	*3*	*5*

The Group recorded a service revenue of RM6,406 million which represents a 1.8% growth, mainly contributed by the growth in Postpaid.

Postpaid service revenue grew 3.4% to RM3,042 million (Restated YTD 2016: RM2,940 million) supported by a solid MaxisONE subscription base of 1.95 million. The Group added 454k new MaxisONE subscriptions with ARPU of RM119 per month in the period under review.

Prepaid service revenue decline of 1.2% to RM2,944 million (Restated YTD 2016: RM2,981 million) was mainly attributed to a lower subscription base which was impacted by the continued SIM consolidation and intense price focused competition in the market. The impact was partly mitigated by the higher ARPU of RM42 per month (YTD 2016: RM40 per month) which was driven by higher mobile Internet revenue.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(C) Performance of the current year against the preceding year (YTD September 2017 versus YTD September 2016) (continued)

Demand for data continued to grow with 6.0 million 4G LTE users (3Q16: 4.1 million) and an average usage doubling from 3.5GB to 7.0GB per month. This was supported by the increase in smart-phone penetration which stood at 80.3% against 73.7% on a blended basis. The Group continued to lead the market with its expanded 4G LTE network at 89% population coverage, enabling customers to enjoy high speed and unmatched digital experience.

Normalised EBITDA and EBITDA margin on service revenue stood at RM3,428 million and 53.5% (YTD 2016: RM3,315 million and 52.7%) respectively, mainly a result of higher revenue base, efficient marketing spend and cost optimisation initiatives. Consequently, normalised profit for the period under review was higher at RM1,560 million (YTD 2016: RM1,430 million).

Capex for the period under review stood at RM647 million, a decrease of 12% compared to the preceding year of RM737 million due to lower spend on network modernisation and LTE rollout as we have reached a high 4G LTE network coverage of 89%. Free cash flow for the current YTD was RM992 million, down by 28% mainly due to higher capex payments.

15. ANALYSIS OF PERFORMANCE (CONTINUED)

(D) STATEMENT OF FINANCIAL POSITION

Financial indicators (RM'm unless otherwise indicated)	AS AT 30/9/2017	AS AT 31/12/2016	AS AT 30/9/2016
Total assets	19,130	19,643	18,303
Total equity	6,865	4,721	4,584
Debt [1]	7,839	9,253	8,300
Deposits, cash & bank balance	731	682	696
Net debt	7,108	8,571	7,604
Net debt-to-EBITDA	1.51	1.88	1.68

Notes:
[1] Debt Includes derivative financial instruments designated for hedging relationship on borrowings; excludes vendor financing.

Total assets remained relatively stable. The increase in total equity as at 30 September 2017 was mainly due to the proceeds of RM1,655 million from the issuance of new shares pursuant to the Private Placement exercise as disclosed in Note 5(e).

The proceeds from the Private Placement exercise was utilised to repay borrowings, thus resulting in a lower net debt-to-EBITDA from 1.88x as at 31 December 2016 to 1.51x as at 30 September 2017.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

Market competition is expected to remain intense with data quality and pricing becoming the focus for customers and competition.

In the Postpaid segment, we will continue to build upon the strong positions of MaxisONE plan and the newly launched convergence solutions MaxisONE Prime. In the Prepaid segment, we remain focus to offer differentiated propositions that engage high mobile Internet users and enable a high-speed digital lifestyle. We continue to differentiate based on our 4G LTE network coverage and quality.

Based on the above, we expect service revenue, absolute EBITDA and base capital expenditure for the financial year ending 31 December 2017 to remain at a similar level to financial year 2016.

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 30/9/2017	QUARTER ENDED 30/9/2016	**PERIOD ENDED 30/9/2017**	PERIOD ENDED 30/9/2016
	RM'm	RM'm	**RM'm**	RM'm
Fair value losses/(gains) on forward foreign exchange contracts	**5**	(1)	**8**	3
(Gains)/losses on foreign exchange	**(12)**	10	**(44)**	(28)
Property, plant and equipment:				
- gain on disposal	**(1)**	(1)	**(4)**	(3)
- write offs/(impairment reversals)	**3**	6	**6**	(19)
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 nine months ended 30 September 2017.

20. TAX EXPENSES

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30/9/2017	QUARTER ENDED 30/9/2016	**PERIOD ENDED 30/9/2017**	PERIOD ENDED 30/9/2016
	RM'm	RM'm	**RM'm**	RM'm
Income tax:				
- current tax	**211**	160	**660**	638
- under/(over) accrual in prior years	**20**	(15)	**20**	(15)
Deferred tax:				
- origination and reversal of temporary differences	**(39)**	25	**(110)**	(74)
- recognition and reversal of prior years' temporary differences	**(19)**	5	**(19)**	5
Total	**173**	175	**551**	554

20. TAX EXPENSES (CONTINUED)

The Group's effective tax rate for the current quarter was 23.8% which is lower than the standard corporate tax rate of 24%. As announced in the Malaysian Budget 2017, the Group is eligible for a tax rate reduction up to 4% when its incremental taxable income as compared to the preceding year of assessment increases by certain threshold.

The Group's effective tax rate for the nine months ended 30 September 2017 was 25.2%, which is higher than the statutory tax rate of 24% mainly due to certain expenses not 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 September 2017 versus 30 September 2016 are as follows:

	AS AT 30 SEPTEMBER 2017					
	CURRENT LIABILITIES		NON-CURRENT LIABILITIES		TOTAL BORROWINGS	
	Foreign Currency ('mil)	RM'mil	Foreign Currency ('mil)	RM'mil	Foreign Currency ('mil)	RM'mil
Secured						
Finance lease liabilities	-	7	-	1	-	8
Unsecured						
Revolving credit	-	200	-	-	-	200
Term loan[1]	-	-	-	1,000	-	1,000
Commodity Murabahah					-	
Term Financing	-	-	-	2,505		2,505
Islamic Medium Term Notes	-	-	-	4,127	-	4,127
		207		7,633		7,840
Weighted average interest rate of borrowings						4.66%
Proportion of borrowings between fixed interest rate and floating interest rate						59% : 41%

Notes:

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

Material changes to borrowings during the nine months ended 30 September 2017 are disclosed in Note 5.

22. BORROWINGS (CONTINUED)

	AS AT 30 SEPTEMBER 2016					
	CURRENT LIABILITIES		NON-CURRENT LIABILITIES		TOTAL BORROWINGS	
	Foreign Currency ('mil)	RM'mil	Foreign Currency ('mil)	RM'mil	Foreign Currency ('mil)	RM'mil
Secured						
Finance lease liabilities	-	13	-	2	-	15
Unsecured						
Term loans						
- RM [1]	-	-	-	1,000	-	1,000
- USD [2]	-	-	*USD 175*	723	*USD 175*	723
- SGD [2]	-	-	*SGD 70*	212	*SGD 70*	212
Syndicated loans						
- USD [2]	*USD 131*	544	*USD 100*	414	*USD 231*	958
Commodity Murabahah Term Financing	-	-	-	2,504	-	2,504
Islamic Medium Term Notes	-	-	-	3,303	-	3,303
Loan from a related party	-	31	-	-	-	31
		588		8,158		8,746
Weighted average interest rate of borrowings						4.67%
Proportion of borrowings between fixed interest rate and floating interest rate						61% : 39%

Notes:

(1) Includes a term loan facility which had been partially hedged using IRS.

(2) All foreign currency borrowings had been hedged using CCIRS. The closing rates used in translating the foreign currency amounts into RM were:
1 USD = RM4.14, 1 SGD = RM3.03

22. BORROWINGS (CONTINUED)

Below are the material changes to borrowings of the Group during the nine months ended 30 September 2016:

(a) repayment of the Company's existing borrowings of RM5,182 million, which resulted in an annual interest savings of RM24 million;

(b) MBSB entered into RM1.0 billion term loan and RM2.5 billion Commodity Murabahah Term Financing facilities. The amount had been fully drawn down to part settle the purchase consideration in relation to the internal reorganisation as explained in Note 5(a) above; and

(c) MBSB established its RM10.0 billion Sukuk Murabahah Programme which carry a tenure of 30 years and issued its first series of the Sukuk Murabahah for a nominal value of RM840 million to:
   (i) part finance the purchase consideration in relation to internal reorganisation as explained in Note 5(a) above; and
   (ii) to finance its capital expenditure, working capital and/or other funding requirements.

23. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Disclosure of derivatives

Details of derivative financial instruments outstanding as at 30 September 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):		
IRS:		
- more than three years	500	1
Forward foreign exchange contracts:		
- less than one year	34	*
	534	1
Derivatives not designated in hedging relationship:		
Forward foreign exchange contracts:		
- less than one year	110	(1)
	644	*

Note:
* Less than RM1 million.

23. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Disclosure of derivatives (continued)

During the nine months ended 30 September 2017, the Group:

(i) entered into CCIRS contracts to hedge against USD/RM and SGD/RM exchange rate fluctuations on USD50 million and SGD70 million term loans respectively. These CCIRS contracts were subsequently settled as disclosed in (iii) below;

(ii) entered into forward foreign exchange contracts to hedge against USD/RM exchange rate fluctuations on certain payable balances and forecast transactions; and

(iii) made an early settlement of all its CCIRS contracts and one of its IRS contract on RM200 million term loan.

There have been no changes since the end of the previous financial year ended 31 December 2016 in respect of the following:

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

(ii) the cash requirements of the derivatives, except the contract values of CCIRS and IRS have decreased following the early settlement of CCIRS and IRS contracts as disclosed above;

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

(iv) the related accounting policies.

(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 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 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.

During the quarter, the fair value of financial liabilities recognised by the Group has reduced by RM18 million arising from the early settlement of CCIRS and IRS contracts as disclosed in Note 23(a) above.

24. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	AS AT 30/9/2017	AS AT 31/12/2016
	RM'm	RM'm
Non-current assets		
Trade receivables	77	82
Less: Allowance for impairment	(1)	(1)
	76	81
Prepayments	749	790
	825	871
Current assets		
Trade receivables	1,014	1,034
Less: Allowance for impairment	(68)	(76)
	946	958
Other receivables, deposits and prepayments	610	624
	1,556	1,582
	2,381	2,453

The Group's trade receivables include receivables on deferred payment terms amounting to RM300 million which allows eligible customers to purchase mobile devices with up to 24 monthly installment payments.

Other than the above, the Group's credit policy provides trade receivables with credit periods of up to 60 days.

24. RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The ageing analysis of the Group's gross trade receivables is as follows:

	AS AT 30/9/2017 RM'm	AS AT 31/12/2016 RM'm
Neither past due nor impaired	**895**	863
1 to 90 days past due not impaired	**6**	59
91 to 180 days past due not impaired	**2**	1
More than 180 days past due not impaired	**1**	1
Impaired (both collectively and individually)	**187**	192
	1,091	1,116

Some of the trade receivables that are past due were not impaired based on the past historical collection trends.

25. 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 30/9/2017 RM'm	AS AT 31/12/2016 RM'm
Retained earnings of the Company and its subsidiaries:		
- realised	**6,613**	6,341
- unrealised	**(407)**	(580)
	6,206	5,761
Less: Consolidation adjustments	**(1,951)**	(1,998)
Total retained earnings as per Consolidated Statements of Financial Position	**4,255**	3,763

26. MATERIAL LITIGATION

There is no material litigation as at 18 October 2017.

27. DIVIDENDS

The Board of Directors has declared a third 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 28 December 2017. The entitlement date for the dividend payment is 30 November 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 30 November 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 nine months ended 30 September 2017 is 15.0 sen per ordinary share (2016: 15.0 sen).

PART B - EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE BURSA SECURITIES LISTING REQUIREMENTS (CONTINUED)

28. EARNINGS PER SHARE

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30/9/2017	QUARTER ENDED 30/9/2016	**PERIOD ENDED 30/9/2017**	PERIOD ENDED 30/9/2016
(a) Basic earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**554**	503	**1,633**	1,509
Weighted average number of issued ordinary shares	('m)	**7,809**	7,509	**7,611**	7,509
Basic earnings per share	(sen)	**7.1**	6.7	**21.5**	20.1
(b) Diluted earnings per share					
Profit attributable to the equity holders of the Company	(RM'm)	**554**	503	**1,633**	1,509
Weighted average number of issued ordinary shares	('m)	**7,809**	7,509	**7,611**	7,509
Adjusted for share options	('m)	**-**	-	**-**	-
Adjusted weighted average number of ordinary shares	('m)	**7,809**	7,509	**7,611**	7,509
Diluted earnings per share	(sen)	**7.1**	6.7	**21.5**	20.1

By order of the Board

Dipak Kaur
(LS 5204)
Company Secretary
25 October 2017
Kuala Lumpur