Life
Made
Easier™

LIFE 360°

Integrated Annual Report 2016

Life Made Easier

We're living in the Era of Convergence
and it makes our life easier
and smarter than ever before.
Where life becomes effortless and
everything can be as easy as
a touch of a button...
Allowing us to do amazing things,
where innovations help to
enhance our lives everyday....
...enabling us all to live in a Better Malaysia.

This is Life in the Era of Convergence.

My Life

My Work

Business Made Easier

Where we are able to go beyond our
boundaries and stay on top of everything...
Moving businesses to be agile.
It enriches our lives and
other people around us...
...enabling us all to innovate
and live in a Better Malaysia.

This is Business in the Era of Convergence.

LIFE 360°

The orange and blue in the circle on our cover represent our personal and professional lives. The way the two colours project into each other depict the way both worlds are interlinked. We at TM facilitate those important links with our convergence products, services and solutions, which provide unparalleled connectivity and a seamless experience, no matter where you are, what you're doing and how. We make life easier, in a truly holistic sense, hence the tagline Life 360°.

TM AURA

This TM Integrated Annual Report is enhanced with TM AURA, an augmented reality app developed by TM Research & Development (TM R&D). The app allows you to scan selected pages and images from the report to access extended rich content.

Download TM AURA on your phone or tablet (iOS and Android) for a converged augmented reality experience!

Search for 'TM AURA' in the Apple App Store or Google Play Store to download.

Download on the App Store

GET IT ON Google play

FACTS AT A GLANCE

Convergence Champion

NO.1
Converged Communications Services Provider

2.37 million
broadband customers

> 2.23 million
high speed broadband ports nationwide

TM'S MOST VALUABLE ASSET - OUR PEOPLE

28,045 employees

REVENUE

RM12.06 billion
with 2.9% growth YoY

TOTAL RETURN TO SHAREHOLDERS

350.37%

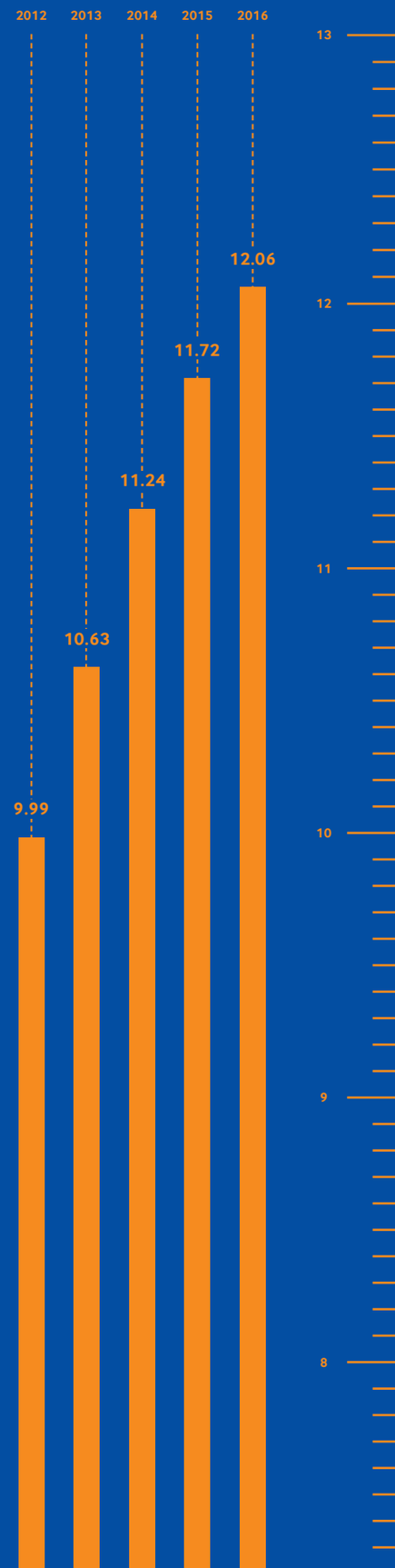
TOTAL ASSETS

RM25.0 billion

TOTAL DIVIDEND PAYOUT

RM808.0 million

OPERATING REVENUE
(RM MILLION)



OUR REPORTS

We produce a full suite of reports and other documents to cater to the diverse needs of our broad stakeholder base. Of these, our integrated annual report is the most comprehensive and serves the needs of our shareholders and other stakeholders. In addition to providing an account of our financial performance, it also describes the way in which we uphold corporate governance and add value to our stakeholders. It is supplemented by our Sustainability Report and online disclosures on our quarterly financial results, corporate presentations, Bursa announcements and media releases.

Report	Reporting Framework	Assurance
Integrated Annual Report (this Report)		
 Our primary report for communicating to our shareholders and other stakeholders	• Malaysia Companies Act 1965 • Financial Reporting Standards (FRS) • Main Market Listing Requirements of Bursa Malaysia Berhad • Malaysian Code on Corporate Governance 2012 • International Integrated Reporting Framework • Global Reporting Initiative (GRI)	• Internal controls and management assurance • Compliance and internal audit reviews • External audit by PricewaterhouseCoopers on financial information • Board approval assisted by the Board Audit Committee
Sustainability Report		
 Our main disclosure on efforts to create value for stakeholders by taking into account material issues	• Main Market Listing Requirements of Bursa Malaysia Berhad • Malaysian Code on Corporate Governance 2012 • International Integrated Reporting Framework • Global Reporting Initiative (GRI)	• External Audit by SIRIM QAS International Sdn. Bhd.
Quarterly Financial Statements		
Financial statements on our performance every quarter	• Malaysia Companies Act 1965 • Financial Reporting Standards (FRS) • Main Market Listing Requirements of Bursa Malaysia Berhad	• Internal controls and management assurance • Compliance and internal audit reviews • External audit by PricewaterhouseCoopers on financial information • Board approval assisted by the Board Audit Committee
Bursa Announcements		
Announcements made to Bursa Malaysia on key corporate activities	• Main Market Listing Requirements of Bursa Malaysia Berhad	• Internal controls and management assurance • Board approval
Media Releases		
Announcements made to the media on key corporate, social, environmental and financial events and activities		• Internal controls and management assurance

This icon refers you to other reports that form part of the Group's suite of reporting publications

This icon indicates where more detail can be accessed online

This icon indicates where more detail can be accessed elsewhere in this report

ABOUT THIS REPORT

AS A LEADING TELECOMMUNICATIONS PROVIDER IN MALAYSIA AND ONE OF THE LARGEST IN SOUTHEAST ASIA,

Telekom Malaysia Berhad (TM or the Group) has a vast number of stakeholders who are impacted by what we do.

Not only by our financial performance but also the way we conduct our business. We appreciate that this large and varied group needs to understand our commitments and policies, our direction and strategies, and our current as well as future prospects to be able to place their trust in us.

Although we disseminate information about the Group regularly via press releases, Bursa Malaysia announcements and quarterly reports, our Integrated Annual Report is the ultimate summary of our performance for every financial year. This year's Integrated Annual Report marks a sharp departure from those produced in the past as we have strived to create greater transparency in the content disclosed as well as the manner in which it is presented.

For the first time, we have adopted the International Integrated Reporting Framework (IIRF) because we believe it enables us to communicate our strategies, actions and outcomes in a manner that is meaningful to our stakeholders. Through this new reporting standard, we intend to present a coherent model of our business that demonstrates how everything we do is integrated with our ultimate vision of creating value – not only for our shareholders and customers, but also for our employees, business partners, the government and regulators and the larger community.

We have introduced new sections – such as 'What We Live For', 'Who Keeps Us in Business' and 'What We Do' – to expose the core essence of who we are, where we aim to go, and how we plan to get there.

In addition to the IIRF, our non-financial statements reflect Bursa Malaysia's recently released Listing Requirements and the Malaysian Code on Corporate Governance 2012. Our financial statements, audited by PricewaterhouseCoopers, have been prepared according to the requirements of the Malaysia Companies Act 1965 and Financial Reporting Standards (FRS).

We have made every effort to ensure this Integrated Annual Report presents a balanced and accessible assessment of our strategy, performance, governance and prospects. The issues and developments included were determined by quantitative and qualitative considerations that have an impact on our current and future performance.

The entire Integrated Annual Report has been approved by our Group Audit Committee and the Board.

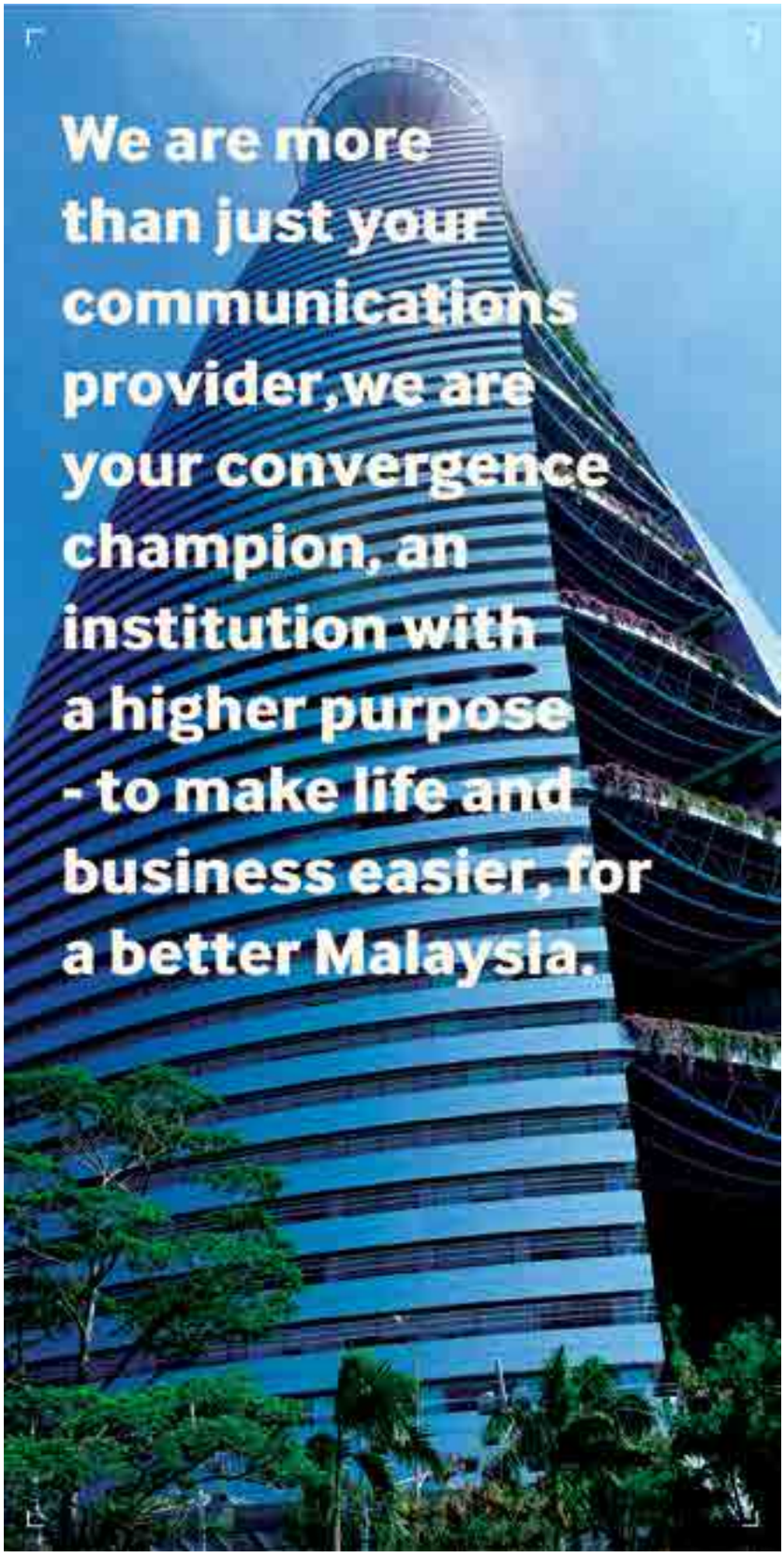
NAVIGATION

TM's impact on and contributions to the six capitals of value creation described in the <IR> Framework are addressed in an integrated manner throughout this report, including all elements previously reported in a separate sustainability section.

The following table provides an overview of how the capitals are indicated in the report and where the bulk of the commentary pertaining to each can be found:

Manufactured capital	Where We Operate
Financial capital	Group Financial Review
Human capital	Human Capital Development - Smarter Workforce
Social and relationship capital	Engaging our Stakeholders
Intellectual capital	Beyond Products & Services
Natural capital	What Matters Most

WHAT WE LIVE FOR



1

Where we are going

We have a very clear vision, which goes beyond making profits. In fact, it's not about us at all, but the people who matter most to us – our customers – and about enhancing their lives.

OUR VISION

To make life and business easier,
for a better Malaysia

WHAT WE LIVE FOR

2

We exist today for the same reason we did 70 years ago – to connect people. Only, now, we are connecting our customers through their everyday interactions, for the greater good of our communities and through supporting the drivers of the nation's growth.

OUR PURPOSE

To keep people connected
in more ways than one

3

We could take many roads to serving you. But we have chosen the path that brings the greatest sustainability of our service to you. This path is filled with...

OUR VALUES

1. **Total Commitment** to Customers
2. Uncompromising **Integrity**
3. **Respect** & Care

4

Our game plan has already been set along with our Vision. We have three simple priorities that will keep us on our toes.

OUR MISSION

We deliver life made easier:

1. To customers, through **converged lifestyle communication experiences**
2. To businesses, by collaborating with and **supporting them with integrated solutions**
3. To the nation, by **supporting socio-economic development** through education, innovation & social initiatives

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32nd Annual General Meeting

KRISTAL HALL, TM CONVENTION CENTRE,
MENARA TM, JALAN PANTAI BAHARU 50672 KUALA LUMPUR, MALAYSIA

WEDNESDAY, 26 APRIL 2017
10.00 A.M.

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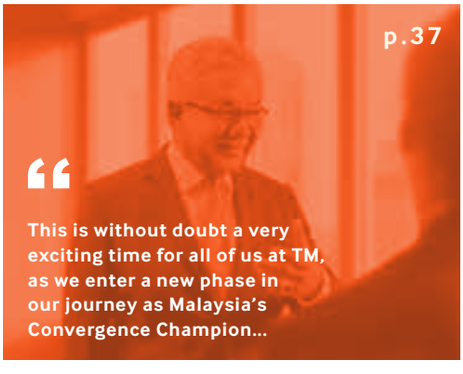


LIFE
360°

Smarter Living

Through our products and services, we are making life more intuitive... and effortless.

“Everything I need
is at the touch
of a button.”
TM AURA

ACHIEVEMENTS

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA) 2016

THE 16TH MALAYSIA HR AWARDS 2016

LIFE@WORK AWARDS 2016 (TALENTCORP)

HWM + HARDWAREZONE.COM TECH AWARDS 2016

HWM + Hardwarezone.com Tech Awards 2016

16 February 2016

Best Fiber Broadband Service - TM UniFi

Festival of Media Asia Pacific (FOMA)

22 March 2016

1. Best Use of Content (Gold) - Corporate Raya
2. Best Use of Video (Silver) - Corporate Raya

Malaysian e-Payments Excellence Award 2016

4 April 2016

Special Award - JomPAY Outstanding Biller

The Golden Globe Tigers 2016

11 April 2016

1. Brand Excellence in Digital Advergaming Sector - How TM Gamified a TVC to help those in need
2. Best in Online Content - How TM Reinvented itself with The Makers of Tomorrow
3. Best in Online Content - How #PakcikPower Reignited Passion for Malaysia Football
4. Best Use of Social Media in Marketing - How TM Gamified a TVC to help those in need
5. Best Search Engine Marketing - HyppRush

World Brand Congress Conference & Awards 2016 (Asia Edition)

11 April 2016

1. Malaysia Best Employer Brand Awards 2016
2. The Most Influential Brand Leadership Award - Izlyn Ramli
3. The Golden Globe Tigers Award for CIO Excellence & Leadership - Giorgio Migliarina
4. The Golden Globe Tigers Award for Education Leadership Award - Prof. Dr. Murali Raman (MMU)

Frost & Sullivan Malaysia Excellence Awards 2016

14 April 2016

1. Malaysia Fixed Broadband Service Provider of the Year
2. Malaysia Telecom Wholesale Service Provider of the Year
3. Malaysia Telecom Service Provider of the Year

The Appies 2016 Malaysia

19 May 2016

Government, Cultural, Social and Environmental Campaigns (Gold) - Corporate Raya

Festival of Media Global (FOMG) 2016

20 May 2016

Best Use of a Video (Bronze) - How TM Gamified a TVC to help those in need

Malaysia Media Awards (MMA) 2016

3 June 2016

1. Advertiser of the Year
2. Best Use of Branded Content on Screen (Gold) - How TM Gamified a TVC to help those in need
3. Best Use of Social Media (Gold) - How TM Gamified a TVC to help those in need
4. Best Use of Branded Content on screen (Silver) - How TM Reinvented itself with The Makers of Tomorrow
5. Best Use of Out of Home/POS Media (Silver) - How TM Reinvented itself with The Makers of Tomorrow
6. Best Use of Activation/Event (Silver) - How #PakcikPower Reignited Passion for Malaysia Football

The Loyalty and Engagement Awards 2016

15 July 2016

1. Best Use of Integrated Media Campaign (UniFi: For the Makers of Tomorrow)
2. Best Use of CSR (RE: Change that Inspires Change - RE: Corporate Driven Startup Accelerator Program)

7th CMO Asia Awards for Excellence in Branding & Marketing 2016

4 August 2016

Marketing Campaign of the Year - UniFi Launch

MALAYSIA-ASEAN CORPORATE GOVERNANCE TRANSPARENCY INDEX, FINDINGS & RECOGNITION (MSWG) 2016

FROST & SULLIVAN MALAYSIA EXCELLENCE AWARDS 2016

NATIONAL CENTER FOR SUSTAINABLE REPORTING (NCSR)'S SUSTAINABILITY REPORTING AWARDS 2016

10th Annual Best Financial Institution Awards - Southeast Asia's Institutional Investor - Corporate Awards 2016 (Malaysia)

1 September 2016

1. Most Organised Investor Relations
2. Strongest Adherence to Corporate Governance
3. Most Consistent Dividend Policy
4. Best CFO in Malaysia - Datuk Bazlan Osman

Promotion Marketing Asia Awards (Dragon Awards) PMAA

7 October 2016

1. Best Integrated Marketing Campaign (Gold) - How TM Reinvented itself with The Makers of Tomorrow
2. Best Mobile Marketing Campaign (Gold) - Shop-in-a-box SurePay
3. Best Event or Experiential Marketing Campaign (Bronze) - TM Piala Malaysia
4. Best Product Launch or Re-launch Campaign (Bronze) - UniFi For The Makers of Tomorrow
5. Best Social Media or Word of Mouth Campaign (Black Dragon) - Corporate Raya

Life@Work Awards 2016 (TalentCorp)

24 October 2016

The Best Initiative Category (VADS STEP-UP Programme)

Putra Brand Awards 2016

25 October 2016

Communication Networks (Bronze)

Marketing Excellence Awards 2016 Malaysia

27 October 2016

1. Excellence in Brand Strategy (Gold) - UniFi: For the Makers of Tomorrow
2. Excellence in Consumer Insights/Market Research (Gold) - UniFi: For the Makers of Tomorrow
3. Excellence in Government Sector Marketing (Bronze) - RE: Change That Inspires Change

The 16th Malaysia HR Awards 2016

27 October 2016

Grand Award for Employer of Choice (GLC)

National Annual Corporate Report Awards (NACRA) 2016

1 December 2016

1. Most Outstanding Annual Report of the Year – Gold
2. Industry Excellence Award for Main Board Companies in the Trading & Services Sector - 20 consecutive years
3. Best Design Annual Report - Platinum
4. Best Corporate Social Responsibility Reporting Award – Silver

Jim Bound IPv6 Award - Malaysia

7 December 2016

World Leader Award - Tan Sri Dato' Sri Zamzamzairani Mohd Isa

5th Annual CFO Innovation Awards

8 December 2016

CFO of the Year (Excellence in Financial Planning & Analysis) - Datuk Bazlan Osman

National Center for Sustainable Reporting (NCSR)'s Sustainability Reporting Awards 2016

14 December 2016

Commendation for Best Practice in Sustainability Reporting in Malaysia

Malaysia-Asean Corporate Governance Transparency Index, Findings & Recognition (MSWG) 2016

15 December 2016

1. Excellence Award for Top CG and Performance (Overall Category)
2. Excellence Award for Long-Term Value Creation
3. Merit Award for CG Disclosures
4. Industry Excellence (Telecommunications & Media)
5. Merit Award for Board Diversity
6. Merit Award for Best AGM (Overall Category)

MILESTONES 2016

JANUARY

1. TM collaborates with Celcom for the provision of domestic roaming services, enabling webe to deliver seamless mobile network connectivity to its customers.
2. TM launches its flagship and popular football talent search television show Mencari Ramli season 5.
3. Multimedia University opens its 3rd campus in Nusajaya, Johor, offering Bachelor of Cinematic Arts programme (CAP).

FEBRUARY

1. TM offers Viu, an OTT service, on its HyppTV platform following the strategic partnership with Vuclip, a PCCW media company.
2. TM on track for Convergence Year; records 4.3% increase in Group revenue for financial year 2015.

MARCH

1. TM seals WiFi roaming deal with BT, enabling end users to experience seamless LTE and WiFi roaming services in Malaysia and the UK.
2. New Point-of-Presence (PoP) established in Laos, following an agreement between TM and Lao National Internet Centre (LANIC).

APRIL

1. New look of TMpoint outlet unveiled, with the inaugural outlet in Quill City Mall, Kuala Lumpur, and TM introduces its new UniFi PRO Plan with broadband speed of 100Mbps.
2. P1 rebrands as webe and launches webe community.
3. Bay of Bengal Gateway (BBG) submarine cable system which links Malaysia and Singapore to Oman and the UAE, with branches to India and Sri Lanka, goes live.
4. Shareholders of TM approve all resolutions presented at the Company's Annual General Meeting (AGM) and at the Extraordinary General Meeting (EGM).

MAY

1. TM and Hurricane Electric establish strategic partnership for high speed IP broadband services.
2. TM holds TM Reaching Out Day 2016 with activities carrying volunteerism theme.

JUNE

1. TM Team Malaysia officially recognised as the "Official Supporter of the National Athletes" at the 50th Anugerah Sukan Negara.
2. HyppTV's HyppSports HD becomes the Official IPTV Broadcaster for the Rio 2016 Olympic Games in Malaysia; and TM launches campaign leading up to the Rio 2016 Olympic Games.
3. TM calls Malaysians to #DoMoreGood with its project, #TiffinMalaysia.

MILESTONES 2016

JULY

1. TM Team Malaysia Fan Run is back to garner support from Malaysians nationwide for the athletes taking part in the Rio 2016 Olympics.

AUGUST

1. webe receives new Chief Executive Officer and Executive Director, Azizi A. Hadi.
2. TM through HyppTV makes a TV breakthrough by showcasing the Rio 2016 Olympic Games in 4K quality content - first in Malaysia.
3. VADS launches VADS Marketplace, Malaysia's first Cloud exchange digital marketplace.
4. Sistem Kabel Rakyat 1Malaysia (SKR1M) which connects Peninsular Malaysia and East Malaysia, lands on Sabah shore.
5. TM officially launches webe – the Group's Centre of Excellence for Mobility – ushering in a new era of mobility for TM Group.
6. TM and Aspen Vision All Sdn Bhd (AVA), a subsidiary company of Aspen Group inked a collaboration Agreement to facilitate the deployment of Smart Services.

SEPTEMBER

1. TM collaborates with MRCB to empower MRCB development projects with ICT and IoT-enabled smart services.

OCTOBER

1. HyppTV enriches its entertainment content variety with two (2) new channels – BBC First and BBC World News.
2. VADS Lyfe Sdn Bhd partners with Cyberview Sdn Bhd for Cyberjaya smart traffic analytics and recognition system.

NOVEMBER

1. Multimedia University – the first private university in Malaysia – celebrates its 20th anniversary.
2. TM organises "Humanitarian Logistics & Supply Chain Management Training 2016" - strengthen its role in national disaster preparedness.

DECEMBER

1. Malaysia-Cambodia-Thailand (MCT) submarine cable system reaches its milestone with the commencement of cable laying works in Cherating, Pahang.
2. TM bags six (6) awards at the Malaysia-ASEAN Corporate Governance 2016 Awards and four (4) awards at the National Annual Corporate Report Awards (NACRA) 2016.
3. South East Asia – Middle East – Western Europe 5 (SEA-ME-WE 5) consortium completes the submarine cable system, connecting three continents.

MEDIA MILESTONES

MEDIA MILESTONES

MRCB embraces smart city concept

NEW SPORTS NETWORK

TM officially launches webe

Cheaper broadband

Broader advantage

KL CONVERGE! 2016 A SUCCESS

TM: Broadband plans in line with govt target

MMU celebrating 20th anniversary with i-University Plan

Consortium completes submarine cable system

2016 CORPORATE EVENTS

JAN 25

MMU launches third campus in Nusajaya

Multimedia University (MMU) launched its new campus at Educity @ Iskandar, Nusajaya Johor. The 45,000 sq ft campus offers state-of-the-art facilities including a digital library/media resource centre, gallery, post-production laboratories, shooting stage and recording studio, to cater to its signature Bachelor of Cinematic Arts Programme (CAP).

FEB 24

Group revenue up for FY2015

TM announced its performance for the financial year ended 31 December 2015, with 4.3% growth in revenue and 1.6% increase in EBITDA compared to the financial year 2014.

MAR 22

SME BizFest™ 2016 is bigger and bolder!

TM launched its annual SME BizFest™ to showcase the latest, most innovative ICT solutions and business tools targeted at entrepreneurs, small businesses and start-ups.

JUN 09

HyppTV becomes Olympics IPTV broadcast partner

TM joined in the hype of the Rio 2016 Olympics Games with an exciting campaign featuring on-ground activities as well as online contests. It also announced non-stop free coverage and exclusive Rio 2016 content on eight dedicated HyppTV channels from 25 July until 2 September.

MAR 31

TM launches new-look outlet and high-speed plan

TM launched its new-look TMpoint outlet at Quill City Mall, Jalan Sultan Ismail, Kuala Lumpur, while also unveiling its new UniFi Pro Plan offering broadband at the speed of 100Mbps.

MAY 26

TM inspires volunteerism among employees

TM held its inaugural TM Reaching Out Day 2016 to introduce the community and environmental projects it will be running together with NGO partners, and encourage employees to volunteer for the projects.

JUN 27

Winners of Mencari Ramli 5 unveiled

TM revealed the 15 "Ramli"s, or winners of the fifth season of its football talent search television show, *Mencari Ramli*, realising the dreams of budding footballers.

2016 CORPORATE EVENTS

JUL 17

Over 10,000 participants rally for athletes bound to Rio

TM held its trademark TM Team Malaysia Fan Run to show support for national athletes competing in the Rio 2016 Olympics. The event this year featured three categories - 5km, 10km and, for the first time, 21km, for running enthusiasts.

AUG 09

HyppTV presents Rio 2016 in 4K

HyppTV made a breakthrough by showcasing the Rio 2016 Olympic Games in 4K quality, a first in Malaysia, at a special event at Sunway Pyramid. This was made possible via UniFi bandwidth capabilities and Huawei's technology on the service's IPTV network.

AUG 10

Malaysia's first cloud exchange launched

VADS officially launched the nation's first cloud exchange – an online store offering Business-To-Business (B2B) cloud-hosted solutions – supported by a one-stop omnichannel customer engagement centre.

AUG 16

TM officially launches webe

TM officially launched webe, extending the promise of "Life and Business Made Easier" to the mobile space. With webe, customers can experience seamless connectivity for as low as RM79 per month with unlimited domestic calls, SMS and data without contracts.

SEP 01

TM, MRCB to offer IoT-enabled smart services

TM and Malaysian Resources Corporation Berhad (MRCB) signed a Memorandum of Understanding (MoU) to provide integrated telecommunications, ICT and Internet of Things (IoT)-enabled smart services in property development projects owned by MRCB.

DEC 01

TM continues winning streak at NACRA

TM won the Most Outstanding Annual Report of the Year (NACRA) - Gold Award for second consecutive year, in addition to the Industry Excellence Award - Main Board Companies in the Trading & Services Sector for 20th consecutive year, Best Designed Annual Report - Platinum Award for second consecutive year and Best Corporate Social Responsibility Reporting Award – Silver.

TM wins big at MSWG awards

TM made a sweep of six awards at the Malaysia-ASEAN Corporate Governance Transparency Index, Findings and Recognition organised by the Minority Shareholder Watch Group (MSWG), including the Excellence Award for Top CG and Performance (Overall Category).

DEC 15

SEA-ME-WE 5 submarine cable system completed

The South East Asia – Middle East – Western Europe 5 (SEA-ME-WE 5) consortium, which includes TM, announced the completion of the 20,000km submarine cable infrastructure connecting three continents. The submarine cable system had earlier won the Project of the Year – Subsea award at the Global Carrier Awards in Paris for technological and managerial excellence.

DEC 30

WHO KEEPS US IN BUSINESS

TM exists for our customers and stakeholders.

We are driven to innovate on our products and solutions in order to fulfil our customers' needs. We are also revamping our interfaces to ensure a consistently high level of customer experience. However, we are supported in our mission – both directly and indirectly – by various other stakeholders. Key among them are our employees, business partners, suppliers, government and regulators, investors and shareholders, and our local communities.

In the following pages we describe in what ways these stakeholders are important to us, and how we build strong relationships with them.

Stakeholder Group	Customers	Employees	Business Partners
Why it's important for us to engage	Our customers are central to the sustainability of our business. In an environment as competitive as ours, it is critical to understand our customers' needs as well as to be aware of how satisfied they are with our service. Customers who are happy with TM become our ambassadors while those who are not could mar our reputation in the marketplace.	Our employees determine how well we perform, as their efforts drive the success of our business strategies. By engaging with them we acknowledge their importance to the organisation, create a sense of trust and loyalty, and encourage productivity. We also create channels for them to contribute their perspective on how we can improve our business.	Our business partners work with us to offer attractive products and solutions. It is important to engage with them for both parties to understand each other's business objectives and needs. In this manner, we are able to support each other and create synergies for win-win outcomes.
What matters most to them	We actively seek feedback from our customers after every interaction they have with us by sending them SMS-es. We also have an annual satisfaction survey. In addition, customers can get in touch with us via our call centres, TM Live Chat and Facebook. We also engage with customers using Twitter and YouTube, and have face-to-face interactions at events, roadshows and other sessions.	We have various platforms through which senior management engage with employees, such as Jom Bersama Townhall sessions and senior management visits to TM premises at the states as well as Teh Tarik with the top management. Additionally, messages are communicated to the employees via the intranet, enterprise social network - Yammer, departmental meetings and newsletters. We also undertake an annual employee satisfaction survey, which is anonymous, thus encourages employees to voice their feelings openly.	We keep in regular contact with our business partners through one-on-one meetings, phone calls and emails. We also have regular progress reports on ventures being undertaken together. We deliver our annual and sustainability reports for them to keep track of our performance, and also make corporate presentations on an ad hoc basis.

WHO KEEPS US IN BUSINESS

	Suppliers	Government and Regulators	Investors and Shareholders	Communities
	Suppliers and contractors have an impact on our ability to provide products and deliver services. We engage with them to ensure they comply with our health, safety and environment (HSE) requirements, as well as our integrity commitments. This is vital to our business continuity, viability and operational efficiency.	The government has a keen interest in developing the telecommunications industry as this contributes to national growth, while the regulators ensure a healthy playing field for operators. We work closely with both to provide input on regulatory matters as well as to ensure our business keeps in line with the government's broader economic, social and environmental imperatives.	Our shareholders have placed their trust in our ability to deliver healthy returns on their investments. We therefore have a responsibility not only to provide adequate returns but also to maintain an open and transparent relationship with them so they can make informed judgements as to the soundness and sustainability of the Group.	Our local communities play a role in maintaining our reputation and are significant to our long-term sustainability. However, our engagement with them is driven not only for business reasons but also because we believe we have a responsibility towards creating greater socio-economic equity in the society.
	We conduct a transparency survey on our suppliers to ensure they maintain ethical business practices. We also provide training programmes to help them enhance their business. We have a dedicated supplier relationship management team to maintain close ties with our growing number of suppliers. Our contractors are invited to attend our OSH seminars, training, briefings, exercises and competitions. Their workers are required to acquire the NIOSH-TM Safety Passport (NTMSP) before working on any of our sites. We keep track of their performance via audits.	We have formal meetings with the government and regulators and provide regular performance reports, especially on initiatives undertaken in collaboration with the Malaysian Communications and Multimedia Commission (MCMC) such as the Universal Service Provision. We also serve on the National Crisis Management Committee, and attend all its meetings.	We keep the investing community updated on our performance via one-on-one meetings, analyst briefings and other investor relations (IR) events such as roadshows and conferences. We make available our quarterly and annual results on our website, the annual results being further presented in integrated annual reports. We engage with shareholders directly at our EGMs and AGMs and provide them with updates as and when necessary.	We run numerous community programmes – from school adoption to the empowerment of women from marginalised backgrounds. Our volunteers go out to the community in force in times of national crisis, such as floods, and in display of solidarity to share in the joy of festive seasons. We also rally all Malaysians in a show of support for our national athletes through Team Malaysia, and provide budding football talents the opportunity to train at the Manchester United Soccer School (MUSS). In addition, we engage with members of our communities through various on-ground events and activities.

SR *For more on **Engaging Our Stakeholders**, please refer to pages 52 and 53, and also our Eco 360° Sustainability Report 2016, at pages 16 to 17.*

WHAT WE DO

Telekom Malaysia Berhad (TM) was established back in 1946 as the Telecommunications Department of Malaya and since then, the Company has been continuously developing and enhancing the country's telecommunications infrastructure and services to fulfil the communications needs of Malaysians regardless of their locations.

The Group has been on track for its transformation journey to become Malaysia's true Convergence Champion and No. 1 Converged Communications Services Provider, offering a comprehensive suite of communication services and solutions in fixed (telephony and broadband), mobility, content, WiFi and smart services. As a market leader, TM is

WHAT WE DO

driven by stakeholder value creation in a highly competitive environment. The Group places emphasis on delivering an enhanced customer experience via continuous customer service quality improvements and innovations, whilst focusing on increased operational efficiency and productivity.

Leveraging on our extensive global connectivity, network infrastructure and collective expertise, TM is well positioned to propel Malaysia as a regional internet hub and digital gateway for South-East Asia.

As a multiple award winning model corporate citizen committed to good governance and transparency, TM continues its pledge to ensure the integrity of our processes, people and reputation as well as the sustainability of our operations. With a focus on ICT, the Group promotes 3 major pillars of Corporate Responsibilities (CR) i.e. Economic, Environment and Social (EES), through our Reaching Out programmes.

TM will continue to leverage on the strategic investments made earlier in webe and TM Business Solutions to realise its Convergence and "Go Digital" aspirations as its moves beyond connectivity services into new value added digital services. The Company is embarking on a holistic approach covering customer experience, process optimisation and new business opportunities.

This entails building a digitally aware and smarter workforce that acts as a catalyst to the digital transformation of TM, thus powering Malaysia's digital economy.

TM looks forward to serving customers with relevant convergence propositions via the 5 pillars of Smarter Living, Smarter Businesses, Smarter Cities, Smarter Communities and a Smarter Nation - delivering a seamless digital experience and integrated business solutions to cater to individual lifestyle and business communication needs - towards making "Life and Business Easier for a Better Malaysia".

For further information on TM, visit www.tm.com.my.

CORPORATE INFORMATION

BOARD OF DIRECTORS

1
Tan Sri Dato' Seri Dr Sulaiman Mahbob
> *Chairman*
> *Non-Independent Non-Executive Director*

2
Tan Sri Dato' Sri Zamzamzairani Mohd Isa
> *Managing Director/ Group Chief Executive Officer*
> *Non-Independent Executive Director*

3
Datuk Bazlan Osman
> *Executive Director/ Group Chief Financial Officer*
> *Non-Independent Executive Director*

4
Dato' Sri Dr Mohmad Isa Hussain
Non-Independent Non-Executive Director

5
Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin
Non-Independent Non-Executive Director

6
Dato' Ibrahim Marsidi
Senior Independent Non-Executive Director

7
Datuk Zalekha Hassan
Independent Non-Executive Director

8
Davide Giacomo Federico Benello @ David Benello
Independent Non-Executive Director

9
Datuk Seri Fateh Iskandar Tan Sri Dato' Mohamed Mansor
Independent Non-Executive Director

10
Gee Siew Yoong
Independent Non-Executive Director

11
Tunku Afwida Tunku Dato' A.Malek
Independent Non-Executive Director

12
Balasingham A. Namasiwayam
Independent Non-Executive Director

13
Asri Hamidin @ Hamidon
> *Alternate Director to Dato' Sri Dr Mohmad Isa bin Hussain*
> *Non-Independent Non-Executive Alternate Director*

14
Nik Rizal Kamil Tan Sri Nik Ibrahim Kamil
> *Alternate Director to Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin*
> *Non-Independent Non-Executive Alternate Director*

SENIOR INDEPENDENT DIRECTOR

Dato' Ibrahim Marsidi
Email : sid@tm.com.my

COMPANY SECRETARIES

1 **Hamizah Abidin**
(LS0007096)

2 **Zaiton Ahmad**
(MAICSA 7011681)

REGISTERED OFFICE

Level 51, North Wing
Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia

Tel : +603-2240 1221
Fax : +603-2283 2415

HEAD OFFICE

Menara TM
Jalan Pantai Baharu
50672 Kuala Lumpur
Malaysia

Tel : +603-2240 9494
Website : www.tm.com.my

SHARE REGISTRARS

Symphony Share Registrars Sdn Bhd
(378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel : +603-7849 0777 (Helpdesk)
Fax : +603-7841 8151/52
Website : www.symphony.com.my
Email : ssr.helpdesk@symphony.com.my

STOCK EXCHANGE LISTING

Listed on the Main Market of
Bursa Malaysia Securities Berhad
Listing Date : 7 November 1990
Stock Name : TM
Stock Code : 4863
Stock Sector : Trading/Services

AUDITORS

PricewaterhouseCoopers (AF: 1146)
Level 10, 1 Sentral, Jalan Travers
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

Tel : +603-2173 1188
Fax : +603-2173 1288
Website : www.pwc.com

PRINCIPAL BANKERS

1. CIMB Bank Berhad
2. Malayan Banking Berhad

CONTACT US

For any enquiries on
TM products and services

1. www.tm.com.my
2. Email: help@tm.com.my
3. Call:
   - > **100**, if you are calling from a fixed line in Malaysia.
   - > **1 300 888 123** if you are calling from a mobile device
   - > **+603-2241 1290** if you are calling from overseas.
   - > **+603-2240 9494** to reach our general line.
4. Follow TM on Twitter:
   - > **@TMCorp** (www.twitter.com/tmcorp)
   - > **@TMConnects** (www.twitter.com/tmconnects)

1

CHIEF CUSTOMER EXPERIENCE

Dato' Rafa'ai Samsi

Dato' Rafa'ai is responsible for TM's overall customer service experience management and transformation initiatives. He is also the Chief Technology and Innovation Officer. His profile is disclosed on page 104 of the Integrated Annual Report (IAR) 2016.

Tel : +603-2240 2944
Fax : +603-2240 8590
Email : rafaai@tm.com.my

2

HEAD OF INVESTOR RELATIONS

Rohaila Mohamed Basir

As the General Manager, Investor Relations, Rohaila is responsible for investor relations matters, reporting to the Executive Director/ Group Chief Financial Officer. Rohaila graduated with an LLB (Hons.) from the University of Malaya. She joined TM in February 2011. Rohaila spent five years in private legal practice specialising in banking and corporate finance prior to joining Malaysian Airline System Berhad in 2004, where she served as General Counsel until 2008. She then joined MMC Corporation Berhad as its Legal Advisor and later moved on to be Senior Manager, Group Managing Director's Office in 2009, where she headed the corporate communications function and handled investor relations for the company.

Tel : +603-2240 4848
Fax : +603-7955 0533
Email : rohailabasir@tm.com.my

3

CHIEF INTERNAL AUDITOR

Hazimi Kassim

Hazimi is responsible for the management of internal control and review of its effectiveness, adequacy and integrity. His profile is disclosed on page 107 of the IAR 2016.

Tel : +603-2240 1919
Fax : +603-7955 6235
Email : hazimi.kassim@tm.com.my

4

CHIEF LEGAL AND INTEGRITY OFFICER

Idrus Ismail

Idrus is responsible for legal and corporate ethics and integrity matters in the Group. His profile is disclosed on page 106 of the IAR 2016.

Tel : +603-2240 1700
Fax : +603-2240 6791
Email : idrus.ismail@tm.com.my

5

CHIEF CORPORATE & REGULATORY OFFICER

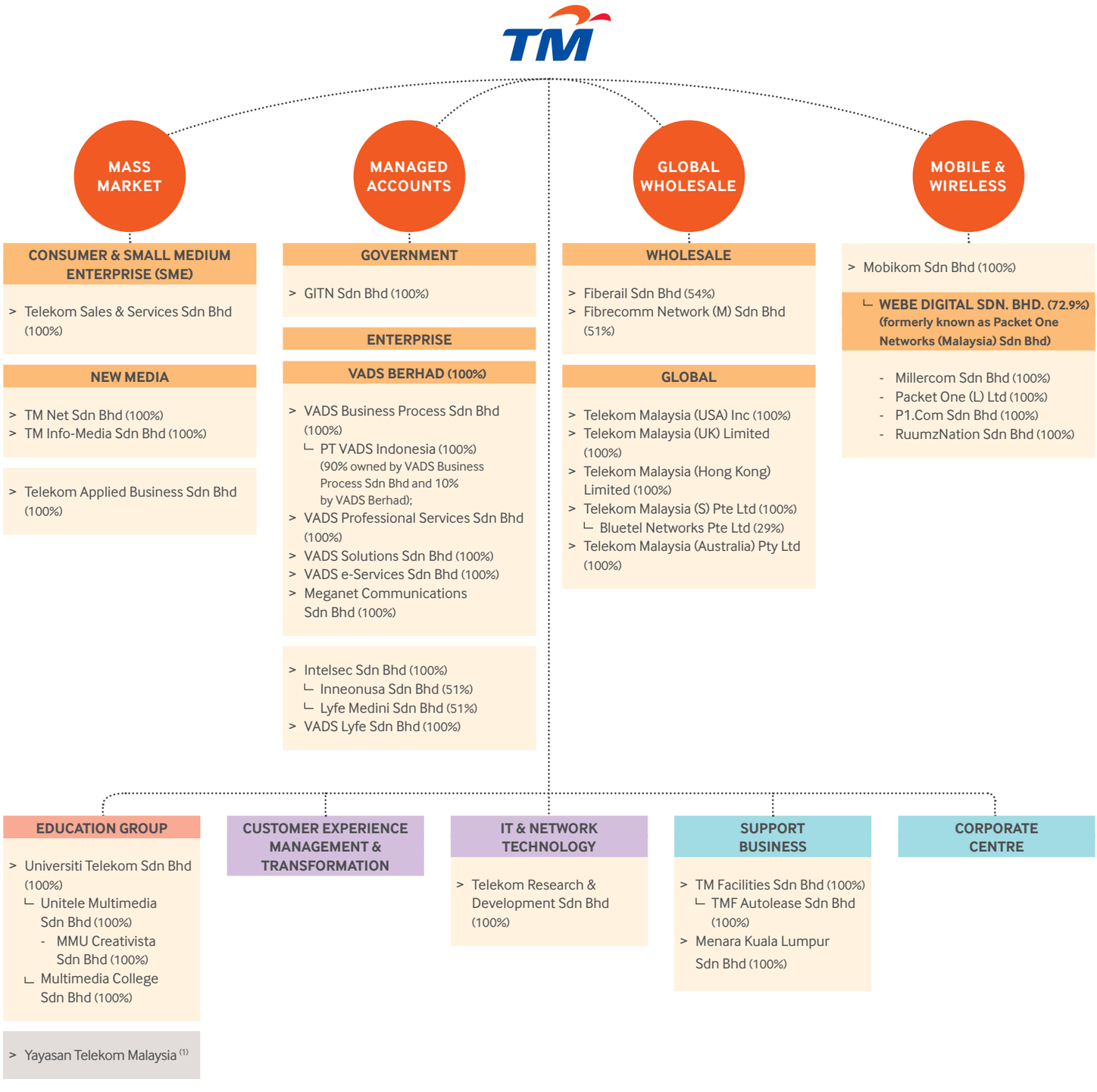
Ahmad Ismail

Ahmad is responsible for the Group's corporate and regulatory matters. His profile is disclosed on page 107 of the IAR 2016.

Tel : +603-2241 5799
Fax : +603-2241 5769
Email : ahmisa@tm.com.my

GROUP CORPORATE STRUCTURE

AS AT 3 MARCH 2017



Legend

- Market Clusters
- Line of Business
- Education Group
- Foundation
- Business Functions
- Support Business and Corporate Functions
- TM Subsidiary

Note:

(1) *Yayasan Telekom Malaysia is a charitable trust established under the Trustees (Incorporation) Act 1952*

- *This chart represents TM's lines of businesses, subsidiaries, associates, business functions and corporate functions.*
- *List of TM Group of Companies are shown on pages 323 to 328 inclusive of this Integrated Annual Report.*

GROUP ORGANISATION STRUCTURE

AS AT 3 MARCH 2017

WHERE WE OPERATE - INTERNATIONAL & DOMESTIC INFRASTRUCTURE & TRUNK FIBRE OPTIC NETWORK

Manufactured capital

More than

3,200,000

kilometres domestic fibre core trunk and **junction**

WHERE WE OPERATE - INTERNATIONAL & DOMESTIC INFRASTRUCTURE & TRUNK FIBRE OPTIC NETWORK

5

international Cable Landing Stations (CLS)

7

domestic Cable Landing Stations (CLS)

Legend

- Trunk cables
- Malaysian domestic submarine cable system (MDSCS)
- International Submarine Cable System
- Sistem Kabel Rakyat 1Malaysia (SKR1M)
- Satellite
- Earth Station
- International cable landing stations
- Domestic cable landing stations
- Trunk nodes

WHERE WE OPERATE - TM WORLDWIDE COVERAGE

WHERE WE OPERATE - TM WORLDWIDE COVERAGE

More than

20

Submarine cable systems

24

Point-of-Presence (POPs) throughout the globe

More than

320,000

fibre-route kilometres worldwide

5

Regional offices (RO) globally

THE VALUE WE CREATE

TM'S VALUE CREATION

We create value by delivering our brand promise of 'Life and Business Made Easier'. This is encapsulated not only in the products that we offer to customers, but also in the way we deliver our service, and the effort we put into looking after the needs of our stakeholders. It means creating great employment opportunities for our people, helping our suppliers develop their business, providing a lending hand to the underprivileged, and supporting the government in driving the nation's economy.

Value Creation Activity → **Capital Input** → **Capital Output and Outcome**

Products, Services and Infrastructure

Our extensive range of products and services as well as infrastructure enable Malaysians to connect with each other and to the rest of the world. Today, they are also facilitating better, safer, more enriching lives.

People and Human Capital

We provide a stimulating, performance-driven environment for our employees and invest in their professional development to enhance their job satisfaction, as well as our productivity.

Customer Experience

We are a service organisation and our customers determine our business success. We therefore ensure every time they interact with us, they receive the best possible service.

We are dependent on our people (human capital), business partners (social capital), new and existing technologies (intellectual capital), infrastructure as well as networks (manufactured capital) and energy (natural capital) to run our business successfully.

- We train our employees and provide them with a conducive work environment.
- We collaborate with business partners and share our knowledge, infrastructure and technology.
- We build and invest in infrastructure (such as high speed broadband, LTE networks and submarine cables) to enable the transmission of voice and data.
- We are investing in digital technology to enable a smooth customer experience when they transact with us.

Our most important outputs are the products and services we offer that enable people to stay connected, namely phone, internet, television, mobile and ICT services.

However, we also empower communities, develop our people, support our business partners and start-ups and collaborate with the government to achieve its socio-economic agenda. At the same time, we make a conscious effort to minimise our carbon footprint to protect the environment and are nurturing a generation of environment-conscious youth who will continue to champion efforts to preserve the environment.

Our capital outputs are described in greater detail in the following page.

In the Market

- We provide our customers with converged products and services that make life and business easier
- We are digitalising our customer journey, and nurturing a professional workforce with customer-centric mindset, to deliver an exceptional customer experience
- We are extending our High Speed Broadband (HSBB) coverage to more state capitals, selected major towns, industrial zones and educational institutions
- We are enhancing the entire vendor ecosystem to develop strong, resilient, competitive and sustainable Bumiputera corporate champions in line with the national agenda
- We are enhancing SMEs in Malaysia through ICT & digital solutions enabling them to expand beyond borders
- We are working with innovative start-ups to promote the content ecosystem

In Developing Our People

- We develop our employees through training, and nurture future leaders through TM Fast Track Programme
- We motivate high performance through performance-based rewards
- We engage actively with our people through Jom Bersama GCEO, Jom Sembang and departmental events
- We promote inclusivity through TM ROVers and other employee volunteerism programmes, as well as through our clubs and societies
- We provide a safe and conducive workplace
- We respect our unions and employees' rights

In the Community

- Empower single mothers under Program Sejahtera by providing them entrepreneurial skills and seed funds to either set up or enhance their businesses
- Provide educational opportunities to deserving students through scholarships, grants and financial assistance administered by Yayasan Telekom Malaysia (YTM)
- Provide educational assistance to 12 adopted schools since 2003, including Sekolah Kebangsaan Pendidikan Khas Pekan Tuaran, Sabah for visually impaired children, under our school adoption programme
- Contribute towards Universal Service Provision (USP) by installing network and application services to underserved or unserved communities throughout Malaysia
- Introducing Broadband for General Population (BBGP) in low penetration areas to achieve the Government's target of 90.0% broadband penetration by 2020
- Nurture a technically competent workforce at Multimedia University (MMU)
- Provide aid to the community in times of crisis through TM ROVers
- Provide donations and monetary aid focusing on providing basic rights, education and health to the underserved

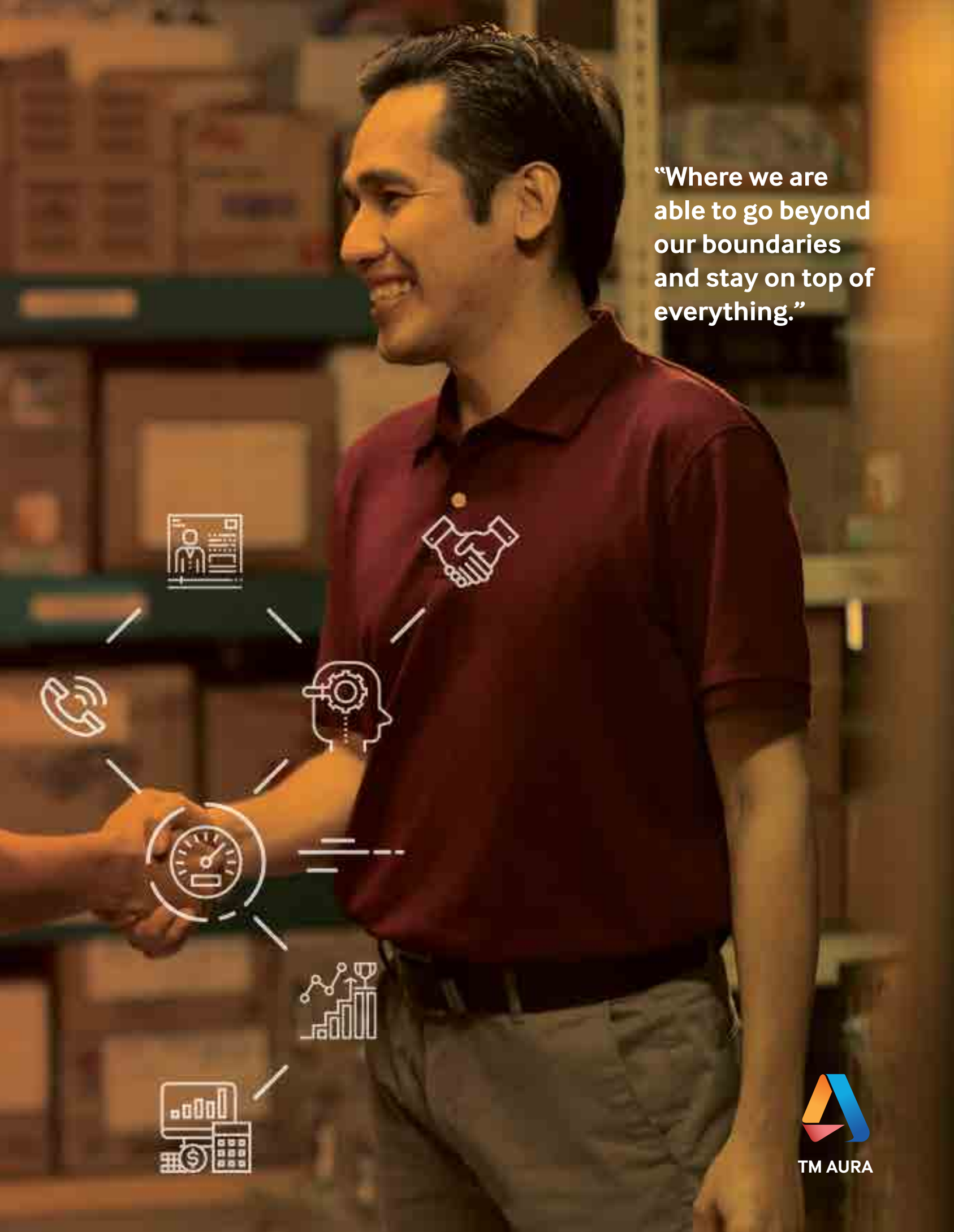
In Protecting the Environment

- Reducing our carbon footprint via various energy-saving initiatives and measuring our carbon emissions in order to be able to work towards set targets. We have established a baseline and benchmark for electricity usage of our telecommunications network exchanges and commercial buildings using Power Usage Effectiveness (PUE) by Green Grid and Building Energy Intensity (BEI)
- We have migrated our legacy copper network to a New Generation Network (NGN) which consumes less energy and power, potentially reducing our energy consumption by 91.0GWh/year
- Organise BumiKu campaign to create awareness of the importance of preserving the environment among employees of TM and our subsidiaries
- Organise TM Earth Camp in collaboration with the Malaysian Nature Society (MNS) to increase environmental awareness among school children nationwide

LIFE
360°

Smarter Businesses

We empower businesses with cloud-based business solutions to forward their B2B2C journey.


“Where we are able to go beyond our boundaries and stay on top of everything.”
TM AURA

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

The pace of change at TM never ceases to amaze me. In last year's annual report we introduced a refreshed brand vision, to make life and business easier. This year, we are taking the proposition even further by making our disclosures easier to comprehend. More specifically, we are making it easier for you to understand our business model and strategies, as well as our performance, by creating greater transparency and clarity via an integrated style of reporting.

TAN SRI DATO' SERI DR SULAIMAN MAHBOB

CHAIRMAN, **TELEKOM MALAYSIA BERHAD**

In this integrated report, we aim to present to you a clear picture of what exactly TM does, how we create value for our stakeholders, where we want to be, and how we aim to get there. We will be as open as we can about our key performance indicators (KPIs), so you can track our performance against stated goals. Where we do not meet our targets, we will explain the circumstances that prevented us from doing so, and present plans to navigate around these obstacles so as to go forward. You will therefore have access to all the information that you would have got from our traditional style of reporting, and more.

TM IS DELIVERING ON OUR CONVERGENCE CHAMPION ASPIRATION WHILE STILL

This, we believe, will help to create a greater sense of accountability and stewardship in TM in line with our higher purpose in nation-building, with stronger bonds of trust with our stakeholders, and make it easier for our investors to assess the health of their funds in our Company. Ultimately, it is what annual reports should do; and we are proud to be part of a small group of corporations to take this step in pioneering a new standard of reporting in the country – delivering a more strategic document that displays our value creation over the short, mid and long term.

Creating Greater Value for Customers and the Nation

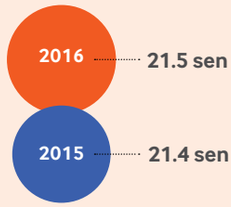
As indicated in last year's annual report, we expected 2016 to be our year of convergence. With the launch of webe, we are delivering on our Convergence Champion aspiration while still expanding the reach of broadband access across the nation, thus connecting even more Malaysians to each other and the rest of the world. This, finally, completes the circle of our services from satisfying customers' needs at home or in the office, using our fixed network, to fulfilling their connectivity needs while on the go.

As Malaysia's Convergence Champion, we will continue to offer relevant convergence propositions to Malaysians via the five pillars of Smarter Living, Smarter Businesses, Smarter Cities, Smarter Communities and a Smarter Nation.

Following the High Speed Broadband Phase 2 (HSBB 2) and Sub-Urban Broadband (SUBB) agreements signed with the Government in December 2015, we have begun to roll out the necessary infrastructure and are well on track to delivering 95 HSBB-ready exchanges by end of 2017 providing access to 390,000 premises; and 420,000 ports delivering HSBB access through copper line upgrades and fibre (for areas with 'fibre to the home') by 2019.

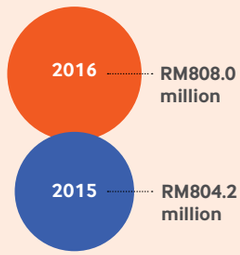
TOTAL DIVIDEND

21.5 SEN PER SHARE



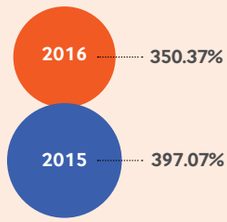
TOTAL DIVIDEND PAYOUT

RM808.0 MILLION



TOTAL RETURN TO SHAREHOLDERS

350.37%



We have always considered the delivery of broadband to everyone as one of our major goals in support of national development, and are pleased when the Government announced in its 2017 Budget a desire to see fixed broadband providers offer higher speeds at the same price as of January 2017.

This vision is, in fact, in line with what TM has already been doing over the years. Along with increased speeds under our different UniFi packages, our fee per Mbps has decreased up to 78% for home subscribers and 75% for business subscribers. Spurred by the announcement, we have outlined a Broadband Improvement Plan under which we commit to making broadband even more accessible and affordable to all Malaysians. Subject to technical availability, we will start upgrading eligible customers to the next plan offering faster speeds, at no extra cost, starting from January 2017.

Financial Performance

While serving to fulfil our national duty, we of course maintain a very steady eye on our financial performance, as achieving healthy profits is critical to our business sustainability. Together with revenue and our customer satisfaction index, as measured by TRI*M, earnings before interest and tax (EBIT) is one of our headline KPIs.

During the year, we met all three headline KPIs, recording 2.9% growth in revenue to RM12.06 billion, crossing the RM12 billion mark for the first time; achieving a healthy EBIT of RM1.15 billion and exceeding our TRI*M target at more than 72, above industry global average of 68, for the 6th consecutive year.

It gives me pleasure to share that, based on these results, we are able once again to fulfil our commitment to our shareholders and are proposing for shareholders' approval at the Annual General Meeting (AGM), a second interim single-tier cash dividend of 12.2 sen per share. Together with the first interim dividend of 9.3 sen per share amounting to RM349.5 million which was paid in October 2016, the total dividend payout will be 21.5 sen per share, or RM808.0 million. Since the demerger in 2008, we have delivered a total return to shareholders (TRS) of 350.37%, which ranks among the highest to be paid by listed companies on Bursa Malaysia in that time frame.

EXPANDING THE REACH OF BROADBAND ACCESS ACROSS THE NATION.

CHAIRMAN'S STATEMENT

Convergence Champion & Going Digital

Going forward, we have our path set for us as we continue along our journey towards convergence, offering our customers the full benefits of unparallelled connectivity and a seamless experience, no matter where they are or what device they use. We will continue to leverage on strategic investments made to realise our Deliver Convergence and Go Digital aspirations as we move beyond connectivity into quad play, and new value added digital and smart services. We are also investing a great deal on digitalising our internal systems and services for greater operational and functional efficiencies, helping us to further increase our customer satisfaction. TM's success depends to a large extent on our ability to innovate and remain ahead of the curve at all times. This is something we are very conscious of, and have been focusing our efforts over the last few years.

Already, we are seeing the fruits of our endeavour, in the shape of webe and increasingly more attractive UniFi bundles. We will continue to build on these exciting platforms as well as our ICT, smart services and value-add products, such as HyppTV to bring an integrated digital lifestyle to individuals, homes and businesses. As we do so, we will further strengthen our unique position to deliver a seamless digital lifestyle across B2C, B2B and B2B2C customer segments. From this vantage point, we will continue to make life and business easier, for a better Malaysia.

> **We are also investing a great deal on digitalising our Internal systems and services, for greater operational and functional efficiencies, helping us to further increase our customer satisfaction.**

Acknowledgements

Our successes to date have been the culmination of the contributions of various stakeholders, whom I would like to acknowledge.

First and foremost I would like to thank the Government and regulators such as the Malaysian Communications and Multimedia Commission, who have created a healthy ecosystem for all telcos. We look forward to working with you to continue to open up more ICT possibilities for the further advancement of the nation. I would also like to thank our business partners and collaborators for their diligence and commitment to working towards common goals. A thank you goes to the media for disseminating fair and honest opinions on the industry and its players, including TM; and to our customers, for their loyalty and support, and for being with us on our exciting journey in the era of convergence. We feel truly beholden to our shareholders, for the trust you have placed in us, and will strive continuously to return your goodwill with attractive returns.

Finally, I would like to express my heartfelt gratitude to the entire Warga TM for being who they are – the true champions of this Company, continuously driving us forward with their passion and dedication. We are blessed to be surrounded by individuals of incredibly high calibre on the Board, who guide this Company so ably with wisdom and integrity. To Dato' Danapalan T.P Vinggrasalam and Dato' Ir Abdul Rahim Abu Bakar, who have resigned, thank you for all your contributions during your esteemed and valued tenure with us. To Mr Balasingham A. Namasiwayam and YAM Tunku Afwida Tunku Dato' A Malek, welcome on board; we look forward to your valued inputs.

Our Management deserves a special mention for their strong leadership, determination and ability to translate our vision into business results and shareholder returns. And as for our employees, words cannot describe how much we appreciate your dedication, perseverance and enthusiasm which have made possible TM's commendable performance in 2016. Thanks to you, we have made webe, and convergence, a reality. Thanks to you, we are once again achieving an impressive roll-out under HSBB 2 and SUBB. And most of all thanks to you, we have transformed our Customer Experience. As a token of our appreciation, we are granting eligible employees shares in the Company, which we hope will motivate you to continue with your outstanding performance, as it is, this that shapes our future, and the future for so many Malaysians.

Tan Sri Dato' Seri Dr Sulaiman Mahbob
Chairman

GROUP CHIEF EXECUTIVE OFFICER'S MANAGEMENT DISCUSSION & ANALYSIS

DEAR SHAREHOLDERS,

2016 was both an exciting and challenging year for Telekom Malaysia Berhad (TM). We had said it would be our Year of Convergence, and we made good on that promise. Despite a soft economy, we went full steam ahead to launch webe, our mobility service, and the first fully digital mobile company in Malaysia. With this, we are well on our way towards our aspiration to offer Malaysians the full benefits of a convergence lifestyle – the ability to stay connected with the world of information and entertainment, and with friends as well as business, no matter where or when, or on whatever device.

TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA

GROUP CHIEF EXECUTIVE OFFICER, **TELEKOM MALAYSIA BERHAD**

FOR THE 6TH CONSECUTIVE YEAR, OUR MEASURE OF CUSTOMER SATISFACTION (TRI*M) EXCEEDED THE INDUSTRY AVERAGE OF 68

To support our mobility service, we aggressively rolled out the Long Term Evolution (LTE) network on which it is based. By the end of the year we had achieved 2,127 LTE-ready sites and are continuing to expand this rapidly, achieving for LTE what we had for our high speed broadband (HSBB) when this was first rolled out. In fact, we are continuing to expand our HSBB infrastructure, closing the year with a wider footprint of 2.23 million ports nationwide.

Although expansion of our infrastructure increased our capital expenditure (capex), the take-up rates of both webe and UniFi validate our spend. For webe, we achieved our first year internal targets within four months of its launch in August 2016. Our overall HSBB take-up rate stands at 42.6%, while just in the fourth quarter of the year we activated more than 949,000 UniFi customers, 79% of whom were on speeds of 10Mbps or more. This further contributed to an increase in average revenue per user (ARPU), boosting our profit margins.

Above all of this, we have started converging our own systems to be able to offer an exceptionally smooth experience every time our customers interact with us. This contributed to a customer satisfaction index (TRI*M) of more than 72, exceeding our headline key performance indicator (KPI), and outstripping the industry's average of 68, for the 6th consecutive year.

GROUP CHIEF EXECUTIVE OFFICER'S
MANAGEMENT DISCUSSION & ANALYSIS

Even with the RM3.3 billion capex that we invested during the year, we have been able to meet all three of our headline KPIs. Other than the TRI*M index, we are continuing to reward our shareholders and other stakeholders with healthy revenue growth of 2.9% and Group operating profit (or earnings before interest and tax (EBIT)) of RM1.15 billion.

Most of all, the year has been truly rewarding for us at TM, as we achieved our long-held aspiration of serving the nation as its champion of convergence. As Malaysia's Convergence Champion, we will continue to offer relevant convergence propositions via the five pillars of Smarter Living, Smarter Businesses, Smarter Cities, Smarter Communities and a Smarter Nation. In other words, we aim to touch and enhance the lives of all Malaysians in every aspect of their day-to-day living. This is aptly reflected in the themes of our annual report and sustainability report, namely Life 360° and Eco 360°. It means we are committed to providing holistic connectivity and experience (Life 360°) as well as holistic sustainability (Eco 360°), in line with our ultimate vision "To Make Life and Business Easier, for a Better Malaysia".

OUR OBJECTIVES & STRATEGIES

Our objective is as stated in our Vision, namely **To Make Life and Business Easier for a Better Malaysia**. We believe we can achieve this by:

1 **providing our customers with an extensive range of convergence solutions** to meet their every need, at any point in a day, no matter where they are; and

2 **ensuring they enjoy a seamless experience** every time they connect to our services.

The first strategic thrust is essentially that of Delivering Convergence, while the second is encapsulated by our Going Digital, i.e. digitalising our systems and processes to make it easier, faster and more convenient for customers to communicate and interact with us.

Deliver Convergence

Convergence to us is more than having the technology or infrastructure that allows for converged solutions; rather it is about enabling a high-quality experience whenever customers use TM to access internet, data and application services, wherever they are and whatever device they employ. In other words, convergence is part of the customer value proposition that we aspire to deliver, which we are realising by further expanding our reach and coverage; making available higher speeds and seamless broadband connection; with mobility, content and smart solutions; to fulfil our customers' lifestyle and business needs.

Today, we are already living in the era of convergence. With the launch of webe, we have completed our suite of convergence services, and intend to leverage fully on our new mobile capabilities to take convergence to a new level. webe is supported by the LTE network, for which we have approximately 2,100 sites nationwide serving 61% of the population. We are working to expand webe's LTE network while also conscientiously focusing on meeting our targets under the High Speed Broadband Phase 2 (HSBB2) and Sub-Urban Broadband (SUBB) agreements signed with the Government in December 2015. The HSBB2 project is further expanding coverage to other state capitals and selected major towns whilst the SUBB project is focusing on expanding coverage to sub-urban areas not covered under the HSBB and HSBB2 projects.

HSBB 2 entails the expansion of the existing infrastructure to 95 more exchanges providing 390,000 ports which will cover about 650,000 premises by end 2017. As at end December 2016, more than 281,000 ports were deployed under HSBB2 against a target of 240,000 ports (119% achievement). For SUBB, we are working towards upgrading 421 exchanges providing 420,000 ports which will cover about 750,000 premises by 2019. As at end December 2016, more than 219,000 ports were deployed under SUBB against a target of 200,000 ports (representing a 110% achievement).

"OUR GO DIGITAL ASPIRATION ENCOMPASSES A HOLISTIC APPROACH THAT WILL CATALYSE OUR OWN DIGITAL TRANSFORMATION AND, EVENTUALLY, SERVE TO POWER MALAYSIA'S DIGITAL ECONOMY."

Meanwhile, we continue to invest in upgrading our network so as to be able to increase the quality and experience offered to customers. That the market is hungry for higher bandwidth can be seen from the very encouraging take up of our UniFi Advance and Pro plans quality and experience, which now account for more than half of our total UniFi customer base.

Go Digital

Our Go Digital aspiration, meanwhile, encompasses a holistic approach covering customer experience, process optimisation and new business opportunities. This entails building a digitally aware and smarter workforce that will catalyse our own digital transformation and, eventually, serve to power Malaysia's digital economy.

For our business customers, we have started to introduce a wealth of digitalised solutions that will greatly enhance their productivity through the ability to store, retrieve, analyse and share vast amounts of data. We launched the country's first cloud exchange, and will soon be launching twin core data centres to enable businesses to embrace big data technologies, the Internet of Things (IoT) and other cutting-edge solutions to stay ahead of the Fourth Industrial Revolution (IR 4.0). As a measure of our commitment to digitalisation, in 2016, we set up a new Group Digital Centre (GDC) and appointed a Chief Digital Officer to spearhead our Digital Transformation. Among the main responsibilities of the GDC are to drive a consistent digital experience for our customers at all touch points, and explore technical reusability. It will also set up Digital Centres of Excellence within each business cluster and partner the business to explore new business opportunities enabled by digital.

GROUP CHIEF EXECUTIVE OFFICER'S
MANAGEMENT DISCUSSION & ANALYSIS

THIS IS WITHOUT DOUBT A VERY EXCITING TIME FOR ALL OF US AT TM,
as we enter a new phase in our journey as Malaysia's Convergence Champion offering innovative products with strong value propositions.

In October we kick-started the first phase of our Digital Transformation with Digitalising the Customer Experience (DiCE) project. DiCE aims to create a better experience for customers at each of six stages in a typical journey they take with us, starting with when they join TM to how they use our services, make payments, engage with us, renew their subscription and, finally, stay with TM. We are leveraging on input gained from customers – from channels such as the Net Easy Score (NES) and Net Promoter Score (NPS) – to resolve pain points and create greater efficiencies at each customer interface, and hope to release the entire revamped digitalised platform by the third quarter of 2017.

Read more about this in **Beyond Products & Services** on **page 71** and **Human Capital Development - Smarter Workforce** on **page 86**.

Productivity & Innovation

Our entire Deliver Convergence and Go Digital strategy is underpinned by added emphasis throughout the organisation on continuous productivity enhancement as well as being innovative in everything we do.

Efforts to enhance productivity are aimed at fulfilling the basic principle of increasing efficiency and maximising output with existing resources. To achieve this, we constantly review and update our processes and procedures, while enhancing our technology, our resources (namely our people, equipment and assets), and our capabilities and culture. In 2016, we introduced a holistic productivity framework to ensure Group-wide alignment with our productivity initiatives.

We also set up a centralised governance body to monitor and track our performance against set targets throughout the organisation.

As a technology-driven company, innovation is critical to ensuring we stay ahead of the game. We invest considerably into innovation and have an established innovation ecosystem, centering around our internal innovation hubs of TM R&D and Multimedia University (MMU), as well as the RE: Accelerator Programme through which we engage with promising start-ups and enter into partnerships with leading innovators. Via these collaborations, we have been able to invest in and adopt various new technologies that are driving greater efficiencies within TM. These have included data analytics for faster troubleshooting and service restoration.

More generally, we are inculcating a culture of innovation in TM to encourage all employees to suggest ways in which we can improve our systems, processes and operations to enhance our business. During the year, we launched a Distinctiveness Innovation Initiative (DII) to channel their ideas through a sifting process determining their viability and potential to create positive change. Ideas that pass through the funnel and are implemented earn the employees who contributed them recognition.

Through our Deliver Convergence and Go Digital initiatives, we hope to transition into the next phase of our convergence journey, namely Convergence 2.0. To accelerate our progress, we will continue to communicate our convergence messages throughout the Group, keeping steadfast as we work together in the spirit of 1TM to achieve our common goals.

Read more about this in **Strategy Review** on **pages 48** to **51.**

REVIEW OF OUR FINANCIAL PERFORMANCE

I am very pleased by the solid performance achieved during the financial year, with revenue growth seen across all our customer clusters driven mainly by Internet, data and others. This is in line with our expanding broadband customer base, increase in number of customer projects and ICT-BPO revenue. As mentioned above, we achieved 2.9% growth in Group revenue, from RM11.72 billion in 2015 to RM12.06 billion. Not only did this meet our headline KPI, it also marked the first time we have crossed the RM12 billion mark.

Segmentally, Voice revenue dropped by 5.0% year-on-year to RM3.33 billion along with decreased STD and IDD traffic minutes as well as a reduction in our cumulative DEL subscriber base.

We achieved a milestone this year with Internet becoming our largest revenue contributor for the first time. Internet revenue increased by 8.9% to RM3.67 billion, driven mainly by UniFi and HyppTV content, which accounted for RM131.2 million and RM147.3 million respectively, in line with a higher customer base and HyppTV Premium Channel buys. Revenue from TM Direct at Managed Accounts – at RM37.6 million – also contributed to the increase from new installations and bandwidth upgrades.

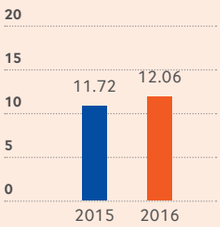
Data revenue grew 2.8% compared to 2015 to RM2.74 billion. This expand mainly due to increased Wholesale Ethernet, IRU and International Leased revenue at Global Wholesale. We also recorded higher data services revenue, in particular broadcast transmission and IPVPN at Business Solutions and GITN respectively.

GROUP CHIEF EXECUTIVE OFFICER'S
MANAGEMENT DISCUSSION & ANALYSIS

GROUP REVENUE

+2.9%

RM12.06 BILLION

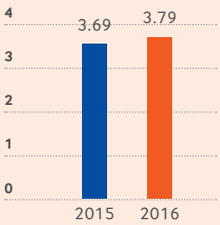


Crossing the RM12 billion mark for the 1st time

EBITDA

+2.5%

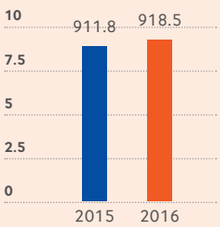
RM3.79 BILLION



GROUP PBT

+0.7%

RM918.5 MILLION



Revenue from Other services grew by 6.4% to RM2.32 billion, mainly from higher USP amortisation and customer projects in Managed Accounts. Other non-telco revenue also increased due to property development, tuition fees from Multimedia University and ticket sales at Menara Kuala Lumpur.

On the back of our robust revenue, we reported earnings before interest, tax, depreciation and amortisation (EBITDA) of RM3.79 billion, representing a 2.5% increase from RM3.69 billion in 2015.

Although our EBIT of RM1.15 billion was 8.2% lower than in 2015, this was due to higher operating costs and the impact of accelerated depreciation of WiMAX assets. Excluding one-off items such as unrealised foreign exchange gain (forex) on international trade settlement and the Group's early retirement scheme, the Group's normalised EBIT stood at RM1.19 billion, 4.4% lower than the previous year.

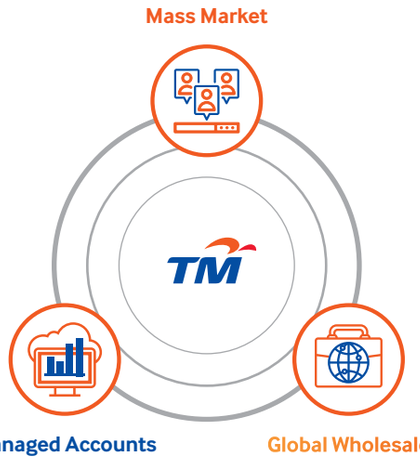
Group profit before tax (PBT) increased from RM911.8 million to RM918.5 million, while we reported a 10.8% increase in Group net profit (PATAMI) from RM700.3 million to RM776.0 million primarily due to other gains, lower forex losses on borrowings as well as tax incentives recognised in 2016. Our Normalised PATAMI, which exclude non-operational items, was 6.3% lower, at RM847.9 million against last year.

The LTE roll-out and launch of webe caused a spike in our expenditure, especially in the last quarter of the year. Taking the year as a whole, total capex as a percentage of revenue was 27.5%, amounting to RM3.3 billion, compared to capex as a percentage of revenue of 21.4%, amounting to RM2.5 billion, in 2015.

Along with this strong showing, we are able once again to fulfil our dividend commitment to shareholders. We are declaring a second interim single-tier cash dividend of 12.2 sen per share or RM458.5 million for the financial year ended 31 December 2016. Together with the first interim dividend of 9.3 sen per share amounting to RM349.5 million which was paid in October 2016, our total dividend payout amounts to 21.5 sen per share, or RM808.0 million. The dividend will be paid on 24 March 2017.

REVIEW OF OUR OPERATIONS

During the year, all our key business segments –



– aligned their energies and strategies towards TM as a Group achieving our Convergence Champion aspiration. Their determination and focus have paid off, as seen in numerous positive outcomes.

Mass Market

Intense competition for business from consumers and SMEs, together with lower willingness to spend by customers, has heightened the need for us to differentiate ourselves. This is being accomplished by offering the most extensive coverage, and strengthening our position as the Convergence Champion offering quality connection, value products and the best customer experience.

We are currently expanding our broadband infrastructure while also expanding our Long Term Evolution (LTE) coverage to support webe. Under the HSBB 2 and SUBB projects, we are deploying one million broadband ports across more than 600 exchanges over the next five years. We expect to see returns from these investments in the form of more customers and higher average revenue per user (ARPU). In 2016, our ARPU for UniFi grew to an average of RM201 per month from RM190 a month in 2015 while that for Streamyx increased to RM90. With broadband coverage currently at approximately 80% of 7.6 million households in Malaysia, and penetration rate at 78% of households, there is still much room for growth.

As we upgrade our network we are also able to introduce more attractive products. Following the launch of UniFi Advance with speeds of 30Mbps and 50Mbps in October 2015, we unveiled UniFi PRO plans offering speeds up to 100Mbps for consumers and businesses on 31 March 2016. These were bundled with more value added services and entertainment options. Our value added services received a boost with our latest partnerships with iFlix and Viu, which enable us to offer customers even greater selection of films and TV programmes over their HyppTV subscriptions.

We are pleased with the market's response to our initiatives. As at end 2016, we had more than 2.37 million broadband customers, of whom more than 900,000 are UniFi customers. Most encouragingly, we have seen very promising take-ups of UniFi ADVANCE and PRO, which have attracted in excess of 500,000 subscribers to date, translating to 54% of our total UniFi customer base. Overall, 79% of our RM2.37 million broadband customers are now on packages of 10Mbps and above.

While webe completed our converged suite of offerings, going into the mobile space is not without its fair share of challenges. The mobile market is already very competitive and we need to differentiate webe in order to stand out. Our ambitions are not to be just another mobile player, rather we look towards our vision of becoming a convergence champion. We will do this in two main ways: by offering a never-ending quota proposition under one simple plan, a first in our market; and by launching it with a ready-made community platform, enabling subscribers to contribute to social issues that are meaningful to them. For us at TM, webe also creates an internal benchmark in our digitalisation agenda, as the 1st Malaysian digital mobile company with the entire customer journey for this service being digital – from the moment customers subscribe to the service through to their online ordering and delivery, billing, the ability to engage in web and application-based live chat and online subscription to value added services.

We are excited with the strong initial take-up for webe, which was just launched in September 2016. We are expanding our LTE coverage leveraging on TM's nationwide fibre network and other infrastructure synergies. We have approximately 2,100 LTE sites nationwide covering 61% of the population at the end of 2016.

Read more about this in **Mass Market** on **pages 60** to **62**.

Managed Accounts

Competition within the Managed Accounts segment is also intense, with not only domestic but also global players offering ICT solutions to help business customers meet their communication and connectivity needs. As a result, connectivity has become highly commoditised and providers are under intense price pressure.

In the face of these challenges, we are moving aggressively into the digital space with offerings such as big data technologies, IoT and VADS Marketplace. The marketplace is Malaysia's first cloud exchange service, aimed at small and medium-sized enterprises (SMEs). It serves as an online store offering Business-To-Business (B2B) cloud-hosted solutions from well-known global players as well as local independent software vendors. Customers not only have access to an extensive range of solutions but will also have these delivered almost instantly.

We are also actively exploring collaborative opportunities with property developers on smart solutions and services for townships and other projects. During the year we introduced In Building Solutions (IBS) including Electrical Low Voltage (ELV) adjacent services such as smart parking, digital signage and waste management. These smart solutions have attracted the attention of developers such as See Hoy Chan based in Kuala Lumpur, and the Aspen Group in Penang. We are, additionally, in discussions with the management of the Refinery and Petrochemical Integrated Development (RAPID) complex in Pengerang, Johor.

At the same time, we are improving our integrated connectivity and ICT/BPO solutions tailored to vertical business requirements, and placing more emphasis on consultative selling. Rather than offer standalone products, we now propose converged customer solutions that meet the specific needs of a business vertical, thus strengthening our value proposition. Our ability to offer integrated ICT solutions targeted at specific verticals allows us to create more value for our customers and serves as a powerful differentiator against our competitors.

Our exciting new products and services were complemented by a refreshed go-to-market strategy that saw Managed Accounts brand its offerings as 'TM Business Solutions'. This places greater emphasis on the business benefits they can derive from our service offerings, and has so far been well received by the market.

Going forward, we foresee new growth opportunities in our Managed Account segment, and look forward to tapping on these by focusing more on our converged solutions (including ICT, BPO and Smart Services) that meet the specific needs of prioritised verticals. We will also focus on monetising our investments in VADS' Twin Core Data Centres in Iskandar Putri, Johor, which will be operational in 2017; as well as in Cyberjaya, which will open later. A number of our customers have geographically dispersed sites, which we can connect via cost-effective software-defined wide area networks (SD WAN), unified communications tools as well as cloud-based services.

Government agencies feature among our most prominent Managed Accounts customers, and we continue to cater to their need to be able to manage large volumes of data, efficiently and securely. A major success in this regard was signing on the National Statistics Department as our first customer in big data applications. We believe there is huge potential to grow this service and will look to further market it along with other ICT solutions such as IoT and virtualisation.

Read more about this in **Managed Accounts** on **pages 63** to **67**.

Global Wholesale (GW)

Our Global Wholesale (GW) business continues to add value to mobile service providers in the country by expanding our Next Generation Backhaul™ (NGBH™) services. During the year it fiberised more than 2,800 new EnodeBs/Cell Sites via a 10-year Mobile Backhaul contract inked with five operators in support of LTE network expansion.

At the same time, it is ensuring better global connectivity out of and into Malaysia with further submarine cable expansion. The year saw the completion of the 20,000km South East Asia – Middle East – Western Europe 5 (SEA-ME-WE 5) submarine cable connecting three continents. The project, which won the Project of the Year – Subsea award at the Global Carrier Awards in Paris in November, will boost our growth with international bandwidth, IP Transit, IPVPN, interconnection and backhaul services.

Another milestone in international connectivity was the Bay of Bengal Gateway (BBG) cable going live in April. This 8,100km submarine line links Malaysia and Singapore to Oman and the UAE, with branches to India and Sri Lanka. It creates another first in the world by boasting the most advanced high-speed broadband fibre optic technology – dense wavelength division multiplexing (DWDM) – which allows capacity to be increased at will without any additional submarine intervention. The cable system interconnects with existing land and undersea cables at Oman and UAE for Europe, the Middle East and Africa, and similarly at Malaysia and Singapore for the Far East up to the US.

Embarking on its own journey towards digitalisation and convergence, GW has launched a new Beyond Connectivity (BeC) product providing Media Delivery Solutions Vertical service (MDSV) to global vertical markets worldwide. This marks our foray into more non-traditional business in the global space.

Read more about this in **Global Wholesale** on **pages 68** to **70**.

GROUP CHIEF EXECUTIVE OFFICER'S MANAGEMENT DISCUSSION & ANALYSIS

MANAGING OUR EMERGING RISKS

The most pervasive risk facing the industry, hence also TM, is increased competition. Malaysians are increasingly embracing a digital lifestyle and all telcos are rushing to fulfil their increased expectations and demands, leading to price wars. We are meeting this challenge by leveraging on our position as Malaysia's Convergence Champion, winning in the 'everywhere, anytime' domain with improved speed and coverage, complementing our core connectivity with services in entertainment content, business apps and tools and B2B2C solutions. More than that, we are making every effort to ensure an exceptionally smooth customer experience. Our entire digitalisation programme is geared towards this, and it is encouraging to see some early wins in this regard.

On the financial front, we have to manage foreign exchange (forex) risks especially in connection with borrowings and procurement activity in foreign currencies. To counter the continued devaluation of the Ringgit, we have been hedging, developing contracts based on the Ringgit, and revising our procurement policies.

Another key threat is that of cybersecurity. Along with the many benefits of digitalisation, IoT and disruptive technologies such as Software Defined Network (SDN) and Network Function Virtualisation (NFV), comes greater exposure to cyber threats. The more connected systems and networks are, the greater the potential of unwanted infiltration. We acknowledge this threat, and to guard against cyberattacks, we have established a Group Information Security (GIS) Division which brings together all network and information security teams and functions across TM. GIS is led by our Chief Information Security Officer (CISO), who is responsible for overseeing and implementing Group-wide information security functions including strategy, architecture, governance and threat intelligence.

Read more about this in **Directors' Statement on Risk Management & Internal Control** on **pages 166** to **172**.

BEYOND PRODUCTS & SERVICES

Over and above differentiating ourselves through our converged service offerings and enhanced customer experience, TM continues to make our mark on millions of stakeholders through our inclusive brand architecture that encompasses initiatives in the community. Under our five (5) convergence pillar of Smarter Living, Smarter Businesses, Smarter Cities, Smarter Communities and a Smarter Nation, we are involved in numerous programmes to uplift the lives of the marginalised and to bring Malaysians together to share common goals, dreams and aspirations.

For example under Smarter Businesses, we empower single mothers with knowledge and tools to enhance their income-earning potential thus be able to better provide for the needs of their families. It gives me great pleasure to share that we extended this programme in 2016 to embrace women from Selangor and the Klang Valley into our fold. Under a Smarter Nation, we invest considerably in bridging the education gap by adopting underperforming schools and helping them to improve their academic outcomes. Through our school adoption programmes, we have touched more than 20,000 lives throughout the country since 2003.

Meanwhile, our idea of Smarter Communities revolves around catalysing greater collaboration between Malaysians – either at work, or at play or even in the sporting arena. Our Team Malaysia platform, which brings together Malaysians of all walks of life in support of our national athletes, has truly grown from the time it was formed in 2011. In 2016, to spur our contingent that gave their all to bring home glory from the Rio Olympics, Team Malaysia sent a small group to the Brazilian capital, where they redefined the term 'mobile journalism'. Using their own initiative and spirit of innovation, Team Malaysia took live footage of the sporting events using their smart phones, interviewed our athletes as well as Malaysian officials and volunteers, to capture moments that Malaysians would not have got to see on mainstream media. All this was streamed in real-time over Facebook, creating a first, Team Malaysia brought together Malaysians who were in Rio independently as part of their group; and it also created a significant number of Brazilian fans who will now always remember Malaysia and our athletes.

The success of this team – which garnered no less than RM4.5 million worth of social media value – serves as an excellent example of the power of convergence. The team that went to Rio were from different departments in TM, converging our skills and expertise; they used convergence technology to transmit raw, evocative images and videos of our athletes, making Malaysian audiences feel almost as if they were there, with our heroes; and with their energy and enthusiasm, they bridged cultural divides to create new fans and friends of Malaysia, converging people of the world. We feel immensely proud of this team's success and look to create more heartwarming convergence stories in the future.

INSPIRING OUR PEOPLE

Operating in the fast changing and dynamic communications industry, it is important for us to be able to adapt to our environment, embrace new technologies and deliver their benefits to our consumers. In order to have such agility, we need our people to share our aspirations and work together as one – 1TM.

We place great emphasis on engaging with our people, encouraging open and honest discussion, and really listening to them as part of efforts to create a sense of belonging to TM. This is supported by the creation of an organisation culture that facilitates communication and collaboration. We are also providing more cross-function opportunities for employees to gain broader exposure of the business. More informally, members of the top management, including myself, regularly conduct Jom Sembang sessions (previously known as Teh Tarik sessions) with employees chosen at random, for work-related conversations. We further reinforce teamwork and a team spirit via our highly successful Teaming With Passion (TWP) programme, which we have kept evolving since it was launched in 2009 to be relevant to our needs as a business and to meet the needs of our people.

To keep track of how well we are doing in terms of engaging with our employees, we conduct an annual employee engagement survey called My1TM. I am personally very pleased to see that our score has increased steadily over the years. While our Employee Engagement Index (EEI) has always been consistently higher than the global average of 85% for telecommunication companies globally, we reached a new high in 2016, where it peaked at 92%. We have placed quite heavy demands on our people since embarking, first, on our HSBB journey and, now, as we progress our Convergence transformation. And it has been very gratifying to see how well they have stepped up to the occasion every time. For this, I would like to express a heart-felt thank you. Our successes are due to you.

OUTLOOK FOR 2017

Along with a gradual improvement in the global economy, Malaysia's real GDP growth is expected to increase to 4.5% in 2017 from a projected 4.2% in 2016, according to the Malaysian Institute of Economic Research (MIER). This will be driven primarily by domestic demand, which will compensate for a continued slowdown in global trade and investment flows.

GROUP CHIEF EXECUTIVE OFFICER'S MANAGEMENT DISCUSSION & ANALYSIS

We are delivering convergence to Malaysians via the five pillars

1 Smarter Living

2 Smarter Businesses

3 Smarter Cities

4 Smarter Communities

5 Smarter Nation

Within this environment, IDC expects traditional telecommunications services (voice, data and internet) in the country to grow at a minimal rate of 0.6%. This will be supported by growth of the fixed market and mobile data usage, offset by diminishing returns from traditional voice and SMS. In addition, there will be a need to expand LTE coverage with bigger backhaul capacity.

In contrast, ICT and smart services will continue to record high growth, at a compounded annual growth rate (CAGR) of up to 34% from 2015-2020, as would be expected with the dawn of IR 4.0. Verticals with the highest forecasted ICT spending and growth potential have been identified as: Banking and Securities, Manufacturing and Natural Resources, Government, Retail, Insurance, Healthcare and Education.[1]

Moving Forward with Convergence 2.0

We enter the year 2017 full of confidence, despite the challenging environment, given the landmark evolution we have made from being Malaysia's Broadband Champion into becoming the nation's Convergence Champion.

Our Convergence Champion positioning stands us apart from other players at a time when such differentiation is increasingly critical. To support our transition into Convergence 2.0 we will continue to invest in our infrastructure. Within the space of two months in 2017, we have already expanded our LTE network to more than 6,000 sites nationwide, covering more than 60% of the nation. In addition, we are pressing on with our HSBB, HSBB2, SUBB and subsea cables roll-outs, and will channel a larger portion of our revenue this year to support these projects.

As part of our Smarter Nation vision, we continue to take our broadband service to more rural and remote locations, to serve the underserved via the Universal Service Provision (USP). In 2016, we completed a fiberisation project connecting Jerantut to Kg. Mat Daling, both in Pahang. In 2017, we will start deployment works to take broadband to Pulau Pangkor, Pulau Perhentian and Pulau Tioman. Residents and visitors to these islands will get to enjoy high speed connections by 2019.

We are fully supportive of the Government's objectives to make broadband more widely available and affordable as well as to improve its quality. This is very much in keeping with our own vision, and has spurred us to accelerate our efforts by presenting a Broadband Improvement Plan under which we aim to double the speed of our offerings at the same price, thus bringing the cost per Mbps down.

Our Mass Market segment will focus on upselling and cross selling value added services, such as entertainment, security services, life services and SIMS, to homes and businesses to increase both stickiness and revenue. Using big data capabilities, we are 'fixing the hygiene', ie focusing on areas where we can create the most positive customer service impact – such as reducing service disruptions and providing greater billing clarity.

We will continue to invest into building Managed Accounts' capacity and capabilities while widening its market reach in new growth areas such as cloud, which will serve as the core platform through which all our converged services will be delivered. We are very excited about launching VADS' Twin Core Data Centres in Iskandar Putri and Cyberjaya this year, allowing us to grow our data centre services, which we plan to take even further by tapping into the ASEAN market and beyond.

GW will continue to support our convergence journey while serving domestic licensees and sourcing for new opportunities regionally, creating partnerships to offer Beyond Connectivity solutions. To mitigate anticipated challenges in expanding our LTE capacity and coverage in dense outdoor and in-building locations, it will deploy Smart Centralised Radio Access Network (Smart C-RAN) services. Meanwhile, international connectivity will be further enhanced by integrating network intelligence into our cable systems utilising SDN technology. Digitalisation of our submarine cable will be carried out in phases up to year 2019.

IT&NT will provide the technology support for all the plans and initiatives of our business clusters, enabling us to double our broadband speed, simplifying our network architecture, digitalising our internal activities and driving further innovation to enhance our network as well as our customer experience.

We recognise the importance of having a competent and skilled workforce to complement the many changes we hope to effect both in our markets as well as internally in our systems. Towards this end, we will continue to invest in a culture to drive innovation and productivity. Heads of our business clusters will co-lead and co-deliver programmes to upskill our employees while at the organisational level, we are developing a hierarchically flatter and more fluid organisation to encourage greater collaboration and sharing of ideas between teams, creating a conducive environment for innovation to flourish.

This is without doubt a very exciting time for all of us at TM, as we enter a new phase in our journey as Malaysia's Convergence Champion offering innovative products with strong value propositions. In line with our promise of Life and Business Made Easier, we will continue to rally our energies to deliver an enhanced and integrated lifestyle... for a better Malaysia.

Tan Sri Dato' Sri Zamzamzairani Mohd Isa
Group Chief Executive Officer

[1] *According to Gartner, a leading IT research and advisory company*

IN CONVERSATION WITH DATUK BAZLAN OSMAN GROUP CHIEF FINANCIAL OFFICER

We recorded a robust financial performance in 2016, achieving our Headline KPIs (without webe) of 2.9% revenue growth, and

FOR THE FIRST TIME RECORDING OVER RM12 BILLION IN REVENUE.

DATUK BAZLAN OSMAN
GROUP CHIEF FINANCIAL OFFICER, **TELEKOM MALAYSIA BERHAD**

Q Can we have an overview of 2016 from the financial perspective? Was there anything out of the ordinary?

A 2016 was exciting for TM Group as we progressed on our journey to deliver Convergence and Go Digital. It was a breakthrough year for us, as we embarked on many initiatives to transform the organisation for continued value creation.

We recorded a robust financial performance in 2016, achieving our Headline KPIs (without webe) of 2.9% revenue growth, and for the first time recording over RM12 billion in revenue. Both EBITDA and EBIT growth were healthy, as a result of strong cost optimisation programmes.

We continued the rollout of our LTE network and launched our webe mobile service, bringing TM closer to our Convergence Champion aspiration. To cushion the financial impact of this, we undertook an accelerated depreciation and write-off of WiMAX assets at webe.

TM Group's account receivable (AR) days also improved to 80 days in 2016, 5 days lower due to improvements in collection and better credit management.

We launched seven (7) high-impact business initiatives under Group Finance in 2016, i.e. Telekom Revenue Assurance System (TRACE), Collection & Credit Information System (CONCISE), FINALYP 2.0 (Business Financial Analysis and Planning System), System Enablement of Direct AP (SEDAP), Centralisation of Regional Payment Disbursement Banking, Real Time Payment Update and Asset Retirement Online System.

Despite a challenging landscape, we also maintained our dividend promise, with a 95% payout ratio, or a total of 21.5 sen per share. We managed to preserve a high level of investor confidence, and maintained our credit rating of AAA for our local currency debt, and A3 and A- for our foreign currency debt on the back of strong financial indicators. The strong credit rating has ensured three successful USD issuances totalling USD175 million in February, August and November 2016 from the USD750 million multi-currency Euro Medium Term Note programme at attractive rates.

IN CONVERSATION WITH DATUK BAZLAN OSMAN GROUP CHIEF FINANCIAL OFFICER

CASH BALANCE

RM2.9 BILLION

CAPEX

RM3.3 BILLION

GROUP FINANCE ASPIRATIONS

1

Solid Fundamentals

2

Value Adding Business Partner

3

Deliver Beyond Expectations

ALPHA SOUTHEAST ASIA'S INSTITUTIONAL INVESTOR - CORPORATE AWARDS 2016 (MALAYSIA)

Best CFO in Malaysia

5TH ANNUAL CFO INNOVATION AWARDS

CFO of the Year (Excellence in Financial Planning & Analysis)

Q What is your current liquidity position? How are you funding major projects?

A Overall, we ended 2016 strongly with a cash balance of RM2.9 billion, despite the heavy investments for TM's future growth (i.e. capital expenditure of RM3.3 billion).

We plan to support the continued investments with a capital expenditure guidance of approximately 30% of revenue for 2017. The expenditure will be primarily for further expansion of the HSBB2 and SUBB projects, data centres and submarine cable investments as well as for webe's LTE roll-out. We intend to finance these projects with a mix of internally-generated funds as well as external financing. At present, our gross debt to EBITDA ratio of 2.1x is well within our headroom of 2.5x, giving us capacity to fund our activities either through our existing programmes or with new debt.

Q How did Group Finance support the overall operations and strategic achievements for the year? Have your financial control frameworks strengthened during the year?

A Group Finance has played a vital role in supporting TM across the board with unrelenting focus on being a valued partner to the business, displaying high integrity, competency and diversity in skillsets. We pride ourselves in demonstrating our commitment toward making Life and Business Easier for our customers.

Recognising we can contribute beyond supporting our internal stakeholders, we were instrumental in the introduction of JomPay, a national initiative to drive e-payments. This initiative has helped to enhance efficiency in collection through ubiquitous collection points (42 collecting banks), real-time notification and reduced costs. TM's customers also benefit greatly as the increased efficiency results in lower rates of dispute and immediate restoration of service, on top of the convenience of online bill payment. Needless to say, these are key factors in ensuring sustained positive customer experience, as demonstrated in TM's higher TRI*M index for 2016.

Of course, this is in addition to the recognition received over the year from across our diverse stakeholder groups (ie investors, auditors and other organisations), particularly in corporate governance, transparency and long-term value creation.

To keep the momentum going, we underwent a redesign of TM's financial management and undertook initiatives to not only change the way we operate, but also embarked on a cultural shift by adopting digitalisation of our processes. These transformative projects encompass revenue assurance, utilising analytics for credit management, monitoring, financial analysis, forecasting and business planning, among others. The changes will enable us to be more agile and serve as a stronger partner to the business by going beyond numbers to add sustainable value to our stakeholders.

Many of the initiatives we took over the year yielded promising results, showing improved effectiveness of our financial functions and being an important contributor to the sustained financial performance of the Group.

Q What are your mid- to long- term strategies to create further value for the organisation?

A I am pleased to say that our initiatives have had a positive impact, but many are still underway. It is important that Group Finance stay the course to keep supporting the execution of TM's overall plans.

We expect the way we work to transform in line with Going Digital – all of which will assuredly result in increased efficiency and agility of the finance organisation.

LIFE
360°

Smarter Cities

We are embedding intelligent technology into how cities are planned and run.

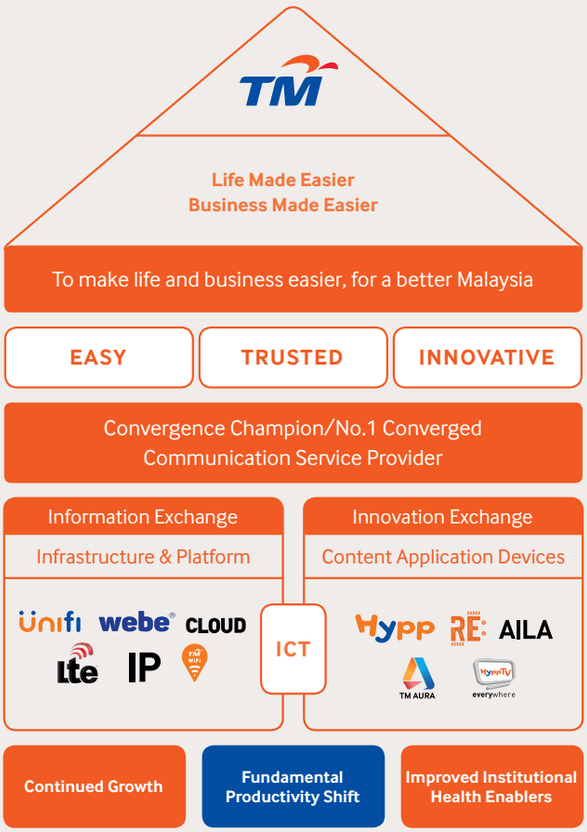
“Where technology can help us become ‘heroes of the day’.”
TM AURA

STRATEGY REVIEW

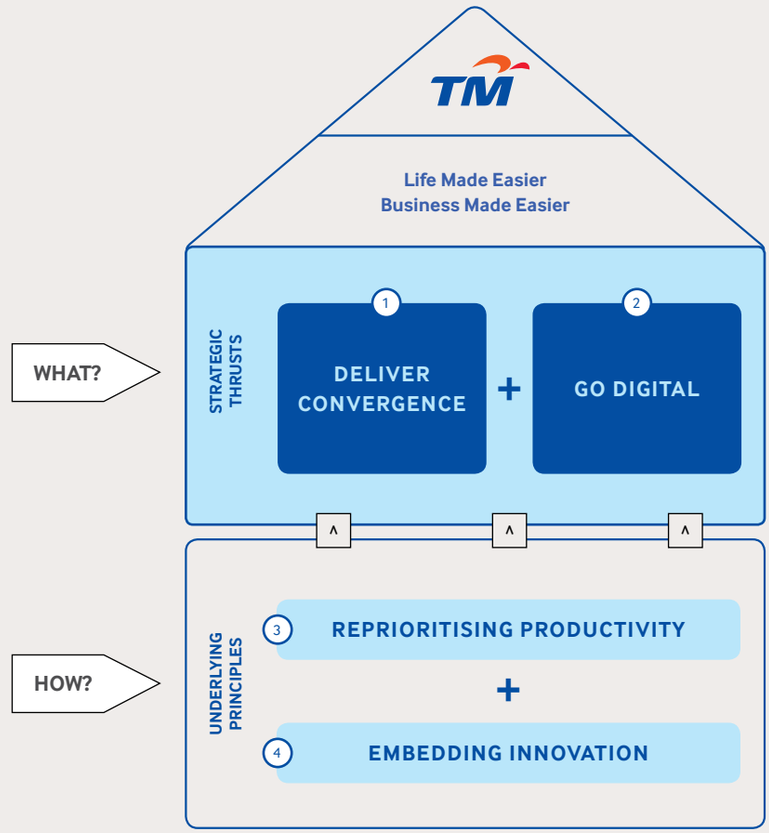
Our vision – to make life and business easier for a better Malaysia –

rests on becoming the nation's Convergence Champion
which, in turn, is supported by fulfilling our roles
as the No.1 Converged Communication Service Provider.

In the immediate term, we are focused on two key strategic thrusts; **Deliver Convergence** and **Go Digital**, underpinned by **Reprioritising Productivity** and **Embedding Innovation**.



Overall Strategic Framework



Immediate Key Focus Area 2016 - 2018

1 What do we mean by Convergence?

Convergence to us is all about our customer experience. It is about delivering superfast and seamless broadband connection everywhere and anytime; enabling and providing relevant lifestyle and business services on all devices; delivered in an easy and enjoyable experience. Towards this end, we are expanding our coverage, enabling higher broadband speeds, and increasing our wireless as well as mobile solutions, with mobility completing our convergence portfolio.

2 What do we mean by Going Digital?

Our Go Digital aspiration is about re-wiring our organisational DNA to change the way we do business, making us more efficient and productive. This is based on a three-pillar framework:

VISION — **To Make Life and Business Easier, for a better Malaysia**

DIGITAL PROGRAMMES

1 Customer experience	2 Process optimisation	3 New opportunities
"Generate easy and simpler ways for customers to engage with TM"	"Simplify and streamline internal processes through digitalisation"	"Create completely new businesses enabled by digital"
We are ensuring quality customer experience at every point of our customer's journey across multiple traditional and digital channels with the "I-Join" framework comprising I-Join, I-Use, I-Pay, I-Engage, I-Renew and I-Stay.	We are introducing two-speed IT architecture, and have begun streamlining processes such as SWIFT, doubling our field force productivity. At the Corporate Centre, we are developing apps to boost productivity and energise our employees.	We are leveraging on our assets/ investments to move beyond core connectivity into new value added and smart digital services such as cloud and Internet of Thing (IoT).

3 How are we Reprioritising Productivity?

We have embarked on initiatives to optimise outcomes from existing resources. A holistic productivity framework was introduced in 2016, supported by a centralised governance framework to monitor and track productivity initiatives throughout TM.

The initiatives focus on the following:

i. Processes and Procedures
ii. Technology Enablement
iii. Resource Configuration (people, equipment and assets)
iv. Capability and Culture

4 How are we Embedding Innovation?

We have frameworks that encourage employees to share their ideas, and allow us to integrate these ideas into our organisation. We also have formal innovation hubs – TM Research & Development (R&D) and Multimedia University (MMU) – where ideas are continuously generated; and external initiatives (through RE: and partnerships) from which we are able to tap into opportunities to improve the way we operate and the products we offer.

CONVERGENCE 2.0

The next step along our convergence journey takes us to Convergence 2.0, when we will no longer "Talk Convergence" but enable Malaysians to "Experience Convergence". **Life in the Era of Convergence** will be supported by five pillars of **smarter living**, **smarter businesses**, **smarter cities**, **smarter communities** and a **smarter nation**. These, in turn, will be complemented by our initiatives in the community that promote a better life for all Malaysians.

Smarter Living

Life becomes Effortless
Through our products and services, we are making life more intuitive and effortless.

Customers will enjoy:

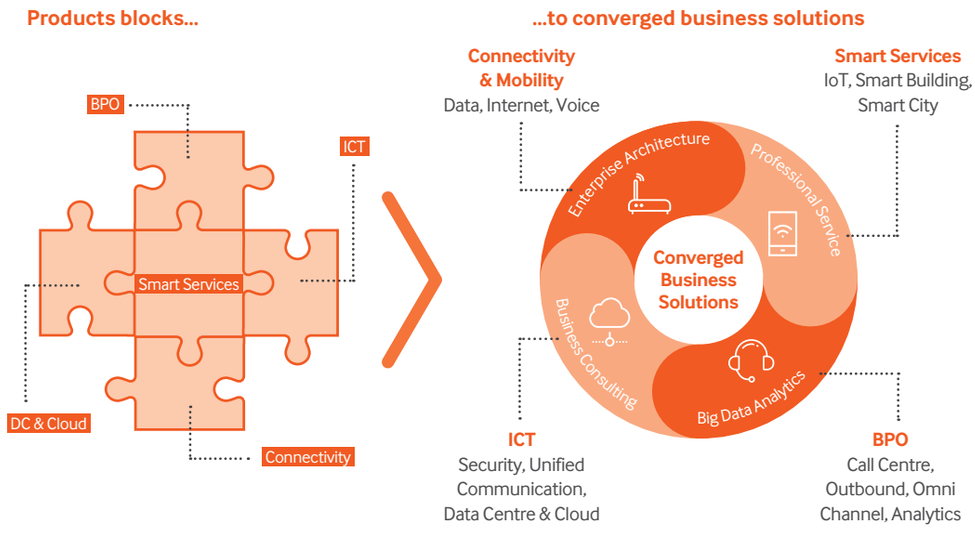
- Higher speed broadband packages
- A truly seamless connectivity experience as we extend our promise of 'Life and Business Made Easier' into the mobile space
- More value added services, e.g. video content
- Smart solutions like smart homes and appliances with security, surveillance & protection embedded
- All the above services will be delivered in an easy and enjoyable experience for customers

Smarter Businesses

Businesses become Agile
We empower corporate clients with cloud-based innovative solutions to forward their the Business-to-Business-to-Consumer (B2B2C) journey making business more agile.

Businesses will enjoy greater agility with:

- Our converged solutions, consisting of connectivity with mobility, ICT, BPO and smart services, tailored to vertical business requirements



- Our data centres and cloud, managed network services, managed security solutions, unified communication and collaboration
- VADS Marketplace offering B2B2C cloud hosted solutions powered by VADS Cloud eXchange

To make Life and Business Easier for a better Malaysia

Life in the Era of Convergence will be about...

Smarter Cities

Cities become Efficient

We are embedding intelligent technology to create efficiencies in the way cities are planned and run.

With IoT-enabled Integrated Operation Centres, residents will enjoy:

- Smart Street Lights Management for better flow of traffic
- Security Surveillance
- Smart and easy Parking Securities
- Energy-efficient water, waste management and comfortable buildings
- Next-Generation Network (NGN) initiatives

Smarter Communities

Communities become Collaborative

By bringing people together, we harness the power of communities to achieve common goals – be it for social or economic gain.

We bring people together through:

- Supporting our national athletes via Team Malaysia
- Uncovering hidden sporting talent in Mencari Ramli
- TM School Adoption Programme in collaboration with PINTAR Foundation, TM Robotic Programme and TM3Ducation Programmes – under which children get to understand the future of digital world
- Broadband services in rural areas via Pusat Internet 1Malaysia, an effort being undertaken with the Malaysian Communications and Multimedia Commission (MCMC)
- TMgo - LTE technology offering high speed broadband in underserved (rural and semi-rural) areas available in Kedah, Kelantan, Melaka, Negeri Sembilan, Pahang, Perak, Selangor, Sabah and Sarawak
- webe community

Smarter Nation

Nation becomes Progressive

We strive continuously to leverage on our technologies to improve lives; of individuals, families, neighbourhoods, communities, villages, institutions and the nation at large.

We contribute to a Smarter and Progressive Nation through:

- Projects such as HSBB, HSBB 2 and SUBB
- Providing connectivity beyond products and services to reduce the digital gap, increase ICT skills, build a knowledgeable nation and boost local capacity building via Innovation Cluster – TM R&D, RE, AILA & AURA.
- Partnering ICT companies in cutting-edge areas such as connectivity technologies, effective-efficient-elastic (E^3) networks, business process tools and digital services
- Nurturing a technically competent workforce at MMU while providing scholarships through Yayasan TM
- Working closely with the MCMC on the Universal Service Provision (USP) to ensure all Malaysians have access to connectivity services
- The spirit of volunteerism – serving the underprivileged and marginalised pockets of the community via by TM ROVers TM Reaching Out initiatives such as TM Earth Camp, BumiKu Camp, humanitarian relief missions and various community programmes.
- TM leads in Government-Linked Company (GLC) Disaster Response Network (GDRN) Initiatives

ENGAGING OUR STAKEHOLDERS

Social and relationship capital

As a Company that connects with nearly every Malaysian in some way, we have many stakeholders. Our stakeholders comprise any group or individual that influences, or is influenced by, our activities.

We want our stakeholders to be advocates for TM, so we work to develop quality relationships through meaningful engagement. This also helps us to keep abreast of evolving social and environmental expectations. We also use stakeholder insights to develop targeted products, services and programmes, as well as to drive advocacy.

Our approach to stakeholder engagement is guided by our values, and takes many forms, including face-to-face and social media interactions, surveys and market research. We are active in industry groups, participate in relevant networks and forums, and have teams across the Company that manage our relationships with specific stakeholder groups.

We know that we build greater trust with our stakeholders when we are transparent and accountable. Monitoring, measuring and reporting on our approach and performance – good and bad – helps us to achieve this. The high-level topics and concerns raised by our stakeholders this year are outlined in the table below, and formed a key component of our materiality assessment.

Stakeholder group	Material issues of most concern	Engagement approach
Communities We engage with communities wherever we operate. This includes non-profit organisations and programme partners, as well as community groups and individuals based or living close to our operations.	M2: Customer satisfaction M4: Innovation M6: Consumer data and privacy M8: Supporting communities M14: Resource use and waste	• Website and service catalogues • Annual and sustainability reports • Visits, seminars and joint activities • Community engagement activities
Customers Our customers are residential consumers, small to medium enterprises, large companies/organisations and government, and are represented by various consumer groups.	M1: Product quality M2: Customer satisfaction M6: Consumer data and privacy M7: Consumer health and safety M14: Resource use and waste	• Customer feedback management • Customer support centre at 100 • Social media tools - Twitter, FB, YouTube • Market research Loyalty programmes • Events, dialogue sessions, roadshows and engagement sessions
Employees Our workforce is large and diverse, with over 28,000 employees nationwide.	M2: Customer satisfaction M10: Talent retention and attraction M12: Employee health and safety	• Employee satisfaction survey • Dialogue and engagement • Top management messages • Intranet, internal social media, departmental meetings and newsletters • Employee engagement programmes • TM societies and clubs' activities

ENGAGING OUR STAKEHOLDERS

Stakeholder group	Material issues of most concern	Engagement approach
Government Regulators We engage with government at local, state and federal levels in Malaysia, from ministers and party leaders to department staff. We also work closely with industry regulators in all our markets.	M2: Customer satisfaction M5: Regulatory compliance M6: Consumer data and privacy M14: Resource use and waste	• Formal meetings • Performance reports • Discussions on government initiatives
Shareholders and investment community Our investment community comprises institutional investors, buy and sell-side analysts, and retail shareholders, some of whom invest with social and environmental preferences.	M3: Supply chain management M6: Consumer data and privacy M13: Climate change and energy management	• Investor Relations engagements • Annual and sustainability reports • Annual general meetings • Extraordinary general meetings • Shareholder updates • Quarterly reports
Media We regularly engage with representatives from print, radio, TV, social and online media at local, national and international levels.	M2: Customer satisfaction M4: Innovation M6: Consumer data and privacy	• Press releases • Press conferences, question and answer sessions • Media coverage • Media luncheons
Unions We work closely with our three trade unions to ensure their members' needs are met.	M5: Regulatory compliance M7: Employee health and safety M11: Human rights	• Dialogue and engagement • Joint activities • Consultations and negotiation
Suppliers We engage around 3,611 suppliers each year with total spend of around RM4.93 billion.	M3: Supply chain management M13: Climate change and energy management M14: Resource use and waste	• Transparency survey • Supplier training programmes • Supplier relationship management

MANAGING OUR MATERIAL ISSUES

We undertake a materiality process every year to ensure we identify and respond to the sustainability issues, risks and opportunities that are most important to our business and stakeholders.

In accordance with the GRI G4 Standards, we review the issues impacting TM, our stakeholders and the broader Information and Communications Technology (ICT) industry.

We prioritise issues according to their relative impact on our business and our stakeholders, as determined through analysis of a wide variety of sources. Inputs include internal documents such as the TM risk register and business strategy, as well as insights gained from participation in industry and cross sector initiatives, peer benchmarking and future trends analysis.

In 2016, we engaged more than 1,000 of our key community and industry stakeholders, government representatives, institutional investors and TM employees to get their view of our most material issues.

This engagement was done by way of a materiality survey. The 14 material issues were included in a list of six questions that sought to determine the level of importance of TM's material issues. The survey was sent to a wide sample of recipients, which included both internal and external stakeholders. Thereafter, one-on-one interviews through the phone were conducted on identified stakeholders to garner a more in-depth view.

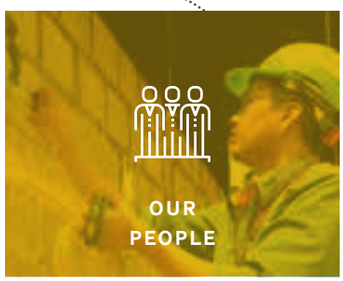
The results of our materiality assessment help inform TM's sustainability strategy and programmes. We also use our findings to identify emerging sustainability trends and issues that have the potential to become more significant in the medium term. These issues are monitored and, where required, managed within TM to enable us to respond proactively. Emerging issues identified in 2016 include employee health and safety, customer satisfaction and product quality.

In 2016, we refined our materiality process to bring more focus to our reporting. While a broad range of issues were assessed to determine their materiality, we have consolidated our list of key topics to focus on only our most material impacts. As outlined in the matrix, we identified our most significant sustainability risks and opportunities as being:

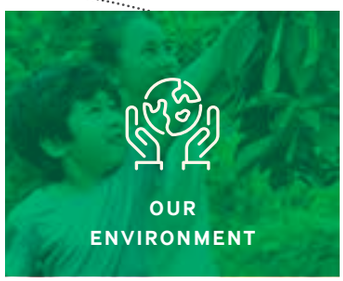
Our Material Issues

- M1 Product quality
- M2 Customer satisfaction
- M3 Supply chain management
- M4 Innovation
- M5 Regulatory compliance
- M6 Consumer data and privacy
- M7 Consumer health and safety

- M8 Supporting communities
- M9 Inclusivity



- M10 Talent retention and attraction
- M11 Human rights
- M12 Employee health and safety

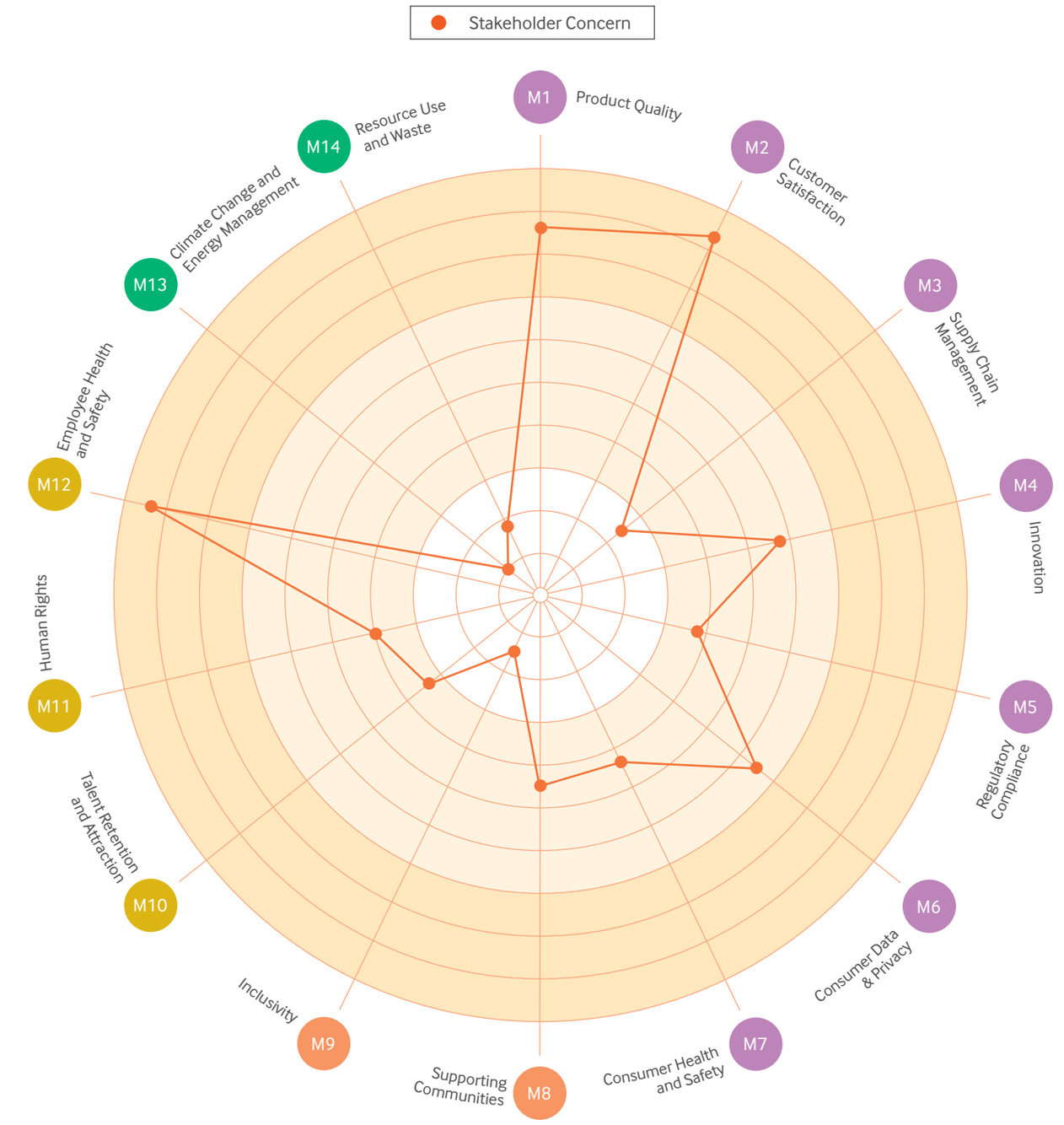


- M13 Climate change and energy management
- M14 Resourse use and waste

SR Detailed information on each of these risks, as well as how we are managing them can be found throughout Eco 360° 2016 Sustainability Report

Materiality Radar

Material issues ranking is based on the collective stakeholder concerns and is identified in orange. For the year under review, we have not mapped the material issues against the business impact. The process of determining business impact is being refined to allow for more in-depth understanding of the key issues which effect the Group's business strategies.



SUSTAINABILITY AT TM

Natural capital

OUR FRAMEWORK

Our aim is to deeply embed sustainability in our culture, values, decision-making, operations, products and services to create a sustainable business that is positioned for long-term success. We continue to review and enhance our approach to sustainability to achieve this goal.

Our focus is on areas we have determined to be material to TM; where we have an opportunity to take a leadership role; and where our skills, resources and expertise can make a positive difference to current and future generations.

We identify the areas we believe are important to both us and our key stakeholders through open and consistent communication, and we focus on shaping positive change in these key areas.

These focus areas form the foundation of our sustainability strategy, and are used to bring positive change across our four sustainability pillars: Our Business, Our Community, Our People and Our Environment.

We work continually to find new and innovative ways to transform the lives of the people we connect, and make a positive impact on our society. We do this by leveraging the power of communication and infotainment at our disposal.

We have the opportunity today to use our skills, resources and expertise to make a positive difference into the future.

Staying on track is critical to achieving our plan and vision so we continually measure how we're doing.

- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is our key measure of profitability
- Procurement Maturity Index (PMI) and Supplier Satisfaction Index (SSI) ensure an efficient value chain
- TRI*M, or measuring, managing and monitoring, is our key measure of customer satisfaction
- The Employee Engagement Index (EEI) is a measure of our people's satisfaction

We have identified a number of indicators that help us measure our performance and longer term objectives to bring about positive change for our people, community and the environment.

Scan the below QR code to find out more about our sustainability efforts in our Eco 360° Sustainability Report 2016.

TM'S SUSTAINABILITY FRAMEWORK

We aim to embed sustainability deeply in our DNA, culture, value system and the way we run our business and engage our stakeholders to create sustainability and long-term growth for our business, while leading and shaping positive change for our business, the communities we operate in, our people and the environment.

OUR BUSINESS

HIGHLIGHTS

- Delivering superior customer experience and transforming the way our customers live and work with converged communications
- Adhering to the highest standards of corporate governance
- Embracing responsible business practice

OUR COMMUNITY

HIGHLIGHTS

- Driving positive and sustainable changes among our adopted schools and other education initiatives
- Enabling the inclusion of women entrepreneurs and special needs students
- Engaging our people to support the community through corporate giving and volunteer programmes

OUR PEOPLE

HIGHLIGHTS

- To be an employer our people are proud to work for by providing care and equal opportunities in a workplace that celebrates diversity, inclusivity and collaboration
- Challenging and developing our people to reach their fullest potential

OUR ENVIRONMENT

HIGHLIGHTS

- Through understanding our impacts, we are committed to minimising our environmental footprint across our value chain
- We will achieve this by addressing climate change, reducing energy consumption in our networks and monitoring our noise, water and dust indicator's

TM's Material Issues	Contribution to the United Nations (UN) Sustainable Development Goals (SDGs)	
• M1: Product quality • M2: Customer satisfaction • M3: Supply chain management • M4: Innovation • M5: Regulatory compliance • M6: Consumer data and privacy • M7: Consumer health and safety	• M1: Product quality: SDG9, SDG11 • M2: Customer satisfaction: SDG9, SDG11 • M3: Supply chain management: SDG12 • M4: Innovation: SDG9, SDG11 • M5: Regulatory compliance: SDG16 • M6: Consumer data and privacy: SDG16 • M7: Consumer health and safety: SDG3 *SDG17 also applies to M1-M7*	 • SDG3 good health and well-being • SDG9 industry, innovation and infrastructure • SDG11 sustainable cities and communities • SDG12 responsible consumption and production • SDG16 peace, justice and strong institutions • SDG17 partnerships for the goals
• M8: Supporting communities • M9: Inclusivity	• M8: Supporting communities: SDG16, SDG17 • M9: Inclusivity: SDG4, SDG5	 • SDG4 quality education • SDG5 gender equality • SDG16 peace, justice and strong institutions • SDG17 partnerships for the goals
• M10: Talent retention and attraction • M11: Human rights • M12: Employee health and safety	• M10: Talent retention and attraction: SDG4 • M11: Human rights: SDG5, SDG10, SDG8 • M12: Employee health and safety: SDG3	 • SDG3 good health and well-being • SDG4 quality education • SDG5 gender equality • SDG8 decent work and economic growth • SDG10 reduced inequalities
• M13: Climate change and energy management • M14: Resource use and waste	• M13: Climate change and energy management: SDG13 • M14: Resource use and waste: SDG12 *SDG9 and SDG17 also apply to M13-M14*	 • SDG9 industry, innovation and infrastructure • SDG12 responsible consumption and production • SDG13 climate action • SDG17 partnerships for the goals

LIFE
360°

Smarter Communities

By bringing people together, we harness the power of communities to achieve common goals – be it for social or economic gain.

“Where it only takes a moment to bring communities together.”
TM AURA

MASS MARKET

Mass Market focuses on serving more than 3 million home and SME customers in Malaysia delivering fast and seamless internet connectivity with value added services including content, ICT solutions and mobility.

With the addition of webe to our portfolio, we are truly enabling our customers to connect to people, information and entertainment wherever they are, irrespective of the underlying technology.

Facts at a Glance:

Serves more than **2.66 million** **Malaysian households** and **0.45 million** **SME businesses**

32% of broadband customers **enjoying 10Mbps experience and beyond**

1.2 million **HyppTV viewers**, enjoying primetime, anytime entertainment on **110 channels (53 in HD)**

LTE

webe mobile service launched in September 2016, offering a **simple, worry-free** mobile experience

OUR BRAND ARCHITECTURE

We support our vision of Making Life and Business Easier through our unique brand architecture which not only focus on our products and services but also encompasses efforts to promote the nation's socio-economic development.

This, we believe, differentiates us from other communications companies and underlines our true commitment to convergence. We seek not only to enable customers to enjoy seamless experience through convergence technologies, we also seek to converge communities into a single, smarter more progressive nation.

TM

VISION: TO MAKE LIFE AND BUSINESS EASIER, FOR A BETTER MALAYSIA

Mass Market

We deliver Life Made Easier to customers, through converged lifestyle communication experiences

ALL CONVERGENCE NEEDS

Unifi

ALL MOBILE NEEDS

webe®

ALL CONTENT NEEDS

Hypp

Managed Accounts/GW

We deliver Business Made Easier to businesses, by collaborating with and supporting them with integrated solutions

MANAGED ACCOUNTS GO-TO-MARKET

TM

SOLUTION HOUSE BRAND

VADS

GW GTM BRAND

TM

Beyond Products & Services

We deliver Life Made Easier to the nation by supporting socio-economic development through education, innovation and social initiatives

EDUCATION GROUP

MMU www.mmu.edu.my

YUM

INNOVATION GROUP

TM Research & Development RE:

SOCIAL INITIATIVES GROUP

YAYASAN TELEKOM MALAYSIA

Reaching out

TM MALAYSIA

MASS MARKET

With the addition of webe to our portfolio, we are truly enabling our customers to connect to people, information and entertainment wherever they are, irrespective of the underlying technology.

MASS MARKET

We deliver Life and Business Made Easier by fulfilling the lifestyle needs of home and business customers. We do not just connect our customers, but take pains to ensure they have a great experience every time they use our service. The more satisfied customers are with our service, the more likely they are to stay with us. We measure both customers' perception of our service performance every year via our TRI*M Index, one of our headline key performance indicators (KPIs). In 2016, the overall TRI*M Index of our home and SME customers improved to 72, above the global average of 68.

Listening to our customers, we keep improving the way we serve and interact with them – via our web portal, sales agents, telemarketers, call centre and service restoration field team. Feedback is collated from all our customer touchpoints, which collectively handle about 3 million interactions a month.

Complementing the customer touchpoint improvements, we enhanced our convergence product portfolio with the launch of UniFi Pro in March 2016, a 100Mbps broadband plan with value added services allowing home and SME customers to do more with this high speed broadband service. Together with UniFi Advance, a 30Mbps high speed broadband plan, the market-leading all new UniFi offers unlimited experiences, unmatched choices and unbeatable value for our home and SME customers.

Our convergence product portfolio was completed in September 2016, with the launch of webe, ushering a new era of mobility for our customers. With webe, customers experience a seamless connectivity experience of UniFi at home and webe when they step out of their home. webe also delivers a new end-to-end digital experience, from the moment a customer signs up right up to customer care with live chat through our mobile app and portal. The never ending data, calls and sms clearly liberates the customer from worry of quota limits or exorbitant monthly bills. It is our mission to help connect communities and make it easy to enjoy a digital lifestyle in everything we do. This is our vision as the nation's convergence champion, making life and business easier for a better Malaysia.

To further expand our coverage and increase domestic and international capacity, we are investing RM2.3 billion to install another one million broadband ports on top of the existing 4 million ports across Malaysia over the next five years under two projects being undertaken with the Government, namely the High Speed Broadband (HSBB) 2.0 and Sub-Urban Broadband (SUBB).

At the same time, we are expanding our LTE coverage by adding more sites. Leveraging on TM's nationwide fibre network, as well as other network and IT infrastructure and operational synergies, we have more than 2,000 such sites covering 61% of the population at the end 2016.

Customer Value

Making our products and services affordable helps us meet regulatory expectations whilst boosting our leadership as a convergence champion. We are constantly looking at ways to give our customers real value for money. Following the Prime Minister's Budget 2017, we will be taking our affordability initiatives a notch higher as we embark on a year-long programme to provide bandwidth upgrades at no extra cost and other attractive offers to add value to our broadband customers.

MASS MARKET

Value Added Service

In the ICT and business solutions segment, we strengthen our partnership with providers for payment solutions and security with surveillance solutions for home and businesses.

We continue to strategically collaborate with other over-the-top (OTT) content partners to enrich our content offerings. These complement our HyppTV's line-up of top TV shows, movies, comedies, drama and cartoons, at no additional cost to our broadband customers. During the year, we collaborated with Viu to extend its offerings of TV shows, dramas and movies; introduced four (4) new FOX Sports channels; launched Hypp Play, a complimentary VOD channel, and HyppTV Playlist. We also made available more channels on the HyppTV Basic Pack, and strengthen HyppTV's Everywhere value proposition to cater to today's digital lifestyle. HyppTV was the official IPTV broadcaster for Rio 2016 Olympics Games, where we received tremendous response from our customers during our Free Viewing offering which was also available on HyppTV Everywhere.

Financial Performance

Higher demand for broadband and entertainment content contributed to a 3.5% revenue growth at over RM5.1 billion, which was commendable against the backdrop of intensifying competition and soft spending sentiment of households and SME customers.

Key Risks & How They Are Managed

Key Market Risks	Mitigation Measures
1. Intensifying competition in fixed, content and mobility space	Being Malaysia's Convergence Champion elevates us to a differentiated and leading position. • Deliver a fast and seamless internet experience everywhere and anytime, enabling services on all devices with unbeatable value, easy and worry-free experience. • Offer unmatched choice of value-added services from voice plan to entertainment content, business productivity solutions and mobility service. • Continuously improve HyppTV content offerings and deliver an enhanced integrated digital lifestyle to Malaysians.
2. Soft spending sentiment since 2014, expected to continue in 2017	• Greater emphasis on balancing customer value and the pricing of converged products.
3. webe is a new brand in a competitive landscape	• Continuous conversations with our community, customers, media and Malaysians in general to promote webe and generate brand equity.

Targets for 2017

1. Introduce convergence offerings with more value and choices of the all-new UniFi complemented by mobility that customers can add-on, in addition to content and business productivity solutions.
2. Greater focus on customer experience and care through conventional and digital touchpoints to provide seamless customer experience.
3. Enter into more strategic partnerships and collaborations in these areas: content, business apps and tools to deliver relevant value added services to customers.

Outlook

2017 will see the acceleration of our convergence proposition for home and SME customers with continuous improvements in customer experience and product portfolio, supported by investments in both fixed and mobility network and IT infrastructure. Customer experience will be improved with a more end-to-end digital experience in addition to our existing wide network of conventional touchpoints. Product offerings will be strengthened across both portfolios of the all-new UniFi and webe, complemented by new compelling entertainment solutions for home customers and business solutions for SME customers.