

TELEKOM MALAYSIA BERHAD (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad is pleased to announce the following unaudited results of the Group for the third quarter ended 30 September 2016.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	2,923.1	2,922.5	8,823.9	8,537.2
OPERATING COSTS				
- depreciation, impairment and amortisation	(633.7)	(588.7)	(1,949.6)	(1,816.8)
- other operating costs	(2,010.4)	(1,914.0)	(6,107.3)	(5,813.5)
OTHER OPERATING INCOME (net)	28.1	29.2	101.1	91.0
OTHER (LOSSES)/GAINS (net)	(3.1)	(0.5)	46.3	(1.9)
OPERATING PROFIT BEFORE FINANCE COST	304.0	448.5	914.4	996.0
FINANCE INCOME	35.6	42.8	121.3	118.9
FINANCE COST	(92.9)	(85.4)	(284.0)	(236.9)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	(36.0)	(153.3)	33.8	(209.0)
NET FINANCE COST	(93.3)	(195.9)	(128.9)	(327.0)
ASSOCIATES				
- share of results (net of tax)	8.1	6.4	22.4	18.2
PROFIT BEFORE TAXATION AND ZAKAT	218.8	259.0	807.9	687.2
TAXATION AND ZAKAT (part B, note 5)	(99.6)	(123.8)	(299.5)	(254.1)
PROFIT FOR THE FINANCIAL PERIOD	119.2	135.2	508.4	433.1
ATTRIBUTABLE TO:				
- equity holders of the Company	159.8	166.8	621.7	507.8
- non-controlling interests	(40.6)	(31.6)	(113.3)	(74.7)
PROFIT FOR THE FINANCIAL PERIOD	119.2	135.2	508.4	433.1
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic/diluted	4.2	4.4	16.5	13.6

(The above unaudited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/09/2016 RM Million	30/09/2015 RM Million	30/09/2016 RM Million	30/09/2015 RM Million
PROFIT FOR THE FINANCIAL PERIOD	119.2	135.2	508.4	433.1
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified				
subsequently to income statement:				
- increase/(decrease) in fair value of available-for-sale investments	8.2	(6.1)	14.5	(2.6)
- increase in fair value of available-for-sale receivables	#	0.1	#	#
- reclassification adjustments relating to available-for-sale investments disposed	(0.4)	(0.2)	(1.4)	(0.8)
- cash flow hedge:				
- increase in fair value of cash flow hedge	40.8	202.4	4.0	274.8
- reclassification to foreign exchange loss on borrowings	(35.8)	(170.2)	(8.4)	(238.5)
- currency translation differences				
- subsidiaries	4.6	11.8	0.5	16.9
- associate	0.3	1.4	0.1	2.0
Other comprehensive income for the financial period	17.7	39.2	9.3	51.8
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	136.9	174.4	517.7	484.9
ATTRIBUTABLE TO:				
- equity holders of the Company	177.5	206.0	631.0	559.6
- non-controlling interests	(40.6)	(31.6)	(113.3)	(74.7)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	136.9	174.4	517.7	484.9

Amount less than RM0.1 million

(The above unaudited consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	AS AT 30/09/2016 RM Million	AS AT 31/12/2015 RM Million
SHARE CAPITAL	2,630.6	2,630.6
SHARE PREMIUM	964.9	964.9
OTHER RESERVES	(59.0)	17.0
RETAINED PROFITS	3,985.6	4,168.1
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,522.1	7,780.6
NON-CONTROLLING INTERESTS	190.6	258.1
TOTAL EQUITY	7,712.7	8,038.7
Borrowings	7,525.9	7,175.4
Derivative financial instruments	288.0	321.9
Deferred tax liabilities	1,542.1	1,367.6
Deferred income	1,655.5	1,661.7
Trade and other payables	11.3	25.2
DEFERRED AND NON-CURRENT LIABILITIES	11,022.8	10,551.8
	18,735.5	18,590.5
Property, plant and equipment	15,245.0	15,186.9
Intangible assets	576.7	607.8
Associates	43.4	26.3
Available-for-sale investments	188.8	155.9
Available-for-sale receivables	5.0	6.0
Other non-current receivables	845.2	786.3
Derivative financial instruments	326.6	334.9
Deferred tax assets	13.5	11.5
NON-CURRENT ASSETS	17,244.2	17,115.6
Inventories	206.0	236.8
Non-current assets held for sale	19.3	20.3
Customer acquisition costs	54.3	59.1
Trade and other receivables	3,528.3	2,947.1
Available-for-sale investments	536.8	515.6
Derivative financial instruments	1.1	0.4
Financial assets at fair value through profit or loss	6.9	6.6
Cash and bank balances	2,591.8	3,511.6
CURRENT ASSETS	6,944.5	7,297.5
Trade and other payables	3,560.2	4,367.0
Customer deposits	452.6	467.6
Advance rental billings	661.4	545.0
Borrowings	399.7	408.3
Taxation and zakat	29.8	34.7
Dividends payable	349.5	-
CURRENT LIABILITIES	5,453.2	5,822.6
NET CURRENT ASSETS	1,491.3	1,474.9
	18,735.5	18,590.5
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	200.2	207.0

(The above unaudited consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	Attributable to equity holders of the Company									Total Equity RM Million
	Share Capital RM Million	Share Premium RM Million	Fair Value Reserves RM Million	Hedging Reserve RM Million	Capital Redemption Reserve RM Million	Other Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non- controlling Interests RM Million	
At 1 January 2016	2,630.6	964.9	90.2	95.2	71.6	(267.6)	27.6	4,168.1	258.1	8,038.7
Profit/(loss) for the financial period	-	-	-	-	-	-	-	621.7	(113.3)	508.4
Other comprehensive income										
Items that may be reclassified subsequently to income statement:										
- increase in fair value of available-for-sale investments	-	-	14.5	-	-	-	-	-	-	14.5
- increase in fair value of available-for-sale receivables	-	-	#	-	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(1.4)	-	-	-	-	-	-	(1.4)
- cash flow hedge:										
- increase in fair value of cash flow hedge	-	-	-	4.0	-	-	-	-	-	4.0
- reclassification to foreign exchange loss on borrowings	-	-	-	(8.4)	-	-	-	-	-	(8.4)
- currency translation differences										
- subsidiaries	-	-	-	-	-	-	0.5	-	-	0.5
- associate	-	-	-	-	-	-	0.1	-	-	0.1
Total comprehensive income/(loss) for the financial period	-	-	13.1	(4.4)	-	-	0.6	621.7	(113.3)	517.7
Transactions with owners:										
- second interim dividend paid for the financial year ended 31 December 2015 (part A, note 6)	-	-	-	-	-	-	-	(454.7)	-	(454.7)
- interim dividend payable for the financial year ending 31 December 2016 (part B, note 14(a))	-	-	-	-	-	-	-	(349.5)	-	(349.5)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(40.5)	(40.5)
- transaction with non-controlling interests (part A, note 9(b))	-	-	-	-	-	(85.3)	-	-	85.3	-
- capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	1.0	1.0
Total transactions with owners	-	-	-	-	-	(85.3)	-	(804.2)	45.8	(843.7)
At 30 September 2016	2,630.6	964.9	103.3	90.8	71.6	(352.9)	28.2	3,985.6	190.6	7,712.7

Amount less than RM0.1 million

(The above unaudited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

	Attributable to equity holders of the Company									Total Equity RM Million
	Share Capital RM Million	Share Premium RM Million	Fair Value Reserves RM Million	Hedging Reserve RM Million	Capital Redemption Reserve RM Million	Other Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non- controlling Interests RM Million	
At 1 January 2015	2,603.6	722.7	57.8	63.5	71.6	(267.6)	3.8	4,315.7	388.8	7,959.9
Profit/(loss) for the financial period	-	-	-	-	-	-	-	507.8	(74.7)	433.1
Other comprehensive income										
Items that may be reclassified subsequently to income statement:										
- decrease in fair value of available-for-sale investments	-	-	(2.6)	-	-	-	-	-	-	(2.6)
- decrease in fair value of available-for-sale receivables	-	-	#	-	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(0.8)	-	-	-	-	-	-	(0.8)
- cash flow hedge:										
- increase in fair value of cash flow hedge	-	-	-	274.8	-	-	-	-	-	274.8
- reclassification to foreign exchange loss on borrowings	-	-	-	(238.5)	-	-	-	-	-	(238.5)
- currency translation differences										
- subsidiaries	-	-	-	-	-	-	16.9	-	-	16.9
- associate	-	-	-	-	-	-	2.0	-	-	2.0
Total comprehensive (loss)/income for the financial period	-	-	(3.4)	36.3	-	-	18.9	507.8	(74.7)	484.9
Transactions with owners:										
- shares issued pursuant to Dividend Reinvestment Scheme (DRS)	27.0	242.2	-	-	-	-	-	-	-	269.2
- final dividend paid for the financial year ended 31 December 2014	-	-	-	-	-	-	-	(498.4)	-	(498.4)
- interim dividend paid for the financial year ended 31 December 2015	-	-	-	-	-	-	-	(349.5)	-	(349.5)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(28.8)	(28.8)
- capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	7.3	7.3
- equity portion of convertible medium term notes subscribed by non-controlling interest	-	-	-	-	-	-	-	-	1.7	1.7
Total transactions with owners	27.0	242.2	-	-	-	-	-	(847.9)	(19.8)	(598.5)
At 30 September 2015	2,630.6	964.9	54.4	99.8	71.6	(267.6)	22.7	3,975.6	294.3	7,846.3

Amount less than RM0.1 million

(The above unaudited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL PERIOD ENDED	
	30/09/2016 RM Million	30/09/2015 RM Million
Receipts from customers	8,034.4	7,500.1
Payments to suppliers and employees	(6,202.7)	(5,565.2)
Payment of finance cost	(241.3)	(206.6)
Payment of income taxes and zakat (net)	(131.3)	(150.6)
CASH FLOWS FROM OPERATING ACTIVITIES	1,459.1	1,577.7
Contribution for purchase of property, plant and equipment	161.3	10.9
Disposal of property, plant and equipment	7.8	7.6
Purchase of property, plant and equipment	(2,423.1)	(1,572.1)
Subscription of Exchangeable Medium Term Notes	-	(67.5)
Disposal of current available-for-sale investments	266.2	241.9
Purchase of current available-for-sale investments	(273.6)	(277.6)
Purchase of long term investments	(31.8)	(23.5)
Disposal of non-current assets held for sale	1.9	11.2
Long term deposit	(16.6)	(16.6)
Repayments of loans by employees	9.3	7.6
Loans to employees	(73.9)	(65.4)
Disposal of housing loan	7.3	6.7
Interests received	98.3	98.4
Dividends received	15.1	6.8
CASH FLOWS USED IN INVESTING ACTIVITIES	(2,251.8)	(1,631.6)
Proceeds from issuance of shares	-	269.2
Capital contribution to a subsidiary	1.0	7.3
Proceeds from borrowings	1,677.0	1,231.6
Repayments of borrowings (net)	(1,303.9)	(639.8)
Repayments of finance lease	(5.4)	(3.4)
Dividend paid to shareholders (part A, note 6)	(454.7)	(847.9)
Dividend paid to non-controlling interests	(40.5)	(28.8)
CASH FLOWS USED IN FINANCING ACTIVITIES	(126.5)	(11.8)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(919.2)	(65.7)
EFFECT OF EXCHANGE RATE CHANGES	(0.4)	1.8
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	3,510.8	2,975.0
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	2,591.2	2,911.1

(The above unaudited consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015)

TELEKOM MALAYSIA BERHAD (128740-P)
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The unaudited interim financial statements for the 3rd quarter ended 30 September 2016 of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board (MASB), paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2015. The accounting policies, method of computation and basis of consolidation applied in the audited interim financial statements are consistent with those used in the preparation of the 2015 audited financial statements except for the changes arising from the adoption of the amendments to MFRS issued by MASB that are effective for the Group’s financial year beginning on 1 January 2016.

(a) Amendments to published standards that are effective and applicable for the Group’s financial year beginning on 1 January 2016

The amendments to published standards issued by MASB that are effective and applicable for the Group’s financial year beginning on 1 January 2016 are as follows:

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10, 12 and 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 5, 7, 119 and 134	Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRSs 2012 – 2014 Cycle”
Amendments to MFRS 101	Disclosure Initiative

The adoption of the above amendments to published standards does not have any material impact to the Group’s financial result, position or disclosure for the current or previous periods nor any of the Group’s significant accounting policies.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

(b) Standards and amendments to published standards that are not yet effective and have not been early adopted

The new standards and amendments to published standards that are applicable to the Group, which the Group has not early adopted, are as follows:

Effective for annual periods on or after 1 January 2017

Amendments to MFRS 107	Disclosure Initiatives
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses

Effective for annual periods on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions

Effective for annual periods on or after 1 January 2019

MFRS 16	Leases
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Effective for annual periods to be announced by MASB

Amendments to MFRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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The adoption of the above applicable standards and amendments to published standards are not expected to have a material impact on the financial statements of the Group except for MFRS 9 and MFRS 15 as explained in the Group's 2015 audited annual financial statements. The Group has yet to assess the full impact of MFRS 16.

There are no other standards, amendments to published standards or Interpretation Committee (IC) Interpretation that are not yet effective that would be expected to have a material impact on the Group.

2. Seasonal or Cyclical Factors

The operations of the Group were not materially affected by any seasonal or cyclical factors.

3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the 3rd quarter and financial period ended 30 September 2016.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

4. Material Changes in Estimates

There were no material changes in estimates reported in the prior interim period or prior financial year.

5. Issuances, Repurchases and Repayments of Debt and Equity Securities

(a) Issuance of Multi-Currency Euro Medium Term Notes (EMTN) Sukuk Programme

On 3 March 2015, Telekom Malaysia Berhad (TM) through its wholly-owned subsidiary, Tulip Maple Berhad (Tulip Maple), received approval from the Securities Commission Malaysia for the establishment of a Multi-Currency Euro Medium Term Notes (EMTN) Sukuk programme of up to USD750.0 million in nominal value (or its equivalent in foreign currencies).

On 25 February 2016, Tulip Maple issued a 10-year USD50.0 million Sukuk due on 25 February 2026. The Sukuk carries a periodic distribution rate of 3.7% per annum payable semi-annually in arrears on 25 August and 25 February of each financial year commencing August 2016.

On 19 August 2016, Tulip Maple issued a 7-year USD50.0 million Sukuk due on 21 August 2023. The Sukuk carries a periodic distribution rate of 1 month LIBOR plus 1.35% per annum payable monthly in arrears on the 19th of every month commencing September 2016.

Proceeds from these transactions were utilised to finance TM's capital expenditure and business operating requirements.

(b) Issuance of Islamic Commercial Papers (ICP) and Islamic Medium Term Notes (IMTN)

On 3 August 2016, the Company issued RM150.0 million nominal value ICP at 3.30% per annum (at discount) which was subsequently redeemed in full upon its maturity on 2 September 2016.

Save for the above, there were no other issuances, repurchases and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the 3rd quarter and financial period ended 30 September 2016.

6. Dividends Paid

A second interim single-tier cash dividend of 12.1 sen per share amounting to RM454.7 million in respect of financial year ended 31 December 2015 was paid on 23 March 2016.

TELEKOM MALAYSIA BERHAD (128740-P)
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information

Segmental information for the Group are as follows:

By Business Segment

All amounts are in RM Million 3rd Quarter Ended 30 September 2016	Mass Market ^{>}	Managed Accounts	Global & Wholesale Business	Shared Services /Others	Total
Operating Revenue					
Total operating revenue	1,296.6	1,190.6	560.2	1,287.7	4,335.1
Inter-segment @	(32.2)	(96.4)	(127.0)	(1,156.4)	(1,412.0)
External operating revenue	1,264.4	1,094.2	433.2	131.3	2,923.1
Results					
Segment profits/(losses)	75.3 ^a	245.4	71.4	(9.5)	382.6
Unallocated income/other gains*					3.6
Unallocated costs [^]					(82.2)
Operating profit before finance cost					304.0
Finance income					35.6
Finance cost					(92.9)
Foreign exchange loss on borrowings					(36.0)
Associates					
-share of results (net of tax)					8.1
Profit before taxation and zakat					218.8
Taxation and zakat					(99.6)
Profit for the financial period					119.2

^a Includes accelerated depreciation and write-off of WiMAX assets amounting to RM29.2 million

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

All amounts are in RM Million 3rd Quarter Ended 30 September 2015	Mass Market ^{>}	Managed Accounts	Global & Wholesale Business	Shared Services /Others	Total
Operating Revenue					
Total operating revenue	1,220.3	1,196.1	599.5	1,345.2	4,361.1
Inter-segment @	(7.5)	(113.1)	(92.5)	(1,225.5)	(1,438.6)
External operating revenue	1,212.8	1,083.0	507.0	119.7	2,922.5
Results					
Segment profits	28.6 ^a	250.8	184.9	13.5	477.8
Unallocated income/other gains*					5.7
Unallocated costs [^]					(35.0)
Operating profit before finance cost					448.5
Finance income					42.8
Finance cost					(85.4)
Foreign exchange loss on borrowings					(153.3)
Associates					
-share of results (net of tax)					6.4
Profit before taxation and zakat					259.0
Taxation and zakat					(123.8)
Profit for the financial period					135.2

^a Includes impairment and write-off of WiMAX assets amounting to RM1.1 million

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

All amounts are in RM Million					
Financial Period Ended	Mass Market^{>}	Managed Accounts	Global & Wholesale Business	Shared Services /Others	Total
30 September 2016					
Operating Revenue					
Total operating revenue	3,867.1	3,593.5	1,649.6	3,955.1	13,065.3
Inter-segment @	(70.9)	(314.8)	(294.2)	(3,561.5)	(4,241.4)
External operating revenue	<u>3,796.2</u>	<u>3,278.7</u>	<u>1,355.4</u>	<u>393.6</u>	<u>8,823.9</u>
Results					
Segment profits	58.6 ^a	760.3	233.5	8.0	1,060.4
Unallocated income/other gains*					70.5
Unallocated costs^					<u>(216.5)</u>
Operating profit before finance cost					914.4
Finance income					121.3
Finance cost					(284.0)
Foreign exchange gain on borrowings					33.8
Associates					
-share of results (net of tax)					<u>22.4</u>
Profit before taxation and zakat					807.9
Taxation and zakat					(299.5)
Profit for the financial period					<u>508.4</u>

^a Includes accelerated depreciation and write-off of WiMAX assets amounting to RM141.0 million

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

All amounts are in RM Million					
Financial Period Ended	Mass Market^{>}	Managed Accounts	Global & Wholesale Business	Shared Services /Others	Total
30 September 2015					
Operating Revenue					
Total operating revenue	3,692.9	3,499.3	1,585.6	4,052.0	12,829.8
Inter-segment @	(18.2)	(312.5)	(275.8)	(3,686.1)	(4,292.6)
External operating revenue	<u>3,674.7</u>	<u>3,186.8</u>	<u>1,309.8</u>	<u>365.9</u>	<u>8,537.2</u>
Results					
Segment profits	28.2 ^a	774.9	342.9	36.0	1,182.0
Unallocated income/other gains*					11.9
Unallocated costs [^]					<u>(197.9)</u>
Operating profit before finance cost					996.0
Finance income					118.9
Finance cost					(236.9)
Foreign exchange loss on borrowings					(209.0)
Associates					
-share of results (net of tax)					<u>18.2</u>
Profit before taxation and zakat					687.2
Taxation and zakat					<u>(254.1)</u>
Profit for the financial period					<u>433.1</u>

^a Includes impairment and write-off of WiMAX assets amounting to RM23.8 million

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

All amounts are in RM Million	Mass Market ^{>}	Managed Accounts	Global & Wholesale Business	Shared Services /Others	Total
Segment assets and liabilities					
As at 30 September 2016					
Segment assets	1,215.5	2,079.5	1,744.8	4,679.4	9,719.2
Associates					43.4
Unallocated assets ^{<}					14,426.1
Total assets					<u>24,188.7</u>
Segment liabilities	1,344.1	793.1	1,108.0	2,956.1	6,201.3
Borrowings					7,925.6
Unallocated liabilities ⁺					2,349.1
Total liabilities					<u>16,476.0</u>
As at 31 December 2015					
Segment assets	1,575.0	2,005.0	1,702.3	4,302.6	9,584.9
Associates					26.3
Unallocated assets ^{<}					14,801.9
Total assets					<u>24,413.1</u>
Segment liabilities	1,123.9	832.6	1,120.5	3,870.1	6,947.1
Borrowings					7,583.7
Unallocated liabilities ⁺					1,843.6
Total liabilities					<u>16,374.4</u>

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

- @ Inter-segment operating revenue relates to inter-division recharge and inter-company revenue and has been eliminated at the respective segment operating revenue. The inter-division recharge was agreed between the relevant lines of business. These inter-segment trading arrangements are subject to periodic review. The inter-company revenue was entered into in the normal course of business.
- * Unallocated income/other gains or losses comprises other operating income and other gains or losses such as dividend income and gain or losses on disposal of available-for-sale investments which has not been allocated to a particular business segment.
- ^ Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital Management, Group Finance, Group Legal, Compliance & Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which were not allocated to a particular business segment.
- < Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets, cash and bank balances of the Company and general telecommunication network and information technology property, plant and equipment at business function division as well as those at corporate divisions.
- + Unallocated liabilities mainly include interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.
- > Mass Market segment for the current quarter and financial period as well as comparatives includes financial information of Webe Digital Sdn Bhd (Webe) (formerly known as Packet One Networks (Malaysia) Sdn Bhd (P1)) and its subsidiaries, reflective of Webe's current customer profile in aligning to the Group's overall operational segmentation.

Certain revenue and cost elements in the comparative period have been revised to better reflect realignment from the movement of Medium Enterprise Business (MEB) customers previously under SME in Mass Market to Enterprise under Managed Accounts cluster.

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8. Material Events Subsequent to the End of the Quarter

There is no other material event subsequent to the reporting date that requires disclosure or adjustments to the unaudited interim financial statements.

9. Effects of Changes in the Composition of the Group

There is no change in the composition of the Group for the 3rd quarter and financial period ended 30 September 2016 save as disclosed below:

(a) Lyfe Medini Sdn Bhd (LMSB)

Pursuant to the Joint Venture and Shareholders Agreement (JVSHA) between TM's wholly-owned subsidiary, Intelsec Sdn Bhd and Township Management Services Sdn Bhd (TMS), a wholly-owned subsidiary of Medini Iskandar Malaysia Sdn Bhd on 3 November 2015, Intelsec has on 15 September 2016 subscribed for additional 1,019,999 ordinary shares of RM1.00 each in LMSB, resulting in Intelsec holding 51% equity interest in LMSB.

(b) Investment by Mobikom Sdn Bhd (Mobikom), a wholly-owned subsidiary of the Group, in Webe Digital Sdn Bhd (Webe) (formerly known as Packet One Networks (Malaysia) Sdn Bhd (P1))

Subsequent to Mobikom's subscription of the Convertible Medium Term Notes (Convertible MTN) issued by Webe as disclosed in note 17(f) of the Group's audited financial statements for the financial year ended 31 December 2015, on 11 February 2016, Mobikom received 10,674,640 new Webe shares pursuant to an early conversion of the Convertible MTN subscribed by Mobikom (Early Conversion). The Early Conversion is a right for Packet One Sdn Bhd (Packet One) to require from Mobikom, as the subscribing noteholder of the Convertible MTN, for an early conversion of RM410,299,000.00 of the Convertible MTN into new ordinary shares of Webe, during a pre-determined conversion period subject to the fulfilment of certain conditions in accordance with the Investment Agreement as referred to in note 5(a) of the Group's audited financial statements for the financial year ended 31 December 2015.

In addition, Webe has also issued 133,726 new Webe shares to Mobikom due to a net debt adjustment in accordance to the terms of the Investment Agreement.

Pursuant to the above an additional 10,808,366 new Webe shares were issued to Mobikom. The Group's shareholding (via Mobikom) of Webe has increased from 55.3% to 72.9% while the remaining shares are held by Green Packet Berhad (GPB) (via Packet One) and SK Telecom Co. Ltd (SKT) at 18.9% and 8.2% respectively with changes in the non-controlling interest's share in Webe reflected as changes in the Group's reserves. On 29 April 2016, P1 changed its name to Webe Digital Sdn Bhd.

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9. Effects of Changes in the Composition of the Group (continued)

(b) Investment by Mobikom Sdn Bhd (Mobikom), a wholly-owned subsidiary of the Group, in Webe Digital Sdn Bhd (Webe) (formerly known as Packet One Networks (Malaysia) Sdn Bhd (P1)) (continued)

On 7 September 2016, Mobikom subscribed to RM495,000,000.00 nominal value of the second tranche issuance of the Convertible MTN under the Convertible MTN Programme issued by Webe. The proceeds of this Convertible MTN subscription will be utilised to fund the implementation of Webe's business plan.

As a result of Mobikom's subscription to the Convertible MTN, the Group's shareholding (via Mobikom) in Webe on a fully diluted basis is 82.0%, while GPB (via Packet One) and SKT is 13.2% and 4.8% respectively, under the terms of the Investment Agreement. However, the Group's shareholding (via Mobikom) in the ordinary equity of Webe remains at 72.9%, subject to further conversion of the Convertible MTNs and/or exchange and conversion of the Exchangeable Medium Term Note (Exchangeable MTN) into Webe's Shares.

10. Changes in Contingent Liabilities Since the Last Annual Reporting Period

Other than material litigations as disclosed in part B, note 11 of this announcement, there was no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2015.

11. Capital Commitments

	Group	
	30/9/2016	31/12/2015
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	3,592.3	3,570.9
Commitments in respect of expenditure approved but not contracted for	2,656.8	3,712.7

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12. Related Party Transactions

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.65% equity interest and is a related party of the Group. Khazanah is a wholly-owned entity of MoF Inc, which is in turn owned by the Ministry of Finance, a ministry of the Federal Government of Malaysia. Therefore, the Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are also related parties to the Group.

The individually significant transactions that the Group entered into with identified related parties and their corresponding balances for the provision of telecommunications related services as at the respective reporting dates are as follows:

	Total amount of individually significant transactions for the financial period ended		Corresponding outstanding balances as at	
	30/9/2016 RM Million	30/9/2015 RM Million	30/9/2016 RM Million	31/12/2015 RM Million
Sales and Receivables	537.7	598.1	93.2	69.8

The Group also has individually significant contracts with other Government-related entities where the Group was provided funding for projects of which the amortisation of grants to the income statement in the current year was RM261.6 million (YTD September 2015: RM215.0 million) with corresponding receivables of RM152.2 million (31 December 2015: RM219.5 million).

In addition to the above, the Group has transactions that are collectively, but not individually significant with other Government-related entities in respect of the provision of telecommunications related services as well as procurement of telecommunications and related equipments and services in the normal course of business.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

13. Fair Value

The following should be read in conjunction with note 47 of the Group's audited financial statements for the financial year ended 31 December 2015.

(a) Financial Instruments Carried at Fair Value

The following table presents the Group's financial assets and liabilities that are measured at fair value as at the respective reporting date.

	30/9/2016				31/12/2015			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Assets								
Financial assets at fair value through profit or loss								
-quoted securities	6.9	-	-	6.9	6.6	-	-	6.6
Derivatives at fair value through profit or loss	-	7.4	-	7.4	-	8.2	-	8.2
Derivatives accounted for under hedge accounting	-	118.8	201.5	320.3	-	121.0	206.1	327.1
Available-for-sale financial assets								
-investments	-	666.9	58.7	725.6	-	612.8	58.7	671.5
-receivables	-	5.0	-	5.0	-	6.0	-	6.0
Total	6.9	798.1	260.2	1,065.2	6.6	748.0	264.8	1,019.4
Liabilities								
Derivatives accounted for under hedge accounting	-	6.5	-	6.5	-	16.7	-	16.7
Put option liability over shares held by non-controlling interest	-	-	281.5	281.5	-	-	305.2	305.2
Total	-	6.5	281.5	288.0	-	16.7	305.2	321.9

There has not been any change to the valuation techniques applied for the different financial instruments since 31 December 2015 and there were no transfers of any instruments between level 1, 2 and 3 of the fair valuation hierarchy during the financial period.

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13. Fair Value (continued)

(b) Financial Instruments Other Than Those Carried at Fair Value

There has not been significant changes in the differences between the carrying amount and fair value of financial instruments carried at other than fair value from the disclosures in note 47(b) of the Group's audited financial statements for the financial year ended 31 December 2015, other than below:

	As at 30/9/2016		As at 31/12/2015	
	Carrying amount RM Million	Net fair value RM Million	Carrying amount RM Million	Net fair value RM Million
Liabilities				
Borrowings	7,925.6	8,782.8	7,583.7	8,146.6

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance

(a) Quarter-on-Quarter

(i) Group Performance

For the current quarter under review, Group revenue increased by RM0.6 million (0.02%) to RM2,923.1 million as compared to RM2,922.5 million in the same quarter last year, mainly due to higher revenue from Internet and multimedia, other telecommunication related services and non-telecommunication related services partially offset by reduction in voice and data services.

Internet and multimedia services registered 8.8% higher revenue of RM918.8 million in the current quarter from RM844.5 million in the corresponding quarter last year which was mainly due to increase in UniFi customer base of 921,000 at the end of the current quarter compared to 793,000 at the end of corresponding quarter last year.

Operating profit before finance cost decreased by RM144.5 million (32.2%) to RM304.0 million from RM448.5 million recorded in the same quarter last year due to higher operating costs which includes accelerated depreciation of WiMAX assets and write-off of dismantled sites. There were also minimal foreign exchange losses on international settlement in the current quarter compared to a significant net gain in corresponding quarter last year.

Group profit after tax and non-controlling interests (PATAMI) decreased by RM7.0 million (4.2%) to RM159.8 million from RM166.8 million in line with the decrease of operating profit before finance cost.

(ii) Segment Performance

Mass Market

Revenue increased by RM76.3 million (6.3%) from RM1,220.3 million to RM1,296.6 million in the current quarter mainly due to higher cumulative UniFi customers of 904,000 as compared to 779,000 as at the end of corresponding quarter last year and continuing increase in the number of buys of Premium Channels and Video-on-Demand (VOD) despite decline in voice. The current quarter gain of RM75.3 million was mainly due to lower operating costs compared to corresponding quarter last year.

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1. Review of Performance (continued)

(a) Quarter-on-Quarter (continued)

(ii) Segment Performance (continued)

Managed Accounts

Managed Accounts recorded a RM5.5 million (0.5%) decrease in revenue from RM1,196.1 million to RM1,190.6 million in the 3rd quarter of 2016 despite increase in revenue from Internet and multimedia, and other telecommunication services. This result in a decrease of profit by 2.2% (RM5.4 million) to RM245.4 million in the current quarter from RM250.8 million in the corresponding quarter last year.

Global & Wholesale

Revenue for the current quarter decreased RM39.3 million (6.6%) from RM599.5 million in 3rd quarter last year to RM560.2 million in the 3rd quarter of 2016 mainly due to lower voice revenue from bilateral minutes. Correspondingly, profit for the current quarter decreased by 61.4% (RM113.5 million) from RM184.9 million in the corresponding quarter last year to RM71.4 million due to higher operating cost and foreign exchange loss.

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1. Review of Performance (continued)

(b) Year-on-Year

(i) Group Performance

For the period under review, Group revenue increased by 3.4% to RM8,823.9 million as compared to RM8,537.2 million in the corresponding period last year, mainly due to higher revenue from Internet and multimedia, non-telecommunications related services, other telecommunication related services and data.

Operating profit before finance cost decreased 8.2% (RM81.6 million) to RM914.4 million as compared to RM996.0 million recorded in the preceding year mainly due to impact of accelerated depreciation of WiMAX assets and write-off of dismantled sites.

Group profit after tax and non-controlling interests (PATAMI) increased 22.4% to RM621.7 million as compared to RM507.8 million in the corresponding period last year primarily due to foreign exchange gains from borrowings of the Group arising from the strengthening Malaysian Ringgit against US Dollar over the current period.

(ii) Segment Performance

Mass Market

Revenue for the current financial period increased by 4.7% to RM3,867.1 million contributed by higher UniFi revenue in line with the increase in customer base from 779,000 as at 30 September 2015 to 904,000 as at 30 September 2016 and continuing higher number of buys of HyppTV Premium Channels, VOD and number of buys of TV-over-Streamyx (TVOS) content. Profit for the current financial period increased by RM30.4 million (107.8%) to RM58.6 million from RM28.2 million in the corresponding period last year mainly due to lower operating costs.

Managed Accounts

Managed Accounts recorded an increase in revenue by RM94.2 million from RM3,499.3 million to RM3,593.5 million in the current financial period mainly contributed by higher revenue from Internet and multimedia, other telecommunication services, which includes Information and communication technology (ICT) and Business Process Outsourcing (BPO) revenue partially offset by decline in voice and data. Profit for the current financial period decreased 1.9% to RM760.3 million from RM774.9 million mainly due to higher increase in operating costs compared to increase in revenue.

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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

1. Review of Performance (continued)

(b) Year-on-Year (continued)

(ii) Segment Performance (continued)

Global & Wholesale

Global & Wholesale registered revenue of RM1,649.6 million for the current period a RM64.0 million (4.0%) increase from RM1,585.6 million reported in the corresponding period last year. This was mainly due to higher data revenue from international capacity and wholesale ethernet. Profit decreased 31.9% (RM109.4 million) from RM342.9 million in the corresponding period last year to RM233.5 million in the current financial period due to higher operating cost.

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1. Review of Performance (continued)

(c) Economic Profit Statement

	3rd Quarter Ended		Financial Period Ended	
	30/9/2016 RM Million	30/9/2015 RM Million	30/9/2016 RM Million	30/9/2015 RM Million
EBIT	307.1	449.0	868.1	997.9
Adjusted Tax	73.7	112.3	208.3	249.5
NOPLAT	233.4	336.7	659.8	748.4
AIC	3,732.4	3,618.6	11,197.3	10,855.9
WACC	6.64%	7.39%	6.63%	7.43%
ECONOMIC CHARGE	247.8	267.4	742.4	806.6
ECONOMIC (LOSS)/PROFIT	(14.4)	69.3	(82.6)	(58.2)

Definitions:

EBIT = Earnings before Interest & Taxes

NOPLAT = Net Operating Profit after Tax

AIC = Average Invested Capital

WACC = Weighted Average Cost of Capital

Economic Profit (EP) is a yardstick to measure shareholder value as it provides a more accurate picture of underlying economic performance of TM Group vis-à-vis its financial accounting reports, i.e. it explains how much returns a business generates over its cost of capital. This is measured by the difference of NOPLAT and Economic Charge.

TM Group recorded Economic Loss in the current quarter and higher Economic Loss in the current financial period to date due to lower NOPLAT which resulted from lower EBIT. The lower economic charge in the current quarter and financial period is attributed to lower WACC arising from lower cost of equity. Higher AIC was mainly due to increase in property, plant and equipment and other non-current receivable balances.

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2. Comparison with Preceding Quarter's Results

The current quarter Group revenue decreased by 4.0% (RM122.3 million) to RM2,923.1 million as compared to RM3,045.4 million recorded in the second quarter of 2016 primarily due to lower revenue from telecommunication related services, data and voice.

Operating profit before finance cost increased to RM304.0 million from RM280.0 million recorded in the preceding quarter due to the higher reduction in operating costs which included lower bad debt expenses compared to the reduction in revenue.

The above increase in operating profit before finance cost resulted in an increase of Group PATAMI from RM139.5 million in the preceding quarter to RM159.8 million.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

3. Prospects for the Current Financial Year

For 2016, Malaysian Institute of Economic Research (MIER) maintains Malaysia's real GDP growth at 4.2%. As external sector remains sluggish due to the global slowdown, more weight is given to domestic demand to steer growth. As for 2017, real GDP growth is expected to edge up, registering growth of between 4.5 – 5.5%. (Source: MIER Economic Outlook, 18 October 2016).

Entering the fourth quarter of 2016, TM is further strengthening its position as Malaysia's Convergence Champion by supporting the Government's aspiration to make high speed broadband access more affordable for the Rakyat, acknowledging the importance of digital connectivity to revolutionise Malaysia's economic activity. In October 2016, TM announced its Broadband Improvement Plan for 2017, which will benefit TM's home customers in the High Speed Broadband (HSBB) and Sub-urban Broadband (SUBB) project areas. Under the initiative, eligible customers (subject to technical availability) will be upgraded to the next best plan in phases starting from January 2017. In addition, TM will also introduce a new greater value broadband package offering for non-UniFi customers in 2017. To date, TM has more than 2.37 million broadband customers, of which 921,000 are UniFi customers. More than 62% of TM's broadband customers currently subscribes to 4Mbps and above of which 75% are on 10Mbps and above.

In this quarter, TM signed with certain property developers to work closely to strengthen the existing telecommunication and ICT infrastructure and facilitate the deployment of Smart Services, converged telecommunications and ICT with the deployment of a comprehensive Smart Services ecosystem for their developmental projects. With the availability of connectivity, ICT and Internet of Things (IoT) solutions integrated in local property developments, we will be able to deliver an enhanced digital lifestyle to more Malaysians.

We are also pleased with the recent launch of Webe on 30th September 2016, which introduced one simple plan for unlimited calls, text and data usage. As a start, a reduced price of RM79 per month has been made available to everyone for a limited period. Webe's launch extends TM's promise of 'Life and Business Made Easier' into the mobile space and it perfectly fits into our converged suite of offerings.

We look forward to continue our journey this year as we embrace our transformation focusing on convergence, going digital, innovation and productivity. We will continue to boost our efforts to offer relevant fixed and mobile connectivity services, ICT and smart services solutions to cater for individual lifestyles of Malaysians and businesses alike, in line with our vision "To Make Life and Business Easier, for a Better Malaysia".

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4. Variance of Actual Profit from Forecast Profit/Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the 3rd quarter and financial period ended 30 September 2016.

5. Taxation

The taxation charge for the Group comprises:

	3rd Quarter Ended		Financial Period Ended	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM Million	RM Million	RM Million	RM Million
<u>Malaysia</u>				
Income Tax:				
Current year	43.7	147.1	122.7	206.7
Prior year	0.1	68.0	0.1	67.4
Deferred tax (net)	52.0	(90.6)	173.0	(23.2)
	95.8	124.5	295.8	250.9
<u>Overseas</u>				
Income Tax:				
Current year	0.5	0.2	0.8	0.8
Prior year	#	(0.1)	(0.5)	0.5
Deferred tax (net)	(0.8)	(0.9)	(0.7)	0.8
	(0.3)	(0.8)	(0.4)	2.1
Taxation	95.5	123.7	295.4	253.0
Zakat	4.1	0.1	4.1	1.1
Taxation and Zakat	99.6	123.8	299.5	254.1

Amount less than RM0.1 million

The current and comparative quarter's effective tax rates of the Group are higher than the statutory tax rate primarily due to losses before tax from Webe for which no corresponding tax losses or deferred tax asset has been recognised at this juncture.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

6. Status of Corporate Proposals

ESTABLISHMENT OF A LONG TERM INCENTIVE PLAN UP TO TEN PERCENT (10%) OF THE ISSUED AND PAID-UP ORDINARY SHARES OF TM (EXCLUDING TREASURY SHARES) FOR THE ELIGIBLE EMPLOYEES AND EXECUTIVE DIRECTORS OF TM AND ITS SUBSIDIARIES (LTIP)

On 9 March 2016, TM announced the proposal to establish a long term incentive plan of up to ten percent (10%) of the issued and paid-up ordinary share capital of TM (excluding treasury shares, if any) at any point in time over the duration of the LTIP (LTIP Period), for the employees and executive directors of TM and its subsidiaries (TM Group), who fulfill the eligibility criteria as stipulated in the By-Laws for the LTIP (Eligible Employees).

The LTIP serves to retain, motivate and reward employees of TM Group through the grant of ordinary shares of RM0.70 each in TM (TM Shares or Shares) (Grant) as determined by TM's existing Nomination and Remuneration Committee or a separate committee to be established to administer the LTIP (LTIP Committee) in accordance with the by-laws governing the LTIP (By-Laws).

The LTIP will comprise a restricted share (RS) Grant and performance share (PS) Grant. For clarification purposes, the main differences in the features of the RS Grant and the PS Grant are the eligibility of the Eligible Employees in terms of their job grades in the Group, the performance metrics to be met of which, will be determined prior to the grant being made in writing to the Eligible Employees as well as the vesting periods of the Grant to the Eligible Employees. (The RS Grant and PS Grant are collectively referred to as the Grants. An Eligible Employee who has accepted a RS Grant (RS Grantee) and an Eligible Employee who has accepted a PS Grant (PS Grantee) (as the case may be) are collectively referred to as the Grantees).

Following TM's submission of an application to Bursa Malaysia Securities Berhad (Bursa Securities) on 18 March 2016, Bursa Securities approved on 30 March 2016 the listing of and quotation for such number of new shares of TM, representing up to ten percent (10%) of the issued and paid up share capital of TM (excluding treasury shares), to be issued pursuant to the LTIP subject to conditions as stipulated in Bursa Securities letter dated 30 March 2016.

At the Extraordinary General Meeting of TM held on 28 April 2016, the shareholders approved the LTIP and the Grants of TM Shares to Managing Director/Group Chief Executive Officer, Executive Director/Group Chief Financial Officer and Persons Connected to a Director.

The approved LTIP program is for a period of ten (10) years. Having obtained all required approvals and complied with the requirements pertaining to the LTIP, the LTIP program has been implemented with effect from 29 September 2016.

Save as disclosed above, there is no corporate proposal announced and not completed as at the latest practicable date.

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7. Group Borrowings and Debt Securities

(a) Analysis of the Group's borrowings and debt securities are as follows:

	30/9/2016		31/12/2015	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Secured	29.4	96.4	119.9	134.1
Total Unsecured	370.3	7,429.5	288.4	7,041.3
Total Borrowings	399.7	7,525.9	408.3	7,175.4

(b) Foreign currency borrowings and debt securities are as follows:

	30/9/2016	31/12/2015
Foreign Currency	RM Million	RM Million
US Dollar	2,103.1	1,849.6
Canadian Dollars	3.0	3.1
Japanese Yen	318.3	278.3
Total	2,424.4	2,131.0

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8. Derivative Financial Instruments

(a) Analysis of the Group's Derivative Financial Instruments is as follows:

Derivatives (by maturity)	Contract or notional amount RM Million	Fair value as at 30/9/2016		Fair value as at 31/12/2015	
		Assets RM Million	Liabilities RM Million	Assets RM Million	Liabilities RM Million
1. Forward Foreign Currency Contract	19.3	-	-	0.4	-
	19.3	-	-	0.4	-
2. <u>Interest Rate Swaps (IRS)</u>					
- less than 1 year	500.0	1.1	-	1.8	-
- more than 3 years	206.8	-	6.5	-	-
	706.8	1.1	6.5	1.8	-
3. <u>Cross Currency Interest Rate Swaps (CCIRS)</u>					
- 1 year to 3 years	298.9	20.3	-	-	16.7
- more than 3 years	627.3	298.9	-	325.3	-
	926.2	319.2	-	325.3	16.7
4. <u>Put Option liability over shares held by non-controlling interest</u>					
- more than 3 years	-	-	281.5	-	305.2
	-	-	281.5	-	305.2
5. <u>Call Option over shares held by non-controlling interest</u>					
- more than 3 years	87.1	7.4	-	7.8	-
	87.1	7.4	-	7.8	-
Total	1,739.4	327.7	288.0	335.3	321.9

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

8. Derivative Financial Instruments (continued)

(b) Changes to Derivatives Financial Instrument

The changes to derivative financial instruments in the current financial year are as follows:

(i) Interest Rate Swap (IRS) Contract

Underlying Liability

USD50.0 million 1 month LIBOR plus 1.35% Islamic Euro Medium Term Notes (EMTN) due in 2023.

In 2016, the Company, through its wholly-owned subsidiary, Tulip Maple Berhad issued USD50.0 million Sukuk due in 2023.

Hedging Instrument

On 19 August 2016, the Company entered into an IRS agreement with a notional amount of USD50.0 million that entitles it to receive interest semi-annually at a monthly accrued floating rate of 1 month LIBOR plus 1.35% per annum. The Company is obliged to pay interest at a fixed rate of 2.85% per annum. The swap will mature on 21 August 2023.

(c) Financial Risk Management Objectives and Policies

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

- (i) The types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts; and
- (ii) The risk management policies in place for mitigating and controlling the risks associated with these derivative financial instrument contracts.

The details on the above, the valuation and the financial effects of derivative financial instruments that the Group has entered into are discussed in note 4, 19 and 46 to 49 to the Group's audited financial statements for the financial year ended 31 December 2015.

(d) Related Accounting Policies

The related accounting policies of the Group in respect of derivative financial instruments and hedge accounting are disclosed in note 2 to the Group's audited financial statements for the financial year ended 31 December 2015.

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

8. Derivative Financial Instruments (continued)

(e) Gains/(Losses) Arising from Fair Value Changes of Financial Instruments

The amount of gains/(losses) arising from fair value changes of derivative financial instruments for the current and cumulative quarters ended 30 September 2016 are as follows:

Derivatives (by maturity)	Contract or notional value RM Million	Fair value RM Million	Gains/(Losses) arising from fair value changes for the	
			3rd quarter RM Million	Period to date RM Million
Financial Liabilities				
1. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱ⁾ - 1 year to 3 years	-	-	-	16.7
	-	-	-	16.7
2. <u>Interest Rate Swaps</u> ⁽ⁱ⁾ - more than 3 years	206.8	6.5	(6.5)	(6.5)
	206.8	6.5	(6.5)	(6.5)
3. <u>Put Option liability over shares held by non-controlling interest</u> ⁽ⁱⁱⁱ⁾ - more than 3 years	-	281.5	(7.0)	23.7
	-	281.5	(7.0)	23.7
Total	206.8	288.0	(13.5)	33.9
Financial Assets				
1. Forward Foreign Currency Contract	19.3	-	-	(0.4)
	19.3	-	-	(0.4)
2. <u>Interest Rate Swaps</u> ⁽ⁱ⁾ - less than 1 year	500.0	1.1	-	(0.7)
	500.0	1.1	-	(0.7)
3. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱ⁾ - 1 year to 3 years	298.9	20.3	10.7	20.3
- more than 3 years	627.3	298.9	36.7	(26.5)
	926.2	319.2	47.4	(6.2)
4. <u>Call Option over shares held by non-controlling interest</u> - more than 3 years	87.1	7.4	(3.4)	(0.4)
	87.1	7.4	(3.4)	(0.4)
Total	1,532.6	327.7	44.0	(7.7)

(i) Fair value hedges accounted for under hedge accounting.

(ii) Cash flow hedges accounted for under hedge accounting.

(iii) Derivative relating to equity instrument accounted for under MFRS 132 Financial Instruments: Presentation for which the obligation at inception is recognised in Other Reserves.

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8. Derivative Financial Instruments (continued)

(e) Gains/(Losses) Arising from Fair Value Changes of Financial Instruments (continued)

The fair value of existing interest rate swaps arise from the changes in present value of its future cash flows against the prevailing market interest rates. The fair value of existing forward foreign exchange contracts is determined by comparing forward exchange market rates at the balance sheet date against its prevailing foreign exchange rates.

The Marked to Market (MTM) on the IRS is positive when the expectation of relevant future interest rate decreases and vice versa. The MTM on forward contract is positive when the expectation of USD against RM currency is strengthened and vice versa.

The MTM on the CCIRS is positive when the expectation of the relevant foreign currency against RM strengthens or the expectation of future RM interest rate increases and vice versa.

9. Realised and Unrealised Profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits is as follows:

	Group	
	30/9/2016	31/12/2015
	RM Million	RM Million
Retained profits		
- realised	2,490.6	2,367.7
- unrealised - in respect of deferred tax recognised in the income statement	(1,528.6)	(1,356.1)
- in respect of other items of income and expense	496.7	480.2
Share of accumulated profit from associates		
- realised	60.3	37.9
	1,519.0	1,529.7
Add: consolidation adjustments	2,466.6	2,638.4
Total Retained Profits	3,985.6	4,168.1

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

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10. Additional Disclosures

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the Consolidated Income Statement for the 3rd quarter and financial period ended 30 September 2016:

	3rd Quarter Ended		Financial Period Ended	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	RM Million	RM Million	RM Million	RM Million
Reversal of Impairment/ (Impairment) of trade and other receivables (net of recoveries)	20.3	(56.2)	(28.8)	(164.4)
Inventory (charges)/reversal for write off and obsolescence	(0.5)	(0.5)	0.1	(0.2)
Gain on disposal of fixed income securities	0.5	0.2	1.5	0.8
Gain/(Loss) on foreign exchange on settlements and placements	1.2	120.4	(7.4)	127.9

11. Material Litigation

With reference to the following material litigation cases as disclosed under Contingent Liabilities in note 50 to the audited financial statements of the Group for the financial year ended 31 December 2015, listed below are updates of the relevant cases since the date of the last audited financial statements:

(a) Mohd Shuaib Ishak (MSI) vs TM, TESB, Celcom and 11 Others

On 6 July 2012, the High Court proceeded with the hearing of the Striking Out Application. On 20 July 2012, the High Court found in favour of TM and granted an order in terms of the Striking Out Application.

On 13 August 2012, MSI filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal was dismissed on 30 October 2013.

On 28 November 2013, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal above stated.

On 1 March 2016, the Federal Court dismissed the said application with costs of RM10,000.00.

Based on the Federal Court's decision and TM's external legal advice, the legal suit brought by MSI against TM has effectively ended.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

11. Material Litigation (continued)

(b) Menara Intan Langkawi Sdn Bhd (MIL) & HBA Development Bhd (HBA) vs TM Facilities Sdn Bhd (TMF)

On 18 November 2013, TMF's solicitors were served with a Summary Judgment Application in which MIL seeks for the following Orders from the High Court:

- (i) An Order for declaration that TMF has wrongfully and unlawfully terminated the Agreement;
- (ii) An Order for assessment of damages to be paid by TMF to MIL for all the damages and losses suffered by MIL as compensation for the termination of the Agreement wrongfully and unlawfully;
- (iii) An Order for TMF to pay MIL immediately after the assessment of damages by the Court; and
- (iv) Interest and cost.

On 26 May 2014, MIL withdrew the Summary Judgment Application. The legal suit then proceeded for trial on 26 - 27 May 2014 and on 23 - 24 June 2014.

On 31 October 2014, the High Court dismissed MIL's claim and awarded costs in the sum of RM50,000.00 in favour of TMF.

On 12 November 2014, MIL filed its appeal against the said decision of the High Court. The Court of Appeal has yet to fix any hearing date for the appeal.

On 15 April 2015, the Court of Appeal allowed the extension of time sought by MIL in respect of the filing of the Record of Appeal with cost in the sum of RM2,000.00 to be paid to TM.

On 2 December 2015, the Court of Appeal allowed MIL's solicitors' application to discharge themselves from representing MIL with no order as to costs.

The Court of Appeal further allowed TMF's application for security for costs in the sum of RM30,000.00 with costs of RM3,000.00 to be paid by MIL to TMF. The appeal shall, unless the security for costs is paid to TMF within a period of 14 days, be dismissed by the Court of Appeal with costs to be paid by MIL to TMF.

On 3 February 2016, TMF's solicitors served the sealed copy of the order to MIL and demanded the payment of the security for costs within a period of 14 days from the date of service, failing which TMF's solicitors will file a motion by way of application to strike out MIL's appeal.

On 24 March 2016, TMF's solicitors filed a Notice of Motion to strike out MIL's appeal.

On 11 May 2016, the Court of Appeal allowed TMF's application to strike out MIL's appeal ("Order") with cost of RM1,000.00.

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11. Material Litigation (continued)

(b) Menara Intan Langkawi Sdn Bhd (MIL) & HBA Development Bhd (HBA) vs TM Facilities Sdn Bhd (TMF) (continued)

On 15 August 2016, TMF's solicitors served the sealed Order on the registered and business addresses of MIL and MIL may file an application to the Court of Appeal to set aside the Order within a period of thirty (30) days from the date of receipt of the sealed Order by MIL.

On 15 September 2016, TMF's solicitors informed that the period of the said thirty (30) days has lapsed and they have not been served with any application from MIL to set aside the Order.

Based on the said Order and TMF's solicitors' legal advice, the legal suit brought by MIL against TMF has effectively comes to an end.

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of the Company and/or its subsidiaries.

12. Earnings per Share (EPS)

	3rd Quarter Ended		Financial Period Ended	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
Basic/Diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	159.8	166.8	621.7	507.8
Weighted average number of ordinary shares (million)	3,757.9	3,757.9	3,757.9	3,734.2
Basic/Diluted earnings per share (sen) attributable to equity holders of the Company	4.2	4.4	16.5	13.6

Basic earnings per share was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of issued and paid-up ordinary shares during the financial period.

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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

13. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2015 were not subject to any qualification.

14. Dividends

(a) On 30 August 2016, the Board of Directors declared an interim single-tier cash dividend of 9.3 sen per share for the financial year ending 31 December 2016 (2015: an interim single-tier cash dividend of 9.3 sen per share). Subsequent to 30 September 2016, the dividend was paid on 7 October 2016 to shareholders whose names appear in the Register of Members and Record of Depositors on 20 September 2016.

(b) No dividend is declared for the current quarter ended 30 September 2016.

By Order of the Board

Idrus Ismail (LS0008400)
Hamizah Abidin (LS0007096)
Zaiton Ahmad (MAICSA 7011681)

Secretaries

Kuala Lumpur
25 November 2016