



NEWS RELEASE

Kuala Lumpur

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**TM DELIVERS ON CONVERGENCE - REPORTS SOLID FY 2016 GROUP PERFORMANCE;
MEETS ALL 3 HEADLINE KPIS AND**

DECLARES 2ND INTERIM DIVIDEND OF 12.2 SEN PER SHARE

*Group Revenue Crosses RM12.0 Billion; 10.8% Higher PATAMI Performance at RM776.0 Million;
Customer Satisfaction Measure above Global Telco Average*

Key Highlights of Financial Year (FY) 2016

- **Met all 3 Headline KPIS:**
 - **Group Revenue grew 2.9% to RM12.06 billion**
 - **Group Operating Profit (Earnings Before Interest and Tax (EBIT)) stood at RM1.15 billion**
 - **Customer Satisfaction Measure (TRI*M index) score of more than 72, above global telco average of 68**
- **Group Reported Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increased 2.5% at RM3.79 billion**
- **Group Reported Profit Before Tax (PBT) stood at RM918.5 million**
- **Group Reported Net Profit (PATAMI) higher by 10.8% at RM776.0 million**
- **On track to become Malaysia's Convergence Champion**
 - **Broadband customer base grew to 2.37 million, led by UniFi**
 - **Healthy UniFi take up rate at 43% of available ports nationwide with over 949,000 customers**
 - **webe launched in September 2016 and well on track**
- **Met dividend commitment - declares 2nd interim dividend of 12.2 sen per share or RM458.5 million; total dividend payout of 21.5 sen per share or RM808.0 million**

Telekom Malaysia Berhad (TM) today announced a 2.9% growth in Group Revenue to RM12.06 billion for the financial year ended 31 December 2016 against RM11.72 billion recorded in the corresponding period last year. The Group met all its Headline Key Performance Indicators (KPIs) for 2016. Performance was mainly driven by non-voice services, which now collectively represent 72% of Group revenue.

Group Reported Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was 2.5% higher against FY 2015 at RM3.79 billion mainly due to higher total revenue.

Group Operating Profit (Earnings Before Interest and Tax (EBIT)) for FY 2016 was RM1.15 billion, lower by 8.2% against last year due to higher operating costs and the impact of accelerated depreciation of WiMAX assets. Excluding one-off items such as unrealised foreign exchange gain on international trade settlement and the Group's early retirement scheme, Group Normalised EBIT stood at RM1.19 billion, 4.4% lower than the previous year.

Group Reported Profit Before Tax (PBT) was higher at RM918.5 million, against RM911.8 million last year.

TM reported a 10.8% increase in its Group Reported Net Profit (PATAMI) to RM776.0 million as compared to RM700.3 million recorded last year primarily due to other gains, lower foreign exchange losses on Group borrowings as well as tax incentives recognised in FY 2016. However, stripping off its non-operational items, Normalised PATAMI was 6.3% lower, at RM847.9 million against last year.

Speaking at the press conference after announcing the Company's 2016 full-year financial results, Tan Sri Zamzamairani Mohd Isa, Group Chief Executive Officer of TM said: "2016 was both exciting and challenging for TM. Over the year, we saw an aggressive rollout of LTE and launched webe. As expected we saw increased expenditure in the last quarter as we kicked off the Year of Convergence."

"Overall, we had a solid FY 2016 performance with revenue growth seen across all customer clusters mainly driven by non-voice revenue. Our broadband customer base remains strong, led by UniFi. We closed the year with a wider HSBB footprint of 2.23 million ports nationwide, with an overall take up rate of 42.6%. As at 31 December 2016, we recorded a total broadband customer base of more than 2.37 million customers. On UniFi, we have more than 949,000 customers activated at 4Q2016. 79.0% of them were on the speed of 10Mbps and above. The strong take up of our higher value packages and more people buying content, as well as traction in upselling resulted in a strong ARPU trend," he added.

Total capex spent for FY 2016 as a percentage of revenue was 27.5%, amounting to RM3.3 billion due to our investments in preparation for future growth.

The Group achieved a TRI*M index score of more than 72 again - higher than the global telco average score of 68 for the 6th consecutive year; a testament to our concerted efforts in improving customer experience.

TM remains strong in its commitment of value creation to shareholders through sustainable return on capital. In line with the Group's dividend policy, TM is 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 1st interim dividend of 9.3 sen per share amounting to RM349.5 million which was paid in October 2016, the total dividend payout is 21.5 sen per share, or RM808.0 million. The dividend will be paid on 24 March 2017.

"On our outlook and business priorities in the coming year, we will continue to leverage on the strategic investments we had made to realise our Convergence and "Go Digital" aspirations as we move beyond connectivity into quad play, and new value added digital and smart services. As Malaysia's Convergence Champion, we will continue to offer relevant convergence propositions via the 5 pillars of Smarter Living, Smarter Businesses, Smarter Cities, Smarter Communities and a Smarter Nation. This will cater to individual lifestyles and businesses alike, in line with our vision "To Make Life and Business Easier, for a Better Malaysia".

As for "Go Digital", we are 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," Tan Sri Zam elaborated.

At the end of the session, TM shared its Headline KPIs for 2017 and the mid-term target (2019) respectively. They are revenue growth of 3.5% to 4.0% in 2017, EBIT levels to be maintained at the same Ringgit (RM) amount as at FY 2016 and Customer Satisfaction Measure of 73. For the mid-term, the Headline KPI is revenue growth of 3.5% to 4.0%, EBIT growth of 3.5% to 4.0% and Customer Satisfaction Measure of 73. The KPIs for the financial measures include webe, in line with our Convergence strategy and “Go Digital” aspiration.

Comparison: Quarter-on-Quarter (4Q2016 vs 3Q2016 Results)

The 4Q2016 performance was impacted by higher unrealised foreign exchange loss, increased depreciation overall, including accelerated depreciation for WiMAX assets.

For the current quarter under review, Group Revenue grew by 10.7% at RM3.24 billion QoQ.

Group EBITDA was higher by 3.2% at RM970.9 million QoQ on the back of the higher operating revenue.

Group EBIT stood at RM285.9 million QoQ whilst Group Reported PBT stood at RM110.6 million.

Group PATAMI was RM154.3 million compared to RM159.8 million in the preceding quarter. Stripping off impact from net foreign exchange losses and early retirement scheme, Normalised PATAMI increased 30.1% QoQ to RM269.9 million from RM207.5 million in 3Q2016.

Prospects for the Next Financial Year Ending 31 December 2017

2016 was a fulfilling ‘Year of Convergence’ for TM as it made good progress in steadily building our ecosystem towards becoming Malaysia’s Convergence Champion.

The successful launch of webe in September 2016 was an important milestone for the Company as it marks our entrance into the mobility space thus enabling its customers to enjoy a truly seamless connectivity experience with TM. Its converged suite of quad play service offerings is now finally complete, comprising fixed (telephony and broadband), mobility, content, WiFi and smart services all under one roof. TM remains committed in its support to the Malaysian Government with the High Speed Broadband Phase 2 (HSBB 2) and Sub-Urban Broadband (SUBB) projects. The implementation of these projects are currently on track.

For Mass Market segment, the all new UniFi Advance and Pro plans also received good traction, achieving 509,000 customers to date, translating to 54% of its total UniFi customer base. The Broadband Improvement Plan (BIP) tabled during National Budget 2017 was also timely as TM embarked on offering higher broadband speeds through UniFi Advance and Pro. TM is fully supportive of the Government’s objective towards improving the affordability, reach and quality of broadband services, thus in 2017 under the implementation of the BIP, the Group will accelerate its transformation plans and work on introducing package upgrade offerings, bringing the cost per Mbps down, enabling customers to enjoy higher broadband speeds at more competitive prices.

2016 also witnessed exciting developments on the business side as TM revitalised and rebranded our Managed Accounts segment to 'TM Business Solutions', explored collaborations with property developers on smart solutions and services as well as launched VADS Marketplace, Malaysia's first cloud exchange service, aimed at small and medium-sized enterprises (SMEs). The year ended with TM expanding its regional footprints via a new South East Asia – Middle East – Western Europe 5 (SEA-ME-WE 5) submarine cable spanning over 18 countries from South East Asia to Western Europe.

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 Group also foresees potential for new growth opportunities in its TM Business Solutions segment. TM looks forward to tap on these by shifting towards selling Converged Customer Solutions (that includes ICT, BPO, Smart Services), that meet the specific needs of its prioritised verticals. TM will also focus on monetising its investments in VADS' Twin Core Data Centres, in Iskandar Putri, Johor, which will be operational in 2017 and in Cyberjaya subsequent to that.

Moving forward, despite the current challenging times, TM foresees 2017 to be a promising year ahead for TM. The Malaysian Institute of Economic Research (MIER) forecasts Malaysia's real GDP growth for 2017 to improve to 4.5% from 4.2% in 2016, with domestic demand continuing to be the main growth for this year (*Source: MIER Economic Outlook dated 19 January 2017*).

For TM, 2017 is very much about accelerating its Convergence action plans and pushing forward with our "Go Digital" agenda. The Group looks forward to continue its transformation journey towards becoming Malaysia's Convergence Champion and will continue to be guided by its vision "To Make Life and Business Easier, for a Better Malaysia".

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About TM

Telekom Malaysia Berhad (TM), Malaysia's Convergence Champion and No. 1 Converged Communications Services Provider offers 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 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. Our Corporate Responsibility (CR) ethos reinforces responsible behavior in the four main domains of the marketplace, workplace, the community and the environment. With a focus on ICT, the Group further promotes 3 major platforms i.e. education, community/nation-building and environment, 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.

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