

**TM TURNS IN REVENUE OF RM5.78 BILLION YTD FOR 1H2018 AMIDST
CHALLENGING ENVIRONMENT**

Key Highlights of 1H2018:

- **Performance to-date:**
 - **Group Revenue of RM5.78 billion**
 - **Group Reported Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) at RM1.61 billion**
 - **Group Reported Earnings Before Interest and Tax (EBIT) stood at RM444.5 million; Group Normalised EBIT at RM433.0 million**
 - **Group Reported Profit After Tax and Non-controlling Interests (PATAMI) was RM259.1 million; Group Normalised PATAMI stood at RM261.1 million**

Telekom Malaysia Berhad (TM) today announced its financial results for the first half of the year ended 30 June 2018. The Group posted revenue of RM5.78 billion year-to-date, 2.7% lower from RM5.94 billion in the corresponding period last year. This was primarily due to a decline in voice, data and other telecommunication related services as well as provisions recognised against wholesale revenue impacted by regulatory mandated access pricing.

Group Reported Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for 1H2018 was RM1.61 billion as compared to RM1.80 billion in 1H2017 mainly due to the lower revenue. Stripping off non-operational items, such as unrealised forex loss on trade settlement, Group Normalised EBITDA was 13.9% lower, at RM1.60 billion.

Group Reported Earnings Before Interest and Tax (EBIT) for 1H2018 was RM444.5 million as compared to RM560.9 million in 1H2017. Stripping off some non-operational items, in particular unrealised foreign exchange loss on international trade settlement, normalised EBIT stood at RM433.0 million.

Group Reported Profit After Tax and Non-controlling Interests (PATAMI) was at RM259.1 million, whilst Group Normalised PATAMI was RM261.1 million, after setting aside non-operational items such as unrealised forex impact on borrowings and international trade settlements.

Datuk Bazlan Osman, Acting Group Chief Executive Officer, TM said: "The first six months of 2018 has been very challenging for us, from rapid developments in the market to increasing regulatory pressures. Given the current landscape, these events further add challenges to our financial performance. Being cognizant of the potential impact to TM, we had revised our 2018 Headline KPIs as well as Capex guidance in early July 2018. Alongside this revision, we also launched our Performance Improvement Programme (PIP 2018) as a broad initiative to overcome the headwinds. The PIP 2018 is guided by four (4) main pillars - Revenue Uplift, Sustained Profitability, Improved Cash Flow and Increased Productivity. We expect the regulatory and sector challenges to persist in the near-to-midterm and undertaking these PIP 2018 initiatives are necessary measures to ensure the sustainability of our business for the long term."

The total capital expenditure (CAPEX) for 1H2018 amounted to RM710 million or equivalent to 12.3% of revenue. Of the total capex investment, 18% was allocated for Core Network, 59% was for Access, and the balance 23% for Support Systems.

“Delivering convergence and going digital remains our priority. We will continue to focus on growth, yet be more prudent in our spending and sweat our existing assets. As such, we are also revising our capex guidance for the full year to 19 – 20% of revenue.”

“We currently have 2.30 million broadband customers and in terms of convergence, we saw more customers moving up the value chain with having triple-play services and above, evidenced by our convergence penetration now at 47% compared to just 37% in 2Q 2017,” he added.

At the media briefing, TM also announced that its unifi Basic plan, which is a 60GB broadband-only unifi plan will now be extended to everyone beginning September 2018 (no longer exclusive for households with income of less than RM4,500 per month).

“Affordability and accessibility of quality highspeed broad services is important to TM, and we are committed to lead the charge to unlock the potential of a digitally-savvy Malaysia. As such, we are happy to announce that we are extending the unifi basic plan to all,” he concluded.

Comparison: Quarter-on-Quarter (2Q2018 vs 1Q2018 Results)

For the current quarter under review, Group Revenue stood at RM2.94 billion, higher by 3.1% QoQ mainly attributed to an increase in data, internet and other telecommunication related services.

Group EBITDA rose 10.3% QoQ to RM845.9 million from RM766.7 million the previous quarter. Stripping off non-operational items, such as unrealised forex loss on trade settlement, Group Normalised EBITDA was 5.9% higher, at RM823.4 million.

Group EBIT grew by 27.2% QoQ to RM248.9 million from RM195.6 million in 1Q2018. On a normalised basis, EBIT improved by 9.6% QoQ to RM226.4 million from RM206.6 million in 1Q2018.

Group PATAMI was at RM102.0 million, lower by 35.1% QoQ from RM157.1 million in the preceding quarter, whilst Group Normalised PATAMI was RM155.8 million QoQ, higher by 48.0% QoQ, after setting aside non-operational items such as unrealised foreign exchange impact on borrowings and international trade settlements.

Comparison: Year-on-Year (2Q2018 vs 2Q2017 Results)

For the current quarter under review, Group Revenue stood at RM2.94 billion, lower by 1.5% YoY mainly due to voice and data services.

Group EBIT stood at RM248.9 million, lower by 3.2% YoY from RM257.1 million in 2Q2017. On a normalised basis, EBIT was lower by 25.6% YoY to RM226.4 million from RM304.5 million in 2Q2017.

Group PATAMI stood at RM102.0 million, less 51.5% as compared to 2Q2017; whilst Normalised PATAMI also decreased 25.1% YoY to RM155.8 million from RM208.0 million in 2Q2017.

Prospects for the Current Financial Year Ending 31 December 2018

The recent regulatory challenges and market environment have had major impact to the overall revenue estimates and earnings of TM Group in the current quarter. TM anticipates that the challenging environment will persist for both of our retail and wholesale segments. In the midst of these challenges, TM will continue our focus towards strengthening performance of our core business and operations.

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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 unifi Mobile and TM ONE to realise its Convergence and "Go Digital" aspirations as it 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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