3Q 2016 RESULTS

ANALYST BRIEFING

25 November 2016

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Performance Overview

Financial Review

Operating Highlights

Concluding Remarks

Life Made Easier™ TM

TELEKOM MALAYSIA BERHAD

CONVERGENCE CHAMPION

YTD Sep 2016 Highlights

Resilient performance with growth in revenue

Financial Performance

➢ Revenue		RM8.82bn (+3.4%)
➢ Reported EBIT		RM868.1mn (-13.0%)
	Normalised EBIT	*RM885.1mn (-0.6%)*
➢ Reported PATAMI		RM621.7mn (+22.4%)
	Normalised PATAMI	*RM578.0mn (-10.0%)*

Operational Performance

- ➢ Growth driven by Internet, Data and Other revenue
- ➢ Total broadband take-up at 2.37mn customers:
  - Streamyx : 1.45mn customers
  - Unifi : 921,000 customers

Note: Unless stated otherwise all figures stated shall be inclusive of Webe

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Group Results YTD Sep 2016

RM mn	Reported							
	3Q16	2Q16	% Change QoQ	3Q15	% Change YoY	YTD Sep 16	YTD Sep 15	% Change YTD vs YTD
Revenue	2,923.1	3,045.4	-4.0	2,922.5	0.0	8,823.9	8,537.2	+3.4
Other Operating Income	28.1	31.6	-11.1	29.2	-3.8	101.1	91.0	+11.1
EBITDA	940.8	953.9	-1.4	1,037.7	-9.3	2,817.7	2,814.7	+0.1
Depn & Amort.	633.7	672.8	-5.8	588.7	+7.6	1,949.6	1,816.8	+7.3
EBIT	307.1	281.1	+9.2	449.0	-31.6	868.1	997.9	-13.0
Other Gains / (Loss)	(3.1)	(1.1)	+>100.0	(0.5)	+>100.0	46.3	(1.9)	->100.0
Net Finance Cost*	57.3	57.7	-0.7	42.6	+34.5	162.7	118.0	+37.9
FX Gain /(Loss)	(36.0)	(34.7)	+3.7	(153.3)	-76.5	33.8	(209.0)	->100.0
Profit Before Tax (PBT)	218.8	195.9	+11.7	259.0	-15.5	807.9	687.2	+17.6
PATAMI	159.8	139.5	+14.6	166.8	-4.2	621.7	507.8	+22.4
Normalised PATAMI	207.5	167.5	+23.9	230.6	-10.0	578.0	642.3	-10.0

Note: Unless stated otherwise all figures stated shall be inclusive of Webe

**Excludes FX (Gain)/Loss*

Normalised EBIT

RM mn	3Q16	2Q16	3Q15	YTD Sep 2016	YTD Sep 2015
Reported EBIT	**307.1**	**281.1**	**449.0**	**868.1**	**997.9**
Non Operational					
Unrealised FX (Gain)/Loss on International trade settlement	2.8	(18.1)	(109.8)	16.6	(108.3)
Loss on Sale of Assets	0.2	-	-	0.4	0.4
Normalised EBIT	**310.1**	**263.0**	**339.2**	**885.1**	**890.0**
Normalised EBIT Margin	**10.5%**	**8.5%**	**11.5%**	**9.9%**	**10.3%**
Reported EBIT Margin	**10.4%**	**9.1%**	**15.2%**	**9.7%**	**11.6%**

EBIT is calculated as Total Revenue (Operating Revenue + Oth. Operating Income) less Operating Cost
EBIT Margin is calculated as percentage of EBIT against Total Revenue
Normalised EBIT Margin is calculated as percentage of Normalised EBIT against Normalised Total Revenue (Operating Revenue + Oth. Operating Income – Loss on Sale of Assets)

Note: Unless stated otherwise all figures stated shall be inclusive of Webe

Normalised PBT

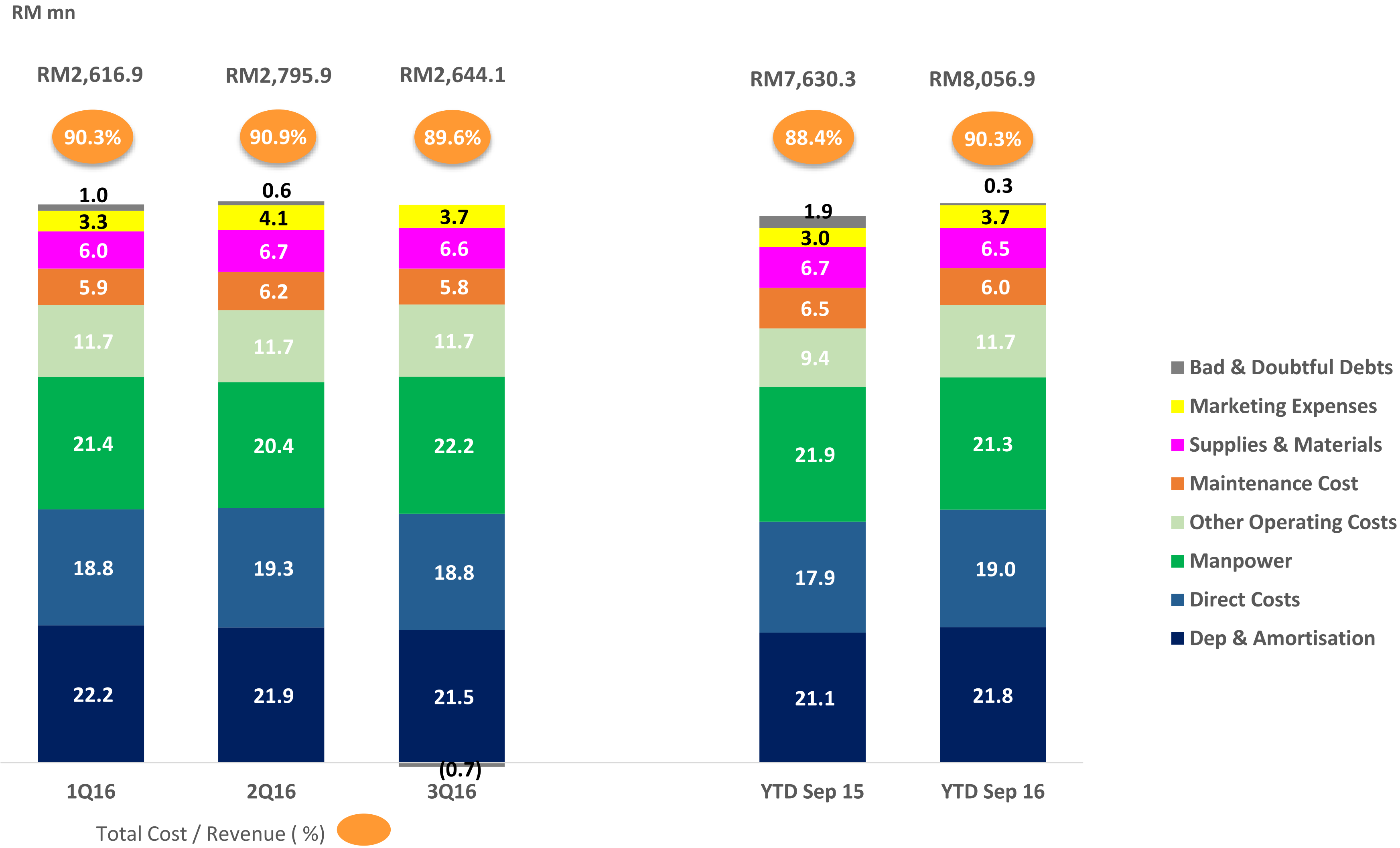
RM mn	3Q16	2Q16	3Q15	YTD Sep 2016	YTD Sep 2015
Reported PBT	**218.8**	**195.9**	**259.0**	**807.9**	**687.2**
Non Operational					
Unrealised FX (Gain)/Loss on International trade settlement	2.8	(18.1)	(109.8)	16.6	(108.3)
Other (Gain)/Losses*	3.3	1.1	0.5	(45.9)	2.3
Unwinding of discount on put option over shares of a subsidiary	7.0	7.0	2.4	21.6	7.2
Unrealised FX (Gain)/Loss on Long Term loans	36.0	34.7	153.3	(33.8)	209.0
Normalised PBT	**267.9**	**220.6**	**305.4**	**766.4**	**797.4**

** Comprise fair value (FV) changes of FVTPL (FV through P&L) investment gain/loss on disposal for AFS (available for sale) investments, (gain)/loss on Sale of Assets and option over shares of a subsidiary*

Note: Unless stated otherwise all figures stated shall be inclusive of Webe

Cost % of Revenue[1]

Higher YTD cost in line with higher revenue and new products/services



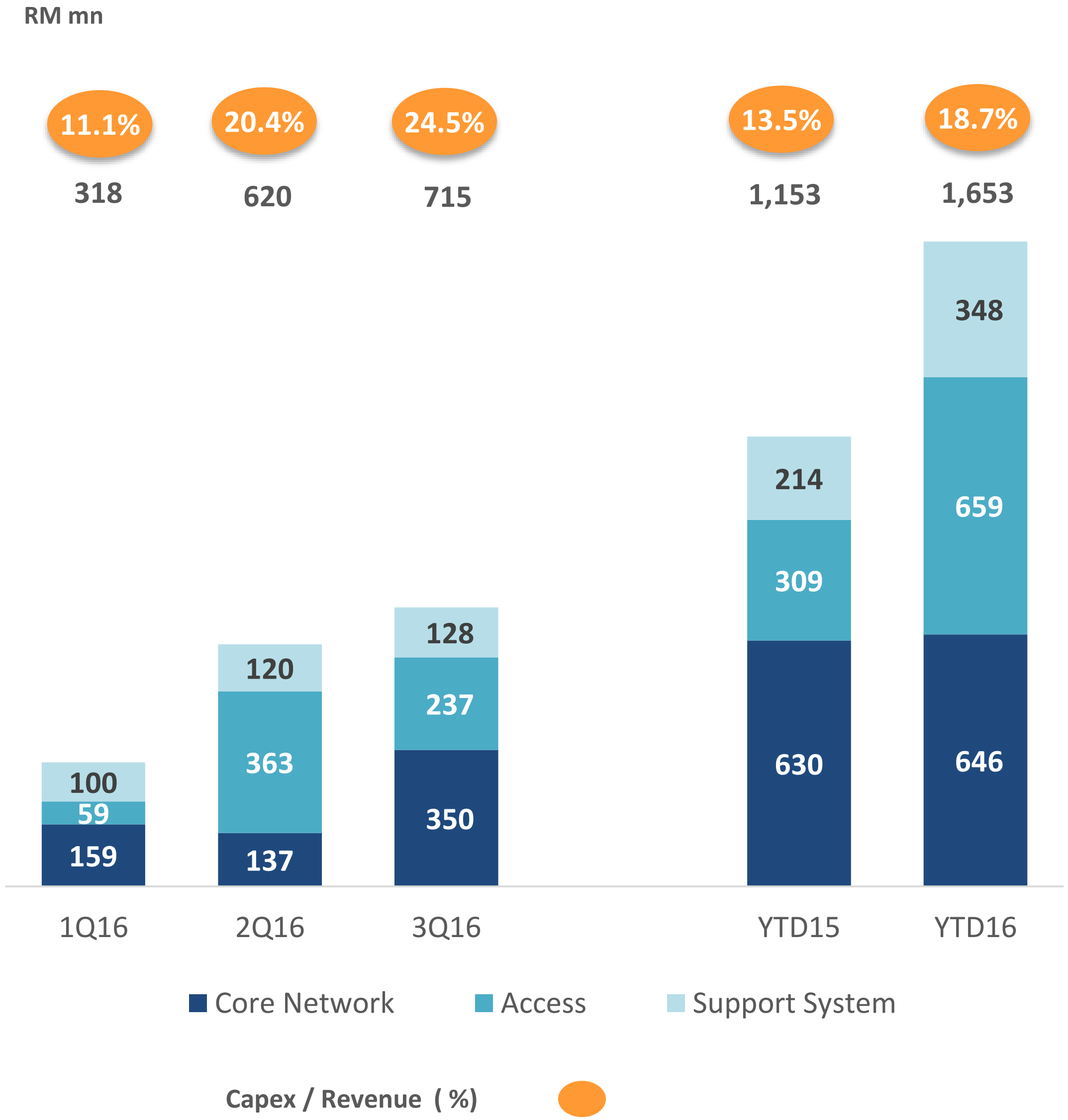
[1] Revenue = Operating Revenue + Other Operating Income

(Please refer to Appendix for breakdown)

Note : Unless stated otherwise all figures shall be inclusive of Webe

Group Capital Expenditure

Higher Capex in line with the expansion of major projects



- Capex/Revenue ratio at 18.7%

- 39% Core Network
- 40% Access
- 21% Support Systems

Note : Unless stated otherwise all figures shall be inclusive of Webe

Group Cash Flow

RM mn	YTD Sep 16	YTD Sep 15
Cash & cash equivalent at start	3,510.8	2,975.0
Cashflows from operating activities	1,459.1	1,577.7
Cashflows used-in investing activities	(2,251.8)	(1,631.6)
Capex	1,653.0	1,153.4
Cashflows from financing activities	(126.5)	(11.8)
Effect of exchange rate changes	(0.4)	1.8
Cash & cash equivalent at end	2,591.2	2,911.1
Free cash-flow (EBITDA – Capex)	1,164.7	1,661.3

Key Financial Ratios

	30 Sep 16	31 Dec 15
Return on Invested Capital[1]	6.19%	6.69%
Return on Equity[2]	10.07%	11.66%
Return on Assets[1]	4.86%	5.90%
Current Ratio[3]	1.27	1.25
WACC	6.63%	7.36%

	30 Sep 16	31 Dec 15
Gross Debt to EBITDA	2.06	1.90
Net Debt/EBITDA	1.25	1.02
Gross Debt/Equity	1.05	0.97
Net Debt/Equity	0.71	0.52
Net Assets/Share (sen)	200.16	207.0

1 Based on Normalised EBIT
2 Based on Normalised PATAMI

Note : Unless stated otherwise all figures shall be inclusive of Webe

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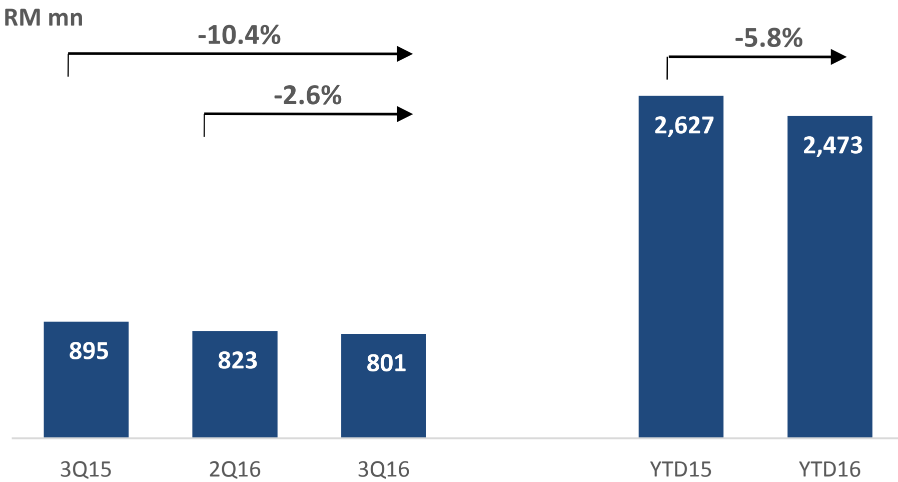
Group Total Revenue by Product

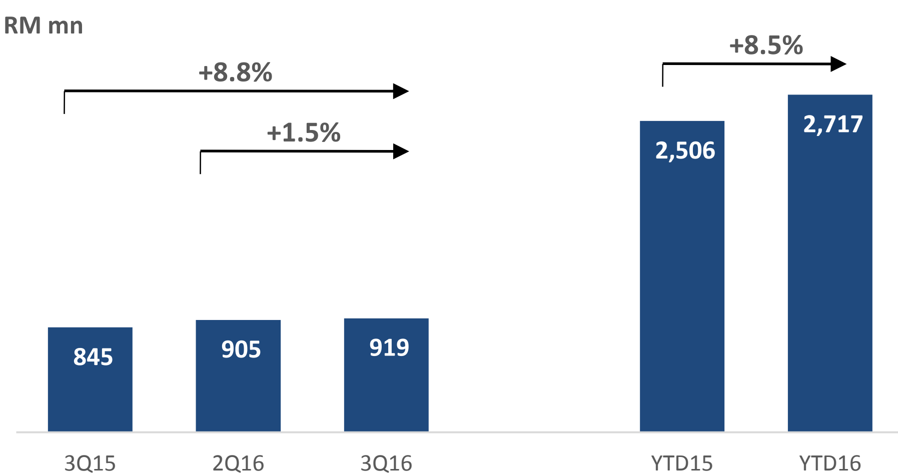
Voice



YTD

- 28% of total Group revenue.
- Lower by 5.8% YTD, mainly due to decreased STD & IDD traffic minutes.
- Reduction in cumulative customer base at Mass Market and Managed Accounts.

Internet



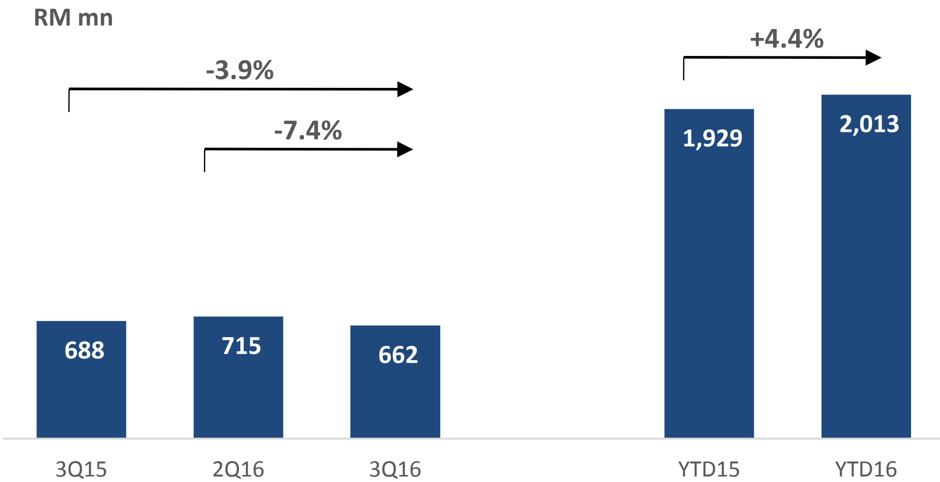
YTD

- 31% of Group revenue.
- Increased by 8.5% YTD, mainly from higher UniFi take ups and higher buys on Premium Channels.
- Increase in TM Direct installations and bandwidth upgrade at Managed Accounts.

Note : Unless stated otherwise all figures shall be inclusive of Webe

Group Total Revenue by Product

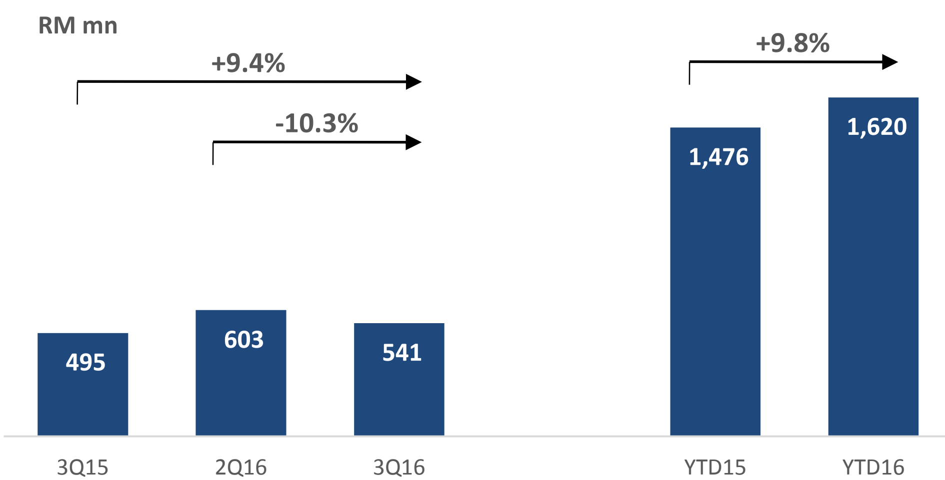
Data



YTD

- 23% of Group revenue.
- Mainly due to higher IRU and International Leased revenue at Global.
- Higher Domestic Ethernet revenue at Wholesale.

Others*



Others comprise other telco and non-telco services (i.e ICT-BPO, MMU tuition fees, customer projects)

YTD

- 18% of Group revenue.
- Increased by 9.8% due to revenue realization from USP grants.
- Additional revenue from property development (share of higher GDV) and higher tuition fees at UTSB.

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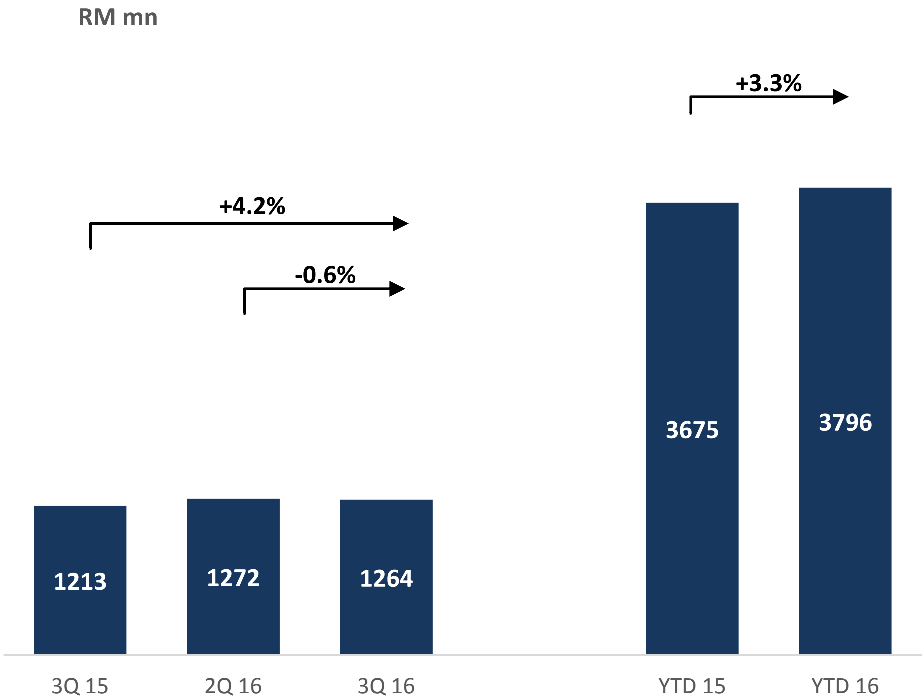
Group Total Revenue by Line of Business

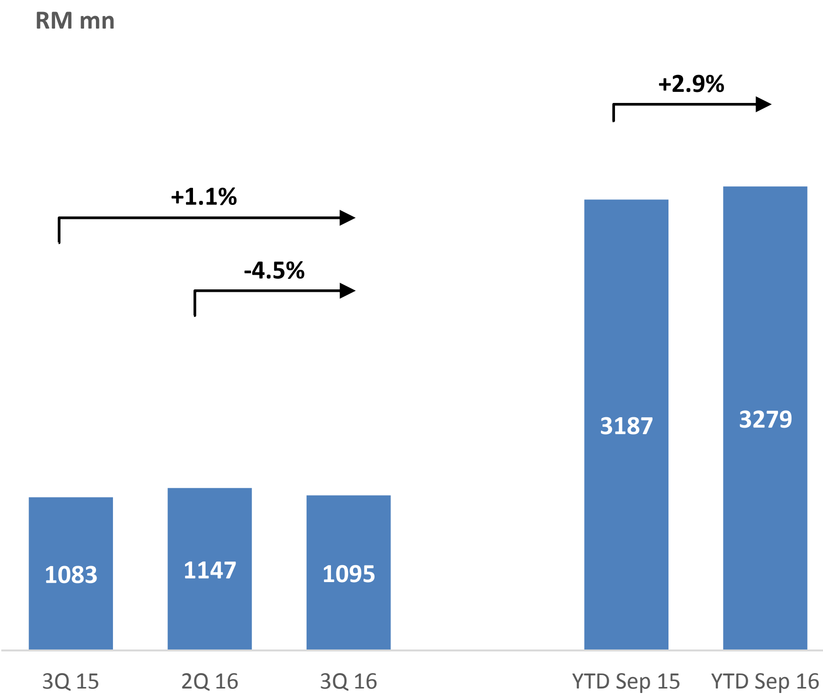
Mass Market



YTD

- Mainly from Consumer due to increase in UniFi revenue and higher number of buys on Premium Channels.

Managed Accounts



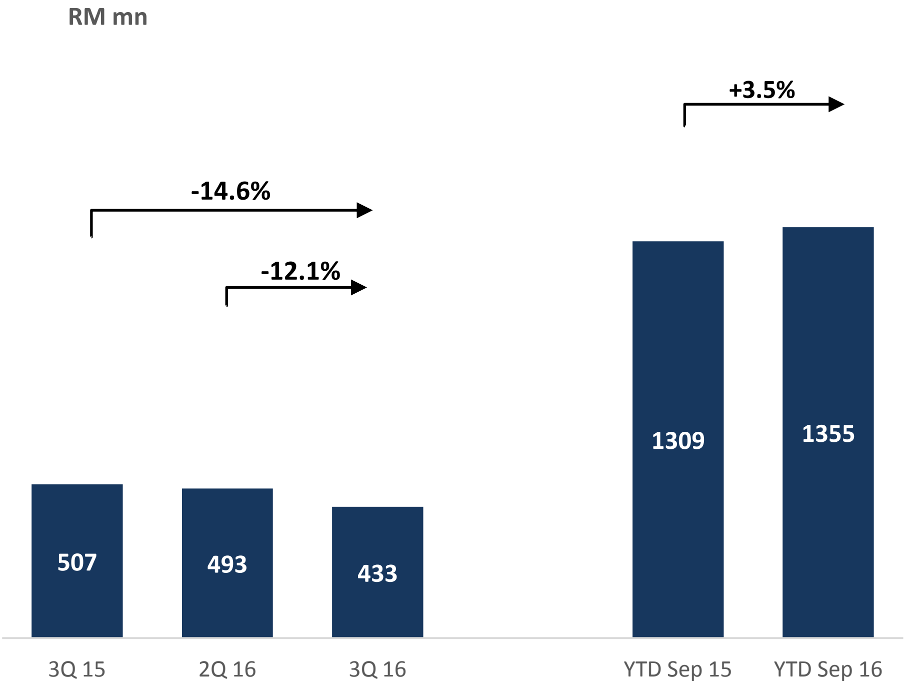
YTD

- Led by contribution from Government due to higher revenue realization from USP projects.
- VADS contributed higher revenue in ICT services.

Note : Unless stated otherwise all figures shall be inclusive of Webe

Group Total Revenue by Line of Business

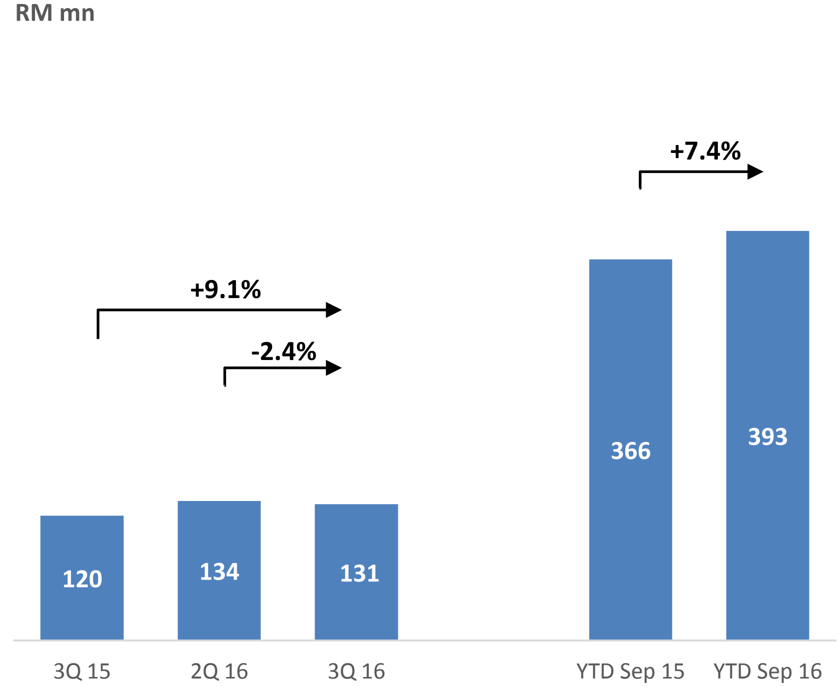
Global & Wholesale



YTD

- Mainly from increase in IRU sales and International Leased revenue.
- Higher revenue contributions from HSBA and Domestic Ethernet.

Others



Others include revenue from Property Development, TM R&D, UTSB & MKL

YTD

- Mainly due to additional revenue from property development (share of higher GDV) and higher tuition fees at UTSB.

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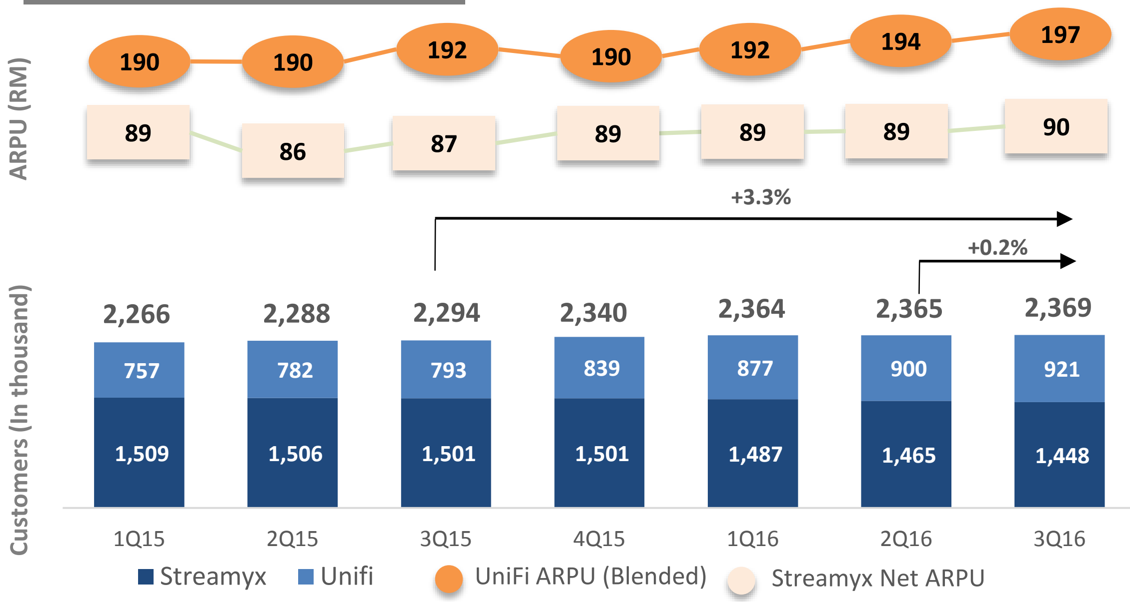
Physical Highlights

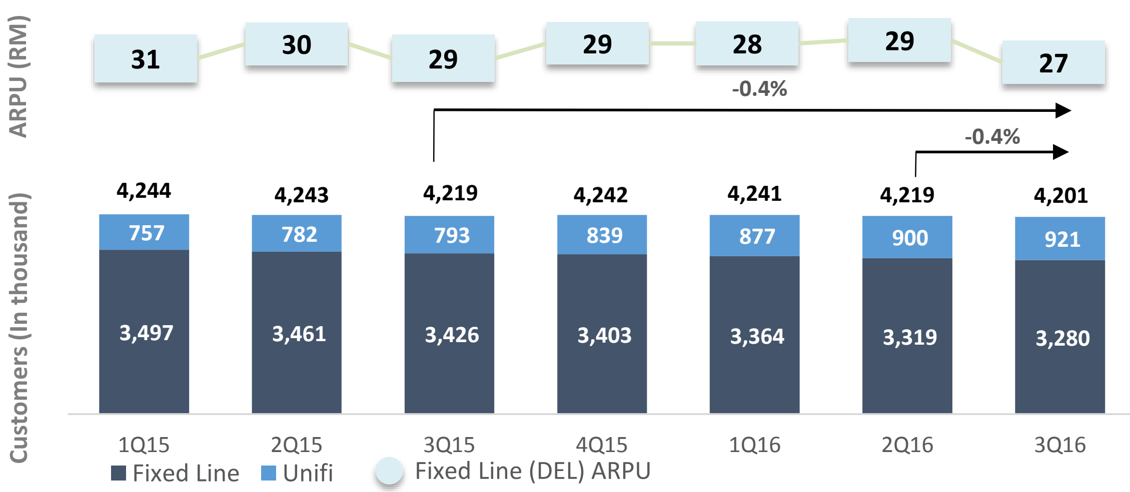
Higher take up on new plans drive stronger broadband ARPU

Broadband



- UniFi continues to drive growth, with over 921,000 customers
- Total broadband customers at 2.37mn
- Unifi and Streamyx ARPU higher at RM197 and RM90

Fixed Line



- ARPU at RM27

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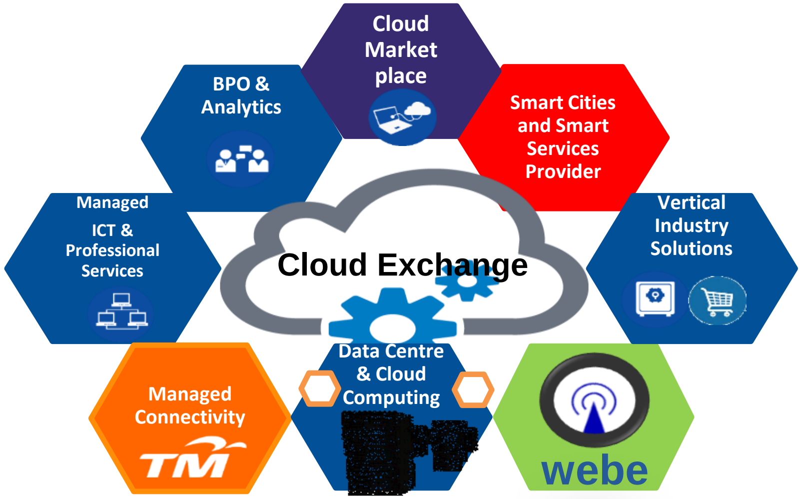
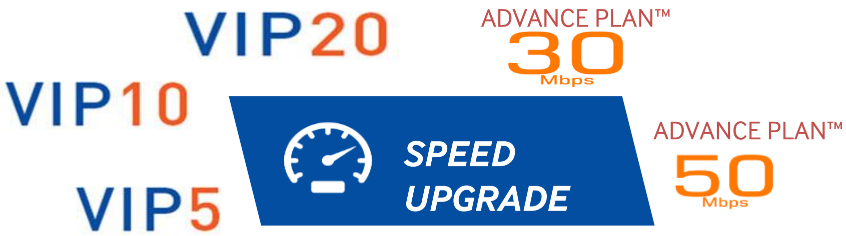
webe public availability starting 30 September 2016

- *All price are exclusive of GST*

TM Business Solutions – data centre development and smart city collaborations



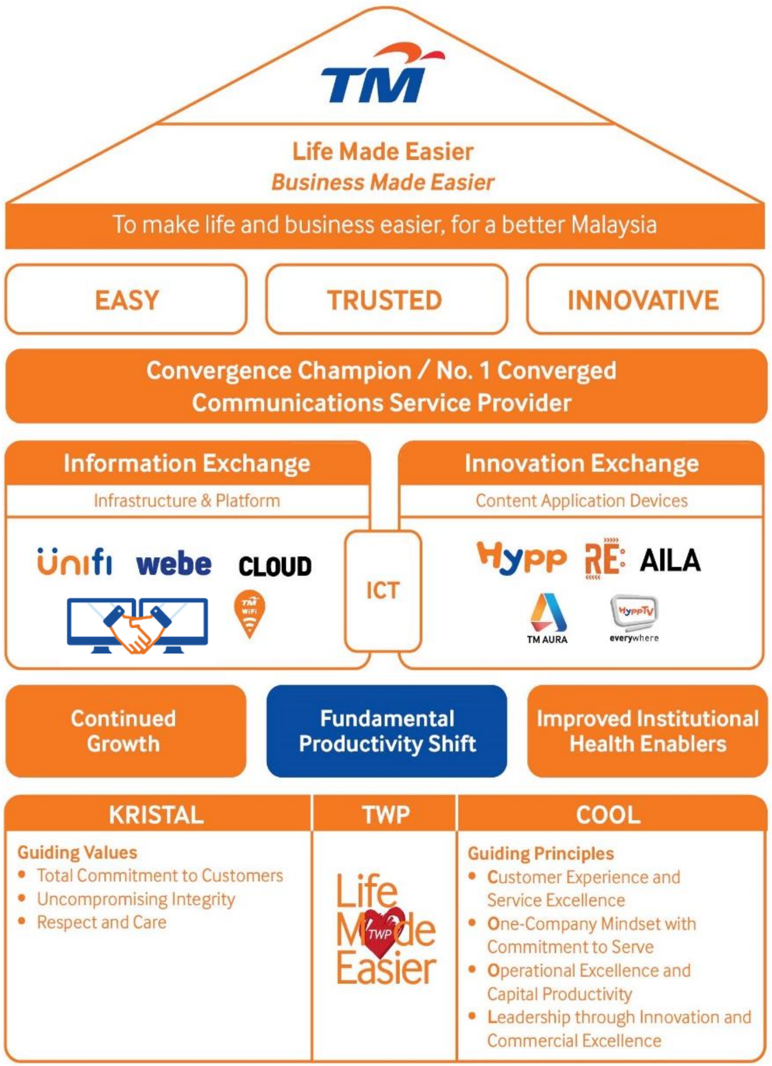
Broadband Improvement Plan 2017



- Speed upgrade for existing broadband customers, subject to technical availability.
- Implementation in phases starting January 2017.

Key Takeaways

- Operating revenue grew by 3.4% YTD, driven by Internet, Data and Others
- Reported EBIT lower by 13% YTD at RM868.1mn
  Normalised EBIT lower by 0.6% YTD at RM885.1mn
- Reported PATAMI higher by 22.4% YTD at RM621.7mn
  Normalised PATAMI lower by 10% YTD at RM578mn
- Capex/revenue ratio at 18.7%
- Convergence champion:
  - 75% customers on packages 10Mbps and above
  - Higher broadband ARPU
  - webe now available



Note : Unless stated otherwise all figures shall be inclusive of Webe

Appendices

Normalised EBITDA

RM mn	3Q16	2Q16	3Q15	YTD Sep 2016	YTD Sep 2015
Reported EBITDA	**940.8**	**953.9**	**1,037.7**	**2,817.7**	**2,814.7**
Non Operational					
Unrealised FX (Gain)/Loss on International trade Settlement	2.8	(18.1)	(109.8)	16.6	(108.3)
Loss on Sale of Assets	0.2	-	-	0.4	0.4
Normalised EBITDA	**943.8**	**935.8**	**927.9**	**2,834.7**	**2,706.8**
Normalised EBITDA Margin	**32.0%**	**30.4%**	**31.4%**	**31.8%**	**31.4%**
Reported EBITDA Margin	**31.9%**	**31.0%**	**35.2%**	**31.6%**	**32.6%**

EBITDA is calculated as Total Revenue (Operating Revenue + Oth. Operating Income) less Operating Cost (Exc. Depreciation, Amortisation & impairment).
EBITDA Margin is calculated as percentage of EBITDA against Total Revenue
Normalised EBITDA Margin is calculated as percentage of Normalised EBITDA against Normalised Total Revenue (Operating Revenue + Oth. Operating Income – Loss on Sale of Assets)

Note: Unless stated otherwise all figures stated shall be inclusive of Webe

Normalised PATAMI

RM mn	3Q16	2Q16	3Q15	YTD Sep 2016	YTD Sep 2015
Reported PATAMI	**159.8**	**139.5**	**166.8**	**621.7**	**507.8**
Non Operational					
Unrealised FX (Gain)/Loss on International trade Settlement (net of tax)	1.4	(14.8)	(92.4)	14.4	(83.9)
Other (Gain)/Losses*	3.3	1.1	0.5	(45.9)	2.3
Unwinding of discount on put option over shares of a subsidiary	7.0	7.0	2.4	21.6	7.2
Unrealised FX (Gain)/Loss on Long Term loans	36.0	34.7	153.3	(33.8)	209.0
Normalised PATAMI	**207.5**	**167.5**	**230.6**	**578.0**	**642.4**

** Comprise of fair value (FV) changes of FVTPL (FV through P&L) investment gain/loss on disposal for AFS (available for sale) investments, (gain)/loss Sale of Assets and option over shares of a subsidiary*

Note: Unless stated otherwise all figures stated shall be inclusive of Webe

Cost % of Revenue

	3Q16	2Q16	3Q15	YTD Sep 16	YTD Sep 15	Comments (YTD2016 vs. YTD2015)
Total Revenue (RM mil)	**2,951.2**	**3,077.0**	**2,951.7**	**8,925.0**	**8,628.2**	-
Direct Costs %	***18.8***	*19.3*	*18.2*	***19.0***	*17.9*	Increase in International Outpayment cost at Global and outsourcing at VADS
RM mil.	**554.6**	594.3	537.7	**1,693.4**	1,547.5	
Manpower %	***22.2***	*20.4*	*21.3*	***21.3***	*21.9*	Higher staff benefits
RM mil.	**656.0**	627.4	629.0	**1,903.8**	1,886.8	
Supplies & Materials %	***6.6***	*6.7*	*8.1*	***6.5***	*6.7*	Increase in cost of sales at VADS, in line with higher ICT revenue
RM mil.	**195.4**	207.6	239.1	**577.9**	574.0	
Bad & Doubtful Debts %	***(0.7)***	*0.6*	*1.9*	***0.3***	*1.9*	Reversal of bad debt from excess provision and downward revision on impairment rates
RM mil.	**(20.3)**	19.0	56.2	**28.8**	164.4	
Marketing Expenses %	***3.7***	*4.1*	*2.8*	***3.7***	*3.0*	Higher A&P spending on UniFi campaigns, sporting events and product launches
RM mil.	**108.1**	124.8	83.2	**328.8**	261.3	
Maintenance Cost %	***5.8***	*6.2*	*6.0*	***6.0***	*6.5*	Fewer significant customer projects
RM mil.	**171.7**	190.6	177.9	**532.2**	564.5	
Other Operating Costs %	***11.7***	*11.7*	*6.5*	***11.7***	*9.4*	Increase in rental of building & premises
RM mil.	**344.9**	359.4	190.9	**1,042.4**	815.0	
Depreciation & Amortisation %	***21.5***	*21.9*	*19.9*	***21.8***	*21.1*	Impact of accelerated depreciation on Webe's WIMAX sites
RM mil.	**633.7**	672.8	588.7	**1,949.6**	1,816.8	
Total Cost (RM mil)	**2,644.1**	**2,795.9**	**2,502.7**	**8,056.9**	**7,630.3**	
Total Cost % of Revenue	***89.6***	***90.9***	***84.8***	***90.3***	***88.4***	

Total Revenue = Operating Revenue + Other Operating Income

Note : Unless stated otherwise all figures shall be inclusive of Webe

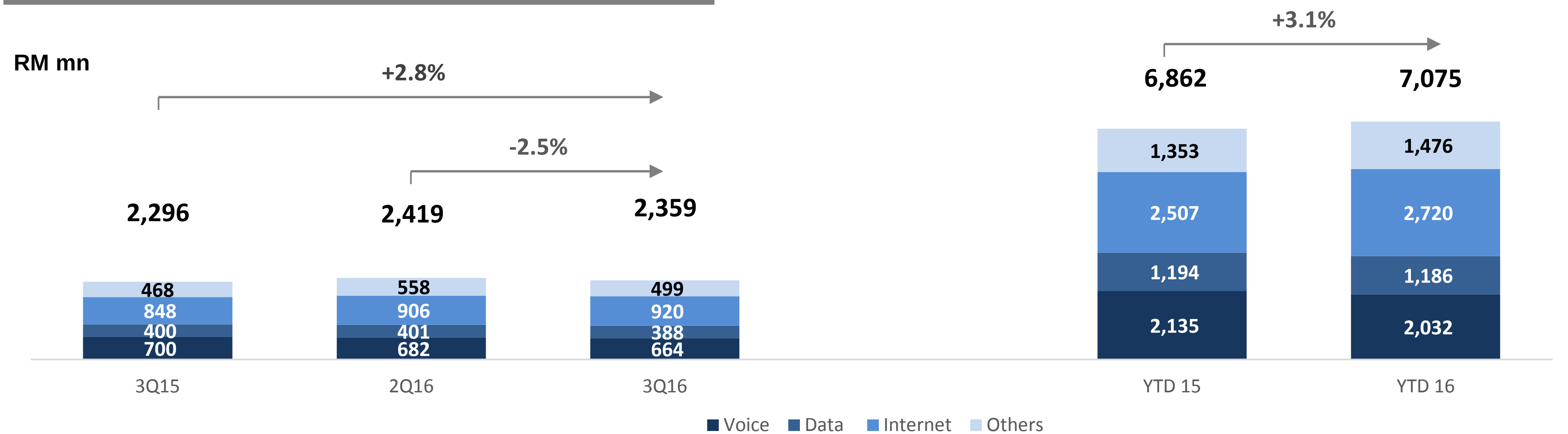
Group Balance Sheet

RM million	As at 30 Sep 2016	As at 31 Dec 2015
Shareholders’ Funds	7,522.1	7,780.6
Non-Controlling Interests	190.6	258.1
Deferred & Long Term Liabilities	11,022.8	10,551.8
Long Term 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
	18,735.5	18,590.5
Current Assets	6,944.5	7,297.5
Trade Receivables	2,932.9	2,353.1
Other Receivables	595.4	594.0
Cash & Bank Balances	2,591.8	3,511.6
Others	824.4	838.8
Current Liabilities	5,453.2	5,822.6
Trade and Other Payables	3,560.2	4,367.0
Short Term Borrowings	399.7	408.3
Others	1,493.3	1,047.3
Net Current Assets/(Liabilities)	1,491.3	1,474.9
Property Plant & Equipment	15,245.0	15,186.9
Other Non-Current Assets	1,999.2	1,928.7
	18,735.5	18,590.5

Note : Unless stated otherwise all figures shall be inclusive of Webe

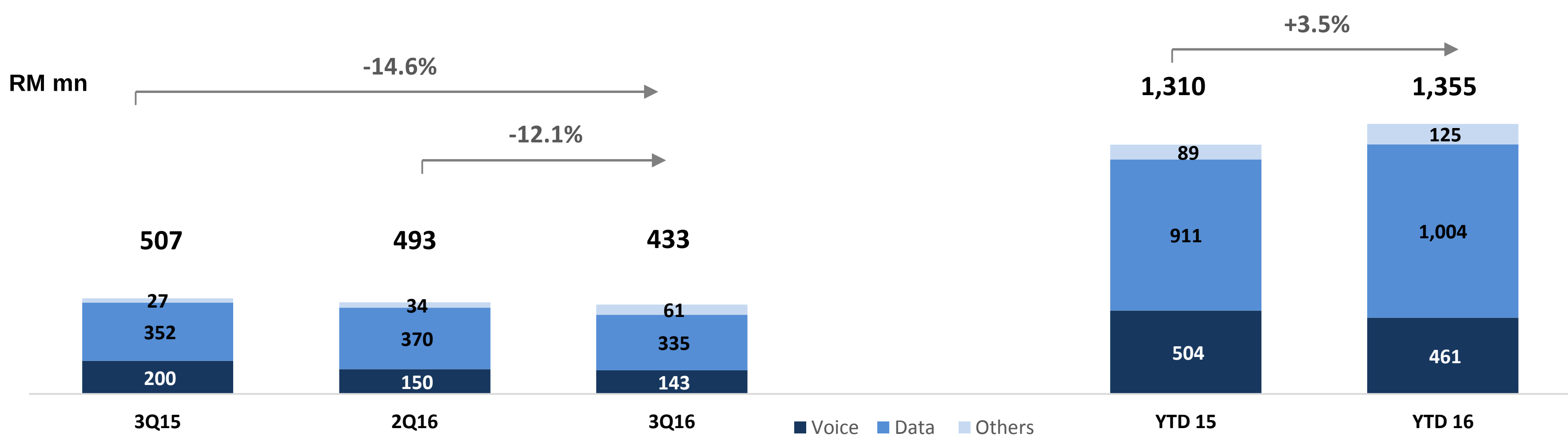
Revenue by Product by Customer Clusters

Mass Market & Managed Accounts



**Others comprise other telco and non-telco services (i.e: ICT-BPO, MMU tuition fees, customer projects)*

Global & Wholesale



Note:
1. Total revenue is after inter-co elimination. Revenue by product is before inter-co elimination
2. Unless stated otherwise all figures shall be inclusive of Webe

THANK YOU

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