

**TM ON COURSE TO ACCELERATE CONVERGENCE AND EMPOWER DIGITAL  
TO EXPEDITE NATIONAL BROADBAND ADOPTION; CONTINUES VALUE CREATION**

**Key Highlights of Financial Year (FY) 2017 vs FY 2016:**

- **Performance FY 2017 vs FY 2016**
  - **FY 2017 Group Revenue at RM12.09 billion**
  - **Group Operating Profit (Earnings Before Interest and Tax (EBIT)) at RM1.09 billion; whilst Normalised EBIT was RM1.19 billion**
  - **Group Reported Profit Before Tax (PBT) rose 14.1% to RM1.05 billion**
  - **Healthy Group Reported Net Profit (PATAMI) growth of 19.8% at RM929.7 million; Normalised PATAMI growth of 1.8% at RM863.2 million**
  - **Delivers dividend commitment - declares 2<sup>nd</sup> interim dividend of 12.1 sen per share or RM454.7 million; total dividend payout stands at 21.5 sen per share or RM808.0 million**
  - **Sustained customer satisfaction with Customer Satisfaction Measure (TRI\*M index) score of more than 73, above global telco average of 66**
  
- **Operational Highlights**
  - **Consolidated unifi brand for converged lifestyle services**
  - **Achieved more than 1.1 million unifi (Home and SME) customers**
  - **Launched unifi Mobile #BEBAS and mobile@unifi app**
    - ❖ **unifi Mobile TM Household penetration at 9.8%**

Telekom Malaysia Berhad Group of Companies (TM Group) today announced its results for the financial year ended 31 December 2017. The Group's 2017 performance was mainly driven by Internet and multimedia services. Group revenue stood at RM12.09 billion on the back of higher internet revenue contribution, which rose 8.3% against FY 2016, to RM3.97 billion; contributing 33% of total revenue.

Speaking at the press conference after announcing the Company's 2017 full-year financial results, Dato' Sri Mohammed Shazalli Ramly, Group Chief Executive Officer, TM said: "2017 was a challenging yet transformational year for TM. We stayed focused on our Key Performance Indicators (KPI) and Key Happiness Index (KHI), driven by our Perfex 10 aspirations. The holistic Perfex 10 execution approach drove us to implement our high priority plans whilst accelerating convergence and empowering digitisation. Perfex 10 simplifies and serves as a guide to all of our business operations while we closely track the progress of each plan and evaluate specific initiatives to ensure we execute in a timely manner. Although Perfex 10 is a long term plan, we are pleased by the progress of each business thus far; where we have rebranded our business clusters, with unifi representing lifestyle offerings for homes, individuals and Small Medium Enterprises (SMEs); TM ONE offering end-to-end converged solutions to business verticals in the enterprise and public sector space; and TM GLOBAL positioned to accelerate the digital opportunities of domestic and international telecommunications."

Dato' Sri Shazalli went on to comment, "Overall, TM was resilient in a challenging environment, delivering healthy revenue and profitability. We are pleased with the market's response to all the initiatives that we implemented during the year. We saw strong customer traction in the home and mobile space. The recently launched unifi mobile #BEBAS, broke away from convention - where our customers are now liberated to use our mobility service relevant to their needs - and fully on digital, showed very encouraging performance."

"TM Group remains at the leading edge of enabling the country's digital economy via our broadband deployment for the nation and in bridging the digital divide. In our unique role as protector of national interest, the Group's achievements thus far have been numerous. Through our products and services, we have delivered countless benefits to not only our customers, but all Malaysians. We now have a converged nationwide coverage of unifi which includes broadband, mobility and wifi. As at end 2017, we recorded a total broadband customer base of more than 2.3 million customers. Our main broadband service offering, unifi for home and SMEs achieved more than 1.1 million customers, and unifi Mobile achieved 9.8% penetration of TM's households.

We have also been fully supportive of the Government's objective towards improving the affordability, reach and quality of broadband services. In 2017, under the implementation of the Broadband Improvement Plan (BIP), we have successfully enhanced Malaysian's digital experience by doubling the broadband speed at the same price to approximately 1.0 million Malaysian homes and SMEs. We also launched unifi edu pack for the youth, specifically students at institutions of higher learning and unifi e-biz pack for e-entrepreneurs. Earlier this year, we launched wifi@unifi app that enables all Malaysians to access the Internet via wifi. The app locates wifi hotspots and connects users to over 9,400 hotspots across Malaysia. To further expand our reach to customers, TM ONE collaborated with a renowned restaurant chain to provide high-speed broadband services and solutions including WiFi access points to more than 1,000 of their outlets nationwide. In addition, TM GLOBAL plays the role of positioning Malaysia and TM as the ideal gateway for the world to the ASEAN region; and submarine cable expansion is a key element in achieving this. Three (3) new submarine cable systems namely Malaysia-Cambodia-Thailand (MCT), Nusantara Gateway (NuGate) and Sistem Kabel Rakyat 1Malaysia (SKR1M) have been developed and were completed last year. TM GLOBAL has also set up a new international Point of Presence (PoP) in Marseilles, France, for service providers who need connectivity to Europe. To further enhance our customers' enjoyment of our wide array of entertainment, and in support of the development of the Malaysian football scene, we are bringing the proud moments of the national football league to all Malaysians and football fans as the title sponsor for "unifi Liga Super Malaysia" and "unifi Piala Malaysia" as well as co-sponsor for Piala FA until 2025. Our customers can now enjoy exciting football content via unifi TV and across all screens, accessible via unifi PlayTV app," he elaborated.

Group Reported Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) stood at RM3.58 billion, lower by 5.6% against last year primarily due to higher operating costs mainly related to mobile services. After excluding non-operational items such as foreign exchange loss on trade settlements and placements, Normalised EBITDA stood at RM3.67 billion, lower by 3.9% compared to 2016.

Group EBIT for FY 2017 was at RM1.09 billion, 5.3% lower against last year from the higher operating cost despite reduction in depreciation and amortisation charges. Stripping off the foreign exchange loss on international trade settlements and placements and loss on disposal of financial assets, Group Normalised EBIT stood at RM1.19 billion, 0.2% higher than the previous year.

Group Reported Profit Before Tax (PBT) rose 14.1% to RM1.05 billion, against RM918.5 million last year.

TM Group reported a healthy 19.8% growth in Group Reported Profit After Tax and Non-controlling Interest (PATAMI) against FY 2016 at RM929.7 million as compared to RM776.0 million recorded in FY 2016 primarily due to foreign exchange gain on the Group's borrowings in FY 2017. Excluding this, Group Normalised PATAMI was 1.8% higher at RM863.2 million.

The total capital expenditure (CAPEX) for FY 2017 as a percentage of revenue was 22.8%, amounting to RM2.76 billion, which was lower than guided in 3Q2017, due to internal re-prioritisation of projects. By asset type, access comprised 42% of total spending, followed by core network at 34% and the remaining 24% was for support systems.

“At the same time, it is gratifying to see that our focus on customer experience continues to place us amongst the trusted brands in Malaysia. In 2017, sustained customer satisfaction resulted in our achieving Customer Satisfaction Measure (TRI\*M index) score of more than 73, exceeding the global industry's average of 66 for the seventh consecutive year,” added Dato' Sri Shazalli.

In line with its dividend policy, the Group is declaring a second interim single-tier cash dividend of 12.1 sen per share or RM454.7 million for the financial year ended 31 December 2017. Together with the 1<sup>st</sup> interim dividend of 9.4 sen per share amounting to RM353.2 million which was paid on 13 October 2017, the total dividend payout is 21.5 sen per share, or RM808.0 million. The second interim dividend will be paid on 13 April 2018.

### **Accelerating Convergence**

To Accelerate Convergence, the Group has consolidated its service brands into a single identity. With this strategic repositioning, unifi is now the one and only brand in Malaysia that offers truly comprehensive suite of converged services – home, mobile, wifi and TV, across all segments - fixed, mobile and nomadic - anytime, anywhere on any device; reflecting what true convergence means to the Group.

On the business front, the Group has also converged its service offerings for enterprise and public sector customers, presenting a comprehensive set of solutions to meet all their business needs. With the consolidation, TM ONE is now the one and only trusted digital partner and enabler for enterprises and the public sector to fully realise their digital opportunities. The new business cluster enables private enterprises and government agencies to enhance the way they work, with 'Consider IT Done' as its driving force and attitude. In 2017, TM ONE placed more emphasis on an approach termed as “verticalisation”, converging customised vertical or industry relevant solutions, to unleash their full digital potential. Top-priority verticals have been identified for immediate revenue generation.

The Group foresees higher traction in its Data Centre business once its Klang Valley Core Data Centre (KVDC) is fully completed later in 2018. Together with the already running Tier III Iskandar Puteri Core Data Centre (IPDC), the inter-connected data centres form a Twin Core Data Centre solutions for high redundancy which are connected via high speed fibre optic connectivity, designed for higher fault tolerance and enhanced security.

The Group also foresees potential for new growth opportunities in TM GLOBAL. TM GLOBAL's focus moving forward is to continue accelerating its business growth by generating revenue from other than connectivity services. It also plays a vital role in expanding content localisation initiatives by bringing international content locally to minimise outbound bandwidth and improving customer experience. It enables easier access for businesses, at more competitive pricing. On the international front, we also connect the world via domestic, regional and global submarine cable development and investments with a total of twenty (20) submarine cables with fibre-route of more than 190,000 km around the globe to date.

## **Empowering Digital**

Empowering Digital entails digitisation (driving productivity via digital) and digitalisation (monetisation of digital businesses), which combined, will enable TM Group to reap the full benefits of improved productivity, enhanced customer experience and monetisation of opportunities presented.

In September 2017, TM Group launched unifi.com.my web portal, a single all-in-one customer service absolute portal for interaction on unifi related services, enabling customers to order or upgrade their services, check their usage, pay bills, troubleshoot online as well as chat in real-time with our agents for assistance.

Under its digital empowerment pillar, the Group also launched hub@TM, a one-stop centre for all apps developed for Warga Keluarga TM. A number of new digital applications that serve both its customers as well as employees were developed such as FLOW - an employee engagement application that facilitates better collaboration and responsiveness; GROW - an enhanced tool for employee performance evaluation and assessment; HERO – a complaint support escalation app for Warga Keluarga TM; HELO - a digital onboarding app to kick start new hires' employment journey; TMmedic - TM Group's healthcare benefits app; EYES – a tool for employees to alert network team on occurrences that may potentially result in service disruption.

For customers, several apps have been developed to enhance their overall unifi experience such as wifi@unifi - a unifi Wifi locator app; TM Wifi Optimiser – a tool to boost customers' WiFi performance; mobile@unifi - a gateway to anything unifi Mobile service – from add-ons *#pilihapasaja*, to reloading *#bayarbilabila*, purchasing data, calls and SMS *#kredittakmati* as well as customer support; and unifi PlayTV - an app version of unifi TV for viewers to enjoy world class entertainment and award winning shows, anytime and anywhere.

The introduction of these apps is in tandem with TM's aspiration of 'Going Digital' as the Company moves beyond connectivity into new value added digital and smart services. It is part of the Group's holistic approach covering customer experience, process optimisation and new business opportunities which entails building a digitally aware and smarter workforce. This is in line with its goal to accelerate the achievement of its strategic goals of Accelerating Convergence and Empowering Digital via "Perfex 10".

## **2018 and mid-term Headline Key Performance Index (KPIs) Guidance**

TM also announces its Headline KPIs for 2018 and the mid-term target respectively. They are revenue growth of 3.5% to 4.0% in 2018, EBIT to maintain 2017 EBIT RM and Customer Satisfaction Measure of 74. 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 75.

## **Comparison: Quarter-on-Quarter (4Q2017 vs 3Q2017 Results)**

The 4Q2017 saw Group Revenue at RM3.20 billion, growth of 8.8% QoQ. Group EBITDA was higher by 1.7% at RM893.5 million QoQ on the back of the higher operating revenue. Group EBIT rose 3.4% at RM270.3 million QoQ whilst Group Reported PBT grew 30.6% at RM307.6 million. Group PATAMI increase 30.8% to RM277.0 million compared to RM211.8 million in the preceding quarter.

## **Prospects for the Next Financial Year Ending 31 December 2018**

The Group foresees sustainable performance in 2018, despite competition and challenges. This is driven by the new execution model which prioritises its plans towards delivering relevant converged digital lifestyle services and end-to-end business solutions to all its customers.

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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](http://www.tm.com.my).

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