

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 2017.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	2,940.4	2,923.1	8,885.2	8,823.9
OPERATING COSTS				
- depreciation, impairment and amortisation	(617.2)	(633.7)	(1,860.5)	(1,949.6)
- other operating costs	(2,103.7)	(2,010.4)	(6,340.7)	(6,107.3)
OTHER OPERATING INCOME (net)	42.0	28.1	138.4	101.1
OTHER (LOSSES)/GAINS (net)	(1.9)	(3.1)	(5.5)	46.3
OPERATING PROFIT BEFORE FINANCE COST	259.6	304.0	816.9	914.4
FINANCE INCOME	34.5	35.6	97.2	121.3
FINANCE COST	(93.4)	(92.9)	(295.7)	(284.0)
FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	27.0	(36.0)	99.7	33.8
NET FINANCE COST	(31.9)	(93.3)	(98.8)	(128.9)
ASSOCIATES				
- share of results (net of tax)	7.8	8.1	22.3	22.4
PROFIT BEFORE TAXATION AND ZAKAT	235.5	218.8	740.4	807.9
TAXATION AND ZAKAT (part B, note 5)	(68.1)	(99.6)	(232.1)	(299.5)
PROFIT FOR THE FINANCIAL PERIOD	167.4	119.2	508.3	508.4
ATTRIBUTABLE TO:				
- equity holders of the Company	211.8	159.8	652.7	621.7
- non-controlling interests	(44.4)	(40.6)	(144.4)	(113.3)
PROFIT FOR THE FINANCIAL PERIOD	167.4	119.2	508.3	508.4
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic	5.7	4.2	17.4	16.5
- diluted	5.6	4.2	17.3	16.5

(The above unaudited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/09/2017 RM Million	30/09/2016 RM Million	30/09/2017 RM Million	30/09/2016 RM Million
PROFIT FOR THE FINANCIAL PERIOD	167.4	119.2	508.3	508.4
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified				
subsequently to income statement:				
- (decrease)/increase in fair value of available-for-sale investments	(1.2)	8.2	4.6	14.5
- increase in fair value of available-for-sale receivables	#	#	#	#
- reclassification adjustments relating to available-for-sale investments disposed	(0.4)	(0.4)	(1.5)	(1.4)
- cash flow hedge:				
- (decrease)/increase in fair value of cash flow hedge	(31.4)	40.8	(80.9)	4.0
- reclassification of foreign exchange gain/(loss) on borrowings	19.7	(35.8)	59.8	(8.4)
- fair value hedge:				
- increase/(decrease) in fair value	1.3	-	(0.6)	-
- currency translation differences				
- subsidiaries	(2.2)	4.6	(7.1)	0.5
- associate	(0.1)	0.3	0.1	0.1
Other comprehensive (loss)/income for the financial period	<u>(14.3)</u>	<u>17.7</u>	<u>(25.6)</u>	<u>9.3</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	<u>153.1</u>	<u>136.9</u>	<u>482.7</u>	<u>517.7</u>
ATTRIBUTABLE TO:				
- equity holders of the Company	197.5	177.5	627.1	631.0
- non-controlling interests	(44.4)	(40.6)	(144.4)	(113.3)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	<u>153.1</u>	<u>136.9</u>	<u>482.7</u>	<u>517.7</u>

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 2016)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	AS AT 30/09/2017 RM Million	AS AT 31/12/2016 RM Million
SHARE CAPITAL	3,595.5	2,630.6
SHARE PREMIUM	-	964.9
OTHER RESERVES	(46.0)	(43.1)
RETAINED PROFITS	3,980.9	4,139.9
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,530.4	7,692.3
NON-CONTROLLING INTERESTS	(21.9)	140.2
TOTAL EQUITY	7,508.5	7,832.5
Borrowings	7,986.6	7,662.6
Derivative financial instruments	326.0	301.9
Deferred tax liabilities	1,584.5	1,514.8
Deferred income	1,788.6	1,711.4
Trade and other payables	3.8	3.7
DEFERRED AND NON-CURRENT LIABILITIES	11,689.5	11,194.4
	19,198.0	19,026.9
Property, plant and equipment	15,949.5	16,010.6
Intangible assets	545.6	563.6
Associates	58.3	45.8
Available-for-sale investments	195.4	196.5
Available-for-sale receivables	3.1	4.8
Other non-current receivables	921.8	870.7
Derivative financial instruments	296.2	391.5
Deferred tax assets	39.0	30.6
NON-CURRENT ASSETS	18,008.9	18,114.1
Inventories	257.0	207.1
Non-current assets held for sale	19.0	19.0
Customer acquisition costs	48.8	53.2
Trade and other receivables	3,937.7	3,158.2
Derivative financial instruments	17.2	-
Available-for-sale investments	473.1	518.0
Financial assets at fair value through profit or loss	4.2	6.0
Cash and bank balances	1,994.5	2,926.0
CURRENT ASSETS	6,751.5	6,887.5
Trade and other payables	3,399.2	4,103.0
Dividends payable	353.2	-
Customer deposits	408.5	443.1
Advance rental billings	795.5	667.4
Derivative financial instruments	8.8	-
Borrowings	516.7	700.7
Taxation and zakat	80.5	60.5
CURRENT LIABILITIES	5,562.4	5,974.7
NET CURRENT ASSETS	1,189.1	912.8
	19,198.0	19,026.9
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	200.4	204.7

(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 2016)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

	Attributable to equity holders of the Company										
	Share Capital RM Million	Share Premium RM Million	Fair Value Reserves RM Million	Hedging Reserve RM Million	Long Term Incentive Plan 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	Total Equity RM Million
At 1 January 2017	2,630.6	964.9	101.6	95.9	1.9	71.6	(352.9)	38.8	4,139.9	140.2	7,832.5
Profit/(loss) for the financial period	-	-	-	-	-	-	-	-	652.7	(144.4)	508.3
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
- increase in fair value of available-for-sale investments	-	-	4.6	-	-	-	-	-	-	-	4.6
- increase in fair value of available-for-sale receivables	-	-	#	-	-	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(1.5)	-	-	-	-	-	-	-	(1.5)
- cash flow hedge:											
- decrease in fair value of cash flow hedge	-	-	-	(80.9)	-	-	-	-	-	-	(80.9)
- reclassification of foreign exchange gain on borrowings	-	-	-	59.8	-	-	-	-	-	-	59.8
- fair value hedge:											
- decrease in fair value	-	-	-	(0.6)	-	-	-	-	-	-	(0.6)
- currency translation differences											
- subsidiaries	-	-	-	-	-	-	(7.1)	-	-	-	(7.1)
- associate	-	-	-	-	-	-	0.1	-	-	-	0.1
Total comprehensive income/(loss) for the financial period	-	-	3.1	(21.7)	-	-	-	(7.0)	652.7	(144.4)	482.7
Transactions with owners:											
- second interim dividend paid for the financial year ended 31 December 2016 (part A, note 6)	-	-	-	-	-	-	-	-	(458.5)	-	(458.5)
- interim dividend payable for the financial year ending 31 December 2017 (part B, note 14(a))	-	-	-	-	-	-	-	-	(353.2)	-	(353.2)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(17.7)	(17.7)
- Long Term Incentive Plan (LTIP):											
- shares granted*	-	-	-	-	22.7	-	-	-	-	-	22.7
Total transactions with owners	-	-	-	-	22.7	-	-	-	(811.7)	(17.7)	(806.7)
Transfer to share capital [^]	964.9	(964.9)	-	-	-	-	-	-	-	-	-
At 30 September 2017	3,595.5	-	104.7	74.2	24.6	71.6	(352.9)	31.8	3,980.9	(21.9)	7,508.5

Amount less than RM0.1 million

* The apportionment over the vesting period of the fair value of the Group's granting of TM shares made to eligible employees of TM and its subsidiaries subject to fulfilment of relevant vesting conditions.

[^] The new Companies Act 2016 (CA 2016), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the CA 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(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 2016)

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	-	-	-	-	-	-	0.5	-	-	0.5
- subsidiaries	-	-	-	-	-	-	0.1	-	-	0.1
- associate	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	(454.7)	-	(454.7)
- interim dividend payable for the financial year ending 31 December 2016	-	-	-	-	-	-	-	(349.5)	-	(349.5)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(40.5)	(40.5)
- transaction with non-controlling interests	-	-	-	-	-	(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 2016)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL PERIOD ENDED	
	30/09/2017	30/09/2016
	RM Million	RM Million
Receipts from customers	7,840.4	8,034.4
Payments to suppliers and employees	(6,206.6)	(6,202.7)
Payment of finance cost	(259.3)	(241.3)
Payment of income taxes and zakat (net)	(154.2)	(131.3)
CASH FLOWS FROM OPERATING ACTIVITIES	1,220.3	1,459.1
Contribution for purchase of property, plant and equipment	265.3	161.3
Disposal of property, plant and equipment	9.9	7.8
Purchase of property, plant and equipment	(2,261.8)	(2,423.1)
Disposal of current available-for-sale investments	227.9	266.2
Purchase of current available-for-sale investments	(178.0)	(273.6)
Purchase of long term investments	-	(31.8)
Disposal of non-current assets held for sale	-	1.9
Long term deposit	(16.6)	(16.6)
Repayments of loans by employees	11.0	9.3
Loans to employees	(73.8)	(73.9)
Disposal of housing loan	7.9	7.3
Interests received	69.9	98.3
Dividends received	12.8	15.1
CASH FLOWS USED IN INVESTING ACTIVITIES	(1,925.5)	(2,251.8)
Capital contribution to a subsidiary	-	1.0
Proceeds from borrowings	1,998.9	1,677.0
Repayments of borrowings (net)	(1,698.2)	(1,303.9)
Repayments of finance lease	(9.3)	(5.4)
Dividend paid to shareholders (part A, note 6)	(458.5)	(454.7)
Dividend paid to non-controlling interests	(17.7)	(40.5)
CASH FLOWS USED IN FINANCING ACTIVITIES	(184.8)	(126.5)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(890.0)	(919.2)
EFFECT OF EXCHANGE RATE CHANGES	(41.2)	(0.4)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	2,925.2	3,510.8
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	1,994.0	2,591.2

(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 2016)

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The unaudited interim financial statements for the 3rd quarter ended 30 September 2017 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 2016. The accounting policies, method of computation and basis of consolidation applied in the unaudited interim financial statements are consistent with those used in the preparation of the 2016 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 2017.

(a) Amendments to published standards that are effective and applicable for the Group’s financial year beginning on 1 January 2017

The amendments to published standards issued by MASB that are effective and applicable for the Group’s financial year beginning on 1 January 2017 are as follows:

Amendments to MFRS 12	Disclosure of Interests in Other Entities
Amendments to MFRS 107	Statement of Cash Flows - Disclosure Initiative
Amendments to MFRS 112	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

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.

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

1. Basis of Preparation (continued)

Companies Act 2016

The Companies Act 2016 (CA 2016) was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The CA 2016 was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the CA 2016 comes into operation, except section 241 and Division 8 of Part III of the CA 2016, is 31 January 2017.

Amongst the key changes introduced in the CA 2016 which affect the financial statements of the Group and Telekom Malaysia Berhad (the Company) upon the commencement of the CA 2016 on 31 January 2017 includes:

- (i) removal of the authorised share capital
- (ii) shares of the Company will cease to have par or nominal value; and
- (iii) the Group's and Company's share premium account will become part of the Group's and Company's share capital

Pursuant to CA 2016, the Group reclassified RM964.9 million from its share premium account to share capital. Other than this, the adoption of the CA 2016 is not expected to have any financial impact on the Group and Company for the current financial year as any accounting implication will only be applied prospectively, if applicable, and the effect of adoption mainly will be on disclosures to the annual report and financial statements for the financial year ending 31 December 2017.

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

1. Basis of Preparation (continued)

(b) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been early adopted

The new standards, IC Interpretation 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 beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014) (with subsequent amendments)
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 128	Investment in Associates and Joint Ventures
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning 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 new standards, IC Interpretation 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 2016 audited annual financial statements, as well as the impact of MFRS 16.

There are no other standards, amendments to published standards or 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 2017.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

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 Islamic Commercial Papers (ICP) and Islamic Medium Term Notes (IMTN)

Details of ICP and IMTN issued during the financial period ended 30 September 2017 are as follows:

Debt Securities	Date of Issue	Nominal Value	Rate per Annum	Maturity Date
ICP (at discount)	4 August 2017	RM475.0 million	3.40%	4 September 2017
IMTN	4 September 2017	RM500.0 million	4.58%	3 September 2027

The ICP has been fully repaid on the maturity date.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

5. Issuances, Repurchases and Repayments of Debt and Equity (continued)

(b) Long Term Incentive Plan (LTIP)

During the financial period to date, TM granted shares under its Long Term Incentive Plan (LTIP) to eligible employees of TM and subsidiaries as described in note 14 of the audited financial statements for the financial year ended 31 December 2016.

Description	Grant Date	Vesting Date	Total TM shares granted	Reference Price Per Unit¹ (RM)
Restricted Shares (RS)	1 June 2017	1 June 2020	9,401,200	6.47
Performance Shares (PS)	1 June 2017	1 June 2020/ 1 June 2021 ²	1,928,100	6.35

¹ Refers to the price at reference date for the purpose of granting the number of shares to the employees. For PS, this is based on a 3-month volume weighted-average price (VWAP).

² In the event that certain performance metrics are not met over the period set by the LTIP Committee as being applicable to the PS Grantees, a roll over feature may extend the performance period and vesting date by 1 year.

Description of RS had been disclosed in note 14 of the audited financial statements for the financial year ended 31 December 2016.

Performance Shares (PS)

Under the PS, eligible employees and Executive Directors of TM will be vested shares over the duration of the LTIP period (as determined by the LTIP Committee for each tranche of PS respectively), subject to individual performance metrics being met and the achievement of certain market based indicators.

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 2017.

6. Dividends Paid

A second interim single-tier cash dividend of 12.2 sen per share amounting to RM458.5 million in respect of financial year ended 31 December 2016 was paid on 24 March 2017.

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 2017

Operating Revenue

	unifi ^g	TM ONE	TM GLOBAL	Shared Services /Others	Total
Total operating revenue	1,337.8	1,115.1	548.4	1,254.7	4,256.0
Inter-segment @	(11.0)	(102.5)	(79.7)	(1,122.4)	(1,315.6)
External operating revenue	1,326.8	1,012.6	468.7	132.3	2,940.4

Results

Segment profits	41.1 ^a	185.6	94.7	18.4	339.8
Unallocated income/other gains*					4.5
Unallocated costs [^]					(84.7)
Operating profit before finance cost					259.6
Finance income					34.5
Finance cost					(93.4)
Foreign exchange gain on borrowings					27.0
Associates					
-share of results (net of tax)					7.8
Profit before taxation and zakat					235.5
Taxation and zakat					(68.1)
Profit for the financial period					167.4

^a Includes accelerated depreciation and write-off of WiMAX assets amounting to RM18.8 million.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

All amounts are in RM Million

3rd Quarter Ended

30 September 2016

Operating Revenue

	unifi ^g	TM ONE	TM GLOBAL	Shared Services /Others	Total
Total operating revenue	1,286.5	1,179.8	560.2	1,290.1	4,316.6
Inter-segment @	(11.5)	(96.5)	(127.0)	(1,158.5)	(1,393.5)
External operating revenue	<u>1,275.0</u>	<u>1,083.3</u>	<u>433.2</u>	<u>131.6</u>	<u>2,923.1</u>

Results

Segment profits/(losses)	83.5 ^a	236.4	71.4	(8.1)	383.2
Unallocated income/other gains*					3.4
Unallocated costs [^]					(82.6)
Operating profit before finance cost					<u>304.0</u>
Finance income					35.6
Finance cost					(92.9)
Foreign exchange loss on borrowings					(36.0)
Associates					
-share of results (net of tax)					<u>8.1</u>
Profit before taxation and zakat					218.8
Taxation and zakat					(99.6)
Profit for the financial period					<u>119.2</u>

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

TELEKOM MALAYSIA BERHAD (128740-P)
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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

30 September 2017

Operating Revenue

	unifi ^g	TM ONE	TM GLOBAL	Shared Services /Others	Total
Total operating revenue	3,974.2	3,458.0	1,655.8	3,729.3	12,817.3
Inter-segment @	(31.4)	(307.2)	(249.6)	(3,343.9)	(3,932.1)
External operating revenue	3,942.8	3,150.8	1,406.2	385.4	8,885.2

Results

Segment profits	82.6 ^a	612.7	305.9	19.6	1,020.8
Unallocated income/other gains*					15.8
Unallocated costs [^]					(219.7)
Operating profit before finance cost					816.9
Finance income					97.2
Finance cost					(295.7)
Foreign exchange gain on borrowings					99.7
Associates					
-share of results (net of tax)					22.3
Profit before taxation and zakat					740.4
Taxation and zakat					(232.1)
Profit for the financial period					508.3

^a Includes accelerated depreciation and write-off of WiMAX assets amounting to RM54.7 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

30 September 2016

Operating Revenue

	unifi ^{>}	TM ONE	TM GLOBAL	Shared Services /Others	Total
Total operating revenue	3,812.0	3,593.7	1,649.6	3,961.3	13,016.6
Inter-segment @	(16.7)	(314.9)	(294.2)	(3,566.9)	(4,192.7)
External operating revenue	3,795.3	3,278.8	1,355.4	394.4	8,823.9

Results

Segment profits	51.1 ^a	765.7	233.6	9.4	1,059.8
Unallocated income/other gains*					70.0
Unallocated costs [^]					(215.4)
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)					22.4
Profit before taxation and zakat					807.9
Taxation and zakat					(299.5)
Profit for the financial period					508.4

^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	unifi [~]	TM ONE	TM GLOBAL	Shared Services /Others	Total
Segment assets and liabilities					
As at 30 September 2017					
Segment assets	1,323.5	1,981.8	1,728.4	4,969.9	10,003.6
Associates					58.3
Unallocated assets ^{<}					14,698.5
Total assets					24,760.4
Segment liabilities	1,421.5	829.9	1,580.3	2,470.8	6,302.5
Borrowings					8,503.3
Unallocated liabilities ⁺					2,446.1
Total liabilities					17,251.9
As at 31 December 2016					
Segment assets	1,570.9	1,863.8	1,632.3	4,870.1	9,937.1
Associates					45.8
Unallocated assets ^{<}					15,018.7
Total assets					25,001.6
Segment liabilities	1,298.2	1,022.1	1,150.3	3,359.6	6,830.2
Borrowings					8,363.3
Unallocated liabilities ⁺					1,975.6
Total liabilities					17,169.1

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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.
- > unifi segment for the current quarter and financial period as well as comparatives includes financial information of Webe Digital Sdn Bhd (webe) 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 unifi to Enterprise under TM ONE cluster.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 2017 save as disclosed below:

(a) Winding Up of TMF Services Sdn Bhd (TMFS)

On 15 February 2016, Telekom Malaysia Berhad (TM) commenced the members' voluntary winding up of TMFS, a subsidiary of TM held via TM Facilities Sdn Bhd in accordance with Section 254(1)(b) of the then operative Companies Act, 1965. Pursuant to Section 459(5) of the Companies Act 2016, TMFS was dissolved effective from 23 May 2017.

(b) Investment by Mobikom Sdn Bhd (Mobikom), a wholly-owned subsidiary of the Group, in Webe Digital Sdn Bhd (webe) (Investment in webe)

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 2016, Mobikom had on 28 September 2017, subscribed to RM495,000,000 nominal value of the third tranche issuance of the Convertible MTN under the Convertible MTN Programme issued by webe (3rd Tranche Convertible MTN). The proceeds from the 3rd Tranche Convertible MTN will be utilised to fund the implementation of webe's business plan.

As a result of Mobikom's subscription to the 3rd Tranche Convertible MTN, the Group's shareholding (via Mobikom) in webe on a fully diluted basis is 85.9%, while Green Packet Berhad (via Packet One Sdn Bhd) and SK Telecom Co. Ltd is 10.3% and 3.8% respectively, under the terms of the Investment Agreement. However, the Group's current 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.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 2016.

11. Capital Commitments

	Group	
	As at 30/09/2017	As at 31/12/2016
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	3,041.3	3,237.8
Commitments in respect of expenditure approved but not contracted for	2,056.0	3,240.4

12. Related Party Transactions

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 26.21% 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	
	30/09/2017	30/09/2016	30/09/2017	31/12/2016
	RM Million	RM Million	RM Million	RM Million
Sales and Receivables	484.5	537.7	26.9	61.0

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 period was RM192.5 million (YTD September 2016: RM261.6 million) with corresponding receivables of RM9.9 million (31 December 2016: RM43.0 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 equipment 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 2016.

(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.

	As at 30/09/2017				As at 31/12/2016			
	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	4.2	-	-	4.2	6.0	-	-	6.0
Derivatives at fair value through profit or loss	-	17.2	-	17.2	-	22.5	-	22.5
Derivatives accounted for under hedge accounting	-	112.2	184.0	296.2	-	142.4	226.6	369.0
Available-for-sale financial assets								
-investments	-	561.2	107.3	668.5	-	662.5	52.0	714.5
-receivables	-	3.1	-	3.1	-	4.8	-	4.8
Total	4.2	693.7	291.3	989.2	6.0	832.2	278.6	1,116.8
Liabilities								
Derivatives accounted for under hedge accounting	-	8.8	-	8.8	-	-	-	-
Put option liability over shares held by non-controlling interest	-	-	326.0	326.0	-	-	301.9	301.9
Total	-	8.8	326.0	334.8	-	-	301.9	301.9

There has not been any change to the valuation techniques applied for the different financial instruments since 31 December 2016 and there were no transfers of any instruments between level 1, 2 and 3 of the fair valuation hierarchy during the financial period, except for a reclassification of the Group's investment in a technology investment fund from level 2 to level 3. This was in view of the early stage of the investment where the portfolio of investees has unobservable market inputs as they are traded infrequently or not at all.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 2016, other than below:

	As at 30/09/2017		As at 31/12/2016	
	Carrying amount RM Million	Net fair value RM Million	Carrying amount RM Million	Net fair value RM Million
Liabilities				
Borrowings	8,503.3	9,054.6	8,363.3	8,865.9

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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 0.6% (RM17.3 million) to RM2,940.4 million as compared to RM2,923.1 million in the same quarter last year, mainly due to higher revenue from Internet and multimedia services.

Internet and multimedia services registered higher revenue from RM918.8 million in the corresponding quarter last year to RM1,004.7 million in the current quarter, mainly due to increase in unifi customer base with more than 1,061,000 at the end of the current quarter compared to 921,144 at the end of corresponding quarter last year.

The 0.6% quarter-on-quarter increase in operating revenue is however offset by higher operating costs, resulting in operating profit before finance cost decreasing 14.6% (RM44.4 million) to RM259.6 million from RM304.0 million in the corresponding quarter last year.

The impact of foreign exchange gain on the Group's borrowings in the current quarter compared to the foreign exchange losses in corresponding quarter last year led to a 32.5% (RM52.0 million) increase in Group profit after tax and non-controlling interests (PATAMI) from RM159.8 million to RM211.8 million.

(ii) Segment Performance

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Revenue increased by 4.0% (RM51.3 million) from RM1,286.5 million to RM1,337.8 million in the current quarter mainly due to higher cumulative unifi customers of 1,042,383 as compared to 904,237 as at the end of corresponding quarter last year, In addition, the number of buys of Premium Channels and Video-on-Demand (VOD) continued to increase. Revenue from webe also contributed to the increase. Higher operating costs in the current quarter led to decrease in profit of 50.8% (RM42.4 million), from RM83.5 million in the corresponding quarter last year to RM41.1 million.

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1. Review of Performance (continued)

(a) Quarter-on-Quarter (continued)

(ii) Segment Performance (continued)

TM ONE

TM ONE recorded 5.5% (RM64.7 million) decrease in revenue from RM1,179.8 million to RM1,115.1 million in the 3rd quarter of 2017 due to lower revenue from other telecommunication, data and voice services despite higher Internet and multimedia revenue. This led to decrease in profits by 21.5% (RM50.8 million) to RM185.6 million in the current quarter from RM236.4 million in the corresponding quarter last year.

TM GLOBAL

Revenue for the current quarter decreased by 2.1% (RM11.8 million) from RM560.2 million in 3rd quarter last year to RM548.4 million mainly contributed by lower data revenue. Profit for the current quarter however increased by 32.6% (RM23.3 million) from RM71.4 million in the corresponding quarter last year to RM94.7 million due to lower operating cost.

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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 0.7% (RM61.3 million) to RM8,885.2 million as compared to RM8,823.9 million last year, mainly due to higher revenue from Internet and multimedia services.

Operating profit before finance cost decreased by 10.7% (RM97.5 million) to RM816.9 million as compared to RM914.4 million recorded in the preceding year mainly due to higher operating costs and absence of any significant other gains that was recorded in corresponding period last year.

Higher foreign exchange gain on borrowings and reduction in tax charges in the current 9 months ended led to a 5.0% (RM31.0 million) increase in Group profit after tax and non-controlling interests (PATAMI) to RM652.7 million from RM621.7 million in corresponding period last year.

(ii) Segment Performance

unifi

Revenue for the current financial period increased by 4.3% (RM162.2 million) to RM3,974.2 million from RM3,812.0 million contributed by higher unifi revenue in line with the increase in customer base from 904,237 as at 30 September 2016 to 1,042,383 as at 30 September 2017. Number of buys of TV unifi was higher and take up of mobility services contributed to revenue increase. webe continue to further contribute to the increase in revenue. Profit for the current financial period increased by 61.6% (RM31.5 million) to RM82.6 million from RM51.1 million last year mainly due to lower operating costs.

Our main broadband service offering continues to grow with unifi reaching 2.70 million households nationwide to date, and our mobile offering achieving 8.0% mobile penetration. We also launched an “i-foundit!” App that enables Malaysians to access the Internet via wifi@unifi, previously known as TM WiFi. The app locates wifi hotspots and connects users to over 5,800 hotspots across Malaysia.

There will also be new unifi packages to be launched tailored for the e-entrepreneurs and the youth, specifically students at institutions of higher learning.

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1. Review of Performance (continued)

(b) Year-on-Year (continued)

(ii) Segment Performance (continued)

TM ONE

TM ONE recorded a decrease in revenue by 3.8% (RM135.7 million) from RM3,593.7 million to RM3,458.0 million in the current financial period mainly due to decline in voice, data and other telecommunication services despite growth in Internet and multimedia. Profit for the current financial period decreased by 20.0% (RM153.0 million) from RM765.7 million to RM612.7 million from the decrease in revenue and increase in operating costs.

We consolidated our Managed Accounts organisation into “TM ONE”, as the only trusted partner and enabler for enterprises and the public sector to fully realise their digital opportunities. In September, TM ONE launched Malaysia’s largest Call Centre located in Melaka. The establishment of this Call Centre is a testament of continuous commitment from TM to deliver enhanced customer service experience to customers nationwide.

On the business front in Johor, we formalised a Memorandum of Understanding (MoU) with Iskandar Regional Development Authority (IRDA) for smart services deployment and delivery in Iskandar Malaysia. The agreement will enable TM ONE to implement smart services such as safety and security, smart mobility, city-wide services, energy and facilities management, as well as citizen portal in line with the Iskandar Malaysia Smart City Blueprint. Our Data Centre at Iskandar Puteri is the first commercial Data Centre in Malaysia to achieve Uptime Institute Tier III certification for design and constructed facility. This is in line with market demand and expectation on more industry certified Data Centre, especially for the regulated verticals as well as global Multinational Corporation (MNC), expanding into Malaysia.

TM GLOBAL

TM GLOBAL registered revenue of RM1,655.8 million for the current financial period, registering a 0.4% (RM6.2 million) increase from RM1,649.6 million reported in the corresponding period last year. This was mainly due to higher data revenue as well as other telecommunication services. Correspondingly, profit increased by 31.0% (RM72.3 million) from RM233.6 million in the corresponding period last year to RM305.9 million in the current financial period with lower operating cost recorded in the current period.

In supporting the Government’s initiative, we successfully completed Sistem Kabel Rakyat 1Malaysia (SKR1M). SKR1M is the result of a successful Public-Private Partnership (PPP) collaboration between TM and the Government through Malaysian Communications and Multimedia Commission (MCMC) which has achieved the project completion as scheduled and is now commercially launched. The new submarine cable system spans over 3,800 km lands at six (6) landings in Kuantan, Mersing, Kuching, Bintulu, Miri and Kota Kinabalu.

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1. Review of Performance (continued)

(c) Economic Profit Statement

	3rd Quarter Ended		Financial Period Ended	
	30/09/2017 RM Million	30/09/2016 RM Million	30/09/2017 RM Million	30/09/2016 RM Million
EBIT	261.5	307.1	822.4	868.1
Adjusted Tax	62.8	73.7	197.4	208.3
NOPLAT	198.7	233.4	625.0	659.8
AIC	4,090.3	3,732.4	12,271.0	11,197.3
WACC	6.75%	6.64%	6.75%	6.63%
ECONOMIC CHARGE	276.1	247.8	828.3	742.4
ECONOMIC LOSS	(77.4)	(14.4)	(203.3)	(82.6)

Definitions:

EBIT = Earnings before Interest & Taxes

NOPLAT = Net Operating Profit after Tax

AIC = Average Invested Capital

WACC = Weighted Average Cost of Capital

TM Group recorded higher Economic Loss in third quarter 2017 and financial period to date due to lower NOPLAT and higher economic charge. Higher economic charge attributed to higher AIC due to higher trade and other receivables and other non-current receivables, whilst higher WACC is due to higher cost of debt and equity. Lower NOPLAT in current quarter and financial period were from increase in cost which was higher compared to the increase in revenue.

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2. Comparison with Preceding Quarter's Results

The current quarter Group revenue decreased by 1.3% (RM39.8 million) to RM2,940.4 million as compared to RM2,980.2 million recorded in the second quarter of 2017 primarily due to higher revenue from all services except for voice and Internet.

Operating profit before finance cost decreased to RM259.6 million from RM258.2 million recorded in the preceding quarter with increase in operating expenditure.

The above decrease in operating profit before finance cost in the current quarter resulted in 0.6% (RM1.3 million) increase of Group PATAMI from RM210.5 million in the preceding quarter to RM211.8 million.

3. Prospects for the Current Financial Year Ending 31 December 2017

We foresee sustainable performance for the Group in the remaining quarter of the financial year despite competition and challenges in the telecommunication industry. In following months, our focus remains the same, to accelerate our Convergence action plans and push forward with our Go Digital agenda towards delivering relevant convergence lifestyle communication services and end-to-end business solutions to all our customers.

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 2017.

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5. Taxation

The taxation charge for the Group comprises:

	3rd Quarter Ended		Financial Period Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM Million	RM Million	RM Million	RM Million
<u>Malaysia</u>				
Income Tax:				
Current year	50.7	43.7	177.7	122.7
Prior year	(8.0)	0.1	(9.8)	0.1
Deferred tax (net)	24.1	52.0	61.0	173.0
	66.8	95.8	228.9	295.8
<u>Overseas</u>				
Income Tax:				
Current year	1.3	0.5	1.6	0.8
Prior year	-	-	0.2	(0.5)
Deferred tax (net)	#	(0.8)	#	(0.7)
	1.3	(0.3)	1.8	(0.4)
Taxation	68.1	95.5	230.7	295.4
Zakat	#	4.1	1.4	4.1
Taxation and Zakat	68.1	99.6	232.1	299.5

Amount less than RM0.1 million

The effective tax rates of the Group for the current quarter, period and comparatives 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.

The current quarter and financial period ended 30 September 2017 included recognition of investment tax allowances relating to qualifying expenditures for which approval was granted at the start of the current financial year as disclosed in note 20 of the Group's audited financial statements for financial year ended 31 December 2016.

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6. Status of Corporate Proposals

There is no corporate proposal announced and not completed as at the latest practicable date.

7. Group Borrowings and Debt Securities

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

	As at 30/09/2017		As at 31/12/2016	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Secured	31.7	74.0	29.1	89.6
Total Unsecured	485.0	7,912.6	671.6	7,573.0
Total Borrowings	516.7	7,986.6	700.7	7,662.6

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

	As at 30/09/2017	As at 31/12/2016
Foreign Currency	RM Million	RM Million
US Dollar	2,421.1	2,578.0
Canadian Dollars	3.1	3.1
Japanese Yen	292.7	299.4
Total	2,716.9	2,880.5

(c) There has not been any significant changes in the Group's borrowings since the end of the previous financial year (as disclosed in note 17 of the Group's audited financial statements for financial year ended 31 December 2016) except for repayments of borrowings as they become due, issuance of debt as disclosed in part A, note 5(a) of this announcement and impact of foreign exchange retranslation for the period.

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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 30/09/2017		Fair value as at 31/12/2016	
		Assets RM Million	Liabilities RM Million	Assets RM Million	Liabilities RM Million
1. <u>Interest Rate Swaps (IRS)</u> - more than 3 years	211.0	4.6	-	5.2	-
	211.0	4.6	-	5.2	-
2. <u>Cross Currency Interest Rate Swaps (CCIRS)</u> - less than 1 year - more than 3 years	298.9 627.3	- 291.6	8.8 -	1.0 362.7	- -
	926.2	291.6	8.8	363.7	-
3. <u>Put Option liability over shares held by non-controlling interest</u> - more than 3 years	-	-	326.0	-	301.9
	-	-	326.0	-	301.9
4. <u>Call Option over shares held by non-controlling interest</u> - more than 1 year	87.1	17.2	-	22.5	-
	87.1	17.2	-	22.5	-
Total	1,224.3	313.4	334.8	391.4	301.9

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) 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 2016.

(c) 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 2016.

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8. Derivative Financial Instruments (continued)

(d) 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 2017 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>Put Option liability over shares held by non-controlling interest</u> ⁽ⁱ⁾ - more than 3 years	-	326.0	-	-
	-	326.0	-	-
2. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱⁱ⁾ - less than 1 year	298.9	8.8	(8.9)	(8.8)
	298.9	8.8	(8.9)	(8.8)
Total	298.9	334.8	(8.9)	(8.8)
Financial Assets				
1. <u>Interest Rate Swaps</u> ⁽ⁱⁱ⁾ - less than 1 year	211.0	4.6	1.3	(0.6)
	211.0	4.6	1.3	(0.6)
2. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱⁱ⁾ - more than 3 years	627.3	291.6	(22.5)	(71.1)
	627.3	291.6	(22.5)	(71.1)
3. <u>Call Option over shares held by non-controlling interest</u> - more than 1 years	87.1	17.2	(0.5)	(5.3)
	87.1	17.2	(0.5)	(5.3)
Total	925.4	313.4	(21.7)	(77.0)

(i) Derivative relating to equity instrument accounted for under MFRS 132 Financial Instruments: Presentation for which the obligation at inception is recognised in Other Reserves. Gain for the financial year includes fair value movement arising from a dilution of non-controlling interests' effective shareholding of a subsidiary.

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

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

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8. Derivative Financial Instruments (continued)

(d) 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	
	As at 30/09/2017	As at 31/12/2016
	RM Million	RM Million
Retained profits		
- realised	2,319.5	2,607.2
- unrealised - in respect of deferred tax recognised in the income statement	(1,545.5)	(1,484.2)
- in respect of other items of income and expense	479.7	445.1
Share of accumulated profit from associates		
- realised	89.6	67.3
	1,342.6	1,635.4
Add: consolidation adjustments	2,638.3	2,504.5
Total Retained Profits	3,980.9	4,139.9

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 2017:

	3rd Quarter Ended		Financial Period Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM Million	RM Million	RM Million	RM Million
(Impairment)/Reversal of impairment of trade and other receivables (net of recoveries)	(25.0)	20.3	(39.5)	(28.8)
Inventory (charges)/reversal for write off and obsolescence	(0.2)	(0.5)	0.5	0.1
Gain on disposal of fixed income securities	0.5	0.5	1.6	1.5
(Loss)/Gain on foreign exchange on settlements and placements	(10.2)	1.2	(46.8)	(7.4)

11. Material Litigation

There is no material litigation cases apart from the material litigation cases disclosed under Contingent Liabilities in note 50 to the audited financial statements of the Group for the financial year ended 31 December 2016 which have all been duly concluded.

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.

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12. Earnings per Share (EPS)

	3rd Quarter Ended		Financial Period Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
(a) Basic earnings per share				
Profit attributable to equity holders of the Company (RM million)	211.8	159.8	652.7	621.7
Weighted average number of ordinary shares (million)	3,757.9	3,757.9	3,757.9	3,757.9
Basic earnings per share (sen) attributable to equity holders of the Company	5.7	4.2	17.4	16.5

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.

	3rd Quarter Ended		Financial Period Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
(b) Diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	211.8	159.8	652.7	621.7
Weighted average number of ordinary shares (million)	3,757.9	3,757.9	3,757.9	3,757.9
Adjustment for dilutive effect of Long Term Incentive Plan (million)	20.5	-	14.3	-
Weighted average number of ordinary shares (million)	3,778.4	3,757.9	3,772.2	3,757.9
Diluted earnings per share (sen) attributable to equity holders of the Company	5.6	4.2	17.3	16.5

Diluted earnings per share for the current period 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 adjusted for conversion of all dilutive potential ordinary shares from shares granted to employees under the Group's Long Term Incentive Plan (LTIP), as disclosed in note 14 to the Group's audited financial statements for financial year ended 31 December 2016 and part A, note 5 of this announcement.

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13. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2016 were not subject to any qualification.

14. Dividends

(a) On 29 August 2017, the Board of Directors declared an interim single-tier cash dividend of 9.4 sen per share for the financial year ending 31 December 2017 (2016: an interim single-tier cash dividend of 9.3 sen per share). Subsequent to 30 September 2017, the dividend was paid on 13 October 2017 to shareholders whose names appear in the Register of Members and Record of Depositors on 15 September 2017.

(b) No dividend is declared for the current quarter ended 30 September 2017.

By Order of the Board

Hamizah Abidin (LS0007096)
Zaiton Ahmad (MAICSA 7011681)

Secretaries

Kuala Lumpur
22 November 2017