

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 first quarter ended 31 March 2017.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	2,964.6	2,855.4	2,964.6	2,855.4
OPERATING COSTS				
- depreciation, other impairment and amortisation	(645.8)	(643.1)	(645.8)	(643.1)
- other operating costs	(2,053.0)	(1,973.8)	(2,053.0)	(1,973.8)
OTHER OPERATING INCOME (net)	38.0	41.4	38.0	41.4
OTHER (LOSSES)/GAINS (net)	(4.7)	50.5	(4.7)	50.5
OPERATING PROFIT BEFORE FINANCE COST	299.1	330.4	299.1	330.4
FINANCE INCOME	35.6	46.3	35.6	46.3
FINANCE COST	(100.0)	(94.0)	(100.0)	(94.0)
FOREIGN EXCHANGE GAIN ON BORROWINGS	22.7	104.5	22.7	104.5
NET FINANCE (COST)/INCOME	(41.7)	56.8	(41.7)	56.8
ASSOCIATES				
- share of results (net of tax)	6.3	6.0	6.3	6.0
PROFIT BEFORE TAXATION AND ZAKAT	263.7	393.2	263.7	393.2
TAXATION AND ZAKAT (part B, note 5)	(79.3)	(102.7)	(79.3)	(102.7)
PROFIT FOR THE FINANCIAL PERIOD	184.4	290.5	184.4	290.5
ATTRIBUTABLE TO:				
- equity holders of the Company	230.4	322.4	230.4	322.4
- non-controlling interests	(46.0)	(31.9)	(46.0)	(31.9)
PROFIT FOR THE FINANCIAL PERIOD	184.4	290.5	184.4	290.5
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic/diluted	6.1	8.6	6.1	8.6

(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

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/03/2017 RM Million	31/03/2016 RM Million	31/03/2017 RM Million	31/03/2016 RM Million
PROFIT FOR THE FINANCIAL PERIOD	184.4	290.5	184.4	290.5
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified				
subsequently to income statement:				
- increase in fair value of available-for-sale investments	5.8	4.6	5.8	4.6
- increase in fair value of available-for-sale receivables	#	#	#	#
- reclassification adjustments relating to available-for-sale investments disposed	(0.3)	(0.4)	(0.3)	(0.4)
- cash flow hedge:				
- decrease in fair value of cash flow hedge	(10.8)	(102.2)	(10.8)	(102.2)
- reclassification of foreign exchange gain on borrowings	1.6	85.7	1.6	85.7
- fair value hedge:				
- increase in fair value	1.9	-	1.9	-
- currency translation differences				
- subsidiaries	(2.1)	(8.6)	(2.1)	(8.6)
- associate	0.6	(0.6)	0.6	(0.6)
Other comprehensive loss for the financial period	<u>(3.3)</u>	<u>(21.5)</u>	<u>(3.3)</u>	<u>(21.5)</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	<u>181.1</u>	<u>269.0</u>	<u>181.1</u>	<u>269.0</u>
ATTRIBUTABLE TO:				
- equity holders of the Company	227.1	300.9	227.1	300.9
- non-controlling interests	(46.0)	(31.9)	(46.0)	(31.9)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	<u>181.1</u>	<u>269.0</u>	<u>181.1</u>	<u>269.0</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 31/03/2017	AS AT 31/12/2016
	RM Million	RM Million
SHARE CAPITAL	3,595.5	2,630.6
SHARE PREMIUM	-	964.9
OTHER RESERVES	(40.4)	(43.1)
RETAINED PROFITS	3,911.8	4,139.9
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,466.9	7,692.3
NON-CONTROLLING INTERESTS	94.2	140.2
TOTAL EQUITY	7,561.1	7,832.5
Borrowings	7,633.4	7,662.6
Derivative financial instruments	309.9	301.9
Deferred tax liabilities	1,541.8	1,514.8
Deferred income	1,649.6	1,711.4
Trade and other payables	4.3	3.7
DEFERRED AND NON-CURRENT LIABILITIES	11,139.0	11,194.4
	18,700.1	19,026.9
Property, plant and equipment	15,729.4	16,010.6
Intangible assets	558.7	563.6
Associates	52.7	45.8
Available-for-sale investments	198.1	196.5
Available-for-sale receivables	4.4	4.8
Other non-current receivables	882.4	870.7
Derivative financial instruments	370.3	391.5
Deferred tax assets	43.6	30.6
NON-CURRENT ASSETS	17,839.6	18,114.1
Inventories	213.6	207.1
Non-current assets held for sale	19.0	19.0
Customer acquisition costs	56.6	53.2
Trade and other receivables	3,482.1	3,158.2
Available-for-sale investments	531.3	518.0
Derivative financial instruments	7.1	-
Financial assets at fair value through profit or loss	6.0	6.0
Cash and bank balances	2,032.6	2,926.0
CURRENT ASSETS	6,348.3	6,887.5
Trade and other payables	3,679.8	4,103.0
Customer deposits	432.8	443.1
Advance rental billings	699.7	667.4
Borrowings	584.1	700.7
Taxation and zakat	91.4	60.5
CURRENT LIABILITIES	5,487.8	5,974.7
NET CURRENT ASSETS	860.5	912.8
	18,700.1	19,026.9
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	198.7	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 31 MARCH 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	-	-	-	-	-	-	-	-	230.4	(46.0)	184.4
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
- increase in fair value of available-for-sale investments	-	-	5.8	-	-	-	-	-	-	-	5.8
- increase in fair value of available-for-sale receivables	-	-	#	-	-	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(0.3)	-	-	-	-	-	-	-	(0.3)
- cash flow hedge:											
- decrease in fair value of cash flow hedge	-	-	-	(10.8)	-	-	-	-	-	-	(10.8)
- reclassification of foreign exchange gain on borrowings	-	-	-	1.6	-	-	-	-	-	-	1.6
- fair value hedge:											
- increase in fair value	-	-	-	1.9	-	-	-	-	-	-	1.9
- currency translation differences	-	-	-	-	-	-	(2.1)	-	-	-	(2.1)
- subsidiaries	-	-	-	-	-	-	-	-	-	-	-
- associate	-	-	-	-	-	-	0.6	-	-	-	0.6
Total comprehensive income/(loss) for the financial period	-	-	5.5	(7.3)	-	-	-	(1.5)	230.4	(46.0)	181.1
Transactions with owners:											
- second interim dividend paid for the financial year ended 31 December 2016 (part A, note 6)	-	-	-	-	-	-	-	-	(458.5)	-	(458.5)
- Long Term Incentive Plan (LTIP):											
- shares granted*	-	-	-	-	6.0	-	-	-	-	-	6.0
Total transactions with owners	-	-	-	-	6.0	-	-	-	(458.5)	-	(452.5)
Transfer to share capital [^]	964.9	(964.9)	-	-	-	-	-	-	-	-	-
At 31 March 2017	3,595.5	-	107.1	88.6	7.9	71.6	(352.9)	37.3	3,911.8	94.2	7,561.1

Amount less than RM0.1 million

* The apportionment over the vesting period of the fair value of the Group's 1st grant of 9,219,500 TM shares made to eligible employees of TM and its subsidiaries on 1 December 2016 which will be vested on 30 April 2019 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 31 MARCH 2016**

	Attributable to equity holders of the Company									
	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	Total Equity 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	-	-	-	-	-	-	-	322.4	(31.9)	290.5
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	-	-	(0.4)	-	-	-	-	-	-	(0.4)
- cash flow hedge:										
- decrease in fair value of cash flow hedge	-	-	-	(102.2)	-	-	-	-	-	(102.2)
- reclassification to foreign exchange gain on borrowings	-	-	-	85.7	-	-	-	-	-	85.7
- currency translation differences	-	-	-	-	-	-	(8.6)	-	-	(8.6)
- subsidiaries	-	-	-	-	-	-	(0.6)	-	-	(0.6)
- associate	-	-	-	-	-	-	(0.6)	-	-	(0.6)
Total comprehensive income/(loss) for the financial period	-	-	4.2	(16.5)	-	-	(9.2)	322.4	(31.9)	269.0
Transactions with owners										
- second interim dividend paid for the financial year ended 31 December 2015	-	-	-	-	-	-	-	(454.7)	-	(454.7)
- transaction with non-controlling interests	-	-	-	-	-	(85.3)	-	-	85.3	-
Total transactions with owners	-	-	-	-	-	(85.3)	-	(454.7)	85.3	(454.7)
At 31 March 2016	2,630.6	964.9	94.4	78.7	71.6	(352.9)	18.4	4,035.8	311.5	7,853.0

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	
	31/03/2017	31/03/2016
	RM Million	RM Million
Receipts from customers	2,446.0	2,806.1
Payments to suppliers and employees	(1,956.4)	(2,158.7)
Payment of finance cost	(64.0)	(68.8)
Payment of income taxes and zakat (net)	(33.9)	(50.3)
CASH FLOWS FROM OPERATING ACTIVITIES	391.7	528.3
Contribution for purchase of property, plant and equipment	-	72.7
Disposal of property, plant and equipment	4.4	0.6
Purchase of property, plant and equipment	(665.2)	(822.3)
Disposal of current available-for-sale investments	64.1	101.1
Purchase of current available-for-sale investments	(74.7)	(105.9)
Purchase of non-current available-for-sale investments	-	(28.4)
Disposal of non-current assets held for sale	-	#
Long term deposit	(8.3)	(8.3)
Repayments of loans by employees	3.6	3.6
Loans to employees	(26.3)	(23.6)
Disposal of housing loan	4.6	3.2
Interests received	24.6	37.2
Dividends received	0.2	0.2
CASH FLOWS USED IN INVESTING ACTIVITIES	(673.0)	(769.9)
Proceeds from borrowings	401.4	754.0
Repayments of borrowings (net)	(532.3)	(375.9)
Repayments of finance lease	(10.2)	(1.2)
Dividend paid to shareholders (part A, note 6)	(458.5)	(454.7)
CASH FLOWS USED IN FINANCING ACTIVITIES	(599.6)	(77.8)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(880.9)	(319.4)
EFFECT OF EXCHANGE RATE CHANGES	(12.2)	(0.3)
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	2,032.1	3,191.1
# Amount less than RM0.1 million		

(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 1st quarter ended 31 March 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)
(Incorporated in Malaysia)

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

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)
(Incorporated in Malaysia)

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
---------	--------

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
-------------------------------	---

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.

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 1st quarter ended 31 March 2017.

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

There were no issuances, repurchases or repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the 1st quarter ended 31 March 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)
(Incorporated in Malaysia)

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

1st Quarter Ended

31 March 2017

Operating Revenue

	Mass Market ^{>}	Managed Accounts	Global Wholesale	Shared Services /Others	Total
Total operating revenue	1,312.0	1,158.2	552.1	1,246.8	4,269.1
Inter-segment @	(4.9)	(90.7)	(95.3)	(1,113.6)	(1,304.5)
External operating revenue	1,307.1	1,067.5	456.8	133.2	2,964.6

Results

Segment profits/(losses)	17.7 ^δ	201.3	126.4	(3.9)	341.5
Unallocated income/other gains*					8.1
Unallocated costs [^]					(50.5)
Operating profit before finance cost					299.1
Finance income					35.6
Finance cost					(100.0)
Foreign exchange gain on borrowings					22.7
Associates					
-share of results (net of tax)					6.3
Profit before taxation and zakat					263.7
Taxation and zakat					(79.3)
Profit for the financial period					184.4

^δ Includes accelerated depreciation and write-off of WiMAX assets amounting to RM23.7 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
1st Quarter Ended
31 March 2016

Operating Revenue

	Mass Market^{>}	Managed Accounts	Global Wholesale	Shared Services /Others	Total
Total operating revenue	1,258.8	1,137.7	517.6	1,295.5	4,209.6
Inter-segment @	(4.1)	(95.7)	(88.3)	(1,166.1)	(1,354.2)
External operating revenue	<u>1,254.7</u>	<u>1,042.0</u>	<u>429.3</u>	<u>129.4</u>	<u>2,855.4</u>

Results

Segment profits	21.5 ^δ	239.4	54.2	6.8	321.9
Unallocated income/other gains*					66.1
Unallocated costs [^]					<u>(57.6)</u>
Operating profit before finance cost					330.4
Finance income					46.3
Finance cost					(94.0)
Foreign exchange gain on borrowings					104.5
Associates					
-share of results (net of tax)					<u>6.0</u>
Profit before taxation and zakat					393.2
Taxation and zakat					<u>(102.7)</u>
Profit for the financial period					<u>290.5</u>

^δ Includes accelerated depreciation and write-off of WiMAX assets amounting to RM48.4 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	Mass Market ^{>}	Managed Accounts	Global Wholesale	Shared Services /Others	Total
Segment assets and liabilities					
As at 31 March 2017					
Segment assets	1,216.7	2,073.7	1,540.7	4,752.9	9,584.0
Associates					52.7
Unallocated assets ^{<}					14,551.2
Total assets					<u>24,187.9</u>
Segment liabilities	1,424.7	1,075.4	1,155.7	2,708.6	6,364.4
Borrowings					8,217.5
Unallocated liabilities ⁺					2,044.9
Total liabilities					<u>16,626.8</u>
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					<u>25,001.6</u>
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					<u>17,169.1</u>

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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.
- > Mass Market 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 Mass Market to Enterprise under Managed Accounts cluster.

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

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 1st quarter ended 31 March 2017 save as disclosed below:

VADS Digital Sdn Bhd (VADS Digital)

On 15 March 2017, TM acquired two (2) ordinary shares in VADS Digital for a total consideration of RM2.00, resulting in VADS Digital becoming a wholly-owned subsidiary of TM.

VADS Digital was incorporated on 17 October 2016 and was acquired to facilitate TM Group's provision of a comprehensive range of information and communication technology (ICT) services to end users including but not limited to Internet of Things (IoT) and data centre management.

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	
	31/3/2017	31/12/2016
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	<u>3,624.7</u>	<u>3,237.8</u>
Commitments in respect of expenditure approved but not contracted for	<u>2,232.5</u>	<u>3,240.4</u>

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 1st quarter ended		Corresponding outstanding balances as at	
	31/3/2017 RM Million	31/3/2016 RM Million	31/3/2017 RM Million	31/12/2016 RM Million
Sales and Receivables	162.1	179.3	22.7	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 RM60.9 million (YTD March 2016: RM89.0 million) with corresponding receivables of RM41.8 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.

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

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.

	31/3/2017				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	6.0	-	-	6.0	6.0	-	-	6.0
Derivatives at fair value through profit or loss	-	17.4	-	17.4	-	22.5	-	22.5
Derivatives accounted for under hedge accounting	-	144.4	215.6	360.0	-	142.4	226.6	369.0
Available-for-sale financial assets								
-investments	-	619.5	109.9	729.4	-	662.5	52.0	714.5
-receivables	-	4.4	-	4.4	-	4.8	-	4.8
Total	6.0	785.7	325.5	1,117.2	6.0	832.2	278.6	1,116.8
Liabilities								
Put option liability over shares held by non-controlling interest	-	-	309.9	309.9	-	-	301.9	301.9
Total	-	-	309.9	309.9	-	-	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.

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

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 31/3/2017		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	8,217.5	8,654.3	8,363.3	8,865.9

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

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 RM109.2 million (3.8%) to RM2,964.6 million as compared to RM2,855.4 million in the same quarter last year, mainly due to higher revenue from Internet and multimedia, data, other telecommunication and non-telecommunication related services.

Internet and multimedia services registered 8.4% higher revenue from RM893.8 million in the corresponding quarter last year to RM969.1 million in the current quarter which was mainly due to increase in UniFi customer base at 978,769 at the end of the current quarter compared to 877,000 at the end of corresponding quarter last year.

The 3.8% quarter-on-quarter increase in operating revenue was higher than the 3.1% increase in operating cost which led to an 8.5% increase in operating profit or earnings before interest and tax (EBIT). Operating profit before finance cost however decreased RM31.3 million (9.5%) to RM299.1 million due to the absence of any significant other gains that was recorded in corresponding quarter last year from a decrease in the Group's obligation on a put option over shares of webe held by non-controlling interest.

Impact of lower foreign exchange gain on the Group's borrowings in the current quarter compared to corresponding quarter last year further caused Group profit after tax and non-controlling interests (PATAMI) to decrease RM92.0 million (28.5%) to RM230.4 million from RM322.4 million.

(ii) Segment Performance

Mass Market

Revenue increased by RM53.2 million (4.2%), from RM1,258.8 million to RM1,312.0 million in the current quarter mainly due to higher cumulative UniFi customers of 959,499 as compared to 860,696 as at the end of corresponding quarter last year and continuing increase in the number of buys of Premium Channels and Video-on-Demand (VOD) despite decline in voice. The higher operating costs during the current quarter lead to profit decrease of 17.7% (RM3.8 million), from RM21.5 million in the corresponding quarter last year to RM17.7 million.

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

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance (continued)

(a) Quarter-on-Quarter (continued)

(ii) Segment Performance (continued)

Managed Accounts

Managed Accounts recorded an increase in revenue by RM20.5 million (1.8%) from RM1,137.7 million to RM1,158.2 million in the 1st quarter of 2017 mainly contributed by higher revenue from other telecommunication services which includes Business Process Outsourcing (BPO) and higher revenue from Internet and multimedia, offset by reduction in voice and data services. Profit however decreased by 15.9% (RM38.1 million) to RM201.3 million in the current quarter from RM239.4 million in the corresponding quarter last year mainly due to higher increase in operating costs compared to increase in revenue.

Global Wholesale

Revenue for the current quarter increased by RM34.5 million (6.7%) from RM517.6 million in 1st quarter last year to RM552.1 million mainly contributed by higher data revenue and other telecommunication services and partially offset by decline in voice. Profit for the current quarter increased by RM72.2 million from RM54.2 million in the corresponding quarter last year to RM126.4 million due to lower operating cost.

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

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

1. Review of Performance (continued)

(b) Economic Profit Statement

	1st Quarter Ended	
	31/3/2017 RM Million	31/3/2016 RM Million
EBIT	303.8	279.9
Adjusted Tax	72.9	67.2
NOPLAT	230.9	212.7
AIC	3,925.8	3,613.9
WACC	7.11%	6.88%
ECONOMIC CHARGE	279.1	248.6
ECONOMIC LOSS	(48.2)	(35.9)

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 slightly higher Economic Loss during first quarter 2017 despite of higher NOPLAT due to higher economic charge attributed to higher AIC and higher WACC. The higher AIC was due to higher property, plant and equipment, trade and other receivables and other non-current receivables whilst higher WACC was a result of higher cost of equity. Higher increase in revenue compared to cost led to higher EBIT and correspondingly resulted to the higher NOPLAT.

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

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

2. Comparison with Preceding Quarter's Results

The current quarter Group revenue decreased by 8.4% (RM272.4 million) to RM2,964.6 million as compared to RM3,237.0 million recorded in the fourth quarter of 2016 primarily due to lower revenue from all services except for Internet and multimedia services.

Operating cost in the current quarter decreased 9.4%, more than the decrease in revenue. Consequently, operating profit before finance cost increased to RM299.1 million from the RM286.8 million recorded in the preceding quarter. The current quarter recorded a net foreign exchange gain on borrowings compared to the significant foreign exchange loss in preceding quarter. This further improved current quarter's profit before taxation at RM263.7 million compared to RM110.6 million in the preceding quarter.

Correspondingly, Group PATAMI increased from RM154.3 million in the preceding quarter to RM230.4 million.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

3. Prospects for the Current Financial Year

With the first quarter of 2017 past us, TM will continue with action plans put in place, leveraging on the strategic investments we made to realise our Convergence and “Go Digital” aspirations as we move beyond connectivity into quad play, and new value added digital and smart services.

We foresee the outlook for the months ahead to remain positive. The Malaysian Institute of Economic Research (MIER) is maintaining its earlier projection for the real GDP for 2017 to grow at 4.5% with growth continually being driven by domestic demand, particularly by private expenditures. External demand is expected to be stronger, ending overdependence on domestic demand. (*Source: MIER’s Malaysian Economic Outlook dated 18 April 2017*).

To date, our UniFi offerings continue to enjoy positive take-up achieving more than 988,000 UniFi customers, of which close to 85% are those subscribing to speed packages of 10Mbps and above. At the recent 2017 Frost & Sullivan Malaysia Excellence Awards, we are proud that TM was once again conferred the ‘Telecom Service Provider of the Year’ award making this the sixth time for TM.

As Malaysia’s Convergence Champion, we will continue to offer relevant convergence propositions via the 5 pillars of Smarter Living, Smarter Businesses, Smarter Cities, Smarter Communities and a Smarter Nation that will cater to individual lifestyle and businesses alike. With recognition of increasing need for enhanced telecommunication services and Smart Services, in January, VADS Lyfe Sdn Bhd signed a Memorandum of Understanding (MOU) for the development of integrated telecommunications, ICT and smart services for the KLIA Aeropolis development projects spearheaded by Malaysia Airport Holding Berhad. This collaboration will enable TM to promote Smart City Living through the provisioning of smart solutions which includes Smart Safety & Security, Smart Mobility, Smart Building Management as well as Tenant and Citizen services, in line with our vision, “To Make Life and Business Easier, for a Better Malaysia”.

TM also announced the completion of the Malaysia-Cambodia-Thailand (MCT) submarine cable system in March. The approximately 1,300 km cable system will play an important role to the business growth of ASEAN and it will become the catalyst for other growing industries in Indochina. The completion of MCT submarine cable system further strengthen TM’s pivotal role towards enhancing ASEAN connectivity.

Over the last two months, we have made announcements on TM’s new leadership team to cement our position as Malaysia’s Convergence Champion, guided by our vision “To Make Life and Business Easier, for a Better Malaysia”.

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

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

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 1st quarter ended 31 March 2017.

5. Taxation

The taxation charge for the Group comprises:

	1st Quarter Ended	
	31/3/2017	31/3/2016
	RM Million	RM Million
<u>Malaysia</u>		
Income Tax:		
Current year	66.2	79.2
Prior year	(2.3)	(1.9)
Deferred tax (net)	14.0	25.1
	77.9	102.4
<u>Overseas</u>		
Income Tax:		
Current year	#	0.2
Prior year	-	-
Deferred tax (net)	#	#
	#	0.2
Taxation	77.9	102.6
Zakat	1.4	0.1
Taxation and Zakat	79.3	102.7

Amount less than RM0.1 million

The effective tax rates of the Group for the current period and comparative 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 included recognition of deferred tax assets from investment tax allowances relating to qualifying expenditures for which approval was granted to the Group during the current quarter.

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

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

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:

	31/3/2017		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	25.3	88.0	29.1	89.6
Total Unsecured	558.8	7,545.4	671.6	7,573.0
Total Borrowings	584.1	7,633.4	700.7	7,662.6

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

Foreign Currency	31/3/2017	31/12/2016
	RM Million	RM Million
US Dollar	2,543.2	2,578.0
Canadian Dollars	3.1	3.1
Japanese Yen	309.9	299.4
Total	2,856.2	2,880.5

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

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

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 31/3/2017		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	221.3	7.1	-	5.2	-
	221.3	7.1	-	5.2	-
2. <u>Cross Currency Interest Rate Swaps (CCIRS)</u> - less than 1 year	298.9	7.1	-	1.0	-
- more than 3 years	627.3	345.8	-	362.7	-
	926.2	352.9	-	363.7	-
3. <u>Put Option liability over shares held by non-controlling interest</u> - more than 3 years	-	-	309.9	-	301.9
	-	-	309.9	-	301.9
4. <u>Call Option over shares held by non-controlling interest</u> - more than 1 year	87.1	17.4	-	22.5	-
	87.1	17.4	-	22.5	-
Total	1,234.6	377.4	309.9	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.

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

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

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 31 March 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 quarter RM Million
Financial Liabilities			
1. <u>Put Option liability over shares held by non-controlling interest⁽ⁱ⁾</u> - more than 3 years	-	309.9	-
	-	309.9	-
Total	-	309.9	-
Financial Assets			
1. <u>Interest Rate Swaps⁽ⁱⁱ⁾</u> -more than 3 years	221.3	7.1	1.9
	221.3	7.1	1.9
2. <u>Cross Currency Interest Rate Swaps⁽ⁱⁱⁱ⁾</u> - less than 1 year - more than 3 years	298.9 627.3	7.1 345.8	6.1 (16.9)
	926.2	352.9	(10.8)
3. <u>Call Option over shares held by non- controlling interest</u> - more than 1 year	87.1	17.4	(5.1)
	87.1	17.4	(5.1)
Total	1,234.6	377.4	(14.0)

(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.

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

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

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	
	31/3/2017	31/12/2016
	RM Million	RM Million
Retained profits		
- realised	2,330.2	2,607.2
- unrealised - in respect of deferred tax recognised in the income statement	(1,498.2)	(1,484.2)
- in respect of other items of income and expense	460.3	445.1
Share of accumulated profit from associates		
- realised	73.6	67.3
	1,365.9	1,635.4
Add: consolidation adjustments	2,545.9	2,504.5
Total Retained Profits	3,911.8	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.

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

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

10. Additional Disclosures

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the Consolidated Income Statement for the 1st quarter ended 31 March 2017:

	1st Quarter Ended	
	31/03/2017	31/03/2016
	RM Million	RM Million
Impairment of trade and other receivables (net of recoveries)	(4.4)	(30.1)
Inventory reversal/(charges) for write off and obsolescence	0.5	(0.4)
Gain on disposal of fixed income securities	0.3	0.4
Gain/(Loss) on foreign exchange on settlements and placements	1.1	(23.3)

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.

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

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

12. Earnings per Share (EPS)

	1st Quarter Ended	
	31/3/2017	31/3/2016
(a) Basic earnings per share		
Profit attributable to equity holders of the Company (RM million)	230.4	322.4
Weighted average number of ordinary shares (million)	3,757.9	3,757.9
Basic earnings per share (sen) attributable to equity holders of the Company	6.1	8.6

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.

	1st Quarter Ended	
	31/3/2017	31/3/2016
(b) Diluted earnings per share		
Profit attributable to equity holders of the Company (RM million)	230.4	322.4
Weighted average number of ordinary shares (million)	3,757.9	3,757.9
Adjustment for dilutive effect of Long Term Incentive Plan (million)	9.2	-
Weighted average number of ordinary shares (million)	3,767.1	3,757.9
Diluted earnings per share (sen) attributable to equity holders of the Company	6.1	8.6

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 audited financial statements for financial year ended 31 December 2016.

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

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

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

No dividend has been recommended during the 1st quarter ended 31 March 2017 in respect of the financial year.

By Order of the Board

Hamizah Abidin (LS0007096)
Zaiton Ahmad (MAICSA 7011681)

Secretaries

Kuala Lumpur
23 May 2017