

**TELEKOM MALAYSIA BERHAD (128740-P)**

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad is pleased to announce the following audited results of the Group for the fourth quarter ended 31 December 2017.

**AUDITED CONSOLIDATED INCOME STATEMENT**

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	3,199.9	3,237.0	12,085.1	12,060.9
OPERATING COSTS				
- depreciation, impairment and amortisation	(623.2)	(685.0)	(2,483.7)	(2,634.6)
- other operating costs	(2,332.0)	(2,295.4)	(8,672.7)	(8,402.7)
OTHER OPERATING INCOME (net)	25.6	29.3	164.0	130.4
OTHER GAINS (net)	14.0	0.9	8.5	47.2
OPERATING PROFIT BEFORE FINANCE COST	284.3	286.8	1,101.2	1,201.2
FINANCE INCOME	34.6	34.0	131.8	155.3
FINANCE COST	(91.4)	(96.7)	(387.1)	(380.7)
FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	74.8	(120.5)	174.5	(86.7)
NET FINANCE INCOME/(COST)	18.0	(183.2)	(80.8)	(312.1)
ASSOCIATES				
- share of results (net of tax)	5.3	7.0	27.6	29.4
PROFIT BEFORE TAXATION AND ZAKAT	307.6	110.6	1,048.0	918.5
TAXATION AND ZAKAT (part B, note 5)	(85.4)	(5.6)	(317.5)	(305.1)
<b>PROFIT FOR THE FINANCIAL PERIOD/YEAR</b>	<b>222.2</b>	<b>105.0</b>	<b>730.5</b>	<b>613.4</b>
ATTRIBUTABLE TO:				
- equity holders of the Company	277.0	154.3	929.7	776.0
- non-controlling interests	(54.8)	(49.3)	(199.2)	(162.6)
<b>PROFIT FOR THE FINANCIAL PERIOD/YEAR</b>	<b>222.2</b>	<b>105.0</b>	<b>730.5</b>	<b>613.4</b>
EARNINGS PER SHARE (sen) (part B, note 11)				
- basic	7.3	4.1	24.7	20.6
- diluted	7.3	4.1	24.6	20.6

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

**AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2017 RM Million	31/12/2016 RM Million	31/12/2017 RM Million	31/12/2016 RM Million
<b>PROFIT FOR THE FINANCIAL PERIOD/YEAR</b>	<b>222.2</b>	105.0	<b>730.5</b>	613.4
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that may be reclassified</b>				
<b>subsequently to income statement:</b>				
- increase/(decrease) in fair value of available-for-sale investments	22.8	(1.5)	27.4	13.0
- increase in fair value of available-for-sale receivables	#	#	#	#
- reclassification adjustments relating to available-for-sale investments disposed	(0.3)	(0.2)	(1.8)	(1.6)
- cash flow hedge:				
- (decrease)/increase in fair value of cash flow hedge	(22.3)	44.6	(103.2)	55.1
- reclassification of foreign exchange gain/(loss) on borrowings	32.9	(51.2)	92.7	(59.6)
- fair value hedge:				
- increase in fair value	0.9	11.7	0.3	5.2
- currency translation differences				
- subsidiaries	(9.1)	10.0	(16.2)	10.5
- associate	(0.9)	0.6	(0.8)	0.7
Other comprehensive income/(loss) for the financial period/year	<u>24.0</u>	<u>14.0</u>	<u>(1.6)</u>	<u>23.3</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD/YEAR</b>	<u><b>246.2</b></u>	<u>119.0</u>	<u><b>728.9</b></u>	<u>636.7</u>
ATTRIBUTABLE TO:				
- equity holders of the Company	301.0	168.3	928.1	799.3
- non-controlling interests	(54.8)	(49.3)	(199.2)	(162.6)
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD/YEAR</b>	<u><b>246.2</b></u>	<u>119.0</u>	<u><b>728.9</b></u>	<u>636.7</u>

# Amount less than RM0.1 million

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

<b>AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>		
	<b>AS AT 31/12/2017 RM Million</b>	<b>AS AT 31/12/2016 RM Million</b>
SHARE CAPITAL	3,667.1	2,630.6
SHARE PREMIUM	-	964.9
OTHER RESERVES	(81.5)	(43.1)
RETAINED PROFITS	4,257.9	4,139.9
<b>TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>7,843.5</b>	<b>7,692.3</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>(76.7)</b>	<b>140.2</b>
<b>TOTAL EQUITY</b>	<b>7,766.8</b>	<b>7,832.5</b>
Borrowings	7,031.2	7,662.6
Derivative financial instruments	287.7	301.9
Deferred tax liabilities	1,591.3	1,514.8
Deferred income	1,796.5	1,711.4
Trade and other payables	5.5	3.7
<b>DEFERRED AND NON-CURRENT LIABILITIES</b>	<b>10,712.2</b>	<b>11,194.4</b>
	<b>18,479.0</b>	<b>19,026.9</b>
Property, plant and equipment	16,540.7	16,010.6
Intangible assets	538.6	563.6
Associates	62.8	45.8
Available-for-sale investments	229.8	196.5
Available-for-sale receivables	1.7	4.8
Other non-current receivables	966.6	870.7
Derivative financial instruments	265.0	391.5
Deferred tax assets	23.5	30.6
<b>NON-CURRENT ASSETS</b>	<b>18,628.7</b>	<b>18,114.1</b>
Inventories	258.5	207.1
Non-current assets held for sale	18.9	19.0
Customer acquisition costs	57.0	53.2
Trade and other receivables	3,710.2	3,158.2
Available-for-sale investments	364.7	518.0
Financial assets at fair value through profit or loss	4.0	6.0
Cash and bank balances	1,719.8	2,926.0
<b>CURRENT ASSETS</b>	<b>6,133.1</b>	<b>6,887.5</b>
Trade and other payables	3,934.2	4,103.0
Customer deposits	398.0	443.1
Advance rental billings	779.1	667.4
Borrowings	1,119.0	700.7
Taxation and zakat	52.5	60.5
<b>CURRENT LIABILITIES</b>	<b>6,282.8</b>	<b>5,974.7</b>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>	<b>(149.7)</b>	<b>912.8</b>
	<b>18,479.0</b>	<b>19,026.9</b>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)</b>	<b>208.7</b>	<b>204.7</b>

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

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 year	-	-	-	-	-	-	-	-	929.7	(199.2)	730.5
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
- increase in fair value of available-for-sale investments	-	-	27.4	-	-	-	-	-	-	-	27.4
- increase in fair value of available-for-sale receivables	-	-	#	-	-	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(1.8)	-	-	-	-	-	-	-	(1.8)
- cash flow hedge:											
- decrease in fair value of cash flow hedge	-	-	-	(103.2)	-	-	-	-	-	-	(103.2)
- reclassification of foreign exchange gain on borrowings	-	-	-	92.7	-	-	-	-	-	-	92.7
- fair value hedge:											
- increase in fair value	-	-	-	0.3	-	-	-	-	-	-	0.3
- currency translation differences	-	-	-	-	-	-	-	(16.2)	-	-	(16.2)
- subsidiaries	-	-	-	-	-	-	-	(0.8)	-	-	(0.8)
- associate	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the financial year	-	-	25.6	(10.2)	-	-	-	(17.0)	929.7	(199.2)	728.9
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 paid for the financial year ended 31 December 2017 (part A, note 6)	-	-	-	-	-	-	-	-	(353.2)	-	(353.2)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(17.7)	(17.7)
- Long Term Incentive Plan (LTIP):											
- ordinary shares granted*	-	-	-	-	34.8	-	-	-	-	-	34.8
Total transactions with owners	-	-	-	-	34.8	-	-	-	(811.7)	(17.7)	(794.6)
Transfer to share capital <sup>^</sup>	1,036.5	(964.9)	-	-	-	(71.6)	-	-	-	-	-
<b>At 31 December 2017</b>	<b>3,667.1</b>	<b>-</b>	<b>127.2</b>	<b>85.7</b>	<b>36.7</b>	<b>-</b>	<b>(352.9)</b>	<b>21.8</b>	<b>4,257.9</b>	<b>(76.7)</b>	<b>7,766.8</b>

# 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.

<sup>^</sup> 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. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM964.9 million and the capital redemption reserve of RM71.6 million for bonus issue pursuant to Section 618 (3) and Section 618 (4) of the CA 2016 respectively. 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 audited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016)**

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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	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 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 year	-	-	-	-	-	-	-	-	776.0	(162.6)	613.4
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
- increase in fair value of available-for-sale investments	-	-	13.0	-	-	-	-	-	-	-	13.0
- increase in fair value of available-for-sale receivables	-	-	#	-	-	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(1.6)	-	-	-	-	-	-	-	(1.6)
- cash flow hedge:											
- increase in fair value of cash flow hedge	-	-	-	55.1	-	-	-	-	-	-	55.1
- reclassification to foreign exchange loss on borrowings	-	-	-	(59.6)	-	-	-	-	-	-	(59.6)
- fair value hedge:											
- increase in fair value	-	-	-	5.2	-	-	-	-	-	-	5.2
- currency translation differences											
- subsidiaries	-	-	-	-	-	-	-	10.5	-	-	10.5
- associate	-	-	-	-	-	-	-	0.7	-	-	0.7
Total comprehensive income/(loss) for the financial year	-	-	11.4	0.7	-	-	-	11.2	776.0	(162.6)	636.7
Transactions with owners:											
- second interim dividend paid for the financial year ended 31 December 2015	-	-	-	-	-	-	-	-	(454.7)	-	(454.7)
- interim dividend paid for the financial year ended 31 December 2016	-	-	-	-	-	-	-	-	(349.5)	-	(349.5)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(41.6)	(41.6)
- transaction with non-controlling interests	-	-	-	-	-	-	(85.3)	-	-	85.3	-
- Long Term Incentive Plan (LTIP):											
- ordinary shares granted*	-	-	-	-	1.9	-	-	-	-	-	1.9
- capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	-	1.0	1.0
Total transactions with owners	-	-	-	-	1.9	-	(85.3)	-	(804.2)	44.7	(842.9)
<b>At 31 December 2016</b>	<b>2,630.6</b>	<b>964.9</b>	<b>101.6</b>	<b>95.9</b>	<b>1.9</b>	<b>71.6</b>	<b>(352.9)</b>	<b>38.8</b>	<b>4,139.9</b>	<b>140.2</b>	<b>7,832.5</b>

# Amount less than RM0.1 million

\* 1st grant offer 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 above audited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016)

**AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>FINANCIAL YEAR ENDED</b>	
	<b>31/12/2017</b>	<b>31/12/2016</b>
	<b>RM Million</b>	<b>RM Million</b>
Receipts from customers	11,157.3	11,545.0
Payments to suppliers and employees	(8,146.1)	(8,206.8)
Payment of finance cost	(350.2)	(342.3)
Payment of income taxes and zakat (net)	(243.4)	(147.3)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2,417.6</b>	<b>2,848.6</b>
Contribution for purchase of property, plant and equipment	322.9	392.5
Disposal of property, plant and equipment	44.0	9.2
Purchase of property, plant and equipment	(3,318.7)	(3,683.5)
Disposal of current available-for-sale investments	393.2	300.7
Purchase of current available-for-sale investments	(236.1)	(298.3)
Purchase of non-current available-for-sale investments	(14.2)	(31.8)
Disposal of non-current assets held for sale	-	2.9
Long term deposit	(16.6)	(16.6)
Repayments of loans by employees	14.5	12.2
Loans to employees	(98.0)	(97.7)
Disposal of housing loan	17.1	11.0
Interests received	95.8	123.2
Dividends received	12.9	16.7
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(2,783.2)</b>	<b>(3,259.5)</b>
Capital contribution by non-controlling interests	-	1.0
Proceeds from borrowings	2,492.2	2,479.8
Repayments of borrowings (net)	(2,457.2)	(1,832.2)
Repayments of finance lease	(8.4)	(9.6)
Dividend paid to shareholders (part A, note 6)	(811.7)	(804.2)
Dividend paid to non-controlling interests	(17.7)	(41.6)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(802.8)</b>	<b>(206.8)</b>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,168.4)	(617.7)
EFFECT OF EXCHANGE RATE CHANGES	(37.8)	32.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	2,925.2	3,510.8
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	<b>1,719.0</b>	<b>2,925.2</b>

(The above audited 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 audited interim financial statements for the 4th quarter ended 31 December 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 audited 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:

Annual Improvements 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 and capital redemption reserve account will become part of the Group's and Company's share capital

Pursuant to CA 2016, the Group reclassified RM964.9 million from share premium account and RM71.6 million from capital redemption reserve 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 ended 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
Annual Improvements 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**

Amendments to MFRS 9	Prepayment Features with Negative Compensation
MFRS 16	Leases
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty Over Income Tax Treatments

**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.

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

**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 4th quarter and financial year ended 31 December 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**

**(a) Long Term Incentive Plan (LTIP)**

During the financial year, 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 Unit <sup>1</sup> (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 <sup>2</sup>	1,928,100	6.35
Performance Shares (PS)	4 December 2017	30 November 2020/ 30 November 2021 <sup>2</sup>	1,854,200	6.26

<sup>1</sup> 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).

<sup>2</sup> 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.

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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

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

**(b) Issuance of Islamic Commercial Papers (ICP) and Islamic Medium Term Notes (IMTN)**

On 4 August 2017, the Group issued RM475.0 million nominal value ICP at 3.40% per annum (at discount) which was subsequently redeemed in full upon its maturity on 4 September 2017.

On 4 September 2017, the Group issued RM500.0 million nominal value IMTN at 4.58% per annum and paid the ICP amounting RM475.0 million. The balance of proceed amounting RM25.0 million is used by the Group to pay its capital expenditure and business operating requirements. The Notes will mature on 3 September 2027.

Details of the IMTN programme are disclosed in note 17(d) of the Group's audited financial statements for the financial year ended 31 December 2016.

The proceeds from the issuance of the IMTN are used by the Group to meet its capital expenditure and business operating requirements.

**(c) Cross Currency Interest Rate Swap (CCIRS) Contracts Underlying Liability JPY7.8 billion 0.91375% Loan due in 2017**

On 20 November 2017, the Group redeemed in full at its nominal value, the JPY7.8 billion (RM298.9 million) 0.91375% per annum JPY loan upon its due date.

**(d) Islamic Stapled Income Securities due within 12 months**

The Group's net current liability position as at 31 December 2017 is in view of the reclassification of RM925.0 million worth of Islamic Stapled Income Securities that will be due on 28 December 2018 from non-current to current borrowings. This obligation will be paid via a combination of internal cash flows and new borrowings.

The Group manages refinancing risk by limiting the amount of borrowings that mature within any specific period and by having appropriate strategies in place to manage refinancing needs as they arise. As at 31 December 2017, with a remaining combined limit of up to RM2.8 billion in nominal value of its Islamic Medium Term Notes and Multi-Currency Euro Medium Term Notes programmes, the Group and Company have sufficient financial capacity and existing financing facilities to meet capital expenditure and business operating requirements as and when they fall due in the 12 months from the date of financial statements.

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 4th quarter and financial year ended 31 December 2017.

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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**6. Dividends Paid**

- (a) 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.
- (b) An interim single-tier cash dividend of 9.4 sen per share amounting to RM353.2 million in respect of financial year ended 31 December 2017 (1st Interim Dividend) was paid on 13 October 2017.

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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

4th Quarter Ended

31 December 2017

**Operating Revenue**

	unifi <sup>g</sup>	TM ONE	TM GLOBAL	Shared Services /Others	Total
Total operating revenue	1,359.9	1,275.9	660.7	1,308.5	4,605.0
Inter-segment @	(20.9)	(121.7)	(110.5)	(1,152.0)	(1,405.1)
External operating revenue	1,339.0	1,154.2	550.2	156.5	3,199.9

**Results**

Segment profits	1.4 <sup>a</sup>	204.3	167.0	13.1	385.8
Unallocated income/other gains*					15.8
Unallocated costs <sup>^</sup>					(117.3)
Operating profit before finance cost					284.3
Finance income					34.6
Finance cost					(91.4)
Foreign exchange gain on borrowings					74.8
Associates					
-share of results (net of tax)					5.3
Profit before taxation and zakat					307.6
Taxation and zakat					(85.4)
Profit for the financial period					222.2

<sup>a</sup> Includes accelerated depreciation and write-off of WiMAX assets amounting to RM1.8 million.

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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**7. Segmental Information (continued)**

All amounts are in RM Million

4th Quarter Ended

31 December 2016

**Operating Revenue**

	unifi <sup>g</sup>	TM ONE	TM GLOBAL	Shared Services /Others	Total
Total operating revenue	1,318.4	1,313.6	680.5	1,375.2	4,687.7
Inter-segment @	(9.6)	(101.0)	(107.6)	(1,232.5)	(1,450.7)
External operating revenue	1,308.8	1,212.6	572.9	142.7	3,237.0

**Results**

Segment (losses)/profits	(24.1) <sup>a</sup>	178.7	218.6	(1.3)	371.9
Unallocated income/other losses*					(1.1)
Unallocated costs <sup>^</sup>					(84.0)
Operating profit before finance cost					286.8
Finance income					34.0
Finance cost					(96.7)
Foreign exchange loss on borrowings					(120.5)
Associates					
-share of results (net of tax)					7.0
Profit before taxation and zakat					110.6
Taxation and zakat					(5.6)
Profit for the financial period					105.0

<sup>a</sup> Includes accelerated depreciation and write-off of WiMAX assets amounting to RM54.2 million.

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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**7. Segmental Information (continued)**

All amounts are in RM Million

Financial Year Ended

31 December 2017

**Operating Revenue**

	unifi <sup>g</sup>	TM ONE	TM GLOBAL	Shared Services /Others	Total
Total operating revenue	5,334.1	4,733.9	2,316.5	5,037.8	17,422.3
Inter-segment @	(52.3)	(428.9)	(360.1)	(4,495.9)	(5,337.2)
External operating revenue	5,281.8	4,305.0	1,956.4	541.9	12,085.1

**Results**

Segment profits	84.0 <sup>a</sup>	817.0	472.9	32.7	1,406.6
Unallocated income/other gains*					31.6
Unallocated costs <sup>^</sup>					(337.0)
Operating profit before finance cost					1,101.2
Finance income					131.8
Finance cost					(387.1)
Foreign exchange gain on borrowings					174.5
Associates					
-share of results (net of tax)					27.6
Profit before taxation and zakat					1,048.0
Taxation and zakat					(317.5)
Profit for the financial year					730.5

<sup>a</sup> Includes accelerated depreciation and write-off of WiMAX assets amounting to RM56.5 million.

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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**7. Segmental Information (continued)**

All amounts are in RM Million

Financial Year Ended

31 December 2016

Operating Revenue

	unifi <sup>&gt;</sup>	TM ONE	TM GLOBAL	Shared Services /Others	Total
Total operating revenue	5,130.4	4,907.3	2,330.1	5,336.5	17,704.3
Inter-segment @	(26.3)	(415.9)	(401.8)	(4,799.4)	(5,643.4)
External operating revenue	5,104.1	4,491.4	1,928.3	537.1	12,060.9

**Results**

Segment profits	27.0 <sup>a</sup>	944.4	452.2	8.1	1,431.7
Unallocated income/other gains*					68.9
Unallocated costs <sup>^</sup>					(299.4)
Operating profit before finance cost					1,201.2
Finance income					155.3
Finance cost					(380.7)
Foreign exchange loss on borrowings					(86.7)
Associates					
-share of results (net of tax)					29.4
Profit before taxation and zakat					918.5
Taxation and zakat					(305.1)
Profit for the financial year					613.4

<sup>a</sup> Includes accelerated depreciation and write-off of WiMAX assets amounting to RM195.2 million.



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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**7. Segmental Information (continued)**

All amounts are in RM Million	unifi <sup>~</sup>	TM ONE	TM GLOBAL	Shared Services /Others	Total
<b>Segment assets and liabilities</b>					
<b>As at 31 December 2017</b>					
Segment assets	1,461.3	1,709.8	1,550.6	5,329.6	10,051.3
Associates					62.8
Unallocated assets <sup>&lt;</sup>					14,647.7
<b>Total assets</b>					<b>24,761.8</b>
Segment liabilities	1,225.3	840.2	1,347.7	3,413.6	6,826.8
Borrowings					8,150.2
Unallocated liabilities <sup>+</sup>					2,018.0
<b>Total liabilities</b>					<b>16,995.0</b>
<b>As at 31 December 2016</b>					
Segment assets	1,570.9	1,863.8	1,632.3	4,870.1	9,937.1
Associates					45.8
Unallocated assets <sup>&lt;</sup>					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 <sup>+</sup>					1,975.6
Total liabilities					17,169.1

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**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.
- > unifi segment for the current quarter and financial year 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 audited 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 4th quarter and financial year ended 31 December 2017 save as disclosed below:

**(a) VADS Digital Sdn Bhd (VADS Digital)**

On 15 March 2017, Telekom Malaysia Berhad (TM) via its wholly-owned subsidiary, VADS Berhad (VADS) 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 VADS.

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.

**(b) TMF Services Sdn Bhd (TMFS)**

On 15 February 2016, TM commenced the members' voluntary winding up of TMF Services Sdn Bhd (TMFS), a subsidiary of TM held via TM Facilities Sdn Bhd (TMF) 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.

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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**9. Effects of Changes in the Composition of the Group (continued)**

**(c) 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.

**(d) Tekad Mercu Berhad (Tekad Mercu)**

On 13 January 2016, TM commenced the members' voluntary winding up of Tekad Mercu in accordance with Section 254(1)(b) of the then operative Companies Act, 1965. Pursuant to Section 459(5) of the Companies Act 2016, Tekad Mercu was dissolved effective from 25 October 2017.

**10. Changes in Contingent Liabilities Since the Last Annual Reporting Period**

Other than material litigations as disclosed in part B, note 10 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**

	<b>Group</b>	
	<b>As at 31/12/2017</b>	<b>As at 31/12/2016</b>
	<b>RM Million</b>	<b>RM Million</b>
<b>Property, plant and equipment:</b>		
Commitments in respect of expenditure approved and contracted for	<b>2,941.2</b>	3,237.8
Commitments in respect of expenditure approved but not contracted for	<b>2,511.5</b>	3,240.4

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**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:

	<b>Total amount of individually significant transactions for the financial year ended</b>		<b>Corresponding outstanding balances as at</b>	
	<b>31/12/2017 RM Million</b>	<b>31/12/2016 RM Million</b>	<b>31/12/2017 RM Million</b>	<b>31/12/2016 RM Million</b>
<b>Sales and Receivables</b>	<b>648.6</b>	721.4	<b>107.7</b>	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 year was RM281.9 million (YTD December 2016: RM329.5 million) with corresponding receivables of RM5.1 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 31/12/2017				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
<b>Assets</b>								
Financial assets at fair value through profit or loss								
-quoted securities	4.0	-	-	4.0	6.0	-	-	6.0
Derivatives at fair value through profit or loss	-	-	-	-	-	22.5	-	22.5
Derivatives accounted for under hedge accounting	-	99.1	165.9	265.0	-	142.4	226.6	369.0
Available-for-sale financial assets								
-investments	-	447.9	146.6	594.5	-	662.5	52.0	714.5
-receivables	-	1.7	-	1.7	-	4.8	-	4.8
<b>Total</b>	<b>4.0</b>	<b>548.7</b>	<b>312.5</b>	<b>865.2</b>	<b>6.0</b>	<b>832.2</b>	<b>278.6</b>	<b>1,116.8</b>
<b>Liabilities</b>								
Put option liability over shares held by non-controlling interest	-	-	287.7	287.7	-	-	301.9	301.9
<b>Total</b>	<b>-</b>	<b>-</b>	<b>287.7</b>	<b>287.7</b>	<b>-</b>	<b>-</b>	<b>301.9</b>	<b>301.9</b>

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 year, 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 31/12/2017		As at 31/12/2016	
	Carrying amount RM Million	Net fair value RM Million	Carrying amount RM Million	Net fair value RM Million
<b>Liabilities</b>				
Borrowings	<b>8,150.2</b>	<b>8,584.8</b>	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, Internet and multimedia services registered a strong 7.1% (RM67.1 million) increase in revenue from RM950.8 million recorded in 4th quarter of 2016 to RM1,017.9 million in the current quarter. This was driven from increase in unifi customer base which stood at more than 1,126,000 at the end of the current quarter compared to 949,482 at the end of 4th quarter of 2016.

Group revenue however decreased by 1.1% (RM37.1 million) to RM3,199.9 million from RM3,237.0 million in the same quarter last year due to decline in voice and other telecommunication-related services.

Correspondingly, this led to operating profit before finance cost to decrease by 0.9% (RM2.5 million) to RM284.3 million from RM286.8 million in the 4th quarter of 2016 despite reduction in operating costs.

The impact of foreign exchange gain on the Group's borrowings in the current quarter compared to the foreign exchange losses in corresponding quarter of 2016 led to a 79.5% (RM122.7 million) increase in Group profit after tax and non-controlling interests (PATAMI) from RM154.3 million to RM277.0 million.

(ii) Segment Performance

unifi

Revenue increased by 3.1% (RM41.5 million) from RM1,318.4 million to RM1,359.9 million in the current quarter mainly due to higher cumulative unifi for home and Small and Medium Enterprises (SMEs) customers which was 1,105,934 as at the end of 4th quarter of 2017 as compared to 931,701 as at the end of corresponding quarter last year. Increase in number of buys of Premium Channels and Video-on-Demand (VOD) together with continuing increase in the customer base of unifi Mobile further contributed to the increase. The strong revenue growth led to profit of RM1.4 million in the current quarter compared to a loss of RM24.1 million in 4th quarter last year.



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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 (continued)**

(a) Quarter-on-Quarter (continued)

(ii) Segment Performance (continued)

TM ONE

TM ONE recorded 2.9% (RM37.7 million) decrease in revenue from RM1,313.6 million to RM1,275.9 million in the 4th quarter of 2017 due to lower revenue from voice and data services, offset partially by higher revenue from Internet and multimedia and other telecommunication services. Profits however increased by 14.3% (RM25.6 million) to RM204.3 million in the current quarter from RM178.7 million in the corresponding quarter last year from lower operating costs.

TM GLOBAL

Revenue for the current quarter decreased by 2.9% (RM19.8 million) from RM680.5 million in 4th quarter last year to RM660.7 million mainly from lower other telecommunication services. Correspondingly, profit for the current quarter also decreased by 23.6% (RM51.6 million) from RM218.6 million in the corresponding quarter last year to RM167.0 million arising from higher operating cost.

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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 (continued)**

(b) Year-on-Year

(i) Group Performance

A strong 8.3% (RM305.7 million) growth in Internet and multimedia services despite the decline in all other revenue lines caused Group revenue for the current financial year to increase by 0.2% (RM24.2 million) to RM12,085.1 million as compared to RM12,060.9 million last financial year.

Operating profit before finance cost decreased by 8.3% (RM100.0 million) to RM1,101.2 million as compared to RM1,201.2 million recorded in the preceding year mainly due to higher operating costs.

Foreign exchange gain on borrowings in the current financial year compared to losses in 2016 led to a 19.8% (RM153.7 million) increase in Group profit after tax and non-controlling interests (PATAMI) to RM929.7 million from RM776.0 million in the previous financial year.

(ii) Segment Performance

unifi

Revenue for the current financial year increased by 4.0% (RM203.7 million) to RM5,334.1 million from RM5,130.4 million. This was driven by higher unifi revenue in line with the increase in customer base from 931,701 as at 31 December 2016 to 1,105,934 as at 31 December 2017. Number of buys of unifi TV content was also higher and subscription of mobility services contributed to the revenue increase. Profit for the current financial year increased by 211.1% (RM57.0 million) to RM84.0 million from RM27.0 million last year.

Whilst our main broadband service offering continues to grow for home and SMEs, our unifi Mobile offering achieved 9.8% penetration of TM households. As a step to familiarise our services into convergence solution, we are consolidating our service brands. unifi is now our single brand for broadband, video, mobility and wifi, and will continue to evolve to meet all our customers' digital needs.

We have refreshed our unifi Mobile offering in January 2018, where our customers are now liberated to use our mobility service that is scalable to their needs. For a limited time, we are offering free 20GB LTE quota for up to 5 SIMs per customer and the response to this has been very encouraging.

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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 (continued)**

(b) Year-on-Year (continued)

(ii) Segment Performance (continued)

TM ONE

TM ONE recorded a 3.5% (RM173.4 million) decrease in revenue from RM4,907.3 million to RM4,733.9 million in the current financial year mainly due to decline in voice, data and other telecommunication services despite growth in Internet and multimedia. Correspondingly, profit for the current financial year decreased by 13.5% (RM127.4 million) from RM944.4 million to RM817.0 million.

On the business front, we have converged our service offerings for enterprise and government customers, presenting a comprehensive set of solutions to meet all their business needs. In 2017, we placed more emphasis on what we call “verticalisation”, converging solutions designed specifically for entire industries, or verticals, to unleash their full digital potential. Top-priority verticals have been identified for immediate revenue generation. TM ONE will be providing high-speed broadband services and solutions including WiFi access points to more than 1,000 restaurant outlets nationwide for Johor Corporation (JCorp), over the next five (5) years.

We foresee higher traction in our Data Centre business once our Klang Valley Core Data Centre (KVDC) is fully launched later in 2018. Together with our already running Tier III Iskandar Puteri Core Data Centre (IPDC), they form our Twin Core Data Centre solutions which are connected via high speed fibre optic connectivity, designed for higher fault tolerance and enhanced security.

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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 (continued)**

(b) Year-on-Year (continued)

(ii) Segment Performance (continued)

TM GLOBAL

TM GLOBAL registered revenue of RM2,316.5 million for the current financial year, a 0.6% (RM13.6 million) decrease from RM2,330.1 million reported last year. This was mainly due to lower data revenue as well as other telecommunication services. Profit however increased by 4.6% (RM20.7 million) from RM452.2 million last year to RM472.9 million in the current financial year from lower operating costs.

TM GLOBAL's focus moving forward is to continue accelerating its business growth by generating revenue from other than connectivity services. TM GLOBAL also plays a vital role in expanding content localisation initiatives by bringing international content locally to minimise outbound bandwidth and improving customer experience. It enables easier access for businesses, at more competitive pricing.

More recently, TM GLOBAL has been developing a comprehensive Hub Ecosystem solution to position Malaysia and TM as the ideal gateway for the world to the ASEAN region and submarine cable expansion is a key element in achieving this. Three (3) new submarine cable systems namely Malaysia-Cambodia-Thailand (MCT), Nusantara Gateway (NuGate) and Sistem Kabel Rakyat 1Malaysia (SKR1M) have been developed and completed through investment and partnership arrangements. To date, TM has a total of twenty (20) submarine cables with fibre-route of more than 190,000 km worldwide. TM GLOBAL has also set up a new international Point of Presence (PoP) in Marseilles, for service providers who need connectivity to Europe.

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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 (continued)**

(c) Economic Profit Statement

	4th Quarter Ended		Financial Year Ended	
	31/12/2017 RM Million	31/12/2016 RM Million	31/12/2017 RM Million	31/12/2016 RM Million
<b>EBIT</b>	<b>270.3</b>	285.9	<b>1,092.7</b>	1,154.0
Adjusted Tax	<b>64.9</b>	68.6	<b>262.2</b>	277.0
<b>NOPLAT</b>	<b>205.4</b>	217.3	<b>830.5</b>	877.0
AIC	<b>4,032.6</b>	3,716.9	<b>16,130.3</b>	14,867.6
WACC	<b>6.59%</b>	7.14%	<b>6.61%</b>	7.17%
<b>ECONOMIC CHARGE</b>	<b>265.7</b>	265.4	<b>1,066.2</b>	1,066.0
<b>ECONOMIC LOSS</b>	<b>(60.3)</b>	(48.1)	<b>(235.7)</b>	(189.0)

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 during current quarter 2017 and financial full year due to lower NOPLAT attributed to lower EBIT. Current quarter and full financial year recorded slightly higher economic charge attributed to higher AIC despite of lower WACC. The higher AIC was due to higher property, plant and equipment, trade and other receivables and other non-current receivables whilst the lower WACC was arising from lower cost of equity. Lower EBIT in current quarter was due to lower revenue compared to 4th quarter of 2016. Lower EBIT in the full financial year was due to increase in cost.

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**2. Comparison with Preceding Quarter's Results**

The current quarter Group revenue increased by 8.8% (RM259.5 million) to RM3,199.9 million as compared to RM2,940.4 million recorded in the third quarter of 2017 due to higher revenue from all services.

In line with revenue, operating profit before finance cost increased to RM284.3 million from RM259.6 million recorded in the preceding quarter.

The net finance income in the current quarter was driven by the foreign exchange gain on borrowings. This further increased Group PATAMI by 30.8% (RM65.2 million) from RM211.8 million in the preceding quarter to RM277.0 million.

**3. Prospects for the Next Financial Year Ending 31 December 2018**

We foresee sustainable performance for the Group in 2018, despite competition and challenges. This is driven by our new execution model which prioritises our plans towards delivering relevant converged digital lifestyle 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 4th quarter and financial year ended 31 December 2017.

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**5. Taxation**

The taxation charge for the Group comprises:

	4th Quarter Ended		Financial Year Ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM Million	RM Million	RM Million	RM Million
<u>Malaysia</u>				
<b>Income Tax:</b>				
Current year	53.6	54.3	231.3	176.9
Prior year	(1.1)	(7.4)	(10.9)	(7.3)
<b>Deferred tax (net)</b>	17.1	(44.1)	78.1	129.0
	<b>69.6</b>	2.8	<b>298.5</b>	298.6
<u>Overseas</u>				
<b>Income Tax:</b>				
Current year	3.0	0.9	4.6	1.7
Prior year	0.1	(0.1)	0.3	(0.6)
<b>Deferred tax (net)</b>	5.2	#	5.2	(0.7)
	<b>8.3</b>	0.8	<b>10.1</b>	0.4
<b>Taxation</b>	<b>77.9</b>	3.6	<b>308.6</b>	299.0
<b>Zakat</b>	<b>7.5</b>	2.0	<b>8.9</b>	6.1
<b>Taxation and Zakat</b>	<b>85.4</b>	5.6	<b>317.5</b>	305.1

# Amount less than RM0.1 million

The effective tax rates of the Group for the current year 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 year ended 31 December 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 31/12/2017		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
<b>Total Secured</b>	<b>35.5</b>	<b>67.8</b>	29.1	89.6
<b>Total Unsecured</b>	<b>1,083.5</b>	<b>6,963.4</b>	671.6	7,573.0
<b>Total Borrowings</b>	<b>1,119.0</b>	<b>7,031.2</b>	700.7	7,662.6

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

Foreign Currency	As at 31/12/2017	As at 31/12/2016
	RM Million	RM Million
US Dollar	<b>2,361.8</b>	2,578.0
Canadian Dollars	<b>2.7</b>	3.1
Japanese Yen	-	299.4
<b>Total</b>	<b>2,364.5</b>	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, new borrowings including issuance of debt as disclosed in part A, note 5(b) of this announcement and impact of foreign exchange retranslation for the year.



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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 31/12/2017		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	202.4	5.5	-	5.2	-
	<b>202.4</b>	<b>5.5</b>	-	5.2	-
2. <u>Cross Currency Interest Rate Swaps (CCIRS)</u> - matured on 20 November 2017	298.9	-	-	1.0	-
- 1 year to 3 years <sup>y</sup>	316.8	93.5	-	-	-
- more than 3 years	310.5	166.0	-	362.7	-
	<b>926.2</b>	<b>259.5</b>	-	363.7	-
3. <u>Put Option liability over shares held by non-controlling interest</u> - more than 3 years	-	-	287.7	-	301.9
	-	-	<b>287.7</b>	-	301.9
4. <u>Call Option over shares held by non-controlling interest</u> - lapsed on 27 November 2017	87.1	-	-	22.5	-
	<b>87.1</b>	-	-	22.5	-
<b>Total</b>	<b>1,215.7</b>	<b>265.0</b>	<b>287.7</b>	391.4	301.9

<sup>y</sup> Reclassified from more than 3 years aging during the current quarter.

**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) Cross Currency Interest Rate Swap (CCIRS) Contracts Underlying Liability JPY7.8 billion 0.91375% Loan due in 2017.**

In 2012, the Company, through its wholly-owned subsidiary, TM Global Incorporated, obtained a 5 year JPY7.8 billion loan from a financial institution.

**Hedging Instrument**

On 20 November 2012, the Company entered into a CCIRS agreement with a notional amount of JPY7.8 billion that entitles it to receive interest at a fixed rate of 0.91375% per annum on JPY notional amount and obliges it to pay interest at a fixed rate of 3.62% on the RM notional amount (calculated at a pre-determined exchange rate). The swap matured on 20 November 2017. On the maturity, the Company received JPY7.8 billion and paid the counterparty an equivalent RM amount of RM298.9 million.

**(c) 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.

**(d) 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)**

**(e) 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 December 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	
			4th quarter RM Million	Financial Year RM Million
<b>Financial Liabilities</b>				
1. <u>Put Option liability over shares held by non-controlling interest<sup>(i)</sup></u> - more than 3 years	-	287.7	46.3	46.3
	-	<b>287.7</b>	<b>46.3</b>	<b>46.3</b>
2. <u>Cross Currency Interest Rate Swaps<sup>(iii)</sup></u> - matured on 20 November 2017	298.9	-	9.8	(1.0)
	<b>298.9</b>	-	<b>9.8</b>	<b>(1.0)</b>
<b>Total</b>	<b>298.9</b>	<b>287.7</b>	<b>56.1</b>	<b>45.3</b>
<b>Financial Assets</b>				
1. <u>Interest Rate Swaps<sup>(ii)</sup></u> - more than 3 years	202.4	5.5	0.9	0.3
	<b>202.4</b>	<b>5.5</b>	<b>0.9</b>	<b>0.3</b>
2. <u>Cross Currency Interest Rate Swaps<sup>(iii)</sup></u> - 1 year to 3 years - more than 3 years	316.8 310.5	93.5 166.0	(14.1) (18.0)	(42.6) (60.6)
	<b>627.3</b>	<b>259.5</b>	<b>(32.1)</b>	<b>(103.2)</b>
3. <u>Call Option over shares held by non-controlling interest</u> - lapsed on 27 November 2017	87.1	-	(17.2)	(22.5)
	<b>87.1</b>	-	<b>(17.2)</b>	<b>(22.5)</b>
<b>Total</b>	<b>916.8</b>	<b>265.0</b>	<b>(48.4)</b>	<b>(125.4)</b>

(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)**

**(e) 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.

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**9. Additional Disclosures**

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the Consolidated Income Statement for the 4th quarter and financial year ended 31 December 2017:

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
	<b>RM Million</b>	<b>RM Million</b>	<b>RM Million</b>	<b>RM Million</b>
Impairment of trade and other receivables (net of recoveries)	<b>(18.0)</b>	(11.9)	<b>(57.6)</b>	(40.7)
Inventory charges for write off and obsolescence	<b>(7.9)</b>	(0.6)	<b>(7.5)</b>	(0.5)
Gain on disposal of fixed income securities	<b>0.3</b>	0.2	<b>1.8</b>	1.7
(Loss)/Gain on foreign exchange on settlements and placements	<b>(11.1)</b>	68.8	<b>(57.9)</b>	61.4

**10. 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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**11. Earnings per Share (EPS)**

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<b>(a) Basic earnings per share</b>				
Profit attributable to equity holders of the Company (RM million)	<b>277.0</b>	154.3	<b>929.7</b>	776.0
Weighted average number of ordinary shares (million)	<b>3,757.9</b>	3,757.9	<b>3,757.9</b>	3,757.9
Basic earnings per share (sen) attributable to equity holders of the Company	<b>7.3</b>	4.1	<b>24.7</b>	20.6

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/year.

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31/12/2017</b>	<b>31/12/2016</b>	<b>31/12/2017</b>	<b>31/12/2016</b>
<b>(b) Diluted earnings per share</b>				
Profit attributable to equity holders of the Company (RM million)	<b>277.0</b>	154.3	<b>929.7</b>	776.0
Weighted average number of ordinary shares (million)	<b>3,757.9</b>	3,757.9	<b>3,757.9</b>	3,757.9
Adjustment for dilutive effect of Long Term Incentive Plan (million)	<b>21.1</b>	0.1	<b>16.0</b>	#
Weighted average number of ordinary shares (million)	<b>3,779.0</b>	3,758.0	<b>3,773.9</b>	3,757.9
Diluted earnings per share (sen) attributable to equity holders of the Company	<b>7.3</b>	4.1	<b>24.6</b>	20.6

# Amount less than RM0.1 million

Diluted earnings per share for the current financial year 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 potential conversion of all dilutive 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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LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**12. Qualification of Preceding Audited Financial Statements**

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

**13. Dividends**

- (a) The Board of Directors has declared an interim single-tier cash dividend of 9.4 sen per share for the financial year ended 31 December 2017 (2016: an interim single-tier dividend of 9.3 sen per share). 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) The Board of Directors has declared a second interim single-tier cash dividend of 12.1 sen per share for the financial year ended 31 December 2017 (2016: second interim single-tier cash dividend of 12.2 sen per share). The dividend will be paid on 13 April 2018 to shareholders whose names appear in the Register of Members and Record of Depositors on 16 March 2018.

The Board of Directors do not recommend payment of any final dividend in respect of the financial year ended 31 December 2017. The total dividends for the current financial year ended 31 December 2017 is 21.5 sen per ordinary share (2016: 21.5 sen).

**By Order of the Board**

Hamizah Abidin (LS0007096)  
Zaiton Ahmad (MAICSA 7011681)

Secretaries

Kuala Lumpur  
27 February 2018