



Here for you ...

TELEKOM MALAYSIA BERHAD

34th Annual General Meeting

29 May 2019

TM Convention Centre, Kuala Lumpur

TM 34th AGM
29 May 2019
TMCC, KL

COMPANY UPDATES

FY2018: FINANCIAL & OPERATIONAL HIGHLIGHTS

MOVING FORWARD – Towards enabling a Digital Nation

RESPONSES TO QUESTIONS FROM MINORITY
SHAREHOLDER WATCH GROUP (MSWG)



2018

...in Review



Company Updates

A look back at 2018...

Persistent headwinds, heightened price/regulatory risks and other uncertainties caused our market cap to fall by >60% in 2018

2018 Headlines

Telekom Malaysia Bhd (TM)

A Bumpy Ride Ahead

TM among top losers on Bursa after Broadband price out announcement

Last update: 21/06/2018

Telekom Malaysia

Downgrade to UW on regulatory risks and potential new fixed broadband entrants

25% broadband price cut to hit players hard, TM taking the brunt

Fixed broadband price cut are expected by year-end following the rollout of the MSAP

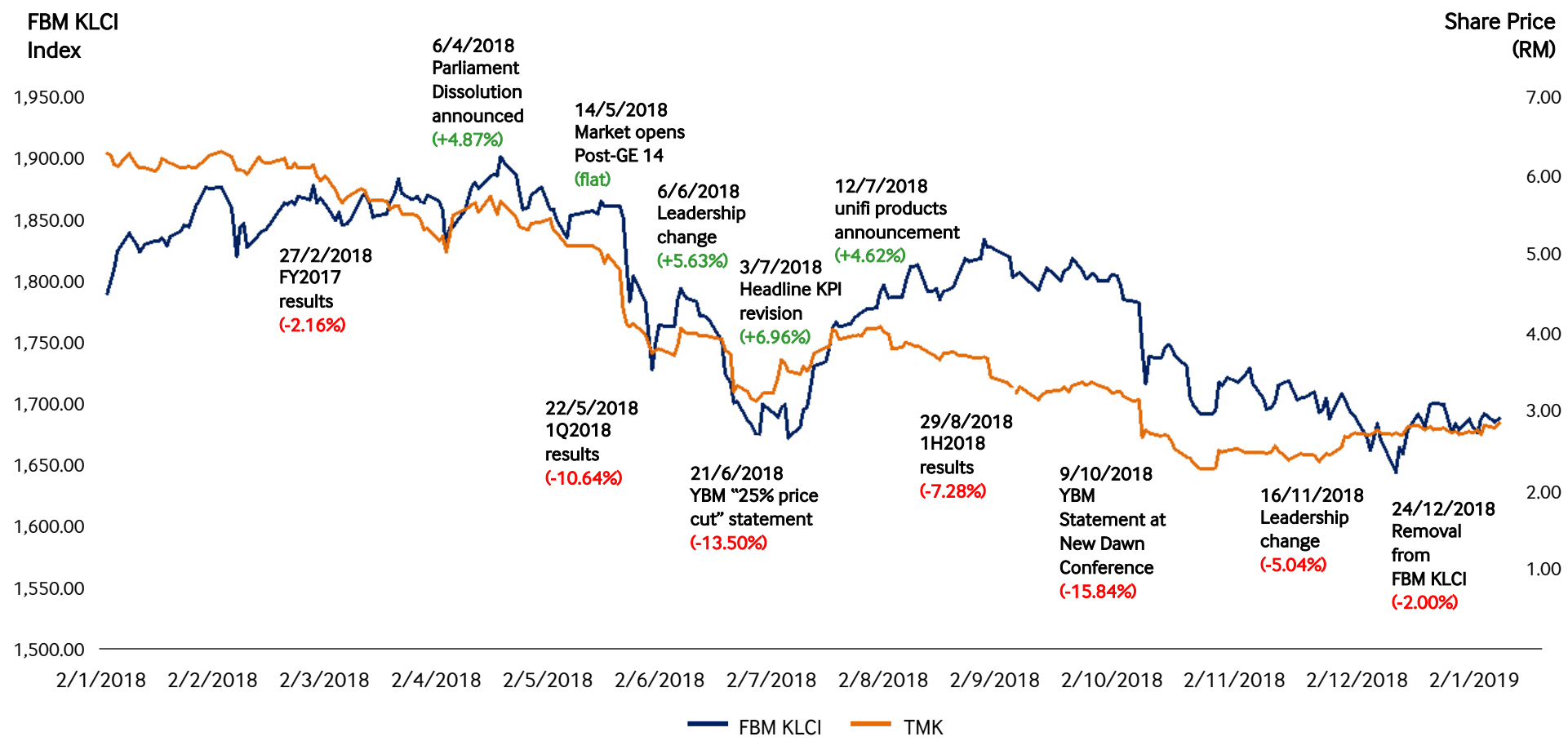
MSAP starts to bite

Telekom Malaysia

Revised guidance and new affordable Unifi plans to address govt's broadband directives

Monopoli jalur lebar TM akan dihapuskan

Perkhidmatan yang dipaparkan oleh syarikat-syarikat telekomunikasi dalam pasaran ini, termasuklah Unifi, akan bersaing dengan pemain lain dalam pasaran ini. Telekom Malaysia (TM) dijangka akan kehilangan monopoli dalam pasaran ini.



A look back at 2018...

Challenges







July 2018
Revised 2018 Headline KPIs



Performance Improvement
Programme 2018 (PIP2018)

1		REGULATORY ISSUES
2		INTENSIFYING COMPETITION
3		MACRO CHALLENGES
4		SUSTAINING PROFITABILITY

<u>Revenue Growth (%)</u> - 1.0 to FLAT
<u>EBIT (RM)</u> Approximately RM1.0 billion
<u>Customer Satisfaction Measure</u> 72

1		REVENUE UPLIFT
2		SUSTAINED PROFITABILITY
3		IMPROVED CASH FLOW
4		INCREASED PRODUCTIVITY

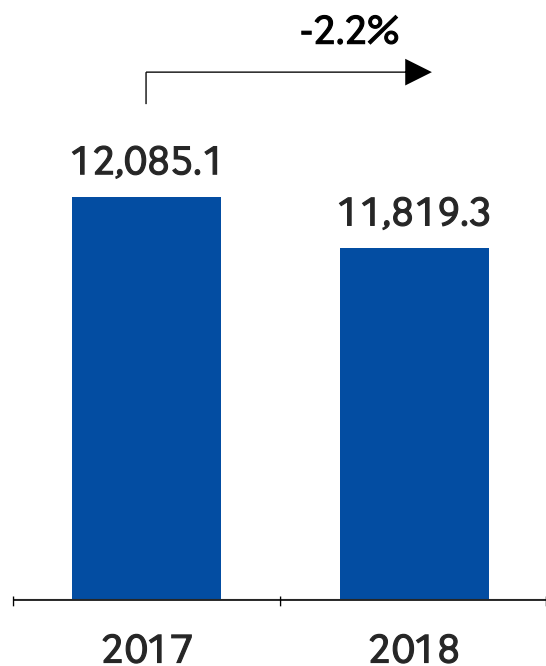
Revised 2018 Capex Guidance
19–20% of Revenue



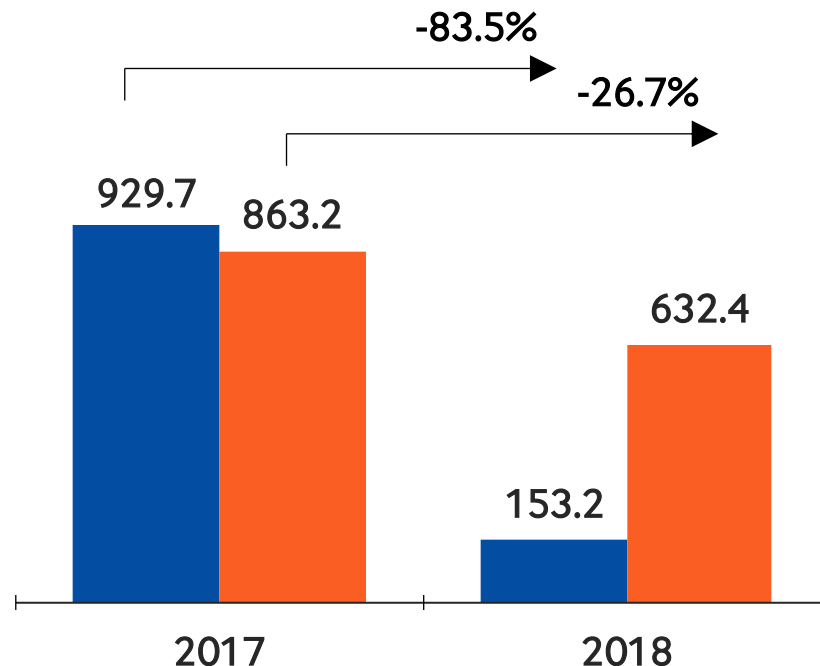
FY2018 Financial and Operational Highlights

Resilient Financial Performance amid a challenging environment

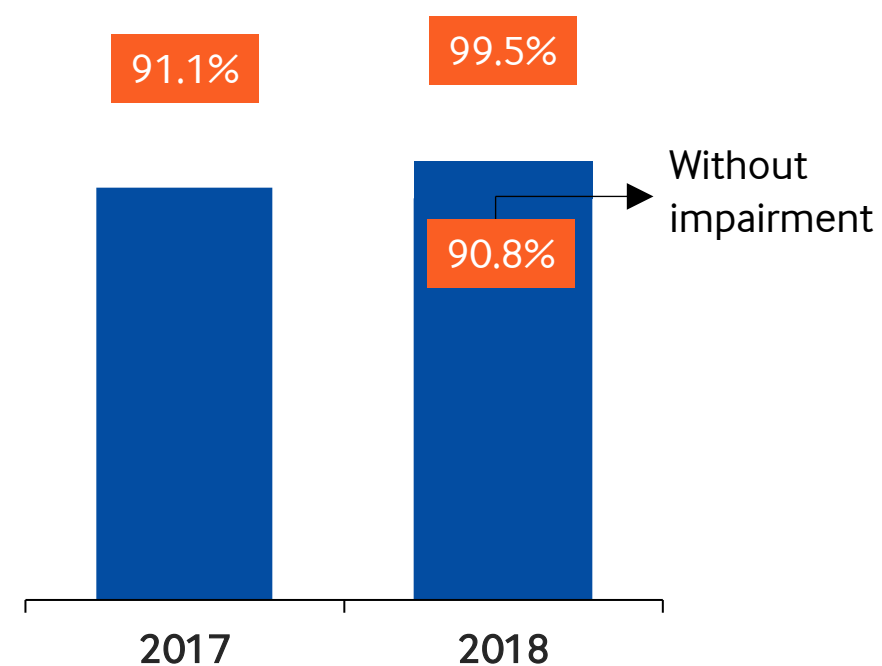
Revenue (RM million)



PATAMI (RM million)



Costs (RM million)

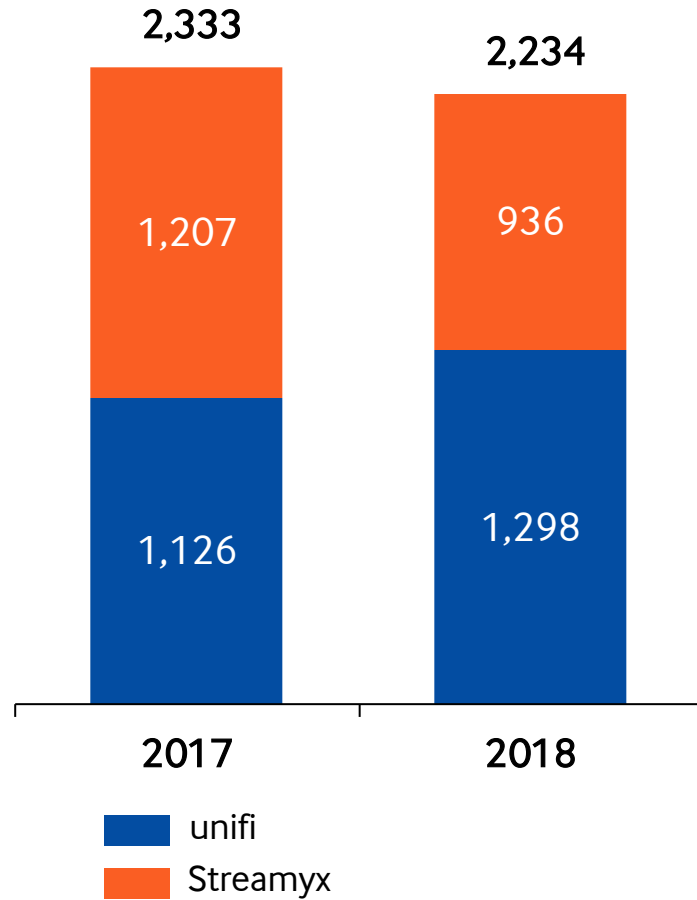


■ PATAMI ■ Normalised PATAMI

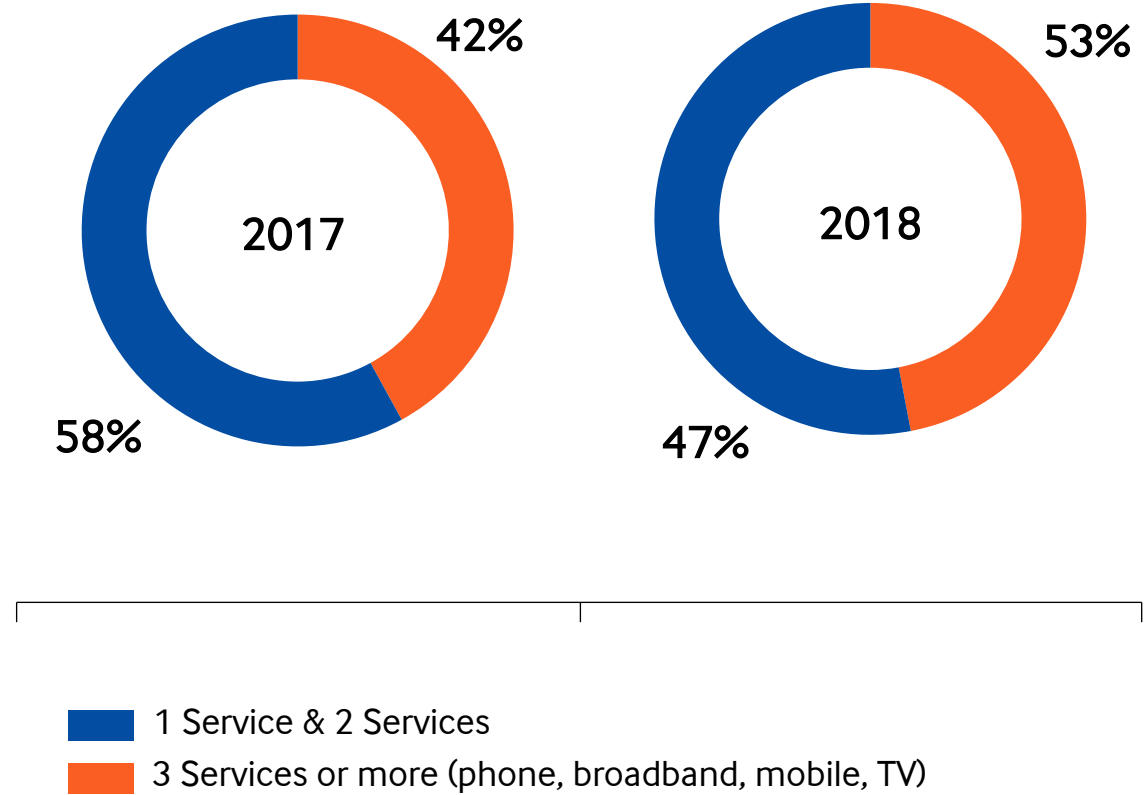
■ Total Cost/Revenue (%)

Delivering Convergence: Traction in mobility complementing fixed broadband services

Fixed Broadband Customers ('000)



Increasing Convergence Households



Broadband Upgrading Exercise



> 973K

unifi customers upgraded to 10x speed



> 266K

Streamyx customers in unifi areas
upgraded to unifi



> 226K

Streamyx customers upgraded to 2x
speed



The above speed upgrades had contributed
to Malaysia's **10-spot jump** to **26th
fastest** country in the world for internet
speed at average speeds of 62Mbps

#khabarbaik

unifi is at home and
everywhere



Guidance	2019
Revenue	Low to mid single digit % decline
Operating Profit (EBIT)	Higher than 2018 level
Customer Satisfaction Measure (TRI*M index)*	74

*Customer Satisfaction will be measured using TRI*M index measuring end to end customer experience on products and all touch points. TRI*M (Measuring, Managing and Monitoring) is a standardised indicator system. It analyses, measures and portrays stakeholder relationships on the basis of standardised indicators. The TRI*M Index is an indicator of the status quo of a particular relationship. The index is made up of four points of view on the stakeholder relationship, e.g. for customer loyalty: overall ratings, recommendation, repeat purchasing of product/services, and a company's competitive advantage. The information is based on surveys/interviews on a sample customer base.



Moving Forward

Accelerate Convergence & Empower Digital strategy driven by PIP2019-2021

Life Made Easier™

STRATEGIC THRUSTS

ACCELERATE
CONVERGENCE

EMPOWER
DIGITAL

PIP 2019-2021

- | | | | |
|--|--|---|--|
| <p>1</p>  <p>REVENUE
PRESERVATION
& UPLIFT</p> | <p>2</p>  <p>SUSTAINED
PROFITABILITY</p> | <p>3</p>  <p>IMPROVED
CASH FLOW</p> | <p>4</p>  <p>INCREASED
PRODUCTIVITY</p> |
|--|--|---|--|

Life Made Easier for a Better Digital Malaysia

Ambition



Customer Centric Organisation



Strategic Pillars



Converged
Services



Simple &
Digital



Lean & Lower
Cost

Enablers



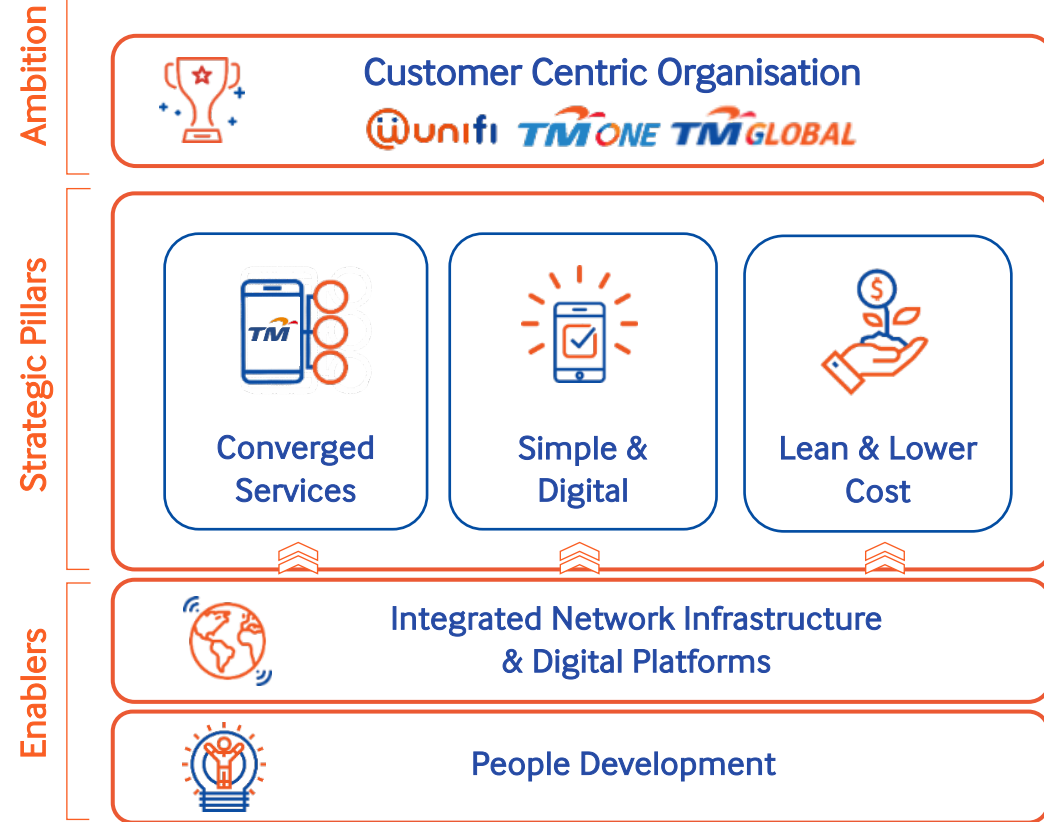
Integrated Network Infrastructure
& Digital Platforms



People Development

TM Strategy and focus on Accelerate Convergence & Empower Digital remains

Life Made Easier for a Better Digital Malaysia



Strategic Pillars



Converged Services

- Solidifying convergence position
- Vertical focus to serve industries going digital
- Backbone, Connecting Malaysia to the world



Simple & Digital

- Digital-first in all customer journey
- Product rationalisation
- Process simplification & digitisation



Lean & Lower Cost

- Focus on core business
- Cost optimisation & management

Enablers



Infra & Platforms

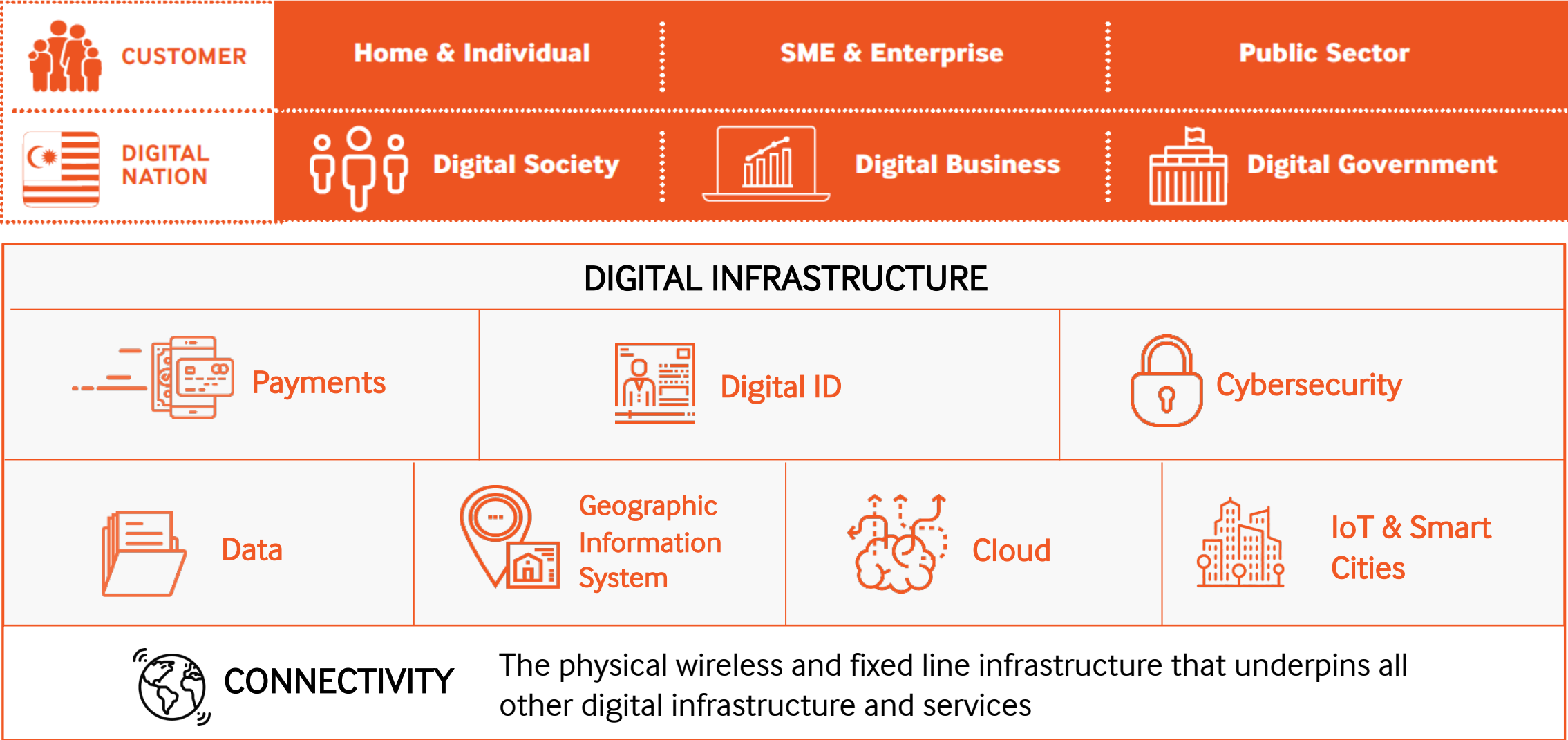
- Focus on sweating current assets
- Targeted roll-out
- Access seek



People Development

- Customer FIRST mindset
- AGILE : Empowerment and Ownership
- Future Skilling

Key Partner and Enabler Of Digital Nation Through Connectivity and Digital Infrastructure



Way Forward 2019

and Beyond



Thank you
for your
support



Here for you...



Responses to Questions from Minority Shareholder Watch Group



Q1.

In the event Tenaga Nasional Berhad's (TNB) National Fiberisation & Connectivity Plan (NFCP) pilot project becomes a long-term business arrangement, this will put Telekom in a competitive position with TNB.

- (a) Please comment on the Company's risk of losing customers in the domestic fixed-line broadband scene.
- (b) How will it impact the Company's business going forward?



A1.

The risk is inherent as the telco space has seen intensifying competition in the last few years. Another player in the industry is good for customers as it provides more choices. We believe that what sets telcos apart from their competitors goes beyond basic functionalities of speed and low price. Superior customer experience and service innovation are now the new yardstick.

TM always believes that customer experience will be the differentiator and will consistently fortify our product portfolio to address customers' needs across all segments. We will respond dynamically to the market changes, more importantly offering value to the customer, instead of focusing only on price differentiation.

We view TNB's potential entry also as an opportunity, as this will enable TM to become an access seeker to provide services in areas where TNB's network exist and not covered by TM.

Questions from MSWG

Strategic & Financial Matters (3/8)

Q2.

Under the Company's Key Focus Areas 2019-2021, it was stated that you make selected investments in your integrated network infrastructure to expand your coverage and build digital platforms to improve customer experience and your business operations (page 35 of Integrated Annual Report 2018 (IAR2018)).

What is the estimated expenditure for the above?



A2.

TM is guiding for a capex/revenue ratio of 18% in 2019.

The capex will largely center on:

- (i) fixed services, including investments for broadband access and data;
- (ii) mobile services, and
- (iii) digital solutions and services for customers.



Q3.

On Page 11 of the Financial Statements of IAR 2018, we noted the following:-

- (a) unifi recorded segment loss of RM618.3 million in 2018 (2017: RM146.2). What are the reasons for the huge losses? Do you expect further losses by unifi in 2019?
- (b) What are the reasons for the decrease in TM ONE's profits to RM546.3 million (2017: RM754.8 million)? Do you expect TM ONE's profits to continue declining in 2019?
- (c) Shared services/Others recorded segment loss of RM21.5 million in 2018 (2017: RM32.7 million). Do you expect further losses from this segment in 2019?



A3.

unifi:

unifi segment revenue was affected by the decline in Streamyx, which outpaced our unifi home broadband growth, which is still continuing to grow to date.

However, the main contributor to the RM618.3 million loss incurred last year was higher operating cost, which included an impairment on network assets recognised during the third quarter of 2018.

TM ONE:

The decline in profits was mainly due to lower contract renewal revenue and higher cost of sales in delivering customer projects.

Shared Services:

Shared Services is made of non-core subsidiary contributions and central functions which are primarily cost centre divisions such as network and information technology as well as corporate centre divisions (i.e. human capital, finance and procurement).

For 2019, we will continue to execute our plans under PIP2019-2021 which is centered around revenue preservation/uplift as well as sustaining profitability, expecting higher profit (EBIT) than 2018 level, as per our guidance.



Questions from MSWG

Strategic & Financial Matters (6/8)

Q4.

As stated on page 13 of the Financial Statements of IAR 2018, the revenue contribution from data services in 2018 fell 8.7% to RM2,442.5 million (2017: RM2,675.2 million) due to a provision of RM169.2 million, which was the estimated impact of the new Mandatory Standard of Access Pricing on Telekom's wholesale segment.

Does the Company expect revenue from data services to decline further going forward?



A4.

Data revenue in TM is mainly contributed by TM GLOBAL and TM ONE clusters.

TM GLOBAL:

TM GLOBAL has taken a prudent stand by provisioning RM169.2mil of MSAP impact on its regulated services for FY2018. Regulated services comprise 37% of TM GLOBAL's total revenue, whereas the remaining are non-regulated domestic and global services.

Commercial domestic and global data services are set to grow exponentially in view of bandwidth demands from domestic mobile operators, global carriers and OTT service providers, driven by ever-increasing customer bandwidth requirements. TM GLOBAL expects both global and domestic data business to grow.

TM ONE:

For TM ONE, we expect to preserve our revenue by improving the overall value of our services to existing customers and push “beyond connectivity” services such as ICT, managed services, smart services, cloud, etc.



Questions from MSWG

Strategic & Financial Matters (8/8)

Q5.

Non-telecommunications related services registered 11.8% reduction in revenue contribution in 2018 amounting to RM286.4 million (2017: RM324.6 million) due to competitive tertiary education market and reduction from the recognition on share of Gross Development Value (GDV) from a land development related activities (pages 13 & 14, Financial Statements of IAR 2018).

How much revenue contribution was attributable to the tertiary education market for financial year 2017 and 2018?



A5.

Revenue contribution from our education segment was registered at RM207.3 million for 2018, which was 5.4% lower against 2017, which was RM219.2 million.



Questions from MSWG

Corporate Governance Matters (1/1)

Q1.

One of your directors, Ms Gee Siew Yoong is a director of both Telekom and TNB and as such is in a conflict of interest situation.

Has the Board discussed this conflict of interest situation? What is the Board's stance on this issue?



A1.

The Board has deliberated on this matter.

It is TM's practice for any interested Director to declare their interests and thereafter recuse himself/herself from deliberations and abstain from decision making in a situation of conflict.

Noting the conflict of interest and in view of TNB's direct competition with TM in the broadband space, the Board (save for the Interested Director) has recommended that Ms Gee Siew Yoong not to be re-elected as Director.

This fact has been reflected in page 36 of the Corporate & Financial Summary, and in the Corporate Governance Overview section on page 128 of the Integrated Annual Report 2018, as well as Explanatory Note 8 of the Notice of the 34th AGM on page 174 of the IAR 2018.

Thank you!

www.tm.com.my/investor
investor@tm.com.my



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