



NEWS RELEASE

Kuala Lumpur
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TM TRANSFORMATION REINFORCES CUSTOMER CENTRICITY

Telekom Malaysia Berhad (TM) today announced its results for the financial year ended 31 December 2018. In addition, it also introduced its Performance Improvement Programme 2019-2021(PIP2019-2021).

▪ **Key Strategic Developments / Key Focus 2019:**

- TM continues on its strategic journey to transform into “New TM” – a customer centric organisation to enable Malaysia’s Digital Nation aspirations through Connectivity and Digital Infrastructure.
- TM is extending the 4 pillars of Performance Improvement Programme 2018 (PIP2018) (Revenue Preservation & Uplift, Sustained Profitability, Improved Cash Flow and Increased Productivity) through to the next phase.
- Over the next 3 years, TM will focus on three (3) strategic pillars - Converged Services, Simplification & Digitalisation, Lean & Lower Cost, with its integrated network infrastructure together with its digital platforms and Warga TM as the enablers.

▪ **Financial and Operational Highlights FY2018**

- TM was impacted by persistent headwinds in the industry and operating landscape over 2018.
- The Group posted a revenue of RM11.82 billion, 2.2% lower from RM12.09 billion in 2017. Internet revenue growth during the year under review was offset by lower data, voice and other services.
- Group Reported Earnings Before Interest and Tax (EBIT) was at RM64.6 million. During the financial year, the Group has recognised a provision of RM982.5 million for the impairment of fixed and wireless network assets following the continued pressure from challenging business, industry and economic conditions, combined. Group’s Normalised EBIT was RM1.07 billion, within 2018 guidance. PIP2018 initiatives such as cost optimisation yielded improved operating performance despite the lower revenue.
- Group Reported Profit After Tax and Non-controlling Interests (PATAMI) was at RM153.2 million, whilst Group Normalised PATAMI was RM632.4 million.
- The total capital expenditure (CAPEX) investment for 2018 was RM2.14 billion, or 18.1% of revenue; which was lower than TM’s full year capex guidance of 19-20% of revenue. By asset type, access comprised 57.4% of total spending, followed by core network at 17.8% and the remaining 24.8% was for support systems. In 2018, investments were focused on expanding connectivity via deployment of broadband ports and mobile coverage, as well as on digital infrastructure for ICT, data centre, cloud and smart solutions.
- Sustained customer satisfaction with Customer Satisfaction Measure (TRI*M index) score of more than 73, continuing the record of above global telco average of 66.
- Broadband updates:
 - Increased Convergence penetration 53% of TM Households
 - 2.23 million broadband customer base comprising 1.30 million unifi and 936k Streamyx customers.
 - Updates on 2018 broadband programmes:
 - > 911,000 unifi customers upgraded to 10 times existing speed
 - > 239,000 Streamyx customers upgraded to unifi
 - > 181,000 Streamyx customers upgraded to 2 times existing speed where technology permits
 - For those yet to be upgraded, TM will continue ongoing discussions with the Ministry and the Malaysian Communications and Multimedia Commission (MCMC) to explore specific funding options, various fit-for-purpose technologies as well as optimising existing industry mechanisms in order to deliver a better broadband experience nationwide.

- TM ONE:
 - Focused on industry verticals of enterprise and public sector to enable customers' digital aspiration
 - Expansion of digital infrastructure with completion of twin core data centre
- TM GLOBAL:
 - Continued to fortify the industry backbone and connecting Malaysia to the world
- Declares interim cash dividend of 2.0 sen per share or RM75.1 million; with expected pay out date on 12 April 2019.
- 2019 Guidance: Revenue between low to medium single digit decline, EBIT to be higher than 2018 level and Customer Satisfaction Measure of 74.

Imri Mokhtar, Acting Group Chief Executive Officer / Chief Operating Officer commenting on the results:

“2018 was undoubtedly one of the most challenging times TM has ever faced. We worked tirelessly to address the competitive landscape and industry dynamics, without losing focus on our strategies and organisational mission. We took a big hit but this has only strengthened our resolve to make good on what we need to deliver to all our stakeholders.

We are continuing on our next phase of transformation via the PIP2019-2021 to ensure our resilience and long-term sustainability towards shaping a “New TM” that reinforces customer centricity. The “New TM” does not mean that we are going to emerge as something totally “different”. The “New TM” is TM as you have always known it, in an enhanced state. All that we, as an organisation, have stood for all these years still remain the same and relevant. We have always been at the frontier of each telecommunication technology evolution in the nation. Our vast and deep experience has equipped us with the right tools, people and mindset to elevate Malaysia into a Digital Nation through connectivity & digital infrastructure. The “New TM” will remain as Malaysia’s Convergence Champion for all - consumers and businesses alike.

In transforming to become the ‘New TM’ by 2021, we will incrementally and continuously improve on how we do things, in a new and simpler way, in order to serve you better. We will be here for our customers as a one-stop shop, enabling them to access our multitude of offerings and effortless support to fulfil all of their digital lifestyle needs.

Beyond just connectivity, TM ONE, our Enterprise and Public sector cluster will focus and solidify our strength in serving 7 key industry verticals – Banking and Finance, Oil and Gas, Real Estate, Health and Education, Defence and Security, Public Shared Services and Retail. TM GLOBAL, our global and wholesale arm, will continue to serve as the industry backbone, connecting Malaysia to the world via our connectivity and digital infrastructure.

Customer centricity is our true north. Our key priorities this year will be to deliver customer excellence, drive high performance whilst we continue to explore new frontiers of growth through continuous innovation that is inspired by customer insights. We will also work towards future-proofing our people through capability-building, future-skilling and new ways of working. Our philosophy of ‘customers first and simplicity’ will be at the core of everything that we do. On the customer front, we are able to serve our customers better across products from end-to-end with our converged networks of fixed and wireless; connected seamlessly with ICT infrastructure and digital platforms.

In the meantime, we will continue sweating our assets to optimise performance and achieve better focus through convergence. We will leverage on connectivity to defend and grow our core business and partnership ecosystems to explore new businesses. We will also prudently manage our costs to deliver better value for investors, shareholders and stakeholders. With these priorities, we remain committed to deliver the best of our solutions and the best of experience - towards making “Life and Business Easier for a Better Malaysia”.

Prospects for the Next Financial Year Ending 31 December 2019

Year 2018 has been a challenging year for the industry. TM expects the environment to remain challenging, impacting our business operations. TM will accelerate Convergence and empower Digital in line with its transformation that reinforces Customer Centricity. The transformation plan will be anchored on the Performance Improvement Program 2019-2021 and will focus on bringing a convergence digital lifestyle to all Malaysians and on enabling enterprise and public sector industry verticals to realise their full digital potential whilst being the industry backbone, connecting Malaysia to the world.

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Issued by:

Group Brand and Communication
Telekom Malaysia Berhad
Level 9 (North Wing), Menara TM,
Jalan Pantai Baharu
50672 Kuala Lumpur

For inquiries, please contact:

- | | | |
|---|---|--|
| 1 | Asma Abdul Aziz
Assistant General Manager
Media Management & External Communications
Group Brand and Communication | Tel: (03) 2240 3840
HP: (013) 364 1830
Email: asma_aa@tm.com.my |
| 2 | Saiful Azni Matmor
Manager
Media Management & External Communications
Group Brand and Communication | Tel: (03) 2240 2617
HP: (013) 360 3496
Email: msaiful@tm.com.my |