

TELEKOM MALAYSIA BERHAD

Reg. No.: 198401016183 (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 1st quarter ended 31 March 2022.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/03/2022	31/03/2021	31/03/2022	31/03/2021
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	2,892.4	2,809.7	2,892.4	2,809.7
OPERATING COSTS				
- depreciation, impairment and amortisation	(603.5)	(575.5)	(603.5)	(575.5)
- net impairment reversal/(loss) on financial and contract assets	17.5	(2.1)	17.5	(2.1)
- other operating costs	(1,765.3)	(1,661.3)	(1,765.3)	(1,661.3)
OTHER OPERATING INCOME (net)	19.3	18.9	19.3	18.9
OTHER LOSSES (net)	(6.9)	(6.4)	(6.9)	(6.4)
OPERATING PROFIT BEFORE FINANCE COST	553.5	583.3	553.5	583.3
FINANCE INCOME	17.2	26.7	17.2	26.7
FINANCE COST	(95.6)	(171.8)	(95.6)	(171.8)
FOREIGN EXCHANGE LOSS ON BORROWINGS	(11.4)	(33.9)	(11.4)	(33.9)
NET FINANCE COST	(89.8)	(179.0)	(89.8)	(179.0)
ASSOCIATE				
- share of results (net of tax)	3.5	2.7	3.5	2.7
PROFIT BEFORE TAX AND ZAKAT	467.2	407.0	467.2	407.0
TAX AND ZAKAT (part B, note 5)	(127.5)	(83.6)	(127.5)	(83.6)
PROFIT FOR THE FINANCIAL PERIOD	339.7	323.4	339.7	323.4
ATTRIBUTABLE TO:				
- equity holders of the Company	339.9	325.5	339.9	325.5
- non-controlling interests	(0.2)	(2.1)	(0.2)	(2.1)
PROFIT FOR THE FINANCIAL PERIOD	339.7	323.4	339.7	323.4
EARNINGS PER SHARE (sen) (part B, note 11)				
- basic	9.0	8.6	9.0	8.6
- diluted	8.9	8.5	8.9	8.5

(The above unaudited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/03/2022 RM Million	31/03/2021 RM Million	31/03/2022 RM Million	31/03/2021 RM Million
PROFIT FOR THE FINANCIAL PERIOD	339.7	323.4	339.7	323.4
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified				
subsequently to income statement:				
- decrease in fair value of investments at fair value through other comprehensive income (FVOCI)	(2.9)	(6.7)	(2.9)	(6.7)
- reclassification adjustments relating to FVOCI investments disposed	(0.1)	0.4	(0.1)	0.4
- increase/(decrease) in fair value of receivables at FVOCI	1.9	(4.0)	1.9	(4.0)
- cash flow hedge:				
- (decrease)/increase in fair value of cash flow hedge	(8.3)	4.2	(8.3)	4.2
- change in fair value of currency basis	1.1	5.5	1.1	5.5
- reclassification of foreign exchange loss on borrowings	(3.3)	(9.6)	(3.3)	(9.6)
- currency translation differences				
- subsidiaries	1.6	3.1	1.6	3.1
- associate	#	#	#	#
Other comprehensive loss for the financial period	(10.0)	(7.1)	(10.0)	(7.1)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	329.7	316.3	329.7	316.3
ATTRIBUTABLE TO:				
- equity holders of the Company	329.9	318.4	329.9	318.4
- non-controlling interests	(0.2)	(2.1)	(0.2)	(2.1)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	329.7	316.3	329.7	316.3

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 2021)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	AS AT 31/03/2022 RM Million	AS AT 31/12/2021 RM Million
SHARE CAPITAL	3,729.0	3,729.0
OTHER RESERVES	284.5	283.2
RETAINED PROFITS	3,603.8	3,490.3
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,617.3	7,502.5
NON-CONTROLLING INTERESTS	(174.8)	(174.6)
TOTAL EQUITY	7,442.5	7,327.9
Borrowings	5,331.5	5,338.4
Lease liabilities	1,490.5	1,553.4
Derivative financial instruments	-	4.6
Deferred tax liabilities	1,526.2	1,499.0
Deferred income	1,646.5	1,649.8
Trade and other payables	24.9	24.3
NON-CURRENT LIABILITIES	10,019.6	10,069.5
	17,462.1	17,397.4
Property, plant and equipment	13,272.7	13,356.1
Intangible assets	652.6	665.4
Right-of-use assets	1,166.9	1,208.2
Associate	93.5	89.9
Equity investments at fair value through other comprehensive income (FVOCI)	141.7	141.6
Investments at fair value through profit or loss (FVTPL)	311.3	306.0
Receivables at FVOCI	282.8	282.0
Other non-current receivables	418.7	441.1
Derivative financial instruments	133.6	145.4
Deferred tax assets	22.1	22.2
NON-CURRENT ASSETS	16,495.9	16,657.9
Inventories	168.0	176.9
Trade and other receivables	2,439.4	2,050.8
Contract assets	791.2	719.6
Contract cost assets	401.9	379.2
Receivables at FVOCI	15.9	15.9
Investments at fair value through other comprehensive income (FVOCI)	77.7	82.3
Investments at fair value through profit or loss (FVTPL)	12.6	12.5
Financial assets at fair value through profit or loss (FVTPL)	3.3	2.2
Cash and bank balances	2,497.9	2,733.8
CURRENT ASSETS	6,407.9	6,173.2
Trade and other payables	3,624.7	3,633.7
Contract liabilities	884.7	857.4
Customer deposits	212.5	221.4
Borrowings	381.3	381.6
Lease liabilities	310.8	330.3
Tax and zakat	27.7	9.3
CURRENT LIABILITIES	5,441.7	5,433.7
NET CURRENT ASSETS	966.2	739.5
	17,462.1	17,397.4
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	201.9	198.8

(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 2021)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022**

	Attributable to equity holders of the Company								Total Equity RM Million
	Share Capital RM Million	FVOCI Reserve RM Million	Hedging Reserve RM Million	Cost of Hedging Reserve RM Million	Long Term Incentive Plan Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non- controlling Interests RM Million	
At 1 January 2022	3,729.0	94.0	13.5	22.7	127.9	25.1	3,490.3	(174.6)	7,327.9
Profit/(loss) for the financial period	-	-	-	-	-	-	339.9	(0.2)	339.7
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- decrease in fair value of investments at fair value through other comprehensive income (FVOCI)	-	(2.9)	-	-	-	-	-	-	(2.9)
- reclassification adjustments relating to FVOCI investments disposed	-	(0.1)	-	-	-	-	-	-	(0.1)
- increase in fair value of receivables at FVOCI	-	1.9	-	-	-	-	-	-	1.9
- cash flow hedge:									
- decrease in fair value of cash flow hedge	-	-	(8.3)	-	-	-	-	-	(8.3)
- change in fair value of currency basis	-	-	-	1.1	-	-	-	-	1.1
- reclassification of foreign exchange loss on borrowings	-	-	(3.3)	-	-	-	-	-	(3.3)
- currency translation differences									
- subsidiaries	-	-	-	-	-	1.6	-	-	1.6
- associate	-	-	-	-	-	#	-	-	#
Total comprehensive (loss)/income for the financial period	-	(1.1)	(11.6)	1.1	-	1.6	339.9	(0.2)	329.7
Transactions with owners:									
- final interim dividend paid for the financial year ended 31 December 2021 (part A, note 6)	-	-	-	-	-	-	(226.4)	-	(226.4)
- Long Term Incentive Plan (LTIP):									
- ordinary shares granted*	-	-	-	-	11.3	-	-	-	11.3
Total transactions with owners	-	-	-	-	11.3	-	(226.4)	-	(215.1)
At 31 March 2022	3,729.0	92.9	1.9	23.8	139.2	26.7	3,603.8	(174.8)	7,442.5

Amount less than RM0.1 million

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

(The 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 2021)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021**

	Attributable to equity holders of the Company								Total Equity RM Million
	Share Capital RM Million	FVOCI Reserve RM Million	Hedging Reserve RM Million	Cost of Hedging Reserve RM Million	Long Term Incentive Plan Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non- controlling Interests RM Million	
At 1 January 2021	3,728.6	97.7	16.6	31.1	89.1	19.2	3,142.3	(149.3)	6,975.3
Profit/(loss) for the financial period	-	-	-	-	-	-	325.5	(2.1)	323.4
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- decrease in fair value of investments at fair value through other comprehensive income (FVOCI)	-	(6.7)	-	-	-	-	-	-	(6.7)
- reclassification adjustments relating to FVOCI investments disposed	-	0.4	-	-	-	-	-	-	0.4
- decrease in fair value of receivables at FVOCI	-	(4.0)	-	-	-	-	-	-	(4.0)
- cash flow hedge:									
- increase in fair value of cash flow hedge	-	-	4.2	-	-	-	-	-	4.2
- change in fair value of currency basis	-	-	-	5.5	-	-	-	-	5.5
- reclassification of foreign exchange loss on borrowings	-	-	(9.6)	-	-	-	-	-	(9.6)
- currency translation differences									
- subsidiaries	-	-	-	-	-	3.1	-	-	3.1
- associate	-	-	-	-	-	#	-	-	#
Total comprehensive (loss)/income for the financial period	-	(10.3)	(5.4)	5.5	-	3.1	325.5	(2.1)	316.3
Transactions with owners:									
- final interim dividend paid for the financial year ended 31 December 2020	-	-	-	-	-	-	(283.0)	-	(283.0)
- Long Term Incentive Plan (LTIP):									
- ordinary shares granted*	-	-	-	-	8.8	-	-	-	8.8
- transfer from LTIP reserve upon issuance of shares on vesting^	0.4	-	-	-	1.8	-	-	-	2.2
Total transactions with owners	0.4	-	-	-	10.6	-	(283.0)	-	(272.0)
At 31 March 2021	3,729.0	87.4	11.2	36.6	99.7	22.3	3,184.8	(151.4)	7,019.6

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.

^ Issuance of shares pursuant to the Group's LTIP RS.

(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 2021)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL PERIOD ENDED	
	31/03/2022	31/03/2021
	RM Million	RM Million
Receipts from customers	2,542.5	2,413.8
Payments to suppliers and employees	(1,591.3)	(1,642.5)
Payments to suppliers for short term lease and leases of low value assets	(13.4)	(13.6)
Payments of finance cost	(77.4)	(158.9)
Payments of income taxes and zakat (net)	(91.3)	(72.2)
CASH FLOWS FROM OPERATING ACTIVITIES	769.1	526.6
Contribution for purchase of property, plant and equipment	47.2	77.8
Disposal of property, plant and equipment	1.6	5.3
Purchase of property, plant and equipment and intangible assets	(634.9)	(515.2)
Disposal/Maturity of current investments at fair value through other comprehensive income	10.8	8.3
Purchase of current investments at fair value through other comprehensive income	(9.1)	(8.2)
Purchase of investments at fair value through profit or loss	(13.9)	(15.2)
Long term deposits	(8.3)	(8.3)
Placement of deposits with maturity exceeding 3 months*	(48.9)	-
Maturity of deposit with maturity exceeding 3 months*	82.6	-
Repayments of loans by employees	13.3	11.3
Loans to employees	(8.7)	(12.0)
Interests received	13.8	27.0
CASH FLOWS USED IN INVESTING ACTIVITIES	(554.5)	(429.2)
Repayments of borrowings	(22.5)	(2,000.0)
Repayments of lease liabilities	(143.9)	(142.5)
Dividend paid to shareholders (part A, note 6)	(226.4)	(283.0)
CASH FLOWS USED IN FINANCING ACTIVITIES	(392.8)	(2,425.5)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(178.2)	(2,328.1)
EFFECT OF EXCHANGE RATE CHANGES	6.9	17.6
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	1,880.0	4,146.4
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	1,708.7	1,835.9

* During the current financial period ended, the Group had placements of deposits with financial institutions with maturity tenures of between 3 to 6 months

(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 2021)

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The unaudited interim financial statements for the 1st quarter ended 31 March 2022 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 2021. 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 2021 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 2022.

(a) The amendments to published standards that are effective and applicable for the Group’s financial year beginning on 1 January 2022

The amendments to published standards issued by MASB that are effective and applicable for the Group’s financial year beginning on 1 January 2022 are as follows:

Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 9	Annual Improvements to MFRS Standards 2018-2020

The adoption of the above applicable amendments to published standards have not led to 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.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

(b) The amendments to published standards that have been issued but not yet effective and have not been adopted

The amendments to published standards that have been issued but not yet effective and have not been adopted by the Group, are as follows:

Effective for annual periods beginning on or after 1 January 2023

Amendments to MFRS 101	i) Classification of Liabilities as Current or Non-current ii) Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 annual improvements and amendments to published standards are not expected to have a material impact on the financial statements of the Group.

2. Seasonal or Cyclical Factors

The operations of the Group were not materially affected by any seasonal or cyclical factors.

3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the 1st quarter and financial period ended 31 March 2022.

4. Material Changes in Estimates

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 and financial period ended 31 March 2022.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 and financial period ended 31 March 2022.

6. Dividends Paid

The final interim single-tier cash dividend of 6.0 sen per share amounting to RM226.4 million in respect of financial year ended 31 December 2021 declared on 25 February 2022, was paid on 31 March 2022.

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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

1st Quarter Ended

31 March 2022

Operating Revenue

	unifi [~]	TM One	TM Wholesale	Shared Services /Others [^]	Elimination	Total
Total operating revenue	1,379.4	856.8	639.5	130.4		3,006.1
Inter-segment @	(2.1)	(63.1)	(14.4)	(34.1)		(113.7)
External operating revenue	<u>1,377.3</u>	<u>793.7</u>	<u>625.1</u>	<u>96.3</u>		<u>2,892.4</u>

Results

Earnings before interest and taxation (EBIT)	420.8	181.4	86.7	(153.3)	24.8	560.4
Other losses (net)						(6.9)
Finance income						17.2
Finance cost						(95.6)
Foreign exchange loss on borrowings						(11.4)
Associate - share of results (net of tax)						<u>3.5</u>
Profit before tax and zakat						467.2
Tax and zakat						<u>(127.5)</u>
Profit for the financial period						<u><u>339.7</u></u>

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

Segmental information for the Group are as follows:

By Business Segment

All amounts are in RM Million

1st Quarter Ended 31 March 2021	unifi ^{>}	TM One	TM Wholesale	Shared Services /Others [^]	Elimination	Total
Operating Revenue						
Total operating revenue	1,247.1	925.2	631.9	134.4		2,938.6
Inter-segment @	(3.4)	(67.3)	(19.5)	(38.7)		(128.9)
External operating revenue	1,243.7	857.9	612.4	95.7		2,809.7
Results						
EBIT	280.1	239.6	144.2	(107.5)	33.3	589.7
Other losses (net)						(6.4)
Finance income						26.7
Finance cost						(171.8)
Foreign exchange loss on borrowings						(33.9)
Associate - share of results (net of tax)						2.7
Profit before tax and zakat						407.0
Tax and zakat						(83.6)
Profit for the financial period						323.4

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

- @ Inter-segment operating revenue relates to inter-company revenue and has been eliminated at the respective segment operating revenue. These inter-segment trading arrangements are subject to periodic review. The inter-company revenue was entered into in the normal course of business.
- ^ Expenses incurred by corporate divisions such as Human Capital Management, Finance, Strategy and Regulatory, Company Secretary, 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 are disclosed as part of shared services/others. These are considered non-operating segments.
- > unifi segment for the current quarter, period and comparatives include 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.

Information on segmental assets and liabilities have not been included in the disclosure in alignment with the information used internally to discuss segment performance and allocate resources. Significant portions of the Group's assets and liabilities are maintained and monitored at each entity level. Consistently across the Group, network assets are maintained and economically utilised and monitored as a single network at each entity level respectively, in generating the portfolio of products offered by each entity. The corresponding liabilities, including financing, are also similarly monitored.

The prior year comparatives have been restated for better comparability with alignment to current business structure. This includes the movement of TM Info-Media Sdn Bhd previously under Others to unifi, Medium Enterprise Business (MEB) customers from TM One to unifi and Global Service Providers (GSP) division from TM One to TM Wholesale.

8. Material Events Subsequent to the End of the Quarter

There are no material events subsequent to the reporting date that require disclosure or adjustment to the unaudited interim financial statements.

9. Effects of Changes in the Composition of the Group

There are no changes in the composition of the Group for the 1st quarter and financial period ended 31 March 2022 save as disclosed below:

(a) TM Digital Innovation Sdn Bhd (TMDI)

On 14 February 2022, TM Digital Innovation Sdn Bhd (TMDI) was incorporated as a wholly owned subsidiary of Telekom Malaysia Berhad (TM) with its initial two (2) ordinary shares currently held by TM. TMDI was established as the operating company for TM's digital services business.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

10. Changes in Contingent Liabilities Since the Last Annual Balance Sheet Date

Other than the material litigation disclosed in part B, note 10 of this announcement, there were no other material changes in contingent liabilities since the audited financial statements of the Group for the financial year ended 31 December 2021.

11. Capital Commitments

(a)	Group	
	As at 31/03/2022	As at 31/12/2021
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditures approved and contracted for	1,912.4	2,273.6
(b)	Group	
	As at 31/03/2022	As at 31/12/2021
	RM Million	RM Million
The Group's remaining capital commitment in a Technology Investment Fund (disclosed as part of the Group's Non-Current Investments at FVTPL)	19.4	33.1

Refer to note 30(c) of the audited financial statements of the Group for the financial year ended 31 December 2021.

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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 20.1% equity interest as at 31 March 2022 and is a related party of the Group. Khazanah is a wholly-owned entity of MOF Inc, which is in turn owned by the Ministry of Finance, a ministry of the Federal Government of Malaysia. Therefore, the Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are also related parties to the Group.

The individually significant transactions that the Group entered into with identified related parties and their corresponding balances for the provision of telecommunications related services as at the respective reporting dates are as follows:

	Total amount of individually significant transactions for the financial period ended		Corresponding outstanding balances as at	
	31/03/2022 RM Million	31/03/2021 RM Million	31/03/2022 RM Million	31/12/2021 RM Million
Sales and Receivables	193.8	192.1	105.5	104.3

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 financial period was RM76.0 million (YTD March 2021: RM84.4 million) with corresponding receivables of RM200.0 million (31 December 2021: RM200.0 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 48 of the Group's audited financial statements for the financial year ended 31 December 2021.

(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 31/03/2022				As at 31/12/2021			
	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	3.3	-	-	3.3	2.2	-	-	2.2
Derivatives accounted for under hedge accounting	-	133.6	-	133.6	-	145.4	-	145.4
Investments at fair value through OCI	-	77.7	-	77.7	-	82.3	-	82.3
Investments at fair value through profit or loss	-	241.1	82.8	323.9	-	243.2	75.3	318.5
Equity investments at fair value through OCI	-	-	141.7	141.7	-	-	141.6	141.6
Receivables at fair value through OCI	-	-	298.7	298.7	-	-	297.9	297.9
Total	3.3	452.4	523.2	978.9	2.2	470.9	514.8	987.9
Liabilities								
Derivatives accounted for under hedge accounting	-	-	-	-	-	4.6	-	4.6
Total	-	-	-	-	-	4.6	-	4.6

There have not been any changes to the valuation techniques applied for the different financial instruments since 31 December 2021 and there were no transfers of any instruments between level 1, 2 and 3 of the fair valuation hierarchy during the financial period.

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13. Fair Value (continued)

(b) Financial Instruments Other Than Those Carried at Fair Value

There have not been any 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 48(b) of the Group's audited financial statements for the financial year ended 31 December 2021, other than below:

	As at 31/03/2022		As at 31/12/2021	
	Carrying amount RM Million	Net fair value RM Million	Carrying amount RM Million	Net fair value RM Million
Liabilities				
Borrowings	5,712.8	6,207.7	5,720.0	6,215.6

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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) 1st Quarter 2022 vs 1st Quarter 2021

(i) Group Performance

The Group's operating revenue increased by 2.9% (RM82.7 million) to RM2,892.4 million compared to RM2,809.7 million in the same quarter last year with strong increase in revenue from Internet and multimedia, voice and non-telecommunication services.

Entering into the 2nd year of the Group's 3-Year Transformation Programme, the Group continues with its manpower optimisation initiatives to enable early realisation of expected benefits to the Group. Expenses from the programme together with lower foreign exchange translation gains on settlement and placements in the current quarter contributed to the net increase in operating costs between the two comparative quarters. This led to a 5.1% (RM29.8 million) decrease in operating profits before finance cost which was RM553.5 million for the 1st quarter of 2022 compared to RM583.3 million in the same quarter last year.

The Group's reported profit after tax and non-controlling interests (PATAMI) for the quarter ended was RM339.9 million, 4.4% (RM14.4 million) higher from the RM325.5 million recorded in the 1st quarter of 2021, driven by lower finance cost subsequent to the Group's early redemption of its RM2.0 billion sukuk in March 2021 as well as lower foreign exchange translation losses on borrowings. The Group has also applied the 33% Cukai Makmur statutory tax rate accordingly for the current quarter.

(ii) Segment Performance

unifi

Revenue increased 10.6% (RM132.3 million) from RM1,247.1 million to RM1,379.4 million in the current quarter ended driven by increase from Internet, voice and sales of devices, with cumulative fixed Internet subscribers increasing 17.5% in the current quarter against the corresponding quarter last year.

Lower operating costs further contributed to a 50.2% (RM140.7 million) improvement in earnings before interest and taxation (EBIT), recorded at RM420.8 million for the current quarter ended, compared to RM280.1 million in the corresponding quarter last year.

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1. Review of Performance (continued)

(a) 1st Quarter 2022 vs 1st Quarter 2021 (continued)

(ii) Segment Performance (continued)

TM One

TM One recorded a 7.4% (RM68.4 million) decrease in revenue from RM925.2 million to RM856.8 million in the 1st quarter of 2022 due to decline in data services revenue arising from price revisions on contract renewals, bandwidth downgrades and terminations and lower customer projects in the current quarter.

Correspondingly, reported EBIT declined by 24.3% (RM58.2 million) to RM181.4 million in the current quarter from RM239.6 million in the corresponding quarter last year, mainly due to the decrease in operating revenues, despite lower operating costs in the current quarter.

TM Wholesale

TM Wholesale revenue for the current quarter increased by 1.2% (RM7.6 million) from RM631.9 million in 1st quarter last year to RM639.5 million mainly contributed by higher revenue from voice and data services.

Higher voice and data outpayment in the current quarter and an impact of forex gain in the same quarter last year led to a 39.9% (RM57.5 million) EBIT decline from RM144.2 million in the corresponding quarter last year to RM86.7 million in the current quarter.

2. Comparison with Preceding Quarter's Results

The Group recorded a 8.3% (RM260.7 million) decrease in revenue from RM3,153.1 million in the preceding quarter to RM2,892.4 million in the current quarter ended, with the decrease in revenue from voice, data and other telecommunication services whilst Internet continue to record quarter-to-quarter increase.

Corresponding lower operating costs in the current quarter led to an 87.8% (RM258.7 million) increase in operating profit before finance costs from the RM294.8 million recorded in the preceding quarter to RM553.5 million in the current quarter ended.

This resulted in a 325.4% (RM260.0 million) increase in Group PATAMI, from RM79.9 million in the preceding quarter to RM339.9 million in the current quarter.

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3. Prospects for the Current Financial Year

Economic Outlook

Malaysia is on the road to economic recovery with the progressive reopening of the economy and international borders from 1 April 2022. With that, Bank Negara Malaysia has projected Malaysia's economy to improve in 2022 at 5.3%-6.3%¹, further to the 3.1%¹ growth recorded in 2021 and 5.0%² year-on-year growth in the 1st quarter of 2022. On the international front, the World Bank has recognised that Malaysia is gradually emerging from the worst wave of the pandemic with the Malaysian economy projected to grow at 5.8% in 2022³.

Business Outlook

TM is making steady progress and gaining good traction with our Transformation Programme (2021-2023) to deliver a Digital Malaysia. The Group remains steadfast to continue into the second year of transformation with its main focus in supporting the Government's effort to rebuild the nation post-pandemic and geared to seize opportunities in the Fourth Industrial Revolution.

For unifi (serving home and MSME customers), it will continue to maintain the leadership in fixed broadband and will enhance the mobile convergence proposition, enriched with TV and streaming content. unifi is committed to further invest in improving fixed-mobile convergence customer experience with better and seamless service. In addition, it will also be growing the MSME digital platform, as a one-stop centre for solutions specially catering for MSMEs nationwide.

TM One will continue to provide end-to-end managed services with robust digital connectivity and digital infrastructure (cloud, data centre) for its corporate and public sector customers. TM One recently signed the Cloud Framework Agreement with the Government, as the sole home-based cloud provider. TM have recently announced the formation of Credence, its newly formed digital arm which will help strengthen the value proposition in the B2B digital solutions market, focusing on high potential industry verticals.

TM Wholesale will continue to support the Malaysian telco industry – delivering wholesale broadband and enabling 4G networks via its fibre infrastructure. The ongoing 5G rollout for Digital Nasional Berhad (DNB) further strengthens that position. On the international front, TM Wholesale will continue to serve international telcos, OTTs and hyperscalers with connectivity and data centres. Regionally, TM Wholesale aspires to establish Malaysia as a digital hub for ASEAN via new submarine cables investments (SEA-ME-WE 6), enhanced data centre solutions and edge computing.

TM supports the Government's decision to continue with the Single Wholesale Network (SWN) model for the deployment of 5G in Malaysia. TM is currently undertaking trials to roll out and deliver an improved convergence proposition of fibre plus 5G services and solutions to unifi and TM One customers, whilst TM Wholesale will continue to provide the fibre backhaul in enabling the 5G SWN.

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3. Prospects for the Current Financial Year (continued)

On Course for the Year Ahead

Progressing further in 2022, TM will continue to enable a Digital Malaysia by delivering Customer Experience, Solutions and Connectivity Excellence through its core execution engine; the employees or “Warga TM”. Based on TM’s current performance momentum, the Group is on track to achieve its 2022 market guidance.

¹Sourced from Bank Negara Malaysia’s Economic & Monetary Review 2021, 30 March 2022

²Sourced from Bank Negara Malaysia’s Economic and Financial Developments in Malaysia in the First Quarter of 2022, 13 May 2022

³Sourced from World Bank’s East Asia and The Pacific Economic Update, April 2022

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 and financial period ended 31 March 2022.

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The tax charge for the Group comprises:

	1st Quarter Ended	
	31/03/2022	31/03/2021
	RM Million	RM Million
<u>Malaysia</u>		
Income Tax:		
Current year	99.1	66.3
Prior year	(3.0)	(1.1)
Deferred tax (net)	27.3	11.4
	123.4	76.6
<u>Overseas</u>		
Income Tax:		
Current year	1.4	5.6
Prior year	#	#
Deferred tax (net)	#	#
	1.4	5.6
Taxation	124.8	82.2
Zakat	2.7	1.4
Taxation and Zakat	127.5	83.6

Amount less than RM0.1 million

6. Status of Corporate Proposals

There are no corporate proposals announced and not completed as at the date of this announcement.

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

	As at 31/03/2022		As at 31/12/2021	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Secured	2.9	9.4	2.9	10.2
Total Unsecured	378.4	5,322.1	378.7	5,328.2
Total Borrowings	381.3	5,331.5	381.6	5,338.4

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

Foreign Currency	As at 31/03/2022 RM Million	As at 31/12/2021 RM Million
US Dollar	2,000.1	1,985.2
Canadian Dollars	2.3	2.2
Total	2,002.4	1,987.4

(c) There have 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 2021) except for the impact of foreign exchange translation for the financial period ended.

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Derivatives (by maturity)	Contract or notional amount RM Million	Fair value as at 31/03/2022		Fair value as at 31/12/2021	
		Assets RM Million	Liabilities RM Million	Assets RM Million	Liabilities RM Million
<u>Interest Rate Swap (IRS)</u> - 1 year to 3 years	210.8	1.5	-	-	4.6
	210.8	1.5	-	-	4.6
<u>Cross Currency Interest Rate Swaps (CCIRS)</u> - more than 3 years	310.5	132.1	-	145.4	-
	310.5	132.1	-	145.4	-
Total	521.3	133.6	-	145.4	4.6

(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 notes 4, 20 and 47 to 50 to the Group's audited financial statements for the financial year ended 31 December 2021.

(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 2021.

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The amount of gains/(losses) arising from fair value changes of derivative financial instruments for the current and cumulative quarters ended 31 March 2022 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 Assets			
1. <u>Interest Rate Swaps*</u> - 1 year to 3 years	210.8	1.5	6.1
2. <u>Cross Currency Interest Rate Swaps*</u> - more than 3 years	310.5	132.1	(13.3)
Total	521.3	133.6	(7.2)

* Cash flow hedges accounted for under hedge accounting.

The fair values of existing interest rate swaps arise from the changes in present value of their respective future cash flows against the prevailing market interest rates. The fair values of existing forward foreign exchange components of the contracts are determined by comparing forward exchange market rates at the balance sheet date against prevailing foreign exchange rates.

The Mark to Market (MTM) on the IRS is positive when the expectation of relevant future interest rates increases and vice versa. The MTM on a 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 1st quarter and financial period ended 31 March 2022:

	1st Quarter Ended	
	31/03/2022	31/03/2021
	RM Million	RM Million
Inventory charges for write off and obsolescence	(0.4)	(0.8)
Gain/(Loss) on disposal of fixed income securities	0.1	(0.4)
Gain on foreign exchange on settlements and placements	10.4	32.5

10. Material Litigation

The following is the update on the Group's existing material litigation as disclosed in note 51 to the Group's audited financial statements for the year ended 31 December 2021, subsequent to the financial year end:

(a) In the Matter of Arbitration between Vodoke Pte Ltd ("VPL") and Telekom Malaysia Berhad ("TM")

On 16 February 2022, the Learned Arbitrator has notified both parties that the Draft Final Award on liability will be sent to the Singapore International Arbitration Centre (SIAC) by 1 April 2022.

On 21 March 2022, the Learned Arbitrator requested an extension of time to send the Draft Final Award to SIAC by 22 April 2022.

On 19 April 2022, the Learned Arbitrator has sent the Draft Final Award to SIAC and SIAC will release the Award to the parties once SIAC has approved the Draft Final Award.

The Directors, based on legal advice, are of the view that TM has a good chance of success in dismissing the claim.

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10. Material Litigation (continued)

(b) In the Matter of Arbitration between MYTV Broadcasting Sdn Bhd ("MYTV") and Telekom Malaysia Berhad ("TM")

On 25 February 2022, TM announced to Bursa Securities that on 24 February 2022, TM received a Notice of Arbitration ("Notice") from MYTV, referring the dispute with TM in relation to a Service Agreement for the Provision of Digital Terrestrial Television ("DTT") Broadcasting Infrastructure, Network Facilities and Related Services dated 14 November 2016 (Service Agreement), to arbitration at the Asian International Arbitration Centre, Kuala Lumpur, pursuant to the Kuala Lumpur Regional Centre for Arbitration Rules. The details of the Notice were announced concurrently.

On 25 March 2022, TM filed its Response to the Notice ("Response") and its Counterclaim whereby TM denies all allegations and claims made by MYTV, including the reliefs sought by MYTV in the Notice.

The details of the Response and the Counterclaim are announced to Bursa Securities concurrently.

The Directors, based on legal advice, are of the view that TM has a good chance of success in dismissing the claim.

Save as disclosed above, neither TM nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on TM's and/or its subsidiaries' financial position or business of TM Group and TM Board is not aware of any proceedings, pending or threatened against TM and/or its subsidiaries, or of any facts likely to give rise to any proceedings which may materially affect TM's and/or its subsidiaries' financial position or business of TM Group.

11. Earnings per Share (EPS)

	1st Quarter Ended	
	31/03/2022	31/03/2021
(a) Basic earnings per share		
Profit attributable to equity holders of the Company (RM million)	339.9	325.5
Weighted average number of ordinary shares (million)	3,773.7	3,773.7
Basic earnings per share (sen) attributable to equity holders of the Company	9.0	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.

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	1st Quarter Ended	
	31/03/2022	31/03/2021
(b) Diluted earnings per share		
Profit attributable to equity holders of the Company (RM million)	339.9	325.5
Weighted average number of ordinary shares (million)	3,773.7	3,773.7
Adjustment for dilutive effect of Long Term Incentive Plan (million)	31.4	36.4
Weighted average number of ordinary shares (million)	3,805.1	3,810.1
Diluted earnings per share (sen) attributable to equity holders of the Company	8.9	8.5

Diluted earnings per share for the current financial period ended were 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 2021.

12. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2021 were not subject to any qualification.

13. Dividends

No dividend is recommended during the 1st quarter ended 31 March 2022 in respect of the financial year.

By Order of the Board

Hamizah Abidin (LS0007096) (Practising Certificate No. 201908001071)

Company Secretary

Kuala Lumpur
25 May 2022