

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 2nd quarter ended 30 June 2023.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	2ND QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	3,098.5	3,089.3	6,050.0	5,981.7
OPERATING COSTS				
- depreciation, impairment and amortisation	(652.5)	(621.7)	(1,428.5)	(1,225.2)
- net impairment (loss)/reversal on financial and contract assets	(20.0)	(13.6)	(22.9)	3.9
- other operating costs	(1,832.5)	(1,763.5)	(3,548.1)	(3,528.8)
OTHER OPERATING INCOME (net)	36.5	12.2	52.8	31.5
OTHER GAINS/(LOSSES) (net)	0.7	(4.9)	1.3	(11.8)
OPERATING PROFIT BEFORE FINANCE COST	630.7	697.8	1,104.6	1,251.3
FINANCE INCOME	22.4	16.5	42.7	33.7
FINANCE COST	(105.9)	(103.2)	(184.9)	(198.8)
FOREIGN EXCHANGE LOSS ON BORROWINGS	(61.4)	(70.0)	(58.4)	(81.4)
NET FINANCE COST	(144.9)	(156.7)	(200.6)	(246.5)
ASSOCIATE				
- share of results (net of tax)	3.0	3.9	5.8	7.4
PROFIT BEFORE TAX AND ZAKAT	488.8	545.0	909.8	1,012.2
TAX AND ZAKAT (part B, note 5)	82.6	(165.7)	(7.0)	(293.2)
PROFIT FOR THE FINANCIAL PERIOD	571.4	379.3	902.8	719.0
ATTRIBUTABLE TO:				
- equity holders of the Company	568.7	378.0	898.8	717.9
- non-controlling interests	2.7	1.3	4.0	1.1
PROFIT FOR THE FINANCIAL PERIOD	571.4	379.3	902.8	719.0
EARNINGS PER SHARE (sen) (part B, note 11)				
- basic	14.9	10.0	23.5	19.0
- diluted	14.8	9.9	23.4	18.9

(The above unaudited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2ND QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM Million	RM Million	RM Million	RM Million
PROFIT FOR THE FINANCIAL PERIOD	571.4	379.3	902.8	719.0
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to income statement:				
- decrease in fair value of equity investments at fair value through other comprehensive income (FVOCI)	(8.0)	-	(8.0)	-
Items that may be reclassified subsequently to income statement:				
- increase/(decrease) in fair value of investments at fair value through other comprehensive income (FVOCI)	0.4	(1.5)	1.2	(4.4)
- reclassification adjustments relating to FVOCI investments disposed	#	0.2	#	0.1
- (decrease)/increase in fair value of receivables at FVOCI	(1.7)	(0.9)	2.5	1.0
- cash flow hedge:				
- increase in fair value of cash flow hedge	20.1	23.4	23.5	15.1
- change in fair value of currency basis	1.3	(5.3)	(3.3)	(4.2)
- reclassification of foreign exchange loss on borrowings	(25.3)	(18.6)	(25.4)	(21.9)
- currency translation differences				
- subsidiaries	16.3	8.2	4.4	9.8
- associate	0.2	0.1	0.1	0.1
Other comprehensive income/(loss) for the financial period	3.3	5.6	(5.0)	(4.4)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	574.7	384.9	897.8	714.6
ATTRIBUTABLE TO:				
- equity holders of the Company	572.0	383.6	893.8	713.5
- non-controlling interests	2.7	1.3	4.0	1.1
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	574.7	384.9	897.8	714.6

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 2022)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	AS AT 30/06/2023 RM Million	AS AT 31/12/2022 RM Million
SHARE CAPITAL	3,991.5	3,986.5
OTHER RESERVES	221.3	220.0
RETAINED PROFITS	4,342.2	3,730.0
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	8,555.0	7,936.5
NON-CONTROLLING INTERESTS	149.1	152.6
TOTAL EQUITY	8,704.1	8,089.1
Borrowings	4,165.9	4,959.6
Lease liabilities	1,621.7	1,544.2
Deferred tax liabilities	1,376.8	1,425.8
Deferred income	1,543.3	1,630.7
Trade and other payables	24.4	24.6
NON-CURRENT LIABILITIES	8,732.1	9,584.9
	17,436.2	17,674.0
Property, plant and equipment	13,306.4	13,547.0
Intangible assets	904.9	745.8
Right-of-use assets	1,272.2	1,153.7
Associate	92.7	94.3
Equity investments at fair value through other comprehensive income (FVOCI)	141.1	149.1
Investments at fair value through profit or loss (FVTPL)	176.2	164.6
Receivables at FVOCI	47.7	147.0
Other non-current receivables	352.5	574.3
Derivative financial instruments	152.2	132.0
Deferred tax assets	22.6	24.1
NON-CURRENT ASSETS	16,468.5	16,731.9
Inventories	231.2	305.4
Trade and other receivables	3,015.1	2,312.3
Contract assets	809.2	702.4
Contract cost assets	398.2	420.7
Receivables at FVOCI	2.7	8.4
Investments at fair value through other comprehensive income (FVOCI)	68.3	66.5
Investments at fair value through profit or loss (FVTPL)	2.5	2.1
Financial assets at fair value through profit or loss (FVTPL)	2.2	2.2
Cash and bank balances	2,168.8	2,579.4
CURRENT ASSETS	6,698.2	6,399.4
Trade and other payables	3,062.6	3,718.0
Contract liabilities	1,352.5	839.0
Customer deposits	162.3	182.6
Borrowings	931.4	309.7
Lease liabilities	201.1	230.3
Tax and zakat	18.2	177.7
Dividends payable	2.4	-
CURRENT LIABILITIES	5,730.5	5,457.3
NET CURRENT ASSETS	967.7	942.1
	17,436.2	17,674.0
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	223.8	207.7

(The above unaudited consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2023**

	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 2023	3,986.5	99.1	(13.2)	16.8	81.9	35.4	3,730.0	152.6	8,089.1
Profit for the financial period	-	-	-	-	-	-	898.8	4.0	902.8
Other comprehensive income									
Items that will not be reclassified subsequently to income statement:									
- decrease in fair value of equity investments at FVOCI	-	(8.0)	-	-	-	-	-	-	(8.0)
Items that may be reclassified subsequently to income statement:									
- increase in fair value of investments at fair value through other comprehensive income (FVOCI)	-	1.2	-	-	-	-	-	-	1.2
- reclassification adjustments relating to FVOCI investments disposed	-	#	-	-	-	-	-	-	#
- increase in fair value of receivables at FVOCI	-	2.5	-	-	-	-	-	-	2.5
- cash flow hedge:									
- increase in fair value of cash flow hedge	-	-	23.5	-	-	-	-	-	23.5
- change in fair value of currency basis	-	-	-	(3.3)	-	-	-	-	(3.3)
- reclassification of foreign exchange loss on borrowings	-	-	(25.4)	-	-	-	-	-	(25.4)
- currency translation differences									
- subsidiaries	-	-	-	-	-	4.4	-	-	4.4
- associate	-	-	-	-	-	0.1	-	-	0.1
Total comprehensive (loss)/income for the financial period	-	(4.3)	(1.9)	(3.3)	-	4.5	898.8	4.0	897.8
Transactions with owners:									
- final interim dividend paid for the financial year ended 31 December 2022 (part A, note 6)	-	-	-	-	-	-	(286.6)	-	(286.6)
- dividend declared to non-controlling interests	-	-	-	-	-	-	-	(7.5)	(7.5)
- Long Term Incentive Plan (LTIP):									
- ordinary shares granted*	-	-	-	-	11.3	-	-	-	11.3
- transfer from LTIP reserve upon issuance of shares on vesting (part A, note 5)^	5.0	-	-	-	(5.0)	-	-	-	-
Total transactions with owners	5.0	-	-	-	6.3	-	(286.6)	(7.5)	(282.8)
At 30 June 2023	3,991.5	94.8	(15.1)	13.5	88.2	39.9	4,342.2	149.1	8,704.1

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 2022)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 for the financial period	-	-	-	-	-	-	717.9	1.1	719.0
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)	-	(4.4)	-	-	-	-	-	-	(4.4)
- reclassification adjustments relating to FVOCI investments disposed	-	0.1	-	-	-	-	-	-	0.1
- increase in fair value of receivables at FVOCI	-	1.0	-	-	-	-	-	-	1.0
- cash flow hedge:									
- increase in fair value of cash flow hedge	-	-	15.1	-	-	-	-	-	15.1
- change in fair value of currency basis	-	-	-	(4.2)	-	-	-	-	(4.2)
- reclassification of foreign exchange loss on borrowings	-	-	(21.9)	-	-	-	-	-	(21.9)
- currency translation differences									
- subsidiaries	-	-	-	-	-	9.8	-	-	9.8
- associate	-	-	-	-	-	0.1	-	-	0.1
Total comprehensive (loss)/income for the financial period	-	(3.3)	(6.8)	(4.2)	-	9.9	717.9	1.1	714.6
Transactions with owners:									
- final interim dividend paid for the financial year ended 31 December 2021	-	-	-	-	-	-	(226.4)	-	(226.4)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	(6.3)	(6.3)
- Long Term Incentive Plan (LTIP):									
- ordinary shares granted*	-	-	-	-	21.1	-	-	-	21.1
Total transactions with owners	-	-	-	-	21.1	-	(226.4)	(6.3)	(211.6)
At 30 June 2022	3,729.0	90.7	6.7	18.5	149.0	35.0	3,981.8	(179.8)	7,830.9

* 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 2022)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL PERIOD ENDED	
	30/06/2023	30/06/2022
	RM Million	RM Million
Receipts from customers	5,704.3	4,910.2
Payments to suppliers and employees	(3,908.4)	(3,383.4)
Payments to suppliers for short term lease and leases of low value assets	(17.8)	(27.1)
Payments of finance cost	(153.3)	(143.8)
Payments of income taxes and zakat (net)	(181.3)	(162.4)
CASH FLOWS FROM OPERATING ACTIVITIES	1,443.5	1,193.5
Contribution for purchase of property, plant and equipment	213.7	50.0
Disposal of property, plant and equipment	2.8	1.9
Purchase of property, plant and equipment and intangible assets	(1,397.2)	(1,217.6)
Maturity of current investments at fair value through other comprehensive income	4.1	25.2
Purchase of current investments at fair value through other comprehensive income	(4.7)	(13.1)
Purchase of investments at fair value through profit or loss	(6.6)	(14.6)
Disposal of financial assets at fair value through profit or loss	-	6.7
Long term deposits	(8.3)	(8.3)
Maturity of deposit with maturity exceeding 3 months*	-	(76.9)
Repayments of loans by employees	7.7	13.3
Loans to employees	(8.6)	(8.7)
Disposal of housing loan	127.6	-
Interests received	30.5	27.2
CASH FLOWS USED IN INVESTING ACTIVITIES	(1,039.0)	(1,214.9)
Proceeds from borrowings	30.0	-
Repayments of borrowings	(295.0)	(324.6)
Repayments of lease liabilities	(293.2)	(253.5)
Dividend paid to shareholders (part A, note 6)	(286.6)	(226.4)
Dividend paid to non-controlling interests	(5.1)	(3.9)
CASH FLOWS USED IN FINANCING ACTIVITIES	(849.9)	(808.4)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(445.4)	(829.8)
EFFECT OF EXCHANGE RATE CHANGES	1.8	10.3
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	2,344.3	1,880.0
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	1,900.7	1,060.5

* Comparative disclosures have been restated

(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 2022)

TELEKOM MALAYSIA BERHAD
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The unaudited interim financial statements for the 2nd quarter and financial period ended 30 June 2023 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 2022. 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 2022 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 2023.

(a) The amendments to published standards that are effective and applicable for the Group’s financial year beginning on 1 January 2023

The amendments to published standards issued by MASB that are effective and applicable for the Group’s financial year beginning on 1 January 2023 are as follows:

Amendments to MFRS 101	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
	International Tax Reform – Pillar Two Model Rules

The adoption of the above applicable amendments to published standards has 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 are not yet effective and have not been adopted by the Group are as follows:

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16	Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
Amendments to MFRS 107 & MFRS 7	Supplier Finance Arrangements

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 2nd quarter and financial period ended 30 June 2023.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

4. Material Changes in Estimates

There were no material changes in estimates reported in the prior financial year that may have given rise to a material impact on the financials reported by the Group for the 2nd quarter and financial period ended 30 June 2023.

5. Issuances, Repurchases and Repayments of Debt and Equity Securities

(a) Long Term Incentive Plan (LTIP)

During the financial year, the Company issued 966,800 new ordinary shares amounting to RM5.0 million pursuant to the vesting of shares from the Restricted Shares (RS) and Performance Shares (PS) Grants under the LTIP granted to employees on 17 June 2019 and 20 December 2019. The new ordinary shares were listed and allotted on the Main Market of Bursa Securities on 16 February 2023.

Details of the LTIP which comprises of RS and PS Grants are disclosed in note 14 of the audited financial statements for the financial year ended 31 December 2022. There has been no further grant of new LTIP tranches during the current financial period ended.

(b) Early redemption of Debentures

On 10 August 1995, the Group issued USD300.0 million 7.875% per annum Debentures that will become due on 1 August 2025, as disclosed in the note 17(e) to the Group's audited financial statements for the year ended 31 December 2022.

On 9 May 2023, USD59.1 million of debentures were redeemed ahead of its maturity and cancelled subsequently.

6. Dividends Paid

The final interim single-tier cash dividend of 7.5 sen per share amounting to RM286.6 million in respect of the financial year ended 31 December 2022 declared on 28 February 2023 was paid on 31 March 2023.

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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
2nd Quarter Ended 30 June 2023

	Unifi	TM One	TM Global	Shared Services /Others^	Elimination	Total
Operating Revenue						
Total operating revenue	1,408.6	768.2	829.0	154.2		3,160.0
Inter-segment @	(0.1)	(36.2)	(15.4)	(9.8)		(61.5)
External operating revenue	1,408.5	732.0	813.6	144.4		3,098.5
Results						
Earnings before interest and taxation (EBIT)	347.4	167.2	179.6	(49.4)	(14.8)	630.0
Other gains (net)						0.7
Finance income						22.4
Finance cost						(105.9)
Foreign exchange loss on borrowings						(61.4)
Associate - share of results (net of tax)						3.0
Profit before tax and zakat						488.8
Tax and zakat						82.6
Profit for the financial period						571.4

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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
2nd Quarter Ended 30 June 2022
Operating Revenue

	Unifi	TM One	TM Global	Shared Services /Others^	Elimination	Total
Total operating revenue	1,412.7	901.2	761.2	158.2		3,233.3
Inter-segment @	(10.6)	(75.1)	(21.3)	(37.0)		(144.0)
External operating revenue	1,402.1	826.1	739.9	121.2		3,089.3

Results

EBIT	433.7	205.1	163.8	(99.4)	(0.5)	702.7
Other losses (net)						(4.9)
Finance income						16.5
Finance cost						(103.2)
Foreign exchange loss on borrowings						(70.0)
Associate - share of results (net of tax)						3.9
Profit before tax and zakat						545.0
Tax and zakat						(165.7)
Profit for the financial period						379.3

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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
Financial Period Ended 30 June 2023
Operating Revenue

	Unifi	TM One	TM Global	Shared Services /Others^	Elimination	Total
Total operating revenue	2,842.9	1,556.5	1,497.8	325.2		6,222.4
Inter-segment @	1.9	(102.6)	(35.0)	(36.7)		(172.4)
External operating revenue	2,844.8	1,453.9	1,462.8	288.5		6,050.0

Results

EBIT	753.6	224.8	339.5	35.8	(250.4)	1,103.3
Other gains (net)						1.3
Finance income						42.7
Finance cost						(184.9)
Foreign exchange loss on borrowings						(58.4)
Associate - share of results (net of tax)						5.8
Profit before tax and zakat						909.8
Tax and zakat						(7.0)
Profit for the financial period						902.8

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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
Financial Period Ended 30 June 2022
Operating Revenue

	Unifi	TM One	TM Global	Shared Services /Others^	Elimination	Total
Total operating revenue	2,791.4	1,738.0	1,400.7	309.3		6,239.4
Inter-segment @	(12.7)	(138.2)	(35.7)	(71.1)		(257.7)
External operating revenue	<u>2,778.7</u>	<u>1,599.8</u>	<u>1,365.0</u>	<u>238.2</u>		<u>5,981.7</u>
Results						
EBIT	854.5	383.6	250.5	(248.7)	23.2	1,263.1
Other losses (net)						(11.8)
Finance income						33.7
Finance cost						(198.8)
Foreign exchange loss on borrowings						(81.4)
Associate - share of results (net of tax)						7.4
Profit before tax and zakat						<u>1,012.2</u>
Tax and zakat						(293.2)
Profit for the financial period						<u>719.0</u>

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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 the 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.

Information on segmental assets and liabilities has 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 revenue and associated cost relating to certain contracts accounted for under grant accounting from lines of business to Shared Services/Others.

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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 2nd quarter and financial period ended 30 June 2023, other than the amalgamation of the Group's Malaysian based telecommunication business and operations into TM Technology Services Sdn. Bhd. as disclosed in part B, note 6.

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 period ended 30 June 2023.

11. Capital Commitments

(a)	Group	
	As at 30/06/2023 RM Million	As at 31/12/2022 RM Million
Property, plant and equipment: Commitments in respect of expenditures approved and contracted for	<u>1,203.1</u>	<u>2,479.4</u>
(b)	Group	
	As at 30/06/2023 RM Million	As at 31/12/2022 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)	<u>15.0</u>	<u>20.4</u>

Refer to note 30(c) of the audited financial statements of the Group for the financial year ended 31 December 2022.

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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 20.18% equity interest as at 30 June 2023 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	
	30/06/2023 RM Million	30/06/2022 RM Million	30/06/2023 RM Million	31/12/2022 RM Million
Sales and Receivables	403.3	438.8	451.1	118.7

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 RM216.3 million (YTD June 2022: RM166.6 million) with corresponding receivables of RM118.7 million (31 December 2022: RM118.7 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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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 2022.

(a) Financial Instruments Carried at Fair Value

The following table presents the Group's financial assets that are measured at fair value as at the respective reporting date. There were no liabilities measured at fair value at the end of the period ended and comparative year.

	As at 30/06/2023				As at 31/12/2022			
	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	2.2	-	-	2.2	2.2	-	-	2.2
Derivatives accounted for under hedge accounting	-	152.2	-	152.2	-	132.0	-	132.0
Investments at fair value through OCI	-	68.3	-	68.3	-	66.5	-	66.5
Investments at fair value through profit or loss	-	92.0	86.7	178.7	-	90.3	76.4	166.7
Equity investments at fair value through OCI	-	-	141.1	141.1	-	-	149.1	149.1
Receivables at fair value through OCI	-	-	50.4	50.4	-	-	155.4	155.4
Total	2.2	312.5	278.2	592.9	2.2	288.8	380.9	671.9

There have not been any changes to the valuation techniques applied for the different financial instruments since 31 December 2022 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 2022, other than below:

	As at 30/06/2023		As at 31/12/2022	
	Carrying amount RM Million	Net fair value RM Million	Carrying amount RM Million	Net fair value RM Million
Liabilities				
Borrowings	5,097.3	5,304.0	5,269.3	5,492.0

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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) 2nd Quarter 2023 vs 2nd Quarter 2022

(i) Group Performance

The Group's operating revenue increased 0.3% (RM9.2 million) to RM3,098.5 million, compared to RM3,089.3 million in the same quarter last year mainly driven by increase from non-telecommunication related services and Internet and multimedia services.

The Group's operating profits before finance cost of RM630.7 million for the quarter ended is a 9.6% (RM67.1 million) decrease from the RM697.8 million recorded in the 2nd quarter of 2022 following accelerated depreciation of certain elements of network assets that the Group commenced from 4th quarter of 2022 and higher other operating costs.

With lower net finance cost and the recognition of tax credits from the utilisation of previously unrecognised tax losses, the Group's profit after tax and non-controlling interests (PATAMI) stood at RM568.7 million for the quarter ended, a 50.4% (RM190.7 million) increase from the RM378.0 million recorded in the 2nd quarter of 2022.

(ii) Segment Performance

Unifi

External operating revenue increased by 0.5% (RM6.4 million) from RM1,402.1 million to RM1,408.5 million in the current quarter ended, driven by increase in Internet with 0.3 million increase in broadband subscriber base between the comparative quarters.

Higher operating costs further contributed to a 19.9% (RM86.3 million) decrease in EBIT of RM347.4 million, compared to RM433.7 million in the corresponding quarter last year.

TM One

TM One recorded 11.4% (RM94.1 million) decline in external operating revenue with RM732.0 million reported, compared to RM826.1 million in the same quarter last year. This was mainly due to impact from price reductions of large contracts and lower revenue from projects that are deferred as well as those in delivery.

Correspondingly, reported EBIT declined by 18.5% (RM37.9 million) to RM167.2 million in the current year quarter from RM205.1 million in the corresponding period last year, mainly due to lower revenue.

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1. Review of Performance (continued)

(a) 2nd Quarter 2023 vs 2nd Quarter 2022 (continued)

(ii) Segment Performance (continued)

TM Global

TM Global's external operating revenue for current quarter increased by 10.0% (RM73.7 million) from RM739.9 million in corresponding quarter last year, to RM813.6 million in the current quarter, mainly contributed by higher one-off revenue from data services and data center co-location.

Operating cost was higher in the current quarter compared to the corresponding quarter last year, mainly due to higher outpayment for international data in line with revenue and impact from foreign exchange losses in the current quarter compared to foreign exchange gain in the corresponding quarter last year. Consequently, EBIT increased by 9.6% (RM15.8 million) from RM163.8 million to RM179.6 million in the current quarter.

(b) Year-on-Year

(i) Group Performance

For the financial period under review, the Group's operating revenue increased 1.1% (RM68.3 million) to RM6,050.0 million from RM5,981.7 million recorded during 1st half of 2022 with increase recorded from non-telecommunication related services, Internet and multimedia services, as well as other telecommunication related services.

The low increase in revenue against the increase in depreciation arising from the accelerated depreciation that the Group commenced in 4th quarter of 2022, resulted in an 11.7% (RM146.7 million) decrease to the Group's operating profits before finance cost, reported at RM1,104.6 million compared to RM1,251.3 million in the first half of 2022.

Lower financing cost and recognition of tax credits from previously unrecognised tax losses of the Group further contributed to a 25.2% (RM180.9 million) increase in the Group's PATAMI for the year which was at RM898.8 million from RM717.9 million last year.

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1. Review of Performance (continued)

(b) Year-on-Year (continued)

(ii) Segment Performance

Unifi

Unifi recorded a 2.4% (RM66.1 million) increase in external operating revenue in the current period ended 30 June 2022 which was RM2,844.8 million compared to RM2,778.7 million in 2022 with an increase mainly from Internet.

Increase in operating cost which includes allocation of the Group's higher depreciation cost, led to a 11.8% (RM100.9 million) decrease in EBIT to RM753.6 million compared to RM854.5 million last year.

TM One

TM One recorded a 9.1% (RM145.9 million) external operating revenue decline in the first half of 2023 at RM1,453.9 million, compared to RM1,599.8 million in the same period last year. This was mainly due to impact from price reductions of large contracts and lower revenue from projects in delivery.

Reported EBIT decreased by 41.4% (RM158.8 million) to RM224.8 million in the current year from RM383.6 million in the corresponding period last year, due to lower revenue and one-off impairment of infrastructure assets.

TM Global

TM Global registered a consolidated external operating revenue of RM1,462.8 million for the first half of 2023, a 7.2% (RM97.8 million) growth from RM1,365.0 million total revenue reported for the same period last year, driven by higher data services and data center colocation revenue.

Operating cost was higher from the same period last year mainly due to higher outpayment for international data in line with higher revenue and impact of foreign exchange losses in the current year compared to foreign exchange gains in the same period last year. The increased revenue from data services in the current year led to RM89.0 million increase in EBIT from RM250.5 million in the same period last year to RM339.5 million in the current year.

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2. Comparison with Preceding Quarter's Results

The Group's RM3,098.5 million revenue in the current quarter ended was a 5.0% (RM147.0 million) increase from the RM2,951.5 million recorded in the preceding quarter with the increase in revenue from all services apart from Internet and multimedia services.

Operating costs were lower in the current quarter mainly from lower depreciation and amortisation as the preceding quarter included a one-off impairment cost on certain IT infrastructures. This led to a 33.1% (RM156.8 million) increase in operating profit before finance costs at RM630.7 million compared to RM473.9 million recorded in the preceding quarter.

Foreign exchange translation loss on borrowings compared to gains in the preceding quarter and the recognition of deferred tax credits in the current quarter from the Group's tax losses that were previously not recognised resulted in a 72.3% (RM238.6 million) increase in Group PATAMI, from RM330.1 million in the preceding quarter to RM568.7 million in the current quarter.

3. Prospects for the Current Financial Year

Economic Outlook

The Malaysian economy is projected to expand between 4.0% to 5.0%¹ in 2023. Malaysia recorded a GDP growth of 2.9%¹ in second quarter of 2023 (first quarter 2023: 5.6%), contributed mainly by continued improvement in labour market condition, increased household spending and higher tourism activities, which will support local businesses. Malaysia's growth is expected to remain resilient with inflation moderating further over the course of 2023.

Business Outlook

The Group remains steadfast to continue strengthening its core business for commercial sustainability whilst continuing to contribute to the nation's growth.

TM will continue to collaborate closely with the Government to serve as the nation's trusted partner to grow Malaysia's overall connectivity and digital ecosystem, including 5G. TM is committed to continue playing an active role in the 5G implementation, leveraging its nationwide fibre infrastructure, extensive digital platforms, and rollout experience.

As the Business-to-Consumer (B2C) arm of TM Group, Unifi continues to offer converged solutions for connectivity and lifestyle for Consumers. Unifi has signed a partnership with Netflix to provide Unifi's customers with greater value for its content offerings. With a strong base of over 3 million broadband subscribers, Unifi will continue enhancing its convergence offerings to increase the fixed broadband subscriber base. For the SME segment, in addition to connectivity, Unifi Business also offers digital solutions that enable SMEs to manage and grow their business. This includes Cloud and eCommerce hub solutions.

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3. Prospects for the Current Financial Year (continued)

Business Outlook (continued)

For the Business-to-Business (B2B) segment, TM One will focus on quarterly growth and performance. Positioned as the trusted partner for digital connectivity and solutions for Enterprise and Public Sector, TM One has established a strategic collaboration with Malaysia Government for MyGov*Net 2.0 project with enhanced and secured platform connecting more than 10,000 government premises. TM One will also continue with its 5G Sphere and Sandbox, as a collaborative platform with technology partners and customers to accelerate the co-creation of innovative industry solutions.

The Group's wholesale business arm, TM Global, is pursuing opportunities in Domestic and International segments. It continues to strengthen its service portfolio from an extensive submarine cable to Content Delivery Network (CDN), and other digital services, which includes TM Edge. With consumers demanding low latency for online content, TM Edge serves as the perfect gateway for businesses to improve service reachability and reliability. TM Global has recently showcased TM Edge during BroadcastAsia event in June 2023 to hyperscalers and over-the-top (OTTs) players.

TM will continue its transformation journey to evolve from a Converged Telco to become a TechCo, and driving growth in new areas to define TM's future trajectory such as new submarine cables and other latest endeavours. TM aims to pioneer industry growth through digitalisation, and sharpen its focus on high-impact projects. The Group is revolutionising the innovation ecosystem across key industries via advanced agnostic platforms towards positioning Malaysia as a digital hub for the region. In realising this aspiration, TM will continue growing talented people, harnessing collective potential while modernising its digital customer relationship.

TM maintains its dedication in strengthening its core business despite challenging industry environment. The Group is committed in delivering the market guidance below:

Revenue Growth (%)	Flat
EBIT (RM billion)	RM1.8 billion – RM2.0 billion
CAPEX Guidance (% of Revenue)	18% - 20%

¹Sourced from Bank Negara Malaysia: Quarterly Bulletin 2Q 2023

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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 2nd quarter and financial period ended 30 June 2023.

5. Tax

The tax charge for the Group comprises:

	2nd Quarter Ended		Financial Period Ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM Million	RM Million	RM Million	RM Million
<u>Malaysia</u>				
Income Tax:				
Current year	(58.6)	124.1	49.8	223.2
Prior year	(1.3)	0.6	(1.3)	(2.4)
Deferred tax (net)	(25.5)	34.1	(46.9)	61.4
	(85.4)	158.8	1.6	282.2
<u>Overseas</u>				
Income Tax:				
Current year	1.4	5.3	2.1	6.7
Prior year	#	0.3	0.4	0.3
Deferred tax (net)	-	-	-	-
	1.4	5.6	2.5	7.0
Taxation	(84.0)	164.4	4.1	289.2
Zakat	1.4	1.3	2.9	4.0
Taxation and Zakat	(82.6)	165.7	7.0	293.2

Amount less than RM0.1 million

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5. Tax (continued)

As disclosed in note 55 to the Group's audited financial statements and part B, note 6 further to the execution of the Internal Reorganisation of the Group via the completion of the Scheme of Arrangement and Amalgamation, the Group's Malaysian based telecommunication business and operations have effectively been amalgamated and operating through TM Technology Services Sdn. Bhd. from 1 March 2023.

Following this, the Group has recognised deferred tax assets associated to unutilised tax losses of TM Technology Services Sdn. Bhd. to the extent that can be utilised against future business income of the entity. Applying the relevant principle of MFRS 134 Interim Financial Reporting, the Group has applied the expected annual effective tax rate of TM Technology Services Sdn. Bhd. for the financial year ending 31 December 2023 (inclusive of the recognition of the aforementioned previously unrecognised deferred tax assets) to the profit before tax of TM Technology Services Sdn. Bhd. for the current quarter and period ended, in arriving to the tax credit to be recognised for the current quarter and period ended.

6. Status of Corporate Proposals

As disclosed in note 55 to the Group's audited financial statements for the financial year ended 31 December 2022, on 1 March 2023 the Group completed the transfer and vesting of the Identified Assets and Liabilities from the Transferor entities (Telekom Malaysia Berhad (TMB) and the identified 11 wholly-owned subsidiaries of TMB) to the Transferee (TM Technology Services Sdn. Bhd.) in exchange of issuance and exchange of new TM Technology Services Sdn. Bhd. shares. Following this, the Group's Malaysian based telecommunication business and operations have effectively been amalgamated and are operating through TM Technology Services Sdn. Bhd.

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7. Group Borrowings and Debt Securities

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

	As at 30/06/2023		As at 31/12/2022	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Secured	2.9	5.8	2.9	7.2
Total Unsecured	928.5	4,160.1	306.8	4,952.4
Total Borrowings	931.4	4,165.9	309.7	4,959.6

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

Foreign Currency	As at 30/06/2023 RM Million	As at 31/12/2022 RM Million
US Dollar	1,708.8	1,879.8
Canadian Dollar	2.1	2.0
Total	1,710.9	1,881.8

(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 2022) except for the impact of foreign exchange translation for the financial period ended as well as the early redemption of certain borrowing as disclosed in part A, note 5.

8. Derivative Financial Instruments

(a) Analysis of the Group's Derivative Financial Instruments is as follows:

		Fair value as at 30/06/2023	Fair value as at 31/12/2022
Derivatives (by maturity)	Contract or notional amount RM Million	Assets RM Million	Assets RM Million
<u>Cross Currency Interest Rate Swaps (CCIRS)</u>			
- 1 year to 3 years	310.5	152.2	132.0
	310.5	152.2	132.0
Total	310.5	152.2	132.0

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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 2022.

(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 2022.

(d) Gains Arising from Fair Value Changes of Financial Instruments

The amount of gains arising from fair value changes of derivative financial instruments for the current and cumulative quarters ended 30 June 2023 are as follows:

Derivatives (by maturity)	Contract or notional value RM Million	Fair value RM Million	Gains arising from fair value changes for the quarter RM Million	Gains arising from fair value changes for the period RM Million
Financial Assets				
<u>Cross Currency Interest Rate Swaps (CCIRS)*</u> - 1 year to 3 years	310.5	152.2	21.4	20.2
Total	310.5	152.2	21.4	20.2

* Cash flow hedges accounted for under hedge accounting.

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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.

9. Additional Disclosures

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the Consolidated Income Statement for the 2nd quarter and financial period ended 30 June 2023:

	2nd Quarter Ended		Financial Period Ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
	RM Million	RM Million	RM Million	RM Million
Inventory charges for write off and obsolescence	(13.6)	(1.2)	(15.4)	(1.6)
Loss on disposal of fixed income securities	#	(0.2)	#	(0.1)
Gain on foreign exchange on settlements and placements	40.9	47.7	46.3	58.1

Amount less than RM0.1 million

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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 2022, subsequent to the financial year end:

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

On 7 August 2023, TM filed a winding-up petition against VPL at the High Court of Singapore following VPL's failure to respond to TM's Statutory Demand dated 30 March 2023. The Hearing of the petition has been scheduled for 1 September 2023.

TM shall make further announcements if there are any material development in respect of this matter.

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

On 10 August 2023, TM received a Reply and Defence to Counterclaim from MYTV and TM will be filing a Reply to Defence to the Counterclaim by 10 October 2023.

The Board of 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.

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	2nd Quarter Ended		Financial Period Ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
(a) Basic earnings per share				
Profit attributable to equity holders of the Company (RM million)	568.7	378.0	898.8	717.9
Weighted average number of ordinary shares (million)	3,822.0	3,773.7	3,821.7	3,773.7
Basic earnings per share (sen) attributable to equity holders of the Company	14.9	10.0	23.5	19.0

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.

	2nd Quarter Ended		Financial Period Ended	
	30/06/2023	30/06/2022	30/06/2023	30/06/2022
(b) Diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	568.7	378.0	898.8	717.9
Weighted average number of ordinary shares (million)	3,822.0	3,773.7	3,821.7	3,773.7
Adjustment for dilutive effect of Long Term Incentive Plan (million)	16.0	31.4	16.2	31.4
Weighted average number of ordinary shares (million)	3,838.0	3,805.1	3,837.9	3,805.1
Diluted earnings per share (sen) attributable to equity holders of the Company	14.8	9.9	23.4	18.9

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Reg. No.: 198401016183 (128740-P)

(Incorporated in Malaysia)

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

11. Earnings per Share (EPS) (continued)

Diluted earnings per share for the current quarter and 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 2022.

12. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2022 were not subject to any qualification.

13. Dividends

The Board of Directors has declared an interim single-tier cash dividend of 9.5 sen per share for the financial year ending 31 December 2023 (2022: an interim single-tier cash dividend of 9.0 sen per share).

The dividend will be paid on 29 September 2023 to shareholders whose names appear in the Register of Members and Record of Depositors on 12 September 2023.

By Order of the Board

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

Group Company Secretary

Kuala Lumpur
25 August 2023