

TELEKOM MALAYSIA BERHAD

Reg. No.: 198401016183 (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad wish to announce the following unaudited results of the Group for the 1st quarter ended 31 March 2021.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/03/2021	31/03/2020	31/03/2021	31/03/2020
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	2,809.7	2,557.1	2,809.7	2,557.1
OPERATING COSTS				
- depreciation, impairment and amortisation	(575.5)	(583.6)	(575.5)	(583.6)
- net impairment (loss)/reversal on financial and contract assets	(2.1)	1.5	(2.1)	1.5
- other operating costs	(1,661.3)	(1,670.3)	(1,661.3)	(1,670.3)
OTHER OPERATING INCOME (net)	18.9	21.4	18.9	21.4
OTHER LOSSES (net)	(6.4)	(4.5)	(6.4)	(4.5)
OPERATING PROFIT BEFORE FINANCE COST	583.3	321.6	583.3	321.6
FINANCE INCOME	26.7	47.0	26.7	47.0
FINANCE COST	(171.8)	(131.7)	(171.8)	(131.7)
FOREIGN EXCHANGE LOSS ON BORROWINGS	(33.9)	(80.1)	(33.9)	(80.1)
NET FINANCE COST	(179.0)	(164.8)	(179.0)	(164.8)
ASSOCIATE				
- share of results (net of tax)	2.7	3.3	2.7	3.3
PROFIT BEFORE TAX AND ZAKAT	407.0	160.1	407.0	160.1
TAX AND ZAKAT (part B, note 5)	(83.6)	(19.5)	(83.6)	(19.5)
PROFIT FOR THE FINANCIAL PERIOD	323.4	140.6	323.4	140.6
ATTRIBUTABLE TO:				
- equity holders of the Company	325.5	152.5	325.5	152.5
- non-controlling interests	(2.1)	(11.9)	(2.1)	(11.9)
PROFIT FOR THE FINANCIAL PERIOD	323.4	140.6	323.4	140.6
EARNINGS PER SHARE (sen) (part B, note 11)				
- basic	8.6	4.0	8.6	4.0
- diluted	8.5	4.0	8.5	4.0

(The above unaudited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/03/2021 RM Million	31/03/2020 RM Million	31/03/2021 RM Million	31/03/2020 RM Million
PROFIT FOR THE FINANCIAL PERIOD	323.4	140.6	323.4	140.6
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified				
subsequently to income statement:				
- (decrease)/increase in fair value of investments at fair value through other comprehensive income (FVOCI)	(6.7)	2.8	(6.7)	2.8
- reclassification adjustments relating to FVOCI investments disposed	0.4	(0.3)	0.4	(0.3)
- decrease in fair value of receivables at FVOCI	(4.0)	(0.2)	(4.0)	(0.2)
- cash flow hedge:				
- increase in fair value of cash flow hedge	4.2	57.2	4.2	57.2
- change in fair value of currency basis	5.5	(15.5)	5.5	(15.5)
- reclassification of foreign exchange loss on borrowings	(9.6)	(41.9)	(9.6)	(41.9)
- currency translation differences				
- subsidiaries	3.1	#	3.1	#
- associate	#	(0.3)	#	(0.3)
Other comprehensive (loss)/income for the financial period	(7.1)	1.8	(7.1)	1.8
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	316.3	142.4	316.3	142.4
ATTRIBUTABLE TO:				
- equity holders of the Company	318.4	154.3	318.4	154.3
- non-controlling interests	(2.1)	(11.9)	(2.1)	(11.9)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	316.3	142.4	316.3	142.4

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 2020)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	AS AT 31/03/2021 RM Million	AS AT 31/12/2020 RM Million (RESTATED)
SHARE CAPITAL	3,729.0	3,728.6
OTHER RESERVES	257.2	253.7
RETAINED PROFITS	3,184.8	3,142.3
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,171.0	7,124.6
NON-CONTROLLING INTERESTS	(151.4)	(149.3)
TOTAL EQUITY	7,019.6	6,975.3
Borrowings	5,638.6	6,796.1
Lease liabilities	1,566.5	1,587.1
Derivative financial instruments	6.8	9.2
Deferred tax liabilities	1,474.4	1,460.8
Deferred income	1,573.0	1,589.7
Trade and other payables	52.4	52.7
NON-CURRENT LIABILITIES	10,311.7	11,495.6
	17,331.3	18,470.9
Property, plant and equipment (part A, note 14)	13,369.0	13,544.8
Intangible assets (part A, note 14)	690.5	700.7
Right-of-use assets	1,263.9	1,221.2
Associate	87.6	84.7
Equity investments at fair value through other comprehensive income (FVOCI)	133.5	133.5
Investments at fair value through profit or loss (FVTPL)	314.1	305.5
Receivables at FVOCI	280.9	281.4
Other non-current receivables	442.5	404.3
Derivative financial instruments	155.3	148.0
Deferred tax assets	15.8	13.7
NON-CURRENT ASSETS	16,753.1	16,837.8
Inventories	97.2	99.2
Trade and other receivables	2,168.9	1,952.1
Contract assets	575.6	618.9
Contract cost assets	356.5	285.6
Receivables at FVOCI	15.4	15.2
Investments at fair value through other comprehensive income (FVOCI)	151.0	157.9
Investments at fair value through profit or loss (FVTPL)	5.9	6.0
Financial assets at fair value through profit or loss (FVTPL)	3.4	1.4
Cash and bank balances	1,988.5	4,304.4
CURRENT ASSETS	5,362.4	7,440.7
Trade and other payables	3,292.8	3,494.4
Contract liabilities	857.0	893.6
Customer deposits	244.6	263.2
Borrowings	30.9	830.7
Lease liabilities	325.7	320.5
Tax and zakat	33.2	5.2
CURRENT LIABILITIES	4,784.2	5,807.6
NET CURRENT ASSETS	578.2	1,633.1
	17,331.3	18,470.9
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	190.0	188.8

(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 2020)

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 (part A, note 6)	-	-	-	-	-	-	(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 (part A, note 5(b))^	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 2020)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

	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	Other Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non- controlling Interests RM Million	
At 1 January 2020	3,698.6	102.1	17.4	39.7	88.4	(352.9)	26.2	3,733.8	(800.2)	6,553.1
Profit/(loss) for the financial period	-	-	-	-	-	-	-	152.5	(11.9)	140.6
Other comprehensive income										
Items that may be reclassified subsequently to income statement:										
- increase in fair value of investments at fair value through other comprehensive income (FVOCI)	-	2.8	-	-	-	-	-	-	-	2.8
- reclassification adjustments relating to FVOCI investments disposed	-	(0.3)	-	-	-	-	-	-	-	(0.3)
- decrease in fair value of receivables at FVOCI	-	(0.2)	-	-	-	-	-	-	-	(0.2)
- cash flow hedge:										
- increase in fair value of cash flow hedge	-	-	57.2	-	-	-	-	-	-	57.2
- change in fair value of currency basis	-	-	-	(15.5)	-	-	-	-	-	(15.5)
- reclassification of foreign exchange loss on borrowings	-	-	(41.9)	-	-	-	-	-	-	(41.9)
- currency translation differences	-	-	-	-	-	-	-	-	-	-
- subsidiaries	-	-	-	-	-	-	#	-	-	#
- associate	-	-	-	-	-	-	(0.3)	-	-	(0.3)
Total comprehensive income/(loss) for the financial period	-	2.3	15.3	(15.5)	-	-	(0.3)	152.5	(11.9)	142.4
Transactions with owners:										
- interim dividend paid for the financial year ended 31 December 2019	-	-	-	-	-	-	-	(376.6)	-	(376.6)
- Long Term Incentive Plan (LTIP):										
- ordinary shares granted*	-	-	-	-	8.8	-	-	-	-	8.8
- transfer from LTIP reserve upon issuance of shares on vesting^	0.4	-	-	-	(0.4)	-	-	-	-	-
Total transactions with owners	0.4	-	-	-	8.4	-	-	(376.6)	-	(367.8)
At 31 March 2020	3,699.0	104.4	32.7	24.2	96.8	(352.9)	25.9	3,509.7	(812.1)	6,327.7

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 2020)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL PERIOD ENDED	
	31/03/2021	31/03/2020
	RM Million	RM Million
Receipts from customers	2,413.8	1,876.0
Payments to suppliers and employees	(1,642.5)	(1,640.6)
Payments to suppliers for short term lease and leases of low value assets	(13.6)	(5.7)
Payments of finance cost	(158.9)	(88.7)
Payments of income taxes and zakat (net)	(72.2)	(27.9)
CASH FLOWS FROM OPERATING ACTIVITIES	526.6	113.1
Contribution for purchase of property, plant and equipment	77.8	1.9
Disposal of property, plant and equipment	5.3	1.3
Purchase of property, plant and equipment	(515.2)	(346.7)
Disposal/Maturity of current investments at fair value through other comprehensive income	8.3	13.8
Purchase of current investments at fair value through other comprehensive income	(8.2)	(8.0)
Purchase of investments at fair value through profit or loss	(15.2)	(10.4)
Disposal of non-current assets held for sale	-	0.2
Long term deposits	(8.3)	(8.3)
Repayments of loans by employees	11.3	10.5
Loans to employees	(12.0)	(13.2)
Interests received	27.0	42.9
CASH FLOWS USED IN INVESTING ACTIVITIES	(429.2)	(316.0)
Proceeds from borrowings	-	72.0
Repayments of borrowings	(2,000.0)	(79.1)
Repayments of lease liabilities	(142.5)	(129.3)
Dividend paid to shareholders (part A, note 6)	(283.0)	-
CASH FLOWS USED IN FINANCING ACTIVITIES	(2,425.5)	(136.4)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,328.1)	(339.3)
EFFECT OF EXCHANGE RATE CHANGES	17.6	8.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	4,146.4	4,786.1
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	1,835.9	4,454.8

(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 2020)

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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 2021 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 2020. 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 2020 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 2021.

(a) The amendments to published standards that are effective and applicable for the Group’s financial year beginning on 1 January 2021

The amendments to published standards issued by MASB that are effective and applicable for the Group’s financial year beginning on 1 January 2021 are as follows:

Amendments to MFRS 9, MFRS 139, MFRS 7 and MFRS 16	Interest Rate Benchmark Reform (Phase 2)
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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.

(b) Early adoption of the amendment to published standards by the Group for the financial year beginning 1 January 2021

Amendment to MFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
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The Group has elected to early adopt Amendment to MFRS 16 Leases ‘Covid-19-Related Rent Concessions beyond 30 June 2021’, with the date of initial application of 1 January 2021.

In accordance with the transitional provisions provided in the MFRS 16 Leases amendment, the comparative information for 2020 was not restated. This amendment had no impact to the retained earnings on 1 January 2021. The early adoption of Amendment to MFRS 16 Leases ‘Covid-19-Related Rent Concessions beyond 30 June 2021’ has not been material to the consolidated financial statements of the Group.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

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

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

Effective for annual periods beginning on or after 1 January 2022

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

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

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 2021.

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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 financial period ended 31 March 2021.

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

(a) Early redemption of Islamic Medium Term Notes (IMTN)

On 1 March 2021, the Company has obtained the required approval from the Sukukholders during their Extraordinary General Meeting to redeem in full the outstanding Sukuk under the RM2.0 billion Islamic Commercial Papers and IMTN program that was established on 5 April 2011.

Subsequent to the approval, the Company paid in full the cash consideration relating to the early redemption on 16 March 2021 and the program was then cancelled accordingly.

(b) Long Term Incentive Plan (LTIP)

During the financial period, the Company issued 58,300 new ordinary shares amounting to RM0.4 million pursuant to the vesting of shares from the Restricted Shares under the LTIP granted to employees on 1 June 2017.

Details of the LTIP which comprises Restricted Share and Performance Share Grant are disclosed in note 14 of the audited financial statements for the financial year ended 31 December 2020.

6. Dividends Paid

The final interim single-tier cash dividend of 7.5 sen per share amounting to RM283.0 million in respect of financial year ended 31 December 2020 declared on 24 February 2021, was paid on 31 March 2021.

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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 2021

Operating Revenue

	unifi>	TM ONE	TM WHOLESALE	Shared Services /Others^	Elimination	Total
Total operating revenue	1,208.0	981.3	625.4	99.9		2,914.6
Inter-segment @	(4.4)	(67.2)	(29.3)	(4.0)		(104.9)
External operating revenue	1,203.6	914.1	596.1	95.9		2,809.7

Results

EBIT	258.3	266.1	139.9	(115.0)	40.4	589.7
Other losses (net)						(6.4)
Finance income						26.7
Finance cost						(171.8)
Foreign exchange loss on borrowings Associate						(33.9)
- 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)

Segmental information for the Group are as follows:

By Business Segment

All amounts are in RM Million

1st Quarter Ended 31 March 2020	unifi ^o	TM ONE	TM WHOLESALE	Shared Services /Others [^]	Elimination	Total
Operating Revenue						
Total operating revenue	1,123.3	960.0	467.8	108.1		2,659.2
Inter-segment @	(3.6)	(67.8)	(27.7)	(3.0)		(102.1)
External operating revenue	1,119.7	892.2	440.1	105.1		2,557.1
Results						
EBIT	82.8	283.3	58.0	(126.8)	28.8	326.1
Other losses (net)						(4.5)
Finance income						47.0
Finance cost						(131.7)
Foreign exchange loss on borrowings						(80.1)
Associate						
- share of results (net of tax)						3.3
Profit before tax and zakat						160.1
Tax and zakat						(19.5)
Profit for the financial period						140.6

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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 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 and Business Intelligence and Analytics division previously under unifi to Others and disclosing trade intra-Group transactions between TM WHOLESALE and webe in the comparative periods at net of impairment.

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.

The Group continues to closely monitor relevant indicators that may be affected adversely by the Covid-19 pandemic which would influence the estimates used in arriving to the Group's reported financial results. As part of the review of subsequent events, the Group assesses this on a monthly basis which includes review of forward looking macro-economic indicators used to determine expected loss rates of trade receivables and contract assets, as well as impact on expected cash flows attributable to the Group's assets. This is to ensure adjusting subsequent events are reflected in estimates, where relevant.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Effects of Changes in the Composition of the Group

There are no changes in the composition of the Group for the 1st quarter ended 31 March 2021.

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 2020.

11. Capital Commitments

(a)	Group	
	As at 31/03/2021	As at 31/12/2020
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditures approved and contracted for	<u>2,152.3</u>	<u>2,399.3</u>
(b)	Group	
	As at 31/03/2021	As at 31/12/2020
	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)	<u>39.4</u>	<u>38.5</u>

Refer to note 30(c) of the audited financial statements of the Group for the financial year ended 31 December 2020.

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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 21.53% equity interest as at 31 March 2021 and is a related party of the Group. As at the date of this report, Khazanah's shareholding subsequently reduced to 20.1%, following a disposal in April 2021. 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	
	31/03/2021 RM Million	31/03/2020 RM Million	31/03/2021 RM Million	31/12/2020 RM Million
Sales and Receivables	192.1	200.7	166.2	113.0

The Group also has individually significant contracts with other Government-related entities where the Group was provided funding for projects of which the amortisation of grants to the income statement in the current financial period was RM84.4 million (YTD March 2020: RM78.0 million) with corresponding receivables of RM218.7 million (31 December 2020: RM200.1 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 49 of the Group's audited financial statements for the financial year ended 31 December 2020.

(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 31/03/2021				As at 31/12/2020			
	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	3.4	-	-	3.4	1.4	-	-	1.4
Derivatives accounted for under hedge accounting	-	155.3	-	155.3	-	148.0	-	148.0
Investments at fair value through OCI	-	151.0	-	151.0	-	157.9	-	157.9
Investments at fair value through profit or loss	-	242.5	77.5	320.0	-	235.4	76.1	311.5
Equity investments at fair value through OCI	-	-	133.5	133.5	-	-	133.5	133.5
Receivables at fair value through OCI	-	-	296.3	296.3	-	-	296.6	296.6
Total	3.4	548.8	507.3	1,059.5	1.4	541.3	506.2	1,048.9
Liabilities								
Derivatives accounted for under hedge accounting	-	6.8	-	6.8	-	9.2	-	9.2
Total	-	6.8	-	6.8	-	9.2	-	9.2

There have not been any changes to the valuation techniques applied for the different financial instruments since 31 December 2020 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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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 49(b) of the Group's audited financial statements for the financial year ended 31 December 2020, other than below:

	As at 31/03/2021		As at 31/12/2020	
	Carrying amount RM Million	Net fair value RM Million	Carrying amount RM Million	Net fair value RM Million
Liabilities				
Borrowings	5,669.5	6,261.9	7,626.8	8,426.9

14. Restatement of Comparatives

During the financial period ended 31 March 2021, the Group has further redefined its rules and guidelines in respect of capitalisation of costs related to acquisition and development of software to be in line with MFRS 138 Intangible Assets. The transactions were previously accounted for under MFRS 116 Property, Plant and Equipment whereby certain costs related to acquisition and development of software were capitalised as part of property, plant and equipment.

The reclassification provides more reliable and relevant information on the Group's financial position and financial performance.

The reclassification has been applied retrospectively in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors, and the impact on the current year and the comparative disclosures are shown as below:

Statement of Financial Position	As previously reported	Effect of the reclassification	As restated
As at 31 Dec 2020			
Property, plant and equipment	13,751.7	(206.9)	13,544.8
Intangible assets	493.8	206.9	700.7
As at 1 Jan 2020			
Property, plant and equipment	14,259.5	(222.6)	14,036.9
Intangible assets	493.2	222.6	715.8

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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 2021 vs 1st Quarter 2020

(i) Group Performance

The Group's operating revenue increased by 9.9% (RM252.6 million) to RM2,809.7 million compared to RM2,557.1 million in the same quarter last year with increase in revenue for all services apart from other telecommunication services.

This led to the Group recording 81.4% (RM261.7 million) increase in operating profits before finance cost of RM583.3 million, from RM321.6 million recorded in the 1st quarter of 2020 on the back of operating costs that have been sustained at the same level recorded in the comparative quarter.

Consequently, the Group's profit after tax and non-controlling interests (PATAMI) was RM325.5 million, 113.4% (RM173.0 million) higher year-on-year from RM152.5 million.

(ii) Segment Performance

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Revenue increased 7.5% (RM84.7 million) from RM1,123.3 million to RM1,208.0 million in the current quarter for both fixed broadband and mobile services, with cumulative fixed internet subscribers increasing in current quarter against the corresponding quarter last year.

Lower operating costs further contributed to an improved EBIT of RM258.3 million, compared to RM82.8 million in the corresponding quarter last year.

TM ONE

TM ONE recorded a 2.2% (RM21.3 million) increase in revenue from RM960.0 million to RM981.3 million in the 1st quarter of 2021 mainly contributed by data and other telecommunication services, net of lower internet and voice revenue which were affected by lower usage during the extended Movement Control Order period. Higher direct cost on customer projects and other operating cost in the current quarter however brought EBIT down by 6.1% (RM17.2 million) to RM266.1 million from RM283.3 million in the corresponding quarter last year.

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1. Review of Performance (continued)

(a) 1st Quarter 2021 vs 1st Quarter 2020 (continued)

(ii) Segment Performance (continued)

TM WHOLESALE

TM WHOLESALE revenue for the current quarter increased by 33.7% (RM157.6 million) from RM467.8 million in 1st quarter last year to RM625.4 million, mainly from higher data revenue.

Correspondingly, on the back of an increase in operating cost, EBIT increased RM81.9 million from RM58.0 million to RM139.9 million in the current quarter.

2. Comparison with Preceding Quarter's Results

The Group recorded a 6.4% (RM191.6 million) revenue decline from RM3,001.3 million in the immediate preceding quarter to RM2,809.7 million in the current quarter with declines in voice, other telecommunication and non-telecommunication services whilst internet and data services continue to record quarter-on-quarter increase.

Operating profit before finance cost increased by 41.7% (RM171.8 million) to RM583.3 million from RM411.5 million recorded in the preceding quarter as the reduction in direct and other operational costs for the current quarter was greater than the overall revenue decline. This subsequently led to a 25.5% (RM66.2 million) increase in Group PATAMI from RM259.3 million in the preceding quarter to RM325.5 million.

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3. Prospects for the Current Financial Year

Digital connectivity and solutions shall be vital in keeping Malaysians safely connected during this challenging period and will continue to be essential to Malaysia's socio-economic recovery. The rising demand for digital connectivity and solutions present new opportunities that TM will pursue towards ensuring seamless and resilient communications for our customers across all segments.

Digital adoption will play a vital role in the nation's economic recovery and growth. According to Bank Negara Malaysia (BNM), the information and communication as well as finance and insurance sub-sectors are poised to lead the recovery in the services sector as demand for digital solutions, especially in e-commerce and e-payment, continues to accelerate¹. We remain steadfast in our efforts to realise the national digital aspiration, MyDIGITAL, which the Prime Minister officially launched in February 2021.

As a significant contributor to the national fiberisation implementation (JENDELA), TM is in a prime position to support the 10-year digital aspiration. Via our enterprise and public sector business solution arm, TM ONE, TM provides a comprehensive range of connectivity, ICT, and digital solutions to support Government agencies' Cloud Transformation Plan.

Starting 2021, TM has embarked on a 'New TM' Transformation Programme (2021-2023), guided by our compass of Purpose, Customers, Performance, and People. Based on the TM current performance momentum, the Group is on track to achieve its 2021 targets and market guidance.

¹Sourced from 2020 Annual Report, Economic & Monetary Review and Financial Stability Review, Bank Negara Malaysia (March 2021)

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 2021.

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The tax charge for the Group comprises:

	1st Quarter Ended	
	31/3/2021	31/3/2020
	RM Million	RM Million
<u>Malaysia</u>		
Income Tax:		
Current year	66.3	40.9
Prior year	(1.1)	(5.9)
Deferred tax (net)	11.4	(16.7)
	76.6	18.3
<u>Overseas</u>		
Income Tax:		
Current year	5.6	#
Prior year	#	0.3
Deferred tax (net)	#	(0.3)
	5.6	#
Taxation	82.2	18.3
Zakat	1.4	1.2
Taxation and Zakat	83.6	19.5

Amount less than RM0.1 million

6. Status of Corporate Proposals

There are no corporate proposals announced but 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 31/03/2021		As at 31/12/2020	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Secured	3.0	12.3	2.9	13.0
Total Unsecured	27.9	5,626.3	827.8	6,783.1
Total Borrowings	30.9	5,638.6	830.7	6,796.1

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

Foreign Currency	As at 31/03/2021 RM Million	As at 31/12/2020 RM Million
US Dollar	1,965.6	1,922.3
Canadian Dollars	2.4	2.3
Total	1,968.0	1,924.6

(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 2020) except for the early redemption of Islamic Medium Term Notes as disclosed in part A, note 5(a) and impact of foreign exchange translation for the financial period ended.

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

Derivatives (by maturity)	Contract or notional amount RM Million	Fair value as at 31/03/2021		Fair value as at 31/12/2020	
		Assets RM Million	Liabilities RM Million	Assets RM Million	Liabilities RM Million
<u>Interest Rate Swaps (IRS)</u> - 1 year to 3 years	207.2	-	6.8	-	9.2
	207.2	-	6.8	-	9.2
<u>Cross Currency Interest Rate Swaps (CCIRS)</u> - more than 3 years	310.5	155.3	-	148.0	-
	310.5	155.3	-	148.0	-
Total	517.7	155.3	6.8	148.0	9.2

(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 48 to 51 to the Group's audited financial statements for the financial year ended 31 December 2020.

(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 2020.

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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 2021 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
Financial Liabilities			
1. <u>Interest Rate Swaps*</u> - 1 year to 3 years	207.2	6.8	2.4
Total	207.2	6.8	2.4
Financial Assets			
1. <u>Cross Currency Interest Rate Swaps*</u> - more than 3 years	310.5	155.3	7.3
Total	310.5	155.3	7.3

* Cash flow hedges accounted for under hedge accounting.

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

The Mark to Market (MTM) on the IRS is positive when the expectation of relevant future interest rate decreases 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 2021:

	1st Quarter Ended	
	31/03/2021	31/03/2020
	RM Million	RM Million
Inventory charges for write off and obsolescence	(0.8)	(0.5)
(Loss)/Gain on disposal of fixed income securities	(0.4)	0.3
Gain/(Loss) on foreign exchange on settlements and placements	32.5	(14.4)

10. Material Litigation

The following is the material litigation arising subsequent to the previous financial year end:

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

On 1 February 2021, TM received a Reply and Defence to TM's Amended Counterclaim from VPL.

On 5 March 2021, TM filed its Reply to VPL's Defence to TM's Amended Counterclaim.

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

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the financial position or business of the Company and/or its subsidiaries.

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**11. Earnings per Share (EPS)**

	1st Quarter Ended	
	31/03/2021	31/03/2020
(a) Basic earnings per share		
Profit attributable to equity holders of the Company (RM million)	325.5	152.5
Weighted average number of ordinary shares (million)	3,773.7	3,765.7
Basic earnings per share (sen) attributable to equity holders of the Company	8.6	4.0

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.

	1st Quarter Ended	
	31/03/2021	31/03/2020
(b) Diluted earnings per share		
Profit attributable to equity holders of the Company (RM million)	325.5	152.5
Weighted average number of ordinary shares (million)	3,773.7	3,765.7
Adjustment for dilutive effect of Long Term Incentive Plan (million)	36.4	27.7
Weighted average number of ordinary shares (million)	3,810.1	3,793.4
Diluted earnings per share (sen) attributable to equity holders of the Company	8.5	4.0

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 2020.

12. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2020 were not subject to any qualification.

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13. Dividends

No dividend has been recommended during the 1st quarter ended 31 March 2021 in respect of the financial year.

By Order of the Board

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

Company Secretary

Kuala Lumpur
27 May 2021