

TELEKOM MALAYSIA BERHAD

Reg. No.: 198401016183 (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad wish to announce the following audited results of the Group for the financial year ended 31 December 2020.

CONSOLIDATED INCOME STATEMENT

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	(Unaudited)		(Audited)	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	3,001.3	3,034.1	10,840.3	11,434.2
OPERATING COSTS				
- depreciation, impairment and amortisation	(591.5)	(623.8)	(2,283.9)	(2,454.3)
- net impairment loss on financial and contract assets	(3.1)	(9.0)	(48.9)	(37.4)
- other operating costs	(2,029.6)	(2,086.8)	(7,008.4)	(7,509.9)
OTHER OPERATING INCOME (net)	19.0	51.4	105.6	135.7
OTHER GAINS/(LOSSES) (net)	15.4	(254.5)	6.2	(268.6)
OPERATING PROFIT BEFORE FINANCE COST	411.5	111.4	1,610.9	1,299.7
FINANCE INCOME	32.7	38.1	151.7	146.1
FINANCE COST	(127.5)	(136.9)	(523.8)	(536.8)
FOREIGN EXCHANGE GAIN ON BORROWINGS	38.5	23.1	27.5	1.1
NET FINANCE COST	(56.3)	(75.7)	(344.6)	(389.6)
ASSOCIATE				
- share of results (net of tax)	3.6	3.2	12.2	15.0
PROFIT BEFORE TAX AND ZAKAT	358.8	38.9	1,278.5	925.1
TAX AND ZAKAT (part B, note 5)	(99.6)	(106.4)	(282.5)	(367.7)
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD/YEAR	259.2	(67.5)	996.0	557.4
ATTRIBUTABLE TO:				
- equity holders of the Company	259.3	(51.1)	1,016.0	632.7
- non-controlling interests	(0.1)	(16.4)	(20.0)	(75.3)
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD/YEAR	259.2	(67.5)	996.0	557.4
EARNINGS/(LOSS) PER SHARE (sen) (part B, note 11)				
- basic	6.9	(1.4)	27.0	16.8
- diluted	6.8	(1.4)	26.7	16.7

(The above consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	4TH QUARTER ENDED (Unaudited)		FINANCIAL YEAR ENDED (Audited)	
	31/12/2020 RM Million	31/12/2019 RM Million	31/12/2020 RM Million	31/12/2019 RM Million
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD/YEAR	259.2	(67.5)	996.0	557.4
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)	(6.3)	(8.2)	(6.3)	(8.2)
Items that may be reclassified				
subsequently to income statement:				
- (decrease)/increase in fair value of investments at fair value through other comprehensive income (FVOCI)	(0.7)	(0.9)	4.7	2.8
- reclassification adjustments relating to FVOCI investments disposed	(0.7)	(0.2)	(2.7)	(1.2)
- (decrease)/increase in fair value of receivables at FVOCI	(1.7)	5.8	(0.1)	19.9
- cash flow hedge:				
- decrease in fair value of cash flow hedge	(23.2)	(33.7)	(9.3)	(12.1)
- change in fair value of currency basis	4.5	13.3	(8.6)	10.0
- reclassification of foreign exchange gain on borrowings	14.6	11.7	8.5	1.2
- currency translation differences				
- subsidiaries	(1.4)	(0.3)	(6.7)	62.6
- associate	#	0.3	(0.3)	0.2
Other comprehensive (loss)/income for the financial period/year	(14.9)	(12.2)	(20.8)	75.2
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD/YEAR	244.3	(79.7)	975.2	632.6
ATTRIBUTABLE TO:				
- equity holders of the Company	244.4	(63.3)	995.2	707.9
- non-controlling interests	(0.1)	(16.4)	(20.0)	(75.3)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL PERIOD/YEAR	244.3	(79.7)	975.2	632.6

Amount less than RM0.1 million

(The above consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019)

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	AS AT 31/12/2020 RM Million	AS AT 31/12/2019 RM Million
SHARE CAPITAL	3,728.6	3,698.6
OTHER RESERVES	253.7	(79.1)
RETAINED PROFITS	3,142.3	3,733.8
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,124.6	7,353.3
NON-CONTROLLING INTERESTS	(149.3)	(800.2)
TOTAL EQUITY	6,975.3	6,553.1
Borrowings	6,796.1	7,698.8
Lease liabilities	1,587.1	1,619.1
Derivative financial instruments	9.2	1.7
Deferred tax liabilities	1,460.8	1,424.1
Deferred income	1,589.7	1,744.1
Trade and other payables	52.7	82.4
NON-CURRENT LIABILITIES	11,495.6	12,570.2
	18,470.9	19,123.3
Property, plant and equipment	13,751.7	14,259.5
Intangible assets	493.8	493.2
Right-of-use assets	1,221.2	1,115.2
Associate	84.7	81.1
Equity investments at fair value through other comprehensive income (FVOCI)	133.5	139.8
Investments at fair value through profit or loss (FVTPL)	305.5	49.6
Receivables at FVOCI	281.4	268.0
Other non-current receivables	404.3	425.0
Derivative financial instruments	148.0	158.4
Deferred tax assets	13.7	18.5
NON-CURRENT ASSETS	16,837.8	17,008.3
Inventories	99.2	102.0
Non-current assets held for sale	-	0.6
Trade and other receivables	1,952.1	2,434.5
Contract assets	618.9	641.6
Contract cost assets	285.6	219.1
Receivables at FVOCI	15.2	14.3
Derivative financial instruments	-	95.6
Investments at fair value through other comprehensive income (FVOCI)	157.9	157.8
Investments at fair value through profit or loss (FVTPL)	6.0	6.0
Financial assets at fair value through profit or loss (FVTPL)	1.4	1.5
Cash and bank balances	4,304.4	4,918.4
CURRENT ASSETS	7,440.7	8,591.4
Trade and other payables	3,494.4	3,604.4
Contract liabilities	893.6	987.4
Customer deposits	263.2	298.0
Borrowings	830.7	1,034.3
Lease liabilities	320.5	295.8
Tax and zakat	5.2	256.5
CURRENT LIABILITIES	5,807.6	6,476.4
NET CURRENT ASSETS	1,633.1	2,115.0
	18,470.9	19,123.3
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	188.8	195.3

(The above audited consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019)

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 year	-	-	-	-	-	-	-	1,016.0	(20.0)	996.0
Other comprehensive income										
Items that will not be reclassified subsequently to income statement:										
- decrease in fair value of equity investments at FVOCI	-	(6.3)	-	-	-	-	-	-	-	(6.3)
Items that may be reclassified subsequently to income statement:										
- increase in fair value of investments at fair value through other comprehensive income (FVOCI)	-	4.7	-	-	-	-	-	-	-	4.7
- reclassification adjustments relating to FVOCI investments disposed	-	(2.7)	-	-	-	-	-	-	-	(2.7)
- decrease in fair value of receivables at FVOCI	-	(0.1)	-	-	-	-	-	-	-	(0.1)
- cash flow hedge:										
- decrease in fair value of cash flow hedge	-	-	(9.3)	-	-	-	-	-	-	(9.3)
- change in fair value of currency basis	-	-	-	(8.6)	-	-	-	-	-	(8.6)
- reclassification of foreign exchange gain on borrowings	-	-	8.5	-	-	-	-	-	-	8.5
- currency translation differences	-	-	-	-	-	-	(6.7)	-	-	(6.7)
- subsidiaries	-	-	-	-	-	-	(0.3)	-	-	(0.3)
- associate	-	-	-	-	-	-	-	-	-	-
Total comprehensive (loss)/income for the financial year	-	(4.4)	(0.8)	(8.6)	-	-	(7.0)	1,016.0	(20.0)	975.2
Transactions with owners:										
- final interim dividend paid for the financial year ended 31 December 2019 (part A, note 6)	-	-	-	-	-	-	-	(376.6)	-	(376.6)
- interim dividend paid for the financial year ended 31 December 2020 (part B, note 13)	-	-	-	-	-	-	-	(256.6)	-	(256.6)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(2.0)	(2.0)
- transaction with non-controlling interests (part A, note 9)	-	-	-	-	-	352.9	-	(974.3)	672.9	51.5
- Long Term Incentive Plan (LTIP):										
- ordinary shares granted*	-	-	-	-	34.1	-	-	-	-	34.1
- transfer from LTIP reserve upon issuance of shares on vesting (part A, note 5(a)(ii))^	30.0	-	-	-	(33.4)	-	-	-	-	(3.4)
Total transactions with owners	30.0	-	-	-	0.7	352.9	-	(1,607.5)	670.9	(553.0)
At 31 December 2020	3,728.6	97.7	16.6	31.1	89.1	-	19.2	3,142.3	(149.3)	6,975.3

* 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 audited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019)

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	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 31 December 2018, as reported	3,667.1	88.8	28.3	29.7	83.4	(352.9)	(36.6)	4,017.4	(509.7)	7,015.5
Impacts arising from the application of: - MFRS 16	-	-	-	-	-	-	-	(841.1)	(215.2)	(1,056.3)
At 1 January 2019	3,667.1	88.8	28.3	29.7	83.4	(352.9)	(36.6)	3,176.3	(724.9)	5,959.2
Profit/(loss) for the financial year	-	-	-	-	-	-	-	632.7	(75.3)	557.4
Other comprehensive income										
Items that will not be reclassified subsequently to income statement:										
- decrease in fair value of equity investments at FVOCI	-	(8.2)	-	-	-	-	-	-	-	(8.2)
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	-	(1.2)	-	-	-	-	-	-	-	(1.2)
- increase in fair value of receivables at FVOCI	-	19.9	-	-	-	-	-	-	-	19.9
- cash flow hedge:										
- decrease in fair value of cash flow hedge	-	-	(12.1)	-	-	-	-	-	-	(12.1)
- change in fair value of currency basis	-	-	-	10.0	-	-	-	-	-	10.0
- reclassification of foreign exchange gain on borrowings	-	-	1.2	-	-	-	-	-	-	1.2
- currency translation differences										
- subsidiaries	-	-	-	-	-	-	62.6	-	-	62.6
- associate	-	-	-	-	-	-	0.2	-	-	0.2
Total comprehensive income/(loss) for the financial year	-	13.3	(10.9)	10.0	-	-	62.8	632.7	(75.3)	632.6
Transactions with owners:										
- interim dividend paid for the financial year ended 31 December 2018	-	-	-	-	-	-	-	(75.2)	-	(75.2)
- Long Term Incentive Plan (LTIP):										
- ordinary shares granted*	-	-	-	-	36.5	-	-	-	-	36.5
- transfer from LTIP reserve upon issuance of shares on vesting^	31.5	-	-	-	(31.5)	-	-	-	-	-
Total transactions with owners	31.5	-	-	-	5.0	-	-	(75.2)	-	(38.7)
At 31 December 2019	3,698.6	102.1	17.4	39.7	88.4	(352.9)	26.2	3,733.8	(800.2)	6,553.1

* 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 audited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019)

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL YEAR ENDED	
	31/12/2020	31/12/2019
	RM Million	RM Million
Receipts from customers	10,542.9	11,330.0
Payments to suppliers and employees	(6,986.1)	(7,067.7)
Payments to suppliers for short term lease and leases of low value assets	(59.8)	(42.9)
Payments of finance cost	(392.3)	(464.6)
Payments of income taxes and zakat (net)	(418.3)	(252.8)
CASH FLOWS FROM OPERATING ACTIVITIES	2,686.4	3,502.0
Contribution for purchase of property, plant and equipment	299.3	186.0
Disposal of property, plant and equipment	6.3	19.6
Purchase of property, plant and equipment	(1,437.1)	(1,498.8)
Disposal/Maturity of current investments at fair value through other comprehensive income	75.0	78.1
Purchase of current investments at fair value through other comprehensive income	(70.8)	(83.0)
Purchase of investments at fair value through profit or loss	(257.0)	(8.6)
Disposal of non-current assets held for sale	0.2	1.4
Long term deposits	(16.6)	(16.6)
Repayments of loans by employees	38.6	49.2
Loans to employees	(40.3)	(62.0)
Disposal of housing loan	-	19.4
Interests received	140.6	121.9
Dividends received	15.1	9.1
CASH FLOWS USED IN INVESTING ACTIVITIES	(1,246.7)	(1,184.3)
Proceeds from borrowings	168.5	747.0
Repayments of borrowings	(1,203.4)	(548.5)
Repayments of lease liabilities	(401.3)	(408.1)
Dividend paid to shareholders (part A, note 6)	(633.2)	(75.2)
Dividend paid to non-controlling interests	(2.0)	-
CASH FLOWS USED IN FINANCING ACTIVITIES	(2,071.4)	(284.8)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(631.7)	2,032.9
EFFECT OF EXCHANGE RATE CHANGES	(8.0)	(3.3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	4,786.1	2,756.5
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	4,146.4	4,786.1

(The above audited consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019)

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The interim financial statements for the 4th quarter ended 31 December 2020 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 2019. The accounting policies, method of computation and basis of consolidation applied in the unaudited interim financial statements and audited financial statements for the financial year are consistent with those used in the preparation of the 2019 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 2020.

(a) Amendments to published standards that are effective and applicable for the Group’s financial year beginning on 1 January 2020

The amendments to published standards issued by MASB that are effective and applicable for the Group’s financial year beginning on 1 January 2020 are as follows:

MFRS 2, 3, 14, 101, 108, 134, 137, 138 & IC Interpretations 12, 19, 22 and 132	Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 9, MFRS 139 & MFRS 7	Interest Rate Benchmark Reform

The adoption of the above amendments to published standards does not have 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 other than MFRS 9 and MFRS 7 as disclosed below.

The amendments to MFRS 9 “Financial Instruments”, MFRS 139 “Financial Instruments: Recognition and Measurement” and MFRS 7 “Financial Instruments: Disclosures” provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate (IBOR) reform.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

(a) Amendments to published standards that are effective and applicable for the Group's financial year beginning on 1 January 2020 (continued)

In accordance with the transition provisions, the Group has adopted the amendments to MFRS 9 and MFRS 7 retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date. These amendments had no impact on the amounts recognised in the current or prior period.

(b) Amendment to published standards early adopted by the Group for the financial year beginning 1 January 2020

Amendment to MFRS 16 Covid-19-Related Rent Concessions

The Group has elected to early adopt Amendment to MFRS 16 "Covid-19-Related Rent Concessions", with the date of initial application of 1 January 2020.

In accordance with the transitional provisions provided in the MFRS 16 amendment, the comparative information for 2019 was not restated. These amendments had no impact to the retained earnings on 1 January 2020. The early adoption of Amendment to MFRS 16 "Covid-19-Related Rent Concessions" have not been material to the consolidated financial statements of the Group.

(c) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been adopted early

The new standards, IC Interpretation and amendments to published standards that are applicable to the Group, which the Group has not adopted early, are as follows:

Effective for annual periods beginning on or after 1 January 2021

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

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

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

- (c) **New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been adopted early (continued)**

Effective for annual periods beginning on or after 1 January 2023

Amendments to MFRS 101	Classification of Liabilities as Current or Non-current
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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 4th quarter and financial year ended 31 December 2020.

4. Material Changes in Estimates

There were no material changes in estimates reported in the prior interim period or prior financial year that may have given rise to a material impact on the financials reported by the Group for the financial year ended 31 December 2020.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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

(a) Long Term Incentive Plan (LTIP)

- (i) During the current quarter and financial year ended, TM granted shares under its Long Term Incentive Plan (LTIP) to eligible employees of TM and subsidiaries as described in note 14 of the audited financial statements for the financial year ended 31 December 2019.

Description	Grant Date	Vesting Date	Total TM shares granted	Reference Price Per Unit¹ (RM)
Restricted Shares (RS)	17 August 2020	17 August 2023	15,028,100	3.76
Performance Shares (PS)	17 August 2020	17 August 2023 / 16 August 2024 ²	1,436,600	3.76
Performance Shares (PS)	4 December 2020	30 November 2023 / 29 November 2024 ²	1,127,300	5.10

¹ Refers to the closing share price at the grant date of the LTIP.

² In the event that certain performance metrics are not met over the period set by the LTIP Committee as being applicable to the PS Grantees, a roll over feature may extend the performance period and vesting date by 1 year.

Details on the LTIP which comprise Restricted Shares and Performance Shares Grants are disclosed in note 14 of the audited financial statements for the financial year ended 31 December 2019.

- (ii) Pursuant to the vesting of shares from the Restricted Shares programme granted to employees on 1 December 2016 and 1 June 2017 under the LTIP, the Company issued 7,965,400 new ordinary shares amounting to RM30.0 million during the financial year. There were no further share issuance during the quarter ended.

(b) 7 Year USD100.0 million loan from a financial institution at 3 months London Inter-Bank Offer Rate (LIBOR) + 0.91% due in 2020

On 12 November 2013, TM Global Incorporated, a subsidiary of the Group, obtained a 7 year USD100.0 million loan from a financial institution. The loan carried a floating USD interest rate of 3 months LIBOR plus 0.91% per annum and was unconditionally and irrevocably guaranteed by Telekom Malaysia Berhad (the Company).

On 30 October 2020, the Group repaid in full at its nominal value, the USD100.0 million loan upon its maturity date.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

5. Issuances, Repurchases and Repayments of Debt and Equity Securities (continued)

(c) Convertible Medium Term Notes (Convertible MTN)

On 15 September 2015, Webe Digital Sdn Bhd (webe), a subsidiary of the Group, issued RM660.0 million nominal value of the first tranche issuance of a Convertible MTN (First Tranche Convertible MTN). RM37.5 million of the First Tranche Convertible MTN was subscribed by Packet One Sdn Bhd (a wholly-owned subsidiary of Green Packet Berhad (GPB)) which holds a non-controlling interest in webe.

The Convertible MTN was set to mature on 15 September 2023 with an annual coupon rate of 1.0%, payable annually, and additional yield at redemption of 4.0% per annum, resulting in a yield to maturity of approximately 4.88% per annum.

On 7 September 2020, as disclosed in part A, note 9 of this Announcement, the Group (via Mobikom) completed the corporate exercise for the exchange of the Convertible MTN subscribed by Packet One Sdn Bhd with all the Exchangeable Medium Term Notes (EMTN) issued by GPB (amongst other items), as disclosed in note 32(iv) to the audited financial statements of the Group for financial year ended 31 December 2019, resulting to the RM37.5 million Convertible MTN no longer being a debt of the Group.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

5. Issuances, Repurchases and Repayments of Debt and Equity Securities (continued)

(d) Repayment of Islamic Medium Term Notes (IMTN)

- (i) On 18 December 2020, the Group repaid in full at its nominal value, the RM200.0 million IMTN at 4.3% per annum upon its maturity date. The IMTN was part of the RM3.0 billion IMTN Programme approved on 30 August 2013 as disclosed in note 17(b) to the audited financial statements of the Group for financial year ended 31 December 2019.
- (ii) Subsequent to current financial year and quarter ended, the Facility Agent to the Group's RM2.0 billion Islamic Commercial Papers (ICP) and IMTN Programme for RM2.0 billion that was established on 5 April 2011, had on 8 February 2021, issued an announcement in Bank Negara Malaysia's FAST website, as a notification of an Extra Ordinary General Meeting (EGM) to be held on 1 March 2021 for a proposed buyback of the outstanding IMTNs under the programme.

The details of the IMTNs are outlined below:

Date of Maturity	Profit Rates	Nominal Value
25 June 2021	4.5%	RM300.0 million
13 September 2021	4.2%	RM300.0 million
10 December 2021	4.2%	RM200.0 million
13 May 2022	4.0%	RM250.0 million
19 December 2022	3.95%	RM300.0 million
28 April 2023	3.95%	RM400.0 million
23 June 2023	3.93%	RM250.0 million

As the outcome of the proposed early redemption is subject to approval at the EGM, the RM1.2 billion worth of IMTNs due for redemption in 2022 and 2023 remain classified as non-current liabilities.

6. Dividends Paid

- (a) The final interim single-tier cash dividend of 10.0 sen per share amounting to RM376.6 million in respect of financial year ended 31 December 2019 declared on 21 February 2020, was paid on 3 April 2020.
- (b) An interim single-tier cash dividend of 6.8 sen per share amounting to RM256.6 million in respect of financial year ended 31 December 2020 declared on 27 August 2020, was paid on 2 October 2020.

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7. Segmental Information

Segmental information for the Group are as follows:

By Business Segment

All amounts are in RM Million

4th Quarter Ended

31 December 2020

Operating Revenue

	unifi>	TM ONE	TM Wholesale	Shared Services /Others^	Elimination	Total
Total operating revenue	1,220.0	1,110.9	687.0	101.2		3,119.1
Inter-segment @	(9.6)	(71.7)	(30.6)	(5.9)		(117.8)
External operating revenue	1,210.4	1,039.2	656.4	95.3		3,001.3

Results

EBIT	168.2	218.3	88.1	(66.3)	(12.2)	396.1
Other gains (net)						15.4
Finance income						32.7
Finance cost						(127.5)
Foreign exchange gain on borrowings						38.5
Associate						
- share of results (net of tax)						3.6
Profit before tax and zakat						358.8
Tax and zakat						(99.6)
Profit for the financial period						259.2

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7. Segmental Information (continued)

Segmental information for the Group are as follows:

By Business Segment

All amounts are in RM Million

4th Quarter Ended 31 December 2019	unifi ^o	TM ONE	TM Wholesale	Shared Services /Others [^]	Elimination	Total
Operating Revenue						
Total operating revenue	1,123.3	1,114.1	850.6	114.0		3,202.0
Inter-segment @	(14.8)	(79.0)	(76.2)	2.1		(167.9)
External operating revenue	1,108.5	1,035.1	774.4	116.1		3,034.1
Results						
EBIT	(18.8)	195.6	282.2	(129.2)	36.1	365.9
Other losses (net)						(254.5)
Finance income						38.1
Finance cost						(136.9)
Foreign exchange gain on borrowings						23.1
Associate						
- share of results (net of tax)						3.2
Profit before tax and zakat						38.9
Tax and zakat						(106.4)
Loss for the financial period						(67.5)

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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 Year Ended	unifi ^{>}	TM ONE	TM Wholesale	Shared Services /Others [^]	Elimination	Total
31 December 2020						
Operating Revenue						
Total operating revenue	4,621.5	3,961.9	2,315.7	382.2		11,281.3
Inter-segment @	(27.7)	(280.7)	(118.8)	(13.8)		(441.0)
External operating revenue	4,593.8	3,681.2	2,196.9	368.4		10,840.3
Results						
EBIT	606.5	1,003.8	356.4	(431.0)	69.0	1,604.7
Other gains (net)						6.2
Finance income						151.7
Finance cost						(523.8)
Foreign exchange gain on borrowings						27.5
Associate						
- share of results (net of tax)						12.2
Profit before tax and zakat						1,278.5
Tax and zakat						(282.5)
Profit for the financial year						996.0

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7. Segmental Information (continued)

Segmental information for the Group are as follows:

By Business Segment

All amounts are in RM Million

Financial Year Ended	unifi ^{>}	TM ONE	TM Wholesale	Shared Services /Others [^]	Elimination	Total
31 December 2019						
Operating Revenue						
Total operating revenue	4,737.8	4,235.2	2,466.0	494.9		11,933.9
Inter-segment @	(26.9)	(303.9)	(159.7)	(9.2)		(499.7)
External operating revenue	4,710.9	3,931.3	2,306.3	485.7		11,434.2
Results						
EBIT	318.2	995.1	433.1	(323.8)	145.7	1,568.3
Other losses (net)						(268.6)
Finance income						146.1
Finance cost						(536.8)
Foreign exchange gain on borrowings Associate						1.1
- share of results (net of tax)						15.0
Profit before tax and zakat						925.1
Tax and zakat						(367.7)
Profit for the financial year						557.4

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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 financial year as well as 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 Financial Year

There are no material events subsequent to the reporting date that require disclosure or adjustment to the unaudited interim financial statements other than the disclosure on the proposed buyback of the Group's medium-term Islamic bonds as disclosed in part A, note 5(d)(ii).

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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9. Effects of Changes in the Composition of the Group

Investment by Mobikom Sdn Bhd (Mobikom), a wholly-owned subsidiary of the Group, in Webe Digital Sdn Bhd (webe)

Subsequent to Mobikom's subscription of the Convertible Medium Term Notes (Convertible MTN) issued by webe as disclosed in note 17(d) of the Group's audited financial statements for the financial year ended 31 December 2019, Mobikom had on 24 July 2020, entered into an agreement, with amongst others, Green Packet Berhad (GPB) in relation to the exchange of all the Exchangeable Medium Term Note (EMTN) issued by GPB and held by Mobikom for the following forms of securities held by Packet One Sdn Bhd (a wholly-owned subsidiary of GPB):

- (i) ordinary shares of webe; and
- (ii) Convertible Medium Term Notes (Convertible MTN) issued by webe

(collectively referred to as Scheduled Exchange).

Upon completion of the Scheduled Exchange on 7 September 2020, TM (via Mobikom) and SK Telecom Co Ltd holds 91.8% and 8.2% of webe's share capital respectively.

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 2019.

11. Capital Commitments

(a)	Group	
	As at 31/12/2020	As at 31/12/2019
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditures approved and contracted for	2,399.3	2,412.9
(b)	Group	
	As at 31/12/2020	As at 31/12/2019
	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)	38.5	66.0

Refer to note 30(b) of the audited financial statements of the Group for the financial year ended 31 December 2019.

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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 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 year ended		Corresponding outstanding balances as at	
	31/12/2020 RM Million	31/12/2019 RM Million	31/12/2020 RM Million	31/12/2019 RM Million
Sales and Receivables	809.1	833.9	113.0	106.2

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 year was RM299.7 million (YTD December 2019: RM385.2 million) with corresponding receivables of RM200.1 million (31 December 2019: RM443.0 million).

In addition to the above, the Group has transactions that are collectively, but not individually significant with other Government-related entities in respect of the provision of telecommunications related services as well as procurement of telecommunications and related equipment and services in the normal course of business.

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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 2019.

(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 31/12/2020				As at 31/12/2019			
	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	1.4	-	-	1.4	1.5	-	-	1.5
Exchangeable Medium Term Notes*	-	-	-	-	-	-	-	-
Derivatives accounted for under hedge accounting	-	148.0	-	148.0	-	254.0	-	254.0
Investments at fair value through OCI	-	157.9	-	157.9	-	157.8	-	157.8
Investments at fair value through profit or loss	-	235.4	76.1	311.5	-	-	55.6	55.6
Equity investments at fair value through OCI	-	-	133.5	133.5	-	-	139.8	139.8
Receivables at fair value through OCI	-	-	296.6	296.6	-	-	282.3	282.3
Total	1.4	541.3	506.2	1,048.9	1.5	411.8	477.7	891.0
Liabilities								
Derivatives accounted for under hedge accounting	-	9.2	-	9.2	-	1.7	-	1.7
Total	-	9.2	-	9.2	-	1.7	-	1.7

There have not been any changes to the valuation techniques applied for the different financial instruments since 31 December 2019 and there were no transfers of any instruments between level 1, 2 and 3 of the fair valuation hierarchy during the financial year.

* This financial instrument is carried at fair value of nil in the previous financial year and was derecognised during the current financial year.

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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 49(b) of the Group's audited financial statements for the financial year ended 31 December 2019, other than below:

	As at 31/12/2020		As at 31/12/2019	
	Carrying amount RM Million	Net fair value RM Million	Carrying amount RM Million	Net fair value RM Million
Liabilities				
Borrowings	7,626.8	8,426.9	8,733.1	9,340.9

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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) 4th Quarter 2020 vs 4th Quarter 2019

(i) Group Performance

The Group's operating revenue decreased 1.1% (RM32.8 million) to RM3,001.3 million compared to RM3,034.1 million in the same quarter last year with decline in revenue for voice, data and non-telecommunication services. Internet and multimedia however recorded quarter to quarter increase that was driven by a 6.8% increase in number of cumulative subscribers. Revenue increase was also seen from other telecommunication services despite restricted economic activities during the Movement Control Order (MCO) in general.

Notwithstanding this, the Group recorded 269.4% (RM300.1 million) increase in operating profits before finance cost of RM411.5 million, from RM111.4 million recorded in the 4th quarter of 2019 contributed by lower operating costs and net other gains as opposed to net other losses in the comparative quarter.

Consequently, the Group's profit after tax and non-controlling interests (PATAMI) was RM259.3 million, a 607.4% (RM310.4 million) increase quarter-on-quarter from a loss of RM51.1 million.

(ii) Segment Performance

unifi

Revenue increased 8.6% (RM96.7 million) from RM1,123.3 million to RM1,220.0 million in the current quarter for both fixed and mobile, with cumulative fixed internet subscribers increasing 6.8%, current quarter against corresponding quarter last year.

Lower operating costs further contributed to an even more improved EBIT of RM168.2 million, compared to a loss of RM18.8 million in the corresponding quarter last year.

TM ONE

TM ONE recorded a slight decrease in revenue of RM3.2 million from RM1,114.1 million to RM1,110.9 million in the 4th quarter of 2020 mainly from voice, data and internet services affected by MCO through reduction in usage volume although the segment recorded resilient increase in revenue from smart services and other telecommunication based solution services from projects with customers.

Reported EBIT increased by 11.6% (RM22.7 million) to RM218.3 million in the current quarter from RM195.6 million in the same quarter last year, contributed by lower direct and other operational cost.

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1. Review of Performance (continued)

(a) 4th Quarter 2020 vs 4th Quarter 2019 (continued)

(ii) Segment Performance (continued)

TM Wholesale

Revenue for the current quarter decreased 19.2% (RM163.6 million) from RM850.6 million in 4th quarter last year to RM687.0 million mainly from reduction in data and voice services.

EBIT decreased 68.8% (RM194.1 million) from RM282.2 million to RM88.1 million in the current quarter mainly from increase in direct costs.

(b) Year-on-Year

(i) Group Performance

For the financial year under review, Group revenue decreased by 5.2% (RM593.9 million) to RM10,840.3 million as compared to RM11,434.2 million last year due to lower revenue from all lines of products. Revenue from internet had been affected by the Streamyx price adjustments introduced from September 2019 onwards whilst voice and other telecommunication related services were impacted from lower volume and restricted economic activities from the MCO in general, affecting revenues from customer projects under the enterprise segments.

Despite the reduction in revenue, the Group's operating profit before finance cost increased 23.9% (RM311.2 million) to RM1,610.9 million compared to RM1,299.7 million in 2019, from lower direct and operating costs amidst continuing cost initiatives which were well underway even from previous financial years. The net other gains in the current financial year as opposed to net other losses recorded in the previous financial year further contributed to the Group's improved profitability.

Profit after tax and non-controlling interests (PATAMI) increased by 60.6% (RM383.3 million) to RM1,016.0 million from RM632.7 million in the corresponding period last year contributed partly by lower tax charges as well as contribution from the Group's share of improved performance of subsidiaries with non-controlling interests.

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1. Review of Performance (continued)

(b) Year-on-Year (continued)

(ii) Segment Performance

unifi

The 2.5% (RM116.3 million) decrease in unifi revenue from RM4,737.8 million to RM4,621.5 million in the current financial year were mainly from voice and Internet and multimedia services which were affected by the Streamyx price adjustments introduced from September 2019 onwards. Revenue from other telecommunication related services however recorded an encouraging increase, driven from fresh offerings of devices in unifi's product mix this year, targeted to further improve customers' experience.

Cost optimisation initiatives and cautious monitoring of expenditures ensured reduction in direct and other operating costs to match the lower revenue for the financial year. This led to a 90.6% (RM288.3 million) increase in profit for the current financial year at RM606.5 million compared to RM318.2 million last year.

TM ONE

TM ONE recorded an 6.5% (RM273.3 million) decrease in revenue from RM4,235.2 million to RM3,961.9 million in the current financial year with decline in all services, affected by the MCO from cautious spending from the business community at large, reduction in business voice usage volume and deferment of customer project activities.

Corresponding reduction in direct costs and the Group's close monitoring of operational costs however have successfully led to reported EBIT to improve by 0.9% (RM8.7 million) to RM1,003.8 million in the current year from RM995.1 million in the same period last year, mainly contributed by lower operating costs corresponding to the lower revenue.

TM Wholesale

TM Wholesale registered revenue of RM2,315.7 million for the current financial year, a 6.1% (RM150.3 million) decrease from RM2,466.0 million reported in the corresponding last financial year, with decrease in all revenue lines.

Lower profit margins year-on-year led to a 17.7% (RM76.7 million) profit decrease from RM433.1 million last year to RM356.4 million in the current financial year ended.

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2. Comparison with Preceding Quarter's Results

Despite the socio economic challenges prevalent in 2020 from the onset of the Covid-19 pandemic, the Group's quarterly revenue continues to increase quarter-on-quarter from the first quarter of the current financial year. The current quarter ended sees the Group recording RM3,001.3 million revenue, a resilient 11.6% (RM311.4 million) increase from RM2,689.9 million recorded in 3rd quarter of 2020.

Operating profit before finance cost decreased by 10.5% (RM48.3 million) to RM411.5 million from RM459.8 million recorded in the preceding quarter mainly due to increase in operating cost particularly at TM ONE segment as customer projects are seen to completion in both enterprise and public sectors. This subsequently led to a 21.3% (RM70.2 million) decrease in Group PATAMI from RM329.5 million in the preceding quarter to RM259.3 million.

3. Prospects for the Next Financial Year Ending 31 December 2021

In the face of challenging economic environment, TM Group sustained its resilience throughout 2020, anchored firmly by its cost optimisation initiatives and cautious spending which were critical in adjusting to pressures on the Group's revenue.

For 2021, the information and communications subsector is forecasted to continue its growth trajectory, following a 6% increase in 2020.¹ The National Fourth Industrial Revolution (4IR) Policy and Digital Economy Blueprint are anticipated to improve the productivity and competitiveness of the subsector. The Malaysian Digital Economy Task Force which centers on digital technology, cybersecurity, trade and digital content is also expected to bolster the subsector. Aided by the shift in working, business, social and education environment via online or virtual communication, e-commerce and e-learning, TM Group will persist to be in the forefront as an enabler of these new normal activities through robust connectivity and innovative digital solutions.

Despite an expected recovery in the economy, uncertainties will remain and competition heightened in 2021. New cases of Covid-19 at record highs and the implementation of MCO 2.0 are examples of this. The Group is optimistic that the impact is not expected to be as adverse as the first MCO in March 2020, as evident from higher levels of economic activities allowed and the relevant economic stimulus from the Government's various policies and initiatives.

In light of all the above, the Group shall remain prudent in its spending and financial management, whilst continuing to source for growth in our revenue stream.

¹Sourced from Department of Statistics Malaysia, 9 February 2021

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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 4th quarter and financial year ended 31 December 2020.

5. Tax

The tax charge for the Group comprises:

	4th Quarter Ended		Financial Year Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM Million	RM Million	RM Million	RM Million
<u>Malaysia</u>				
Income Tax:				
Current year	53.2	256.3	252.3	489.3
Prior year	(4.2)	(2.7)	(20.4)	14.9
Deferred tax (net)	48.4	(150.5)	39.8	(141.2)
	97.4	103.1	271.7	363.0
<u>Overseas</u>				
Income Tax:				
Current year	1.0	(1.2)	2.3	(1.6)
Prior year	(0.3)	#	2.6	0.7
Deferred tax (net)	#	(1.9)	(0.3)	(1.9)
	0.7	(3.1)	4.6	(2.8)
Taxation	98.1	100.0	276.3	360.2
Zakat	1.5	6.4	6.2	7.5
Taxation and Zakat	99.6	106.4	282.5	367.7

Amount less than RM0.1 million

The effective tax rates of the Group for the comparatives are higher than the statutory tax rate primarily due to losses before tax from Webe Digital Sdn Bhd for which no corresponding tax losses or deferred tax asset have been recognised at this juncture.

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

7. Group Borrowings and Debt Securities

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

	As at 31/12/2020		As at 31/12/2019	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Secured	2.9	13.0	17.5	16.0
Total Unsecured	827.8	6,783.1	1,016.8	7,682.8
Total Borrowings	830.7	6,796.1	1,034.3	7,698.8

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

Foreign Currency	As at 31/12/2020 RM Million	As at 31/12/2019 RM Million
US Dollar	1,922.3	2,369.6
Canadian Dollars	2.3	2.4
Total	1,924.6	2,372.0

(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 2019) except for repayments of borrowings as they become due, draw down of credit lines, exchange of borrowings from a non-controlling interest for additional shares in an existing subsidiary and impact of foreign exchange translation for the financial year 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 31/12/2020		Fair value as at 31/12/2019	
		Assets RM Million	Liabilities RM Million	Assets RM Million	Liabilities RM Million
<u>Interest Rate Swaps (IRS)</u>					
- 1 year to 3 years	202.7	-	9.2	-	1.7
	202.7	-	9.2	-	1.7
<u>Cross Currency Interest Rate Swaps (CCIRS)</u>					
- matured on 30 October 2020	316.8	-	-	95.6	-
- more than 3 years	310.5	148.0	-	158.4	-
	627.3	148.0	-	254.0	-
Total	830.0	148.0	9.2	254.0	1.7

(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 2019.

(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 2019.

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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**8. Derivative Financial Instruments (continued)****(d) Gains/(Losses) Arising from Fair Value Changes of Financial Instruments**

The amount of gains/(losses) arising from fair value changes of derivative financial instruments for the current and cumulative quarters ended 31 December 2020 are as follows:

Derivatives (by maturity)	Contract or notional value RM Million	Fair value RM Million	Losses arising from fair value changes for the quarter RM Million	Losses arising from fair value changes for the year RM Million
Financial Liabilities				
1. <u>Interest Rate Swaps</u> *				
- 1 year to 3 years	202.7	9.2	(0.3)	(7.5)
Total	202.7	9.2	(0.3)	(7.5)
Financial Assets				
1. <u>Cross Currency Interest Rate Swaps</u> *				
- matured on 30 October 2020	316.8	-	(98.6)	(95.6)
- more than 3 years	310.5	148.0	(15.4)	(10.4)
Total	627.3	148.0	(114.0)	(106.0)

* Cash flow hedges accounted for under hedge accounting.

The fair value of existing interest rate swaps arise 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 are 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 4th quarter and financial year ended 31 December 2020:

	4th Quarter Ended		Financial Year Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RM Million	RM Million	RM Million	RM Million
Inventory charges for write off and obsolescence	(10.3)	(2.7)	(13.3)	(3.0)
Gain on disposal of fixed income securities	0.7	0.2	2.7	1.2
Gain/(Loss) on foreign exchange on settlements and placements	18.0	(8.2)	(7.2)	0.2

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 4 March 2020, TM received an official notification from the Registrar of Singapore International Arbitration Centre ("SIAC") that Vodoke Pte Lte ("VPL") has filed its Notice of Arbitration dated 21 February 2020 against TM. Based on the said notice, VPL has referred its dispute with TM in relation to a Collaboration Agreement entered into between VPL and TM ("CA") to arbitration under the SIAC. VPL is seeking TM to pay for the sum of US\$540,000 owing in respect of VPL's invoice and other reasonable damages, to be assessed, estimated to be in the region of US\$34.0 million.

On 19 June 2020, TM received VPL's Statement of Claim and VPL is seeking for the reliefs from TM which include the following:

- (a) a declaration that TM has acted in repudiatory breach of the Collaboration Agreement ("CA"), which said breach VPL has accepted on or about 20 February 2020;

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10. Material Litigation (continued)

- (a) **In the Matter of Arbitration between Vodoke Pte Ltd ("VPL") and Telekom Malaysia Berhad ("TM") (continued)**
- (b) Further, an order that TM pays VPL the sum of US\$540,000 owing in respect of VPL's invoices or alternatively, damages in the sum US\$540,000, being the balance amount that ought to have been paid by TM to VPL in respect of the initial order of 30,000 units of the VPL IPTV Package in 2015 as well as reasonable damages, such damages to be assessed, for breach of clause 3.1, 5.2, 11.2 and 11.3 of the CA;
- (c) an order that TM pays VPL the costs of warehousing TM's stocks from 15 August 2020 until such time that TM takes possession of the same or such date as the Tribunal deems appropriate;
- (d) costs of the present arbitration proceedings and all related hearings on an indemnity basis, pursuant to clause 21.1 of the CA and interest on all sums found due, pursuant to section 20 of the International Arbitration Act; and
- (e) such further and/or other relief as the Tribunal deems appropriate.

On 5 September 2020, TM filed its Statement of Defence and Counterclaim dated 4 September 2020 against VPL at the SIAC.

Amongst others, the reliefs sought by TM against VPL in the Counterclaim include damages to be assessed, an order that VPL refund or pay TM for the cost of the 30,000 units of Set-Top Boxes purchased by TM with interest, other costs or other relief as the Tribunal deems fit and proper to grant.

On 2 December 2020, TM received an Amended Statement of Claim dated 2 December 2020 from VPL, wherein VPL has amended its Statement of Claim dated 19 June 2020. VPL now is claiming the following reliefs from TM which include a declaration that TM has acted in breach of the Collaboration Agreement dated 10 July 2015, damages to be assessed, costs on an indemnity basis, interest; and such further or other reliefs as the Tribunal may deem appropriate.

On 28 December 2020, TM filed its Amended Statement of Defence and Counterclaim dated 28 December 2020 against VPL at the SIAC, seeking reliefs in its Amended Counterclaim which includes damages to be assessed, an order that VPL refunds or pays TM for the cost of the 30,000 units of Set-Top Boxes purchased by TM, interest at such rate, from such date as the Tribunal thinks fit from the date of the award to full realization, costs and such further or other relief as the Tribunal deems fit and proper to grant.

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10. Material Litigation (continued)

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

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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11. Earnings per Share (EPS)

	4th Quarter Ended		Financial Year Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
(a) Basic earnings per share				
Profit/(Loss) attributable to equity holders of the Company (RM million)	259.3	(51.1)	1,016.0	632.7
Weighted average number of ordinary shares (million)	3,773.6	3,765.6	3,768.7	3,760.9
Basic earnings/(loss) per share (sen) attributable to equity holders of the Company	6.9	(1.4)	27.0	16.8

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 year.

	4th Quarter Ended		Financial Year Ended	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
(b) Diluted earnings per share				
Profit/(Loss) attributable to equity holders of the Company (RM million)	259.3	(51.1)	1,016.0	632.7
Weighted average number of ordinary shares (million)	3,773.6	3,765.6	3,768.7	3,760.9
Adjustment for dilutive effect of Long Term Incentive Plan (million)	36.2	28.4	30.9	26.4
Weighted average number of ordinary shares (million)	3,809.8	3,794.0	3,799.6	3,787.3
Diluted earnings/(loss) per share (sen) attributable to equity holders of the Company	6.8	(1.4)	26.7	16.7

Diluted earnings per share for the current quarter and financial year 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 2019.

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12. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2019 were not subject to any qualification.

13. Dividends

- (a) On 27 August 2020, the Board of Directors declared an interim single-tier cash dividend of 6.8 sen per share for the financial year ended 31 December 2020. The dividend was paid on 2 October 2020 to shareholders whose names appear in the Register of Members and Record of Depositors on 11 September 2020.
- (b) The Board of Directors has declared final interim single-tier cash dividend of 7.5 sen per share for the financial year ended 31 December 2020 (2019: final interim single-tier cash dividend of 10.0 sen per share). The dividend will be paid on 31 March 2021 to shareholders whose names appear in the Register of Members and Record of Depositors on 12 March 2021.

By Order of the Board

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

Company Secretary

Kuala Lumpur

24 February 2021