



NEWS RELEASE

Kuala Lumpur

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TM REPORTS OPERATIONAL IMPROVEMENT FOR 3Q2018 DESPITE CHALLENGING ENVIRONMENT

- **Key Highlights of 3Q2018:**
 - **Group Revenue of RM2.95 billion**
 - **Group Reported Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) at RM941.4 million**
 - **Group Reported Loss After Tax and Non-controlling Interests (LATAMI) of RM175.6 million from impairment of network assets**

- **Key Highlights of YTD 2018:**
 - **Group Revenue of RM8.73 billion**
 - **Group EBITDA at RM2.55 billion**
 - **Group Reported Profit After Tax and Non-controlling Interests (PATAMI) at RM83.5 million**
- **Announces Revised Dividend Policy**

Telekom Malaysia Berhad (TM) today announced its financial results for the quarter ended 30 September 2018. The Group saw steady operational performance, amidst heightened challenges in its operating environment, namely industry and market challenges impacting its revenue.

The Group held revenue steady, at RM2.95 billion in 3Q2018, 0.3% higher from RM2.94 billion in the previous quarter, on the back of higher data as well as other telecommunication related services revenue.

Group Reported Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for 3Q2018 grew 11.3% to RM941.4 million as compared to RM845.9 million in 2Q2018 mainly due to lower operating costs. Group Normalised EBITDA, which excludes non-operational items, increased 13.1%, at RM930.9 million.

However, due to impairment loss on wireless and fixed network assets, the Group recorded Loss Before Interest and Tax (LBIT) at RM631.8 million for 3Q2018. Without the reported impairment and other non-operational items, the Group's Normalised Earnings Before Interest and Tax (EBIT) is at RM315.6 million for 3Q2018, a 39.4% increase against Normalised EBIT of RM226.4 million in 2Q2018.

Consequently, the Group reported Loss After Tax and Non-controlling Interests (LATAMI) of RM175.6 million compared with RM102.0 million Profit After Tax and Non-controlling Interests (PATAMI) in the prior quarter. TM's core net profit, or Normalised PATAMI excluding non-operational items, stood at RM266.4 million, a 71.0% improvement sequentially.

The total capital expenditure (CAPEX) investment for the first nine months of 2018 at RM1.32 billion, or 15.1% of revenue. This is within TM's full year capex guidance of 19-20% of revenue. By asset type, access comprised 62% of total spending, followed by core network at 15% and the remaining 23% was for support systems.

Imri Mokhtar, Acting Group Chief Executive Officer, TM said: “We continue to face various headwinds from competitive market dynamics. Nonetheless, we held revenue steady over the quarter, and saw our cost reduction initiatives bearing fruit, by recording improved operational performance for QoQ and YoY.

However, in light of the continued pressure from industry and market challenges and its impact on our revenue thus far, we have taken a prudent view, by undertaking the impairment of our network assets – this resulted in close to a RM1.0 billion impairment loss this quarter.”

“The operational improvement in 3Q2018 is testament to the Group’s commitment to the four (4) pillars of our Performance Improvement Programme (PIP 2018) - Revenue Uplift / Preservation, Sustained Profitability, Improved Cash Flow and Increased Productivity that will navigate us through these headwinds. We are rationalising our business, reducing operating costs and focusing our resources on the opportunities that will have the most impact,” Imri elaborated.

“We currently have 2.29 million broadband customers and our unifi customer base continues to grow at 1.26 million as at end of 3Q2018 as compared to 1.06 million as at the end of the corresponding quarter last year. In terms of convergence, we saw more customers moving up the value chain with having triple-play services and above, evidenced by our convergence penetration now at 48% of TM’s household penetration compared with 39% this time last year,” he added.

“We will continue to strengthen our products and services portfolio and we are stepping up how we aggressively compete in the market, with greater sales and Go-To-Market activities on the ground. We are also working hard to reach more customers with various fit-for-purpose technologies to ensure that everyone can have the benefit of higher broadband speeds and enhanced experience. On top of that, we also have continuous engagements with the Ministry and the regulator to work toward mutually beneficial outcomes - for an improved broadband experience and help build a more balanced and inclusive digital nation, whilst at the same time balancing the business sustainability of the Group and the interests of our other stakeholders.”

TM also announced a revised dividend policy which states that the Company intends to distribute yearly dividends of 40 to 60% from its PATAMI. Dividends will be paid depending on overall business and earnings performance, capital commitments, financial conditions, distributable reserves and other relevant factors. The dividend policy will take effect from the next dividend declaration.

“This is a matter of great importance to us. In light of the current operating landscape and after careful consideration of the potential impact on our earnings alongside our efforts to transform the Company to adapt thereto, the Board has determined the review of our dividend policy to support TM’s long-term strategic objectives.”

As Malaysia’s Convergence Champion, TM remains committed to fulfilling Malaysians’ digital and communication needs of all customer segments i.e., consumer, SME, corporate enterprises, public sectors, access seekers etc via our business clusters, unifi (consumer & SME), TM ONE (Enterprise and Public sectors) and TM Global (Global and Wholesale).

Prospects for the Current Financial Year Ending 31 December 2018

The recent industry challenges and market environment have had major impact to the overall revenue estimates and earnings of TM Group in the financial year. TM anticipates that the challenging environment will persist for both its retail and wholesale segments. In the midst of these challenges, TM will continue to focus towards strengthening performance of its core business and operations.

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