

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 2020.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/03/2020	31/03/2019	31/03/2020	31/03/2019
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	2,557.1	2,778.9	2,557.1	2,778.9
OPERATING COSTS				
- depreciation, impairment and amortisation	(583.6)	(560.4)	(583.6)	(560.4)
- net impairment reversal on financial and contract assets	1.5	5.3	1.5	5.3
- other operating costs	(1,670.3)	(1,741.9)	(1,670.3)	(1,741.9)
OTHER OPERATING INCOME (net)	21.4	22.9	21.4	22.9
OTHER (LOSSES)/GAINS (net)	(4.5)	0.8	(4.5)	0.8
OPERATING PROFIT BEFORE FINANCE COST	321.6	505.6	321.6	505.6
FINANCE INCOME	47.0	37.4	47.0	37.4
FINANCE COST	(131.7)	(129.4)	(131.7)	(129.4)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	(80.1)	18.0	(80.1)	18.0
NET FINANCE COST	(164.8)	(74.0)	(164.8)	(74.0)
ASSOCIATE				
- share of results (net of tax)	3.3	5.6	3.3	5.6
PROFIT BEFORE TAX AND ZAKAT	160.1	437.2	160.1	437.2
TAX AND ZAKAT (part B, note 5)	(19.5)	(136.3)	(19.5)	(136.3)
PROFIT FOR THE FINANCIAL PERIOD	140.6	300.9	140.6	300.9
ATTRIBUTABLE TO:				
- equity holders of the Company	152.5	308.3	152.5	308.3
- non-controlling interests	(11.9)	(7.4)	(11.9)	(7.4)
PROFIT FOR THE FINANCIAL PERIOD	140.6	300.9	140.6	300.9
EARNINGS PER SHARE (sen) (part B, note 11)				
- basic	4.0	8.2	4.0	8.2
- diluted	4.0	8.2	4.0	8.2

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/03/2020 RM Million	31/03/2019 RM Million	31/03/2020 RM Million	31/03/2019 RM Million
PROFIT FOR THE FINANCIAL PERIOD	140.6	300.9	140.6	300.9
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to income statement:				
- increase/(decrease) in fair value of investments at fair value through other comprehensive income (FVOCI)	2.8	(0.3)	2.8	(0.3)
- reclassification adjustments relating to FVOCI investments disposed	(0.3)	(0.1)	(0.3)	(0.1)
- (decrease)/increase in fair value of receivables at FVOCI	(0.2)	6.4	(0.2)	6.4
- cash flow hedge:				
- increase/(decrease) in fair value of cash flow hedge	57.2	(0.2)	57.2	(0.2)
- change in fair value of currency basis	(15.5)	(5.8)	(15.5)	(5.8)
- reclassification of foreign exchange (loss)/gain on borrowings	(41.9)	10.3	(41.9)	10.3
- fair value hedge:				
- decrease in fair value of fair value hedge	-	(1.9)	-	(1.9)
- currency translation differences				
- subsidiaries	#	54.2	#	54.2
- associate	(0.3)	(0.1)	(0.3)	(0.1)
Other comprehensive income for the financial period	1.8	62.5	1.8	62.5
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	142.4	363.4	142.4	363.4
ATTRIBUTABLE TO:				
- equity holders of the Company	154.3	370.8	154.3	370.8
- non-controlling interests	(11.9)	(7.4)	(11.9)	(7.4)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	142.4	363.4	142.4	363.4

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 2019)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	AS AT 31/03/2020 RM Million	AS AT 31/12/2019 RM Million
SHARE CAPITAL	3,699.0	3,698.6
OTHER RESERVES	(68.9)	(79.1)
RETAINED PROFITS	3,509.7	3,733.8
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,139.8	7,353.3
NON-CONTROLLING INTERESTS	(812.1)	(800.2)
TOTAL EQUITY	6,327.7	6,553.1
Borrowings	7,801.9	7,698.8
Lease liabilities	1,548.7	1,619.1
Derivative financial instruments	3.7	1.7
Deferred tax liabilities	1,429.7	1,424.1
Deferred income	1,713.0	1,744.1
Trade and other payables	81.9	82.4
NON-CURRENT LIABILITIES	12,578.9	12,570.2
	18,906.6	19,123.3
Property, plant and equipment	13,991.1	14,259.5
Intangible assets	494.4	493.2
Right-of-use assets	1,120.7	1,115.2
Associate	84.3	81.1
Equity investments at fair value through other comprehensive income (FVOCI)	139.8	139.8
Investments at fair value through profit or loss (FVTPL)	57.5	49.6
Receivables at FVOCI	273.9	268.0
Other non-current receivables	411.4	425.0
Derivative financial instruments	182.9	158.4
Deferred tax assets	41.1	18.5
NON-CURRENT ASSETS	16,797.1	17,008.3
Inventories	88.3	102.0
Non-current assets held for sale	0.6	0.6
Trade and other receivables	2,937.1	2,434.5
Contract assets	527.2	641.6
Contract cost assets	228.5	219.1
Receivables at FVOCI	14.6	14.3
Derivative financial instruments	114.8	95.6
Investments at fair value through other comprehensive income (FVOCI)	155.2	157.8
Investments at fair value through profit or loss (FVTPL)	5.9	6.0
Financial assets at fair value through profit or loss (FVTPL)	0.7	1.5
Cash and bank balances	4,605.8	4,918.4
CURRENT ASSETS	8,678.7	8,591.4
Trade and other payables	3,327.9	3,604.4
Contract liabilities	1,008.7	987.4
Customer deposits	288.6	298.0
Borrowings	1,046.7	1,034.3
Lease liabilities	291.9	295.8
Tax and zakat	228.8	256.5
Dividends payable	376.6	-
CURRENT LIABILITIES	6,569.2	6,476.4
NET CURRENT ASSETS	2,109.5	2,115.0
	18,906.6	19,123.3
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	189.6	195.3

(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 2019)

**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 payable for the financial year ended 31 December 2019 (part A, note 6)	-	-	-	-	-	-	-	(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 (part A, note 5)^	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 2019)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 period	-	-	-	-	-	-	-	308.3	(7.4)	300.9
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)	-	(0.3)	-	-	-	-	-	-	-	(0.3)
- reclassification adjustments relating to FVOCI investments disposed	-	(0.1)	-	-	-	-	-	-	-	(0.1)
- increase in fair value of receivables at FVOCI	-	6.4	-	-	-	-	-	-	-	6.4
- cash flow hedge:										
- decrease in fair value of cash flow hedge	-	-	(0.2)	-	-	-	-	-	-	(0.2)
- change in fair value of currency basis	-	-	-	(5.8)	-	-	-	-	-	(5.8)
- reclassification of foreign exchange gain on borrowings	-	-	10.3	-	-	-	-	-	-	10.3
- fair value hedge:										
- decrease in fair value of fair value hedge	-	-	(1.9)	-	-	-	-	-	-	(1.9)
- currency translation differences										
- subsidiaries	-	-	-	-	-	-	54.2	-	-	54.2
- associate	-	-	-	-	-	-	(0.1)	-	-	(0.1)
Total comprehensive income/(loss) for the financial period	-	6.0	8.2	(5.8)	-	-	54.1	308.3	(7.4)	363.4
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*	-	-	-	-	13.5	-	-	-	-	13.5
Total transactions with owners	-	-	-	-	13.5	-	-	(75.2)	-	(61.7)
At 31 March 2019	3,667.1	94.8	36.5	23.9	96.9	(352.9)	17.5	3,409.4	(732.3)	6,260.9

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

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL PERIOD ENDED	
	31/03/2020	31/03/2019
	RM Million	RM Million
Receipts from customers	1,876.0	2,618.7
Payments to suppliers and employees	(1,640.6)	(2,114.1)
Payment to suppliers for short term lease and leases of low value assets	(5.7)	-
Payment of finance cost	(88.7)	(119.5)
Payment of income taxes and zakat (net)	(27.9)	(34.8)
CASH FLOWS FROM OPERATING ACTIVITIES	113.1	350.3
Contribution for purchase of property, plant and equipment	1.9	25.5
Disposal of property, plant and equipment	1.3	5.3
Purchase of property, plant and equipment	(346.7)	(303.8)
Disposal/Maturity of current investments at fair value to other comprehensive income	13.8	14.7
Purchase of current investments at fair value to other comprehensive income	(8.0)	(14.8)
Purchase of long term investments	(10.4)	(3.4)
Disposal of non-current assets held for sale	0.2	-
Long term deposit	(8.3)	(8.3)
Repayments of loans by employees	10.5	18.3
Loans to employees	(13.2)	(16.7)
Interests received	42.9	32.5
Dividends received	-	3.0
CASH FLOWS USED IN INVESTING ACTIVITIES	(316.0)	(247.7)
Proceeds from borrowings	72.0	240.0
Repayments of borrowings	(79.1)	(175.0)
Repayments of lease liabilities	(129.3)	(134.2)
CASH FLOWS USED IN FINANCING ACTIVITIES	(136.4)	(69.2)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(339.3)	33.4
EFFECT OF EXCHANGE RATE CHANGES	8.0	3.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	4,786.1	2,756.5
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	4,454.8	2,792.9

(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 2019)

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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 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 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, 6, 14, 101, 108, 134, 137, 138 & IC Interpretations 12, 19, 20, 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.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

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

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

Effective for annual periods beginning on or after 1 January 2022

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 applicable new standards, IC Interpretation 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 2020.

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 2020.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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

During the financial period, the Company issued 100,300 new ordinary shares amounting to RM0.4 million pursuant to the vesting of shares from the Restricted Shares under the Long Term Incentive Plan (LTIP) granted to employees on 1 December 2016.

Details on 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 2019.

6. Dividends Paid

No dividends have been paid during the 1st quarter ended 31 March 2020.

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, subsequent to the quarter ended 31 March 2020.

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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 2020

Operating Revenue

	unifi>	TM ONE	TM Wholesale	Shared Services /Others^	Elimination	Total
Total operating revenue	1,124.9	960.0	509.3	106.4		2,700.6
Inter-segment @	(4.3)	(67.8)	(69.2)	(2.2)		(143.5)
External operating revenue	1,120.6	892.2	440.1	104.2		2,557.1

Results

EBIT	84.1	283.8	99.9	(130.1)	(11.6)	326.1
Other losses (net)						(4.5)
Finance income						47.0
Finance cost						(131.7)
Foreign exchange loss on borrowings Associate						(80.1)
- 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)

All amounts are in RM Million

1st Quarter Ended 31 March 2019	unifi ^{>}	TM ONE	TM Wholesale	Shared Services /Others [^]	Elimination	Total
Operating Revenue						
Total operating revenue	1,228.3	1,006.3	578.1	113.1		2,925.8
Inter-segment @	(3.0)	(60.3)	(82.2)	(1.4)		(146.9)
External operating revenue	1,225.3	946.0	495.9	111.7		2,778.9
Results						
EBIT	203.1	263.9	116.3	(87.7)	9.2	504.8
Other gains (net)						0.8
Finance income						37.4
Finance cost						(129.4)
Foreign exchange gain on borrowings						18.0
Associate						
- share of results (net of tax)						5.6
Profit before tax and zakat						437.2
Tax and zakat						(136.3)
Profit for the financial period						300.9

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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 financial year as well as comparatives includes 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 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 in line with business structure realignment involving the movement of Telekom Applied Business Sdn Bhd previously under Others cluster to TM ONE cluster and Customer Experience division from unifi cluster to Others cluster.

8. Material Events Subsequent to the End of the Quarter

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

The full extent and duration of the effect from the COVID-19 pandemic may not have materialised as at 31 March 2020. The Group continues to closely monitor relevant indicators which would influence the estimates used in arriving to the Group's reported financial results. As part of the review of subsequent event, the Group assess 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 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 2020.

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 31/03/2020 RM Million	As at 31/12/2019 RM Million
Property, plant and equipment: Commitments in respect of expenditure approved and contracted for	<u>2,150.6</u>	<u>2,412.9</u>
(b)	Group	
	As at 31/03/2020 RM Million	As at 31/12/2019 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>58.6</u>	<u>66.0</u>

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 26.15% 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 period ended		Corresponding outstanding balances as at	
	31/03/2020 RM Million	31/03/2019 RM Million	31/03/2020 RM Million	31/12/2019 RM Million
Sales and Receivables	200.7	154.3	163.4	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 year was RM78.0 million (YTD March 2019: RM68.2 million) with corresponding receivables of RM497.1 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 31/03/2020				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	0.7	-	-	0.7	1.5	-	-	1.5
Exchangeable Medium Term Notes*	-	-	-	-	-	-	-	-
Derivatives accounted for under hedge accounting	-	297.7	-	297.7	-	254.0	-	254.0
Investments at fair value through OCI	-	155.2	-	155.2	-	157.8	-	157.8
Investments at fair value through profit or loss	-	-	63.4	63.4	-	-	55.6	55.6
Equity investments at fair value through OCI	-	-	139.8	139.8	-	-	139.8	139.8
Receivables at fair value through OCI	-	-	288.5	288.5	-	-	282.3	282.3
Total	0.7	452.9	491.7	945.3	1.5	411.8	477.7	891.0
Liabilities								
Derivatives accounted for under hedge accounting	-	3.7	-	3.7	-	1.7	-	1.7
Total	-	3.7	-	3.7	-	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 period.

* This financial instrument is carried at fair value of nil.

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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 31/03/2020		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	8,848.6	9,604.6	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

1st Quarter 2020 vs 1st Quarter 2019

(i) Group Performance

Group revenue decreased 8.0% (RM221.8 million) to RM2,557.1 million compared to RM2,778.9 million recorded in the same quarter last year with declines in revenue for all lines of products.

The reduction in revenue, led to the Group recording lower operating profits before finance cost of RM321.6 million, a 36.4% (RM184.0 million) decrease from RM505.6 million recorded in the 1st quarter of 2019.

Consequently, Group profit after tax and non-controlling interests (PATAMI) decreased by 50.5% (RM155.8 million) from RM308.3 million to RM152.5 million.

(ii) Segment Performance

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Revenue decreased 8.4% (RM103.4 million) from RM1,228.3 million to RM1,124.9 million in the current quarter contributed by reduction in voice services due to lower usage from decrease in cumulative customer base whilst reduction in revenue from Internet and multimedia services was from the downward price adjustment exercise given to our Streamyx customers starting September 2019 onwards, as a reward for their loyalty.

Reduction in revenue and higher operating costs contributed to lower EBIT of RM84.1 million in the current quarter, compared to RM203.1 million in the corresponding quarter last year.

TM ONE

TM ONE recorded a 4.6% (RM46.3 million) decrease in revenue from RM1,006.3 million to RM960.0 million in the 1st quarter of 2020 mainly contributed by voice and data services, from lower cumulative customer base compared to a year ago.

Notwithstanding this, EBIT reported an increase of 7.5% (RM19.9 million) to RM283.8 million in the current quarter from RM263.9 million in the corresponding quarter last year, mainly contributed by lower operating costs.

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1. Review of Performance (continued)

1st Quarter 2020 vs 1st Quarter 2019 (continued)

TM Wholesale

Revenue for the current quarter decreased 11.9% (RM68.8 million) from RM578.1 million in 1st quarter last year to RM509.3 million mainly contributed by lower revenue from voice services due to lower international traffic exchange compared to last year's corresponding quarter. Operating cost was lower in the current quarter largely due to lower voice outpayment. Consequently, EBIT for the current quarter was RM99.9 million, 14.1% (RM16.4 million) lower than the RM116.3 million reported in the corresponding quarter last year.

2. Comparison with Preceding Quarter's Results

Revenue for the current quarter decreased 15.7% (RM477.0 million) to RM2,557.1 million from the RM3,034.1 million recorded in the 4th quarter of 2019, with lower revenue from all lines of products except for Internet and multimedia services.

Operating profit before finance cost however increased 188.7% (RM210.2 million) to RM321.6 million from RM111.4 million recorded in the preceding quarter which was affected by the recognition of a one-off fair value adjustment of RM233.7 million on Redeemable Exchangeable Medium Term Notes issued by a non-controlling shareholder of a subsidiary. This subsequently led to a RM203.6 million increase in Group PATAMI from a loss of RM51.1 million in the preceding quarter to a profit of RM152.5 million.

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3. Prospects for the Current Financial Year

The ongoing COVID-19 pandemic and the resulting movement restriction measures are expected to have a significant impact across all sectors of the economy. The Malaysian Gross Domestic Product (GDP) for 2020 is expected to range between -2.0% to +0.5%¹ whilst globally the growth projections were at -3.0%².

While there are many uncertainties as the crisis is still unfolding, TM is committed to maintain business profitability, leveraging on new avenues at the onset of a 'new normal' and adapting to the new challenges. The Group continues to monitor the current situation closely and will take appropriate actions accordingly to mitigate the impact of the pandemic on the businesses of the Group.

Befitting our role as the enabler of Malaysia's Digital Nation aspiration, we are committed to ensure that our network is always-on and available to customers, so they can stay connected, entertained, productive, informed and continue to be served during this unprecedented period. As part of our commitment to being a responsible and caring corporate, TM will do our best for the nation, cushioning the impact to the economy, our customers, employees and to those in need, as well as to ensure our services continue without interruption.

¹Bank Negara Malaysia, April 2020

²IMF World Economic Outlook: The Great Lockdown, April 2020

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 2020.

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The tax charge for the Group comprises:

	1st Quarter Ended	
	31/3/2020 RM Million	31/3/2019 RM Million
<u>Malaysia</u>		
Income Tax:		
Current year	40.9	90.1
Prior year	(5.9)	1.9
Deferred tax (net)	(16.7)	44.0
	18.3	136.0
<u>Overseas</u>		
Income Tax:		
Current year	#	(0.8)
Prior year	0.3	#
Deferred tax (net)	(0.3)	-
	#	(0.8)
Taxation	18.3	135.2
Zakat	1.2	1.1
Taxation and Zakat	19.5	136.3

Amount less than RM0.1 million

The effective tax rates of the Group for the current period and comparative are higher than the statutory tax rate primarily due to losses before tax from Webe Digital Sdn Bhd for which no corresponding tax losses nor deferred tax assets have been recognised at this juncture.

6. Status of Corporate Proposals

There were no corporate proposals announced and not completed as at the latest practicable date.

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

	As at 31/03/2020		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	9.9	16.2	17.5	16.0
Total Unsecured	1,036.8	7,785.7	1,016.8	7,682.8
Total Borrowings	1,046.7	7,801.9	1,034.3	7,698.8

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

Foreign Currency	As at 31/03/2020 RM Million	As at 31/12/2019 RM Million
US Dollar	2,492.2	2,369.6
Canadian Dollars	2.4	2.4
Total	2,494.6	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 current facilities and impact of foreign exchange retranslation for the financial period.

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8. Derivative Financial Instruments

(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 31/03/2020		Fair value as at 31/12/2019	
		Assets RM Million	Liabilities RM Million	Assets RM Million	Liabilities RM Million
1. <u>Interest Rate Swaps</u> (<u>IRS</u>)					
- more than 3 years	217.0	-	3.7	-	1.7
	217.0	-	3.7	-	1.7
1. <u>Cross Currency</u> <u>Interest Rate Swaps</u> (<u>CCIRS</u>)					
- less than 1 year	316.8	114.8	-	95.6	
- more than 3 years	310.5	182.9	-	158.4	-
	627.3	297.7	-	254.0	-
Total	844.3	297.7	3.7	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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The amount of gains/(losses) arising from fair value changes of derivative financial instruments for the current and cumulative quarters ended 31 March 2020 are as follows:

Derivatives (by maturity)	Contract or notional value RM Million	Fair value RM Million	Gains/(Losses) arising from fair value changes for the quarter RM Million
Financial Liabilities			
1. <u>Interest Rate Swaps</u> ⁽ⁱ⁾ - more than 3 years	217.0	3.7	(2.0)
Total	217.0	3.7	(2.0)
Financial Assets			
1. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱ⁾ - less than 1 year	316.8	114.8	19.2
- more than 3 years	310.5	182.9	24.5
Total	627.3	297.7	43.7

(i) Fair value hedges accounted for under hedge accounting.

(ii) 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 contracts is determined by comparing forward exchange market rates at the balance sheet date against its prevailing foreign exchange rates.

The Marked to Market (MTM) on the IRS is positive when the expectation of relevant future interest rate decreases and vice versa. The MTM on 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 2020:

	1st Quarter Ended	
	31/03/2020	31/03/2019
	RM Million	RM Million
Reversal of inventory write off and obsolescence	0.5	0.2
Gain on disposal of fixed income securities	0.3	0.1
Loss on foreign exchange on settlements and placements	(14.4)	(8.2)

10. Material Litigation

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

(a) Singapore Arbitration Centre (SIAC Arbitration No: 153 of 2020) Vodoke Pte Ltd vs TM

On 4 March 2020, TM received an official notification from the Registrar of Singapore 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 the following reliefs from TM:

- (a) an order that TM pays VPL the sum of USD 540,000 owing in respect of VPL’s invoice no. TM16090001 dated 1 September 2016 or alternatively, damages for failing to pay the full amount due under the initial order of 30,000 units of VPL’s “IPTV Package” in 2015;
- (b) an order that TM pays VPL reasonable damages, to be assessed, for its breach of clause 5.2 of the CA read with clause 1.1, which defines the term “Minimum Purchase Order”, and in clause 2.1, which defines the period of the CA. In this regard, an initial quantification of damages as a result of TM’s breach, is estimated to be in the region of USD 34 million;
- (c) an order that TM pays VPL reasonable damages including but not limited to damages for the loss of advertising revenue, such damages to be assessed, for its breach of clause 3.1 of the CA; and

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10. Material Litigation (continued)

(a) Singapore Arbitration Centre (SIAC Arbitration No: 153 of 2020) Vodoke Pte Ltd vs TM (continued)

(d) an order that TM pays VPL reasonable damages including but not limited to damages for the loss of advertising revenue, such damages to be assessed, for its breach of clauses 11.2 and 11.3 of the CA.

On 6 March 2020, TM filed its Response to the Notice of Arbitration to SIAC in response to VPL's Notice of Arbitration dated 21 February 2020.

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.

11. Earnings per Share (EPS)

	1st Quarter Ended	
	31/03/2020	31/03/2019
(a) Basic earnings per share		
Profit attributable to equity holders of the Company (RM million)	152.5	308.3
Weighted average number of ordinary shares (million)	3,765.7	3,757.9
Basic earnings per share (sen) attributable to equity holders of the Company	4.0	8.2

Basic earnings per share was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of issued and paid-up ordinary shares during the financial period.

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	1st Quarter Ended	
	31/03/2020	31/03/2019
(b) Diluted earnings per share		
Profit attributable to equity holders of the Company (RM million)	152.5	308.3
Weighted average number of ordinary shares (million)	3,765.7	3,757.9
Adjustment for dilutive effect of Long Term Incentive Plan (million)	27.7	21.1
Weighted average number of ordinary shares (million)	3,793.4	3,779.0
Diluted earnings per share (sen) attributable to equity holders of the Company	4.0	8.2

Diluted earnings per share for the current financial period 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 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.

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

No dividend has been recommended during the 1st quarter ended 31 March 2020 in respect of the financial year.

By Order of the Board

Rizani Hassan (LS0009520)
Secretary
Kuala Lumpur
20 May 2020