GCFO's Review

TM remained resilient and agile in responding to the strong headwinds of COVID-19, which continued to impact our customers, supply chain and stakeholder value across our operations. We witnessed encouraging progress in the first year of our three-year New TM Transformation Programme (New TM 2021-2023). We took decisive measures to optimise our business and exercised fiscal discipline, while also investing in our growth and transformation to meet our long-term business and nation-building aspirations. Despite the COVID-19 pandemic and other challenging conditions, we have been steadfast in our efforts, and I am pleased to report that 2021 has been a positive year for TM on multiple fronts.

Razidan Ghazalli
Group Chief Financial Officer

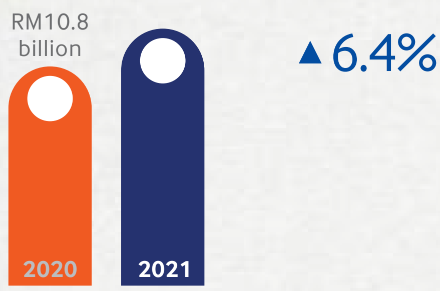
Through strong fundamentals and a dedicated *Warga TM*, we achieved a commendable performance against the higher guidance set. This includes improved topline growth in comparison to the previous year, which was continuously driven by unifi and TM Wholesale. With our value and transformation programmes in place across the Group yielding favourable results, the revenue momentum has pushed us to register consecutive years of EBIT growth. Our ability to achieve growth and continuously create value for stakeholders amidst a challenging landscape is a testament to how we are ready to enable a Digital Malaysia for a better future for all.

FINANCIAL PERFORMANCE

The Group's operating revenue increased 6.4% to RM11.5 billion from RM10.8 billion recorded during the financial year of 2020, with revenue increase from all lines of products apart from non-telecommunication services. The topline growth has raised our business profitability levels from the previous year. Our reported Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) improved by 11.7%, from RM3.9 billion in 2020 to RM4.3 billion in 2021, and our reported EBIT successfully met our guidance at RM1.7 billion, a 6.6% increase from the RM1.6 billion recorded last year.

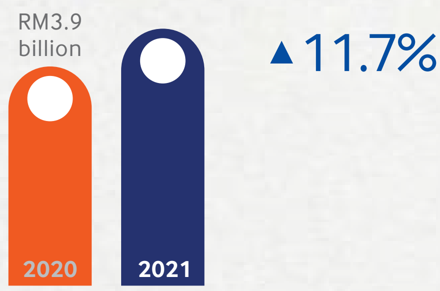
Revenue

RM11.5 billion



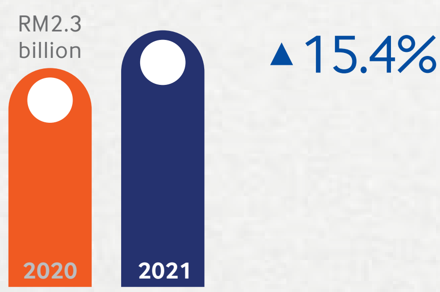
EBITDA

RM4.3 billion



Depreciation and Amortisation

RM2.6 billion



RM million	FY2020	FY2021	YTD
EBIT	1,604.7	**1,710.1**	6.6%
Net Finance Cost	344.6	**459.6**	33.4%
Profit Before Tax	1,278.5	**1,246.8**	-2.5%
PATAMI	1,016.0	**895.2**	-11.9%

However, higher net finance cost and tax charges resulted in an 11.9% decrease in PATAMI at RM895.2 million for 2021 compared to RM1.0 billion in the previous year. Nevertheless, the Group's operational efficiency improved YoY as the increase in operating costs was lower than the increase in revenue, notwithstanding the recognition of impairment loss and accelerated depreciation on our mobile assets.

unifi recorded a strong 10.3% increase in revenue from RM4.6 billion in 2020 to RM5.1 billion in the current reporting year. This increase is mainly attributed to the rise in the internet, mobile, voice and sales of devices, with an exceptional 19.1% increase in fixed broadband subscribers in 2021. Continuing cost optimisation initiatives and cautious monitoring of expenditures allowed unifi to sustain its increase in profits, recording a 64.7% increase in EBIT for 2021, at RM1.0 billion compared to RM613.0 million in the previous year.

TM Wholesale registered a revenue of RM2.5 billion in 2021, a 14.7% growth from RM2.2 billion in total revenue reported for 2020. This growth is due to higher revenue from both international and domestic market segments. Operating costs increased by 5.4% to RM1.5 billion, from RM1.4 billion in 2020, which is mainly attributed to higher direct costs. Correspondingly, this led to TM Wholesale's EBIT increase of RM80.5 million (22.6%) from RM356.4 million to RM436.9 million, representing a profit margin of 16.6% compared to the 15.4% recorded last year.

TM One's performance, however, faced challenges from the impact of the MCO. The LOB recorded a 4.1% decrease in revenue from RM3.7 billion to RM3.5 billion, mainly due to a decline in voice and internet services following termination, lower usage and bandwidth downgrade, coupled with the delays in Customer Projects due to the pandemic. This affected TM One's EBIT performance, which decreased by 10% to RM903.9 million from RM1.0 billion in the last financial year.

OUR FINANCIAL PRIORITIES

We began 2021 with a fresh financial guidance based on our current performance, which took into account the challenges in our operating landscape. For our topline, we projected a flat to low-single-digit revenue growth, anchored by improvements we saw on the retail front as well as our other LOBs. This, together with the success of the transformation value programmes and cost optimisation initiatives underway, provided the confidence to strive for an EBIT of more than RM1.7 billion by the end of 2021.

Our capital expenditure (CAPEX) spend, at RM1.7 billion or 14.7% over total operating revenue, was well within our market guidance. Out of the amount spent, 50.4% was for Access, 24.7% was made for Core Network, and the remaining 24.9% was for Support Systems. The spending is part of our commitment to investing in future growth by modernising our network and technology platforms to deliver the best experience for our current and prospective customers. Disciplined CAPEX prioritisation and procurement supported by network modernisation and new approaches to network roll-out enabled optimal CAPEX spending in 2021. This contributed to the improvement in the Group's Return on Invested Capital (ROIC) which grew to 9% from 8.4% in 2020.

Similar to our previous efforts in converting our copper-related assets to fibre cables, we are taking a proactive and prudent position to reflect the value of our mobile assets to better focus on future growth, as we prepare and position ourselves for 5G deployment.

Our robust working capital management continued to yield improvements in cost efficiencies for the major operational overheads. The focus was also on manpower optimisation and productivity improvements across the whole organisation which will result in future savings in manpower costs.

Our Free Cash Flow increased to RM2.2 billion due to higher EBITDA, contributing to the increase of receipts from customers during the year. Group ratios have also improved from the previous year, indicating enhanced returns and healthy financial standing for further growth.

We continuously seek to optimise capital allocation balancing the need for investment for future growth, funding for business requirements and maximising returns to shareholders. In 2021, we successfully completed the exercise of early redemption and paid in full the outstanding Sukuk under a RM2.0 billion Islamic Commercial Papers and Islamic Medium Term Notes programme, established on 5 April 2011.

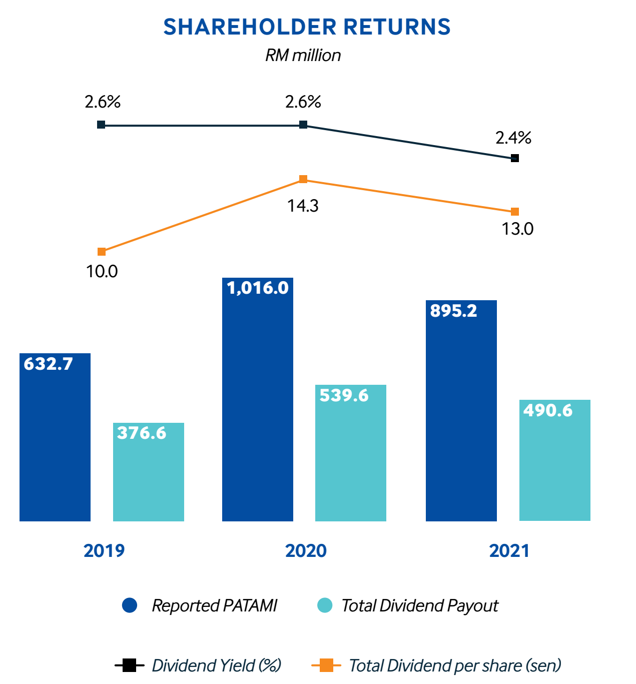
We maintained strong credit ratings from multiple rating agencies despite the challenging landscape. This demonstrated our financial strength and capacity to meet all our financial obligations.

RAM Rating Services	AAA
Moody's Investors Services	A3 (baseline credit profile "BAA1")
Standard & Poors (S&P)	A- (standalone credit profile "A-")

GENERATING SHAREHOLDER VALUE

Sustainable commercial growth remains a key priority for the Group. Our commitment to shareholders is to optimise their returns for the years to come. TM's dividend payments take into account continuous and rigorous internal assessment to ensure cash is preserved and are available to support the company's needs, particularly during a period of growth. Payout is based on performance and directly links Management's focus and shareholders' interests. We are committed to our dividend policy of 40% - 60% from reported PATAMI, subject to our other commitments and business circumstances.

For 2021, we declared a Final Interim Dividend of 6.0 sen per share with a payout amounting to RM226.4 million for the financial year of 2021. Following the first interim dividend declared in August last year, the total interim dividend for 2021 is 13.0 sen per share, with a total dividend payout amounting to RM490.6 million.



MOVING FORWARD

Despite the current uncertainties, the Malaysian economy is expected to gradually improve in 2022 from the worst wave of pandemic earlier. As the enabler of Digital Malaysia, we are steadfast in our efforts to realise the national digital aspirations and committed to supporting the Government's efforts to rebuild the economy post-pandemic.

	2022 GUIDANCE
Revenue Growth	Low to mid single digit growth
EBIT	More than RM1.8 billion
CAPEX/Revenue	Between 14% - 18%

With a refreshed 2022 financial guidance, we are ready to take on the new year and achieve new levels of growth. Our three (3) LOBs will continue to leverage the rising demand for digital products and services to deliver new and exciting value propositions to customers to deliver revenue growth. At the same time, we will stay on course to increase our EBIT with the continuation of our transformation value programmes, closely monitoring costs and increasing business efficiency, effectively rolling out our projects at the highest yield possible, including exercising prudent financial management.

We will continue to invest in long-term growth by optimising our CAPEX. This includes sweating our assets for maximum value, making strategic investments based on reasonable returns, improving our procurement process for more competitive pricing and diligent and targeted spending on business needs.

Finance will continue to play a key supporting role to ensure TM remains fundamentally sound to support business strategy and new growth areas in the digital services space. Adherence to financial best practices, optimised processes, and internal controls will continue as a key component of financial and corporate governance.

As we enter the second year of our transformation programme, the TM Compass will guide the Group in powering a digital nation by delivering excellence in customer experience, solutions and connectivity. We will channel financial capital into transforming the Group into a human-centred technology company, delivering innovative digital solutions and applications that enable multiple facets of society to adopt the digital lifestyle, thus driving Progress For All.