

A MESSAGE FROM OUR CHAIRMAN

Dear Stakeholders,

2022 has been a very good year for TM. We have achieved positive performance in multiple aspects of our business, with strong financial growth, infrastructure modernisation and expansion and notable progress in our journey. To ensure our future sustainability as a company, we have also made significant advancements in our transformation into a human-centred TechCo. With a clear understanding that the value of technology is only as good as the people it serves, we have dedicated ourselves to putting people at the centre of everything that we do.



Tan Sri Mohammed Azlan Hashim

Chairman

I am happy to share that TM remains on track with its nation building agenda, particularly in driving our vision of Digital Malaysia, empowering communities, businesses and the Government. We believe that our success as a company is deeply intertwined with the success of our nation and remain committed to playing our part in building a stronger, inclusive and prosperous Malaysia.

OVERVIEW OF THE YEAR

Rebounding from the pandemic-induced slowdown, our economy saw a robust growth of 8.7% in 2022. As borders reopened, Malaysians witnessed a surge in economic activities, contributing to the country's strong performance. However, despite the thriving local economy, the global economy experienced a slower growth rate of only 2.8% in the same year - a stark reminder of challenges that are far from over.

Our Malaysian telecommunications industry continued to experience strong growth in both fixed and mobile broadband subscriptions. As the digital lifestyle became the new normal, society began to realise the need to stay connected, thus transforming the way we work, live and play. As a result, the telecommunications industry witnessed continued growth in 2022, driven by unprecedented demand for digital connectivity and communications.

Our network expansion provides underserved communities with access to essential services such as banking, healthcare and education, greatly improving their quality of life





Against this backdrop, the Malaysian Government has been advocating better connectivity, coverage and quality, resulting in the launch of the Digital Economy Blueprint and JENDELA initiatives. Under the Government's plans, we saw rapid increase in the coverage of 5G across the country. To date, it has already reached 15 million Malaysians across almost 4,000 sites, paving the way for a plethora of opportunities from job creation to economic growth. Through these initiatives, Malaysia is truly on its way to become a strong digital player in the region, driving innovation and development.

BUILDING A BETTER FUTURE FOR MALAYSIA

As a GLC, we remain fully committed to nation building and creating a better future for all Malaysians. Our primary role is to drive the country's sustainable and inclusive development through connectivity and technology, benefiting all segments of society. We are a strategic enabler and main partner of the Government's digital endeavours, including the JENDELA programme that aims to bridge the digital divide in Malaysia. In 2022, we equipped more than 500,000 households and premises with fibre Internet access, against a target of about 355,000 under the JENDELA initiative. Our network expansion provides underserved communities with access to essential services such as banking, healthcare and education, greatly improving their quality of life.

We are also helping to propel Malaysia towards a smarter and more connected future. Our focus on 5G and emerging technologies is the driving force behind the creation of smart cities that will revolutionise people and businesses. We have made significant progress in the implementation of 5G network fibre backhaul across the country. Our work in creating smart cities will not only transform the way we interact with technology but will also bring about significant growth and job opportunities created by the digital economy. Through our delivery of cost-effective connectivity and innovative digital solutions, we have empowered close to 400,000 SMEs – the backbone of our digital economy – across consumers, businesses and Government segments towards a more connected future.

In addition, connectivity and technological advancements can also be used to drive a greener, low-carbon economy. We are aligned with Malaysia's Green Technology Master Plan and are driving digital solutions that eliminate energy wastage while reducing resource consumption. Our KL, Cyberjaya and Johor Bahru data centres have successfully secured the Green Electricity Tariff (GET) from Tenaga Nasional Berhad (TNB), to provide Malaysian consumers with the option of using green electricity from renewable energy supply. This is consistent with the Government's initiatives in achieving net zero Greenhouse Gas (GHG) emissions for the country by the year 2050.

The Malaysian Government launched the Digital Economy Blueprint and JENDELA initiatives to improve connectivity, coverage and quality.

Equipped more than 500,000 households and premises with fibre Internet access, surpassed target of 355,000 set under the JENDELA initiative.

Supports Malaysia's Green Technology Master Plan and promote digital solutions that reduce resource consumption and eliminate energy wastage.

The Board has declared a total dividend of **16.5 sen per share**, with a total payout amounting to **RM627.5 million**





Our strong foundation in sustainability has enabled us to **build a sustainable business** while creating value for our stakeholders

STRONG GOVERNANCE AND LEADERSHIP

Corporate governance is the foundation of our long-term success. TM's Board of Directors are committed to upholding the highest standards of corporate governance and ensuring that decisions and actions are always in the best interest of our stakeholders. Throughout the year, the Board continued to strengthen the Management Team to address market challenges, unlock new opportunities and drive TM's transformation.

At the same time, we continued to ensure that the Board remained well-equipped to lead in the rapidly changing landscape, which is critical to the business sustainability. To future-proof the Board, we invested in the knowledge and expertise of members through Board Training Programmes. Programmes include external training by domain experts and knowledge sharing sessions on new growth areas with subject matter experts, covering topics such as Business Sustainability, Performance Management, Risk Management, Corporate Governance and ESG, among others. By equipping and enhancing the Board's knowledge, we are confident in navigating the dynamic business environment and deliver value to stakeholders.

CREATING VALUE FOR OUR STAKEHOLDERS

As both a PLC and GLC, TM plays a crucial role in serving a range of stakeholders. We understand that maximising shareholders' value is vital, but we also remain dedicated to fostering the development of Malaysia's economy and nation building initiatives. At the heart of TM's success is the commitment to making life better for our customers, employees, shareholders and the community at large. To this end, we have enhanced our digital platforms with self-serve features that enable customers to engage with us safely and seamlessly. As we serve our customers, TM continues to prioritise the well-being of our employees, implementing flexible work arrangements to optimise their productivity by intensifying the deployment of digital tools and applications to further facilitate their service delivery to the customers.

TM's value creation efforts are extended to local communities, as shown by our prolonged support for the Malaysian Emergency Response Services (MERS) 999 and active involvement in myriad disaster emergency response efforts nationwide. We have also reached out in support of the various affected communities through Yayasan Telekom

Malaysia (YTM). In our latest initiative, YTM collaborated with Istana Negara for YTM-Istana Negara Community-Based Disaster Risk Reduction and Management (CBDRRM) programme, aimed at empowering communities, especially for women and children, as well as building community resilience during disasters by equipping them with the necessary knowledge and skills for disaster preparedness. In YTM's transformation towards becoming a more social impact-based foundation, it continues to dedicate significant resources to ensure Malaysian students of all backgrounds, especially those from low-income families, have equal access to education and development programmes. Our scholarships and financial assistance have benefitted more than 1,400 upper secondary students and over 500 undergraduate students studying in higher education institutions locally and abroad throughout 2022.

To ensure growth for long-term shareholder value, TM considers various factors, including business and earnings performance, capital commitments, financial conditions, distributable reserves and other relevant aspects that influence our ability to generate sustainable value. We are committed to distributing yearly dividends of 40% - 60% of Profit After Tax and Non-Controlling Interests (PATAMI). For this financial year, the Board has declared a total dividend of 16.5 sen per share, with a total payout amounting to RM627.5 million.

INTEGRATING SUSTAINABILITY INTO TM

At TM, we believe in the power of sustainability. Our strong foundation in sustainability has enabled us to build a sustainable business while creating value for our stakeholders. Moving forward, we are committed to accelerating our sustainability journey with bold aspirations.

We firmly believe that progress should benefit all Malaysians and no one should be left behind. This tenet guides our sustainability efforts as we commit to ensuring 100% of mega suppliers comply with our ESG practices by 2024, deliver at least 70% of all premises nationwide with access to high-speed Internet by 2025 and achieve net zero emissions by 2050. As of 2022, I am proud to report that we are on track to achieving these ESG commitments as shown in the Sustainability scorecard section of this report.

We have also achieved a key milestone this year by embedding sustainability-related KPIs across various divisions responsible for achieving our ESG commitments. This highlights our commitment to strong governance and accountability in our sustainability decisions and performance.

Through our determination in driving sustainability, we have maintained our 4-star FTSE4Good Bursa Malaysia rating. We have also seen improvements in other ESG ratings, including the FTSE Russell ESG score rising from 3.1 to 3.6 in 2022 and the CDP rating upgrade to 'B' from 'C' and 'A-' from 'B-' for the CDP SER last year, both above the industry average. Furthermore, we continue our efforts to integrate sustainability into our culture, to ensure we are well-positioned to meet the evolving expectations of investors and other stakeholders, consequently strengthening our aspiration as a responsible human-centred TechCo. In the area of governance, we continue to uphold transparency, disclosure and zero-tolerance to all forms of corruption, receiving the Gold Category in the recent Integrity, Governance and Anti-Corruption Award (AIGA) 2022. This is a testament to TM's ongoing efforts towards becoming one of the most trusted companies in Malaysia.

CORPORATE TRANSFORMATION

In 2022, TM announced plans to reorganise the company as part of a three-year transformation plan (2021-2023). This move will see a consolidation of our core businesses in Malaysia into a single operating entity named TM Technology Services Sdn Bhd. It will enable us to realign and refocus the business and operations for resilience and efficiency which will help us face new challenges and stay ahead in the digital era.

As our workforce begins to integrate within this new operating entity, all our employee functions, entitlements and benefits will remain unchanged. In fact, we believe that this new setup will unlock greater potential for innovation and more agile ways of working, strengthening the workforce while building a greater competitive advantage for the Group.

This reorganisation is aimed at fortifying TM's role as we advance the country's digital transformation agenda and enable us to serve our customers in a more cohesive manner. Beyond TM's growth, this transformation marks a new milestone in our continuous journey of innovation, while remaining anchored to our purpose of enabling digital inclusion, opportunities and progress for all.

At the same time, the Board also established Credence, a cloud and digital services company whose objectives include delivering solutions and capabilities in cloud, data, Software as a Service (SaaS) and services to enterprises and the public sector. Credence is tasked to help these organisations better understand and speed up their digital transformation journey with better value and lower risk.

OUTLOOK

We anticipate a global economic slowdown in 2023, which is expected to have an impact on the telecommunications industry. Additionally, there will likely be an increase in the cost of doing business. However, we remain confident in our ability to navigate these challenges by focusing on greater efficiency and productivity.

We are cognisant of the need for continuous innovation in order to remain competitive in the face of these challenges. Our ability to evolve and adapt has been instrumental in our success thus far and we remain committed to exploring new opportunities and staying ahead of the curve.

Regulatory developments will have a significant impact on our business in the

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upcoming year. We hope to see a balanced approach that avoids unnecessary consequences while continuing to deliver cheaper rates and better services to the *Rakyat*. We will continue to monitor these developments closely and adapt quickly, as needed.

In terms of competition, we anticipate a more challenging commercial landscape in 2023. We must anticipate potential changes in the 5G scenario and prepare accordingly. We also expect new challenges with regard to the 2023 Mandatory Standard on Access Pricing (MSAP). However, we see a strong growth potential in fixed-mobile convergence (FMC) arena, particularly in mobile and we believe that digitalisation will be crucial for MSMEs and businesses in 2023 and beyond. We also recognise that there are other areas that will be worth venturing and developing, such as cyber security, content delivery networks (CDN) and data centres (DCs), which we will continue to invest in as part of our growth opportunities.

We are aware that there will be more challenges ahead, but we remain very optimistic of our ability to adapt and

succeed. We will continue to innovate, evolve and stay focused on our commitment to delivering value to our stakeholders.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to take this opportunity to acknowledge and express our gratitude to all our stakeholders and in particular, our regulator, Malaysian Communications and Multimedia Commission (MCMC) for their unwavering support towards TM.

I would particularly like to extend a warm welcome to Y.B. Fahmi Fadzil, the new Minister of Communications and Digital and Tan Sri Mohamad Salim Fateh Din, the new Chairman of MCMC. We look forward to working together and providing our full support in bringing the industry to greater levels of service for the benefit of all.

Thank you to our shareholders for their continued trust and confidence in TM. As we progress with our nation building agenda, we will stay true to our promise of delivering sustainable returns for the years to come.

I also want to express my appreciation to our business partners, vendors and suppliers for their unwavering commitment to TM despite the challenges faced. We look forward to a stronger collaboration and partnership in the future.

To our dedicated and steadfast *Warga TM*, thank you for keeping TM moving and delivering positive results, even when faced with unprecedented challenges. We recognise that change may be daunting, but it is also essential for progress. We sincerely appreciate your support for the company's reorganisation as we transform into a human-centred TechCo.

Last but not least, thank you to our loyal and faithful customers. Our success as a company is deeply rooted in our ability to consistently meet and exceed your expectations and we are committed to continuing to provide you with our best service always.

While there is still much work to be done, we are excited about the opportunities ahead. Once again, thank you for your support and dedication to our aspiration of shaping a Digital Malaysia that will empower our communities, businesses and the Government.

Tan Sri Mohammed Azlan Hashim
Chairman

TM Technology Services Sdn Bhd will enable us to realign and refocus our business and operations for resilience and efficiency which will help us face new challenges and stay ahead in the digital era



MESSAGE FROM GCEO

Dear Stakeholders,

2022 was the second year of our transformation programme that started in 2021 and we are delighted with the momentous progress we've seen for the year. We maintained a positive growth momentum in profitability for the year and accelerated our nation building efforts.



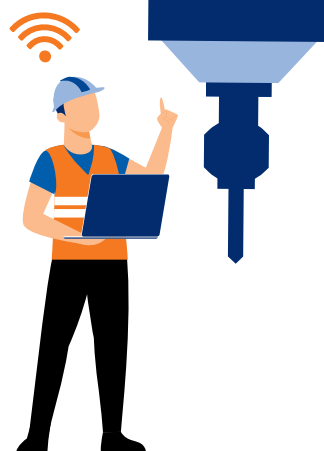
Our performance is a testament to how businesses can be a force for good. As a PLC, we continued to record financial strength and deliver robust shareholder returns, greatly exceeding our market guidance. As a GLC, our work goes beyond commercial success. We uphold our role in contributing to nation building and we are committed to fulfilling this responsibility. Every decision we make revolves around how we create value for our stakeholders and contribute to the development of Malaysia and the *Rakyat*.

This commitment has underscored our transformation into a human-centred TechCo. As we pivot the company towards new levels of commercial success through technology, we remain committed to putting people at the core of our agenda. Our customers, employees, business partners, Government and the *Rakyat* will always be at the forefront of our decisions. Therefore, I am pleased to share my assessment of the year and how we continue to accelerate and expand our nation building efforts while delivering value for all our stakeholders.



Dato' Imri Mokhtar

**Managing Director/
Group Chief Executive Officer**





REVIEW OF THE OPERATING LANDSCAPE

The Malaysian economy recorded a growth of 8.7% in 2022, a significant increase compared to 3.1% the previous year. This growth is due to the continued surge of domestic demand, a firm recovery in the labour market, expansion across all economic sectors and ongoing policy support. However, Malaysian businesses also faced challenges due to the weakening Ringgit and the increase in inflation driven by global impact, demand conditions and elevated cost pressures. These factors pose a challenge to TM, as customers adopt more measured spending to account for inflation.

The corporate landscape has undergone a significant transformation, largely due to the evolving use of technology by Enterprises. With the advent of cloud computing, data analytics and artificial intelligence (AI), more and more businesses are turning to technology to improve their operations and gain a competitive advantage. This convergence has led to a blurring of industry lines, as companies in telecommunications and technology are now competing for the same customers. On the back of this new landscape, existing players are investing heavily in technology to remain relevant while new players are entering the stage with disruptive business models. This has resulted in a more dynamic and fast-paced environment, where companies must be agile and innovative to stay ahead.

OUR BUSINESS: DELIVERING PROFITS WITH PURPOSE

TM's topline results in 2022 are at an all-time high (since the 2008 demerger), with all lines of our business (Unifi, TM One and TM Global) improving their revenue performance compared to the previous year. With our transformation programmes continuing to remain in place, our cost efficiency has improved from 2021 and this has pushed us to register notable double-digit profitability achievements for both EBIT and PATAMI in 2022.

Our FY2022 EBIT grew 22.2% to RM2.09 billion from RM1.71 billion previously, driven by strong revenue growth and improved cost efficiency. PATAMI rose to RM1.14 billion from RM0.90 billion, up 27.7% through higher operating profit and lower financing costs.

Following the pace of our transformation and market demand, we have accelerated our CAPEX for FY2022, investing approximately RM2.4 billion or 20% of our operating revenue. This exceeded our earlier guidance, but it was a necessary investment for our future business growth. Notably, this is also our highest CAPEX investment since 2017, a testament to our commitment to digitising the nation and enabling better customer experience with attractive value propositions.

In addition, we have improved our cost efficiency in which the percentage of total cost to revenue is lower at 83.9% for the current year as compared to 86.5% in FY2021.

As a result of our strong performance, our market capitalisation stood at RM20.63 billion in 2022. We are excited to continue our growth trajectory, building on these successes to drive value for our customers, shareholders and other stakeholders.

For our shareholders, we declared a Final Interim Dividend of 7.5 sen per share amounting to RM286.6 million, with a total dividend of 16.5 sen per share amounting to RM627.5 million for the financial year 2022, which is the highest total distribution since our dividend policy revision in 2018. We remain committed to promoting excellence in all areas of our business while prioritising growth and investment in new areas of opportunity.

TM's topline results in 2022 are at an all-time high (since 2008), with all lines of our business improving their revenue performance compared to the previous year.

TM's cost efficiency has improved to register notable double-digit profitability achievements for both EBIT and PATAMI in 2022.

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Reinforcing Our Leadership in Convergence Services

Unifi maintained its position as a convergence leader and surpassed its three (3) million subscribers milestone for fixed broadband. The growth was driven by aggressive sales, promotions and retention programmes. Unifi TV also contributed to overall revenue growth, with enhanced channel offerings of 17 streaming apps partners and 72 premium channels – boasting the nation's largest selection of streaming content.

Similarly, Unifi Business maintained its growth momentum, recording a significant increase in SME digital adoption from over 30,000 customers in 2021 to more than 75,000 in 2022. This reflects Unifi's ongoing efforts in supporting SMEs' growth through digital.

Furthermore, the launch of 5G has levelled the playing field and enabled Unifi Mobile to take the lead in FMC offerings. Our mobile arm provided differentiated features beyond connectivity, including lifestyle devices and digital solutions that improved the lives of customers.



A Comprehensive Suite of Integrated Digital Services

TM One has taken a proactive approach to meet the increasing demand for digital solutions and hybrid cloud services for enterprise and public sector digital transformation. The launch of its 5G Sphere Programme is a significant step forward, as it partners with Malaysia's leading technology and smart solutions providers to create an ecosystem that supports innovation and transformation in enterprises through 5G technology.

It is an honour for TM One to be selected as the only home-based cloud operator to receive the prestigious Cloud Service Provider (CSP) award, as announced by the Government. This award reflects the trust and confidence in our ability to enable Smart Cities, Smart Communities and Smart Government solutions.

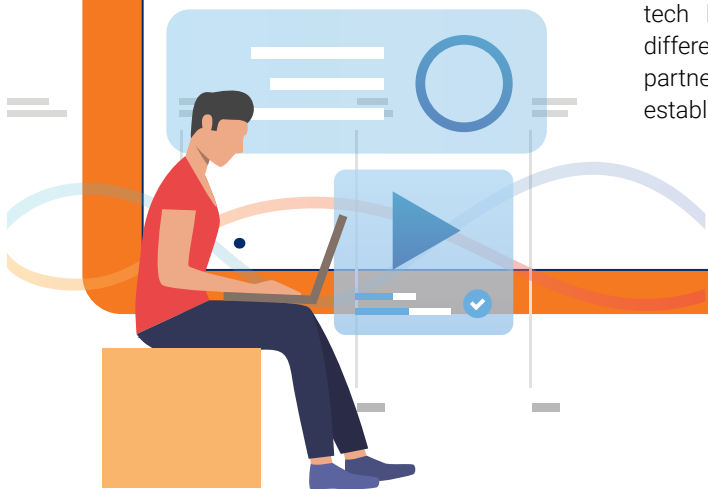
In response to the growing demand of cloud and digital adoption by companies, we established Credence, to drive greater levels of digital capabilities and solutions for our customers in the enterprise and the public sector to empower their digital transformation journey. Credence as TM's new cloud and digital services company stands out from other tech leaders by offering unique and differentiated offerings through strategic partnerships while leveraging on TM's established customer relationships.



Positioning Malaysia as ASEAN's Digital Hub

Building from its strong performance last year, TM Global posted a revenue growth from its solid partnership expansion with domestic and international customers. Domestically, almost 4,000 5G sites were deployed. TM Global also continued to advocate open access with domestic telcos, delivering the most rapid and cost-effective network deployment nationwide.

In the international market, TM Global remained focused on positioning Malaysia as the preferred digital hub for the ASEAN region by expanding its digital infrastructure solutions and establishing strategic collaborations with hyperscalers and global service providers. TM Global has more than 90 in-country cache nodes presence, which boosts content delivery into ASEAN and the rest of the world via its cloud-based content delivery platform. The collaboration with e-Sport and gaming providers further diversified our range of edge services in providing a superior gaming experience in the region.



GEARING UP TOWARDS BECOMING A HUMAN-CENTRED TECHCO.

TM's transformation from a Converged Telco to a human-centred TechCo represents an exciting shift in our business that will enable us to provide greater value to our customers, stakeholders and the nation. This transformation will also enable us to remain sustainable and competitive. Our transformation strategy is rooted in pursuing new growth opportunities and is essential to balancing our responsibilities as a PLC and GLC, generating sustainable returns to shareholders while contributing to building a Digital Malaysia.

In the second year of our transformation strategy, we have achieved remarkable progress under each of the following strategic pillars:



Our Purpose: Building a Better Malaysia

As a committed partner to the Government-led JENDELA programme, we are working tirelessly to bridge the digital divide and promote inclusivity in Malaysia through our nationwide fiberisation efforts. We aim to provide high-quality broadband coverage that contributes to social progress and empowers a Digital Malaysia. To this end, we have recently launched the Pakej Perpaduan Jalur Lebar, which offers more affordable and unlimited fixed broadband to B40, the elderly, OKU and army-police veterans.

We are excited to announce our commercial arrangement with Digital Nasional Berhad (DNB), through which we subscribed to

DNB's 5G wholesale services. With 5G, we will be able to accelerate our convergence offerings to our growing home and SME customers, including micro-enterprises. Additionally, 5G will bring next-generation solutions to industry verticals such as oil & gas, manufacturing, smart cities, industries, healthcare and agriculture, benefiting our 10,000 enterprise and public sector customers. Through our connectivity and technology solutions, we are committed to meeting the dynamic and growing needs of communities, enterprises and the nation.

In addition to building a Digital Malaysia, we are committed to creating positive

environmental and social outcomes through sustainable practices. We are proud to have received an outstanding ESG achievement rating of 4-stars from FTSE4Good Bursa Malaysia while seeing improvements in the FTSE Russell ESG score from 3.1 to 3.6 and the CDP rating upgrade to 'B' from 'C' and 'A-' from 'B-' for the CDP SER last year, where both are above the industry average. All these achievements reflect our commitment to sustainability and responsible business practices. As a company, we remain dedicated to contributing positively to the growth and development of Malaysia.



Our Customers: Creating Value and Seamless Experience

At the core of our business is our commitment to our customers. In 2022, we continued listening to our customer feedback and insights, improving our approach to deliver new value propositions to our customers, ensuring the best experience in areas that needed the most attention.

For our Unifi consumer and SME segments, we empowered our customers by introducing features of self-diagnostics, troubleshooting, choice of transactions and appointment setting for installations, restorations and service checks through our MyUnifi app. Now, our customers can schedule appointments at their convenience.

Using data, predictive analytics, robotic processing software applications, TM began to proactively manage service failures (in consumer, as well as enterprise segments) even before it happened and our customers were also prompted when selected proactive fixes were made and managed directly from our network.

TM continued to strengthen its Unifi mobile experience while building differentiated customer experience. We began by step-by-step elevation of our touchpoint experience across retail and contact centre. We did this through solutions that provide our customers personalised digital experiences.

Throughout 2022, we have kept a close eye on the progress of our customer experience journey using Net Promoter Score (NPS) and we were heartened by the continuous and steady growth in the level of satisfaction by our customers across all our areas of business from consumers, SMEs and corporates.

We declared a Final Interim Dividend of **7.5 sen per share** amounting to RM286.6 million, with a total dividend of 16.5 sen per share amounting to RM627.5 million for the financial year 2022





Our People: Future-Proofing Our Workforce

We are proud of our strong team of over 19,000 *Warga TM*, who are the execution engine of our transformation. Our goal as an employer is to create a work environment that prioritises the health and well-being of our employees. Throughout the year, we introduced various measures to promote work-life balance, such as flexible working arrangements that allow our team to work from anywhere with prior arrangements by supervisors. We also have a 360°-well-being programme in place to promote mental health and improve their working experience.

To ensure that our employees are future-ready, we offer a range of development programmes that are designed to equip

them with the skills and knowledge they need to succeed in an ever-changing landscape. Our leadership programmes focus on developing the next generation of leaders within the organisation, providing them with the tools and skills they need to lead and inspire others. We also offer future skills programmes that focus on emerging technologies and trends, such as AI, data analytics and cyber security.

In addition to technical skills, we also place a strong emphasis on developing the right culture and mindset within our workforce. Our culture/mindset programmes focus on areas such as teamwork, innovation and agility, helping our employees to develop the

right mindset to thrive in a fast-paced and rapidly evolving environment.

Our continuous commitment to creating an inclusive and performance-driven working culture has led to TM maintaining our industry leadership as the Employer of Choice, with various awards and accolades received in 2022. These include Best Companies to Work For in Asia 2022 by HR Asia Magazine; Most Preferred Employer Award by GRADUAN Brand Awards 2022; Telecommunication Sector Winner 2022 by Malaysia's 100 Leading Graduate Employers; and Contribution to Organisation Category Winner by Asia HRD Awards 2022.

LOOKING AHEAD

The Malaysian economy is expected to have moderate growth of 4.0% amidst a challenging external environment in 2023, as exports to major markets slows. The economy is expected to face challenges from rising cost of living with inflation at elevated levels, affecting the purchasing power of consumers and businesses. Our telecommunications industry will continue to grow from innovative technologies and convergence offerings that redefine service providers' businesses and from rising adoption of smart devices, digital lifestyle as well as expansion of digital connectivity.

TM will continue to execute its plans to fiberise the nation to deliver our commitment in the Government-led JENDELA programme, as we continue to invest in commercial growth and sustainability. As one of the leading nation building partners of Malaysia, TM is uniquely positioned to bring greater impact to more diverse communities. This is aligned with our aspiration to empower an inclusive Digital Malaysia, as we continue to support the Government's aim to bring hyperconnectivity to targeted communities and elevate the digital economy.

Throughout 2023, TM will continue to invest and strengthen its core business and secure new growth areas beyond connectivity. To improve TM's competitive edge, we have embarked on an internal reorganisation involving the transfer of its telecommunication business in Malaysia to a single operating entity, TM Technology Services Sdn Bhd. The internal reorganisation which includes Unifi, TM One and TM Global, will reinforce TM's FMC position, further improve operational efficiencies and deliver a more seamless customer experience.

ACKNOWLEDGEMENTS

On behalf of TM, I would like to express my heartfelt gratitude to each and every one of you for your unwavering support, commitment and loyalty. Without your dedication and collaboration, we would not have achieved the success we have today.

Firstly, I would like to extend my sincerest thanks to our Board of Directors. Your continued guidance and support has been a source of great motivation and inspiration for all of us at TM, in shaping our organisation and helping us achieve our goals. Your unwavering commitment to TM's vision and mission has been the driving force behind our success and we are grateful for your continued trust and confidence in our team.

Secondly, I would like to express my appreciation to all *Warga TM*. Your strong commitment and hard work have been exemplary, especially in these challenging times, as we continue to adapt to new ways of working. Your dedication and resilience have helped us maintain our operations and services and we are proud of the exceptional work you have done. Your contributions are vital to our success and we recognise your efforts and achievements.

Finally, I would like to thank all our stakeholders, including our customers, shareholders, investors, suppliers, Government, regulators and the community at large. Your unwavering support and loyalty have been the cornerstone of our success. Your feedback, suggestions and trust have helped us grow and progress on our journey in shaping a Digital Malaysia.

Dato' Imri Mokhtar

Managing Director/Group Chief Executive Officer

GCFO'S REVIEW

Dear Stakeholders,

2022 has been a significant financial year for the Group. We achieved our higher revised revenue guidance with strong profitability growth, driven by continuous customer growth for all business segments. Our performance is due in part to our ability in adapting to the changing business landscape and taking advantage of new opportunities. Additionally, we have continued to invest in our operations, improving efficiency and reducing costs wherever possible.



Razidan Ghazalli

Group Chief Financial Officer

These investments have helped us optimise our operations and improve our cash position from the previous year. As a result, we were able to deliver substantial returns to our shareholders, develop innovative and sustainable solutions and position ourselves for continued growth towards realising our Digital Malaysia aspirations.



FINANCIAL STRATEGY

Revenue Growth

Strengthen our core and continue to invest in growth opportunities

Cost Optimisation

Implement cost optimisation programmes across our operations to improve cost efficiency

Debt & Capital Management

Identify opportunities to improve our credit strength, liquidity and solvency



The strong revenue growth along with an improvement in our cost efficiency ratio, resulted in a 22.2% (RM380.1 million) increase in EBIT



5.1%
Growth**Revenue**

FY2022 Achievement

RM12,118.1
million

FY2021 Achievement

RM11,529.0 million

22.2%
Growth**EBIT**

FY2022 Achievement

RM2,090.2
million

FY2021 Achievement

RM1,710.1 million

27.7%
Growth**PATAMI**

FY2022 Achievement

RM1,143.3
million

FY2021 Achievement

RM895.2 million

PERFORMANCE IN 2022

For the financial year under review, the Group is focused on defending core revenue while investing in future growth areas. During the year, the Group's operating revenue increased by 5.1% (RM589.1 million) to RM12,118.1 million from RM11,529.0 million recorded during the previous financial year. The revenue growth was primarily due to the increase in data services, voice, Internet and non-telecommunication services.

The strong revenue growth along with the continued cost optimisation efforts resulted in a 22.2% (RM380.1 million) increase in EBIT, reported at RM2,090.2 million compared to RM1,710.1 million in 2021.

Although dampened by the higher effective tax rate from Cukai Makmur in 2022, the higher EBIT and lower financing cost led to a 27.7% (RM248.1 million) increase in the Group's PATAMI for the year, which stood at RM1,143.3 million from RM895.2 million in the previous year.

Our strong financial performance was driven by revenue growth across all our Lines of Business:

- **Unifi** recorded a strong 7.5% (RM393.5 million) increase in revenue which was RM5,610.8 million during the current year ended compared to RM5,217.3 million in 2021. The increase in Internet and voice services revenues is reflective of a continuous and stable growth trajectory for Unifi fixed broadband subscriber base throughout the 12 months, landing at 3.0 million customers at the close of the year, a 9.3% (0.3 million) increase from last year. Additionally, a decrease in operating cost against the higher revenue led to a 26.9% (RM293.3 million) increase in EBIT to RM1,382.3 million compared to RM1,089.0 million in the previous year.
- **TM One** secured a full financial year revenue of RM3,335.9 million in the current year, a positive growth compared to RM3,319.5 million last year. The financial year 2022 also marks TM One's revenue improvement amidst a very competitive business landscape and after 6 years of challenging de-growth. Reported EBIT however declined by 22.2% to RM636.2 million in the current year from RM817.4 million in the previous year, mainly due to the general increase in supply costs from vendors and principals.
- **TM Global** registered a consolidated revenue of RM2,778.6 million by the end of 2022, a 7.8% (RM200.5 million) growth from RM2,578.1 million reported in the previous year, driven mainly by higher data services revenue. The increased revenue resulted in a RM18.0 million increase in EBIT from RM451.2 million in 2021 to RM469.2 million in the current year.

Another key factor in our improved bottom line has been our focus on managing costs. As part of our 3 years transformation plan, our ongoing groupwide cost optimisation initiatives continue to yield results.

For FY2022, total operating cost including depreciation and amortisation slightly increased by 1.9% to RM10.2 billion. Nevertheless, as the revenue growth for the year is at a higher rate, the cost efficiency, which was measured by the percentage of the total cost to revenue has improved from 86.5% in 2021 to 83.9% in the current year. The cost efficiency ratio has steadily declined in the last few years and is now at a record low.

Manpower and Operational costs have decreased by 1.1% and 3.4% respectively due to the effective execution of our cost optimisation initiatives. Direct cost increased as expected, in line with revenue growth during the year.



Depreciation was higher in 2022 due to the accelerated depreciation undertaken during the year-end review on the useful life of assets. We have taken the prudent approach in changing the useful life of our terrestrial fibre optic cables from 25 to 20 years, which is in line with current industry practice and we have also changed the useful life of some last mile elements from three (3) to two (2) years, which is also following the contract period our customers sign up for.

The Group wide programme on process simplification and digitalisation, along with utilising robotic process automation (RPA), also contributed to improving process agility. Together, all these efforts have resulted in a significant improvement to the cost efficiency, which has contributed to our improved profitability.

HEALTHIER FINANCIAL POSITION

I am pleased to report that our company has achieved a stronger financial footing compared to the previous year. This is evidenced by our improved financial indicators, including low gearing and favorable liquidity positions. With the improved funding headroom, the company remains poised to fund future growth or investment opportunities. The stronger position has allowed us to early redeem the USD50.0 million Sukuk in August 2022 while maintaining our dividend payout ratio from the previous year.

In 2022, we have prioritised our capital allocation for CAPEX amounting to RM2.4 billion or 20.0% of our revenue. This is an increase from the previous year and the highest CAPEX investment since 2017 echoing our intensified business expansion. Out of the amount spent, 48% was for Access, 25% was for Core Network and the balance of 27% was for Support Systems. These investments were mainly for network modernisation, network expansion and customer experience enhancement.

DELIVERING OUR NATION BUILDING AGENDA

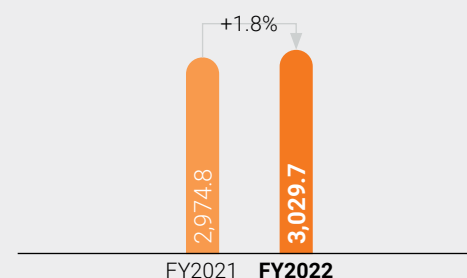
For TM, investing for growth extends beyond growth for the company. Our investments focus on how we can contribute to inclusive economic growth and social development, thus aligning our financial priorities with our nation building commitments. The majority of our CAPEX was spent on fiberising homes and premises across Malaysia, with some portions related to 5G. These spendings reflect our commitment to closing the digital divide and accelerating Malaysia's transformation into a digital nation.

CAPEX/Revenue		TM CAPEX breakdown (RM million)			
20.0%	2022	1,160	616	653	2,429
14.7%	2021	858	420	423	1,701

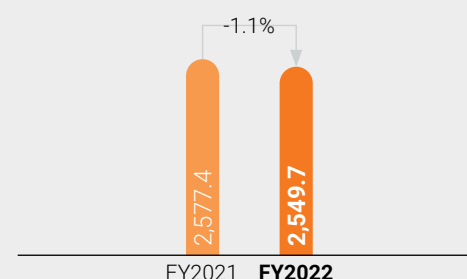
Our improved financial position is the result of a concerted effort by our entire team. We remain committed to maintaining our focus on financial discipline and operational efficiency, while also continuing to invest in growth opportunities that will drive long-term value for our company and our shareholders.

Improved FY Total Cost/Revenue % Lower Manpower & Operational Costs

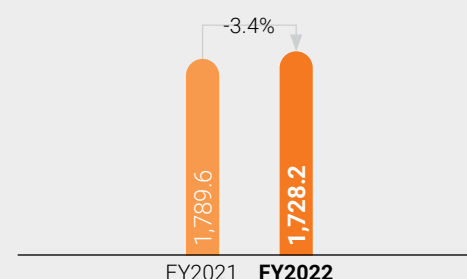
Direct Cost (RM million)



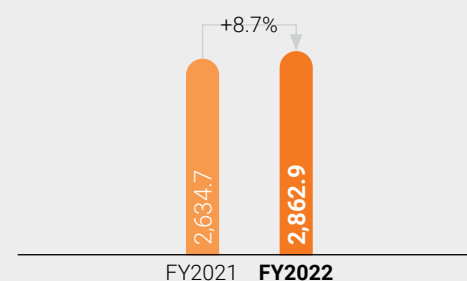
Manpower (RM million)



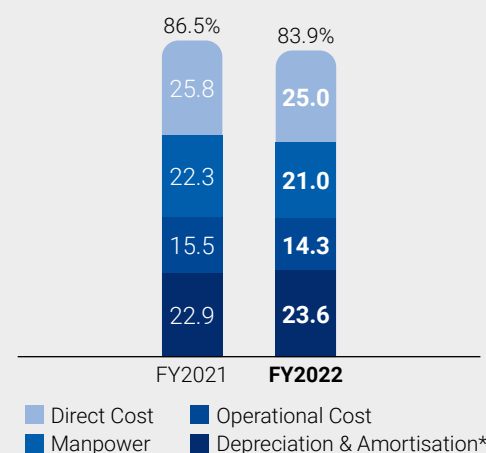
Operational Cost (RM million)



Dep. & Amortisation* (RM million)



% Total Cost to Revenue



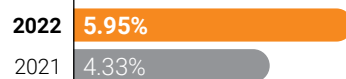
*Including impairment

Key Financial Indicators Comparison

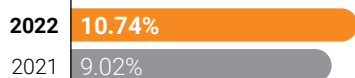
Return on Equity



Return on Assets



Return on Invested Capital



WACC



Current Ratio



Gross Debt to EBITDA



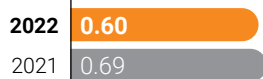
Net Debt/EBITDA



Gross Debt/Equity



Net Debt/Equity



Net Assets/Share (sen)



The financial indicators have shown notable improvements from 2021, especially with the enhanced economic profits or value creation, as shown by the higher Return on Invested Capital-Weighted Average Cost of Capital (ROIC-WACC) spread in 2022 compared to the previous year. Similarly, other financial ratios are also better, signalling higher returns and healthy financial standing for further business growth.

STRONG CREDIT RATING

In 2022, we continue to maintain our strong credit ratings from both domestic and international rating agencies despite the dynamic landscape. This demonstrated our financial strength and capacity to meet all our financial obligations.

One key factor in our improved financial position has been our focus on managing costs



TM Credit Rating

RAM Rating Services

AAA

Moody's Investors Services

A3
(baseline credit assessment "baa1")

S&P Global Ratings

A-
(standalone credit profile "a-")

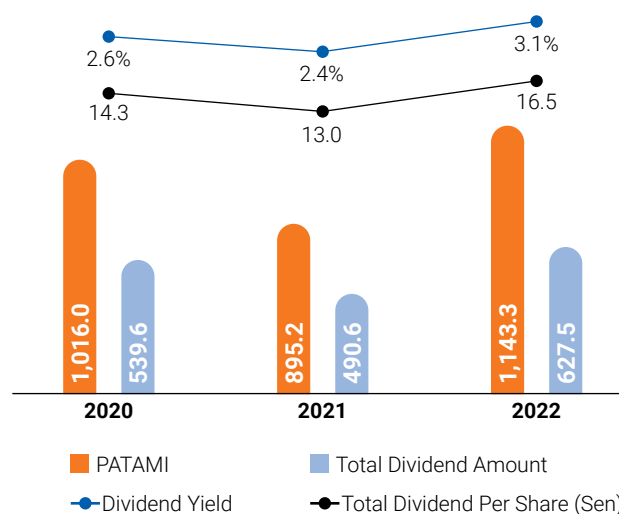
RETURNS TO SHAREHOLDERS

We continued to successfully deliver on our financial commitment, demonstrating TM's ability to create value as both a PLC and GLC. All dividend payments are robustly assessed to ensure resources for business growth are uncompromised. For 2022, we declared a Final Interim Dividend of 7.5 sen per share in February 2023 with a total payout of RM286.6 million. Including the 9.0 sen Interim Dividend declared in August 2022 amounting to RM340.9 million, the Total Interim Dividend for FY2022 is 16.5 sen per share, which is the highest total distribution since our dividend policy revision in 2018. Our shareholders have continued to place their trust in TM and we are pleased to deliver.

We also recorded higher total shareholder returns (TSR) than the market, outperforming most of our peers in the past three (3) years. Our performance demonstrates that TM has the capabilities to excel in our dual role as a PLC and GLC.

FY DIVIDEND COMPARISON

RM million



CONCLUSION

Overall, 2022 was a momentous year with revenue growth contributed by all our Lines of Businesses (LOBs) and pushing us to record strong profitability achievements. Our financial position is also stronger with lower gearing and a manageable cost of capital, providing us with the financial flexibility for future growth opportunities. This also allows us to maintain our attractive and sustainable dividend payout to our shareholders in FY2022.

As part of our next transformation phase, we have completed our reorganisation exercise to streamline our core business and subsidiaries under TM Technology Services Sdn Bhd, which will be the main operating entity of the Group beginning March 2023. This new corporate structure will be the catalyst for the next seamless phase of TM's transformation to reinforce our FMC leadership, achieving synergistic cost optimisation, improved operational efficiencies and enabling an enhanced customer experience.

OUTLOOK

The years ahead will remain uncertain. We are operating in an environment of continued volatility, with regulatory and economic headwinds that could lead to slower market growth and measured spending by customers, businesses and the public sector. Despite these challenges, I am confident in our ability to continue to grow and achieve our financial goals.

We have made significant progress in managing costs and improving operational efficiencies, which have resulted in increased profitability. We will continue to focus on these efforts in the upcoming year, which will help to mitigate the impact of any potential challenges or uncertainties. We have also invested in several key growth areas that have the potential to drive future revenue and profitability growth, including 5G, Fixed Mobile & Lifestyle Convergence, Submarine Cables and digital businesses. These efforts will position TM for continued success in powering a Digital Malaysia in the years ahead.

1.1 Financial Performance

Financial KPI	Objective	2020 Actual	2021 Actual	2022 Actual	2022 Revised Guidance
Revenue Growth	To measure how TM product and service performance across all LOBs	-5.2%	6.4%	5.1%	Mid to high single digit growth
EBIT	To measure the profitability of the Group including cost management and efficiency	RM1,604.7 million	RM1,710.1 million	RM2,090.2 million	More than RM2.3 billion
CAPEX/Revenue	To measure investment amount ensuring affordability, healthy rate of returns and sufficient for business growth	13.7%	14.7%	20.0%	Between 14% - 18%

1.2 Non-Financial Performance

Non-Financial KPI	Objective	2020 Actual	2021 Actual	2022 Actual	Target
Carbon Emissions (tCO₂e) reduction (%)	To track our progress in reducing our carbon emissions towards achieving net zero emissions by 2050	4.69	8.30	12.45	30% carbon emissions reduction by 2024
Women in Board (%)	To encourage gender diversity through having more women representation at board level	25	36	36	Minimum 30% of women representation in Board by 2022
Coverage of High-Speed Internet (%)	To ensure digital inclusivity across the nation	49	60	69	At least 70% of premises with high-speed Internet access by 2025