

# **SIGNING OF ACCESS AGREEMENT (AA) FOR THE NATIONAL 5G WHOLESALE NETWORK PRODUCT BETWEEN TELEKOM MALAYSIA BERHAD (TM) AND DIGITAL NASIONAL BERHAD (DNB)**

## **1. INTRODUCTION**

Telekom Malaysia Berhad (TM) wishes to announce that it has, on 30 October 2022, executed the Access Agreement (AA) with Digital Nasional Berhad (DNB) to subscribe to DNB's regulated 5G services including, but not limited to the National 5G Wholesale Network Product (the Services).

## **2. SALIENT TERMS OF THE AA**

- 2.1 The AA sets out the terms and conditions for the Services, which commences retrospectively on 7 October 2022, and shall continue to be in force until the expiry of 10 years i.e. 6 October 2032.
- 2.2 Under the AA, DNB will provide the National 5G Wholesale Network Product which is a base product on the DNB 5G Access Network. TM must subscribe to the National 5G Wholesale Network Product in order to gain access to other 5G services offered by DNB.
- 2.3 The AA covers all negotiated and agreed terms and conditions for the Services, which, amongst others, sets out the commercial terms, technical requirements, service design, service levels, the target capacity and associated charges.

## **3. RATIONALE FOR THE SIGNING OF THE AA**

- 3.1 The signing of the AA demonstrates TM's commitment to long-term value creation for its stakeholders by leveraging on 5G technology to deliver best-in-class connectivity, solutions and customer experience. 5G will accelerate TM's aim in offering Fixed-Mobile Convergence (FMC) and advanced digital solutions to meet the dynamic and growing needs of communities, enterprises, industry and nation.
- 3.2 With approximately 2.9 million fixed broadband subscribers as of the first half of 2022, the provisioning of 5G services will enhance TM's position as the preferred partner in accelerating the adoption of FMC via 5G and fixed broadband solutions.
- 3.3 Through TM's comprehensive network infrastructure, innovative products and services, the upskilling and acquisition of technology talents, TM is well-placed to support the nation's digital economy aspirations.
- 3.4 In addition to enabling the 5G ecosystem as a partner to DNB for faster infrastructure roll-out, TM will also serve as a key FMC provider towards realising Malaysia's Digital Economy aspirations.

## **4. RISKS OF THE AA**

The long-term commitment arising from the execution of the AA may give rise to business and operational risks to TM due to change in law or policies from time to time. However, there are appropriate control measures in place to mitigate the risks including, but not limited to a process to amend the AA whereby industry players will be consulted and the approval of the Malaysian Communications and Multimedia Commission is required, supported by a dispute resolution mechanism.

In view of the above, the strategic and commercial benefits far outweigh the risks for TM to realise the value of 5G technology.

## **5. BRIEF INFORMATION ON THE PARTIES OF THE AA**

### **5.1. TM**

TM, a public listed company incorporated in Malaysia on 12 October 1984, with an issued and fully paid share capital of RM3,986,526,703 comprising 3,821,010,380 ordinary shares and 1 special rights redeemable preference share.

The principal activities of TM are the establishment, maintenance and provision of telecommunications, innovative digital solutions and related services.

### **5.2. DNB**

On 23 February 2017, MKD Sejahtera Sdn Bhd (MKDS) was incorporated in Malaysia under the Companies Act 2016 as a private limited company with its principal activity as a real estate and property developer. On 19 March 2021, MKDS changed its name to Digital Nasional Sdn Bhd (DNSB).

On 29 March 2021, DNSB was converted into a public company wholly owned by the Ministry of Finance via MOF Inc. and assumed the name of DNB. DNB's principal activity is to own, build and operate a 5G network and infrastructure exclusively and to provide access to its network to licensed telecommunications service providers in Malaysia. DNB commenced operations on 24 March 2021.

The current issued and paid-up capital of DNB is RM500,000,000 comprising 500,000,000 ordinary shares. DNB will be issuing a special share to MOF Inc. upon the adoption of DNB's constitution by the shareholders of DNB.

## **6. FINANCIAL EFFECTS OF THE AA**

### **6.1. Share Capital and Substantial Shareholders' Shareholdings**

The AA will not have any effect on the issued and paid-up share capital of TM as well as the substantial shareholders' shareholdings in TM.

### **6.2. Earnings and Net Assets**

The AA is not expected to have any material effect to the earnings and net asset of TM Group for the financial year ending 31 December 2022. In the short term, there will be earnings pressure arising from the execution of the AA as TM continues to grow its mobile subscriber base and penetrate the FMC market. In the medium to long term, TM Group is expected to realise its 5G value creation strategy which will positively contribute to its future performance.

## **7. APPROVALS REQUIRED FOR THE AA**

The AA is not subject to shareholders' approval. Pursuant to the provisions of paragraph 10.09 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, TM will be seeking a shareholders' mandate for the RRPT with DNB at the next Annual General Meeting in 2023.

## **8. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

Save as disclosed below, none of our directors, major shareholders and/or persons connected to them have any interest, direct or indirect, in the AA:

- a) MOF Inc., a body corporate established under the Minister of Finance (Incorporation) Act, 1957, is the holding company of DNB and a person connected to Khazanah Nasional Berhad (Khazanah);
- b) Khazanah is a major shareholder of TM with an equity interest of 20.19%;
- c) Tan Sri Mohammed Azlan Hashim (also by virtue of him being a Director of Khazanah), Shazril Imri Mokhtar, Anis Rizana Mohd Zainudin @ Mohd Zainuddin and her alternate director, Iszad Jeffri Ismail are nominee directors of MOF Inc. on TM Board; and
- d) Dato' Mohamed Nasri Sallehuddin is a nominee Director of Khazanah on TM Board.

## **9. BOARD AUDIT COMMITTEE (BAC) STATEMENT**

9.1 The BAC of TM, having considered all aspects of the AA with DNB, is of the view that the AA is:

- (i) in the best interest of TM;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the minority shareholders of TM.

9.2 In considering the entry into the AA, the BAC opines that the execution of AA will create long-term value to TM's stakeholders by leveraging on 5G technology to deliver the best connectivity, innovative solutions and better experience to its customers, despite a short-term pressure on TM Group's earnings. 5G enables TM to accelerate its FMC strategy, build strong foundation for its Enterprise business and strengthen its position as the largest fixed broadband service provider in Malaysia.

## **10. BOARD OF DIRECTORS' STATEMENT**

TM Board, save for the aforesaid Interested Directors enumerated in item 8 and having considered the views of the BAC, is of the opinion that the AA is in the best interest of TM.

## **11. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS**

The transactions with DNB for the preceding 12 months amounted to RM64.8 million.

## **12. DOCUMENTS FOR INSPECTION**

A copy of the AA is available for inspection at the registered office of the company, Level 51 North Wing, Menara TM, Jalan Pantai Baharu, 50672 Kuala Lumpur during normal business office hours from Monday to Friday for a period of not less than 3 months from the date of this announcement.

This announcement is dated 31 October 2022.