

TELEKOM MALAYSIA BERHAD (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad is pleased to announce the following audited results of the Group for the fourth quarter and financial year ended 31 December 2010.

AUDITED CONSOLIDATED INCOME STATEMENT

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2010 RM Million	31/12/2009 RM Million	31/12/2010 RM Million	31/12/2009 RM Million
OPERATING REVENUE	2,320.6	2,272.6	8,791.0	8,608.0
OPERATING COSTS				
- depreciation, impairment and amortisation	(565.7)	(495.2)	(1,995.8)	(2,039.5)
- other operating costs	(1,614.7)	(1,586.5)	(6,019.6)	(5,753.2)
OTHER OPERATING INCOME (net)	52.7	52.2	152.9	128.8
OTHER GAINS (net)	215.4	19.7	373.3	120.5
OPERATING PROFIT BEFORE FINANCE COST	408.3	262.8	1,301.8	1,064.6
FINANCE INCOME	33.0	30.0	120.0	172.2
FINANCE COST	(90.9)	(86.5)	(365.2)	(356.3)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	(15.8)	47.3	303.7	40.5
NET FINANCE (COST)/INCOME	(73.7)	(9.2)	58.5	(143.6)
ASSOCIATES				
- share of results (net of tax)	0.2	*	(0.1)	0.6
PROFIT BEFORE TAXATION AND ZAKAT	334.8	253.6	1,360.2	921.6
TAXATION AND ZAKAT	81.2	(75.3)	(115.2)	(248.3)
PROFIT FOR THE FINANCIAL PERIOD/YEAR	416.0	178.3	1,245.0	673.3
ATTRIBUTABLE TO:				
- equity holders of the Company	400.7	170.2	1,206.5	643.0
- minority interests	15.3	8.1	38.5	30.3
PROFIT FOR THE FINANCIAL PERIOD/YEAR	416.0	178.3	1,245.0	673.3
EARNINGS PER SHARE (sen) (part B, note 13)				
- basic	11.2	4.8	33.9	18.3
- diluted	11.2	4.8	33.9	18.2

* Amount less than RM0.1 million

(The above Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2010 RM Million	31/12/2009 RM Million	31/12/2010 RM Million	31/12/2009 RM Million
PROFIT FOR THE FINANCIAL PERIOD/YEAR	416.0	178.3	1,245.0	673.3
OTHER COMPREHENSIVE INCOME:				
Increase/(decrease) in fair value of available-for-sale investments	12.4	(10.0)	352.5	46.0
Increase in fair value of available-for-sale receivables	1.4	-	2.5	-
Reclassification adjustments relating to available-for-sale investments disposed	(194.8)	(1.5)	(278.5)	(1.5)
Currency translation differences - subsidiaries	(0.1)	1.8	(0.4)	9.4
Other comprehensive (loss)/income for the financial period/ year, net of tax	<u>(181.1)</u>	<u>(9.7)</u>	<u>76.1</u>	<u>53.9</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD/YEAR	<u>234.9</u>	<u>168.6</u>	<u>1,321.1</u>	<u>727.2</u>
ATTRIBUTABLE TO:				
- equity holders of the Company	219.6	160.5	1,282.6	696.9
- minority interests	15.3	8.1	38.5	30.3
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD/YEAR	<u>234.9</u>	<u>168.6</u>	<u>1,321.1</u>	<u>727.2</u>

(The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31/12/2010 (AUDITED)	AS AT 31/12/2009 (AUDITED/ RESTATED)	AS AT 31/12/2008 (AUDITED/ RESTATED)
	RM Million	RM Million	RM Million
SHARE CAPITAL	3,568.1	3,543.5	3,456.0
SHARE PREMIUM	1,055.1	1,011.8	4,305.4
OTHER RESERVES	366.8	210.0	183.5
RETAINED PROFITS	2,719.4	2,222.2	2,303.2
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,709.4	6,987.5	10,248.1
MINORITY INTERESTS	150.8	142.5	226.5
TOTAL EQUITY	7,860.2	7,130.0	10,474.6
Borrowings	5,506.0	5,796.9	6,965.1
Derivative financial instruments	28.0	-	-
Deferred tax liabilities	1,664.2	1,588.7	1,362.0
Deferred income	1,432.1	985.9	260.2
DEFERRED AND NON-CURRENT LIABILITIES	8,630.3	8,371.5	8,587.3
	16,490.5	15,501.5	19,061.9
Property, plant and equipment	13,112.1	12,404.3	11,839.6
Land held for property development	107.4	163.7	164.3
Intangible assets	312.3	313.4	1.8
Associates	0.5	0.6	-
Available-for-sale investments	114.6	608.2	496.0
Other investments	-	152.8	137.8
Available-for-sale receivables	14.9	-	-
Other long term receivables	89.4	108.9	472.4
Derivative financial instruments	3.6	-	-
Deferred tax assets	86.7	10.6	8.9
NON-CURRENT ASSETS	13,841.5	13,762.5	13,120.8
Inventories	174.0	110.6	123.3
Customer acquisition costs	87.1	-	-
Trade and other receivables	2,329.3	2,284.0	2,891.3
Amount owing by Axiata Group Berhad	-	-	4,025.0
Available-for-sale investments	838.1	-	-
Financial assets at fair value through profit or loss	21.5	-	-
Short term investments	-	294.7	277.6
Cash and bank balances	3,488.5	3,490.7	2,095.2
CURRENT ASSETS	6,938.5	6,180.0	9,412.4
Trade and other payables	3,639.2	2,934.6	2,812.6
Customer deposits	580.5	575.7	588.8
Borrowings	26.0	916.6	34.9
Taxation and zakat	43.8	14.1	35.0
CURRENT LIABILITIES	4,289.5	4,441.0	3,471.3
NET CURRENT ASSETS	2,649.0	1,739.0	5,941.1
	16,490.5	15,501.5	19,061.9
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	216.1	197.2	296.5

(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010**

	Attributable to equity holders of the Company								Total Equity RM Million
	Share Capital RM Million	Share Premium RM Million	Currency Translation Differences RM Million	ESOS Reserve RM Million	Fair Value Reserve RM Million	Capital Redemption Reserve RM Million	Retained Profits RM Million	Minority Interests RM Million	
At 1 January 2010									
As previously reported	3,543.5	1,011.8	(1.0)	19.7	155.5	35.8	2,222.2	142.5	7,130.0
Adjustments on application of FRS 139 (part A, note 13 (II))	-	-	-	-	100.4	-	(18.0)	-	82.4
At 1 January 2010, as restated	3,543.5	1,011.8	(1.0)	19.7	255.9	35.8	2,204.2	142.5	7,212.4
Profit for the financial year	-	-	-	-	-	-	1,206.5	38.5	1,245.0
Other comprehensive (loss)/income for the financial year, net of tax	-	-	(0.4)	-	76.5	-	-	-	76.1
Total recognised (loss)/income for the financial year	-	-	(0.4)	-	76.5	-	1,206.5	38.5	1,321.1
Final dividends paid for the financial year ended 31 December 2009 (part A, note 6)	-	-	-	-	-	-	(346.4)	-	(346.4)
Interim dividends paid for the financial year ending 31 December 2010 (part A, note 6)	-	-	-	-	-	-	(347.4)	-	(347.4)
Dividends paid to minority interests	-	-	-	-	-	-	-	(30.2)	(30.2)
Employees' share option scheme (ESOS)									
- shares issued upon exercise of options (part A, note 5(a)(i))	23.4	23.0	-	-	-	-	-	-	46.4
- transfer of reserve upon exercise of options	-	17.2	-	(17.2)	-	-	-	-	-
- transfer of reserve upon expiry of ESOS	-	-	-	(2.5)	-	-	2.5	-	-
Shares issued upon disposal of shares attributed to lapsed share options (part A, note 5(a)(ii))	1.2	3.1	-	-	-	-	-	-	4.3
At 31 December 2010	3,568.1	1,055.1	(1.4)	-	332.4	35.8	2,719.4	150.8	7,860.2

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009**

	Attributable to equity holders of the Company								
	Share Capital RM Million	Share Premium RM Million	Currency Translation Differences RM Million	ESOS Reserve RM Million	Fair Value Reserve RM Million	Capital Redemption Reserve RM Million	Retained Profits RM Million	Minority Interests RM Million	Total Equity RM Million
At 1 January 2009	3,456.0	4,305.4	(10.4)	82.9	111.0	-	2,303.2	226.5	10,474.6
Profit for the financial year	-	-	-	-	-	-	643.0	30.3	673.3
Other comprehensive income for the financial year, net of tax	-	-	9.4	-	44.5	-	-	-	53.9
Total recognised income for the financial year	-	-	9.4	-	44.5	-	643.0	30.3	727.2
Acquisition of remaining equity interest in a subsidiary	-	-	-	-	-	-	-	(103.9)	(103.9)
Bonus issue Redeemable Preference Shares (RPS)	35.8	(35.8)	-	-	-	-	-	-	-
Redemption of RPS	(35.8)	(3,470.0)	-	-	-	-	43.1	-	(3,462.7)
Creation of capital redemption reserve upon redemption of RPS	-	-	-	-	-	35.8	(35.8)	-	-
Final dividends paid for the financial year ended 31 December 2008	-	-	-	-	-	-	(377.2)	-	(377.2)
Interim dividends paid for the financial year ending 31 December 2009	-	-	-	-	-	-	(354.1)	-	(354.1)
Dividends paid to minority interest	-	-	-	-	-	-	-	(10.4)	(10.4)
Employees' share option scheme (ESOS)									
- options granted	-	-	-	7.0	-	-	-	-	7.0
- shares issued upon exercise of options	87.5	142.0	-	-	-	-	-	-	229.5
- transfer of reserve upon exercise of options	-	70.2	-	(70.2)	-	-	-	-	-
At 31 December 2009	3,543.5	1,011.8	(1.0)	19.7	155.5	35.8	2,222.2	142.5	7,130.0

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL YEAR ENDED	
	31/12/2010	31/12/2009
	RM Million	RM Million
Receipts from customers	8,600.1	8,808.5
Payments to suppliers and employees	(5,226.6)	(5,400.7)
Payment of finance cost	(372.1)	(393.5)
(Payment)/refund of income taxes (net)	(23.6)	41.7
Payment of zakat	(4.4)	-
CASH FLOWS FROM OPERATING ACTIVITIES	2,973.4	3,056.0
Contribution for purchase of property, plant and equipment	597.0	810.2
Disposal of property, plant and equipment	37.3	19.0
Purchase of property, plant and equipment	(2,864.3)	(2,516.2)
Repayment from Axiata Group Berhad (Axiata)	-	4,025.0
Disposal of Axiata's rights	-	66.0
Subscription of Axiata's rights	-	(72.0)
Disposal of available-for-sale investments/short term and other investments	925.2	130.4
Purchase of available-for-sale investments/short term investments	(351.9)	(140.0)
Disposal of financial assets at fair value through profit or loss/short term investments	75.8	95.1
Purchase of financial assets at fair value through profit or loss/short term investments	(20.0)	(58.4)
Acquisition of remaining interest in a subsidiary	-	(412.3)
Repayments of loans by employees	32.5	50.7
Loans to employees	(23.1)	(30.7)
Disposal of housing loan	19.3	398.6
Interests received	115.0	167.5
Dividends received	10.3	13.5
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(1,446.9)	2,546.4
Issue of share capital	50.7	229.5
Redemption of RPS	-	(3,462.7)
Proceeds from termination of swaps	-	41.2
Proceeds from borrowings	-	180.0
Repayments of borrowings	(857.7)	(449.2)
Repayments of finance lease	(3.2)	(3.0)
Dividends paid to shareholders	(693.8)	(731.3)
Dividends paid to minority interests	(30.2)	(10.4)
CASH FLOWS USED IN FINANCING ACTIVITIES	(1,534.2)	(4,205.9)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(7.7)	1,396.5
EFFECT OF EXCHANGE RATE CHANGES	5.5	(1.0)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	3,490.2	2,094.7
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	3,488.0	3,490.2

(The above Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation

The audited interim financial statements for the fourth quarter and financial year ended 31 December 2010 of the Group have been prepared in accordance with Financial Reporting Standards (FRS) 134 “Interim Financial Reporting”, 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 2009. The accounting policies, method of computation and basis of consolidation applied in the audited interim financial statements are consistent with those used in the preparation of the 2009 audited financial statements except for the changes arising from the adoption of the new and revised FRSs issued by the Malaysian Accounting Standards Board (MASB) that are effective for the Group’s financial year beginning on 1 January 2010. In addition, the Group has also adopted an accounting policy on customer acquisition costs as set out in note (III) below.

(I) New and revised FRSs issued by the MASB that are effective for the Group’s financial year beginning on 1 January 2010

The new and revised standards, amendments to published standards and IC Interpretations that have been issued by the MASB that are effective for the Group’s financial year beginning on 1 January 2010, being considered in this announcement are as follows:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (revised)	Presentation of Financial Statements
FRS 123 (revised)	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Shares Transactions
IC Interpretation 13	Customer Loyalty Programmes
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation and FRS 101 (revised) Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(I) New and revised FRSs issued by the MASB that are effective for the Group's financial year beginning on 1 January 2010 (continued)

The following amendments are part of the MASB's improvement projects:

FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipments
FRS 117	Leases
FRS 118	Revenue
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above FRSs and ICs do not have any significant impact to the Group or the Group's significant accounting policies except as discussed below:

- The adoption of FRS 7 and Amendments to FRS 132 does not impact the financial results of the Group as the changes introduced are on presentation and disclosures.
- The Group has been reporting its segment information based on customer segments, which is also the basis of presenting its monthly internal management reports. Under FRS 8 "Operating Segments", operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Accordingly, the adoption of FRS 8 has not resulted in any changes to the reportable segments presented by the Group. The basis of measurement of segment results and segment assets are also unaffected as the Group has been using the same basis of measurement for its internal and external reporting.
- The revised FRS 101 requires all non-owner changes in equity to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present the statement of comprehensive income in two statements.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(I) New and revised FRSs issued by the MASB that are effective for the Group's financial year beginning on 1 January 2010 (continued)

- The improvement to FRS 117 “Leases” clarifies that the default classification of land elements in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117. The Group has reassessed and determined that all leasehold land are in substance finance leases and has reclassified these leasehold land to property, plant and equipment as disclosed in part A, note 13 (note A13). The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment. The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods. In line with the requirement of the revised FRS 101 “Presentation of Financial Statements”, the restated Consolidated Statement of Financial Position as at 31 December 2008 is presented in the audited interim financial statements.
- FRS 123 “Borrowing Costs” which replaces FRS 123₂₀₀₄ Borrowing Costs, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The adoption of the revised FRS 123 has not resulted in any changes to the Group's policy where borrowing cost incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use and all other borrowing costs are charged to the income statement.
- The changes in accounting policies arising from the adoption of FRS 139 and the principle effects are disclosed in note A13.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All new and revised FRSs adopted by the Group require retrospective application except for FRS 139 where its transitional provisions only require the recognition and re-measurement of all financial assets and financial liabilities as at 1 January 2010 as appropriate. The adjustments related to the previous carrying amounts are made to the opening retained earnings and available-for-sale reserves as appropriate. Comparatives are not restated.

A summary of the new accounting policies and impact of new accounting standards and amendments to the published standards and IC Interpretations to existing standards on the financial statements of the Group is set out in note A13.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(II) Standards, amendments to published standards and IC Interpretations that are not yet effective and have not been early adopted

The standards, amendments to published standards and IC Interpretations that have been issued by the MASB and are applicable to the Group, which the Group has not early adopted, are as follows:

		Effective date
Amendment to FRS 132	Financial Instruments: Presentation on Classification of Rights Issues	1 March 2010
FRS 3 (revised)	Business Combinations	1 July 2010
FRS 127 (revised)	Consolidated and Separate Financial Statements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distribution of Non-cash Assets to Owners	1 July 2010
Amendment to FRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7	Financial Instruments: Disclosures and FRS 1 First-time Adoption of Financial Reporting Standards	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
FRS 124 (revised)	Related Party Disclosure	1 January 2012

The following amendments are part of the MASB's improvement projects:

FRS 2	Share-based Payment	1 July 2010
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 138	Intangible Assets	1 July 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
FRS 3	Business Combinations	1 January 2011
FRS 7	Financial Instruments: Disclosures	1 January 2011
FRS 101	Presentation of Financial Statements	1 January 2011
FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
FRS 128	Investments in Associates	1 January 2011
FRS 132	Financial Instruments: Presentation	1 January 2011
FRS 134	Interim Financial Reporting	1 January 2011
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 13	Customer Loyalty Programmes	1 January 2011

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(III) Accounting policies adopted in the current financial year

Customer acquisition costs

Customer acquisition costs are incurred in activating new customers pursuant to a contract. Customer acquisition costs are capitalised and amortised over the contract period. In the event that a customer terminates the service within the contract period, any unamortised customer acquisition costs are written off to the income statement immediately.

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 financial year ended 31 December 2010 other than as mentioned elsewhere in the audited interim financial statements.

4. Material Changes in Estimates

There was no material changes in estimates reported in the prior interim period or prior financial year.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

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

- (a) The issued and paid-up capital of the Company increased by 24.6 million ordinary shares from 3,543.5 million to 3,568.1 million ordinary shares of RM1.00 each as a result of the following:
- (i) employees exercising 23.4 million options under the Special ESOS at the respective exercise price of RM1.91, RM2.22 and RM2.91 per share. The Special ESOS has expired on 16 September 2010.
 - (ii) disposal of 1.2 million ordinary shares of the Company attributed to lapsed options by TM ESOS Management Sdn Bhd (TEMSB), the ESOS trust company specifically established by the Company to act as a trustee to acquire, hold and manage the Special ESOS shares.

As per the By-laws of the Special ESOS scheme, the excess unallocated shares and shares attributable to lapsed options will be sold to the open market upon the expiration of the Special ESOS. The features of the Special ESOS are as disclosed in note 13 of the annual audited financial statements for the financial year ended 31 December 2009.

- (b) On 6 December 2010, the Company redeemed in full at its nominal value, the USD260.3 million (RM828.1 million) 8% Guaranteed Notes due 2010, issued by TM Global Incorporated, a wholly owned subsidiary.

Save for the above, there were no other issuance, cancellations, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year ended 31 December 2010.

6. Dividends Paid

- (i) A final gross dividend of 13.0 sen per share less tax at 25.0% amounting to RM348.8 million in respect of financial year ended 31 December 2009 was paid on 9 June 2010, inclusive of RM2.4 million paid to TEMSB which was adjusted on consolidation.
- (ii) An interim gross dividend of 13.0 sen per share less tax at 25.0% amounting to RM348.8 million in respect of financial year ending 31 December 2010 was paid on 24 September 2010, inclusive of RM1.4 million paid to TEMSB which was adjusted on consolidation.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

7. Segmental Information

Segmental information for the financial year ended 31 December 2010 and 31 December 2009 are as follows:

By Business Segment

All amounts are in RM Million

	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
2010									
Operating Revenue									
Total operating revenue	2,291.8	1,772.2	1,758.9	1,316.8	7,139.7	1,096.8	1,145.8	4,253.5	13,635.8
Inter-segment @	(28.0)	-	(328.2)	(0.3)	(356.5)	(341.4)	(231.0)	(3,915.9)	(4,844.8)
External operating revenue	2,263.8	1,772.2	1,430.7	1,316.5	6,783.2	755.4	914.8	337.6	8,791.0
Results									
Segment result	(36.3)	249.3	316.6	333.5	863.1	212.4	221.4	(150.4)	1,146.5
Unallocated income/other gains #									408.2
Unallocated costs ^									(252.9)
Operating profit before finance cost									1,301.8
Finance income									120.0
Finance cost									(365.2)
Foreign exchange gain on borrowings									303.7
Associates									
- share of results (net of tax)									(0.1)
Profit before taxation and zakat									1,360.2
Taxation and zakat									(115.2)
Profit for the financial year									1,245.0

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

7. Segmental Information (continued)

All amounts are in RM Million

	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
2009									
Operating Revenue									
Total operating revenue									
- January to March	*	*	*	*	1,628.0	288.2	277.0	1,095.9	3,289.1
- April to December	1,756.2	1,318.2	1,309.7	900.0	5,284.1	878.5	855.3	3,202.2	10,220.1
					6,912.1	1,166.7	1,132.3	4,298.1	13,509.2
Inter-segment @	(14.0)	-	(238.3)	-	(252.3)	(380.7)	(247.6)	(4,020.6)	(4,901.2)
External operating revenue					6,659.8	786.0	884.7	277.5	8,608.0
Results									
Segment result									
- January to March	*	*	*	*	240.6	40.8	70.2	(10.2)	341.4
- April to December	49.0	289.7	184.4	120.1	643.2	148.4	123.9	(26.8)	888.7
					883.8	189.2	194.1	(37.0)	1,230.1
Unallocated income/other gains #									145.7
Unallocated costs ^									(311.2)
Operating profit before finance cost									1,064.6
Finance income									172.2
Finance cost									(356.3)
Foreign exchange gain on borrowings									40.5
Associates									
- share of results (net of tax)									0.6
Profit before taxation and zakat									921.6
Taxation and zakat									(248.3)
Profit for the financial year									673.3

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

7. Segmental Information (continued)

- * The breakdown of segment results by Consumer, SME, Enterprise and Government for the first quarter 2009 was not available as the realignment of Retail Business into these 4 sub-segments was only implemented in second quarter 2009.
- @ Inter-segment operating revenue relates to inter-division recharge and inter-company revenue and has been eliminated at the respective segment operating revenue. The inter-division recharge was agreed between the relevant lines of business. The inter-company revenue was entered into in the normal course of business and at prices available to third parties or at negotiated terms. These inter-segment trading arrangements are subject to periodic review.
- # Unallocated income/other gains comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which has not been allocated to a particular business segment.
- ^ Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Company Secretary, Group 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.

8. Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements. The Group does not adopt a revaluation policy on its property, plant and equipment.

9. Material Events Subsequent to the End of the Quarter/ Financial Year

Except as disclosed in part B, note 8 of this announcement, there is no other material event subsequent to the balance sheet date that requires disclosure or adjustments to the audited interim financial statements.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

10. Effects of Changes in the Composition of the Group

There is no change in the composition of the Group for the current quarter and financial year ended 31 December 2010 save as below:

TM Land Sdn Bhd (TM Land)

On 8 February 2010, TM commenced the members' voluntary winding up of TM Land, a wholly owned subsidiary of TM, held via TM Facilities Sdn Bhd, in accordance with Section 254(1)(b) of the Companies Act, 1965 (the Act). Accordingly, pursuant to Section 272(5) of the Act, TM Land was dissolved effective from 26 July 2010.

11. Changes in Contingent Liabilities Since the Last Annual Balance Sheet Date

Other than material litigations disclosed in part B, note 12 of this announcement, there were no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2009.

12. Commitments

Capital Commitments

	Group	
	31/12/2010	31/12/2009
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	4,499.5	5,325.6
Commitments in respect of expenditure approved but not contracted for (note (i))	4,752.4	6,779.5

- (i) Includes expenditure approved but not contracted for in relation to High Speed Broadband (HSBB) project. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure covering 1.3 million premises nationwide by 2012.

13. Changes in Accounting Policies

The following describes the impact of the new accounting standards, amendments to the published standards and IC Interpretations adopted by the Group for financial year beginning on 1 January 2010 as listed in part A, note 1(I).

(I) Adoption of new accounting policies and changes in accounting policies

Financial Instruments (FRS 139 “Financial Instruments: Recognition and Measurement”)

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition based on the nature of the asset and the purpose for which the asset was acquired. Set out below are the changes in classifications and the recognition and measurement for the respective category of financial assets:

(i) Fair value through profit or loss

(a) Quoted equity securities

Quoted equity securities (within current assets), previously carried at the lower of cost and market value, determined on an aggregate portfolio basis, are now classified as financial assets at fair value through profit or loss, where changes in fair value are recognised in income statement at each reporting date.

(b) Derivative financial instruments and hedging activities

Derivative financial instruments were previously not recognised in the financial statements on inception. These are now recognised and measured at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value recognised in income statement at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

13. Changes in Accounting Policies (continued)

(I) Adoption of new accounting policies and changes in accounting policies (continued)

(i) Fair value through profit or loss (continued)

(b) Derivative financial instruments and hedging activities (continued)

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(c) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to income statement over the period to maturity.

(ii) Loans and receivables

Other long term receivables, previously carried at net realisable value are now classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method. When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in income statement. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in income statement.

13. Changes in Accounting Policies (continued)

(I) Adoption of new accounting policies and changes in accounting policies (continued)

(iii) Available-for-sale financial instruments

Fixed income securities (within current assets), certain non-current equity investments and convertible education loans within long term receivables, previously measured at cost and subject to impairment, are now classified as available-for-sale investments and available-for-sale receivables respectively. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

Changes in the fair values of available-for-sale investments are recognised in other comprehensive income. Whereas, changes in the fair value of available-for-sale receivables classified as non-current assets can be analysed by way of changes arising from conversion of the receivables to scholarship and other fair value changes. Changes arising from the conversion are recognised in the income statement, whereas, other fair value changes are recognised in the statement of comprehensive income. Interests on available-for-sale receivables calculated using the effective interest method is recognised in the income statement.

A significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the asset is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the cumulative fair value, less any impairment loss previously recognised in income statement, is reversed from equity and recognised in income statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed through income statement. Impairment losses recognised in income statement on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through income statement.

When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in income statement.

The Group classifies trade and other payables, customer deposits and borrowings as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. The adoption of FRS 139 has no significant impact to these financial liabilities.

The Group has applied the new policies in relation to the financial instruments above in accordance with the transitional provisions in FRS 139 by recognising and re-measuring all financial assets and financial liabilities as at 1 January 2010 as appropriate. The related adjustments to the previous carrying amounts are made to the opening retained profits and available-for-sale reserves as appropriate. Comparatives are not restated.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

13. Changes in Accounting Policies (continued)

(II) Impact Arising from Change in Accounting Policies

The effects arising from the adoption of the new standard as described above, other than those disclosed in the statement of changes in equity, is set out below:

(i) Restatement arising from amendment to FRS 117

	As previously reported RM Million	Reclassifi- cations RM Million	As restated RM Million
As at 31 December 2008			
Property, plant and equipment	11,772.1	67.5	11,839.6
Prepaid lease payments	67.5	(67.5)	-
As at 31 December 2009			
Property, plant and equipment	12,329.9	74.4	12,404.3
Prepaid lease payments	74.4	(74.4)	-

(ii) Changes arising from adoption of FRS 139

	As previously reported RM Million	Reclassi- fications RM Million	Adjust- ments to the opening position RM Million	As restated/ adjusted RM Million
As at 1 January 2010				
Fair value reserve	155.5	-	100.4	255.9
Retained profits	2,222.2	-	(18.0)	2,204.2
Non-Current Liabilities				
Borrowings	5,796.9	-	(7.0)	5,789.9
Derivative financial liabilities	-	-	10.3	10.3
Non-Current Assets				
Available-for-sale investments	608.2	152.8	99.4	860.4
Other investments	152.8	(152.8)	-	-
Available-for-sale receivables	-	53.3	(17.0)	36.3
Other long term receivables	108.9	(53.3)	1.0	56.6
Derivative financial assets	-	-	2.2	2.2
Current Assets				
Trade and other receivables	2,284.0	-	(1.0)	2,283.0
Available-for-sale short term investments	-	224.5	1.1	225.6
Investments at fair value through profit or loss	-	70.2	-	70.2
Short term investments	294.7	(294.7)	-	-

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

13. Changes in Accounting Policies (continued)

(II) Impact Arising from Change in Accounting Policies (continued)

(iii) Reclassification of Comparatives to enhance comparability on adoption of FRS 139 and amendment to FRS 117

Arising from the adoption of FRS 139 and amendment to FRS 117, certain comparatives for the quarter and financial year ended 31 December 2009 has been reclassified to enhance comparability of the amounts disclosed. These are shown below:

	4TH QUARTER ENDED 31 DECEMBER 2009				FINANCIAL YEAR ENDED 31 DECEMBER 2009			
	As previously reported RM Million	Reclassifi- cations FRS 117 RM Million	Reclassifi- cations FRS 139 RM Million	As restated RM Million	As previously reported RM Million	Reclassifi- cations FRS 117 RM Million	Reclassifi- cations FRS 139 RM Million	As restated RM Million
Depreciation, impairment and amortisation	(494.9)	(0.3)	-	(495.2)	(2,038.3)	(1.2)	-	(2,039.5)
Other Operating Cost	(1,570.4)	0.3	(16.4)	(1,586.5)	(5,671.2)	1.2	(83.2)	(5,753.2)
Prepaid rental- leasehold land	(0.3)	0.3	-	-	(1.2)	1.2	-	-
Reversal of diminution in value of other investments	15.1	-	(15.1)	-	15.1	-	(15.1)	-
Reversal of diminution value of quoted investments	1.3	-	(1.3)	-	68.1	-	(68.1)	-
Other Operating Income (net)	55.5	-	(3.3)	52.2	166.1	-	(37.3)	128.8
Profit/(loss) on disposal of quoted investments	1.7	-	(1.7)	-	(31.2)	-	31.2	-
Profit on disposal of fixed income securities	0.1	-	(0.1)	-	1.0	-	(1.0)	-
Profit on disposal of Axiata's rights	-	-	-	-	66.0	-	(66.0)	-
Profit on disposal of available-for- sale investment	1.5	-	(1.5)	-	1.5	-	(1.5)	-
Other Gains (net)	-	-	19.7	19.7	-	-	120.5	120.5

13. Changes in Accounting Policies (continued)

(III) Comparative Figures

FRS 101 Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statement of the Group for the comparative financial year ended 31 December 2009 have been re-presented as two separate statements, i.e. an income statement displaying components of profit or loss and a statement of comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact on earnings per ordinary share.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

1. Review of Performance

(a) Quarter-on-Quarter

For the current quarter under review, the Group revenue increased by 2.1% to RM2,320.6 million as compared to RM2,272.6 million in the fourth quarter 2009, mainly attributed to higher revenue from data, Internet and multimedia and non-telecommunications related services, which mitigated the impact of lower revenue from voice and other telecommunications related services.

Data revenue increased by 14.4% in fourth quarter to RM490.8 million compared to RM428.9 million in the same quarter 2009 arising from demand for higher bandwidth services.

Internet and multimedia registered higher revenue by 12.6% to RM436.6 million in the current quarter arising from increased in broadband customers to 1.68 million in the current quarter from 1.43 million in the corresponding quarter 2009.

Operating profit before finance cost of RM408.3 million increased by 55.4% compared to RM262.8 million recorded in the same quarter last year primarily due to higher operating revenue and higher gain on disposal of available-for-sale investments (as explained in part B, note 7) net of higher depreciation, impairment and amortisation.

Group profit after tax and minority interests (PATAMI) increased by 135.4% to RM400.7 million as compared to RM170.2 million in the corresponding quarter in 2009. This was mainly attributed to higher operating revenue and gain on disposal of investments. Current quarter also included net deferred tax income of RM57.2 million in respect of prior year temporary difference not recognised previously.

(b) Year-on-Year

For the financial year under review, Group revenue increased by 2.1% to RM8,791.0 million as compared to RM8,608.0 million recorded in the preceding financial year, primarily attributed to higher operating revenue from data services, Internet and multimedia and other telecommunications related services which has grown by 15.4%, 5.9% and 4.2% respectively, which mitigated the decline in voice revenue.

Operating profit before finance cost of RM1,301.8 million was higher by 22.3% as compared to RM1,064.6 million recorded in the preceding financial year largely due to higher operating revenue and gain on disposal of investments.

Group PATAMI increased by 87.6% to RM1,206.5 million as compared to RM643.0 million recorded in the last financial year primarily due to reasons as explained in note (a) above. Higher foreign exchange gain on translation of foreign currency borrowings also contributed to higher PATAMI in the current financial year.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

1. Review of Performance (continued)

(c) Economic Profit Statement

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2010 RM Million	31/12/2009 RM Million	31/12/2010 RM Million	31/12/2009 RM Million
EBIT	192.9	243.1	928.5	944.1
Adjusted Tax	48.2	60.8	232.1	236.0
NOPLAT	144.7	182.3	696.4	708.1
AIC	2,904.8	2,959.3	11,619.0	11,837.1
WACC	6.59%	6.19%	6.58%	6.23%
ECONOMIC CHARGE	191.4	183.2	764.5	737.5
ECONOMIC LOSS	(46.7)	(0.9)	(68.1)	(29.4)

Definitions:

EBIT = Earnings before Interest & Taxes

NOPLAT = Net Operating Profit less Adjusted Tax

AIC = Average Invested Capital

WACC = Weighted Average Cost of Capital

Economic Profit (EP) is a yardstick to measure shareholder value as it provides a more accurate picture of underlying economic performance of TM Group vis-à-vis its financial accounting reports, i.e. it explains how much returns a business generates over its cost of capital. This is measured by the difference of NOPLAT and Economic Charge.

TM Group recorded Economic Loss (EL) of RM46.7 million in fourth quarter 2010, an increase of RM45.8 million from the same period last year of EL RM0.9 million. This was contributed by lower EBIT which decreased by RM50.2 million (-20.6%) coupled with higher economic charge by RM8.2 million (+4.5%).

The lower EBIT was mainly attributed to the increase in operational cost whilst, the higher economic charge was due to the increase in WACC (+0.35 percentage point) contributed by higher after tax cost of debt (+0.5 percentage point) despite lower total borrowings (-17.6%).

On full financial year basis, TM recorded higher EL of RM68.1 million as compared to EL of RM29.4 million reported in the last financial year due to lower NOPLAT by RM11.7 million (-1.7%) and increased economic charge by RM27.0 million resulting from higher WACC (+0.35 percentage point).

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

2. Comparison with Preceding Quarter's Results

The current quarter Group revenue increased by 5.7% to RM2,320.6 million as compared to RM2,194.6 million recorded in the third quarter 2010, primarily due to higher revenue from data, Internet and multimedia services, non-telecommunications related services and other telecommunications related services.

Operating profit before finance cost decreased by 2.4% to RM408.3 million as compared to RM418.4 million recorded in the preceding quarter mainly due to higher depreciation, impairment and amortisation and operating costs mitigated by higher operating revenue and higher gain on disposal of investments in current quarter.

Group PATAMI decrease from RM438.5 million recorded in the preceding quarter to RM400.7 million in the current quarter due to the preceding quarter included higher unrealised foreign exchange gain.

3. Prospects for the Next Financial Year Ending 31 December 2011

Economic recovery, which started in mid 2009, will continue in 2011. The Malaysian Institute of Economic Research (MIER) is projecting growth to moderate to 5.2% year-on-year in 2011, before rising to 5.5% in 2012. Domestic demand is likely to be strong due to supportive government policy measures. This is also supported by the Consumer Sentiments Index which surged to 117.2 in 4Q10. (source: MIER January 2011).

2010 witnessed a key milestone in propelling Malaysia into high income society by 2020 with the announcement of the Economic Transformation Programme (ETP) "A Roadmap for Malaysia" by the Prime Minister. It is aimed to lift Malaysia's gross national income from RM23,700 in 2009 to more than RM48,000 by 2020 while creating more than 3.3 million jobs. TM sees itself working hand in hand in fulfilling the aspiration especially in the key areas of "Business Service" and "Communications Content and Infrastructure". While TM continues to create and leave marks in the domain of domestic and regional connectivity, our concrete plan in expanding our data centre footprint aims at fulfilling the objective of positioning Malaysia as a world-class data centre hub. Additionally, our development of content service delivery platform will satisfy the appetite of local creative content practitioners for a digital marketplace where producers and consumers of creative content can congregate and interact. This initiative will further help us nurture Malaysia's creative content industry as cited clearly under ETP. TM expects the above initiatives would provide opportunities to grow its triple play services "UniFi" as well as monetising its broadband infrastructure.

UniFi continues strengthening its market leadership in high speed broadband with close to 50,000 subscribers activated as of 22 February 2011. In line with TM's continued commitment to provide fair and equitable opportunities for other service providers, a landmark agreement was signed with an access seeker in December 2010 to provide HSBB (Access) service on a wholesale arrangement.

TM has more than 780,000 premises passed covering a total of 60 exchange areas. These include the inner Klang Valley, Iskandar Malaysia, and Northern Corridor Economic Region. TM is on track to deliver a total of 1.1 million premises passed by end 2011 covering 78 exchange areas.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

3. Prospects for the Next Financial Year Ending 31 December 2011 (continued)

In view of the intense competitive telecommunication landscape and the lead time necessary to build the HSBB related businesses, the Board of Directors expects TM's business environment for the next financial year to remain challenging.

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 financial year ended 31 December 2010.

5. Taxation

The taxation charge for the Group comprises:

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM Million	RM Million	RM Million	RM Million
<u>Malaysia</u>				
Income Tax:				
Current year	47.5	(20.3)	113.3	31.6
Prior year	13.2	2.2	1.3	(9.6)
Deferred tax (net)	(142.2)	100.1	9.7	228.2
	(81.5)	82.0	124.3	250.2
<u>Overseas</u>				
Income Tax:				
Current year	-	1.6	1.5	4.1
Prior year	(0.1)	(0.1)	0.3	1.0
Deferred tax (net)	0.2	(3.4)	(10.3)	(3.2)
	0.1	(1.9)	(8.5)	1.9
Taxation	(81.4)	80.1	115.8	252.1
Zakat	0.2	(4.8)	(0.6)	(3.8)
Taxation and Zakat	(81.2)	75.3	115.2	248.3

The current quarter and financial year effective tax rate of the Group was significantly lower than the statutory tax rate mainly attributed to profit from disposal of investments and foreign exchange gain on borrowings which are not subjected to tax. Current quarter also included net deferred tax income of RM57.2 million in respect of prior year temporary difference not recognised previously.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

6. Profit on Sale of Unquoted Investments and/or Properties

There were no other profit on sale of unquoted investments and/or properties other than in the ordinary course of the Group's business for the current quarter and financial year ended 31 December 2010.

7. Purchase and Disposal of Quoted Securities

I. Quoted Shares

- (a) Total purchases and disposals of quoted securities for the current quarter and financial year ended 31 December 2010 are as follows:

	Current quarter RM Million	Year to date RM Million
Total purchases	0.2	20.0
Total disposals*	431.2	773.9
Total gain on disposal*	213.3	366.6

* Includes disposal of investment in Measat Global Berhad and Axiata Group Berhad shares attributed to lapsed ESOS options

- (b) Total investments in quoted securities as at 31 December 2010 are as follows:

	RM Million
At cost	271.5
At book value	503.4
At market value	503.4

II. Quoted Fixed Income Securities

- (a) Total purchases and disposals of quoted fixed income securities for the current quarter and financial year ended 31 December 2010 are as follows:

	Current quarter RM Million	Year to date RM Million
Total purchases	186.9	351.9
Total disposals	62.0	227.1
Total gain on disposal	0.3	0.8

- (b) Total investments in quoted fixed income securities as at 31 December 2010 are as follows:

	RM Million
At cost	351.1
At book value	356.2
At market value	356.2

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

8. Status of Corporate Proposals

**Proposed Capital Distribution To Shareholders Of Approximately RM1,037.4 Million
(Proposed Capital Distribution)**

On 25 February 2011, TM announced the Proposed Capital Distribution involving a capital distribution to its shareholders of approximately RM1,037.4 million. Shareholders, whose names appear in TM's Record of Depositors at the close of business on a date to be determined and announced later (Entitlement Date), shall be entitled to receive a cash payment under the Proposed Capital Distribution of RM0.29 for each ordinary share of RM1.00 each in TM (TM Share) held as at the Entitlement Date.

To facilitate the Proposed Capital Distribution, the following is proposed to be carried out:

- (i) a bonus issue of approximately 3,577.4 million redeemable preference shares of RM0.01 each in TM (RPS) to TM's shareholders, on the basis of 1 RPS for each TM Share held on the Entitlement Date. The RPS shall be issued at its par value of RM0.01 each by way of capitalisation of TM's share premium account; and
- (ii) redemption of the RPS shall be at a redemption price of RM0.29 for each TM Share held. The par value of RM0.01 per RPS, representing approximately RM35.8 million in total, will be redeemed out of TM's retained profits, whereas the premium on redemption of RM0.28 per RPS, representing approximately RM1,001.6 million in total, will be redeemed out of TM's share premium account. This will result in a cash payment of RM0.29 for each TM Share held or a total cash payment of approximately RM1,037.4 million to TM's shareholders.

The Proposed Capital Distribution is subject to the following:

- (i) approval of TM's shareholders at an Extraordinary General Meeting to be convened;
- (ii) Bank Negara Malaysia for the issuance of the RPS to TM's non-resident shareholders; and
- (iii) approvals/consents of other relevant authorities/parties, if required.

Barring any unforeseen circumstances, the Proposed Capital Distribution is expected to be completed in the second quarter of 2011.

Save as disclosed above, there is no other corporate proposal announced and not completed as at the latest practicable date.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

9. Group Borrowings and Debt Securities

- (a) Analysis of the Group's borrowings and debt securities as at 31 December are as follows:

	2010		2009	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Unsecured	26.0	5,506.0	916.6	5,796.9

- (b) Foreign currency borrowings and debt securities as at 31 December are as follows:

	2010	2009
Foreign Currency	RM Million	RM Million
US Dollar	2,356.9	3,510.1
Canadian Dollars	3.9	4.2
Total	2,360.8	3,514.3

10. Derivative Financial Instruments

- (a) Analysis of the Group's Derivative Financial Instruments is as follows:

As at 31 December 2010			
Derivatives (by maturity)	Contract or notional amount RM Million	Fair Value	
		Assets RM Million	Liabilities RM Million
1. <u>Forward Foreign Currency Contracts</u>			
- More than 3 years	344.3	-	(22.8)
	344.3	-	(22.8)
2. <u>Interest Rate Swaps</u>			
- 1 year to 3 years	1,500.0	-	(5.2)
- More than 3 years	500.0	3.6	-
	2,000.0	3.6	(5.2)
Total	2,344.3	3.6	(28.0)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

10. Derivative Financial Instruments (continued)

(b) Changes to derivative financial instruments

The changes to derivative financial instruments since the last financial year are as follows:

Forward Foreign Currency Contracts

Underlying Liability

USD260.3 million 8.00% Guaranteed Notes due in 2010

In 2000, the Company issued USD300.0 million 8.00% Guaranteed Notes due in 2010, redeemable in full on 7 December 2010. On 4 December 2009, the Company repurchased USD39.7 million of the Notes.

Derivative Financial Instruments

During the financial year, the Company entered into several forward foreign currency contract transactions which will mature on 6 December 2010. On the maturity date, the Company would receive USD180.0 million for the contracts from the counterparty in return for a payment of RM574.9 million.

On 30 July 2010, the Company also entered into a structured forward contract which is subject to the USD/MYR rate prevailing in the market at the settlement date of 6 December 2010. On maturity date, the Company will purchase USD50.0 million at a rate which vary between a pre-determined floor and an adjusted market rate.

All the above forward foreign currency contracts have matured on 6 December 2010 and the Company received a total of USD230.0 million for the contracts from the counterparty in return for a total payment of RM732.9 million.

The objective of both forward foreign currency and structured forward foreign currency is to effectively convert the USD liability into a RM principal liability.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

10. Derivative Financial Instruments (continued)

(c) 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 note 17, 44 and 47 of the audited annual financial statements for the financial year ended 31 December 2009 .

(d) Related Accounting Policies

The related accounting policies of the Group in respect of derivative financial instruments and hedge accounting are disclosed in note A13.

(e) (Losses)/gains Arising from Fair Value Changes of Financial Liabilities

The amount of (losses)/gains for the Group arising from fair value changes of financial liabilities that are carried at fair value through profit or loss (FVTPL) for the current and cumulative quarters ended on 31 December 2010 are as follows:

Derivatives (by maturity)	Contract or notional value RM Million	Fair Value RM Million	(Losses)/gains arising from fair value changes for the	
			Current Quarter RM Million	Cumulative Quarters RM Million
Hedging Instruments				
1. <u>Forward Foreign Currency Contracts</u> - More than 3 years	344.3	(22.8)	(9.5)	(19.8)
2. <u>Interest Rate Swaps</u> - 1 year to 3 years	1,500.0	(5.2)	(9.1)	1.5
Total	1,844.3	(28.0)	(18.6)	(18.3)

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

11. Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad (Bursa Malaysia) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group	
	31/12/2010	30/9/2010
	RM Million	RM Million
Retained profits		
- realised	2,008.9	1,161.9
- unrealised - in respect of deferred tax recognised in the income statement	(1,577.5)	(1,719.7)
- in respect of other items of income and expense	384.1	603.8
Share of accumulated losses from associates		
- realised	(1.0)	(1.2)
- unrealised	-	-
	814.5	44.8
Add: consolidation adjustments	1,904.9	2,273.5
TOTAL RETAINED PROFITS	2,719.4	2,318.3

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

12. Material Litigation

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities in note 42 to the audited financial statements of the Group for the financial year ended 31 December 2009, listed below are updates of the relevant cases since the date of the last audited financial statements:

(a) Pengurusan Danaharta Nasional Berhad & 2 Others vs TSDTR (By Original Claim), TSDTR vs Celcom, TRI & 22 Others (By Counterclaim)

On 4 December 2009, TSDTR filed an appeal to the Court of Appeal against the High Court's decision dated 12 November 2009 which allowed:

- (i) TM and TESB's (TM Group) appeal against the decision of the Senior Assistant Registrar in allowing the re-amendment of TSDTR's Amended Counterclaim and joinder of 8 present or former Directors and officers of TM Group; and
- (ii) TM Group's appeal against the decision of the Senior Assistant Registrar in dismissing TM Group's application to strike-out the Amended Counterclaim of TSDTR.

The above stated appeals by TSDTR which have been originally fixed for Case Management on 21 January 2011 have been postponed to 25 March 2011.

The Directors, based on legal advice, are of the view that TM and TESB have a good defence to TSDTR's Counterclaim.

(b) Acres & Hectares Sdn Bhd (AHSB) vs TM

AHSB's application to set aside the Court Order which dismissed its claim on 16 September 2009 has been disallowed by the Court on 8 April 2010. As AHSB had not filed any appeal against the above said decision within the period allowed under the law, the legal suit against TM has effectively ended.

(c) Mohd Shuaib Ishak vs TM, TESB, Celcom and 11 Others

On 29 April 2010, the High Court fixed 23 July 2010 as the hearing date for TM and TESB's application to strike out the legal suit (Striking Out Application). On 23 July 2010, the hearing date was postponed to 4 November 2010.

On 4 November 2010, the High Court further postponed the Striking Out Application to 25 January 2011 for mention after all the parties agreed to consider a possible mediation of the dispute. On 25 January 2011, the mention date was further postponed to 24 March 2011 pending the outcome of the above stated mediation.

The Directors, based on legal advice, are of the view that TM and TESB have a good chance of success in defending the legal suit.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

12. Material Litigation (continued)

(d) Celcom (Malaysia) Berhad vs Telekom Malaysia Berhad, Telekom Enterprise Sdn Bhd & 19 Others

On 27 March 2009, the Court of Appeal allowed Celcom's appeal against the High Court's decision in granting leave to Mohd Shuaib Ishak (MSI) to commence the statutory derivative action in the name of Celcom. On 23 April 2009, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal mentioned above.

On 23 June 2010, TM was notified that the Federal Court has fixed 10 August 2010 as the hearing date of MSI's application for leave to appeal. On 10 August 2010, the Federal Court heard and dismissed MSI's application for leave to appeal.

With this decision, the Suit against TM, TESB and 19 others has effectively been brought to an end.

(e) Network Guidance (M) Sdn Bhd (NGSB) vs TM and TM Net Sdn Bhd (TM Net)

On 31 December 2009, the duly sealed application by TM and TM Net to strike-out the Writ and Amended Statement of Claim by NGSB against TM and TM Net (Striking Out Application) was extracted from the High Court.

On 15 July 2010, the Court proceeded with the hearing of the Striking Out Application and dismissed the same with cost on 9 August 2010. On 3 September 2010, TM and TM Net filed an appeal to the Court of Appeal against the decision of the High Court which dismissed TM and TM Net's Striking Out Application. On 11 January 2011, the Court of Appeal has dismissed the appeal.

Meanwhile, NGSB's application to re-amend its Amended Statement of Claim was allowed by the High Court on 12 January 2011. Pursuant thereto, on 11 February 2011, NGSB's solicitors served on the Company and TM Net's solicitors an Amended Writ and Re-amended Statement of Claim (Re-amended Claim).

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

12. Material Litigation (continued)

**(e) Network Guidance (M) Sdn Bhd (NGSB) vs TM and TM Net Sdn Bhd (TM Net)
(continued)**

The reliefs sought by NGSB against the Company and TM Net in the Re-amended Claim are as follows:

- (i) a declaration that:
 - (a) NGSB and the Company entered into an agreement whereby it was agreed that NGSB and the Company will commence with the Fine TV project on a joint venture basis (the Agreement);
 - (b) the Company breached the Agreement;
 - (c) as a result of the breach of the Agreement, NGSB suffered loss and damages.
- (ii) an order that the Company and TM Net pay NGSB the following special damages:
 - (a) RM150,000 for the services of Fiberail Sdn. Bhd.;
 - (b) RM300,000 for the services of “MYLOCA” and/or the rental space of TM Net;
 - (c) RM1.0 million for the cost of the tests conducted;
 - (d) RM5.0 million for equipment such as the server, the router, Digital Video Encoder, Set Top Box and Digital Video Editing;
 - (e) RM3.0 million for license fees for the use of software;
 - (f) RM3.0 million for license fees for the use of content;
 - (g) RM500,000 for legal fees;
 - (h) RM4.0 million for overheads;
 - (i) loan of RM 7.0 million from Eurofine Sdn Bhd.
- (iii) interest at the rate of 8% per annum on the special damages from the date of judgment to the date of full and final settlement of the special damages;
- (iv) an order that the Company and TM Net pay general damages;
- (v) an order that the general damages be assessed by the court;

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

12. Material Litigation (continued)

**(e) Network Guidance (M) Sdn Bhd (NGSB) vs TM and TM Net Sdn Bhd (TM Net)
(continued)**

- (vi) interest of 8% per annum on the general damages from the date of judgment to the date of full and final settlement of the general damages;
- (vii) cost;
- (viii) any other relief which the court deems fit.

In the Re-amended Claim, NGSB has also reflected the change of NGSB's name to Fine TV Network Sdn Bhd. The case is now fixed for Case Management on 24 February 2011.

The Directors, based on legal advice, are of the view that TM has a good defence to NGSB's claim.

II. The following is a new material litigation case arising during the financial year:

(a) AINB TECH (M) SDN BHD v TM

On 3 January 2011, TM was served with a Judgment in Default by AINB Tech (M) Sdn Bhd (AINB) dated 2 December 2010 and based on the Judgment, AINB has been awarded the following reliefs by the High Court:

- (i) RM25.0 million being AINB's expenses incurred for the purpose of a project known as "Supply, Delivery, Installation, Testing, Commissioning and Support of One Number Service" entered into between both parties (the Project);
- (ii) general damages to be assessed by the Court;
- (iii) interest at the rate of 5% per annum calculated from the date of the Judgment until the date of the full settlement;
- (iv) legal costs of RM225; and
- (v) other relief as deemed fit by the Court.

On 14 January 2011, TM filed an application in Court to set aside the Judgment in Default and it has been fixed for hearing on 21 January 2011. On 21 January 2011, the Court has allowed TM's application for a stay of all execution proceedings against TM in respect of the Judgment in Default pending the final disposal of TM's application to set aside the Judgment in Default.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

12. Material Litigation (continued)

(a) AINB TECH (M) SDN BHD v TM (continued)

On 23 February 2011, the Court has allowed TM's application to set aside the Judgment in Default with cost. The Court has also fixed 16 March 2011 for the case management of the legal suit.

The Directors, based on legal advice, are of the view that TM has a good chance of success in setting aside the Judgment in Default and in defending the legal suit.

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 position or business of the Company and/or its subsidiaries.

13. Earnings Per Share (EPS)

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
(a) Basic earnings per share				
Profit attributable to equity holders of the Company (RM million)	400.7	170.2	1,206.5	643.0
Weighted average number of ordinary shares (million)	3,567.7	3,542.9	3,556.1	3,515.8
Basic earnings per share (sen) attributable to equity holders of the Company	11.2	4.8	33.9	18.3

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 year.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

13. Earnings Per Share (EPS)

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
(b) Diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	400.7	170.2	1,206.5	643.0
Weighted average number of ordinary shares (million)	3,567.7	3,542.9	3,556.1	3,515.8
Adjustment for dilutive effect of Special ESOS (million)	-	9.4	-	15.6
Weighted average number of ordinary shares (million)	3,567.7	3,552.3	3,556.1	3,531.4
Diluted earnings per share (sen) attributable to equity holders of the Company	11.2	4.8	33.9	18.2

Diluted earnings per share for the preceding financial year 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 conversion of all dilutive potential ordinary shares from share options granted to employees under the employees' share option scheme (Special ESOS), which expired on 16 September 2010.

The remaining options unexercised as at 16 September 2010 had lapsed and became null and void. There is no dilutive potential ordinary share as at 31 December 2010. Thus, diluted earnings per share is equal to basic earnings per share.

14. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2009 were not subject to any qualification.

15. Dividends

- (a) On 23 August 2010, the Board of Directors has declared an interim gross dividend of 13.0 sen per share less tax at 25% for the financial year ending 31 December 2010 (2009: an interim tax exempt dividend of 10.0 sen per share). The dividend was paid on 24 September 2010 to shareholders whose names appeared in the Register of Members and Record of Depositors on 7 September 2010.
- (b) At the forthcoming Annual General Meeting of the Company, the Board will recommend a final gross dividend of 13.1 sen per share less tax at 25% (2009: a final gross dividend at 13.0 sen per share less tax at 25%) for shareholders' approval.

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

By Order of the Board

Idrus Bin Ismail (LS0008400)
Zaiton Ahmad (MAICSA 7011681)
Secretaries

Kuala Lumpur
25 February 2011