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 ended 31 December 2011.

AUDITED CONSOLIDATED INCOME STATEMENT

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	**2,447.2**	2,320.6	**9,150.7**	8,791.0
OPERATING COSTS				
- depreciation, impairment and amortisation	**(535.9)**	(565.7)	**(2,128.0)**	(1,995.8)
- other operating costs	**(1,688.1)**	(1,614.7)	**(6,185.2)**	(6,019.6)
OTHER OPERATING INCOME (net)	**37.0**	52.7	**120.9**	152.9
OTHER GAINS (net)	**5.5**	215.4	**286.5**	373.3
OPERATING PROFIT BEFORE FINANCE COST	**265.7**	408.3	**1,244.9**	1,301.8
FINANCE INCOME	**35.6**	33.0	**133.0**	120.0
FINANCE COST	**(86.2)**	(90.9)	**(318.2)**	(365.2)
FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	**14.4**	(15.8)	**(58.6)**	303.7
NET FINANCE (COST)/INCOME	**(36.2)**	(73.7)	**(243.8)**	58.5
ASSOCIATES				
- share of results (net of tax)	**0.1**	0.2	**0.1**	(0.1)
PROFIT BEFORE TAXATION AND ZAKAT	**229.6**	334.8	**1,001.2**	1,360.2
TAXATION AND ZAKAT (part B, note 5)	**379.9**	81.2	**235.9**	(115.2)
PROFIT FOR THE FINANCIAL PERIOD/YEAR	**609.5**	416.0	**1,237.1**	1,245.0
ATTRIBUTABLE TO:				
- equity holders of the Company	**598.3**	400.7	**1,191.0**	1,206.5
- non-controlling interests	**11.2**	15.3	**46.1**	38.5
PROFIT FOR THE FINANCIAL PERIOD/YEAR	**609.5**	416.0	**1,237.1**	1,245.0
EARNINGS PER SHARE (sen) (part B, note 13)				
- basic/diluted	**16.7**	11.2	**33.3**	33.9

(The above audited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010)

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM Million	RM Million	RM Million	RM Million
PROFIT FOR THE FINANCIAL PERIOD/YEAR	**609.5**	416.0	**1,237.1**	1,245.0
OTHER COMPREHENSIVE INCOME:				
(Decrease)/increase in fair value of available-for-sale investments	**(10.2)**	12.4	**26.8**	352.5
Increase in fair value of available-for-sale receivables	**#**	1.4	**0.3**	2.5
Reclassification adjustments relating to available-for-sale investments disposed	**(1.7)**	(194.8)	**(287.2)**	(278.5)
Cash flow hedge:				
- increase in fair value of cash flow hedge	**35.8**	-	**35.8**	-
- reclassification to foreign exchange loss	**(3.7)**	-	**(3.7)**	-
Currency translation differences - subsidiaries	**(1.4)**	(0.1)	**1.1**	(0.4)
Other comprehensive income/(loss) for the financial period/year	**18.8**	(181.1)	**(226.9)**	76.1
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD/YEAR	**628.3**	234.9	**1,010.2**	1,321.1
ATTRIBUTABLE TO:				
- equity holders of the Company	**617.1**	219.6	**964.1**	1,282.6
- non-controlling interests	**11.2**	15.3	**46.1**	38.5
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD/YEAR	**628.3**	234.9	**1,010.2**	1,321.1

Amount less than RM0.1 million

(The above audited consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010)

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31/12/2011	AS AT 31/12/2010
	RM Million	RM Million
SHARE CAPITAL	3,577.4	3,568.1
SHARE PREMIUM	43.2	1,055.1
OTHER RESERVES	175.7	366.8
RETAINED PROFITS	3,172.5	2,719.4
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	6,968.8	7,709.4
NON-CONTROLLING INTERESTS	162.9	150.8
TOTAL EQUITY	7,131.7	7,860.2
Borrowings	6,402.7	5,506.0
Derivative financial instruments	18.9	28.0
Deferred tax liabilities	1,559.6	1,664.2
Deferred income	2,072.7	1,432.1
DEFERRED AND NON-CURRENT LIABILITIES	10,053.9	8,630.3
	17,185.6	**16,490.5**
Property, plant and equipment	13,613.0	13,112.1
Land held for property development	108.4	107.4
Intangible assets	320.9	312.3
Associates	0.6	0.5
Available-for-sale investments	104.8	114.6
Available-for-sale receivables	11.1	14.9
Other long term receivables	199.5	89.4
Derivative financial instruments	66.2	3.6
Deferred tax assets	21.7	86.7
NON-CURRENT ASSETS	14,446.2	13,841.5
Inventories	216.9	174.0
Customer acquisition costs	106.1	87.1
Trade and other receivables	1,951.4	2,329.3
Available-for-sale investments	418.1	838.1
Financial assets at fair value through profit or loss	20.1	21.5
Cash and bank balances	4,213.0	3,488.5
CURRENT ASSETS	6,925.6	6,938.5
Trade and other payables	3,552.1	3,639.2
Customer deposits	544.5	580.5
Borrowings	7.7	26.0
Taxation and zakat	81.9	43.8
CURRENT LIABILITIES	4,186.2	4,289.5
NET CURRENT ASSETS	2,739.4	2,649.0
	17,185.6	**16,490.5**
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	194.8	216.1

(The above audited consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010)

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Attributable to equity holders of the Company								
	Share Capital RM Million	**Share Premium RM Million**	**Fair Value Reserves RM Million**	**Hedging Reserve RM Million**	**Capital Redemption Reserve RM Million**	**Currency Translation Differences RM Million**	**Retained Profits RM Million**	**Non-controlling Interests RM Million**	**Total Equity RM Million**
At 1 January 2011	3,568.1	1,055.1	332.4	-	35.8	(1.4)	2,719.4	150.8	7,860.2
Profit for the financial year	-	-	-	-	-	-	1,191.0	46.1	1,237.1
Other comprehensive income:									
- Increase in fair value of available-for-sale investments	-	-	26.8	-	-	-	-	-	26.8
- Increase in fair value of available-for-sale receivables	-	-	0.3	-	-	-	-	-	0.3
- Reclassification adjustments relating to available-for-sale investments disposed	-	-	(287.2)	-	-	-	-	-	(287.2)
- Cash flow hedge:									
- increase in fair value of cash flow hedge	-	-	-	35.8	-	-	-	-	35.8
- reclassification to foreign exchange loss	-	-	-	(3.7)	-	-	-	-	(3.7)
- Currency translation differences - subsidiaries	-	-	-	-	-	1.1	-	-	1.1
Total comprehensive (loss)/income for the financial year	-	-	(260.1)	32.1	-	1.1	1,191.0	46.1	1,010.2
Transactions with owners:									
- Shares issued upon disposal of shares attributed to lapsed options (part A, note 5(a))	9.3	25.5	-	-	-	-	-	-	34.8
- Bonus issue of Redeemable Preference Shares (RPS) (part A, note 5(b))	35.8	(35.8)	-	-	-	-	-	-	-
- Redemption of RPS (part A, note 5(b))	(35.8)	(1,001.6)	-	-	-	-	-	-	(1,037.4)
- Creation of capital redemption reserve upon redemption of RPS (part A, note 5(b))	-	-	-	-	35.8	-	(35.8)	-	-
- Final dividends paid for the financial year ended 31 December 2010 (part A, note 6)	-	-	-	-	-	-	(351.5)	-	(351.5)
- Interim dividends paid for the financial year ending 31 December 2011 (part A, note 6)	-	-	-	-	-	-	(350.6)	-	(350.6)
- Disposal of equity interest in a former subsidiary (part A, note 10)	-	-	-	-	-	-	-	(4.3)	(4.3)
- Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(29.7)	(29.7)
Total transactions with owners	9.3	(1,011.9)	-	-	35.8	-	(737.9)	(34.0)	(1,738.7)
At 31 December 2011	**3,577.4**	**43.2**	**72.3**	**32.1**	**71.6**	**(0.3)**	**3,172.5**	**162.9**	**7,131.7**

(The above audited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010)

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

	Attributable to equity holders of the Company								
	Share Capital RM Million	**Share Premium RM Million**	**ESOS Reserve RM Million**	**Fair Value Reserves RM Million**	**Capital Redemption Reserve RM Million**	**Currency Translation Differences RM Million**	**Retained Profits RM Million**	**Non-controlling Interests RM Million**	**Total Equity RM Million**
At 1 January 2010									
As previously reported	3,543.5	1,011.8	19.7	155.5	35.8	(1.0)	2,222.2	142.5	7,130.0
Adjustments on application of FRS 139	-	-	-	100.4	-	-	(18.0)	-	82.4
At 1 January 2010, as restated	3,543.5	1,011.8	19.7	255.9	35.8	(1.0)	2,204.2	142.5	7,212.4
Profit for the financial year	-	-	-	-	-	-	1,206.5	38.5	1,245.0
Other comprehensive income:									
- Increase in fair value of available-for-sale investments	-	-	-	352.5	-	-	-	-	352.5
- Increase in fair value of available-for-sale receivables	-	-	-	2.5	-	-	-	-	2.5
- Reclassification adjustments relating to available-for-sale investments disposed	-	-	-	(278.5)	-	-	-	-	(278.5)
- Currency translation differences - subsidiaries	-	-	-	-	-	(0.4)	-	-	(0.4)
Total comprehensive income/(loss) for the financial year	-	-	-	76.5	-	(0.4)	1,206.5	38.5	1,321.1
Transactions with owners:									
- Employees' share option scheme (ESOS)									
- shares issued upon exercise of options	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 by TM ESOS Management Sdn Bhd	1.2	3.1	-	-	-	-	-	-	4.3
- Final dividends paid for the financial year ended 31 December 2009	-	-	-	-	-	-	(346.4)	-	(346.4)
- Interim dividends paid for the financial year ending 31 December 2010	-	-	-	-	-	-	(347.4)	-	(347.4)
- Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(30.2)	(30.2)
Total transactions with owners	24.6	43.3	(19.7)	-	-	-	(691.3)	(30.2)	(673.3)
At 31 December 2010	**3,568.1**	**1,055.1**	**-**	**332.4**	**35.8**	**(1.4)**	**2,719.4**	**150.8**	**7,860.2**

(The above audited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010)

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL YEAR ENDED	
	31/12/2011	31/12/2010
	RM Million	RM Million
Receipts from customers	9,188.3	8,600.1
Payments to suppliers and employees	(5,988.0)	(5,226.6)
Payment of finance cost	(312.6)	(372.1)
Refund/(payment) of income taxes and zakat (net)	143.0	(28.0)
CASH FLOWS FROM OPERATING ACTIVITIES	**3,030.7**	**2,973.4**
Contribution for purchase of property, plant and equipment	772.6	597.0
Disposal of property, plant and equipment	17.6	37.3
Purchase of property, plant and equipment	(2,735.0)	(2,864.3)
Disposal of available-for-sale investments	840.2	925.2
Purchase of available-for-sale investments	(383.6)	(351.9)
Disposal of financial assets at fair value through profit or loss	0.8	75.8
Purchase of financial assets at fair value through profit or loss	-	(20.0)
Long term deposit	(8.3)	-
Disposal of a former subsidiary* (part A, note 10)	(2.3)	-
Repayments of loans by employees	12.9	32.5
Loans to employees	(10.7)	(23.1)
Disposal of housing loan	14.4	19.3
Interests received	125.7	115.0
Dividends received	17.7	10.3
CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,338.0)**	**(1,446.9)**
Issue of share capital (part A, note 5(a))	34.8	50.7
Redemption of Redeemable Preference Shares (part A, note 5(b))	(1,037.4)	-
Proceeds from borrowings	1,268.3	-
Repayments of borrowings	(493.0)	(857.7)
Repayments of finance lease	(3.4)	(3.2)
Dividends paid to shareholders (part A, note 6)	(702.1)	(693.8)
Dividends paid to non-controlling interests	(29.7)	(30.2)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(962.5)**	**(1,534.2)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	730.2	(7.7)
EFFECT OF EXCHANGE RATE CHANGES	(5.6)	5.5
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	3,488.0	3,490.2
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**4,212.6**	**3,488.0**

*Net of cash & cash equivalents disposed

(The above audited consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation

The audited interim financial statements for the 4th quarter ended 31 December 2011 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 2010. 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 2010 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 2011. In addition, the Group has also adopted an accounting policy on cash flow hedge as set out in note (III) below.

(I) New and revised standards, amendments and improvements to published standards and Interpretation Committee (IC) Interpretations issued by the MASB that are effective and applicable for the Group's financial year beginning on 1 January 2011

The new and revised standards, amendments and improvements to published standards and IC Interpretations that have been issued by the MASB that are effective and applicable for the Group's financial year beginning on 1 January 2011, being considered in this announcement 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

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(I) New and revised standards, amendments and improvements to published standards and Interpretation Committee (IC) Interpretations issued by the MASB that are effective and applicable for the Group's financial year beginning on 1 January 2011 (continued)

There are also amendments to the following standards which are part of the MASB's improvement projects:

		Effective date
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

The adoption of the revised FRS 3 "Business Combinations" and FRS 127 "Consolidated and Separate Financial Statements" will have impact on the Group's future acquisition as these standards will change the accounting for business combinations and the preparation of the consolidation financial statements as these standards are applied prospectively.

The revised FRS 3 continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the Income Statement. There is now a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed off.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(I) New and revised standards, amendments and improvements to published standards and Interpretation Committee (IC) Interpretations issued by the MASB that are effective and applicable for the Group's financial year beginning on 1 January 2011 (continued)

The revised FRS 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the Income Statement.

The adoption of the Amendment to FRS 7 which requires enhanced disclosures about fair value measurement and liquidity risk, in particular, the disclosure of fair value measurements by the three-level fair value hierarchy, does not impact the financial results of the Group as the enhancements relate solely to disclosure.

IC Interpretation 18 "Transfers of Assets from Customers" provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 "Revenue". The Group has transactions where an item of property, plant and equipment is received from customer, which the Group then uses to connect the customer to a network or to provide the customer with services. The adoption of IC Interpretation 18 does not have a material impact to the Group.

The adoption of the other applicable standards, amendments and improvements to published standards and IC Interpretations do not have any material effect to the Group or the Group's significant accounting policies.

1. Basis of Preparation (continued)

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

Following the announcement by MASB on 19 November 2011, with effect from 1 January 2012, the financial statements of the Group will be prepared in accordance with the Malaysian Financial Reporting Standards Framework (MFRS Framework) which comprises Standards as issued by the International Accounting Standards Board (IASB) that are effective on that date. The adoption of the MFRS Framework enables entities to assert that their financial statements are in full compliance with International Financial Reporting Standards (IFRSs). This is because the MFRS Framework is a fully IFRS-compliant framework and equivalent to IFRSs.

The MFRS framework is to be applied by all Entities other than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 “Agriculture” and IC Interpretation 15 “Agreements for Construction of Real Estate” (IC 15), including its parent, significant investor and venturer (herein called ‘Transitioning Entities’).

Transitioning entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

For the FRS framework, MASB has issued new/revised FRSs, namely FRS 9 “Financial Instruments”, FRS 10 “Consolidated Financial Statements”, FRS 11 “Joint Arrangements”, FRS 12 “Disclosures of Interest in Other Entities”, FRS 13 “Fair Value Measurement”, FRS 119 “Employee Benefits”, FRS 127 “Separate Financial Statements”, and FRS 128 “Investments in Associates and Joint Ventures”, four limited amendments to FRSs and a new Interpretation. Some of these pronouncements are effective on 1 January 2012 whilst others are later. In addition, the Board has withdrawn IC 15 from the FRS Framework in light of its decision for the Transitioning Entities.

The key differences between the FRS Framework and MFRS Framework are that in the former,

- FRS 201 $_{2004}$ “Property Development Activities” will continue to be the extant standard for accounting for property development activities and not IC 15 and

- there is no equivalent standard to IAS 41

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

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

The Group will adopt relevant Standards issued under MFRS Framework on 1 January 2012. Except for the impact of adoption of the new and revised MFRSs as discussed below, the transition from FRS to MFRS is not expected to have a significant impact to the accounting policies and financial statements of the Group as in principle, FRSs are already largely aligned to MFRSs except for MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" which provides first time adopter certain exemptions and policy choice.

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

		Effective date
MFRS 124 (Revised)	Related Party Disclosure	1 January 2012
Amendment to MFRS 7	Financial instruments: Disclosures on Transfers of Financial Assets	1 January 2012
Amendment to MFR 101	Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9	Financial Instruments (IFRS 9 Issued by IASB in October 2010)	1 January 2015

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

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

The adoption of the above applicable standards and amendments to published standards are not expected to have a material impact on the financial statements of the Group except for MFRS 124 (Revised) and MFRS 9.

MFRS 124 (Revised) does not have any impact on the financial results of the Group but requires additional disclosures of material transactions with the government and all other government-related entities.

MFRS 9 will impact the classification and measurement of available-for-sale assets either at fair value or amortised cost. Where the available-for-sale assets qualify for amortised cost measurement, the assets will be accounted for under the amortised cost model whereby gains or losses upon derecognition, impairment or reclassification are recognised in profit or loss. Those that do not qualify will be measured at fair value through profit or loss or other comprehensive income. Gains or losses on remeasurement and disposal of financial assets carried at fair value through other comprehensive income are recognised in other comprehensive income.

There are no other standards, amendments to published standards or IC Interpretation that are not yet effective that would be expected to have a material impact on the Group.

(III) Accounting policies adopted in the current financial year

During the 4th quarter 2011, the Company had entered into cross currency interest rate swaps which qualify and were designated as cash flow hedges. The accounting policy applied for cash flow hedges is set out as below:

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within ‘other gains or losses – net’.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of cross currency interest rate swaps, hedging fixed rate borrowing is recognised in profit or loss within finance cost.

When a hedging instrument matures, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognized in profit or loss.

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 2011 other than as mentioned elsewhere in the audited interim financial statements.

4. Material Changes in Estimates

During the current quarter, the Group performed the annual review to assess the useful lives of its property, plant and equipment. This review has taken into consideration changes in technology, latest findings in research and development and updated practices to enhance performance of certain network assets. Arising from this review, the useful lives of certain network equipments have been shortened from 15 and 7 years to 10 and 5 years whilst the useful lives of certain network assets have been extended from useful lives ranging from 7 to 20 years to a range of 10 to 25 years effective from 1 October 2011. The net impact of this was a lower depreciation charge of RM58.6 million.

Save for the above, there were no other material changes in estimates reported in the prior interim period or prior financial year.

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

(a) The issued and paid-up capital of the Company increased by 9.3 million ordinary shares from 3,568.1 million to 3,577.4 million ordinary shares of RM1.00 each following the disposal of 9.3 million ordinary shares of the Company attributed to lapsed options by TM ESOS Management Sdn Bhd, a 100% owned special entity established to act as a trustee of Special ESOS scheme.

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 on 16 September 2010. The features of the Special ESOS are as disclosed in note 15 to the audited financial statements for the financial year ended 31 December 2010.

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

(b) On 25 February 2011, the Company had announced a proposed capital distribution to its shareholders of approximately RM1,037.4 million or RM0.29 for each ordinary share of RM1.00 each in the Company (Capital Distribution). The proposal was approved by its shareholders at an Extraordinary General Meeting (EGM) held on 10 May 2011.

To facilitate the Capital Distribution, the Company had, at the EGM, altered the composition of its authorised share capital by the creation of 4,000,000,000 Class F Redeemable Preference Shares (Class F RPS) of RM0.01 each. On 7 June 2011 the Company had implemented a bonus issue of 3,577.4 million Class F RPS of RM0.01 each to entitled shareholders, on the basis of 1 Class F RPS for each ordinary share of RM1.00 each held. The bonus issue was issued at a par value of RM0.01 for each Class F RPS by way of capitalisation of the Company’s share premium account.

Subsequent thereto, the Company has redeemed the Class F RPS at a redemption price of RM0.29 for each ordinary share held on the same day. The par value of RM0.01 per Class F RPS representing approximately RM35.8 million in total, was redeemed out of the Company’s retained profits. Whilst, the premium on redemption of RM0.28 for each Class F RPS or RM1,001.6 million was redeemed out of the Company’s share premium account resulting in cash payment of RM0.29 for each ordinary share held or RM1,037.4 million to entitled shareholders. The payment was made on 15 June 2011.

(c) On 5 April 2011, the Company received approval from the Securities Commission Malaysia for the establishment of Islamic Commercial Paper (ICP) programme and an Islamic Medium Term Notes (IMTN) programme with a combined limit of up to RM2.0 billion in nominal value, which has respective tenures of 7 and 15 years from the date of first issuance. The proceeds from the issuance of ICP and/or IMTN will be used by the Company to meet its capital expenditure requirement.

(i) On 25 April 2011, the Company issued RM150.0 million nominal value ICPs at 3.15% per annum which has matured on 27 June 2011. On 1 August 2011, the Company issued another RM150.0 million nominal value ICP at 3.12% per annum, which has matured on 13 September 2011. Subsequently, on 14 November 2011, the Company issued another RM150.0 million nominal value ICP at 3.15% per annum, which has matured on 12 December 2011.

(ii) On 27 June 2011, the Company issued RM300.0 million nominal value IMTN and repaid the ICP of RM150.0 million upon maturity on 27 June 2011. The IMTN will mature on 25 June 2021. On 13 September 2011, the Company issued another RM300.0 million nominal value IMTN and repaid the second ICP of RM150.0 million upon maturity on 13 September 2011. The said IMTN will mature on 13 September 2021. Subsequently on 12 December 2011, the Company issued another RM200.0 million nominal value IMTN and repaid the third ICP of RM150.0 million upon its maturity on the same day. The IMTN will mature on 10 December 2021.

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

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 2011.

6. Dividends Paid

(i) A final gross dividend of 13.1 sen per share less tax at 25% amounting to RM351.5 million in respect of financial year ended 31 December 2010 was paid on 15 June 2011.

(ii) An interim single-tier dividend of 9.8 sen per share amounting to RM350.6 million for the financial year ending 31 December 2011 was paid on 23 September 2011.

7. Segmental Information

Segmental information for the Group 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					
4th Quarter Ended 31 December 2011									
Operating Revenue									
Total operating revenue	644.5	474.1	514.2	417.9	2,050.7	272.2	337.4	1,183.1	3,843.4
Inter-segment @	(5.9)	(0.6)	(146.7)	(0.5)	(153.7)	(71.3)	(81.1)	(1,090.1)	(1,396.2)
External operating revenue	638.6	473.5	367.5	417.4	1,897.0	200.9	256.3	93.0	2,447.2
Results									
Segment profits	26.1	95.7	83.0	94.4	299.2	41.0	75.4	(86.4)	329.2
Unallocated income/other gains #									9.8
Unallocated costs ^									(73.3)
Operating profit before finance cost									265.7
Finance income									35.6
Finance cost									(86.2)
Foreign exchange gain on borrowings									14.4
Associates									
- share of results (net of tax)									0.1
Profit before taxation and zakat									229.6
Taxation and zakat									379.9
Profit for the financial period									609.5

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					
4th Quarter Ended 31 December 2010									
Operating Revenue									
Total operating revenue	588.8	445.7	447.0	347.0	1,828.5	272.4	331.2	1,162.0	3,594.1
Inter-segment @	(3.9)	-	(88.9)	-	(92.8)	(78.9)	(55.0)	(1,046.8)	(1,273.5)
External operating revenue	584.9	445.7	358.1	347.0	1,735.7	193.5	276.2	115.2	2,320.6
Results									
Segment profits	(12.4)	54.0	56.1	79.5	177.2	72.9	53.2	(72.8)	230.5
Unallocated income/other gains #									218.4
Unallocated costs ^									(40.6)
Operating profit before finance cost									408.3
Finance income									33.0
Finance cost									(90.9)
Foreign exchange loss on borrowings									(15.8)
Associates									
- share of results (net of tax)									0.2
Profit before taxation and zakat									334.8
Taxation and zakat									81.2
Profit for the financial period									416.0

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					
Financial Year Ended 31 December 2011									
Operating Revenue									
Total operating revenue	2,487.8	1,840.6	1,926.5	1,433.9	7,688.8	1,067.5	1,079.0	4,771.3	14,606.6
Inter-segment @	(28.7)	(2.5)	(464.9)	(0.5)	(496.6)	(297.5)	(233.7)	(4,428.1)	(5,455.9)
External operating revenue	2,459.1	1,838.1	1,461.6	1,433.4	7,192.2	770.0	845.3	343.2	9,150.7
Results									
Segment profits	31.5	303.9	321.1	347.8	1,004.3	151.4	167.2	(138.1)	1,184.8
Unallocated income/other gains #									307.8
Unallocated costs ^									(247.7)
Operating profit before finance cost									1,244.9
Finance income									133.0
Finance cost									(318.2)
Foreign exchange loss on borrowings									(58.6)
Associates									
- share of results (net of tax)									0.1
Profit before taxation and zakat									1,001.2
Taxation and zakat									235.9
Profit for the financial year									1,237.1

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					
Financial Year Ended 31 December 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 profits	(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

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					
Segment assets									
As at 31 December 2011									
Segment assets	492.7	220.7	871.5	623.9	2,208.8	548.7	506.0	13,491.3	16,754.8
Associates									0.6
Unallocated assets *									4,616.4
Total									**21,371.8**
As at 31 December 2010									
Segment assets	502.2	213.5	901.2	864.9	2,481.8	667.8	596.1	12,506.5	16,252.2
Associates									0.5
Unallocated assets *									4,527.3
Total									20,780.0

7. Segmental Information (continued)

@ 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. These inter-segment trading arrangements are subject to periodic review. The inter-company revenue was entered into in the normal course of business.

Unallocated income/other gains comprises other operating income and other gains such as dividend income and 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.

* Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets, cash and bank balances of the Company and property, plant and equipment of the Company's corporate divisions and office buildings.

8. Valuation of Property, Plant and Equipment

There is 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 Period

Save as disclosed in part B, note 6 of this announcement, there is no material event subsequent to the reporting date that requires disclosure or adjustment to the audited interim financial statements.

10. Effects of Changes in the Composition of the Group

There is no change in the composition of the Group for the 4th quarter and financial year ended 31 December 2011 save as below:

Telekom Smart School Sdn Bhd (TSS)

On 3 June 2011, TM announced that its wholly owned subsidiary, Telekom Multi-Media Sdn Bhd (TMM) had entered into a Sale of Shares Agreement (the SSA) with Digital Technologies Sdn Bhd for the disposal of TMM's entire 51% equity interest comprising 7,650,000 ordinary shares of RM1.00 each held in TSS for a total consideration of RM5.5 million subject to the terms and conditions of the SSA (the Disposal). The Disposal was duly completed on 26 August 2011 and resulted in RM0.8 million gain to the Group.

10. Effects of Changes in the Composition of the Group (continued)

Telekom Malaysia-Africa Sdn Bhd (TMA)

On 1 December 2010, TM commenced the members' voluntary winding up of TMA, a wholly owned subsidiary in accordance with Section 254(1)(b) of the Companies Act, 1965 (the Act). Accordingly, pursuant to Section 272(5) of the Act, TMA was dissolved effective from 4 October 2011.

TM Cellular (Holdings) Sdn Bhd (TMCH)

On 1 December 2010, TM commenced the members' voluntary winding up of TMCH, a wholly owned subsidiary in accordance with Section 254(1)(b) of the Act. Accordingly, pursuant to Section 272(5) of the Act, TMCH was dissolved effective from 4 October 2011.

11. Changes in Contingent Liabilities Since the Last Annual Reporting Period

Other than material litigations disclosed in part B, note 12 of this announcement, there are no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2010.

12. Commitments

Capital Commitments

	Group	
	31/12/2011 RM Million	**31/12/2010 RM Million**
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**2,770.8**	4,499.5
Commitments in respect of expenditure approved but not contracted for	**4,570.2**	4,752.4

The above includes expenditure 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.

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

1. Review of Performance

(a) Quarter-on-Quarter

(i) Group Performance

For the current quarter under review, Group revenue increased by 5.5% to RM2,447.2 million as compared to RM2,320.6 million in the fourth quarter 2010, mainly attributed to higher revenue from Internet and multimedia and other telecommunications related services, which mitigated the impact of lower revenue from voice and non-telecommunications related services.

Internet and multimedia services registered higher revenue by 24.0% to RM541.3 million in the current year quarter arising from increased broadband and UniFi customers to 1.69 million and 236,501 respectively in the current quarter from 1.68 million and 32,896 respectively in the corresponding quarter in 2010.

Other telecommunications related services registered 26.2% growth in revenue to RM424.1 million primarily due to higher revenue from customer projects.

Despite recording higher revenue, the Group's operating profit before finance cost of RM265.7 million was 34.9% lower from RM408.3 million recorded in the same quarter last year. This is largely attributed to lower other gains from the disposal of investments of RM5.5 million in the current quarter as compared to RM215.4 million in the corresponding quarter in 2010. The higher gains recorded in fourth quarter last year was due to the disposal of Axiata shares.

Group profit after tax and non-controlling interests (PATAMI) increased by 49.3% to RM598.3 million as compared to RM400.7 million in the corresponding quarter in 2010 largely due to the recognition of deferred tax income on unutilised tax incentives in the current year quarter.

(ii) Segment Performance

Consumer:

Higher revenue in 4th quarter 2011 by 9.5% driven by substantial growth in UniFi with 202,609 customers as at 31 December 2011. Higher profit in 4th quarter 2011 due to lower operating cost arising from improvement initiatives from customer service management activities.

1. Review of Performance (continued)

SME:

For the current quarter under review, revenue increased by 6.4% as compared to previous year corresponding quarter contributed by growth in UniFi and business broadband. Current quarter under review registered highest activation numbers for UniFi in tandem with expansion in UniFi coverage areas and its branding power in delivering high speed broadband services.

Higher profit in current quarter under review by 77.2% as compared to 4th quarter 2010 mainly from growth in revenue and lower operating cost arising from improvement initiatives from customer service management activities.

Enterprise:

For the current quarter under review, revenue increased by 15.0% to RM514.2 million as compared to RM447.0 million in the 4th quarter 2010, driven by higher contribution from data services and other telecommunication services which mitigated the impact of lower revenue from voice. Data services registered an increase of 6.1% in the current quarter due to increased sales to financial institution (FI) sector whilst other telecommunication services increased by 25.1% due to increased new sales in information technology services and value added services.

Profit increased by 48.0% to RM83.0 million as compared to RM56.1 million in the corresponding quarter in 2010 due to the higher revenue.

Government:

For the 4th quarter 2011, Government recorded revenue of RM417.9 million, higher by 20.4% compared to RM347.0 million in the 4th quarter 2010 mainly attributed by higher revenue from customer projects.

Profit for the current quarter 2011 was higher at RM94.4 million, up 18.7% from RM79.5 million as reported in the 4th quarter 2010 mainly due to the higher revenue.

Wholesale:

For the 4th quarter 2011, Wholesale recorded revenue of RM272.2 million, comparable to RM272.4 million recorded in the 4th quarter 2010.

Profit is lower by 43.8% as compared to the corresponding quarter last year mainly due to higher operating costs as a result of higher third party leased circuit charges, right of way cost which commenced this year, higher WiFi rental and maintenance activities.

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

1. Review of Performance (continued)

Global:

For the quarter under review, revenue of RM337.4 million is higher by 1.9% as compared to the 4th quarter 2010 contributed by higher voice revenue. Profit for the quarter increased by 41.7% to RM75.4 million due to lower realised/unrealised foreign exchange losses resulting from the strengthening of Ringgit Malaysia in the current quarter and also due to lower operating cost arising from operational improvement initiatives of voice and content localization.

(b) Year-on-Year

(i) Group Performance

For the financial year under review, Group revenue increased by 4.1% to RM9,150.7 million as compared to RM8,791.0 million recorded in the preceding financial year, mainly attributed to higher revenue from Internet and multimedia, data and other telecommunications related services, net of lower voice revenue.

Operating profit before finance cost of RM1,244.9 million was lower by 4.4% as compared to RM1,301.8 million recorded in the preceding financial year, mainly due to lower other gains as the preceding financial year included gains from disposal of Axiata and Measat shares (RM365.3 million) whilst 2011 included only gain on disposal of Axiata shares (RM283.5 million).

Group PATAMI decreased by 1.3% to RM1,191.0 million as compared to RM1,206.5 million recorded in the preceding financial year, primarily due to lower other gains and unrealised foreign exchange loss on translation of foreign currency borrowings. This is mitigated by the recognition of deferred tax income on unutilised tax incentives. The Group recorded an unrealised foreign exchange loss on borrowings of RM58.6 million in the current financial year as compared to a gain of RM303.7 million in the preceding financial year.

(ii) Segment Performance

Consumer:

Revenue is higher in 2011 driven by higher cumulative UniFi customers of 202,609 (2010: 28,808 customers). Higher profit in 2011 due to increased revenue and cost improvement initiatives.

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

1. Review of Performance (continued)

SME:

SME posted a revenue growth of 3.9% year-on-year, from RM1,772.2 million to RM1,840.6 million, driven primarily by Internet and multimedia services. In 2011, expansion in Unifi coverage areas has resulted in significant growth in customer base and customer preferences for higher speed broadband technology also leads to higher revenue growth.

SME achieved a profit of RM303.9 million for the financial year 2011, an increase of 21.9% due to higher revenue following attractive new packages offering and cost improvement initiatives.

Enterprise:

Revenue increased by 9.5% to RM1,926.5 million as compared to RM1,758.9 million in the last financial year mainly due to higher revenue from data services and other telecommunication services which mitigated the impact of lower revenue from voice.

Profit increased by 1.4% from RM316.6 million in the previous year to RM321.1 million in current financial year due to higher revenue.

Government:

Government posted revenue of RM1,433.9 million for 2011, higher by 8.9% compared to RM1,316.8 million in 2010, mainly attributed to higher revenue from data services and other telecommunications services including customer projects.

Profit for 2011 was higher at RM347.8 million, up 4.3% from RM333.5 million in 2010 mainly due to higher revenue.

Wholesale:

Wholesale recorded total revenue of RM1,067.5 million in 2011, a decrease of 2.7% from RM1,096.8 million in 2010, reflecting the full impact of the revised voice interconnection rates which is part of the Mandatory Standard on Access Pricing that came into effect from July 2010.

Higher year-on-year operating cost of 4.1% has resulted in lower profit by 28.7% as compared to 2010.

Global:

Revenue for 2011 is lower by 5.8% as compared to last year mainly due to the effect of significant price erosion year-on-year and churn for data services mitigated by higher voice revenue. Profit for the year is lower by 24.5% due to decrease in revenue and the shift in product mix.

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

1. Review of Performance (continued)

(c) Economic Profit Statement

	4th Quarter Ended		Financial Year Ended	
	31/12/2011 RM Million	31/12/2010 RM Million	31/12/2011 RM Million	31/12/2010 RM Million
EBIT	**260.2**	192.9	**958.4**	928.5
Adjusted Tax	65.1	48.2	239.6	232.1
NOPLAT	**195.1**	144.7	**718.8**	696.4
AIC	2,947.9	2,904.8	11,791.7	11,619.0
WACC	6.38%	6.59%	6.33%	6.58%
ECONOMIC CHARGE	**188.1**	191.4	**746.4**	764.5
ECONOMIC PROFIT/(LOSS)	**7.0**	(46.7)	**(27.6)**	(68.1)

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 EP of RM7.0 million in the fourth quarter 2011, an improvement of RM53.7 million from Economic Loss (EL) of RM46.7 million recorded in the same period last year, contributed by 34.9% (RM67.3 million) increase in EBIT and lower economic charge by RM3.3 million (1.7%).

The higher EBIT was mainly attributed to higher operating revenue which increased more than the increase in operating cost and lower other income.

The lower economic charge was due to the decrease in WACC (0.21 percentage point) despite an increase in AIC (1.5%). Lower WACC was contributed by lower after tax cost of debt (0.2 percentage point) whilst, the higher AIC was due to increase in property, plant and equipment and inventories.

On full financial year basis, TM recorded EL of RM27.6 million, an improvement of RM40.5 million from EL of RM68.1 million reported in the preceding financial year due to higher NOPLAT by RM22.4 million and lower economic charge by RM18.1 million consequent from a lower WACC (0.25 percentage point).

2. Comparison with Preceding Quarter's Results

The current quarter Group revenue increased by 5.4% to RM2,447.2 million as compared to RM2,321.7 million recorded in the third quarter 2011 primarily due to higher revenue from Internet and multimedia and other telecommunications related services.

Operating profit before finance cost decreased by 47.9% to RM265.7 million as compared to RM510.1 million recorded in the preceding quarter mainly due to lower other gains as the preceding quarter included RM283.5 million gain on disposal of Axiata shares.

Group PATAMI increased from RM302.2 million in the preceding quarter to RM598.3 million in the current quarter mainly due to recognition of deferred tax income as explained in note 1(a) above.

3. Prospects for the Next Financial Year Ending 31 December 2012

Malaysia's economic growth for 2012 is expected to slow down compared to the previous year due to the continued euro zone debt crisis and the slower growth of China's economy. Against this background, Malaysian Institute of Economic Research (MIER) has revised downwards the Gross Domestic Product growth forecast for 2012 from 5.0% (MIER, October 2011) to 3.7% (MIER, January 2012). The trend for inflation in 2012 is forecasted to ease slightly to between 2.5% and 2.8% compared to 3.2% y-o-y recorded in November 2011 due to moderating commodity prices (Source : MIER, October 2011; MIER, January 2012; RAM, November 2011).

2011 was a good year in terms of broadband growth, in particular UniFi, with TM's total broadband customer base reaching 1.92 million, inclusive 236,501 UniFi customers as of 31 December 2011. With a run rate of 1,000 installations per day, TM aims to achieve 400,000 UniFi customers by end of 2012. However, we foresee increasing competition in the broadband market landscape coming from two fronts: competition in the fixed and mobile broadband space. We see competition in the fixed broadband space which includes the bundling of Broadband & Pay-TV services targeting largely the high-rise buildings in the immediate term. Competition on the mobile broadband front may come from future Long Term Evolution (LTE) players on the 2.6GHz spectrum.

In light of this, TM's strategy is to continuously improve our customer experience, further improve our UniFi and Streamyx time to install and to offer value added services to our customers. TM currently offers more than 1,000 hours of video content via our Video on Demand (VOD) service, 50 broadcast channels and 16 interactive channels on HyppTV (our IPTV service).

TM shall also focus on Information Communication and Technology (ICT) to further provide an end-to-end service offerings to our customers that include connectivity, interactivity and managed services. TM is transforming into an 'Information Exchange', where the vision is to be the ICT enabler for the nation. The goal is to make Telecommunications and ICT synonymous with TM – when customers think Connectivity, Communication, Transactions or Managed Services, they will think 'TM'.

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

3. Prospects for the Next Financial Year Ending 31 December 2012 (continued)

Despite the global economic uncertainty and intense competitive telecommunication landscape, the Board of Directors expects TM's business environment for the next financial year to remain positive.

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 2011.

5. Taxation

The taxation charge for the Group comprises:

	4th Quarter Ended		Financial Year Ended	
	31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**
	RM Million	**RM Million**	**RM Million**	**RM Million**
Malaysia				
Income Tax:				
Current year	**(4.8)**	47.5	**44.8**	113.3
Prior year	**(150.0)**	13.2	**(254.1)**	1.3
Deferred tax (net)	**(232.6)**	(142.2)	**(39.3)**	9.7
	(387.4)	(81.5)	**(248.6)**	124.3
Overseas				
Income Tax:				
Current year	**2.6**	-	**5.1**	1.5
Prior year	**-**	(0.1)	**1.2**	0.3
Deferred tax (net)	**0.7**	0.2	**(0.1)**	(10.3)
	3.3	0.1	**6.2**	(8.5)
Taxation	**(384.1)**	(81.4)	**(242.4)**	115.8
Zakat	**4.2**	0.2	**6.5**	(0.6)
Taxation and Zakat	**(379.9)**	(81.2)	**(235.9)**	(115.2)

The current quarter and financial year effective tax rate of the Group is lower than the statutory tax rate primarily due to recognition of deferred tax income on unutilised tax incentives.

5. Taxation (continued)

The Company was granted approval under Section 127 of Income Tax Act, 1967 for income tax exemption in the form of an Investment Allowance (IA) of 100% on qualifying last mile broadband assets acquired within a period of 5 years commencing September 2007 to September 2012 to be set off against 70% of statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised.

Tax credit arising from prior years and deferred tax assets on unutilised IA has been recognised during the financial year, upon further clarification being received from the Ministry of Finance on 30 November 2011. The deferred tax assets have been recognised on the basis of the Company's previous history of recording profits, and to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

6. Status of Corporate Proposals

Proposed Capital Repayment to shareholders of approximately RM1,073.2 Million (Proposed Capital Repayment)

On 24 February 2012, TM announced the Proposed Capital Repayment involving a capital repayment of approximately RM1,073.2 million to TM’s shareholders. 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 distribution under the Proposed Capital Repayment of RM0.30 for each ordinary share of RM1.00 each in TM (TM Share) held as at the Entitlement Date.

The Proposed Capital Repayment will be implemented by way of a reduction of the issued and paid-up share capital of TM under Section 64 of the Companies Act, 1965 (Act), whereby the par value of each TM Share will be reduced from RM1.00 to RM0.70 per share. The total number of ordinary shares of TM in issue will remain unchanged at 3,577.4 million shares.

The Proposed Capital Repayment is subject to the following:

(i) approval of TM’s shareholders at an Extraordinary General Meeting to be convened;

(ii) the order by the High Court of Malaya confirming the reduction of the ordinary share capital of TM pursuant to Section 64 of the Act;

(iii) consent by TM’s creditors/lenders, where applicable; and

(iv) approvals/consents of other relevant authorities/parties, if required.

The Proposed Capital Repayment is not conditional upon any other corporate proposal of TM.

6. Status of Corporate Proposals (continued)

Barring any unforeseen circumstances, the Proposed Capital Repayment is expected to be completed in the third quarter of 2012.

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

7. Update on Memorandum of Understanding (MoU)

TM and Celcom Axiata Berhad (Celcom) (collectively known as the "Parties") had on 22 February 2011 entered into a MoU to cooperate strategically in providing fixed and mobile solutions.

As at 21 February 2012, apart from the HSBB Services Agreement which has been executed on 3 June 2011, both TM and Celcom have not concluded and finalized other agreements proposed under the MoU.

The MoU which has a validity period of one (1) year, has expired on 21 February 2012.

8. Group Borrowings and Debt Securities

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

	31 December 2011		**31 December 2010**	
	Short Term Borrowings RM Million	**Long Term Borrowings RM Million**	**Short Term Borrowings RM Million**	**Long Term Borrowings RM Million**
Total Unsecured	**7.7**	**6,402.7**	26.0	5,506.0

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

	31 December 2011	**31 December 2010**
Foreign Currency	**RM Million**	**RM Million**
US Dollar	2,423.2	2,356.9
Canadian Dollars	3.7	3.9
Total	**2,426.9**	2,360.8

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

9. Derivative Financial Instruments

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

		Fair Value as at 31 December 2011		Fair Value as at 31 December 2010	
Derivatives (by maturity)	**Contract or notional amount RM Million**	**Assets RM Million**	**Liabilities RM Million**	**Assets RM Million**	**Liabilities RM Million**
1. Forward Foreign Currency Contracts					
- more than 3 years	344.3	-	18.9	-	22.8
	344.3	**-**	**18.9**	-	22.8
2. Interest Rate Swaps					
- 1 year to 3 years	1,500.0	10.0	-	-	5.2
- more than 3 years	500.0	20.4	-	3.6	-
	2,000.0	**30.4**	**-**	3.6	5.2
3. Cross Currency Interest Rate Swaps					
- more than 3 years	310.5	35.8	-	-	-
	310.5	**35.8**	**-**	-	-
Total	**2,654.8**	**66.2**	**18.9**	3.6	28.0

(b) Changes to derivative financial instruments

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

Cross Currency Interest Rate Swap (CCIRS)
Underlying Liability
USD300 million 7.875% Debentures due in 2025

Derivative Financial Instruments
On 17 October 2011, the Company entered into a CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM154.0 million.

9. Derivative Financial Instruments (continued)

On 2 December 2011, the Company entered into a CCIRS agreement with a notional amount of USD50.0 million that entitles it to receive interest at a fixed rate of 7.875% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 7.875% on the RM notional amount (calculated at a pre-determined exchange rate). The swap will mature on 1 August 2025. On the maturity date, the Company would receive the USD notional amount and pay the counterparty an equivalent RM amount of RM156.5 million.

The CCIRSs effectively convert part of the USD liability into RM liability.

(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 other than transactions as explained in (b) above; 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 4, 18 and 21 to the audited financial statements for the financial year ended 31 December 2010.

(d) Related Accounting Policies

The related accounting policies of the Group in respect of derivative financial instruments and hedge accounting are disclosed in note 2 to the audited financial statements for the financial year ended 31 December 2010.

9. Derivative Financial Instruments (continued)

(e) (Losses)/Gains Arising from Fair Value Changes of Financial Instruments

The amount of (losses)/gains arising from fair value changes of financial instruments for the current and cumulative quarters ended on 31 December 2011 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 4th quarter RM Million	(Losses)/gains arising from fair value changes for the Year to Date RM Million
Financial Liabilities				
1. Forward Foreign Currency Contracts (i) - more than 3 years	344.3	18.9	(3.2)	3.9
Total	**344.3**	**18.9**	**(3.2)**	**3.9**
Financial Assets				
1. Interest Rate Swaps - 1 year to 3 years - more than 3 years	1,500.0 500.0	10.0 20.4	4.2 2.2	15.2 16.8
	2,000.0	**30.4**	**6.4**	**32.0**
2. Cross Currency Interest Rate Swaps - more than 3 years	310.5	35.8	35.8	35.8
	310.5	**35.8**	**35.8**	**35.8**
Total	**2,310.5**	**66.2**	**42.2**	**67.8**

(i) Forward foreign currency contracts are carried at fair value through profit or loss (FVTPL)

The fair value of existing interest rate swaps arise from the changes in present value of its future cash flows against the prevailing market interest rates. The fair value of existing forward foreign exchange contracts is determined by comparing forward exchange market rates at the balance sheet date against its prevailing foreign exchange rates.

The Marked to Market (MTM) on the IRS is positive when the expectation of relevant future interest rate decreases and vice versa. The MTM on forward contract is negative when the expectation of USD against RM currency is strengthened and vice versa.

The MTM on the CCIRS is positive when the expectation of relevant future interest rate decreases and the expectation of USD against RM strengthen and vice versa.

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

10. Realised and Unrealised Profits

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

	Group	
	31/12/2011 RM Million	**31/12/2010 RM Million**
Retained profits		
- realised	**2,757.0**	2,008.9
- unrealised - in respect of deferred tax recognised in the income statement	**(1,395.7)**	(1,577.5)
- in respect of other items of income and expense	**365.7**	384.1
Share of accumulated losses from associates		
- realised	**(0.9)**	(1.0)
	1,726.1	814.5
Add: consolidation adjustments	**1,446.4**	1,904.9
Total Retained Profits	**3,172.5**	2,719.4

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.

11. Additional Disclosures

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the consolidated Income Statements for the 4th quarter and financial year ended 31 December 2011:

	4th Quarter Ended RM Million	**Financial Year Ended RM Million**
Impairment of trade and other receivables (net of recoveries)	(19.8)	(72.8)
Inventory write off and obsolescence	(0.4)	(7.2)
Gains on disposals of quoted securities	-	283.5
Gains on disposals of fixed income securities	1.7	3.7
Losses on foreign exchange on settlements and placements	(13.0)	(21.9)

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET 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 46 to the audited financial statements of the Group for the financial year ended 31 December 2010, 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 has appealed to the Court of Appeal against both the decisions of the High Court Judge dated 12 November 2009. On 14 February 2012, TSDTR withdrew the appeals and the Court of Appeal consequently ordered that the appeals be struck out with costs.

The Directors, based on legal advice, are of the view that the legal suit has ended.

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

On 10 February 2012, the Court has fixed 7 March 2012 for Case Management of the legal suit and 19 March 2012 for the hearing of TM and TESB’s Striking Out Application.

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.

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

The case proceeded for trial from 25 January to 27 January 2012. The next trial dates are 29 February, 2 March, 13 April, 30 April, 7 May, 8 May and 9 May 2012.

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

(d) AINB Tech (M) Sdn Bhd vs TM

On 30 June 2011, the High Court has dismissed the AINB Tech (M) Sdn Bhd’s entire legal suit against TM with costs.

On 19 October 2011, the Court of Appeal granted an application by AINB’s solicitors to discharge themselves from further acting for AINB in the appeal. The Court of Appeal will make further directions in regard to the appeal by way of a letter to both parties.

The Directors, based on the legal advice, are of the view that TM has a good chance of success in dismissing AINB’s appeal in the Court of Appeal.

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

12. Material Litigation (continued)

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

Based on the Company's record, AHSB had instituted a similar legal suit at the Kuala Lumpur High Court under Civil Suit No. S2- 22-452-2005 against the Company on 22 April 2005 and the said legal suit was dismissed by the High Court on 16 September 2009 with cost.

On 15 April 2011, the High Court has struck out the legal suit with cost. AHSB did not file any appeal against the High Court's decision within the period allowed under the law.

The Directors, based on legal advice, are of the view that the legal suit has ended.

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	
	31/12/2011	**31/12/2010**	**31/12/2011**	**31/12/2010**
Basic/diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	**598.3**	400.7	**1,191.0**	1,206.5
Weighted average number of ordinary shares (million)	**3,577.4**	3,567.7	**3,576.5**	3,556.1
Basic earnings per share (sen) attributable to equity holders of the Company	**16.7**	11.2	**33.3**	33.9

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.

There is no dilutive potential ordinary share as at 31 December 2011. 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 2010 were not subject to any qualification.

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

15. Dividends

(i) On 24 August 2011, the Board of Directors has declared an interim single-tier dividend of 9.8 sen per share for the financial year ending 31 December 2011 (2010: an interim gross dividend of 13.0 sen per share less tax at 25%). The dividend was paid on 23 September 2011 to shareholders whose names appear in the Register of Members and Record of Depositors on 12 September 2011.

(ii) The Board is now recommending a final single-tier dividend of 9.8 sen per share (2010: a final gross dividend at 13.1 sen per share less tax at 25%) for shareholders' approval at the forthcoming Twenty-Seventh Annual General Meeting of the Company.

By Order of the Board

Idrus Ismail (LS0008400)
Zaiton Ahmad (MAICSA 7011681)
Hamizah Abidin (LS0007096)

Secretaries

Kuala Lumpur
24 February 2012