

**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 2014.

**AUDITED CONSOLIDATED INCOME STATEMENT**

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2014 RM Million	31/12/2013 RM Million	31/12/2014 RM Million	31/12/2013 RM Million
OPERATING REVENUE	3,157.3	2,979.8	11,235.1	10,628.7
OPERATING COSTS				
- depreciation, impairment and amortisation	(631.0)	(578.8)	(2,341.3)	(2,159.7)
- other operating costs	(2,234.5)	(2,057.6)	(7,753.8)	(7,218.6)
OTHER OPERATING INCOME (net)	37.6	35.8	154.3	121.5
OTHER (LOSSES)/GAINS (net)	(1.7)	(0.7)	4.8	1.7
OPERATING PROFIT BEFORE FINANCE COST	327.7	378.5	1,299.1	1,373.6
FINANCE INCOME	33.8	36.8	136.6	144.9
FINANCE COST	(69.7)	(97.6)	(291.6)	(371.2)
FOREIGN EXCHANGE LOSS ON BORROWINGS	(43.2)	(8.7)	(47.9)	(105.2)
NET FINANCE COST	(79.1)	(69.5)	(202.9)	(331.5)
ASSOCIATES				
- share of results (net of tax)	5.1	0.7	9.3	3.9
PROFIT BEFORE TAXATION AND ZAKAT	253.7	309.7	1,105.5	1,046.0
TAXATION AND ZAKAT (part B, note 5)	(46.0)	45.3	(263.0)	1.8
<b>PROFIT FOR THE FINANCIAL PERIOD/YEAR</b>	<b>207.7</b>	<b>355.0</b>	<b>842.5</b>	<b>1,047.8</b>
ATTRIBUTABLE TO:				
- equity holders of the Company	218.3	344.2	831.8	1,012.2
- non-controlling interests	(10.6)	10.8	10.7	35.6
<b>PROFIT FOR THE FINANCIAL PERIOD/YEAR</b>	<b>207.7</b>	<b>355.0</b>	<b>842.5</b>	<b>1,047.8</b>
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic/diluted	5.9	9.6	22.9	28.3

(The above audited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013)

**AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2014 RM Million	31/12/2013 RM Million	31/12/2014 RM Million	31/12/2013 RM Million
<b>PROFIT FOR THE FINANCIAL PERIOD/YEAR</b>	<b>207.7</b>	355.0	<b>842.5</b>	1,047.8
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that may be reclassified subsequently to income statement:</b>				
- increase/(decrease) in fair value of available-for-sale investments	2.5	(1.4)	2.4	(6.5)
- increase/(decrease) in fair value of available-for-sale receivables	0.1	(0.2)	(0.8)	0.4
- reclassification adjustments relating to available-for-sale investments disposed	(2.8)	0.1	(0.1)	(0.2)
- cash flow hedge:				
- increase in fair value of cash flow hedge	74.0	30.6	45.6	20.5
- reclassification to foreign exchange (loss)/gain	(37.9)	2.9	(28.6)	(0.9)
- currency translation differences				
- subsidiaries	4.7	1.7	4.4	3.1
- associate	#	#	(0.1)	0.3
Other comprehensive income for the financial period/year	<b>40.6</b>	33.7	<b>22.8</b>	16.7
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD/YEAR</b>	<b>248.3</b>	388.7	<b>865.3</b>	1,064.5
ATTRIBUTABLE TO:				
- equity holders of the Company	258.9	377.9	854.6	1,028.9
- non-controlling interests	(10.6)	10.8	10.7	35.6
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD/YEAR</b>	<b>248.3</b>	388.7	<b>865.3</b>	1,064.5

# 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 2013)

**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>AS AT 31/12/2014 RM Million</b>	<b>AS AT 31/12/2013 RM Million</b>
SHARE CAPITAL	2,603.6	2,504.2
SHARE PREMIUM	722.7	43.2
OTHER RESERVES	(70.9)	173.9
RETAINED PROFITS	4,315.7	4,415.4
<b>TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>7,571.1</b>	<b>7,136.7</b>
NON-CONTROLLING INTERESTS	388.8	162.6
<b>TOTAL EQUITY</b>	<b>7,959.9</b>	<b>7,299.3</b>
Borrowings	6,251.4	4,865.0
Derivative financial instruments	337.8	51.4
Deferred tax liabilities	1,258.0	1,151.0
Deferred income	1,823.1	1,999.5
Trade and other payables	135.8	9.8
<b>DEFERRED AND NON-CURRENT LIABILITIES</b>	<b>9,806.1</b>	<b>8,076.7</b>
	<b>17,766.0</b>	<b>15,376.0</b>
Property, plant and equipment	14,785.1	14,572.0
Intangible assets	581.7	319.8
Associates	6.5	10.7
Available-for-sale investments	99.0	99.7
Available-for-sale receivables	6.9	7.6
Other non-current receivables	500.7	314.9
Derivative financial instruments	147.3	80.3
Deferred tax assets	14.8	19.3
<b>NON-CURRENT ASSETS</b>	<b>16,142.0</b>	<b>15,424.3</b>
Inventories	115.9	154.0
Non-current assets held for sale	13.0	22.3
Customer acquisition costs	62.7	73.8
Trade and other receivables	2,825.3	2,288.6
Derivative financial instruments	-	27.1
Available-for-sale investments	469.3	624.3
Financial assets at fair value through profit or loss	9.2	17.2
Cash and bank balances	2,985.8	2,514.9
<b>CURRENT ASSETS</b>	<b>6,481.2</b>	<b>5,722.2</b>
Trade and other payables	3,605.2	3,172.8
Customer deposits	482.4	502.1
Advance rental billings	416.1	380.8
Derivative financial instruments	-	11.0
Borrowings	197.0	1,590.2
Taxation and zakat	156.5	113.6
<b>CURRENT LIABILITIES</b>	<b>4,857.2</b>	<b>5,770.5</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>1,624.0</b>	<b>(48.3)</b>
	<b>17,766.0</b>	<b>15,376.0</b>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)</b>	<b>203.6</b>	<b>199.5</b>

**(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 2013)**

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

	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	Other Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non- controlling Interests RM Million	Total Equity RM Million
At 1 January 2014	2,504.2	43.2	56.3	46.5	71.6	-	(0.5)	4,415.4	162.6	7,299.3
Profit for the financial year	-	-	-	-	-	-	-	831.8	10.7	842.5
Other comprehensive income										
Items that may be reclassified subsequently to income statement:										
- increase in fair value of available-for-sale investments	-	-	2.4	-	-	-	-	-	-	2.4
- decrease in fair value of available-for-sale receivables	-	-	(0.8)	-	-	-	-	-	-	(0.8)
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(0.1)	-	-	-	-	-	-	(0.1)
- cash flow hedge:										
- increase in fair value of cash flow hedge	-	-	-	45.6	-	-	-	-	-	45.6
- reclassification to foreign exchange loss	-	-	-	(28.6)	-	-	-	-	-	(28.6)
- currency translation differences										
- subsidiaries	-	-	-	-	-	-	4.4	-	-	4.4
- associate	-	-	-	-	-	-	(0.1)	-	-	(0.1)
Total comprehensive income for the financial year	-	-	1.5	17.0	-	-	4.3	831.8	10.7	865.3
Transactions with owners										
- shares issued pursuant to Dividend Reinvestment Scheme (DRS) (part A, note 5(a))	99.4	679.5	-	-	-	-	-	-	-	778.9
- final dividends paid for the financial year ended 31 December 2013 (part A, note 6)	-	-	-	-	-	-	-	(583.1)	-	(583.1)
- interim dividends paid for the financial year ending 31 December 2014 (part A, note 6)	-	-	-	-	-	-	-	(348.4)	-	(348.4)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(25.4)	(25.4)
- put option liability over shares held by non-controlling interest (part B, note 8(b)(ii))	-	-	-	-	-	(267.6)	-	-	-	(267.6)
- acquisition of a subsidiary	-	-	-	-	-	-	-	-	240.9	240.9
Total transactions with owners	99.4	679.5	-	-	-	(267.6)	-	(931.5)	215.5	(204.7)
<b>At 31 December 2014</b>	<b>2,603.6</b>	<b>722.7</b>	<b>57.8</b>	<b>63.5</b>	<b>71.6</b>	<b>(267.6)</b>	<b>3.8</b>	<b>4,315.7</b>	<b>388.8</b>	<b>7,959.9</b>

(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 2013)

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013**

**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 2013	2,504.2	43.2	62.6	26.9	71.6	(3.9)	4,190.2	165.2	7,060.0
Profit for the financial year	-	-	-	-	-	-	1,012.2	35.6	1,047.8
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- decrease in fair value of available-for-sale investments	-	-	(6.5)	-	-	-	-	-	(6.5)
- increase in fair value of available-for-sale receivables	-	-	0.4	-	-	-	-	-	0.4
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(0.2)	-	-	-	-	-	(0.2)
- cash flow hedge:									
- increase in fair value of cash flow hedge	-	-	-	20.5	-	-	-	-	20.5
- reclassification to foreign exchange loss	-	-	-	(0.9)	-	-	-	-	(0.9)
- currency translation differences									
- subsidiaries	-	-	-	-	-	3.1	-	-	3.1
- associates	-	-	-	-	-	0.3	-	-	0.3
Total comprehensive (loss)/income for the financial year	-	-	(6.3)	19.6	-	3.4	1,012.2	35.6	1,064.5
Transactions with owners									
- final dividends paid for the financial year ended 31 December 2012	-	-	-	-	-	-	(436.4)	-	(436.4)
- interim dividends paid for the financial year ended 31 December 2013	-	-	-	-	-	-	(350.6)	-	(350.6)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	(38.2)	(38.2)
Total transactions with owners	-	-	-	-	-	-	(787.0)	(38.2)	(825.2)
<b>At 31 December 2013</b>	<b>2,504.2</b>	<b>43.2</b>	<b>56.3</b>	<b>46.5</b>	<b>71.6</b>	<b>(0.5)</b>	<b>4,415.4</b>	<b>162.6</b>	<b>7,299.3</b>

(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 2013)

**AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**

	FINANCIAL YEAR ENDED	
	31/12/2014	31/12/2013
	RM Million	RM Million
Receipts from customers	10,538.3	10,063.6
Payments to suppliers and employees	(7,110.1)	(6,831.3)
Payment of finance cost	(300.2)	(363.7)
Payment of income taxes and zakat (net)	(113.9)	(72.9)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>3,014.1</b>	<b>2,795.7</b>
Contribution for purchase of property, plant and equipment	79.4	47.1
Disposal of property, plant and equipment	11.0	5.8
Purchase of property, plant and equipment	(2,100.5)	(2,415.2)
Acquisition of subsidiaries* (part A, note 14)	(281.4)	-
Acquisition of an associate	-	(12.7)
Subscription of Exchangeable Medium Term Notes (part A, note 14(b))	(119.3)	-
Disposal of available-for-sale investments	474.9	337.8
Purchase of available-for-sale investments	(319.5)	(467.0)
Disposal of financial assets at fair value through profit or loss	3.8	0.8
Disposal of non-current assets held for sale	24.9	14.4
Long term deposit	(16.6)	(16.6)
Repayments of loans by employees	8.0	8.4
Loans to employees	(63.1)	(26.0)
Disposal of housing loan	8.5	9.9
Interests received	119.7	137.6
Dividends received	8.2	13.3
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(2,162.0)</b>	<b>(2,362.4)</b>
Proceeds from issuance of shares (part A, note 5(a))	778.9	-
Proceeds from borrowings	1,313.7	1,553.5
Repayments of borrowings (net)	(1,522.8)	(2,379.5)
Repayments of finance lease	(4.2)	(3.8)
Dividend paid to shareholders (part A, note 6)	(931.5)	(787.0)
Dividend paid to non-controlling interests	(25.4)	(38.2)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(391.3)</b>	<b>(1,655.0)</b>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	460.8	(1,221.7)
EFFECT OF EXCHANGE RATE CHANGES	(0.3)	(2.1)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	2,514.5	3,738.3
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	<b>2,975.0</b>	<b>2,514.5</b>
*Net of cash and cash equivalents acquired		

(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 2013)

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

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**1. Basis of Preparation**

The audited interim financial statements for the 4th quarter ended 31 December 2014 of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board (MASB), 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 2013. 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 2013 audited financial statements except for the changes arising from the adoption of the amendments to MFRS and Interpretation Committee (IC) Interpretation issued by MASB that are effective for the Group’s financial year beginning on 1 January 2014.

**(a) Amendments to published standards and IC Interpretation that are effective and applicable for the Group’s financial year beginning on 1 January 2014**

The amendments to published standards and IC Interpretation issued by MASB that are effective and applicable for the Group’s financial year beginning on 1 January 2014 are as follows:

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, 12 and 127	Investment Entities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The adoption of the above amendments to published standards and IC Interpretation does not have any material impact to the Group’s financial result, position or disclosure for the current or previous periods nor any of the Group’s significant accounting policies.

**TELEKOM MALAYSIA BERHAD (128740-P)**  
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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**1. Basis of Preparation (continued)**

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

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

**Effective for annual periods beginning on or after 1 July 2014**

Amendments to MFRS 119	Defined Benefit Plans: Employee Contribution
Amendments to MFRS 2, 3, 8, 13, 116, 124 and 138	Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRSs 2010 – 2012 Cycle”
Amendments to MFRS 1, 3, 13 and 140	Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRSs 2011 – 2013 Cycle”

**Effective for annual periods beginning on or after 1 January 2016**

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to MFRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 10, 12 and 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 10 and 128	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 5, 7, 119 and 134	Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRSs 2012 – 2014 Cycle”
Amendments to MFRS 101	Disclosure Initiative

**Effective for annual periods beginning on or after 1 January 2017**

MFRS 15	Revenue from Contracts with Customers
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**Effective for annual periods on or after 1 January 2018**

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
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**TELEKOM MALAYSIA BERHAD (128740-P)**  
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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**1. Basis of Preparation (continued)**

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

- MFRS 15 “Revenue from Contracts with Customers” is a new Standard aimed to improve financial reporting of revenue and comparability whilst providing better clarity on revenue recognition on areas where existing requirements unintentionally created diversity in practice. MFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. MFRS 15 replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations. The Group has commenced the project to implement MFRS 15 group-wide including the assessment of the impact of adopting the new revenue standard. At the time of preparing this interim financial statements, the impact from the adoption of this standard has yet to be fully quantified.
  
- MFRS 9 “Financial Instruments (as issued by International Accounting Standard Board (IASB) in July 2014)” replaces the guidance in MFRS 139 that relates to the classification and measurement of financial instruments. MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through profit and loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI, with only dividend income from the investment to be recognised in profit or loss. MFRS 9 introduces a new expected credit loss model that replaces the incurred loss impairment model used in MFRS 139.

For financial liabilities, there were no changes to classification and measurement except for liabilities designated at inception to be measured at fair value through profit or loss. For these, the portion of fair value changes caused by changes in an entity’s own credit risk shall be recognised in OCI rather than in profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139. The Group has yet to access the full impact of MFRS 9 but expect the standard to change the way the Group accounts for financial instruments.

**TELEKOM MALAYSIA BERHAD (128740-P)**  
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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**1. Basis of Preparation (continued)**

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

Other than MFRS 15 and 9 as mentioned above, 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.

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.

**(c) Additional Significant Accounting Policies Applicable to the Group**

**(i) Embedded Derivatives**

Derivatives embedded in other financial instruments or contracts are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself held-for-trading or designated as fair value to profit or loss. The embedded derivatives separated from the host are carried at fair value to profit or loss with changes in the fair value recognised in the Income Statement.

**(ii) Put Option over shares held by non-controlling interest**

A contract that contains an obligation for the Group to deliver cash or other financial asset in exchange for its own (or its subsidiary's) equity shares is a financial liability. This liability is recorded irrespective of whether the contract meets the definition of an equity instrument. The financial liability is recognised at the present value of the redemption amount of the option, when it is exercised.

The initial redemption liability is recognised as Other Reserve in equity as a reduction of the Group's equity if the risk and rewards of ownership remain with the non-controlling interest or a reduction of non-controlling interest equity if the risks and rewards of ownership transfer to the Group. Subsequently, the put option is re-measured at fair value as a result of changes in the expected liability with any resulting gain or loss recognised in the income statement. In the event that the option expires unexercised, the put option liability is de-recognised with a corresponding adjustment to equity.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**1. Basis of Preparation (continued)**

**(c) Additional Significant Accounting Policies Applicable to the Group (continued)**

**(iii) Intangible Assets**

**Telecommunication spectrum**

Telecommunication spectrum acquired in a business combination is recognised at fair value at the acquisition date, with an indefinite useful life as there is a presumption of renewal at negligible cost. It is subjected for impairment review on an annual basis or whenever adverse events or changes in circumstances indicate that impairment may have occurred.

**Customer Base**

Customer base acquired in a business combination is recognised at fair value at the acquisition date. It is expected to have a finite useful life and carried at cost less accumulated amortisation calculated using the straight-line method over the estimated useful life of three years. The expected useful life principally reflects management's view of the average economic life of the customer base, assessed by reference to customer churn rates.

**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 4th quarter and financial year ended 31 December 2014.

**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)**  
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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**5. Issuances, Repurchases and Repayments of Debt and Equity Securities**

**(a) Shares issued pursuant to Dividend Reinvestment Scheme (DRS)**

On 27 March 2014, TM announced a proposal to undertake a dividend reinvestment scheme that provides shareholders of TM (Shareholders) the option to elect to reinvest, in whole or in part, their cash dividend which includes interim, final, special or any other cash dividend, in new ordinary share(s) of RM0.70 each in TM (TM Share) (DRS).

The DRS has received the approval from the Bursa Malaysia Securities Berhad via its letter dated 7 April 2014 and the Shareholders' approval at TM's Extraordinary General Meeting on 8 May 2014.

Shareholders have the following options in respect of the option to reinvest their cash dividend in new TM Shares (Option to Reinvest):

- to elect to participate by reinvesting in whole or in part the portion of such dividend to which the Option to Reinvest applies (Electable Portion), at the issue price for new TM Shares.

In the event that only part of the Electable Portion is reinvested, the Shareholders shall receive the remaining portion of the dividend in cash; or

- to elect not to participate in the Option to Reinvest and thereby receive the entire dividend in cash.

Pursuant to the DRS, TM increased its issued and fully paid share capital from RM2,504,184,312 to RM2,603,561,225.30 via:

- the issuance of 89,770,254 new TM Shares on 23 June 2014 at an issue price of RM5.38 per new TM Share relating to the Electable Portion of the final single-tier dividend for the financial year ended 31 December 2013 of 16.3 sen per TM Share. This translates to 82.8% rate of acceptance of Shareholders to reinvest their final cash dividend in new TM shares.
- the issuance of 52,196,765 new TM Shares on 29 October 2014 at an issue price of RM5.67 per new TM Share relating to the Electable Portion of the interim single-tier dividend for the financial year ended 31 December 2014 of 9.5 sen per TM Share. This translates to 85.0% rate of acceptance of Shareholders to reinvest their interim cash dividend in new TM shares.

Upon completion of the DRS on listing and quotation of the above New TM shares on Main Market Bursa Malaysia Securities Berhad, the total issued and paid up share capital of TM is RM2,603,561,225.30 comprising 3,719,368,999 ordinary shares of RM0.70 each, 1 Special Rights Redeemable Preference Share of RM1.00, 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS) of RM1.00 each, and 925 Class D NCRPS of RM1.00 each.

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

**(b) Issuance of Islamic Medium Term Notes (IMTN)**

Details of IMTN issued during the 4th quarter and financial year ended 31 December 2014 are as follows:

<b>Debt Securities</b>	<b>Date of Issue</b>	<b>Nominal Value</b>	<b>Rate per Annum</b>	<b>Maturity Date</b>
IMTN	21 March 2014	RM300.0 million	4.82%	21 March 2024
IMTN	27 June 2014	RM300.0 million	4.738%	27 June 2024
IMTN	7 October 2014	RM300.0 million	4.55%	7 October 2024
IMTN	22 December 2014	RM300.0 million	4.55%	20 December 2024

**(c) Redemption of Guaranteed Notes**

On 22 September 2014, the Group redeemed in full at its nominal value, the USD465.1 million (RM1,513.3 million) 5.25% Guaranteed Notes due 2014, issued by TM Global Incorporated, a wholly owned subsidiary.

Save for the above, there were no other issuances, repurchases and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the 4th quarter and financial year ended 31 December 2014.

**6. Dividends Paid**

- (a) On 8 May 2014, a final single-tier dividend of 16.3 sen per share amounting to RM583.1 million in respect of financial year ended 31 December 2013 (Final Dividend) was approved by the shareholders at the 29th Annual General Meeting.
- (b) An interim single-tier dividend of 9.5 sen per share amounting to RM348.4 million for the financial year ended 31 December 2014 (Interim Dividend) was approved and declared by the Board of Directors on 27 August 2014.

The Dividend Reinvestment Scheme (DRS) as disclosed in part A, note 5(a) of this announcement, was made applicable to the entire Final and Interim dividend where the entire Electable Portion of both dividends could be elected to be reinvested in new TM shares in accordance to the DRS.

The payment of dividend and crediting of shares under the DRS was completed on 23 June 2014 and 29 October 2014 for the Final and Interim Dividend respectively.

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**7. Segmental Information**

Segmental information for the Group are as follows:

**By Business Segment**

All amounts are in RM Million 4th Quarter Ended 31 December 2014	<u>Retail Business</u>				<u>Total Retail Business</u>	<u>Global &amp; Wholesale Business</u>	<u>Shared Services /Others</u>	<u>Total</u>
	<u>Consumer</u>	<u>SME</u>	<u>Enterprise</u>	<u>Government</u>				
<b>Operating Revenue</b>								
Total operating revenue	821.1	493.5	309.0	633.4	2,257.0	680.4	1,765.6	4,703.0
Inter-segment @	(13.5)	(0.1)	(2.1)	(0.9)	(16.6)	(103.0)	(1,426.1)	(1,545.7)
External operating revenue	807.6	493.4	306.9	632.5	2,240.4	577.4	339.5	3,157.3
<b>Results</b>								
Segment profits/(loss)	75.9	72.9	51.0	198.9	398.7	211.4	(59.7)	550.4
Unallocated income/other gains*								4.4
Unallocated costs^								(227.1)
Operating profit before finance cost								327.7
Finance income								33.8
Finance cost								(69.7)
Foreign exchange loss on borrowings								(43.2)
Associates								
- share of results (net of tax)								5.1
Profit before taxation and zakat								253.7
Taxation and zakat								(46.0)
Profit for the financial period								207.7

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**7. Segmental Information (continued)**

<b>All amounts are in RM Million</b> <b>4th Quarter Ended</b> <b>31 December 2013</b>	<b>Retail Business</b>				<b>Total Retail Business</b>	<b>Global &amp; Wholesale Business</b>	<b>Shared Services /Others</b>	<b>Total</b>
	<b>Consumer</b>	<b>SME</b>	<b>Enterprise</b>	<b>Government</b>				
<b>Operating Revenue</b>								
Total operating revenue	769.9	515.4	314.9	623.7	2,223.9	551.3	1,636.7	4,411.9
Inter-segment @	(13.3)	(0.1)	(3.1)	-	(16.5)	(72.9)	(1,342.7)	(1,432.1)
External operating revenue	756.6	515.3	311.8	623.7	2,207.4	478.4	294.0	2,979.8
<b>Results</b>								
Segment profits	25.2	110.1	60.7	180.6	376.6	96.7	3.0	476.3
Unallocated income/other losses*								4.8
Unallocated costs^								(102.6)
Operating profit before finance cost								378.5
Finance income								36.8
Finance cost								(97.6)
Foreign exchange loss on borrowings								(8.7)
Associates								
- share of results (net of tax)								0.7
Profit before taxation and zakat								309.7
Taxation and zakat								45.3
Profit for the financial period								355.0

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**7. Segmental Information (continued)**

All amounts are in RM Million Financial Year Ended 31 December 2014	Retail Business				Total Retail Business	Global & Wholesale Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government				
<b>Operating Revenue</b>								
Total operating revenue	3,147.8	1,933.1	1,211.8	2,171.0	8,463.7	2,107.4	6,587.0	17,158.1
Inter-segment @	(40.4)	(0.3)	(8.5)	(3.1)	(52.3)	(331.6)	(5,539.1)	(5,923.0)
External operating revenue	3,107.4	1,932.8	1,203.3	2,167.9	8,411.4	1,775.8	1,047.9	11,235.1
<b>Results</b>								
Segment profits/(loss)	204.3	281.8	212.8	653.2	1,352.1	422.0	(22.8)	1,751.3
Unallocated income/other gains*								22.4
Unallocated costs^								(474.6)
Operating profit before finance cost								1,299.1
Finance income								136.6
Finance cost								(291.6)
Foreign exchange loss on borrowings								(47.9)
Associates								
- share of results (net of tax)								9.3
Profit before taxation and zakat								1,105.5
Taxation and zakat								(263.0)
Profit for the financial year								842.5



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**7. Segmental Information (continued)**

All amounts are in RM Million Financial Year Ended 31 December 2013	Retail Business				Total Retail Business	Global & Wholesale Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government				
<b>Operating Revenue</b>								
Total operating revenue	2,966.1	1,933.0	1,173.3	1,936.7	8,009.1	2,013.2	6,265.1	16,287.4
Inter-segment @	(37.2)	(1.1)	(6.1)	-	(44.4)	(307.3)	(5,307.0)	(5,658.7)
External operating revenue	2,928.9	1,931.9	1,167.2	1,936.7	7,964.7	1,705.9	958.1	10,628.7
<b>Results</b>								
Segment profits	150.6	357.8	234.2	580.9	1,323.5	305.7	3.0	1,632.2
Unallocated income/other gains*								17.8
Unallocated costs^								(276.4)
Operating profit before finance cost								1,373.6
Finance income								144.9
Finance cost								(371.2)
Foreign exchange loss on borrowings								(105.2)
Associates								
- share of results (net of tax)								3.9
Profit before taxation and zakat								1,046.0
Taxation and zakat								1.8
Profit for the financial year								1,047.8

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**7. Segmental Information (continued)**

All amounts are in RM Million Segment assets and liabilities	Retail Business				Total Retail Business	Global & Wholesale Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government				
<b>As at 31 December 2014</b>								
Segment assets	289.3	163.3	263.3	833.0	1,548.9	1,295.0	16,454.1	19,298.0
Associates								6.5
Unallocated assets <sup>&lt;</sup>								<u>3,318.7</u>
<b>Total assets</b>								<b><u>22,623.2</u></b>
Segment liabilities	353.8	361.5	255.0	497.6	1,467.9	749.8	4,155.4	6,373.1
Borrowings								6,448.4
Unallocated liabilities <sup>+</sup>								<u>1,841.8</u>
<b>Total liabilities</b>								<b><u>14,663.3</u></b>
<b>As at 31 December 2013</b>								
Segment assets	305.4	237.5	223.0	882.4	1,648.3	1,059.0	15,252.6	17,959.9
Associates								10.7
Unallocated assets <sup>&lt;</sup>								<u>3,175.9</u>
Total assets								<u>21,146.5</u>
Segment liabilities	209.2	409.1	289.9	393.0	1,301.2	613.1	4,074.7	5,989.0
Borrowings								6,455.2
Unallocated liabilities <sup>+</sup>								<u>1,403.0</u>
Total liabilities								<u>13,847.2</u>

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**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 or losses comprises other operating income and other gains or losses such as dividend income and gain or losses 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 Management, Group Finance, Group Legal, Compliance & 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.
- + Unallocated liabilities mainly include interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

**8. Material Events Subsequent to the End of the Quarter**

There is no other material event subsequent to the reporting date that requires disclosure or adjustments to the audited interim financial statements save as disclosed below:

**High Speed Broadband Phase 2 (HSBB2) and Sub Urban Broadband (SUBB) Projects**

On 25 February 2015, TM announced that it has accepted the Letter of Award (LoA) from the Government of Malaysia (the Government) for the implementation of the:

- (a) HSBB2 project in collaboration with the Government to deploy the access and domestic core networks to deliver an end-to-end HSBB infrastructure. The total cost of the HSBB2 investment for a period of ten (10) years is RM1.8 billion.
- (b) SUBB project in collaboration with the Government to deploy the access and domestic core networks to deliver an end-to-end HSBB infrastructure. The total cost of the SUBB investment for a period of ten (10) years is RM1.6 billion.

With the acceptance of the LoA by TM, the parties will enter into a formal agreement (HSBB2 and SUBB Agreements) based on mutually agreed terms and conditions in due course.

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**9. 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 2014 save as disclosed below:

**(a) GTC Global Sdn Bhd (GTC)**

Pursuant to the completion of the business combination as disclosed in part A, note 14(a), GTC became TM's wholly owned subsidiary with effect from 10 January 2014. The impact of the acquisition is as disclosed in part A, note 14(a) of this announcement.

**(b) Rebung Utama Sdn Bhd (RUSB)**

On 15 December 2011, TM commenced the members' voluntary winding up of RUSB, a subsidiary of Telekom Malaysia Berhad (TM) held via Tekad Mercu Berhad in accordance with Section 254(1)(b) of the Companies Act, 1965 (the Act). Accordingly, pursuant to Section 272(5) of the Act, RUSB was dissolved effective from 10 June 2014.

**(c) Inneonusa Sdn Bhd (ISB)**

Pursuant to the Joint Venture and Shareholders Agreement (JVSHA) between TM's wholly-owned subsidiary, Intelsec Sdn Bhd (Intelsec), UEM Land Berhad (UEML) and Iskandar Innovation Sdn Bhd (IISB) on 1 July 2014 for the establishment of a Joint Venture Company (JVCo), Intelsec has on 24 September 2014, acquired 100% equity interest in ISB for a total consideration of RM2.00.

ISB was incorporated on 24 July 2014 with an issued share capital of RM2.00 as the intended JVCo to undertake the business of a managed services operation company providing smart building and smart city services.

**(d) Packet One Networks (Malaysia) Sdn Bhd (P1) and its wholly owned subsidiaries (namely, P1.Com Sdn Bhd, Millercom Sdn Bhd, RuumzNation Sdn Bhd and Packet One (L) Ltd)(P1 Group)**

Pursuant to the completion of the Proposed Share Subscription on 30 September 2014 in accordance with the terms and conditions of the Investment Agreement (Completion) and the resulting 55.3% shareholding in P1 by Mobikom Sdn Bhd as disclosed in part A, note 14(b) of this announcement, P1 and its subsidiaries became subsidiaries of TM with effect from the same date. The impact of the acquisition is as disclosed in part A, note 14(b) of this announcement.

**10. Changes in Contingent Liabilities Since the Last Annual Reporting Period**

Other than material litigations as disclosed in part B, note 11 of this announcement, there was no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2013.

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**11. Capital Commitments**

	<b>Group</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>RM Million</b>	<b>RM Million</b>
<b>(a) Property, plant and equipment:</b>		
Commitments in respect of expenditure approved and contracted for	<b>3,271.0</b>	2,793.8
Commitments in respect of expenditure approved but not contracted for	<b>849.9</b>	1,119.7
<b>(b) Funding Commitment</b>		

Pursuant to the Investment Agreement as disclosed in part A, note 14(b) of this announcement, a Convertible Medium Term Notes Programme (Programme) Agreement will be entered into between Mobikom Sdn Bhd (Mobikom) (and/or its related corporation), Packet One Sdn Bhd (and/or its related corporation), SK Telecom Co Ltd (and/or its related corporation) and Packet One Networks (Malaysia) Sdn Bhd (P1). The Programme provides P1 the avenue to raise future funds up to RM1.65 billion in tranches. Mobikom is entitled to subscribe up to RM990.0 million of the Programme.

The proceeds raised under the Programme shall be utilised to finance and fund the implementation of P1's business plan which would involve the roll out of the Long Term Evolution (LTE) network.

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**12. Related Party Transactions**

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.95% equity interest and is a related party of the Group. Khazanah is a wholly owned entity of MoF Inc, which is in turn owned by the Ministry of Finance, a ministry of the Federal Government of Malaysia. Therefore, the Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are also related parties to the Group.

The individually significant transactions that the Group entered into with identified related parties and their corresponding balances for the provision of telecommunications related services as at the respective reporting dates are as follows:

	<b>Total amount of individually significant transactions for the financial period ended</b>		<b>Corresponding outstanding balances as at</b>	
	<b>31/12/2014 RM Million</b>	<b>31/12/2013 RM Million</b>	<b>31/12/2014 RM Million</b>	<b>31/12/2013 RM Million</b>
<b>Sales and Receivables</b>	<b>945.7</b>	<b>740.5</b>	<b>77.5</b>	<b>121.0</b>

The Group also has individually significant contracts with other Government-related entities where the Group was provided funding for projects of which the amortisation of grants to the income statement in the current year was RM198.6 million (YTD December 2013: RM170.2 million) with corresponding receivables of nil (31 December 2013: nil).

In addition to the above, the Group has transactions that are collectively, but not individually significant with other Government-related entities in respect of the provision of telecommunications related services as well as procurement of telecommunications and related equipments and services in the normal course of business.

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**13. Fair Value**

The following should be read in conjunction with note 45 of the Group's audited financial statements for the financial year ended 31 December 2013.

**(a) Financial Instruments Carried at Fair Value**

The following table presents the Group's financial assets and liabilities that are measured at fair value as at the respective reporting date.

	31/12/2014				31/12/2013			
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
<b>Assets</b>								
Financial assets at fair value through profit or loss								
-quoted securities	9.2	-	-	9.2	17.2	-	-	17.2
Derivatives at fair value through profit or loss	-	9.0	-	9.0	-	27.1	-	27.1
Derivatives accounted for under hedge accounting	-	138.3	-	138.3	-	80.3	-	80.3
Available-for-sale financial assets								
-investments	-	519.9	48.4	568.3	-	675.6	48.4	724.0
-receivables	-	6.9	-	6.9	-	7.6	-	7.6
<b>Total</b>	<b>9.2</b>	<b>674.1</b>	<b>48.4</b>	<b>731.7</b>	<b>17.2</b>	<b>790.6</b>	<b>48.4</b>	<b>856.2</b>
<b>Liabilities</b>								
Derivatives at fair value through profit or loss	-	-	-	-	-	11.0	-	11.0
Derivatives accounted for under hedge accounting	-	67.7	-	67.7	-	51.4	-	51.4
Put option liability over shares held by non-controlling interest	-	-	270.1	270.1	-	-	-	-
<b>Total</b>	<b>-</b>	<b>67.7</b>	<b>270.1</b>	<b>337.8</b>	<b>-</b>	<b>62.4</b>	<b>-</b>	<b>62.4</b>

There has not been any change to the valuation techniques applied for the different financial instruments since 31 December 2013 and there were no transfers of any instruments between level 1, 2 and 3 of the fair valuation hierarchy from the previous financial year end.

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**13. Fair Value (continued)**

**(b) Financial Instruments Other Than Those Carried at Fair Value**

There has not been significant changes in the differences between the carrying amount and fair value of financial instruments carried at other than fair value from the disclosures in note 45(b) of the Group's audited financial statements for the financial year ended 31 December 2013, other than below:

	As at 31/12/2014		As at 31/12/2013	
	Carrying amount RM Million	Net fair value RM Million	Carrying amount RM Million	Net fair value RM Million
<b>Liabilities</b>				
Borrowings	<b>6,448.4</b>	<b>6,953.0</b>	6,455.2	6,813.7

**14. Business Combination**

**(a) GTC Global Sdn Bhd (GTC)**

On 27 November 2013, TM entered into a conditional Share Sale Agreement (SSA) with Gapurna Global Solutions Sdn Bhd (GGS) to acquire the entire equity interest held by GGS in GTC (Sale Shares) for a total consideration of RM45.0 million to be satisfied by way of cash (Acquisition). The SSA was conditional upon fulfilment of several Conditions Precedent, within three (3) months from the date of the SSA or such other date as may be agreed upon between TM and GGS.

The Acquisition was completed on 10 January 2014 upon fulfilment of the Conditions Precedent and GTC became TM's wholly owned subsidiary with effect from the same date.

GTC complements TM's core competencies in addition to broadening TM Group's capabilities in the information and communications technology (ICT) to better serve TM Group's range of customers, particularly in the Enterprise and Government segments.

The following table summarises the consideration paid for GTC and the fair value of assets acquired and liabilities assumed at the acquisition date:

<b>Consideration at 10 January 2014</b>	<b>RM Million</b>
Cash (Total Consideration)	<u>45.0</u>



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**14. Business Combination (continued)**

**(a) GTC Global Sdn Bhd (GTC) (continued)**

The following table summarises the consideration paid for GTC and the fair value of assets acquired and liabilities assumed at the acquisition date: (continued)

<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	<b>RM Million</b>
Cash and bank balances	23.4
Property, plant and equipment	0.6
Finance lease receivables	133.6
Trade and other receivables	102.6
Loans and borrowings	(119.6)
Deferred income	(46.8)
Trade and other payables	(26.7)
Current and deferred tax liabilities	(0.2)
<b>Total identifiable net assets</b>	<u>66.9</u>
<b>Negative goodwill credited to Consolidated Income Statement</b>	<u>(21.9)</u>
<b>Total</b>	<u><u>45.0</u></u>

Acquisition-related costs of RM0.5 million have been charged to other operating costs in the Consolidated Income Statement. The revenue included in the Consolidated Income Statement since 10 January 2014 contributed by GTC was RM56.0 million for the financial year ended 31 December 2014 whilst its contribution to the Group's profit was a RM2.7 million loss for the financial year ended 31 December 2014.

The negative goodwill which is currently credited to other operating income in the Consolidated Income Statement was in view of anticipated adjustments from changes in estimates for certain significant customer contracts of GTC at the date of acquisition.

To ensure that the measurements appropriately reflect consideration of all available information as of the acquisition date, the Group has reviewed the procedures used to measure the amounts to be recognised at the acquisition date for the following:

- (i) the identifiable assets acquired and liabilities assumed; and
- (ii) the consideration transferred.

**14. Business Combination (continued)**

**(b) Packet One Networks (Malaysia) Sdn Bhd (P1)**

On 27 March 2014, TM announced that its wholly-owned subsidiary, Mobikom Sdn Bhd (Mobikom) had entered into a conditional investment agreement with the following parties in relation to, amongst others, the subscription by Mobikom of new ordinary shares of RM1.00 each in P1 (P1 Shares) to hold approximately 57% of the enlarged issued share capital of P1, subject to closing adjustments for a total consideration of RM350.0 million (Share Subscription) (Investment Agreement):

- (a) Packet One Sdn Bhd (Packet One), a wholly-owned subsidiary of Green Packet Berhad (Green Packet);
- (b) SK Telecom Co. Ltd (SKT or SKT Guarantor where applicable);
- (c) Green Packet (also Packet One Guarantor where applicable);
- (d) TM (Mobikom Guarantor where applicable); and
- (e) Packet One Networks (Malaysia) Sdn Bhd (P1)

The completion of the Share Subscription (Completion) was announced on 30 September 2014 upon the Investment Agreement becoming unconditional. TM via Mobikom emerged as the new holding company of P1 (including its subsidiaries) with 55.3% shareholding after closing adjustments made pursuant to P1's internal restructuring and determination of the equity value of P1 as at 31 May 2014 in accordance to the terms of the Investment Agreement. The remaining 44.7% shares holding are held by Green Packet with 31.1% and SKT at 13.6% respectively.

The partnership drives strong synergies from the three (3) complementary partners to work together to capitalise on a mobile opportunity and deliver the next generation of converged communication services. It essentially enables P1 to crossover to Long Term Evolution (LTE) and offer full mobility while providing TM with an LTE-ready platform to accelerate and more efficiently make wireless broadband products available to its customers. This includes access to suitable spectrum bands, the ability to draw on advanced technological knowhow of SKT, an existing customer base to build on, and the strong base of LTE upgradeable WiMAX sites to quickly achieve extensive LTE coverage.

Pursuant to the Investment Agreement, Green Packet has entered into a programme agreement amongst others with Mobikom in relation to an 8-year redeemable exchangeable medium term notes (Exchangeable MTN) (previously referred to as Exchangeable Bond or EB) programme by Green Packet to raise up to RM210.0 million (Exchangeable MTN Programme) (Exchangeable MTN Programme Agreement). The Exchangeable MTNs may be exchangeable into, amongst others, P1 Shares held by Packet One immediately after Completion in accordance with the terms of the Exchangeable MTN Programme Agreement. The Exchangeable MTNs will be secured against the P1 Shares held by Packet One immediately following Completion and the 8-year convertible unsecured medium term notes (Convertible MTN) (previously referred to as Convertible

**14. Business Combination (continued)**

**(b) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)**

Bond or CB) issued by P1 under the convertible MTN Programme (Convertible MTN Programme) to be subscribed amongst others by Packet One and/or its related corporation at any time using part of the proceeds from the issuance of Exchangeable MTNs pursuant to the Exchangeable MTN Programme (including any P1 Shares issued on conversion of such Convertible MTNs).

TM via Mobikom has subscribed for the first tranche of the issuance of the Exchangeable MTN under the Exchangeable MTN Programme on 30 September 2014 with a subscription value of RM119.3 million (Series 1 MTN).

Pursuant to the Investment Agreement and the Completion, the following key agreements will also be entered into by P1 with the relevant parties:

- (i) A subscription programme agreement amongst others with Mobikom (and/or its related corporation), Packet One (and/or its related corporation), SKT (and/or its related corporation) in relation to the Convertible MTN programme by P1 to raise up to RM1.65 billion in tranches; and
- (ii) collaboration agreements between each of TM, Green Packet and SKT (on the one hand) and P1 (on the other hand) in relation to the operational and business collaboration between the relevant parties and various other operational agreements to be entered into (Collaboration Agreements). The Collaboration Agreements govern the parameters of their partnership in principal areas such as the use of infrastructure, transmission networks and distribution channels, the leasing of spectrum and the provision of consulting and technical services, products and/or services, amongst others.

The Investment Agreement also amongst others includes certain granting of call and put options between Mobikom with Packet One and SKT respectively over shares of P1, as follows:

- (i) Put option on non-controlling interest (Packet One Put Option)

Mobikom has granted Packet One an option to sell, which would require Mobikom to buy, all shares in the capital of P1 registered in Packet One's (including Packet One's related corporation) name, collectively (Packet One Put Option).

The Packet One Put Option may be exercised in whole and not in part at any time on or after 31 March 2021 up to 30 September 2022 at the volume weighted average market price of P1 at the time of the exercise if it is traded or listed at a recognised stock exchange such as Bursa Malaysia Securities or if P1 shares are not publicly traded, the fully distributed market or equity value at which the P1 shares would trade on a recognised stock exchange.

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**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**14. Business Combination (continued)**

**(b) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)**

(ii) Call Option on P1 Shares (SKT Call Option)

SKT has granted to Mobikom an option to buy and SKT to sell, all shares in the capital of P1 registered under SKT's (including SKT's related corporation) name, collectively (SKT Call Option).

Among other conditions, the SKT Call Option may be exercised only in whole and not in part, any time after SKT and its related corporation cease to own at least 10% of the issued share capital of P1 and will automatically lapse upon the earlier of:

- (i) Two (2) months after the completion of the issuance of the RM1.65 billion Convertible MTN;
- (ii) the date immediately prior to completion of any capital increase other than those contained in the Investment Agreement; or
- (iii) any initial public offering implemented by P1.

The exercise price is at a price equal to Mobikom's per share subscription price during Completion as at 30 September 2014.

The following table summarises the consideration paid for P1 and the fair value of assets acquired and liabilities assumed at the acquisition date:

<b>Consideration at 30 September 2014</b>	<b>RM Million</b>
Cash (Total Contribution)	<u>350.0</u>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and bank balances	112.0
Property, plant and equipment	555.7
Intangible assets	211.1
Trade and other receivables	114.5
Loans and borrowings	(33.4)
Trade and other payables (current and non-current)	(411.4)
Deferred tax liabilities	(9.7)
<b>Total identifiable net assets</b>	<u>538.8</u>
<b>Non-controlling interest</b>	(240.9)
<b>Goodwill</b>	52.1
<b>Total</b>	<u><u>350.0</u></u>

Acquisition-related cost of RM23.2 million have been charged to other operating costs in the Consolidated Income Statement. The revenue included in the Consolidated Income Statement since 1 October 2014 contributed by P1 was RM67.1 million for the current quarter and financial year ended 31 December 2014 whilst its contribution to the Group's profit was a RM53.3 million loss for the current quarter and financial year ended 31 December 2014.

**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

**14. Business Combination (continued)**

**(b) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)**

The fair value of the acquired identifiable intangible assets of RM211.1 million is inclusive of the acquired telecommunication spectrum and customer base of P1. The Group has assessed the identifiable assets acquired and liabilities assumed from the acquisition as at the acquisition date. MFRS 3 “Business Combinations” allows adjustments to purchase price allocation up to a 12 months period from the date of acquisition.

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**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 6.0% to RM3,157.3 million as compared to RM2,979.8 million in the same quarter last year, mainly due to higher revenue from Internet and multimedia and data services partially offset by decline in voice and services.

Internet and multimedia services registered higher revenue by 16.8% to RM828.2 million in the current year quarter mainly contributed by higher UniFi customer base at 729,048 at end of the current quarter from 634,809 last year quarter and increase in the number of buys for Premium Channels and Video on Demand.

Operating profit before finance cost decreased by 13.4% to RM327.7 million as compared to RM378.5 million recorded in the same quarter last year mainly due to one-off provision of RM111.2 million for Skim MESRA, a special optional retirement scheme for employees aged 55 and above.

Group profit after tax and non-controlling interests (PATAMI) decreased to RM218.3 million as compared to RM344.2 million in the corresponding quarter last year primarily due to higher operating costs as mentioned above and tax charge of RM43.0 million in the current quarter as compared to a net income of RM49.4 million last year quarter. Previous year quarter included the impact of change in tax rate from 25% to 24% which lowered the net deferred tax liability by RM35.0 million.

(ii) Segment Performance

Consumer

Revenue increased by 6.7% mainly due to higher cumulative Unifi customers of 604,228 compared to 530,314 as at the end of corresponding quarter last year as well as higher ARPU. The continuing increase in the number of buys for Premium Channels and Video on Demand (VOD) on UniFi and upgrade to higher bandwidth by Streamyx customers further contributed to the increase in revenue during the current quarter. This gave rise to RM50.7 million increase in profit to RM75.9 million in the current quarter.

SME

SME recorded 4.2% drop in revenue as compared to the corresponding quarter in the previous year mainly due to reduction in data, Internet and multimedia revenue in the current quarter. Correspondingly, profit decreased by RM37.2 million to RM72.9 million in the current quarter.

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

**1. Review of Performance (continued)**

(a) Quarter-on-Quarter (continued)

Enterprise

Revenue decreased by 1.9% to RM309.0 million as compared to RM314.9 million in the corresponding quarter last year mainly due to lower revenue from one-off customer projects and voice services. Correspondingly, profit decreased by 16.0% to RM51.0 million at the end of the current quarter.

Government

Government posted higher revenue by 1.6% from the RM623.7 million recorded in previous year corresponding quarter to RM633.4 million arising from higher revenue from additional circuits and upgraded bandwidth for leased and data services. Profit increased by 10.1% to RM198.9 million in the current quarter consequent from the higher revenue.

Global & Wholesale

Revenue for the current quarter increased by 23.4% to RM680.4 million in the current quarter mainly contributed by voice, data and infra services. The increase in revenue led to a corresponding increase in profit by RM114.7 million as compared to RM96.7 million in the corresponding quarter last year.

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**1. Review of Performance (continued)**

(b) Year-on-Year

(i) Group Performance

For the year under review, Group revenue increased by 5.7% to RM11,235.1 million as compared to RM10,628.7 million recorded last year, mainly attributed to higher revenue from Internet and multimedia, data and other telecommunication related services partially offset by lower contribution from voice and non-telecommunication related services.

Operating profit before finance cost of RM1,299.1 million was lower by 5.4% as compared to RM1,373.6 million recorded in the preceding year mainly due to higher increase in operating costs compared to revenue and other operating income.

Group PATAMI decreased by 17.8% to RM831.8 million as compared to RM1,012.2 million recorded last year primarily due to the above reasons coupled with high tax charge this year, which was partially offset by lower net finance cost.

(ii) Segment Performance

Consumer

Revenue increased by 6.1% this financial year due to continuing increase in Unifi customers which stood at 604,228 at the end of the current financial year compared to 530,314 as at the end of previous financial year. Revenue from IPTV continued to increase with higher number of buys for premium channels and Video on Demand whilst increase in speedmix improved revenue contribution from Streamyx. In line with higher revenue, profit increased by 35.7% to RM204.3 million.

SME

SME posted RM1,933.1 million revenue for the current financial year, which is comparable to the revenue recorded in the previous financial year. Increase in Unifi revenue following increase in customer base to 119,987 at the end of the current financial year from 101,841 last year and increase in take up of IPTV offerings, mitigated the reduction in voice revenue. Profit decreased by 21.2% to RM281.8 million in the current financial year due to higher operating and network costs.



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**1. Review of Performance (continued)**

(b) Year-on-Year (continued)

Enterprise

Revenue increased by 3.3% to RM1,211.8 million as compared to RM1,173.3 million in the previous financial year mainly due to higher revenue from one-off customer projects and Internet services. Profit decreased by RM21.4 million to RM212.8 million arising from higher operating and network costs in the current financial year.

Government

Revenue for this segment grew by 12.1% to RM2,171.0 million in the current financial year due to higher revenue from other telecommunications, data and Internet and multimedia services despite decrease in voice services. Profit increased by 12.4% from RM580.9 million in the previous year to RM653.2 million in current financial year is in line with the higher revenue.

Global & Wholesale

Global & Wholesale registered 4.7% growth to RM2,107.4 million in the current financial year. This was mainly contributed by data and infra services despite drop in both domestic and international minutes of usage. Profits correspondingly increased by 38.0% to RM422.0 million this year.

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**1. Review of Performance (continued)**

(c) Economic Profit Statement

	4th Quarter Ended		Financial Year Ended	
	31/12/2014 RM Million	31/12/2013 RM Million	31/12/2014 RM Million	31/12/2013 RM Million
<b>EBIT</b>	<b>329.4</b>	379.2	<b>1,294.3</b>	1,371.9
Adjusted Tax	82.4	94.8	323.6	343.0
<b>NOPLAT</b>	<b>247.0</b>	284.4	<b>970.7</b>	1,028.9
AIC	3,458.1	3,319.2	13,832.2	13,276.8
WACC	7.62%	6.66%	7.54%	6.67%
<b>ECONOMIC CHARGE</b>	<b>263.5</b>	221.0	<b>1,042.9</b>	885.5
<b>ECONOMIC (LOSS)/PROFIT</b>	<b>(16.5)</b>	63.4	<b>(72.2)</b>	143.4

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 during current quarter and full financial year due to lower NOPLAT and higher economic charge which is attributed to higher AIC and WACC. The higher AIC was due to higher trade and other receivables and other non-current receivables whilst higher WACC arising from higher cost of equity. The lower NOPLAT was mainly attributed to the increase in cost was higher than the increase in revenue.

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**2. Comparison with Preceding Quarter's Results**

The current quarter Group revenue increased by 19.8% to RM3,157.3 million as compared to RM2,636.0 million recorded in the third quarter of 2014 primarily due higher revenue from all services.

Operating profit before finance cost increased by 3.2% to RM327.7 million as compared to RM317.4 million recorded in the preceding quarter mainly due to higher operating revenue as compared to operating costs.

Consequent from higher operating profit before finance cost and lower tax charge, Group PATAMI increased by 15.6% to RM218.3 million from RM188.8 million in the preceding quarter.

**3. Prospects for the Next Financial Year Ending 31 December 2015**

2014 was an eventful year for TM. We continue to experience positive take-up of our broadband offerings with more than 750,000 UniFi customers to date, despite an increasingly competitive broadband market. Guided by our "Information and Innovation Exchange" aspirations, the year witnessed our acquisition of P1 and the launch of TMgo, our first 4G broadband offering as we continue our transformation journey to become the No. 1 Converged Communications Service Provider, by strengthening our broadband offerings with LTE wireless broadband services. We had also entered into several strategic partnerships such as the agreement signed with IBM Malaysia Sdn Bhd to launch Malaysia's first Virtual Private Cloud (VPC), addressing the needs of large enterprises for customized and flexible cloud computing solutions. Always committed to support our Government's initiatives to increase the capacity of high-speed broadband, we are proud that the year ended with TM being awarded a landmark contract by the Malaysian Communications and Multimedia Commission (MCMC) to establish a new submarine cable system, *Sistem Kabel Rakyat IMalaysia* (SKR1M) linking Peninsula Malaysia with Sabah and Sarawak, further enhancing our nation's broadband connectivity to meet the industry's growing demands for IP applications. We are also pleased to announce yesterday that we have accepted the awards of the High Speed Broadband Phase 2 (HSBB2) Project and the Sub Urban Broadband (SUBB) Project in collaboration with the Government; to deploy the access, domestic core networks to deliver an end-to-end broadband network infrastructure and services, and increasing coverage for the nation.

In 2015, the Malaysian telecommunications industry is expected to be challenging although remaining generally stable. It is anticipated that increased competition may put pressure on profit margins whilst revenue growth will be limited as fast growing data services will continue to offset decline in traditional voice revenues. According to the Malaysian Institute of Economic Research (MIER), 2015 will be a challenging year for the Malaysian economy with real GDP growth projected to moderate to 5.0% depending on the magnitude of fluctuations in crude oil prices and movements of the ringgit exchange rate against currencies of Malaysia major trading partners. (Source: *Malaysian Economic Outlook*, MIER, 28 January 2015).

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**3. Prospects for the Next Financial Year Ending 31 December 2015 (continued)**

For TM, we welcome healthy competition amongst key market players and in 2015 we intend to stay the course with our established visions amidst an increasingly challenging environment. We will remain steadfast in our commitment to an enhanced broadband lifestyle for Malaysians, whilst maximising revenues from our existing HSBB network. We look forward to an exciting year ahead as we open up to new opportunities for growth through partnerships and innovation, while further strengthening our foundation in connectivity services. We believe there is big potential in the Internet of Things (IoT) trends as illustrated in our recent move into smart services by tapping into the real estate vertical in Nusajaya through our partnership with UEM Sunrise Berhad and Iskandar Investment Berhad. Furthermore, with the establishment of our TM Innovation Exchange (IX) Accelerator Programme, we are keen to share our resources in the year ahead in support of Malaysia's start-up eco-system by enabling the development of creative and innovative solutions for the growth of our industry and country.

TM will continue to focus on executing its ongoing transformation journey towards becoming a Convergence Champion, which will enable TM to deliver its promise of 'Life Made Easier' and 'Business Made Easier' with TM.

Barring unforeseen circumstances, the Board of Directors expects 2015 to be a positive year for the Group.

**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 4th quarter and financial year ended 31 December 2014.

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**5. Taxation**

The taxation charge for the Group comprises:

	4th Quarter Ended		Financial Year Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM Million	RM Million	RM Million	RM Million
<u>Malaysia</u>				
<b>Income Tax:</b>				
Current year	75.8	(2.5)	161.3	59.0
Prior year	(1.0)	(2.3)	(4.5)	(12.1)
<b>Deferred tax (net)</b>	<b>(32.9)</b>	<b>(43.4)</b>	<b>103.3</b>	<b>(54.7)</b>
	<b>41.9</b>	<b>(48.2)</b>	<b>260.1</b>	<b>(7.8)</b>
<u>Overseas</u>				
<b>Income Tax:</b>				
Current year	2.5	(1.2)	3.5	0.3
Prior year	(0.2)	0.1	(2.3)	(1.3)
<b>Deferred tax (net)</b>	<b>(1.2)</b>	<b>(0.1)</b>	<b>(1.4)</b>	<b>2.7</b>
	<b>1.1</b>	<b>(1.2)</b>	<b>(0.2)</b>	<b>1.7</b>
<b>Taxation</b>	<b>43.0</b>	<b>(49.4)</b>	<b>259.9</b>	<b>(6.1)</b>
<b>Zakat</b>	<b>3.0</b>	<b>4.1</b>	<b>3.1</b>	<b>4.3</b>
<b>Taxation and Zakat</b>	<b>46.0</b>	<b>(45.3)</b>	<b>263.0</b>	<b>(1.8)</b>

The current quarter and financial year effective tax rate of the Group is lower than the statutory tax rate primarily due to certain income not subject to tax.

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**6. Status of Corporate Proposals**

There is no corporate proposal announced and not completed as at the latest practicable date.

**7. Group Borrowings and Debt Securities**

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

	31/12/2014		31/12/2013	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
<b>Total Secured</b>	<b>81.3</b>	<b>164.9</b>	-	-
<b>Total Unsecured</b>	<b>115.7</b>	<b>6,086.5</b>	1,590.2	4,865.0
<b>Total Borrowings</b>	<b>197.0</b>	<b>6,251.4</b>	1,590.2	4,865.0

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

	31/12/2014	31/12/2013
Foreign Currency	RM Million	RM Million
US Dollar	1,395.2	2,832.4
Canadian Dollars	3.1	3.3
Japanese Yen	227.8	242.8
<b>Total</b>	<b>1,626.1</b>	<b>3,078.5</b>

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**8. Derivative Financial Instruments**

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

Derivatives (by maturity)	Contract or notional amount RM Million	Fair value as at 31/12/2014		Fair value as at 31/12/2013	
		Assets RM Million	Liabilities RM Million	Assets RM Million	Liabilities RM Million
1. <u>Forward Foreign Currency Contracts</u>					
- less than 1 year					
- existing at 31 December 2013	910.5	-	-	27.1	11.0
- additions	379.0	-	-	-	-
	<b>1,289.5</b>	-	-	27.1	11.0
2. <u>Interest Rate Swaps</u>					
- 1 year to 3 years	500.0	3.6	-	7.5	-
	<b>500.0</b>	<b>3.6</b>	-	7.5	-
3. <u>Cross Currency Interest Rate Swaps</u>					
- more than 3 years	926.2	134.7	67.7	72.8	51.4
	<b>926.2</b>	<b>134.7</b>	<b>67.7</b>	72.8	51.4
4. <u>Put Option liability over shares held by non-controlling interest</u>					
- more than 3 years	-	-	270.1	-	-
	-	-	<b>270.1</b>	-	-
5. <u>Call Option over shares held by non-controlling interest</u>					
- more than 3 years	87.1	9.0	-	-	-
	<b>87.1</b>	<b>9.0</b>	-	-	-
<b>Total</b>	<b>2,802.8</b>	<b>147.3</b>	<b>337.8</b>	107.4	62.4

**(b) Changes to Derivative Financial Instruments**

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

**(i) Forward Foreign Currency Contracts**

**Underlying Liability**

**USD465.1 million 5.25% Guaranteed Notes due in 2014**

In 2004, TM Global Incorporated issued USD500.0 million 5.25% Guaranteed Notes (Notes) due in 2014. On 4 December 2009, the Company repurchased USD34.9 million of the Notes. The Notes have been redeemed in full on 22 September 2014.

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**8. Derivative Financial Instruments (continued)**

**(b) Changes to Derivative Financial Instruments (continued)**

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

**(i) Forward Foreign Currency Contracts (continued)**

**Hedging Instrument**

In February 2014, the Company entered into six (6) forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD45.0 million from the counterparties in return for payment of RM149.9 million.

On 6 March 2014, the Company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD10.0 million from the counterparty in return for a payment of RM33.0 million.

In April 2014, the Company entered into six (6) forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparties in return for a payment of RM163.9 million.

On 9 June 2014, the Company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD10.0 million from the counterparty in return for a payment of RM32.2 million.

In July 2014, the Company entered into two (2) forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD20.0 million from the counterparty in return for a payment of RM63.7 million.

In August 2014, the Company entered into two (2) forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD20.0 million from the counterparty in return for a payment of RM63.3 million.

The forward foreign currency contracts effectively converted part of the USD liability into RM liability.

The Company received a total of USD435.0 million for the contracts on maturity from the counterparties in return for a total payment of RM1,416.6 million.



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

**8. Derivative Financial Instruments (continued)**

**(b) Changes to Derivative Financial Instruments (continued)**

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

**(ii) Put Option liability over shares held by non-controlling interest**

As disclosed in part A, note 14(b), the Group through Mobikom Sdn Bhd (Mobikom) has granted Packet One Sdn Bhd (Packet One) an option to sell, which would require Mobikom to buy, all shares in the capital of P1 registered in Packet One's (including Packet One's related corporation) name, collectively (Packet One Put Option).

The Packet One Put Option may be exercised in whole and not in part at any time on or after 31 March 2021 up to 30 September 2022 at the volume weighted average market price of P1 at the time of the exercise if it is traded or listed at a recognised stock exchange such as Bursa Malaysia Securities or if P1 shares are not publicly traded, the fully distributed market or equity value at which the P1 shares would trade on a recognised stock exchange.

**(iii) Call Option over shares held by non-controlling interest**

As disclosed in part A, note 14(b), SK Telecom Co Ltd (SKT) has granted to Mobikom an option to buy and SKT to sell, all shares in the capital of P1 registered under SKT's (including SKT's related corporation) name, collectively (SKT Call Option).

Among other conditions, the SKT Call Option may be exercised only in whole and not in part, any time after SKT and its related corporation ceases to own at least 10% of the issued share capital of P1 and will automatically lapse upon the earlier of:

- (i) Two (2) months after the completion of the issuance of the RM1.65 billion Convertible MTN;
- (ii) the date immediately prior to completion of any capital increase other than those contained in the Investment Agreement; or
- (iii) any initial public offering implemented by P1.

The exercise price is at a price equal to Mobikom's per share subscription price during completion on 30 September 2014.

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

**8. 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 4, 18 and 44 to 47 to the audited financial statements for the financial year ended 31 December 2013.

**(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 2013 and part A, note 1(c) of this announcement.

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**8. Derivative Financial Instruments (continued)**

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

The amount of gains/(losses) arising from fair value changes of financial instruments for the current and cumulative quarters ended 31 December 2014 are as follows:

Derivatives (by maturity)	Contract or notional value RM Million	Fair value RM Million	Gains/(Losses) arising from fair value changes for the	
			4th quarter RM Million	Year to date RM Million
<b>Financial Liabilities</b>				
1. <u>Forward Foreign Currency Contracts</u> <sup>(i)</sup> - less than 1 year	-	-	-	11.0
	-	-	-	<b>11.0</b>
2. <u>Cross Currency Interest Rate Swaps</u> <sup>(iii)</sup> - more than 3 years	298.9	67.7	0.5	(16.3)
	<b>298.9</b>	<b>67.7</b>	<b>0.5</b>	<b>(16.3)</b>
3. <u>Put Option liability over shares held by non-controlling interest</u> <sup>(iv)</sup> - more than 3 years	-	270.1	-	(270.1)
	-	<b>270.1</b>	-	<b>(270.1)</b>
<b>Total</b>	<b>298.9</b>	<b>337.8</b>	<b>0.5</b>	<b>(275.4)</b>
<b>Financial Assets</b>				
1. <u>Forward Foreign Currency Contracts</u> <sup>(i)</sup> - less than 1 year	-	-	-	(27.1)
	-	-	-	<b>(27.1)</b>
2. <u>Interest Rate Swaps</u> <sup>(ii)</sup> - 1 year to 3 years	500.0	3.6	(2.1)	(3.9)
	<b>500.0</b>	<b>3.6</b>	<b>(2.1)</b>	<b>(3.9)</b>
3. <u>Cross Currency Interest Rate Swaps</u> <sup>(iii)</sup> - more than 3 years	627.3	134.7	73.5	61.9
	<b>627.3</b>	<b>134.7</b>	<b>73.5</b>	<b>61.9</b>
4. <u>Call Option over shares held by non-controlling interest</u> - more than 3 years	87.1	9.0	-	9.0
	<b>87.1</b>	<b>9.0</b>	-	<b>9.0</b>
<b>Total</b>	<b>1,214.4</b>	<b>147.3</b>	<b>71.4</b>	<b>39.9</b>

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

(ii) Fair value hedges accounted for under hedge accounting.

(iii) Cash flow hedges accounted for under hedge accounting.

(iv) Derivative relating to equity instrument accounted for under MFRS 132 Financial Instruments: Presentation for which the obligation at inception is recognised in Other Reserves.

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**8. Derivative Financial Instruments (continued)**

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

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 positive when the expectation of USD against RM currency is strengthened and vice versa.

The MTM on the CCIRS is positive when the expectation of the relevant foreign currency against RM strengthens or the expectation of future RM interest rate increases and vice versa.

**9. 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:

	<b>Group</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>RM Million</b>	<b>RM Million</b>
Retained profits		
- realised	<b>2,473.8</b>	3,051.2
- unrealised - in respect of deferred tax recognised in the income statement	<b>(1,243.2)</b>	(1,131.7)
- in respect of other items of income and expense	<b>545.6</b>	860.8
Share of accumulated profit from associates		
- realised	<b>13.2</b>	3.9
	<b>1,789.4</b>	2,784.2
Add: consolidation adjustments	<b>2,526.3</b>	1,631.2
<b>Total Retained Profits</b>	<b>4,315.7</b>	4,415.4

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.

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**10. Additional Disclosures**

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the Consolidated Income Statement for the 4th quarter and financial year ended 31 December 2014:

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>RM Million</b>	<b>RM Million</b>	<b>RM Million</b>	<b>RM Million</b>
Impairment of trade and other receivables (net of recoveries)	<b>(104.8)</b>	(27.2)	<b>(228.9)</b>	(89.9)
Inventory write off and obsolescence	<b>1.7</b>	(1.9)	<b>1.5</b>	(3.9)
Gain/(Loss) on disposal of fixed income securities	<b>2.8</b>	(0.1)	<b>0.1</b>	0.2
Gain/(Loss) on foreign exchange on settlements and placements	<b>7.6</b>	(0.6)	<b>6.7</b>	13.2

**11. Material Litigation**

With reference to the following material litigation cases as disclosed under Contingent Liabilities in note 48 to the audited financial statements of the Group for the financial year ended 31 December 2013, listed below are updates of the relevant cases since the date of the last audited financial statements:

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

On 6 July 2012, the High Court proceeded with the hearing of the Striking Out Application. On 20 July 2012, the High Court found in favour of TM and granted an order in terms of the Striking Out Application.

On 13 August 2012, MSI filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal was dismissed on 30 October 2013.

On 28 November 2013, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal above stated. The application is fixed for hearing on 3 March 2015.

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.

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**11. Material Litigation (continued)**

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

On 28 October 2014, the Court of Appeal has dismissed NGSB's (now known as Fine TV Sdn Bhd) appeal against the decision of the High Court on 2 July 2012 to dismiss NGSB's claim against TM and TM Net. The Court of Appeal also awarded costs in the sum of RM20,000.00 in favour of TM and TM Net.

NGSB did not file the application for leave to appeal to Federal Court within the period prescribed by the law.

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

**(c) One Visa Sdn Bhd (OVSB) vs TM**

On 22 April 2014, OVSB's claim was dismissed except for the claim under item 22(b) of the Statement of Claim where the High Court has allowed special damages in the sum of RM4,818.40 for rental of the Land for 10 months from 18 November 2011 until September 2012. The High Court has further awarded OVSB interest on this sum at 4% per annum from 18 November 2011 until the date of full realization and cost of RM15,000.00.

TM has duly complied with the above judgment. OVSB did not file any appeal within the period prescribed by the law.

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

**(d) Menara Intan Langkawi Sdn Bhd (MIL) & HBA Development Bhd (HBA) vs TM Facilities Sdn Bhd (TMF)**

On 18 November 2013, TMF's solicitors were served with a Summary Judgment Application in which MIL seeks for the following Orders from the High Court:

- (i) An Order for declaration that TMF has wrongfully and unlawfully terminated the Agreement;
- (ii) An Order for assessment of damages to be paid by TMF to MIL for all the damages and losses suffered by MIL as compensation for the termination of the Agreement wrongfully and unlawfully;
- (iii) An Order for TMF to pay MIL immediately after the assessment of damages by the Court; and
- (iv) Interest and cost.

On 26 May 2014, MIL withdrew the Summary Judgment Application. The legal suit then proceeded for trial on 26 - 27 May 2014 and on 23 - 24 June 2014.

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**11. Material Litigation (continued)**

**(d) Menara Intan Langkawi Sdn Bhd (MIL) & HBA Development Bhd (HBA) vs TM Facilities Sdn Bhd (TMF) (continued)**

On 31 October 2014, the High Court dismissed MIL's claim and awarded costs in the sum of RM50,000.00 in favour of TMF.

On 12 November 2014, MIL filed its appeal against the said decision of the High Court. The appeal has been fixed for case management on 17 March 2015.

The Directors, based on legal advice, are of the view that TMF has a good chance of success in dismissing the appeal.

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

**12. Earnings per Share (EPS)**

	<b>4th Quarter Ended</b>		<b>Financial Year Ended</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the Company (RM million)	<b>218.3</b>	344.2	<b>831.8</b>	1,012.2
Weighted average number of ordinary shares (million)	<b>3,703.5</b>	3,577.4	<b>3,633.8</b>	3,577.4
Basic earnings per share (sen) attributable to equity holders of the Company	<b>5.9</b>	9.6	<b>22.9</b>	28.3

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 period/year.

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**13. Qualification of Preceding Audited Financial Statements**

The audited financial statements for the financial year ended 31 December 2013 were not subject to any qualification.

**14. Dividends**

- (a) The Board of Directors has on 27 August 2014 declared an interim single-tier dividend of 9.5 sen per share for the financial year ended 31 December 2014 (2013: an interim single-tier dividend of 9.8 sen per share) and determined that the Dividend Reinvestment Scheme (DRS) was made applicable to the entire interim dividend.

The payment of dividend and crediting of the shares under the DRS was completed on 29 October 2014 as disclosed in part A, note 6 of this announcement.

- (b) The Board of Directors is now recommending a final dividend of 13.4 sen per share (Final Dividend) (2013: a final single-tier dividend of 16.3 sen per share) for shareholders' approval at the forthcoming Thirtieth Annual General Meeting of the Company. The Board has also determined that the DRS will be applicable to the entire Final Dividend. The allotment and issuance of new ordinary shares of RM0.70 each in relation to the DRS are subject to shareholders' approval at the forthcoming Annual General Meeting for the renewal of the authority for Directors of TM to allot and issue New TM Shares and the approval of Bursa Malaysia Securities Berhad for the listing and quotation of the New TM Shares.

**By Order of the Board**

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

Secretaries

Kuala Lumpur  
26 February 2015