



TM (Telekom Malaysia Bhd)

An exclusive report to be distributed with *THE INDEPENDENT*

Transcription of the interview with:
Datuk Zamzamzairani Mohd Isa
Chief Executive Officer

WORLD REPORT: Please give us a brief introduction to the recent launch of pan-Malaysian High Speed Broadband (HSBB).

Datuk Zamzamzairani: HSBB is an example of positive government intervention that will provide the nation with very important infrastructure that will drive the economy forward as quickly as possible. This project has been very aggressive in terms of its scope and time in which we delivered the service to the market place. It is a full end-to-end roll-out involving access, a core nationwide network and international connectivity. Even by international standards this is very aggressive in terms of scope and timing.

WORLD REPORT: What specific benefits do you expect from the HSBB for Malaysia's economy?

Datuk Zamzamzairani: Today we already have broadband services but at limited access speeds. With HSBB, we are leapfrogging the entire market place because we are now able to provide high speed broadband service to our customers. Our recently launched HSBB service, UniFi as it is called, offer speeds of 5MB, 10MB and 20MB to customers. It

will be purely customer-driven and the platform is scalable to provide for the potential demand of higher speeds.

Therefore with HSBB connectivity, we have an enabler that will propel Malaysia to realise the productivity potential that can be brought about by having access to larger bandwidths. For example, it would enable the nation to progress to higher value-added and knowledge-intensive economic activities. More importantly, Malaysian citizens and businesses, can tap into the opportunities in the social, business, economic and technological spheres provided by a globalised and increasingly connected world. Local and foreign companies here will have access to new applications and be able to reach more markets, which in turn will boost the potential for foreign direct investment from multinational players seeking to use Malaysia as a regional hub.

Whilst we are leapfrogging Malaysia into state-of-the-art services, we are also working aggressively to improve the quality of services already in the marketplace. For areas outside the HSBB service, we have Broadband for General Population (BBGP) provided by TM and all the other industry players. TM BBGP service is called Streamyx and we currently have 1.45 million Streamyx customers. We will continue to enhance the quality of that service. Last year we spent 3.6% of our revenue on improving the quality of our network and services. This year we are spending some 5% of our revenue to further improve our services.

WORLD REPORT: The National Broadband Initiative's (NBI) target is to achieve 50% penetration by the end of the year, a very ambitious goal. What do you consider to be the main challenges to realising this objective? In addition to infrastructure, education is also a critical part of digitalisation; how do you educate people to use the Internet?

Datuk Zamzamzairani: Achieving 50% penetration is a challenge and a very aggressive target, but this does not just concern TM, it is an industry target. As Malaysia's largest

broadband service provider, we are a major contributor to the penetration goal. To give ourselves a more reflective view of broadband penetration in this country, we will also have to look at other technologies and other broadband service suppliers providing access via mobile or other wireless methods to end users.

From our perspective, the challenge is not just providing the infrastructure. It is also about encouraging Internet usage and the availability of the access device such as PCs. We need to look at how to increase PC penetration for the general population. To this end, we are already packaging our services to include netbooks alongside broadband Internet access.

To encourage Internet usage, apart from looking at the yardstick of 50% household penetration, we need to take other factors into account. For example there are already 17 million Internet users in Malaysia today while household penetration is only 33%. Furthermore we have one of the highest numbers of social networking sites users in the world. The opportunity is clearly there for TM to provide Internet-savvy users with a better Internet experience. As a triple play service, UniFi will add great value. We can provide the market with an enhanced digital experience, giving customers the opportunity to access new entertainment including IPTV and video-on-demand (VoD). This infrastructure will allow customers to enjoy interactive application such as online gaming, which is a big thing amongst the younger market segment.

WORLD REPORT: TM is a growing company, posting a profit of 180.4% in 2009, with revenue of approximately \$2.69 billion USD. How does TM plan to maintain sustainable growth and its position as market leader, given the challenge of fixed-line operations?

Datuk Zamzamzairani: There is a global challenge that every fixed-line operator has to face: the phenomenon that traditional voice services are in decline. In the case of TM, we have seen non-voice services growing over the last two years. 2009 was the first time that

non-voice revenue exceeded voice revenue at a ratio of 54% to 46% (non-voice to voice). It is falling but at a controllable rate. We are working hard to mitigate this rapid decrease by packaging our traditional voice services with broadband. We just launched a promotion campaign called the 'Blockbuster Deal', a 2-play package prior to the UniFi launch. Now we are moving into a triple play service with UniFi. With UniFi, we will be able to deliver an improved digital lifestyle for bandwidth-hungry Malaysians. The service is a triple play offering of simultaneous video, high-speed Internet and telephony. As mentioned above, UniFi is available at speeds of 5MB, 10MB and 20MB in addition to a supplementary 8MB line for high definition IPTV.

We still see a downturn in traditional voice but that will be mitigated by rapid growth in broadband and data services. It is not rocket science – it is about effective execution of the programs that we have put in place.

WORLD REPORT: Would it be fair to say that TM is a role model company in the region?

Datuk Zamzamzairani: We have certainly done well as a fixed-line player, even when compared to others in the region. With an extensive network covering the nation, both on copper and fibre optic, TM is uniquely positioned to reap benefits from the broadband boom. Broadband penetration rate of about 34% against households is relatively low as compared to most advanced economies in the region, hence giving TM the opportunity to realise its benefit over a longer period. TM currently holds a 95% market share in the fixed broadband market. In a more competitive broadband space with players coming from the 3G/HSDPA/WiMax players, TM maintains its leading role with 55% market share.

In terms of delivering value to shareholders, we have a dividend policy of 700 million ringgit (RM) or 90% of normalised Profit After Tax and Minority Interest (PATAMI). With the proposed total dividend payout of RM706.5 million for financial year 2009, that brings

our 12-month Total Return to Shareholders to 38.5%, the highest amongst all fixed peers in the region.

TM is still on a journey. Investing heavily in a unified platform will act as a foundation for the future sustainability and growth of TM. In the short-term there will be a financial impact, but we will really see the benefit of this platform in the medium to long-term.

WORLD REPORT: Telecommunications in Malaysia has been one of the only sectors growing throughout the global economic crisis. This year the sector is expected to grow 4.4% to approximately \$6.7 billion by the end of 2010. What is your assessment of the sector and do you, as CEO to TM, have specific objectives for 2010-2011?

Datuk Zamzamzairani: For TM this is a long-term journey. ICT is a major driver for economic growth. The entire ICT ecosystem will have a multiplier effect on the economy and we take a leading role in that area. You have people selling application services for businesses, but they need the infrastructure to connect and be able to use those applications. We provide this platform to benefit business-to-business and business-to-customer. It is projected that 0.6% gross domestic product (GDP) growth is attributed to HSBB alone, a direct impact. This does not take into account the multiplier effects of having this infrastructure. Initially focusing on high impact economic areas will enable us to reap the benefits as quickly as possible, with maximum effect.

WORLD REPORT: TM has also been awarded numerous accolades for its impressive corporate social responsibility (CSR) role, which is highly valued in modern society. What specific CSR initiatives has TM put in place?

Datuk Zamzamzairani: CSR or Corporate Responsibility (CR) as it has now evolved into is an integral part of our existence. Our CR efforts are ingrained into all areas of our operations, including the marketplace, workplace, community and the environment. Last

year, TM won awards in recognition of our community service and the best practices that we applied in our work place.

Related to ICT, we are adopting schools, providing them with computers and connectivity and training both students and teachers. Our employees are very excited about it and volunteer to train the teachers and students on weekends. It is a great success. On the community side, we support single mothers and their families by giving them entrepreneurial training and our foundation, Yayasan TM, provides scholarships to outstanding and deserving students to pursue their tertiary education in Malaysia and overseas.

TM has also spent some RM800 million to develop Multimedia University into one of the top universities in Malaysia with more than 20,000 students. The university is renowned for its highly marketable graduates, of which 93% secure employment within the first six months upon graduation.

WORLD REPORT: Can you please elaborate on your strategic idea to collaborate with Manchester United (MU) and the England Football Association (FA)?

Datuk Zamzamzairani: Football is a universal passion that cuts across socio-economic barriers and unifies all citizens. We are already in the football space with our sponsorship of the Malaysian League since 5 years ago. Now we are extending our association in the football space with the strategic collaboration with Manchester United and the England Football Association (FA). This makes a lot of business sense for us because of the characteristics of the target market we serve. TM is focused in the Malaysian market and the younger segment because of the services we offer.

Our collaboration with MU is not a global sponsorship like AIG with Man U. This is about the Malaysia market. We have the intellectual property (IP) rights to use the Man U logo and images in the Malaysia market. We can sell our iTalk cards with images of Man U

players and I'm pleased to share that we have already achieved success. Last year, we sponsored Man U's Asian tour in Malaysia. Man U played twice in Kuala Lumpur within 48 hours. The first time they played here it was to a full house of more than 90,000 spectators. Two days later when their Indonesia tour was cancelled, they decided to play our national team for the second time. Within only 48 hours notice the stadium was filled with more than 68,000 supporters! An independent survey showed that almost 4.2 million Malaysians, which is 23% of the population, supports Man U. Within the 48-hour period we managed to sell 200,000 iTalk cards. Clearly there are business reasons for this strategic collaboration with MUFC for us.

As I mentioned, we are already in the football space in Malaysia with our sponsorship of the Malaysian League. With the England FA and the World Cup coming up, we want to benefit from it and let our customers enjoy it as well. Why England? Because we have a long-standing relationship with them historically. We have a lot of England fans in Malaysia and I think this time around is one of the best chances of them winning the World Cup! The challenge with football is that you either love or hate a team; but nevertheless you certainly create excitement!

WORLD REPORT: What would be your final message for our readers?

Datuk Zamzamzairani: Malaysia's strategic geographic location lies in the middle of the activity between the East and the West. It is also strategically located in Southeast Asia as well as the subcontinent of India. This is a great opportunity for TM to provide the connectivity within Malaysia as well as internationally. We are already well positioned as member of many cable consortiums providing global connectivity both westwards and eastwards. Now with our high-speed infrastructure in place, we have the opportunity of linking the West and East coasts of Malaysia. This bridge will position TM and Malaysia as a viable hub for multinational corporations (MNCs) wishing to come to the region. We encourage MNCs to come because all the industrial areas nationwide will be provided with UniFi services, enabling them to get world-class services. UniFi does not just provide

services for customers – for TM itself it marks the start of a journey into a new era, moving us from a traditional telco to a new generation telco. This will create an impetus for the ICT segment, which cuts across all industry, to power Malaysia into the next economic phase. TM's motto today is '*Connect, Communicate & Collaborate*'. We provide the connectivity that allows people to communicate, and in turn collaborate. We are the major catalyst to creating this ecosystem, which will be a major lever to driving the economy of Malaysia into the next phase.