

**TELEKOM MALAYSIA BERHAD (128740-P)**

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad is pleased to announce the following unaudited results of the Group for the first quarter ended 31 March 2012.

**UNAUDITED CONSOLIDATED INCOME STATEMENT**

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/3/2012	31/3/2011	31/3/2012	31/3/2011
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	<b>2,383.8</b>	2,148.2	<b>2,383.8</b>	2,148.2
OPERATING COSTS				
- depreciation, impairment and amortisation	<b>(510.6)</b>	(500.0)	<b>(510.6)</b>	(500.0)
- other operating costs	<b>(1,627.8)</b>	(1,438.6)	<b>(1,627.8)</b>	(1,438.6)
OTHER OPERATING INCOME (net)	<b>26.6</b>	21.3	<b>26.6</b>	21.3
OTHER GAINS (net)	<b>1.4</b>	0.7	<b>1.4</b>	0.7
OPERATING PROFIT BEFORE FINANCE COST	<b>273.4</b>	231.6	<b>273.4</b>	231.6
FINANCE INCOME	<b>38.2</b>	31.5	<b>38.2</b>	31.5
FINANCE COST	<b>(79.8)</b>	(74.2)	<b>(79.8)</b>	(74.2)
FOREIGN EXCHANGE GAIN ON BORROWINGS	<b>67.9</b>	38.4	<b>67.9</b>	38.4
NET FINANCE INCOME/(COST)	<b>26.3</b>	(4.3)	<b>26.3</b>	(4.3)
ASSOCIATES				
- share of results (net of tax)	<b>(0.4)</b>	*	<b>(0.4)</b>	*
PROFIT BEFORE TAXATION AND ZAKAT	<b>299.3</b>	227.3	<b>299.3</b>	227.3
TAXATION AND ZAKAT (part B, note 5)	<b>(40.7)</b>	(52.6)	<b>(40.7)</b>	(52.6)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>258.6</b>	174.7	<b>258.6</b>	174.7
ATTRIBUTABLE TO:				
- equity holders of the Company	<b>250.6</b>	163.3	<b>250.6</b>	163.3
- non-controlling interests	<b>8.0</b>	11.4	<b>8.0</b>	11.4
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>258.6</b>	174.7	<b>258.6</b>	174.7
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic/diluted	<b>7.0</b>	4.6	<b>7.0</b>	4.6

\* Amount less than RM0.1 million

(The above unaudited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011)

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/3/2012	31/3/2011	31/3/2012	31/3/2011
	RM Million	RM Million	RM Million	RM Million
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>258.6</b>	174.7	<b>258.6</b>	174.7
<b>OTHER COMPREHENSIVE INCOME:</b>				
Increase in fair value of available-for-sale investments	1.3	4.9	1.3	4.9
Increase/(Decrease) in fair value of available-for-sale receivables	0.2	(0.1)	0.2	(0.1)
Reclassification adjustments relating to available-for-sale investments disposed	(1.2)	(0.7)	(1.2)	(0.7)
Cash flow hedge:				
- decrease in fair value of cash flow hedge	(8.2)	-	(8.2)	-
- reclassification to foreign exchange gain	10.9	-	10.9	-
Currency translation differences - subsidiaries	(4.2)	(0.9)	(4.2)	(0.9)
Other comprehensive (loss)/income for the financial period	(1.2)	3.2	(1.2)	3.2
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>	<b>257.4</b>	177.9	<b>257.4</b>	177.9
<b>ATTRIBUTABLE TO:</b>				
- equity holders of the Company	249.4	166.5	249.4	166.5
- non-controlling interests	8.0	11.4	8.0	11.4
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>	<b>257.4</b>	177.9	<b>257.4</b>	177.9

(The above unaudited consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011)

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>AS AT 31/3/2012</b>	<b>AS AT 31/12/2011 (AUDITED &amp; RESTATED)</b>	<b>AS AT 1/1/2011 (AUDITED &amp; RESTATED)</b>
	<b>RM Million</b>	<b>RM Million</b>	<b>RM Million</b>
SHARE CAPITAL	3,577.4	3,577.4	3,568.1
SHARE PREMIUM	43.2	43.2	1,055.1
OTHER RESERVES	174.5	175.7	366.8
RETAINED PROFITS	3,931.8	3,681.2	3,228.1
<b>TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>7,726.9</b>	<b>7,477.5</b>	<b>8,218.1</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>170.9</b>	<b>162.9</b>	<b>150.8</b>
<b>TOTAL EQUITY</b>	<b>7,897.8</b>	<b>7,640.4</b>	<b>8,368.9</b>
Borrowings	6,308.3	6,402.7	5,506.0
Derivative financial instruments	23.0	18.9	28.0
Deferred tax liabilities	1,577.0	1,559.6	1,664.2
Deferred income	2,178.5	2,072.7	1,432.1
<b>DEFERRED AND NON-CURRENT LIABILITIES</b>	<b>10,086.8</b>	<b>10,053.9</b>	<b>8,630.3</b>
	<b>17,984.6</b>	<b>17,694.3</b>	<b>16,999.2</b>
Property, plant and equipment	13,906.7	14,121.7	13,620.8
Investment property	5.7	-	-
Intangible assets	321.8	320.9	312.3
Associates	0.2	0.6	0.5
Available-for-sale investments	104.8	104.8	114.6
Available-for-sale receivables	10.0	11.1	14.9
Other non-current receivables	204.0	199.5	89.4
Derivative financial instruments	45.7	66.2	3.6
Deferred tax assets	23.1	21.7	86.7
<b>NON-CURRENT ASSETS</b>	<b>14,622.0</b>	<b>14,846.5</b>	<b>14,242.8</b>
Inventories	359.8	325.3	281.4
Non-current assets held for sale	11.2	-	-
Customer acquisition costs	121.7	106.1	87.1
Trade and other receivables	2,872.2	2,323.2	2,628.3
Available-for-sale investments	414.6	418.1	838.1
Financial assets at fair value through profit or loss	19.8	20.1	21.5
Cash and bank balances	4,064.1	4,213.0	3,488.5
<b>CURRENT ASSETS</b>	<b>7,863.4</b>	<b>7,405.8</b>	<b>7,344.9</b>
Trade and other payables	3,715.2	3,923.9	3,938.2
Customer deposits	535.4	544.5	580.5
Borrowings	156.8	7.7	26.0
Taxation and zakat	93.4	81.9	43.8
<b>CURRENT LIABILITIES</b>	<b>4,500.8</b>	<b>4,558.0</b>	<b>4,588.5</b>
<b>NET CURRENT ASSETS</b>	<b>3,362.6</b>	<b>2,847.8</b>	<b>2,756.4</b>
	<b>17,984.6</b>	<b>17,694.3</b>	<b>16,999.2</b>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)</b>	<b>216.0</b>	<b>209.0</b>	<b>230.3</b>

**(The above unaudited consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011)**

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

	Attributable to equity holders of the Company								
	Share Capital RM Million	Share Premium RM Million	Fair Value Reserves RM Million	Currency 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 2012	3,577.4	43.2	72.3	32.1	71.6	(0.3)	3,681.2	162.9	7,640.4
Profit for the financial period	-	-	-	-	-	-	250.6	8.0	258.6
Other comprehensive income:									
- Increase in fair value of available-for-sale investments	-	-	1.3	-	-	-	-	-	1.3
- Increase in fair value of available-for-sale receivables	-	-	0.2	-	-	-	-	-	0.2
- Reclassification adjustments relating to available-for-sale investments disposed	-	-	(1.2)	-	-	-	-	-	(1.2)
- Cash flow hedge:									
- decrease in fair value of cash flow hedge	-	-	-	(8.2)	-	-	-	-	(8.2)
- reclassification to foreign exchange gain	-	-	-	10.9	-	-	-	-	10.9
- Currency translation differences - subsidiaries	-	-	-	-	-	(4.2)	-	-	(4.2)
Total comprehensive income/(loss) for the financial period	-	-	0.3	2.7	-	(4.2)	250.6	8.0	257.4
<b>At 31 March 2012</b>	<b>3,577.4</b>	<b>43.2</b>	<b>72.6</b>	<b>34.8</b>	<b>71.6</b>	<b>(4.5)</b>	<b>3,931.8</b>	<b>170.9</b>	<b>7,897.8</b>

(The above unaudited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011**

	Attributable to equity holders of the Company							Total Equity RM Million
	Share Capital RM Million	Share Premium RM Million	Fair Value Reserves RM Million	Capital Redemption Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non- controlling Interests RM Million	
At 1 January 2011								
As previously reported	3,568.1	1,055.1	332.4	35.8	(1.4)	2,719.4	150.8	7,860.2
Adjustments arising from the transition into MFRS Framework (part A, note 13(I)(iii))	-	-	-	-	-	508.7	-	508.7
At 1 January 2011, as restated	3,568.1	1,055.1	332.4	35.8	(1.4)	3,228.1	150.8	8,368.9
Profit for the financial period	-	-	-	-	-	163.3	11.4	174.7
Other comprehensive income:								
- Increase in fair value of available-for-sale investments	-	-	4.9	-	-	-	-	4.9
- Decrease in fair value of available-for-sale receivables	-	-	(0.1)	-	-	-	-	(0.1)
- Reclassification adjustments relating to available-for-sale investments disposed	-	-	(0.7)	-	-	-	-	(0.7)
- Currency translation differences - subsidiaries	-	-	-	-	(0.9)	-	-	(0.9)
Total comprehensive income/(loss) for the financial period	-	-	4.1	-	(0.9)	163.3	11.4	177.9
Transactions with owners:								
- Shares issued upon disposal of shares attributed to lapsed options	9.3	25.5	-	-	-	-	-	34.8
Total transactions with owners	9.3	25.5	-	-	-	-	-	34.8
<b>At 31 March 2011</b>	<b>3,577.4</b>	<b>1,080.6</b>	<b>336.5</b>	<b>35.8</b>	<b>(2.3)</b>	<b>3,391.4</b>	<b>162.2</b>	<b>8,581.6</b>

(The above unaudited consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011)

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**

	FINANCIAL PERIOD ENDED	
	31/3/2012	31/3/2011
	RM Million	RM Million
Receipts from customers	2,065.9	2,027.6
Payments to suppliers and employees	(1,733.8)	(1,512.5)
Payment of finance cost	(77.0)	(74.3)
(Payment)/Refund of income taxes and zakat (net)	(12.3)	15.1
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>242.8</b>	<b>455.9</b>
Contribution for purchase of property, plant and equipment	23.3	4.9
Disposal of property, plant and equipment	2.1	2.1
Purchase of property, plant and equipment	(604.4)	(445.3)
Disposal of available-for-sale investments	113.0	56.4
Purchase of available-for-sale investments	(108.0)	(64.4)
Disposal of financial assets at fair value through profit or loss	0.5	0.8
Long term deposit	(8.3)	-
Repayments of loans by employees	3.3	5.2
Loans to employees	(3.5)	(3.9)
Disposal of housing loan	2.6	3.6
Interests received	37.8	28.2
Dividends received	0.2	0.2
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(541.4)</b>	<b>(412.2)</b>
Issue of share capital	-	34.8
Proceeds from borrowings	149.1	-
Repayments of borrowings	(0.4)	(10.5)
Repayments of finance lease	(0.9)	(0.8)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>147.8</b>	<b>23.5</b>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(150.8)	67.2
EFFECT OF EXCHANGE RATE CHANGES	1.9	0.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	4,212.6	3,488.0
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>4,063.7</b>	<b>3,555.3</b>

(The above unaudited consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2011)

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

**1. Basis of Preparation**

The unaudited interim financial statements for the 1st quarter ended 31 March 2012 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 2011.

**(I) New and revised standards and amendments to published standard issued by the MASB that are effective and applicable for the Group’s financial year beginning on 1 January 2012**

Subsequent to the last financial year end, the Group has adopted the Malaysian Financial Reporting Standard Framework (MFRS Framework) issued by the MASB with effect from 1 January 2012. The adoption of MFRS Framework enables entities to assert that their financial statements are in full compliance with International Financial Reporting Standards (IFRSs) because the MFRS Framework is a fully-IFRS-compliant framework and its standards are equivalent to IFRSs.

The Group’s interim financial statements for the 1st quarter ended 31 March 2012 are the first set of interim financial statements prepared in accordance to MFRS framework and the Group has applied MFRS 1 “First-time Adoption of MFRS” in the transition to MFRS Framework. Subject to certain transition elections provided by MFRS 1 which is disclosed further in part A, note 13 of this announcement, the Group has consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 January 2011 (transition date) and throughout all periods presented in this set of interim financial statements, as if these policies had always been in effect. The comparative figures have been restated to give effect to these changes. Further explanation on how the transition into MFRS Framework has affected the Group’s financial position is provided in note A13. In addition, the Group has adopted a new accounting policy on non-current assets held for sale as disclosed in sub-note (III) below.

Other than the transition elections arising from adoption of the MFRS framework and MFRS 1 as explained in note A13, the method of computation and basis of consolidation applied in the unaudited interim financial statements are consistent with those used in the preparation of the 2011 audited financial statements.

The other new and revised standard and amendments to published standard that have been issued by MASB that are effective and applicable for the Group’s financial year beginning on 1 January 2012, being considered in this announcement are as follows:

		<b>Effective date</b>
MFRS 124 (revised)	Related Party Disclosures	1 January 2012
Amendments to MFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets	1 January 2012

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

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

**(I) New and revised standards and amendments to published standard issued by the MASB that are effective and applicable for the Group's financial year beginning on 1 January 2012 (continued)**

- The revised MFRS 124 “Related Party Disclosures” remove the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government-related entities:
  - the name of the government and the nature of their relationship;
  - the nature and amount of each individually significant transactions; and
  - the extent of any collectively significant transactions, qualitatively or quantitatively.

There are also additional disclosures required on commitments with related parties. The adoption of the revised MFRS 124 does not have any impact on the financial results and financial position of the Group for the current and previous periods but requires additional disclosures of material transactions with the government and all other government- related entities as disclosed in part A, note 12.

- Amendments to MFRS 7 “Financial Instruments: Disclosures – Transfer of Financial Assets” promotes transparency in the reporting of transfer transactions and improve users’ understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitisation of financial assets. The adoption of this amendment does not have any impact on the financial results and financial position of the Group as this amendment relates solely to disclosure.



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

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

**(II) 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 have not early adopted, are as follows:

		<b>Effective date</b>
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7	Mandatory Effective Date of MFRS 9 and Transition Disclosure	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

The adoption of the above applicable standards and amendments to published standards are not expected to have a material impact on the financial statements of the Group except for MFRS 9 as explained in the 2011 audited annual financial statements.

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

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

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

**(III) Accounting policies adopted in the current financial year**

During the 1st quarter 2012, the Group has reclassified land and building previously accounted for as property, plant and equipment as non-current assets held for sale in accordance to MFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. The accounting policy applied for non-current assets held for sale is as below:

**Non-current assets held for sale**

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

**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 first quarter ended 31 March 2012 other than as mentioned in note A13 in the unaudited interim financial statements.

**4. Material Changes in Estimates**

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

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

On 13 March 2012, the Company issued RM150.0 million nominal value Islamic Commercial Papers (ICP) at 3.25% per annum which will mature on 15 May 2012.

On 15 May 2012, the Company issued RM250.0 million nominal value Islamic Medium Term Notes (IMTN) at a rate of 4.00% per annum and repaid the ICP of RM150.0 million on maturity. The IMTN will mature on 13 May 2022.

Save for the above, there were no other issuance, 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 1st quarter ended 31 March 2012.

**6. Dividends Paid**

No dividends have been paid during the 1st quarter ended 31 March 2012.

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

**7. Segmental Information**

Segmental information for the Group are as follows:

**By Business Segment**

All amounts are in RM Million

	<u>Retail Business</u>				<u>Total Retail Business</u>	<u>Wholesale Business</u>	<u>Global Business</u>	<u>Shared Services /Others</u>	<u>Total</u>
	<u>Consumer</u>	<u>SME</u>	<u>Enterprise</u>	<u>Government</u>					
<b>31 March 2012</b>									
<b>Operating Revenue</b>									
Total operating revenue	659.9	463.0	267.6	414.5	1,805.0	253.6	292.0	1,408.1	3,758.7
Inter-segment @	(4.7)	(0.3)	(0.2)	-	(5.2)	(71.2)	(67.0)	(1,231.5)	(1,374.9)
External operating revenue	655.2	462.7	267.4	414.5	1,799.8	182.4	225.0	176.6	2,383.8
<b>Results</b>									
Segment profits	10.3	78.8	61.8	137.7	288.6	22.4	19.8	(8.3)	322.5
Unallocated income/other gains #									4.0
Unallocated costs ^									(53.1)
Operating profit before finance cost									273.4
Finance income									38.2
Finance cost									(79.8)
Foreign exchange gain on borrowings									67.9
Associates									
- share of results (net of tax)									(0.4)
Profit before taxation and zakat									299.3
Taxation and zakat									(40.7)
Profit for the financial period									258.6

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

**7. Segmental Information (continued)**

All amounts are in RM Million

	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
<b>31 March 2011</b>									
<b>Operating Revenue</b>									
Total operating revenue	598.2	440.4	258.2	328.1	1,624.9	261.2	228.6	1,313.2	3,427.9
Inter-segment @	(6.7)	(0.5)	(0.4)	-	(7.6)	(70.9)	(46.7)	(1,154.5)	(1,279.7)
External operating revenue	591.5	439.9	257.8	328.1	1,617.3	190.3	181.9	158.7	2,148.2
<b>Results</b>									
Segment profits	35.0	71.2	46.1	97.7	250.0	38.7	26.5	(23.5)	291.7
Unallocated income/other gains #									2.0
Unallocated costs ^									(62.1)
Operating profit before finance cost									231.6
Finance income									31.5
Finance cost									(74.2)
Foreign exchange gain on borrowings									38.4
Associates									
- share of results (net of tax)									*
Profit before taxation and zakat									227.3
Taxation and zakat									(52.6)
Profit for the financial period									174.7

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

**7. Segmental Information (continued)**

All amounts are in RM Million

	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
<b>Segment assets</b>									
<b>As at 31 March 2012</b>									
Segment assets	497.5	256.7	249.6	1,128.0	2,131.8	581.7	480.7	14,855.2	18,049.4
Associates									0.2
Unallocated assets *									4,435.8
<b>Total</b>									<u><b>22,485.4</b></u>
<b>As at 31 December 2011</b>									
<b>(Audited &amp; Restated)</b>									
Segment assets	518.8	236.4	202.7	922.1	1,880.0	570.7	487.2	14,697.4	17,635.3
Associates									0.6
Unallocated assets *									4,616.4
<b>Total</b>									<u><b>22,252.3</b></u>

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**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 comprises other operating income and other gains such as dividend income and gain on disposal of available-for-sale investments which has not been allocated to a particular business segment.
- ^ Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which were not allocated to a particular business segment.
- \* Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets, cash and bank balances of the Company and property, plant and equipment of the Company's corporate divisions and office buildings.

The prior year comparatives have been restated in line with business structure realignment in the current financial year and the changes arising from optional exemption elected by the Group and reclassification as explained in note A13(I) and (II).

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

There is no material event subsequent to the reporting date that requires disclosure or adjustment to the unaudited interim financial statements.

**9. Effects of Changes in the Composition of the Group**

There is no change in the composition of the Group for the 1st quarter ended 31 March 2012 save as below:

**TM SPV Sdn Bhd (TM SPV)**

On 11 October 2010, TM commenced the members' voluntary winding up of TM SPV, a wholly owned subsidiary in accordance with Section 254(1)(b) of the Companies Act, 1965 (the Act). Accordingly, pursuant to Section 272(5) of the Act, TM SPV was dissolved effective from 29 March 2012.

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

Other than material litigations disclosed in part B, note 11 of this announcement, there are no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2011.

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

**11. Commitments**

**Capital Commitments**

	<b>Group</b>	
	<b>31/3/2012</b>	<b>31/12/2011</b>
	<b>RM Million</b>	<b>RM Million</b>
		<b>(Audited)</b>
<b>Property, plant and equipment:</b>		
Commitments in respect of expenditure approved and contracted for	<b>2,830.1</b>	2,770.8
Commitments in respect of expenditure approved but not contracted for	<b>4,317.3</b>	4,570.2

The above includes expenditure in relation to High Speed Broadband (HSBB) project. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure covering 1.34 million premises nationwide by end of 2012 under the public-private-partnership arrangement executed with the Government of Malaysia in 2008.

**12. Related Party Transactions**

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.73% equity interest in the Group 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.

During the quarter, there were no individually significant transactions and commitments with entities related to the Group via Khazanah and MOF Inc. The Group however does have transactions that are collectively, but not individually significant with other entities related via Khazanah and MOF Inc in respect of the provision of telecommunication related services as well as procurement of telecommunication and related equipments and services in the normal course of business. These related party transactions have been carried out on normal trade terms and conditions negotiated amongst the related parties.

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

**13. Impact of the Transition into MFRS Framework and Other Reclassification**

**(I) Impact of the transition into MFRS Framework**

These unaudited interim financial statements of the Group are for part of the financial year ending 31 December 2012 which is the first set of financial statements prepared in accordance with MFRS Framework, including MFRS 1 “First-time Adoption of MFRS”.

The MFRS Framework is generally required to be applied retrospectively with certain mandatory exceptions and optional exemptions provided by MFRS 1 to facilitate entities transitioning into the MFRS Framework. The mandatory exceptions and optional exemptions of MFRS 1 have no financial impact to the Group’s financial statements, except for certain optional exemption elected by the Group as described below, giving rise to financial impact as set out below.

**(i) Impact of Electing MFRS 1 Optional Exemption for Fair Value as Deemed Cost on Property, Plant & Equipment**

In transitioning into the MFRS Framework, the Group has elected to measure the Group’s freehold land at fair value as at the transition date (1 January 2011) as their deemed cost as at that date.

The aggregate fair value and adjustments to the carrying amount reported under FRS at the transition date are as follows:

	<b>Aggregate fair value RM Million</b>	<b>Aggregate adjustments to the carrying amount reported under FRS RM Million</b>
Freehold land	725.5	508.7

**(ii) Impact of FRS 201<sub>2004</sub> “Property Development Activities”**

FRS 201 is a locally developed standard with no equivalent standard under IFRS and therefore does not form part of the MFRS Framework. With the removal of FRS 201, the Group has reclassified its entire land held for property development as at the transition date to inventories as these are properties which are held for planned development. Under the FRS framework, land held for property development was carried at cost less accumulated impairment loss which is comparable to net realisable value when classified as inventory under MFRS. As such, there is no financial impact to the income statement arising from this reclassification.



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

**13. Impact of the Transition into MFRS Framework and Other Reclassification (continued)**

**(iii) The effect arising from the adoption of MFRS Framework as described in sub-note (i) and (ii) above on the Statement of Financial Position**

	As previously reported under FRS Framework RM Million	(i) Adjustments to opening balance RM Million	(ii) Reclassifi- cation RM Million	As restated/ adjusted under MFRS Framework RM Million
<b><u>As at 1 January 2011</u></b>				
Retained profits	2,719.4	508.7	-	3,228.1
<b>Non-current Assets</b>				
Property, plant & equipment	13,112.1	508.7	-	13,620.8
Land held for property development	107.4	-	(107.4)	-
<b>Current Assets</b>				
Inventories	174.0	-	107.4	281.4
<b><u>As at 31 December 2011</u></b>				
Retained profits	3,172.5	508.7	-	3,681.2
<b>Non-current Assets</b>				
Property, plant & equipment	13,613.0	508.7	-	14,121.7
Land held for property development	108.4	-	(108.4)	-
<b>Current Assets</b>				
Inventories	216.9	-	108.4	325.3

**(iv) Reconciliation of equity arising from adoption of MFRS Framework**

	1 January 2011 RM Million	31 March 2011 RM Million	31 December 2011 RM Million
Total equity as previously reported under FRS Framework	7,860.2	8,072.9	7,131.7
Add transitioning adjustments:			
Fair value as deemed cost for freehold land	508.7	508.7	508.7
Total equity upon transition to MFRS Framework	8,368.9	8,581.6	7,640.4

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

**13. Impact of the Transition into MFRS Framework and Other Reclassification (continued)**

**(II) Other reclassification**

The Group has also reclassified advance rental billings from trade and other receivables to trade and other payables to better reflect the nature and substance of the transaction and amounts receivable from customers. The effect of this reclassification is as set out below:

	<b>As previously reported RM Million</b>	<b>Other reclassification RM Million</b>	<b>As restated RM Million</b>
<b><u>As at 1 January 2011</u></b>			
<b>Current Assets</b>			
Trade and other receivables	2,329.3	299.0	2,628.3
<b>Current Liabilities</b>			
Trade and other payables	3,639.2	299.0	3,938.2
<b><u>As at 31 December 2011</u></b>			
<b>Current Assets</b>			
Trade and other receivables	1,951.4	371.8	2,323.2
<b>Current Liabilities</b>			
Trade and other payables	3,552.1	371.8	3,923.9

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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 11.0% to RM2,383.8 million as compared to RM2,148.2 million in the first quarter 2011, mainly attributed to higher revenue from Internet and multimedia, voice, data services and other telecommunications related services.

Internet and multimedia services registered higher revenue by 24.3% to RM563.4 million in the current year quarter mainly arising from increased UniFi customers from 63,440 in the last year quarter to 315,745 in the current quarter.

Other telecommunications related services recorded higher revenue of 22.9% from RM244.2 million in last year quarter to RM300.1 million in the current year quarter primarily due to higher revenue from customer projects.

Operating profit before finance cost of RM273.4 million was 18.0% higher from RM231.6 million recorded in the same quarter last year. This is largely attributed by higher revenue recorded in the current quarter.

Group profit after tax and non-controlling interests (PATAMI) increased by 53.5% to RM250.6 million as compared to RM163.3 million in the corresponding quarter in 2011 mainly due to higher operating revenue and unrealised foreign exchange gain on borrowings.

(ii) Segment Performance

Consumer

Higher revenue by 10.3% driven by substantial growth in the number of UniFi customers from 55,115 in 1st quarter 2011 to 269,309 in the current quarter. Current quarter registered profit of RM10.3 million as compared to RM35.0 million in last year quarter mainly due to higher operating costs in line with increase in customers.

SME

SME posted a revenue growth of 5.1% quarter-on-quarter, from RM440.4 million to RM463.0 million, driven primarily by Internet and multimedia services arising from substantial growth in the number of UniFi customers to 45,987 in 1st quarter 2012 (Q1 2011: 8,255).

For the 1st quarter 2012, SME recorded RM78.8 million profit, higher compared to the RM71.2 million recorded in the corresponding quarter last year mainly due to higher operating revenue.

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

Enterprise

Revenue increased by 3.6% to RM267.6 million as compared to RM258.2 million in the corresponding quarter last year mainly contributed by higher revenue from voice services, data services and customer projects.

Consequent from higher revenue, profit increased by 34.1% from RM46.1 million in last year quarter to RM61.8 million recorded in the current quarter.

Government

For the current quarter under review, revenue increased by 26.3% to RM414.5 million as compared to RM328.1 million in 1st quarter 2011, mainly attributed to higher revenue from data services and other telecommunications services. Increase in other telecommunications services was driven by higher revenue from customer projects.

This translated into profit of RM137.7 million, an increase of 40.9% when compared against the same period last year.

Wholesale

Wholesale recorded revenue of RM253.6 million for 1st quarter 2012, a decrease of 2.9% as compared to RM261.2 million recorded in the corresponding period last year. This is mainly due to lower minutes of usage and price erosion in line with competitive operating environment.

Consequent from lower revenue and higher operating cost, Wholesale recorded profit of RM22.4 million, lower than the RM38.7 million recorded in 1st quarter 2011.

Global

Revenue for 1st quarter 2012 is higher by RM63.4 million or 27.7% as compared to the same period last year mainly attributed by strong voice performance. Profit for the period of RM19.8 million is lower by RM6.7 million mainly due to higher operating costs.

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

(b) Economic Profit Statement

	<b>1st Quarter Ended</b>	
	<b>31/3/2012 RM Million</b>	<b>31/3/2011 RM Million (Restated)*</b>
<b>EBIT</b>	<b>272.0</b>	230.9
Adjusted Tax	68.0	57.7
<b>NOPLAT</b>	<b>204.0</b>	173.2
AIC	3,230.9	3,110.3
WACC	6.34%	6.73%
<b>ECONOMIC CHARGE</b>	<b>204.8</b>	209.3
<b>ECONOMIC LOSS</b>	<b>(0.8)</b>	(36.1)

Definitions:

EBIT = Earnings before Interest & Taxes

NOPLAT = Net Operating Profit less Adjusted Tax

AIC = Average Invested Capital

WACC = Weighted Average Cost of Capital

\* Prior year comparative has been restated to increase AIC by RM154.2 million arising from adoption of MFRS Framework and optional exemption elected by the Group.

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

TM Group recorded Economic Loss (EL) of RM0.8 million in first quarter 2012, which is a lower loss by RM35.3 million from EL of RM36.1 million recorded in the same period last year consequent from higher EBIT of RM41.1 million (17.8%) and lower economic charge of RM4.5 million (2.2%).

The higher EBIT of RM41.1 million was mainly attributed to higher operating revenue whilst the lower economic charge was due to lower WACC (0.39 percentage point) despite the increase in AIC (3.9%). Lower WACC was contributed by lower after tax cost of debt (0.2 percentage point) whereas the higher AIC was due to increase in property, plant and equipment and inventories.

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

The current quarter Group revenue decreased by 2.6% to RM2,383.8 million as compared to RM2,447.2 million recorded in the fourth quarter 2011 primarily due to lower revenue from data, other telecommunications and non-telecommunications related services, which was partially offset by increase in voice and Internet and multimedia services.

Despite the lower revenue, operating profit before finance cost increased by 2.9% to RM273.4 million as compared to RM265.7 million recorded in the preceding quarter mainly due to lower operating costs.

Group PATAMI decreased from RM598.3 million in the preceding quarter to RM250.6 million in the current quarter mainly due to recognition of deferred tax income on unutilised tax incentives in the fourth quarter 2011.

**3. Prospects for the Current Financial Year**

Malaysia's slower economic growth forecasted for 2012 is expected to prevail due to the still unresolved euro zone sovereign debt crisis and a slower Chinese economy. Against a backdrop of bleak economic developments overseas, the country's economy continues to depend on domestic demand to drive growth. However, with increased consumer and business confidence in the 1st quarter, softening inflation, expected sustained 10th Malaysia Plan spending and the implementation of Economic Transformation Programme (ETP) projects helping to support domestic demand in Malaysia, Malaysian Institute of Economic Research (MIER) has upgraded its 2012 growth forecast from 3.7% to 4.2% (Source: MIER, January 2012; MIER, April 2012).

The Malaysian telecommunications market is highly competitive, with rapidly maturing voice revenue, intense internet competition and an undisputed preference for mobile services. Despite these challenges and a global economic environment that remains uncertain, TM's outlook for 2012 is positive with broadband being the main focus. The broadband market is expected to expand to RM6.0 billion while the overall telecommunications market is forecasted to grow to RM29.1 billion from RM28.0 billion (2011). Broadband penetration is expected to be boosted by efforts to achieve the Government's target of 75% household penetration by 2015, ETP Communications Content Infrastructure initiatives and completion of the HSBB project (Source: IDC tracker 1H2011).

UniFi is also expected to continue to do well in 2012, with the number of premises passed increasing by 200,000 to reach 1.34 million. In 2012, TM is targeting to achieve at least 400,000 customers by end of 2012. With steadily improving operational efficiencies that will further enhance customer service experience, TM is confident that UniFi will be firmly established as the service of choice for high speed broadband.

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**3. Prospects for the Current Financial Year (continued)**

Growth in 2012 will be further boosted by operators venturing into new areas such as cloud computing, content delivery and IPTV. TM foresees that the content service delivery platform (CSDP-My1Content) will spur local content and hub growth among producers, increase content related transactions and raise demand for bandwidth among consumers. Cloud computing is expected to grow at a CAGR of 42% from 2010 to 2015. TM is well poised to tap this growing ICT sector and is the first Malaysian telco to offer comprehensive three-layer cloud services and a technology neutral cloud infrastructure to the market (Source: Enterprise ICT : 2012 Predictions, Frost & Sullivan, 15 Dec 2011, Andrew Milroy).

Despite the challenging economic outlook and intense competition, the Board of Directors expects 2012 to be a positive year with TM maintaining its position as Malaysia's broadband champion anchoring on Streamyx and UniFi, delivering an enhanced and integrated digital lifestyle to Malaysians where everyone can connect, communicate and collaborate effectively.

**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 1st quarter ended 31 March 2012.

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**5. Taxation**

The taxation charge for the Group comprises:

	<b>1st Quarter Ended</b>	
	<b>31/3/2012</b>	<b>31/3/2011</b>
	<b>RM Million</b>	<b>RM Million</b>
<u>Malaysia</u>		
<b>Income Tax:</b>		
Current year	<b>21.7</b>	48.0
Prior year	<b>1.1</b>	(4.6)
<b>Deferred tax (net)</b>	<b>17.3</b>	6.7
	<b>40.1</b>	50.1
<u>Overseas</u>		
<b>Income Tax:</b>		
Current year	<b>0.5</b>	0.4
	<b>0.5</b>	0.4
<b>Taxation</b>	<b>40.6</b>	50.5
<b>Zakat</b>	<b>0.1</b>	2.1
<b>Taxation and Zakat</b>	<b>40.7</b>	52.6

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

**6. Status of Corporate Proposals**

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

On 24 February 2012, TM announced the Proposed Capital Repayment involving a capital repayment of approximately RM1,073.2 million to TM's shareholders. Shareholders, whose names appear in TM's Record of Depositors at the close of business on a date to be determined and announced later (Entitlement Date), shall be entitled to receive a cash distribution under the Proposed Capital Repayment of RM0.30 for each ordinary share of RM1.00 each in TM (TM Share) held as at the Entitlement Date.



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**6. Status of Corporate Proposals (continued)**

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

The Proposed Capital Repayment is subject to the following:

- (i) approval of TM's shareholders;
- (ii) the order by the High Court of Malaya confirming the reduction of the ordinary share capital of TM pursuant to Section 64 of the Act;
- (iii) consent by TM's creditors/lenders, where applicable.

TM had obtained the approval from its shareholders for the Proposed Capital Repayment and Proposed Amendments at the Extraordinary General Meeting held on 8 May 2012. The remaining processes of obtaining the outstanding consents from TM's creditors/lenders and thereafter the order from the High Court of Malaya are currently in progress. Barring any unforeseen circumstances, the Proposed Capital Repayment is expected to be completed in the third quarter of 2012.

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

Save as disclosed above, there is no other 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:

	<b>31 March 2012</b>		<b>31 December 2011 (Audited)</b>	
	<b>Short Term Borrowings RM Million</b>	<b>Long Term Borrowings RM Million</b>	<b>Short Term Borrowings RM Million</b>	<b>Long Term Borrowings RM Million</b>
<b>Total Unsecured</b>	<b>156.8</b>	<b>6,308.3</b>	<i>7.7</i>	<i>6,402.7</i>

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**7. Group Borrowings and Debt Securities (continued)**

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

	<b>31 March 2012</b>	<b>31 December 2011 (Audited)</b>
<b>Foreign Currency</b>	<b>RM Million</b>	<b>RM Million</b>
US Dollar	2,340.5	2,423.2
Canadian Dollars	3.7	3.7
<b>Total</b>	<b>2,344.2</b>	<b>2,426.9</b>

**8. Derivative Financial Instruments**

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

<b>Derivatives (by maturity)</b>	<b>Contract or notional amount RM Million</b>	<b>Fair value as at 31 March 2012</b>		<b>Fair value as at 31 December 2011 (Audited)</b>	
		<b>Assets RM Million</b>	<b>Liabilities RM Million</b>	<b>Assets RM Million</b>	<b>Liabilities RM Million</b>
1. <u>Forward Foreign Currency Contracts</u> - more than 3 years	344.3	-	23.0	-	18.9
	<b>344.3</b>	-	<b>23.0</b>	-	18.9
2. <u>Interest Rate Swaps</u> - 1 year to 3 years	1,500.0	3.9	-	10.0	-
- more than 3 years	500.0	14.2	-	20.4	-
	<b>2,000.0</b>	<b>18.1</b>	-	30.4	-
3. <u>Cross Currency Interest Rate Swaps</u> - more than 3 years	310.5	27.6	-	35.8	-
	<b>310.5</b>	<b>27.6</b>	-	35.8	-
<b>Total</b>	<b>2,654.8</b>	<b>45.7</b>	<b>23.0</b>	66.2	18.9

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

There is no change to derivative financial instruments since the previous financial year.

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**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, 20, 45 and 46 to the audited financial statements for the financial year ended 31 December 2011.

**(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 2011.

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

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

The amount of losses arising from fair value changes of financial instruments for the current quarter ended 31 March 2012 are as follows:

<b>Derivatives (by maturity)</b>	<b>Contract or notional value RM Million</b>	<b>Fair value RM Million</b>	<b>Losses arising from fair value changes for the quarter RM Million</b>
<b>Financial Liabilities</b>			
1. <u>Forward Foreign Currency Contracts</u> <sup>(i)</sup>			
- more than 3 years	344.3	23.0	(4.1)
<b>Total</b>	<b>344.3</b>	<b>23.0</b>	<b>(4.1)</b>
<b>Financial Assets</b>			
1. <u>Interest Rate Swaps</u>			
- 1 year to 3 years	1,500.0	3.9	(6.1)
- more than 3 years	500.0	14.2	(6.2)
	<b>2,000.0</b>	<b>18.1</b>	<b>(12.3)</b>
2. <u>Cross Currency Interest Rate Swaps</u>			
- more than 3 years	310.5	27.6	(8.2)
	<b>310.5</b>	<b>27.6</b>	<b>(8.2)</b>
<b>Total</b>	<b>2,310.5</b>	<b>45.7</b>	<b>(20.5)</b>

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

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

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

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

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**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>31/3/2012</b>	<b>31/12/2011</b>
	<b>RM Million</b>	<b>RM Million</b>
		<b>(Audited &amp; Restated)</b>
Retained profits		
- realised	<b>3,029.5</b>	2,899.2
- unrealised - in respect of deferred tax recognised in the income statement	<b>(1,553.9)</b>	(1,537.9)
- in respect of other items of income and expense	<b>947.2</b>	874.4
Share of accumulated losses from associates		
- realised	<b>(1.3)</b>	(0.9)
	<b>2,421.5</b>	2,234.8
Add: consolidation adjustments	<b>1,510.3</b>	1,446.4
<b>Total Retained Profits</b>	<b>3,931.8</b>	3,681.2

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.

**10. Additional Disclosures**

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the consolidated Income Statements for the 1st quarter ended 31 March 2012:

	<b>1st Quarter Ended</b>	
	<b>31/3/2012</b>	<b>31/3/2011</b>
	<b>RM Million</b>	<b>RM Million</b>
Impairment of trade and other receivables (net of recoveries)	(53.2)	(35.9)
Inventory write off and obsolescence	(1.0)	(10.1)
Gain on disposal of quoted securities	0.2	#
Gain on disposal of fixed income securities	1.2	0.7
(Loss)/Gain on foreign exchange on settlements and placements	(2.0)	2.3

# Amount less than RM0.1 million

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**11. Material Litigation**

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities in note 49 to the audited financial statements of the Group for the financial year ended 31 December 2011, 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 19 March 2012, the Court has postponed the hearing of the Striking Out Application to 7 June 2012.

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.

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

The case proceeded for trial on 25, 26 and 27 January 2012 and thereafter on 7 and 8 May 2012. After the conclusion of the trial, the Court directed both parties to file and serve their respective written submission by 28 June 2012 and attend Court on 2 July 2012 for oral submission and clarification.

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

**(c) AINB Tech (M) Sdn Bhd vs TM**

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

On 22 March 2012, AINB's appeal to the Court of Appeal against the High Court's decision above was struck out.

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

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Company and/or its subsidiaries.

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

	<b>1st Quarter Ended</b>	
	<b>31/3/2012</b>	<b>31/3/2011</b>
<b>Basic/Diluted earnings per share</b>		
Profit attributable to equity holders of the Company (RM million)	<b>250.6</b>	163.3
Weighted average number of ordinary shares (million)	<b>3,577.4</b>	3,573.7
Basic/Diluted earnings per share (sen) attributable to equity holders of the Company	<b>7.0</b>	4.6

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 quarter.

There is no dilutive potential ordinary share as at 31 March 2012. Thus, diluted earnings per share are equal to basic earnings per share.

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

The audited financial statements for the financial year ended 31 December 2011 were not subject to any qualification.

**14. Dividends**

No dividends have been recommended during the 1st quarter ended 31 March 2012.

**By Order of the Board**

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

Secretaries

Kuala Lumpur  
30 May 2012