

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 second quarter ended 30 June 2012.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	2ND QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	2,425.0	2,233.6	4,808.8	4,381.8
OPERATING COSTS				
- depreciation, impairment and amortisation	(497.9)	(511.4)	(1,008.5)	(1,011.4)
- other operating costs	(1,671.7)	(1,521.5)	(3,299.5)	(2,960.1)
OTHER OPERATING INCOME (net)	44.1	34.8	70.7	56.1
OTHER (LOSSES)/GAINS (net)	(2.4)	2.0	(1.0)	2.7
OPERATING PROFIT BEFORE FINANCE COST	297.1	237.5	570.5	469.1
FINANCE INCOME	37.5	34.9	75.7	66.4
FINANCE COST	(84.4)	(75.9)	(164.2)	(150.1)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	(64.7)	11.1	3.2	49.5
NET FINANCE COST	(111.6)	(29.9)	(85.3)	(34.2)
ASSOCIATES				
- share of results (net of tax)	0.1	(0.5)	(0.3)	(0.5)
PROFIT BEFORE TAXATION AND ZAKAT	185.6	207.1	484.9	434.4
TAXATION AND ZAKAT (part B, note 5)	172.9	(70.1)	132.2	(122.7)
PROFIT FOR THE FINANCIAL PERIOD	358.5	137.0	617.1	311.7
ATTRIBUTABLE TO:				
- equity holders of the Company	348.5	127.2	599.1	290.5
- non-controlling interests	10.0	9.8	18.0	21.2
PROFIT FOR THE FINANCIAL PERIOD	358.5	137.0	617.1	311.7
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic/diluted	9.7	3.6	16.7	8.1

(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

	2ND QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM Million	RM Million	RM Million	RM Million
PROFIT FOR THE FINANCIAL PERIOD	358.5	137.0	617.1	311.7
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified				
subsequently to income statement:				
- (decrease)/increase in fair value of available-for-sale investments	(0.9)	23.9	0.4	28.8
- (decrease)/increase in fair value of available-for-sale receivables	(0.1)	0.9	0.1	0.8
- reclassification adjustments relating to available-for-sale investments disposed	(0.8)	(0.4)	(2.0)	(1.1)
- cash flow hedge:				
- increase in fair value of cash flow hedge	10.9	-	2.7	-
- reclassification to foreign exchange gain	(10.9)	-	#	-
- currency translation differences - subsidiaries	3.2	0.2	(1.0)	(0.7)
Other comprehensive income for the financial period	1.4	24.6	0.2	27.8
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	359.9	161.6	617.3	339.5
ATTRIBUTABLE TO:				
- equity holders of the Company	349.9	151.8	599.3	318.3
- non-controlling interests	10.0	9.8	18.0	21.2
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	359.9	161.6	617.3	339.5

Amount less than RM0.1 million

(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

	AS AT 30/6/2012	AS AT 31/12/2011 (AUDITED & RESTATED)	AS AT 1/1/2011 (AUDITED & RESTATED)
	RM Million	RM Million	RM Million
SHARE CAPITAL	3,577.4	3,577.4	3,568.1
SHARE PREMIUM	43.2	43.2	1,055.1
OTHER RESERVES	175.9	175.7	366.8
RETAINED PROFITS	3,929.7	3,681.2	3,228.1
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,726.2	7,477.5	8,218.1
NON-CONTROLLING INTERESTS	151.9	162.9	150.8
TOTAL EQUITY	7,878.1	7,640.4	8,368.9
Borrowings	6,651.2	6,402.7	5,506.0
Derivative financial instruments	15.3	18.9	28.0
Deferred tax liabilities	1,380.8	1,559.6	1,664.2
Deferred income	2,164.8	2,072.7	1,432.1
DEFERRED AND NON-CURRENT LIABILITIES	10,212.1	10,053.9	8,630.3
	18,090.2	17,694.3	16,999.2
Property, plant and equipment	13,878.2	14,121.7	13,620.8
Investment property	5.7	-	-
Intangible assets	323.9	320.9	312.3
Associates	0.3	0.6	0.5
Available-for-sale investments	104.8	104.8	114.6
Available-for-sale receivables	8.8	11.1	14.9
Other non-current receivables	203.9	199.5	89.4
Derivative financial instruments	65.6	66.2	3.6
Deferred tax assets	19.2	21.7	86.7
NON-CURRENT ASSETS	14,610.4	14,846.5	14,242.8
Inventories	387.1	325.3	281.4
Non-current assets held for sale	13.2	-	-
Customer acquisition costs	115.1	106.1	87.1
Trade and other receivables	2,659.8	2,323.2	2,628.3
Available-for-sale investments	467.1	418.1	838.1
Financial assets at fair value through profit or loss	16.6	20.1	21.5
Cash and bank balances	3,705.1	4,213.0	3,488.5
CURRENT ASSETS	7,364.0	7,405.8	7,344.9
Trade and other payables	3,248.3	3,923.9	3,938.2
Customer deposits	530.9	544.5	580.5
Borrowings	7.7	7.7	26.0
Taxation and zakat	97.3	81.9	43.8
CURRENT LIABILITIES	3,884.2	4,558.0	4,588.5
NET CURRENT ASSETS	3,479.8	2,847.8	2,756.4
	18,090.2	17,694.3	16,999.2
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	216.0	209.0	230.3

(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 30 JUNE 2012**

	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 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	-	-	-	-	-	-	599.1	18.0	617.1
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- increase in fair value of available-for-sale investments	-	-	0.4	-	-	-	-	-	0.4
- increase in fair value of available-for-sale receivables	-	-	0.1	-	-	-	-	-	0.1
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(2.0)	-	-	-	-	-	(2.0)
- cash flow hedge:									
- increase in fair value of cash flow hedge	-	-	-	2.7	-	-	-	-	2.7
- currency translation differences - subsidiaries	-	-	-	-	-	(1.0)	-	-	(1.0)
Total comprehensive (loss)/income for the financial period	-	-	(1.5)	2.7	-	(1.0)	599.1	18.0	617.3
Transactions with owners									
- final dividends paid for the financial year ended 31 December 2011 (part A, note 6)	-	-	-	-	-	-	(350.6)	-	(350.6)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	(29.0)	(29.0)
Total transactions with owners	-	-	-	-	-	-	(350.6)	(29.0)	(379.6)
At 30 June 2012	3,577.4	43.2	70.8	34.8	71.6	(1.3)	3,929.7	151.9	7,878.1

(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 30 JUNE 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(l)(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	-	-	-	-	-	290.5	21.2	311.7
Other comprehensive income								
Items that may be reclassified subsequently to income statement:								
- increase in fair value of available-for-sale investments	-	-	28.8	-	-	-	-	28.8
- increase in fair value of available-for-sale receivables	-	-	0.8	-	-	-	-	0.8
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(1.1)	-	-	-	-	(1.1)
- currency translation differences - subsidiaries	-	-	-	-	(0.7)	-	-	(0.7)
Total comprehensive income/(loss) for the financial period	-	-	28.5	-	(0.7)	290.5	21.2	339.5
Transactions with owners								
- shares issued upon disposal of shares attributed to lapsed options	9.3	25.5	-	-	-	-	-	34.8
- bonus issue of Redeemable Preference Shares (RPS)	35.8	(35.8)	-	-	-	-	-	-
- redemption of RPS	(35.8)	(1,001.6)	-	-	-	-	-	(1,037.4)
- creation of capital redemption reserve upon redemption of RPS	-	-	-	35.8	-	(35.8)	-	-
- final dividends paid for the financial year ended 31 December 2010	-	-	-	-	-	(351.5)	-	(351.5)
- dividends paid to non-controlling interests	-	-	-	-	-	-	(29.7)	(29.7)
Total transactions with owners	9.3	(1,011.9)	-	35.8	-	(387.3)	(29.7)	(1,383.8)
At 30 June 2011	3,577.4	43.2	360.9	71.6	(2.1)	3,131.3	142.3	7,324.6

(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	
	30/6/2012	30/6/2011
	RM Million	RM Million
Receipts from customers	4,643.3	4,196.0
Payments to suppliers and employees	(3,746.0)	(3,108.7)
Payment of finance cost	(163.4)	(151.9)
(Payment)/Refund of income taxes and zakat (net)	(30.6)	1.3
CASH FLOWS FROM OPERATING ACTIVITIES	703.3	936.7
Contribution for purchase of property, plant and equipment	35.5	415.4
Disposal of property, plant and equipment	6.8	2.7
Purchase of property, plant and equipment	(1,147.2)	(1,160.7)
Disposal of available-for-sale investments	187.6	134.5
Purchase of available-for-sale investments	(236.0)	(167.1)
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	6.9	10.5
Loans to employees	(8.0)	(7.4)
Disposal of housing loan	6.9	7.4
Interests received	77.4	66.7
Dividends received	0.6	13.3
CASH FLOWS USED IN INVESTING ACTIVITIES	(1,077.3)	(683.9)
Issue of share capital	-	34.8
Redemption of Redeemable Preference Shares	-	(1,037.4)
Proceeds from borrowings	399.2	470.0
Repayments of borrowings	(150.0)	(162.0)
Repayments of finance lease	(1.8)	(1.7)
Dividends paid to shareholders (part A, note 6)	(350.6)	(351.5)
Dividends paid to non-controlling interests	(29.0)	(29.7)
CASH FLOWS USED IN FINANCING ACTIVITIES	(132.2)	(1,077.5)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(506.2)	(824.7)
EFFECT OF EXCHANGE RATE CHANGES	(1.7)	1.8
CASH AND CASH EQUIVALENTS WITHIN ASSETS OF DISPOSAL GROUP HELD FOR SALE	-	(8.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	4,212.6	3,488.0
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	3,704.7	2,656.9

(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)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The unaudited interim financial statements for the 2nd quarter and financial period ended 30 June 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 2nd quarter ended 30 June 2012 are 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 (A13) 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 (IV) 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:

		Effective date
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)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

(II) Standard that is not yet effective but has been early adopted

The amended standard that is applicable to the Group, which the Group has early adopted, is as follows:

		Effective date
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012

Amendments to MFRS 101 “Presentation of Items of Other Comprehensive Income” requires entities to separate items presented in ‘other comprehensive income’ (OCI) in the Statement of Comprehensive Income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

The Group has early adopted the amendments to MFRS 101 which is effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the other comprehensive income which will now disclose separately items that may be reclassified subsequently to profit or loss from those which would not be.

(III) 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 date
Amendments to MFRS 1, 101, 116, 132 and 134	Amendments to MFRSs contained in the document entitled “Annual Improvements 2009–2011 Cycle”	1 January 2013
Amendments to MFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
MFRS 3	Business Combinations (IFRS 3 issued by IASB March 2004)	1 January 2013
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

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

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

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

		Effective date
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
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
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

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)

(IV) 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 2nd quarter and financial period ended 30 June 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 2nd quarter and financial period ended 30 June 2012.

6. Dividends Paid

A final single-tier dividend of 9.8 sen per share amounting to RM350.6 million in respect of financial year ended 31 December 2011 was paid on 8 June 2012.

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

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

2nd Quarter Ended

30 June 2012

Operating Revenue

	<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>					
Total operating revenue	681.3	486.1	277.1	397.5	1,842.0	265.4	271.4	1,391.3	3,770.1
Inter-segment @	(10.2)	(0.5)	(0.2)	(0.1)	(11.0)	(78.1)	(59.6)	(1,196.4)	(1,345.1)
External operating revenue	671.1	485.6	276.9	397.4	1,831.0	187.3	211.8	194.9	2,425.0

Results

Segment profits	(5.2)	72.1	63.9	79.5	210.3	24.6	51.2	71.9	358.0
Unallocated income/other losses #									0.7
Unallocated costs ^									(61.6)
Operating profit before finance cost									297.1
Finance income									37.5
Finance cost									(84.4)
Foreign exchange loss on borrowings									(64.7)
Associates									
- share of results (net of tax)									0.1
Profit before taxation and zakat									185.6
Taxation and zakat									172.9
Profit for the financial period									358.5

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

All amounts are in RM Million

2nd Quarter Ended

30 June 2011

Operating Revenue

	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
Total operating revenue	610.2	467.7	286.3	327.3	1,691.5	258.8	245.1	1,283.7	3,479.1
Inter-segment @	(10.8)	(0.8)	-	-	(11.6)	(71.3)	(52.8)	(1,109.8)	(1,245.5)
External operating revenue	599.4	466.9	286.3	327.3	1,679.9	187.5	192.3	173.9	2,233.6
Results									
Segment profits	(13.0)	84.5	62.6	70.0	204.1	31.8	(1.6)	19.5	253.8
Unallocated income/other gains #									13.8
Unallocated costs ^									(30.1)
Operating profit before finance cost									237.5
Finance income									34.9
Finance cost									(75.9)
Foreign exchange gain on borrowings									11.1
Associates									
- share of results (net of tax)									(0.5)
Profit before taxation and zakat									207.1
Taxation and zakat									(70.1)
Profit for the financial period									137.0

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

All amounts are in RM Million

Financial Period Ended

30 June 2012

Operating Revenue

	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
Total operating revenue	1,341.2	949.1	544.7	812.0	3,647.0	519.0	563.4	2,799.4	7,528.8
Inter-segment @	(14.9)	(0.8)	(0.4)	(0.1)	(16.2)	(149.3)	(126.6)	(2,427.9)	(2,720.0)
External operating revenue	1,326.3	948.3	544.3	811.9	3,630.8	369.7	436.8	371.5	4,808.8

Results

Segment profits	5.1	150.9	125.7	217.2	498.9	47.0	71.0	63.6	680.5
Unallocated income/other losses #									4.7
Unallocated costs ^									(114.7)
Operating profit before finance cost									570.5
Finance income									75.7
Finance cost									(164.2)
Foreign exchange gain on borrowings									3.2
Associates									
- share of results (net of tax)									(0.3)
Profit before taxation and zakat									484.9
Taxation and zakat									132.2
Profit for the financial period									617.1

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

All amounts are in RM Million

Financial Period Ended

30 June 2011

Operating Revenue

	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
Total operating revenue	1,208.4	908.1	544.5	655.4	3,316.4	520.0	473.7	2,596.9	6,907.0
Inter-segment @	(17.5)	(1.3)	(0.4)	-	(19.2)	(142.2)	(99.5)	(2,264.3)	(2,525.2)
External operating revenue	1,190.9	906.8	544.1	655.4	3,297.2	377.8	374.2	332.6	4,381.8

Results

Segment profits	22.0	155.7	108.7	167.7	454.1	70.5	24.9	(4.0)	545.5
Unallocated income/other gains #									15.8
Unallocated costs ^									(92.2)
Operating profit before finance cost									469.1
Finance income									66.4
Finance cost									(150.1)
Foreign exchange gain on borrowings									49.5
Associates									
- share of results (net of tax)									(0.5)
Profit before taxation and zakat									434.4
Taxation and zakat									(122.7)
Profit for the financial period									311.7

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

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					
Segment assets									
As at 30 June 2012									
Segment assets	464.9	240.4	241.9	1,084.9	2,032.1	575.0	460.1	14,666.8	17,734.0
Associates									0.3
Unallocated assets *									4,240.1
Total									21,974.4
As at 31 December 2011									
(Audited & Restated)									
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
Total									22,252.3

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

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, 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

Save as disclosed in part B, note 6 of this announcement, there is no other 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 2nd quarter and financial period ended 30 June 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.

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

11. Commitments

Capital Commitments

	30/6/2012	Group
	RM Million	31/12/2011
		RM Million
		(Audited)
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	2,834.4	2,770.8
Commitments in respect of expenditure approved but not contracted for	3,903.1	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.

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

	Total amount of individually significant transaction for the financial period ended		Corresponding outstanding balances as at	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM Million	RM Million	RM Million	RM Million
Sales & Receivables				
Bandwidth and IP data	32.2	23.2	11.8	20.7

Other than the above, the Group also has transactions that are collectively, but not individually significant with other entities related via Khazanah and MOF Inc 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. These related party transactions have been carried out on normal trade terms and conditions negotiated amongst the related parties.

Notwithstanding the disclosure above, the Group continues to assess and discuss the application of MFRS 124 "Related Party Disclosures" with other government linked entities to ensure consistency in interpretation as well as comparability of information disclosed.

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

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 represent part of the financial year ending 31 December 2012 and are 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:

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

(ii) Impact of FRS 201₂₀₀₄ “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.

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

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
<u>As at 1 January 2011</u>				
Retained profits	2,719.4	508.7	-	3,228.1
Non-current Assets				
Property, plant & equipment	13,112.1	508.7	-	13,620.8
Land held for property development	107.4	-	(107.4)	-
Current Assets				
Inventories	174.0	-	107.4	281.4
<u>As at 31 December 2011</u>				
Retained profits	3,172.5	508.7	-	3,681.2
Non-current Assets				
Property, plant & equipment	13,613.0	508.7	-	14,121.7
Land held for property development	108.4	-	(108.4)	-
Current Assets				
Inventories	216.9	-	108.4	325.3

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

	1 January 2011 RM Million	30 June 2011 RM Million	31 December 2011 RM Million
Total equity as previously reported under FRS Framework	7,860.2	6,815.9	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	7,324.6	7,640.4

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

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:

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

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

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 8.6% to RM2,425.0 million as compared to RM2,233.6 million in the second quarter 2011, mainly attributed to higher revenue from Internet and multimedia, other telecommunications and non-telecommunications related services.

Internet and multimedia services registered higher revenue by 19.2% to RM581.6 million in the current year quarter mainly arising from increased UniFi customers from 108,948 in the last year quarter to 384,024 in the current quarter.

Operating profit before finance cost of RM297.1 million was 25.1% higher from RM237.5 million recorded in the same quarter last year. This was largely attributed to higher revenue recorded in the current quarter.

Group profit after tax and non-controlling interests (PATAMI) increased by 174.0% to RM348.5 million as compared to RM127.2 million in the corresponding quarter in 2011 mainly due to recognition of deferred tax income on unutilised tax incentives which mitigated the impact of unrealised foreign exchange loss on borrowings in the current year quarter. The Group recorded an unrealised foreign exchange loss on borrowings of RM64.7 million as compared to a gain of RM11.1 million in last year corresponding quarter.

TM's excellent performance has been recognised with the award of the 2011 Frost & Sullivan Service Provider of the Year. Recently, our wholly owned subsidiary, VADS has won 10 awards including being the Best Large Outsource Contact Center APAC Region at the Contact Center World Awards – APAC Region.

(ii) Segment Performance

Consumer

Higher revenue by 11.7% driven by substantial growth in UniFi from 93,069 in 2nd quarter 2011 to 325,557 customers in the current quarter, leading to a lower loss of only RM5.2 million in the current quarter as compared to RM13.0 million loss in quarter 2, 2011.

SME

SME posted revenue growth of 3.9% as compared to previous year corresponding quarter driven by Internet and multimedia services mainly due to higher UniFi activation in current year quarter by 42,167 customers as compared to previous year corresponding quarter.

Profit decreased by 14.7% to RM72.1 million primarily arising from higher operating costs incurred in the current quarter.

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

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

Current quarter revenue decreased by 3.2% from RM286.3 million to RM277.1 million due to lower revenue from voice, data and Internet and multimedia, mitigated by increase in other telecommunications related services.

Despite lower revenue, profit increased by 2.1% to RM63.9 million in the current quarter from RM62.6 million in the previous year corresponding quarter due to lower operating cost.

Government

Revenue for the current quarter of RM397.5 million was a 21.4% increase from the corresponding quarter last year attributed to higher revenue from all products. Data services and other telecommunications related services were the main contributor with an increase of RM70.2 million.

Despite higher cost, Government achieved a profit of RM79.5 million in the current quarter under review, an increase of 13.6% when compared to the corresponding quarter last year due to higher revenue.

Wholesale

Wholesale recorded RM265.4 million revenue in the current quarter, which was slightly higher from RM258.8 million recorded in 2nd quarter 2011, mainly contributed by growth in IP Data despite lower voice and traditional data revenue.

Lower profit by RM7.2 million in the current quarter mainly due to higher operating costs.

Global

Current quarter revenue was higher by RM26.3 million or 10.7% as compared to the corresponding quarter last year mainly attributed by strong voice performance. Profit for the current quarter was also higher by RM52.8 million due to volume improvements in regions with higher margin and indefeasible right of use (IRU) sale activities in the current quarter. South Asia region contributed the most to Global's revenue followed closely by Oceania and North Asia region.

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

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

1. Review of Performance (continued)

(b) Year-on-Year

(i) Group Performance

For the period under review, Group revenue increased by 9.7% to RM4,808.8 million as compared to RM4,381.8 million recorded in the corresponding period last year, mainly attributed to higher revenue from all services.

Operating profit before finance cost of RM570.5 million was higher by 21.6% as compared to RM469.1 million recorded in the preceding year corresponding period mainly due to higher revenue and other operating income.

Group PATAMI increased by 106.2% to RM599.1 million as compared to RM290.5 million recorded in the corresponding period last year primarily due to recognition of deferred tax income on unutilised tax incentives in the current year period.

(ii) Segment Performance

Consumer

The higher revenue in 1st half 2012 by 11.0% was driven by substantial growth in UniFi to 325,557 customers as compared to 93,069 in 1st half 2011.

Despite higher revenue, profit for the 1st half 2012 of RM5.1 million was lower than the RM22.0 million in 1st half 2011 due to higher direct operating costs in line with increase in UniFi customers.

SME

The revenue growth of 4.5% between the period under review, from RM908.1 million to RM949.1 million was driven primarily by Internet and multimedia services. The growth was in line with the 42,167 increase in cumulative UniFi customers (1st half 2012: 57,903, 1st half 2011: 15,736).

The profit of RM150.9 million for the current year to date was lower by 3.1% from the corresponding period last year due to higher operating costs.

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

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

1. Review of Performance (continued)

(b) Year-on-Year (continued)

Enterprise

Enterprise recorded revenue of RM544.7 million in the current period which is comparable to the RM544.5 million recorded in the same corresponding period last year. Profit for the current period in 2012 increased by 15.6% to RM125.7 million from RM108.7 million in the previous year quarter due to lower operating cost.

Government

Revenue increased by 23.9% for the current period under review to RM812.0 million attributed to higher revenue from data, Internet and multimedia and other telecommunications services which mitigated the impact of lower revenue from voice. The increase in data and other telecommunications related services was contributed by increased physical circuits and customer projects.

Correspondingly, profit increased by 29.5% to RM217.2 million from RM167.7 million in the same period last year.

Wholesale

Wholesale revenue for the current period of RM519.0 million was comparable to the RM520.0 million recorded in the corresponding period in 2011. This was mainly due to lower minutes of usage of voice services, reduction in traditional data as well as price revisions of infra services. Conversely, IP data has shown a significant increase in the current period compared to 1st half 2011, compensating the reductions from the other products.

Increase in operating costs led to a reduction in profit by 33.3% to RM47.0 million from RM70.5 million for 1st half 2011.

Global

Year to date revenue for 2012 was higher by RM89.7 million or 18.9% as compared to the same period last year mainly due to strong voice performance. Profit for the period was also higher by RM46.1 million due to better margin and IRU sale activities in the first half of this year.

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

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

1. Review of Performance (continued)

(c) Economic Profit Statement

	2nd Quarter Ended		Financial Period Ended	
	30/6/2012 RM Million	30/6/2011 RM Million (Restated)*	30/6/2012 RM Million	30/6/2011 RM Million (Restated)*
EBIT	299.5	235.5	571.5	466.4
Adjusted Tax	74.9	58.9	142.9	116.6
NOPLAT	224.6	176.6	428.6	349.8
AIC	3,269.5	3,113.0	6,539.0	6,226.0
WACC	6.17%	6.59%	6.15%	6.58%
ECONOMIC CHARGE	201.7	205.1	402.1	409.7
ECONOMIC PROFIT/(LOSS)	22.9	(28.5)	26.5	(59.9)

Definitions:

EBIT = Earnings before Interest & Taxes

NOPLAT = Net Operating Profit less Adjusted Tax

AIC = Average Invested Capital

WACC = Weighted Average Cost of Capital

* Prior period comparatives were restated arising from adoption of MFRS Framework and optional exemption elected by the Group.

Economic Profit (EP) is a yardstick to measure shareholder value as it provides a more accurate picture of underlying economic performance of the 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.

The Group recorded EP of RM22.9 million in the second quarter 2012, an increase of RM51.4 million from an Economic Loss (EL) of RM28.5 million in the same period last year. This was due to higher EBIT by RM64.0 million (27.2%) and lower economic charge by RM3.4 million (1.7%).

Lower economic charge was due to lower WACC (0.42 percentage point) arising from lower after tax cost of debt (0.3 percentage point) and also cost of equity (0.6 percentage point) despite the increase in AIC (5.0%). Whilst, the higher EBIT of RM64.0 million was mainly attributed to the increase in operating revenue and other income which was higher than the increase in operating cost.

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

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

1. Review of Performance (continued)

On year to date basis, the Group recorded EP of RM26.5 million, an increase of RM86.4 million from EL of RM59.9 million reported in the corresponding period last year. This was due to higher EBIT by RM105.1 million (22.5%) and lower economic charge by RM7.6 million (1.9%) consequent from lower WACC (0.43 percentage point) despite the increase in AIC by RM313.0 million (5.0%). The higher AIC was due to increase in property, plant and equipment and inventories.

2. Comparison with Preceding Quarter's Results

The current quarter Group revenue increased by 1.7% to RM2,425.0 million as compared to RM2,383.8 million recorded in the first quarter 2012 primarily due to higher revenue from Internet and multimedia services, non-telecommunications and other telecommunications related services.

Subsequent to the higher revenue, operating profit before finance cost increased by 8.7% to RM297.1 million as compared to RM273.4 million recorded in the preceding quarter mainly due to higher revenue.

Group PATAMI increased from RM250.6 million in the preceding quarter to RM348.5 million in the current quarter mainly due to recognition of deferred tax income partially offset by foreign exchange loss on borrowings.

3. Prospects for the Current Financial Year

Malaysian Institute of Economic Research (MIER) has projected all economic sectors to grow in 2012 and maintained its annual growth forecast at 4.2%. The continued spending by the private sector and softening inflation are factors helping to support domestic demand in Malaysia. Domestic demand is expected to remain resilient to drive economic growth. (Source: MIER Malaysian Economic Outlook, April/July 2012)

TM's outlook for 2012 is positive with broadband and data services being the main focus. In line with the growth of the economy, the Malaysian telecommunications market is also projected to expand. International Data Corporation (IDC) has forecasted that the overall telecommunications market will grow to RM29.1 billion (2012F) from RM28.0 billion of the preceding year, with the broadband market also expanding to RM6.3 billion (2012F). For the first time, IDC is forecasting the fixed business to grow at 2 times the rate of the mobile business (CAGR 2011-2015). (Source: IDC tracker 1H2011).

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

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

3. Prospects for the Current Financial Year (continued)

The deployment of HSBB is expected to progress well with the number of premises passed increasing to reach 1.34 million by end of the year. We are pleased to note that to date we have clocked more than 400,000 UniFi customers and signed 4 HSBA agreements with other service providers since launch of the service in March 2010. With this, Malaysia has emerged as the nation with the highest number of high speed broadband subscribers in South East Asia and top 10 in Asia Pacific. TM continuously strives to improve our UniFi offering with more content and interactive services. Leveraging on our interactive IPTV, we now have more than 90 channels inclusive of 17 Video on Demand (VoD) and 18 interactive channels. An attractive HyppTV Platinum package promotion is also ongoing offering 30 premium channels at RM30 a month.

Given the above and continuous transformation that we are undertaking, the Board of Directors expects TM's growth prospects for 2012 to remain positive.

4. Variance of Actual Profit from Forecast Profit/Profit Guarantee

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the 2nd quarter and financial period ended 30 June 2012.

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

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

5. Taxation

The taxation charge for the Group comprises:

	2nd Quarter Ended		Financial Period Ended	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM Million	RM Million	RM Million	RM Million
<u>Malaysia</u>				
Income Tax:				
Current year	19.0	(15.3)	40.7	32.7
Prior year	(0.4)	0.1	0.7	(4.5)
Deferred tax (net)	(198.7)	84.3	(181.4)	91.0
	(180.1)	69.1	(140.0)	119.2
<u>Overseas</u>				
Income Tax:				
Current year	1.5	0.6	2.0	1.0
Prior year	0.3	1.2	0.3	1.2
Deferred tax (net)	5.4	(0.8)	5.4	(0.8)
	7.2	1.0	7.7	1.4
Taxation	(172.9)	70.1	(132.3)	120.6
Zakat	-	-	0.1	2.1
Taxation and Zakat	(172.9)	70.1	(132.2)	122.7

The current quarter and financial period 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.

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

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 the Entitlement Date, shall be entitled to receive a cash distribution under the Proposed Capital Repayment of RM0.30 for each ordinary share of RM1.00 each in TM (TM Share) held as at the Entitlement Date.

The Proposed Capital Repayment will be implemented by way of a reduction of the issued and paid-up share capital of TM under Section 64 of the Companies Act, 1965 (Act), whereby the par value of each TM Share will be reduced from RM1.00 to RM0.70 per share. The total number of ordinary shares of TM in issue will remain unchanged at 3,577.4 million shares. 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 (EGM) held on 8 May 2012.

Pursuant to obtaining the outstanding consents from TM's creditors/lenders, TM's legal counsel had on 21 June 2012 presented to the High Court of Malaya at Kuala Lumpur (High Court) a petition pursuant to Section 64 of the Act to obtain confirmation of the High Court on the Proposed Capital Repayment (Petition).

At the hearing of the Petition on 13 July 2012, the High Court had granted an order confirming the Proposed Capital Repayment to be carried out based on the special resolution approved by the shareholders at TM's EGM. With the High Court's confirmation, all requisite approvals in relation to the Proposed Capital Repayment and Proposed Amendments have been obtained.

On 16 July 2012, TM had announced the Entitlement Date of 31 July 2012 for the Proposed Capital Repayment, whereby the cash capital repayment to eligible shareholders was made on 15 August 2012. With the completion of the payment to eligible shareholders, the Proposed Capital Repayment is now completed.

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

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

6. Status of Corporate Proposals (continued)

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:

	30 June 2012		31 December 2011 (Audited)	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Unsecured	7.7	6,651.2	7.7	6,402.7

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

	30 June 2012	31 December 2011 (Audited)
Foreign Currency	RM Million	RM Million
US Dollar	2,423.7	2,423.2
Canadian Dollars	3.6	3.7
Total	2,427.3	2,426.9

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

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

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 30 June 2012		Fair value as at 31 December 2011 (Audited)	
		Assets RM Million	Liabilities RM Million	Assets RM Million	Liabilities RM Million
1. <u>Forward Foreign Currency Contracts</u> - more than 3 years	344.3	-	15.3	-	18.9
	344.3	-	15.3	-	18.9
2. <u>Interest Rate Swaps</u> - 1 year to 3 years - more than 3 years	1,500.0 500.0	6.2 20.9	- -	10.0 20.4	- -
	2,000.0	27.1	-	30.4	-
3. <u>Cross Currency Interest Rate Swaps</u> - more than 3 years	310.5	38.5	-	35.8	-
	310.5	38.5	-	35.8	-
Total	2,654.8	65.6	15.3	66.2	18.9

(b) Changes to Derivative Financial Instruments

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

(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 and 45 to 48 to the audited financial statements for the financial year ended 31 December 2011.

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

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

8. Derivative Financial Instruments (continued)

(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.

(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 30 June 2012 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	
			2nd quarter RM Million	Period to date RM Million
Financial Liabilities				
1. <u>Forward Foreign Currency Contracts</u> ⁽ⁱ⁾ - more than 3 years	344.3	15.3	7.7	3.6
Total	344.3	15.3	7.7	3.6
Financial Assets				
1. <u>Interest Rate Swaps</u> - 1 year to 3 years	1,500.0	6.2	2.3	(3.8)
- more than 3 years	500.0	20.9	6.7	0.5
	2,000.0	27.1	9.0	(3.3)
2. <u>Cross Currency Interest Rate Swaps</u> - more than 3 years	310.5	38.5	10.9	2.7
	310.5	38.5	10.9	2.7
Total	2,310.5	65.6	19.9	(0.6)

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

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

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

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

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

8. Derivative Financial Instruments (continued)

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.

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:

	Group	
	30/6/2012	31/12/2011
	RM Million	RM Million
		(Audited & Restated)
Retained profits		
- realised	2,852.2	2,899.2
- unrealised - in respect of deferred tax recognised in the income statement	(1,361.6)	(1,537.9)
- in respect of other items of income and expense	871.1	874.4
Share of accumulated losses from associates		
- realised	(1.2)	(0.9)
	2,360.5	2,234.8
Add: consolidation adjustments	1,569.2	1,446.4
Total Retained Profits	3,929.7	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.

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

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

10. Additional Disclosures

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the consolidated Income Statements for the 2nd quarter and financial period ended 30 June 2012:

	2nd Quarter Ended		Financial Period Ended	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM Million	RM Million	RM Million	RM Million
Impairment of trade and other receivables (net of recoveries)	(11.5)	(10.3)	(64.7)	(46.2)
Inventory write off and obsolescence	(0.6)	4.4	(1.6)	(5.7)
(Loss)/Gain on disposal of quoted securities	(0.1)	-	0.1	-
(Loss)/Gain on disposal of fixed income securities	0.8	0.4	2.0	1.1
Gain/(Loss) on foreign exchange on settlements and placements	5.3	(20.7)	3.3	(18.4)

11. Material Litigation

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 6 July 2012, the Court has proceeded with the hearing of TM and TESB's Striking Out Application. On 20 July 2012, the Court has allowed the Striking Out Application with costs.

MSI has on 13 August 2012 filed an appeal to the Court of Appeal against the decision of the Court on 20 July 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)

On 2 July 2012, the Court has dismissed NGSB's legal suit with cost.

NGSB has on 1 August 2012 filed an appeal to the Court of Appeal against the decision of the Court on 2 July 2012.

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

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

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

11. Material Litigation (continued)

(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.

12. Earnings per Share (EPS)

	2nd Quarter Ended		Financial Period Ended	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
Basic/Diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	348.5	127.2	599.1	290.5
Weighted average number of ordinary shares (million)	3,577.4	3,577.4	3,577.4	3,575.6
Basic/Diluted earnings per share (sen) attributable to equity holders of the Company	9.7	3.6	16.7	8.1

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 30 June 2012. Thus, diluted earnings per share is 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.

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

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

14. Dividends

The Board of Directors has declared an interim single-tier dividend of 9.8 sen per share for the financial year ending 31 December 2012 (2011: an interim single-tier dividend of 9.8 sen per share). The dividend will be paid on 28 September 2012 to shareholders whose names appear in the Register of Members and Record of Depositors on 14 September 2012.

By Order of the Board

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

Secretaries

Kuala Lumpur
29 August 2012