

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 2013.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/3/2013	31/3/2012	31/3/2013	31/3/2012
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	2,424.6	2,383.8	2,424.6	2,383.8
OPERATING COSTS				
- depreciation, impairment and amortisation	(508.7)	(510.6)	(508.7)	(510.6)
- other operating costs	(1,648.6)	(1,627.8)	(1,648.6)	(1,627.8)
OTHER OPERATING INCOME (net)	30.7	26.6	30.7	26.6
OTHER (LOSSES)/GAINS (net)	(0.1)	1.4	(0.1)	1.4
OPERATING PROFIT BEFORE FINANCE COST	297.9	273.4	297.9	273.4
FINANCE INCOME	38.1	38.2	38.1	38.2
FINANCE COST	(87.7)	(79.8)	(87.7)	(79.8)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	(18.6)	67.9	(18.6)	67.9
NET FINANCE (COST)/INCOME	(68.2)	26.3	(68.2)	26.3
ASSOCIATES				
- share of results (net of tax)	(0.2)	(0.4)	(0.2)	(0.4)
PROFIT BEFORE TAXATION AND ZAKAT	229.5	299.3	229.5	299.3
TAXATION AND ZAKAT (part B, note 5)	(7.2)	(40.7)	(7.2)	(40.7)
PROFIT FOR THE FINANCIAL PERIOD	222.3	258.6	222.3	258.6
ATTRIBUTABLE TO:				
- equity holders of the Company	213.2	250.6	213.2	250.6
- non-controlling interests	9.1	8.0	9.1	8.0
PROFIT FOR THE FINANCIAL PERIOD	222.3	258.6	222.3	258.6
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic/diluted	6.0	7.0	6.0	7.0

(The above unaudited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/3/2013 RM Million	31/3/2012 RM Million	31/3/2013 RM Million	31/3/2012 RM Million
PROFIT FOR THE FINANCIAL PERIOD	222.3	258.6	222.3	258.6
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified				
subsequently to income statement:				
- increase in fair value of available-for-sale investments	0.1	1.3	0.1	1.3
- increase in fair value of available-for-sale receivables	#	0.2	#	0.2
- reclassification adjustments relating to available-for-sale investments disposed	(0.1)	(1.2)	(0.1)	(1.2)
- cash flow hedge:				
- decrease in fair value of cash flow hedge	(25.4)	(8.2)	(25.4)	(8.2)
- reclassification to foreign exchange gain	15.3	10.9	15.3	10.9
- currency translation differences - subsidiaries	1.0	(4.2)	1.0	(4.2)
Other comprehensive loss for the financial period	(9.1)	(1.2)	(9.1)	(1.2)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	213.2	257.4	213.2	257.4
ATTRIBUTABLE TO:				
- equity holders of the Company	204.1	249.4	204.1	249.4
- non-controlling interests	9.1	8.0	9.1	8.0
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	213.2	257.4	213.2	257.4

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 2012)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31/3/2013	AS AT 31/12/2012
	RM Million	RM Million
SHARE CAPITAL	2,504.2	2,504.2
SHARE PREMIUM	43.2	43.2
OTHER RESERVES	148.1	157.2
RETAINED PROFITS	4,403.4	4,190.2
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,098.9	6,894.8
NON-CONTROLLING INTERESTS	174.3	165.2
TOTAL EQUITY	7,273.2	7,060.0
Borrowings	5,139.4	5,130.2
Derivative financial instruments	72.2	51.5
Deferred tax liabilities	1,191.6	1,202.6
Deferred income	2,082.6	2,129.4
DEFERRED AND NON-CURRENT LIABILITIES	8,485.8	8,513.7
	15,759.0	15,573.7
Property, plant and equipment	14,383.8	14,637.6
Investment property	5.5	5.6
Intangible assets	320.6	322.1
Associates	14.0	1.5
Available-for-sale investments	98.7	98.7
Available-for-sale receivables	7.2	7.6
Other non-current receivables	264.5	252.3
Derivative financial instruments	43.7	43.1
Deferred tax assets	17.9	18.6
NON-CURRENT ASSETS	15,155.9	15,387.1
Inventories	271.0	235.3
Non-current assets held for sale	10.1	8.0
Customer acquisition costs	98.3	100.1
Trade and other receivables	2,507.5	2,207.0
Derivative financial instruments	2.8	2.6
Available-for-sale investments	485.9	500.6
Financial assets at fair value through profit or loss	16.4	16.5
Cash and bank balances	3,759.1	3,738.7
CURRENT ASSETS	7,151.1	6,808.8
Trade and other payables	3,025.1	3,545.5
Customer deposits	512.6	518.2
Advance rental billings	667.5	423.6
Borrowings	2,209.2	2,010.2
Taxation and zakat	133.6	124.7
CURRENT LIABILITIES	6,548.0	6,622.2
NET CURRENT ASSETS	603.1	186.6
	15,759.0	15,573.7
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	198.4	192.7

(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 2012)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013**

	Attributable to equity holders of the Company								Total Equity RM Million
	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	
At 1 January 2013	2,504.2	43.2	62.6	26.9	71.6	(3.9)	4,190.2	165.2	7,060.0
Profit for the financial period	-	-	-	-	-	-	213.2	9.1	222.3
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- increase in fair value of available-for-sale investments	-	-	0.1	-	-	-	-	-	0.1
- increase in fair value of available-for-sale receivables	-	-	#	-	-	-	-	-	#
- reclassification adjustments relating to available-for-sale investments disposed	-	-	(0.1)	-	-	-	-	-	(0.1)
- cash flow hedge:									
- decrease in fair value of cash flow hedge	-	-	-	(25.4)	-	-	-	-	(25.4)
- reclassification to foreign exchange gain	-	-	-	15.3	-	-	-	-	15.3
- currency translation differences - subsidiaries	-	-	-	-	-	1.0	-	-	1.0
Total comprehensive (loss)/income for the financial period	-	-	#	(10.1)	-	1.0	213.2	9.1	213.2
At 31 March 2013	2,504.2	43.2	62.6	16.8	71.6	(2.9)	4,403.4	174.3	7,273.2

Amount less than RM0.1 million

(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 2012)

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

	Attributable to equity holders of the Company								Total Equity RM Million
	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	
At 1 January 2012	3,577.4	43.2	72.3	32.1	71.6	(0.3)	3,627.7	162.9	7,586.9
Profit for the financial period	-	-	-	-	-	-	250.6	8.0	258.6
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- 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
At 31 March 2012	3,577.4	43.2	72.6	34.8	71.6	(4.5)	3,878.3	170.9	7,844.3

(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 2012)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL PERIOD ENDED	
	31/3/2013	31/3/2012
	RM Million	RM Million
Receipts from customers	2,280.3	2,065.9
Payments to suppliers and employees	(1,867.2)	(1,733.8)
Payment of finance cost	(75.3)	(77.0)
Payment of income taxes and zakat (net)	(11.5)	(12.3)
CASH FLOWS FROM OPERATING ACTIVITIES	326.3	242.8
Contribution for purchase of property, plant and equipment	-	23.3
Disposal of property, plant and equipment	1.3	2.1
Purchase of property, plant and equipment	(546.9)	(604.4)
Disposal of available-for-sale investments	94.7	113.0
Purchase of available-for-sale investments	(79.0)	(108.0)
Disposal of financial assets at fair value through profit or loss	-	0.5
Long term deposit	(8.3)	(8.3)
Repayments of loans by employees	1.8	3.3
Loans to employees	(5.4)	(3.5)
Disposal of housing loan	2.7	2.6
Interests received	32.7	37.8
Dividends received	5.1	0.2
CASH FLOWS USED IN INVESTING ACTIVITIES	(501.3)	(541.4)
Proceeds from borrowings	198.8	149.1
Repayments of borrowings	(0.2)	(0.4)
Repayments of finance lease	(0.9)	(0.9)
CASH FLOWS FROM FINANCING ACTIVITIES	197.7	147.8
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	22.7	(150.8)
EFFECT OF EXCHANGE RATE CHANGES	(2.3)	1.9
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	3,738.3	4,212.6
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	3,758.7	4,063.7

(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 2012)

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 1st quarter ended 31 March 2013 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 2012. The accounting policies, method of computation and basis of consolidation applied in the unaudited interim financial statements are consistent with those used in the preparation of the 2012 audited financial statements except for the changes arising from the adoption of the new MFRSs issued by MASB that are effective for the Group’s financial year beginning on 1 January 2013.

(I) New standards and amendments to published standards that are effective and applicable for the Group’s financial year beginning on 1 January 2013

The new standards and amendments to published standards issued by the MASB that are effective for the Group’s financial year beginning 1 January 2013 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 International Accounting Standards Board (IASB) in 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
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013

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

1. Basis of Preparation (continued)

(I) New standards and amendments to published standards MASB that are effective and applicable for the Group's financial year beginning on 1 January 2013 (continued)

		Effective date
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

- MFRS 10 changes the definition of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. The adoption of MFRS 10 has called for the re-evaluation of the Company's involvement with investees, which led to the consolidation of an additional entity, Yayasan Telekom Malaysia from its inception. The impact of this change on the Group's reported financial position, financial performance and cash flows is not material.
- Amendments to MFRS 116 clarify the classification of serving equipments such as spare parts, stand-by equipment and services equipment to be recognised as property, plant and equipment (PPE) when the definition of PPE is met. The Group's inventories include maintenance spares and supplies that could either be utilised for the purpose of constructing new PPE items or replacing damaged or faulty plant which would lead to capitalisation as PPE or used in maintaining the Group's network in which the cost of the spare equipments are expensed off as repair and maintenance cost. As such, the fulfilment of the definition of PPE for these spares and supplies can only be reasonably determined when they are taken out from inventories and either charged to expenses or capitalised as PPE based on their actual usage. As such, there has been no financial impact to the Group arising from the application of the amendments to MFRS 116.
- With the amendments to MFRS 134 "Interim Financial Reporting" which require consistency with MFRS 8 "Operating Segments" to disclose total assets and liabilities for reportable segments when there are material changes from the amount disclosed in the last annual financial statements, the Group has disclosed its segment liabilities in part A, note 7.

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

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:

		Effective date
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, 12 and 127	Investment Entities	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

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 2012 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.

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 1st quarter ended 31 March 2013.

4. Material Changes in Estimates

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

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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

On 20 February 2013, the Company issued RM200.0 million nominal value Islamic Commercial Papers (ICP) at 3.20% per annum which was redeemed in full upon its maturity on 30 April 2013 as disclosed in part A, note 8.

Save for the above, there were no other issuances, repurchases and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the 1st quarter ended 31 March 2013.

6. Dividends Paid

No dividends have been paid during the 1st quarter ended 31 March 2013.

TELEKOM MALAYSIA BERHAD (128740-P)
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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 1st Quarter Ended 31 March 2013	Retail Business				Total Retail Business	Global & Wholesale Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government				
Operating Revenue								
Total operating revenue	720.4	468.0	269.7	406.3	1,864.4	454.6	1,455.8	3,774.8
Inter-segment @	(8.9)	(0.4)	(1.4)	-	(10.7)	(81.1)	(1,258.4)	(1,350.2)
External operating revenue	711.5	467.6	268.3	406.3	1,853.7	373.5	197.4	2,424.6
Results								
Segment profits/(losses)	48.3	79.6	51.3	133.8	313.0	48.3	(15.4)	345.9
Unallocated income/other losses*								6.6
Unallocated costs^								(54.6)
Operating profit before finance cost								297.9
Finance income								38.1
Finance cost								(87.7)
Foreign exchange loss on borrowings								(18.6)
Associates								
- share of results (net of tax)								(0.2)
Profit before taxation and zakat								229.5
Taxation and zakat								(7.2)
Profit for the financial period								222.3

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 1st Quarter Ended 31 March 2012	Retail Business				Total Retail Business	Global & Wholesale Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government				
Operating Revenue								
Total operating revenue	659.9	463.0	267.6	414.5	1,805.0	480.5	1,408.1	3,693.6
Inter-segment @	(4.7)	(0.3)	(0.2)	-	(5.2)	(73.1)	(1,231.5)	(1,309.8)
External operating revenue	655.2	462.7	267.4	414.5	1,799.8	407.4	176.6	2,383.8
Results								
Segment profits/(losses)	32.0	95.3	59.1	106.1	292.5	38.4	(8.4)	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 Segment assets and liabilities	Retail Business				Total Retail Business	Global & Wholesale Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government				
As at 31 March 2013								
Segment assets	417.0	220.3	278.5	1,018.7	1,934.5	1,088.8	15,157.6	18,180.9
Associates								14.0
Unallocated assets [#]								4,112.1
Total assets								<u>22,307.0</u>
Segment liabilities	365.0	400.3	235.1	687.9	1,688.3	542.8	3,985.5	6,216.6
Borrowings								7,348.6
Unallocated liabilities ⁺								1,468.6
Total liabilities								<u>15,033.8</u>
As at 31 December 2012								
Segment assets	461.7	224.5	88.9	894.7	1,669.8	1,073.0	15,276.7	18,019.5
Associates								1.5
Unallocated assets [#]								4,174.9
Total assets								<u>22,195.9</u>
Segment liabilities	338.5	395.7	121.6	538.9	1,394.7	576.2	4,586.9	6,557.8
Borrowings								7,140.4
Unallocated liabilities ⁺								1,437.7
Total liabilities								<u>15,135.9</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 or losses comprises other operating income and other gains or losses such as dividend income and gain or losses on disposal of available-for-sale investments which has not been allocated to a particular business segment.
- ^ Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital Management, Group Finance, Group Legal, Compliance & Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which were not allocated to a particular business segment.
- # Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets, cash and bank balances of the Group and property, plant and equipment of the Group's corporate divisions and office buildings.
- + Unallocated liabilities mainly include interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

The prior year comparatives have been restated in line with business structure realignment in the current financial year to cluster the Global Business and Wholesale Business segments as part of the Group's new market approach to increase focus on key customer segments. In addition, the basis of allocation of certain cost elements has been revised to better reflect the consumption of network services by the different business segments.

8. Material Events Subsequent to the End of the Quarter

On 15 April 2013, the Company issued RM50.0 million nominal value ICP at 3.11% per annum and was redeemed in full upon its maturity on 30 April 2013.

On 30 April 2013, the Company issued RM400.0 million nominal value Islamic Medium Term Notes (IMTN) at 3.95% per annum and paid two ICPs amounting to RM200.0 million and RM50.0 million respectively which matured on 30 April 2013. The IMTN will mature on 28 April 2023.

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

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

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 2013 save as below:

Bluetel Networks Pte Ltd

On 15 August 2012, TM via its wholly owned subsidiary, Telekom Malaysia (S) Pte Ltd (TMS) has entered into a Subscription Agreement and Shareholders' Agreement with the shareholders of Bluetel Networks Pte Ltd (BTN), for the subscription by TMS of 1,266,000 ordinary shares (Shares Subscription) for a purchase consideration of SGD5.1 million, representing 29.0% of the total number of issued ordinary shares in BTN.

BTN is a provider of telecommunications and network solutions. Upon satisfaction of the conditions precedents, the Shares Subscription was duly completed on 26 March 2013 and BTN effectively became an associate of the Group. The financial impact of the acquisition for the current financial period is not material to the Group.

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 were no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2012.

11. Capital Commitments

	Group	
	31/3/2013	31/12/2012
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	<u>3,131.9</u>	<u>3,156.7</u>
Commitments in respect of expenditure approved but not contracted for	<u>861.8</u>	<u>1,570.3</u>

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Related Party Transactions

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.73% equity interest and is a related party of the Group. Khazanah is a wholly owned entity of MoF Inc, which is in turn owned by the Ministry of Finance, a ministry of the Federal Government of Malaysia. Therefore, the Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are also related parties to the Group.

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

	Total amount of individually significant transactions for the 1st quarter ended		Corresponding outstanding balances as at	
	31/3/2013 RM Million	31/3/2012 RM Million	31/3/2013 RM Million	31/12/2012 RM Million
Sales and Receivables	180.5	136.5	19.3	102.3

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

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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 1.7% to RM2,424.6 million as compared to RM2,383.8 million in the first quarter 2012, primarily contributed by higher data and Internet and multimedia services.

Internet and multimedia services registered higher revenue by 14.4% to RM644.3 million in the current year quarter mainly arising from increased UniFi customers from 315,745 in the last year quarter to more than 532,000 in the current quarter.

Operating profit before finance cost of RM297.9 million was 9.0% higher from RM273.4 million recorded in the same quarter last year in line with higher operating revenue as explained above.

Group profit after tax and non-controlling interests (PATAMI) decreased by 14.9% to RM213.2 million as compared to RM250.6 million in the corresponding quarter in 2012 mainly due to unrealised foreign exchange loss on borrowings of RM18.6 million compared to a gain of RM67.9 million in the corresponding quarter last year, net of lower taxation expense consequent from higher recognition of unutilised tax incentive.

(ii) Segment Performance

Consumer

Revenue increased by 9.2% (RM60.5 million) in the current quarter as compared to 1st quarter 2012 largely due to continuing increase in UniFi customers which stood at 448,404 as at the end of the current quarter (31.3.2012: 269,309). Revenue from IPTV also increased in tandem with the UniFi customer growth where the number of buys for Premium Channel and Video On Demand has also increased. Streamyx's contribution also increased due to higher ARPU resulting from up-selling activities coupled with a slightly lower churn rate comparatively.

Profit for the segment has also increased comparatively by RM16.3 million in line with higher revenue, despite increase in impairment of trade receivables, manpower cost as well as direct costs such as IPTV content costs in line with the expansion of IPTV channels.

SME

SME recorded a revenue growth of 1.1% (RM5.0 million) mainly contributed by higher Internet and multimedia revenue of RM16.8 million partially offset by lower voice revenue of RM10.7 million. The growth in Internet and multimedia was in line with the increase in cumulative UniFi customers to 82,659 as at the end of the 1st quarter 2013 as compared to 45,987 as at the end of 1st quarter 2012.

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1. Review of Performance (continued)

(a) Quarter-on-Quarter (continued)

SME (continued)

Current quarter profit of RM79.6 million was lower by RM15.7 million due to higher operating costs.

Enterprise

Enterprise's current quarter revenue of RM269.7 million increased by RM2.1 million mainly contributed by higher revenue from one-off customer projects despite decline in voice revenue following lower usage of national and international calls.

Profit decreased by 13.2% to RM51.3 million from RM59.1 million in the previous year due to higher direct costs related to customer projects.

Government

For the current quarter under review, revenue from this segment reduced by 2.0% to RM406.3 million as compared to RM414.5 million in the corresponding quarter last year, driven primarily by lower voice revenue and other telecommunications related services mitigated by higher data and Internet services. Reduction in other telecommunications related services was due to delays in the timing of completion of customer projects whilst the increase in data revenue was due to new circuits installations as well as upgrades to higher bandwidth.

Despite the reduction in revenue, profit increased by 26.1% from RM106.1 million in the previous year corresponding quarter to RM133.8 million in the current quarter largely contributed by lower direct cost in line with lower revenue for customer projects and write back of impairment for trade receivables arising from improved collections.

Global & Wholesale

Global & Wholesale posted revenue of RM454.6 million in the current quarter, which is 5.4% lower from the RM480.5 million recorded in 1st quarter 2012. This is mainly due to decrease in both domestic and international minutes of usage of voice services despite growth in data services.

Current quarter profit of RM48.3 million was 25.8% higher from the RM38.4 million recorded in 1st quarter 2012 in line with lower operating costs mainly domestic and international outpayment cost and one-off impairment of trade receivables in 1st quarter 2012.

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1. Review of Performance (continued)

(b) Economic Profit Statement

	1st Quarter Ended	
	31/3/2013 RM Million	31/3/2012 RM Million
EBIT	298.0	272.0
Adjusted Tax	74.5	68.0
NOPLAT	223.5	204.0
AIC	3,310.5	3,213.1
WACC	6.04%	6.34%
ECONOMIC CHARGE	200.0	203.7
ECONOMIC PROFIT	23.5	0.3

Definitions:

EBIT = Earnings before Interest & Taxes

NOPLAT = Net Operating Profit less Adjusted Tax

AIC = Average Invested Capital

WACC = Weighted Average Cost of Capital

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

TM Group recorded EP of RM23.5 million in the first quarter 2013, an increase of RM23.2 million from EP of RM0.3 million in the same period last year consequent from higher EBIT by RM26.0 million (9.6%) and lower economic charge by RM3.7 million (1.8%).

The higher EBIT was mainly attributed to the increase in operating revenue and other operating income was higher than the increase in operating cost, whilst the lower economic charge was due to lower WACC (0.3 percentage point) despite the increase in AIC by RM97.4 million (3.0%). Lower WACC was contributed by lower cost of equity (0.4 percentage point) and after tax cost of debt (0.1 percentage point) whereas the higher AIC was due to increase in property, plant and equipment.

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2. Comparison with Preceding Quarter's Results

The current quarter Group revenue decreased by 13.7% to RM2,424.6 million as compared to RM2,809.3 million recorded in the fourth quarter 2012 primarily due to lower revenue from all services except for Internet and multimedia services. The reduction was attributed to higher customer projects and sale of land by a wholly owned subsidiary in the fourth quarter 2012.

Operating profit before finance cost decreased by 24.4% to RM297.9 million as compared to RM394.3 million recorded in the preceding quarter mainly due to lower revenue as mentioned above and other operating income.

Group PATAMI decreased from RM363.2 million in the preceding quarter to RM213.2 million in the current quarter mainly due to unrealised foreign exchange loss recognised in the current quarter and higher taxation expense.

3. Prospects for the Current Financial Year

Malaysian Institute of Economic Research (MIER) forecasts the Malaysian economy to remain strong at 5.6% in 2013, with domestic demand expected to continue to drive growth (Source: MIER, April 2013). In addition, IDC forecasts the Malaysian telecommunications market for voice, data and Internet services for 2013 to be RM27.9 billion and growing at a CAGR of 3.6% (2012 – 2016). Key driver of this growth is forecasted to come from Internet services, contributing 37% of the overall telecommunications market size (Source: IDC tracker 1H 2012).

TM's outlook for 2013 remains positive on the back of more than 560,000 UniFi customers to date. We foresee higher take-up of broadband services with the introduction of Streamyx 8Mbps and the future expansion of UniFi based on demand (demand driven). We also foresee higher HyppTV viewers and we are pleased to highlight that HyppTV had recently won the "Best Live Online TV Service 2013" award at the TV Connect Industry Awards in Mayfair, London.

TM had launched UniFi BIZ30 and BIZ50 in November 2012 to cater for the increased demand for bandwidth amongst the SMEs. In April 2013, TM had also signed an agreement with UEM Land Berhad to provide UniFi ready homes to more than 4,000 residences in Nusajaya to enhance a digital lifestyle, embracing TM's vision of 'Life Made Easier with UniFi'. TM remains committed to be the Trusted Broadband Provider for the country.

To sustain market leadership, TM has introduced a Performance Improvement Programme 3.0 (PIP3.0) early this year which focuses on continued growth and institution building towards greater efficiency and productivity. As Malaysia's leading new generation communications provider, TM aspires to be the key catalyst for economic growth.

Barring unforeseen circumstances, the Board of Directors expects TM's growth prospects for the current financial year to remain positive.

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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 2013.

5. Taxation

The taxation charge for the Group comprises:

	1st Quarter Ended	
	31/3/2013	31/3/2012
	RM Million	RM Million
<u>Malaysia</u>		
Income Tax:		
Current year	18.6	21.7
Prior year	(2.7)	1.1
Deferred tax (net)	(10.4)	17.3
	5.5	40.1
<u>Overseas</u>		
Income Tax:		
Current year	1.6	0.5
	1.6	0.5
Taxation	7.1	40.6
Zakat	0.1	0.1
Taxation and Zakat	7.2	40.7

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

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

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7. Group Borrowings and Debt Securities

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

	31/3/2013		31/12/2012	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Unsecured	2,209.2	5,139.4	2,010.2	5,130.2

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

Foreign Currency	31/3/2013	31/12/2012
	RM Million	RM Million
US Dollar	2,364.9	2,337.7
Canadian Dollars	3.5	3.5
Japanese Yen	256.1	275.0
Total	2,624.5	2,616.2

8. Derivative Financial Instruments

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

Derivatives (by maturity)	Contract or notional amount RM Million	Fair value as at 31 March 2013		Fair value as at 31 December 2012	
		Assets RM Million	Liabilities RM Million	Assets RM Million	Liabilities RM Million
1. <u>Forward Foreign Currency Contracts</u> - 1 year to 3 years - existing at 31 December 2012	593.6	1.1	24.2	0.3	25.6
- additions	220.4	2.7	-	-	-
	814.0	3.8	24.2	0.3	25.6
2. <u>Interest Rate Swaps</u> - less than 1 year	1,500.0	2.8	-	2.6	-
- more than 3 years	500.0	16.4	-	16.0	-
	2,000.0	19.2	-	18.6	-
3. <u>Cross Currency Interest Rate Swaps</u> - more than 3 years	609.4	23.5	48.0	26.8	25.9
	609.4	23.5	48.0	26.8	25.9
Total	3,423.4	46.5	72.2	45.7	51.5

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8. Derivative Financial Instruments (continued)

(b) Changes to Derivative Financial Instruments

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

Forward Foreign Currency Contracts

Underlying Liability

USD465.1 million 5.25% Guaranteed Notes due in 2014

In 2004, TM Global Incorporated issued USD500.0 million 5.25% Guaranteed Notes due in 2014 as disclosed in note 18 to the financial statements. The Notes are redeemable in full on 22 September 2014. On 4 December 2009, the Company repurchased USD34.9 million of the Notes.

Hedging Instruments

On 3 January 2013 and 11 January 2013, the Company entered into two forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD30.0 million and USD40.0 million from the counterparties in return for a payment of RM94.8 million and RM125.6 million respectively.

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

(c) Financial Risk Management Objectives and Policies

There have been no changes since the end of the previous financial year in respect of the following:

- (i) The types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts; and
- (ii) The risk management policies in place for mitigating and controlling the risks associated with these derivative financial instrument contracts.

The details on the above, the valuation and the financial effects of derivative financial instruments that the Group has entered into are discussed in note 4, 18 and 44 to 47 to the audited financial statements for the financial year ended 31 December 2012.

(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 2012.

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8. Derivative Financial Instruments (continued)

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

The amount of gains/(losses) arising from fair value changes of financial instruments for the current quarter ended 31 March 2013 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 quarter
Financial Liabilities			
1. <u>Forward Foreign Currency Contracts</u> ⁽ⁱ⁾ - 1 year to 3 years	344.3	24.2	1.4
	344.3	24.2	1.4
2. <u>Cross Currency Interest Rate Swaps</u> - more than 3 years	298.9	48.0	(22.1)
	298.9	48.0	(22.1)
Total	643.2	72.2	(20.7)
Financial Assets			
1. <u>Forward Foreign Currency Contracts</u> ⁽ⁱ⁾ - 1 year to 3 years	469.7	3.8	3.5
	469.7	3.8	3.5
2. <u>Interest Rate Swaps</u> - less than 1 year - more than 3 years	1,500.0 500.0	2.8 16.4	0.2 0.4
	2,000.0	19.2	0.6
3. <u>Cross Currency Interest Rate Swaps</u> - more than 3 years	310.5	23.5	(3.3)
	310.5	23.5	(3.3)
Total	2,780.2	46.5	0.8

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

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8. Derivative Financial Instruments (continued)

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

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

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

The MTM on the CCIRS is positive when the expectation of 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	
	31/3/2013	31/12/2012
	RM Million	RM Million
Retained profits		
- realised	3,008.6	2,801.1
- unrealised - in respect of deferred tax recognised in the income statement	(1,173.7)	(1,184.0)
- in respect of other items of income and expense	966.9	973.2
Share of accumulated losses from associates		
- realised	(0.2)	-
	2,801.6	2,590.3
Add: consolidation adjustments	1,601.8	1,599.9
Total Retained Profits	4,403.4	4,190.2

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.

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10. Additional Disclosures

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the consolidated Income Statements for the 1st quarter ended 31 March 2013:

	1st Quarter Ended	
	31/3/2013	31/3/2012
	RM Million	RM Million
Impairment of trade and other receivables (net of recoveries)	(31.4)	(53.2)
Inventory write off and obsolescence	(0.8)	(1.0)
Gain on disposal of quoted securities	-	0.2
Gain on disposal of fixed income securities	0.1	1.2
Loss on foreign exchange on settlements and placements	(2.0)	(2.0)

11. Material Litigation

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities in note 48 to the financial statements of the Group for the financial year ended 31 December 2012, listed below are updates of the relevant cases since the date of the last audited financial statements:

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

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

MSI had on 13 August 2012 filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal has been fixed for case management on 3 September 2013 and for hearing on 30 October 2013.

The Directors, based on legal advice, are of the view that TM and TESB have a good chance of success in the appeal.

(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 had on 1 August 2012 filed an appeal to the Court of Appeal against the decision of the High Court above. The Court of Appeal has yet to fix a hearing date for the appeal.

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

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11. Material Litigation (continued)

(c) One Visa Sdn Bhd vs TM

The trial date for the legal suit is fixed on 21 to 25 October 2013.

The Directors, based on legal advice, are of the view that TM has a reasonably good arguable defence to dismiss the legal suit.

II. The following is a new material litigation case arising during the current financial year:

(a) Menara Intan Langkawi Sdn Bhd & HBA Development Bhd vs TM Facilities Sdn Bhd

On 6 March 2013, TM Facilities Sdn Bhd (TMF), a wholly owned subsidiary of the Group, has through its solicitors, been served with a Writ and Statement of Claim by Menara Intan Langkawi Sdn Bhd (MIL) and HBA Development Bhd (HBA), through their solicitors.

The claim by HBA is premised upon an alleged wrongful termination of an Agreement to Lease dated 14 August 2003 between MIL and TMF (Agreement). Under the Agreement, TMF had agreed to take a lease of a telecommunication tower to be constructed at the Mukim of Kuah in Langkawi, from MIL, a joint venture company between Lembaga Pembangunan Langkawi and HBA, for a lease period of 15 years and at a lease rental of RM17.0 million per annum.

The Lease Agreement was subsequently terminated by TMF on 6 February 2007, as TMF was of the view that MIL has failed to secure the necessary approvals and commence construction of the telecommunication tower despite the time given.

Based on the Amended Writ and Statement of Claim (Statement of Claim), MIL and HBA are seeking for the following:-

- (a) Damages in respect of loss of profit of RM168,701,922.00;
- (b) Damages in respect of works and expenses of RM86,298,078.60;
- (c) Damages in respect of the value of a land measuring 28.49 acres of RM80,600,000.00;
- (d) General Damages;
- (e) Interest; and
- (f) Costs.

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11. Material Litigation (continued)

(a) Menara Intan Langkawi Sdn Bhd & HBA Development Bhd vs TM Facilities Sdn Bhd (continued)

On 28 March 2013, TMF filed an application to strike out the Statement of Claim by the 2nd Plaintiff, HBA against TMF (Striking Out Application).

On 1 April 2013, TMF was served with an Amended Statement of Claim dated 29 March 2013 by both the Plaintiffs in the legal suit. In the Amended Statement of Claim, the Plaintiffs have amended their claim of loss of profits from RM168,701,922.00 to RM225,000,000.00.

On 17 May 2013, the Striking Out Application was allowed with cost by the High Court. On the same day, TMF filed its Defence to the Amended Statement of Claim by the 1st Plaintiff, MIL.

The Directors, based on legal advice, are of the view that TMF has more than reasonable prospects of successfully defending and dismissing the legal suit.

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)

	1st Quarter Ended	
	31/3/2013	31/3/2012
Basic/Diluted earnings per share		
Profit attributable to equity holders of the Company (RM million)	213.2	250.6
Weighted average number of ordinary shares (million)	3,577.4	3,577.4
Basic/Diluted earnings per share (sen) attributable to equity holders of the Company	6.0	7.0

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 2013. Thus, diluted earnings per share is equal to basic earnings per share.

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13. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2012 were not subject to any qualification.

14. Dividends

No dividend has been recommended during the 1st quarter ended 31 March 2013.

By Order of the Board

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

Secretaries

Kuala Lumpur
30 May 2013