

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 third quarter ended 30 September 2013.

UNAUDITED CONSOLIDATED INCOME STATEMENT

| | 3RD QUARTER ENDED | | FINANCIAL PERIOD ENDED | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 30/9/2013 RM Million | 30/9/2012 RM Million | 30/9/2013 RM Million | 30/9/2012 RM Million |
| OPERATING REVENUE | 2,610.5 | 2,375.4 | 7,648.9 | 7,184.2 |
| OPERATING COSTS | | | | |
| - depreciation, impairment and amortisation | (541.4) | (529.9) | (1,580.9) | (1,538.4) |
| - other operating costs | (1,736.7) | (1,644.4) | (5,161.0) | (4,943.9) |
| OTHER OPERATING INCOME (net) | 32.5 | 20.5 | 85.7 | 91.2 |
| OTHER (LOSSES)/GAINS (net) | (0.5) | 0.8 | 2.4 | (0.2) |
| OPERATING PROFIT BEFORE FINANCE COST | 364.4 | 222.4 | 995.1 | 792.9 |
| FINANCE INCOME | 33.9 | 32.3 | 108.1 | 108.0 |
| FINANCE COST | (93.4) | (81.0) | (273.6) | (245.2) |
| FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS | (43.8) | 64.8 | (96.5) | 68.0 |
| NET FINANCE (COST)/INCOME | (103.3) | 16.1 | (262.0) | (69.2) |
| ASSOCIATES | | | | |
| - share of results (net of tax) | 3.8 | # | 3.2 | (0.3) |
| PROFIT BEFORE TAXATION AND ZAKAT | 264.9 | 238.5 | 736.3 | 723.4 |
| TAXATION AND ZAKAT (part B, note 5) | (16.5) | 72.7 | (43.5) | 204.9 |
| PROFIT FOR THE FINANCIAL PERIOD | 248.4 | 311.2 | 692.8 | 928.3 |
| ATTRIBUTABLE TO: | | | | |
| - equity holders of the Company | 240.9 | 301.4 | 668.0 | 900.5 |
| - non-controlling interests | 7.5 | 9.8 | 24.8 | 27.8 |
| PROFIT FOR THE FINANCIAL PERIOD | 248.4 | 311.2 | 692.8 | 928.3 |
| EARNINGS PER SHARE (sen) (part B, note 12) | | | | |
| - basic/diluted | 6.7 | 8.4 | 18.7 | 25.2 |

(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

| | 3RD QUARTER ENDED | | FINANCIAL PERIOD ENDED | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | 30/9/2013 RM Million | 30/9/2012 RM Million | 30/9/2013 RM Million | 30/9/2012 RM Million |
| PROFIT FOR THE FINANCIAL PERIOD | 248.4 | 311.2 | 692.8 | 928.3 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that may be reclassified | | | | |
| subsequently to income statement: | | | | |
| - (decrease)/increase in fair value of available-for-sale investments | (3.9) | 0.8 | (5.1) | 1.2 |
| - increase in fair value of available-for-sale receivables | 0.4 | 0.1 | 0.6 | 0.2 |
| - reclassification adjustments relating to available-for-sale investments disposed | 0.1 | (1.2) | (0.3) | (3.2) |
| - cash flow hedge: | | | | |
| - increase/(decrease) in fair value of cash flow hedge | 41.6 | (5.5) | (10.1) | (2.8) |
| - reclassification to foreign exchange (loss)/gain | (20.0) | 11.4 | (3.8) | 11.4 |
| - currency translation differences | | | | |
| - subsidiaries | 1.3 | (2.4) | 1.4 | (3.4) |
| - associates | 0.3 | - | 0.3 | - |
| Other comprehensive income/(loss) for the financial period | 19.8 | 3.2 | (17.0) | 3.4 |
| TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD | 268.2 | 314.4 | 675.8 | 931.7 |
| ATTRIBUTABLE TO: | | | | |
| - equity holders of the Company | 260.7 | 304.6 | 651.0 | 903.9 |
| - non-controlling interests | 7.5 | 9.8 | 24.8 | 27.8 |
| TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD | 268.2 | 314.4 | 675.8 | 931.7 |

(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 30/9/2013 RM Million | AS AT 31/12/2012 RM Million |
|--|---|--|
| SHARE CAPITAL | 2,504.2 | 2,504.2 |
| SHARE PREMIUM | 43.2 | 43.2 |
| OTHER RESERVES | 140.2 | 157.2 |
| RETAINED PROFITS | 4,071.2 | 4,190.2 |
| TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | 6,758.8 | 6,894.8 |
| NON-CONTROLLING INTERESTS | 151.8 | 165.2 |
| TOTAL EQUITY | 6,910.6 | 7,060.0 |
| Borrowings | 4,400.5 | 5,130.2 |
| Derivative financial instruments | 40.1 | 51.5 |
| Deferred tax liabilities | 1,191.6 | 1,202.6 |
| Deferred income | 2,029.7 | 2,129.4 |
| DEFERRED AND NON-CURRENT LIABILITIES | 7,661.9 | 8,513.7 |
| | 14,572.5 | 15,573.7 |
| Property, plant and equipment | 14,246.1 | 14,637.6 |
| Investment property | 5.5 | 5.6 |
| Intangible assets | 320.4 | 322.1 |
| Associates | 10.7 | 1.5 |
| Available-for-sale investments | 98.7 | 98.7 |
| Available-for-sale receivables | 8.3 | 7.6 |
| Other non-current receivables | 317.1 | 252.3 |
| Derivative financial instruments | 43.1 | 43.1 |
| Deferred tax assets | 16.3 | 18.6 |
| NON-CURRENT ASSETS | 15,066.2 | 15,387.1 |
| Inventories | 246.8 | 235.3 |
| Non-current assets held for sale | 22.1 | 8.0 |
| Customer acquisition costs | 81.6 | 100.1 |
| Trade and other receivables | 2,869.0 | 2,207.0 |
| Derivative financial instruments | 23.1 | 2.6 |
| Available-for-sale investments | 525.9 | 500.6 |
| Financial assets at fair value through profit or loss | 18.6 | 16.5 |
| Cash and bank balances | 3,178.1 | 3,738.7 |
| CURRENT ASSETS | 6,965.2 | 6,808.8 |
| Trade and other payables | 2,611.5 | 3,545.5 |
| Customer deposits | 503.2 | 518.2 |
| Advance rental billings | 628.3 | 423.6 |
| Derivative financial instruments | 10.8 | - |
| Borrowings | 3,574.0 | 2,010.2 |
| Taxation and zakat | 131.1 | 124.7 |
| CURRENT LIABILITIES | 7,458.9 | 6,622.2 |
| NET CURRENT (LIABILITIES)/ASSETS | (493.7) | 186.6 |
| | 14,572.5 | 15,573.7 |
| NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen) | 188.9 | 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 30 SEPTEMBER 2013**

| | Attributable to equity holders of the Company | | | | | | | | |
|--|---|--------------------------------|--------------------------------------|----------------------------------|--|--|-----------------------------------|--|-------------------------------|
| | Share Capital RM Million | Share Premium RM Million | Fair Value Reserves RM Million | Hedging Reserve RM Million | Capital Redemption Reserve RM Million | Currency Translation Differences RM Million | Retained Profits RM Million | Non- controlling Interests RM Million | Total Equity RM Million |
| At 1 January 2013 | 2,504.2 | 43.2 | 62.6 | 26.9 | 71.6 | (3.9) | 4,190.2 | 165.2 | 7,060.0 |
| Profit for the financial period | - | - | - | - | - | - | 668.0 | 24.8 | 692.8 |
| Other comprehensive income | | | | | | | | | |
| Items that may be reclassified subsequently to income statement: | | | | | | | | | |
| - decrease in fair value of available-for-sale investments | - | - | (5.1) | - | - | - | - | - | (5.1) |
| - increase in fair value of available-for-sale receivables | - | - | 0.6 | - | - | - | - | - | 0.6 |
| - reclassification adjustments relating to available-for-sale investments disposed | - | - | (0.3) | - | - | - | - | - | (0.3) |
| - cash flow hedge: | | | | | | | | | |
| - decrease in fair value of cash flow hedge | - | - | - | (10.1) | - | - | - | - | (10.1) |
| - reclassification to foreign exchange loss | - | - | - | (3.8) | - | - | - | - | (3.8) |
| - currency translation differences | | | | | | | | | |
| - subsidiaries | - | - | - | - | - | 1.4 | - | - | 1.4 |
| - associate | - | - | - | - | - | 0.3 | - | - | 0.3 |
| Total comprehensive (loss)/income for the financial period | - | - | (4.8) | (13.9) | - | 1.7 | 668.0 | 24.8 | 675.8 |
| Transactions with owners | | | | | | | | | |
| - final dividends paid for the financial year ended 31 December 2012 (part A, note 6) | - | - | - | - | - | - | (436.4) | - | (436.4) |
| - interim dividends paid for the financial year ending 31 December 2013 (part A, note 6) | - | - | - | - | - | - | (350.6) | - | (350.6) |
| - dividends paid to non-controlling interests | - | - | - | - | - | - | - | (38.2) | (38.2) |
| Total transactions with owners | - | - | - | - | - | - | (787.0) | (38.2) | (825.2) |
| At 30 September 2013 | 2,504.2 | 43.2 | 57.8 | 13.0 | 71.6 | (2.2) | 4,071.2 | 151.8 | 6,910.6 |

(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 2012)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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) | 3,627.7 | 162.9 | 7,586.9 |
| Profit for the financial period | - | - | - | - | - | - | 900.5 | 27.8 | 928.3 |
| Other comprehensive income | | | | | | | | | |
| Items that may be reclassified subsequently to income statement: | | | | | | | | | |
| - increase in fair value of available-for-sale investments | - | - | 1.2 | - | - | - | - | - | 1.2 |
| - increase in fair value of available-for-sale receivables | - | - | 0.2 | - | - | - | - | - | 0.2 |
| - reclassification adjustments relating to available-for-sale investments disposed | - | - | (3.2) | - | - | - | - | - | (3.2) |
| - cash flow hedge: | | | | | | | | | |
| - decrease in fair value of cash flow hedge | - | - | - | (2.8) | - | - | - | - | (2.8) |
| - reclassification to foreign exchange gain | - | - | - | 11.4 | - | - | - | - | 11.4 |
| - currency translation differences - subsidiaries | - | - | - | - | - | (3.4) | - | - | (3.4) |
| Total comprehensive (loss)/income for the financial period | - | - | (1.8) | 8.6 | - | (3.4) | 900.5 | 27.8 | 931.7 |
| Transactions with owners | | | | | | | | | |
| - capital repayment | (1,073.2) | - | - | - | - | - | - | - | (1,073.2) |
| - capital return to non-controlling interests on winding up of a subsidiary | - | - | - | - | - | - | - | (0.6) | (0.6) |
| - final dividends paid for the financial year ended 31 December 2011 | - | - | - | - | - | - | (350.6) | - | (350.6) |
| - interim dividends paid for the financial year ended 31 December 2012 | - | - | - | - | - | - | (350.6) | - | (350.6) |
| - dividends paid to non-controlling interests | - | - | - | - | - | - | - | (39.3) | (39.3) |
| Total transactions with owners | (1,073.2) | - | - | - | - | - | (701.2) | (39.9) | (1,814.3) |
| At 30 September 2012 | 2,504.2 | 43.2 | 70.5 | 40.7 | 71.6 | (3.7) | 3,827.0 | 150.8 | 6,704.3 |

(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 | |
|---|------------------------|------------------|
| | 30/9/2013 | 30/9/2012 |
| | RM Million | RM Million |
| Receipts from customers | 6,893.0 | 6,899.2 |
| Payments to suppliers and employees | (5,557.5) | (5,272.2) |
| Payment of finance cost | (250.6) | (240.7) |
| Payment of income taxes and zakat (net) | (50.2) | (51.2) |
| CASH FLOWS FROM OPERATING ACTIVITIES | 1,034.7 | 1,335.1 |
| Contribution for purchase of property, plant and equipment | 18.6 | 178.5 |
| Disposal of property, plant and equipment | 6.3 | 8.3 |
| Purchase of property, plant and equipment | (1,553.2) | (1,738.1) |
| Acquisition of an associate (part A, note 9) | (12.7) | - |
| Disposal of available-for-sale investments | 260.4 | 343.3 |
| Purchase of available-for-sale investments | (289.0) | (321.0) |
| Disposal of financial assets at fair value through profit or loss | - | 0.5 |
| Disposal of non-current assets held for sale | 14.4 | 14.9 |
| Long term deposit | (16.6) | (16.6) |
| Repayments of loans by employees | 6.3 | 9.5 |
| Loans to employees | (18.1) | (11.9) |
| Disposal of housing loan | 9.9 | 6.9 |
| Interests received | 102.0 | 108.8 |
| Dividends received | 7.2 | 1.0 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | (1,464.5) | (1,415.9) |
| Capital repayment | - | (1,073.2) |
| Capital return to non-controlling interests on winding up of a subsidiary | - | (0.6) |
| Proceeds from borrowings | 948.7 | 631.5 |
| Repayments of borrowings | (249.3) | (233.1) |
| Repayments of finance lease | (2.9) | (2.7) |
| Dividend paid to shareholders (part A, note 6) | (787.0) | (701.2) |
| Dividend paid to non-controlling interests | (38.2) | (39.3) |
| CASH FLOWS USED IN FINANCING ACTIVITIES | (128.7) | (1,418.6) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (558.5) | (1,499.4) |
| EFFECT OF EXCHANGE RATE CHANGES | (2.1) | 1.4 |
| 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 | 3,177.7 | 2,714.6 |

(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 3rd quarter ended 30 September 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 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.
- MFRS 13 has given rise to consequential amendments to MFRS 134 "Interim Financial Reporting" and requires additional fair value disclosures of financial instruments in the Group's interim financial reports, which has been disclosed in part A, note 13.
- 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)
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

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

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

| | | 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 |
| Amendments to MFRS 136 | Recoverable Amount Disclosures for Non-Financial Assets | 1 January 2014 |
| Amendments to MFRS 139 | Novation of Derivatives and Continuation of Hedge Accounting | 1 January 2014 |
| IC Interpretation 21 | Levies | 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 3rd quarter and financial period ended 30 September 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)
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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

Details of Islamic Commercial Papers (ICP) and Islamic Medium Term Notes (IMTN) issued during the financial period ended 30 September 2013 are as follows:

| Debt Securities | Date of Issue | Nominal Value | Maturity Date |
|------------------------|----------------------|----------------------|----------------------|
| ICP | 20 February 2013 | RM200.0 million | 30 April 2013 |
| ICP | 15 April 2013 | RM50.0 million | 30 April 2013 |
| IMTN | 30 April 2013 | RM400.0 million | 28 April 2023 |
| IMTN | 24 June 2013 | RM250.0 million | 23 June 2023 |

All the ICP have been fully repaid on their maturity dates.

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 3rd quarter and financial period ended 30 September 2013.

6. Dividends Paid

- (i) A final single-tier dividend of 12.2 sen per share amounting to RM436.4 million in respect of financial year ended 31 December 2012 was paid on 27 May 2013.
- (ii) An interim single-tier dividend of 9.8 sen per share amounting to RM350.6 million for the financial year ending 31 December 2013 was paid on 27 September 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 3rd Quarter Ended 30 September 2013 Operating Revenue | Retail Business | | | | Total Retail Business | Global & Wholesale Business | Shared Services /Others | Total |
|--|-----------------|-------|------------|------------|--------------------------|-----------------------------------|----------------------------|-----------|
| | Consumer | SME | Enterprise | Government | | | | |
| Total operating revenue | 741.4 | 483.2 | 289.1 | 441.8 | 1,955.5 | 532.7 | 1,602.0 | 4,090.2 |
| Inter-segment @ | (7.8) | (0.2) | (0.9) | - | (8.9) | (90.9) | (1,379.9) | (1,479.7) |
| External operating revenue | 733.6 | 483.0 | 288.2 | 441.8 | 1,946.6 | 441.8 | 222.1 | 2,610.5 |
| Results | | | | | | | | |
| Segment profits/(loss) | 28.9 | 100.3 | 52.2 | 140.9 | 322.3 | 101.1 | (1.1) | 422.3 |
| Unallocated income/other losses* | | | | | | | | 2.1 |
| Unallocated costs^ | | | | | | | | (60.0) |
| Operating profit before finance cost | | | | | | | | 364.4 |
| Finance income | | | | | | | | 33.9 |
| Finance cost | | | | | | | | (93.4) |
| Foreign exchange loss on borrowings | | | | | | | | (43.8) |
| Associates | | | | | | | | |
| - share of results (net of tax) | | | | | | | | 3.8 |
| Profit before taxation and zakat | | | | | | | | 264.9 |
| Taxation and zakat | | | | | | | | (16.5) |
| Profit for the financial period | | | | | | | | 248.4 |

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

7. Segmental Information (continued)

Segmental information for the Group are as follows:

By Business Segment

| All amounts are in RM Million 3rd Quarter Ended 30 September 2012 Operating Revenue | Retail Business | | | | Total Retail Business | Global & Wholesale Business | Shared Services /Others | Total |
|--|-----------------|-------|------------|------------|--------------------------|-----------------------------------|----------------------------|-----------|
| | Consumer | SME | Enterprise | Government | | | | |
| Total operating revenue | 677.8 | 475.8 | 277.7 | 371.5 | 1,802.8 | 466.0 | 1,431.2 | 3,700.0 |
| Inter-segment @ | (11.4) | (0.5) | (2.5) | # | (14.4) | (80.0) | (1,230.2) | (1,324.6) |
| External operating revenue | 666.4 | 475.3 | 275.2 | 371.5 | 1,788.4 | 386.0 | 201.0 | 2,375.4 |
| Results | | | | | | | | |
| Segment profits/(loss) | 17.4 | 81.2 | 57.0 | 40.1 | 195.7 | 64.0 | (2.8) | 256.9 |
| Unallocated income/other gains* | | | | | | | | 3.1 |
| Unallocated costs^ | | | | | | | | (37.6) |
| Operating profit before finance cost | | | | | | | | 222.4 |
| Finance income | | | | | | | | 32.3 |
| Finance cost | | | | | | | | (81.0) |
| Foreign exchange gain on borrowings | | | | | | | | 64.8 |
| Associates | | | | | | | | |
| - share of results (net of tax) | | | | | | | | # |
| Profit before taxation and zakat | | | | | | | | 238.5 |
| Taxation and zakat | | | | | | | | 72.7 |
| Profit for the financial period | | | | | | | | 311.2 |

Amount less than RM0.1 million

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

| All amounts are in RM Million Financial Period Ended 30 September 2013 | Retail Business | | | | Total Retail Business | Global & Wholesale Business | Shared Services /Others | Total |
|--|-----------------|---------|------------|------------|--------------------------|-----------------------------------|----------------------------|-----------|
| | Consumer | SME | Enterprise | Government | | | | |
| Operating Revenue | | | | | | | | |
| Total operating revenue | 2,196.2 | 1,417.6 | 858.4 | 1,313.0 | 5,785.2 | 1,461.9 | 4,628.4 | 11,875.5 |
| Inter-segment @ | (23.9) | (1.0) | (3.0) | - | (27.9) | (234.4) | (3,964.3) | (4,226.6) |
| External operating revenue | 2,172.3 | 1,416.6 | 855.4 | 1,313.0 | 5,757.3 | 1,227.5 | 664.1 | 7,648.9 |
| Results | | | | | | | | |
| Segment profits | 125.4 | 247.7 | 173.5 | 400.3 | 946.9 | 209.0 | # | 1,155.9 |
| Unallocated income/other gains* | | | | | | | | 13.0 |
| Unallocated costs^ | | | | | | | | (173.8) |
| Operating profit before finance cost | | | | | | | | 995.1 |
| Finance income | | | | | | | | 108.1 |
| Finance cost | | | | | | | | (273.6) |
| Foreign exchange loss on borrowings | | | | | | | | (96.5) |
| Associates | | | | | | | | |
| - share of results (net of tax) | | | | | | | | 3.2 |
| Profit before taxation and zakat | | | | | | | | 736.3 |
| Taxation and zakat | | | | | | | | (43.5) |
| Profit for the financial period | | | | | | | | 692.8 |

Amount less than RM0.1 million

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 Financial Period Ended 30 September 2012 | Retail Business | | | | Total Retail Business | Global & Wholesale Business | Shared Services /Others | Total |
|--|-----------------|---------|------------|------------|--------------------------|-----------------------------------|----------------------------|-----------|
| | Consumer | SME | Enterprise | Government | | | | |
| Operating Revenue | | | | | | | | |
| Total operating revenue | 2,019.0 | 1,424.9 | 822.4 | 1,183.5 | 5,449.8 | 1,432.7 | 4,230.6 | 11,113.1 |
| Inter-segment @ | (26.3) | (1.3) | (2.9) | (0.1) | (30.6) | (240.2) | (3,658.1) | (3,928.9) |
| External operating revenue | 1,992.7 | 1,423.6 | 819.5 | 1,183.4 | 5,419.2 | 1,192.5 | 572.5 | 7,184.2 |
| Results | | | | | | | | |
| Segment profits | 61.9 | 264.3 | 172.0 | 188.4 | 686.6 | 190.0 | 60.8 | 937.4 |
| Unallocated income/other losses* | | | | | | | | 7.8 |
| Unallocated costs^ | | | | | | | | (152.3) |
| Operating profit before finance cost | | | | | | | | 792.9 |
| Finance income | | | | | | | | 108.0 |
| Finance cost | | | | | | | | (245.2) |
| Foreign exchange gain on borrowings | | | | | | | | 68.0 |
| Associates | | | | | | | | |
| - share of results (net of tax) | | | | | | | | (0.3) |
| Profit before taxation and zakat | | | | | | | | 723.4 |
| Taxation and zakat | | | | | | | | 204.9 |
| Profit for the financial period | | | | | | | | 928.3 |

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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 30 September 2013 | | | | | | | | |
| Segment assets | 409.6 | 232.8 | 215.3 | 1,288.8 | 2,146.5 | 1,115.9 | 14,956.7 | 18,219.1 |
| Associates | | | | | | | | 10.7 |
| Unallocated assets [#] | | | | | | | | 3,801.6 |
| Total assets | | | | | | | | <u>22,031.4</u> |
| Segment liabilities | 416.1 | 331.0 | 215.1 | 528.2 | 1,490.4 | 646.8 | 3,553.6 | 5,690.8 |
| Borrowings | | | | | | | | 7,974.5 |
| Unallocated liabilities ⁺ | | | | | | | | 1,455.5 |
| Total liabilities | | | | | | | | <u>15,120.8</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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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 has 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

- (i) The recent Budget 2014 announced on 25 October 2013 proposed the change in corporate tax rate from 25% to 24% in Year of Assessment 2016. The Group is currently assessing the impact of the above change to the Group's deferred tax position.
- (ii) On 12 November 2013, the Group through its wholly owned subsidiary, TM Global Incorporated, obtained a 7-year USD100.0 million loan from a financial institution which will mature on 31 October 2020. The loan carries a floating interest rate of USD 3-month London Interbank Offered Rate (LIBOR) plus 0.91% per annum payable quarterly every financial year.

The Group then entered into two (2) Cross Currency Interest Rate Swap (CCIRS) agreements on the same day, with notional amounts of USD70.0 million and USD30.0 million respectively. The first swap entitles the Group to receive interest at floating rate of USD 3-month LIBOR plus 0.91% per annum on the USD notional amount and

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8. Material Events Subsequent to the End of the Quarter (continued)

obliges it to pay interest at a fixed rate of 4.02% on the RM notional amount. The second swap entitles the Group to receive interest at a floating rate of USD 3-month LIBOR plus 0.91% per annum on the USD notional amount and obliges it to pay interest at a fixed rate of 4.00% on the RM notional amount. The RM notional amount is calculated at a pre-determined exchange rate. The swap will mature on 31 October 2020 upon which, the Group would receive the USD notional amount and pay the counterparties RM316.8 million.

Save for the above and 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 3rd quarter and financial period ended 30 September 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 | |
|---|-------------------|-------------------|
| | 30/9/2013 | 31/12/2012 |
| | RM Million | RM Million |
| Property, plant and equipment: | | |
| Commitments in respect of expenditure approved and contracted for | 3,036.6 | 3,156.7 |
| Commitments in respect of expenditure approved but not contracted for | 102.2 | 1,570.3 |

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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 financial period ended | | Corresponding outstanding balances as at | |
|------------------------------|---|---------------------------------|---|----------------------------------|
| | 30/9/2013 RM Million | 30/9/2012 RM Million | 30/9/2013 RM Million | 31/12/2012 RM Million |
| Sales and Receivables | 510.5 | 424.0 | 59.7 | 102.3 |

The Group also has individually significant contracts with other Government-related entities where the Group was provided funding for projects of which the amortisation of grants to the income statement in the current period was RM123.1 million (YTD September 2012: RM94.7 million) with corresponding receivables of RM29.9 million (31 December 2012: nil).

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 A: EXPLANATORY NOTES PURSUANT TO MFRS 134

13. Fair Value

The following should be read in conjunction with note 45 of the Group's audited financial statements for the financial year ended 31 December 2012.

(a) Financial Instruments Carried at Fair Value

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

| | 30/09/2013 | | | | 31/12/2012 | | | |
|---|---------------|---------------|---------------|--------------|---------------|---------------|---------------|--------------|
| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
| Assets | | | | | | | | |
| Financial assets at fair value through profit or loss | | | | | | | | |
| -quoted securities | 18.6 | - | - | 18.6 | 16.5 | - | - | 16.5 |
| Derivatives at fair value through profit or loss | - | 21.9 | - | 21.9 | - | 0.3 | - | 0.3 |
| Derivatives accounted for under hedge accounting | - | 44.3 | - | 44.3 | - | 45.4 | - | 45.4 |
| Available-for-sale financial assets | | | | | | | | |
| -investments | - | 575.3 | 49.3 | 624.6 | - | 550.0 | 49.3 | 599.3 |
| -receivables | - | 8.3 | - | 8.3 | - | 7.6 | - | 7.6 |
| Total | 18.6 | 649.8 | 49.3 | 717.7 | 16.5 | 603.3 | 49.3 | 669.1 |
| Liabilities | | | | | | | | |
| Derivatives at fair value through profit or loss | - | 10.8 | - | 10.8 | - | 25.6 | - | 25.6 |
| Derivatives accounted for under hedge accounting | - | 40.1 | - | 40.1 | - | 25.9 | - | 25.9 |
| Total | - | 50.9 | - | 50.9 | - | 51.5 | - | 51.5 |

There has not been any change to the valuation techniques applied for the different financial instruments since 31 December 2012 and there were no transfers of any instruments between level 1, 2 and 3 of the fair valuation hierarchy during the period.

The fair value of financial instruments which are at Level 3 of the fair value hierarchy has not changed since 31 December 2012.

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13. Fair Value (continued)

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

There has not been significant changes in the differences between the carrying amount and fair value of financial instruments carried at other than fair value from the disclosures in note 45(b) of the Group's audited financial statements for the financial year ended 31 December 2012, other than below:

| | As at 30/09/2013 | | As at 31/12/2012 | |
|--------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
| | Carrying Amount RM Million | Net Fair Value RM Million | Carrying Amount RM Million | Net Fair Value RM Million |
| Liabilities | | | | |
| Borrowings | 7,974.5 | 8,533.8 | 7,140.4 | 7,784.9 |

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

1. Review of Performance

(a) Quarter-on-Quarter

(i) Group Performance

For the current quarter under review, Group revenue increased by 9.9% to RM2,610.5 million as compared to RM2,375.4 million in the same quarter last year, mainly due to higher revenue from all key services partially offset by decline in voice revenue.

Data services grew by 17.0% to RM635.0 million in the current year quarter from RM542.7 million last year quarter in line with increased demand for higher bandwidth and higher number of service lines.

Internet and multimedia services registered higher revenue by 14.1% to RM685.4 million in the current year quarter mainly arising from increased UniFi customers from 427,136 in the last year quarter to 607,377 in the current quarter.

Operating profit before finance cost of RM364.4 million was 63.8% higher from RM222.4 million recorded in the third quarter last year in line with higher operating revenue as explained above.

Group profit after tax and non-controlling interests (PATAMI) decreased by 20.1% to RM240.9 million as compared to RM301.4 million in the corresponding quarter last year mainly due to foreign exchange loss on translation of foreign currency borrowings of RM43.8 million recorded in the current quarter as compared to a gain of RM64.8 million in last year quarter in line with the strengthening US Dollar against Ringgit. In addition, deferred tax income on unutilised tax incentives in the current quarter was also lower.

(ii) Segment Performance

Consumer

Revenue grew by RM63.6 million in the current quarter primarily due to higher UniFi revenue in line with increase in cumulative customers from 359,162 as at the end of the corresponding quarter last year to 509,101 as at the end of the current quarter. IPTV revenue also increased by 54.9% following increased number of buys for Premium Channels and Video-On-Demand (VOD). There was also revenue growth from Streamyx due to upgrade in speedmix arising from upselling activities. In line with the higher revenue, profit for the quarter increased by RM11.5 million.

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1. Review of Performance (continued)

(a) Quarter-on-Quarter (continued)

SME

SME registered revenue of RM483.2 million, higher by 1.6% from last year quarter. This was driven by growth in Internet and multimedia services, partially offset by lower voice revenue due to lower usage and upgrade of selected customers to Enterprise. UniFi customers in the current year quarter increased to 95,876 as compared to 66,798 as at end of previous year corresponding quarter. The current quarter profit increased by RM19.1 million in line with higher revenue and lower operating costs.

Enterprise

Enterprise recorded higher revenue by RM11.4 million to RM289.1 million in the current year quarter. This was mainly due to higher revenue from data following new installations namely for IPVPN and one-off customer projects despite decrease in voice revenue. Profit decreased by 8.4% to RM52.2 million from RM57.0 million in the corresponding quarter last year due to higher direct costs.

Government

Revenue increased by RM70.3 million from RM371.5 million in the previous year quarter to RM441.8 million in the current quarter mainly contributed by higher revenue from data services, Internet and multimedia and other telecommunications services. Data services remained the main revenue contributor with an increase of RM38.8 million from additional circuits as well as upgrades to higher bandwidth. Profit increased by RM100.8 million to RM140.9 million in the current quarter mainly due to higher data services and higher recognition of project related income.

Global & Wholesale

Global & Wholesale recorded revenue of RM532.7 million in the current quarter, a 14.3% increase from the corresponding quarter last year, mainly due to higher data and infra services particularly High Speed Broadband Access (HSBA) as well as sales of Indefeasible Right of Use (IRU). Correspondingly, profit also improved by 58.0% in the current quarter to RM101.1 million.

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1. Review of Performance (continued)

(b) Year-on-Year

(i) Group Performance

For the period under review, Group revenue grew by 6.5% to RM7,648.9 million as compared to RM7,184.2 million recorded in the corresponding period last year, primarily contributed by higher revenue from all key services, which mitigated the decline in voice revenue.

Operating profit before finance cost of RM995.1 million was higher by 25.5% as compared to RM792.9 million recorded in the preceding year corresponding period mainly due to higher revenue.

Group PATAMI decreased by 25.8% to RM668.0 million as compared to RM900.5 million recorded in the corresponding period last year primarily due to foreign exchange loss on borrowings of RM96.5 million in the current period as compared to a gain of RM68.0 million in last year corresponding period as well as lower deferred tax income on unutilised tax incentives.

(ii) Segment Performance

Consumer

Higher revenue posted for the current period by RM177.2 million to RM2,196.2 million mainly due to higher UniFi revenue by RM125.2 million from continued growth in cumulative customers. IPTV revenue also increased by 65.1% (RM53.3 million) in line with higher number of buys for Premium Channels and Video-On-Demand (VOD). In line with higher revenue, profit increased by RM63.5 million.

SME

SME recorded revenue of RM1,417.6 million in the current period, which was slightly lower by 0.5% from the RM1,424.9 million recorded in the same period last year following an upgrade of selected customers to Enterprise business segment in the current year in order to leverage on more effective account management. This was mitigated by the increase in Internet and multimedia revenue by RM54.0 million in line with increased UniFi customer base which grew to 95,876 from 66,798 as at end of September 2012. The current period-to-date profit of RM247.7 million is RM16.6 million lower in line with lower revenue.

Enterprise

Enterprise's revenue increased by 4.4% to RM858.4 million mainly contributed by higher revenue from one-off customer projects and migration of SME's high value customers. Data also increased by 4.0% in the current year period mainly due to new installations. Consistent with higher revenue, profit increased by 0.9% to RM173.5 million in the current period.

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1. Review of Performance (continued)

(b) Year-on-Year (continued)

Government

Government recorded an increase of 10.9% to RM1,313.0 million in the current period contributed by higher revenue from data, Internet and multimedia despite lower revenue from voice and other telecommunications services. Increase in data services was due to additional circuits as well as upgrades to higher bandwidth. Profit increased by 112.5% to RM400.3 million in current financial period, contributed by higher data services and higher recognition of project related income.

Global & Wholesale

Global & Wholesale's revenue increased by RM29.2 million to RM1,461.9 million in the current period mainly contributed by higher revenue from data and infra services particularly High Speed Broadband Access (HSBA) as well as sales of Indefeasible Right of Use (IRU). Correspondingly, profit improved by RM19.0 million from RM190.0 million in the previous year corresponding period.

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1. Review of Performance (continued)

(b) Economic Profit Statement

| | 3rd Quarter Ended | | Financial Period Ended | |
|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 30/9/2013 RM Million | 30/9/2012 RM Million | 30/9/2013 RM Million | 30/9/2012 RM Million |
| EBIT | 364.9 | 221.6 | 992.7 | 793.1 |
| Adjusted Tax | 91.2 | 55.4 | 248.2 | 198.3 |
| NOPLAT | 273.7 | 166.2 | 744.5 | 594.8 |
| AIC | 3,401.0 | 3,245.1 | 10,203.1 | 9,735.4 |
| WACC | 6.09% | 6.22% | 6.10% | 6.17% |
| ECONOMIC CHARGE | 207.1 | 201.8 | 622.4 | 600.7 |
| ECONOMIC PROFIT/(LOSS) | 66.6 | (35.6) | 122.1 | (5.9) |

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 a higher EP during current quarter and financial period to date due to higher EBIT despite higher economic charge. The higher EBIT was mainly attributed to the increase in operating revenue was higher than the increase in operating cost whilst the higher economic charge was mainly due to increase in property, plant and equipment.

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2. Comparison with Preceding Quarter's Results

The current quarter Group revenue declined by 0.1% to RM2,610.5 million as compared to RM2,613.8 million recorded in the second quarter 2013 primarily due to lower revenue from voice and disposal of land by a subsidiary, mitigated by increased data and Internet and multimedia revenue.

Despite the lower revenue, operating profit before finance cost increased by 9.5% to RM364.4 million as compared to RM332.8 million recorded in the preceding quarter due to lower operating costs.

Consequently, Group PATAMI increased by 12.6% to RM240.9 million from RM213.9 million in the preceding quarter.

3. Prospects for the Current Financial Year

The growth of the Malaysian economy will continue to be driven by domestic demand, stronger external demand and increased private investment. The Malaysian Institute of Economic Research (MIER) maintains its 2013 growth forecast of 4.8%. The projected 2014 growth outlook is also maintained between 5.0% - 5.5%. On the global front, growth remains weak for 2013. For 2014, global growth is projected higher at 3.6% as compared to 2.9% in 2013.

TM's outlook for the last quarter of 2013 remains positive driven by broadband. In addition to the launch of Streamyx 8Mbps in 1st half 2013, TM is also continuing its effort to expand its high speed broadband service coverage via collaboration with local property developers nationwide. The strategy is to provide high speed broadband network infrastructure to new property developments. To date, Smart Partnership Agreements have been signed with property developers.

UniFi is available in 103 exchange areas nationwide with over 1.462 million premises passed. TM's UniFi enjoys steady take-up and its customer base remains strong with more than 620,000 customers to date. As part of our continuous effort to enrich HyppTV content and improve viewership, TM in August 2013, offered the most sought after LIVE Barclay's Premier League (BPL) football matches as two new channels, on top of HyppTV's existing 13 sports dedicated channels. The new channels add value to our existing UniFi customers and encourage new take ups. Further, in July 2013, HyppTV over Broadband was made available to Streamyx 4 and Streamyx 8 residential customers. In October 2013, HyppTV over Broadband has been extended to Business Broadband customers.

Barring unforeseen circumstances, the Board of Directors expects TM's growth prospects for 2013 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 3rd quarter and financial period ended 30 September 2013.

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5. Taxation

The taxation charge for the Group comprises:

| | 3rd Quarter Ended | | Financial Period Ended | |
|---------------------------|--------------------------|-------------------|-------------------------------|-------------------|
| | 30/9/2013 | 30/9/2012 | 30/9/2013 | 30/9/2012 |
| | RM Million | RM Million | RM Million | RM Million |
| <u>Malaysia</u> | | | | |
| Income Tax: | | | | |
| Current year | 22.3 | 17.2 | 61.5 | 57.9 |
| Prior year | (0.6) | 5.5 | (9.8) | 6.2 |
| Deferred tax (net) | (5.4) | (96.3) | (11.3) | (277.7) |
| | 16.3 | (73.6) | 40.4 | (213.6) |
| <u>Overseas</u> | | | | |
| Income Tax: | | | | |
| Current year | 0.1 | 0.9 | 1.5 | 2.9 |
| Prior year | - | - | (1.4) | 0.3 |
| Deferred tax (net) | - | - | 2.8 | 5.4 |
| | 0.1 | 0.9 | 2.9 | 8.6 |
| Taxation | 16.4 | (72.7) | 43.3 | (205.0) |
| Zakat | 0.1 | - | 0.2 | 0.1 |
| Taxation and Zakat | 16.5 | (72.7) | 43.5 | (204.9) |

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.

6. Status of Corporate Proposals

Proposed Acquisition of the Equity Interest in GTC Global Sdn Bhd (GTC) from Gapurna Global Solutions Sdn Bhd (GGS)

On 27 November 2013, TM announced that it has entered into a conditional Share Sale Agreement (SSA) with GGS to acquire the entire equity interest held by GGS in GTC (Sale Shares) for a total consideration of RM45.0 million (Purchase Consideration) to be satisfied by way of cash (Proposed Acquisition).

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6. Status of Corporate Proposals (continued)

Proposed Acquisition of the Equity Interest in GTC Global Sdn Bhd (GTC) from Gapurna Global Solutions Sdn Bhd (GGS) (continued)

The SSA is conditional upon fulfillment of the following Conditions Precedent, amongst others, within three (3) months from the date of the SSA or such other date as may be agreed upon between TM and GGS:

- (i) the approval of the Board of Directors of TM and GGS;
- (ii) the consent of Kementerian Perumahan Dan Kerajaan Tempatan (KPKT) for the change of control of GTC pursuant to the sale of the Sale Shares to the Purchaser (required pursuant to contract dated 24 May 2010 entered into between the Government of Malaysia (as represented by KPKT) and GTC), shall have been obtained by GTC;
- (iii) the consent of GTC's financiers, shall have been obtained by GTC; and
- (iv) no change to any representation, warranty or undertaking under the SSA or any material adverse change in the financial conditions of GTC or any change to the rights to the Sale Shares up to the Unconditional Date.

The "Unconditional Date" shall mean the date on which the Conditions Precedent have been fulfilled in accordance with the terms and conditions of the SSA.

The Completion Date of the Proposed Acquisition shall be the business day falling fourteen (14) days after the Conditions Precedent are fulfilled under the SSA or such other date as may be agreed upon between TM and GGS.

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:

| | 30/9/2013 | | 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 | 3,574.0 | 4,400.5 | 2,010.2 | 5,130.2 |

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7. Group Borrowings and Debt Securities (continued)

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

| | 30/9/2013 | 31/12/2012 |
|-------------------------|-------------------|-------------------|
| Foreign Currency | RM Million | RM Million |
| US Dollar | 2,490.7 | 2,337.7 |
| Canadian Dollars | 3.5 | 3.5 |
| Japanese Yen | 258.7 | 275.0 |
| Total | 2,752.9 | 2,616.2 |

On 30 August 2013, the Group received approval from the Securities Commission for the establishment of an Islamic Commercial Papers (ICP) and Islamic Medium Term Notes (IMTN) programme (the Programmes) with a total combined limit of up to RM3.0 billion, which have respective tenures of 7 and 20 years from the date of first issue. The ICP shall have a tenure of not more than 12 months whilst the IMTN between 1 to 20 years provided that the respective debt securities mature before the expiry of the respective Programmes. The issuance of the debt securities is planned for December 2013.

8. Derivative Financial Instruments

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

| | Contract or notional amount RM Million | Fair value as at 30/09/2013 | | Fair value as at 31/12/2012 | |
|---|---|--------------------------------|---------------------------|--------------------------------|---------------------------|
| | | Assets RM Million | Liabilities RM Million | Assets RM Million | Liabilities RM Million |
| 1. <u>Forward Foreign Currency Contracts</u> - less than 1 year - existing at 31 December 2012 - additions | 593.6 220.4 | 9.5 12.4 | 10.8 - | 0.3 - | 25.6 - |
| | 814.0 | 21.9 | 10.8 | 0.3 | 25.6 |
| 2. <u>Interest Rate Swaps</u> - less than 1 year - more than 3 years | 1,500.0 500.0 | 1.2 12.2 | - - | 2.6 16.0 | - - |
| | 2,000.0 | 13.4 | - | 18.6 | - |
| 3. <u>Cross Currency Interest Rate Swaps</u> - more than 3 years | 609.4 | 30.9 | 40.1 | 26.8 | 25.9 |
| | 609.4 | 30.9 | 40.1 | 26.8 | 25.9 |
| Total | 3,423.4 | 66.2 | 50.9 | 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. 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 and cumulative quarters ended 30 September 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 | |
|--|--|--------------------------|--|---------------------------------|
| | | | 3rd quarter RM Million | Period to date RM Million |
| Financial Liabilities | | | | |
| 1. <u>Forward Foreign Currency Contracts</u> ⁽ⁱ⁾ - less than 1 year | 344.3 | 10.8 | 9.2 | 14.8 |
| | 344.3 | 10.8 | 9.2 | 14.8 |
| 2. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱⁱ⁾ - more than 3 years | 298.9 | 40.1 | 15.1 | (14.2) |
| | 298.9 | 40.1 | 15.1 | (14.2) |
| Total | 643.2 | 50.9 | 24.3 | 0.6 |
| Financial Assets | | | | |
| 1. <u>Forward Foreign Currency Contracts</u> ⁽ⁱ⁾ - less than 1 year | 469.7 | 21.9 | 12.6 | 21.6 |
| | 469.7 | 21.9 | 12.6 | 21.6 |
| 2. <u>Interest Rate Swaps</u> ⁽ⁱⁱ⁾ - less than 1 year - more than 3 years | 1,500.0 500.0 | 1.2 12.2 | # (0.8) | (1.4) (3.8) |
| | 2,000.0 | 13.4 | (0.8) | (5.2) |
| 3. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱⁱ⁾ - more than 3 years | 310.5 | 30.9 | 26.5 | 4.1 |
| | 310.5 | 30.9 | 26.5 | 4.1 |
| Total | 2,780.2 | 66.2 | 38.3 | 20.5 |

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

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

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

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8. Derivative Financial Instruments (continued)

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

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

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

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

9. Realised and Unrealised Profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits is as follows:

| | Group | |
|--|----------------|----------------|
| | 30/9/2013 | 31/12/2012 |
| | RM Million | RM Million |
| Retained profits | | |
| - realised | 2,738.0 | 2,801.1 |
| - unrealised - in respect of deferred tax recognised in the income statement | (1,175.3) | (1,184.0) |
| - in respect of other items of income and expense | 857.2 | 973.2 |
| Share of accumulated profit from associates | | |
| - realised | 2.3 | - |
| | 2,422.2 | 2,590.3 |
| Add: consolidation adjustments | 1,649.0 | 1,599.9 |
| Total Retained Profits | 4,071.2 | 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 3rd quarter and financial period ended 30 September 2013:

| | 3rd Quarter Ended | | Financial Period Ended | |
|---|-------------------|------------|------------------------|------------|
| | 30/9/2013 | 30/9/2012 | 30/9/2013 | 30/9/2012 |
| | RM Million | RM Million | RM Million | RM Million |
| Impairment of trade and other receivables (net of recoveries) | (21.6) | (2.9) | (62.7) | (67.6) |
| Inventory write off and obsolescence | (0.6) | (1.7) | (2.0) | (3.3) |
| Gain on disposal of quoted securities | - | - | - | 0.1 |
| (Loss)/Gain on disposal of fixed income securities | (0.1) | 1.2 | 0.3 | 3.2 |
| Gain/(Loss) on foreign exchange on settlements and placements | 15.1 | 10.8 | 13.8 | (7.5) |

11. Material Litigation

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities in note 48 to the audited financial statements of the Group for the financial year ended 31 December 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 was dismissed on 30 October 2013. As at to date, TM has not been served with any further court documents from MSI or his solicitors.

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

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11. Material Litigation (continued)

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

On 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 appeal has been fixed for case management on 12 December 2013.

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

(c) One Visa Sdn Bhd vs TM

The trial date for the legal suit has been fixed from 17 to 21 February 2014.

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;

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11. Material Litigation (continued)

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

- (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.

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.

On 1 July 2013, the High Court ordered MIL to provide security for cost in the sum of RM175,000.00 within a period of 45 days and further ordered for the legal suit to be stayed pending payment of the same. On 26 August 2013, MIL paid the security for costs into TMF's solicitor's account.

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

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

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11. Material Litigation (continued)

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

The case management of the legal suit is fixed on 13 January 2014 and the High Court will give further directions in regard to the Summary Judgment Application on such date.

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)

| | 3rd Quarter Ended | | Financial Period Ended | |
|--|--------------------------|------------------|-------------------------------|------------------|
| | 30/9/2013 | 30/9/2012 | 30/9/2013 | 30/9/2012 |
| Basic/Diluted earnings per share | | | | |
| Profit attributable to equity holders of the Company (RM million) | 240.9 | 301.4 | 668.0 | 900.5 |
| Weighted average number of ordinary shares (million) | 3,577.4 | 3,577.4 | 3,577.4 | 3,577.4 |
| Basic/Diluted earnings per share (sen) attributable to equity holders of the Company | 6.7 | 8.4 | 18.7 | 25.2 |

Basic earnings per share was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of issued and paid-up ordinary shares during the financial period.

There is no dilutive potential ordinary share as at 30 September 2013. 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 2012 were not subject to any qualification.

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14. Dividends

- (i) The Board of Directors has declared an interim single-tier dividend of 9.8 sen per share for the financial year ending 31 December 2013 (2012: an interim single-tier dividend of 9.8 sen per share). The dividend was paid on 27 September 2013 to shareholders whose names appear in the Register of Members and Record of Depositors on 12 September 2013.

- (ii) No dividend is declared for the current quarter ended 30 September 2013.

By Order of the Board

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

Secretaries

Kuala Lumpur
28 November 2013