

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 2014.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/09/2014 RM Million	30/09/2013 RM Million	30/09/2014 RM Million	30/09/2013 RM Million
OPERATING REVENUE	2,636.0	2,610.5	8,077.8	7,648.9
OPERATING COSTS				
- depreciation, impairment and amortisation	(570.2)	(541.4)	(1,710.3)	(1,580.9)
- other operating costs	(1,792.6)	(1,736.7)	(5,519.3)	(5,161.0)
OTHER OPERATING INCOME (net)	36.0	32.5	116.7	85.7
OTHER GAINS/(LOSSES) (net)	8.2	(0.5)	6.5	2.4
OPERATING PROFIT BEFORE FINANCE COST	317.4	364.4	971.4	995.1
FINANCE INCOME	35.4	33.9	102.8	108.1
FINANCE COST	(76.6)	(93.4)	(221.9)	(273.6)
FOREIGN EXCHANGE LOSS ON BORROWINGS	(14.7)	(43.8)	(4.7)	(96.5)
NET FINANCE COST	(55.9)	(103.3)	(123.8)	(262.0)
ASSOCIATES				
- share of results (net of tax)	1.3	3.8	4.2	3.2
PROFIT BEFORE TAXATION AND ZAKAT	262.8	264.9	851.8	736.3
TAXATION AND ZAKAT (part B, note 5)	(71.3)	(16.5)	(217.0)	(43.5)
PROFIT FOR THE FINANCIAL PERIOD	191.5	248.4	634.8	692.8
ATTRIBUTABLE TO:				
- equity holders of the Company	188.8	240.9	613.5	668.0
- non-controlling interests	2.7	7.5	21.3	24.8
PROFIT FOR THE FINANCIAL PERIOD	191.5	248.4	634.8	692.8
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic/diluted	5.1	6.7	17.0	18.7

(The above unaudited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/09/2014 RM Million	30/09/2013 RM Million	30/09/2014 RM Million	30/09/2013 RM Million
PROFIT FOR THE FINANCIAL PERIOD	191.5	248.4	634.8	692.8
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified				
subsequently to income statement:				
- increase/(decrease) in fair value of available-for-sale investments	2.9	(3.9)	(0.1)	(5.1)
- (decrease)/increase in fair value of available-for-sale receivables	(0.1)	0.4	(0.9)	0.6
- reclassification adjustments relating to available-for-sale investments disposed	1.1	0.1	2.7	(0.3)
- cash flow hedge:				
- (decrease)/increase in fair value of cash flow hedge	(19.4)	41.6	(28.4)	(10.1)
- reclassification to foreign exchange gain/(loss)	0.2	(20.0)	9.3	(3.8)
- currency translation differences				
- subsidiaries	0.7	1.3	(0.3)	1.4
- associate	0.1	0.3	(0.1)	0.3
Other comprehensive (loss)/gain for the financial period	(14.5)	19.8	(17.8)	(17.0)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	177.0	268.2	617.0	675.8
ATTRIBUTABLE TO:				
- equity holders of the Company	174.3	260.7	595.7	651.0
- non-controlling interests	2.7	7.5	21.3	24.8
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	177.0	268.2	617.0	675.8

(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 2013)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	AS AT 30/09/2014	AS AT 31/12/2013
	RM Million	RM Million
SHARE CAPITAL	2,567.0	2,504.2
SHARE PREMIUM	463.4	43.2
OTHER RESERVES	(111.5)	173.9
RETAINED PROFITS	4,097.4	4,415.4
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,016.3	7,136.7
NON-CONTROLLING INTERESTS	342.3	162.6
TOTAL EQUITY	7,358.6	7,299.3
Borrowings	5,596.7	4,865.0
Derivative financial instruments	335.8	51.4
Deferred tax liabilities	1,286.1	1,151.0
Deferred income	1,894.3	1,999.5
Trade and other payables	140.1	9.8
DEFERRED AND NON-CURRENT LIABILITIES	9,253.0	8,076.7
	16,611.6	15,376.0
Property, plant and equipment	14,422.5	14,572.0
Intangible assets	446.4	319.8
Associates	13.9	10.7
Available-for-sale investments	99.8	99.7
Available-for-sale receivables	6.5	7.6
Other non-current receivables	480.9	314.9
Derivative financial instruments	76.8	80.3
Deferred tax assets	18.2	19.3
NON-CURRENT ASSETS	15,565.0	15,424.3
Inventories	206.3	154.0
Non-current assets held for sale	15.5	22.3
Customer acquisition costs	83.3	73.8
Trade and other receivables	2,882.8	2,288.6
Derivative financial instruments	-	27.1
Available-for-sale investments	610.6	624.3
Financial assets at fair value through profit or loss	12.8	17.2
Cash and bank balances	1,698.3	2,514.9
CURRENT ASSETS	5,509.6	5,722.2
Trade and other payables	2,976.5	3,172.8
Dividends payable	348.4	-
Customer deposits	486.6	502.1
Advance rental billings	459.7	380.8
Derivative financial instruments	-	11.0
Borrowings	88.9	1,590.2
Taxation and zakat	102.9	113.6
CURRENT LIABILITIES	4,463.0	5,770.5
NET CURRENT ASSETS/(LIABILITIES)	1,046.6	(48.3)
	16,611.6	15,376.0
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	191.3	199.5

(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 2013)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014**

	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	Other Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non- controlling Interests RM Million	Total Equity RM Million
At 1 January 2014	2,504.2	43.2	56.3	46.5	71.6	-	(0.5)	4,415.4	162.6	7,299.3
Profit for the financial period	-	-	-	-	-	-	-	613.5	21.3	634.8
Other comprehensive income										
Items that may be reclassified subsequently to income statement:										
- decrease in fair value of available-for-sale investments	-	-	(0.1)	-	-	-	-	-	-	(0.1)
- decrease in fair value of available-for-sale receivables	-	-	(0.9)	-	-	-	-	-	-	(0.9)
- reclassification adjustments relating to available-for-sale investments disposed	-	-	2.7	-	-	-	-	-	-	2.7
- cash flow hedge:										
- decrease in fair value of cash flow hedge	-	-	-	(28.4)	-	-	-	-	-	(28.4)
- reclassification to foreign exchange gain	-	-	-	9.3	-	-	-	-	-	9.3
- currency translation differences										
- subsidiaries	-	-	-	-	-	-	(0.3)	-	-	(0.3)
- associate	-	-	-	-	-	-	(0.1)	-	-	(0.1)
Total comprehensive income/(loss) for the financial period	-	-	1.7	(19.1)	-	-	(0.4)	613.5	21.3	617.0
Transactions with owners										
- shares issued pursuant to Dividend Reinvestment Scheme (DRS) (part A, note 5(a))	62.8	420.2	-	-	-	-	-	-	-	483.0
- final dividends paid for the financial year ended 31 December 2013 (part A, note 6)	-	-	-	-	-	-	-	(583.1)	-	(583.1)
- interim dividends payable for the financial year ending 31 December 2014 (part A, note 8(a))	-	-	-	-	-	-	-	(348.4)	-	(348.4)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(25.4)	(25.4)
- put option on non-controlling interest (part B, note 8(b)(ii))	-	-	-	-	-	(267.6)	-	-	-	(267.6)
- acquisition of a subsidiary	-	-	-	-	-	-	-	-	183.8	183.8
Total transactions with owners	62.8	420.2	-	-	-	(267.6)	-	(931.5)	158.4	(557.7)
At 30 September 2014	2,567.0	463.4	58.0	27.4	71.6	(267.6)	(0.9)	4,097.4	342.3	7,358.6

(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 2013)

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
- associates	-	-	-	-	-	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	-	-	-	-	-	-	(436.4)	-	(436.4)
- interim dividends paid for the financial year ended 31 December 2013	-	-	-	-	-	-	(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 2013)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL PERIOD ENDED	
	30/09/2014	30/09/2013
	RM Million	RM Million
Receipts from customers	7,433.4	6,893.0
Payments to suppliers and employees	(5,332.6)	(5,425.0)
Payment of finance cost	(229.4)	(250.6)
Payment of income taxes and zakat (net)	(62.4)	(50.2)
CASH FLOWS FROM OPERATING ACTIVITIES	1,809.0	1,167.2
Contribution for purchase of property, plant and equipment	79.0	18.6
Disposal of property, plant and equipment	8.0	6.3
Purchase of property, plant and equipment	(1,370.4)	(1,685.7)
Acquisition of subsidiaries* (part A, note 14)	(281.4)	-
Acquisition of an associate	-	(12.7)
Subscription of Exchangeable Medium Term Notes (part A, note 14(b))	(119.3)	-
Disposal of available-for-sale investments	287.2	260.4
Purchase of available-for-sale investments	(273.1)	(289.0)
Disposal of financial assets at fair value through profit or loss	3.8	-
Disposal of non-current assets held for sale	12.4	14.4
Long term deposit	(16.6)	(16.6)
Repayments of loans by employees	5.7	6.3
Loans to employees	(44.9)	(18.1)
Disposal of housing loan	6.1	9.9
Interests received	90.4	102.0
Dividends received	8.0	7.2
CASH FLOWS USED IN INVESTING ACTIVITIES	(1,605.1)	(1,597.0)
Proceeds from issuance of shares (part A, note 5(a))	483.0	-
Proceeds from borrowings	623.8	948.7
Repayments of borrowings	(1,530.5)	(249.3)
Repayments of finance lease	(3.1)	(2.9)
Dividend paid to shareholders (part A, note 6)	(583.1)	(787.0)
Dividend paid to non-controlling interests	(25.4)	(38.2)
CASH FLOWS USED IN FINANCING ACTIVITIES	(1,035.3)	(128.7)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(831.4)	(558.5)
EFFECT OF EXCHANGE RATE CHANGES	(0.3)	(2.1)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	2,514.5	3,738.3
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	1,682.8	3,177.7
*Net of cash and cash equivalents acquired		

(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 2013)

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The unaudited interim financial statements for the 3rd quarter ended 30 September 2014 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 2013. 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 2013 audited financial statements except for the changes arising from the adoption of the amendments to MFRS and Interpretation Committee (IC) Interpretation issued by MASB that are effective for the Group’s financial year beginning on 1 January 2014.

(a) Amendments to published standards and IC Interpretation that are effective and applicable for the Group’s financial year beginning on 1 January 2014

The amendments to published standards and IC Interpretation issued by MASB that are effective and applicable for the Group’s financial year beginning on 1 January 2014 are as follows:

Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, 12 and 127	Investment Entities
Amendments to MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The adoption of the above amendments to published standards and IC Interpretation does not have any material impact to the Group’s financial result, position or disclosure for the current or previous periods nor any of the Group’s significant accounting policies.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

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

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

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 119	Defined Benefit Plans: Employee Contribution
Amendments to MFRS 2, 3, 8, 13, 116, 124 and 138	Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRSs 2010 – 2012 Cycles”
Amendments to MFRS 1, 3, 13 and 140	Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRSs 2011 – 2013 Cycles”

Effective for annual periods beginning on or after 1 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 116 and 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to MFRS 116 and 141	Agriculture: Bearer Plants

Effective for annual periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers
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Effective for annual periods to be announced by MASB

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9	Financial Instruments (Hedge Accounting and Amendments to MFRS 7, 9 and 139)

MFRS 15 is a new Standard aimed to improve financial reporting of revenue and comparability whilst providing better clarity on revenue recognition on areas where existing requirements unintentionally created diversity in practice. The principle to be applied is for entities to recognise revenue in a manner which reflects the transfer of promised goods or services to customers, measured at the consideration that the entity expects to be entitled to in exchange for those goods or services. MFRS 15 could result in changes such as amount and timing of revenue recognised for long-term service contracts and multiple elements arrangements. MFRS 15 also requires new

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

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

disclosures (quantitative and qualitative) to help understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Group has yet to assess the full impact of MFRS 15.

Other than MFRS 15, 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 Group's 2013 audited annual financial statements.

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

(c) Additional Significant Accounting Policies Applicable to the Group

(i) Embedded Derivatives

Derivatives embedded in other financial instruments or contracts are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself held-for-trading or designated as fair value to profit or loss. The embedded derivatives separated from the host are carried at fair value to profit or loss with changes in the fair value recognised in the Income Statement.

(ii) Put Option over shares held by non-controlling interest

A contract that contains an obligation for the Group to deliver cash or other financial asset in exchange for its own (or its subsidiary's) equity shares is a financial liability. This liability is recorded irrespective of whether the contract meets the definition of an equity instrument. The financial liability is recognised at the present value of the redemption amount of the option, when it is exercised.

The initial redemption liability is recognised as Other Reserve in equity as a reduction of the Group's equity if the risk and rewards of ownership remain with the non-controlling interest or a reduction of non-controlling interest equity if the risks and rewards of ownership transfer to the Group.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 2014.

4. Material Changes in Estimates

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

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

(a) Shares issued pursuant to Dividend Reinvestment Scheme (DRS)

On 27 March 2014, TM announced a proposal to undertake a dividend reinvestment scheme that provides shareholders of TM (Shareholders) the option to elect to reinvest, in whole or in part, their cash dividend which includes interim, final, special or any other cash dividend, in new ordinary share(s) of RM0.70 each in TM (TM Share) (DRS).

On 7 April 2014, the approval from Bursa Securities was obtained for the DRS and to allow the DRS to be applicable to TM's final single tier dividend for the financial year ended 31 December 2013 of 16.3 sen per TM Share (Final Dividend) subject to shareholders' approval. Approval from Bursa Securities was also obtained on 7 May 2014 for the listing and quotation of New TM Shares to be issued pursuant to the DRS in respect of the Final Dividend.

On 8 May 2014, the Shareholders approved the DRS and the application of the DRS to TM's Final Dividend, at TM's Extraordinary General Meeting.

Pursuant to the DRS, 89,770,254 new TM shares were issued at an issue price of RM5.38 per new TM share. This translates to 82.8% rate of acceptance of Shareholders to reinvest their cash dividend in new TM shares.

Upon completion of the DRS on listing and quotation of 89,770,254 new TM Shares on the Main Market of Bursa Malaysia Securities Berhad on 24 June 2014, the total issued and paid up share capital of TM is RM2,567,023,489.80 comprising 3,667,172,234 ordinary shares of RM0.70 each; 1 Special Rights Redeemable Preference Share of RM1.00; 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS) of RM1.00 each; and 925 Class D NCRPS of RM1.00 each.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

5. Issuances, Repurchases and Repayments of Debt and Equity Securities (continued)

(b) Issuance of Islamic Medium Term Notes (IMTN)

Details of IMTN issued during the 3rd quarter and financial period ended 30 September 2014 are as follows:

Debt Securities	Date of Issue	Nominal Value	Rate per Annum	Maturity Date
IMTN	21 March 2014	RM300.0 million	4.82%	21 March 2024
IMTN	27 June 2014	RM300.0 million	4.738%	27 June 2024

(c) Redemption of Guaranteed Notes

On 22 September 2014, the Group redeemed in full at its nominal value, the USD465.1 million (RM1,513.3 million) 5.25% Guaranteed Notes due 2014, issued by TM Global Incorporated, a wholly owned subsidiary.

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 2014.

6. Dividends Paid

On 8 May 2014, a final single-tier dividend of 16.3 sen per share amounting to RM583.1 million in respect of financial year ended 31 December 2013 was approved by the shareholders at the 29th Annual General Meeting.

The Dividend Reinvestment Scheme (DRS) was applicable to the entire final dividend and the entire electable portion could be elected to be reinvested in new TM shares in accordance to the DRS.

The payment of dividend and crediting of shares under the DRS was completed on 23 June 2014.

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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 2014	<u>Retail Business</u>				<u>Total Retail Business</u>	<u>Global & Wholesale Business</u>	<u>Shared Services /Others</u>	<u>Total</u>
	<u>Consumer</u>	<u>SME</u>	<u>Enterprise</u>	<u>Government</u>				
Operating Revenue								
Total operating revenue	776.8	460.1	325.7	501.0	2,063.6	446.0	1,603.1	4,112.7
Inter-segment @	(9.8)	(0.1)	(2.4)	(0.7)	(13.0)	(85.0)	(1,378.7)	(1,476.7)
External operating revenue	767.0	460.0	323.3	500.3	2,050.6	361.0	224.4	2,636.0
Results								
Segment profits	53.9	38.0	73.5	135.1	300.5	71.6	18.6	390.7
Unallocated income/other gains*								14.8
Unallocated costs^								(88.1)
Operating profit before finance cost								317.4
Finance income								35.4
Finance cost								(76.6)
Foreign exchange loss on borrowings								(14.7)
Associates								
- share of results (net of tax)								1.3
Profit before taxation and zakat								262.8
Taxation and zakat								(71.3)
Profit for the financial period								191.5

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

All amounts are in RM Million 3rd Quarter 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	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

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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 2014	Retail Business				Total Retail Business	Global & Wholesale Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government				
Operating Revenue								
Total operating revenue	2,326.7	1,439.6	902.8	1,537.6	6,206.7	1,427.0	4,821.4	12,455.1
Inter-segment @	(26.9)	(0.2)	(6.4)	(2.2)	(35.7)	(228.6)	(4,113.0)	(4,377.3)
External operating revenue	2,299.8	1,439.4	896.4	1,535.4	6,171.0	1,198.4	708.4	8,077.8
Results								
Segment profits	128.4	208.9	161.8	454.3	953.4	210.6	36.9	1,200.9
Unallocated income/other gains*								18.0
Unallocated costs^								(247.5)
Operating profit before finance cost								971.4
Finance income								102.8
Finance cost								(221.9)
Foreign exchange loss on borrowings								(4.7)
Associates								
- share of results (net of tax)								4.2
Profit before taxation and zakat								851.8
Taxation and zakat								(217.0)
Profit for the financial period								634.8

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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

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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 2014								
Segment assets	305.7	192.4	262.9	961.7	1,722.7	1,133.2	15,991.0	18,846.9
Associates								13.9
Unallocated assets ^{<}								<u>2,213.8</u>
Total assets								<u>21,074.6</u>
Segment liabilities	330.5	384.2	283.6	344.0	1,342.3	626.1	3,905.2	5,873.6
Borrowings								5,685.6
Unallocated liabilities ⁺								<u>2,156.8</u>
Total liabilities								<u>13,716.0</u>
As at 31 December 2013								
Segment assets	305.4	237.5	223.0	882.4	1,648.3	1,059.0	15,252.6	17,959.9
Associates								10.7
Unallocated assets ^{<}								<u>3,175.9</u>
Total assets								<u>21,146.5</u>
Segment liabilities	209.2	409.1	289.9	393.0	1,301.2	613.1	4,074.7	5,989.0
Borrowings								6,455.2
Unallocated liabilities ⁺								<u>1,403.0</u>
Total liabilities								<u>13,847.2</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 Company and property, plant and equipment of the Company's corporate divisions and office buildings.
- + Unallocated liabilities mainly include interest payable on borrowings, taxation and zakat liabilities, deferred tax liabilities and dividend payable.

8. Material Events Subsequent to the End of the Quarter

There is no other material event subsequent to the reporting date that requires disclosure or adjustments to the unaudited interim financial statements save as disclosed below:

(a) Dividend Reinvestment Scheme (DRS) on single-tier interim dividend for the financial year ending 31 December 2014

An interim single-tier dividend of 9.5 sen per share for the financial year ending 31 December 2014 was declared on 27 August 2014. Pursuant to Bursa Malaysia Securities Berhad's approval as mentioned in part B, note 14(a), the Company had issued and allotted 52,196,765 new shares of RM0.70 each (New TM Shares) on 29 October 2014 at an issue price of RM5.67 per New TM Share. The payment of dividend to shareholders that did not elect for DRS was also made on 29 October 2014. The New TM Shares were listed and allotted on the main market of Bursa Securities on 30 October 2014. This translate to 85.0% rate of acceptance of shareholders to reinvest their cash dividend in New TM Shares.

Upon completion of the DRS on listing and quotation of the 52,196,765 New TM shares on Main Market Bursa Malaysia Securities Berhad, the total issued and paid up share capital of TM is RM2,603,561,225.30 comprising 3,719,368,999 ordinary shares of RM0.70 each, 1 Special Rights Redeemable Preference Share of RM1.00, 2,000 Class C Non-Convertible Redeemable Preference Shares (NCRPS) of RM1.00 each, and 925 Class D NCRPS of RM1.00 each.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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

There is no material event subsequent to the reporting date that requires disclosure or adjustments to the unaudited interim financial statements save as disclosed below: (continued)

(b) Skim MESRA for eligible employees

On 13 October 2014, TM announced the offering of a special optional retirement scheme, called Skim MESRA, to its employees aged 55 and above as at 31 December 2014. Eligible employees who accepts the optional retirement offer will be compensated through special incentives and designated benefits until they reach the age of 60. The expected financial impact of this scheme will be recognised as and when the number of employees expected to accept the offer can be reasonably determined.

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 2014 save as disclosed below:

(a) Packet One Networks (Malaysia) Sdn Bhd (P1) and its wholly owned subsidiaries (namely, P1.Com Sdn Bhd, Millercom Sdn Bhd, RuumzNation Sdn Bhd and Packet One (L) Ltd)(P1 Group)

Pursuant to the completion of the Proposed Share Subscription on 30 September 2014 in accordance with the terms and conditions of the Investment Agreement (Completion) and the resulting 55.3% shareholding in P1 by Mobikom Sdn Bhd as disclosed in part A note 14(b), P1 and its subsidiaries became subsidiaries of TM with effect from the same date. The impact of the acquisition is as disclosed in part A, note 14(b) of this announcement.

(b) Inneonusa Sdn Bhd (ISB)

Pursuant to the Joint Venture and Shareholders Agreement (JVSHA) between TM's wholly-owned subsidiary, Intelsec Sdn Bhd (Intelsec), UEM Land Berhad (UEML) and Iskandar Innovation Sdn Bhd (IISB) on 1 July 2014 for the establishment of a Joint Venture Company (JVCo), Intelsec has on 24 September 2014, acquired 100% equity interest in ISB for a total consideration of RM2.00.

ISB was incorporated on 24 July 2014 with an issued share capital of RM2.00 as the intended JVCo to undertake the business of a managed services operation company providing smart building services and smart city services.

(c) GTC Global Sdn Bhd (GTC)

Pursuant to the completion of the business combination as disclosed in part A, note 14(a), GTC became TM's wholly owned subsidiary with effect from 10 January 2014. The impact of the acquisition is as disclosed in part A, note 14(a) of this announcement.

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9. Effects of Changes in the Composition of the Group (continued)

There is no change in the composition of the Group for the 3rd quarter and financial period ended 30 September 2014 save as disclosed below: (continued)

(d) Rebung Utama Sdn Bhd (RUSB)

On 15 December 2011, TM commenced the members' voluntary winding up of RUSB, a subsidiary of Telekom Malaysia Berhad (TM) held via Tekad Mercu Berhad in accordance with Section 254(1)(b) of the Companies Act, 1965 (the Act). Accordingly, pursuant to Section 272(5) of the Act, RUSB was dissolved effective from 10 June 2014.

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

Other than material litigations as disclosed in part B, note 11 of this announcement, there was no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2013.

11. Capital Commitments

	Group	
	30/9/2014	31/12/2013
	RM Million	RM Million
(a) Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	3,191.7	2,793.8
Commitments in respect of expenditure approved but not contracted for	17.0	1,119.7

(b) Funding Commitment

Pursuant to the Investment Agreement as disclosed in part A, note 14(b) of this announcement, a Convertible Medium Term Notes Programme (Programme) Agreement will be entered into between Mobikom Sdn Bhd (Mobikom) (and/or its related corporation), Packet One Sdn Bhd (and/or its related corporation), SK Telecom Co Ltd (and/or its related corporation) and Packet One Networks (Malaysia) Sdn Bhd (P1). The Programme provides P1 the avenue to raise future funds up to RM1.65 billion in tranches. Mobikom is entitled to subscribe up to RM990.0 million of the Programme.

The proceeds raised under the Programme shall be utilised to finance and fund the implementation of P1's business plan which would involve the roll out of Long Term Evolution (LTE) network.

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12. Related Party Transactions

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 28.88% 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	
	30/9/2014 RM Million	30/9/2013 RM Million	30/9/2014 RM Million	31/12/2013 RM Million
Sales and Receivables	643.7	510.5	78.2	121.0

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 RM147.7million (YTD September 2013: RM123.1 million) with corresponding receivables of nil (31 December 2013: nil).

In addition to the above, the Group has 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 2013.

(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.

	30/9/2014				31/12/2013			
	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	12.8	-	-	12.8	17.2	-	-	17.2
Derivatives at fair value through profit or loss	-	9.9	-	9.9	-	27.1	-	27.1
Derivatives accounted for under hedge accounting	-	66.9	-	66.9	-	80.3	-	80.3
Available-for-sale financial assets								
-investments	-	662.0	48.4	710.4	-	675.6	48.4	724.0
-receivables	-	6.5	-	6.5	-	7.6	-	7.6
Total	12.8	745.3	48.4	806.5	17.2	790.6	48.4	856.2
Liabilities								
Derivatives at fair value through profit or loss	-	-	-	-	-	11.0	-	11.0
Derivatives accounted for under hedge accounting	-	68.2	-	68.2	-	51.4	-	51.4
Put option on non-controlling interest	-	267.6	-	267.6	-	-	-	-
Total	-	335.8	-	335.8	-	62.4	-	62.4

There has not been any change to the valuation techniques applied for the different financial instruments since 31 December 2013 and there were no transfers of any instruments between level 1, 2 and 3 of the fair valuation hierarchy during the financial period.

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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 2013, other than below:

	As at 30/9/2014		As at 31/12/2013	
	Carrying amount RM Million	Net fair value RM Million	Carrying amount RM Million	Net fair value RM Million
Liabilities				
Borrowings	5,685.6	6,244.5	6,455.2	6,813.7

14. Business Combination

(a) GTC Global Sdn Bhd (GTC)

On 27 November 2013, TM entered into a conditional Share Sale Agreement (SSA) with Gapurna Global Solutions Sdn Bhd (GGS) to acquire the entire equity interest held by GGS in GTC (Sale Shares) for a total consideration of RM45.0 million to be satisfied by way of cash (Proposed Acquisition). The SSA was conditional upon fulfilment of several Conditions Precedent, within three (3) months from the date of the SSA or such other date as may be agreed upon between TM and GGS.

The Proposed Acquisition was completed on 10 January 2014 upon fulfilment of the Conditions Precedent and GTC became TM's wholly owned subsidiary with effect from the same date.

As a result of the acquisition, GTC is expected to complement TM's core competencies as well as broaden TM Group's capabilities in the information and communications technology (ICT) to better serve its range of customers, particularly in the Enterprise and Government segments.

The following table summarises the consideration paid for GTC and the provisional fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration at 10 January 2014	RM Million
Cash (Total Consideration)	<u>45.0</u>

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14. Business Combination (continued)

(a) GTC Global Sdn Bhd (GTC) (continued)

The following table summarises the consideration paid for GTC and the provisional fair value of assets acquired and liabilities assumed at the acquisition date: (continued)

Recognised amounts of identifiable assets acquired and liabilities assumed	RM Million
Cash and bank balances	23.4
Property, plant and equipment	0.6
Finance lease receivables	133.6
Trade and other receivables	102.6
Loans and borrowings	(119.6)
Deferred income	(46.8)
Trade and other payables (current and non-current)	(26.7)
Current and deferred tax liabilities	(0.2)
Total identifiable net assets	<u>66.9</u>
Negative goodwill credited to Consolidated Income Statement	<u>(21.9)</u>
Total	<u><u>45.0</u></u>

Acquisition-related costs of RM0.5 million have been charged to other operating costs in the Consolidated Income Statement. The revenue included in the Consolidated Income Statement since 10 January 2014 contributed by GTC was RM68.8 million whilst its contribution to the Group's profit was RM1.6 million and RM11.1 million for the current quarter and financial period ended 30 September 2014 respectively.

The negative goodwill which is currently credited to the Consolidated Income Statement is provisional until the Group finalises the measurement of the fair value of net assets acquired, pending facts and circumstances on the progress of completion of on-going customer projects of GTC at the date of acquisition, which is reasonably expected to be concluded by end of the financial year. Before finalising the recognition of the negative goodwill from this acquisition, the Group shall continue to reassess to ensure it has correctly identified all of the assets acquired and all of the liabilities assumed and recognise any additional assets or liabilities that are identified in that review.

To ensure that the measurements appropriately reflect consideration of all available information as of the acquisition date, the Group has reviewed the procedures used to measure the amounts to be recognised at the acquisition date for the following:

- (i) the identifiable assets acquired and liabilities assumed; and
- (ii) the consideration transferred.

14. Business Combination (continued)

(b) Packet One Networks (Malaysia) Sdn Bhd (P1)

On 27 March 2014, TM announced that its wholly-owned subsidiary, Mobikom Sdn Bhd (Mobikom) had entered into a conditional investment agreement with the following parties in relation to, amongst others, the proposed subscription by Mobikom of new ordinary shares of RM1.00 each in P1 (P1 Shares) to hold approximately 57% of the enlarged issued share capital of P1, subject to closing adjustments for a total consideration of RM350.0 million (Share Subscription) (Investment Agreement):

- (a) Packet One Sdn Bhd (Packet One), a wholly-owned subsidiary of Green Packet Berhad (Green Packet);
- (b) SK Telecom Co. Ltd (SKT or SKT Guarantor where applicable);
- (c) Green Packet (also Packet One Guarantor where applicable);
- (d) TM (Mobikom Guarantor where applicable); and
- (e) Packet One Networks (Malaysia) Sdn Bhd (P1)

The completion of the Proposed Share Subscription (Completion) was announced on 30 September 2014 following the waiver of Conditions 1.2 and 1.13 as set out in Appendix I of the announcement dated 27 March 2014, as agreed by all parties to the Investment Agreement on 25 September 2014 and the completion of all other terms and conditions of the Investment Agreement and the applicable approval, including from the relevant regulatory bodies and Green Packet shareholders resulting to TM via Mobikom emerging as the new holding company of P1 (including its subsidiaries) with a 55.3% shareholding after closing adjustments made pursuant to P1's internal restructuring and determination of the equity value of P1 as at 31 May 2014 in accordance to the terms of the Investment Agreement. The remaining 44.7% shares holding are held by Green Packet with 31.1% and SKT at 13.6% respectively.

The partnership drives strong synergies from the three (3) complementary partners to work together to capitalise on a mobile opportunity and deliver the next generation of converged communication services. It essentially enables P1 to crossover to Long Term Evolution (LTE) and offer full mobility while providing TM with an LTE-ready platform to accelerate and more efficiently make wireless broadband products available to its customers. This includes access to suitable spectrum bands, the ability to draw on advanced technological knowhow of SKT, an existing customer base to build on, and the strong base of LTE upgradeable WiMAX sites to quickly achieve extensive LTE coverage.

Pursuant to the Investment Agreement, Green Packet has entered into a programme agreement amongst others with Mobikom in relation to an 8-year redeemable exchangeable medium term notes (Exchangeable MTN) (previously referred to as Exchangeable Bond or EB) programme by Green Packet to raise up to RM210.0 million (Exchangeable MTN Programme) (Exchangeable MTN Programme Agreement). The Exchangeable MTNs may be exchangeable into, amongst others, P1 Shares held by Packet One immediately after Completion in accordance with the terms of the Exchangeable MTN Programme Agreement. The Exchangeable MTNs will be secured against the P1 Shares held by Packet One immediately following Completion and the 8-year convertible unsecured medium term notes (Convertible MTN) (previously referred to as Convertible

14. Business Combination (continued)

(b) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)

Bond or CB) issued by P1 under the convertible MTN Programme (Convertible MTN Programme) to be subscribed amongst others by Packet One and/or its related corporation at any time using part of the proceeds from the issuance of Exchangeable MTNs pursuant to the Exchangeable MTN Programme (including any P1 Shares issued on conversion of such Convertible MTNs).

TM via Mobikom has subscribed for the first tranche of the issuance of the Exchangeable MTN under the Exchangeable MTN Programme on 30 September 2014 with a subscription value of RM119.3 million (Series 1 MTN).

Pursuant to the Investment Agreement and the Completion, the following key agreements will also be entered into by P1 with the relevant parties:

- (i) A subscription programme agreement amongst others with Mobikom (and/or its related corporation), Packet One (and/or its related corporation), SKT (and/or its related corporation) in relation to the Convertible MTN programme by P1 to raise up to RM1.65 billion in tranches; and
- (ii) collaboration agreements between each of TM, Green Packet and SKT (on the one hand) and P1 (on the other hand) in relation to the operational and business collaboration between the relevant parties and various other operational agreements to be entered into (Collaboration Agreements). The Collaboration Agreements govern the parameters of their partnership in principal areas such as the use of infrastructure, transmission networks and distribution channels, the leasing of spectrum and the provision of consulting and technical services, products and/or services, amongst others.

The Investment Agreement also amongst others includes certain granting of call and put options between Mobikom with Packet One and SKT respectively over shares of P1, as follows:

(i) Put option on non-controlling interest (Packet One Put Option)

Mobikom has granted Packet One an option to sell, which would require Mobikom to buy, all shares in the capital of P1 registered in Packet One's (including Packet One's related corporation) name, collectively (Packet One Put Option).

The Packet One Put Option may be exercised in whole and not in part at any time on or after 31 March 2021 up to 30 September 2022 at the volume weighted average market price of P1 at the time of the exercise if it is traded or listed at a recognised stock exchange such as Bursa Malaysia Securities or if P1 shares are not publicly traded, the fully distributed market or equity value at which the P1 shares would trade on a recognised stock exchange.

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14. Business Combination (continued)

(b) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)

(ii) Call Option on P1 Shares (SKT Call Option)

SKT has granted to Mobikom an option to buy and SKT to sell, all shares in the capital of P1 registered under SKT's (including SKT's related corporation) name, collectively (SKT Call Option).

Among other conditions, the SKT Call Option may be exercised only in whole and not in part, any time after SKT and its related corporation cease to own at least 10% of the issued share capital of P1 and will automatically lapse upon the earlier of:

- (i) Two (2) months after the completion of the issuance of the RM1.65 billion Convertible MTN;
- (ii) the date immediately prior to completion of any capital increase other than those contained in the Investment Agreement; or
- (iii) any initial public offering implemented by P1.

The exercise price is at a price equal to Mobikom's per share subscription price during Completion as at 30 September 2014.

The following table summarises the consideration paid for P1 and the provisional fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration at 30 September 2014	RM Million
Cash (Total Contribution)	<u>350.0</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and bank balances	112.0
Property, plant and equipment	535.7
Intangible assets	5.2
Customer acquisition costs	24.0
Trade and other receivables	121.9
Inventories	45.3
Loans and borrowings	(33.4)
Trade and other payables (current and non-current)	<u>(399.5)</u>
Total identifiable net assets	411.2
Non-controlling interest	(183.8)
Goodwill	<u>122.6</u>
Total	<u>350.0</u>

Acquisition-related cost of RM23.2 million have been charged to other operating costs in the Consolidated Income Statement. No revenue or profit was included in the Consolidated Income Statement since the Completion on 30 September 2014, being the last day of the financial period ended 30 September 2014.

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14. Business Combination (continued)

(b) Packet One Networks (Malaysia) Sdn Bhd (P1) (continued)

The goodwill arising from P1's acquisition is provisional until the Group finalises the measurement of the fair value of net assets acquired at the date of acquisition, which is reasonably expected to be concluded by end of the financial year. Before finalising the recognition of the goodwill from this acquisition, the Group shall continue to reassess to ensure it has correctly identified all of the assets acquired and all of the liabilities assumed and recognise any additional assets or liabilities that are identified in that review.

15. Reclassification of Comparatives

The Group's Consolidated Statement of Cash Flows has been restated to better reflect the cash outflows from acquisition of materials and servicing equipments namely cables, wires, network materials, maintenance spares and supplies formerly classified as inventories in the comparative period but reclassified subsequently as Property, plant and equipment (PPE) in line with the amendments to MFRS 116 PPE effective from the financial year beginning on 1 January 2013.

<u>Consolidated Statement of Cash Flows</u>	Financial Period Ended 30/9/2013		
	As previously reported RM Million	Reclassi- fication RM Million	As restated RM Million
For financial period ended 30 September 2013			
Cash Flows From Operating Activities			
Payment to suppliers and employees	(5,557.5)	132.5	(5,425.0)
Cash Flows Used In Investing Activities			
Purchase of property, plant and equipment	(1,553.2)	(132.5)	(1,685.7)

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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 1.0% to RM2,636.0 million as compared to RM2,610.5 million in the same quarter last year, mainly due to higher revenue from other telecommunications related services, Internet and multimedia, which mitigated the decline in data and voice.

Other telecommunications related services grew by 36.3% to RM449.8 million in the current quarter primarily contributed by higher revenue from customer projects.

Internet and multimedia services registered higher revenue by 4.2% to RM713.9 million in the current year quarter mainly arising from increase in UniFi customers from 607,377 in the last year quarter to 699,822 in the current quarter and increase in the number of buys for Premium Channels and Video on Demand.

Operating profit before finance cost decreased by 12.9% to RM317.4 million as compared to RM364.4 million recorded in the same quarter last year mainly due to higher operating costs.

Group profit after tax and non-controlling interests (PATAMI) decreased to RM188.8 million as compared to RM240.9 million in the corresponding quarter last year primarily due to higher operating costs and tax charge in line with the expiry of tax incentives in September 2013 partially offset by lower net finance cost.

(ii) Segment Performance

Consumer

Revenue increased by 4.8% to RM776.8 million from RM741.4 million in line with continuing increase in UniFi customers which stood at 580,120 as at the end of the current quarter (30 September 2013: 509,101) and increase in number of buys of premium channels and Video on Demand (VOD). The higher revenue led to higher profit for the current quarter, which stood at RM53.9 million as compared to RM28.9 million in the corresponding quarter last year.

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1. Review of Performance (continued)

(a) Quarter-on-Quarter (continued)

SME

SME posted RM460.1 million revenue for the current quarter, a 4.8% drop compared to RM483.2 million in the previous year corresponding quarter. Profit decreased to RM38.0 million in the current quarter from RM100.3 million in the corresponding quarter of the previous year generally arising from lower operating revenue and higher operating costs.

Enterprise

Revenue increased by 12.7% to RM325.7 million in the current quarter primarily contributed by revenue from one-off customer project. Correspondingly, profit increased by RM21.3 million to RM73.5 million from RM52.2 million in the corresponding quarter last year.

Government

Government recorded 13.4% revenue growth to RM501.0 million in the current quarter primarily contributed by higher revenue from data services, Internet and multimedia and other telecommunications services. Profit is lower by RM5.8 million from RM140.9 million in the corresponding quarter of the previous financial year mainly due to higher direct cost.

Global & Wholesale

Revenue for the current quarter is 16.3% lower at RM446.0 million from RM532.7 million recorded in the corresponding quarter last year, mainly due to reduction in international traffic minutes and data. Correspondingly, profit reduced by RM29.5 million to RM71.6 million.

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1. Review of Performance (continued)

(b) Year-on-Year

(i) Group Performance

For the period under review, Group revenue increased by 5.6% to RM8,077.8 million as compared to RM7,648.9 million recorded in the corresponding period last year, mainly attributed to higher revenue from data, Internet and multimedia and other telecommunications related services partially offset by lower contribution from voice and non-telecommunications related services.

Operating profit before finance cost of RM971.4 million was lower by 2.4% as compared to RM995.1 million recorded in the preceding year corresponding period mainly due to higher increase in operating costs compared to revenue and other operating income.

Group PATAMI decreased by 8.2% to RM613.5 million as compared to RM668.0 million recorded in the corresponding period last year primarily due to the above reasons coupled with higher tax charge which was partially offset by lower net finance cost.

(ii) Segment Performance

Consumer

Year-to-date revenue increased by 5.9% to RM2,326.7 million from RM2,196.2 million in the previous year arising from higher cumulative UniFi customer base of 580,120 compared to 509,101 as at 30 September 2013, higher number of subscription for premium channels as well as buys for VOD. The revenue increase was also due to increased subscription of higher speed Streamyx packages. In line with higher revenue, profit increased by 2.4% to RM128.4 million.

SME

SME recorded revenue growth of 1.6% to RM1,439.6 million mainly from higher Internet and multimedia services and other telecommunications services despite lower voice revenue. The increase in Internet and multimedia revenue were largely due to higher customer base for UniFi which stood at 116,031 as at the end of 3rd quarter 2014 (30 September 2013: 95,876). Profit reduced by 15.7% to RM208.9 million due to higher operating costs.

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1. Review of Performance (continued)

(b) Year-on-Year (continued)

Enterprise

Revenue increased by 5.2% to RM902.8 million at the end of the current period as compared to RM858.4 million in the corresponding period last year contributed by higher other telecommunications, Internet and multimedia services. Profit decreased by 6.7% to RM161.8 million due to higher network costs.

Government

Revenue for this segment increased by 17.1% to RM1,537.6 million contributed by higher revenue on completion of customer projects. Correspondingly, profit increased by 13.5% from RM400.3 million to RM454.3 million in the current financial year.

Global & Wholesale

Global & Wholesale revenue for the current period was RM1,427.0 million, a 2.4% reduction from the corresponding period last year. This was mainly due to reduction in both international and domestic traffic minutes coupled with further reduction in domestic Mandatory Standard Access Pricing (MSAP) countered by growth in data services. Profit for the period increased by 0.8% to RM210.6 million due to lower outpayment costs.

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1. Review of Performance (continued)

(c) Economic Profit Statement

	3rd Quarter Ended		Financial Period Ended	
	30/9/2014 RM Million	30/9/2013 RM Million	30/9/2014 RM Million	30/9/2013 RM Million
EBIT	309.2	364.9	964.9	992.7
Adjusted Tax	77.3	91.2	241.2	248.2
NOPLAT	231.9	273.7	723.7	744.5
AIC	3,474.5	3,401.0	10,423.4	10,203.1
WACC	7.34%	6.09%	7.30%	6.10%
ECONOMIC CHARGE	255.0	207.1	760.9	622.4
ECONOMIC (LOSS)/PROFIT	(23.1)	66.6	(37.2)	122.1

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 Economic Loss during current quarter and financial period to date due to lower NOPLAT and higher economic charge, which is attributed to higher AIC and WACC. The higher AIC was due to high other non-current receivables whilst higher WACC arising from higher cost of equity. The lower NOPLAT was mainly due to lower EBIT.

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2. Comparison with Preceding Quarter's Results

The current quarter Group revenue decreased by 6.6% to RM2,636.0 million as compared to RM2,821.8 million recorded in the second quarter of 2014 primarily due to lower revenue from all services except non-telecommunications related services.

Consequent from the lower revenue, operating profit before finance cost decreased by 6.0% to RM317.4 million as compared to RM337.7 million recorded in the preceding quarter.

Group PATAMI decreased by 11.8% to RM188.8 million from RM214.1 million in the preceding quarter mainly due to lower revenue, foreign exchange loss on translation of foreign currency borrowings offset by lower tax charge.

3. Prospects for the Current Financial Year

Malaysian Institute of Economic Research (MIER) has upgraded 2014 Malaysia's growth forecast from 5.3% to 5.7% for 2014, taking into account strong growth rates registered in the first two quarters of 2014. (*Source: Malaysian Economic Outlook, MIER, 21 October 2014*)

The outlook for 2014 remains positive for TM with consistent focus on innovative data and broadband offerings. We have exceeded 712,000 UniFi customers to date, encouraged mainly by our continuous effort to offer fresh and innovative HyppTV content. In September, HyppSensasi, available on Channel 116, our first homegrown 24-hours dedicated Bahasa Malaysia channel in High Definition was launched and an additional 6 new channels were introduced, thus bringing a total of 121 channels on HyppTV and 60 channels on *HyppTV Everywhere* to date.

Continuing our 'Business Made Easier' aspiration to be the preferred ICT partner for SMEs in Malaysia, TM is proving our commitment to assist SMEs achieve better business performance by introducing in September 2014 several cost effective communication tools and solutions such as Shop-in-a-Box SurePay, a point of sales payment solutions. The month also witnessed VADS entering into partnership to enable the rapid delivery of cloud services to SMEs. VADS is now able to provide a solution that delivers speedy provisioning and billing of the Office 365 platform, as well as bundle with any additional cloud services planned in the future. Recently, in line with our commitment of 'Business Made Easier' for our valued business partners, TM has signed a landmark agreement with MYTV Broadcasting Sdn Bhd that will spearhead the digital transformation of Malaysia's broadcasting industry landscape. This includes putting in place the infrastructure and ancillary services necessary for a smooth and successful implementation of the digital terrestrial television (DTT) services.

Pursuant to the Joint Venture and Shareholders Agreement between Intelsec Sdn Bhd, UEM Land Berhad and Iskandar Innovation Sdn Bhd, this quarter also saw the acquisition of Inneonusa Sdn Bhd, as the intended Joint Venture Company to undertake the business of a managed services operation company to spearhead the design and build of smart city infrastructure, and the provision of smart building and smart city services. This is part of TM's journey in realising the Smart and Connected Nusajaya aspiration, thus strengthening our position as Malaysia's leading integrated telecommunication and ICT service provider.

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3. Prospects for the Current Financial Year (continued)

We are pleased to end the quarter with the completion of the Investment Agreement for our partnership with Green Packet Berhad and SK Telekom Co. Ltd.. All three parties look forward to collaborate together to capitalise on a viable mobile opportunity. We believe, providing mobility solution to customers is a natural progression towards true convergence, from a customer experience point of view, to enable the delivery of end-to-end broadband and data services. TM's investment into P1 and the recent launch of TMgo (TM's first 4G broadband offering) are all part of TM's transformation journey towards becoming the No.1 converged communication service provider, in line with our vision of being an "Information and Innovation Exchange".

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 2014.

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5. Taxation

The taxation charge for the Group comprises:

	3rd Quarter Ended		Financial Period Ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM Million	RM Million	RM Million	RM Million
<u>Malaysia</u>				
Income Tax:				
Current year	32.7	22.3	85.5	61.5
Prior year	0.1	(0.6)	(3.5)	(9.8)
Deferred tax (net)	40.9	(5.4)	136.2	(11.3)
	73.7	16.3	218.2	40.4
<u>Overseas</u>				
Income Tax:				
Current year	0.1	0.1	1.0	1.5
Prior year	(2.4)	-	(2.1)	(1.4)
Deferred tax (net)	(0.1)	-	(0.2)	2.8
	(2.4)	0.1	(1.3)	2.9
Taxation	71.3	16.4	216.9	43.3
Zakat	#	0.1	0.1	0.2
Taxation and Zakat	71.3	16.5	217.0	43.5

Amount less than RM0.1 million

The current quarter and financial period effective tax rate of the Group is higher than the statutory tax rate primarily due to non-tax deductible expenses.

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6. Status of Corporate Proposals

There is no 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:

	30/9/2014		31/12/2013	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Secured	21.5	142.2	-	-
Total Unsecured	67.4	5,454.5	1,590.2	4,865.0
Total Borrowings	88.9	5,596.7	1,590.2	4,865.0

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

	30/9/2014	31/12/2013
Foreign Currency	RM Million	RM Million
US Dollar	1,308.9	2,832.4
Canadian Dollars	3.1	3.3
Japanese Yen	233.3	242.8
Total	1,545.3	3,078.5

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8. Derivative Financial Instruments

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

Derivatives (by maturity)	Contract or notional amount RM Million	Fair value as at 30/9/2014		Fair value as at 31/12/2013	
		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 2013 - additions	910.5 379.0	- -	- -	27.1 -	11.0 -
	1,289.5	-	-	27.1	11.0
2. <u>Interest Rate Swaps</u> - 1 year to 3 years	500.0	5.7	-	7.5	-
	500.0	5.7	-	7.5	-
3. <u>Cross Currency Interest Rate Swaps</u> - more than 3 years	926.2	61.2	68.2	72.8	51.4
	926.2	61.2	68.2	72.8	51.4
4. <u>Call and Put Options on shares of a Subsidiary of the Group</u> - more than 3 years - Put Option - Call Option	363.5 87.1	- 9.9	267.6 -	- -	- -
	450.6	9.9	267.6	-	-
Total	3,166.3	76.8	335.8	107.4	62.4

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

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

(i) **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 (Notes) due in 2014. On 4 December 2009, the Company repurchased USD34.9 million of the Notes. The Notes have been redeemed in full on 22 September 2014.

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8. Derivative Financial Instruments (continued)

(b) Changes to Derivative Financial Instruments (continued)

(i) Forward Foreign Currency Contracts (continued)

Hedging Instrument

In February 2014, the Company entered into six (6) forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD45.0 million from the counterparties in return for payment of RM149.9 million.

On 6 March 2014, the Company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD10.0 million from the counterparty in return for a payment of RM33.0 million.

In April 2014, the Company entered into six (6) forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD50.0 million from the counterparties in return for a payment of RM163.9 million.

On 9 June 2014, the Company entered into a forward foreign currency contract which will mature on 19 September 2014. On the maturity date, the Company would receive USD10.0 million from the counterparty in return for a payment of RM32.2 million.

In July 2014, the Company entered into two (2) forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD20.0 million from the counterparty in return for a payment of RM63.7 million.

In August 2014, the Company entered into two (2) forward foreign currency contracts which will mature on 19 September 2014. On the maturity date, the Company would receive USD20.0 million from the counterparty in return for a payment of RM63.3 million.

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

The Company received a total of USD435.0 million for the contracts on maturity from the counterparties in return for a total payment of RM1,416.6 million.

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8. Derivative Financial Instruments (continued)

(b) Changes to Derivative Financial Instruments (continued)

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

(ii) Put Option on non-controlling interest

As disclosed in part A, note 14(b), the Group through Mobikom Sdn Bhd (Mobikom) has granted Packet One Sdn Bhd (Packet One) an option to sell, which would require Mobikom to buy, all shares in the capital of P1 registered in Packet One's (including Packet One's related corporation) name, collectively (Packet One Put Option).

The Packet One Put Option may be exercised in whole and not in part at any time on or after 31 March 2021 up to 30 September 2022 at the volume weighted average market price of P1 at the time of the exercise if it is traded or listed at a recognised stock exchange such as Bursa Malaysia Securities or if P1 shares are not publicly traded, the fully distributed market or equity value at which the P1 shares would trade on a recognised stock exchange.

(iii) Call Option on equity shares of a subsidiary

As disclosed in part A, note 14(b), SK Telecom Co Ltd (SKT) has granted to Mobikom an option to buy and SKT to sell, all shares in the capital of P1 registered under SKT's (including SKT's related corporation) name, collectively (SKT Call Option).

Among other conditions, the SKT Call Option may be exercised only in whole and not in part, any time after SKT and its related corporation ceases to own at least 10% of the issued share capital of P1 and will automatically lapse upon the earlier of:

- (i) Two (2) months after the completion of the issuance of the RM1.65 billion Convertible MTN;
- (ii) the date immediately prior to completion of any capital increase other than those contained in the Investment Agreement; or
- (iii) any initial public offering implemented by P1.

The exercise price is at a price equal to Mobikom's per share subscription price during completion on 30 September 2014.

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8. Derivative Financial Instruments (continued)

(c) Financial Risk Management Objectives and Policies

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

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

The details on the above, the valuation and the financial effects of derivative financial instruments that the Group has entered into are discussed in note 4, 18 and 44 to 47 to the audited financial statements for the financial year ended 31 December 2013.

(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 2013 and part A, note 1(c) of this announcement.

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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 30 September 2014 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	691.0	-	33.3	11.0
	691.0	-	33.3	11.0
2. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱⁱ⁾ - more than 3 years	298.9	68.2	(18.9)	(16.8)
	298.9	68.2	(18.9)	(16.8)
3. <u>Call and Put Options on shares of a Subsidiary of the Group</u> - more than 3 years - Put Option ^(iv)	363.5	267.6	(267.6)	(267.6)
	363.5	267.6	(267.6)	(267.6)
Total	1,353.4	335.8	(253.2)	(273.4)
Financial Assets				
1. <u>Forward Foreign Currency Contracts</u> ⁽ⁱ⁾ - less than 1 year	598.5	-	(14.3)	(27.1)
	598.5	-	(14.3)	(27.1)
2. <u>Interest Rate Swaps</u> ⁽ⁱⁱ⁾ - 1 year to 3 years	500.0	5.7	0.7	(1.8)
	500.0	5.7	0.7	(1.8)
3. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱⁱ⁾ - more than 3 years	627.3	61.2	(0.5)	(11.6)
	627.3	61.2	(0.5)	(11.6)
4. <u>Call and Put Options on shares of a Subsidiary of the Group</u> - more than 3 years - Call Option	87.1	9.9	9.9	9.9
	87.1	9.9	9.9	9.9
Total	1,812.9	76.8	(4.2)	(30.6)

- (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.
(iv) Derivative relating to equity instrument accounted for under MFRS 132 Financial Instruments: Presentation for which the obligation at inception is recognised in Other Reserves.

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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	
	30/9/2014	31/12/2013
	RM Million	RM Million
Retained profits		
- realised	2,194.1	3,051.2
- unrealised - in respect of deferred tax recognised in the income statement	(1,267.9)	(1,131.7)
- in respect of other items of income and expense	617.0	860.8
Share of accumulated profit from associates		
- realised	7.3	3.9
	1,550.5	2,784.2
Add: consolidation adjustments	2,546.9	1,631.2
Total Retained Profits	4,097.4	4,415.4

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 Statement for the 3rd quarter and financial period ended 30 September 2014:

	3rd Quarter Ended		Financial Period Ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM Million	RM Million	RM Million	RM Million
Impairment of trade and other receivables (net of recoveries)	(30.1)	(21.6)	(124.1)	(62.7)
Inventory write off and obsolescence	(0.2)	(0.6)	(0.2)	(2.0)
(Loss)/Gain on disposal of fixed income securities	(1.1)	(0.1)	(2.7)	0.3
Gain/(Loss) on foreign exchange on settlements and placements	3.7	15.1	(0.9)	13.8

11. Material Litigation

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 2013, 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.

On 13 August 2012, MSI filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal was dismissed on 30 October 2013.

On 28 November 2013, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal above stated. The application is fixed for hearing on 3 March 2015.

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

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11. Material Litigation (continued)

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 2013, listed below are updates of the relevant cases since the date of the last audited financial statements: (continued)

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

On 28 October 2014, the Court of Appeal has dismissed NGSB's (now known as Fine TV Sdn Bhd) appeal against the decision of the High Court on 2 July 2012 to dismiss NGSB's claim against TM and TM Net. The Court of Appeal also awarded costs in the sum of RM20,000.00 in favour of TM and TM Net.

However, NGSB has a period of thirty (30) days to apply for leave to appeal from the Federal Court.

(c) One Visa Sdn Bhd (OVSB) vs TM

On 22 April 2014, OVSB's claim was dismissed except for the claim under item 22(b) of the Statement of Claim where the High Court has allowed special damages in the sum of RM4,818.40 for rental of the Land for 10 months from 18 November 2011 until September 2012. The High Court has further awarded OVSB interest on this sum at 4% per annum from 18 November 2011 until the date of full realization and cost of RM15,000.00.

TM has duly complied with the above judgment. OVSB did not file any appeal within the period prescribed by the law.

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

(d) Menara Intan Langkawi Sdn Bhd (MIL) & HBA Development Bhd (HBA) vs TM Facilities Sdn Bhd (TMF)

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.

TELEKOM MALAYSIA BERHAD (128740-P)
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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

11. Material Litigation (continued)

(d) Menara Intan Langkawi Sdn Bhd (MIL) & HBA Development Bhd (HBA) vs TM Facilities Sdn Bhd (TMF) (continued)

On 26 May 2014, MIL withdrew the Summary Judgment Application. The legal suit then proceeded for trial on 26 - 27 May 2014 and on 23 - 24 June 2014.

On 31 October 2014, the High Court dismissed MIL's claim and awarded costs in the sum of RM50,000.00 in favour of TMF.

On 12 November 2014, MIL filed its appeal against the said decision of the High Court. The Court of Appeal has yet to fix any hearing date for the appeal.

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

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 financial position or business of the Company and/or its subsidiaries.

12. Earnings per Share (EPS)

	3rd Quarter Ended		Financial Period Ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
Basic earnings per share				
Profit attributable to equity holders of the Company (RM million)	188.8	240.9	613.5	668.0
Weighted average number of ordinary shares (million)	3,667.2	3,577.4	3,610.3	3,577.4
Basic earnings per share (sen) attributable to equity holders of the Company	5.1	6.7	17.0	18.7

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.

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

12. Earnings per Share (EPS) (continued)

	3rd Quarter Ended		Financial Period Ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
Diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	188.8	240.9	613.5	668.0
Weighted average number of ordinary shares (million)	3,667.2	3,577.4	3,610.3	3,577.4
Effects of dilution (million)	19.3	-	6.5	-
Adjusted weighted average number of ordinary shares (million)	3,686.5	3,577.4	3,616.8	3,577.4
Diluted earnings per share (sen) attributable to equity holders of the Company	5.1	6.7	17.0	18.7

The diluted EPS of the Group was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue, adjusted for the number of shares that would have been issued under the Dividend Reinvestment Scheme (DRS) as disclosed in part B, note 14(a) of this announcement. No adjustment was made to the profit attributable to equity holders for the financial period.

13. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2013 were not subject to any qualification.

TELEKOM MALAYSIA BERHAD (128740-P)
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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET
LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

14. Dividends

- (a) The Board of Directors has on 27 August 2014 declared an interim single-tier dividend of 9.5 sen per share for the financial year ending 31 December 2014 (2013: an interim single-tier dividend of 9.8 sen per share). The Board of Directors has also determined that the Dividend Reinvestment Scheme (DRS) will apply to the interim dividend.

Bursa Malaysia Securities Berhad's approval for the listing and quotation of the new ordinary shares of RM0.70 each in Telekom Malaysia Berhad to be issued pursuant to the DRS in respect of the interim dividend, on the Main Market of Bursa Securities was received on 10 September 2014. The issue price of the new TM shares to be issued pursuant to the DRS was fixed on 12 September 2014 at RM5.67 per share.

The payment of dividend and crediting of the shares under the DRS is as disclosed in part A, note 8(a) of this announcement.

- (b) No dividend is declared for the current quarter ended 30 September 2014.

By Order of the Board

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

Secretaries

Kuala Lumpur
26 November 2014