



Financial Results

Form Version 8 (Enhanced)

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Submitted

Company Information

Main Market Company

New Announcement

Submitting Investment Bank/Advisor (if applicable)

Submitting Secretarial Firm (if applicable)

* Company name TELEKOM MALAYSIA BERHAD
* Stock name TM
* Stock code 4863
* Contact person Idrus bin Ismail
* Designation Company Secretary
* Contact number 03-22401221
E-mail address idrus.ismail@tm.com.my

Part A : To be filled by Public Listed Company

* Financial Year End 31/12/2014
* Quarter 2 Qtr
* Quarterly report for the financial period ended 30/06/2014
* The figures have not been audited

Please attach the full Quarterly Report here

[NR 1H2014 TM Financial Results.pdf](#)
[TMB Financial Result Q2 2014.pdf](#)

Remarks

- DEFAULT CURRENCY
- OTHER CURRENCY

Currency Malaysian Ringgit (MYR)

Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended
* 30/06/2014

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER *	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE *	PRECEDING YEAR CORRESPONDING PERIOD
	30/06/2014 [dd/mm/yyyy] \$\$'000	30/06/2013 [dd/mm/yyyy] \$\$'000	30/06/2014 [dd/mm/yyyy] \$\$'000	30/06/2013 [dd/mm/yyyy] \$\$'000
1. Revenue	2,821,750	2,613,794	5,441,786	5,038,443
2. Profit/(loss) before tax	309,323	241,881	588,961	471,431
3. Profit/(loss) for the period	224,464	222,114	443,289	444,414
4. Profit/(loss) attributable to ordinary	214,030	213,843	424,661	427,084

equity holders of the parent				
5. Basic earnings/(loss) per share (Subunit)	5.97	5.98	11.86	11.94
6. Proposed/Declared dividend per share (Subunit)	9.50	9.80	9.50	9.80
	AS AT END OF CURRENT QUARTER*		AS AT PRECEDING FINANCIAL YEAR END	
7. Net assets per share attributable to ordinary equity holders of the parent (\$\$)		2.0337		1.9949
Remarks :				

Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit.

Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

Part A3 : ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER*	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE*	PRECEDING YEAR CORRESPONDING PERIOD
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	[dd/mm/yyyy]	[dd/mm/yyyy]	[dd/mm/yyyy]	[dd/mm/yyyy]
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1. Gross interest income	36,156	36,163	67,386	74,235
2. Gross interest expense	73,626	92,527	145,326	180,173
Remarks :				

Note: The above information is for the Exchange internal use only.

TELEKOM MALAYSIA BERHAD (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad is pleased to announce the following unaudited results of the Group for the second quarter ended 30 June 2014.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	2ND QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/06/2014 RM Million	30/06/2013 RM Million	30/06/2014 RM Million	30/06/2013 RM Million
OPERATING REVENUE	2,821.8	2,613.8	5,441.8	5,038.4
OPERATING COSTS				
- depreciation, impairment and amortisation	(560.2)	(530.8)	(1,140.1)	(1,039.5)
- other operating costs	(1,953.2)	(1,775.7)	(3,726.7)	(3,424.3)
OTHER OPERATING INCOME (net)	30.5	22.5	80.7	53.2
OTHER (LOSSES)/GAINS (net)	(1.2)	3.0	(1.7)	2.9
OPERATING PROFIT BEFORE FINANCE COST	337.7	332.8	654.0	630.7
FINANCE INCOME	36.2	36.1	67.4	74.2
FINANCE COST	(73.6)	(92.5)	(145.3)	(180.2)
FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	7.1	(34.1)	10.0	(52.7)
NET FINANCE COST	(30.3)	(90.5)	(67.9)	(158.7)
ASSOCIATES				
- share of results (net of tax)	2.0	(0.4)	2.9	(0.6)
PROFIT BEFORE TAXATION AND ZAKAT	309.4	241.9	589.0	471.4
TAXATION AND ZAKAT (part B, note 5)	(84.9)	(19.8)	(145.7)	(27.0)
PROFIT FOR THE FINANCIAL PERIOD	224.5	222.1	443.3	444.4
ATTRIBUTABLE TO:				
- equity holders of the Company	214.1	213.9	424.7	427.1
- non-controlling interests	10.4	8.2	18.6	17.3
PROFIT FOR THE FINANCIAL PERIOD	224.5	222.1	443.3	444.4
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic/diluted	6.0	6.0	11.9	11.9

(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

	2ND QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/06/2014 RM Million	30/06/2013 RM Million	30/06/2014 RM Million	30/06/2013 RM Million
PROFIT FOR THE FINANCIAL PERIOD	224.5	222.1	443.3	444.4
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to income statement:				
- decrease in fair value of available-for-sale investments	(0.5)	(1.3)	(3.0)	(1.2)
- (decrease)/increase in fair value of available-for-sale receivables	(0.2)	0.2	(0.8)	0.2
- reclassification adjustments relating to available-for-sale investments disposed	2.2	(0.3)	1.6	(0.4)
- cash flow hedge:				
- decrease in fair value of cash flow hedge	(0.6)	(26.3)	(9.0)	(51.7)
- reclassification to foreign exchange gain	10.2	0.9	9.1	16.2
- currency translation differences				
- subsidiaries	(0.9)	(0.9)	(1.0)	0.1
- associate	(0.1)	#	(0.2)	#
Other comprehensive gain/(loss) for the financial period	10.1	(27.7)	(3.3)	(36.8)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	234.6	194.4	440.0	407.6
ATTRIBUTABLE TO:				
- equity holders of the Company	224.2	186.2	421.4	390.3
- non-controlling interests	10.4	8.2	18.6	17.3
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	234.6	194.4	440.0	407.6

Amount less than RM0.1 million

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30/06/2014 RM Million	AS AT 31/12/2013 RM Million
SHARE CAPITAL	2,567.0	2,504.2
SHARE PREMIUM	463.4	43.2
OTHER RESERVES	170.6	173.9
RETAINED PROFITS	4,257.0	4,415.4
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,458.0	7,136.7
NON-CONTROLLING INTERESTS	159.4	162.6
TOTAL EQUITY	7,617.4	7,299.3
Borrowings	5,570.6	4,865.0
Derivative financial instruments	49.3	51.4
Deferred tax liabilities	1,245.3	1,151.0
Deferred income	1,952.1	1,999.5
Other payables	20.3	9.8
DEFERRED AND NON-CURRENT LIABILITIES	8,837.6	8,076.7
	16,455.0	15,376.0
Property, plant and equipment	14,002.7	14,572.0
Intangible assets	318.8	319.8
Associates	13.4	10.7
Available-for-sale investments	99.7	99.7
Available-for-sale receivables	6.8	7.6
Other non-current receivables	336.7	314.9
Derivative financial instruments	66.7	80.3
Deferred tax assets	18.1	19.3
NON-CURRENT ASSETS	14,862.9	15,424.3
Inventories	128.5	154.0
Non-current assets held for sale	15.9	22.3
Customer acquisition costs	64.5	73.8
Trade and other receivables	3,076.2	2,288.6
Derivative financial instruments	14.3	27.1
Available-for-sale investments	618.5	624.3
Financial assets at fair value through profit or loss	13.5	17.2
Cash and bank balances	3,026.8	2,514.9
CURRENT ASSETS	6,958.2	5,722.2
Trade and other payables	2,694.2	3,172.8
Customer deposits	495.2	502.1
Advance rental billings	471.5	380.8
Derivative financial instruments	33.3	11.0
Borrowings	1,563.8	1,590.2
Taxation and zakat	108.1	113.6
CURRENT LIABILITIES	5,366.1	5,770.5
NET CURRENT ASSETS/(LIABILITIES)	1,592.1	(48.3)
	16,455.0	15,376.0
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	203.4	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 JUNE 2014**

	Attributable to equity holders of the Company								Total Equity RM Million
	Share Capital RM Million	Share Premium RM Million	Fair Value Reserves RM Million	Hedging Reserve RM Million	Capital Redemption Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non- controlling Interests RM Million	
At 1 January 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	-	-	-	-	-	-	424.7	18.6	443.3
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- decrease in fair value of available-for-sale investments	-	-	(3.0)	-	-	-	-	-	(3.0)
- decrease in fair value of available-for-sale receivables	-	-	(0.8)	-	-	-	-	-	(0.8)
- reclassification adjustments relating to available-for-sale investments disposed	-	-	1.6	-	-	-	-	-	1.6
- cash flow hedge:									
- decrease in fair value of cash flow hedge	-	-	-	(9.0)	-	-	-	-	(9.0)
- reclassification to foreign exchange gain	-	-	-	9.1	-	-	-	-	9.1
- currency translation differences									
- subsidiaries	-	-	-	-	-	(1.0)	-	-	(1.0)
- associate	-	-	-	-	-	(0.2)	-	-	(0.2)
Total comprehensive (loss)/income for the financial period	-	-	(2.2)	0.1	-	(1.2)	424.7	18.6	440.0
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)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	(21.8)	(21.8)
Total transactions with owners	62.8	420.2	-	-	-	-	(583.1)	(21.8)	(121.9)
At 30 June 2014	2,567.0	463.4	54.1	46.6	71.6	(1.7)	4,257.0	159.4	7,617.4

(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 JUNE 2013

	Attributable to equity holders of the Company								Total Equity RM Million
	Share Capital RM Million	Share Premium RM Million	Fair Value Reserves RM Million	Hedging Reserve RM Million	Capital Redemption Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non- controlling Interests RM Million	
At 1 January 2013	2,504.2	43.2	62.6	26.9	71.6	(3.9)	4,190.2	165.2	7,060.0
Profit for the financial period	-	-	-	-	-	-	427.1	17.3	444.4
Other comprehensive income									
Items that may be reclassified subsequently to income statement:									
- decrease 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	-	-	(0.4)	-	-	-	-	-	(0.4)
- cash flow hedge:									
- decrease in fair value of cash flow hedge	-	-	-	(51.7)	-	-	-	-	(51.7)
- reclassification to foreign exchange gain	-	-	-	16.2	-	-	-	-	16.2
- currency translation differences									
- subsidiaries	-	-	-	-	-	0.1	-	-	0.1
- associates	-	-	-	-	-	#	-	-	#
Total comprehensive (loss)/income for the financial period	-	-	(1.4)	(35.5)	-	0.1	427.1	17.3	407.6
Transactions with owners									
- final dividends paid for the financial year ended 31 December 2012	-	-	-	-	-	-	(436.4)	-	(436.4)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	(30.1)	(30.1)
Total transactions with owners	-	-	-	-	-	-	(436.4)	(30.1)	(466.5)
At 30 June 2013	2,504.2	43.2	61.2	(8.6)	71.6	(3.8)	4,180.9	152.4	7,001.1

Amount less than RM0.1 million

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL PERIOD ENDED	
	30/06/2014	30/06/2013
	RM Million	RM Million
Receipts from customers	4,694.9	4,524.5
Payments to suppliers and employees	(3,703.1)	(3,699.8)
Payment of finance cost	(141.5)	(174.9)
Payment of income taxes and zakat (net)	(27.7)	(29.3)
CASH FLOWS FROM OPERATING ACTIVITIES	822.6	620.5
Contribution for purchase of property, plant and equipment	37.3	10.9
Disposal of property, plant and equipment	7.0	4.8
Purchase of property, plant and equipment	(874.8)	(1,187.8)
Acquisition of a subsidiary* (part A, note 14)	(33.4)	-
Acquisition of an associate	-	(12.7)
Disposal of available-for-sale investments	150.3	199.5
Purchase of available-for-sale investments	(146.4)	(175.1)
Disposal of financial assets at fair value through profit or loss	3.8	-
Disposal of non-current assets held for sale	12.3	-
Long term deposit	(8.3)	(8.3)
Repayments of loans by employees	3.9	4.1
Loans to employees	(27.3)	(11.7)
Disposal of housing loan	6.1	6.8
Interests received	58.8	65.4
Dividends received	2.3	5.6
CASH FLOWS USED IN INVESTING ACTIVITIES	(808.4)	(1,098.5)
Proceeds from issuance of shares (part A, note 5(a))	483.0	-
Proceeds from borrowings	622.5	898.7
Repayments of borrowings	(8.3)	(249.2)
Repayments of finance lease	(2.0)	(1.9)
Dividend paid to shareholders (part A, note 6)	(583.1)	(436.4)
Dividend paid to non-controlling interests	(21.8)	(23.6)
CASH FLOWS FROM FINANCING ACTIVITIES	490.3	187.6
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	504.5	(290.4)
EFFECT OF EXCHANGE RATE CHANGES	(0.3)	(2.0)
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	3,018.7	3,445.9
*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)

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The unaudited interim financial statements for the 2nd quarter ended 30 June 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.

(I) 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.

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation (continued)

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

The new standards and amendments to published standards that are applicable to the Group, which the Group 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

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)

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.

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

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 2nd quarter and financial period ended 30 June 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 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.

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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

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

Details of IMTN issued during the 2nd quarter and financial period ended 30 June 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

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 2nd quarter and financial period ended 30 June 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.

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information

Segmental information for the Group are as follows:

By Business Segment

All amounts are in RM Million 2nd Quarter Ended 30 June 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	776.3	493.8	289.4	591.6	2,151.1	516.4	1,612.7	4,280.2
Inter-segment @	(10.3)	0.7	(3.0)	(1.5)	(14.1)	(67.3)	(1,377.0)	(1,458.4)
External operating revenue	766.0	494.5	286.4	590.1	2,137.0	449.1	235.7	2,821.8
Results								
Segment profits/(losses)	37.5	64.5	43.2	210.5	355.7	74.5	(7.4)	422.8
Unallocated income/other losses*								0.1
Unallocated costs^								(85.2)
Operating profit before finance cost								337.7
Finance income								36.2
Finance cost								(73.6)
Foreign exchange gain on borrowings								7.1
Associates								
- share of results (net of tax)								2.0
Profit before taxation and zakat								309.4
Taxation and zakat								(84.9)
Profit for the financial period								224.5

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

All amounts are in RM Million 2nd Quarter Ended 30 June 2013	Retail Business				Total Retail Business	Global & Wholesale Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government				
Operating Revenue								
Total operating revenue	734.4	466.4	299.6	464.9	1,965.3	474.6	1,570.6	4,010.5
Inter-segment @	(7.2)	(0.4)	(0.7)	-	(8.3)	(62.4)	(1,326.0)	(1,396.7)
External operating revenue	727.2	466.0	298.9	464.9	1,957.0	412.2	244.6	2,613.8
Results								
Segment profits	48.2	67.8	70.0	125.6	311.6	59.6	16.5	387.7
Unallocated income/other losses*								4.3
Unallocated costs^								(59.2)
Operating profit before finance cost								332.8
Finance income								36.1
Finance cost								(92.5)
Foreign exchange loss on borrowings								(34.1)
Associates								
- share of results (net of tax)								(0.4)
Profit before taxation and zakat								241.9
Taxation and zakat								(19.8)
Profit for the financial period								222.1

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7. Segmental Information (continued)

All amounts are in RM Million Financial Period Ended	Retail Business				Total Retail Business	Global & Wholesale Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government				
30 June 2014								
Operating Revenue								
Total operating revenue	1,549.9	979.5	577.1	1,036.6	4,143.1	981.0	3,218.3	8,342.4
Inter-segment @	(17.1)	(0.1)	(4.0)	(1.5)	(22.7)	(143.6)	(2,734.3)	(2,900.6)
External operating revenue	1,532.8	979.4	573.1	1,035.1	4,120.4	837.4	484.0	5,441.8
Results								
Segment profits	74.5	170.9	88.3	319.2	652.9	139.0	18.3	810.2
Unallocated income/other gains*								3.2
Unallocated costs^								(159.4)
Operating profit before finance cost								654.0
Finance income								67.4
Finance cost								(145.3)
Foreign exchange gain on borrowings								10.0
Associates								
- share of results (net of tax)								2.9
Profit before taxation and zakat								589.0
Taxation and zakat								(145.7)
Profit for the financial period								443.3

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7. Segmental Information (continued)

All amounts are in RM Million Financial Period Ended 30 June 2013	Retail Business				Total Retail Business	Global & Wholesale Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government				
Operating Revenue								
Total operating revenue	1,454.8	934.4	569.3	871.2	3,829.7	929.2	3,026.4	7,785.3
Inter-segment @	(16.1)	(0.8)	(2.1)	-	(19.0)	(143.5)	(2,584.4)	(2,746.9)
External operating revenue	1,438.7	933.6	567.2	871.2	3,810.7	785.7	442.0	5,038.4
Results								
Segment profits	96.5	147.4	121.3	259.4	624.6	107.9	1.1	733.6
Unallocated income/other gains*								10.9
Unallocated costs^								(113.8)
Operating profit before finance cost								630.7
Finance income								74.2
Finance cost								(180.2)
Foreign exchange loss on borrowings								(52.7)
Associates								
- share of results (net of tax)								(0.6)
Profit before taxation and zakat								471.4
Taxation and zakat								(27.0)
Profit for the financial period								444.4

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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 June 2014								
Segment assets	336.0	260.9	284.4	1,091.6	1,972.9	1,117.0	14,915.1	18,005.0
Associates								13.4
Unallocated assets ^{<}								<u>3,802.7</u>
Total assets								<u>21,821.1</u>
Segment liabilities	329.3	397.0	229.6	411.2	1,367.1	640.4	3,535.6	5,543.1
Borrowings								7,134.4
Unallocated liabilities ⁺								<u>1,526.2</u>
Total liabilities								<u>14,203.7</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 material event subsequent to the reporting date that requires disclosure or adjustment to the unaudited interim financial statements save as disclosed below:

Proposed Joint-venture between TM, via its wholly owned subsidiary, Intelsec Sdn Bhd (Intelsec or the company), UEM Land Berhad (UEML) and Iskandar Innovation Sdn Bhd (IISB), a wholly owned subsidiary of Iskandar Investment Berhad (IIB)

On 1 July 2014, TM announced that its wholly-owned subsidiary, Intelsec had entered into a Joint Venture and Shareholders Agreement (JVSHA) with UEML and IISB for the establishment of a Joint Venture Company (JV Co) which will carry on the business of a managed services operating company to provide smart building services and smart city services (Proposed Joint Venture).

JV Co will be established pursuant to the JVSHA and Intelsec, UEML and IISB shall hold 51%, 39% and 10% respectively of the equity interest of the JV Co. The total consideration of the proposed subscription of 31.11 million of the authorised share capital of the JV Co of RM1.00 each by Intelsec is RM31.11 million.

The Proposed Joint Venture is not subject to shareholders' or any government authorities' approval.

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9. Effects of Changes in the Composition of the Group

There is no change in the composition of the Group for the 2nd quarter and financial period ended 30 June 2014 save as disclosed below:

a) GTC Global Sdn Bhd (GTC)

Pursuant to the completion of the business combination as disclosed in part A, note 14, 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 of this announcement.

b) 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	
	30/6/2014	31/12/2013
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	2,759.2	2,793.8
Commitments in respect of expenditure approved but not contracted for	157.9	1,119.7

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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	
	30/6/2014 RM Million	30/6/2013 RM Million	30/6/2014 RM Million	31/12/2013 RM Million
Sales and Receivables	432.6	346.1	131.7	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 RM97.2 million (YTD June 2013: RM78.8 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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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.

	30/6/2014				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	13.5	-	-	13.5	17.2	-	-	17.2
Derivatives at fair value through profit or loss	-	14.3	-	14.3	-	27.1	-	27.1
Derivatives accounted for under hedge accounting	-	66.7	-	66.7	-	80.3	-	80.3
Available-for-sale financial assets								
-investments	-	669.8	48.4	718.2	-	675.6	48.4	724.0
-receivables	-	6.8	-	6.8	-	7.6	-	7.6
Total	13.5	757.6	48.4	819.5	17.2	790.6	48.4	856.2
Liabilities								
Derivatives at fair value through profit or loss	-	33.3	-	33.3	-	11.0	-	11.0
Derivatives accounted for under hedge accounting	-	49.3	-	49.3	-	51.4	-	51.4
Total	-	82.6	-	82.6	-	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 30/6/2014		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	7,134.4	7,659.6	6,455.2	6,813.7

14. Business Combination

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)

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	(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 RM36.8 million whilst its contribution to the Group's profit was RM2.2 million and RM9.5 million for the current quarter and financial period ended 30 June 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:

- (a) the identifiable assets acquired and liabilities assumed; and
- (b) the consideration transferred.

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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 30/06/2013		
	As previously reported RM Million	Reclassi- fication RM Million	As restated RM Million
For financial period ended 30 June 2013			
Cash Flows From Operating Activities			
Payment to suppliers and employees	(3,819.7)	119.9	(3,699.8)
Cash Flows Used In Investing Activities			
Purchase of property, plant and equipment	(1,067.9)	(119.9)	(1,187.8)

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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 8.0% to RM2,821.8 million as compared to RM2,613.8 million in the same quarter last year, mainly due to higher revenue from Internet and multimedia, data and other telecommunications related services which mitigated the decline in voice and non-telecommunications related services.

Other telecommunications related services grew by 50.8% to RM485.7 million in the current quarter primarily contributed by higher revenue from customer projects.

Internet and multimedia services registered higher revenue by 14.0% to RM726.9 million in the current year quarter mainly arising from increase in UniFi customers from 576,559 in the last year quarter to 673,225 in the current quarter and increase in the number of buys for Premium Channels and Video on Demand.

Operating profit before finance cost increased by 1.5% to RM337.7 million as compared to RM332.8 million recorded in the same quarter last year mainly due to higher revenue as mentioned above.

Group profit after tax and non-controlling interests (PATAMI) increased marginally to RM214.1 million as compared to RM213.9 million in the corresponding quarter last year primarily due to lower net finance cost net off higher tax charge in line with the expiry of tax incentives in second half of 2013.

(ii) Segment Performance

Consumer

Revenue increased by 5.7% to RM776.3 million in line with increase in UniFi customers which stood at 558,853 as at the end of the current quarter (30 June 2014: 483,820) and increase in number of buys of Premium Channels and Video on Demand (VOD). The revenue increase was also contributed by Streamyx arising from increased subscription of higher speed packages which in turn improved the Average Revenue Per User (ARPU). Profit for the current quarter has however decreased by 22.2% to RM37.5 million as compared to the corresponding quarter in previous year mainly due to higher direct and overhead cost.

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1. Review of Performance (continued)

(a) Quarter-on-Quarter (continued)

SME

Revenue rose by 5.9% to RM493.8 million in the current quarter as compared to RM466.4 million in the corresponding quarter last year driven by growth in Internet and multimedia services and other telecommunication related services. UniFi customers at the end of the current quarter stood at 110,538 as compared to 90,530 in the corresponding quarter last year. Profit decreased by 4.9% to RM64.5 million in the current quarter from RM67.8 million recorded in the corresponding quarter last year due to higher operating costs.

Enterprise

Revenue decreased by 3.4% to RM289.4 million in the current quarter mainly due to reduction in voice whilst revenue for all other services were maintained at par. Profit decreased by 38.3% to RM43.2 million at the back of higher overheads and network costs.

Government

Government segment registered 27.3% higher revenue to RM591.6 million in the current quarter from RM464.9 million in the corresponding quarter last year attributed to higher revenue from customer projects and data services. In line with higher revenue, profit increased to RM210.5 million in the current quarter under review.

Global & Wholesale

Global & Wholesale recorded revenue of RM516.4 million in the current quarter, higher by 8.8% from previous year quarter mainly due to customer projects. As a result, profit for the current quarter improved by 25.0% to RM74.5 million from the RM59.6 million recorded in the corresponding quarter of last year.

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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 8.0% to RM5,441.8 million as compared to RM5,038.4 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 RM654.0 million was higher by 3.7% as compared to RM630.7 million recorded in the preceding year corresponding period mainly due to higher revenue and other operating income.

Group PATAMI decreased to RM424.7 million as compared to RM427.1 million recorded in the corresponding period last year primarily due to higher tax charge which was partially offset by lower net finance cost this year to date.

(ii) Segment Performance

Consumer

Revenue for the first half of the current financial year increased by 6.5% to RM1,549.9 million contributed by higher UniFi revenue in line with increase in customer base from 483,820 as at 30 June 2013 to 558,853 as at 30 June 2014 and higher number of buys of HyppTV Premium Channels and VOD. Streamyx revenue also improved, contributed by more customers signing up for higher speed packages. Profit however reduced by 22.8% to RM74.5 million due to higher operational costs.

SME

SME recorded revenue growth of 4.8% to RM979.5 million for the first half of the current financial year driven by growth in the Internet and Multimedia services and also other telecommunication related services. The growth in Internet and multimedia revenue was attributed to the increase in UniFi customer base to 110,538 as at 30 June 2014 as compared to 90,530 as at 30 June 2013. Correspondingly, profit increased by 15.9% to RM170.9 million for the current period when compared to the corresponding period of last year.

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1. Review of Performance (continued)

(b) Year-on-Year (continued)

Enterprise

Revenue increased by 1.4% to RM577.1 million as compared to RM569.3 million recorded in the first half last year. All services apart from voice recorded higher revenue particularly Internet and other telecommunication related services. Profit for the current year period stood at RM88.3 million, a 27.2% decrease due to higher operating costs.

Government

Data, Internet and multimedia and other telecommunications related services jointly contributed to a 19.0% increase in revenue for Government segment during the current period under review. Higher revenue from customer projects remained the main contributor to the higher revenue. Data was another significant contributor with new installations of IP services from various customers coupled with upgrades to higher bandwidth. Profit increased by 23.1% from RM259.4 million to RM319.2 million in current financial period in line with the higher revenue.

Global & Wholesale

Global & Wholesale registered revenue of RM981.0 million, registering a 5.6% growth from RM929.2 million reported in the corresponding period last year. This was mainly contributed by customer projects despite reduction in voice services arising from further reduction of rate in Mandatory Standard Access Pricing (MSAP). Correspondingly, profit increased by 28.8% to RM139.0 million in the current financial period.

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1. Review of Performance (continued)

(c) Economic Profit Statement

	2nd Quarter Ended		Financial Period Ended	
	30/6/2014 RM Million	30/6/2013 RM Million	30/6/2014 RM Million	30/6/2013 RM Million
EBIT	338.9	329.8	655.7	627.8
Adjusted Tax	84.7	82.5	163.9	157.0
NOPLAT	254.2	247.3	491.8	470.8
AIC	3,450.9	3,382.8	6,901.7	6,765.6
WACC	7.06%	6.04%	7.03%	6.03%
ECONOMIC CHARGE	243.6	204.3	485.2	408.0
ECONOMIC PROFIT	10.6	43.0	6.6	62.8

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 lower EP during the current quarter and financial period to date due to higher economic charge attributed to higher AIC and WACC despite higher NOPLAT. The higher AIC was due to high trade receivables arising from consolidation of a new subsidiary whilst higher WACC was a result of higher cost of equity. The higher NOPLAT was mainly attributed to the increase in revenue which was higher than the increase in cost, and higher other operating income.

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2. Comparison with Preceding Quarter's Results

The current quarter Group revenue increased by 7.7% to RM2,821.8 million as compared to RM2,620.0 million recorded in the first quarter of 2014 primarily due to higher revenue from all services.

Consequent from the higher revenue, operating profit before finance cost increased by 6.8% to RM337.7 million as compared to RM316.3 million recorded in the preceding quarter.

Group PATAMI increased by 1.7% to RM214.1 million from RM210.6 million in the preceding quarter mainly due to higher revenue net off lower other operating income and higher tax charge.

3. Prospects for the Current Financial Year

Malaysian Institute of Economic Research (MIER) is maintaining Malaysia's growth forecast of 5.3% for 2014, taking into account growth dividend derived from stronger than expected fiscal consolidation process, tighter monetary policy stance and better-than-expected global market environment. (*Source: Malaysian Economic Outlook, MIER, 22 July 2014*).

TM foresees 2014 to be a positive year with focus on broadband and data services. We continue to see good take-up of our broadband offerings with more than 685,000 UniFi customers to date. Building on our aspiration towards becoming an "Innovation Exchange", the year will see TM introducing new and exciting content and applications to add value to our broadband offerings whilst catering for the varying needs of our customers. In June, we launched HyppMe, an Over-the-Top (OTT) mobile communication application providing seamless voice/SMS service at a very competitive flat rate across all service providers as well as instant messaging service. This marks our entry in the smart phone communication play. We also launched Malaysia's first 24-hour dedicated home shopping channel *TV Direct Showcase*, enabling our customers to purchase quality products from the convenience of their home, 24 hours a day. *TV Direct* further provides opportunities for TM's SME customers to venture into business over TV, thus enhancing their market reach. Subsequently in July, HyppTV launched our country's first Islamic On Demand content – *Al Hijrah On Demand* channel that provides quality Islamic content in high definition.

Through strategic partnerships, we are also striving to provide innovative solutions to our business customers. TM had signed an agreement with IBM Malaysia Sdn Bhd in June 2014 to launch Malaysia's first Virtual Private Cloud (VPC), addressing the needs of large enterprises for customized and flexible cloud computing solutions, without the need for high upfront

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

3. Prospects for the Current Financial Year (continued)

investments and skilled resources. TM also established a joint venture company with UEM Sunrise and Iskandar Investment Berhad to design and build smart city infrastructure and provide smart building/city services including security services, energy and facility management. UniFi is currently available in 10 exchange areas in Johor covering close to 107,000 premises passed (31 July 2014). This is a testament of our support and commitment towards realising the Smart and Connected Nusajaya aspiration, thus strengthening our position as Malaysia's leading integrated telecommunication and ICT service provider, in line with our Information Exchange vision.

We continue to strengthen our position as the Broadband Champion with the launch of our first 4G broadband data offering, TMgo in Alor Setar, Kedah in August 2014. This marks our move into the 4G mobility space as part of our roadmap towards true convergence, whereby providing mobility will ensure the delivery of end-to-end broadband and data services, thus enhancing customers' experience. TMgo is currently available at selected areas in Kedah and Melaka, with priority to the underserved areas and will be expanded to other states nationwide.

TM will stay the course and continue to focus on executing our Performance Improvement Programme 3.0 (PIP 3.0) ongoing transformation journey towards becoming an Information and Innovation Exchange, which will enable us to meet our commitment of delivering our promise of 'Life Made Easier' and 'Business Made Easier' with TM.

Barring unforeseen circumstances the Board of Directors expects 2014 to be a positive year for TM.

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

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the 2nd quarter and financial period ended 30 June 2014.

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5. Taxation

The taxation charge for the Group comprises:

	2nd Quarter Ended		Financial Period Ended	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM Million	RM Million	RM Million	RM Million
<u>Malaysia</u>				
Income Tax:				
Current year	29.5	20.6	52.8	39.2
Prior year	0.1	(6.5)	(3.6)	(9.2)
Deferred tax (net)	54.9	4.5	95.3	(5.9)
	84.5	18.6	144.5	24.1
<u>Overseas</u>				
Income Tax:				
Current year	0.2	(0.2)	0.9	1.4
Prior year	0.2	(1.4)	0.3	(1.4)
Deferred tax (net)	(0.1)	2.8	(0.1)	2.8
	0.3	1.2	1.1	2.8
Taxation	84.8	19.8	145.6	26.9
Zakat	0.1	-	0.1	0.1
Taxation and Zakat	84.9	19.8	145.7	27.0

The current quarter effective tax rate of the Group is higher than the statutory tax rate primarily due to non-tax deductible expenses. The financial period effective tax rate is slightly lower than the statutory tax rate mainly due to profit of certain subsidiaries with Pioneer Status which are not subject to tax, countered by non-tax deductible expenses.

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6. Status of Corporate Proposals

(i) Proposed investment by Mobikom Sdn Bhd (Mobikom), a wholly owned subsidiary of TM, in Packet One Networks (Malaysia) Sdn Bhd (Proposed Investment)

On 27 March 2014, TM announced that its wholly-owned subsidiary, Mobikom had entered into an 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 (Proposed Share Subscription) (Investment Agreement or collectively, Proposals):

- (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 (Packet One Guarantor where applicable);
- (d) TM (Mobikom Guarantor where applicable); and
- (e) Packet One Networks (Malaysia) Sdn Bhd (P1)

Mobikom Guarantor, Packet One Guarantor and SKT Guarantor (collectively Guarantors) have agreed to guarantee the obligations under the Investment Agreement of each Mobikom, Packet One and SKT (and their affiliates from time to time that may acquire P1 Shares or any securities in P1) respectively.

Pursuant to the Proposals, the following key agreements will also be entered into:

- (i) a subscription agreement between TM (or if TM elects, Mobikom) and Green Packet 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) to be issued by Green Packet in tranches. The Exchangeable MTNs may be exchangeable into, amongst others, P1 Shares held by Packet One immediately after completion of the Investment Agreement (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 Bond or CB) to be subscribed 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);

Upon completion of the Proposed Share Subscription, TM will subscribe for an initial tranche of the Exchangeable MTNs to be issued by Green Packet with a subscription value of up to RM120.0 million (Proposed Exchangeable MTN Subscription A).

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6. Status of Corporate Proposals (continued)

(i) Proposed investment by Mobikom Sdn Bhd (Mobikom), a wholly owned subsidiary of TM, in Packet One Networks (Malaysia) Sdn Bhd (Proposed Investment) (continued)

Pursuant to the Investment Agreement, the following key agreements will also be entered into: (continued)

- (ii) a subscription agreement between Mobikom (and/or its affiliates), Packet One (and/or its affiliates), SKT (and/or its affiliates) and P1 in relation to the Convertible MTN (previously referred to as Convertible Bond or CB) programme by P1 to raise up to RM1.65 billion in tranches; and
- (iii) collaboration agreements between each of TM, Packet One and SKT (on the one hand) and P1 (on the other hand) in relation to the operational and business collaboration between the said 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 Proposals are subject to, amongst others, the following approvals being obtained before Completion:

- (i) the approvals of the Malaysian Communications and Multimedia Commission (MCMC) for the change in shareholdings of P1, lease of the additional spectrum to be leased by TM (or one of TM's affiliates) pursuant to a spectrum lease agreement to be entered into between TM (or one of TM's affiliates) and P1, and the detailed business plans in relation to the requisite spectrum;

A notification on the change in shareholdings of P1, together with relevant approvals required relating thereto, was made by P1 to the MCMC on 25 April 2014. In furtherance thereto, on 23 May 2014, TM submitted the detailed business plans in relation to the requisite spectrum to the MCMC for MCMC's approval.

On 8 August 2014, MCMC approved the allocation of the requisite spectrum to TM subject to TM submitting an irrevocable bank guarantee of RM20.0 million to MCMC. The said allocation (including detailed business plans in relation thereto) is on terms specified by the MCMC.

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6. Status of Corporate Proposals (continued)

(i) Proposed investment by Mobikom Sdn Bhd (Mobikom), a wholly owned subsidiary of TM, in Packet One Networks (Malaysia) Sdn Bhd (Proposed Investment) (continued)

The Proposed Investment is subject to, amongst others, the following approvals being obtained before Completion: (continued)

(ii) the approvals of the Securities Commission (SC) for the issuance of the Exchangeable MTNs and Convertible MTNs;

On 20 May 2014, Green Packet submitted an application to the SC in respect of the Proposed Issuance of Exchangeable MTNs. Subsequently an application to the SC in respect of the Proposed Issuance of the Convertible MTNs was submitted by P1 on 25 June 2014.

The SC had on 25 July 2014 and 15 August 2014 given its authorisation for the issuance of the Exchangeable MTNs and Convertible MTNs respectively, subject to terms specified by SC.

(iii) the approval of the shareholders of Green Packet for the transactions contemplated in the Investment Agreement; and

On 7 August 2014, the shareholders of Green Packet approved the following Ordinary Resolutions pertaining to the Proposals, which were set out in a Notice of Extraordinary General Meeting dated 23 July 2014:

- i. Proposed dilution of Green Packet's equity interest in P1 arising from Mobikom's subscription of new P1 ordinary shares and P1's internal restructuring (Proposed Dilution);
- ii. Proposed acquisition by Packet One of P1's shares held by minorities;
- iii. Proposed issuance by Green Packet of up to RM210.0 million of nominal value Exchangeable MTNs to TM or if TM elects, to Mobikom; and
- iv. Proposed subscription by Packet One and/or its Related Corporation of up to RM247.5 million of nominal value Convertible MTNs to be issued by P1 in tranches after the Proposed Dilution.

(iv) the approval or consent of the financiers/creditors of Green Packet.

The Proposed Investment (collectively Proposals) are not conditional upon any other corporate exercise undertaken by TM or the Group.

Save as disclosed above, there is no other corporate proposal announced and not completed as at the latest practicable date.

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7. Group Borrowings and Debt Securities

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

	30/6/2014		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	4.4	129.7	-	-
Total Unsecured	1,559.4	5,440.9	1,590.2	4,865.0
Total Borrowings	1,563.8	5,570.6	1,590.2	4,865.0

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

	30/6/2014	31/12/2013
Foreign Currency	RM Million	RM Million
US Dollar	2,774.2	2,832.4
Canadian Dollars	3.2	3.3
Japanese Yen	247.2	242.8
Total	3,024.6	3,078.5

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 30/6/2014		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	14.2 0.1	21.0 12.3	27.1 -	11.0 -
	1,289.5	14.3	33.3	27.1	11.0
2. <u>Interest Rate Swaps</u> - 1 year to 3 years	500.0	5.0	-	7.5	-
	500.0	5.0	-	7.5	-
3. <u>Cross Currency Interest Rate Swaps</u> - more than 3 years	926.2	61.7	49.3	72.8	51.4
	926.2	61.7	49.3	72.8	51.4
Total	2,715.7	81.0	82.6	107.4	62.4

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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:

(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. 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

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.

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

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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.

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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 June 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	
			2nd 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	(8.6)	(22.3)
	691.0	33.3	(8.6)	(22.3)
2. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱⁱ⁾ - more than 3 years	298.9	49.3	1.8	2.1
	298.9	49.3	1.8	2.1
Total	989.9	82.6	(6.8)	(20.2)
Financial Assets				
1. <u>Forward Foreign Currency Contracts</u> ⁽ⁱ⁾ - less than 1 year	598.5	14.3	(10.0)	(12.8)
	598.5	14.3	(10.0)	(12.8)
2. <u>Interest Rate Swaps</u> ⁽ⁱⁱ⁾ - 1 year to 3 years	500.0	5.0	(2.3)	(2.5)
	500.0	5.0	(2.3)	(2.5)
3. <u>Cross Currency Interest Rate Swaps</u> ⁽ⁱⁱⁱ⁾ - more than 3 years	627.3	61.7	(2.4)	(11.1)
	627.3	61.7	(2.4)	(11.1)
Total	1,725.8	81.0	(14.7)	(26.4)

(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	
	30/6/2014	31/12/2013
	RM Million	RM Million
Retained profits		
- realised	2,971.2	3,051.2
- unrealised - in respect of deferred tax recognised in the income statement	(1,227.2)	(1,131.7)
- in respect of other items of income and expense	905.1	860.8
Share of accumulated profit from associates		
- realised	6.8	3.9
	<u>2,655.9</u>	<u>2,784.2</u>
Add: consolidation adjustments	1,601.1	1,631.2
Total Retained Profits	<u>4,257.0</u>	<u>4,415.4</u>

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 2nd quarter and financial period ended 30 June 2014:

	2nd Quarter Ended		Financial Period Ended	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM Million	RM Million	RM Million	RM Million
Impairment of trade and other receivables (net of recoveries)	(57.6)	(9.7)	(94.0)	(41.1)
Inventory write off and obsolescence	#	(0.6)	#	(1.4)
(Loss)/Gain on disposal of fixed income securities	(2.2)	0.3	(1.6)	0.4
(Loss)/Gain on foreign exchange on settlements and placements	(5.8)	0.7	(4.6)	(1.3)

Amount less than RM0.1 million

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 18 September 2014.

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)

(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.

On 1 August 2012, NGSB filed an appeal to the Court of Appeal against the decision of the High Court above. The appeal is fixed for hearing on 28 October 2014.

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 (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.

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. The Court will deliver its decision on a date to be notified to the parties.

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11. Material Litigation (continued)

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

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

12. Earnings per Share (EPS)

	2nd Quarter Ended		Financial Period Ended	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
Basic/Diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	214.1	213.9	424.7	427.1
Weighted average number of ordinary shares (million)	3,585.3	3,577.4	3,581.4	3,577.4
Basic/Diluted earnings per share (sen) attributable to equity holders of the Company	6.0	6.0	11.9	11.9

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 June 2014. 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 2013 were not subject to any qualification.

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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

The Board of Directors has 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.

The DRS is subject to 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.

The interim dividend will be paid no later than 3 months from the date of this announcement, pursuant to Paragraph 8.26 of the Main Market Listing Requirements. The date of entitlement will be announced later.

By Order of the Board

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

Secretaries

Kuala Lumpur
27 August 2014