

**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 2011.

**UNAUDITED CONSOLIDATED INCOME STATEMENT**

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/9/2011	30/9/2010	30/9/2011	30/9/2010
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	2,321.7	2,194.6	6,703.5	6,470.4
OPERATING COSTS				
- depreciation, impairment and amortisation	(580.7)	(495.8)	(1,592.1)	(1,430.1)
- other operating costs	(1,537.0)	(1,474.8)	(4,497.1)	(4,404.9)
OTHER OPERATING INCOME (net)	27.8	39.7	83.9	100.2
OTHER GAINS (net)	278.3	154.7	281.0	157.9
OPERATING PROFIT BEFORE FINANCE COST	510.1	418.4	979.2	893.5
FINANCE INCOME	31.0	36.3	97.4	87.0
FINANCE COST	(81.9)	(87.7)	(232.0)	(274.3)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	(122.5)	139.0	(73.0)	319.5
NET FINANCE (COST)/INCOME	(173.4)	87.6	(207.6)	132.2
ASSOCIATES				
- share of results (net of tax)	0.5	(0.1)	*	(0.3)
PROFIT BEFORE TAXATION AND ZAKAT	337.2	505.9	771.6	1,025.4
TAXATION AND ZAKAT	(21.3)	(59.3)	(144.0)	(196.4)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>315.9</b>	<b>446.6</b>	<b>627.6</b>	<b>829.0</b>
ATTRIBUTABLE TO:				
- equity holders of the Company	302.2	438.5	592.7	805.8
- non-controlling interests	13.7	8.1	34.9	23.2
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>315.9</b>	<b>446.6</b>	<b>627.6</b>	<b>829.0</b>
EARNINGS PER SHARE (sen) (part B, note 13)				
- basic/diluted	8.4	12.3	16.6	22.7

\* Amount less than RM0.1 million

(The above unaudited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010)

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/9/2011 RM Million	30/9/2010 RM Million	30/9/2011 RM Million	30/9/2010 RM Million
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>315.9</b>	446.6	<b>627.6</b>	829.0
<b>OTHER COMPREHENSIVE INCOME:</b>				
Increase in fair value of available-for-sale investments	<b>8.2</b>	93.1	<b>37.0</b>	340.1
Increase in fair value of available-for-sale receivables	<b>(0.5)</b>	*	<b>0.3</b>	1.1
Reclassification adjustments relating to available-for-sale investments disposed	<b>(284.4)</b>	(83.5)	<b>(285.5)</b>	(83.7)
Currency translation differences - subsidiaries	<b>3.2</b>	0.4	<b>2.5</b>	(0.3)
Other comprehensive (loss)/income for the financial period	<b>(273.5)</b>	10.0	<b>(245.7)</b>	257.2
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>	<b>42.4</b>	456.6	<b>381.9</b>	1,086.2
ATTRIBUTABLE TO:				
- equity holders of the Company	<b>28.7</b>	448.5	<b>347.0</b>	1,063.0
- non-controlling interests	<b>13.7</b>	8.1	<b>34.9</b>	23.2
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>	<b>42.4</b>	456.6	<b>381.9</b>	1,086.2

\* 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 2010)

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	AS AT 30/9/2011 (UNAUDITED)	AS AT 31/12/2010 (AUDITED)
	RM Million	RM Million
SHARE CAPITAL	3,577.4	3,568.1
SHARE PREMIUM	43.2	1,055.1
OTHER RESERVES	156.9	366.8
RETAINED PROFITS	2,574.2	2,719.4
<b>TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>6,351.7</b>	<b>7,709.4</b>
NON-CONTROLLING INTERESTS	151.7	150.8
<b>TOTAL EQUITY</b>	<b>6,503.4</b>	<b>7,860.2</b>
Borrowings	6,212.4	5,506.0
Derivative financial instruments	15.7	28.0
Deferred tax liabilities	1,801.0	1,664.2
Deferred income	1,919.5	1,432.1
<b>DEFERRED AND NON-CURRENT LIABILITIES</b>	<b>9,948.6</b>	<b>8,630.3</b>
	<b>16,452.0</b>	<b>16,490.5</b>
Intangible assets	319.7	312.3
Property, plant and equipment	12,984.9	13,112.1
Land held for property development	108.9	107.4
Associates	0.5	0.5
Available-for-sale investments	114.7	114.6
Available-for-sale receivables	11.5	14.9
Other long term receivables	80.7	89.4
Derivative financial instruments	24.0	3.6
Deferred tax assets	23.8	86.7
<b>NON-CURRENT ASSETS</b>	<b>13,668.7</b>	<b>13,841.5</b>
Inventories	245.5	174.0
Customer acquisition costs	107.2	87.1
Trade and other receivables	2,342.8	2,329.3
Available-for-sale investments	401.9	838.1
Financial assets at fair value through profit or loss	16.3	21.5
Cash and bank balances	3,331.6	3,488.5
<b>CURRENT ASSETS</b>	<b>6,445.3</b>	<b>6,938.5</b>
Trade and other payables	3,074.7	3,639.2
Customer deposits	574.4	580.5
Borrowings	6.2	26.0
Taxation and zakat	6.7	43.8
<b>CURRENT LIABILITIES</b>	<b>3,662.0</b>	<b>4,289.5</b>
<b>NET CURRENT ASSETS</b>	<b>2,783.3</b>	<b>2,649.0</b>
	<b>16,452.0</b>	<b>16,490.5</b>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)</b>	<b>177.6</b>	<b>216.1</b>

**(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 2010)**

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD 30 SEPTEMBER 2011**

	Attributable to equity holders of the Company							Total Equity RM Million
	Share Capital RM Million	Share Premium RM Million	Currency Translation Differences RM Million	Fair Value Reserve RM Million	Capital Redemption Reserve RM Million	Retained Profits RM Million	Non- controlling Interests RM Million	
At 1 January 2011	3,568.1	1,055.1	(1.4)	332.4	35.8	2,719.4	150.8	7,860.2
Profit for the financial period	-	-	-	-	-	592.7	34.9	627.6
Other comprehensive income/(loss) for the financial period	-	-	2.5	(248.2)	-	-	-	(245.7)
Total comprehensive income/(loss) for the financial period	-	-	2.5	(248.2)	-	592.7	34.9	381.9
Transactions with owners:								
Bonus issue of Redeemable Preference Shares (RPS) (part A, note 5(b))	35.8	(35.8)	-	-	-	-	-	-
Redemption of RPS (part A, note 5(b))	(35.8)	(1,001.6)	-	-	-	-	-	(1,037.4)
Creation of capital redemption reserve upon redemption of RPS (part A, note 5(b))	-	-	-	-	35.8	(35.8)	-	-
Disposal of equity interest in a subsidiary (part A, note 10)	-	-	-	-	-	-	(4.3)	(4.3)
Final dividends paid for the financial year ended 31 December 2010 (part A, note 6)	-	-	-	-	-	(351.5)	-	(351.5)
Interim dividends paid for the financial year ending 31 December 2011 (part A, note 6)	-	-	-	-	-	(350.6)	-	(350.6)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(29.7)	(29.7)
Shares issued upon disposal of shares attributed to lapsed options	9.3	25.5	-	-	-	-	-	34.8
Total transactions with owners	9.3	(1,011.9)	-	-	35.8	(737.9)	(34.0)	(1,738.7)
<b>At 30 September 2011</b>	<b>3,577.4</b>	<b>43.2</b>	<b>1.1</b>	<b>84.2</b>	<b>71.6</b>	<b>2,574.2</b>	<b>151.7</b>	<b>6,503.4</b>

(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 2010)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

	Attributable to equity holders of the Company								
	Share Capital RM Million	Share Premium RM Million	Currency Translation Differences RM Million	ESOS Reserve RM Million	Fair Value Reserve RM Million	Capital Redemption Reserve RM Million	Retained Profits RM Million	Non- controlling Interests RM Million	Total Equity RM Million
At 1 January 2010									
As previously reported	3,543.5	1,011.8	(1.0)	19.7	155.5	35.8	2,222.2	142.5	7,130.0
Adjustments on application of FRS 139	-	-	-	-	100.4	-	(18.0)	-	82.4
At 1 January 2010, as restated	3,543.5	1,011.8	(1.0)	19.7	255.9	35.8	2,204.2	142.5	7,212.4
Profit for the financial period	-	-	-	-	-	-	805.8	23.2	829.0
Other comprehensive (loss)/income for the financial period	-	-	(0.3)	-	257.5	-	-	-	257.2
Total comprehensive (loss)/income for the financial period	-	-	(0.3)	-	257.5	-	805.8	23.2	1,086.2
Transactions with owners:									
Final dividends paid for the financial year ended 31 December 2009	-	-	-	-	-	-	(346.4)	-	(346.4)
Interim dividends paid for the financial year ending 31 December 2009	-	-	-	-	-	-	(347.8)	-	(347.8)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(26.1)	(26.1)
Employees' share option scheme (ESOS)									
- shares issued upon exercise of options	23.4	23.0	-	-	-	-	-	-	46.4
- transfer of reserve upon exercise of options	-	17.2	-	(17.2)	-	-	-	-	-
- transfer of reserve upon expiry of ESOS	-	-	-	(2.5)	-	-	2.5	-	-
Shares issued upon disposal of shares by TM ESOS Management Sdn Bhd	0.8	1.8	-	-	-	-	-	-	2.6
Total transactions with owners	24.2	42.0	-	(19.7)	-	-	(691.7)	(26.1)	(671.3)
<b>At 30 September 2010</b>	<b>3,567.7</b>	<b>1,053.8</b>	<b>(1.3)</b>	<b>-</b>	<b>513.4</b>	<b>35.8</b>	<b>2,318.3</b>	<b>139.6</b>	<b>7,627.3</b>

(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 2010)

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**

	FINANCIAL PERIOD ENDED	
	30/9/2011	30/9/2010
	RM Million	RM Million
Receipts from customers	6,516.1	6,186.4
Payments to suppliers and employees	(4,642.8)	(4,263.1)
Payment of finance cost	(225.6)	(264.4)
Refund of income taxes (net)	16.4	8.1
Payment of zakat	(2.3)	(4.2)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>1,661.8</b>	<b>1,662.8</b>
Contribution for purchase of property, plant and equipment	575.6	524.9
Disposal of property, plant and equipment	8.9	6.0
Purchase of property, plant and equipment	(1,831.1)	(1,638.8)
Disposal of available-for-sale investments	740.2	441.0
Purchase of available-for-sale investments	(267.0)	(165.0)
Disposal of financial assets at fair value through profit or loss	0.8	66.8
Purchase of financial assets at fair value through profit or loss	-	(19.8)
Disposal of a subsidiary* (part B, note 10)	(2.3)	-
Repayments of loans by employees	12.4	23.7
Loans to employees	(9.8)	(17.7)
Disposal of housing loan	9.0	15.4
Interests received	92.7	86.6
Dividends received	17.0	3.2
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(653.6)</b>	<b>(673.7)</b>
Issue of share capital	34.8	49.0
Redemption of Redeemable Preference Shares	(1,037.4)	-
Proceeds from borrowings	920.0	-
Repayments of borrowings	(342.9)	(13.4)
Repayments of finance lease	(3.1)	(2.4)
Dividends paid to shareholders	(702.1)	(694.2)
Dividends paid to non-controlling interests	(29.7)	(26.1)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(1,160.4)</b>	<b>(687.1)</b>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(152.2)	302.0
EFFECT OF EXCHANGE RATE CHANGES	(4.6)	6.4
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	3,488.0	3,490.2
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>3,331.2</b>	<b>3,798.6</b>

\*Net of cash & cash equivalent disposed of

(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 2010)

**TELEKOM MALAYSIA BERHAD (128740-P)**  
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**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134**

**1. Basis of Preparation**

- (a) The unaudited interim financial statements for the 3rd quarter ended 30 September 2011 of the Group have been prepared in accordance with Financial Reporting Standards (FRS) 134 “Interim Financial Reporting”, 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 2010. 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 2010 audited financial statements except for the changes arising from the adoption of the new and revised FRSs issued by the Malaysian Accounting Standards Board (MASB) that are effective for the Group’s financial year beginning on 1 January 2011.

**(I) New and revised standards, amendments to published standards and IC Interpretations issued by the MASB that are effective for the Group’s financial year beginning on 1 January 2011**

The new and revised standards, amendments to published standards and IC Interpretations that have been issued by the MASB that are effective for the Group’s financial year beginning on 1 January 2011, being considered in this announcement are as follows:

		<b>Effective date</b>
Amendment to FRS 132	Financial Instruments: Presentation on Classification of Rights Issues	1 March 2010
FRS 3 (revised)	Business Combinations	1 July 2010
FRS 127 (revised)	Consolidated and Separate Financial Statements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distribution of Non-cash Assets to Owners	1 July 2010
Amendment to FRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7	Financial Instruments: Disclosures and FRS 1 First-time Adoption of Financial Reporting Standards	1 January 2011
IC Interpretation 4	Determining Whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011

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**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134**

**1. Basis of Preparation (continued)**

**(I) New and revised standards, amendments to published standards and IC Interpretations issued by the MASB that are effective for the Group's financial year beginning on 1 January 2011 (continued)**

The following amendments are part of the MASB's improvement projects:

		<b>Effective date</b>
FRS 2	Share-based Payment	1 July 2010
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 138	Intangible Assets	1 July 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
FRS 3	Business Combinations	1 January 2011
FRS 7	Financial Instruments: Disclosures	1 January 2011
FRS 101	Presentation of Financial Statements	1 January 2011
FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
FRS 128	Investments in Associates	1 January 2011
FRS 132	Financial Instruments: Presentation	1 January 2011
FRS 134	Interim Financial Reporting	1 January 2011
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 13	Customer Loyalty Programmes	1 January 2011

The adoption of the revised FRS 3 and FRS 127 will potentially have impact on the Group as these standards will change the accounting for business combinations. As these standards are applied prospectively, the impact to the financial results will arise from future acquisitions.

The revised FRS 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the Income Statement.



**1. Basis of Preparation (continued)**

**(I) New and revised standards, amendments to published standards and IC Interpretations issued by the MASB that are effective for the Group's financial year beginning on 1 January 2011 (continued)**

The revised FRS 3 continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the Income Statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed off.

IC Interpretation 18 "Transfers of Assets from Customers" provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 "Revenue". The Group has transactions where an item of property, plant and equipment is received from customer, which the Group then uses to connect the customer to a network or to provide the customer with services. The adoption of IC Interpretation 18 does not have material impact to the Group.

The adoption of the Amendment to FRS 7 which requires enhanced disclosures about fair value measurement and liquidity risk, in particular, the disclosure of fair value measurements by the three-level fair value hierarchy, does not impact the financial results of the Group as the enhancement introduced is on disclosure.

The adoption of the other standards, amendments to published standards and IC Interpretations do not have any material effect to the Group or the Group's significant accounting policies.

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**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134**

**1. Basis of Preparation (continued)**

**(II) Standards that are not yet effective and have not been early adopted**

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

		<b>Effective date</b>
FRS 124 (revised)	Related Party Disclosure	1 January 2012
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2013
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of Interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
FRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
FRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
FRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012

On 19 November 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework) which comprises Standards as issued by the International Accounting Standards Board (IASB) that are effective on 1 January 2012. The key differences between the FRS Framework and MFRS Framework are that in the former,

- FRS 201<sub>2004</sub> Property Development Activities will continue to be the extant standard for accounting for property development activities and not IC 15, and
- there is no equivalent standard to IAS 41.

The Group will adopt relevant Standards issued under MFRS Framework on 1 January 2012.

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**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134**

**1. Basis of Preparation (continued)**

**(b) Reclassification of Comparatives**

During the 4th quarter 2010, the Group reclassified fair value changes on forward foreign exchange contracts from other gains (net) to net finance (cost)/income to better reflect the effective cost of borrowings. The impact of this reclassification is as follows:

	<b>3rd Quarter Ended 30/9/2010</b>			<b>Financial Period Ended 30/9/2010</b>		
	As previously reported RM Million	Reclassifi- cation RM Million	As restated RM Million	As previously reported RM Million	Reclassifi- cation RM Million	As restated RM Million
Other gains (net)	132.8	21.9	154.7	131.8	26.1	157.9
Foreign exchange gain on borrowings	160.9	(21.9)	139.0	345.6	(26.1)	319.5
Net finance (cost)/income	109.5	(21.9)	87.6	158.3	(26.1)	132.2

**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 financial period ended 30 September 2011 other than as mentioned elsewhere in the unaudited interim financial statements.

**4. Material Changes in Estimates**

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

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**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134**

**5. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities**

- (a) The issued and paid-up capital of the Company increased by 9.3 million ordinary shares from 3,568.1 million to 3,577.4 million ordinary shares of RM1.00 each following the disposal of 9.3 million ordinary shares of the Company attributed to lapsed options by TM ESOS Management Sdn Bhd.

As per the By-laws of the Special ESOS scheme, the excess unallocated shares and shares attributable to lapsed options will be sold to the open market upon the expiration of the Special ESOS on 16 September 2010. The features of the Special ESOS are as disclosed in note 15 to the audited financial statements for the financial year ended 31 December 2010.

- (b) On 25 February 2011, the Company had announced a proposal to carry out a cash capital distribution (Capital Distribution) to shareholders of approximately RM1,037.4 million. The proposal was approved by shareholders at an Extraordinary General Meeting on 10 May 2011.

On 7 June 2011, the Company had implemented a bonus issue of 3,577.4 million Redeemable Preference Shares (RPS) of RM0.01 each to eligible shareholders, on the basis of 1 RPS for each ordinary share of RM1.00 each held. The bonus issue was issued at a par value of RM0.01 for each RPS by way of capitalisation of the Company's share premium account.

As this bonus issue was intended to facilitate the Capital Distribution, the Company has redeemed the RPS at a redemption price of RM0.29 for each RPS settled by way of a cash payment of RM1,037.4 million. The premium on redemption of RM0.28 for each RPS or RM1,001.6 million was redeemed out of the Company's share premium account. Concurrently, the redemption of the par value of the RPS resulted in the creation of a capital redemption reserve of RM35.8 million. The payment was made on 15 June 2011.

- (c) On 5 April 2011, the Company received approval from the Securities Commission Malaysia for the establishment of Islamic Commercial Paper (ICP) programme and an Islamic Medium Term Notes (IMTN) programme with a combined limit of up to RM2.0 billion in nominal value, which has respective tenures of 7 and 15 years from the date of first issuance. The proceeds from the issuance of ICP and/or IMTN will be used by the Company to meet its capital expenditure requirement.

On 25 April 2011, the Company issued RM150.0 million nominal value ICPs at 3.15% per annum. The abovementioned ICPs have matured on 27 June 2011. On 1 August 2011, the Company issued another RM150.0 million nominal value ICPs at 3.12 % per annum, which have matured on 13 September 2011.

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**PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134**

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

- (c) On 27 June 2011, the Company issued RM300.0 million nominal value IMTN and repaid the ICP of RM150.0 million upon maturity on 27 June 2011. The IMTN will mature on 25 June 2021. On 13 September 2011, the Company issued another RM300.0 million nominal value IMTN and repaid the second ICP of RM150.0 million upon maturity on 13 September 2011. The said IMTN will mature on 13 September 2021.

Save for the above, there were no other issuance, cancellations, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 30 September 2011.

**6. Dividends Paid**

- (i) A final gross dividend of 13.1 sen per share less tax at 25% amounting to RM351.5 million in respect of financial year ended 31 December 2010 was paid on 15 June 2011.
- (ii) An interim single-tier dividend of 9.8 sen per share amounting to RM350.6 million for the financial year ending 31 December 2011 was paid on 23 September 2011.

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**7. Segmental Information**

Segmental information for the Group are as follows:

**By Business Segment**

All amounts are in RM Million

	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
<b>30 September 2011</b>									
<b>Operating Revenue</b>									
Total operating revenue	1,843.3	1,366.5	1,412.3	1,016.0	5,638.1	795.3	741.6	3,588.2	10,763.2
Inter-segment @	(22.8)	(1.9)	(318.2)	-	(342.9)	(226.2)	(152.6)	(3,338.0)	(4,059.7)
External operating revenue	1,820.5	1,364.6	1,094.1	1,016.0	5,295.2	569.1	589.0	250.2	6,703.5
<b>Results</b>									
Segment result	5.4	208.2	238.1	253.4	705.1	110.4	91.8	(51.7)	855.6
Unallocated income/other gains #									298.0
Unallocated costs ^									(174.4)
Operating profit before finance cost									979.2
Finance income									97.4
Finance cost									(232.0)
Foreign exchange loss on borrowings									(73.0)
Associates									
- share of results (net of tax)									*
Profit before taxation and zakat									771.6
Taxation and zakat									(144.0)
Profit for the financial period									627.6

\* Amount less than RM0.1 million

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**7. Segmental Information (continued)**

All amounts are in RM Million

	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
<b>30 September 2010</b>									
<b>Operating Revenue</b>									
Total operating revenue	1,703.0	1,326.5	1,311.9	969.8	5,311.2	824.4	814.6	3,091.5	10,041.7
Inter-segment @	(24.1)	-	(239.3)	(0.3)	(263.7)	(262.5)	(176.0)	(2,869.1)	(3,571.3)
External operating revenue	1,678.9	1,326.5	1,072.6	969.5	5,047.5	561.9	638.6	222.4	6,470.4
<b>Results</b>									
Segment result	(23.9)	195.3	260.5	254.0	685.9	139.5	168.2	(77.6)	916.0
Unallocated income/other gains #									189.8
Unallocated costs ^									(212.3)
Operating profit before finance cost									893.5
Finance income									87.0
Finance cost									(274.3)
Foreign exchange gain on borrowings									319.5
Associates									
- share of results (net of tax)									(0.3)
Profit before taxation and zakat									1,025.4
Taxation and zakat									(196.4)
Profit for the financial period									829.0

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**7. Segmental Information (continued)**

All amounts are in RM Million

	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
<b>Segment assets</b>									
<b>As at 30 September 2011</b>									
Segment assets	515.7	225.9	894.1	759.5	2,395.2	561.8	592.3	12,832.5	16,381.8
Associates									0.5
Unallocated assets *									3,731.7
<b>Total</b>									<b>20,114.0</b>
<b>As at 31 December 2010 (Audited)</b>									
Segment assets	502.2	213.5	901.2	864.9	2,481.8	667.8	596.1	12,506.5	16,252.2
Associates									0.5
Unallocated assets *									4,527.3
<b>Total</b>									<b>20,780.0</b>



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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 comprises other operating income and other gains such as dividend income and gain on disposal of available-for-sale investments which has not been allocated to a particular business segment.
- ^ Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which were not allocated to a particular business segment.
- \* Unallocated assets mainly include available-for-sale investments, available-for-sale receivables, other non-current receivables, financial assets at fair value through profit or loss, deferred tax assets, cash and bank balances of the Company and property, plant and equipment of the Company's corporate divisions and office buildings.

**8. Valuation of Property, Plant and Equipment**

There is no revaluation of property, plant and equipment brought forward from the previous audited financial statements. The Group does not adopt a revaluation policy on its property, plant and equipment.

**9. Material Events Subsequent to the End of the Quarter/ Financial Period**

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

**10. 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 2011 save as below:

**Telekom Smart School Sdn Bhd (TSS)**

On 3 June 2011, TM announced that its wholly owned subsidiary, Telekom Multi-Media Sdn Bhd (TMM) had entered into a Sale of Shares Agreement (the SSA) with Digital Technologies Sdn Bhd for the disposal of TMM's entire 51% equity interest comprising 7,650,000 ordinary shares of RM 1.00 each held in TSS for a total consideration of RM5.5 million subject to the terms and conditions of the SSA (the Disposal). The Disposal was duly completed on 26 August 2011. The disposal has no significant effect to the Group.

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**11. Changes in Contingent Liabilities Since the Last Annual Reporting Period**

Other than material litigations disclosed in part B, note 12 of this announcement, there are no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2010.

**12. Commitments**

**Capital Commitments**

	<b>30/9/2011</b>	<b>Group</b>
	<b>RM Million</b>	<b>31/12/2010</b>
		<b>RM Million</b>
		<b>(Audited)</b>
<b>Property, plant and equipment:</b>		
Commitments in respect of expenditure approved and contracted for	<b>3,049.8</b>	4,499.5
Commitments in respect of expenditure approved but not contracted for	<b>4,610.6</b>	4,752.4

The above includes expenditure in relation to High Speed Broadband (HSBB) project. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure covering 1.3 million premises nationwide by 2012.

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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

For the current quarter under review, the Group revenue increased by 5.8% to RM2,321.7 million as compared to RM2,194.6 million in the third quarter 2010, mainly attributed to higher revenue from Internet and multimedia, data and non-telecommunications related services, which mitigated the impact of lower revenue from voice and other telecommunications related services.

Internet and multimedia services registered higher revenue by 26.1% to RM518.5 million in the current year quarter arising from increased broadband and UniFi customers to 1.71 million and 164,375 respectively in the current quarter from 1.60 million and 13,901 respectively in the corresponding quarter 2010.

Data revenue increased by 3.5% in the third quarter 2011 to RM456.3 million as compared to RM440.9 million in the corresponding quarter 2010 arising from demand for higher bandwidth services.

Non-telecommunications related services registered 54.4% growth in revenue to RM95.9 million primarily due to higher revenue from issuance of Yellow Pages for all regions as well as increased space rental revenue of subsidiaries.

Operating profit before finance cost of RM510.1 million increased by 21.9% from RM418.4 million recorded in the same quarter last year largely attributed to higher other gains from the disposal of investments. Current year quarter included RM283.5 million gain on disposal of Axiata shares as compared to gain on disposal of Measat and Axiata shares of RM141.7 million and RM10.6 million respectively in third quarter 2010.

Group profit after tax and non-controlling interests (PATAMI) decreased by 31.1% to RM302.2 million as compared to RM438.5 million in the corresponding quarter in 2010 primarily attributed to unrealised foreign exchange loss on borrowings.

(b) Year-on-Year

For the financial period under review, Group revenue increased by 3.6% to RM6,703.5 million as compared to RM6,470.4 million recorded in the corresponding period last year, mainly attributed to higher revenue from Internet and multimedia and data services, net of lower voice revenue.

Operating profit before finance cost of RM979.2 million was higher by 9.6% as compared to RM893.5 million recorded in the corresponding period last year mainly due to higher other gains as explained in (a) above.

Group PATAMI decreased by 26.4% to RM592.7 million as compared to RM805.8 million recorded in the corresponding period last year primarily due to unrealised foreign exchange loss on translation of foreign currency borrowings. The Group recorded an unrealised foreign exchange loss on borrowings of RM73.0 million in the current period as compared to a gain of RM319.5 million in the corresponding period last year.

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**1. Review of Performance (continued)**

(c) Economic Profit Statement

	3rd Quarter Ended		Financial Period Ended	
	30/9/2011 RM Million	30/9/2010 RM Million	30/9/2011 RM Million	30/9/2010 RM Million
<b>EBIT</b>	<b>231.8</b>	263.7	<b>698.2</b>	735.6
Adjusted Tax	58.0	65.9	174.6	183.9
<b>NOPLAT</b>	<b>173.8</b>	197.8	<b>523.6</b>	551.7
AIC	2,970.3	2,916.0	8,910.8	8,747.9
WACC	6.41%	6.18%	6.39%	6.17%
<b>ECONOMIC CHARGE</b>	<b>190.4</b>	180.2	<b>569.4</b>	539.7
<b>ECONOMIC (LOSS)/PROFIT</b>	<b>(16.6)</b>	17.6	<b>(45.8)</b>	12.0

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 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 (EL) of RM16.6 million in 3rd quarter 2011, a decrease of RM34.2 million from Economic Profit (EP) of RM17.6 million recorded in the same period last year consequent from lower EBIT of RM31.9 million (12.1%) and higher economic charge by RM10.2 million (5.7%).

The lower EBIT of RM31.9 million was mainly attributed to higher operational cost and lower other income which were greater than increase in operating revenue.

The higher economic charge was due to the increase in WACC (0.23 percentage point) and increase in AIC (1.9%). Higher WACC was contributed by higher after tax cost of debt (0.1 percentage point) whilst, the higher AIC was due to increase in inventories and property, plant and equipment net of higher trade and other payables.

On year to date basis, TM recorded EL of RM45.8 million, a decrease of RM57.8 million from EP of RM12.0 million reported in the corresponding period last year. Higher operating cost and lower other income coupled with higher WACC for the current year were the contributing factors for the lower performance.

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**2. Comparison with Preceding Quarter's Results**

The current quarter Group revenue increased by 3.9% to RM2,321.7 million as compared to RM2,233.6 million recorded in the second quarter 2011 primarily due to higher revenue from Internet and multimedia, other telecommunications and non-telecommunications related services.

Operating profit before finance cost increased by 114.8% to RM510.1 million as compared to RM237.5 million recorded in the preceding quarter mainly due to higher revenue and other gains.

Group PATAMI increased from RM127.2 million in the preceding quarter to RM302.2 million in the current quarter mainly due to higher revenue and other gains net of unrealised foreign exchange loss on translation of foreign currency borrowings.

**3. Prospects for the Current Financial Year**

Economic growth momentum is expected to moderate from 2nd half 2011 onwards arising from a weaker exports outlook. Further implementation of Economic Transformation Programme (ETP) projects and Budget 2012 provisions will boost domestic demand, but is unlikely to offset underperformance in net exports. Against this background, Malaysian Institute of Economic Research (MIER) has recently downgraded Malaysia's 2011 Gross Domestic Product growth rate to 4.6% year-on-year from a high of 5.2% in early 2011. MIER has forecasted an inflation rate of between 3.1% to 3.5% for the full year 2011.

TM sees itself working hand in hand with the Government in fulfilling the aspiration of ETP especially in the key areas of "Business Services" and "Communications Content and Infrastructure". Further to that, in line with Entry Point Project 3, TM has entered into a collaboration agreement to offer Managed Telepresence Services and to build the first Telepresence exchange in Malaysia. TM has also, recently, entered into another collaboration to set up a massive distributed global server network that works together to intelligently place content close to web users. Rich media content will be made available to users on demand, anytime, anywhere. It is in line with our plans to expand our data centre footprint aimed at fulfilling the objective of positioning Malaysia as a world-class data centre hub.

Meanwhile, TM aspires to continue to be the National Broadband Champion, anchoring on Streamyx and UniFi as its key broadband products. TM continues to strengthen its market leadership in High Speed Broadband, and is poised to close the year with more than 202,000 UniFi customers, while continuing to service 1.71 million Streamyx customers.

TM will continue its commitment to deliver the High Speed Broadband project based on the Public Private Partnership agreement signed with Government on 16 September 2008. As of 21 November 2011, we have successfully rolled out the services to more than 1,096,000 premises passed covering 77 exchange areas in Inner Klang Valley, Penang, Kedah, Johor, Negeri Sembilan, Melaka and Perak. By end of 2011, TM is expected to have a total of 78 exchange areas being served by UniFi with 1.1 million premises passed. TM is targeting to achieve 1.3 million premises passed covering 95 exchange areas by end of 2012.

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

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the financial period ended 30 September 2011.

**5. Taxation**

The taxation charge for the Group comprises:

	<b>3rd Quarter Ended</b>		<b>Financial Period Ended</b>	
	<b>30/9/2011</b>	<b>30/9/2010</b>	<b>30/9/2011</b>	<b>30/9/2010</b>
	<b>RM Million</b>	<b>RM Million</b>	<b>RM Million</b>	<b>RM Million</b>
<u>Malaysia</u>				
<b>Income Tax:</b>				
Current year	<b>16.9</b>	25.4	<b>49.6</b>	65.8
Prior year	<b>(99.6)</b>	(9.8)	<b>(104.1)</b>	(11.9)
<b>Deferred tax (net)</b>	<b>102.3</b>	53.0	<b>193.3</b>	151.9
	<b>19.6</b>	68.6	<b>138.8</b>	205.8
<u>Overseas</u>				
<b>Income Tax:</b>				
Current year	<b>1.5</b>	0.2	<b>2.5</b>	1.5
Prior year	<b>-</b>	0.5	<b>1.2</b>	0.4
<b>Deferred tax (net)</b>	<b>-</b>	(10.2)	<b>(0.8)</b>	(10.5)
	<b>1.5</b>	(9.5)	<b>2.9</b>	(8.6)
<b>Taxation</b>	<b>21.1</b>	59.1	<b>141.7</b>	197.2
<b>Zakat</b>	<b>0.2</b>	0.2	<b>2.3</b>	(0.8)
<b>Taxation and Zakat</b>	<b>21.3</b>	59.3	<b>144.0</b>	196.4

The current quarter and financial period effective tax rate of the Group is lower than the statutory tax rate primarily due to profit on disposal of investments which is not subject to tax.

**6. Profit on Sale of Unquoted Investments and/or Properties**

There is no other profit on sale of unquoted investments and/or properties other than in the ordinary course of the Group's business for the 3rd quarter and financial period ended 30 September 2011.

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**7. Purchase and Disposal of Quoted Securities**

- (a) There is no purchase of quoted securities during the 3rd quarter and financial period ended 30 September 2011.
- (b) Total disposals of quoted securities for the 3rd quarter and financial period ended 30 September 2011 are as follows:

	<b>3rd Quarter RM Million</b>	<b>Period to Date RM Million</b>
Total disposals*	513.8	514.6
Total gain on disposals*	283.5	283.5

\*Includes disposals of 92,362,000 Axiata shares via bookbuilding and 9,095,200 shares via open market, raising net proceeds of RM513.8 million during the current quarter, which resulted in gain of RM283.5 million.

- (c) Total investments in quoted securities as at 30 September 2011 are as follows:

	<b>RM Million</b>
At cost	38.1
At book value	16.3
At market value	16.3

**8. Status of Corporate Proposals**

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

**9. Group Borrowings and Debt Securities**

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

	<b>30 September 2011</b>		<b>31 December 2010 (Audited)</b>	
	<b>Short Term Borrowings RM Million</b>	<b>Long Term Borrowings RM Million</b>	<b>Short Term Borrowings RM Million</b>	<b>Long Term Borrowings RM Million</b>
<b>Total Unsecured</b>	<b>6.2</b>	<b>6,212.4</b>	26.0	5,506.0

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

	<b>30 September 2011</b>	<b>31 December 2010 (Audited)</b>
<b>Foreign Currency</b>	<b>RM Million</b>	<b>RM Million</b>
US Dollar	2,437.3	2,356.9
Canadian Dollars	3.7	3.9
<b>Total</b>	<b>2,441.0</b>	2,360.8

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**10. 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 September 2011		Fair Value as at 31 December 2010 (Audited)	
		Assets RM Million	Liabilities RM Million	Assets RM Million	Liabilities RM Million
1. <u>Forward Foreign Currency Contracts</u> - More than 3 years	344.3	-	(15.7)	-	(22.8)
	<b>344.3</b>	-	<b>(15.7)</b>	-	<b>(22.8)</b>
2. <u>Interest Rate Swaps</u> - 1 year to 3 years	1,500.0	5.8	-	-	(5.2)
- More than 3 years	500.0	18.2	-	3.6	-
	<b>2,000.0</b>	<b>24.0</b>	-	3.6	(5.2)
<b>Total</b>	<b>2,344.3</b>	<b>24.0</b>	<b>(15.7)</b>	3.6	(28.0)

**(b) 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 21 to the audited financial statements for the financial year ended 31 December 2010.

**(c) 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 2010.



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**10. Derivative Financial Instruments (continued)**

**(d) Gains Arising from Fair Value Changes of Financial Liabilities**

The amount of gains for the Group arising from fair value changes of financial liabilities that are carried at fair value through profit or loss (FVTPL) for the current and cumulative quarters ended on 30 September 2011 are as follows:

Derivatives (by Maturity)	Contract or Notional Value RM Million	Fair Value RM Million	Gains arising from fair value changes for the	
			3rd Quarter RM Million	Period to Date RM Million
<b>Hedging Instruments</b>				
1. <u>Forward Foreign Currency Contracts</u> - More than 3 years	344.3	(15.7)	6.5	7.1
<b>Total</b>	<b>344.3</b>	<b>(15.7)</b>	<b>6.5</b>	<b>7.1</b>

The changes in fair value of interest rate swaps arose from the changes in present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The Marked to Market (MTM) on forward contract is negative when the expectation of USD/MYR currency is strengthened and vice versa.

The MTM on the IRS is positive when the expectation of relevant future interest rate decreases and vice versa.

**11. 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	
	30/9/2011	31/12/2010
	RM Million	RM Million (Audited)
Retained profits		
- realised	2,522.7	2,008.9
- unrealised - in respect of deferred tax recognised in the income statement	(1,777.2)	(1,577.5)
- in respect of other items of income and expense	353.8	384.1
Share of accumulated losses from associates		
- realised	(1.0)	(1.0)
	<b>1,098.3</b>	814.5
Add: consolidation adjustments	<b>1,475.9</b>	1,904.9
<b>Total Retained Profits</b>	<b>2,574.2</b>	2,719.4

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**11. Realised and Unrealised Profits (continued)**

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.

**12. Material Litigation**

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities in note 46 to the audited financial statements of the Group for the financial year ended 31 December 2010, listed below are updates of the relevant cases since the date of the last audited financial statements:

**(a) Pengurusan Danaharta Nasional Berhad & 2 Others vs TSDTR (By Original Claim), TSDTR vs Celcom, TRI & 22 Others (By Counterclaim)**

On 4 December 2009, TSDTR has appealed to the Court of Appeal against both the decisions of the High Court Judge dated 12 November 2009. The above stated appeals have been fixed for hearing on 13 to 16 February 2012.

The Directors, based on legal advice received, are of the view that the Company and TESB have a good defence to TSDTR's counterclaim.

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

On 16 November 2011, the Court has fixed 20 February 2012 for Case Management of the legal suit and 29 March 2012 for the hearing of TM and TESB's Striking Out Application.

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.

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

On 21 October 2011, the High Court has fixed the trial dates of the legal suit from 25 to 27 January 2012.

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

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

**12. Material Litigation (continued)**

**(d) AINB Tech (M) Sdn Bhd vs TM**

On 30 June 2011, the High Court has dismissed the AINB Tech (M) Sdn Bhd's entire legal suit against TM with costs.

On 29 July 2011, AINB filed an appeal against the above stated decision of the High Court. On 19 October 2011, the Court of Appeal granted an application by AINB's solicitors to discharge themselves from further acting for AINB in the appeal. The Court of Appeal will make further directions in regard to the appeal by way of a letter to both parties.

The Directors, based on the legal advice, are of the view that TM has a good chance of success in dismissing AINB's appeal in the Court of Appeal.

**(e) Acres & Hectares Sdn Bhd (AHSB) vs TM**

Based on the Company's record, AHSB had instituted a similar legal suit at the Kuala Lumpur High Court under Civil Suit No. S2- 22-452-2005 against the Company on 22 April 2005 and the said legal suit was dismissed by the High Court on 16 September 2009 with cost.

On 15 April 2011, the High Court has struck out the legal suit with cost. AHSB did not file any appeal against the High Court's decision within the period allowed under the law.

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

Apart from the above, the Directors are not aware of any other proceedings pending against the Company and/or its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the position or business of the Company and/or its subsidiaries.

**13. Earnings Per Share (EPS)**

	<b>3rd Quarter Ended</b>		<b>Financial Period Ended</b>	
	<b>30/9/2011</b>	<b>30/9/2010</b>	<b>30/9/2011</b>	<b>30/9/2010</b>
<b>Basic/diluted earnings per share</b>				
Profit attributable to equity holders of the Company (RM million)	<b>302.2</b>	438.5	<b>592.7</b>	805.8
Weighted average number of ordinary shares (million)	<b>3,577.4</b>	3,559.0	<b>3,576.2</b>	3,552.2
Basic earnings per share (sen) attributable to equity holders of the Company	<b>8.4</b>	12.3	<b>16.6</b>	22.7

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**13. Earnings Per Share (EPS) (continued)**

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

There is no dilutive potential ordinary share as at 30 September 2011. Thus, diluted earnings per share is equal to basic earnings per share.

**14. Qualification of Preceding Audited Financial Statements**

The audited financial statements for the financial year ended 31 December 2010 were not subject to any qualification.

**15. Dividends**

(i) On 24 August 2011, the Board of Directors has declared an interim single-tier dividend of 9.8 sen per share for the financial year ending 31 December 2011 (2010: an interim gross dividend of 13.0 sen per share less tax at 25%). The dividend was paid on 23 September 2011 to shareholders whose names appear in the Register of Members and Record of Depositors on 12 September 2011.

(ii) No dividend is declared for the 3rd quarter ended 30 September 2011.

**By Order of the Board**

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

Secretaries

Kuala Lumpur  
24 November 2011