

**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 2010.

**UNAUDITED CONSOLIDATED INCOME STATEMENT**

	2ND QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/6/2010 RM Million	30/6/2009 RM Million	30/6/2010 RM Million	30/6/2009 RM Million
OPERATING REVENUE	2,150.9	2,129.0	4,275.8	4,234.4
OPERATING COSTS				
- depreciation, impairment and amortisation	(477.5)	(531.1)	(934.3)	(1,050.8)
- other operating costs	(1,494.3)	(1,416.3)	(2,930.1)	(2,735.8)
OTHER OPERATING INCOME (net)	29.6	90.7	60.5	118.9
OTHER GAIN/(LOSS) (net)	3.7	20.7	(1.0)	22.8
OPERATING PROFIT BEFORE FINANCE COST	212.4	293.0	470.9	589.5
FINANCE INCOME	26.2	41.7	50.7	122.7
FINANCE COST	(89.8)	(99.1)	(186.6)	(210.3)
FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	18.1	123.2	184.7	(52.3)
NET FINANCE (COST)/INCOME	(45.5)	65.8	48.8	(139.9)
ASSOCIATES				
- share of results (net of tax)	-	0.1	(0.2)	0.6
PROFIT BEFORE TAXATION AND ZAKAT	166.9	358.9	519.5	450.2
TAXATION AND ZAKAT	(35.4)	(85.8)	(137.1)	(140.9)
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>131.5</b>	<b>273.1</b>	<b>382.4</b>	<b>309.3</b>
ATTRIBUTABLE TO:				
- equity holders of the Company	124.4	266.0	367.3	293.7
- minority interests	7.1	7.1	15.1	15.6
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>131.5</b>	<b>273.1</b>	<b>382.4</b>	<b>309.3</b>
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic	3.5	7.6	10.4	8.4
- diluted	3.5	7.5	10.3	8.4

(The above Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2010**

	2ND QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/6/2010	30/6/2009	30/6/2010	30/6/2009
	RM Million	RM Million	RM Million	RM Million
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	<b>131.5</b>	273.1	<b>382.4</b>	309.3
<b>OTHER COMPREHENSIVE INCOME:</b>				
Increase/(decrease) in fair value of available-for-sale investments	<b>6.8</b>	95.4	<b>247.9</b>	(90.9)
Currency translation differences - subsidiaries	<b>(4.8)</b>	5.2	<b>(0.7)</b>	6.7
Other comprehensive income/(loss) for the financial period, net of tax	<b>2.0</b>	100.6	<b>247.2</b>	(84.2)
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>	<b>133.5</b>	373.7	<b>629.6</b>	225.1
<b>ATTRIBUTABLE TO:</b>				
- equity holders of the Company	<b>126.4</b>	366.6	<b>614.5</b>	209.5
- minority interests	<b>7.1</b>	7.1	<b>15.1</b>	15.6
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD</b>	<b>133.5</b>	373.7	<b>629.6</b>	225.1

(The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>AS AT 30/6/2010</b>	<b>AS AT 31/12/2009 (AUDITED/ RESTATED)</b>
	<b>RM Million</b>	<b>RM Million</b>
SHARE CAPITAL	3,553.5	3,543.5
SHARE PREMIUM	1,029.3	1,011.8
OTHER RESERVES	2,775.6	2,432.2
<b>TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>7,358.4</b>	<b>6,987.5</b>
MINORITY INTERESTS	139.9	142.5
<b>TOTAL EQUITY</b>	<b>7,498.3</b>	<b>7,130.0</b>
Borrowings	5,656.7	5,796.9
Deferred tax liabilities	1,687.2	1,588.7
Deferred income	1,286.3	985.9
Derivative financial liabilities	6.0	-
<b>DEFERRED AND NON-CURRENT LIABILITIES</b>	<b>8,636.2</b>	<b>8,371.5</b>
	<b>16,134.5</b>	<b>15,501.5</b>
Intangible assets	312.9	313.4
Property, plant and equipment	12,278.8	12,404.3
Land held for property development	155.9	163.7
Associates	0.4	0.6
Available-for-sale investments	973.9	608.2
Other investments	-	152.8
Available-for-sale receivables	33.1	-
Other long term receivables	90.9	108.9
Deferred tax assets	11.0	10.6
Derivative financial assets	12.1	-
<b>NON-CURRENT ASSETS</b>	<b>13,869.0</b>	<b>13,762.5</b>
Inventories	155.6	110.6
Trade and other receivables	2,314.1	2,284.0
Available-for-sale investments	355.0	-
Derivative financial assets	0.2	-
Financial assets at fair value through profit or loss	26.3	-
Short term investments	-	294.7
Cash and bank balances	3,602.2	3,490.7
<b>CURRENT ASSETS</b>	<b>6,453.4</b>	<b>6,180.0</b>
Trade and other payables	2,718.9	2,934.6
Customer deposits	579.7	575.7
Borrowings	872.0	916.6
Taxation and zakat	15.9	14.1
Derivative financial liabilities	1.4	-
<b>CURRENT LIABILITIES</b>	<b>4,187.9</b>	<b>4,441.0</b>
<b>NET CURRENT ASSETS</b>	<b>2,265.5</b>	<b>1,739.0</b>
	<b>16,134.5</b>	<b>15,501.5</b>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)</b>	<b>207.1</b>	<b>197.2</b>

**(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)**

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	Minority Interests RM Million	Total Equity RM Million
At 1 January 2010									
As previously stated	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 (part A, note 13)	-	-	-	-	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	-	-	-	-	-	-	367.3	15.1	382.4
Other comprehensive (loss)/income for the financial period, net of tax	-	-	(0.7)	-	247.9	-	-	-	247.2
Total recognised (loss)/income for the financial period	-	-	(0.7)	-	247.9	-	367.3	15.1	629.6
Final dividends paid for the financial year ended 31 December 2009	-	-	-	-	-	-	(346.4)	-	(346.4)
Dividends paid to minority interests	-	-	-	-	-	-	-	(17.7)	(17.7)
Employees' share option scheme (ESOS)									
- shares issued upon exercise of options (part A, note 5)	10.0	10.4	-	-	-	-	-	-	20.4
- transfer of reserve upon exercise of options	-	7.1	-	(7.1)	-	-	-	-	-
<b>At 30 June 2010</b>	<b>3,553.5</b>	<b>1,029.3</b>	<b>(1.7)</b>	<b>12.6</b>	<b>503.8</b>	<b>35.8</b>	<b>2,225.1</b>	<b>139.9</b>	<b>7,498.3</b>

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2009**

	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	Minority Interests RM Million	Total Equity RM Million
At 1 January 2009	3,456.0	4,305.4	(10.4)	82.9	111.0	-	2,303.2	226.5	10,474.6
Profit for the financial period	-	-	-	-	-	-	293.7	15.6	309.3
Other comprehensive income/(loss) for the financial period, net of tax	-	-	6.7	-	(90.9)	-	-	-	(84.2)
Total recognised income/(loss) for the financial period	-	-	6.7	-	(90.9)	-	293.7	15.6	225.1
Acquisition of remaining equity interest in a subsidiary	-	-	-	-	-	-	-	(103.9)	(103.9)
Bonus issue Redeemable Preference Shares (RPS)	35.8	(35.8)	-	-	-	-	-	-	-
Redemption of RPS	(35.8)	(3,470.0)	-	-	-	-	43.1	-	(3,462.7)
Creation of capital redemption reserve upon redemption of RPS	-	-	-	-	-	35.8	(35.8)	-	-
Final dividends paid for the financial year ended 31 December 2008	-	-	-	-	-	-	(377.2)	-	(377.2)
Dividends paid to minority interest	-	-	-	-	-	-	-	(10.4)	(10.4)
Employees' share option scheme (ESOS)									
- options granted	-	-	-	6.6	-	-	-	-	6.6
- shares issued upon exercise of options	78.2	133.4	-	-	-	-	-	-	211.6
- transfer of reserve upon exercise of options	-	63.0	-	(63.0)	-	-	-	-	-
<b>At 30 June 2009</b>	<b>3,534.2</b>	<b>996.0</b>	<b>(3.7)</b>	<b>26.5</b>	<b>20.1</b>	<b>35.8</b>	<b>2,227.0</b>	<b>127.8</b>	<b>6,963.7</b>

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2010**

	FINANCIAL PERIOD ENDED	
	30/6/2010	30/6/2009
	RM Million	RM Million
Receipts from customers	4,082.6	3,906.8
Payments to suppliers and employees	(2,970.2)	(2,598.5)
Payment of finance cost	(183.4)	(212.2)
Refund of income taxes (net)	29.0	134.5
Payment of zakat	(4.0)	-
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>954.0</b>	<b>1,230.6</b>
Contribution for purchase of property, plant and equipment	393.0	110.2
Disposal of property, plant and equipment	15.2	5.3
Purchase of property, plant and equipment	(1,016.7)	(1,106.3)
Repayment from Axiata Group Berhad	-	4,025.0
Disposal of Axiata's rights	-	66.0
Subscription of Axiata's rights	-	(72.0)
Disposal of available-for-sale investments (Axiata shares)	4.1	-
Disposal of long term investments	-	0.1
Disposal of available-for-sale investments/short term investments	120.2	58.0
Purchase of available-for-sale investments/short term investments	(119.2)	(59.1)
Disposal of financial assets at fair value through profit or loss/short term investments	57.0	54.2
Purchase of financial assets at fair value through profit or loss/short term investments	(11.0)	(24.9)
Acquisition of remaining interest in a subsidiary	-	(412.3)
Repayments of loans by employees	17.6	39.8
Loans to employees	(12.6)	(18.7)
Disposal of housing loan	10.2	334.1
Interests received	53.6	122.2
Dividends received	2.9	3.9
<b>CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(485.7)</b>	<b>3,125.5</b>
Issue of share capital	20.4	211.6
Redemption of RPS	-	(3,462.7)
Proceeds from borrowings	-	180.0
Repayments of borrowings	(12.2)	(176.1)
Repayments of finance lease	(1.6)	(1.5)
Dividends paid to shareholders	(346.4)	(377.2)
Dividends paid to minority interests	(17.7)	(10.4)
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(357.5)</b>	<b>(3,636.3)</b>
NET INCREASE IN CASH AND CASH EQUIVALENTS	110.8	719.8
EFFECT OF EXCHANGE RATE CHANGES	0.7	6.4
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	3,490.2	2,094.7
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>	<b>3,601.7</b>	<b>2,820.9</b>

(The above Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

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

**1. Basis of Preparation**

The unaudited interim financial statements for the second quarter ended 30 June 2010 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 2009. 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 2009 audited financial statements except for the changes arising from the adoption of the new and revised FRSs issued by Malaysian Accounting Standards Board (MASB) that are effective for the Group’s financial year beginning on 1 January 2010. In addition, the Group has also adopted an accounting policy on customer acquisition costs as set out in note (V) below.

**(I) New and revised FRSs issued by the MASB that are effective for the Group’s financial year beginning on 1 January 2010**

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 2010, being considered in this announcement are as follows:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (revised)	Presentation of Financial Statements
FRS 123 (revised)	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Shares Transactions
IC Interpretation 13	Customer Loyalty Programmes
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation and FRS 101 (revised) Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS 139	Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives

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

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

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

FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipments
FRS 117	Leases
FRS 118	Revenue
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 139	Financial Instruments: Recognition and Measurement
FRS 140	Investment Property

The adoption of the above FRSs and ICs do not have any significant impact to the Group or the Group's significant accounting policies except as discussed below:

- The adoption of FRS 7 and Amendments to FRS 132 does not impact the financial results of the Group as the changes introduced are on presentation and disclosures.
- The Group has been reporting its segment information based on customer segments, which is also the basis of presenting its monthly internal management reports. Under FRS 8 "Operating Segments", operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Accordingly, the adoption of FRS 8 has not resulted in any changes to the reportable segments presented by the Group. The basis of measurement of segment results and segment assets are also unaffected as the Group has been using the same basis of measurement for its internal and external reporting.
- The revised FRS 101 requires all non-owner changes in equity to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present the statement of comprehensive income in two statements.



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

- The improvement to FRS 117 “Leases” clarifies that the default classification of land elements in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117. The Group has reassessed and determined that all leasehold land are in substance finance leases and has reclassified these leasehold land to property, plant and equipment as disclosed in part A, note 13 (note A13). The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment. The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.
- FRS 123 “Borrowing Costs” which replaces FRS 123<sub>2004</sub> Borrowing Costs, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The adoption of the revised FRS 123 has not resulted in any changes to the Group’s policy where borrowing cost incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use and all other borrowing costs are charged to the income statement.
- The changes in accounting policies arising from the adoption of FRS 139 and the principle effects are disclosed in note A13.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All new and revised FRSs adopted by the Group require retrospective application except for FRS 139 where its transitional provisions only require the recognition and re-measurement of all financial assets and financial liabilities as at 1 January 2010 as appropriate. The adjustments related to the previous carrying amounts are made to the opening retained earnings and available-for-sale reserves as appropriate. Comparatives are not restated.

A summary of the new accounting policies and impact of new accounting standards and amendments to the published standards and IC Interpretations to existing standards on the financial statements of the Group is set out in note A13.

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

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

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

The revised standards, amendments to published standards and IC Interpretations that have been issued by the MASB and are applicable to the Group, which the Group has not early adopted, are as follows:

FRS 3 (revised)	Business Combinations
FRS 127 (revised)	Consolidated and Separate Financial Statements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distribution of Non-cash Assets to Owners

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

FRS 2	Share-based Payment
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 138	Intangible Assets
IC Interpretation 9	Reassessment of Embedded Derivatives

The adoption of the above standards, amendments to published standards and IC Interpretations are not expected to have a material impact on the Group.

**(III) Standards, amendments to published standards and IC Interpretations that are effective for the financial year beginning on 1 January 2010 but not relevant for the Group's operations**

FRS 4	Insurance Contracts
Amendments to FRS 1	First Time Adoption of Financial Reporting Standards and FRS 127 Consolidated Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Improvement to FRS 119	Employee Benefits
Improvement to FRS 120	Accounting for Government Grants
Improvement to FRS 129	Financial Reporting in Hyperinflationary Economies.
Improvement to FRS 128	Investments in Associates and FRS 131 Interests in Joint Ventures
IC Interpretation 14	FRS 119- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i-3	Presentation of Financial Statements of Islamic Financial Institutions
SOP i-1	Financial Reporting from an Islamic Perspective

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

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

**(IV) Standards, amendments to published standards and IC Interpretations that are effective for the Group's financial year beginning on 1 January 2011 but not relevant for the Group's operations**

FRS 1 (revised)	First-time Adoption of Financial Reporting Standards
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for Construction of Real Estate

**(V) Accounting policies adopted in the current financial year**

**Customer acquisition costs**

Customer acquisition costs are incurred in activating new customers pursuant to a contract. Customer acquisition costs are capitalised and amortised over the contract period. In the event that a customer terminates the service within the contract period, any unamortised customer acquisition costs are written off to the income statement immediately.

**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 June 2010 other than as mentioned elsewhere in the unaudited interim financial statements.

**4. Material Changes in Estimates**

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

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

The issued and paid-up capital of the Company increased by 10.0 million ordinary shares from 3,543.5 million to 3,553.5 million ordinary shares of RM1.00 each as a result of employees exercising their options under the Special ESOS at the respective exercise price of RM1.91, RM2.22 and RM2.91 per share.

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 June 2010.

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**6. Dividends Paid**

A final gross dividend of 13.0 sen per share less tax at 25.0% amounting to RM346.4 million in respect of financial year ended 31 December 2009 was paid on 9 June 2010, inclusive of RM2.4 million paid to TM ESOS Management Sdn Bhd, a special purpose entity which was adjusted on consolidation.

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

**7. Segmental Information**

Segmental information for the financial period ended 30 June 2010 and 30 June 2009 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>2010</b>									
<b>Operating Revenue</b>									
Total operating revenue	1,137.5	876.2	869.5	617.0	3,500.2	559.6	537.2	2,143.0	6,740.0
Inter-segment @	(19.0)	-	(151.3)	-	(170.3)	(182.3)	(119.8)	(1,991.8)	(2,464.2)
External operating revenue	1,118.5	876.2	718.2	617.0	3,329.9	377.3	417.4	151.2	4,275.8
<b>Results</b>									
Segment result	9.3	141.5	168.5	121.8	441.1	91.4	90.7	(53.3)	569.9
Unallocated income #									4.9
Unallocated costs ^									(103.9)
Operating profit before finance cost									470.9
Finance income									50.7
Finance cost									(186.6)
Foreign exchange gain on borrowings									184.7
Associates									
- share of results (net of tax)									(0.2)
Profit before taxation and zakat									519.5
Taxation and zakat									(137.1)
Profit for the financial period									382.4

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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>2009</b>									
<b>Operating Revenue</b>									
Total operating revenue	*	*	*	*	3,369.0	605.9	543.6	2,147.2	6,665.7
Inter-segment @					(91.3)	(188.7)	(146.7)	(2,004.6)	(2,431.3)
External operating revenue					3,277.7	417.2	396.9	142.6	4,234.4
<b>Results</b>									
Segment result	*	*	*	*	422.9	139.6	86.1	12.3	660.9
Unallocated income #									35.2
Unallocated costs ^									(106.6)
Operating profit before finance cost									589.5
Finance income									122.7
Finance cost									(210.3)
Foreign exchange loss on borrowings									(52.3)
Associates									
- share of results (net of tax)									0.6
Profit before taxation and zakat									450.2
Taxation and zakat									(140.9)
Profit for the financial period									309.3

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**7. Segmental Information (continued)**

- \* The breakdown of segment results by Consumer, SME, Enterprise and Government for the comparative period was not available as the realignment of Retail Business into these 4 sub-segments was only implemented in second quarter 2009.
- @ 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. The inter-company revenue was entered into in the normal course of business and at prices available to third parties or at negotiated terms. These inter-segment trading arrangements are subject to periodic review.
- # Unallocated income comprises other operating income such as dividend income and other gains 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, foreign exchange differences arising from translation of foreign currency placements and diminution in value of investments which were not allocated to a particular business segment.

The prior year comparatives have been re-presented in line with the review of the costings and allocations of shared services and corporate centre costs undertaken in fourth quarter 2009.

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

There was 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**

There was no material event subsequent to the balance sheet date that requires disclosure or adjustments 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 current quarter and financial period ended 30 June 2010.

**11. Changes in Contingent Liabilities Since the Last Annual Balance Sheet Date**

Other than material litigations disclosed in part B, note 11 of this announcement, there were no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2009.

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**12. Commitments**

**Capital Commitments**

	<b>Group</b>	
	<b>30/6/2010</b>	<b>30/6/2009</b>
	<b>RM Million</b>	<b>RM Million</b>
<b>Property, plant and equipment:</b>		
Commitments in respect of expenditure approved and contracted for	<b>5,016.0</b>	<b>3,215.5</b>
Commitments in respect of expenditure approved but not contracted for (note (i))	<b>6,713.3</b>	<b>8,394.3</b>

- (i) Includes expenditure approved but not contracted for 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.

**13. Changes in Accounting Policies**

The following describes the impact of the new accounting standards, amendments to the published standards and IC Interpretations adopted by the Group for financial year beginning on 1 January 2010 as listed in part A, note 1(I).

**(I) Adoption of new accounting policies and changes in accounting policies**

**Financial Instruments (FRS 139 “Financial Instruments: Recognition and Measurement”)**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition based on the nature of the asset and the purpose for which the asset was acquired. Set out below are the changes in classifications and the recognition and measurement for the respective category of financial assets:

**(i) Available-for-sale financial assets**

Fixed income securities (within current assets), certain non-current equity investments and convertible education loans within long term receivables, previously measured at cost and subject to impairment, are now classified as available-for-sale investments and available-for-sale receivables respectively. These are initially measured at fair value plus transaction costs and subsequently, at fair value.



**13. Changes in Accounting Policies (continued)**

Changes in the fair values of available-for-sale investments are recognised in other comprehensive income. Whereas, changes in the fair value of available-for-sale receivables classified as non-current assets can be analysed by way of changes arising from conversion of the receivables to scholarship and other fair value changes. Changes arising from the conversion are recognised in the income statement, whereas, other fair value changes are recognised in the statement of comprehensive income. Interests on available-for-sale receivables calculated using the effective interest method are recognised in the income statement.

A significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the asset is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the cumulative fair value, less any impairment loss previously recognised in income statement, is reversed from equity and recognised in income statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed through income statement. Impairment losses recognised in income statement on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through income statement.

When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in income statement.

**(ii) Loans and receivables**

Other long term receivables, previously carried at net realisable value are now classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method. When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in income statement. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in income statement.

**13. Changes in Accounting Policies (continued)**

**(iii) Fair value through profit or loss**

(a) Quoted equity securities

Quoted equity securities (within current assets), previously carried at the lower of cost and market value, determined on an aggregate portfolio basis, are now classified as financial assets at fair value through profit or loss, where changes in fair value are recognised in income statement at each reporting date.

(b) Derivative financial instruments and hedging activities

Derivative financial instruments were previously not recognised in the financial statements on inception. These are now recognised and measured at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value recognised in income statement at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

**13. Changes in Accounting Policies (continued)**

(c) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to income statement over the period to maturity.

The Group classifies trade and other payables, customer deposits and borrowings as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. The adoption of FRS 139 has no significant impact to these financial liabilities.

The Group has applied the new policies in relation to the financial instruments above in accordance with the transitional provisions in FRS 139 by recognising and re-measuring all financial assets and financial liabilities as at 1 January 2010 as appropriate. The related adjustments to the previous carrying amounts are made to the opening retained profits and available-for-sale reserves as appropriate. Comparatives are not restated. The effects of the changes are disclosed below.

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**13. Changes in Accounting Policies (continued)**

**(II) Adjustments due to Change in Accounting Policies**

The effects arising from the adoption of the new standard as described above, other than those disclosed in the statement of changes in equity, is set out below:

**(i) Restatement arising from amendment to FRS 117**

	As previously reported RM Million	Reclassifi- cation RM Million	As restated RM Million
<b>As at 31 December 2009</b>			
Property, plant and equipment	12,329.9	74.4	12,404.3
Prepaid lease payments	74.4	(74.4)	-

**(ii) Changes arising from adoption of FRS 139**

	As previously reported RM Million	Reclassi- fications RM Million	Adjust- ments on opening position RM Million	As restated/ adjusted RM Million
<b>As at 1 January 2010</b>				
Fair value reserve	155.5	-	100.4	255.9
Retained profits	2,222.2	-	(18.0)	2,204.2
<b>Non-Current Liabilities</b>				
Borrowings	5,796.9	-	(7.0)	5,789.9
Derivative financial liabilities	-	-	10.3	10.3
<b>Non-Current Assets</b>				
Available-for-sale investments	608.2	152.8	99.5	860.5
Other investments	152.8	(152.8)	-	-
Available-for-sale receivables	-	53.3	(17.1)	36.2
Other long term receivables	108.9	(53.3)	1.0	56.6
Derivative financial assets	-	-	2.2	2.2
<b>Current Assets</b>				
Trade and other receivables	2,284.0	-	(1.0)	2,283.0
Short term investments	294.7	(294.7)	-	-
Available-for-sale short term investments	-	224.5	1.1	225.6
Investments at fair value through profit or loss	-	70.2	-	70.2

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**13. Changes in Accounting Policies (continued)**

Arising from the adoption of FRS 139, certain comparatives for the quarter ended 30 June 2009 has been reclassified to enhance comparability of the amounts disclosed. These are shown below:

**(iii) Reclassification of Comparatives to enhance comparability on adoption of FRS 139**

	2ND QUARTER ENDED 30 JUNE 2009			FINANCIAL PERIOD ENDED 30 JUNE 2009		
	As previously reported RM Million	Reclassifi- cations RM Million	As restated RM Million	As previously reported RM Million	Reclassifi- cations RM Million	As restated RM Million
<b>Other</b>						
<b>Operating Cost</b>	(1,371.2)	(45.1)	(1,416.3)	(2,684.5)	(51.3)	(2,735.8)
Diminution in value of quoted investments	45.1	(45.1)	-	51.3	(51.3)	-
<b>Other</b>						
<b>Operating</b>						
<b>Income (net)</b>	66.3	24.4	90.7	90.4	28.5	118.9
Loss on disposal of quoted investments	(24.5)	24.5	-	(29.2)	29.2	-
Gain on disposal of fixed income securities	0.1	(0.1)	-	0.7	(0.7)	-
<b>Other Gain</b>						
<b>(net)</b>	-	20.7	20.7	-	22.8	0.7

**(III) Comparative Figures**

**FRS 101 Presentation of Financial Statements**

As a result of the adoption of the revised FRS 101, income statement of the Group for the comparative financial period ended 30 June 2009 have been re-presented as two separate statements, i.e. An income statement displaying components of profit or loss and a statement of comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact on earnings per ordinary share.

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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 1.0% to RM2,150.9 million as compared to RM2,129.0 million in the second quarter 2009, mainly attributed to higher revenue from data and Internet and multimedia, which mitigated the impact of lower voice revenue due to lower usage.

Data revenue increased by 14.5% in second quarter to RM424.9 million compared to RM371.0 million in the same quarter 2009 arising from demand for higher bandwidth services.

Internet and multimedia revenue registered 7.5% growth from RM401.6 million recorded in second quarter 2009 to RM431.6 million in the current quarter arising from growth in broadband customers to 1.54 million in the current quarter from 1.37 million in the corresponding quarter 2009.

Operating profit before finance cost of RM212.4 million decreased by 27.5% compared to RM293.0 million recorded in the same quarter last year primarily due to lower gain on disposal of quoted investment in current year quarter and absence of gain on disposal of Axiata's rights (RM66.0 million) recorded in second quarter last year.

Group profit after tax and minority interests (PATAMI) decreased by 53.2% to RM124.4 million as compared to RM266.0 million in the corresponding quarter in 2009. This was mainly attributed to lower other operating income as explained above and lower unrealised exchange gain on translation of foreign currency borrowings of RM18.1 million as compared to RM123.2 million in the same quarter in 2009.

(b) Year-on-Year

For the period under review, Group revenue increased by 1.0% to RM4,275.8 million as compared to RM4,234.4 million recorded in the corresponding period last year, mainly attributed to higher revenue from data services, Internet and multimedia and other telecommunications related services, which mitigated the decline in voice revenue.

Operating profit before finance cost of RM470.9 million was lower by 20.1% as compared to RM589.5 million recorded in the preceding year corresponding period primarily due to lower other operating income and other gain. Higher operating costs such as international outpayment, USP contribution, maintenance and advertisement & promotion also contributed to the lower profit.

Group PATAMI increased by 25.1% to RM367.3 million as compared to RM293.7 million recorded in the corresponding period last year primarily due to higher unrealised foreign exchange gain on borrowings.

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

(c) Economic Profit Statement

	2ND QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/6/2010 RM Million	30/6/2009 RM Million	30/6/2010 RM Million	30/6/2009 RM Million
<b>EBIT</b>	<b>212.4</b>	293.1	<b>470.7</b>	590.1
Adjusted Tax	53.1	73.3	117.7	147.5
<b>NOPLAT</b>	<b>159.3</b>	219.8	<b>353.0</b>	442.6
AIC	2,900.4	2,979.2	5,800.8	5,958.4
WACC	6.28%	6.59%	6.26%	6.59%
<b>ECONOMIC CHARGE</b>	<b>182.1</b>	196.3	<b>363.1</b>	392.7
<b>ECONOMIC (LOSS)/ PROFIT</b>	<b>(22.8)</b>	23.5	<b>(10.1)</b>	49.9

Definitions:

EBIT = Earnings before Interest & Taxes

NOPLAT = Net Operating Profit less Adjusted Tax

AIC = Average Invested Capital

WACC = Weighted Average Cost of Capital

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

TM Group recorded Economic Loss (EL) of RM22.8 million in second quarter 2010, a reduction of RM46.3 million (-197.0%) from the same period last year of EP RM23.5 million. This was attributed to the lower EBIT by RM80.7 million (-27.5%) despite the lower economic charge by RM14.2 million (-7.2%).

The lower EBIT of RM80.7 million (-27.5%) mainly due to the increase in operational cost. Whilst, lower economic charge were contributed by the combination of lower AIC (RM78.8 million/-2.6%) and lower WACC (-0.31 percentage point).

Lower AIC was mainly contributed by reduction in trade, other and long term receivables. Whereas, lower WACC were mainly contributed by the lower cost of debt before tax (-0.88 percentage point) following the reduction in long-term borrowings (-19.6%).

On year to date basis, TM recorded EL of RM10.1 million, a reduction of RM60.0 million from EP of RM49.9 million reported in the corresponding period last year due to higher operating costs recorded in current year.

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

The current quarter Group revenue increased by 1.2% to RM2,150.9 million as compared to RM2,124.9 million recorded in the first quarter 2010, primarily due to higher revenue from data services and non-telecommunications services net of lower revenue from other telecommunications services.

Operating profit before finance cost decreased by 17.8% to RM212.4 million as compared to RM258.5 million recorded in the preceding quarter mainly due to higher operating costs.

The current quarter Group PATAMI of RM124.4 million was lower than RM242.9 million recorded in the preceding quarter primarily due to higher operating costs and lower unrealised foreign exchange gain on borrowings.

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

The Malaysian Institute of Economic Research (MIER) has revised upwards its 2010 Gross Domestic Product (GDP) growth forecast to 6.5% from 5.2% previously, given a stronger-than-expected first quarter GDP growth along with the strengthening domestic demand and stabilizing conditions. The growth is however, expected to taper-off in the second half of this year due to further policy-tightening measures, stronger ringgit along with uncertainties emanating from Europe of which might affect exports and competitiveness for the rest of the year. Consequently, MIER expects GDP growth to ease to 5.2% in 2011. (Source: MIER, July 2010)

As of 30 June 2010, total UniFi orders recorded from the first 4 exchange areas, namely Bangsar, Taman Tun Dr. Ismail, Subang Jaya and Shah Alam have exceeded 4,800. As planned, end July saw UniFi coverage expanded to 18 more exchange areas. In total there are now 22 exchange areas covered by the UniFi service with 5 exchange areas outside the Klang Valley, located in the industrial zones in Johor, Penang and Kedah. By end of the year, TM is expected to have a total of 48 exchange areas covered with UniFi. TM is targeting to achieve 1.3 million premises passed by end 2012.

The broadband market is set to grow further as the country moves rapidly towards internet based transactions. Public and private sectors have helped set the pace with more online based transactions made available for the public. This encouraging development together with government's continuous efforts through the National Broadband Initiative has narrowed the digital divide between rural and urban folks. Broadband service is now gradually being seen as a necessity for average Malaysian and this was evident through strong take-up rate of TM's broadband services recorded over the last 3 quarters.

Although Malaysia's economic growth is widely expected to moderate from the second quarter onwards, the growth trend is still a healthy one. However, due to the intense competitive telecommunication landscape and the lead time necessary to build the HSBB related businesses, the Board of Directors expects TM's business environment for the financial year ending 31 December 2010 to remain challenging.



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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 June 2010.

**5. Taxation**

The taxation charge for the Group comprises:

	<b>2ND QUARTER ENDED</b>		<b>FINANCIAL PERIOD ENDED</b>	
	<b>30/6/2010</b>	30/6/2009	<b>30/6/2010</b>	30/6/2009
	RM Million	RM Million	RM Million	RM Million
<u>Malaysia</u>				
<b>Income Tax:</b>				
Current year	<b>14.3</b>	18.1	<b>40.4</b>	68.1
Prior year	<b>0.5</b>	-	<b>(2.1)</b>	(4.5)
<b>Deferred tax (net):</b>				
Current year	<b>23.7</b>	67.0	<b>101.4</b>	70.8
Prior year	<b>(2.0)</b>	0.6	<b>(2.5)</b>	3.5
	<b>36.5</b>	85.7	<b>137.2</b>	137.9
<u>Overseas</u>				
<b>Income Tax:</b>				
Current year	<b>0.4</b>	0.1	<b>1.3</b>	2.0
Prior year	<b>(0.1)</b>	-	<b>(0.1)</b>	-
<b>Deferred tax (net):</b>				
Current year	<b>(0.3)</b>	-	<b>(0.3)</b>	-
	-	0.1	<b>0.9</b>	2.0
<b>Taxation</b>	<b>36.5</b>	85.8	<b>138.1</b>	139.9
<b>Zakat:</b>				
Current year	<b>(1.1)</b>	-	<b>(1.0)</b>	1.0
<b>Taxation and Zakat</b>	<b>35.4</b>	85.8	<b>137.1</b>	140.9

The current quarter effective tax rate of the Group was lower than the statutory tax rate mainly attributed to higher profit registered by subsidiary which is not subject to tax due to tax exemption status.

The financial period effective tax rate of the Group was higher than the statutory tax rate primarily due to expenses not allowed for deduction such as interest restricted.

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

There were no other profit on sale of unquoted investments and/or properties other than in the ordinary course of the Group's business for the current quarter and financial period ended 30 June 2010.

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

**I. Quoted Shares**

- (a) Total purchases and disposals of quoted securities for the current quarter and financial period ended 30 June 2010 are as follows:

	<b>Current quarter RM Million</b>	<b>Period to date RM Million</b>
Total purchases	5.2	11.0
Total disposals	6.1	57.0
Total (loss)/gain on disposal	(0.2)	1.0

- (b) Total investments in quoted securities as at 30 June 2010 are as follows:

	<b>RM Million</b>
At cost	55.3
At book value	26.3
At market value	26.3

**II. Quoted Fixed Income Securities**

- (a) Total purchases and disposals of quoted fixed income securities for the current quarter and financial period ended 30 June 2010 are as follows:

	<b>Current quarter RM Million</b>	<b>Period to date RM Million</b>
Total purchases	79.8	119.2
Total disposals	72.5	120.2
Total gain on disposal	0.1	0.1

- (b) Total investments in quoted fixed income securities as at 30 June 2010 are as follows:

	<b>RM Million</b>
At cost	224.2
At book value	226.3
At market value	226.3

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**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 as at 30 June are as follows:

	2010		2009	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Secured	-	-	-	24.4
Unsecured	872.0	5,656.7	41.9	7,009.4
<b>Total</b>	<b>872.0</b>	<b>5,656.7</b>	41.9	7,033.8

(b) Foreign currency borrowings and debt securities as at 30 June are as follows:

	2010	2009
Foreign Currency	RM Million	RM Million
US Dollar	3,323.9	3,855.5
Canadian Dollars	3.8	4.0
<b>Total</b>	<b>3,327.7</b>	3,859.5

**10. Derivative Financial Instruments**

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

Derivatives (by maturity)	As at 30 June 2010		
	Contract or notional amount RM Million	Fair Value Assets RM Million	Fair Value Liabilities RM Million
1. <u>Forward Foreign Currency Contracts</u>			
- Less than 1 year	164.3	0.2	(1.4)
- 1 year to 3 years	-	-	-
- More than 3 years	344.2	-	(6.0)
	<b>508.5</b>	<b>0.2</b>	<b>(7.4)</b>
2. <u>Interest Rate Swaps</u>			
- Less than 1 year	-	-	-
- 1 year to 3 years	1,500.0	1.9	-
- More than 3 years	500.0	10.2	-
	<b>2,000.0</b>	<b>12.1</b>	-
	<b>2,508.5</b>	<b>12.3</b>	<b>(7.4)</b>

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

**(b) Changes to derivative financial instruments**

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

**Forward Foreign Currency Contracts**

**Underlying Liability**

**USD260.3 million 8.00% Guaranteed Notes due in 2010**

In 2000, the Company issued USD300.0 million 8.00% Guaranteed Notes due in 2010, redeemable in full on 7 December 2010. On 4 December 2009, the Company repurchased USD39.7 million of the Notes.

**Derivative Financial Instruments**

On 29 March 2010, the Company entered into two forward foreign currency contract transactions which will mature on 6 December 2010. On the maturity date, the Company would receive USD10.0 million for each contract from the counter-party in return for a payment of RM66.4 million.

Subsequently on 5 and 7 April 2010, the Company entered into three additional forward foreign currency contracts also maturing on 6 December 2010. On the maturity date, the Company would receive USD10.0 million for each contract from the counter-party in return for a payment of RM97.9 million.

The objective of this transaction is to effectively convert the USD liability into a RM principal liability.

**(c) Financial Risk Management Objectives and Policies**

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

- (a) 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
- (b) 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 17, 44 and 47 of the audited annual financial statements for the financial year ended 31 December 2009 .

**(d) Related Accounting Policies**

The related accounting policies of the Group in respect of derivative financial instruments and hedge accounting are disclosed in note A13.

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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING  
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**10. Derivative Financial Instruments (continued)**

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

The amount of gains/(losses) 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 June 2010 are as follows:

Derivatives (by Maturity)	Contract or notional value RM Million	Fair Value RM Million	(Loss)/Gain arising from fair value changes for the	
			Current Quarter RM Million	Period to date RM Million
1. <u>Forward Foreign Currency Contracts</u>				
- Less than 1 year	131.9	(1.4)	(1.3)	(1.4)
- More than 3 years	344.2	(6.0)	5.9	(6.0)
	476.1	(7.4)	4.6	(7.4)

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. Material Litigation**

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities in note 42 to the audited financial statements of the Group for the financial year ended 31 December 2009, listed below are updates of the relevant cases since the date of the last audited financial statements:

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

AHSB's application to set aside the Court Order which dismissed its claim on 16 September 2009 has been disallowed by the Court on 8 April 2010. As AHSB had not filed any appeal against the above said decision within the period allowed under the law, the legal suit against TM has effectively ended.

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**11. Material Litigation (continued)**

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

On 29 April 2010, the High Court fixed the hearing date for TM and TESB's application to strike out the legal suit on 23 July 2010. On 23 July 2010, the hearing date was postponed to 4 November 2010.

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) Celcom (Malaysia) Berhad vs Telekom Malaysia Berhad, Telekom Enterprise Sdn Bhd & 19 Others**

On 27 March 2009, the Court of Appeal allowed Celcom's appeal against the High Court's decision in granting leave to Mohd Shuaib Ishak (MSI) to commence the statutory derivative action in the name of Celcom. On 23 April 2009, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal above mentioned.

On 23 June 2010, TM was notified that the Federal Court has fixed 10 August 2010 as the hearing date of MSI's application for leave to appeal. On 10 August 2010, the Federal Court heard and dismissed MSI's application for leave to appeal.

With this decision, the Suit against TM, TESB and 19 others has effectively been brought to an end.

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

On 31 December 2009, the duly sealed application by TM and TM Net to strike-out the Writ and Amended Statement of Claim by NGSB against TM and TM Net ("Striking Out Application") was extracted from the High Court.

On 15 July 2010, the Court proceeded with the hearing of the Striking Out Application and dismissed the same with cost on 9 August 2010. TM and TM Net are presently seeking legal advice on whether to appeal to the Court of Appeal against the decision of the High Court.

Meanwhile, NGSB's application to re-amend its Amended Statement of Claim which was fixed for mention on 11 August 2010 has been postponed to 13 September 2010 for hearing.

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

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.

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

	<b>2ND QUARTER ENDED</b>		<b>FINANCIAL PERIOD ENDED</b>	
	<b>30/6/2010</b>	<b>30/6/2009</b>	<b>30/6/2010</b>	<b>30/6/2009</b>
<b>(a) Basic earnings per share</b>				
Profit attributable to equity holders of the Company (RM million)	<b>124.4</b>	266.0	<b>367.3</b>	293.7
Weighted average number of ordinary shares (million)	<b>3,551.8</b>	3,519.1	<b>3,548.8</b>	3,492.9
Basic earnings per share (sen) attributable to equity holders of the Company	<b>3.5</b>	7.6	<b>10.4</b>	8.4

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.

	<b>2ND QUARTER ENDED</b>		<b>FINANCIAL PERIOD ENDED</b>	
	<b>30/6/2010</b>	<b>30/6/2009</b>	<b>30/6/2010</b>	<b>30/6/2009</b>
<b>(b) Diluted earnings per share</b>				
Profit attributable to equity holders of the Company (RM million)	<b>124.4</b>	266.0	<b>367.3</b>	293.7
Weighted average number of ordinary shares (million)	<b>3,551.8</b>	3,519.1	<b>3,548.8</b>	3,492.9
Adjustment for dilutive effect of Special ESOS (million)	<b>7.3</b>	15.0	<b>8.2</b>	19.2
Weighted average number of ordinary shares (million)	<b>3,559.1</b>	3,534.1	<b>3,557.0</b>	3,512.1
Diluted earnings per share (sen) attributable to equity holders of the Company	<b>3.5</b>	7.5	<b>10.3</b>	8.4

Diluted earnings per share for the current financial period was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period, adjusted to assume the conversion of all dilutive potential ordinary shares from share options granted to employees under the employees' share option scheme (Special ESOS).

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

The audited financial statements for the financial year ended 31 December 2009 were not subject to any qualification.

**14. Dividends**

The Board of Directors has declared an interim dividend of 13.0 sen per share less tax at 25% for the financial year ending 31 December 2010 (2009: an interim tax exempt dividend of 10.0 sen per share). The dividend will be paid on 24 September 2010 to shareholders whose names appeared in the Register of Members and Record of Depositors on 7 September 2010.

**By Order of the Board**

Idrus Bin Ismail (LS0008400)  
Zaiton Ahmad (MAICSA 7011681)  
Secretaries

Kuala Lumpur  
23 August 2010