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 2nd quarter ended 30 June 2019.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	2ND QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/06/2019	**30/06/2018**	**30/06/2019**	**30/06/2018**
	RM Million	**RM Million**	**RM Million**	**RM Million**
OPERATING REVENUE	**2,768.6**	2,936.4	**5,547.5**	5,784.4
OPERATING COSTS				
- depreciation, impairment and amortisation	**(698.1)**	(597.0)	**(1,258.5)**	(1,168.1)
- net impairment loss on financial and contract assets	**(14.5)**	(66.3)	**(9.2)**	(75.8)
- other operating costs	**(1,804.5)**	(2,063.2)	**(3,546.4)**	(4,164.0)
OTHER OPERATING INCOME (net)	**21.6**	39.0	**44.5**	68.0
OTHER LOSSES (net)	**(7.6)**	(0.2)	**(6.8)**	(1.9)
OPERATING PROFIT BEFORE FINANCE COST	**265.5**	248.7	**771.1**	442.6
FINANCE INCOME	**36.6**	27.1	**74.0**	52.9
FINANCE COST	**(138.8)**	(107.5)	**(268.2)**	(207.6)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	**(18.9)**	(65.4)	**(0.9)**	3.7
NET FINANCE COST	**(121.1)**	(145.8)	**(195.1)**	(151.0)
ASSOCIATE				
- share of results (net of tax)	**3.1**	5.5	**8.7**	11.0
PROFIT BEFORE TAX AND ZAKAT	**147.5**	108.4	**584.7**	302.6
TAX AND ZAKAT (part B, note 5)	**(59.9)**	(63.1)	**(196.2)**	(149.7)
PROFIT FOR THE FINANCIAL PERIOD	**87.6**	45.3	**388.5**	152.9
ATTRIBUTABLE TO:				
- equity holders of the Company	**114.2**	102.0	**422.5**	259.1
- non-controlling interests	**(26.6)**	(56.7)	**(34.0)**	(106.2)
PROFIT FOR THE FINANCIAL PERIOD	**87.6**	45.3	**388.5**	152.9
EARNINGS PER SHARE (sen) (part B, note 11)				
- basic / diluted	**3.0**	2.7	**11.2**	6.9

(The above unaudited consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2ND QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/06/2019	**30/06/2018**	**30/06/2019**	**30/06/2018**
	RM Million	**RM Million**	**RM Million**	**RM Million**
PROFIT FOR THE FINANCIAL PERIOD	**87.6**	45.3	**388.5**	152.9
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to income statement:				
- increase/(decrease) in fair value of investments at fair value through other comprehensive income (FVOCI)	**1.9**	(2.2)	**1.6**	(1.6)
- reclassification adjustments relating to FVOCI investments disposed	**(0.2)**	0.7	**(0.3)**	0.5
- increase in fair value of receivables at FVOCI	**0.7**	2.2	**7.1**	8.3
- cash flow hedge:				
- increase/(decrease) in fair value of cash flow hedge	**17.5**	54.7	**17.3**	(7.7)
- change in fair value of currency basis	**1.8**	(25.6)	**(4.0)**	(32.6)
- reclassification of foreign exchange (loss)/gain on borrowings	**(10.0)**	(36.0)	**0.3**	1.5
- fair value hedge:				
- (decrease)/increase in fair value of fair value hedge	**(6.0)**	0.3	**(7.9)**	4.9
- currency translation differences				
- subsidiaries	**1.0**	(0.2)	**55.2**	(5.9)
- associate	**#**	#	**(0.1)**	(0.1)
Other comprehensive income/(loss) for the financial period	**6.7**	(6.1)	**69.2**	(32.7)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	**94.3**	39.2	**457.7**	120.2
ATTRIBUTABLE TO:				
- equity holders of the Company	**120.9**	95.9	**491.7**	226.4
- non-controlling interests	**(26.6)**	(56.7)	**(34.0)**	(106.2)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	**94.3**	39.2	**457.7**	120.2

Amount less than RM0.1 milion

(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 2018)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30/06/2019 RM Million	AS AT 31/12/2018 RM Million
SHARE CAPITAL	3,667.1	3,667.1
OTHER RESERVES	(69.4)	(159.3)
RETAINED PROFITS	3,523.6	4,017.4
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,121.3	7,525.2
NON-CONTROLLING INTERESTS	(758.9)	(509.7)
TOTAL EQUITY	6,362.4	7,015.5
Borrowings	8,303.5	8,337.2
Lease liabilities	1,594.9	-
Derivative financial instruments	0.9	-
Deferred tax liabilities	1,601.0	1,661.3
Deferred income	1,426.0	1,470.9
Trade and other payables	78.7	21.5
NON-CURRENT LIABILITIES	13,005.0	11,490.9
	19,367.4	**18,506.4**
Property, plant and equipment	14,444.6	15,263.3
Intangible assets	490.2	490.0
Right-of-use assets	1,061.1	-
Associate	75.5	74.3
Equity investments at fair value through other comprehensive income (FVOCI)	148.0	148.0
Investments at fair value through profit or loss (FVTPL)	78.6	76.7
Receivables at FVOCI	254.6	239.4
Other non-current receivables	742.9	737.7
Derivative financial instruments	260.8	254.4
Deferred tax assets	19.9	17.9
NON-CURRENT ASSETS	17,576.2	17,301.7
Inventories	130.2	134.6
Non-current assets held for sale	18.0	18.9
Trade and other receivables	2,451.1	2,405.2
Contract assets	533.3	624.5
Contract cost assets	259.2	224.5
Receivables at FVOCI	14.3	13.1
Investments at fair value through other comprehensive income (FVOCI)	152.2	147.9
Investments at fair value through profit or loss (FVTPL)	6.0	6.0
Financial assets at fair value through profit or loss (FVTPL)	2.5	1.8
Cash and bank balances	3,177.1	2,826.3
CURRENT ASSETS	6,743.9	6,402.8
Trade and other payables	2,949.0	3,610.3
Contract liabilities	875.7	907.9
Customer deposits	319.9	352.8
Borrowings	303.8	234.1
Lease liabilities	351.8	-
Tax and zakat	152.5	93.0
CURRENT LIABILITIES	4,952.7	5,198.1
NET CURRENT ASSETS	1,791.2	1,204.7
	19,367.4	**18,506.4**
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	189.5	200.3

(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 2018)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Attributable to equity holders of the Company									
	Share Capital RM Million	**FVOCI Reserve RM Million**	**Hedging Reserve RM Million**	**Cost of Hedging Reserve RM Million**	**Long Term Incentive Plan Reserve RM Million**	**Other Reserve RM Million**	**Currency Translation Differences RM Million**	**Retained Profits RM Million**	**Non-controlling Interests RM Million**	**Total Equity RM Million**
At 31 December 2018, as reported	3,667.1	88.8	28.3	29.7	83.4	(352.9)	(36.6)	4,017.4	(509.7)	7,015.5
Impacts arising from the application of:										
- MFRS 16 (part A, note 1 and 14)	-	-	-	-	-	-	-	(841.1)	(215.2)	(1,056.3)
At 1 January 2019	3,667.1	88.8	28.3	29.7	83.4	(352.9)	(36.6)	3,176.3	(724.9)	5,959.2
Profit/(loss) for the financial period	-	-	-	-	-	-	-	422.5	(34.0)	388.5
Other comprehensive income										
Items that may be reclassified subsequently to income statement:										
- increase in fair value of investments at fair value through other comprehensive income (FVOCI)	-	1.6	-	-	-	-	-	-	-	1.6
- reclassification adjustments relating to FVOCI investments disposed	-	(0.3)	-	-	-	-	-	-	-	(0.3)
- increase in fair value of receivables at FVOCI	-	7.1	-	-	-	-	-	-	-	7.1
- cash flow hedge:										
- increase in fair value of cash flow hedge	-	-	17.3	-	-	-	-	-	-	17.3
- change in fair value of currency basis	-	-	-	(4.0)	-	-	-	-	-	(4.0)
- reclassification of foreign exchange gain on borrowings	-	-	0.3	-	-	-	-	-	-	0.3
- fair value hedge:										
- decrease in fair value of fair value hedge	-	-	(7.9)	-	-	-	-	-	-	(7.9)
- currency translation differences										
- subsidiaries	-	-	-	-	-	-	55.2	-	-	55.2
- associate	-	-	-	-	-	-	(0.1)	-	-	(0.1)
Total comprehensive income/(loss) for the financial period	-	8.4	9.7	(4.0)	-	-	55.1	422.5	(34.0)	457.7
Transactions with owners:										
- interim dividend paid for the financial year ended 31 December 2018 (part A, note 6)	-	-	-	-	-	-	-	(75.2)	-	(75.2)
- Long Term Incentive Plan (LTIP):										
- ordinary shares granted*	-	-	-	-	20.7	-	-	-	-	20.7
Total transactions with owners	-	-	-	-	20.7	-	-	(75.2)	-	(54.5)
At 30 June 2019	**3,667.1**	**97.2**	**38.0**	**25.7**	**104.1**	**(352.9)**	**18.5**	**3,523.6**	**(758.9)**	**6,362.4**

* The apportionment over the vesting period of the fair value of the Group's granting of TM shares made to eligible employees of TM and its subsidiaries subject to fulfilment of relevant vesting conditions.

(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 2018)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Attributable to equity holders of the Company										
	Share Capital RM Million	Fair Value Reserve RM Million	FVOCI Reserve RM Million	Hedging Reserve RM Million	Cost of Hedging Reserve RM Million	Long Term Incentive Plan Reserve RM Million	Other Reserve RM Million	Currency Translation Differences RM Million	Retained Profits RM Million	Non-controlling Interests RM Million	Total Equity RM Million
At 31 December 2017, as reported	3,667.1	127.2	-	85.7	-	36.7	(352.9)	21.8	4,257.9	(76.7)	7,766.8
Impacts arising from the application of:											
- MFRS 15	-	-	-	-	-	-	-	-	74.1	(0.9)	73.2
- MFRS 9	-	(127.2)	96.6	(81.2)	81.2	-	-	-	(13.1)	-	(43.7)
At 1 January 2018	3,667.1	-	96.6	4.5	81.2	36.7	(352.9)	21.8	4,318.9	(77.6)	7,796.3
Profit/(loss) for the financial period	-	-	-	-	-	-	-	-	259.1	(106.2)	152.9
Other comprehensive income											
Items that may be reclassified subsequently to income statement:											
- decrease in fair value of investments at fair value through other comprehensive income (FVOCI)	-	-	(1.6)	-	-	-	-	-	-	-	(1.6)
- reclassification adjustments relating to FVOCI investments disposed	-	-	0.5	-	-	-	-	-	-	-	0.5
- increase in fair value of receivables at FVOCI	-	-	8.3	-	-	-	-	-	-	-	8.3
- cash flow hedge:											
- decrease in fair value of cash flow hedge	-	-	-	(7.7)	-	-	-	-	-	-	(7.7)
- change in fair value of currency basis	-	-	-	-	(32.6)	-	-	-	-	-	(32.6)
- reclassification to foreign exchange gain on borrowings	-	-	-	1.5	-	-	-	-	-	-	1.5
- fair value hedge:											
- increase in fair value of fair value hedge	-	-	-	4.9	-	-	-	-	-	-	4.9
- currency translation differences											
- subsidiaries	-	-	-	-	-	-	-	(5.9)	-	-	(5.9)
- associate	-	-	-	-	-	-	-	(0.1)	-	-	(0.1)
Total comprehensive income/(loss) for the financial period	-	-	7.2	(1.3)	(32.6)	-	-	(6.0)	259.1	(106.2)	120.2
Transactions with owners:											
- second interim dividend paid for the financial year ended 31 December 2017	-	-	-	-	-	-	-	-	(454.7)	-	(454.7)
- dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(18.4)	(18.4)
- Long Term Incentive Plan (LTIP):											
- ordinary shares granted*	-	-	-	-	-	22.5	-	-	-	-	22.5
Total transactions with owners	-	-	-	-	-	22.5	-	-	(454.7)	(18.4)	(450.6)
At 30 June 2018	**3,667.1**	**-**	**103.8**	**3.2**	**48.6**	**59.2**	**(352.9)**	**15.8**	**4,123.3**	**(202.2)**	**7,465.9**

* The apportionment over the vesting period of the fair value of the Group's granting of TM shares made to eligible employees of TM and its subsidiaries subject to fulfilment of relevant vesting conditions.

(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 2018)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL PERIOD ENDED	
	30/06/2019	30/06/2018
	RM Million	RM Million
Receipts from customers	5,277.6	5,495.2
Payments to suppliers and employees	(3,843.6)	(4,506.5)
Payment of finance cost	(264.4)	(163.6)
Payment of income taxes and zakat (net)	(83.4)	(119.5)
CASH FLOWS FROM OPERATING ACTIVITIES	**1,086.2**	**705.6**
Contribution for purchase of property, plant and equipment	75.5	167.3
Disposal of property, plant and equipment	9.1	17.6
Purchase of property, plant and equipment	(632.3)	(1,098.9)
Disposal/Maturity of current investments at fair value to other comprehensive income	38.5	239.7
Purchase of current investments at fair value to other comprehensive income	(39.0)	(80.3)
Purchase of investments at fair value through profit or loss	(9.5)	(1.6)
Disposal of non-current assets held for sale	-	0.2
Long term deposit	(8.3)	(8.3)
Repayments of loans by employees	30.0	14.9
Loans to employees	(33.2)	(44.1)
Disposal of housing loan	-	3.7
Interests received	64.1	28.4
Dividends received	3.0	11.7
CASH FLOWS USED IN INVESTING ACTIVITIES	**(502.1)**	**(749.7)**
Proceeds from borrowings	443.0	946.0
Repayments of borrowings	(362.5)	(542.2)
Repayments of lease liabilities	(221.1)	(15.8)
Dividend paid to shareholders (part A, note 6)	(75.2)	(454.7)
Dividend paid to non-controlling interests	-	(18.4)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(215.8)**	**(85.1)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	368.3	(129.2)
EFFECT OF EXCHANGE RATE CHANGES	2.0	16.6
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	2,756.5	1,719.0
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	**3,126.8**	**1,606.4**

(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 2018)

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The unaudited interim financial statements for the 2nd quarter ended 30 June 2019 of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS) 134 "Interim Financial Reporting" issued by Malaysian Accounting Standards Board (MASB), paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2018. 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 2018 audited financial statements except for the changes arising from the adoption of the amendments to MFRS issued by MASB that are effective for the Group's financial year beginning on 1 January 2019.

(a) Amendments to published standards that are effective and applicable for the Group's financial year beginning on 1 January 2019

The amendments to published standards issued by MASB that are effective and applicable for the Group's financial year beginning on 1 January 2019 are as follows:

Amendments to MFRS 3, 11, 112 and 123	Annual Improvements to MFRS Standards 2015 to 2017 Cycle
Amendments to MFRS 9	Prepayment Features with Negative Compensation
MFRS 16	Leases
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement (Employee Benefits)
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty Over Income Tax Treatments

The adoption of the above amendments to published standards does not have any material impact to the Group's financial result, position or disclosure for the current or previous periods nor any of the Group's significant accounting policies other than MFRS 16 as disclosed below:

(i) MFRS 16 Leases

MFRS 16 requires lessees of operating leases to recognise right-of-use assets and liabilities under an on-balance sheet accounting model that is similar to current finance lease accounting. The Group's financial statements and key financial ratios would be affected by the recognition of the new assets and liabilities, and difference in the timing and classification of lease income/expense arising from the recognition.

1. Basis of Preparation (continued)

(a) Amendments to published standards that are effective and applicable for the Group's financial year beginning on 1 January 2019 (continued)

(i) MFRS 16 Leases (continued)

At inception of a contract, the Group assessed whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- the contract involves the use of an identified asset
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision–making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone price.

The Group applies MFRS 16 using the modified retrospective approach and therefore the comparative information would not be restated and continues to be reported under MFRS 117 Leases (MFRS 117) and IC Interpretation 4 Determining Whether an Arrangement Contain a Lease (IC 4). The retrospective impact of applying MFRS 16 for the leasing contracts assessed to be relevant to MFRS 16 as at 1 January 2019 is adjusted to the Group's retained earnings as at 1 January 2019.

The right-of-use assets are reviewed for impairment under MFRS 136 Impairment of Assets at the date of initial application. The right-of-use is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the lease term or the useful life of the right-to-use asset, determined on the same basis as those of property, plant and equipment of the Group.

1. Basis of Preparation (continued)

(a) Amendments to published standards that are effective and applicable for the Group's financial year beginning on 1 January 2019 (continued)

(i) MFRS 16 Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Subsequently, the lease liability is measured at amortised cost using the effective interest rate method, re-measured when there is a change in the Group's estimates of future lease payments arising from changes in circumstances relating to the contract if the Group changes its assessment of whether it will exercise a purchase, extension or termination options.

In such re-measurements, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying value of the right-of-use asset has been reduced to zero.

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less at inception or at initial application of MFRS 16 and low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The impact of the Group applying MFRS 16 as at 1 January 2019 is disclosed in part A note 14. The reduction in retain earnings is the effect of impairment recognised on initial application as well as the front-loading impact from the interest charges imputed under MFRS 16 for a given lease arrangement. That would mean that interest and depreciation charges combined for a particular lease over the earlier part of a lease period would be more than the straight line charging of the lease payment under MFRS 117 over the same lease period. Another impact of MFRS 16 is the net decrease in the Group's net current asset as under MFRS 16, the lease payments for the coming 12 months of the operating leases are recognised as current liabilities whilst the corresponding right-of-use assets for the affected operating leases remain classified as Non-Current Assets.

1. Basis of Preparation (continued)

(b) New Standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are not yet effective and have not been early adopted

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

<u>Effective for annual periods beginning on or after 1 January 2020</u>

MFRS 2, 3, 6, 14, 101, 108, 134,137, 138 & IC Interpretations 12, 14, 21, 22 and 132	Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material

<u>Effective for annual periods to be announced by MASB</u>

Amendments to MFRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The adoption of the above applicable new standards, IC Interpretation and amendments to published standards are not expected to have a material impact on the financial statements of the Group.

2. Seasonal or Cyclical Factors

The operations of the Group were not materially affected by any seasonal or cyclical factors.

3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

Other than estimates on impact of regulatory pricing disclosed in part A, note 4(a) and the impairment of network assets disclosed in part A, note 4(b), there were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the 2nd quarter and financial period ended 30 June 2019.

4. Material Changes in Estimates

There were no material changes in estimates reported in the prior interim period or prior financial year except for the following:

(a) Estimates on Impact from Regulatory Pricing

The Determination No. 1 of 2017 on Mandatory Standard of Access Pricing (MSAP) (the Determination) by the Malaysian Communication and Multimedia Commission (MCMC) on 20 December 2017 has resulted in the Group recognising a provision of RM149.2 million as at 30 June 2019. This represents an estimated MSAP impact on the Group's revenue under the wholesale segment, from 1 January 2018 to 30 June 2019, based on the latest negotiated rates with the relevant parties involved.

Such estimates including but not limited to future industry actions, decisions, consultations and reviews, and conditions or requirements in the Group's operating areas will continue to be monitored and revised as circumstances surrounding the industry landscape and other related market factors develop. The Group would also assess any reasonably quantifiable impact to revenue under both retail and wholesale segments arising therefrom. Estimates are made on information available today and any changes in actual outcome will have impact to the financials of the Group.

(b) Impairment of Network Assets

The Group has recognised a provision of RM124.6 million for the impairment of fixed network assets following the Group's announcement of a planned price adjustment of its Streamyx services.

The impairment losses were projected based on an assessment of the recoverable value-in-use of the affected network assets.

The Group will continue to review the economic circumstances revolving around the assets of the Group in coming periods to reflect any potential further impairment or recovery in value.

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

(a) Long Term Incentive Plan (LTIP)

During the financial period to date, TM granted shares under its Long Term Incentive Plan (LTIP) to eligible employees of TM and subsidiaries as described in note 14 of the audited financial statements for the financial year ended 31 December 2018.

Description	Grant Date	Vesting Date	Total TM shares granted	Reference Price Per Unit[1] (RM)
Restricted Shares (RS)	17 June 2019	1 June 2022	15,274,100	4.06
Performance Shares (PS)	17 June 2019	1 June 2022/ 1 June 2023[2]	1,001,500	4.06

[1] Refers to the closing share price at the valuation date of the LTIP.
[2] In the event that certain performance metrics are not met over the period set by the LTIP Committee as being applicable to the PS Grantees, a roll over feature may extend the performance period and vesting date by 1 year.

Description of both RS and PS has been disclosed in note 14 of the audited financial statements for the financial year ended 31 December 2018.

6. Dividends Paid

An interim single-tier cash dividend of 2.0 sen per share amounting to RM75.2 million in respect of financial year ended 31 December 2018 declared on 26 February 2019 was paid on 12 April 2019.

7. Segmental Information

Segmental information for the Group are as follows:

By Business Segment

All amounts are in RM Million 2nd Quarter Ended 30 June 2019	unifi>	TM ONE	TM GLOBAL	Shared Services /Others^	Elimination	Total
Operating Revenue						
Total operating revenue	1,204.8	1,045.2	602.5	92.6		2,945.1
Inter-segment @	(5.1)	(87.9)	(82.0)	(1.5)		(176.5)
External operating revenue	1,199.7	957.3	520.5	91.1		2,768.6
Results						
EBIT	55.7	253.6	101.6	(106.3)	(31.5)	273.1
Other losses (net)						(7.6)
Finance income						36.6
Finance cost						(138.8)
Foreign exchange loss on borrowings						(18.9)
Associate						
- share of results (net of tax)						3.1
Profit before tax and zakat						147.5
Tax and zakat						(59.9)
Profit for the financial period						87.6

7. Segmental Information (continued)

All amounts are in RM Million 2nd Quarter Ended 30 June 2018	**unifi>**	**TM ONE**	**TM GLOBAL**	**Shared Services /Others^**	**Elimination**	**Total**
Operating Revenue						
Total operating revenue	1,349.9	1,140.7	509.6	115.0		3,115.2
Inter-segment @	(7.9)	(101.2)	(68.4)	(1.3)		(178.8)
External operating revenue	1,342.0	1,039.5	441.2	113.7		2,936.4
Results						
EBIT	37.9	263.1	6.7	(33.8)	(25.0)	248.9
Other losses (net)						(0.2)
Finance income						27.1
Finance cost						(107.5)
Foreign exchange loss on borrowings						(65.4)
Associate						
- share of results (net of tax)						5.5
Profit before tax and zakat						108.4
Tax and zakat						(63.1)
Profit for the financial period						45.3

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

All amounts are in RM Million Financial Period Ended 30 June 2019	**unifi>**	**TM ONE**	**TM GLOBAL**	**Shared Services /Others^**	**Elimination**	**Total**
Operating Revenue						
Total operating revenue	2,433.1	2,051.6	1,180.6	205.7		5,871.0
Inter-segment @	(8.0)	(148.2)	(164.2)	(3.1)		(323.5)
External operating revenue	2,425.1	1,903.4	1,016.4	202.6		5,547.5
Results						
EBIT	250.1	517.4	217.9	(185.4)	(22.1)	777.9
Other losses (net)						(6.8)
Finance income						74.0
Finance cost						(268.2)
Foreign exchange loss on borrowings						(0.9)
Associate						
- share of results (net of tax)						8.7
Profit before tax and zakat						584.7
Tax and zakat						(196.2)
Profit for the financial period						388.5

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

7. Segmental Information (continued)

All amounts are in RM Million Financial Period Ended 30 June 2018	**unifi>**	**TM ONE**	**TM GLOBAL**	**Shared Services /Others^**	**Elimination**	**Total**
Operating Revenue						
Total operating revenue	2,703.6	2,161.5	1,028.0	240.4		6,133.5
Inter-segment @	(10.7)	(179.1)	(156.4)	(2.9)		(349.1)
External operating revenue	2,692.9	1,982.4	871.6	237.5		5,784.4
Results						
EBIT	24.5	511.2	50.2	(125.9)	(15.5)	444.5
Other losses (net)						(1.9)
Finance income						52.9
Finance cost						(207.6)
Foreign exchange gain on borrowings						3.7
Associate						
- share of results (net of tax)						11.0
Profit before tax and zakat						302.6
Tax and zakat						(149.7)
Profit for the financial period						152.9

7. Segmental Information (continued)

@ Inter-segment operating revenue relates to inter-company revenue and has been eliminated at the respective segment operating revenue. These inter-segment trading arrangements are subject to periodic review. The inter-company revenue was entered into in the normal course of business.

^ Expenses incurred by corporate divisions such as Human Capital Management, Finance, Strategy and Regulatory, Company Secretary, 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 are disclosed as part of shared services/others. These are considered non-operating segments.

> unifi segment for the current quarter and financial year as well as comparatives includes financial information of Webe Digital Sdn Bhd (webe) and its subsidiaries, reflective of webe's current customer profile in aligning to the Group's overall operational segmentation.

Information on segmental assets and liabilities have not been included in the disclosure in alignment with the information used internally to discuss segment performance and allocate resources. Significant portions of the Group's assets and liabilities are maintained and monitored at each entity level. Consistently across the Group, network assets are maintained and economically utilised and monitored as a single network in generating the portfolio of products offered by each entity. The corresponding liabilities, including financing, are also similarly monitored.

The current segmental disclosure have been prepared based on a revised basis of network cost allocation where key cost drivers have been updated to reflect current network elements and technology used to serve current product offerings. The comparatives have been restated accordingly to ensure comparability.

8. Material Events Subsequent to the End of the Quarter

Other from that disclosed in part A, note 4(b), there is no other material event subsequent to the reporting date that requires disclosure or adjustments to the unaudited interim financial statements.

9. Effects of Changes in the Composition of the Group

There is no change in the composition of the Group for the 2nd quarter and period ended 30 June 2019.

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

Other than material litigations as disclosed in part B, note 10 of this announcement, there was no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2018.

11. Capital Commitments

	Group	
	As at 30/6/2019 RM Million	**As at 31/12/2018 RM Million**
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**1,448.3**	3,323.2

* The current period disclosure has been revised to reflect exclusion of contracts that are not committed.

12. Related Party Transactions

Khazanah Nasional Berhad (Khazanah) is a major shareholder with 26.21% equity interest and is a related party of the Group. Khazanah is a wholly-owned entity of MOF Inc, which is in turn owned by the Ministry of Finance, a ministry of the Federal Government of Malaysia. Therefore, the Government of Malaysia and bodies controlled or jointly controlled by the Government of Malaysia are also related parties to the Group.

The individually significant transactions that the Group entered into with identified related parties and their corresponding balances for the provision of telecommunications related services as at the respective reporting dates are as follows:

	Total amount of individually significant transactions for the financial period ended		**Corresponding outstanding balances as at**	
	30/6/2019 RM Million	**30/6/2018 RM Million**	**30/6/2019 RM Million**	**31/12/2018 RM Million**
Sales and Receivables	**334.3**	335.9	**109.9**	111.2

The Group also has individually significant contracts with other Government-related entities where the Group was provided funding for projects of which the amortisation of grants to the income statement in the current year was RM134.3 million (YTD June 2018: RM149.9 million) with corresponding receivables of RM2.2 million (31 December 2018: RM2.2 million).

In addition to the above, the Group has transactions that are collectively, but not individually significant with other Government-related entities in respect of the provision of telecommunications related services as well as procurement of telecommunications and related equipment and services in the normal course of business.

13. Fair Value

The following should be read in conjunction with note 47 of the Group's audited financial statements for the financial year ended 31 December 2018.

(a) Financial Instruments Carried at Fair Value

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

	As at 30/6/2019				As at 31/12/2018			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	RM	**RM**	**RM**	**RM**	RM	RM	RM	RM
Assets								
Financial assets at fair value through profit or loss								
- quoted securities	**2.5**	**-**	**-**	**2.5**	1.8	-	-	1.8
Derivatives accounted for under hedge accounting	**-**	**260.8**	**-**	**260.8**	-	254.4	-	254.4
Investments at fair value through OCI	**-**	**152.2**	**-**	**152.2**	-	147.9	-	147.9
Investments at fair value through profit or loss	**-**	**-**	**84.6**	**84.6**	-	-	82.7	82.7
Equity investments at fair value through OCI	**-**	**-**	**148.0**	**148.0**	-	-	148.0	148.0
Receivables at fair value through OCI	**-**	**-**	**268.9**	**268.9**	-	-	252.5	252.5
Total	**2.5**	**413.0**	**501.5**	**917.0**	1.8	402.3	483.2	887.3
Liabilities								
Derivatives accounted for under hedge accounting	**-**	**0.9**	**-**	**0.9**	-	-	-	-
Total	**-**	**0.9**	**-**	**0.9**	-	-	-	-

There has not been any change to the valuation techniques applied for the different financial instruments since 31 December 2018 and there were no transfers of any instruments between level 1, 2 and 3 of the fair valuation hierarchy during the financial period.

13. Fair Value (continued)

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

There has not been significant changes in the differences between the carrying amount and fair value of financial instruments carried at other than fair value from the disclosures in note 47(b) of the Group's audited financial statements for the financial year ended 31 December 2018, other than below:

	As at 30/6/2019		**As at 31/12/2018**	
	Carrying amount RM Million	**Net fair value RM Million**	**Carrying amount RM Million**	**Net fair value RM Million**
Liabilities				
Borrowings	**8,607.3**	**9,271.4**	8,571.3	8,918.6

14. Changes in Accounting Policies

(a) Changes and adoption of new accounting policies applied from 1 January 2019

MFRS 16 Leases (MFRS 16)

The Group has adopted MFRS 16 from 1 January 2019. On the date of initial application, the Group applied the simplified modified retrospective transition approach and did not restate comparative amounts for the period prior to first adoption. Remaining payment obligations from existing operating leases are discounted using the relevant incremental borrowing rates and recognised as a lease liability.

The carrying value of the corresponding right-of-use assets as at 1 January 2019 is measured as if the new rules had always been applied since the initial date of each respective lease contract. The difference between the carrying value of the lease liability and right-of-use asset is taken as a reduction to the Group's retained earnings. The right-of-use assets are reviewed for impairment under MFRS 136 Impairment of Assets at the date of initial application.

On the income statement, expenses which previously included operating lease rentals within Operating Cost (part of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)), is replaced by depreciation of the ROU Assets and interest expense on the Lease Liabilities over the remaining lease period. As such, MFRS 16 has the effect of increasing EBITDA, depreciation and interest expense.

On the statement of cash flows, operating lease rental outflows previously recorded within 'net cash flows from operating activities' are now classified under 'net cash flows used in financing activities' for the repayments of the principal of the lease liabilities.

(b) Impact from changes and adoption of new accounting policies

(i) The impact to the Group's retained earnings on 1 January 2019 upon application of MFRS 16 is as follows:

	2019 RM million
Retained earnings – before MFRS 16 restatement	**4,017.4**
Recognition of right-of-use assets (excluding finance lease)	1,609.6
Recognition of lease liabilities (excluding finance lease)	(2,020.4)
Impairment loss recognised on application of MFRS 16	(732.6)
Adjustment from adoption of MFRS 16	(1,143.4)
Less: Deferred tax impact	87.1
Less: Share of non-controlling interest	215.2
Reduction to retained earnings from adoption of MFRS 16	**(841.1)**
Opening retained earnings 1 January – after MFRS 16	**3,176.3**

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

14. Changes in Accounting Policies (continued)

(b) Impact from changes and adoption of new accounting policies (continued)

(ii) The recognition of Group's right-of-use assets on 1 January is as follows:

The right-of-use assets were measured on simplified modified retrospective approach as if the new standard had always been applied since the initial date of the contract.

	2019 RM million
Non-current assets	
Right-of-use assets – Land	281.0
Right-of-use assets – Buildings	382.9
Right-of-use assets – Network Sites and Equipment	773.5
Right-of-use assets – Non Network Equipment	17.4
Right-of-use assets – Fibre	144.0
Right-of-use assets – Others	10.8
Total	1,609.6
Less: Impairment loss recognised on application of MFRS 16	(732.6)
Right-of-use assets recognised	877.0

(iii) Reconciliation of operating lease commitment arising from operating leases as of 31 December 2018 to the recognition of the Group's lease liabilities on 1 January 2019 is as shown below:

	RM million
Operating lease commitments disclosed as at 31 December 2018	**2,578.0**
Discounted using the Group's incremental borrowing rate (average of 6.27%)	(530.1)
Less : short-term leases recognised on a straight-line basis as expense	(26.6)
Less : low-value leases recognised on a straight-line basis as expense	(0.9)
Total lease commitment recognised on initial application of MFRS 16	**2,020.4**
Add: finance lease liabilities as at 31 December 2018 reclassified from borrowings	50.0
Total lease liability recognised as at 1 January 2019	**2,070.4**

Of which are:	
Non-current provisions and liabilities	
Lease liabilities (including reclassification of finance lease)	1,789.7
Current provisions and liabilities	
Lease liabilities (including reclassification of finance lease)	280.7
Total	**2,070.4**

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

1. Review of Performance

(a) Quarter-on-Quarter

(i) Group Performance

Group revenue decreased 5.7% (RM167.8 million) to RM2,768.6 million from RM2,936.4 million in the same quarter last year due to decline in voice, Internet and multimedia services, other telecommunication related as well as non-telecommunication related services.

Operating profit before finance cost increased by 6.8% (RM16.8 million) from RM248.7 million in the 2nd quarter of 2018 to RM265.5 million due to reduction in operating costs from the continuing impact of the Group's various cost initiatives, notwithstanding the revenue reduction and impairment loss on network assets recognised during the current quarter ended as disclosed in part A, note 4(b).

Correspondingly, Group profit after tax and non-controlling interests (PATAMI) increased by 12.0% (RM12.2 million) from RM102.0 million to RM114.2 million.

(ii) Segment Performance

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Revenue decreased 10.7% (RM145.1 million) from RM1,349.9 million to RM1,204.8 million in the current quarter mainly due to lower revenue from Internet and multimedia services as an impact from the lower cumulative customer base for Streamyx and unifi broadband services. Nonetheless, EBIT increased from RM37.9 million in the corresponding quarter last year to RM55.7 million in the current year quarter mainly due to lower operating costs.

TM ONE

TM ONE recorded 8.4% (RM95.5 million) decrease in revenue from RM1,140.7 million to RM1,045.2 million in the 2nd quarter of 2019 mainly due to decline in voice and other telecommunication related services. Consequently, EBIT decreased 3.6% (RM9.5 million) to RM253.6 million in the current quarter from RM263.1 million in the corresponding quarter last year.

TM GLOBAL

Revenue for the current quarter increased 18.2% (RM92.9 million) from RM509.6 million in 2nd quarter last year to RM602.5 million mainly contributed by data services. Consequently, EBIT for the current quarter was RM101.6 million, a 1,416.4% (RM94.9 million) increase from the RM6.7 million in the corresponding quarter last year.

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

1. Review of Performance (continued)

(b) Year-on-Year

(i) Group Performance

For the period under review, Group revenue decreased by 4.1% (RM236.9 million) to RM5,547.5 million as compared to RM5,784.4 million last year, mainly due to lower revenue from all lines of product except for data services.

Notwithstanding the decrease in revenue and impairment loss on network assets recognised as disclosed in part A, note 4(b), operating profit before finance cost increased by 74.2% (RM328.5 million) to RM771.1 million as compared to RM442.6 million recorded in the preceding year mainly due to lower operating costs resulting from the Group's various cost initiatives.

Consequently, Group profit after tax and non-controlling interests (PATAMI) increased by 63.1% (RM163.4 million) to RM422.5 million from RM259.1 million in corresponding period last year.

(ii) Segment Performance

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Revenue for the current financial period decreased by 10.0% (RM270.5 million) to RM2,433.1 million from RM2,703.6 million contributed by lower revenue from voice, Internet and multimedia services. Nevertheless, profit for the current financial period increased by 920.8% (RM225.6 million) to RM250.1 million from RM24.5 million last year due to lower operating costs.

TM ONE

TM ONE recorded a 5.1% (RM109.9 million) decrease in revenue from RM2,161.5 million to RM2,051.6 million in the current financial period mainly due to decline in voice and other telecommunication related services. Nonetheless, profit for the current financial period increased by 1.2% (RM6.2 million) from RM511.2 million to RM517.4 million mainly from the decrease in operating costs.

TM GLOBAL

TM GLOBAL registered revenue of RM1,180.6 million for the current financial period, a 14.8% (RM152.6 million) increase from RM1,028.0 million reported in the corresponding period last year mainly driven by data services. This led to 334.1% (RM167.7 million) increase in profit from RM50.2 million in the corresponding period last year to RM217.9 million in the current period ended.

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

1. Review of Performance (continued)

(c) Economic Profit Statement

	2nd Quarter Ended		Financial Period Ended	
	30/6/2019 RM Million	**30/6/2018 RM Million**	**30/6/2019 RM Million**	**30/6/2018 RM Million**
EBIT	**273.1**	248.9	**777.9**	444.5
Adjusted Tax	**65.5**	59.7	**186.7**	106.7
NOPLAT	**207.6**	189.2	**591.2**	337.8
*AIC	**16,718.4**	17,138.4	**16,718.4**	17,138.4
*WACC	**8.82%**	7.46%	**8.82%**	7.46%
ECONOMIC CHARGE	**368.6**	319.6	**737.3**	639.3
ECONOMIC LOSS	**(161.0)**	(130.4)	**(146.1)**	(301.5)

* Comparative disclosures for this note has been restated to reflect changes in AIC (which now takes a 12-month average) as well as applying the same WACC for both quarter and period ended.

Definitions:
EBIT = Earnings before Interest & Taxes
NOPLAT = Net Operating Profit after Tax
AIC = Average Invested Capital
WACC = Weighted Average Cost of Capital

TM Group recorded higher Economic Loss in second quarter 2019 due to higher economic charge whilst lower Economic Loss in financial period to date was due to higher EBIT arising from lower operating cost. The higher economic charges in both current quarter and period were attributed to higher WACC arising from higher Cost of Equity due to variant change in market risk premium and the higher Cost of Debt with the inclusion of MFRS 16 lease liability whilst lower AIC is due to lower property, plant and equipment and trade and other receivables.

2. Comparison with Preceding Quarter's Results

The current quarter Group revenue decreased 0.4% (RM10.3 million) to RM2,768.6 million as compared to RM2,778.9 million recorded in the 1st quarter of 2019 due to lower revenue from voice, Internet and multimedia, as well as non-telecommunication related services.

Operating profit before finance cost decreased RM240.1 million to RM265.5 million from RM505.6 million recorded in the preceding quarter with impact from higher operating costs which included mainly the RM124.6 million impairment loss recognised in the current quarter as disclosed in part A, note 4(b). This subsequently led to a RM194.1 million decrease in Group PATAMI from RM308.3 million in the preceding quarter to RM114.2 million.

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

3. Prospects for the Current Financial Year

The Group's performance improvement initiatives and efficient cost management continue to stabilise our profitability. Our focus remains toward our customers, and to strengthen the Group's performance by investing to improve customer experience, increase customer acquisitions across all segments and grow our revenue.

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

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the 2nd quarter and financial period ended 30 June 2019.

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

5. Tax

The tax charge for the Group comprises:

	2nd Quarter Ended		Financial Period Ended	
	30/6/2019	**30/6/2018**	**30/6/2019**	**30/6/2018**
	RM Million	**RM Million**	**RM Million**	**RM Million**
Malaysia				
Income Tax:				
Current year	**50.3**	1.6	**140.4**	80.1
Prior year	**(0.4)**	0.1	**1.5**	1.4
Deferred tax (net)	**9.4**	55.7	**53.4**	61.4
	59.3	57.4	**195.3**	142.9
Overseas				
Income Tax:				
Current year	**0.2**	(0.4)	**(0.6)**	0.6
Prior year	**0.4**	5.8	**0.4**	5.9
Deferred tax (net)	#	#	#	#
	0.6	5.4	**(0.2)**	6.5
Taxation	**59.9**	62.8	**195.1**	149.4
Zakat	#	0.3	**1.1**	0.3
Taxation and Zakat	**59.9**	63.1	**196.2**	149.7

Amount less than RM0.1 million

The effective tax rates of the Group for the current year and comparative are higher than the statutory tax rate primarily due to losses before tax from webe for which no corresponding tax losses or deferred tax asset has been recognised at this juncture.

6. Status of Corporate Proposals

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

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

7. Group Borrowings and Debt Securities

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

	As at 30/6/2019		As at 31/12/2018	
	Short Term Borrowings RM Million	Long Term Borrowings RM Million	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Total Secured	**34.4**	**13.5**	34.5	25.9
Total Unsecured	**269.4**	**8,290.0**	199.6	8,311.3
Total Borrowings	**303.8**	**8,303.5**	234.1	8,337.2

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

Foreign Currency	As at 30/6/2019 RM Million	As at 31/12/2018 RM Million
US Dollar	**2,372.1**	2,371.6
Canadian Dollars	**2.5**	2.6
Total	**2,374.6**	2,374.2

(c) There has not been any significant changes in the Group's borrowings since the end of the previous financial year (as disclosed in note 17 of the Group's audited financial statements for financial year ended 31 December 2018) except for repayments of borrowings as they become due, draw down of current facilities and impact of foreign exchange retranslation for the period.

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

8. Derivative Financial Instruments

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

		Fair value as at 30/6/2019		Fair value as at 31/12/2018	
Derivatives (by maturity)	**Contract or notional amount RM Million**	**Assets RM Million**	**Liabilities RM Million**	**Assets RM Million**	**Liabilities RM Million**
1. Interest Rate Swaps (IRS)					
- more than 3 years	206.6	-	0.9	7.0	-
	206.6	**-**	**0.9**	7.0	-
2. Cross Currency Interest Rate Swaps (CCIRS)					
- 1 year to 3 years	316.8	96.7	-	99.2	-
- more than 3 years	310.5	164.1	-	148.2	-
	627.3	**260.8**	**-**	247.4	-
Total	**833.9**	**260.8**	**0.9**	254.4	-

(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, 19 and 46 to 49 to the Group's audited financial statements for the financial year ended 31 December 2018.

(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 Group's audited financial statements for the financial year ended 31 December 2018.

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

8. Derivative Financial Instruments (continued)

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

The amount of gains/(losses) arising from fair value changes of derivative financial instruments for the current and cumulative quarters ended 30 June 2019 are as follows:

Derivatives (by maturity)	**Contract or notional value RM Million**	**Fair value RM Million**	**Gains/(Losses) arising from fair value changes for the quarter RM Million**	**Gains/(Losses) arising from fair value changes for the period RM Million**
Financial Liabilities				
1. Interest Rate Swaps[(i)] - more than 3 years	206.6	0.9	(6.0)	(7.9)
	206.6	**0.9**	**(6.0)**	**(7.9)**
Total	**206.6**	**0.9**	**(6.0)**	**(7.9)**
Financial Assets				
1. Cross Currency Interest Rate Swaps[(ii)]				
- 1 year to 3 years	316.8	96.7	4.3	(2.5)
- more than 3 years	310.5	164.1	15.1	15.9
	627.3	**260.8**	**19.4**	**13.4**
Total	**627.3**	**260.8**	**19.4**	**13.4**

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

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

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

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

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

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

9. Additional Disclosures

Additional disclosures of items not disclosed elsewhere in this announcement, which have been included in the Consolidated Income Statement for the 2nd quarter and financial period ended 30 June 2019:

	2nd Quarter Ended		Financial Period Ended	
	30/6/2019 RM Million	30/6/2018 RM Million	30/6/2019 RM Million	30/6/2018 RM Million
Inventory (charges)/reversal for write off and obsolescence	**(0.7)**	0.3	**(0.5)**	(0.7)
Gain/(Loss) on disposal of fixed income securities	**0.2**	(0.7)	**0.3**	(0.5)
Gain/(Loss) on foreign exchange on settlements and placements	**11.4**	16.1	**3.2**	(10.6)

10. Material Litigation

The following is the material litigations arising subsequent to the previous financial year end:

(a) Mahkamah Tinggi Malaya di Kuala Lumpur (Guaman Sivil No: WA-22NCC-130-03/2019) Malaysian Football League LLP (formerly known as Football Malaysia LLP) vs TM

On 21 March 2019, TM received a Writ of Summons and Statement of Claim dated 18 March 2019 from Malaysian Football League LLP (“MFL”).

Under the Statement of Claim, MFL claims for the following reliefs, among others:-

1. A Declaration that the Term Sheet dated 29 January 2018 (Term Sheet) had not expired on 31 October 2018 and is subsisting beyond 31 October 2018;
2. A Declaration that TM had breached the Term Sheet;
3. An Order that TM is liable to pay MFL the amount of RM25,850,000.00 being Payment 1 for the Sponsorship and Broadcast Consideration for year 2019 within seven (7) days of the date of this Judgement;
4. An Order that TM is liable to pay MFL the amount of RM25,850,000.00 being Payment 2 for the Sponsorship and Broadcast Consideration for 2019 on or before 2 June 2019;
5. An Order that TM is liable to MFL the amount of RM376,600,000.00 being the remaining Sponsorship and Broadcast Consideration for years 2020, 2021, 2022, 2023, 2024, and 2025 within seven (7) days of the date of this Judgement; and

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

10. Material Litigation

(a) Mahkamah Tinggi Malaya di Kuala Lumpur (Guaman Sivil No: WA-22NCC-130-03/2019) Malaysian Football League LLP (formerly known as Football Malaysia LLP) vs TM (continued)

6. Alternatively, an Order that TM is liable to pay MFL the difference between the total amount of Sponsorship and Broadcast Considerations MFL is entitled to receive from TM under the Term Sheet and any other amount MFL secures in place of the Sponsorship and Broadcast Considerations for years 2020, 2021, 2022, 2023, 2024, and 2025.

On 26 April 2019, TM filed its application to strike out MFL's Statement of Claim, its Statement of Defence and Counterclaim against MFL.

On 12 July 2019, the High Court heard the striking out application and dismissed TM's application with cost in cause. TM has decided, upon consultation with the legal advisor, not to appeal against the decision of the High Court and instead proceed to trial. The main suit is fixed for trial on 13 – 14 January 2020.

The Directors, based on legal advice, are of the view that TM has a good chance of successfully defending the legal suit.

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

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

11. Earnings per Share (EPS)

	2nd Quarter Ended		Financial Period Ended	
	30/6/2019	**30/6/2018**	**30/6/2019**	**30/6/2018**
(a) Basic earnings per share				
Profit attributable to equity holders of the Company (RM million)	**114.2**	102.0	**422.5**	259.1
Weighted average number of ordinary shares (million)	**3,757.9**	3,757.9	**3,757.9**	3,757.9
Basic earnings per share (sen) attributable to equity holders of the Company	**3.0**	2.7	**11.2**	6.9

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

	2nd Quarter Ended		Financial Period Ended	
	30/6/2019	**30/6/2018**	**30/6/2019**	**30/6/2018**
(b) Diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	**114.2**	102.0	**422.5**	259.1
Weighted average number of ordinary shares (million)	**3,757.9**	3,757.9	**3,757.9**	3,757.9
Adjustment for dilutive effect of Long Term Incentive Plan (million)	**23.0**	22.0	**22.0**	22.0
Weighted average number of ordinary shares (million)	**3,780.9**	3,779.9	**3,779.9**	3,779.9
Diluted earnings per share (sen) attributable to equity holders of the Company	**3.0**	2.7	**11.2**	6.9

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 issued and paid-up ordinary shares adjusted for potential conversion of all dilutive ordinary shares from shares granted to employees under the Group's Long Term Incentive Plan (LTIP), as disclosed in note 14 to the Group's audited financial statements for financial year ended 31 December 2018.

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

12. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2018 were not subject to any qualification.

13. Dividends

No dividend has been recommended during the 2nd quarter and period ended 30 June 2019 in respect of the financial year.

By Order of the Board

Hamizah Abidin (LS0007096) (Practising Certificate No. 201908001071)
Zaiton Ahmad (MAICSA 7011681)

Secretaries

Kuala Lumpur
28 August 2019