



News Release

02 August 2006
Kuala Lumpur

TM'S EARNINGS UP 19.3% TO RM955 MILLION

GROUP RESULTS

Telekom Malaysia Berhad (TM) today announced its unaudited results for the first six months ended 30 June 2006.

For the first half of 2006, the Group posted a 43.7% increase in its Profit Before Tax (PBT) to RM1.49 billion as compared to RM1.03 billion in the corresponding period last year. This was attributable to higher revenue from overseas operations, higher broadband revenue and foreign exchange gains. The Group's revenue stood at RM7.76 billion, up 15.2% from the RM6.74 billion posted in the first half of 2005.

The Group registered an Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM3.59 billion, a 22.9% improvement over the RM2.92 billion recorded last year.

Increased contributions from the Group's overseas operations are a key feature of the first-half year results, contributing 29% to Group's Profit After Tax and Minority Interest (PATAMI) and 24% to Group revenue. This compares favourably with the 19% contribution to Group PATAMI and 9% to Group revenue achieved in the corresponding period last year.

The Group's PATAMI increased by 19.3% to RM955 million from RM800 million registered in the first half of last year. Excluding foreign exchange gains, earnings amounted to RM839 million in the first half of 2006.

Dato' Abdul Wahid Omar, Group Chief Executive Officer, TM said, "Overall, although our performance registered growth, we are concerned over the threats facing our domestic business. While we registered higher revenue from mobile, and Internet and multimedia segments, the push in mobile revenue was primarily driven by our overseas operations. Overseas operations also helped propel the Group's customer base by a significant 66% to 23.9 million at the end of first half 2006."

"While our overseas operations have performed credibly, domestically, we are facing a number of challenges. We are seeing a declining trend in fixed-line revenue mainly due to fixed to mobile migration and at the same time facing strong competition in the mobile segment."

"Notwithstanding that, we will continue to build on our strategies going forward to mitigate the decline in fixed line revenue and defend our position in the highly-competitive mobile marketplace. We shall not rest on our laurels. Indeed, we must be both resolute and creative for the next months."

Commenting on the growing significance of the Group's overseas operations, Dato' Wahid noted: "Whilst we are taking an opportunistic approach in expanding our regional footprint, the immediate focus is to derive shareholder value from our existing investments. The competition in the countries where we are present is also intensifying with the emergence of global players. We need to realize synergies and leverage the key strengths of each of our overseas businesses to ensure that we continue to be strongly positioned to compete in these markets", explained Dato' Abdul Wahid.

Interim Dividend

The Board of TM is pleased to announce a proposed interim dividend of 16 sen less tax of 28% in respect of the half year ended 30 June 2006. The total net dividend payout would amount to approximately RM391 million representing dividend payout ratio of 40.9% of the Group PATAMI.

Q2 2006 on Q1 2006

Group revenue for the current quarter of RM3.98 billion increased by 5.0% over RM3.79 billion recorded in the preceding quarter, mainly due to higher contribution from mobile segment and Internet and multimedia services. The Group PBT of RM672 million was however lower than RM815 million recorded in the preceding quarter, primarily due to loss on foreign exchange of RM75 million as compared to gain on foreign exchange of RM213 million recorded in first quarter of 2006. Excluding the foreign exchange difference, the current quarter PBT is higher by 24.1%.

Q2 2006 on Q2 2005

For the current quarter under review, the Group revenue increased by 19.7% to RM3.98 billion as compared to RM3.32 billion in second quarter of 2005, mainly attributed to higher revenue from mobile, Internet and multimedia services. Significant increase in mobile revenue was mainly contributed by consolidation of PT Excelcomindo Pratama Tbk (XL), which became a subsidiary in the fourth quarter of 2005. As compared to second quarter of 2005, the Group PBT increased by 33.9% to

RM672 million, attributed to the higher revenue and contribution from associates as well as a jointly controlled entity, after setting off higher loss on foreign exchange. The Group experienced a higher taxation in the second quarter of 2006 of RM208 million against RM56 million in second quarter of 2005 due to increase in provision at foreign subsidiaries in current year quarter and a reversal of excess provision at TM amounting to RM48 million in the corresponding period a year ago.

Revenue Composition (RM Million)	1H 2006	% Contribution	1H 2005	% Contribution
Fixed Line and Data	3,262	42.0	3,531	52.4
Internet & Multimedia	400	5.2	271	4.0
Mobile Domestic	2,071	26.7	2,123	31.5
Mobile Foreign	1,905	24.5	691	10.3
Others	126	1.6	121	1.8
TOTAL REVENUE	7,764	100.0	6,737	100.0

MALAYSIA

Fixed Services

The Group's fixed services revenue fell 7.6 % to RM3.26 billion for the first half of 2006 against RM3.53 billion registered in the corresponding period last year due to declining ARPU and lower traffic minutes.

New technologies such as Voice over Broadband, peer-to-peer communication such as Skype as well as fixed and mobile VoIP will continue to encourage customer migration to the mobile lifestyle and challenge fixed operators around the world. A number of initiatives have been put in place to capture this segment of the market, including the new prepaid calling card, 'iTalk with Mobile', launched in May 2006 with competitive rates and accessible through mobile services provided by local operators. Other plans will be rolled out in the following months, including sales, marketing and distribution activities centred around TMpoint.

For the first half of 2006, the Group's fixed services customers remained at 4.3 million.

Mobile

The Group's domestic mobile business, spearheaded by Celcom (Malaysia) Berhad (Celcom) delivered a 6% growth in revenue quarter on quarter and a 4% decline for the first half of 2006 as compared to the corresponding period last year. Celcom registered a Profit After Tax (PAT) of RM398 million as compared to the RM333 million recorded in the first half of 2005 due to lower depreciation and operating expenses.

In the 4th quarter of 2005, Celcom experienced a significant churn in the postpaid segment, resulting in a net decline of 76,000 postpaid subscribers. Celcom has since reversed the trend recording a net addition of 20,000 postpaid customers in the first quarter of 2006. Building upon the positive momentum, the Company raked in a net addition of 105,000 postpaid customers in the 2nd quarter of 2006. As at 30 June 2006, Celcom's total customers stood at 7.6 million customers.

Celcom maintained its 3G leadership position in terms of network quality and content offerings, with customers totaling 100,000 at the end of the first half of 2006.

Going forward, Celcom is looking to reap the benefits of its latest product PowerTools for the enterprise market. The new offering is a result of Celcom's partnership with Vodafone. It has also launched its new postpaid plans – the Minutes Plan, Normal Postpaid and Family Postpaid and is working towards enhancing customer service standards to attract and retain quality customers.

Internet and Multimedia

Internet and multimedia business registered a strong year-on-year growth of 47.6 %. Its contribution to Group revenue grew to RM400 million from RM271 million recorded in the first half of 2005. TM Net Sdn Bhd's (TM Net) broadband services continued to make inroads into the market. It posted a strong net addition of 78,000 broadband customers in the 2nd quarter of 2006 to register a total customer base of 639,000. TM Net recently launched the package which includes Voice over Broadband and EZnet, a pre-activated Internet dial-up service into every TM fixed telephone line. It is a convenient 'plug and play' Internet connectivity service with connection speed of up to 56 kbps. It comes at an affordable rate of only 4 sen per minute. TM Net also launched EZ2 Own Broadband PC programme recently to make owning a PC that is broadband-ready affordable and accessible to as many of the population as possible.

INTERNATIONAL

TM's overseas operations continued to grow in significance. For the first half of 2006, overseas operations contributed 29 % to Group's PATAMI and 24% to Group revenue as compared to 19 % and 9% respectively in the first half of 2005. TM's overseas operations are primarily in mobile, with the exception of Multinet Pakistan (Private) Limited (Multinet) in Pakistan, Samart Corporation and Samart I-Mobile Public Company Limited in Thailand.

Dialog, Sri Lanka

Dialog Telekom Limited (Dialog) continued to show steady growth in revenue with a 48% increase to SLR 6.3 billion (SLR1 :

RM0.03535) in Q2 2006 as compared to SLR 4.3 billion in Q2 2005.

Growth has been attributed to the parallel growth in key revenue drivers of subscriber base, network reach and expansion of international business.

Dialog posted a PAT of SLR2.5 billion in Q2 of 2006, a 47.1% increase from SLR1.7 billion registered in the Q2 of 2005. Dialog maintains its dominant position as the number one mobile operator in Sri Lanka with a total customer base of 2.6 million.

Excelcomindo, Indonesia

PT Excelcomindo Pratama Tbk. (XL) achieved a Q2 2006 gross revenue of Rp. 1.4 trillion (Rp1: RM0.00040), or an increase of 56% compared to Q2 2005 revenue of Rp. 874 billion. One of the driving factors behind the increase in revenue was the phenomenal 93% growth of XL customers, from 4.3 million in the Q2 2005 to 8.4 million by the end of Q2 2006.

This was the result of brand awareness, improved coverage, service quality and promotional activities. XL's number of base transceiver stations increased by 88% to 5,606 from 2,977 when compared to Q2 of 2005. Going forward, XL will continue to invest aggressively in network development.

XL registered a PATAMI of Rp4 billion in Q2 of 2006, inclusive of foreign exchange loss of Rp149 billion as compared to Rp94 billion in the same period last year.

TMIB, Bangladesh

Revenue for TM International Bangladesh Limited (TMIB) increased by 44% to BDT2.9 billion (BDT1 : RM0.05406) in Q2 2006 from BDT 2.0 billion a year ago.

TMIB turned in a PAT of BDT900 million in Q2 of 2006, a 9% increase from BDT826 million recorded in the same period last year. Its total customers stood at 3.9 million, a significant increase of 96% from the corresponding period last year.

Moving Forward

TM Group recognizes that the declining contribution from its fixed-line and competitive pressure faced by its mobile businesses in the domestic market is real. The Group is focused on turning around the profitability of its core businesses while building on its execution capacity. The key to materializing this is by drawing on the strengths of its resources.

The decline in fixed line contribution will be mitigated with data and non-traditional revenue streams and enhanced sales channel. While for its mobile business, Celcom's efforts will be focused towards strengthening distribution channel and continued push for mobile data and enterprise segment. The Group will also accelerate the deployment of broadband services and contribute towards increasing PC penetration with PC / Broadband bundled package.

Improving cost efficiency will be an on-going exercise and relevant to all Group's businesses.

On the international front, TM will further entrench its position in markets where it has a presence through strategic execution to enhance the value of its investments while taking an opportunistic approach to new investments to strengthen its regional presence. TM will also work to improve cost efficiency through synergies derived from its existing overseas investments.

Barring any unforeseen circumstances, the Board of Directors expects the Group's performance for the current financial year to improve as compared to last year.

About TM

TM, a leading regional information and communications group, offers a comprehensive range of communication services and solutions in fixed-line, mobile, data and broadband. As one of the largest listed companies on Bursa Malaysia, with operating revenue of more than RM13 billion, TM is driven to deliver value to its stakeholders in a highly competitive environment.

The Group places emphasis on continuing customer service quality enhancements and innovations. Currently, with investments and operations in 13 countries around Asia and globally, TM is focused on achieving sustainable growth in both the local and international markets.

For further information on TM, visit www.tm.com.my

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