



News Release

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TM'S 2007 FIRST HALF-YEAR EARNINGS RISES 30% TO RM1.3 BILLION

Group Revenue increased by 9.5% to RM8.5 billion
15.7% year-on-year growth in revenue at Celcom and 18% in TM International
Positive signs of fixed line stabilisation
Group's mobile customers stood at 31.8 million

Strong growth in mobile revenue and improved fixed line revenue through stabilization and broadband push helped boost Telekom Malaysia Berhad's (TM) half-year Profit After Tax and Minority Interest (PATAMI) to RM1.3 billion, up 29.8% from RM999.1 million achieved in the corresponding period last year.

Dato' Abdul Wahid Omar, Group Chief Executive Officer, TM said, "Mobile revenue now forms a key component of the Group's operations with increased contribution to Group revenue at 54.3% in 1H 2007 as compared to 51.3% in 1H 2006. Celcom continues to register consistent improvements since the beginning of the year with a growth of 15.7% in revenue, an increase to RM2.5 billion from RM2.2 billion recorded in 1H 2006. The push on mobility solution through better data usage and content offerings has seen revenue from mobile data improved to 20% as compared to 18% in 1H 2006."

"The Group's mobile business as a whole delivered robust performance despite challenging macro and political environment, and aggressive competition, especially on the international front. Our regional mobile customers also registered a robust growth of 33.1% to 31.8 million against 23.9 million in 1H 2006," added Dato' Abdul Wahid.

"The Performance Improvement Programme (PIP) has seen encouraging results in mitigating the decline in our fixed line business where we've seen revenue improved by about 3% in 1H 2007 compared to -9% in 1H 2006. This has been made possible through key efforts in the aggressive push for broadband where our customers have surpassed the 1 million mark while our Let's Talk packages aimed at stimulating the fixed line usage and meeting the needs of our customers have started to show promising results in reducing churn from fixed line."

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) margin for the Group was higher by 0.7 percentage points to 47.3% in 1H 2007 compared to 46.6% in the 1H 2006. while the Group's PATAMI saw an increase of 29.8% to RM1.3 billion attributed to the higher revenue and higher other operating income through gains of RM194 million from the placement of 3.8% shares in Dialog Telekom Ltd (Dialog) as part of the efforts to boost liquidity of Dialog's shares on the Colombo Stock Exchange.

Revenue	1H 2007 (RM mil)	% Contribution	1H 2006 (RM mil)	% Contribution
Malaysia Business	3,631.6	42.7	3,499.8	45.1
Celcom	2,360.6	27.8	2,070.7	26.7
TM International	2,252.4	26.5	1,910.0	24.6
TM Ventures	255.4	3.0	283.4	3.6
TOTAL	8,500.0	100.0	7,763.9	100.0

Commenting on the overall results, Dato Abdul Wahid said, "This is a commendable team performance with every part of the business playing its part. A year ago, when we announced our half-year results, we said that we were concerned over the threats facing our domestic business and following that we launched a Performance Improvement Plan (PIP) to address the situation. With hard work, we are beginning to see the results. We are delighted that Celcom has come out stronger and Malaysia Business is gaining momentum in revitalizing the fixed services. The positive 3% growth in fixed line revenue as compared to a year ago is a tremendous achievement from the -9% decline experienced in the corresponding period.

2Q 2007 vs 2Q 2006

For the current quarter under review, the Group's revenue increased by 8.6% to RM4,318.8 million as compared to RM3,976.3 million in 2Q 2006, mainly attributed to higher revenue from cellular, data, Internet and multimedia segments.

The increase in mobile revenue was mainly contributed by Celcom and PT Excelcomindo Pratama Tbk (XL) arising from increased customers and usage. The Internet and multimedia revenue registered a growth of 22.9% from 2Q 2006 of RM219.2 million to 2Q 2007 of RM269.4 million, consistent with the plan to revitalise fixed line business due to continued growth of broadband customers to 1.07 million.

PATAMI increased by 54.6% to RM701.0 million as compared to RM453.5 million recorded in 2Q 2006 mainly ascribed to higher operating revenue and other operating income. The increase in other operating income was primarily due to the gain on placement of 3.8% shares in Dialog of RM 194 million as mentioned earlier.

2Q 2007 vs 1Q 2007

The Group revenue for the current quarter of RM4,318.8 million increased by 3.3% (RM137.6 million) over RM4,181.2 million recorded in the preceding quarter, mainly due to increase in fixed line and Internet and multimedia services. The increase in fixed line services was mainly due to higher international settlements as well as more attractive packages and promotions offered to customers in the period under review.

The Group PATAMI of RM701.0 million is 17.7% higher than RM595.7 million recorded in the preceding quarter, primarily due to gain on placement of Dialog's shares as mentioned above, net off foreign exchange loss.

MALAYSIA BUSINESS

As compared to the corresponding period a year ago, Malaysia Business revenue, which is made up of fixed line, data and Internet and multimedia, registered a revenue of RM3.8 billion for 1H 2007. The fixed line business has started to mitigate the declining trend –registering 3% growth in 1H 2007 as compared to -9% in 1H 2006. This positive growth was attributable to higher fixed line revenue driven by greater broadband push with Internet related services and revitalization of the fixed line through stimulation via innovative bundled packages.

Internet and multimedia with greater broadband awareness through tactical campaign-advert through media and launch of attractive packages saw an increase of 27% as compared to 1H 2006.

Fixed line customers continued to remain stable at 4.4 million with encouraging early indicators from Let's Talk and Broadband campaign in mitigating fixed line churn.

Key focus on broadband has seen customers surpassing the 1 million mark. The second quarter of 2007 saw a strong net addition of 114,000 broadband customers to a total customer base of 1.07 million. This consolidates further TM's leadership in the growing broadband market.

CELCOM

Celcom's primary focus is to improve its revenue market share in the industry. Since last year, the Company has been on the improvement trail to address the gaps in its performance delivery through better distribution, brand repositioning, and product and service quality.

Celcom also moved to reach out to more customers by launching Malaysia's first Mobile Virtual Network Operator (MVNO) yesterday to provide a prepaid package to foreign workers in Malaysia i.e. India, Nepal, Sri Lanka, Pakistan, Bangladesh, Vietnam, Myanmar, Cambodia and Laos. The package will include services such as Voice and SMS, MMS, GPRS as well as mobile content from Channel X, Celcom's new and ultimate mobile content channel. In addition, customers will be able to enjoy special IDD rates to the abovementioned nine countries.

This collaboration with MVNOs is a serious effort to step up sales in targeted segments where Celcom has lacked presence while utilizing some excess capacity on its network. The latest collaboration is aimed at targeting the foreign worker's market in Malaysia.

Celcom has continued to show sustained momentum *in delivering consistent improvements since 2Q 2006*. 1H 2007 saw Celcom registering 15.7% growth in revenue as compared to H1 2006 and recording an encouraging 3.2% growth as compared to the previous quarter.

Continuous cost management has also enabled Celcom to improve its profitability. EBITDA margin continued to improve to 44.2% for 1H 2007 as compared to 44.0% in 1H 2006. Celcom registered a PATAMI of RM489 million for 1H 2007 as compared to the RM398 million recorded in 1H 2006.

This sustained momentum is supported by quarterly net addition of 163,000 customers in 2Q 2007 with Celcom registering 6.4 million customers at the end of June 2007. Celcom does not expect further erosion in postpaid customers as reflected in the net increase of 4,000 customers in June 2007.

TM INTERNATIONAL

TM's international operations remain as an important growth driver for the Group. The Group's international operations primarily in mobile business registered robust growth despite facing major challenges such as the volatility of the regulatory environment, political instability and foreign exchange movement.

Over in India, we have witnessed the successful Initial Public Offering (IPO) of Spice Communications Ltd (Spice) on the Bombay Stock Exchange with oversubscription by 38 times and at 27% premium of the IPO price of 46 rupees based on the closing price of 58.5 rupees.

For 1H 2007, TM's overseas operations contributed 26% to Group revenue and 26% to Group's PATAMI as compared to 24% and 29% respectively in the corresponding period last year.

Dialog, Sri Lanka (SLR100 : RM3.10)

Dialog Telekom Limited (Dialog) continued to deliver strong performance despite its challenging operating environment. The Company showed steady growth in revenue with a 24% increase to SLR 7.9 billion in 2Q 2007 as compared to SLR 6.3 billion in 2Q 2006.

Careful cost management has mitigated the impact of downward pressure on revenue and maintain profitability with EBITDA margins remained stable at 47% in 2Q 2007. PATAMI for 1H 2007 saw a decline of 4% to SLR 2.4 billion from SLR 2.5 billion

recorded in 1H 2006. The operating performance of Dialog was impacted by the intermittent closure of North and East operations following current political unrest, higher finance costs and higher costs from Dialog's new broadband and media operations.

Already the biggest company on the Colombo Stock Exchange, Dialog has moved into quadruple play and convergence services in Sri Lanka and has launched fixed wireless operations based on CDMA technology making it the first quadruple player in South Asia.

Dialog continues to maintain its leading position as the number one mobile operator in Sri Lanka with a total customer base of 3.7 million.

Excelcomindo, Indonesia (Rp 10,000 : RM3.8)

Excelcomindo continued to keep pace with the industry and saw improved revenue for 2Q 2007 by 21% compared to a year ago resulting from a higher customer base, improved blended ARPU and MOU.

EBITDA increased by 26% to Rp 799 billion in 2Q 2007 as compared to Rp 636 billion a year ago while margins remained stable improved to 42% from 41%.

PAT Q on Q was lower at Rp. 122 billion as compared to Rp. 176 billion mostly due to higher interest expense and foreign exchange loss in 2Q 2007.

Strong growth in customers continued with a 22% growth in mobile customers from 8.4 million a year ago to 10.2 million. Network expansion saw an increase in number of BTS of 14% Q on Q to 8,396 BTS. XL continues to remain competitive through expanding its network coverage outside Java and increased distribution network to strengthen its market position.

XL has stepped up efforts to improve market competitiveness through new packages, significant expansion of distribution network with more than 400,000 retail outlets and increasing image and brand awareness.

TMIB, Bangladesh (BDT 100 : RM5.02)

TM International Bangladesh Limited's (TMIB) operating revenue increased 11% to BDT 3.2 billion in 2Q 2007 as compared to BDT 2.9 billion in 1Q 2006. However with increased competitive pressure, marked by lower retail tariff and higher interconnect costs, TMIB registered a lower revenue by 6% when compared with the preceding quarter.

Higher marketing costs for customer acquisition and interest charges resulted in lower PAT of BDT178 million for the quarter.

Performance Improvement initiatives targeting at customer activation and revenue generating campaigns coupled with improved distribution are some of the initiatives to address the increased competition in Bangladesh.

PROSPECTS

The implementation of the Performance Improvement Programme (PIP) since second half 2006 has strengthened the fixed line business and has mitigated the declining trend from -9% year-on-year in the first half 2006 to +3% year-on-year in the first half 2007. TM will continue to offer more attractive packages and promotions to boost the revenue from these services. In addition, TM will increase performance initiatives to further improve broadband quality and reduce churn in order to maintain its leading position in the domestic broadband market.

On the domestic mobile sector, Celcom continues to register encouraging results since the beginning of the year as a result of positive brand repositioning, aggressive promotional activities and segmental marketing. It is also anticipated that Celcom will continue to maintain or improve its revenue market share. It is imperative for this operation to improve further and remain competitive in this dynamic industry. The recent MVNO tie up signifies Celcom's intention to tap into key targeted segments and strengthening its market presence.

On the international front, the performance of the Group's international operations will continue to be affected by intense competition, difficult macroeconomics and also political issues in some countries that the Group operates. The entry of new players in Bangladesh and Indonesia has also escalated competition in these markets, with tariff reduction becoming a common means to build up subscriber base. Notwithstanding this, the Group will continue to expand its network coverage mainly in Indonesia, Sri Lanka, Bangladesh, India and Cambodia as planned, thereby strengthening its position in the respective markets. The overall performance of TM's overseas operations is also affected by the depreciation of the local currencies against Ringgit Malaysia. The Group has embarked on Performance Improvement Program initiatives to address these challenges and will continue to focus on new product offerings and attractive packages to combat competition.

TM's ability in value creation in the international front remains robust with the successful placement of shares in Dialog and the IPO of Spice. The market value of TM's investment in Spice is approximately USD388 million as compared to its original investment of USD182 million.

Strong year-on-year growth of 18% in the international market coupled with TM's ability in value creation as reflected in Dialog and Spice points to the strengthening of TM's position as an emerging leader in Asian communications.

Based on the current progress, and barring any unforeseen circumstances, the Board of Directors is of the view that the Group is on track to achieve the main Headline Key Performance Indicators (KPIs) of EBITDA Margin and Return on Equity. However, the Revenue KPI will remain challenged due to the continued increase in competition, unstable political and regulatory environment and foreign currency translation losses from the stronger Ringgit in the overseas market.

In line with the improved results the Board of Directors has proposed to declare a interim gross dividend of 26.0 sen per share

less tax of 27%, amounting to RM651.3 million based on paid up capital at 30 June 2007. This represents a net payout ratio of 50% which is within the dividend payout policy of 40% to 60% of PATAMI.

About TM

Telekom Malaysia Berhad (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 an operating revenue of more than RM16 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 sustainable growth in both the local and international markets.

On the Corporate Social Responsibility (CSR) front, the Group has always been a major corporate contributor towards responsible activities in the belief that these practices are a fundamental tenet of good corporate governance. The Group promotes 3 major platforms i.e. education, sports development and community/nation-building. Under education, TM has spent some RM800 million to develop Multimedia University into one of the top universities in Malaysia with more than 20,000 students. TM has also provided scholarships to over 10,000 graduates pursuing academic programs locally and overseas. On the sports front, TM is actively contributing towards the upliftment of football at all levels while under the community/nation-building platform, the Group contributes towards causes that bring value to the community and nation at large.

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

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