TELEKOM MALAYSIA BERHAD (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad is pleased to announce the following audited results of the Group for the fourth quarter ended 31 December 2008.

AUDITED CONSOLIDATED INCOME STATEMENT

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM Million	RM Million	RM Million	RM Million
		RE-PRESENTED		RE-PRESENTED
CONTINUING OPERATIONS				
OPERATING REVENUE	**2,497.8**	2,104.5	**8,674.9**	8,296.0
OPERATING COSTS				
- depreciation, impairment and amortisation	**(529.6)**	(589.5)	**(2,098.9)**	(2,311.4)
- other operating costs	**(1,698.8)**	(1,527.4)	**(5,936.5)**	(5,366.9)
LOSS ON DISPOSAL OF AN EQUITY INVESTMENT	**-**	-	**(88.8)**	-
OTHER OPERATING INCOME (net)	**23.1**	135.9	**178.7**	308.7
OPERATING PROFIT BEFORE FINANCE COST	**292.5**	123.5	**729.4**	926.4
FINANCE INCOME	**76.6**	26.6	**237.3**	123.6
FINANCE COST	**(96.7)**	(59.2)	**(442.5)**	(393.6)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	**(18.2)**	110.1	**(170.0)**	262.4
NET FINANCE COST	**(38.3)**	77.5	**(375.2)**	(7.6)
ASSOCIATES				
- share of results (net of tax)	**(0.4)**	-	**(0.4)**	(0.1)
PROFIT BEFORE TAXATION AND ZAKAT	**253.8**	201.0	**353.8**	918.7
TAXATION AND ZAKAT	**(68.6)**	(28.9)	**(77.6)**	(25.8)
PROFIT FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS	**185.2**	172.1	**276.2**	892.9
DISCONTINUED OPERATIONS				
PROFIT FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS (part A, note 13(a))	**(1.2)**	470.0	**624.9**	1,738.7
PROFIT FOR THE FINANCIAL YEAR	**184.0**	642.1	**901.1**	2,631.6
ATTRIBUTABLE TO:				
- equity holders of the Company	**164.8**	592.5	**791.9**	2,547.7
- minority interests	**19.2**	49.6	**109.2**	83.9
PROFIT FOR THE FINANCIAL YEAR	**184.0**	642.1	**901.1**	2,631.6
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic				
Continuing operations	**4.8**	4.6	**6.7**	25.0
Discontinued operations	**-**	12.6	**16.3**	49.4
- diluted				
Continuing operations	**4.8**	4.6	**6.6**	25.0
Discontinued operations	**-**	12.6	**16.2**	49.4

(The above Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007)

AUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

	AS AT 31/12/2008 (AUDITED)	AS AT 31/12/2007 (AUDITED)
	RM Million	**RM Million**
SHARE CAPITAL	3,456.0	3,439.8
SHARE PREMIUM	4,305.4	4,262.1
OTHER RESERVES	2,486.7	12,100.2
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	10,248.1	19,802.1
MINORITY INTERESTS	226.5	849.4
TOTAL EQUITY	10,474.6	20,651.5
Borrowings	6,965.1	9,747.2
Deferred tax liabilities	1,362.0	2,313.2
Provision for liabilities	-	87.2
Deferred Income	260.2	59.5
DEFERRED AND LONG TERM LIABILITIES	8,587.3	12,207.1
	19,061.9	**32,858.6**
Intangible assets	1.8	7,460.9
Property, plant and equipment	11,772.1	23,983.3
Prepaid lease payment	67.5	387.0
Land held for property development	164.3	165.4
Jointly controlled entities	-	1,024.4
Associates	-	252.5
Available-for-sale investment	496.0	-
Investments	137.8	138.9
Long term receivables	472.4	511.5
Deferred tax assets	8.9	179.4
NON-CURRENT ASSETS	13,120.8	34,103.3
Non-current assets held for sale	-	988.4
Inventories	123.3	181.1
Trade and other receivables	2,891.3	4,398.6
Amount owing by TM International Berhad	4,025.0	-
Short term investments	277.6	378.1
Cash and bank balances	2,095.2	4,171.8
CURRENT ASSETS	9,412.4	10,118.0
Trade and other payables	2,812.6	6,643.2
Customer deposits	588.8	732.6
Borrowings	34.9	2,177.2
Taxation and zakat liabilities	35.0	155.2
Dividend payable	-	1,654.5
CURRENT LIABILITIES	3,471.3	11,362.7
NET CURRENT ASSETS/(LIABILITIES)	5,941.1	(1,244.7)
	19,061.9	**32,858.6**
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	296.5	575.7

(The above Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year financial ended 31 December 2007)

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	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	Retained Profits RM Million	Minority Interests RM Million	Total Equity RM Million
At 1 January 2008	3,439.8	4,262.1	(412.6)	-	-	12,512.8	849.4	20,651.5
Currency translation differences arising during the financial year								
- subsidiaries	-	-	(96.2)	-	-	-	(24.4)	(120.6)
- jointly controlled entities	-	-	(66.5)	-	-	-	-	(66.5)
- associates	-	-	(11.4)	-	-	-	-	(11.4)
Fair value change relating to available-for-sale investment (part A, note 13(c))	-	-	-	-	111.0	-	-	111.0
Net loss not recognised in the Income Statement	-	-	(174.1)	-	111.0	-	(24.4)	(87.5)
Disposal of an equity investment	-	-	88.8	-	-	-	-	88.8
Profit for the financial year	-	-	-	-	-	791.9	109.2	901.1
Total recognised (expense)/income for the financial year	-	-	(85.3)	-	111.0	791.9	84.8	902.4
Increase in minority interests due to dilution in equity interest in subsidiaries	-	-	-	-	-	-	17.8	17.8
Distribution of TM International Berhad Group (part A, note 13(b))	-	-	487.5	-	-	(10,135.2)	(710.7)	(10,358.4)
Final dividends paid for the financial year ended 31 December 2007	-	-	-	-	-	(560.0)	-	(560.0)
Interim dividends paid for the financial year ended 31 December 2008	-	-	-	-	-	(306.3)	-	(306.3)
Dividends paid to minority interests	-	-	-	-	-	-	(17.3)	(17.3)
Employees' share option scheme (ESOS)								
- shares issued (part A, note 5)	16.2	29.8	-	-	-	-	-	46.0
- options granted	-	-	-	96.4	-	-	2.5	98.9
- options exercised	-	13.5	-	(13.5)	-	-	-	-
At 31 December 2008	**3,456.0**	**4,305.4**	**(10.4)**	**82.9**	**111.0**	**2,303.2**	**226.5**	**10,474.6**

(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 2007)

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the Company						
	Share Capital RM Million	**Share Premium RM Million**	**Currency Translation Differences RM Million**	**ESOS Reserve RM Million**	**Retained Profits RM Million**	**Minority Interests RM Million**	**Total Equity RM Million**
At 1 January 2007	3,397.6	3,941.9	(282.4)	25.0	12,829.0	836.5	20,747.6
Currency translation differences arising during the financial year							
- subsidiaries	-	-	(243.6)	-	-	(85.8)	(329.4)
- jointly controlled entities	-	-	81.6	-	-	-	81.6
- associates	-	-	14.2	-	-	-	14.2
Net loss not recognised in the Income Statement	-	-	(147.8)	-	-	(85.8)	(233.6)
Profit for the financial year	-	-	-	-	2,547.7	83.9	2,631.6
Total recognised (expense)/income for the financial year	-	-	(147.8)	-	2,547.7	(1.9)	2,398.0
Acquisition of additional equity interest in subsidiaries	-	-	-	-	-	(44.7)	(44.7)
Dilution, disposal and partial disposal of equity interest in subsidiaries	-	-	17.6	-	-	23.3	40.9
Increase in net assets due to rights issue of a subsidiary	-	-	-	-	-	67.7	67.7
Reclassification to intangible assets	-	-	-	-	180.8	-	180.8
Final dividends paid for the financial year ended 31 December 2006	-	-	-	-	(749.5)	-	(749.5)
Interim dividends paid for the financial year ended 31 December 2007	-	-	-	-	(652.9)	-	(652.9)
Special dividends payable for the financial year ended 31 December 2007	-	-	-	-	(1,654.5)	-	(1,654.5)
Dividends paid to minority interests	-	-	-	-	-	(36.0)	(36.0)
Employees' share option scheme (ESOS)							
- shares issued	42.2	304.2	-	-	-	-	346.4
- options granted	-	-	-	3.2	-	4.5	7.7
- options exercised	-	16.0	-	(16.0)	-	-	-
- ESOS expired	-	-	-	(12.2)	12.2	-	-
At 31 December 2007	**3,439.8**	**4,262.1**	**(412.6)**	**-**	**12,512.8**	**849.4**	**20,651.5**

(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 2007)

AUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	FINANCIAL YEAR ENDED 31/12/2008 RM Million	ENDED 31/12/2007 RM Million
Continuing operations		
Receipts from customers	8,638.4	7,510.7
Payments to suppliers and employees	(5,333.4)	(4,745.8)
Payment of finance cost	(500.6)	(452.6)
Payment of income taxes (net of refunds)	(151.8)	(289.3)
Payment of zakat	(3.0)	(1.9)
	2,649.6	2,021.1
Cash flows from operating activities of discontinued operations	601.6	3,911.1
CASH FLOWS FROM OPERATING ACTIVITIES	**3,251.2**	**5,932.2**
Continuing operations		
Disposal of property, plant and equipment	24.9	31.1
Purchase of property, plant and equipment	(1,838.8)	(1,657.7)
Grant for purchase of property, plant and equipment	103.1	14.8
Disposal of non-current assets held for sale	1,000.0	70.0
Payment of intangible asset (spectrum licence)	(8.0)	(8.0)
Proceeds from disposal of intangible asset (spectrum licence)	40.1	-
Disposal of long term investments	1.9	9.4
Disposal of short term investments	219.6	213.1
Purchase of short term investments	(215.1)	(205.2)
Disposal of a subsidiary classified as non-current asset held for sale (net of cash disposed)	-	51.7
Acquisition of additional equity interest in a subsidiary	-	(2.5)
Disposal of an associate	-	0.2
Advance to a former subsidiary	-	(452.2)
Repayments of loans by employees	97.7	108.7
Loans to employees	(39.3)	(50.5)
Interest received	240.5	126.6
Dividend received	9.7	93.7
	(363.7)	(1,656.8)
Cash flows used in investing activities of discontinued operations	(1,532.9)	(4,207.1)
CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,896.6)**	**(5,863.9)**
Continuing operations		
Issue of share capital	46.0	346.4
Issue of share capital to minority interests	22.8	7.3
Proceeds from termination of long dated swap	197.0	-
Proceeds from borrowings	184.7	36.1
Repayments of borrowings	(294.9)	(856.6)
Repayments of finance lease	(1.3)	-
Dividends paid to shareholders	(2,520.8)	(1,402.4)
Dividends paid to minority interests	(17.2)	(9.4)
	(2,383.7)	(1,878.6)
Cash flows from financing activities of discontinued operations	455.5	1,292.3
CASH FLOWS USED IN FINANCING ACTIVITIES	**(1,928.2)**	**(586.3)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(573.6)	(518.0)
EFFECT OF DISTRIBUTION OF TM INTERNATIONAL BERHAD GROUP	(1,402.1)	-
EFFECT OF EXCHANGE RATE CHANGES	(22.5)	(55.5)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	4,092.9	4,666.4
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**2,094.7**	**4,092.9**

(The above Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007)

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation

(a) The audited interim financial statements for the fourth quarter ended 31 December 2008 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 Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2007. The accounting policies, method of computation and basis of consolidation applied in the audited interim financial statements are consistent with those used in the preparation of the 2007 audited financial statements except for the changes arising from the adoption of new accounting standards and amendments to published standards effective for the Group's financial year beginning on 1 January 2008 summarised in note (I) and (II) below. In addition, the Group has also adopted certain accounting policies as detailed in note (III) below to cater for transactions entered into during the financial year.

(I) Standards, amendments to published standards and Interpretation Committee (IC) Interpretations that are relevant for the Group's operations

• FRS 107	Cash Flow Statements
• FRS 112	Income Taxes
• FRS 118	Revenue
• FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
• FRS 134	Interim Financial Reporting
• FRS 137	Provisions, Contingent Liabilities and Contingent Assets
• Amendments to FRS 121	The Effects of Changes in Foreign Rates – Net Investment in Foreign Operations
• IC Interpretation 1	Changes in Existing Decommissioning Restoration & Similar Liabilities
• IC Interpretation 8	Scope of FRS 2

(II) Standards and IC Interpretations to existing standards that are not relevant or material for the Group's operations

• FRS 111	Construction Contracts
• IC Interpretation 2	Members' Shares in Co-operative Entities & Similar Instruments
• IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration & Environmental Rehabilitation Funds
• IC Interpretation 6	Liabilities arising from Participating in a Specific Market-Waste Electrical & Electronic Equipment

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

- IC Interpretation 7 — Applying the Restatement Approach under IAS 129 "Financial Reporting in Hyperinflationary Economies"

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretations. All standards, amendments and interpretations adopted by the Group require retrospective application except for IC Interpretation 8 which requires retrospective application subject to the transitional provision of FRS 2. FRS 2 requires retrospective application for all equity instruments granted after 31 December 2004 and not vested at 1 January 2006.

The adoption of the above standards, amendments to published standards and IC Interpretations does not have any significant financial impact to the results and position of the Group.

(III) Accounting policies adopted in the current financial year

(i) <u>Finance Leases</u>

Leases of assets where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the leases at the lower of the present value of the minimum lease payments and the fair value of the leased assets. The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the reduction of the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Income Statement.

Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the lease terms.

(ii) <u>Investments</u>

In accordance with FRS 127 "Consolidated and Separate Financial Statements", an investment is an entity shall be accounted for as a financial asset in accordance with FRS 139 "Financial Instruments: Recognition and Measurement" from the date that it ceased to be a subsidiary, provided that is does not become an associate as defined in FRS 128 "Investments in Associates" or a jointly controlled entity as described in FRS 131 "Interests in Join Ventures". The carrying amount of the investment at the date that the entity ceases to be a subsidiary shall be regarded as the cost on initial measurement of a financial asset in accordance with FRS 139. Such investments are classified as available-for-sale investment and subsequently carried at its fair value.

1. Basis of Preparation (continued)

Available-for-sale investment is subsequently measured at fair value. Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity, until the financial asset is sold, exercised or impaired, at which time the accumulated fair value adjustments previously recognised in equity will be included in the Income Statement. The fair value of TMI shares is determined based on current bid prices.

The Group assesses at each balance sheet date whether there is objective evidence that the investment is impaired. In the case of equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered as indicator that the securities are impaired. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement, is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement are not reversed through the Income Statement.

(iii) Cash Settled Share-Based Compensation

Share-based compensation that are settled with equity instruments of a former subsidiary which is now a non-Group entity pursuant to the demerger, is accounted for as cash settled. Employee services received in exchange for the grant of such share options are recognised at the fair value of the liability incurred as expense in the Income Statement over the vesting period of the grant. The charge in relation to such share options received by non-Group employees, is accelerated at demerger. The liability arising from the cash settled share-based compensation is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in Income Statement.

(iv) Dividend in Specie

The dividend in specie of shares in TM International Berhad distributed to the Company's shareholders on demerger are recorded at the carrying value of net asset distributed. The distribution is recorded as a movement in equity.

(v) Zakat

Zakat represents business zakat payable by the Group to comply with Shariah principles. Zakat provision is calculated based on the zakat rate, as determined by the National Fatwa Council, of the zakat base multiplied with the estimated muslim shareholdings. Zakat base is the net adjusted amount of zakat assets and liabilities used for or derived from business activities, determined using adjusted working capital method.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

Zakat shall be recognised when the Group has a current zakat obligation as a result of a zakat assessment and an outflow of resources embodying economic benefits will be required to satisfy the zakat obligation. The amount of zakat assessed shall be recognised as an expense and included in the Income Statement in the period in which it is incurred.

(vi) Financial Instruments Not Recognised on the Balance Sheet

Any differential to be paid or received on an interest rate swap is recognised as a component of interest income or expense over the period of the contract. Gains and losses on early termination of interest rate swaps or on repayment of the borrowing are taken to the Income Statement.

(IV) Standards and IC interpretations that are not yet effective and have not been early adopted

(i) The new standards and IC Interpretations that are applicable to the Group which will be effective for the financial year beginning on 1 January 2010, which the Group has not early adopted, are as follows:

- FRS 7 "Financial Instruments: Disclosures" (effective for accounting period beginning on or after 1 January 2010). FRS 7 introduces new requirements to improve the information on financial instruments disclosed in the financial statements. The Group has applied the transitional provision in FRS 7 which exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements of the Group.

- FRS 8 "Operating Segments" (effective for accounting period beginning on or after 1 July 2009). FRS 8 replaces FRS114$_{2004}$ Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. It is not expected to have a material impact as the Group currently reports its segment information in a manner that is consistent with the requirements of FRS 8.

- FRS 139 "Financial Instruments: Recognition and Measurement" (effective for accounting period beginning on or after 1 January 2010). FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group has applied the transitional provision in FRS 139 which exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements of the Group.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

- IC Interpretation 9 "Reassessment of Embedded Derivatives" (effective for accounting period beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. This interpretation is not expected to have any material impact on the Group's financial statements.

- IC Interpretation 10 "Interim Financial Reporting and Impairment" (effective for accounting period beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. It is not expected to have a material impact on the Group's financial statements.

(ii) Standards that are not relevant for the Group's operations

- FRS 4 "Insurance Contracts" (effective for accounting period beginning on or after 1 January 2010)

(b) Reclassification of comparatives

(i) In the first quarter of 2008, the Group had reviewed and changed the presentation of exchange gains/losses arising from the translation of foreign currency borrowings. These foreign exchange gains/losses which were previously disclosed under other operating costs are now presented under finance cost to better reflect the effective cost of borrowings.

(ii) In the fourth quarter of 2008, the Group had reviewed and changed the presentation of deferred income relating to government grant to non-current liabilities in order to better reflect the nature of the balances. The Group had also reclassified zakat expense to be presented as part of taxation and zakat from other operating costs.

Consequently, the comparatives for the fourth quarter and financial year ended 31 December 2007 were reclassified to conform with the current financial year presentation as in note (d) below.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(c) Re-presentation of comparatives

Following the completion of the demerger on 25 April 2008 as detailed in part A, note 13, the current financial year results of TM International Berhad (TMI) Group up to the said date are presented as discontinued operations on a single line in the consolidated income statement. The demerger was concluded to be treated in the same way as an abandonment for presentation purposes under FRS 5 “Non-Current Asset Held for Sale and Discontinued Operations”. Prior year comparatives in the consolidated income statement have been re-presented accordingly.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(d) The effects of the reclassification and re-presentation as described in note (b) and (c) above are illustrated below.

	4TH QUARTER ENDED 31 DECEMBER 2007				FINANCIAL YEAR ENDED 31 DECEMBER 2007			
	As previously reported RM Million	Reclassifications RM Million (b)	FRS 5 RM Million (c)	As re-presented RM Million	As previously reported RM Million	Reclassifications RM Million (b)	FRS 5 RM Million (c)	As re-presented RM Million
Income Statement - Continuing Operations								
Depreciation, impairment and amortisation	(1,072.4)	-	482.9	(589.5)	(4,143.5)	-	1,832.1	(2,311.4)
Other operating costs	(3,065.1)	(31.8)	1,569.5	(1,527.4)	(10,676.6)	(150.9)	5,460.6	(5,366.9)
Finance cost	(153.9)	-	94.7	(59.2)	(820.9)	-	427.3	(393.6)
Foreign exchange (loss)/gain on borrowings	-	33.7	76.4	110.1	-	152.8	109.6	262.4
Net finance cost	(97.1)	33.7	140.9	77.5	(617.0)	152.8	456.6	(7.6)
Taxation and zakat	(75.3)	(1.9)	48.3	(28.9)	(511.0)	(1.9)	487.1	(25.8)
Balance Sheet								
Deferred Income	-	-	-	-	-	59.5	-	59.5
Trade and other payables	-	-	-	-	6,702.7	(59.5)	-	6,643.2

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(e) The principal closing rates (units of Ringgit Malaysia per foreign currency) used in translating significant balances are as follows:

Foreign Currency	Exchange Rate At 31 December 2008	Exchange Rate At 31 December 2007
US Dollar	3.45250	3.30500
Special Drawing Rights	5.33550	5.22510

2. Seasonal or Cyclical Factors

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

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

(a) The Group recognised one-off allowance for doubtful debts of RM117.8 million for certain foreign VoIP debtors in the first quarter. Efforts to recover the debts are on-going and had been intensified.

(b) Upfront settlement payments of RM96.1 million arising from restructuring of range accrual swap transactions and restructuring into plain vanilla structure as disclosed in part B, notes 10(a) to (c) of this announcement was recognised in the first quarter.

(c) The Group registered RM18.2 million and RM170.0 million foreign exchange losses in the current quarter and financial year respectively arising from the translation of foreign currency borrowings.

(d) In the current quarter, the Group recognised a reversal of Special ESOS cost of RM29.8 million arising from the remeasurement of options over TMI shares. Total Special ESOS cost for the financial year amounted to RM79.1 million.

(e) In line with the declined performance in equity market, the Group recognised a decrease in the carrying amount of quoted shares of RM7.4 million and RM83.8 million during the current quarter and financial year respectively.

(f) In the third quarter, the Group recognised RM68.0 million charge arising from volume commitment with foreign carriers for prior years based on final settlement.

(g) Upon completion of disposal of Societe Des Telecommunications De Guinee S.A. (Sotelgui), the Group realised loss on disposal attributable to the foreign exchange reserve of RM88.8 million in the third quarter, arising from the translation of the net assets in Sotelgui as disclosed in part A, note 10(d).

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

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

(h) The Group reversed excess deferred tax provisions in respect of prior years amounting to RM51.7 million in the second quarter. In the third quarter and fourth quarter, the Group reversed excess tax provisions in respects of prior years amounting to RM27.8 million and RM31.0 million respectively.

There were no other unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial year ended 31 December 2008 other than as mentioned above as well as in note 6 of part A and B of this announcement.

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

Pursuant to the Employees’ Share Option Scheme (Special ESOS), on 17 March 2008, the Company issued 137,592,300 ordinary shares of RM1.00 each, representing approximately 4% of the Company’s issued and paid-up capital to TM ESOS Management Sdn Bhd, a special purpose entity established to act as a trustee to acquire, hold and manage the TM shares issued under the option scheme. These shares will be recorded as paid-up capital upon full receipt of underlying cash considerations.

As at 31 December 2008, the issued and paid-up capital of the Company increased by 16.2 million ordinary shares from 3,439.8 million to 3,456.0 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 RM9.70 per share (prior to demerger) and RM2.71 per share (post demerger), respectively.

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 year ended 31 December 2008.

6. Dividends Paid

(a) A special gross dividend of 65.0 sen per share less tax at 26.0% amounting to RM1,654.5 million in respect of financial year ended 31 December 2007 was paid on 31 January 2008.

(b) A final gross dividend of 22.0 sen per share less tax at 26.0% amounting to RM560.0 million in respect of financial year ended 31 December 2007 was paid on 15 May 2008.

(c) An interim dividend of 12.0 sen per share less tax at 26.0% amounting to RM306.3 million in respect of financial year ended 31 December 2008 was paid on 19 September 2008.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

7. Segmental Information

Segmental information for the financial year ended 31 December 2008 and 31 December 2007 are as follows:

By Business Segment

All amounts are in RM Million	Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total Continuing Operations	Discontinued Operations
2008						
Operating Revenue						
Total operating revenue	6,887.2	997.1	1,148.4	4,381.7	13,414.4	3,535.1
Inter-segment *	(32.1)	(307.6)	(313.2)	(4,086.6)	(4,739.5)	-
External operating revenue	6,855.1	689.5	835.2	295.1	8,674.9	3,535.1
Results						
Segment result	1,306.3	128.9	36.7	(116.6)	1,355.3	932.5
Loss on disposal of an equity investment					(88.8)	-
Unallocated income #					34.3	-
Unallocated costs ^					(571.4)	-
Operating profit before finance cost					729.4	932.5
Finance income					237.3	21.1
Finance cost					(442.5)	(133.6)
Foreign exchange (loss)/gain on borrowings					(170.0)	37.4
Jointly controlled entities - share of results (net of tax)					-	7.7
Associates - share of results (net of tax)					(0.4)	10.6
Profit before taxation and zakat					353.8	875.7
Taxation and zakat					(77.6)	(250.8)
Profit for the financial year					276.2	624.9

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

7. Segmental Information (continued)

All amounts are in RM Million	Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total Continuing Operations	Discontinued Operations
2007						
Operating Revenue						
Total operating revenue	6,502.3	1,003.7	1,107.4	4,451.1	13,064.5	9,546.9
Inter-segment *	(85.3)	(335.8)	(258.7)	(4,088.7)	(4,768.5)	-
External operating revenue	6,417.0	667.9	848.7	362.4	8,296.0	9,546.9
Results						
Segment result	1,123.4	98.9	78.7	36.2	1,337.2	2,406.0
Unallocated income #					(19.4)	-
Unallocated costs ^					(391.4)	-
Operating profit before finance cost					926.4	2,406.0
Finance income					123.6	80.3
Finance cost					(393.6)	(427.3)
Foreign exchange (loss)/gain on borrowings					262.4	(109.6)
Jointly controlled entities						
- share of results (net of tax)					-	175.5
- gain on dilution					-	71.3
Associates						
- share of results (net of tax)					(0.1)	29.6
Profit before taxation and zakat					918.7	2,225.8
Taxation and zakat					(25.8)	(487.1)
Profit for the financial year					892.9	1,738.7

Following the completion of the demerger on 25 April 2008, the Group had reviewed and changed their reporting structure and reportable segments to reflect the current business structure. The comparatives have been re-presented to conform with the presentation in the current financial year.

(a) Retail Business comprises the retail arm of TM and its subsidiaries that complement the retail business. This line of business is responsible for the provision of the full range of telecommunication products, services and communication solutions to consumers, small and medium businesses as well as corporate and government customers.

7. Segmental Information (continued)

(b) Wholesale Business comprises the wholesale arm of TM and its subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of telecommunication products and services delivered over our networks to other licensed network operators namely Network Facilities Providers (NFP), Network Service Providers (NSP) and Application Service Providers (ASP).

(c) Global Business is responsible for the provision of inbound and outbound services for full range of telecommunication products including the fixed network operations of the Group's worldwide subsidiaries.

(d) Shared Services/Others include all shared services divisions, networks and subsidiaries that do not fall under the above lines of business.

* Inter-segment operating revenue relates to inter-division recharge and inter-company revenue has been eliminated at the respective segment operating revenue. The inter-segment operating revenue was entered into in the normal course of business and at prices available to third parties or at negotiated terms.

Unallocated income comprises other operating income such as dividend income and gain or loss on disposal of investments which cannot be allocated to a particular business segment.

^ Unallocated costs represent corporate expenses incurred by corporate divisions such as Group Human Resource, Group Finance, Company Secretary, Group Legal, Regulatory and Compliance, Corporate Communications and special purpose entities which are not allocated to a particular business segment, foreign exchange differences arising from revaluation of foreign currency placements and diminution in value of investments.

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 Financial Year

Except as disclosed in the Status of Corporate Proposals in part B, note 8, there was no other material event subsequent to the balance sheet date that requires disclosure or adjustments to the interim audited financial statements.

10. Effects of Changes in the Composition of the Group

Changes in the composition of the Group for the financial year ended 31 December 2008 are as follows:

(a) VADS Berhad (VADS)

Due to the issuance of ordinary shares in VADS pursuant to its Employees' Share Option Scheme, TM's shareholding in VADS decreased from 64.87% to 64.73%, 63.38%, 63.23% and 60.59% during the first, second, third and fourth quarter respectively. The dilution arising from the exercise of these options has no material effect to the results of the Group.

On 22 September 2008, the Company has announced the proposed privatisation of VADS as disclosed in part B, note 8 of this announcement.

(b) TM ESOS Management Sdn Bhd (TEM)

On 11 March 2008, TM acquired 100% equity interest in TEM for a total consideration of RM2.00 representing 2 ordinary shares of RM1.00 each. TEM was specifically established to act as a trustee to acquire, hold and manage shares in TM and other related benefits under the TM's Employees' Share Option Scheme (Special ESOS) for eligible employees and Executive Director(s) of TM and its subsidiaries at the point of implementation of the ESOS.

(c) Demerger of TM International Berhad (TMI) Group

The demerger involves the internal restructuring of TM Group and the distribution by TM via dividend in specie out of its retained earnings, its entire holding of and rights to TMI shares to its shareholders on the basis of 1 TMI share for every 1 TM share held by shareholders, which was completed on 25 April 2008.

Internal Restructuring

(i) Celcom (Malaysia) Berhad (Celcom)

Telekom Enterprise Sdn Bhd (TESB), a wholly owned subsidiary of TM, transferred its 100% equity interest in Celcom to TMI for a total consideration of RM4,677.0 million.

Thus, Celcom ceased to be a wholly owned subsidiary of TESB and TM also ceased to have any interest in Celcom Group of companies with effect from the said date.

(ii) SunShare Investment Limited (SunShare) and MobileOne Limited (M1)

TM transferred its entire holding in the redeemable convertible preference shares held in SunShare to TMI for a consideration of RM141.0 million. Thus, with effect from the said date, TM ceased to have any interest in SunShare which consequently resulting in the cessation of TM's deemed interest in M1 shares held by SunShare.

10. Effects of Changes in the Composition of the Group (continued)

(iii) Fibrecomm Network (M) Sdn Bhd (Fibrecomm)

TESB acquired 51% equity interest in Fibrecomm from Celcom Transmission (M) Sdn Bhd, a wholly owned subsidiary of Celcom, for a total consideration of RM33.0 million.

The principal activity of Fibrecomm is the provision of fibre optic transmission network services.

Distribution of TMI Shares – Dividend in Specie

TM has distributed, via a dividend in specie, of its entire holdings of and rights to ordinary shares of RM1.00 each in TMI to the entitled shareholders of TM, on the basis of 1 TMI Share for every 1 ordinary share of RM1.00 each held in TM. Thus, with effect from the said date, TM ceased to have any interest in TMI Group of companies, including Celcom (Malaysia) Berhad Group save for an approximately 3.7% of equity interest in TMI as explained in part A, note 13(c).

(d) Societe Des Telecommunications De Guinee S.A. (Sotelgui)

On 11 August 2008, TM has entered into a Settlement and Transfer Agreement and other ancillary agreements with the Government of the Republic of Guinea (GoG), Sotelgui and TMI for the disposal of TM’s entire shareholding of 4,500,000 category B ordinary shares of USD10.00 each, representing 60% of the share capital of Sotelgui to GoG, for a total cash consideration of USD1.00.

Sotelgui, a former subsidiary of the Group, had been excluded from consolidation and has been accounted for as an investment since December 2005. The value of investment in Sotelgui had been written down to RM1.00 when TM initiated the exit plan in December 2005.

The disposal was completed with effect from 27 August 2008.

(e) TM SPV Sdn Bhd [Formerly known as Telekom Resorts & Management Sdn Bhd] (TM SPV)

TM acquired 100% equity interest in TM SPV on 15 December 2008 for a total consideration of RM2.00 representing 2 ordinary shares of RM1.00 each. TM SPV was acquired solely to facilitate the proposed privatization of VADS as disclosed in part B, note 8 of this announcement.

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

There were no material changes in contingent liabilities (other than material litigations disclosed in part B, note 11 of this announcement) since the latest audited financial statements of the Group for the financial year ended 31 December 2007.

11. Changes in Contingent Liabilities Since the Last Annual Balance Sheet Date (continued)

Upon completion of the demerger of TM Group on 25 April 2008, status of all contingent liabilities including material litigations of TMI and Celcom Group have been excluded from this announcement.

12. Commitments

(a) Capital Commitments

	Group	
	31/12/2008	31/12/2007*
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**2,592.7**	3,832.1
Commitments in respect of expenditure approved but not contracted for (note (i))	**10,756.2**	921.5

* 2007 comparatives include TMI Group capital commitment of RM3,412.9 million

(i) Included in commitments in respect of expenditure approved but not contracted for is the commitment for High Speed Broadband (HSBB) project. TM was awarded the Letter of Award by the Government of Malaysia (GoM) to implement HSBB project on 25 July 2008 under a public-private partnership (PPP) arrangement. The PPP arrangement was executed by the GoM and TM on 16 September 2008. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure.

(b) Other Commitments

On 21 April 2006, a Deed of Undertaking (Deed) was signed between Spice, Telekom Malaysia Berhad (TM), TMI and DBS Bank Ltd in connection with the provision of limited sponsor support for a USD215.0 million Indian Rupee facility and a USD50.0 million USD facility. Under the terms of the Deed, TMI, failing which TM, is required to make payment of any outstanding principal and/or interest under the facilities to the lenders upon occurrence of a specified trigger event. TMI’s and TM’s obligation on behalf of Spice gives the Group the rights to exercise a call option under the terms of a shareholders’ agreement to acquire additional shares in Spice from the existing shareholder, namely Modi Wellvest.

In conjunction with TM Group’s demerger, TM was released from this undertaking on 10 April 2008.

13. Discontinued Operations and Distribution of the Net Assets of TMI Group

Pursuant to the demerger of TM Group on 25 April 2008, the results of TMI Group from 1 January 2008 up to the date of demerger is presented as discontinued operations on a single line in the consolidated income statement. The demerger was concluded to be treated in the same way as abandonment for presentation purposes under FRS 5 "Non-Current Asset Held for Sale and Discontinued Operations".

(a) The results of the discontinued operations are as follows:

	4TH QUARTER ENDED		**FINANCIAL YEAR ENDED**	
	31/12/2008	31/12/2007	**31/12/2008**	31/12/2007
	RM million	RM million	**RM million**	RM million
Operating revenue	**(134.2)**	2,629.7	**3,535.1**	9,546.9
Operating costs	**149.6**	(2,052.4)	**(2,621.6)**	(7,292.7)
Profit before taxation and zakat	**(1.2)**	518.3	**875.7**	2,225.8
Taxation and zakat	**-**	(48.3)	**(250.8)**	(487.1)

(b) The carrying value of net assets of TMI Group distributed to TM shareholders on demerger via dividend in specie are as follows:

	RM million
Non-current assets	22,175.7
Current assets	3,583.6
Non-current liabilities	(4,943.7)
Current liabilities	(10,071.5)
Total net assets	10,744.1
Less: Net assets attributed to TMI Group relating to shares held by TM ESOS Management Sdn Bhd (note c)	385.7
Net distribution	10,358.4

(c) As explained in note 5, TM ESOS Management Sdn Bhd (TEM), a special purpose entity (SPE) was established to acquire, hold and manage shares under ESOS, holds 137,592,300 ordinary shares of the Company, representing approximately 4% of the Company's issued and paid-up capital. Pursuant to the demerger on 25 April 2008, 137,295,600 ordinary shares of TMI were distributed to TEM on the basis of 1 TMI share for each option over TM share remained unexercised on the date of demerger. As TEM is an SPE controlled by the Company, the 137,295,600 ordinary shares of TMI are effectively held by TM Group.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

13. Discontinued Operations and Distribution of the Net Assets of TMI Group (continued)

In accordance with FRS 127 “Consolidated and Separate Financial Statements”, an investment in an entity shall be accounted for in accordance with FRS 139 “Financial Instruments: Recognition and Measurement” from the date that it ceases to be a subsidiary, provided that it does not become an associate as defined in FRS 128 “Investments in Associates” or a jointly controlled entity as described in FRS 131 “Interests in Joint Ventures”. The carrying amount of the investment at the date that the entity ceases to be a subsidiary shall be regarded as the cost on initial measurement of a financial asset in accordance with FRS 139.

In accordance with the above provision of FRS 127, the carrying value attributable to the 137,295,600 ordinary shares of TMI held by TEM is classified as available-for-sale investment at demerger. This investment is carried at fair value. The difference between the fair value and carrying value of TMI shares at the date of demerger is credited to equity as ‘Fair Value Reserves’. Changes in the fair value of an available-for-sale investment will be credited to Fair Value Reserves at balance sheet date and will be charged to Income Statement upon disposal of the investment.

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

1. Review of Performance

(a) Quarter-on-Quarter

For the current quarter under review, Group revenue increased by 18.7% to RM2,497.8 million as compared to RM2,104.5 million in the fourth quarter 2007, mainly attributed to higher revenue from Internet and multimedia, other telecommunication and non-telecommunication related services.

Internet and multimedia revenue registered 29.4% growth from fourth quarter 2007 of RM302.8 million to RM391.8 million in current year quarter arising from continued growth of broadband customers to 1.60 million from 1.27 million in the corresponding quarter 2007.

The increase in revenue from other telecommunication related services was primarily contributed by new projects at TM while non-telecommunication related services was primarily contributed by TM Info-Media Sdn Bhd arising from the publication of directories.

Group profit after tax and minority interests (PATAMI) increased by 5.7% to RM166.0 million as compared to RM157.0 million in the corresponding quarter in 2007, mainly attributed by higher revenue which was partially offset by higher unrealised foreign exchange loss.

(b) Year-on-Year

For the financial year under review, Group revenue increased by 4.6% to RM8,674.9 million as compared to RM8,296.0 million in the last financial year, primarily attributed to higher revenue from data, Internet and multimedia and other telecommunication related services partially offset by the decline in voice services.

Group PATAMI for continuing operations reduced by 73.2% to RM229.3 million as compared to RM856.7 million recorded in the preceding financial year largely due to higher ESOS cost from Special ESOS, diminution in value of quoted investments, unrealised foreign exchange loss on translation of USD borrowings and loss on disposal of Sotelgui. Excluding all the non recurring items/exceptional costs, the PATAMI would have been RM708.5 million for the current financial year as compared to normalised PATAMI of RM432.2 million in 2007.

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

1. Review of Performance (continued)

(c) Economic Profit Statement

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2008 RM Million	31/12/2007 RM Million	**31/12/2008 RM Million**	31/12/2007 RM Million
EBIT	**292.1**	123.5	**729.0**	926.3
Adjusted Tax	75.9	33.3	189.5	250.1
NOPLAT	**216.2**	90.2	**539.5**	676.2
AIC	3,019.8	3,247.8	12,079.2	12,991.2
WACC	6.60 %	7.92 %	6.62 %	7.87 %
ECONOMIC CHARGE	**199.3**	257.2	**799.6**	1,022.4
ECONOMIC PROFIT/(LOSS)	**16.9**	(167.0)	**(260.1)**	(346.2)

Definitions:
EBIT = Earnings before Interest & Taxes
NOPLAT = Net Operating Profit/Loss after 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 can be measured from the difference of NOPLAT and Economic Charge.

TM Group recorded EP of RM16.9 million in the fourth quarter 2008, improved by RM183.9 million (110.1%) from Economic Loss (EL) of RM167.0 million reported in the preceding year quarter.

The improved EP was contributed by higher NOPLAT that has grown by RM126.0 million (139.7%) and lower economic charge that has reduced by RM57.9 million (22.5%) when compared to the same quarter last year. The higher NOPLAT was mainly resulted from higher EBIT which has increased by RM168.6 million (136.5%) arising from the increase in revenue and containment of both operational and non-operational cost in the current quarter.

The decrease in economic charge was attributed to the reduction in AIC by RM228.0 million (7.0%), cost of debt (0.2pp) and cost of equity (2.1pp). The lower cost of equity was contributed by lower beta and risk free rate.

For the current financial year, the EL was RM86.1 million (24.9%) lower than preceding financial year mainly due to the decline in economic charge was greater than the drop in NOPLAT.

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

2. Comparison with Preceding Quarter's Results

Group revenue for the current quarter of RM2,497.8 million increased by 21.1% from RM2,062.0 million recorded in the preceding quarter, mainly due to higher revenue from data, other telecommunication and non-telecommunication related services.

For the period under review, the Group registered PATAMI of RM166.0 million against loss after tax and minority interests of RM165.8 million recorded in the preceding quarter mainly due to higher revenue and lower unrealised foreign exchange loss.

3. Prospects for the Next Financial Year Ending 31 December 2009

The global financial and economic crisis continue to ripple across the globe. Being an open economy, Malaysia like any other regional countries is not immune from the effect of the crisis. Plunging exports and slower consumer demand would dampen Malaysia's economy growth prospect. In spite of the ongoing weaknesses, the Malaysian economy is still expected to show positive growth in 2009. While the Malaysian Government has thus far retained its Gross Domestic Product (GDP) growth forecast of 3.5%, the Malaysia Institute of Economic Research (MIER) projected a lower GDP growth of 1.3%.

On the operational aspect, TM foresees the growth in broadband will remain strong as the penetration rate in Malaysia is still low (21% of households – MCMC, February 2009). However, TM expects the decline in voice revenue to continue but at a slower pace. The entrance of new wireless broadband players will increase competition in the broadband market and consumers will set to gain as service providers will improve their services and pricing to win customers.

Nevertheless, TM is optimistic that it can maintain the current level of business with revenue growth of 1 – 2.5% in 2009 announced as a Headline Key Performance Indicator (KPI) on 11 November 2008. Performance Improvement Programme (PIP) which was first introduced in 2006 and continued with version 2.0 in 2008 has started showing the desired results. The initiatives introduced especially in the operational and capital management aspects have provided TM with a better platform to withstand challenges going forward.

On High Speed Broadband, TM is actively undertaking the implementation of the project and expects its first commercial roll-out for Wholesale in 2nd quarter 2009 and for Retail in 4th quarter 2009. Efforts are being put in place to ensure all milestones are met as agreed with the Government, in respect of this strategically important project for TM and the nation.

After taking into consideration the above, the Board of Directors expects TM's business environment for the financial year ending 31 December 2009 to remain challenging.

Given the circumstances, TM is cautiously monitoring the effects of the slowing domestic economy to its business and is taking appropriate strategic actions to minimise the impact.

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

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

The Group has not provided any profit forecast or profit guarantee in a public document in respect of the financial period ended 31 December 2008.

5. Taxation

The taxation charge for the Group comprises:

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2008	31/12/2007	**31/12/2008**	31/12/2007
	RM Million	RM Million	RM Million	RM Million
Malaysia				
Income Tax:				
Current year	**79.9**	(12.9)	**188.3**	199.2
Prior year	**(31.5)**	3.4	**(62.9)**	(160.9)
Deferred tax (net):				
Current year	**6.0**	89.5	**(12.6)**	0.1
Prior year	**0.1**	(53.9)	**(51.4)**	(26.2)
	54.5	26.1	**61.4**	12.2
Overseas				
Income Tax:				
Current year	**0.7**	0.2	**1.9**	6.3
Prior year	-	-	-	(1.7)
Deferred tax (net):				
Current year	-	0.7	-	7.1
Prior year	**0.4**	-	**1.3**	-
	1.1	0.9	**3.2**	11.7
TOTAL TAXATION	**55.6**	27.0	**64.6**	23.9
Zakat	**13.0**	1.9	**13.0**	1.9
TOTAL TAXATION AND ZAKAT	**68.6**	28.9	**77.6**	25.8

Excluding the reversal of prior year excess tax provision, the current quarter and financial year effective tax rate of the Group was significantly higher than the statutory tax rate primarily due to significant non-tax deductible items such as unrealised foreign exchange loss, diminution in value of quoted investments, Special ESOS cost and loss on disposal of Sotelgui.

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

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

During the first quarter, the Group completed the disposal of four office buildings with carrying value of RM988.4 million under the sale and leaseback arrangement, which was classified as non-current assets held for sale, for a cash consideration of RM1.0 billion. This disposal resulted in RM11.6 million gain.

7. Purchase and Disposal of Quoted Securities

I. Quoted Shares

(a) Total purchases and disposals of quoted securities for the current quarter and financial year ended 31 December 2008 are as follows:

	Current quarter RM Million	Year to date RM Million
Total purchases	7.7	97.6
Total disposals	13.9	108.1
Total loss on disposal	(9.3)	(9.6)

(b) Total investments in quoted securities as at 31 December 2008 are as follows:

	RM Million
At cost	169.5
At book value	72.1
At market value	72.1

II. Quoted Fixed Income Securities

(a) Total purchases and disposals of quoted fixed income securities for the current quarter and financial year ended 31 December 2008 are as follows:

	Current quarter RM Million	Year to date RM Million
Total purchases	20.9	117.5
Total disposals	16.8	111.5
Total loss on disposal	0.1	(0.3)

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

7. Purchase and Disposal of Quoted Securities (continued)

II. Quoted Fixed Income Securities (continued)

(b) Total investments in quoted fixed income securities as at 31 December 2008 are as follows:

	RM Million
At cost	209.2
At book value	205.5
At market value	205.5

8. Status of Corporate Proposals

Proposed Privatisation of VADS Berhad

On 22 September 2008, TM announced its intention to privatise VADS Berhad (VADS), its subsidiary, via a selective capital reduction and repayment exercise under Section 64 of the Companies Act 1965 (the Proposal).

All required approvals for the Proposal have been obtained and the Proposal was completed on 12 February 2009. VADS is now a wholly-owned subsidiary of TM and the shares of VADS have been delisted from the Official List of Bursa Malaysia Securities Berhad on 19 February 2009.

Save as disclosed above, there is no other corporate proposal announced and not completed as at the latest practicable date.

9. Group Borrowings and Debt Securities

(a) Breakdown of Group borrowings and debt securities as at 31 December were as follows:

	2008		2007*	
	Short Term Borrowings RM Million	**Long Term Borrowings RM Million**	**Short Term Borrowings RM Million**	**Long Term Borrowings RM Million**
Secured	-	-	317.7	762.6
Unsecured	34.9	6,965.1	1,859.5	8,984.6
Total	**34.9**	**6,965.1**	**2,177.2**	**9,747.2**

9. Group Borrowings and Debt Securities (continued)

(b) Foreign currency borrowings and debt securities in Ringgit Malaysia equivalent as at 31 December were as follows:

	2008	2007*
Foreign Currency	**RM Million**	**RM Million**
US Dollar	3,803.4	7,071.7
Indonesian Rupiah	-	666.4
Bangladesh Taka	-	432.6
Sri Lanka Rupee	-	202.3
Pakistani Rupee	-	128.9
Canadian Dollars	3.8	4.7
Euro	-	4.5
Pound Sterling	-	0.1
Total	**3,807.2**	**8,511.2**

* 2007 comparatives included borrowings of TMI Group which were demerged from TM Group on 25 April 2008.

10. Off Balance Sheet Financial Instruments

The details and the financial effects of the hedging derivatives that the Group has entered into are described in note 16 to the audited financial statements of the Group for the financial year ended 31 December 2007. There were no new off balance sheet financial instruments since the last financial year except for the following:

(a) Interest Rate Swap (IRS)

Underlying Liability

USD300.0 million 7.875% Debentures Due in 2025
In 1998, the Company issued USD300.0 million 7.875% Debentures due 2025.

Hedging Instrument

On 25 March 2008, the Company restructured its existing USD150.0 million IRS range accrual swap and entered into a plain vanilla IRS. Following the restructuring, the Company will receive interest at a fixed rate of 7.875% per annum and is obliged to pay interest at a floating rate of 6-month USD LIBOR plus 4.25%. The restructured swap will mature on 1 February 2018.

On 25 March 2008, the Company terminated its other existing USD150.0 million IRS range accrual swap with a trigger feature. It then entered into another tranche of a plain vanilla IRS agreement with a notional principal of USD150.0 million. This new structure entitles the company to receive interest at a fixed rate of 7.875% per annum and is obliged to pay interest at a floating rate of 6-month USD LIBOR plus 4.25%. The new swap will mature on 1 February 2018.

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

10. Off Balance Sheet Financial Instruments (continued)

(b) Interest Rate Swap (IRS)

Underlying Liability

USD500.0 million 5.25% Guaranteed Notes Due in 2014
In 2004, the Company issued USD500.0 million 5.25% Guaranteed Notes due 2014. The Notes are redeemable in full on 22 September 2014.

Hedging Instrument

On 25 March 2008, the Company entered into a plain vanilla IRS agreement with a notional principal of USD150.0 million that entitles it to receive interest at a fixed rate of 5.25% per annum and is obliged to pay interest at a floating rate of 6-month USD LIBOR plus 1.80%. The new swap will mature on 22 September 2014.

(c) Interest Rate Swap (IRS)

Underlying Liability

USD300.0 million 8.0% Guaranteed Notes Due in 2010
In 2000, the Company issued USD300.0 million 8.0% Guaranteed Notes due 2010. The Notes are redeemable in full on 7 December 2010.

Hedging Instrument

The Company terminated its existing USD150.0 million IRS range accrual swap on 25 March 2008.

(d) Long Dated Swap

Underlying Liability

USD300.0 million 7.875% Debentures Due 2025
In 1998, the Company issued USD300.0 million 7.875% Debentures due in 2025.

Hedging Instruments

In 1998, the Company entered into a long dated swap, which will mature on 1 August 2025.

The Company terminated this transaction on 27 June 2008. The termination resulted in a loss of RM15.9 million and a cash inflow of RM197.0 million.

(e) Cross-currency Interest Rate Swap (CCIRS)

Underlying Liability

USD500.0 million 5.25% Guaranteed Notes Due in 2014
In 2004, the Company issued USD500.0 million 5.25% Guaranteed Notes due 2014. The Notes are redeemable in full on 22 September 2014.

10. Off Balance Sheet Financial Instruments (continued)

(e) Cross-currency Interest Rate Swap (CCIRS)

Hedging Instrument

On 9 October 2008, the Company entered into an agreement with a notional amount of USD150.0 million that entitles it to receive interest at a fixed rate of 5.25% per annum on USD Notional Amount and obliges it to pay interest at a fixed rate of 4.15% on RM Notional Amount (calculated at a pre-determined exchange rate). The new swap will mature on 22 September 2014. On the maturity date, the Company would receive the USD Notional Amount and pay the counterparty an equivalent RM amount at a predetermined exchange rate.

The accounting policies applied are as follows:

"Financial derivative hedging instruments are used in the Group's risk management of foreign currency and interest rate exposures of its financial liabilities. Hedge accounting principles are applied for the accounting of the underlying exposures and their hedge instruments. These hedge instruments are not recognised in the financial statements on inception.

Exchange gains and losses relating to hedge instruments are recognised in the Income Statement in the same period as the exchange differences on the underlying hedged items. No amounts are recognised in respect of future periods."

Any differential to be paid or received on an interest rate swap is recognised as a component of interest income or expense over the period of the contract. Gains and losses on early termination of interest rate swaps or on repayment of the borrowing are taken to the Income Statement.

All hedging instruments are executed with creditworthy financial institutions with a view to limit the credit risk exposure of the Group.

11. Material Litigation

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities and Significant Subsequent Events in the audited financial statements of the Group for the year ended 31 December 2007, listed below are updates of the relevant cases since the date of the last audited financial statements:

(a) TM and TM Info-Media Sdn Bhd (TMIM) vs Buying Guide (M) Sdn Bhd (BGSB)

On 7 November 2008, the Court postponed the hearing of the case management to 9 March 2009 pending the hearing of TM and TMIM's application to consolidate this legal suit with another ongoing legal suit involving TM & TMIM vs. BG Media Sdn. Bhd. & BG Online Sdn. Bhd at the Kuala Lumpur High Court under Suit No: D7-22-1144-2004.

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

11. Material Litigation (continued)

The Directors, based on legal advice, are of the view that TM and TMIM have a reasonably good chance of success in establishing its claim and defending BGSB's counterclaim.

(b) Bukit Lenang Development Sdn Bhd (BLDSB) vs TM, Tenaga Nasional Berhad and SAJ Holding Sdn Bhd

On 16 September 2008, BLDSB has withdrawn the suit against TM as both parties have reached an amicable out of court settlement.

(c) Acres & Hectares Sdn Bhd (AHSB) vs TM

On 1 December 2008, the case was adjourned to 9 February 2009 for further case management. As 9 February 2009 was a state holiday in Kuala Lumpur, the case was further adjourned to a later date to be informed by the Court.

The Directors, based on legal advice, are of the view that TM has a reasonably good chance of success in defending its case against AHSB.

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

On 26 September 2008, the continued hearing of the appeal by TM and TESB to the Judge against the dismissal of their respective application to strike out the TSDTR's Counterclaim was postponed to 20 May 2009.

On 25 November 2008, the hearing of the appeal to the Judge in Chambers against the decision of the Senior Assistant Registrar in allowing TSDTR's application to re-amend his Amended Counterclaim and join 8 present and former directors and officers of TM, TESB and 6 others as defendants was postponed to 18 December 2009.

The Directors, based on legal advice received, are of the view that the crystallisation of liability from the above is remote.

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

On 16 January 2009, the case was adjourned to 17 April 2009 for case management of TM/TESB's Striking Out Application.

The Directors, based on legal advice, are of the view that TM and TESB have a reasonably good chance of success in defending the case against Mohd Shuaib Ishak.

11. Material Litigation (continued)

II. For the following material litigation cases as disclosed in the fourth quarter 2007 announcement to Bursa Malaysia on 26 February 2008, enumerated below are updates of the cases since the date of that announcement:

(a) TM and TM Info-Media Sdn Bhd (TMIM) vs BG Media Sdn Bhd (BGM) and BG Online Sdn Bhd (BGO)

On 12 February 2009, the case was postponed to 6 March 2009 where the Court will give its decision on TM/TMIM's application to consolidate this legal suit with another ongoing legal suit involving TM and TMIM vs. Buying Guide (M) Sdn Bhd at the Kuala Lumpur High Court under Suit No: D6-22-1332-2003.

The Directors, based on legal advice, are of the view that TM and TMIM have a reasonably good chance of success in establishing the said claim.

(b) Kabel Pantai Timur Sdn Bhd (KPT) vs TM

Pursuant to a Settlement Agreement dated 27 June 2006 entered into between the parties (Settlement Agreement):

(i) the Arbitration Proceedings between TM and KPT was withdrawn by both parties on 31 March 2008; and

(ii) KPT withdrew all the four (4) Third Party Proceedings against TM at the Kuantan High Court on 10 March 2008.

On 17 April 2008, both parties duly complied with all the terms and conditions of the Settlement Agreement and the case was resolved amicably.

(c) Inmiss Communication Sdn Bhd (Inmiss) vs Mobikom Sdn Bhd (Mobikom)

On 15 January 2009, the Court has fixed 6 April 2009 as the hearing date for the followings:

(a) Mobikom's application to set aside the Arbitration Award; and

(b) Inmiss' application for Mobikom to deposit the sum of RM27.6 million as security into Court.

The Directors, based on legal advice, are of the view that Mobikom has a reasonably good chance of success in its applications to the High Court for the setting aside of the Arbitration Award.

11. Material Litigation (continued)

III. The following is a new material litigation case arising during the year:

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

On 29 July 2008, TM and its wholly owned subsidiary TESB have, through their solicitors, been served with a copy of the Writ and Statement of Claim dated 10 July 2008 ("the Suit") by Celcom (Malaysia) Berhad ("Celcom").

The Suit is a statutory derivative action brought in the name of Celcom, pursuant to Section 181A (1) of the Companies Act 1965. By a Court Order dated 9 July 2008, leave was granted to Mohd Shuaib Ishak, a former shareholder of Celcom, to bring the Suit on behalf of Celcom. The Suit arises from the Amended and Restated Supplemental Agreement dated 4 April 2002 entered into between among others, Celcom and DeTe Asia Holding GmbH, the acquisition of Celcom shares by TESB, the consequent Mandatory General Offer exercise implemented by TM and the demerger exercise of the mobile and fixed-line businesses of the TM Group.

In the Suit, Celcom seeks from the defendants; TM, TESB and nineteen others, including the former and existing directors of Celcom, TM and TESB, jointly and severally, the following principal relief:

(a) The sum of USD233.0 million, being the amount paid by Celcom to DeTeAsia under the Award;

(b) A Declaration that the Sale and Purchase Agreement dated 28 October 2002 (SPA) between Celcom and TM (or TESB) for the Acquisition by Celcom of the shares in TM Cellular Sdn Bhd, and all other matters undertaken there under including but not limited to the issuance of shares by Celcom is illegal and void and of no effect;

(c) A Declaration that all purchases of shares in Celcom made by TESB and/or TM and/or parties acting in concert with them with effect from and including the date of the Notice of Mandatory Offer dated 3 April 2003 issued by CIMB is illegal and void and of no effect;

(d) All necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations as this Honourable Court thinks fit including but not limited to directions for the rescission of all transfers of shares of Celcom made after the Notice of Mandatory Offer for shares in Celcom dated 3 April 2003 and the repayment of all dividends and distributions made by Celcom after the completion of the said SPA;

11. Material Litigation (continued)

(e) That TM by itself, its servants and agents be restrained from giving effect to or executing any of the proposals set out in the Announcements by the Board of Directors of TM to Bursa Malaysia Bhd dated 28 September 2007 relating to the proposed demerger of the mobile and fixed-line businesses of the TM Group or in the event that any such proposals have been completed that TM by itself, its servants and agents take all such steps as shall be required to rescind such completed proposals;

(f) General damages to be assessed;

(g) Damages for conspiracy to be assessed;

(h) Damages for fraud to be assessed;

(i) Damages for fraudulent misrepresentation and/or negligence to be assessed;

(j) Damages for the breach of statutory duty to be assessed;

(k) Aggravated damages and exemplary damages to be assessed;

(l) Punitive damages;

(m) All necessary and fit orders and directions as may be required to give effect to the aforesaid Declarations and Orders and/or as this Honourable Court thinks fit;

(n) Interest;

(o) Costs;

(p) Such further and/or other relief as this Honourable Court thinks fit and just to grant in the circumstances.

On 19 September 2008, the High Court has granted a stay of all proceedings in the Suit pending the disposal of Celcom's appeal to the Court of Appeal against the High Court's decision in granting leave to Mohd Shuaib Ishak to commence the statutory derivative action in the name of Celcom. The Celcom's appeal has been fixed for hearing on 23 March 2009.

The Directors, based on legal advice, are of the view that TM has a reasonably good chance of success in defending its case against Celcom.

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

11. Material Litigation (continued)

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.

12. Earnings Per Share (EPS)

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2008	31/12/2007	**31/12/2008**	31/12/2007
(a) Basic earnings per share				
Profit from continuing operations attributable to equity holders of the Company (RM million)	**166.0**	157.0	**229.3**	856.7
(Loss)/profit from discontinued operations attributable to equity holders of the Company (RM million)	**(1.2)**	435.5	**562.6**	1,691.0
Profit attributable to equity holders of the Company (RM million)	**164.8**	592.5	**791.9**	2,547.7
Weighted average number of ordinary shares (million)	**3,455.0**	3,439.8	**3,445.3**	3,426.2
Basic earnings per share (sen) from:				
Continuing operations	**4.8**	4.6	**6.7**	25.0
Discontinued operations	**-**	12.6	**16.3**	49.4
Basic earnings per share (sen) attributable to equity holders of the Company	**4.8**	17.2	**23.0**	74.4

Basic earnings per share of the Group 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 year.

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

12. Earnings Per Share (EPS) (continued)

	4TH QUARTER ENDED		FINANCIAL YEAR ENDED	
	31/12/2008	31/12/2007	**31/12/2008**	31/12/2007
(b) Diluted earnings per share				
Profit from continuing operations attributable to equity holders of the Company (RM million)	**166.0**	157.0	**229.3**	856.7
(Loss)/profit from discontinued operations attributable to equity holders of the Company (RM million)	**(1.2)**	435.5	**562.6**	1,691.0
Profit attributable to equity holders of the Company (RM million)	**164.8**	592.5	**791.9**	2,547.7
Weighted average number of ordinary shares (million)	**3,455.0**	3,439.8	**3,445.3**	3,426.2
Adjustment for ESOS (million)	**14.2**	-	**19.9**	-
Weighted average number of ordinary shares (million)	**3,469.2**	3,439.8	**3,465.2**	3,426.2
Diluted earnings per share (sen) from:				
Continuing operations	**4.8**	4.6	**6.6**	25.0
Discontinued operations	**-**	12.6	**16.2**	49.4
Diluted earnings per share (sen) attributable to equity holders of the Company	**4.8**	17.2	**22.8**	74.4

Fully diluted earnings per share of the Group for the current financial year 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 year, adjusted to assume the conversion of dilutive potential ordinary shares, arising from the new Employees' Share Option Scheme (Special ESOS). There was no dilutive potential ordinary shares as at 31 December 2007 as ESOS 3 had expired on 31 July 2007.

13. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2007 were not subject to any material qualification.

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

14. Dividends

(a) On 19 August 2008, the Board of Directors declared an interim gross dividend of 12.0 sen per share less tax at 26% (2007: an interim gross dividend of 26.0 sen per share less tax at 27%) for the financial year ending 31 December 2008. The dividend was paid on 19 September 2008 to shareholders whose names appeared in the Register of Members and Record of Depositors on 5 September 2008.

(b) At the forthcoming Annual General Meeting of the Company, the Board will recommend a final gross dividend of 14.25 sen per share less tax at 25% (2007: a final gross dividend of 22.0 sen per share less tax at 26%) for shareholders' approval.

Upon shareholders' approval, the total dividend payout for the current financial year is RM700.0 million.

By Order of the Board

Wang Cheng Yong (MAICSA 0777702)
Zaiton Ahmad (MAICSA 7011681)
Secretaries

Kuala Lumpur
24 February 2009