TELEKOM MALAYSIA BERHAD (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad is pleased to announce the following unaudited results of the Group for the first quarter ended 31 March 2009.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/3/2009	31/3/2008	31/3/2009	31/3/2008
	RM Million	RM Million	RM Million	RM Million
		RE-PRESENTED		RE-PRESENTED
CONTINUING OPERATIONS				
OPERATING REVENUE	**2,105.4**	2,005.9	**2,105.4**	2,005.9
OPERATING COSTS				
- depreciation, impairment and amortisation	**(519.7)**	(494.9)	**(519.7)**	(494.9)
- other operating costs	**(1,313.3)**	(1,438.3)	**(1,313.3)**	(1,438.3)
OTHER OPERATING INCOME (net)	**24.1**	43.9	**24.1**	43.9
OPERATING PROFIT BEFORE FINANCE COST	**296.5**	116.6	**296.5**	116.6
FINANCE INCOME	**81.0**	21.1	**81.0**	21.1
FINANCE COST	**(111.2)**	(147.2)	**(111.2)**	(147.2)
FOREIGN EXCHANGE (LOSS)/GAIN ON BORROWINGS	**(175.5)**	118.8	**(175.5)**	118.8
NET FINANCE COST	**(205.7)**	(7.3)	**(205.7)**	(7.3)
ASSOCIATES				
- share of results (net of tax)	**0.5**	-	**0.5**	-
PROFIT BEFORE TAXATION AND ZAKAT	**91.3**	109.3	**91.3**	109.3
TAXATION AND ZAKAT	**(55.1)**	11.2	**(55.1)**	11.2
PROFIT FOR THE FINANCIAL PERIOD FROM CONTINUING OPERATIONS	**36.2**	120.5	**36.2**	120.5
DISCONTINUED OPERATIONS				
PROFIT FOR THE FINANCIAL PERIOD FROM DISCONTINUED OPERATIONS (part A, note 1(b))	**n/a**	452.8	**n/a**	452.8
PROFIT FOR THE FINANCIAL PERIOD	**36.2**	573.3	**36.2**	573.3
ATTRIBUTABLE TO:				
- equity holders of the Company	**27.7**	519.7	**27.7**	519.7
- minority interests	**8.5**	53.6	**8.5**	53.6
PROFIT FOR THE FINANCIAL PERIOD	**36.2**	573.3	**36.2**	573.3
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic				
Continuing operations	**0.8**	3.3	**0.8**	3.3
Discontinued operations	**n/a**	11.8	**n/a**	11.8
- diluted				
Continuing operations	**0.8**	3.3	**0.8**	3.3
Discontinued operations	**n/a**	11.8	**n/a**	11.8

n/a : not applicable

(The above Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2008)

UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2009

	AS AT 31/3/2009	AS AT 31/12/2008 (AUDITED)
	RM Million	RM Million
SHARE CAPITAL	3,485.8	3,456.0
SHARE PREMIUM	4,380.8	4,305.4
OTHER RESERVES	2,311.7	2,486.7
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	10,178.3	10,248.1
MINORITY INTERESTS	131.1	226.5
TOTAL EQUITY	10,309.4	10,474.6
Borrowings	7,141.5	6,965.1
Deferred tax liabilities	1,368.6	1,362.0
Deferred Income	340.1	260.2
DEFERRED AND NON-CURRENT LIABILITIES	8,850.2	8,587.3
	19,159.6	**19,061.9**
Intangible assets	310.1	1.8
Property, plant and equipment	11,601.7	11,772.1
Prepaid lease payments	67.2	67.5
Land held for property development	164.0	164.3
Associates	0.5	-
Available-for-sale investment	309.7	496.0
Other investments	137.7	137.8
Long term receivables	463.5	472.4
Deferred tax assets	8.6	8.9
NON-CURRENT ASSETS	13,063.0	13,120.8
Inventories	120.3	123.3
Trade and other receivables	2,924.3	2,891.3
Amount owing by Axiata Group Berhad (formerly known as TM International Berhad)	2,025.0	4,025.0
Short term investments	271.3	277.6
Cash and bank balances	3,968.8	2,095.2
CURRENT ASSETS	9,309.7	9,412.4
Trade and other payables	2,548.5	2,812.6
Customer deposits	587.2	588.8
Borrowings	32.9	34.9
Taxation and zakat liabilities	44.5	35.0
CURRENT LIABILITIES	3,213.1	3,471.3
NET CURRENT ASSETS	6,096.6	5,941.1
	19,159.6	**19,061.9**
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	292.0	296.5

(The above Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2008)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2009

	Attributable to equity holders of the Company							
	Share Capital RM Million	**Share Premium RM Million**	**Currency Translation Differences RM Million**	**ESOS Reserve RM Million**	**Fair Value Reserve RM Million**	**Retained Profits RM Million**	**Minority Interests RM Million**	**Total Equity RM Million**
At 1 January 2009	3,456.0	4,305.4	(10.4)	82.9	111.0	2,303.2	226.5	10,474.6
Currency translation differences arising during the financial period								
- subsidiaries	-	-	1.5	-	-	-	-	1.5
Fair value loss on available-for-sale investment	-	-	-	-	(186.3)	-	-	(186.3)
Net gain/(loss) not recognised in the Income Statement	-	-	1.5	-	(186.3)	-	-	(184.8)
Profit for the financial period	-	-	-	-	-	27.7	8.5	36.2
Total recognised income/(expense) for the financial period	-	-	1.5	-	(186.3)	27.7	8.5	(148.6)
Acquisition of remaining equity interest in a subsidiary	-	-	-	-	-	-	(103.9)	(103.9)
Employees' share option scheme (ESOS)								
- options granted	-	-	-	6.6	-	-	-	6.6
- shares issued upon exercise of options (part A, note 5)	29.8	50.9	-	-	-	-	-	80.7
- transfer of reserve upon exercise of options	-	24.5	-	(24.5)	-	-	-	-
At 31 March 2009	**3,485.8**	**4,380.8**	**(8.9)**	**65.0**	**(75.3)**	**2,330.9**	**131.1**	**10,309.4**

(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 2008)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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	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 period							
- subsidiaries	-	-	(52.1)	-	-	(13.0)	(65.1)
- jointly controlled entities	-	-	(45.9)	-	-	-	(45.9)
- associates	-	-	(9.0)	-	-	-	(9.0)
Net loss not recognised in the Income Statement	-	-	(107.0)	-	-	(13.0)	(120.0)
Profit for the financial period	-	-	-	-	519.7	53.6	573.3
Total recognised (expense)/income for the financial period	-	-	(107.0)	-	519.7	40.6	453.3
Dilution of equity interest in subsidiaries	-	-	-	-	-	0.6	0.6
Employees' share option scheme (ESOS)							
- options granted	-	-	-	73.8	-	0.7	74.5
At 31 March 2008	**3,439.8**	**4,262.1**	**(519.6)**	**73.8**	**13,032.5**	**891.3**	**21,179.9**

(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 2008)

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2009

	1ST QUARTER ENDED 31/3/2009 RM Million	1ST QUARTER ENDED 31/3/2008 RM Million
Continuing operations		
Receipts from customers	1,974.6	2,068.2
Payments to suppliers and employees	(1,356.5)	(1,513.3)
Payment of finance cost	(87.1)	(142.3)
Payment of income taxes (net of refunds)	29.8	(69.7)
	560.8	342.9
Cash flows from operating activities of discontinued operations	n/a	1,075.2
CASH FLOWS FROM OPERATING ACTIVITIES	**560.8**	**1,418.1**
Continuing operations		
Disposal of property, plant and equipment	0.1	1.8
Purchase of property, plant and equipment	(504.0)	(557.4)
Grant on purchase of property, plant and equipment	110.2	20.3
Disposal of non-current assets held for sale	-	1,000.0
Payment of intangible asset (spectrum licence)	-	(8.0)
Repayment from Axiata Group Berhad	2,000.0	-
Disposal of short term investments	32.7	70.0
Purchase of short term investments	(23.8)	(73.2)
Acquisition of remaining interest in a subsidiary	(412.3)	-
Repayments of loans by employees	20.8	26.2
Loans to employees	(9.2)	(9.4)
Interest received	21.5	22.7
Dividend received	0.5	1.3
	1,236.5	494.3
Cash flows used in investing activities of discontinued operations	n/a	(1,423.7)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**1,236.5**	**(929.4)**
Continuing operations		
Issue of share capital	80.7	-
Issue of share capital to minority interests	-	0.5
Proceeds from borrowings	159.0	13.4
Repayments of borrowings	(161.1)	(253.6)
Repayments of finance lease	(0.7)	-
Dividends paid to shareholders	-	(1,654.5)
	77.9	(1,894.2)
Cash flows from financing activities of discontinued operations	n/a	567.8
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**77.9**	**(1,326.4)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,875.2	(837.7)
EFFECT OF EXCHANGE RATE CHANGES	(1.6)	(19.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	2,094.7	4,092.9
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	**3,968.3**	**3,236.0**

n/a : not applicable

(The above Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2008)

TELEKOM MALAYSIA BERHAD (128740-P)
(Incorporated in Malaysia)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation

(a) The unaudited interim financial statements for the first quarter ended 31 March 2009 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 2008. The accounting policies, method of computation and basis of consolidation applied in the unaudited interim financial statements are consistent with those used in the preparation of the 2008 audited financial statements.

(i) Standards and IC Interpretations that are not yet effective and have not been early adopted

The new standards and IC Interpretations that are applicable to the Group’s 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 interim financial statements of the Group.

- FRS 8 “Operating Segments” (effective for accounting period beginning on or after 1 July 2009). FRS 8 replaces FRS 114_{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 interim financial statements of the Group.

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 interim 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 interim financial statements.

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

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

(b) Re-presentation of comparatives

As disclosed in the audited financial statements for the financial year ended 31 December 2008, pursuant to the demerger, the results of Axiata Group from 1 January 2008 up to 25 April 2008 was 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 Assets Held for Sale and Discontinued Operations". The comparatives for the first quarter 2008 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)

The effects of the re-presentation as described above are illustrated as follows:

	1ST QUARTER AND FINANCIAL PERIOD ENDED 31 MARCH 2008		
	As previously reported	**Results from discontinued operations**	**As re-presented**
	RM million	**RM million**	**RM million**
Operating revenue	4,624.7	2,618.8	2,005.9
Operating costs			
- depreciation, impairment and amortisation	(970.6)	(475.7)	(494.9)
- other operating costs	(2,923.9)	(1,485.6)	(1,438.3)
Other operating income (net)	55.1	11.2	43.9
Operating profit before finance cost	785.3	668.7	116.6
Finance income	33.1	12.0	21.1
Finance cost	(242.9)	(95.7)	(147.2)
Foreign exchange gain on borrowings	158.9	40.1	118.8
Net finance cost	(50.9)	(43.6)	(7.3)
Jointly controlled entities - share of results (net of tax)	8.3	8.3	-
Associates - share of results (net of tax)	7.7	7.7	-
Profit before taxation and zakat	750.4	641.1	109.3
Taxation and zakat	(177.1)	(188.3)	11.2
Profit for the financial period	573.3	452.8	120.5

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(c) 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 March 2009	Exchange Rate At 31 December 2008	Exchange Rate At 31 March 2008
US Dollar	3.64550	3.45250	3.19700
Special Drawing Rights	5.45253	5.33550	5.24183

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial period ended 31 March 2009 other than as mentioned elsewhere in the interim financial statements.

4. Material Changes in Estimates

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

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

The issued and paid-up capital of the Company increased by 29.8 million ordinary shares from 3,456.0 million to 3,485.8 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 RM2.71 and RM3.14 per share.

Save for the above, there were no other issuance, cancellations, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 31 March 2009.

6. Dividends Paid

No dividends have been paid during the financial period ended 31 March 2009.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

7. Segmental Information

Segmental information for the financial period ended 31 March 2009 and 31 March 2008 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
2009						
Operating Revenue						
Total operating revenue	1,645.5	242.3	285.2	1,095.0	3,268.0	-
Inter-segment *	(7.0)	(53.1)	(73.7)	(1,028.8)	(1,162.6)	-
External operating revenue	1,638.5	189.2	211.5	66.2	2,105.4	-
Results						
Segment result	320.9	39.4	98.4	(45.7)	413.0	-
Unallocated income #					1.7	-
Unallocated costs ^					(118.2)	-
Operating profit before finance cost					296.5	-
Finance income					81.0	-
Finance cost					(111.2)	-
Foreign exchange loss on borrowings					(175.5)	-
Associates - share of results (net of tax)					0.5	-
Profit before taxation and zakat					91.3	-
Taxation and zakat					(55.1)	-
Profit for the financial period					36.2	-
2008						
Operating Revenue						
Total operating revenue	1,614.0	254.8	211.5	1,068.6	3,148.9	2,618.8
Inter-segment *	(3.2)	(73.3)	(57.4)	(1,009.1)	(1,143.0)	-
External operating revenue	1,610.8	181.5	154.1	59.5	2,005.9	2,618.8

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
Results						
Segment result	346.1	42.4	(111.0)	14.8	292.3	668.7
Unallocated income #					9.1	-
Unallocated costs ^					(184.8)	-
Operating profit before finance cost					116.6	668.7
Finance income					21.1	12.0
Finance cost					(147.2)	(95.7)
Foreign exchange gain on borrowings					118.8	40.1
Jointly controlled entities						
- share of results (net of tax)					-	8.3
Associates						
- share of results (net of tax)					-	7.7
Profit before taxation and zakat					109.3	641.1
Taxation and zakat					11.2	(188.3)
Profit for the financial period					120.5	452.8

* Inter-segment operating revenue relates to inter-division recharge and inter-company revenue and has been eliminated at the respective segment operating revenue. The inter-division recharge was agreed between the relevant lines of business. The inter-company revenue was entered into in the normal course of business and at prices available to third parties or at negotiated terms. These inter-segment trading arrangements are subject to periodic review.

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

^ Unallocated costs represent 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, foreign exchange differences arising from translation of foreign currency placements and diminution in value of investments which are not allocated to a particular business segment.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

8. Valuation of Property, Plant and Equipment

There was no revaluation of property, plant and equipment brought forward from the previous audited financial statements. The Group does not adopt a revaluation policy on its property, plant and equipment.

9. Material Events Subsequent to the End of the Quarter

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

Change in the composition of the Group for the financial period ended 31 March 2009 is as follows:

VADS Berhad (VADS)

On 29 September 2008, TM announced its intention to privatise VADS, its subsidiary, via a selective capital reduction and repayment exercise under Section 64 of the Companies Act, 1965. The transaction was completed on 12 February 2009 and VADS became a wholly owned subsidiary of TM on the said date. Accordingly, the entire issued and paid-up share capital of VADS was delisted from the Official List of Bursa Malaysia Securities Berhad on 19 February 2009.

Arising from the above transaction, goodwill of RM308.4 million was recorded as intangible assets in the current quarter.

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 2008.

12. Commitments

(a) Capital Commitments

	Group	
	31/3/2009	31/3/2008*
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**2,641.1**	3,609.6
Commitments in respect of expenditure approved but not contracted for (note (i))	**9,346.5**	1,572.8

* 2008 comparatives include Axiata Group capital commitment of RM3,467.9 million

12. Commitments (continued)

(i) Included in commitments in respect of expenditure approved but not contracted for is the commitment for High Speed Broadband (HSBB) project. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure. The HSBB roll out will be covering 1.3 million premises over a 10 year period.

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, the Group revenue increased by 5.0% to RM2,105.4 million as compared to RM2,005.9 million in the first quarter 2008, mainly attributed to higher revenue from data, Internet and multimedia and other telecommunication related services.

Data services revenue increased by 50.9% from first quarter 2008 to RM139.6 million in line with higher bandwidth sales at Retail Business and Global Business.

Internet and multimedia revenue registered 15.2% growth from first quarter 2008 of RM334.1 million to RM385.0 million in current quarter arising from continued growth of broadband customers (excluding Hotspot customers) from 1.07 million in the corresponding quarter 2008 to 1.33 million in the current quarter.

Earnings before interest, tax, depreciation and amortisation (EBITDA) has improved by 33.5% to RM816.2 million due to higher revenue and lower cost recorded in the current quarter.

Group profit after tax and minority interests (PATAMI) was reduced by 75.8% to RM27.7 million as compared to RM114.4 million in the corresponding quarter in 2008, mainly attributed to higher unrealised exchange loss on foreign currency borrowings of RM175.5 million as compared to a gain of RM118.8 million in the same quarter in 2008.

(b) Economic Profit Statement

	1ST QUARTER AND FINANCIAL PERIOD ENDED	
	31/3/2009 RM Million	31/3/2008 RM Million
EBIT	**297.0**	116.6
Adjusted Tax	74.3	30.3
NOPLAT	**222.7**	86.3
AIC	3,006.1	3,112.5
WACC	6.53 %	7.79 %
ECONOMIC CHARGE	**196.3**	242.5
ECONOMIC PROFIT/(LOSS)	**26.4**	(156.2)

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

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

1. Review of Performance (continued)

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 RM26.4 million in the first quarter 2009, higher by RM182.6 million (+116.9%) from Economic Loss of RM156.2 million reported in the same period last year.

The increased EP was contributed by higher NOPLAT by RM136.4 million (+158.1%) and lower economic charge by RM46.2 million (-19.1%) when compared to the same period last year. The higher NOPLAT was mainly contributed by higher EBIT by RM180.4 million (+154.7%) resulting from increase in revenue and containment of cost in the current quarter.

The decrease in economic charge was attributed to the reduction in AIC by RM106.4 million (-3.4%), lower cost of debt (-0.7 percentage point) and lower cost of equity (-1.4 percentage point).

The lower AIC was contributed by lower average property, plant and equipment by RM51.8 million (-0.4%) and trade and other receivables by RM350.4 million (-10.7%).

2. Comparison with Preceding Quarter's Results

Group revenue for the current quarter of RM2,105.4 million decreased by 15.7% from RM2,497.8 million recorded in the preceding quarter, mainly due to lower revenue from other telecommunication and non-telecommunication related services.

Decrease in revenue from other telecommunication was primarily due to lower revenue from projects such as Malaysian Emergency Response System 999 whereas lower non-telecommunication related services was primarily due to absence of revenue from publication of directories.

For the period under review, the Group registered PATAMI of RM27.7 million against RM166.0 million recorded in the preceding quarter mainly due to higher unrealised foreign exchange loss.

3. Prospects for the Current Financial Year

The growth prospects for the Malaysian economy remains challenging in view of the uncertain external environment. Bank Negara Malaysia revised its gross domestic product (GDP) forecast for 2009, from a growth of 3.5% to a target range of growth between ±1 percent. The Malaysian Institute of Economic Research (MIER) had also revised downwards the country's GDP forecast this year to -2.2 % from 1.3% earlier.

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

3. Prospects for the Current Financial Year (continued)

Operationally, TM expects the decline in voice revenue to continue but at a slower pace with the Performance Improvement Programme (PIP 2.0) initiatives in place. Growth in broadband is expected to remain strong as the penetration rate had only surpassed 21.1% in 4Q08 (MCMC – 4Q08 report). The introduction of new wireless broadband technologies such as HSDPA and WiMAX is expected to increase the demand for broadband. In anticipation of this, TM has embarked on various initiatives to improve its broadband customer service and service offerings such as the introduction of *Streamyx Combo Goes Mobile* and Streamyx value added packages.

On High Speed Broadband (HSBB) project, TM is executing the project as planned. In April 2009, the wholesale service of HSBB (Transmission) was made available to access seekers via a published terms and conditions in the Company's website. HSBB Retail service is expected to be launched in 4Q09.

Taking into account the current global economic uncertainty and financial turmoil, the Board of Directors expects TM's business environment for the financial year ending 31 December 2009 to remain challenging.

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

The Group has not provided any profit forecast or profit guarantee in any public document in respect of the financial period ended 31 March 2009.

5. Taxation

The taxation charge for the Group comprises:

	1ST QUARTER AND FINANCIAL PERIOD ENDED	
	31/3/2009	31/3/2008
	RM Million	RM Million
Malaysia		
Income Tax:		
Current year	**50.0**	149.5
Prior year	**(4.5)**	1.2
Deferred tax (net):		
Current year	**3.8**	(162.8)
Prior year	**2.9**	-
	52.2	(12.1)

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

5. Taxation (continued)

	1ST QUARTER AND FINANCIAL PERIOD ENDED	
	31/3/2009	31/3/2008
	RM Million	RM Million
Overseas		
Income Tax:		
Current year	**1.9**	0.9
	1.9	0.9
Taxation	**54.1**	(11.2)
Zakat	**1.0**	-
Taxation and Zakat	**55.1**	(11.2)

The current quarter and financial period 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 and interest restriction.

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

There were no other profit on sale of unquoted investments and/or properties other than in the ordinary course of the Group's business for the financial period ended 31 March 2009.

7. Purchase and Disposal of Quoted Securities

I. Quoted Shares

(a) Total purchases and disposals of quoted securities for the financial period ended 31 March 2009 are as follows:

	RM Million
Total purchases	3.4
Total disposals	11.1
Total loss on disposal	(4.7)

(b) Total investments in quoted securities as at 31 March 2009 are as follows:

	RM Million
At cost	157.1
At book value	65.8
At market value	65.8

7. Purchase and Disposal of Quoted Securities (continued)

II. Quoted Fixed Income Securities

(a) Total purchases and disposals of quoted fixed income securities for the financial period ended 31 March 2009 are as follows:

	RM Million
Total purchases	20.4
Total disposals	21.6
Total gain on disposal	0.6

(b) Total investments in quoted fixed income securities as at 31 March 2009 are as follows:

	RM Million
At cost	208.6
At book value	205.5
At market value	205.5

8. Status of Corporate Proposals

On 24 February 2009, TM announced the following:

(i) In view of the anticipated repayment from Axiata Group Berhad *(formerly known as TM International Berhad)*("**Axiata**") of monies owing to TM of RM4,025.0 million and any interest earned on the monies, in accordance with the Demerger Agreement dated 10 December 2007, by the 24 April 2009 repayment deadline, TM proposes to carry out a cash capital repayment to shareholders of approximately RM3,505.8 million (Proposed Capital Repayment).

The Proposed Capital Repayment involves the following:

(a) a bonus issue of approximately 3,577.4 million redeemable preference shares of RM0.01 each in TM ("**RPS**") to TM's shareholders, on the basis of 1 RPS for each TM Share held, at the par value of the RPS of RM0.01 by way of capitalisation of TM's share premium account; and

(b) the redemption of the RPS at a cash redemption price of RM0.98 for each RPS. The par value of RM0.01 per RPS, representing a total of approximately RM35.8 million, will be redeemed out of TM's retained earnings, whereas the premium on redemption of RM0.97 for each RPS, representing a total of approximately RM3,470.0 million, will be redeemed out of TM's share premium account. This will result in a cash payment of RM0.98 for each TM Share held or a total cash payment of approximately RM3,505.8 million to TM's shareholders;

8. Status of Corporate Proposals (continued)

(ii) To facilitate the Proposed Capital Repayment, TM also proposes to increase its present authorised share capital and make corresponding amendments to its Memorandum and Articles of Association to reflect the change in its authorised share capital; and

(iii) TM proposes to extend the duration of the exercise period of granted and unallocated options under TM's Special ESOS with respect to the employees of the TM Group by an additional year and make corresponding amendments to the By-Laws (Proposed ESOS extension).

On 24 April 2009, TM announced the receipt of full settlement of monies owing from Axiata to TM of RM4,025.0 million, together with interest earned on the monies of approximately RM68.0 million, representing a total payment of approximately RM4,093.0 million.

Amanah Raya Berhad, the trustee for the Sukuk Ijarah issued by a wholly owned subsidiary of TM, Hijrah Pertama Berhad, had, via its letter dated 15 April 2009, given its consent to the proposed changes in TM's share capital in relation to the Proposed Capital Repayment.

The above proposals were approved by TM's shareholders at an Extraordinary General Meeting held on 7 May 2009.

The Proposed Capital Repayment exercise is expected to be completed by 12 June 2009 whereas the Proposed ESOS Extension will extend the expiry date of TM's Special ESOS from 16 September 2009 to 16 September 2010.

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) Analysis of the Group's borrowings and debt securities as at 31 March are as follows:

	2009		2008*	
	Short Term Borrowings RM Million	**Long Term Borrowings RM Million**	**Short Term Borrowings RM Million**	**Long Term Borrowings RM Million**
Secured	-	-	384.9	725.3
Unsecured	32.9	7,141.5	1,180.8	9,717.9
Total	**32.9**	**7,141.5**	**1,565.7**	**10,443.2**

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9. Group Borrowings and Debt Securities (continued)

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

	2009	2008*
Foreign Currency	**RM Million**	**RM Million**
US Dollar	3,978.9	6,172.2
Indonesian Rupiah	-	1,877.0
Bangladesh Taka	-	383.1
Sri Lanka Rupee	-	263.5
Pakistani Rupee	-	122.6
Canadian Dollars	3.9	4.4
Total	**3,982.8**	**8,822.8**

* 2008 comparatives included borrowings of Axiata 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 were described in note 17 to the audited financial statements of the Group for the financial year ended 31 December 2008. There were no new off balance sheet financial instruments since the last financial year except for the following:

(a) Cross Currency Swap (CCS)

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 10 March 2009, the Company entered into a cross currency swap transaction which matures on 22 September 2014. On the maturity date, the Company would receive USD50.0 million from the counter-party in return for a payment of RM174.5 million. The objective of this transaction is to effectively convert the USD liability into a RM principal liability.

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.

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

10. Off Balance Sheet Financial Instruments (continued)

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 restructuring or 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 in the audited financial statements of the Group for the year ended 31 December 2008, 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 9 March 2009, the Court postponed the case to 27 April 2009 pending the consolidation process of 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. On 27 April 2009, the Court fixed the matter for a further case management on 4 June 2009 to allow the physical consolidation of the two cases.

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) 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 14 May 2009, the appeal was postponed to 17 June 2009 for mention.

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

11. Material Litigation (continued)

(c) 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. On 17 April 2009, the High Court fixed 25 May 2009 for case management pending the exchange of affidavits in respect of Aseambankers' application to strike out the legal suit.

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.

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

On 27 March 2009, the Court of Appeal allowed Celcom's appeal against the High Court's decision in granting leave to Mohd Shuaib Ishak (MSI) to commence the statutory derivative action in the name of Celcom. On 23 April 2009, MSI filed an application for leave to appeal to the Federal Court against the decision of the Court of Appeal above mentioned. MSI's application for leave is set for hearing on 2 November 2009.

The Directors, based on legal advice, are of the view that TM and TESB have a good chance of success in defending the case against Celcom in the event that MSI succeeds in his appeal against the Court of Appeal's decision at the Federal Court and he proceeds with the Suit in the name of Celcom.

II. For the following material litigation cases as disclosed in the fourth quarter 2008 announcement to Bursa Malaysia on 24 February 2009, 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 6 March 2009, the Court allowed TM/TMIM's application to consolidate this legal suit with another ongoing legal suit involving TM and TMIM vs. Buying Guide (M) Sdn Bhd the Kuala Lumpur High Court under Suit No: D6-22-1332-2003 and join BGM/BGO's directors as defendants to the consolidated suit. The case has been fixed for case management on 24 June 2009 in order for the Court to ensure that the files have been physically consolidated.

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.

11. Material Litigation (continued)

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

On 14 May 2009, the Court has postponed the case to 29 May 2009 for the following:

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

(b) Mention of 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.

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)

	1ST QUARTER AND FINANCIAL PERIOD ENDED	
	31/3/2009	31/3/2008
(a) Basic earnings per share		
Profit from continuing operations attributable to equity holders of the Company (RM million)	**27.7**	114.4
Profit from discontinued operations attributable to equity holders of the Company (RM million)	**n/a**	405.3
Profit attributable to equity holders of the Company (RM million)	**27.7**	519.7
Weighted average number of ordinary shares (million)	**3,466.9**	3,439.8
Basic earnings per share (sen) from:		
Continuing operations	**0.8**	3.3
Discontinued operations	**n/a**	11.8
Basic earnings per share (sen) attributable to equity holders of the Company	**0.8**	15.1

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 period.

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

12. Earnings Per Share (EPS) (continued)

	1ST QUARTER AND FINANCIAL PERIOD ENDED	
	31/3/2009	31/3/2008
(b) Diluted earnings per share		
Profit from continuing operations attributable to equity holders of the Company (RM million)	**27.7**	114.4
Profit from discontinued operations attributable to equity holders of the Company (RM million)	**n/a**	405.3
Profit attributable to equity holders of the Company (RM million)	**27.7**	519.7
Weighted average number of ordinary shares (million)	**3,466.9**	3,439.8
Adjustment for Special ESOS (million)	**17.4**	2.9
Weighted average number of ordinary shares (million)	**3,484.3**	3,442.7
Diluted earnings per share (sen) from:		
Continuing operations	**0.8**	3.3
Discontinued operations	**n/a**	11.8
Diluted earnings per share (sen) attributable to equity holders of the Company	**0.8**	15.1

n/a: not applicable

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

13. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2008 were not subject to any material qualification.

14. Dividends

No interim dividend was recommended for the financial period ended 31 March 2009.

By Order of the Board

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

Kuala Lumpur
21 May 2009