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 2011.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	**2,148.2**	2,124.9	**2,148.2**	2,124.9
OPERATING COSTS				
- depreciation, impairment and amortisation	**(500.0)**	(456.8)	**(500.0)**	(456.8)
- other operating costs	**(1,438.6)**	(1,435.8)	**(1,438.6)**	(1,435.8)
OTHER OPERATING INCOME (net)	**21.3**	30.9	**21.3**	30.9
OTHER GAINS (net)	**0.7**	4.4	**0.7**	4.4
OPERATING PROFIT BEFORE FINANCE COST	**231.6**	267.6	**231.6**	267.6
FINANCE INCOME	**31.5**	24.5	**31.5**	24.5
FINANCE COST	**(74.2)**	(96.8)	**(74.2)**	(96.8)
FOREIGN EXCHANGE GAIN ON BORROWINGS	**38.4**	157.5	**38.4**	157.5
NET FINANCE (COST)/INCOME	**(4.3)**	85.2	**(4.3)**	85.2
ASSOCIATES				
- share of results (net of tax)	*	(0.2)	*	(0.2)
PROFIT BEFORE TAXATION AND ZAKAT	**227.3**	352.6	**227.3**	352.6
TAXATION AND ZAKAT	**(52.6)**	(101.7)	**(52.6)**	(101.7)
PROFIT FOR THE FINANCIAL PERIOD	**174.7**	250.9	**174.7**	250.9
ATTRIBUTABLE TO:				
- equity holders of the Company	**163.3**	242.9	**163.3**	242.9
- non-controlling interests	**11.4**	8.0	**11.4**	8.0
PROFIT FOR THE FINANCIAL PERIOD	**174.7**	250.9	**174.7**	250.9
EARNINGS PER SHARE (sen) (part B, note 13)				
- basic	**4.6**	6.9	**4.6**	6.9
- diluted	**4.6**	6.8	**4.6**	6.8

* Amount less than RM0.1 million

(The above Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1ST QUARTER ENDED		FINANCIAL PERIOD ENDED	
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
	RM Million	RM Million	RM Million	RM Million
PROFIT FOR THE FINANCIAL PERIOD	**174.7**	250.9	**174.7**	250.9
OTHER COMPREHENSIVE INCOME:				
Increase in fair value of available-for-sale investments	**4.9**	242.1	**4.9**	242.1
Decrease in fair value of available-for-sale receivables	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Reclassification adjustments relating to available-for-sale investments disposed	**(0.7)**	(0.8)	**(0.7)**	(0.8)
Currency translation differences - subsidiaries	**(0.9)**	4.1	**(0.9)**	4.1
Other comprehensive income for the financial period	**3.2**	245.2	**3.2**	245.2
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	**177.9**	496.1	**177.9**	496.1
ATTRIBUTABLE TO:				
- equity holders of the Company	**166.5**	488.1	**166.5**	488.1
- non-controlling interests	**11.4**	8.0	**11.4**	8.0
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	**177.9**	496.1	**177.9**	496.1

(The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 31/3/2011 (UNAUDITED)	AS AT 31/12/2010 (AUDITED)
	RM Million	RM Million
SHARE CAPITAL	3,577.4	3,568.1
SHARE PREMIUM	1,080.6	1,055.1
OTHER RESERVES	370.0	366.8
RETAINED PROFITS	2,882.7	2,719.4
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,910.7	7,709.4
NON-CONTROLLING INTERESTS	162.2	150.8
TOTAL EQUITY	8,072.9	7,860.2
Borrowings	5,456.2	5,506.0
Derivative financial instruments	39.2	28.0
Deferred tax liabilities	1,616.5	1,664.2
Deferred income	1,760.3	1,432.1
DEFERRED AND NON-CURRENT LIABILITIES	8,872.2	8,630.3
	16,945.1	**16,490.5**
Property, plant and equipment	12,834.2	13,112.1
Land held for property development	108.9	107.4
Intangible assets	318.0	312.3
Associates	0.5	0.5
Available-for-sale investments	114.6	114.6
Available-for-sale receivables	14.8	14.9
Other long term receivables	84.9	89.4
Derivative financial instruments	2.0	3.6
Deferred tax assets	24.6	86.7
NON-CURRENT ASSETS	13,502.5	13,841.5
Inventories	201.6	174.0
Customer acquisition costs	86.3	87.1
Trade and other receivables	2,660.4	2,329.3
Available-for-sale investments	851.0	838.1
Financial assets at fair value through profit or loss	20.8	21.5
Cash and bank balances	3,555.8	3,488.5
CURRENT ASSETS	7,375.9	6,938.5
Trade and other payables	3,257.6	3,639.2
Customer deposits	579.7	580.5
Borrowings	16.4	26.0
Taxation and zakat	79.6	43.8
CURRENT LIABILITIES	3,933.3	4,289.5
NET CURRENT ASSETS	3,442.6	2,649.0
	16,945.1	**16,490.5**
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	221.1	216.1

(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD 31 MARCH 2011

	Attributable to equity holders of the Company							
	Share Capital RM Million	**Share Premium RM Million**	**Currency Translation Differences RM Million**	**Fair Value Reserve RM Million**	**Capital Redemption Reserve RM Million**	**Retained Profits RM Million**	**Non-controlling Interests RM Million**	**Total Equity RM Million**
At 1 January 2011	3,568.1	1,055.1	(1.4)	332.4	35.8	2,719.4	150.8	7,860.2
Profit for the financial period	-	-	-	-	-	163.3	11.4	174.7
Other comprehensive (loss)/income for the financial period	-	-	(0.9)	4.1	-	-	-	3.2
Total comprehensive (loss)/income for the financial period	-	-	(0.9)	4.1	-	163.3	11.4	177.9
Transaction with owners:								
Shares issued upon disposal of shares attributed to lapsed options	9.3	25.5	-	-	-	-	-	34.8
Total transaction with owners	9.3	25.5	-	-	-	-	-	34.8
At 31 March 2011	**3,577.4**	**1,080.6**	**(2.3)**	**336.5**	**35.8**	**2,882.7**	**162.2**	**8,072.9**

(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 2010)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2010

	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**	**Capital Redemption Reserve RM Million**	**Retained Profits RM Million**	**Non-controlling Interests RM Million**	**Total Equity RM Million**
At 1 January 2010									
As previously reported	3,543.5	1,011.8	(1.0)	19.7	155.5	35.8	2,222.2	142.5	7,130.0
Adjustments on application of FRS 139	-	-	-	-	100.4	-	(18.0)	-	82.4
At 1 January 2010, as restated	3,543.5	1,011.8	(1.0)	19.7	255.9	35.8	2,204.2	142.5	7,212.4
Profit for the financial period	-	-	-	-	-	-	242.9	8.0	250.9
Other comprehensive income for the financial period	-	-	4.1	-	241.1	-	-	-	245.2
Total comprehensive income for the financial period	-	-	4.1	-	241.1	-	242.9	8.0	496.1
Transactions with owners:									
Employees' share option scheme (ESOS)									
- shares issued upon exercise of options	5.4	5.0	-	-	-	-	-	-	10.4
- transfer of reserve upon exercise of options	-	4.1	-	(4.1)	-	-	-	-	-
Total transactions with owners	5.4	9.1	-	(4.1)	-	-	-	-	10.4
At 31 March 2010	**3,548.9**	**1,020.9**	**3.1**	**15.6**	**497.0**	**35.8**	**2,447.1**	**150.5**	**7,718.9**

(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 2010)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	FINANCIAL PERIOD ENDED	
	31/3/2011	**31/3/2010**
	RM Million	**RM Million**
Receipts from customers	2,027.6	1,901.3
Payments to suppliers and employees	(1,512.5)	(1,290.3)
Payment of finance cost	(74.3)	(82.2)
Refund of income taxes (net)	17.1	52.2
Payment of zakat	(2.0)	(4.0)
CASH FLOWS FROM OPERATING ACTIVITIES	**455.9**	**577.0**
Contribution for purchase of property, plant and equipment	4.9	207.6
Disposal of property, plant and equipment	2.1	0.2
Purchase of property, plant and equipment	(445.3)	(475.4)
Disposal of available-for-sale investments	56.4	51.8
Purchase of available-for-sale investments	(64.4)	(39.4)
Disposal of financial assets at fair value through profit or loss	0.8	50.9
Purchase of financial assets at fair value through profit or loss	-	(5.8)
Repayments of loans by employees	5.2	7.1
Loans to employees	(3.9)	(3.3)
Disposal of housing loan	3.6	-
Interests received	28.2	23.9
Dividends received	0.2	0.2
CASH FLOWS USED IN INVESTING ACTIVITIES	**(412.2)**	**(182.2)**
Issue of share capital	34.8	10.4
Repayments of borrowings	(10.5)	(2.1)
Repayments of finance lease	(0.8)	(0.8)
CASH FLOWS FROM FINANCING ACTIVITIES	**23.5**	**7.5**
NET INCREASE IN CASH AND CASH EQUIVALENTS	67.2	402.3
EFFECT OF EXCHANGE RATE CHANGES	0.1	2.6
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	3,488.0	3,490.2
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	**3,555.3**	**3,895.1**

(The above Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation

(a) The unaudited interim financial statements for the 1st quarter ended 31 March 2011 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 Bursa Malaysia Securities Berhad Main Market Listing Requirements, and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2010. 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 2010 audited financial statements except for the changes arising from the adoption of the new and revised FRSs issued by the Malaysian Accounting Standards Board (MASB) that are effective for the Group's financial year beginning on 1 January 2011.

(I) New and revised standards, amendments to published standards and IC Interpretations issued by the MASB that are effective for the Group's financial year beginning on 1 January 2011

The new and revised standards, amendments to published standards and IC Interpretations that have been issued by the MASB that are effective for the Group's financial year beginning on 1 January 2011, being considered in this announcement are as follows:

		Effective date
Amendment to FRS 132	Financial Instruments: Presentation on Classification of Rights Issues	1 March 2010
FRS 3 (revised)	Business Combinations	1 July 2010
FRS 127 (revised)	Consolidated and Separate Financial Statements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distribution of Non-cash Assets to Owners	1 July 2010
Amendment to FRS 2	Share-based Payment: Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 7	Financial Instruments: Disclosures and FRS 1 First-time Adoption of Financial Reporting Standards	1 January 2011
IC Interpretation 4	Determining Whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011

1. Basis of Preparation (continued)

(I) New and revised standards, amendments to published standards and IC Interpretations issued by the MASB that are effective for the Group's financial year beginning on 1 January 2011 (continued)

The following amendments are part of the MASB's improvement projects:

		Effective date
FRS 2	Share-based Payment	1 July 2010
FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
FRS 138	Intangible Assets	1 July 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
FRS 3	Business Combinations	1 January 2011
FRS 7	Financial Instruments: Disclosures	1 January 2011
FRS 101	Presentation of Financial Statements	1 January 2011
FRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2011
FRS 128	Investments in Associates	1 January 2011
FRS 132	Financial Instruments: Presentation	1 January 2011
FRS 134	Interim Financial Reporting	1 January 2011
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 13	Customer Loyalty Programmes	1 January 2011

The adoption of the revised FRS 3 and FRS 127 will potentially have impact on the Group as these standards will change the accounting for business combinations. As these standards are applied prospectively, the impact to the financial results will arise from future acquisitions. The revised FRS 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in the Income Statement.

The revised FRS 3 continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the Income Statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(I) New and revised standards, amendments to published standards and IC Interpretations issued by the MASB that are effective for the Group's financial year beginning on 1 January 2011 (continued)

IC Interpretation 18 "Transfers of Assets from Customers" provides guidance where an entity receives from a customer an item of property, plant and equipment (or cash to acquire such an asset) that the entity must then use to connect the customer to a network or to provide the customer with services. Where the transferred item meets the definition of an asset, the asset is recognised as an item of property, plant and equipment at its fair value. Revenue is recognised for each separate service performed in accordance with the recognition criteria of FRS 118 "Revenue". The Group has transactions where an item of property, plant and equipment is received from customer, which the Group then uses to connect the customer to a network or to provide the customer with services. The adoption of IC Interpretation 18 does not have material impact to the Group.

The adoption of the Amendment to FRS 7 which requires enhanced disclosures about fair value measurement and liquidity risk, in particular, the disclosure of fair value measurements by the three-level fair value hierarchy, does not impact the financial results of the Group as the enhancement introduced are on disclosure.

The adoption of the other standards, amendments to published standards and IC Interpretations do not have any material effect to the Group or the Group's significant accounting policies.

(II) Standard that is not yet effective and has not been early adopted

The revised standard that is applicable to the Group, which the Group has not early adopted, is as follows:

		Effective date
FRS 124 (revised)	Related Party Disclosure	1 January 2012

(b) Reclassification of Comparatives

During the 4th quarter 2010, the Group reclassified fair value changes on forward foreign exchange contracts from other gains (net) to net finance cost to better reflect the effective cost of borrowings. The impact of this reclassification is as follows:

	1st Quarter and Financial Period Ended 31 March 2010		
	As previously reported RM Million	**Reclassification RM Million**	**As restated RM Million**
Other (losses)/gains (net)	(4.7)	9.1	4.4
Foreign exchange gain on borrowings	166.6	(9.1)	157.5
Net finance cost	94.3	(9.1)	85.2

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

2. Seasonal or Cyclical Factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the 1st quarter ended 31 March 2011 other than as mentioned elsewhere in the unaudited interim financial statements.

4. Material Changes in Estimates

There was 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 9.3 million ordinary shares from 3,568.1 million to 3,577.4 million ordinary shares of RM1.00 each following the disposal of 9.3 million ordinary shares of the Company attributed to lapsed options by TM ESOS Management Sdn Bhd, the ESOS trust company specifically established by the Company to act as a trustee to acquire, hold and manage the Special ESOS shares.

As per the By-laws of the Special ESOS scheme, the excess unallocated shares and shares attributable to lapsed options will be sold to the open market upon the expiration of the Special ESOS which had expired on 16 September 2010. The features of the Special ESOS are as disclosed in note 15 to the audited financial statements for the financial year ended 31 December 2010.

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 1st quarter ended 31 March 2011.

6. Dividends Paid

No dividends have been paid during the 1st quarter ended 31 March 2011.

7. Segmental Information

Segmental information for the 1st quarter ended 31 March 2011 and 2010 are as follows:

By Business Segment

All amounts are in RM Million	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
31 March 2011									
Operating Revenue									
Total operating revenue	598.2	440.4	436.7	328.1	1,803.4	261.2	228.6	1,118.7	3,411.9
Inter-segment @	(6.7)	(0.5)	(99.6)	-	(106.8)	(70.9)	(46.7)	(1,039.3)	(1,263.7)
External operating revenue	591.5	439.9	337.1	328.1	1,696.6	190.3	181.9	79.4	2,148.2
Results									
Segment result	35.0	71.2	75.8	97.7	279.7	38.7	26.5	(53.2)	291.7
Unallocated income/other gains #									2.0
Unallocated costs ^									(62.1)
Operating profit before finance cost									231.6
Finance income									31.5
Finance cost									(74.2)
Foreign exchange gain on borrowings									38.4
Associates									
- share of results (net of tax)									*
Profit before taxation and zakat									227.3
Taxation and zakat									(52.6)
Profit for the financial period									174.7

* Amount less than RM0.1 million.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

7. Segmental Information (continued)

All amounts are in RM Million	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
31 March 2010									
Operating Revenue									
Total operating revenue	568.1	436.9	415.4	320.4	1,740.8	275.7	264.2	972.8	3,253.5
Inter-segment @	(7.0)	-	(68.9)	-	(75.9)	(86.0)	(62.5)	(904.2)	(1,128.6)
External operating revenue	561.1	436.9	346.5	320.4	1,664.9	189.7	201.7	68.6	2,124.9
Results									
Segment result	34.8	92.5	72.7	86.4	286.4	49.8	42.7	(44.4)	334.5
Unallocated income/other gains #									9.0
Unallocated costs ^									(75.9)
Operating profit before finance cost									267.6
Finance income									24.5
Finance cost									(96.8)
Foreign exchange gain on borrowings									157.5
Associates									
- share of results (net of tax)									(0.2)
Profit before taxation and zakat									352.6
Taxation and zakat									(101.7)
Profit for the financial period									250.9

7. Segmental Information (continued)

@ 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. These inter-segment trading arrangements are subject to periodic review.

Unallocated income/other gains comprises other operating income such as dividend income and other gains such as gain on disposal of available-for-sale investments which has not been allocated to a particular business segment.

^ Unallocated costs represent expenses incurred by corporate divisions such as Group Human Capital, Group Finance, Company Secretary, Group Procurement and special purpose entities and foreign exchange differences arising from translation of foreign currency placements which were not allocated to a particular business segment.

The prior year comparatives have been restated to conform to current business structure which was last realigned in 3rd quarter 2010.

8. Valuation of Property, Plant and Equipment

There is 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/ Financial Period

Except as disclosed in part B, note 8 of this announcement, there is no other material event subsequent to the reporting date that requires disclosure or adjustments to the unaudited interim financial statements.

10. Effects of Changes in the Composition of the Group

There is no change in the composition of the Group for the 1st quarter ended 31 March 2011.

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

Other than material litigations disclosed in part B, note 12 of this announcement, there are no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2010.

12. Commitments

Capital Commitments

	Group	
	31/3/2011 RM Million	**31/12/2010 RM Million (Audited)**
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**3,997.8**	4,499.5
Commitments in respect of expenditure approved but not contracted for	**5,112.1**	4,752.4

The above includes expenditure in relation to 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 covering 1.3 million premises nationwide by 2012.

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

1. Review of Performance

(a) Quarter-on-Quarter

For the current quarter under review, the Group revenue increased by 1.1% to RM2,148.2 million as compared to RM2,124.9 million in the first quarter 2010, mainly attributed to higher revenue from data, Internet and multimedia services, which mitigated the impact of lower revenue from voice and other telecommunications related services.

Data revenue increased by 6.8% in the first quarter 2011 to RM424.6 million as compared to RM397.7 million in the corresponding quarter 2010 arising from demand for higher bandwidth services.

Internet and multimedia services registered higher revenue by 12.7% to RM453.4 million in the current quarter arising from increased in broadband customers to 1.71 million in the current quarter from 1.49 million in the corresponding quarter 2010.

Operating profit before finance cost of RM231.6 million decreased by 13.5% from RM267.6 million recorded in the same quarter last year primarily attributed to higher depreciation and amortisation, lower other operating income and other gains.

Group profit after tax and non-controlling interests (PATAMI) decreased by 32.8% to RM163.3 million as compared to RM242.9 million in the corresponding quarter in 2010. This was mainly attributed to higher operating costs and lower unrealised exchange gains on translation of foreign currency borrowings.

(b) Economic Profit Statement

	1st Quarter and Financial Period Ended	
	31/3/2011 RM Million	**31/3/2010 RM Million**
EBIT	**230.9**	263.2
Adjusted Tax	57.7	65.8
NOPLAT	**173.2**	197.4
AIC	2,956.1	2,876.3
WACC	6.73%	6.35%
ECONOMIC CHARGE	**198.9**	182.6
ECONOMIC (LOSS)/PROFIT	**(25.7)**	14.8

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

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

1. Review of Performance (continued)

(b) Economic Profit Statement (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 is measured by the difference of NOPLAT and Economic Charge.

TM Group recorded Economic Loss of RM25.7 million in the first quarter 2011, a decrease of RM40.5 million from the same period last year. This was attributed to lower EBIT which decreased by RM32.3 million (-12.3%) coupled with higher economic charge by RM16.3 million (+8.9%) in the current year quarter.

The lower EBIT was mainly attributed to the increase in depreciation and lower other operating income whilst, the higher economic charge was due to the increase in WACC (+0.38 percentage point) consequent from higher after tax cost of debt (+0.5 percentage point) despite lower total borrowings (-16.4%).

2. Comparison with Preceding Quarter's Results

The current quarter Group revenue decreased by 7.4% to RM2,148.2 million as compared to RM2,320.6 million recorded in the fourth quarter 2010 primarily due to lower revenue from data services, other telecommunications related services and non-telecommunications related services net of increase in Internet and multimedia services.

Operating profit before finance cost decreased by 43.3% to RM231.6 million as compared to RM408.3 million recorded in the preceding quarter mainly due to lower other gains on disposal of investments. The effect of lower operating revenue was offset by lower operating costs.

Group profit after tax and non-controlling interests (PATAMI) decreased from RM400.7 million recorded in the preceding quarter to RM163.3 million in the current quarter mainly due to lower other gains and higher taxation expense as the preceding quarter included RM57.2 million deferred tax income in respect of prior year. Higher unrealised foreign exchange gain on translation of foreign currency borrowings in the current quarter partially offset the reduction between the two periods.

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

3. Prospects for the Current Financial Year

The Malaysian economy is projected to grow by 5-6% in 2011 with better growth performance expected in the second half of the year. The growth momentum will be underpinned by strong domestic demand, emanating primarily from private sector activity. Private consumption will be supported by favourable labour market conditions, higher disposable income, sustained consumer confidence and ready access to financing. Private investment is expected to remain strong, supported by capital spending by the domestic oriented industries given the high levels of capacity utilisation and positive business confidence, as well as the implementation of key initiatives announced by the Government under the Economic Transformation Programme (ETP).

Meanwhile, the public sector will remain supportive of growth, with higher capital spending projected in the second half of 2011. This is mainly resulting from the implementation of new projects and the acceleration of on-going projects to promote private sector activity (Source : Bank Negara 2010 Annual Report - Outlook for the Malaysian Economy in 2011).

TM sees itself working hand in hand with the Government in fulfilling the aspiration of ETP especially in the key areas of “Business Service” and “Communications Content and Infrastructure”. In line with the relevant Entry Point Projects (EPP) under the ETP, TM continues to create and leave marks in the domain of domestic and regional connectivity via two international partnerships to develop high capacity submarine cables i.e. the Batam-Dumai-Malacca and Cahaya Malaysia submarine fiber optic projects. The Company has also entered into a collaboration agreement recently to offer Managed Telepresence Services and to build the first Telepresence exchange in Malaysia. Another initiative is TM’s concrete plans to expand its data centre footprint aimed at fulfilling the objective of positioning Malaysia as a world-class data centre hub. Additionally, the upcoming development of a content service delivery platform will satisfy the appetite of local creative content practitioners for a digital marketplace where producers and consumers of creative content can congregate and interact. TM’s collaboration with Government Agencies and Content Association will help us to nurture local creative content industry as cited clearly under ETP. TM expects the above initiatives would provide opportunities to grow its triple play services “UniFi” as well as accelerate the monetisation of its broadband infrastructure.

Meanwhile, TM aspires to continue to be the National Broadband Champion, anchoring on Streamyx and UniFi as its key broadband products. Streamyx customers have increased to 1.71 million as at end of March 2011, a net addition of more than 28,000 from 4th quarter 2010. UniFi continued to strengthen its market leadership in High Speed Broadband with close to 64,000 customers as at end of March 2011, an addition of more than 30,000 customers from 4th quarter 2010.

TM will continue its commitment to deliver the High Speed Broadband (HSBB) project based on Public Private Partnership (PPP) agreement signed with Government on 16 September 2008. To-date, TM has successfully rolled out the services to 855,000 premises passed covering 66 exchange areas including those which are located in the industrial zones in Johor, Penang, Kedah and Selangor. By year end 2011, TM is expected to have a total of 78 exchange areas being served by UniFi with 1.1 million premises passed. TM is targeting to achieve 1.3 million premises passed covering 95 exchange areas by end 2012.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET 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 any public document in respect of the 1st quarter ended 31 March 2011.

5. Taxation

The taxation charge for the Group comprises:

	1st Quarter and Financial Period Ended	
	31/3/2011	**31/3/2010**
	RM Million	**RM Million**
Malaysia		
Income Tax:		
Current year	**48.0**	26.1
Prior year	**(4.6)**	(2.6)
Deferred tax (net)	**6.7**	77.2
	50.1	100.7
Overseas		
Income Tax:		
Current year	**0.4**	0.9
	0.4	0.9
Taxation	**50.5**	101.6
Zakat	**2.1**	0.1
Taxation and Zakat	**52.6**	101.7

The 1st quarter effective tax rate of the Group is lower than the statutory tax rate mainly attributed to profit registered by a subsidiary with tax exempt status.

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

There is no other profit on sale of unquoted investments and/or properties other than in the ordinary course of the Group's business for the 1st quarter ended 31 March 2011.

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

7. Purchase and Disposal of Quoted Securities

I. Quoted Shares

(a) Total purchases and disposals of quoted securities for the 1st quarter ended 31 March 2011 are as follows:

	RM Million
Total purchases	-
Total disposals	0.8
Total gain on disposal	#

Amount less than RM0.1 million.

(b) Total investments in quoted securities as at 31 March 2011 are as follows:

	RM Million
At cost	268.5
At book value	506.8
At market value	506.8

II. Quoted Fixed Income Securities

(a) Total purchases and disposals of quoted fixed income securities for the 1st quarter ended 31 March 2011 are as follows:

	RM Million
Total purchases	64.4
Total disposals	56.4
Total gain on disposal	0.8

(b) Total investments in quoted fixed income securities as at 31 March 2011 are as follows:

	RM Million
At cost	359.7
At book value	365.0
At market value	365.0

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

8. Status of Corporate Proposals

I. Proposed Capital Distribution to Shareholders of Approximately RM1,037.4 Million (Proposed Capital Distribution)

On 25 February 2011, TM announced that the Company proposes to carry out a capital distribution to its shareholders of approximately RM1,037.4 million or RM0.29 for each ordinary share of RM1.00 each in TM (TM Share) (Proposed Capital Distribution).

The Proposed Capital Distribution involves the following:

(i) a bonus issue of 3,577,401,980 Class F redeemable preference shares of RM0.01 each in TM (RPS) to the entitled shareholders, on the basis of 1 Class F RPS for each TM Share held on the entitlement date. The Class F RPS shall be issued at its par value of RM0.01 each by way of capitalisation of TM's share premium account; and

(ii) redemption of the Class F RPS shall be at a redemption price of RM0.29 for each TM Share held. The par value of RM0.01 per Class F RPS, representing approximately RM35.8 million in total, will be redeemed out of TM's retained profits, whereas the premium on redemption of RM0.28 per Class F RPS, representing approximately RM1,001.6 million in total, will be redeemed out of TM's share premium account. This will result in a cash payment of RM0.29 for each TM Share held or a total cash payment of approximately RM1,037.4 million to TM's entitled shareholders.

To facilitate the Proposed Capital Distribution, TM also proposed to alter the composition of its authorised share capital and make corresponding amendments to its Memorandum and Articles of Association to reflect such changes (Proposed AASC).

Approvals from the following parties have been duly obtained in relation to the Proposed Capital Distribution and the Proposed AASC:

(i) Amanah Raya Berhad, as trustee for the Sukuk Ijarah issued by TM's wholly-owned subsidiary, Hijrah Pertama Berhad, had given its consent to the Proposed AASC via its letter dated 11 April 2011.

(ii) Bank Negara Malaysia has approved the issuance of RPS to TM's non-resident entitled shareholders on 20 April 2011.

(iii) TM's shareholders had approved the Proposed Capital Distribution and Proposed AASC at TM's Extraordinary General Meeting held on 10 May 2011.

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

8. Status of Corporate Proposals (continued)

I. Proposed Capital Distribution to Shareholders of Approximately RM1,037.4 Million (Proposed Capital Distribution) (continued)

On 10 May 2011, TM had announced the entitlement date of 26 May 2011 for the Proposed Capital Distribution, whereby payment to the entitled shareholders under the Proposed Capital Distribution will be made on 15 June 2011. Concurrently, payment of the final gross dividend for the financial year ended 31 December 2010 of 13.1 sen (less 25% tax) per TM Share will also be paid on the same day.

II. Issuance of Islamic Commercial Paper (ICP) Pursuant to ICP Programme and Islamic Medium Term Note (IMTN)

On 5 April 2011, the Company received approval from the Securities Commission for the establishment of ICP programme and an IMTN programme with a combined limit of up to RM2.0 billion in nominal value, which has respective tenures of 7 and 15 years from the date of first issuance. The proceeds from the issuance of ICP and/or IMTN will be used by the Company to meet its capital expenditure requirement.

On 25 April 2011, the Company issued RM150.0 million nominal value ICPs at 3.15% per annum maturing 27 June 2011.

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:

	31 March 2011		**31 December 2010 (Audited)**	
	Short Term Borrowings RM Million	**Long Term Borrowings RM Million**	**Short Term Borrowings RM Million**	**Long Term Borrowings RM Million**
Total Unsecured	**16.4**	**5,456.2**	26.0	5,506.0

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

	31 March 2011	**31 December 2010 (Audited)**
Foreign Currency	**RM Million**	**RM Million**
US Dollar	2,313.4	2,356.9
Canadian Dollars	3.9	3.9
Total	**2,317.3**	2,360.8

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

10. Derivative Financial Instruments

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

		Fair Value as at 31 March 2011		Fair Value as at 31 December 2010 (Audited)	
Derivatives (by maturity)	**Contract or notional amount RM Million**	**Assets RM Million**	**Liabilities RM Million**	**Assets RM Million**	**Liabilities RM Million**
1. Forward Foreign Currency Contracts - More than 3 years	344.3	-	(28.0)	-	(22.8)
	344.3	**-**	**(28.0)**	-	(22.8)
2. Interest Rate Swaps					
- 1 year to 3 years	1,500.0	-	(11.2)	-	(5.2)
- More than 3 years	500.0	2.0	-	3.6	-
	2,000.0	**2.0**	**(11.2)**	3.6	(5.2)
Total	**2,344.3**	**2.0**	**(39.2)**	3.6	(28.0)

(b) Financial Risk Management Objectives and Policies

There have been no changes since the end of the previous financial year in respect of the following:

(i) The types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts; and
(ii) The risk management policies in place for mitigating and controlling the risks associated with these derivative financial instrument contracts.

The details on the above, the valuation and the financial effects of derivative financial instruments that the Group has entered into are discussed in note 4, 18 and 21 to the audited financial statements for the financial year ended 31 December 2010.

(c) Related Accounting Policies

The related accounting policies of the Group in respect of derivative financial instruments and hedge accounting are disclosed in note 2 to the audited financial statements for the financial year ended 31 December 2010.

10. Derivative Financial Instruments (continued)

(d) Losses Arising from Fair Value Changes of Financial Liabilities

The amount of losses for the Group arising from fair value changes of financial liabilities that are carried at fair value through profit or loss (FVTPL) for the 1st quarter ended 31 March 2011 are as follows:

Derivatives (by maturity)	Contract or notional value RM Million	Fair Value as at 31 March 2011 RM Million	Losses arising from fair value changes for the quarter RM Million
Hedging Instruments			
1. Forward Foreign Currency Contracts			
- More than 3 years	344.3	(28.0)	(5.2)
2. Interest Rate Swaps			
- 1 year to 3 years	1,500.0	(11.2)	(6.0)
- More than 3 years	500.0	2.0	(1.6)
Total	**2,344.3**	**(37.2)**	**(12.8)**

11. Realised and Unrealised Profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits is as follows:

	Group 31/3/2011 RM Million	**Group 31/12/2010 RM Million**
Retained profits		
- realised	**2,123.2**	2,008.9
- unrealised - in respect of deferred tax recognised in the income statement	**(1,591.9)**	(1,577.5)
- in respect of other items of income and expense	**469.2**	384.1
Share of accumulated losses from associates		
- realised	**(1.0)**	(1.0)
	999.5	814.5
Add: consolidation adjustments	**1,883.2**	1,904.9
Total Retained Profits	**2,882.7**	2,719.4

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

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

12. Material Litigation

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities in note 46 to the audited financial statements of the Group for the financial year ended 31 December 2010, listed below are updates of the relevant cases since the date of the last audited financial statements:

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

On 4 December 2009, TSDTR has appealed to the Court of Appeal against both the decisions of the High Court Judge dated 12 November 2009. Both appeals have been fixed for Case Management on 16 June 2011.

The Directors, based on legal advice received, are of the view that the Company and TESB have a good defence to TSDTR's counterclaim.

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

On 12 May 2011, the High Court has postponed the Striking Out Application to 16 June 2011 for case management pending the outcome of an out of court mediation process between MSI and Celcom.

The Directors, based on legal advice, are of the view that TM and TESB have a good chance of success in defending the legal suit.

(c) Network Guidance (M) Sdn Bhd (NGSB) vs TM and TM Net Sdn Bhd (TM Net)

On 11 February 2011, NGSB’s solicitors served on the Company and TM Net’s solicitors and Amended Writ and Re-amended Statement of Claim. In the Re-amended Claim, NGSB has also reflected the change of NGSB's name to Fine TV Network Sdn Bhd. The case is now fixed for trial from 8 August to 10 August 2011.

The Directors, based on legal advice, are of the view that TM has a good defence to NGSB’s claim.

(d) AINB Tech (M) Sdn Bhd vs TM

On 23 February 2011, the Court has allowed the Company's application to set aside the Judgment in Default with cost. The case is now fixed for full trial on 31 May 2011.

The Directors, based on legal advice, are of the view that TM has a good chance of success in setting aside the Judgment in Default and in defending the legal suit.

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

12. Material Litigation (continued)

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

Based on the Company's record, AHSB had instituted a similar legal suit at the Kuala Lumpur High Court under Civil Suit No. S2- 22-452-2005 against the Company on 22 April 2005 and the said legal suit was dismissed by the High Court on 16 September 2009 with cost.

On 15 April 2011, the High Court has struck out the legal suit with cost. AHSB did not file any appeal against the High Court's decision within the period allowed under the law.

The Directors, based on legal advice, are of the view that the legal suit has ended.

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.

13. Earnings Per Share (EPS)

	1st Quarter and Financial Period Ended	
	31/3/2011	**31/3/2010**
(a) Basic earnings per share		
Profit attributable to equity holders of the Company (RM million)	**163.3**	242.9
Weighted average number of ordinary shares (million)	**3,573.7**	3,545.8
Basic earnings per share (sen) attributable to equity holders of the Company	**4.6**	6.9

Basic earnings per share was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of issued and paid-up ordinary shares during the 1st quarter.

13. Earnings Per Share (EPS) (continued)

	1st Quarter and Financial Period Ended 31/3/2011	31/3/2010
(b) Diluted earnings per share		
Profit attributable to equity holders of the Company (RM million)	**163.3**	242.9
Weighted average number of ordinary shares (million)	**3,573.7**	3,545.8
Adjustment for dilutive effect of Special ESOS (million)	**-**	9.2
Weighted average number of ordinary shares (million)	**3,573.7**	3,555.0
Diluted earnings per share (sen) attributable to equity holders of the Company	**4.6**	6.8

Diluted earnings per share for the preceding financial period was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of issued and paid-up ordinary shares adjusted for conversion of all dilutive potential ordinary shares from share options granted to employees under the employees' share option scheme (Special ESOS), which had expired on 16 September 2010.

There is no dilutive potential ordinary share as at 31 March 2011. Thus, diluted earnings per share is equal to basic earnings per share.

14. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2010 were not subject to any qualification.

15. Dividends

No dividends have been recommended during the 1st quarter ended 31 March 2011.

By Order of the Board

Idrus Bin Ismail (LS0008400)
Zaiton Ahmad (MAICSA 7011681)
Secretaries

Kuala Lumpur
25 May 2011