

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 2008.

UNAUDITED CONSOLIDATED INCOME STATEMENT

| | 1ST QUARTER ENDED | | FINANCIAL PERIOD ENDED | |
|---|-------------------|------------|------------------------|------------|
| | 31/3/2008 | 31/3/2007 | 31/3/2008 | 31/3/2007 |
| | RM Million | RM Million | RM Million | RM Million |
| OPERATING REVENUE | 4,624.7 | 4,181.2 | 4,624.7 | 4,181.2 |
| OPERATING COSTS | | | | |
| - depreciation, impairment and amortisation | (970.6) | (1,100.4) | (970.6) | (1,100.4) |
| - other operating costs | (2,923.9) | (2,275.8) | (2,923.9) | (2,275.8) |
| OTHER OPERATING INCOME | 55.1 | 86.8 | 55.1 | 86.8 |
| OPERATING PROFIT BEFORE FINANCE COST | 785.3 | 891.8 | 785.3 | 891.8 |
| FINANCE INCOME | 33.1 | 48.2 | 33.1 | 48.2 |
| FINANCE COST | (84.0) | (95.0) | (84.0) | (95.0) |
| NET FINANCE COST | (50.9) | (46.8) | (50.9) | (46.8) |
| JOINTLY CONTROLLED ENTITIES | | | | |
| - share of results (net of tax) | 8.3 | (1.6) | 8.3 | (1.6) |
| ASSOCIATES | | | | |
| - share of results (net of tax) | 7.7 | 3.3 | 7.7 | 3.3 |
| PROFIT BEFORE TAXATION | 750.4 | 846.7 | 750.4 | 846.7 |
| TAXATION | (177.1) | (203.1) | (177.1) | (203.1) |
| PROFIT FOR THE PERIOD | 573.3 | 643.6 | 573.3 | 643.6 |
| ATTRIBUTABLE TO: | | | | |
| - equity holders of the Company | 519.7 | 595.7 | 519.7 | 595.7 |
| - minority interests | 53.6 | 47.9 | 53.6 | 47.9 |
| PROFIT FOR THE PERIOD | 573.3 | 643.6 | 573.3 | 643.6 |
| EARNINGS PER SHARE (sen) (Part B, note 12) | | | | |
| - basic | 15.1 | 17.4 | 15.1 | 17.4 |
| - diluted | 15.1 | 17.4 | 15.1 | 17.4 |

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

| UNAUDITED CONSOLIDATED BALANCE SHEET | | |
|--|----------------------------|---|
| AS AT 31 MARCH 2008 | | |
| | AS AT 31/3/2008 | AS AT 31/12/2007 (AUDITED) |
| | RM Million | RM Million |
| SHARE CAPITAL | 3,577.4 | 3,439.8 |
| SHARE PREMIUM | 5,459.1 | 4,262.1 |
| ESOS TRUST SHARES | (1,334.6) | - |
| RESERVES | 12,586.7 | 12,100.2 |
| TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | 20,288.6 | 19,802.1 |
| MINORITY INTERESTS | 891.3 | 849.4 |
| TOTAL EQUITY | 21,179.9 | 20,651.5 |
| Borrowings | 10,443.2 | 9,747.2 |
| Deferred tax liabilities | 2,186.9 | 2,313.2 |
| Provision for liabilities | 92.1 | 87.2 |
| DEFERRED AND LONG TERM LIABILITIES | 12,722.2 | 12,147.6 |
| | 33,902.1 | 32,799.1 |
| INTANGIBLE ASSETS | 7,452.1 | 7,460.9 |
| PROPERTY, PLANT AND EQUIPMENT | 24,534.2 | 23,983.3 |
| PREPAID LEASE PAYMENT | 390.4 | 387.0 |
| LAND HELD FOR PROPERTY DEVELOPMENT | 165.4 | 165.4 |
| JOINTLY CONTROLLED ENTITIES | 986.7 | 1,024.4 |
| ASSOCIATES | 251.2 | 252.5 |
| INVESTMENTS | 137.8 | 138.9 |
| LONG TERM RECEIVABLES | 501.7 | 511.5 |
| DEFERRED TAX ASSETS | 171.0 | 179.4 |
| Non-current assets held for sale | - | 988.4 |
| Inventories | 203.3 | 181.1 |
| Trade and other receivables | 4,430.1 | 4,398.6 |
| Short term investments | 340.0 | 378.1 |
| Cash and bank balances | 3,320.4 | 4,171.8 |
| CURRENT ASSETS | 8,293.8 | 10,118.0 |
| Trade and other payables | 6,414.0 | 6,702.7 |
| Customer deposits | 735.5 | 732.6 |
| Borrowings | 1,565.7 | 2,177.2 |
| Current tax liabilities | 267.0 | 155.2 |
| Dividend payable | - | 1,654.5 |
| CURRENT LIABILITIES | 8,982.2 | 11,422.2 |
| NET CURRENT LIABILITIES | (688.4) | (1,304.2) |
| | 33,902.1 | 32,799.1 |
| NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen) | 567.1 | 575.7 |

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

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2008**

Attributable to equity holders of the Company

| | Share Capital RM Million | Share Premium RM Million | ESOS Trust Shares RM Million | Currency Translation Differences RM Million | ESOS Reserves 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 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 period | - | - | - | - | - | 519.7 | 53.6 | 573.3 |
| Total recognised (expense)/income for the period | - | - | - | (107.0) | - | 519.7 | 40.6 | 453.3 |
| Dilution of equity interest in subsidiaries | - | - | - | - | - | - | 0.6 | 0.6 |
| Employees' share option scheme (ESOS) | | | | | | | | |
| - shares issued (Part A, note 5) | 137.6 | 1,197.0 | (1,334.6) | - | - | - | - | - |
| - options granted | - | - | - | - | 73.8 | - | 0.7 | 74.5 |
| At 31 March 2008 | 3,577.4 | 5,459.1 | (1,334.6) | (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 year ended 31 December 2007)

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 31 MARCH 2007**

| | <u>Attributable to equity holders of the Company</u> | | | | | | |
|--|--|--------------------------------|--|--------------------------------|-----------------------------------|-------------------------------------|-------------------------------|
| | Share Capital RM Million | Share Premium RM Million | Currency Translation Differences RM Million | ESOS Reserves 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 period | | | | | | | |
| - subsidiaries | - | - | (55.8) | - | - | (40.2) | (96.0) |
| - jointly controlled entities | - | - | 12.9 | - | - | - | 12.9 |
| - associates | - | - | (1.1) | - | - | - | (1.1) |
| Net loss not recognised in the Income Statement | - | - | (44.0) | - | - | (40.2) | (84.2) |
| Profit for the period | - | - | - | - | 595.7 | 47.9 | 643.6 |
| Total recognised (expense)/income for the period | - | - | (44.0) | - | 595.7 | 7.7 | 559.4 |
| Dilution of equity interest in subsidiaries | - | - | - | - | - | 1.3 | 1.3 |
| Employees' share option scheme (ESOS) | | | | | | | |
| - shares issued | 17.6 | 125.3 | - | - | - | - | 142.9 |
| - options granted | - | - | - | 1.0 | - | 0.8 | 1.8 |
| - options exercised | - | 3.4 | - | (3.4) | - | - | - |
| At 31 March 2007 | 3,415.2 | 4,070.6 | (326.4) | 22.6 | 13,424.7 | 846.3 | 21,453.0 |

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

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2008

| | 1ST QUARTER ENDED 31/3/2008 RM Million | 1ST QUARTER ENDED 31/3/2007 RM Million |
|---|---|---|
| Receipts from customers | 4,597.8 | 4,082.7 |
| Payments to suppliers and employees | (2,770.7) | (2,296.3) |
| Payment of finance cost | (294.6) | (198.3) |
| Payment of income taxes (net of refunds) | (94.1) | (134.1) |
| CASH FLOWS FROM OPERATING ACTIVITIES | 1,438.4 | 1,454.0 |
| Disposal of property, plant and equipment | 21.2 | 6.9 |
| Purchase of property, plant and equipment | (2,014.6) | (1,300.4) |
| Deposit received in respect of disposal of non-current assets held for sale | - | 7.0 |
| Disposal of non-current assets held for sale | 1,000.0 | - |
| Payment of intangible asset (telecommunication and spectrum licence) | (8.0) | (8.0) |
| Disposal of short term investments | 70.0 | 59.9 |
| Purchase of short term investments | (73.2) | (42.8) |
| Acquisition of an associate | - | (2.5) |
| Repayments of loans by employees | 26.3 | 26.3 |
| Loans to employees | (9.4) | (11.5) |
| Interest received | 36.6 | 48.0 |
| Dividend received | 1.3 | 7.5 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | (949.8) | (1,209.6) |
| Issue of share capital | - | 142.9 |
| Issue of share capital to minority interests | 0.7 | 2.7 |
| Proceeds from borrowings | 1,974.0 | 341.7 |
| Repayments of borrowings | (1,646.5) | (200.8) |
| Dividends paid to shareholders | (1,654.5) | - |
| CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES | (1,326.3) | 286.5 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (837.7) | 530.9 |
| EFFECT OF EXCHANGE RATE CHANGES | (19.2) | (51.2) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 4,092.9 | 4,666.4 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 3,236.0 | 5,146.1 |

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

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 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 year ended 31 December 2007. 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 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 as follows:

(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

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

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

- IC Interpretation 7 Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies

The adoption of the above FRS and IC Interpretations does not have any significant financial impact to the Group.

(b) Reclassification of comparatives

- (i) In the current quarter, the Group had reviewed and changed the presentation of foreign 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) During the fourth quarter of 2007, the Group had reviewed and changed the presentation of write offs and impairment of property, plant and equipment. These expenditure items which were previously included in other operating costs are now presented under depreciation, impairment and amortisation.

Consequently, the comparatives for the first quarter 2007 were reclassified as follows to conform with the current period presentation.

Income Statement for the financial period ended 31 March 2007

| | As previously reported RM Million | Reclassifications RM Million | | As restated RM Million |
|---|--------------------------------------|---------------------------------|--------|---------------------------|
| | | b(i) | b(ii) | |
| Finance cost | (171.6) | 76.6 | - | (95.0) |
| Net finance cost | (123.4) | 76.6 | - | (46.8) |
| Depreciation, impairment and amortisation | (1,069.4) | - | (31.0) | (1,100.4) |
| Other operating costs | (2,230.2) | (76.6) | 31.0 | (2,275.8) |

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

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 2008 | Exchange Rate At 31 December 2007 | Exchange Rate At 31 March 2007 |
|------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| US Dollar | 3.19700 | 3.30500 | 3.45600 |
| Japanese Yen | 0.03203 | 0.02969 | 0.02934 |
| Sri Lanka Rupee | 0.02967 | 0.03043 | 0.03182 |
| Bangladesh Taka | 0.04664 | 0.04843 | 0.05023 |
| Indonesian Rupiah | 0.00035 | 0.00035 | 0.00038 |
| Pakistani Rupee | 0.05107 | 0.05370 | 0.05693 |
| Singapore Dollar | 2.32273 | 2.29307 | 2.27803 |
| Special Drawing Rights | 5.24183 | 5.22510 | 5.21921 |
| Thai Baht | 0.10195 | 0.11054 | 0.10716 |
| Indian Rupee | 0.07989 | 0.08393 | 0.08019 |

- (d) The unaudited interim financial statements for the first quarter ended 31 March 2008 of the Group include the results of TM International Berhad Group and Celcom (Malaysia) Berhad Group as the demerger exercise was only completed subsequent to 31 March 2008 as disclosed in part B, note 8(a) of this announcement.

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

During the current quarter, the unusual items affecting assets, liabilities, equity, net income or cash flows are as follows:

- (a) The Group registered RM144.3 million net gains on foreign exchange mainly arising from translation of foreign currency borrowings.
- (b) The Group recognised an allowance for doubtful debts of RM117.8 million for certain foreign VoIP debtors. Investigations and efforts to recover the debts are on-going.
- (c) The Group recorded higher finance costs primarily due to settlement payments of RM96.1 million arising from termination of 2 range accrual swap transactions and restructuring of 1 range accrual swap transaction into plain vanilla structure as disclosed in part B, notes 10(a) to (c) of this announcement.
- (d) The Group recognised ESOS cost of RM73.8 million in line with FRS 2 “Share-based Payment” for the Employees’ Share Option Scheme as disclosed in part B, note 8(a) of this announcement.

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

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

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

There were no other unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the period ended 31 March 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

(a) Pursuant to the Proposed Employee Share Option Scheme as announced on 10 December 2007, on 17 March 2008, the Company issued 137,592,300 ordinary shares of RM1.00 each, representing approximately 4% of the Company's existing issues 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 are treated as ESOS trust shares on consolidation basis.

(b) On 25 January 2008, PT Excelcomindo Pratama Tbk (Excelcomindo) through its wholly owned subsidiary, Excelcomindo Finance Company B.V completed the buyback of USD350.0 million bond at a price of 100% of nominal value.

Save for the above, there were no other issuances, 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 period ended 31 March 2008.

6. Dividends Paid

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.

7. Segmental Information

Segmental information for the period ended 31 March 2008 and 31 March 2007 were as follows:

By Business Segment

| All amounts are in RM Million | Malaysia Business | Celcom | International Operations | TM Ventures | Total |
|----------------------------------|----------------------|---------|-----------------------------|-------------|---------|
| 2008 | | | | | |
| Operating Revenue | | | | | |
| Total operating revenue | 1,872.7 | 1,352.3 | 1,396.0 | 279.7 | 4,900.7 |
| Inter-segment * | (76.9) | (29.2) | (18.3) | (151.6) | (276.0) |
| External operating revenue | 1,795.8 | 1,323.1 | 1,377.7 | 128.1 | 4,624.7 |

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

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

7. Segmental Information (continued)

| All amounts are in RM Million | Malaysia Business | Celcom | International Operations | TM Ventures | Total |
|--------------------------------------|----------------------|----------------|-----------------------------|--------------|----------------|
| Results | | | | | |
| Segment result | 343.7 | 403.4 | 238.0 | 45.0 | 1,030.1 |
| Unallocated income ** | | | | | 52.6 |
| Corporate expenses *** | | | | | <u>(297.4)</u> |
| Operating profit before finance cost | | | | | 785.3 |
| Finance income | | | | | 33.1 |
| Finance cost | | | | | (84.0) |
| Jointly controlled entities | | | | | |
| - share of results (net of tax) | - | - | 8.3 | - | 8.3 |
| Associates | | | | | |
| - share of results (net of tax) | - | 0.7 | 7.0 | - | 7.7 |
| Profit before taxation | | | | | <u>750.4</u> |
| Taxation | 27.3 | (117.9) | (70.4) | (16.1) | <u>(177.1)</u> |
| Profit for the period | | | | | <u>573.3</u> |
| 2007 | | | | | |
| Operating Revenue | | | | | |
| Total operating revenue | 1,788.2 | 1,223.5 | 1,137.7 | 285.3 | 4,434.7 |
| Inter-segment * | (57.1) | (37.9) | (8.1) | (150.4) | (253.5) |
| External operating revenue | <u>1,731.1</u> | <u>1,185.6</u> | <u>1,129.6</u> | <u>134.9</u> | <u>4,181.2</u> |
| Results | | | | | |
| Segment result | 349.9 | 324.4 | 283.8 | 11.0 | 969.1 |
| Unallocated income ** | | | | | 86.0 |
| Corporate expenses *** | | | | | <u>(163.3)</u> |
| Operating profit before finance cost | | | | | 891.8 |
| Finance income | | | | | 48.2 |
| Finance cost | | | | | (95.0) |
| Jointly controlled entities | | | | | |
| - share of results (net of tax) | - | - | (1.6) | - | (1.6) |
| Associates | | | | | |
| - share of results (net of tax) | - | 0.1 | 3.2 | - | 3.3 |
| Profit before taxation | | | | | <u>846.7</u> |
| Taxation | (48.5) | (86.3) | (61.8) | (6.5) | <u>(203.1)</u> |
| Profit for the period | | | | | <u>643.6</u> |

* Inter-segment operating 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.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

7. Segmental Information (continued)

** Unallocated income comprises other operating income such as interest income, dividend income and gain on disposal of investment which is not allocated to a particular business segment.

*** Corporate expenses are expenditure incurred by corporate centre and special purpose entities which are not allocated to a particular business segment.

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

On 17 April 2008, TM International Berhad (TM International) issued a guarantee in favour of a Facility Agent of a financial institution in Mumbai, India to support Spice Communications Limited (Spice) Short Term Loan Facility of INR1.2 billion.

Save for the above, there were no other material events subsequent to the balance sheet date that requires disclosure or adjustments to the interim unaudited financial statements except for other commitments as disclosed in part A, note 12(b) and the status of corporate proposals as disclosed in part B, note 8 of this announcement.

10. Effects of Changes in the Composition of the Group

Changes in the composition of the Group for the current quarter ended 31 March 2008 were as follows:

(a) VADS Berhad (VADS)

TM's shareholding in VADS decreased from 64.87% to 64.73% in the first quarter due to the issuance of shares under the Employees' Share Option Scheme of VADS. The dilution has no material effect to the results of the Group.

(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. TEM was specifically established to act as a trustee to acquire, hold and manage shares in TM and other related benefits under the Employees' Share Option Scheme for eligible employees and Executive Director(s) of TM and its subsidiaries.

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

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

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

(c) MobileOne Limited (M1)

TM's shareholding in M1, held via TM International, through SunShare Investment Limited (a jointly controlled entity between TM International and Khazanah Nasional Berhad) decreased from 29.69% to 29.67% during the first quarter following the issuance of shares under M1's Employees' Share Option Scheme. The dilution has no material effect to the results of the Group.

(d) Dialog Telekom PLC (Dialog)

Following the issuance of shares under Dialog's Employees' Share Option Scheme, TM's equity interest in Dialog, held via TM International (L) Limited (TMIL), a wholly owned subsidiary of TM International, decreased from 84.81% to 84.80% in the first quarter. The dilution has no material effect to the results of the Group.

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.

12. Commitments

(a) Capital Commitments

| | Group | |
|---|-------------------|-------------------|
| | 31/3/2008 | 31/3/2007 |
| | RM Million | RM Million |
| Property, plant and equipment: | | |
| Commitments in respect of expenditure approved and contracted for | 3,609.6 | 3,064.1 |
| Commitments in respect of expenditure approved but not contracted for | 1,572.8 | 1,852.0 |

(b) Other Commitments

On 21 April 2006, a Deed of Undertaking (Deed) was signed between Spice, Telekom Malaysia Berhad (TM), TM International 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, TM International, 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. TM International'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.

With the completion of TM Group's Demerger, TM has been released from this undertaking on 10 April 2008.

TELEKOM MALAYSIA BERHAD (128740-P)
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**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

(I) TM Group Before Demerger

For the current quarter under review, Group revenue increased by 10.6% to RM4,624.7 million as compared to RM4,181.2 million in the first quarter 2007, mainly attributed to higher revenue from cellular, Internet and multimedia and other telecommunication services.

The increase in cellular revenue was mainly contributed by Celcom (Malaysia) Berhad (Celcom) and PT Excelcomindo Pratama Tbk (Excelcomindo) arising from increased customers and usage.

Internet and multimedia revenue registered a growth of 23.4% from first quarter 2007 to RM337.1 million in current year quarter due to continued growth of broadband customers to 1.4 million from 0.9 million in the corresponding quarter 2007.

Group profit after tax and minority interests (PATAMI) decreased by 12.8% to RM519.7 million as compared to RM595.7 million recorded in the first quarter 2007 mainly attributed to higher operating costs and net finance costs as explained in part A, note 3 of this announcement. Higher taxation expense is mainly contributed by Excelcomindo and Celcom which is in line with their higher profit.

(II) Proforma for TM Group After Demerger

The unaudited consolidated income statement for the first quarter ended 31 March 2008 and the preceding year quarter comparative of TM Group excluding TM International Berhad Group and Celcom (Malaysia) Berhad Group (FixedCo), are as follow:

| | 1ST QUARTER ENDED | |
|---|--------------------------|-------------------|
| | 31/3/2008 | 31/3/2007 |
| | RM Million | RM Million |
| OPERATING REVENUE | 2,005.9 | 1,958.8 |
| OPERATING COSTS | | |
| - depreciation, impairment and amortisation | (494.9) | (656.9) |
| - other operating costs | (1,438.3) | (1,097.8) |
| OTHER OPERATING INCOME | 43.9 | 87.6 |
| OPERATING PROFIT BEFORE FINANCE COST | 116.6 | 291.7 |
| FINANCE INCOME | 21.1 | 36.8 |
| FINANCE COST | (28.4) | (14.0) |
| NET FINANCE (COST)/INCOME | (7.3) | 22.8 |
| PROFIT BEFORE TAXATION | 109.3 | 314.5 |
| TAXATION | 11.2 | (61.3) |
| PROFIT FOR THE PERIOD | 120.5 | 253.2 |
| ATTRIBUTABLE TO: | | |
| - equity holders of the Company | 114.4 | 246.1 |
| - minority interests | 6.1 | 7.1 |
| PROFIT FOR THE PERIOD | 120.5 | 253.2 |

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

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

1. Review of Performance (continued)

The current quarter revenue for FixedCo increased by 2.4% to RM2,005.9 million as compared to RM1,958.8 million in first quarter 2007, primarily contributed by Internet and multimedia services due to the growth of broadband customers as mentioned above.

FixedCo PATAMI decreased by 53.5% to RM114.4 million as compared to RM246.1 million in first quarter 2007 mainly attributed to higher allowance for doubtful debts and ESOS cost as explained in part A, note 3 of this announcement.

(b) Economic Profit Statement

| | 1ST QUARTER AND FINANCIAL PERIOD ENDED | |
|------------------------|---|-------------------------|
| | 31/3/2008 RM Million | 31/3/2007 RM Million |
| EBIT | 801.3 | 893.5 |
| Adjusted Tax | 208.3 | 241.2 |
| NOPLAT | 593.0 | 652.3 |
| AIC | 5,622.5 | 5,472.7 |
| WACC | 8.30% | 8.13% |
| ECONOMIC CHARGE | 466.7 | 444.9 |
| ECONOMIC PROFIT | 126.3 | 207.4 |

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's first quarter 2008 EP has shown a reduction of RM81.1 million year-on-year to RM126.3 million (-39.1%) from RM207.4 million reported in the same period last year.

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

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

1. Review of Performance (continued)

The lower EP was due to lower NOPLAT of RM59.3 million (9.1%) and increased in economic charge of RM21.8 million (4.9%) when compared to the same period last year. Reduction in NOPLAT was mainly contributed by lower EBIT of RM92.2 million (-10.3%) mainly due to higher operating cost in the current quarter.

Higher economic charge was contributed by the increase in the following:

1. AIC of RM149.8 million (2.7%) due to higher average property, plant and equipment (+RM697.3 million)
2. WACC of +0.17 percentage point due to higher market capitalisation (+RM5.5 billion) and after tax cost of debt (+1.67 percentage point) respectively.

2. Comparison with Preceding Quarter's Results

Group revenue for the current quarter of RM4,624.7 million decreased by 2.3% (RM109.5 million) from RM4,734.2 million recorded in the preceding quarter, mainly due to decrease in revenue from cellular and other telecommunication related services.

The decrease in cellular revenue mainly attributed to lower revenue from Excelcomindo resulted from tariff reduction, decrease in usage and limited operation as well as lower translation following IDR depreciation against RM. Decrease in other telecommunication revenue is resulted from lower revenue recognised for recoverable work orders, mainly at the Company level.

Group PATAMI of RM519.7 million was 12.3% lower than RM592.5 million recorded in the preceding quarter, primarily due to lower share of results of jointly controlled entities and associates and higher taxation expense as fourth quarter 2007 included reversal of excess deferred tax at the Company level.

3. Prospects for the Current Financial Year

With the completion of the Demerger exercise between the mobile and fixed-line businesses, TM will intensify its focus on commercial and operational improvements in its fixed-line voice, data and broadband services.

TM envisages that its data and broadband services will continue to enjoy a healthy growth but will be partly offset by the decline in voice revenue. Managing costs remains a challenge in the near term, with a need to accelerate efforts to address operational efficiencies. Additionally, efforts are currently being geared towards the implementation of the High Speed Broadband (HSBB) network, which will enhance public service delivery and consumer lifestyles, and improve the competitiveness of Malaysian enterprises. HSBB will be an important engine for national growth and TM and the industry are set to benefit from it.

Barring any unforeseen circumstances, the Board of Directors expects TM's performance for the financial year ending 31 December 2008 to remain favourable.

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

**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 March 2008.

5. Taxation

The taxation charge for the Group comprises:

| | 1ST QUARTER AND FINANCIAL PERIOD ENDED | |
|----------------------------|---|------------------|
| | 31/3/2008 | 31/3/2007 |
| | RM Million | RM Million |
| <u>Malaysia</u> | | |
| Income Tax: | | |
| Current year | 257.6 | 231.9 |
| Prior year | 1.1 | (43.4) |
| Deferred tax (net): | | |
| Current year | (153.0) | (49.7) |
| | 105.7 | 138.8 |
| <u>Overseas</u> | | |
| Income Tax: | | |
| Current year | 25.5 | 11.6 |
| Prior year | 0.1 | (2.4) |
| Deferred tax (net): | | |
| Current year | 45.8 | 55.1 |
| | 71.4 | 64.3 |
| TOTAL TAXATION | 177.1 | 203.1 |

The current quarter and financial period effective tax rate of the Group was lower than the statutory tax rate principally due to the gain on disposal of building which is not subjected to tax. Zero or low tax expense from subsidiaries enjoying tax exempt status also contributed to the low effective tax rate.

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

**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 disposed off four office buildings 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 period ended 31 March 2008 are as follows:

| | RM Million |
|--------------------------|-------------------|
| Total purchases | 35.0 |
| Total disposals | 32.9 |
| Total profit on disposal | 4.3 |

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

| | RM Million |
|-----------------|-------------------|
| At cost | 200.1 |
| At book value | 137.5 |
| At market value | 137.5 |

II. Quoted Fixed Income Securities

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

| | RM Million |
|------------------------|-------------------|
| Total purchases | 38.2 |
| Total disposals | 37.1 |
| Total loss on disposal | 0.1 |

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

| | RM Million |
|-----------------|-------------------|
| At cost | 204.6 |
| At book value | 202.5 |
| At market value | 202.5 |

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

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

8. Status of Corporate Proposals

- (a) (i) **Proposed Demerger of the TM Group of Companies (Proposed Demerger);**
- (ii) **Proposed Listing of the entire Issued and Paid-Up Ordinary Share Capital of TM International Berhad (TM International) on the Main Board of Bursa Malaysia Securities Berhad (Bursa Securities) (Proposed Listing);**
- (iii) **Shareholders' Mandate for the issuance of up to 10% of the Share Capital of TM International (Shareholder's Mandate); and**
- (iv) **Employees' Share Option Scheme for Eligible Employees and Executive Director(s) of the TM Group (Proposed Option Scheme)**
- (items (i) to (iv) are collectively referred to as the "Proposals")**

On 28 September 2007, TM announced the proposed demerger of the TM Group to create 2 separate entities with distinct business strategies and aspirations (Proposed Demerger).

TM has further announced on 10 December 2007, the final terms of the Proposed Demerger which comprises the proposed internal restructuring of the TM Group to group the assets for the mobile and non-Malaysian businesses under TM International and the assets for the fixed-line voice, data and broadband businesses under TM (which includes the transfer of the 3G Spectrum Assignment from TM to Celcom) (Proposed Internal Restructuring), and the proposed distribution by TM to the Entitled Shareholders of its entire holding of and rights to ordinary shares of RM1.00 each in TM International (TM International Shares) (Proposed Distribution).

Accordingly, TM had, on the same date, entered into the Demerger Agreement with its wholly-owned subsidiaries, Telekom Enterprise Sdn Bhd, TM International, Celcom (Malaysia) Berhad and Celcom Transmission (M) Sdn Bhd to give effect to the Proposed Internal Restructuring. Following the Proposed Internal Restructuring, TM proposed to distribute its entire holdings in and rights to TM International Shares to the entitled shareholders of TM (Proposed Distribution). The entire issued and paid-up ordinary share capital of TM International is proposed to be listed on the Main Board of Bursa Securities.

On 10 December 2007, the Board of TM also proposed the following:

- (i) to obtain a shareholders' mandate for the issuance of up to 10% of the share capital of TM International (Shareholders' Mandate); and
- (ii) to have in place an employees' share option scheme for eligible employees and Executive Director(s) of the TM Group (Proposed Option Scheme).

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

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

8. Status of Corporate Proposals (continued)

Consequently, TM's shareholders at TM's Extraordinary General Meeting held on 6 March 2008 had approved the Proposals in addition to the following:-

- (i) the issuance by TM International to Employees Provident Fund Board (EPF) of up to 30% of the number of new TM International Shares available under the Shareholders' Mandate; and
- (ii) the grant of options to Dato' Sri Abdul Wahid Omar, TM's Group Chief Executive Officer and Director, and an employee, Mohd Azizi Rosli, son of Rosli Man, a Director of the Company (Grant of Options).

The Proposed Option Scheme was implemented on 17 March 2008 whereby TM had issued 137,592,300 ordinary shares of RM1.00 each in TM (TM Shares) at an issue price of RM9.70 per share to TM ESOS Management Sdn Bhd, a trustee incorporated to acquire, hold and manage the TM Shares and other related benefits under the Proposed Option Scheme.

On 11 April 2008, TM announced that all conditions in relation to the Proposed Demerger, have been fulfilled and/or waived, where relevant, in accordance with the terms of the agreement for the Proposed Demerger. Accordingly, the Proposed Demerger became unconditional as of 11 April 2008 and was completed on 25 April 2008. TM International Shares were listed and quoted on the Main Board of Bursa Securities on 28 April 2008.

(b) Proposed Acquisition by TM International Berhad (TM International) and Indocel Holding Sdn Bhd (Indocel), both wholly-owned subsidiaries of TM, from Khazanah Nasional Berhad (Khazanah) of Equity Interests in SunShare Investments Ltd (SunShare) and PT Excelcomindo Pratama Tbk (Excelcomindo) (Proposed Acquisition)

On 6 February 2008, TM International and Indocel entered into a Sale and Purchase Agreement (SPA) with Khazanah (collectively referred to as the "Parties") to acquire all of Khazanah's equity interests in SunShare and Excelcomindo for an aggregate purchase consideration of RM1,580 million which will be satisfied through the issuance of new ordinary shares of RM1.00 each in TM International under the Proposed Acquisition (Consideration Shares).

Consequently, on 15 February 2008, TM announced that an application to the Securities Commission Malaysia (SC) has been made for an exemption for Khazanah under Practice Note 2.9.1 of the Code, from the obligation to carry out a mandatory take-over offer to acquire the remaining voting shares in TM International not held by Khazanah pursuant to the issuance of new TM International Shares under the Proposed Acquisition (Proposed Exemption). The SC had through its letter dated 18 February 2008, stated that it will consider the Proposed Exemption upon various conditions being met.

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

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

8. Status of Corporate Proposals (continued)

TM's shareholders at TM's Extraordinary General Meeting held on 6 March 2008 have approved the Proposed Acquisition and Proposed Exemption. Consequently, SC had through its letter dated 13 March 2008, approved the Proposed Exemption, subject to the conditions announced to Bursa Securities on 14 March 2008.

On 11 April 2008, TM announced that all conditions in relation to the Proposed Acquisition, have been fulfilled and/or waived, where relevant, in accordance with the terms of the agreement for the Proposed Acquisition. Accordingly, the Proposed Acquisition became unconditional as of 11 April 2008 and was completed on 25 April 2008.

(c) Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature and Proposed Amendments to the Company's Articles of Association

On 12 March 2008, TM announced that it proposes to seek its shareholders' approval for the following proposals:

- (i) Proposed new shareholders' mandate for TM and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature; and
- (ii) Proposed amendments to the Company's Articles of Association.

TM's shareholders at TM's 23rd Annual General Meeting held on 17 April 2008 have duly approved the above proposals.

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 March 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 | 384.9 | 725.3 | 636.0 | 974.9 |
| Unsecured | 1,180.8 | 9,717.9 | 928.9 | 9,422.4 |
| Total | 1,565.7 | 10,443.2 | 1,564.9 | 10,397.3 |

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

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

9. Group Borrowings and Debt Securities (continued)

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

| | 2008 | 2007 |
|-------------------------|-------------------|-------------------|
| Foreign Currency | RM Million | RM Million |
| US Dollar | 6,172.2 | 7,239.4 |
| Indonesian Rupiah | 1,877.0 | - |
| Bangladesh Taka | 383.1 | 278.5 |
| Sri Lanka Rupee | 263.5 | 188.5 |
| Pakistani Rupee | 122.6 | 68.3 |
| Canadian Dollars | 4.4 | 4.4 |
| Euro | - | 4.8 |
| Pound Sterling | - | 0.5 |
| Total | 8,822.8 | 7,784.4 |

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 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 1 February 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.

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

**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 the year 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) Interest Rate Swap (IRS)

Underlying Liability

Interest payment of Long - Term Loan in USD

Hedging Instrument

On 7 January 2008, Excelcomindo entered into an interest rate swap contract with a financial institution to hedge the payment of the quarterly interest of a long term loan in USD amounting to USD97.5 million. Based on the contract, Excelcomindo will pay fixed interest loan as follows:

| <u>Notional Amount</u> | <u>Fixed Interest rate</u> | <u>Maturity date of loan principal</u> |
|-------------------------------|-----------------------------------|---|
| USD 15.0 million | 4.675% | 30 August 2010 |
| USD 30.0 million | 4.730% | 26 July 2010 |
| USD 10.0 million | 4.730% | 9 August 2010 |
| USD 10.0 million | 4.730% | 16 August 2010 |
| USD 20.0 million | 4.635% | 26 April 2010 |
| USD 12.5 million | 4.575% | 29 January 2010 |

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

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

10. Off Balance Sheet Financial Instruments (continued)

(e) Forward Foreign Currency Contracts

On 8 January 2008, Excelcomindo terminated one of the forward foreign currency contracts entered with a financial institution in 2006 and 2007 to hedge the payment of long term loans in USD amounting to USD25.0 million.

The details of the remaining forward foreign currency contracts are as follows:

| <u>Type of contracts</u> | <u>Notional amount (in USD Million)</u> | <u>Strike rate (full amount)</u> |
|--------------------------|---|--------------------------------------|
| Deliverable | 175.0 | USD 1= IDR9,000 |
| Non Deliverable | 100.0 | USD 1= IDR9,000 |
| Total | 275.0 | |

The accounting policies applied, which remained the same as in the latest audited financial statements, 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.”

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, Property, Plant and Equipment 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 17 March 2008, the case has been postponed to 19 June 2008 for further Case Management.

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.

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

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

11. Material Litigation (continued)

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

On 12 May 2008, the plaintiff's solicitors had served TM with an application to strike out the TM's Statement of Defence. The said striking out application is fixed for hearing on 2 July 2008.

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

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

On 10 March 2008, the Court was informed that Messrs. Amran, Joseph, Chan & Co. has been appointed to act as the new solicitors for the Plaintiff. The Court sets 3 June 2008 for Case Management.

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) Rego Multi-Trades Sdn Bhd (Rego) vs Aras Capital Sdn Bhd and Tan Sri Dato' Tajudin Ramli (TSDTR)(By Original Claim)
TSDTR vs Rego, Technology Resources Industries Berhad (TRI) and 5 Others (By Counterclaim)**

On 29 May 2006, Rego, TRI and the directors filed their respective appeals against the Registrar's decision on the striking out application to the Judge in Chambers. On 7 May 2008, Rego and TRI withdrew their appeals respectively with the view to fix the matter for early trial. The directors' appeal is now fixed for hearing on 8 January 2009.

Case management is fixed for mention on 8 January 2009 and full trial is fixed on 5, 6, 8 and 9 October 2009.

The Directors, based on legal advice received, are of the view that there are good prospects of striking out the counterclaim against the Group.

(e) MCAT GEN Sdn Bhd (MCAT) vs Celcom (Malaysia) Berhad (Celcom)

In the First Suit, Celcom filed a notice of appeal to Judge in Chambers against the Registrar's decision on its striking out application. The Court then directed parties to file written submission. On 29 January 2008, the Court dismissed Celcom's appeal. Celcom had on 25 February 2008 filed a notice of appeal to the Court of Appeal. No dates have been fixed yet. The matter is fixed for case management on 22 May 2008.

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

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

11. Material Litigation (continued)

The Second Suit commenced for full trial on 13 & 14 June 2007. The Court then vacated the 30 & 31 July 2007 and 1 & 2 August 2007 hearing dates. The matter was fixed for continued trial on 5 & 6 May 2008, 12 & 13 May 2008 and 19 & 20 May 2008. The 5 & 6 May 2008 was vacated because MCAT's witness, Mohd Razi Adam, was taken ill. The 12, 19 & 20 May 2008 hearing dates were also vacated because Celcom's solicitors had to attend a hearing at the Court of Appeal on 12 May 2008 and a meeting with the President of the Court of Appeal on 20 May 2008 whereas 19 May 2008 was a public holiday. The matter is now fixed for continued hearing on 10, 11 and 12 February 2009.

In the Third Suit, Celcom filed a striking out application and the Court instructed the parties to file written submissions. On 12 November 2007, Celcom's striking out application was allowed with costs. The Plaintiffs filed an appeal to the Judge in Chambers and the same is fixed for hearing on 9 June 2008.

The Directors, based on legal advice received, are of the view that the crystallisation of liability from the three (3) cases above is remote.

**(f) Pengurusan Danaharta Nasional Berhad & 2 Ors vs TSDTR (By Original Claim)
TSDTR vs Celcom, TRI & 22 Ors (By Counterclaim)**

The hearing date of TSDTR's application to re-amend his amended defence and counterclaim which was earlier scheduled on 8 January 2008 and 14 March 2008 has been rescheduled to 21 July 2008.

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

**(g) Asmawi bin Muktar (trading under the name and style of GM
Telecommunication & Trading) (AM) vs Celcom & Anor (Defendants)**

AM's application to amend its Writ of Summons and Statement of Claim was heard on 23 April 2008 and is now fixed for decision/clarification on 22 May 2008.

Based on legal advice, the Defendants have a reasonably good chance of success in defending the claims by AM.

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

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

11. Material Litigation (continued)

(h) Mohd Shuaib Ishak (MSI) vs Celcom

On 4 February 2008, Celcom had been served with a sealed Originating Summons (Summons) by MSI seeking leave to bring a derivative action in Celcom's name under Section 181A(1) of the Companies Act 1965 (the Proposed Action). The Proposed Action is against, inter alia, the former and existing directors of Celcom and TM for failing to obtain the consent of DeTeAsia Holding GmbH (DeTeAsia) pursuant to the Amended and Restated Agreement (ARSA) dated 4 April 2002 with DeTeAsia prior to entering into the Sale and Purchase Agreement dated 28 October 2002 with TM for the acquisition by Celcom of the shares in TM Cellular Sdn Bhd (now known as Celcom Mobile Sdn Bhd).

MSI alleges that the directors are liable for damages calculated by reference to the difference between the Buy Out Offer price of RM7.00 per Celcom's share under the ARSA and the price of RM2.75 per Celcom's share under the Mandatory General Offer undertaken by TM through TESB in respect of Celcom.

The Summons has been fixed for mention on 17 June 2008.

The Directors, based on legal advice received, are of the view that it has reasonably good prospects of resisting the Summons and will take vigorous steps to defend the same.

(i) Johannes Irwanto Putro vs Excelcomindo

On 14 April 2008, Excelcomindo received a notification letter and copy of memory cassation from the Yogyakarta District Court through South Jakarta District Court regarding the cassation that had been filed by Johannes Irwanto Putro.

The Directors believe that the case will not affect the daily operations of Excelcomindo in Yogyakarta offices.

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 23 November 2007, the Court has dismissed TM/TMIM's Notice of Motion to commit the directors of BGM and BGO to prison for contempt of the injunction order obtained against BGM and BGO. The hearing date for case management has been fixed on 18 June 2008.

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.

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

11. Material Litigation (continued)

(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) DeTeAsia Holding GmbH (DeTeAsia) vs Celcom

DeTeAsia's application to set aside the Originating Summons on the ground that the Court has no jurisdiction to determine the same is fixed for mention on 22 July 2008.

Celcom's application to strike out the affidavit of Graham Dunning QC on the grounds that the same contains matter which is scandalous, irrelevant, inadmissible or otherwise oppressive was allowed on 23 November 2007. DeTeAsia appealed and the same is fixed for hearing on 3 July 2008.

The Directors, based on legal advice, are of the view that due to the fact that this proceeding is unprecedented, Celcom has an even chance of succeeding in this action.

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

On 7 May 2008, the Court has postponed the hearing of Inmiss' application for Mobikom to deposit the sum of RM27.6 million as security into Court to 24 June 2008. The Court has also fixed 24 June 2008 as the mention date of Mobikom's application to set aside the Arbitration Award

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 setting aside of the Award.

(e) Celcom and TRI vs former directors of TRI/Celcom

The service of the Writ of Summons and Statement of Claim (Writ) has already been effected on all the Defendants. Axel Hass (AH), one of the former directors, was served by way of substituted service. Tan Sri Dato' Tajudin Ramli (TSDTR) and Bistamam Ramli (BR) have entered appearance and have applied to set aside the Writ on the basis that the issues which are the subject of this action has been litigated and decided on its merits by reason of the Award. This application is fixed for hearing on 13 June 2008.

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

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

11. Material Litigation (continued)

Dato' Lim Kheng Yew (LKY) has also entered appearance. Celcom/TRI filed an application to restrain his solicitors from acting for him on the grounds that the partner concerned rendered an advice to TM in relation to the agreements with DTAG/DeTeAsia during the acquisition of Celcom/TRI by TM. On 26 February 2008, the Court allowed Celcom/TRI's application with costs. LKY has on 26 March 2008 appointed new solicitors to act on his behalf.

Dieter Sieber (DS), Oliver Tim Axmann (OTA), Joachim Gronau (JG), Frank-Reinhard Bartsch (FRB) and Joerg Andreas Boy (JAB) have entered conditional appearance and filed their respective application to set aside the issue and service of the Notice of Writ. On 7 March 2008, the solicitors for the said directors informed Celcom/TRI's solicitors and the Court that they have entered conditional appearance on behalf of AH and will be filing similar application to set aside these proceedings.

The applications for the said directors, including AH's application, are scheduled for hearing on 12 June 2008.

The Directors, based on legal advice, are of the view that Celcom and TRI have reasonable prospects of successfully prosecuting these proceedings.

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 | |
|---|---|------------------|
| | 31/3/2008 | 31/3/2007 |
| (a) Basic earnings per share | | |
| Profit attributable to equity holders of the Company (RM million) | 519.7 | 595.7 |
| Weighted average number of ordinary shares (million) | 3,439.8 | 3,415.1 |
| Basic earnings per share (sen) | 15.1 | 17.4 |

Basic earnings per share of the Group was calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares during the period, excluding ESOS trust shares held by a wholly owned trustee company .

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

**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 | |
|---|---|------------------|
| | 31/3/2008 | 31/3/2007 |
| (b) Diluted earnings per share | | |
| Profit attributable to equity holders of the Company (RM million) | <u>519.7</u> | 595.7 |
| Weighted average number of ordinary shares (million) | 3,439.8 | 3,415.1 |
| Adjustment for ESOS (million) | <u>2.9</u> | 8.6 |
| Weighted average number of ordinary shares (million) | <u>3,442.7</u> | 3,423.7 |
| Diluted earnings per share (sen) | 15.1 | 17.4 |

Fully diluted earnings per share of the Group was calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period, adjusted to assume the conversion of dilutive potential ordinary shares.

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.

14. Dividends

No interim dividend was recommended for the financial period ended 31 March 2008.

By Order of the Board

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

Kuala Lumpur
22 May 2008