TELEKOM MALAYSIA BERHAD (128740-P)

(Incorporated in Malaysia)

The Board of Directors of Telekom Malaysia Berhad wish to announce the following unaudited results of the Group for the third quarter ended 30 September 2008.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/9/2008	30/9/2007	30/9/2008	30/9/2007
	RM Million	RM Million	RM Million	RM Million
		RE-PRESENTED		RE-PRESENTED
CONTINUING OPERATIONS				
OPERATING REVENUE	**2,062.0**	2,129.0	**6,177.1**	6,191.5
OPERATING COSTS				
- depreciation, impairment and amortisation	**(533.5)**	(517.7)	**(1,569.3)**	(1,721.9)
- other operating costs	**(1,402.5)**	(1,354.5)	**(4,237.7)**	(3,839.5)
REALISATION OF TRANSLATION LOSS ON DISPOSAL OF AN EQUITY INVESTMENT	**(88.8)**	-	**(88.8)**	-
OTHER OPERATING INCOME (net)	**37.0**	42.0	**155.6**	172.8
OPERATING PROFIT BEFORE FINANCE COST	**74.2**	298.8	**436.9**	802.9
FINANCE INCOME	**79.4**	26.1	**160.7**	97.0
FINANCE COST	**(96.0)**	(97.3)	**(345.8)**	(334.4)
FOREIGN EXCHANGE (LOSS)/GAIN	**(195.7)**	49.0	**(151.8)**	152.3
NET FINANCE COST	**(212.3)**	(22.2)	**(336.9)**	(85.1)
ASSOCIATES				
- share of results (net of tax)	**-**	(0.1)	**-**	(0.1)
(LOSS)/PROFIT BEFORE TAXATION	**(138.1)**	276.5	**100.0**	717.7
TAXATION	**(14.7)**	71.8	**(9.0)**	3.1
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	**(152.8)**	348.3	**91.0**	720.8
DISCONTINUED OPERATIONS				
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS (part A, note 13(a))	**-**	274.7	**626.1**	1,268.7
(LOSS)/PROFIT FOR THE PERIOD	**(152.8)**	623.0	**717.1**	1,989.5
ATTRIBUTABLE TO:				
- equity holders of the Company	**(165.8)**	658.5	**627.1**	1,955.2
- minority interests	**13.0**	(35.5)	**90.0**	34.3
(LOSS)/PROFIT FOR THE PERIOD	**(152.8)**	623.0	**717.1**	1,989.5
(LOSS)/EARNINGS PER SHARE (sen) (part B, note 12)				
- basic				
Continuing operations	**(4.8)**	9.9	**1.8**	20.4
Discontinued operations	**-**	9.3	**16.4**	36.7
- diluted				
Continuing operations	**(4.8)**	9.9	**1.8**	20.4
Discontinued operations	**-**	9.3	**16.3**	36.7

(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 30 SEPTEMBER 2008

	AS AT 30/9/2008	AS AT 31/12/2007 (AUDITED)
	RM Million	**RM Million**
SHARE CAPITAL	3,452.1	3,439.8
SHARE PREMIUM	4,295.6	4,262.1
RESERVES	2,630.5	12,100.2
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	10,378.2	19,802.1
MINORITY INTERESTS	194.4	849.4
TOTAL EQUITY	10,572.6	20,651.5
Borrowings	6,808.7	9,747.2
Deferred tax liabilities	1,362.5	2,313.2
Provision for liabilities	-	87.2
DEFERRED AND LONG TERM LIABILITIES	8,171.2	12,147.6
	18,743.8	**32,799.1**
INTANGIBLE ASSETS	1.9	7,460.9
PROPERTY, PLANT AND EQUIPMENT	11,465.3	23,983.3
PREPAID LEASE PAYMENT	67.8	387.0
LAND HELD FOR PROPERTY DEVELOPMENT	165.4	165.4
JOINTLY CONTROLLED ENTITIES	-	1,024.4
ASSOCIATES	0.4	252.5
INVESTMENTS	905.1	138.9
LONG TERM RECEIVABLES	477.8	511.5
DEFERRED TAX ASSETS	15.9	179.4
Non-current assets held for sale	-	988.4
Inventories	135.6	181.1
Trade and other receivables	3,022.2	4,398.6
Amount due from TM International Berhad	4,025.0	-
Short term investments	294.7	378.1
Cash and bank balances	1,144.4	4,171.8
CURRENT ASSETS	8,621.9	10,118.0
Trade and other payables	2,321.9	6,702.7
Customer deposits	589.9	732.6
Borrowings	34.6	2,177.2
Current tax liabilities	31.3	155.2
Dividend payable	-	1,654.5
CURRENT LIABILITIES	2,977.7	11,422.2
NET CURRENT ASSETS/(LIABILITIES)	5,644.2	(1,304.2)
	18,743.8	**32,799.1**
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	300.6	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 FINANCIAL PERIOD ENDED 30 SEPTEMBER 2008

	Attributable to equity holders of the Company							
	Share Capital RM Million	Share Premium RM Million	Currency Translation Differences RM Million	ESOS Reserves RM Million	Fair Value 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	-	-	(87.3)	-	-	-	(24.3)	(111.6)
- jointly controlled entities	-	-	(66.6)	-	-	-	-	(66.6)
- associates	-	-	(11.4)	-	-	-	-	(11.4)
Fair value difference arising during the period (part A, note 13(c))	-	-	-	-	382.3	-	-	382.3
Net (loss)/income not recognised in the Income Statement	-	-	(165.3)	-	382.3	-	(24.3)	192.7
Disposal of an equity investment	-	-	88.8	-	-	-	-	88.8
Profit for the period	-	-	-	-	-	627.1	90.0	717.1
Total recognised (expense)/income for the period	-	-	(76.5)	-	382.3	627.1	65.7	998.6
Dilution of equity interest in subsidiaries	-	-	-	-	-	-	5.7	5.7
Distribution of TM International Berhad Group (part A, note 13(b))	-	-	487.6	-	-	(10,136.4)	(710.7)	(10,359.5)
Final dividends paid for the year ended 31 December 2007	-	-	-	-	-	(560.0)	-	(560.0)
Interim dividends paid for the year ending 31 December 2008	-	-	-	-	-	(306.3)	-	(306.3)
Dividends paid to minority interests	-	-	-	-	-	-	(17.3)	(17.3)
Employees' share option scheme (ESOS)								
- shares issued (part A, note 5)	12.3	23.2	-	-	-	-	-	35.5
- options granted	-	-	-	122.8	-	-	1.6	124.4
- options exercised	-	10.3	-	(10.3)	-	-	-	-
At 30 September 2008	**3,452.1**	**4,295.6**	**(1.5)**	**112.5**	**382.3**	**2,137.2**	**194.4**	**10,572.6**

(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 FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007

	Attributable to equity holders of the Company						
	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	-	-	(128.7)	-	-	(56.2)	(184.9)
- jointly controlled entities	-	-	79.6	-	-	-	79.6
- associates	-	-	9.9	-	-	-	9.9
Net loss not recognised in the Income Statement	-	-	(39.2)	-	-	(56.2)	(95.4)
Profit for the period	-	-	-	-	1,955.2	34.3	1,989.5
Total recognised (expense)/income for the period	-	-	(39.2)	-	1,955.2	(21.9)	1,894.1
Transaction with minority interests	-	-	-	-	(293.1)	(43.6)	(336.7)
Partial disposal of equity interest in a subsidiary	-	-	-	-	-	43.6	43.6
Disposal of a subsidiary	-	-	-	-	-	(30.0)	(30.0)
Dilution of equity interest in subsidiaries	-	-	-	-	-	8.0	8.0
Right issue of a subsidiary	-	-	-	-	-	67.7	67.7
Final dividends paid for the year ended 31 December 2006	-	-	-	-	(749.5)	-	(749.5)
Interim dividends paid for the year ended 31 December 2007	-	-	-	-	(652.9)	-	(652.9)
Dividends paid to minority interests	-	-	-	-	-	(36.0)	(36.0)
Employees' share option scheme (ESOS)							
- shares issued	42.2	304.2	-	-	-	-	346.4
- options granted	-	-	-	3.2	-	3.7	6.9
- options exercised	-	16.0	-	(16.0)	-	-	-
At 30 September 2007	**3,439.8**	**4,262.1**	**(321.6)**	**12.2**	**13,088.7**	**828.0**	**21,309.2**

(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 FINANCIAL PERIOD ENDED 30 SEPTEMBER 2008

	FINANCIAL PERIOD	
	ENDED 30/9/2008 RM Million	ENDED 30/9/2007 RM Million
Continuing operations		
Receipts from customers	6,107.8	5,464.0
Payments to suppliers and employees	(4,017.0)	(3,178.8)
Payment of finance cost	(366.7)	(315.3)
Payment of income taxes (net of refunds)	(156.2)	(241.3)
	1,567.9	1,728.6
Cash flows from operating activities of discontinued operations	601.6	3,050.4
CASH FLOWS FROM OPERATING ACTIVITIES	**2,169.5**	**4,779.0**
Continuing operations		
Disposal of property, plant and equipment	24.7	26.8
Purchase of property, plant and equipment	(1,279.9)	(1,435.4)
Disposal of non-current assets held for sale	1,000.0	70.0
Payment of intangible asset (spectrum licence)	(8.0)	(8.0)
Proceeds from disposal of intangible asset (spectrum licence)	40.1	-
Disposal of long term investments	1.2	7.2
Disposal of short term investments	188.9	156.4
Purchase of short term investments	(186.5)	(152.7)
Disposal of a subsidiary classified as non-current asset held for sale (net of cash disposed)	-	41.1
Acquisition of additional equity interest in a subsidiary	-	(2.5)
Disposal of an associate	-	0.1
Repayments of loans by employees	75.3	84.3
Loans to employees	(30.1)	(37.9)
Interest received	99.0	100.1
Dividend received	8.5	19.0
	(66.8)	(1,131.5)
Cash flows used in investing activities of discontinued operations	(1,532.9)	(3,560.3)
CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,599.7)**	**(4,691.8)**
Continuing operations		
Issue of share capital	35.5	346.4
Issue of share capital to minority interests	6.8	6.1
Proceeds from termination of long dated swap	197.0	-
Proceeds from borrowings	27.6	31.4
Repayments of borrowings	(277.0)	(638.1)
Repayments of finance lease	(0.5)	-
Dividends paid to shareholders	(2,520.8)	(1,402.4)
Dividends paid to minority interests	(17.2)	(9.4)
	(2,548.6)	(1,666.0)
Cash flows from financing activities of discontinued operations	455.5	676.2
Effect of distribution of TM International Berhad Group	(1,402.1)	-
CASH FLOWS USED IN FINANCING ACTIVITIES	**(3,495.2)**	**(989.8)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,925.4)	(902.6)
EFFECT OF EXCHANGE RATE CHANGES	(23.6)	(33.2)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,092.9	4,666.4
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**1,143.9**	**3,730.6**

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

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation

(a) The unaudited interim financial statements for the third quarter ended 30 September 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 in note (i) and (ii) below. In addition, the Group has also adopted an accounting policy for finance lease in the current quarter for a lease transaction entered into during the year. The accounting policy is detailed in note (iii) below.

(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

1. Basis of Preparation (continued)

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

(iii) Accounting policy for finance lease adopted in the current quarter

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

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

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

Property, plant and equipment acquired under finance leases are depreciated over their estimated useful lives.

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

(b) Reclassification of comparatives

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

(ii) 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 third quarter and financial period ended 30 September 2007 were reclassified to conform with the current period presentation as in note (d) below.

(c) Re-presentation of comparatives

Following the completion of the demerger on 25 April 2008 as detailed in note 13, the current year results of TMI Group up to the said date are presented as discontinued operations in accordance with FRS 5 “Non-Current Asset Held for Sale and Discontinued Operations”. Prior period comparatives have been re-presented accordingly.

PART A : EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

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

	3RD QUARTER ENDED 30 SEPTEMBER 2007					**FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007**				
	As previously reported RM Million	**Reclassifications RM Million**		**FRS 5 RM Million**	**As re-presented RM Million**	**As previously reported RM Million**	**Reclassifications RM Million**		**FRS 5 RM Million**	**As re-presented RM Million**
		b(i)	**b(ii)**	**(c)**			**b(i)**	**b(ii)**	**(c)**	
Continuing Operations										
Depreciation, impairment and amortisation	(971.3)	-	(19.7)	473.3	(517.7)	(3,021.2)	-	(49.9)	1,349.2	(1,721.9)
Other operating costs	(2,849.5)	(23.1)	19.7	1,498.4	(1,354.5)	(7,661.4)	(119.1)	49.9	3,891.1	(3,839.5)
Finance cost	(285.5)	-	-	188.2	(97.3)	(667.0)	-	-	332.6	(334.4)
Foreign exchange (loss)/gain	-	23.1	-	25.9	49.0	-	119.1	-	33.2	152.3
Net finance cost	(239.3)	23.1	-	194.0	(22.2)	(519.9)	119.1	-	315.7	(85.1)

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

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

Foreign Currency	Exchange Rate At 30 September 2008	Exchange Rate At 30 June 2008	Exchange Rate At 31 December 2007	Exchange Rate At 30 September 2007
US Dollar	3.44250	3.26500	3.30500	3.40500
Special Drawing Rights	5.38410	5.33621	5.22510	5.31906

2. Seasonal or Cyclical Factors

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

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

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

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

(c) The Group registered RM195.7 million and RM151.8 million foreign exchange losses in the current quarter and financial period to date respectively arising from the translation of foreign currency borrowings.

(d) The Group recognised Special ESOS cost of RM16.9 million and RM110.5 million during the current quarter and financial period to date respectively in line with FRS 2 “Share-based Payment” for the Employees’ Share Option Scheme.

(e) In line with the declined performance in equity market, the Group recognised a decrease in the carrying amount of quoted shares of RM19.4 million and RM76.4 million during the current quarter and financial period to date respectively.

(f) The Group reversed excess deferred tax provisions in respect of prior years amounting to RM51.7 million in the second quarter. In the current quarter, the Group reversed excess tax provisions in respects of year of assessment 2007 amounting to RM27.8 million.

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

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

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

There were no other unusual items affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the financial period ended 30 September 2008 other than as mentioned above as well as in note 6 of part A and B of this announcement.

4. Material Changes in Estimates

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

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

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

As at 30 September 2008, the issued and paid-up capital of the Company increased by 12.3 million shares from 3,439.8 million shares to 3,452.1 million shares of RM1.00 each as a result of employees exercising their options under the Special ESOS at the respective exercise prices of RM9.70 per share (prior the demerger) and RM2.71 per share (post demerger).

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 30 September 2008.

6. Dividends Paid

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

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

6. Dividends Paid (continued)

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

7. Segmental Information

Segmental information for the period ended 30 September 2008 and 30 September 2007 are as follows:

By Business Segment

All amounts are in RM Million	Continuing Operations: Retail Business	Domestic Wholesale	TM Global	Shared/ Support Services	Total	Discontinued Operations
2008						
Operating Revenue						
Total operating revenue	4,956.3	561.0	591.0	370.0	6,478.3	3,669.3
Inter-segment *	(16.7)	(50.2)	(53.6)	(180.7)	(301.2)	-
External operating revenue	4,939.6	510.8	537.4	189.3	6,177.1	3,669.3
Results						
Segment result @	1,018.3	100.2	(57.1)	(116.5)	944.9	934.3
Realisation of translation loss on disposal of an equity investment					(88.8)	-
Unallocated income #					47.8	-
Corporate expenses ^					(467.0)	-
Operating profit before finance cost					436.9	934.3
Finance income					160.7	21.1
Finance cost					(345.8)	(134.3)
Foreign exchange (loss)/gain					(151.8)	37.4
Jointly controlled entities - share of results (net of tax)					-	7.8
Associates - share of results (net of tax)					-	10.6
Profit before taxation					100.0	876.9
Taxation					(9.0)	(250.8)
Profit for the period					91.0	626.1

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

7. Segmental Information (continued)

	Continuing Operations					
All amounts are in RM Million	**Retail Business**	**Domestic Wholesale**	**TM Global**	**Shared/ Support Services**	**Total**	**Discontinued Operations**
2007						
Operating Revenue						
Total operating revenue	4,836.2	509.0	706.8	438.8	6,490.8	6,917.2
Inter-segment *	(64.6)	(38.5)	(38.9)	(157.3)	(299.3)	-
External operating revenue	4,771.6	470.5	667.9	281.5	6,191.5	6,917.2
Results						
Segment result @	889.7	65.9	123.0	(73.5)	1,005.1	1,912.0
Unallocated income #					30.2	-
Corporate expenses ^					(232.4)	-
Operating profit before finance cost					802.9	1,912.0
Finance income					97.0	50.1
Finance cost					(334.4)	(332.6)
Foreign exchange (loss)/gain					152.3	(33.2)
Jointly controlled entities						
- share of results (net of tax)					-	25.1
- gain on dilution					-	71.3
Associates						
- share of results (net of tax)					(0.1)	14.8
Profit before taxation					717.7	1,707.5
Taxation					3.1	(438.8)
Profit for the period					720.8	1,268.7

Following the completion of the demerger on 25 April 2008, the Group had reviewed and changed the grouping of segmental reporting information to reflect the current business structure. The comparatives have been re-presented to conform with the current period presentation.

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

7. Segmental Information (continued)

(b) Domestic Wholesale comprises the wholesale arm of TM and subsidiaries that complement the wholesale business. This line of business is responsible for the provision of a wide range of telecommunication products and services delivered over our networks to non-TM licensed carriers, carriage service providers, Internet service providers, system integrators and application service providers.

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

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

* Inter-segment operating revenue purely relates to inter-company revenue and 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.

@ In arriving at the segment results, certain expenses have been allocated between the respective lines of business on a reasonable basis.

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 divisions such as Group Human Resource, Group Finance, Company Secretary, Group Legal, Regulatory and Compliance, Corporate Communications and special purpose entities which are not allocated to a particular business segment.

8. Valuation of Property, Plant and Equipment

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

9. Material Events Subsequent to the End of the Quarter

Except as disclosed in the Status of Corporate Proposals in part B, note 8 and Off Balance Sheet Financial Instruments in part B, note 10(b), there was no other material event subsequent to the balance sheet date that requires disclosure or adjustments to the interim unaudited financial statements.

10. Effects of Changes in the Composition of the Group

Changes in the composition of the Group for the current quarter and financial period ended 30 September 2008 are as follows:

(a) VADS Berhad (VADS)

TM's shareholding in VADS decreased from 64.87% to 64.73% in the first quarter and further reduced to 63.38% and 63.23% in the second and third quarter respectively, 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 (ESOS) for eligible employees and Executive Director(s) of TM and its subsidiaries at the point of implementation of the ESOS.

(c) Pursuant to the internal restructuring and the demerger of TM Group, the following changes in the composition of the Group have been effected upon completion of the demerger on 25 April 2008:

(i) Celcom (Malaysia) Berhad (Celcom)

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

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

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

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

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

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

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

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

(iv) TM International Berhad (TMI)

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

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

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

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

The disposal was completed with effect from 27 August 2008.

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.

Pursuant to the completion of the demerger of TM Group on 25 April 2008, status of all contingent liabilities including material litigations of TM International Berhad Group and Celcom Group are excluded from this announcement.

12. Commitments

(a) Capital Commitments

	Group	
	30/9/2008	30/9/2007*
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**2,583.2**	3,195.8
Commitments in respect of expenditure approved but not contracted for	**22.4**	1,269.2

* 2007 comparatives included the capital commitments of TMI Group.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

12. Commitments (continued)

(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.

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

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

Pursuant to the completion of the demerger of TM Group on 25 April 2008, the results of TM International Berhad Group (TMI Group) is presented as discontinued operations in accordance with FRS 5 "Non-Current Asset Held for Sale and Discontinued Operations".

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

	3RD QUARTER ENDED		**FINANCIAL PERIOD ENDED**	
	30/9/2008	30/9/2007	**30/9/2008***	30/9/2007
	RM million	RM million	**RM million**	RM million
Operating revenue	**-**	2,479.7	**3,669.3**	6,917.2
Operating costs	**-**	(1,971.8)	**(2,771.2)**	(5,240.3)
Profit before taxation	**-**	416.1	**876.9**	1,707.5
Taxation	**-**	(141.4)	**(250.8)**	(438.8)

* The results attributable to the discontinued operations were from 1 January 2008 up to 25 April 2008.

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

(b) The net assets of TMI Group distributed to TM shareholders pursuant to the completion of demerger on 25 April 2008 are as follows:

	RM million
Non-current assets	22,175.7
Current assets	3,583.6
Non-current liabilities	(4,939.4)
Current liabilities	(10,074.7)
Total net assets	10,745.2
Less: Net assets attributed to TMI Group shares held by TM ESOS Management Sdn Bhd (note c)	385.7
Net distribution	10,359.5

(c) As explained in note 5, TM ESOS Management Sdn Bhd (TEM), a special purpose entity (SPE) established to acquire, hold and manage shares under ESOS, holds 137,592,300 ordinary shares of the Company, approximately 4% of the Company's issued and paid-up capital. Pursuant to the completion of demerger on 25 April 2008, 137,592,300 ordinary shares of TMI were distributed to TEM. Since TEM is a SPE controlled by the Company, the 137,592,300 ordinary shares of TMI are effectively held by TM Group.

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

In accordance with the above provision of FRS 127, the carrying value attributable to the 137,592,300 ordinary shares of TMI held by TEM is classified as available-for-sale investment on completion of the demerger exercise. This investment is carried at fair value. The difference between the fair value and carrying value of TMI shares at the date of demerger is credited to equity and recorded as 'Fair Value Reserves'. Changes in the fair value of an available-for-sale investment will be credited to Fair Value Reserves and will be charged to Income Statement upon disposal of the investment.

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

1. Review of Performance

(a) Quarter-on-Quarter

For the current quarter under review, Group revenue reduced marginally by 3.1% to RM2,062.0 million as compared to RM2,129.0 million in the third quarter 2007, mainly attributed to lower revenue from voice services resulting from lower usage. Higher revenue from Internet and multimedia and other telecommunication related services mitigated the decline in voice revenue.

Internet and multimedia revenue registered 24.6% growth from third quarter 2007 to RM390.6 million in current year quarter arising from continued growth of broadband customers to 1.55 million from 1.18 million in the corresponding quarter 2007.

The increase in revenue from other telecommunication related services was primarily contributed by new projects at VADS Berhad and GITN Sdn Berhad.

Consequent from significant non recurring items/exceptional costs such as unrealised foreign exchange translation loss, realisation of foreign translation loss on disposal of Sotelgui and prior years volume commitment charges as disclosed in part A, note 3, the Group recorded loss after tax and minority interests of RM165.8 million in the current quarter, as compared to profit after tax and minority interests (PATAMI) of RM340.9 million in the corresponding quarter in 2007. Excluding these significant non recurring items/exceptional costs, the normalised PATAMI would have been RM176.4 million for the current quarter.

(b) Year-on-Year

For the period under review, Group revenue decreased by 0.2% to RM6,177.1 million as compared to RM6,191.5 million in the corresponding period last year, mainly attributed to lower revenue from voice services mitigated by the increased revenue from data, Internet and multimedia and other telecommunication related services.

Group PATAMI for continuing operations reduced by 91.0% to RM63.3 million as compared to RM699.7 million recorded in the corresponding period last year primarily due to higher ESOS cost, diminution in value of quoted investments, unrealised foreign exchange translation loss and realisation of foreign translation loss on disposal of Sotelgui. Excluding these significant non recurring items/exceptional costs, the normalised PATAMI would have been RM574.9 million for the period under review.

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

1. Review of Performance (continued)

(c) Economic Profit Statement

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/09/2008 RM Million	30/09/2007 RM Million	**30/09/2008 RM Million**	30/09/2007 RM Million
EBIT	**74.2**	298.8	**436.9**	802.9
Adjusted Tax	19.3	80.7	113.6	216.8
NOPLAT	**54.9**	218.1	**323.3**	586.1
AIC	3,087.4	3,374.1	9,262.2	10,122.4
WACC	7.87 %	7.52 %	7.82 %	7.55 %
ECONOMIC CHARGE	**243.0**	253.7	**724.3**	764.2
ECONOMIC LOSS	**(188.1)**	(35.6)	**(401.0)**	(178.1)

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

Economic Profit (EP) is a yardstick to measure shareholder value as it provides a more accurate picture of underlying economic performance of TM Group vis-à-vis its financial accounting reports, i.e. it explains how much returns a business generates over its cost of capital. This can be measured from the difference of NOPLAT and Economic Charge.

TM Group recorded economic loss (EL) of RM188.1 million in third quarter 2008, as compared to EL of RM35.6 million reported in the corresponding quarter last year. The higher EL was attributed to lower NOPLAT by 74.8% (RM163.2 million) despite lower economic charge by 4.2% (RM10.7 million). The decrease in NOPLAT was mainly attributed to lower EBIT by 75.2% (RM224.6 million) due to higher operating cost mainly from the significant unrealised foreign exchange translation loss, realisation of foreign translation loss on disposal of Sotelgui and prior years volume commitment charges recorded in the current quarter.

The decrease in economic charge was mainly contributed by the reduction in AIC by 8.5% (RM286.7 million).

For the current year to date, higher EL was mainly contributed by the exceptional items as mentioned above.

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

2. Comparison with Preceding Quarter's Results

Group revenue for the current quarter of RM2,062.0 million declined by 2.2% (RM47.2 million) from RM2,109.2 million recorded in the preceding quarter, mainly due to lower revenue from all services except for Internet and multimedia services.

Internet and multimedia revenue increased by RM30.2 million (8.4%) from the preceding quarter to RM390.6 million following growth in broadband customers from 1.46 million to 1.55 million in the current quarter.

For the period under review, the Group registered loss after tax and minority interests of RM165.8 million against PATAMI of RM114.7 million recorded in the preceding quarter mainly due to exceptional items.

3. Prospects for the Current Financial Year

The global financial crisis has had a significant impact on TM's results, particularly the foreign currency translation differences on our USD1.1 billion bonds. The fluctuation in foreign currency is expected to continue to impact TM's results for 2008.

However, TM's business performance continues to benefit from better awareness and demand for higher speed Internet and higher bandwidth data connectivity. TM registered growth in broadband and data, and this trend is expected to continue. Contribution from this segment will help cushion the decline in voice revenue. TM continues to intensify initiatives under its Performance Improvement Program (PIP 2.0) to enhance operational and commercial performance.

The signing of the Public Private Partnership Agreement on 16 September 2008 in relation to the High Speed Broadband ("HSBB") project marked an important milestone for TM and the country. The HSBB infrastructure will enable TM to enhance existing and introduce new services to the market in line with the increasing demand for broadband services.

Due to the global economic uncertainties, the Board of Directors expects TM's performance for the financial year ending 31 December 2008 to remain challenging. However, TM continues to be committed to its current year dividend policy.

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 30 September 2008.

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

5. Taxation

The taxation charge for the Group comprises:

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/09/2008	30/09/2007	**30/09/2008**	30/09/2007
	RM Million	RM Million	RM Million	RM Million
Malaysia				
Income Tax:				
Current year	**71.0**	75.1	**108.4**	212.1
Prior year	**(28.9)**	(114.0)	**(31.4)**	(164.3)
Deferred tax (net):				
Current year	**(28.5)**	(113.8)	**(18.6)**	(89.4)
Prior year	**1.0**	81.6	**(51.5)**	27.7
Overseas				
Income Tax:				
Current year	-	(2.1)	**1.2**	6.1
Prior year	-	-	-	(1.7)
Deferred tax (net):				
Current year	-	1.4	-	6.4
Prior year	**0.1**	-	**0.9**	-
TOTAL TAXATION	**14.7**	(71.8)	**9.0**	(3.1)

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

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

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

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

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 30 September 2008 are as follows:

	Current quarter RM Million	Period to date RM Million
Total purchases	20.4	89.9
Total disposals	23.5	94.2
Total loss on disposal	(4.1)	(0.3)

(b) Total investments in quoted securities as at 30 September 2008 are as follows:

	RM Million
At cost	185.2
At book value	95.0
At market value	95.0

II. Quoted Fixed Income Securities

(a) Total purchases and disposals of quoted fixed income securities for the current quarter and financial period ended 30 September 2008 are as follows:

	Current quarter RM Million	Period to date RM Million
Total purchases	28.2	96.6
Total disposals	23.6	94.7
Total loss on disposal	(0.8)	(0.4)

(b) Total investments in quoted fixed income securities as at 30 September 2008 are as follows:

	RM Million
At cost	205.1
At book value	199.7
At market value	199.7

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

8. Status of Corporate Proposals

Proposed Privatisation of VADS Berhad

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

The Proposal is subject to the execution of a definitive agreement between TM and VADS (the SCR Agreement) which has been duly executed on 24 October 2008, approval of the Foreign Investment Committee, approval of the shareholders of VADS at an Extraordinary General Meeting to be convened by VADS, confirmation by the High Court of Malaya for the reduction of VADS' share capital, consent by VADS' creditors/ lenders (if required) and approvals/consents of any other authorities (if required).

Upon completion of the Proposal, VADS will become a wholly-owned subsidiary of TM and will be delisted from the Official List of Bursa Malaysia Securities Berhad.

The Proposal is expected to be completed within the first half of 2009.

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

9. Group Borrowings and Debt Securities

(a) Breakdown of Group borrowings and debt securities as at 30 September 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	5.5	26.3	329.6	678.3
Unsecured	29.1	6,782.4	693.5	10,027.3
Total	**34.6**	**6,808.7**	**1,023.1**	**10,705.6**

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

9. Group Borrowings and Debt Securities (continued)

(b) Foreign currency borrowings and debt securities in Ringgit Malaysia equivalent as at 30 September were as follows:

	2008	**2007***
Foreign Currency	**RM Million**	**RM Million**
US Dollar	3,783.9	7,046.0
Indonesian Rupiah	-	556.8
Bangladesh Taka	-	343.8
Sri Lanka Rupee	-	101.1
Pakistani Rupee	-	43.2
Canadian Dollars	5.1	4.9
Euro	-	4.6
Pound Sterling	-	0.3
Total	**3,789.0**	**8,100.7**

* 2007 comparatives included borrowings of TMI Group

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.

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.

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

(c) Interest Rate Swap (IRS)

Underlying Liability

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

Hedging Instrument

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

(d) Long Dated Swap

Underlying Liability

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

Hedging Instruments

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

10. Off Balance Sheet Financial Instruments (continued)

The Company made a payment of USD5.0 million and is obliged to pay fixed amounts of JPY209.9 million semi-annually on each 1 February and 1 August, up to and including 1 August 2025.

On 1 August 2025, the Company will receive RM750.0 million from the counterparty. These proceeds will be swapped for USD300.0 million at a predetermined exchange rate of RM2.5 to USD1.0, which will be used for the repayment of the USD300.0 million 7.875% redeemable unsecured Debentures. The effect of this transaction is to effectively build up a sinking fund with an assured value of USD300.0 million on 1 August 2025 for the repayment of the Debentures.

Prior to 1 February 2004, the counterparty was not obliged to agree to any request by the Company to terminate the transaction. Commencing from 1 February 2004, the Company has the right to terminate the transaction at a rate mutually agreed with the counterparty.

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

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.

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

11. Material Litigation

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

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

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

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

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

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

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

On 15 October 2008, the case has been adjourned to 1 December 2008 for further 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) Pengurusan Danaharta Nasional Berhad & 2 Others vs TSDTR (By Original Claim), TSDTR vs Celcom, TRI & 22 Others (By Counterclaim)

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

On 20 October 2008, TSDTR's application to re-amend his Amended Counterclaim and join 8 present or former directors and officers of TM and TESB and 6 others as defendants was allowed with costs by the Senior Assistant Registrar of the High Court on 20 October 2008.

TM and TESB have on the same day through their solicitors, filed a notice of appeal to the Judge in Chambers against the decision of the Senior Assistant Registrar. The appeal is fixed for hearing on 25 November 2008.

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

11. Material Litigation (continued)

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

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

On 13 October 2008, the case was adjourned to 18 November 2008 for the mention of TM/TESB's Striking Out Application.

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

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 22 October 2008, the Court has fixed 10 December 2008 as the mention date for TM/TMIM's application to consolidate this legal suit with another ongoing legal suit involving TM and TMIM vs. Buying Guide (M) Sdn Bhd at the Kuala Lumpur High Court under Suit No: D6-22-1332-2003.

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

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

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

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

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

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

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

11. Material Litigation (continued)

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

On 5 November 2008, the Court has fixed 15 January 2009 as the mention date for the followings:

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

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

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

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

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

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

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

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

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

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

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

11. Material Litigation (continued)

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

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

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

(f) General damages to be assessed;

(g) Damages for conspiracy to be assessed;

(h) Damages for fraud to be assessed;

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

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

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

(l) Punitive damages;

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

(n) Interest;

(o) Costs;

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

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

11. Material Litigation (continued)

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

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

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)

	3RD QUARTER ENDED		**FINANCIAL PERIOD ENDED**	
	30/9/2008	30/9/2007	**30/9/2008**	30/9/2007
(a) Basic earnings per share				
(Loss)/profit from continuing operations attributable to equity holders of the Company (RM million)	**(165.8)**	340.9	**63.3**	699.7
Profit from discontinued operations attributable to equity holders of the Company (RM million)	**-**	317.6	**563.8**	1,255.5
(Loss)/profit attributable to equity holders of the Company (RM million)	**(165.8)**	658.5	**627.1**	1,955.2
Weighted average number of ordinary shares (million)	**3,445.9**	3,437.8	**3,442.1**	3,421.7
Basic (loss)/earnings per share (sen) from:				
Continuing operations	**(4.8)**	9.9	**1.8**	20.4
Discontinued operations	**-**	9.3	**16.4**	36.7
Basic (loss)/earnings per share (sen) attributable to equity holders of the Company	**(4.8)**	19.2	**18.2**	57.1

Basic earnings per share of the Group was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares during the period.

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

12. Earnings Per Share (EPS) (continued)

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/9/2008	30/9/2007	**30/9/2008**	30/9/2007
(b) Diluted earnings per share				
(Loss)/profit from continuing operations attributable to equity holders of the Company (RM million)	**(165.8)**	340.9	**63.3**	699.7
Profit from discontinued operations attributable to equity holders of the Company (RM million)	**-**	317.6	**563.8**	1,255.5
(Loss)/profit attributable to equity holders of the Company (RM million)	**(165.8)**	658.5	**627.1**	1,955.2
Weighted average number of ordinary shares (million)	**3,445.9**	3,437.8	**3,442.1**	3,421.7
Adjustment for ESOS (million)	**27.6**	**-**	**21.6**	**-**
Weighted average number of ordinary shares (million)	**3,473.5**	3,437.8	**3,463.7**	3,421.7
Diluted (loss)/earnings per share (sen) from:				
Continuing operations	**(4.8)**	9.9	**1.8**	20.4
Discontinued operations	**-**	9.3	**16.3**	36.7
Diluted (loss)/earnings per share (sen) attributable to equity holders of the Company	**(4.8)**	19.2	**18.1**	57.1

Fully diluted earnings per share of the Group for the current financial year was calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, adjusted to assume the conversion of dilutive potential ordinary shares, arising from the new Employees' Share Option Scheme (Special ESOS). There was no dilutive potential ordinary shares as at 30 September 2007 as ESOS 3 had expired on 31 July 2007.

13. Qualification of Preceding Audited Financial Statements

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

14. Dividends

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

(b) No dividend was recommended for the current quarter ended 30 September 2008.

By Order of the Board

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

Kuala Lumpur
11 November 2008