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 third quarter ended 30 September 2010.

UNAUDITED CONSOLIDATED INCOME STATEMENT

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/9/2010	30/9/2009	30/9/2010	30/9/2009
	RM Million	RM Million	RM Million	RM Million
OPERATING REVENUE	**2,194.6**	2,101.0	**6,470.4**	6,335.4
OPERATING COSTS				
- depreciation, impairment and amortisation	**(495.8)**	(492.6)	**(1,430.1)**	(1,543.4)
- other operating costs	**(1,474.8)**	(1,429.8)	**(4,404.9)**	(4,165.6)
OTHER OPERATING INCOME (net)	**39.7**	23.7	**100.2**	142.6
OTHER GAINS (net)	**132.8**	10.0	**131.8**	32.8
OPERATING PROFIT BEFORE FINANCE COST	**396.5**	212.3	**867.4**	801.8
FINANCE INCOME	**36.3**	19.5	**87.0**	142.2
FINANCE COST	**(87.7)**	(59.5)	**(274.3)**	(269.8)
FOREIGN EXCHANGE GAIN/(LOSS) ON BORROWINGS	**160.9**	45.5	**345.6**	(6.8)
NET FINANCE INCOME/(COST)	**109.5**	5.5	**158.3**	(134.4)
ASSOCIATES				
- share of results (net of tax)	**(0.1)**	*	**(0.3)**	0.6
PROFIT BEFORE TAXATION AND ZAKAT	**505.9**	217.8	**1,025.4**	668.0
TAXATION AND ZAKAT	**(59.3)**	(32.1)	**(196.4)**	(173.0)
PROFIT FOR THE FINANCIAL PERIOD	**446.6**	185.7	**829.0**	495.0
ATTRIBUTABLE TO:				
- equity holders of the Company	**438.5**	179.1	**805.8**	472.8
- minority interests	**8.1**	6.6	**23.2**	22.2
PROFIT FOR THE FINANCIAL PERIOD	**446.6**	185.7	**829.0**	495.0
EARNINGS PER SHARE (sen) (part B, note 12)				
- basic	**12.3**	5.1	**22.7**	13.5
- diluted	**12.3**	5.0	**22.7**	13.4

* Amount less than RM0.1 million

(The above Consolidated Income Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/9/2010	30/9/2009	30/9/2010	30/9/2009
	RM Million	RM Million	RM Million	RM Million
PROFIT FOR THE FINANCIAL PERIOD	**446.6**	185.7	**829.0**	495.0
OTHER COMPREHENSIVE INCOME:				
Increase in fair value of available-for-sale investments	**93.3**	146.9	**341.2**	56.0
Reclassification adjustments relating to available-for-sale investments disposed	**(83.7)**	-	**(83.7)**	-
Currency translation differences - subsidiaries	**0.4**	0.9	**(0.3)**	7.6
Other comprehensive income for the financial period, net of tax	**10.0**	147.8	**257.2**	63.6
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	**456.6**	333.5	**1,086.2**	558.6
ATTRIBUTABLE TO:				
- equity holders of the Company	**448.5**	326.9	**1,063.0**	536.4
- minority interests	**8.1**	6.6	**23.2**	22.2
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	**456.6**	333.5	**1,086.2**	558.6

(The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	AS AT 30/9/2010	AS AT 31/12/2009 (AUDITED/ RESTATED)
	RM Million	RM Million
SHARE CAPITAL	3,567.7	3,543.5
SHARE PREMIUM	1,053.8	1,011.8
OTHER RESERVES	2,866.2	2,432.2
TOTAL CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	7,487.7	6,987.5
MINORITY INTERESTS	139.6	142.5
TOTAL EQUITY	7,627.3	7,130.0
Borrowings	5,532.4	5,796.9
Deferred tax liabilities	1,739.7	1,588.7
Deferred income	1,380.1	985.9
Derivative financial liabilities	13.3	-
DEFERRED AND NON-CURRENT LIABILITIES	8,665.5	8,371.5
	16,292.8	**15,501.5**
Intangible assets	312.6	313.4
Property, plant and equipment	12,436.2	12,404.3
Land held for property development	112.9	163.7
Associates	0.3	0.6
Available-for-sale investments	857.1	608.2
Other investments	-	152.8
Available-for-sale receivables	30.6	-
Other long term receivables	93.5	108.9
Deferred tax assets	20.0	10.6
Derivative financial assets	18.1	-
NON-CURRENT ASSETS	13,881.3	13,762.5
Inventories	182.4	110.6
Trade and other receivables	2,369.9	2,284.0
Available-for-sale investments	362.2	-
Financial assets at fair value through profit or loss	28.3	-
Short term investments	-	294.7
Cash and bank balances	3,799.1	3,490.7
CURRENT ASSETS	6,741.9	6,180.0
Trade and other payables	2,880.6	2,934.6
Customer deposits	579.6	575.7
Borrowings	841.2	916.6
Taxation and zakat	13.2	14.1
Derivative financial liabilities	15.8	-
CURRENT LIABILITIES	4,330.4	4,441.0
NET CURRENT ASSETS	2,411.5	1,739.0
	16,292.8	**15,501.5**
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (sen)	209.9	197.2

(The above Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

	Attributable to equity holders of the Company								
	Share Capital RM Million	**Share Premium RM Million**	**Currency Translation Differences RM Million**	**ESOS Reserve RM Million**	**Fair Value Reserve RM Million**	**Capital Redemption Reserve RM Million**	**Retained Profits RM Million**	**Minority Interests RM Million**	**Total Equity RM Million**
At 1 January 2010									
As previously stated	3,543.5	1,011.8	(1.0)	19.7	155.5	35.8	2,222.2	142.5	7,130.0
Adjustments on application of FRS 139 (part A, note 13)	-	-	-	-	100.4	-	(18.0)	-	82.4
At 1 January 2010, as restated	3,543.5	1,011.8	(1.0)	19.7	255.9	35.8	2,204.2	142.5	7,212.4
Profit for the financial period	-	-	-	-	-	-	805.8	23.2	829.0
Other comprehensive (loss)/income for the financial period, net of tax	-	-	(0.3)	-	257.5	-	-	-	257.2
Total recognised (loss)/income for the financial period	-	-	(0.3)	-	257.5	-	805.8	23.2	1,086.2
Final dividends paid for the financial year ended 31 December 2009 (part A, note 6)	-	-	-	-	-	-	(346.4)	-	(346.4)
Interim dividends paid for the financial year ending 31 December 2010 (part A, note 6)	-	-	-	-	-	-	(347.8)	-	(347.8)
Dividends paid to minority interests	-	-	-	-	-	-	-	(26.1)	(26.1)
Employees' share option scheme (ESOS)									
- shares issued upon exercise of options (part A, note 5(i))	23.4	23.0	-	-	-	-	-	-	46.4
- transfer of reserve upon exercise of options	-	17.2	-	(17.2)	-	-	-	-	-
- transfer of reserve upon expiry of ESOS	-	-	-	(2.5)	-	-	2.5	-	-
Shares issued upon disposal of shares by TM ESOS Management Sdn Bhd (part A, note 5(ii))	0.8	1.8	-	-	-	-	-	-	2.6
At 30 September 2010	**3,567.7**	**1,053.8**	**(1.3)**	**-**	**513.4**	**35.8**	**2,318.3**	**139.6**	**7,627.3**

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009

	Attributable to equity holders of the Company								
	Share Capital RM Million	Share Premium RM Million	Currency Translation Differences RM Million	ESOS Reserve RM Million	Fair Value Reserve RM Million	Capital Redemption Reserve RM Million	Retained Profits RM Million	Minority Interests RM Million	Total Equity RM Million
At 1 January 2009	3,456.0	4,305.4	(10.4)	82.9	111.0	-	2,303.2	226.5	10,474.6
Profit for the financial period	-	-	-	-	-	-	472.8	22.2	495.0
Other comprehensive income for the financial period, net of tax	-	-	7.6	-	56.0	-	-	-	63.6
Total recognised income for the financial period	-	-	7.6	-	56.0	-	472.8	22.2	558.6
Acquisition of remaining equity interest in a subsidiary	-	-	-	-	-	-	-	(103.9)	(103.9)
Bonus issue Reedemable Preference Shares (RPS)	35.8	(35.8)	-	-	-	-	-	-	-
Redemption of RPS	(35.8)	(3,470.0)	-	-	-	-	43.1	-	(3,462.7)
Creation of capital redemption reserve upon redemption of RPS	-	-	-	-	-	35.8	(35.8)	-	-
Final dividends paid for the financial year ended 31 December 2008	-	-	-	-	-	-	(377.2)	-	(377.2)
Interim dividends paid for the financial year ending 31 December 2009	-	-	-	-	-	-	(354.1)	-	(354.1)
Dividends paid to minority interest	-	-	-	-	-	-	-	(10.4)	(10.4)
Employees' share option scheme (ESOS)									
- options granted	-	-	-	6.9	-	-	-	-	6.9
- shares issued upon exercise of options	86.2	140.8	-	-	-	-	-	-	227.0
- transfer of reserve upon exercise of options	-	69.2	-	(69.2)	-	-	-	-	-
At 30 September 2009	**3,542.2**	**1,009.6**	**(2.8)**	**20.6**	**167.0**	**35.8**	**2,052.0**	**134.4**	**6,958.8**

(The above Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010

	FINANCIAL PERIOD ENDED	
	30/9/2010	**30/9/2009**
	RM Million	**RM Million**
Receipts from customers	6,186.4	5,994.8
Payments to suppliers and employees	(4,263.1)	(4,071.5)
Payment of finance cost	(264.4)	(247.2)
Refund of income taxes (net)	8.1	60.0
Payment of zakat	(4.2)	-
CASH FLOWS FROM OPERATING ACTIVITIES	**1,662.8**	**1,736.1**
Contribution for purchase of property, plant and equipment	524.9	484.8
Disposal of property, plant and equipment	6.0	5.4
Purchase of property, plant and equipment	(1,638.8)	(1,723.7)
Disposal of leasehold land	-	1.2
Repayment from Axiata Group Berhad (Axiata)	-	4,025.0
Disposal of Axiata's rights	-	66.0
Subscription of Axiata's rights	-	(72.0)
Disposal of long term investments	-	0.1
Disposal of available-for-sale investments/short term investments	441.0	99.6
Purchase of available-for-sale investments/short term investments	(165.0)	(98.2)
Disposal of financial assets at fair value through profit or loss/short term investments	66.8	73.8
Purchase of financial assets at fair value through profit or loss/short term investments	(19.8)	(47.9)
Acquisition of remaining interest in a subsidiary	-	(412.3)
Repayments of loans by employees	23.7	47.9
Loans to employees	(17.7)	(24.2)
Disposal of housing loan	15.4	334.1
Interests received	86.6	141.4
Dividends received	3.2	4.4
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	**(673.7)**	**2,905.4**
Issue of share capital	49.0	227.0
Redemption of RPS	-	(3,462.7)
Proceeds from borrowings	-	180.0
Repayments of borrowings	(13.4)	(184.4)
Repayments of finance lease	(2.4)	(2.2)
Dividends paid to shareholders	(694.2)	(731.3)
Dividends paid to minority interests	(26.1)	(10.4)
CASH FLOWS USED IN FINANCING ACTIVITIES	**(687.1)**	**(3,984.0)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	302.0	657.5
EFFECT OF EXCHANGE RATE CHANGES	6.4	9.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	3,490.2	2,094.7
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	**3,798.6**	**2,761.3**

(The above Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

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

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation

The unaudited interim financial statements for the third quarter ended 30 September 2010 of the Group have been prepared in accordance with Financial Reporting Standards (FRS) 134 "Interim Financial Reporting", paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2009. 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 2009 audited financial statements except for the changes arising from the adoption of the new and revised FRSs issued by Malaysian Accounting Standards Board (MASB) that are effective for the Group's financial year beginning on 1 January 2010. In addition, the Group has also adopted an accounting policy on customer acquisition costs as set out in note (V) below.

(I) New and revised FRSs issued by the MASB that are effective for the Group's financial year beginning on 1 January 2010

The new and revised standards, amendments to published standards and IC Interpretations that have been issued by the MASB that are effective for the Group's financial year beginning on 1 January 2010, being considered in this announcement are as follows:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (revised)	Presentation of Financial Statements
FRS 123 (revised)	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Shares Transactions
IC Interpretation 13	Customer Loyalty Programmes
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations

Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 (revised) Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(I) New and revised FRSs issued by the MASB that are effective for the Group's financial year beginning on 1 January 2010 (continued)

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

FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 107	Statement of Cash Flows
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipments
FRS 117	Leases
FRS 118	Revenue
FRS 123	Borrowing Costs
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 134	Interim Financial Reporting
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 139	Financial Instruments: Recognition and Measurement
FRS 140	Investment Property

The adoption of the above FRSs and ICs do not have any significant impact to the Group or the Group's significant accounting policies except as discussed below:

- The adoption of FRS 7 and Amendments to FRS 132 does not impact the financial results of the Group as the changes introduced are on presentation and disclosures.

- The Group has been reporting its segment information based on customer segments, which is also the basis of presenting its monthly internal management reports. Under FRS 8 "Operating Segments", operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Accordingly, the adoption of FRS 8 has not resulted in any changes to the reportable segments presented by the Group. The basis of measurement of segment results and segment assets are also unaffected as the Group has been using the same basis of measurement for its internal and external reporting.

- The revised FRS 101 requires all non-owner changes in equity to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present the statement of comprehensive income in two statements.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(I) New and revised FRSs issued by the MASB that are effective for the Group's financial year beginning on 1 January 2010 (continued)

- The improvement to FRS 117 "Leases" clarifies that the default classification of land elements in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117. The Group has reassessed and determined that all leasehold land are in substance finance leases and has reclassified these leasehold land to property, plant and equipment as disclosed in part A, note 13 (note A13). The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment. The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

- FRS 123 "Borrowing Costs" which replaces FRS 123_{2004} Borrowing Costs, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The adoption of the revised FRS 123 has not resulted in any changes to the Group's policy where borrowing cost incurred in connection with financing the construction and installation of property, plant and equipment is capitalised until the property, plant and equipment are ready for their intended use and all other borrowing costs are charged to the income statement.

- The changes in accounting policies arising from the adoption of FRS 139 and the principle effects are disclosed in note A13.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All new and revised FRSs adopted by the Group require retrospective application except for FRS 139 where its transitional provisions only require the recognition and re-measurement of all financial assets and financial liabilities as at 1 January 2010 as appropriate. The adjustments related to the previous carrying amounts are made to the opening retained earnings and available-for-sale reserves as appropriate. Comparatives are not restated.

A summary of the new accounting policies and impact of new accounting standards and amendments to the published standards and IC Interpretations to existing standards on the financial statements of the Group is set out in note A13.

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(II) Standards, amendments to published standards and IC Interpretations that are not yet effective and have not been early adopted

The revised standards, amendments to published standards and IC Interpretations that have been issued by the MASB and are applicable to the Group, which the Group has not early adopted, are as follows:

FRS 3 (revised)	Business Combinations
FRS 127 (revised)	Consolidated and Separate Financial Statements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distribution of Non-cash Assets to Owners

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

FRS 2	Share-based Payment
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 138	Intangible Assets
IC Interpretation 9	Reassessment of Embedded Derivatives

The adoption of the above standards, amendments to published standards and IC Interpretations are not expected to have a material impact on the Group.

(III) Standards, amendments to published standards and IC Interpretations that are effective for the financial year beginning on 1 January 2010 but not relevant for the Group's operations

FRS 4 Insurance Contracts
Amendments to FRS 1 First Time Adoption of Financial Reporting Standards and FRS 127 Consolidated Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Improvement to FRS 119 Employee Benefits
Improvement to FRS 120 Accounting for Government Grants
Improvement to FRS 129 Financial Reporting in Hyperinflationary Economies.
Improvement to FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures
IC Interpretation 14 FRS 119- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR i-3 Presentation of Financial Statements of Islamic Financial Institutions
SOP *i*-1 Financial Reporting from an Islamic Perspective

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

1. Basis of Preparation (continued)

(IV) Standards, amendments to published standards and IC Interpretations that are effective for the Group's financial year beginning on 1 January 2011 but not relevant for the Group's operations

FRS 1 (revised)	First-time Adoption of Financial Reporting Standards
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for Construction of Real Estate

(V) Accounting policies adopted in the current financial year

Customer acquisition costs

Customer acquisition costs are incurred in activating new customers pursuant to a contract. Customer acquisition costs are capitalised and amortised over the contract period. In the event that a customer terminates the service within the contract period, any unamortised customer acquisition costs are written off to the income statement immediately.

2. Seasonal or Cyclical Factors

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

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

On 6 September 2010, TM disposed its entire holding of 60,024,010 shares in Measat Global Berhad (MEASAT), representing 15.39% equity interest in MEASAT vide the acceptance of the conditional take-over offer from MEASAT Global Network Systems Sdn Bhd. The disposal has resulted in increase of cash flow and gain on disposal by RM252.1 million and RM141.7 million respectively.

Save for the above, 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 2010 other than as mentioned elsewhere in the unaudited interim financial statements.

4. Material Changes in Estimates

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

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

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

The issued and paid-up capital of the Company increased by 24.2 million ordinary shares from 3,543.5 million to 3,567.7 million ordinary shares of RM1.00 each as a result of the following:

(i) employees exercising 23.4 million options under the Special ESOS at the respective exercise price of RM1.91, RM2.22 and RM2.91 per share. The Special ESOS has expired on 16 September 2010.

(ii) disposal of 0.8 million ordinary shares of TM attributable to lapsed options by TM ESOS Management Sdn Bhd (TEMSB), the ESOS trust company specifically established by TM to act as a trustee to acquire, hold and manage the Special ESOS shares.

As per the By-laws of the Special ESOS scheme, the excess unallocated shares and shares attributable to lapsed options will be sold in an open market at the market value upon the expiration of the Special ESOS. The features of the Special ESOS are as disclosed in note 13 of the annual audited financial statements for the financial year ended 31 December 2009.

Save for the above, there were no other issuance, cancellations, repurchases, resale and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period ended 30 September 2010.

6. Dividends Paid

(i) A final gross dividend of 13.0 sen per share less tax at 25.0% amounting to RM348.8 million in respect of financial year ended 31 December 2009 was paid on 9 June 2010, inclusive of RM2.4 million paid to TEMSB which was adjusted on consolidation.

(ii) An interim gross dividend of 13.0 sen per share less tax at 25.0% amounting to RM348.8 million in respect of financial year ending 31 December 2010 was paid on 24 September 2010, inclusive of RM1.0 million paid to TEMSB which was adjusted on consolidation.

7. Segmental Information

Segmental information for the financial period ended 30 September 2010 and 30 September 2009 are as follows:

By Business Segment

All amounts are in RM Million	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
2010									
Operating Revenue									
Total operating revenue	1,703.0	1,326.5	1,311.9	969.8	5,311.2	824.4	814.6	3,091.5	10,041.7
Inter-segment @	(24.1)	-	(239.3)	(0.3)	(263.7)	(262.5)	(176.0)	(2,869.1)	(3,571.3)
External operating revenue	1,678.9	1,326.5	1,072.6	969.5	5,047.5	561.9	638.6	222.4	6,470.4
Results									
Segment result	(23.9)	195.3	260.5	254.0	685.9	139.5	168.2	(77.6)	916.0
Unallocated income/other gains #									163.7
Unallocated costs ^									(212.3)
Operating profit before finance cost									867.4
Finance income									87.0
Finance cost									(274.3)
Foreign exchange gain on borrowings									345.6
Associates									
- share of results (net of tax)									(0.3)
Profit before taxation and zakat									1,025.4
Taxation and zakat									(196.4)
Profit for the financial period									829.0

7. Segmental Information (continued)

All amounts are in RM Million	Retail Business				Total Retail Business	Wholesale Business	Global Business	Shared Services /Others	Total
	Consumer	SME	Enterprise	Government					
2009									
Operating Revenue									
Total operating revenue	*	*	*	*	4,940.7	878.1	938.4	3,252.2	10,009.4
Inter-segment @					(21.8)	(285.1)	(327.2)	(3,039.9)	(3,674.0)
External operating revenue					4,918.9	593.0	611.2	212.3	6,335.4
Results									
Segment result	*	*	*	*	488.6	187.3	228.6	1.0	905.5
Unallocated income/other gains #									119.0
Unallocated costs ^									(222.7)
Operating profit before finance cost									801.8
Finance income									142.2
Finance cost									(269.8)
Foreign exchange loss on borrowings									(6.8)
Associates									
- share of results (net of tax)									0.6
Profit before taxation and zakat									668.0
Taxation and zakat									(173.0)
Profit for the financial period									495.0

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

7. Segmental Information (continued)

* The breakdown of segment results by Consumer, SME, Enterprise and Government for the comparative period was not available as the realignment of Retail Business into these 4 sub-segments was only implemented in second quarter 2009.

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

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

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

The prior year comparatives have been re-presented in line with the review of the costings and allocations of shared services and corporate centre costs undertaken in fourth quarter 2009.

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

There was no material event subsequent to the balance sheet date that requires disclosure or adjustments to the unaudited interim financial statements.

10. Effects of Changes in the Composition of the Group

There is no change in the composition of the Group for the current quarter and financial period ended 30 September 2010 save as below:

TM Land Sdn Bhd (TM Land)

On 8 February 2010, TM commenced the members' voluntary winding up of TM Land, a wholly owned subsidiary of TM, held via TM Facilities Sdn Bhd, in accordance with Section 254(1)(b) of the Companies Act, 1965 (the Act). Accordingly, pursuant to Section 272(5) of the Act, TM Land was dissolved effective from 26 July 2010.

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

Other than material litigations disclosed in part B, note 11 of this announcement, there were no other material changes in contingent liabilities since the latest audited financial statements of the Group for the financial year ended 31 December 2009.

12. Commitments

Capital Commitments

	Group	
	30/9/2010	30/9/2009
	RM Million	RM Million
Property, plant and equipment:		
Commitments in respect of expenditure approved and contracted for	**4,843.0**	3,256.8
Commitments in respect of expenditure approved but not contracted for (note (i))	**5,944.7**	7,858.0

(i) Includes expenditure approved but not contracted for in relation to High Speed Broadband (HSBB) project. The project involves the deployment of access, domestic core and international networks to deliver an end-to-end HSBB infrastructure covering 1.3 million premises nationwide by 2012.

13. Changes in Accounting Policies

The following describes the impact of the new accounting standards, amendments to the published standards and IC Interpretations adopted by the Group for financial year beginning on 1 January 2010 as listed in part A, note 1(I).

(I) Adoption of new accounting policies and changes in accounting policies

Financial Instruments (FRS 139 "Financial Instruments: Recognition and Measurement")

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Management determines the classification of its financial assets at initial recognition based on the nature of the asset and the purpose for which the asset was acquired. Set out below are the changes in classifications and the recognition and measurement for the respective category of financial assets:

(i) Available-for-sale financial assets

Fixed income securities (within current assets), certain non-current equity investments and convertible education loans within long term receivables, previously measured at cost and subject to impairment, are now classified as available-for-sale investments and available-for-sale receivables respectively. These are initially measured at fair value plus transaction costs and subsequently, at fair value.

Changes in the fair values of available-for-sale investments are recognised in other comprehensive income. Whereas, changes in the fair value of available-for-sale receivables classified as non-current assets can be analysed by way of changes arising from conversion of the receivables to scholarship and other fair value changes. Changes arising from the conversion are recognised in the income statement, whereas, other fair value changes are recognised in the statement of comprehensive income. Interests on available-for-sale receivables calculated using the effective interest method is recognised in the income statement.

A significant or prolonged decline in the fair value of the financial asset below its cost is considered as an indicator that the asset is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the cumulative fair value, less any impairment loss previously recognised in income statement, is reversed from equity and recognised in income statement. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed through income statement. Impairment losses recognised in income statement on equity instruments classified as available-for-sale are reversed through other comprehensive income and not through income statement.

When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in income statement.

13. Changes in Accounting Policies (continued)

(I) Adoption of new accounting policies and changes in accounting policies (continued)

(ii) Loans and receivables

Other long term receivables, previously carried at net realisable value are now classified as loans and receivables and measured at fair value plus transaction costs initially and subsequently, at amortised cost using the effective interest method. When loans and receivables are impaired, the carrying amount of the asset is reduced and the amount of the loss is recognised in income statement. Impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in income statement.

(iii) Fair value through profit or loss

(a) Quoted equity securities

Quoted equity securities (within current assets), previously carried at the lower of cost and market value, determined on an aggregate portfolio basis, are now classified as financial assets at fair value through profit or loss, where changes in fair value are recognised in income statement at each reporting date.

(b) Derivative financial instruments and hedging activities

Derivative financial instruments were previously not recognised in the financial statements on inception. These are now recognised and measured at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value recognised in income statement at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

13. Changes in Accounting Policies (continued)

(I) Adoption of new accounting policies and changes in accounting policies (continued)

(iii) Fair value through profit or loss (continued)

(b) Derivative financial instruments and hedging activities (continued)

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(c) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains/(losses) – net'. Changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk are recognised in the income statement within 'finance costs'.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to income statement over the period to maturity.

The Group classifies trade and other payables, customer deposits and borrowings as other financial liabilities. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. The adoption of FRS 139 has no significant impact to these financial liabilities.

The Group has applied the new policies in relation to the financial instruments above in accordance with the transitional provisions in FRS 139 by recognising and re-measuring all financial assets and financial liabilities as at 1 January 2010 as appropriate. The related adjustments to the previous carrying amounts are made to the opening retained profits and available-for-sale reserves as appropriate. Comparatives are not restated. The effects of the changes are disclosed below.

13. Changes in Accounting Policies (continued)

(II) Adjustments due to Change in Accounting Policies

The effects arising from the adoption of the new standard as described above, other than those disclosed in the statement of changes in equity, is set out below:

(i) Restatement arising from amendment to FRS 117

	As previously reported RM Million	Reclassification RM Million	As restated RM Million
As at 31 December 2009			
Property, plant and equipment	12,329.9	74.4	12,404.3
Prepaid lease payments	74.4	(74.4)	-

(ii) Changes arising from adoption of FRS 139

	As previously reported RM Million	Reclassifications RM Million	Adjustments on opening position RM Million	As restated/ adjusted RM Million
As at 1 January 2010				
Fair value reserve	155.5	-	100.4	255.9
Retained profits	2,222.2	-	(18.0)	2,204.2
Non-Current Liabilities				
Borrowings	5,796.9	-	(7.0)	5,789.9
Derivative financial liabilities	-	-	10.3	10.3
Non-Current Assets				
Available-for-sale investments	608.2	152.8	99.5	860.5
Other investments	152.8	(152.8)	-	-
Available-for-sale receivables	-	53.3	(17.1)	36.2
Other long term receivables	108.9	(53.3)	1.0	56.6
Derivative financial assets	-	-	2.2	2.2
Current Assets				
Trade and other receivables	2,284.0	-	(1.0)	2,283.0
Short term investments	294.7	(294.7)	-	-
Available-for-sale short term investments	-	224.5	1.1	225.6
Investments at fair value through profit or loss	-	70.2	-	70.2

13. Changes in Accounting Policies (continued)

(II) Adjustments due to Change in Accounting Policies (continued)

(iii) Reclassification of Comparatives to enhance comparability on adoption of FRS 139

Arising from the adoption of FRS 139, certain comparatives for the quarter ended 30 September 2009 has been reclassified to enhance comparability of the amounts disclosed. These are shown below:

	3RD QUARTER ENDED 30 SEPTEMBER 2009			FINANCIAL PERIOD ENDED 30 SEPTEMBER 2009		
	As previously reported RM Million	Reclassifi-cations RM Million	As restated RM Million	As previously reported RM Million	Reclassifi-cations RM Million	As restated RM Million
Other Operating Cost	(1,416.3)	(13.5)	(1,429.8)	(4,100.8)	(64.8)	(4,165.6)
Diminution in value of quoted investments	13.5	(13.5)	-	64.8	(64.8)	-
Other Operating Income (net)	20.2	3.5	23.7	110.6	32.0	142.6
Loss on disposal of quoted investments	(3.7)	3.7	-	(32.9)	32.9	-
Gain on disposal of fixed income securities	0.2	(0.2)	-	0.9	(0.9)	-
Other Gain (net)	-	10.0	10.0	-	32.8	32.8

PART A: EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARDS 134

13. Changes in Accounting Policies (continued)

(III) Comparative Figures

FRS 101 Presentation of Financial Statements

As a result of the adoption of the revised FRS 101, income statement of the Group for the comparative financial period ended 30 September 2009 have been re-presented as two separate statements, i.e. an income statement displaying components of profit or loss and a statement of comprehensive income. All non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity. Since these changes only affect presentation aspects, there is no impact on earnings per ordinary share.

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

1. Review of Performance

(a) Quarter-on-Quarter

For the current quarter under review, the Group revenue increased by 4.5% to RM2,194.6 million as compared to RM2,101.0 million in the third quarter 2009, mainly attributed to higher revenue from data and other telecommunications related services, which mitigated the impact of lower revenue from voice and non-telecommunications services.

Data revenue increased by 24.6% in third quarter to RM440.9 million compared to RM353.9 million in the same quarter 2009 arising from demand for higher bandwidth services.

Other telecommunications related services revenue increased by 34.2% in third quarter to RM320.7 million compared to RM238.9 million in third quarter 2009 mainly due to higher revenue from customers' projects such as MERS 999 and income from HSBB grant.

Internet and multimedia registered higher revenue by 1.4% to RM411.1 million in the current quarter arising from increased in broadband customers to 1.60 million in the current quarter from 1.40 million in the corresponding quarter 2009.

Operating profit before finance cost of RM396.5 million increased by 86.8% compared to RM212.3 million recorded in the same quarter last year primarily due to higher operating revenue and higher gain on disposal of investments in Measat as explained in note A3 of this announcement.

Group profit after tax and minority interests (PATAMI) increased by 144.8% to RM438.5 million as compared to RM179.1 million in the corresponding quarter in 2009. This was mainly attributed to higher operating revenue, gain on disposal of investments and higher unrealised exchange gain on translation of foreign currency borrowings.

(b) Year-on-Year

For the period under review, Group revenue increased by 2.1% to RM6,470.4 million as compared to RM6,335.4 million recorded in the corresponding period last year, mainly attributed to higher operating revenue from data services, Internet and multimedia and other telecommunications related services, which mitigated the decline in voice revenue.

Operating profit before finance cost of RM867.4 million was higher by 8.2% as compared to RM801.8 million recorded in the preceding year corresponding period largely due to higher operating revenue and gain on disposal of investments in current year to date.

Group PATAMI increased by 70.4% to RM805.8 million as compared to RM472.8 million recorded in the corresponding period last year primarily due to reasons as explained in note (a) above.

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

1. Review of Performance (continued)

(c) Economic Profit Statement

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/9/2010 RM Million	30/9/2009 RM Million	**30/9/2010 RM Million**	30/9/2009 RM Million
EBIT	**263.7**	202.3	**735.6**	769.0
Adjusted Tax	65.9	50.6	183.9	192.3
NOPLAT	**197.8**	151.7	**551.7**	576.7
AIC	2,916.0	3,016.6	8,747.9	9,049.7
WACC	6.18%	6.37%	6.17%	6.43%
ECONOMIC CHARGE	**180.2**	192.2	**539.7**	581.9
ECONOMIC PROFIT/ (LOSS)	**17.6**	(40.5)	**12.0**	(5.2)

Definitions:
EBIT = Earnings before Interest & Taxes
NOPLAT = Net Operating Profit less Adjusted 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 is measured by the difference of NOPLAT and Economic Charge.

TM Group recorded EP of RM17.6 million in the third quarter 2010, an increase of RM58.1 million (+143.5%) from the corresponding quarter last year of Economic Loss (EL) of RM40.5 million. This was attributed to the higher EBIT which increased by RM61.4 million (+30.4%) and the lower economic charge by RM12.0 million (-6.2%).

Higher EBIT of RM61.4 million was mainly contributed by the increase in operating revenue whilst lower AIC, which reduced by RM100.6 million (-3.3%) coupled with lower WACC (-0.19 percentage point) has contributed to lower economic charge.

Lower AIC was mainly attributed to reduction in trade, other and long term receivables. Whereas, lower WACC were mainly contributed by the lower total borrowings (-20.8%) and lower cost of equity (-0.7 percentage point).

On year to date basis, TM Group recorded EP of RM12.0 million, an increase of RM17.2 million from EL of RM5.2 million reported in the corresponding period last year due to higher operating revenue.

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

2. Comparison with Preceding Quarter's Results

The current quarter Group revenue increased by 2.0% to RM2,194.6 million as compared to RM2,150.9 million recorded in the second quarter 2010, primarily due to higher revenue from data services and other telecommunications related services net of lower revenue from voice services.

Operating profit before finance cost increased by 86.7% to RM396.5 million as compared to RM212.4 million recorded in the preceding quarter mainly due to higher operating revenue, lower operating costs and higher gain on disposal of investments in current quarter.

Consequent from higher operating profit before finance cost coupled with higher unrealised exchange gain on borrowings, the current quarter Group PATAMI increase significantly from RM124.4 million recorded in the preceding quarter to RM438.5 million in current quarter.

3. Prospects for the Current Financial Year

The Malaysian Institute of Economic Research (MIER) maintained its 2010 Gross Domestic Product (GDP) growth forecast at 6.5%, given a stronger-than-expected first quarter GDP growth along with the strengthening domestic demand and stabilizing conditions. The growth is however, expected to taper-off in the second half of this year due to further policy-tightening measures, stronger ringgit along with uncertainties emanating from Europe of which might affect exports and competitiveness for the rest of the year. Consequently, MIER expects GDP growth to ease to 5.2% in 2011. (Source: MIER, October 2010)

Against this background, the broadband market is set to grow further as the country moves rapidly towards internet based activities and transactions. Public and private sectors have helped set the pace to further drive internet and broadband adoption via the availability of more online based transactions. This encouraging development together with government's continuous efforts through the National Broadband Initiative has narrowed the digital divide between the rural and urban population. Broadband service is now gradually being seen as a necessity for average Malaysian and this was evident through strong take-up rate of TM's broadband services recorded over the previous quarters.

As of 15 November 2010, the total number of UniFi users has exceeded 21,000, whilst premises passed exceeded the 700,000 level. UniFi coverage has also been expanded to cover a total of 26 exchange areas with 7 of those exchange areas located in industrial zones in Johor, Penang, Kedah and Selangor. By year end 2010, TM is expected to meet the target total of 48 exchange areas being served by UniFi with 750,000 premises passed. TM is targeting to achieve 1.3 million premises passed by end 2012.

Malaysia's economic growth is widely expected to moderate from the second half of the year onwards. In view of the intense competitive telecommunication landscape and the lead time necessary to build the HSBB related businesses, the Board of Directors expects TM's business environment for the financial year ending 31 December 2010 to remain challenging.

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 any public document in respect of the financial period ended 30 September 2010.

5. Taxation

The taxation charge for the Group comprises:

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/9/2010	30/9/2009	**30/9/2010**	30/9/2009
	RM Million	RM Million	RM Million	RM Million
Malaysia				
Income Tax:				
Current year	**25.4**	(16.2)	**65.8**	51.9
Prior year	**(9.8)**	(7.3)	**(11.9)**	(11.8)
Deferred tax (net):				
Current year	**53.0**	56.2	**154.4**	127.0
Prior year	**-**	(2.4)	**(2.5)**	1.1
	68.6	30.3	**205.8**	168.2
Overseas				
Income Tax:				
Current year	**0.2**	0.5	**1.5**	2.5
Prior year	**0.5**	1.1	**0.4**	1.1
Deferred tax (net):				
Current year	**-**	-	**(0.3)**	-
Prior year	**(10.2)**	0.2	**(10.2)**	0.2
	(9.5)	1.8	**(8.6)**	3.8
Taxation	**59.1**	32.1	**197.2**	172.0
Zakat:				
Current year	**0.2**	-	**(0.8)**	1.0
Taxation and Zakat	**59.3**	32.1	**196.4**	173.0

The current quarter and financial period effective tax rate of the Group was lower than the statutory tax rate mainly attributed to higher profit from disposal of investments and unrealised exchange gain on translation of foreign currency borrowings which are not subjected to tax.

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

There were no other profit on sale of unquoted investments and/or properties other than in the ordinary course of the Group's business for the current quarter and financial period ended 30 September 2010.

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 2010 are as follows:

	Current quarter RM Million	**Period to date RM Million**
Total purchases	8.8	19.8
Total disposals*	285.7	342.7
Total gain on disposal*	152.3	153.3

* Includes disposal of investment in Measat and Axiata shares attributed to lapsed ESOS options

(b) Total investments in quoted securities as at 30 September 2010 are as follows:

	RM Million
At cost	492.7
At book value	876.1
At market value	876.1

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 2010 are as follows:

	Current quarter RM Million	**Period to date RM Million**
Total purchases	45.8	165.0
Total disposals	44.9	165.1
Total gain on disposal	0.1	0.2

(b) Total investments in quoted fixed income securities as at 30 September 2010 are as follows:

	RM Million
At cost	226.1
At book value	229.7
At market value	229.7

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

8. Status of Corporate Proposals

There is no corporate proposal announced and not completed as at the latest practicable date.

9. Group Borrowings and Debt Securities

(a) Analysis of the Group's borrowings and debt securities as at 30 September are as follows:

	2010		2009	
	Short Term Borrowings RM Million	**Long Term Borrowings RM Million**	Short Term Borrowings RM Million	Long Term Borrowings RM Million
Secured	-	-	-	24.4
Unsecured	841.2	5,532.4	34.5	6,963.8
Total	**841.2**	**5,532.4**	**34.5**	**6,988.2**

(b) Foreign currency borrowings and debt securities as at 30 September are as follows:

	2010	2009
Foreign Currency	**RM Million**	RM Million
US Dollar	3,163.0	3,809.7
Canadian Dollars	3.8	4.3
Total	**3,166.8**	**3,814.0**

10. Derivative Financial Instruments

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

	As at 30 September 2010		
Derivatives (by maturity)	**Contract or notional amount RM Million**	**Fair Value Assets RM Million**	**Fair Value Liabilities RM Million**
1. Forward Foreign Currency Contracts			
- Less than 1 year	291.0	-	(12.1)
- More than 3 years	344.2	-	(13.3)
	635.2	**-**	**(25.4)**
2. Structured Forward Foreign Currency Contacts			
- Less than 1 year	158.0	-	(3.7)
	158.0	**-**	**(3.7)**
3. Interest Rate Swaps			
- 1 year to 3 years	1,500.0	3.9	-
- More than 3 years	500.0	14.2	-
	2,000.0	**18.1**	**-**
	2,793.2	**18.1**	**(29.1)**

10. Derivative Financial Instruments (continued)

(b) Changes to derivative financial instruments

The changes to derivative financial instruments since the last financial year are as follows:

Forward Foreign Currency Contracts
Underlying Liability
USD260.3 million 8.00% Guaranteed Notes due in 2010

In 2000, the Company issued USD300.0 million 8.00% Guaranteed Notes due in 2010, redeemable in full on 7 December 2010. On 4 December 2009, the Company repurchased USD39.7 million of the Notes.

Derivative Financial Instruments
On 29 March 2010, the Group entered into two forward foreign currency contract transactions which will mature on 6 December 2010. On the maturity date, the Group would receive USD10.0 million for each contract from the counter-party in return for a total payment of RM66.4 million.

Subsequently on 5 and 7 April 2010, the Group entered into three additional forward foreign currency contracts also maturing on 6 December 2010. On the maturity date, the Group would receive USD10.0 million for each contract from the counter-party in return for a total payment of RM97.9 million.

On 30 July 2010, the Group entered into a structured forward contract which subject to the USD/MYR rate prevailing in the market at the settlement date of 6 December 2010, the Group will purchase USD50 million at a rate which vary between a pre-determined floor and an adjusted market rate.

In August and September 2010, the Group entered into another four forward foreign currency contracts that will mature on 6 December 2010. On the maturity date, the Group would receive USD10.0 million for each contract from the counter party in return for a total payment of RM126.7 million collectively.

The objective of both forward foreign currency and structured forward foreign currency is to effectively convert the USD liability into a RM principal liability.

(c) Financial Risk Management Objectives and Policies

Other than what has been disclosed in the above subnote (b), there have been no changes since the end of the previous financial year in respect of the following:

(i) The types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts; and

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

10. Derivative Financial Instruments (continued)

(c) Financial Risk Management Objectives and Policies (continued)

(ii) The risk management policies in place for mitigating and controlling the risks associated with these derivative financial instrument contracts.

The details on the above, the valuation and the financial effects of derivative financial instruments that the Group has entered into are discussed in note 17, 44 and 47 of the audited annual financial statements for the financial year ended 31 December 2009 .

(d) Related Accounting Policies

The related accounting policies of the Group in respect of derivative financial instruments and hedge accounting are disclosed in note A13.

(e) Gains/(Losses) Arising from Fair Value Changes of Financial Liabilities

The amount of gains/(losses) for the Group arising from fair value changes of financial liabilities existing as at 30 September 2010 and that are carried at fair value through profit or loss (FVTPL) for the current quarter and financial period ended on 30 September 2010 are as follows:

Derivatives (by Maturity)	Contract or notional value RM Million	Fair Value as at 30 September 2010 RM Million	Loss arising from fair value changes for the Current Quarter RM Million	Loss arising from fair value changes for the Financial period to date RM Million
Hedging Instruments				
1. Forward Foreign Currency Contracts				
- Less than 1 year	291.0	(12.1)	(11.0)	(12.1)
- More than 3 years	344.2	(13.3)	(7.3)	(10.3)
	635.2	**(25.4)**	**(18.3)**	**(22.4)**
2. Structured Forward Foreign Currency Contracts				
-Less than 1 year	158.0	(3.7)	(3.7)	(3.7)
	158.0	**(3.7)**	**(3.7)**	**(3.7)**
Total	**793.2**	**(29.1)**	**(22.0)**	**(26.1)**

10. Derivative Financial Instruments (continued)

(e) Gains/(Losses) Arising from Fair Value Changes of Financial Liabilities (continued)

The changes in fair value of interest rate swaps arose from the changes in present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The Marked to Market (MTM) on forward contract is negative when the expectation of USD/MYR currency is strengthened and vice versa.

The MTM on the IRS is positive when the expectation of relevant future interest rate decreases and vice versa.

11. Material Litigation

I. With reference to the following material litigation cases as disclosed under Contingent Liabilities in note 42 to the audited financial statements of the Group for the financial year ended 31 December 2009, listed below are updates of the relevant cases since the date of the last audited financial statements:

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

AHSB's application to set aside the Court Order which dismissed its claim on 16 September 2009 has been disallowed by the Court on 8 April 2010. As AHSB had not filed any appeal against the above said decision within the period allowed under the law, the legal suit against TM has effectively ended.

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

On 29 April 2010, the High Court fixed 23 July 2010 as the hearing date for TM and TESB's application to strike out the legal suit (Striking Out Application). On 23 July 2010, the hearing date was postponed to 4 November 2010.

On 4 November 2010, the High Court further postponed the Striking Out Application to 25 January 2011 for mention after all the parties agreed to consider a possible mediation of the dispute.

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

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

11. Material Litigation (continued)

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

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

On 23 June 2010, TM was notified that the Federal Court has fixed 10 August 2010 as the hearing date of MSI's application for leave to appeal. On 10 August 2010, the Federal Court heard and dismissed MSI's application for leave to appeal.

With this decision, the Suit against TM, TESB and 19 others has effectively been brought to an end.

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

On 31 December 2009, the duly sealed application by TM and TM Net to strike-out the Writ and Amended Statement of Claim by NGSB against TM and TM Net (Striking Out Application) was extracted from the High Court.

On 15 July 2010, the Court proceeded with the hearing of the Striking Out Application and dismissed the same with cost on 9 August 2010. On 3 September 2010, TM and TM Net filed an appeal to the Court of Appeal against the decision of the High Court which dismissed TM and TM Net's Striking Out Appeal. To date, the Court of Appeal has not set any hearing date for the Striking Out Appeal.

Meanwhile, NGSB's application to re-amend its Amended Statement of Claim (NGSB's Amendment Application) which was fixed for hearing on 13 September 2010 was postponed to 6 October 2010. On 6 October 2010, the Senior Assistant Registrar of the High Court (SAR) has decided to defer the hearing after the disposal of the Striking Out Appeal. The SAR further fixed 1 December 2010 as the mention date for NGSB's Amendment Application.

On 14 October 2010, NGSB filed an appeal to the Judge of the High Court against the decision of the SAR to defer NGSB's Amendment Application as above stated. No date has been fixed for NGSB's appeal.

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

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.

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

12. Earnings Per Share (EPS)

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/9/2010	30/9/2009	**30/9/2010**	30/9/2009
(a) Basic earnings per share				
Profit attributable to equity holders of the Company (RM million)	**438.5**	179.1	**805.8**	472.8
Weighted average number of ordinary shares (million)	**3,559.0**	3,537.1	**3,552.2**	3,506.7
Basic earnings per share (sen) attributable to equity holders of the Company	**12.3**	5.1	**22.7**	13.5

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

	3RD QUARTER ENDED		FINANCIAL PERIOD ENDED	
	30/9/2010	30/9/2009	**30/9/2010**	30/9/2009
(b) Diluted earnings per share				
Profit attributable to equity holders of the Company (RM million)	**438.5**	179.1	**805.8**	472.8
Weighted average number of ordinary shares (million)	**3,559.0**	3,537.1	**3,552.2**	3,506.7
Adjustment for dilutive effect of Special ESOS (million)	**-**	11.7	**-**	18.3
Weighted average number of ordinary shares (million)	**3,559.0**	3,548.8	**3,552.2**	3,525.0
Diluted earnings per share (sen) attributable to equity holders of the Company	**12.3**	5.0	**22.7**	13.4

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

12. Earnings Per Share (EPS) (continued)

The remaining options unexercised as at 16 September 2010 had lapsed and became null and void. There is no dilutive potential ordinary share as at 30 September 2010. Thus, diluted earnings per share is equal to basic earnings per share.

13. Qualification of Preceding Audited Financial Statements

The audited financial statements for the financial year ended 31 December 2009 were not subject to any qualification.

14. Dividends

(a) On 23 August 2010, the Board of Directors has declared an interim gross dividend of 13.0 sen per share less tax at 25% for the financial year ending 31 December 2010 (2009: an interim tax exempt dividend of 10.0 sen per share). The dividend was paid on 24 September 2010 to shareholders whose names appeared in the Register of Members and Record of Depositors on 7 September 2010.

(b) No dividend is declared for the current quarter ended 30 September 2010.

By Order of the Board

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

Kuala Lumpur
26 November 2010