

NEWS RELEASE

Kuala Lumpur

23 February 2007

TM RECORDS HIGHER NET PROFIT OF RM2.069 BILLION**GROUP RESULTS*****Revenue increased by 17.6% to RM16.4 billion******EBITDA improved to RM7.5 billion******Group's mobile customers surpassed 28 million***

Telekom Malaysia Berhad (TM) recorded a Profit After Tax and Minority Interest (PATAMI) of RM2.069 billion for the financial year ended 31 December 2006. The healthy performance was mainly attributed to higher group revenue, better cost and financial management and foreign exchange gain. The Group recorded PATAMI of RM811.3 million in 2005 where the provision for a claim in respect of the award to DeTeAsia Holding GmbH of RM879.5 million that was made in the fourth quarter of 2005 caused a huge dent to the Group's profit.

Revenue in 2006 grew by 17.6% to RM16.4 billion compared to RM13.9 billion recorded in 2005. This was mainly driven by mobile, data services and Internet and multimedia segments of the Group's business.

Revenue composition for 2006 full year results:

	FY 2005 (RM mil)	% Contribution	FY 2006 (RM mil)	% Contribution
Fixed Services: Fixed Line and Data, and Internet & Multimedia	7,589.7	54.4	7,482.5	45.6
Mobile Domestic	4,281.8	30.6	4,424.0	27.0
Mobile Overseas	1,770.7	12.7	4,140.5	25.2
Others	300.2	2.2	352.2	2.2
TOTAL REVENUE	13,942.4	100.0	16,399.2	100.0

The Group also registered healthier Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM7,529.6 million, an improvement from RM5,213.3 million registered in 2005. EBITDA after adjusting for the provision for DeTeAsia claim in 2005 amounted to RM6,092.8 million.

Tan Sri Dato' Ir. Md. Radzi Mansor, Chairman, TM said, "Our 2006 results showed that our transformation efforts are progressing well. This is reflected in the changing 'face' of our revenue driver and composition, as well as how we approach our business. TM today is an emerging regional player with operations and interests in 13 countries in Asia and globally, with some 28 million mobile customers across the region. Mirroring our expanding regional footprint and efforts put forward to derive synergy and enhance value from our investments, contributions from our international operations continued to grow in significance. For 2006, our overseas operations contributed 25% to the Group's revenue, a significant jump from only 13% in 2005."

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Giving further insight into the full year results, Dato' Abdul Wahid Omar, Group Chief Executive Officer, TM added, "2006 was indeed a significant year for TM where for the first time ever, revenue from our domestic and overseas mobile operations exceeded our traditional fixed line revenue. For 2006 mobile continued to be the major driver of revenue growth, contributing 52.2% of the Group's revenue. Such growth was mostly contributed by Celcom (Malaysia) Berhad (Celcom), Dialog Telekom Limited (Dialog), Excelcomindo Pratama Tbk (XL), and TM International (Bangladesh) Limited (TMIB). This reinforces our positioning as an emerging regional communications company with particular emphasis on mobile."

Dato' Abdul Wahid further added, "Notwithstanding that, fixed services still continue to play an important role in providing us steady revenue stream. In terms of value, fixed services contributed RM7.5 billion to the Group revenue in 2006. As an emerging regional player, we fully understand the importance of having a solid foundation in the home market. One of the main thrusts of the Performance Improvement Program (PIP) launched in August 2006 is to revitalise our fixed services. While it could still be early days, we are happy to note that we have made some progress in slowing the decline in the Group's fixed services in the second half of 2006. "

Dividend

The Board of Directors has proposed to declare a final gross dividend of 30 sen per share less tax of 27%, amounting to RM744.1 million. Combined with the interim dividend of 16 sen per share less tax of 28% paid on 18 September 2006, the total dividend payout in respect of financial year 2006 would amount to RM1.135 billion. This represents a payout ratio of 55% which is within the dividend payout policy of 40% to 60% of PATAMI.

Q4 2006 on Q4 2005

For Q4 2006, the Group revenue increased by 17.4% to RM4.4 billion as compared to RM3.8 billion in Q4 2005, mainly attributed to higher revenue from mobile, Internet and multimedia segments. Significant increase in mobile revenue was mainly attributed to higher contribution by XL as well as increased revenue recorded by Celcom, TMIB and Dialog.

The Group PATAMI increased by 190.1% to RM631.6 million as compared to a loss of RM701.3 million in Q4 2005, mainly attributed to the absence of provision for a claim in fourth quarter 2005 which was made under protest in respect of the award to DeTeAsia Holding GmbH. Better performance by Dialog and TMIB, better cost management and foreign exchange gain were the other contributing factors.

Q4 2006 on Q3 2006

For Q4 2006, the Group revenue increased by 4.3% to RM4.4 billion over RM4.2 billion recorded in the preceding quarter, mainly due to higher contribution from mobile and other segments. The Group PATAMI of RM631.6 million was 31.0% higher than RM482.2 million recorded in the preceding quarter, primarily due to higher revenue, improved cost management and foreign exchange gain.

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MALAYSIA

Fixed Services (Fixed Line and Data)

In 2006, fixed line and data services contributed RM6.6 billion to the Group revenue, 5.3% lower than RM7.0 billion contributed in 2005. This decline was however mitigated by the initiatives under PIP where TM has rolled out a number of attractive packages to retain and attract customers. Some of the initiatives include iTalk with Mobile (VOIP call card) and the most recent one, Let's Talk Campaign, bundling fixed line and broadband services.

The Group's fixed line customers remained stable at 4.4 million as at December 2006.

Internet and Multimedia

Internet and multimedia business registered a strong annual growth of 43.0%. Its contribution to Group revenue grew to RM869.9 million from RM608.0 million recorded in 2005.

Broadband has been identified as the driver to re-vitalize fixed services. The Group is focused on increasing broadband penetration. TM Net has been aggressively promoting its products and services some of which include organizing TM Net Broadband Fiesta, a nationwide road show to introduce its latest offerings to the market, streamyx shock festive promotion and member get member program.

Q4 2006 saw a net addition of 134,000 customers bringing the Group's total broadband customer base to 864,000 for 2006, a growth of 74.5% from 495,000 at the end of 2005.

Domestic Mobile

The Group's domestic mobile business, spearheaded by Celcom contributed RM4.4 billion to the Group revenue as compared to RM4.3 billion contributed in the same period last year.

Celcom has been aggressive in offering its latest products and services. Leveraging on its partnership with Vodafone, Celcom launched Vodafone Mobile Connect 3G Broadband (HSDPA) data card and 'Blackberry by Vodafone'. It also launched PowerTools for the enterprise market, formed an alliance with online search engine Google, and joined hands with Maybank to introduce Malaysia's first mobile financial services, the Maybank2u Mobile Service.

Mobile customers were at 6.1 million as at end of 2006. Celcom experienced a net decline of 1.3 million customers as a result of prepaid registration exercise. These customers are inactive and therefore had minimal impact on revenue. This is evident from the increase in prepaid ARPU from RM49 in Q3 2006 to RM56 in Q4 2006.

INTERNATIONAL

Dialog, Sri Lanka

Dialog Telekom Limited (Dialog) continued to deliver sterling results registering a PAT of SLR10.1 billion (SLR100 : RM3.284) for the financial year-end 2006, a 44% increase from SLR7.0 billion registered in financial year-end 2005.

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It also showed steady growth in revenue registering SLR25.7 billion, a 42% increase for the financial year-end 2006 against SLR18.0 billion registered for 2005.

Dialog also maintains its leading position as the number one mobile operator in Sri Lanka with a total customer base of 3.1 million, representing a 46% annual growth.

Excelcomindo, Indonesia

PT Excelcomindo Pratama Tbk. (XL) registered a PATAMI of Rp.652 billion (Rp1000: RM0.39) for the financial year-end 2006, a turnaround from a loss of Rp.224 billion in 2005.

XL achieved a full year gross revenue of Rp. 6.5 trillion for 2006, an increase of 50% compared to 2005 full year gross revenue of Rp. 4.3 trillion.

XL's customers has surpassed the 9 million milestone. As at end of 2006, its customers stood at 9.5 million, representing an annual growth of 36% from 7.0 million at the end of 2005.

TMIB, Bangladesh

TM International Bangladesh Limited (TMIB) turned in a PAT of BDT4.3 billion (BDT100 : RM5.10) for the financial year-end 2006, a 10% increase from BDT3.9 billion recorded in 2005.

Revenue for TMIB increased by 41% to BDT13.1billion from BDT 9.3 billion a year ago.

Its total customers stood at 5.8 million, representing a significant annual growth of 89%.

2006 HEADLINE KPI ACHIEVEMENTS

Headline KPIs	FY2005 Actual	FY2006 Actual	FY2006 KPI
1. Revenue	RM 13.9 billion	RM 16.4 billion	RM 17.0 billion
2. Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) Margin	43.7%*	45.9%	45.9%
3. Return on Capital Employed (ROCE)**	9.3%	11.7%	10.6%

* Excludes provision for DeTe Asia claim

** ROCE defined as EBIT / Average capital employed

TM has achieved its headline EBITDA margin from better cost and financial management. The cost savings of more than RM200 million were achieved from lower direct costs, manpower and marketing expenses. This was a result of TM's ongoing efforts in its PIP. However there were exceptional cost items such as voluntary separation scheme, ESOS expense and cable theft replacement costs that partially offset the impact of cost savings and gain on foreign exchange.

The on-target EBITDA margin coupled with better financial management contributed to a higher ROCE of 11.7% exceeding the 10.6% KPI target. In addition to the better EBITDA, lower depreciation costs also contributed to the better than expected earnings. This is despite the Revenue being marginally short of the earlier expectation, largely due to the impact of increased competition, lower tariffs and changing consumer behaviour particularly in the home market.

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Dato' Abdul Wahid Omar commented, "Despite the challenging environment, the entire TM Group workforce worked very hard to meet the two most important KPIs of EBITDA margin and ROCE. As we have mentioned at the onset when we first announced the headline KPIs, the Revenue target of RM17.0 billion was an aspiration and a stretched target. We are happy to note that we have exceeded analysts' revenue consensus of RM16.0* billion for TM."

* (Source: Thomson Financial)

PROSPECTS FOR THE NEXT FINANCIAL YEAR ENDING 31 DECEMBER 2007

Execution of the PIP will be a focal point for TM in 2007. To improve its domestic fixed business, TM will continue to drive broadband deployment aggressively, strengthen its position in the enterprise market with voice and data solutions whilst stimulating sales of fixed services to the retail market.

Improvement of revenue market share will be Celcom's primary aim this year amidst the competitive mobile landscape in Malaysia. Celcom will focus on customer centricity in its service offerings, expand enterprise channels and tap further into the growing mobile data segment.

Liberalisation of the regulatory environment will continue with the expected awarding of the Broadband Wireless Access (BWA) spectrum and the impending Mobile Number Portability (MNP).

On the international front, TM International will strive to maximize shareholders' value of the current portfolio of investments and adopt an opportunistic approach in TM's closer-to-home international expansion.

Moving forward, boosting execution capacity, evaluating our non-core businesses as well as capital and cost management will remain TM's priority.

Barring any unforeseen circumstances the Board of Directors expects the Group's performance for the current financial year to remain favourable.

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About TM

Telekom Malaysia Berhad (TM), a leading regional information and communications group, offers a comprehensive range of communication services and solutions in fixed-line, mobile, data and broadband. As one of the largest listed companies on Bursa Malaysia with an operating revenue of more than RM16 billion, TM is driven to deliver value to its stakeholders in a highly competitive environment.

The Group places emphasis on continuing customer service quality enhancements and innovations. Currently, with investments and operations in 13 countries around Asia and globally, TM is focused on sustainable growth in both the local and international markets.

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On the Corporate Social Responsibility (CSR) front, the Group has always been a major corporate contributor towards responsible activities in the belief that these practices are a fundamental tenet of good corporate governance. The Group promotes 3 major platforms i.e. education, sports development and community/nation-building. Under education, TM has spent some RM800 million to develop Multimedia University into one of the top universities in Malaysia with more than 20,000 students. TM has also provided scholarships to over 10,000 graduates pursuing academic programmes locally and overseas. On the sports front, TM is actively contributing towards the upliftment of football at all levels while under the community/nation-building platform, the Group contributes towards causes that bring value to the community and nation at large.

For further information on TM, visit www.tm.com.my

Issued by:

Group Corporate Communications, Telekom Malaysia Berhad
Level 8 (South Wing), Menara TM, Jalan Pantai Baharu
50672, Kuala Lumpur