



News Release

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Kuala Lumpur

TM'S NINE MONTHS PROFIT BEFORE TAX UP 13% TO RM2.22 BILLION

GROUP RESULTS

Telekom Malaysia Berhad (TM) today announced its unaudited financial results for the third quarter and nine months ended 30 September 2006.

For the nine months ended 30 September 2006, the Group posted a 13.0% increase in its Profit Before Tax (PBT) to RM2.22 billion as compared to RM1.97 billion recorded in the corresponding period last year. The increase in profit was driven mainly by continued robust revenue growth of the Group's overseas operations and Internet and multimedia which registered a year-on-year growth of 179.9% and 43.6% respectively. The Group's revenue stood at RM11.99 billion, up 17.6% from the RM10.20 billion posted in the nine months ended September last year.

The Group also registered an improved Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM5.48 billion, up 17.7% as compared to RM4.66 billion recorded in the corresponding period last year.

The Group's Profit After Tax and Minority Interest (PATAMI) excluding exceptional and foreign exchange gains increased by 5.0% to RM1.33 billion from RM1.27 billion registered in the corresponding period last year.

Dato' Abdul Wahid Omar, Group Chief Executive Officer, TM said, "As reflected in our results, our overseas operations continue to grow in significance contributing 30% to Group's PATAMI and 24% to Group revenue. This compares favourably with the 23% contribution to Group PATAMI and 9% to Group revenue achieved in the corresponding period last year. The Group's regional customer base also grew by 63% year-on-year to 26.5 million from 16.3 million."

"Notwithstanding the growing overseas contribution, we remain committed to strengthen our position in the domestic market. We have taken stock of the challenges facing our domestic operations and as announced earlier, launched a 5-year Performance Improvement Plan (PIP) in August to strengthen our domestic business. One of the main thrusts is to mitigate the decline in fixed line revenue and defend our position in the highly-competitive mobile marketplace. As part of the initiatives, all domestic fixed services; fixed line services and internet and multimedia have been consolidated under one Strategic Business Unit (SBU) called Malaysia Business. We have also implemented cost management and productivity initiatives across the Group. It is still early days to measure the impact of PIP but we believe that we have taken a positive step forward to address the challenges facing our domestic operations. We hope to see some of the early fruits of our labour in our bottomline soon," explained Dato' Abdul Wahid.

Revenue Composition

| | YTD SEP 06 (RM mil) | % Contribution | YTD SEP 05 (RM mil) | % Contribution |
|-----------------------|------------------------|----------------|------------------------|----------------|
| Fixed Line and Data | 4,936 | 41.2 | 5,278 | 51.8 |
| Internet & Multimedia | 626 | 5.2 | 435 | 4.3 |
| Mobile Domestic | 3,213 | 26.8 | 3,211 | 31.5 |
| Mobile Foreign | 2,995 | 25.0 | 1,070 | 10.5 |
| Others | 221 | 1.8 | 194 | 1.9 |
| TOTAL REVENUE | 11,991 | 100.0 | 10,188 | 100.0 |

Q3 2006 on Q2 2006

Group revenue for the current quarter of RM4.23 billion increased by 6.3% over RM3.98 billion recorded in the preceding quarter, mainly due to higher contribution from mobile operations, both domestic and international. The Group EBITDA was also higher at RM1.89 billion, up by 12.8% as compared to RM1.68 billion recorded in the preceding quarter.

Q3 2006 on Q3 2005

For the current quarter under review, the Group revenue increased by 22.5% to RM4.23 billion as compared to RM3.45 billion in third quarter of 2005. The Group EBITDA increased by 8.8% to RM1.89 billion as compared to RM1.74 billion recorded in Q3 2005.

MALAYSIA

Further to PIP, TM Retail, TM Wholesale and TM Net Sdn Bhd and certain other subsidiaries which provide domestic fixed services have been put together under an SBU, Malaysia Business.

Fixed Services

The Group's fixed line and data continued to contribute the largest proportion of the Group's domestic revenue. For the quarter under review, performance of the Group's fixed line and data however improved marginally to RM1.67 billion as compared to RM1.66 billion registered in Q2 2006. However, reflecting the downward trend in fixed line telephony, the Group's fixed line and data fell 6.5% to RM4.94 billion for the nine months ended September 2006 against RM5.28 billion registered in the corresponding period last year as a result of declining ARPU and lower traffic minutes.

The Group's fixed line customers stood at 4.4 million as at end of Q3 2006 as compared to 4.3 million in Q2 2006.

Internet and Multimedia

Internet and multimedia business registered a strong year-on-year growth of 43.6%. Its contribution to Group revenue grew to RM626 million from RM436 million recorded for the nine months ended September 2005.

Broadband has been identified as the driver to re-vitalize fixed services. Through aggressive marketing and infrastructure deployment, 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 roadshow to introduce its latest offerings to the market, streamyx shock festive promotion and member get member program. Earlier, TM Net launched Malaysia's first EZ 2 Own Broadband PC programme, a broadband-enabled PC package as an initiative to address affordability and accessibility amongst the customers.

For Q3 2006, the Internet and multimedia revenue grew by 6.6% to RM226 million against RM212 million recorded in the preceding quarter. Q3 2006 also saw a net addition of 93,000 broadband customers bringing the Group's total broadband customer base to 732,000. The Group is on track to cross the 800,000 mark in December 2006.

Domestic Mobile

The Group's domestic mobile business, spearheaded by Celcom (Malaysia) Berhad (Celcom) registered a Profit After Tax (PAT) of RM604 million for the nine months ended September 2006, up 7.1% from RM564 million registered in the corresponding period last year. Celcom also posted a revenue of RM3.34 billion for the nine months ended September from RM3.40 billion posted in the same period last year.

Celcom has been aggressive in offering its latest products and services. Leveraging on its partnership with Vodafone, Celcom has recently launched Vodafone Mobile Connect 3G Broadband (HSDPA) data card and 'Blackberry by Vodafone'. Earlier, Celcom launched PowerTools for the enterprise market. Celcom has also recently formed an alliance with online search engine Google. The partnership is expected to enable users with GPRS and 3G-capable handsets to search the web through Celcom's portal.

Celcom has also joined hands with Maybank to introduce Malaysia's first mobile financial services, the Maybank2u Mobile Service.

In Q2 2006 Celcom took a decision to purge inactive customers from its database ahead of the 15 December 2006 deadline for prepaid registration. As a result, Celcom recorded a net decline of 206,000 customers. For the nine months ended 30 September 2006, Celcom's total customers stood at 7.4 million.

Despite the cancellation of the inactive customers, Celcom recorded RM1.18 billion in revenue in Q3 2006, a growth of 5.9% from RM1.11 billion recorded in Q2 2006.

INTERNATIONAL

TM's overseas operations continued to gain momentum and grow in significance. For the nine months ended September 2006, overseas operations contributed 30% to Group's PATAMI and 24% to Group revenue as compared to 23% and 9% respectively in the corresponding period last year.

Dialog, Sri Lanka

Dialog Telekom Limited (Dialog) continued to deliver sterling results with a 54% increase in PAT, registering SLR2.62 billion in Q3 of 2006 as compared to SLR1.70 billion registered in Q3 2005. It also showed steady growth in revenue registering SLR 6.61 billion (SLR100: RM3.554) a 41% increase in Q3 2006 as compared to SLR 4.7 billion in Q3 2005.

Dialog also maintains its leading position as the number one mobile operator in Sri Lanka with a total customer base of 2.8 million.

Excelcomindo, Indonesia

PT Excelcomindo Pratama Tbk. (XL) achieved a Q3 2006 gross revenue of Rp. 1,547 billion (Rp1000: RM0.40), an increase of 59% compared to Q3 2005 revenue of Rp. 972 billion. XL registered a PATAMI of Rp142 billion in Q3 of 2006.

XL's number of base transceiver stations increased by 67% to 6,052 from 3,620 when compared to Q3 of 2005. Going forward, XL will continue to invest aggressively in network development.

XL registered a strong 43% growth of XL customers, from 5.9 million in the Q3 2005 to 8.4 million by the end of Q3 2006.

TMIB, Bangladesh

Revenue for TM International Bangladesh Limited (TMIB) in Q3 of 2006 increased by 37% to BDT3.02 billion (BDT100 : RM5.67) from BDT2.20 billion a year ago.

TMIB turned in a PAT of BDT1.41 billion in Q3 of 2006, a 26% increase from BDT1.12 billion recorded in the same period last

year. Its total customers stood at 4.3 million, a significant increase of 106% from 2.1 million recorded in the corresponding period last year.

Moving Forward

The decline in fixed line voice will be mitigated with data and non-traditional revenue streams and enhanced sales channel. The Group will also accelerate the deployment of broadband services and contribute towards increasing PC penetration with PC / broadband bundled package. While for its domestic mobile business, Celcom's efforts will be focused towards strengthening distribution channel and continued push for mobile data and enterprise segment. Improving cost efficiency will be an on-going exercise and relevant to all Group's businesses.

TM will further establish its position in regional markets where it has a strong presence – Dialog in Sri Lanka, XL in Indonesia and TMIB in Bangladesh, capturing the huge growth potential through execution of strategies and harnessing cross border synergies within TM's portfolio of investments. TM will adopt an opportunistic approach and pace its international expansion.

Barring any unforeseen circumstances, the Board of Directors expects the Group's performance for the current financial year to be better as compared to last year.

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 RM13 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.

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

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