

**TM's RESPONSES/ANSWERS TO POINTS AND QUESTIONS RAISED BY MSWG
IN RESPECT OF TM'S 25TH AGM TO BE HELD ON 6 MAY 2010**

OPERATIONS AND FINANCIAL PERFORMANCE	
Q1	On 24 March 2010, the Company launched its High Speed Broadband (HSBB) with a new trade name – UNIFI. The HSBB roll-out will be covering 1.3 million premises by end of 2012 under a public-private partnership (PPP) arrangement on Page 146 of the Annual Report.
Q1(a)	What is the Group's targeted take-up rate by the end of 2010 for the HSBB network and services, given its subscription rate per Megabits per second (Mbps) is among the highest in the region?
A1(a)	<p><i>First, we would like to clarify that Unifi packages are competitively priced. Unifi actually offers the lowest rate per Megabit per second in the country and among the most competitively priced in the region. We would also like to highlight that Unifi is a triple play service and that means our customers are getting a bundled service of voice, high-speed Internet and IPTV. In fact, the IPTV service is given free to the customers as a 'taster' to stimulate demand and promote Video-on-Demand and our future IPTV services and content.</i></p> <p><i>We feel that it is worth to point out that in making price comparisons, it is important to take into account whether the service offered is dual, triple or even quadruple play and the technology used in delivering the service, whether it is over copper, fibre or satellite technology. It is not a matter of 'one size fits all' - all these factors play a role in contributing towards the service price.</i></p> <p><i>In terms of the targeted service take up by end of the year, that would be a forward looking number and as such we cannot share them with you. However, we are looking at completing 750,000 home passes by end of the year. For now, the response to Unifi offerings has been very positive from the customers at the 4 exchange areas where the service is available at Taman Tun Dr Ismail, Bangsar, Subang Jaya and Shah Alam. Since the launch less than 2 months ago, we already have 1,674 customers who signed up for the service and many more who have registered their interest.</i></p> <p><i>To meet the demand, we are ramping up our internal capacity by increasing our installation personnel to 269 now from 107 in March, and making the necessary preparation to bring in external contractors to provide the support.</i></p>

	Q1(b)	The Group had spent about RM1.9 billion for the HSBB until end December 2009 and expected to spend about RM2.0 billion in 2010, RM1.5 billion in 2011 and RM1.8 billion in 2012. How would the Board propose to fund such significant investments amidst the required capex for its business as usual (BAU) and its dividends commitment?
	A1(b)	<i>HSBB expected spend for the 3 years shall be co-funded by the Government of Malaysia (GoM). GoM has already paid RM990.0 million as of December 2009. Balance payable over 3 years to 2012 from the GoM is RM1.4 billion. The remaining investment shall be financed by internally generated fund and borrowings if required. We have RM3.5 billion cash and bank balances as of 31 December 2009 and annual operating cash flow before capex, finance cost and tax of RM3.1 billion (based on 2009 EBITDA). Our debt ratios also provide ample room to raise new debt if necessary. We also have a standby credit line of RM745 million.</i>
	Q1(c)	In Note 41(b), Page 281 of the Annual Report, it was reported that the HSBB roll-out will be covering 1.3 million premises over a 10-year period. Why there is a difference in the year reported in the Annual Report on pages 146 and 281 respectively?
	A1(c)	<i>The roll out period by end of 2012 on page 146 refers to the end-to-end build up of the network includes last mile for the 1.3 million premises passed.</i> <i>After that, the core and international connectivity, content platform as well as the whole ecosystem will continue to be upgraded and maintained as take-up increases. The 10-year period in page 281 includes the costs of these expected upgrades.</i>
	Q1(d)	The estimated roll-out cost, to be incurred over a 10-year period up to 25 July 2018 is projected to be RM11.3 billion. The Government has agreed to co-invest up to a maximum of RM2.4 billion to fund the project cost and to fulfill certain undertakings, including sharing of appropriate portion of any excess of the actual revenue and other cost savings incurred related to the project. How would the Board establish the basis for the appropriate sharing portion of any excess of the actual revenue and other cost savings as mentioned above?
	A1(d)	<i>The basis for all this has been established within the parameters of the Private-Public Partnership (PPP) agreement between the Government and TM.</i> <i>Any excess in revenue and cost savings will be proportionately shared between the parties based on their respective contributions at the end of the contract period.</i>

Q2	<p>The non-voice services that comprise Internet and multimedia, data, other telecommunications and non-telecommunications related services contributed 53.5% (2008: 49.1%) have surpassed voice as the major revenue contributor. What is the Board's plan(s) to address the declining voice revenue?</p>
A2	<p><i>The decline in voice revenue is a global trend that every fixed-line operator has to face due to customers' lifestyle change. TM is no exception to this trend. Our voice revenue for 2009-2008 declined by 9.3% against 9.6% in 2008-2007. It is falling but at a controllable rate. We are working hard to mitigate this rapid decrease by packaging our traditional voice services with broadband.</i></p> <p><i>With the aim of injecting real value for money in our services and catering to customers lifestyle, TM introduced several popular packages, including Streamyx Wi-Fi@Home, Staff Package, Streamyx Combo Wi-Fi@ Home, Business Wi-Fi@Office RM10 Package for Voice and the Student Package "Gradpack".</i></p> <p><i>Our Super Upgrade Deal proved to be very popular. As of March 2010, it has garnered a take-up rate of about 55,000 subscribers moving into higher speed broadband. This serves as a good indication that existing customers are willing to move into faster speed Internet access should the service be available at a reasonable price. The introduction of Unifi triple play will provide further impetus for customers to move up to higher speeds.</i></p> <p><i>Moving forward, we will still see a downturn in traditional voice but that will be mitigated by rapid growth in broadband and data services. Looking at this scenario from where TM is today, we are actually transitioning well from being a traditional provider of fixed line voice to a new-generation communications provider. Our engine of growth lies in non-voice services – Internet, and multimedia and data – and these overtook voice services in terms of revenue generation for the first time in 2009, contributing 53.5% of total revenue, up from 49.1% in 2008.</i></p>
Q3	<p>What is the nature of, and the loss on disposal of short term quoted investments amounting to RM31.2 million (2008: RM9.6 million) [note 7 on page 223 of the Annual Report 2009]?</p>
A3	<p><i>In line with the improved equity market in 2009 financial year with Bursa Malaysia KLCI increasing by 45.2%, TM has been scaling down its investment in quoted shares. Certain legacy stocks which were held for many years have been sold during the market upturn realizing cash proceeds totaling RM49.5 million. The loss on disposal of RM31.2 million at Note 7 on page 223 of the Annual Report 2009 was based on the purchase price of the quoted shares where provision for diminution in value has been provided in previous years. The disposal has also resulted in the reversal in diminution value of short-term quoted investments amounting to RM68.1 million (Note 6B on page 221 of the Annual Report 2009). Taking both items into account, the overall net gain was RM36.9 million.</i></p>

<u>BUSINESS STRATEGY</u>		
Q4	We note that the Company's foreign shareholdings base is 9.11% as of 15 March 2010 (as at 2009: 16.67%).	
	Q4(a)	What would be the ideal foreign shareholdings base that the Board is comfortable with?
	A4(a)	<i>Our current foreign holding of 9.11% is relatively high at 28% of public holding (other than Khazanah Nasional, KWSP, Amanah Raya and Tabung Haji). The Board of Directors remains committed that TM will strive to create long-term value for all its shareholders.</i>
	Q4(b)	The Group had reached out to a wider investor audience by participating globally in Non-Deal Roadshows. What is the Board's plan and effort(s), if any, to further raise the foreign shareholdings base of the Company?
	A4(b)	<i>Participating in Equity/Investor Conferences is part of our yearly Investor Relations activities. We also have Non Deal Roadshows to engage and reach-out to a wider investor audience. In addition, we regularly have meetings with local funds. Throughout 2009, close to 300 in-house meetings and conference calls with Investors and Analysts were conducted.</i>
Q5	For the year under review, the Company has monetized its biggest non-core assets, namely employees' housing loans by disposing a significant portion of the loans to AmMortgage One Bhd. The disposal undertaken in two tranches resulted in a total loss on disposal of RM18.2 million. [Note 29(a) on page 269 of the Annual Report 2009]	
	Q5(a)	What is the rationale of the Company not to dispose the whole of its non-core assets amidst its plan to optimize capital management?
	A5(a)	<i>The sale of staff housing loans is the second largest monetization of non-core after the sale and leaseback of office buildings worth RM1 billion completed in FY2008. The staff housing loan portfolio consists of several categories/types of loans and the sale of these loans are undertaken in phases to ensure a smooth transition of the outsourcing and to ensure the provision of these loans to TM staff are not disrupted. Further initiatives of monetizing other non-core assets of TM are being considered and will be implemented at appropriate time.</i>

	Q5(b)	The first and second tranches of the loans were at a total cash consideration of RM334.1 million and RM64.5 million with recognized losses on disposal of RM14.6 million and RM3.6 million respectively. Why is there a higher loss of 5.6% for the second tranche as compared to 4.4% for first tranche?
	A5(b)	<i>The higher loss is predominantly a result of the characteristics of each portfolio. The first tranche consisted of loans with a shorter tenure and lower Loan To Value (LTV) as compared to 2nd tranche. ("LTV", i.e. outstanding balance of the loan divided by the value of its security). These characteristics meant that the funding and default costs were higher for the second tranche, hence the higher discount or loss on sale.</i>