

16) CURRENT YEAR PROSPECTS

The ongoing implementation of the projects outlined under the 9th Ninth Malaysia Plan, further supported by the Government's drive to promote tourism under the Visit Malaysia 2007 banner is expected to provide the stimulus for continued growth to the Malaysian economy. This in turn could potentially translate to increased electricity demand growth.

While the Group's first quarter FY2007 results are encouraging, the higher cost from the full year impact of the Tg. Bin Phase 1 (700MW) Power Plant has not been fully reflected into the results due to the delay in its commissioning. This will have an impact on the results for the financial year ending 31 August 2007.

Over the last two years, the management has embarked on numerous cost management initiatives which have borne results. Given the commitment of the management to continue to further drive operational efficiency and service excellence, the Board of Directors is of the view that the Group's financial performance for the full year of FY2007 is promising.

17) VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

This note is not applicable.

18) TAXATION

Taxation for the quarter comprised the following:-

	Cumulative ended 30-Nov-06	ended 30-Nov-05
Current taxation	(266.3)	(16.0)
Deferred taxation	176.5	(127.1)
	<u>(89.8)</u>	<u>(143.1)</u>

The Group's effective tax rate for the period ended 30 November 2006 is lower than the statutory tax rate due to reversal of deferred tax in respect of prior financial years, compared to profit before tax.

On 31 December 2006, the Government gazetted the Finance Act 2006, which stipulates the income tax rate for the year of assessment 2007 as 27%. The effect of this reduction has been adopted in this 1st Quarter results for FY2007.

19) PROFIT/(LOSS) ON SALE OF INVESTMENTS

There were no disposals of any investments during the period.

20) PURCHASES AND DISPOSALS OF QUOTED SECURITIES

- a) There were no purchases and disposals of quoted securities during the quarter.
- b) Investments in quoted securities as at 30 November 2006 are as follows:-

	Quarter ended 30-Nov-06
At cost	1.0
At carrying value	Nil
At market value	Nil

The above quoted securities are managed by external fund managers.

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21) STATUS OF CORPORATE PROPOSALS

On 28 December 2006, TNB announced that it entered into a Share Sale Agreement with Khazanah Nasional Berhad ("Khazanah") to dispose 3,187,500 ordinary shares with par value of RM1.00 each held in Malaysian Technology Development Corporation to Khazanah for a total consideration of RM605,625.00. The full consideration was received on 28 December 2006.

The disposal was not subject to the approval of the shareholders of TNB and other relevant Government authorities.

Save for Dato' Azman Hj. Mokhtar who is a Director of TNB and Managing Director of Khazanah, none of the directors and /or the major shareholders of TNB and /or person connected with a director or major shareholders have any interest, direct or indirect in the disposal.

22) GROUP BORROWINGS

- a) The analysis of Group borrowings classified under short and long term categories are as follows:-

	As at 30 Nov 06	As at 31 Aug 06
Short term - secured	246.6	247.6
- unsecured	3,050.9	2,287.1
Sub-total	3,297.5	2,534.7
Long term - secured	3,345.3	3,348.6
- unsecured	19,264.1	21,232.3
Sub-total	22,609.4	24,580.9
Total	25,906.9	27,115.6

- b) Currency denominations:-

Japanese Yen	3,990.7	4,023.7
US Dollar	7,832.0	8,947.4
Euro	8.2	10.2
Others	9.5	10.0
Total Ringgit equivalent of foreign currency borrowings	11,840.4	12,991.3
Ringgit borrowings	14,066.5	14,124.3
Total	25,906.9	27,115.6

- c) Effective average cost of funding based on exposure as at 30 November 2006 was 6.0% (FY2006: 5.7%).
- d) Repayments of long term debts during the period were as follows:
- (i) Foreign currency denominated term loans of RM933.8 million, and
 - (ii) Ringgit denominated term loans of RM 74.1 million.



23) OFF BALANCE SHEET FINANCIAL INSTRUMENTS

TNB has certain financial instruments including assets and liabilities incurred in the normal course of business. As part of its risk management's strategy, the Company manages its exposure to market rate movements of its financial liabilities through the use of derivative financial instruments. Virtually all foreign currency contracts are denominated in US Dollar, Japanese Yen and Pound Sterling.

TNB has entered into interest rate swap agreements and currency option agreements, which mature from year 2007 to 2034. TNB has entered into these derivatives to reduce its exposure to losses resulting from adverse fluctuations in interest rates or foreign currency exchange rates on underlying debt instruments.

The details and the financial effects of the derivative financial instruments that TNB has entered into are substantially described in note 27 to the financial statements of TNB for the financial year ended 31 August 2006 (pages 53-57 of TNB's Annual Report).

There has been no material changes to the derivative financial instruments described therein between the date of financial statements (dated 17 October 2006) and the date of this announcement except for:-

- a) In October 2006, TNB entered into a Cross Currency and Interest Swap Agreement (CCIRS) with a notional amount of JPY7.7 billion as a hedge on its JPY Syndicated Term Loan. This transaction enables TNB to reduce its exposure to losses that may arise from adverse fluctuation on foreign currency exchange rates and interest rates in relation to the JPY Syndicated Term Loan.
- b) In January 2007, a wholly owned subsidiary of TNB, TNB Janamanjung Sdn.Bhd., unwound the existing floating to fixed interest rate swaps on its 12-year amortising loan due to the restructuring of the underlying loan.
- c) As at 18 January 2007, the outstanding notional principal amount of derivative financial instruments entered into by the Group was RM1,025.3 million. While this amount is the total of the notional principal amount of outstanding financial instruments, it is not a measure of the extent of risks that TNB is exposed to.

All the above instruments were executed with creditworthy financial institutions and the Directors of TNB are of the view that the possibility of non-performance by these financial institutions is unlikely on the basis of their respective financial strength.

24) MATERIAL LITIGATION

There is no pending material litigation at the date of this announcement other than those disclosed in the circular to shareholders dated 22 November 2006.

25) DIVIDEND

At the Annual General Meeting held on 14 December 2006, the shareholders of TNB had approved the recommendation to pay a final gross dividend of 12.0 sen per ordinary share less income tax of 28%, and a tax-exempt dividend of 2.0 sen per share equivalent to gross dividend of 2.8 sen per ordinary share. The dividend payable equivalent to total gross dividend of 14.8 sen per ordinary share (FY2005: total equivalent gross dividend for the year was 16.2 sen per ordinary share less income tax of 28%) less income tax of 28% in respect of the financial year ended 31 August 2006. The dividend was paid on 4 January 2007.

The Board does not recommend any dividend for the quarter ended 30 November 2006.

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26) EARNINGS PER SHARE

	Quarter ended 30-Nov-06	Quarter ended 30-Nov-05
(a) Basic earnings per share		
Profit attributable to equity holders of the Company (RM 'million)	1,246.2	595.6
Weighted average number of ordinary shares in issue ('000)	4,184,838	4,036,126
Basic earnings per share (sen)	29.78	14.76
(b) Diluted earnings per share		
Profit attributable to equity holders of the Company (RM 'million)	1,246.2	595.6
Elimination of interest expense net of tax effect (RM'million) on:		
(i) Guaranteed Exchangeable Bonds	6.8	10.0
(ii) Unsecured Convertible Redeemable Income Securities	3.2	-
	<u>1,256.2</u>	<u>605.6</u>
Weighted average number of ordinary shares in issue ('000)	4,184,838	4,036,126
Adjustments ('000) for:-		
- conversion of share options exercised	49,209	24,281
- conversion of:		
(i) Guaranteed Exchangeable Bonds	71,952	186,615
(ii) Unsecured Convertible Redeemable Income Securities	21,564	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>4,327,563</u>	<u>4,247,022</u>
Diluted earnings per share (sen)	29.03	14.26

By Order of the Board



NOR ZAKIAH BINTI ABDUL GHANI (LS 0008795)
WAN MARZIMIN BIN WAN MUHAMMAD (LS 0009013)
Company Secretaries

Kuala Lumpur
25 January 2007