

The Board of Directors is pleased to announce the following:

A. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE 3rd QUARTER ENDED 31 MAY 2006

(Amounts in RM million unless otherwise stated)

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31.05.2006	PRECEDING YEAR CORRESPONDING QUARTER 31.05.2005	CURRENT YEAR TO DATE 31.05.2006	PRECEDING YEAR CORRESPONDING PERIOD 31.05.2005
Revenue	5,021.1	4,835.8	14,763.9	14,021.4
Operating expenses	(4,080.0)	(4,085.3)	(12,319.8)	(11,684.1)
Other operating income	105.6	117.9	327.6	288.3
Operating profit	1,046.7	868.4	2,771.7	2,625.6
Foreign exchange				
- Translation gain/(loss)	36.7	278.8	515.7	(81.8)
- Transaction gain/(loss)	(6.2)	(11.7)	(137.5)	(46.8)
Share of results of associates	1.2	15.1	9.1	82.5
Profit before finance cost	1,078.4	1,150.6	3,159.0	2,579.5
Finance cost				
- Interest	(405.9)	(333.7)	(1,194.9)	(1,038.9)
- Bond refinancing cost	-	(118.6)	-	(118.6)
Profit from ordinary activities before taxation	672.5	698.3	1,964.1	1,422.0
Taxation				
- Company and subsidiaries	(70.4)	(74.8)	(203.4)	(206.9)
- Deferred taxation	(187.7)	(32.4)	(341.5)	(272.4)
- Share of taxes in associates	(1.7)	(3.0)	(3.1)	(25.2)
Profit from ordinary activities after taxation	412.7	588.1	1,416.1	917.5
Minority interests	(17.3)	(15.3)	(25.6)	(41.1)
Net profit for the period	395.4	572.8	1,390.5	876.4
	Sen	Sen	Sen	Sen
Earnings per share-Basic	9.78	14.28	34.41	21.95
Earnings per share-Diluted	9.58	13.84	33.67	21.52

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2005.



B. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MAY 2006

(Amounts in RM million unless otherwise stated)

	31-May-06	31-Aug-05
NON-CURRENT ASSETS		
Property, plant and equipment	54,856.3	54,721.0
Coal mining rights	282.6	290.7
Associates	208.1	158.7
Investments	39.7	39.7
	<u>55,386.7</u>	<u>55,210.1</u>
CURRENT ASSETS		
Inventories	2,018.5	1,741.6
Trade receivables	1,929.3	2,184.2
Other receivables	1,189.3	1,379.0
Current tax assets	10.1	101.7
Amount owing from associates	41.8	6.8
Short term investments	12.6	12.6
Marketable securities	9.2	9.4
Deposits, bank and cash balances	3,413.6	2,849.4
	<u>8,624.4</u>	<u>8,284.7</u>
CURRENT LIABILITIES		
Trade payables	(2,059.8)	(2,405.4)
Other payables	(948.1)	(1,013.3)
Amount owing to associates	(218.9)	(203.0)
Current taxation	(370.3)	(214.3)
Short term borrowings	(2,085.6)	(2,979.6)
	<u>(5,682.7)</u>	<u>(6,815.6)</u>
NET CURRENT ASSETS	2,941.7	1,469.1
LONG TERM LIABILITIES		
Borrowings	(26,690.6)	(27,008.8)
Consumer deposits	(2,104.0)	(1,952.3)
Employee benefits	(2,308.8)	(2,248.2)
Other liabilities	(73.6)	(79.4)
Deferred taxation	(6,340.3)	(5,997.8)
Deferred income	(2,635.5)	(2,505.9)
Government development grants	(676.9)	(686.0)
	<u>(40,829.7)</u>	<u>(40,478.4)</u>
	<u>17,498.7</u>	<u>16,200.8</u>
FINANCED BY:		
Share capital	4,048.5	3,220.7
Share premium	3,315.0	3,989.6
Revaluation and other reserves	880.1	844.7
Retained profits	9,143.1	8,030.5
SHAREHOLDERS' FUNDS	<u>17,386.7</u>	<u>16,085.5</u>
Minority interests	112.0	115.3
	<u>17,498.7</u>	<u>16,200.8</u>
NET ASSETS PER SHARE	Sen 432	Sen 503

The unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2005.

C. UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AS AT 31 MAY 2006

(Amounts in RM million unless otherwise stated)

	Ordinary Shares of RM1.00 each	Non-distributable Share premium	Revaluation and other reserves	Distributable Retained profits	Total
As at 1 September 2005	3,220.7	3,989.6	844.7	8,030.5	16,085.5
Reclassification adjustment	-	-	4.2	(4.2)	-
	3,220.7	3,989.6	848.9	8,026.3	16,085.5
Currency translation differences	-	-	31.2	-	31.2
Net profit for the 9-month period	-	-	-	1,390.5	1,390.5
Dividend paid for FY2005	-	-	-	(279.4)	(279.4)
Goodwill write back	-	-	-	5.7	5.7
Issuance of share capital					
- share options *	19.1	134.1	-	-	153.2
- bonus shares	808.7	(808.7)	-	-	-
As at 31 May 2006	<u>4,048.5</u>	<u>3,315.0</u>	<u>880.1</u>	<u>9,143.1</u>	<u>17,386.7</u>

* Exercise of options representing 19,099,175 ordinary shares of RM1 each in TNB under the Employees' Share Option Scheme II ("ESOS II").

	Ordinary Shares of RM1.00 each	Non-distributable Share premium	Revaluation and other reserves	Distributable Retained profits	Total
As at 1 September 2004	3,148.3	3,451.4	1,030.3	7,168.4	14,798.4
Currency translation differences	-	-	(9.6)	-	(9.6)
Net profit for the 9-month period	-	-	-	876.4	876.4
Dividend payable for FY2005	-	-	-	(96.0)	(96.0)
Dividend paid for FY2004	-	-	-	(322.0)	(322.0)
Issuance of share capital					
- share options	55.5	412.6	-	-	468.1
As at 31 May 2005	<u>3,203.8</u>	<u>3,864.0</u>	<u>1,020.7</u>	<u>7,626.8</u>	<u>15,715.3</u>

The unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2005.

D. UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 31 MAY 2006

(Amounts in RM million unless otherwise stated)

	3rd Quarter ended 31-May-06	3rd Quarter ended 31-May-05
Operating activities		
Cash generated from operations	4,832.2	4,002.1
Retirement benefits paid	(160.2)	(105.8)
Consumer contributions received	356.2	296.8
Customer deposits received	151.7	136.8
Tax paid	(55.0)	(24.1)
Tax refund received	98.9	18.3
Net cash inflow from operating activities	<u>5,223.8</u>	<u>4,324.1</u>
Investing activities		
Disposal of an associate	-	397.8
Investments:		
- purchases	-	(75.7)
- disposal		42.3
- dividend income received	0.4	-
Interest income received	55.7	87.5
Property, plant and equipment:		
- purchases	(2,587.9)	(2,425.9)
- disposals	0.3	5.9
Net cash flow from investing activities	<u>(2,531.5)</u>	<u>(1,968.1)</u>
Financing activities		
Bank borrowings:		
- new drawdowns	1,720.8	6,003.8
- repayments	(2,460.3)	(8,090.8)
Interest paid	(1,284.8)	(1,237.2)
Dividends paid	(279.4)	(322.0)
Proceeds from issuance of shares	153.2	468.1
Others	15.3	153.3
Net cash flow from financing activities	<u>(2,135.2)</u>	<u>(3,024.8)</u>
Changes in cash and cash equivalents	557.1	(668.8)
Currency translation differences	(5.6)	(1.3)
Cash and cash equivalents		
- at start of period	<u>2,833.4</u>	<u>3,746.4</u>
- at end of period	<u>3,384.9</u>	<u>3,076.3</u>

The unaudited Condensed Consolidated Cash Flow Statements should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2005.

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E. EXPLANATORY NOTES

(Amounts in RM million unless otherwise stated)

1) BASIS OF PREPARATION

This interim report is unaudited and has been prepared in accordance with the Financial Reporting Standards ('FRS') 134 "Interim Financial Reporting" issued by Malaysian Accounting Standards Board and paragraph 9.22 of the BURSA MALAYSIA Listing Requirements, and should be read in conjunction with the Group's financial statements for the financial year ended 31 August 2005.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial year ended 31 August 2005.

2) AUDIT QUALIFICATION

The annual audited financial statements for the financial year ended 31 August 2005 were not subject to any qualification.

3) SEASONAL OR CYCLICAL FACTORS

The businesses of the Group are not subject to material seasonal or cyclical fluctuations.

4) UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME or CASH FLOWS

There were no unusual items of nature, size or incidence that affect the assets, liabilities, equity, net income or cash flows of the Group during the period.

5) MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

This note is not applicable.

6) DEBT AND EQUITY SECURITIES

- (a) On 9 February 2006, TNB announced that it signed a fixed rate Term Loan Facility Agreement for an amount of RM1.0 billion with Malayan Banking Berhad.
- (b) With reference to earlier announcement made on 17 August 2005, on 23 January 2006 TNB announced the completion of all the Conditions Precedent pursuant to the Subscription Agreement and Shareholders Agreement signed between TNB Energy Services Sdn.Bhd. and Worldwide Landfills Sdn.Bhd.
- (c) For the nine months ended 31 May 2006, 19,099,175 ordinary shares of RM1 each were issued under the Employees' Share Option Scheme II ("ESOS II").

Except for the above, there were no other issuance, cancellation, repurchases, resales and repayments of debt and equity securities during the period.

7) DIVIDEND PAID

In respect of the financial year ended 31 August 2005, a final gross dividend of 12.0 sen per share, less income tax of 28% amounting to RM279.4 million was paid on 9 January 2006.

8) SEGMENTAL REPORTING

As the principal activities of the Group are the generation, transmission, distribution and sale of electricity in Malaysia, segmental reporting is deemed not necessary.

9) VALUATION OF PROPERTY, PLANT & EQUIPMENT

The Directors have applied the transitional provisions of International Accounting Standard No. 16 (Revised) "Property, Plant and Equipment" as adopted by Malaysian Accounting Standards Board which allow the freehold land, leasehold land, buildings and civil works to be stated at their previous years' valuations less depreciation. Accordingly, these valuations have not been updated.

10) MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 24 May 2006, the Government has approved the tariff review with effect from 1 June 2006.

11) CHANGES IN THE COMPOSITION OF THE GROUP

On 14 June 2006, TNB announced that Remaco Energy Ventures Limited, its wholly-owned subsidiary, held through TNB Repair & Maintenance Sdn.Bhd. has been struck off from the register of the Registrar of Companies of the Republic of Mauritius.

Except for the above, there were no other material changes in the composition of the Group during the quarter.

12) CONTINGENT LIABILITIES

Contingent liabilities of the Group include the following:-

	As at 31 May 2006	As at 31 August 2005
Claims by third parties	976.6	776.1
Trade guarantees and performance bonds	5.4	5.5
Stamp duties on transfer of assets	108.0	108.0
Other contingencies	66.9	68.4
	<u>1,156.9</u>	<u>958.0</u>

Claims by third parties include claims by contractors, consumers and former employees. These claims are being addressed and the Directors are of the opinion that their ultimate resolution will not have a material effect on the financial position of the Group.

13) CAPITAL COMMITMENTS

	As at 31 May 2006
Property, plant and equipment committed over a 5 year period	
Authorised but not contracted for	17,155.6
Contracted but not provided for in the financial statements	2,449.4
	<u>19,605.0</u>

14) RELATED PARTY TRANSACTIONS

On 17 March 2006, TNB announced that the Board of Directors has approved a related party transaction to engage Messrs Zaid Ibrahim & Co. ("ZICO"), a legal firm in which Datuk Mohd Zaid bin Ibrahim, a Non Independent Non-Executive Director of TNB is a Chairman/Partner, for the provision of legal service to undertake a legal due diligence exercise.

On 16 June 2006, TNB announced that the Board of Directors has approved a related party transaction to engage ZICO for the provision of legal services to TNB in its review and evaluation of its refinancing requirements.

Save for Datuk Mohd Zaid bin Ibrahim (who has abstained from all Board deliberations and voting on the transaction), none of the Directors or Major Shareholders of TNB or persons connected to the Directors or Major Shareholders of TNB have an interest, direct or indirect, in the said transaction. The Board, having considered all aspects of the transaction is of the opinion that it is undertaken on an arms-length basis and is in the best interest of the Company.

F. ADDITIONAL INFORMATION AS REQUIRED BY PART A OF APPENDIX 9B OF THE BURSA MALAYSIA LISTING REQUIREMENTS

15) REVIEW OF PERFORMANCE

- (a) Performance of the current nine months ended 31 May 2006 (3rd Quarter FY2006) against the corresponding nine months ended 31 May 2005 (3rd Quarter FY2005):

The net profit for the Group improved from RM876.4 million to RM1,390.5 million an increase of RM514.1 million. This resulted mainly from higher electricity sales and the strengthening of Ringgit Malaysia against the major currencies which has resulted in a foreign exchange translation gain for the Group.

For the nine months ended 31 May 2006, the Group recorded total revenue of RM14,763.9 million which was RM742.5 million or 5.3% higher than the corresponding period in the last financial year. Electricity sales increased by RM781.6 million or 5.8%. The commercial and domestic sectors were the main contributors recording an increase of RM343.4 million (7.5%) and RM143.8 million (5.8%) respectively.

The Ringgit Malaysia as at 31 May 2006 strengthened against the major currencies which TNB Group was exposed to. This has resulted in foreign exchange translation gain of RM515.7 million compared to the loss of RM81.8 million recorded in the corresponding period last financial year.

The operating expenses increased by RM635.7 million or 5.4% compared to the corresponding period last financial year. The operating profit of the Group increased from RM2,625.6 million to RM2,771.7 million, an increase of RM146.1 million or 5.6%. The increase in coal price was the main contributor to the higher operating expenses where the average price increased from US\$49.8 to US\$53.1 per tonne. The initiatives carried out by the management such as increasing efficiency and productivity and cost management have also helped in containing the burden resulted mainly from increased fuel price and higher operating costs.

- (b) Performance of the current third quarter FY2006 against the corresponding third quarter FY2005:

For the quarter, the Group recorded a total revenue of RM5,021.1 million, compared to RM4,835.8 million for the same period last financial year, an improvement of 3.8% or RM185.3 million. The improvement was derived mainly from increase in electricity sales notably in the industrial and commercial sectors where the increases were RM92.3 million (4.6%) and RM99.3 million (6.3%) respectively.

The Group registered a net profit of RM395.4 million for the current quarter compared to RM572.8 million recorded for the corresponding quarter last year a reduction of RM177.4 million or 31.0% mainly as a result of a lower foreign exchange gain compared to the corresponding quarter last year.

15) REVIEW OF PERFORMANCE (continued)

ECONOMIC PROFIT STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year Quarter 31.05.2006	Preceding Year Corresponding Quarter 31.05.2005	Current Year To Date 31.05.2006	Preceding Year Corresponding Period 31.05.2005
<u>NOPLAT computation:</u>				
Earning Before Interest and Tax (EBIT)*	865.0	678.1	2,217.6	2,120.1
Adjusted Tax	(242.2)	(189.9)	(620.9)	(593.6)
NOPLAT	622.8	488.2	1,596.7	1,526.5
<u>Economic Charge computation:</u>				
Average Invested Capital	52,807.4	52,284.2	52,807.4	52,284.2
WACC	7.5%	7.5%	7.5%	7.5%
Economic Charge	(988.8)	(979.0)	(2,966.5)	(2,937.1)
Economic Profit/(loss)	(366.0)	(490.8)	(1,369.8)	(1,410.6)

EXPLANATORY NOTES

Economic Profit (EP) is a measure of value created by a business during a single period. By looking at just the operating activities of a company, it tells how much return a business makes over its cost of capital. In other words, it is the difference between TNB's rate of return and cost of capital.

- (a) Performance of the current nine months ended 31 May 2006 (3rd Quarter FY2006) against the corresponding nine months ended 31 May 2005 (3rd Quarter FY2005):

The EP improved by RM40.8 million to record at negative RM1,369.8 million from negative RM1,410.6 million. This was due to higher revenue recorded during the period despite also increase in operating expenses.

- (b) Performance of the current third quarter FY2006 against the corresponding third quarter FY2005:

The EP improved by RM124.8 million to record at negative RM366.0 million from negative RM490.8 million. This was due to a higher revenue recorded during the period, whilst operating expenses recorded a declined. Thus far, resulted in higher EBIT margin recorded for the period.

**EBIT = Operating profit adjusted for released of deferred income and other operating income.*

16) MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE PRECEDING QUARTER

Performance of the current quarter (3rd Quarter FY2006) against the preceding quarter (2nd Quarter FY2006)

Compared to the immediate preceding quarter, the Group revenue of RM5,021.1 million was higher by RM189.7 million or 3.9% where the sales of electricity increased by RM266.4 million or 5.7%.

The operating expenses decreased by RM67.4 million from RM4,147.4 million to RM4,080.0 million or 1.6% mainly due to lower staff cost and general expenses.

The net profit for the third quarter was lower by 1.00% compared to the preceding quarter's profit of RM399.5 million.

17) CURRENT YEAR PROSPECTS

The tariff review was approved by the Government with effect from 1 June 2006. The tariff review and the continuing growth in the Malaysian economy would result in TNB achieving favourable results for the balance of the financial year. In addition, the Management has embarked on several initiatives to enhance operating efficiencies and productivity which are linked to KPIs in order to further improve customer service.

The current trend of price increases will have a significant impact on the operating costs.

With the commitment of Management to achieve the KPIs set for FY2006 together with the increase in revenue effective from 1 June 2006 following the tariff announcement, the Board of Directors is of the view that the Group's financial performance for the full year would be better.

18) VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

This note is not applicable.

19) TAXATION

Taxation for the quarter comprised the following:-

	Individual quarter		Cumulative	
	ended 31-May-06	ended 31-May-05	ended 31-May-06	ended 31-May-05
Taxation for the Group	(70.4)	(74.8)	(203.4)	(206.9)
Deferred taxation for the Group	(187.7)	(32.4)	(341.5)	(272.4)
Share of taxes in associates	(1.7)	(3.0)	(3.1)	(25.2)
	<u>(259.8)</u>	<u>(110.2)</u>	<u>(548.0)</u>	<u>(504.5)</u>

The Group's effective tax rate for the period ended 31 May 2006 is lower than the statutory tax rate due to the high level of income, which are not taxable for tax purposes, compared to profit before tax.

20) PROFIT/(LOSS) ON SALE OF INVESTMENTS

There were no disposals of any investments during the period.

21) 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 31 May 2006 are as follows:-

	Quarter ended 31 May 06
At cost	1.0
At carrying value	Nil
At market value	Nil

The above quoted securities are managed by external fund managers.

22) STATUS OF CORPORATE PROPOSALS

- a) With reference to the earlier announcements made on 22 March 2005 and 28 September 2005 in relation to the Shoaiba Phase 3 Independent Water and Power Project in the Kingdom of Saudi Arabia, on 15 November 2005 TNB announced that the consortium consisting of TNB, Khazanah Nasional Berhad, Malakoff and Arabian Company For Water And Power Projects Limited has been selected as the successful bidder for the Project. On 22 December 2005, TNB announced that the Shuaibah Water and Electricity Company has, on 21 December 2005 executed the relevant financing agreements to secure the financing required for the project. The financial close of the financing arrangement was achieved on 24 January 2006.
- b) With reference to the earlier announcements made on 29 April 2005 and 27 October 2005, on 5 December 2005 TNB announced that its subsidiary, Fibrecomm, has entered into a Deed of Variation with Celcom Transmission (M) Sdn.Bhd, ("CTX") for the purposes of varying the terms of the Deed of Assignment.

On 28 April 2006, TNB announced that it now holds 49% interest in Fibrecomm and CTX hold the majority of 51% interest thus Fibrecomm ceased to be a subsidiary of TNB.

- c) With reference to the earlier announcements made on 5 July 2005 and 5 October 2005 in relation to the conditional Sale of Business Agreement ("the Agreement") entered into by TNB with Northern Utility Resources Sdn. Bhd. (Receivers and Managers appointed) ("NUR"), NUR Generation Sdn. Bhd. (Receivers and Managers appointed) ("NUR Generation") and NUR Distribution Sdn. Bhd. (Receivers and Managers appointed) ("NUR Distribution") for the acquisition of the business and business assets of NUR, NUR Generation and NUR Distribution by TNB, on 30 December 2005 TNB announced that all the parties mutually agreed to extend the Cut-Off Date up to and inclusive of 31 March 2006 or such other further period as the Parties may further mutually agree upon in writing. TNB had on even date announced that all the parties have agreed to mutually extend the Cut-Off Date to 30 June 2006 with a view to concluding all the conditions precedent to the Agreement failing which the Agreement would lapse and be null and void.

On 3 July 2006, TNB announced that the agreed conditions precedent were not fulfilled. Hence, the Agreement ceased to have any effect and has become null and void.

- d) In relation to the proposed bonus issue, we refer to the earlier announcements made on 25 October 2005, 22 November 2005, 12 January 2006, 6 February 2006 and 9 February 2006. On 28 February 2006 TNB announced that it has sent notices to the holders of 3.05% 5-year unsecured convertible redeemable income securities due 2009 ('CRIS') and 2.625% guaranteed exchangeable bonds due 2007 ('GEB') via their respective trustees with regard to the adjustments to the conversion price of the CRIS and the exchange price of the GEB as a result of the Bonus Issue.

23) GROUP BORROWINGS

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

	As at 31 May 06	As at 31 Aug 05
Short term - secured	247.5	256.0
- unsecured	1,838.1	2,723.6
Sub-total	2,085.6	2,979.6
Long term - secured	3,440.0	3,443.2
- unsecured	23,250.6	23,565.6
Sub-total	26,690.6	27,008.8
Total	28,776.2	29,988.4

23) GROUP BORROWINGS (continued)

b) Currency denominations:-

Japanese Yen	4,172.8	4,396.3
Sterling Pound	1,198.2	1,259.9
US Dollar	7,785.5	8,669.6
Euro	530.1	557.9
Others	10.2	12.5
Total Ringgit equivalent of foreign currency borrowings	13,696.8	14,896.2
Ringgit borrowings	15,079.4	15,092.2
Total	28,776.2	29,988.4

c) Effective average cost of funding based on exposure as at 31 May 2006 was 5.72% (FY2005: 5.36%).

d) Repayments of long term debts during the period were as follows:

- (i) Foreign currency denominated term loans of RM860.5 million, and
- (ii) Ringgit denominated term loans of RM1,395.3 million.

24) 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 2006 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 2005 (pages 203-207 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 25 October 2005) and the date of this announcement.

As at 7 July 2006, the outstanding notional principal amount of derivative financial instruments entered into by the Group was RM2,404.7 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.

25) MATERIAL LITIGATION

There is no pending material litigation at the date of this announcement other than those disclosed in the circular to shareholders dated 23 November 2005.

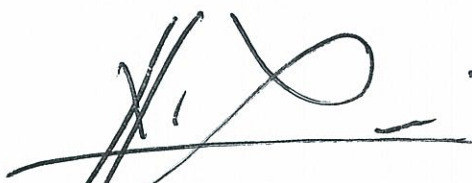
26) DIVIDEND

The Board of Directors has not recommended any dividend for the quarter ended 31 May 2005.

27) EARNINGS PER SHARE

	Individual quarter		Cumulative quarter	
	ended	ended	ended	ended
	31-May-06	31-May-05	31-May-06	31-May-05
(a) Basic earnings per share				
Net profit for the quarter (RM 'million)	395.4	572.8	1,390.5	876.4
Weighted average number of ordinary shares in issue ('000)	4,044,627	4,010,066	4,040,975	3,993,387
Basic earnings per share (sen)	9.78	14.28	34.41	21.95
(b) Diluted earnings per share				
Net profit for the quarter (RM 'million)	395.4	572.8	1,390.5	876.4
Elimination of interest expense on Guaranteed Exchangeable Bonds, net of tax effect (RM 'million)	9.2	6.3	28.8	21.6
	404.6	579.1	1,419.3	898.0
Weighted average number of ordinary shares in issue ('000)	4,044,627	4,010,066	4,040,975	3,993,387
Adjustments for:-				
- conversion of share options exercised ('000)	31,194	25,979	27,180	29,653
- conversion of Guaranteed Exchangeable Bonds ('000)	146,954	149,712	146,954	149,712
Weighted average number of ordinary shares for diluted earnings per share ('000)	4,222,775	4,185,757	4,215,109	4,172,752
Diluted earnings per share (sen)	9.58	13.84	33.67	21.52

By Order of the Board



NOR ZAKIAH BINTI ABDUL GHANI (LS 0008795)

Company Secretary

Kuala Lumpur

14 July 2006