



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

Performance of the current quarter (4th Quarter FY2007) against the preceding quarter (3rd Quarter FY2007)

Compared to the immediate preceding quarter, the Group's revenue of RM6,126.0 million was RM215.3 million higher than the preceding quarter revenue of RM5,910.7 million.

The Group recorded net profit after tax and minority interest for the current quarter of RM168.4 million compared with the preceding quarter of RM1,091.7 million. The decrease of RM923.3 million or 84.6% resulted mainly from foreign exchange translation loss of RM549.0 million compared to foreign exchange translation gain of RM386.4 million in the preceding quarter.

16) PROSPECTS FOR THE FINANCIAL YEAR 2008

The results for FY2007 is primarily attributed to the full impact of the new tariff, encouraging demand growth of 5.5% in Peninsular Malaysia as well as higher capacity payments to IPPs.

Notwithstanding the projected growth of Malaysia's economy of 6% - 6.5% as recently announced in the 2008 Budget, the financial performance of the Group is expected to be lower than that achieved for FY2007 as operating margins would be reduced as a result of rising fuel prices and higher capacity payments to IPPs. At the same time, there is a continuing need to invest in the system for its improvement, ensuring reliability and security.

Given the expected challenging environment, and in pursuit of further improving service excellence, higher productivity and value creation the management will continue to place emphasis on numerous cost management initiatives, maintain strong corporate governance and implement sound risk management policies whilst actively pursue a robust capital management programme. At the same time, management is actively evaluating and identifying new investment opportunities in markets abroad.

With the commitment to further drive operational and financial efficiency and the upward growth trend in industrial and commercial sectors as shown in the recent IPI numbers for August, the Board of Directors is of the view that, subject to the pattern of growth and with the rollout plans expected to be launched for major projects under the 9th Malaysia Plan, the performance for FY2008 would be satisfactory.

17) VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

This note is not applicable.

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18) TAXATION and ZAKAT

Taxation and Zakat for the reporting period comprised the following:-

	Individual quarter ended		Cumulative ended	
	31-Aug-07	31-Aug-06	31-Aug-07	31-Aug-06
Income Tax:				
Current tax	(1.6)	(56.9)	(806.1)	(258.4)
Over/(under) Provision in prior year	0.2	100.0	(10.4)	98.1
Deferred tax (net):				
Relating to origination and reversal and reversal of temporary differences	(217.5)	(85.3)	(298.2)	(426.8)
Relating to changes in the tax rate	40.2	-	448.4	-
Tax expenses	(178.7)	(42.2)	(666.3)	(587.1)
Zakat	(11.0)	(8.0)	(32.0)	(8.0)
Total taxation and zakat	<u>(189.7)</u>	<u>(50.2)</u>	<u>(698.3)</u>	<u>(595.1)</u>

The Group's effective tax rate for the period ended 31 August 2007 is lower than the statutory tax rate mainly due to reversal of deferred tax provision to reflect the reduction of the corporate tax rate from 28% to 26%.

On 31 December 2006, the Government gazetted the Finance Act 2006, which stipulates that the corporate income tax rate for the year of assessment 2007 is 27%. The Government is expected to gazette Finance Act 2007 at the end of December 2007 which will stipulate that the corporate income tax rate for the year of assessment 2008 is 26%.

As announced in the recent budget proposal by the Government, the corporate income tax rate for year of assessment 2009 will be reduced to 25%. The effect of the reduction will be effected in the first quarter results for FY2008.

19) PROFIT/(LOSS) ON SALE OF INVESTMENTS

There were no disposals of any investments during the reporting period.

20) PURCHASES AND DISPOSALS OF QUOTED SECURITIES

- There were no purchases and disposals of quoted securities during the quarter.
- Investments in quoted securities as at 31 August 2007 are as follows:-

	Quarter ended 31-Aug-07
At cost	1.0
At carrying value	Nil
At market value	Nil

The above quoted securities are managed by external fund managers.



21) STATUS OF CORPORATE PROPOSALS

- (a) On 28 December 2006, TNB announced that it has 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.

- (b) On 24 January 2007, TNB announced that it has entered into a conditional Sale and Purchase of Shares Agreement ("SPSA") with ABB Power T&D Ltd. (UK) ("ABB") in relation to the acquisition of ABB's entire 27% shareholding in Malaysia Transformer Manufacturing Sdn.Bhd. ("MTM") by TNB.

Pursuant to the SPSA, TNB will acquire the entire 1,350,000 ordinary fully paid-up shares of RM1.00 each in MTM from ABB at a purchase consideration of RM26,149,009.00.

The acquisition was completed on 28 June 2007 and MTM is now a wholly owned subsidiary of TNB.

- (c) On 1 March 2007, TNB announced that TNB Energy Services Sdn.Bhd. ("TNBES"), a wholly owned subsidiary of TNB, entered into a Share Sale and Purchase Agreement with Seseni Energy Services Sdn.Bhd. and Cyberview Sdn.Bhd. for the disposal by TNBES and Seseni to Cyberview all the equity interest in Pendinginan Megajana Sdn.Bhd. ("PMSB") comprising 16,420,000 ordinary shares of RM1.00 each for a total consideration of RM2.00 only.

On 2 April 2007, TNB announced that the disposal had been completed on 30 March 2007. Upon completion, PMSB ceased to be an associate company of TNBES.

- (d) On 30 April 2007, TNB announced that Dynamic Acres Sdn. Bhd. ("DASB") has entered into a Share Sale Agreement ("SSA") with PT Pamapersada Nusantara ("PAMA") in relation to the divestment of DASB's entire 99% shareholding in PT Dasa Eka Jasatama ("DEJ"). DASB is an investment holding company of DEJ and a 100% subsidiary of TNB Coal International Ltd ("TCIL"), which is a 92.5% subsidiary of TNB.

The completion of this divestment exercise is subject to the fulfillment of all conditions precedent under the SSA.

This transaction does not have any effect on the issued and paid-up capital and it does not have any material effect on the earnings and net assets of TNB Group or on the shareholding of the substantial shareholders of TNB.

Please refer to the announcement made to Bursa Malaysia for further details.

- (e) On 16 July 2007, TNB announced that the Company through Suaibah Expansion Project Company ("SEPC"), a joint stock company incorporated in the Kingdom of Saudi Arabia had on 15 July 2007 signed inter alia the following agreements:-

1. a 20 year Water Purchase Agreement with Water and Electricity Company L.L.C for the additional 150,000m³ per day water desalination plant;
2. shareholder agreement with Public Investment Fund of the Government of the Kingdom of Saudi Arabia, Saudi Electricity Company, Saudi-Malaysia Water & Electricity Company Limited, SEPC and Shuibah Expansion Holding Company;
3. engineering, procurement and construction contract with Doosan Heavy Industries and Construction Co.Ltd; and
4. Operation and Maintenance Agreement with Al-Imtiaz Operation & Maintenance Limited.

Please refer to the announcement made to Bursa Malaysia for further details.

21) STATUS OF CORPORATE PROPOSALS (continued)

- (f) With reference to the earlier announcement made on 25 June 2007, on 30 August 2007 TNB announced that TNB Repair & Maintenance Sdn.Bhd. ("REMACO"), a wholly owned subsidiary of TNB, as the lead Consortium member and on behalf of the Consortium has issued the Letter of Intent for the Engineering Procurement Construction ("EPC") Contract to China National Electric Equipment Corporation as the EPC Contractor of the proposed 300MW Coal-Fired IPP Project at Lahad Datu, Sabah.

Please refer to the announcement made to Bursa Malaysia for further details.

22) GROUP BORROWINGS

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

	As at 31 Aug 07	As at 31 Aug 06
Short term - secured	215.8	247.6
- unsecured	1,799.7	2,287.1
Sub-total	2,015.5	2,534.7
Long term - secured	3,129.7	3,348.6
- unsecured	18,834.2	21,232.3
Sub-total	21,963.9	24,580.9
Total	23,979.4	27,115.6

- b) Currency denominations:-

Japanese Yen	4,254.9	4,023.7
US Dollar	6,666.3	8,947.4
Euro	6.1	10.2
Others	8.1	10.0
Total Ringgit equivalent of foreign currency borrowings	10,935.4	12,991.3
Ringgit borrowings	13,044.0	14,124.3
Total	23,979.4	27,115.6

- c) Effective average cost of funding based on exposure as at 31 August was 5.85% (FY2006: 5.86%).
- d) Repayments of long term debts during the reporting period were as follows:
- (i) Foreign currency denominated term loans of RM2,224.8 million, and
 - (ii) Ringgit denominated term loans of RM1,223.1 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 and Japanese Yen.

TNB has entered into cross currency swap agreements and currency option agreements, which mature from year 2010 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).

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23) OFF BALANCE SHEET FINANCIAL INSTRUMENTS (continued)

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 Rate 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 19 October 2007, the outstanding notional principal amount of derivative financial instruments entered into by the Group was RM969.4 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 and Note 10 above.

25) DIVIDEND

The Board of Directors has recommended a gross final dividend of 16.3 sen per ordinary share (2006: 12 sen) in respect of the financial year ended 31 August 2007 and is subject to the approval of the shareholders of TNB at the forthcoming Annual General Meeting. The Books Closure and Payment dates will be announced in due course.



26) EARNINGS PER SHARE

	Individual quarter		Cumulative quarter	
	ended 31-Aug-07	ended 31-Aug-06	ended 31-Aug-07	ended 31-Aug-06
(a) Basic earnings per share				
Profit attributable to equity holders of the Company (RM 'million)	168.4	736.4	4,061.1	2,126.9
Weighted average number of ordinary shares in issue ('000)	4,328,535	4,075,251	4,278,527	4,049,544
Basic earnings per share (sen)	3.89	18.07	94.92	52.52
(b) Diluted earnings per share				
Profit attributable to equity holders of the Company (RM 'million)	168.4	736.4	4,061.1	2,126.9
Elimination of interest expense net of tax effect (RM'million) on:				
(i) Guaranteed Exchangeable Bonds (RM 'million)	-	5.5	(6.8)	34.3
(ii) Unsecured Convertible Redeemable Income Securities (RM 'million)	0.5	-	4.5	-
	<u>168.9</u>	<u>741.9</u>	<u>4,058.8</u>	<u>2,161.2</u>
Weighted average number of ordinary shares in issue ('000)	4,328,535	4,075,251	4,278,527	4,049,544
Adjustments for:-				
- conversion of share options exercised ('000)	28,415	42,673	53,272	45,934
- conversion of:				
(i) Guaranteed Exchangeable Bonds ('000)	-	162,878	17,988	179,374
(ii) Unsecured Convertible Redeemable Income Securities ('000)	6,721	-	14,359	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>4,363,671</u>	<u>4,280,802</u>	<u>4,364,146</u>	<u>4,274,852</u>
Diluted earnings per share (sen)	3.87	17.33	93.00	50.56

By Order of the Board


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

Kuala Lumpur
25 October 2007

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