TENAGA NASIONAL BERHAD (200866-W)

The Board of Directors is pleased to announce the following:

**A. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE 2nd QUARTER ENDED 28 FEBRUARY 2005**
(Amounts in RM million unless otherwise stated)

| | INDIVIDUAL QUARTER | | CUMULATIVE | |
|---|---|---|---|---|
| | CURRENT YEAR QUARTER 28.02.2005 | PRECEDING YEAR CORRESPONDING QUARTER 29.02.2004 | CURRENT YEAR TO DATE 28.02.2005 | PRECEDING YEAR CORRESPONDING PERIOD 29.02.2004 |
| Revenue | 4,640.8 | 4,285.0 | 9,185.6 | 8,528.9 |
| Operating expenses | (3,951.4) | (3,664.0) | (7,598.8) | (7,100.0) |
| Other operating income | 82.9 | 88.8 | 170.4 | 140.3 |
| Operating profit | 772.3 | 709.8 | 1,757.2 | 1,569.2 |
| Foreign exchange | | | | |
| - Translation gain/(loss) | 78.2 | (161.1) | (360.6) | (543.8) |
| - Transaction gain/(loss) | (31.8) | (40.4) | (35.1) | (43.2) |
| Share of results of associates | 31.9 | 24.7 | 67.4 | 33.9 |
| Profit before finance cost | 850.6 | 533.0 | 1,428.9 | 1,016.1 |
| Finance cost | (343.4) | (333.4) | (705.2) | (679.7) |
| Profit from ordinary activities before taxation | 507.2 | 199.6 | 723.7 | 336.4 |
| Taxation | | | | |
| - Company and subsidiaries | (112.0) | (10.7) | (132.1) | (26.6) |
| - Deferred taxation | (71.7) | (113.1) | (240.0) | (266.1) |
| - Share of taxes in associates | (14.0) | (7.2) | (22.2) | (8.1) |
| Profit from ordinary activities after taxation | 309.5 | 68.6 | 329.4 | 35.6 |
| Minority interests | (14.4) | (11.5) | (25.8) | (4.9) |
| Net profit for the period | 295.1 | 57.1 | 303.6 | 30.7 |
| | **Sen** | **Sen** | **Sen** | **Sen** |
| Earnings per share-Basic | 9.24 | 1.83 | 9.56 | 0.99 |
| Earnings per share-Diluted | 9.16 | 1.82 | 9.47 | 0.98 |

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2004.

## B. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 28 FEBRUARY 2005

(Amounts in RM million unless otherwise stated)

| | 28 FEB 2005 | 31 AUG 2004 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 53,889.7 | 53,443.7 |
| Coal mining rights | 306.9 | 312.2 |
| Associates | 503.4 | 132.1 |
| Investments | 176.2 | 100.5 |
| | 54,876.2 | 53,988.5 |
| CURRENT ASSETS | | |
| Inventories | 1,745.9 | 1,569.2 |
| Trade receivables | 2,359.4 | 2,159.2 |
| Other receivables | 1,255.1 | 1,344.4 |
| Current tax assets | 7.9 | 26.0 |
| Amount owing from associates | 93.6 | 74.0 |
| Short term investments | 12.6 | 360.2 |
| Marketable securities | 10.7 | 10.3 |
| Deposits, bank and cash balances | 2,794.2 | 3,849.8 |
| | 8,279.4 | 9,393.1 |
| CURRENT LIABILITIES | | |
| Trade payables | (1,957.9) | (1,982.2) |
| Other payables | (981.1) | (1,018.5) |
| Amount owing to associates | (446.0) | (304.9) |
| Current taxation | (423.9) | (262.8) |
| Short term borrowings | (3,816.4) | (1,861.0) |
| | (7,625.3) | (5,429.4) |
| NET CURRENT ASSETS | 654.1 | 3,963.7 |
| LONG TERM LIABILITIES | | |
| Borrowings | (27,311.8) | (30,626.2) |
| Consumer deposits | (1,859.7) | (1,766.5) |
| Employee benefits | (2,200.4) | (2,149.5) |
| Other liabilities | (74.4) | (79.2) |
| Deferred taxation | (5,700.9) | (5,503.8) |
| Deferred income | (2,419.3) | (2,379.9) |
| Government development grants | (633.3) | (556.9) |
| | (40,199.8) | (43,062.0) |
| | 15,330.5 | 14,890.2 |
| FINANCED BY: | | |
| Share capital | 3,200.5 | 3,148.3 |
| Share premium | 3,839.3 | 3,451.4 |
| Revaluation and other reserves | 1,023.2 | 1,030.3 |
| Retained profits | 7,150.0 | 7,168.4 |
| SHAREHOLDERS' FUNDS | 15,213.0 | 14,798.4 |
| Minority interests | 117.5 | 91.8 |
| | 15,330.5 | 14,890.2 |
| | Sen | Sen |
| NET TANGIBLE ASSETS PER SHARE | 466 | 460 |

The unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2004.

**C. UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AS AT 28 FEBRUARY 2005**
(Amounts in RM million unless otherwise stated)

| | Shares of RM1.00 each | Share premium | and other reserves | 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 | - | - | (7.1) | - | (7.1) |
| Net profit for the 6-month period | - | - | - | 303.6 | 303.6 |
| Dividend paid for FY2004 | - | - | - | (322.0) | (322.0) |
| Issuance of share capital * | 52.2 | 387.9 | - | - | 440.1 |
| As at 28 February 2005 | 3,200.5 | 3,839.3 | 1,023.2 | 7,150.0 | 15,213.0 |

* (a) Exercise of options representing 52,204,000 ordinary shares of RM1 each in TNB under the Employee Share Option Scheme II (''ESOS II'')
* (b) Conversion of TNB Capital (L) Ltd.'s Guaranteed Exchangeable Bonds into a total of 41,930 ordinary shares of RM1 each in TNB.

| | | Non-distributable | | Distributable | |
|---|---|---|---|---|---|
| | Ordinary Shares of RM1.00 each | Share premium | Revaluation and other reserves | Retained profits | Total |
| As at 1 September 2003 | 3,111.8 | 3,181.7 | 1,048.1 | 7,732.1 | 15,073.7 |
| Currency translation differences | - | - | 6.0 | - | 6.0 |
| Net profit for the 6-month period | - | - | - | 30.7 | 30.7 |
| Dividend paid for FY2003 | - | - | - | (175.0) | (175.0) |
| Issuance of share capital | | | | | |
| - share options | 1.0 | 6.9 | - | - | 7.9 |
| As at 29 February 2004 | 3,112.8 | 3,188.6 | 1,054.1 | 7,587.8 | 14,943.3 |

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 2004.

D. **UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 28 FEBRUARY 2005**
(Amounts in RM million unless otherwise stated)

| | 2nd Quarter ended 28 Feb 2005 | 2nd Quarter ended 29 Feb 2004 |
|---|---|---|
| **Operating activities** | | |
| Cash generated from operations | 2,637.4 | 2,538.4 |
| Retirement benefits paid | (72.9) | (20.4) |
| Consumer contributions received | 184.2 | 143.4 |
| Customer deposits received | 93.2 | 76.3 |
| Tax paid | (13.7) | (18.7) |
| Tax refund received | 18.3 | - |
| Net cash inflow from operating activities | 2,846.5 | 2,719.0 |
| **Investing activities** | | |
| Investments: | | |
| - purchases | (75.7) | (13.5) |
| - disposals | - | 226.9 |
| Proceeds from redemption of loan notes | - | 7.3 |
| Interest income received | 60.3 | 35.1 |
| Property, plant and equipment: | | |
| - of subsidiary acquired | - | (226.1) |
| - purchases | (1,501.4) | (1,718.5) |
| - disposals | 0.7 | - |
| Net cash flow from investing activities | (1,516.1) | (1,688.8) |
| **Financing activities** | | |
| Bank borrowings: | | |
| - new drawdowns | 2,790.7 | 3,038.8 |
| - repayments | (4,528.7) | (3,302.1) |
| Interest paid | (826.9) | (780.2) |
| Dividends paid | (322.0) | (175.0) |
| Proceeds from issuance of shares | 440.1 | 7.9 |
| Others | 96.2 | 1.5 |
| Net cash flow from financing activities | (2,350.6) | (1,209.1) |
| **Changes in cash and cash equivalents** | (1,020.2) | (178.9) |
| **Currency translation differences** | (0.9) | 0.6 |
| **Cash and cash equivalents** | | |
| **- at start of period** | 3,746.4 | 1,430.4 |
| **- at end of period** | 2,725.3 | 1,252.1 |

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 2004.

## 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 Malaysian Accounting Standards Board ('MASB') Standard No. 26 "Interim Financial Reporting" 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 2004.

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 2004.

### 2) AUDIT QUALIFICATION

The annual audited financial statements for the financial year ended 31 August 2004 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 7 April 2005, TNB announced that its wholly-owned subsidiary, TNB Capital (L) Ltd., a company incorporated in the Federal Territory of Labuan, Malaysia, with limited liability ("TNBCL"), has commenced a tender offer to purchase all US$107.55 million aggregate principal amount of TNB's outstanding 7.200% Notes due 29 April 2007 and all US$500 million aggregate principal amount of TNB's outstanding 7.625% Notes due 29 April 2007.

(b) During the period ended 28 February 2005, a total of 52,245,930 ordinary shares of RM1 each were issued comprising:-

- (a) Exercise of options representing 52,204,000 ordinary shares of RM1 each in TNB under the Employee Share Option Scheme II (''ESOS II'')
- (b) Conversion of TNBCL's Guaranteed Exchangeable Bonds into a total of 41,930 ordinary shares of RM1 each in TNB.

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 2004, a final gross dividend of 10.0 sen per share and a special gross dividend of 4.0 sen per share less income tax of 28% amounting to RM322.0 million was paid on 24 January 2005.

### 8) SEGMENTAL REPORTING

This note is not applicable.

### 9) VALUATION OF PROPERTY, PLANT & EQUIPMENT

The valuations of property, plant & equipment have been brought forward without amendments from the previous annual audited financial statements.

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

On 9 March 2005, TNB announced that it has received a notice from its majority owned subsidiary, Sabah Electricity Sdn Bhd ("SESB"), that the Federal Government of Malaysia ("Government") has approved the proposal put forward by SESB to improve its financial and operational performance which includes, among others, the granting of subsidy for diesel and medium fuel oil, the writing off of the Government loan to SESB, the reduction in the interest rate from 6% to 4% per annum and retaining the gas price at RM6.40/mmbtu (similar to Peninsular Malaysia).

It is expected that the approval of the Government on the Proposal will reduce the financial burden of SESB, and hence reducing SESB's dependency on TNB for financial support and capital injection.

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

### 11) CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the quarter.

**12) CONTINGENT LIABILITIES**

Contingent liabilities of the Group include the following:-

| | As at 28 February 2005 | As at 31 August 2004 |
|---|---|---|
| Claims by third parties | 612.8 | 601.0 |
| Trade guarantees and performance bonds | 5.5 | 5.5 |
| Stamp duties on transfer of assets | 108.0 | 108.0 |
| Other contingencies | 66.0 | 66.4 |
| | 792.3 | 780.9 |

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 28 February 2005 |
|---|---|
| **Property, plant and equipment committed over a 5 year period** | |
| Authorised but not contracted for | 12,940.1 |
| Contracted but not provided for in the financial statements | 2,836.1 |
| | 15,776.2 |

**14) RELATED PARTY TRANSACTIONS**

On 4 April 2005, TNB announced the award of contract by the Kapar Energy Ventures Sdn Bhd. ("KEV"), a 60% owned subsidiary of TNB to Malaysia Transformer Manufacturing Sdn.Bhd. ("MTM"), a 73% owned subsidiary of TNB.
The award of contract by KEV to MTM is for the supply, delivery and commissioning of a new 32MVA 20/11kV transformer for a fixed lump-sum contract price of RM980,000.00.
None of the directors and/or other major shareholders of TNB or persons connected with the directors and/or other major shareholders of TNB have any interest, direct or indirect in the said transaction.

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

(Amounts in RM million unless otherwise stated)

**15) REVIEW OF PERFORMANCE**

For the six month period under review, the Group recorded a total revenue of RM9,185.6 million which was RM656.7 million or 7.7% higher than the corresponding period in the last financial year. The improved revenue is mainly attributed to higher electricity sales which increased by 6.9%.

The Group net profit was RM303.6 million compared with RM30.7 million recorded in the corresponding period in the last financial year. The operating profit increased by 12.0% or RM188.0 million, despite higher coal prices. The Ringgit continued to weakened against the Yen, EURO and Pound Sterling thereby giving rise to the foreign exchange translation loss. However the weakened Ringgit was at lower rate compared to the corresponding period in the last financial year thereby giving rise to smaller foreign exchange translation loss.

For the three months period ended 28 February 2005, the Group's recorded a total revenue of RM4,640.8 million, an improvement of 8.3% or RM355.8 million, compared to the same period in the last financial year. The increase of 7.0% was derived mainly from electricity sales. The net profit was higher by RM238.0 million, or 416.8%, resulted mainly from the improvement in operating profit and foreign exchange translation gain of RM78.2 million compared to the corresponding period in the last financial year.

An analysis of revenue is as follows:-

| | Current Quarter | | Year-to-Date | |
|---|---|---|---|---|
| | **28.02.05** | **29.02.04** | **28.02.05** | **29.02.04** |
| Net Revenue (RM 'million) | 4,640.8 | 4,285.0 | 9,185.6 | 8,528.9 |
| Units sold (GWh) | 19,175.8 | 17,759.1 | 38,429.7 | 35,223.9 |
| Average electricity sales per unit (sen/kWh) | 23.3 | 23.5 | 23.1 | 23.5 |

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

Compared to the immediate preceding quarter, first quarter of financial year 2005 (the preceding period), the Group recorded an increase in net profit of RM286.6 million. The increase was mainly due to the foreign exchange translation gain of RM78.2 million as against a loss of RM438.8 million recorded in the preceding quarter. The revenue growth was only 2.1% or RM96.0 million, and operating costs increased by 8.3%, RM304.0 million. The increase in the operating cost was largely due to higher coal prices.

**17) CURRENT YEAR PROSPECTS**

In line with the Malaysian Government's expectation to achieve GDP growth of 5.0%-6.0% for the year 2005, and with management's commitment to continue to improve the operating efficiencies of the Group's business, the Board of Directors, barring any unforeseen circumstances, expects the Group's performance for FY2005 to remain satisfactory.

**18) VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

This note is not applicable.

**19) TAXATION**

Taxation for the quarter comprised the following:-

| | Individual quarter ended 28.02.2005 | Individual quarter ended 29.02.2004 | Cumulative ended 28.02.2005 | Cumulative ended 29.02.2004 |
|---|---|---|---|---|
| Taxation for the Group | (112.0) | (10.7) | (132.1) | (26.6) |
| Deferred taxation for the Group | (71.7) | (113.1) | (240.0) | (266.1) |
| Share of taxes in associates | (14.0) | (7.2) | (22.2) | (8.1) |
| | (197.7) | (131.0) | (394.3) | (300.8) |

The Group's effective tax rate for the period is higher than the statutory tax rate due to the relatively high level of certain expenses, which are not deductible 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 28 February 2005 are as follows:-

| | Quarter ended 28 February 2005 |
|---|---|
| At cost | 1.1 |
| At carrying value | 0.1 |
| At market value | 0.1 |

The above quoted securities are managed by external fund managers.

**22) STATUS OF CORPORATE PROPOSALS**

**a)** On 9 March 2004, TNB announced that it has entered into a Memorandum of Agreement ("MOA") with Techventure Bhd ("TVB") in relation to the proposed acquisition by TVB of TNB's entire 70% equity interest in TNB Coal International (Mauritius) Ltd ("TNB Coal").

On 7 September 2004, TNB announced that it has no intention to extend the term/duration of the MOA, which was either to expired or lapsed on 8 September 2004. However, TNB confirmed that it has received a new offer from TVB Global Marketing Sdn Bhd ("TVBGM"), a subsidiary of TVB, to acquire TNB's entire 70% stake in TNB Coal for full cash consideration.

**b)** On 21 May 2002, the Company announced that it had entered into a Share Sale Agreement with Mastika Lagenda Sdn Bhd , a 97.7% owned indirect subsidiary of Genting Berhad, for the disposal by TNB of a 40% interest in Sepang Power Sdn Bhd for a total cash consideration of RM65.7 million.

**c)** On 11 June 2004, TNB signed a Sale & Purchase Agreements ("SPA") with Malakoff Berhad ("MB") to sell its 750,187 ordinary shares and RM70,892,471.36 worth of loan notes constituting 93.75% of TNB 20% stake in Segari Energy Ventures Sdn Bhd ("SEV") for total cash consideration of RM372,870,663.15.

TNB also signed a separate SPA with Employees' Provident Fund ("EPF") to sell 50,013 ordinary shares and RM4,726,215.16 worth of loan notes, constituting 6.25% of TNB entire 20% stake in SEV. The sale of the said stake to EPF is for a total cash consideration of RM24,858,309.30. All parties had on several occasions mutually agreed to extend the expiry of the approval period to fulfill the condition precedent.

On 15 April 2005, TNB announced that the disposal of 18.75% of its entire 20% stake in SEV to Malakoff has been duly completed. The disposal, undertaken pursuant to the SPA dated 11 June 2004, resulted in partial divestment of TNB's interest in SEV.

22) STATUS OF CORPORATE PROPOSALS (continued)

**d)** On 18 March 2005, TNB announced that it has entered into a Heads of Agreement with Celcom Transmission (M) Sdn. Bhd. ("CTX") on 18 March 2005 for TNB to dispose to CTX a total of 10% equaty in Fibrecomm Network Sdn Bhd ("Fibrecomm"). CTX is a wholly owned subsidiary of Celcom Malaysia Berhad ("Celcom") while Celcom is a wholly owned subsidiary of Telekom Malaysia Berhad ("TMB").

Under the Heads of Agreement, the parties shall within one (1) month from the date thereof or such other extended date as mutually agreed by the Parties, enter into the following agreements:-

(a) Share Sale Agreement for the sale of Seven Million Five Hundred Thousand (7,500,000) ordinary shares of RM1.00 each representing 10% of the equity interests in Fibrecomm by TNB to CTX for a total purchase price to be mutually agreed by the Parties; and

(b) Shareholders' Agreement to regulate the Parties' relationship inter se as shareholders of the Company.

The execution of the Heads of Agreement is necessary as a means to streamline the core activity of TNB and the Directors of TNB are of the opinion that the disposal is in the best interests of TNB. The Heads of Agreement does not have any material effect on the earnings per share, share capital, substantial shareholders' shareholding and net tangible assets of TNB.

Save for Dato' Azman bin Mokhtar, being the common Director of TNB and TMB as well as Khazanah Nasional Berhad, Bank Negara Malaysia and Employees' Provident Fund Board, being the common major shareholders of TNB and TMB, none of the other Directors of TNB and/or Substantial Shareholders and/or Persons Connected to them have any interest, direct or indirect, in the Heads of Agreement.

The Heads of Agreement does not require the approval of shareholders or any governmental authorities. Please refer to the announcement made to Bursa Malaysia for further details.

**(e)** On 22 March 2005, TNB announced that together with Malakoff Berhad ("Malakoff") and Arabian Company for Water and Power Projects Limited ("ACWA") (the "Bidder Consortium") they have submitted a bid for a 60% equity interest in the Shoaiba Phase 3 Independent Water and Power Project in the Kingdom of Saudi Arabia, ("KSA") (the "Project") on 5th March 2005.

If the Bidder Consortium is successful in its bid, Khazanah Nasional Berhad ("Khazanah") will together with TNB and Malakoff form a Malaysian Consortium to invest in the Bidder Consortium. The interests of the parties in the Malaysian Consortium are as follows: -

| Consortium members | Percentage of equity interest in the Malaysian Consortium | Percentage of effective shareholding in Bidder Consortium |
|---|---|---|
| Khazanah | 40 | 20 |
| Malakoff | 40 | 20 |
| TNB | 20 | 10 |

The Bidder Consortium will hold a 60% interest in a project company that will undertake the Project whilst the balance will be held by agencies of the Government of KSA.

The Project, to be developed on a Build, Own and Operate basis, will be located adjacent to the existing Shoaiba generation and desalination complexes 110 km south of Jeddah, on the western Red Sea coast of Saudi Arabia. The indicative project timetable is for construction to commence towards end-2005 with Project Commercial Operation Date scheduled 3 years later.

ACWA, Malakoff and TNB will be incorporating a limited liability company in KSA to undertake the operations and maintenance for the Project.

**23) GROUP BORROWINGS**

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

| | As at 28 February 2005 |
|---|---|
| Short term - secured | 230.8 |
| - unsecured | 3,585.6 |
| Sub-total | 3,816.4 |
| Long term - secured | 3,575.4 |
| - unsecured | 23,736.4 |
| Sub-total | 27,311.8 |
| Total | 31,128.2 |

b) Currency denominations:-

| | |
|---|---|
| Japanese Yen | 4,615.8 |
| Sterling Pound | 1,430.9 |
| US Dollar | 9,001.5 |
| Euro | 636.9 |
| Others | 15.0 |
| Total Ringgit equivalent of foreign currency borrowings | 15,700.1 |
| Ringgit borrowings | 15,428.1 |
| Total | 31,128.2 |

c) Effective average cost of funding based on exposure as at 28 February 2005 was 5.46 % (FY2004: 5.03%).

d) Repayments of long term debts during the period were as follows:
(i) Foreign currency denominated term loans of RM726.1 million, and
(ii) Ringgit denominated term loans of RM1,200.9 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 currency and interest rate swap agreements and currency and interest rate option agreements, which mature from year 2005 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 2004 (pages 209-213 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 4 November 2004) and the date of this announcement except for the following:-

During the financial year-to-date, a wholly owned subsidiary of TNB, TNB Capital (L) Ltd ("TNBCL"), unwound the existing fixed to floating interest rate swaps on the 5 year USD400 million Guaranteed Exchangeable Bond due to possible rising interest rate environment.

TNB also has unwound the existing JPY/USD cross currency and interest rate swap on the Japan Bank of International Cooperation ("JBIC") MVII-1 and JBIC MVII-2 loans due to prepayment of the underlying loans.

As at 11 April 2005, the outstanding notional principal amount of derivative financial instruments entered into by the Group was RM6,566.8 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.

**26) DIVIDEND**

The Board of Directors has recommended a tax-exempt interim dividend of 3 sen per share (2004: 3.0 sen tax-exempt) in respect of the financial year ending 31 August 2005. The Books Closure and Payment dates will be announced in due course.

**27) EARNINGS PER SHARE**

| | Individual quarter ended 28 Feb 2005 | Individual quarter ended 29 Feb 2004 | Cumulative quarter ended 28 Feb 2005 | Cumulative quarter ended 29 Feb 2004 |
|---|---|---|---|---|
| **(a) Basic earnings per share** | | | | |
| Net profit for the quarter (RM 'million) | 295.1 | 57.1 | 303.6 | 30.7 |
| Weighted average number of ordinary shares in issue ('000) | 3,192,465 | 3,112,347 | 3,176,346 | 3,112,194 |
| Basic earnings per share (sen) | 9.24 | 1.83 | 9.56 | 0.99 |
| **(b) Diluted earnings per share** | | | | |
| Net profit for the quarter (RM 'million) | 295.1 | 57.1 | 303.6 | 30.7 |
| Adjustment for interest savings net of tax (RM 'million) | - | - | - | - |
| | 295.1 | 57.1 | 303.6 | 30.7 |
| Weighted average number of ordinary shares in issue ('000) | 3,192,465 | 3,112,347 | 3,176,346 | 3,112,194 |
| Adjustment for share options exercised ('000) | 27,938 | 20,942 | 29,650 | 20,942 |
| Weighted average number of ordinary shares for diluted earnings per share ('000) | 3,220,403 | 3,133,289 | 3,205,996 | 3,133,136 |
| Diluted earnings per share (sen) | 9.16 | 1.82 | 9.47 | 0.98 |

By Order of the Board

**NOR ZAKIAH BINTI ABDUL GHANI (LS 0008795)**
**Company Secretary**
Kuala Lumpur
18 April 2005