

The Board of Directors is pleased to announce the following:

**A. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE 4th QUARTER ENDED 31 AUGUST 2005**

(Amounts in RM million unless otherwise stated)

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31-Aug-05	PRECEDING YEAR CORRESPONDING QUARTER 31-Aug-04	CURRENT YEAR TO DATE 31-Aug-05	PRECEDING YEAR ENDED 31-Aug-04
Revenue	4,956.1	4,644.0	18,977.5	17,712.1
Operating expenses	(4,531.8)	(3,824.5)	(16,215.9)	(14,723.4)
Other operating income	85.8	125.9	374.1	336.5
Operating profit	510.1	945.4	3,135.7	3,325.2
Foreign exchange				
- Translation gain/(loss)	279.3	115.1	197.5	(361.9)
- Transaction loss	(8.9)	(160.4)	(55.7)	(209.9)
Share of results of associates	8.5	12.7	91.0	79.8
Profit before finance cost	789.0	912.8	3,368.5	2,833.2
Finance cost				
- Interest	(390.8)	(358.9)	(1,429.7)	(1,350.5)
- Bond refinancing cost	(1.3)	-	(119.9)	-
Profit from ordinary activities before taxation	396.9	553.9	1,818.9	1,482.7
Taxation				
- Company and subsidiaries	231.3	6.5	24.4	(29.0)
- Deferred taxation	(221.6)	(124.5)	(494.0)	(627.1)
- Share of taxes in associates	(1.3)	(3.3)	(26.5)	(19.1)
Profit from ordinary activities after taxation	405.3	432.6	1,322.8	807.5
Minority interests	(1.7)	13.8	(42.8)	6.2
Net profit for the period	403.6	446.4	1,280.0	813.7
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Earnings per share-Basic	12.59	14.24	40.12	26.08
Earnings per share-Diluted	12.23	14.11	39.22	25.88

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 31 AUGUST 2005**

(Amounts in RM million unless otherwise stated)

	<b>31-Aug-05</b>	<b>31-Aug-04</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	54,721.0	53,443.7
Coal mining rights	290.7	312.2
Associates	158.7	132.1
Investments	39.7	100.5
	<u>55,210.1</u>	<u>53,988.5</u>
<b>CURRENT ASSETS</b>		
Inventories	1,741.6	1,569.2
Trade receivables	2,158.3	2,159.2
Other receivables	1,404.9	1,344.4
Current tax assets	101.7	26.0
Amount owing from associates	6.8	74.0
Short term investments	12.6	360.2
Marketable securities	9.4	10.3
Deposits, bank and cash balances	2,849.4	3,849.8
	<u>8,284.7</u>	<u>9,393.1</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	(2,405.2)	(1,982.2)
Other payables	(1,013.5)	(1,018.5)
Amount owing to associates	(203.0)	(304.9)
Current taxation	(214.3)	(262.8)
Short term borrowings	(2,979.6)	(1,861.0)
	<u>(6,815.6)</u>	<u>(5,429.4)</u>
<b>NET CURRENT ASSETS</b>	1,469.1	3,963.7
<b>LONG TERM LIABILITIES</b>		
Borrowings	(27,008.8)	(30,626.2)
Consumer deposits	(1,952.3)	(1,766.5)
Employee benefits	(2,248.2)	(2,149.5)
Other liabilities	(79.4)	(79.2)
Deferred taxation	(5,997.8)	(5,503.8)
Deferred income	(2,505.9)	(2,379.9)
Government development grants	(686.0)	(556.9)
	<u>(40,478.4)</u>	<u>(43,062.0)</u>
	<u>16,200.8</u>	<u>14,890.2</u>
<b>FINANCED BY:</b>		
Share capital	3,220.7	3,148.3
Share premium	3,989.6	3,451.4
Revaluation and other reserves	844.7	1,030.3
Retained profits	8,030.5	7,168.4
<b>SHAREHOLDERS' FUNDS</b>	<u>16,085.5</u>	<u>14,798.4</u>
Minority interests	115.3	91.8
	<u>16,200.8</u>	<u>14,890.2</u>
<b>NET TANGIBLE ASSETS PER SHARE</b>	Sen 490	Sen 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 31 AUGUST 2005**

(Amounts in RM million unless otherwise stated)

	Ordinary Shares of RM1.00 each	Non-distributable		Distributable	Total
		Share premium	Revaluation and other reserves	Retained profits	
As at 1 September 2004	3,148.3	3,451.4	1,030.3	7,168.4	14,798.4
Currency translation differences	-	-	(29.2)	-	(29.2)
Net profit for the financial year	-	-	-	1,280.0	1,280.0
Dividends					
- financial year ended 31 August 2004	-	-	-	(322.0)	(322.0)
- financial year ended 31 August 2005	-	-	-	(96.2)	(96.2)
Issuance of share capital *	72.4	538.2	-	-	610.6
Realisation of asset revaluation surplus	-	-	(0.3)	0.3	-
Goodwill written-off	-	-	(156.1)	-	(156.1)
As at 31 August 2005	<u>3,220.7</u>	<u>3,989.6</u>	<u>844.7</u>	<u>8,030.5</u>	<u>16,085.5</u>

\* Comprises:-

- Exercise of options representing 72,373,200 ordinary shares of RM1 each in TNB under the Employee Share Option Scheme II ("ESOS II"); and
- Conversion of TNB Capital (L) Ltd.'s Guaranteed Exchangeable Bonds into a total of 41,930 ordinary shares of RM1 each in TNB.

	Ordinary Shares of RM1.00 each	Non-distributable		Distributable	Total
		Share premium	Revaluation and other reserves	Retained profits	
As at 1 September 2003	3,111.8	3,181.7	1,048.1	6,623.4	13,965.0
Currency translation differences	-	-	(17.8)	-	(17.8)
Net profit for the financial year	-	-	-	813.7	813.7
Dividends					
- financial year ended 31 August 2003	-	-	-	(174.8)	(174.8)
- financial year ended 31 August 2004	-	-	-	(93.9)	(93.9)
Issuance of share capital - share options	36.5	269.7	-	-	306.2
As at 31 August 2004	<u>3,148.3</u>	<u>3,451.4</u>	<u>1,030.3</u>	<u>7,168.4</u>	<u>14,798.4</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 2004.

**D. UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2005**

(Amounts in RM million unless otherwise stated)

	<b>Year ended 31-Aug-05</b>	<b>Year ended 31-Aug-04</b>
<b>Operating activities</b>		
Cash generated from operations	5,699.2	4,883.9
Retirement benefits paid	(188.1)	(153.2)
Consumer contributions received	419.8	359.2
Customer deposits received	185.8	168.5
Tax paid	(114.3)	(21.0)
Tax refund received	18.1	-
Net cash inflow from operating activities	<u>6,020.5</u>	<u>5,237.4</u>
<b>Investing activities</b>		
Investment in associates:		
- disposal	397.8	140.0
- proceeds from redemption of redeemable preference shares	14.0	-
Investments:		
- purchases	(75.7)	(13.5)
- disposals	136.9	1,340.4
Proceeds from redemption of:		
- bonds	-	26.2
- loan notes	-	15.3
- redeemable preference shares	-	3.4
Interest income received	128.8	93.8
Property, plant and equipment:		
- purchases	(3,805.0)	(4,194.8)
- disposals	7.5	212.2
Net cash flow from investing activities	<u>(3,195.7)</u>	<u>(2,377.0)</u>
<b>Financing activities</b>		
Bank borrowings:		
- new drawdowns	7,136.8	9,534.7
- repayments	(9,635.9)	(8,597.8)
Interest paid	(1,665.3)	(1,538.1)
Dividends paid	(418.2)	(268.2)
Proceeds from issuance of shares	610.1	306.2
Others	236.7	78.9
Net cash flow from financing activities	<u>(3,735.8)</u>	<u>(484.3)</u>
<b>Changes in cash and cash equivalents</b>	(911.0)	2,376.1
<b>Currency translation differences</b>	(2.0)	(1.7)
<b>Cash and cash equivalents</b>		
- at start of period	<u>3,746.4</u>	<u>1,372.0</u>
- at end of period	<u>2,833.4</u>	<u>3,746.4</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 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 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 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"), 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. On 3 May 2005, TNB announced the expiration of the Tender Offer at 5.00 p.m., New York time, on 29 April 2005, TNBCL received tenders of approximately \$65,900,000 of the 7.200% Notes and \$328,105,000 of the 7.625% Notes.

(b) On 21 July 2005, TNB announced that it proposed to set up a Multi-Currency Revolving Credit Facilities Programme ("MCRCF") of up to an equivalent amount of USD500 million. The MCRCF programme comprises:-

- (a) a Eurodollar Medium Term Notes issue;
- (b) a Transferable Revolving credit Facility; and
- (c) a Ringgit Murabahah Medium Term Note issue.

On 13 October 2005, TNB announced that it has signed a Master Programme Agreement for the MCRCF.

6) DEBT AND EQUITY SECURITIES (Continued)

- (c) On 17 August 2005, TNB announced that TNB Energy Services Sdn Bhd ("TNBES"), a wholly owned subsidiary of TNB, has entered into a Subscription Agreement ("SA") and Shareholders Agreement ("SHA") with Worldwide Landfills Sdn Bhd ("WLSB"). The SA and SHA are in relation to Jana Landfills Sdn Bhd ("JLSB")'s capital restructuring exercise, through the issuance of the ordinary shares and redeemable preference shares ("RPS") and the subscription of the ordinary shares and RPS by TNBES.

Upon completion of the SA and SHA, TNBES will hold 70% interest in JLSB and WLSB will hold 30% interest.

None of the Directors of TNB and /or Substantial Shareholders and/or Persons Connected to them have any interest, direct or indirect in the transaction.

- (d) During the financial year ended 31 August 2005, a total of 72,415,130 ordinary shares of RM1 each were issued comprising:-
- (i) Exercise of options representing 72,373,200 ordinary shares of RM1 each in TNB under the Employee Share Option Scheme II ('ESOS II'); and
  - (ii) 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**

- (a) 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.
- (b) In respect of the financial year ended 31 August 2005, an interim tax-exempt dividend of 3.0 sen per share amounting to RM96.2 million was declared on 18 April 2005 and paid on 12 July 2005.

**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**

- (a) 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 said announcement for further details.

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

- (b) On 12 May 2005, TNB announced that it will appeal to the Federal Court on the decision made by the Court of Appeal on the issue of outstanding assessment by Majlis Daerah Dungun, Trengganu amounting to approximately RM83 million in respect of TNB's Stesen Janaelektrik Sultan Ismail, Paka, Terengganu.
- (c) On 26 September 2005, TNB announced that it has signed Renewable Energy Power Purchase Agreement ("REPPA") for the purchase of electricity energy generated by small Renewable Energy power project developed by MHES Asia Sdn Bhd under the Small Renewable Energy Power Program.  
TNB has agreed to purchase the electricity from MHES Asia Sdn Bhd for a period of 21 years. The estimated value of this REPPA is about RM13.4 million per year.
- (d) In previous financial years, Sepang Power Sdn Bhd was treated as an associate company pursuant to the Shares Sale Agreement dated 21 May 2002. The said Agreement has now lapsed and accordingly Sepang Power Sdn Bhd has been consolidated as a 70% owned subsidiary company of TNB in the current year financial statements.

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:-

	<b>As at 31 August 2005</b>	<b>As at 31 August 2004</b>
Claims by third parties	776.1	601.0
Trade guarantees and performance bonds	5.5	5.5
Stamp duties on transfer of assets	108.0	108.0
Other contingencies	68.4	66.4
	<u>958.0</u>	<u>780.9</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**

	<b>As at 31 August 2005</b>
<b>Property, plant and equipment committed over a 5 year period</b>	
Authorised but not contracted for	16,797.2
Contracted but not provided for in the financial statements	2,932.0
	<u>19,729.2</u>

14) **RELATED PARTY TRANSACTIONS**

- (a) 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.

14) RELATED PARTY TRANSACTIONS (Continued)

- (b) On 19 August 2005, TNB announced that Kapar Energy Ventures Sdn.Bhd. ("KEV"), a 60% subsidiary of TNB and 40% owned by Malakoff Berhad ("MB"), had entered into a maintenance Agreement with TNB Repair And Maintenance Sdn.Bhd. (REMACO) a wholly owned subsidiary of TNB. Under the Agreement, Remaco is to provide maintenance services for the Kapar Power Station for a duration of 3 years commencing from 9 July 2004 with an option for a one year extension. The estimated value of the service to be provided by REMACO for the duration of the 3 years is approximately RM5,810,200.00. 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 transaction.

**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 twelve months ended 31 August 2005 (YTD August 2005) against the corresponding twelve months ended 31 August 2004 (YTD August 2004):

The net profit for the Group improved from RM813.7 million to RM1,280.0 million an increase of RM466.3 million or 57.3%. This resulted mainly from higher electricity sales and foreign exchange gain.

For the twelve months ended 31 August 2005, the Group recorded a total revenue of RM18,977.5 million which was RM1,265.4 million or 7.1% higher than the corresponding period in the last financial year. The increase was mainly attributed to higher electricity sales which increased by RM1,107.0 million or 6.4%.

The commercial and domestic sectors were the main contributors to the increase of RM483.2 million (8.4%) and RM250.5 million (8.1%) respectively. Export to Electricity Generating Authority of Thailand ("EGAT") has been encouraging with an increase of RM223.8 million or 359.2%.

The Ringgit Malaysia at the closing of FY2005 strengthened against the major currencies which TNB Group was exposed to. This has resulted in foreign exchange gain of RM141.8 million compared to the loss of RM571.8 million recorded in the corresponding period last financial year.

The operating expenses increased by RM1,492.5 million or 10.1% compared to the corresponding period last financial year. This has affected the operating profit of the Group which has reduced from RM3,325.2 million to RM3,135.7 million a reduction of RM189.5 million or 5.7%. The increase in coal price was the main contributor to the higher operating expenses where the average price increased from US\$34.0 to US\$49.8 per tonne. The costs of other operating expenses have also increased and together with the increase in coal prices have offset the increase in revenue of 7.1%. The initiatives carried by the management such as increase efficiency and cost management has helped in containing the increase in operating expenses.



15) REVIEW OF PERFORMANCE (continued)

- (b) Performance of the current fourth quarter FY 2005 against the corresponding fourth quarter FY 2004:

For the quarter, the Group recorded a total revenue of RM4,956.1 million, compared to RM4,644.0 million for the same period last financial year, an improvement of 6.7% or RM312.1 million. The improvement was derived mainly from increase in electricity sales notably in the commercial and domestic sectors where the increases were RM130.4 million (8.6%) and RM70.9 million (8.8%) respectively. Similarly, sales to EGAT rose by RM54.2 million (268.3%).

The Group registered a net profit of RM403.6 million for the current quarter compared to RM446.4 million recorded for the corresponding quarter last year a reduction of RM42.8 million or 9.6%. For the quarter a foreign exchange gain of RM270.4 million was recorded compared to the loss of RM45.3 million. However, due to the effect of higher operating expenses the Group has recorded a lower net profit for the current quarter compared to the corresponding quarter last year even though there was a gain from foreign exchange and increase in electricity sales.

An analysis of revenue is as follows:-

	Current Quarter		Year-to-Date	
	31 Aug 05	31 Aug 04	31 Aug 05	31 Aug 04
Net Revenue (RM'million)	4,956.1	4,644.0	18,977.5	17,712.1
Units sold (GWh)	20,705.2	19,090.9	78,933.4	72,921.4
Average electricity sales per unit (sen/kWh)	23.1	23.6	23.2	23.6
Number of customers			6,582,374	6,323,719

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

Performance of the current quarter (Fourth quarter 2005) against the preceding quarter (Third quarter 2005)

Group revenue of RM4,956.1 million for the fourth quarter ended 31 August 2005 was marginally higher than the third quarter's revenue of RM4,835.8 million. The operating expenses increased by 10.9% from RM4,085.3 million to RM4,531.8 million. The increase resulted mainly from the higher fuel costs and other operating expenditure. The net profit for the fourth quarter of RM403.6 million was lower by 29.5% compared to the preceding quarter's profit of RM572.8 million.

**17) PROSPECTS FOR THE FINANCIAL YEAR 2006**

Given the economic outlook for 2006, Management expects growth in electricity demand to be

stable. In addition, the Management has embarked on several initiatives to improve the operating efficiencies. However, as prices are expected to rise, that may have an impact on the operating costs, the Board of Directors is of the view that such circumstances may pose a challenge to the performance of the Group for FY2006.

#### 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-Aug-05	ended 31-Aug-04	ended 31-Aug-05	ended 31-Aug-04
Taxation for the Group	231.3	6.5	24.4	(29.0)
Deferred taxation for the Group	(221.6)	(124.5)	(494.0)	(627.1)
Share of taxes in associates	(1.3)	(3.3)	(26.5)	(19.1)
	<u>8.4</u>	<u>(121.3)</u>	<u>(496.1)</u>	<u>(675.2)</u>

The Group's effective tax rate for the financial year ended 31 August 2005 is marginally lower than the statutory tax rate due to the slightly 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

- There were no purchases and disposals of quoted securities during the quarter.
- Investments in quoted securities as at 31 August 2005 are as follows:-

	Quarter ended 31 Aug 05
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 22 March 2005, TNB announced that together with Malakoff Berhad ("MB") 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 5 March 2005.  
On 28 September 2005, TNB announced that the Company and its wholly owned subsidiary Independent Power International (Mauritius) Ltd had entered into a Shareholders Agreement to regulate the relationship and respective rights and obligations of the parties as direct and/or indirect shareholders of Malaysian Shoaiba Consortium Sdn Bhd ("MSCSB").and, to set out the terms and conditions for the management and control of MSCSB, so as to regulate MSCSB's investment in the bidder company with the following parties:-
- a) MB and its wholly owned subsidiary Malakoff Gulf Limited;
  - b) Khazanah Nasional Berhad, and its wholly owned subsidiary Desaru Investment (Cayman Isl) Limited ("DIL"); and
  - c) MSCSB.
- b) On 26 April 2005, TNB announced that it has completed the divestment of TNB's interest in Segari Energy Ventures Sdn Bhd.
- c) On 29 April 2005 , TNB announced that it has entered into a Share Sale Agreement and the Shareholders' Agreement with Celcom Transmission (M) Sdn. Bhd. ("CTX") for TNB to dispose to CTX a total of 10% of TNB's equity 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").

## 22) STATUS OF CORPORATE PROPOSALS (Continued)

- d) On 21 June 2005, TNB announced that it has entered into a Share Purchase Agreement ("SPA") with Nik Sallahuddin Nik Hussein ("NSNH"). The SPA is in relation to NSNH's 22.5% interest in TNB Coal International Ltd. TNB will hold a 92.5% interest in TNB Coal and NSNH will hold the remaining 7.5% interest.  
On 25 July 2005, TNB announced the completion of the SPA.
- e) On 5 July 2005, TNB announced that it has entered into a conditional Sale of Business Agreement for the proposed acquisition of the business of Northern Utility Resources Sdn.Bhd. (Receivers and Managers appointed), NUR Generation Sdn.Bhd (Receivers and Managers appointed) and NUR Distribution Sdn.Bhd (Receivers and Managers appointed) for a cash consideration of RM1,000 million. A sum of 10% of the purchase consideration has been deposited with a stakeholder.
- The agreement is subject to amongst others the satisfactory outcome of due diligence exercise to be undertaken by TNB on the business and approvals or consents of the relevant authorities.
- On 5 October 2005 TNB announced that all parties have on 3<sup>rd</sup> October 2005, mutually agreed to extend the Cut-Off Date up to and inclusive of 31<sup>st</sup> December 2005 or such other further period as the Parties may further mutually agree upon in writing.
- f) On 27 July 2005, TNB announced the completion of the sale and purchase of Sumitomo Electric Incorporated ("SEI")'s 20.8% interest in Tenaga Cable Industries Sdn.Bhd. ("TCISB") by its wholly owned subsidiary, TNB Ventures Sdn.Bhd. ("TNBV"). Upon completion, TNBV will hold a 76.0% interest in TCISB.
- g) Subject to the approval of the shareholders, TNB proposes to implement a Bonus Issue, on the basis of one (1) Bonus Share for every four (4) existing TNB Shares held by shareholders whose names appear in the Record of Depositors of our Company on an entitlement date to be determined and announced later. The proposed Bonus Issue will be implemented via the capitalisation of the share premium account of TNB.

## 23 ) GROUP BORROWINGS

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

	<b>As at 31 Aug 05</b>
Short term - secured	256.0
- unsecured	2,723.6
Sub-total	2,979.6
Long term - secured	3,443.2
- unsecured	23,565.6
Sub-total	27,008.8
Total	29,988.4

- b) Currency denominations:-

Japanese Yen	4,396.3
Sterling Pound	1,259.9
US Dollar	8,669.6
Euro	557.9
Others	12.5
Total Ringgit equivalent of foreign currency borrowings	14,896.2
Ringgit borrowings	15,092.2
Total	29,988.4

## 23) GROUP BORROWINGS (Continued)

- c) Effective average cost of funding based on exposure as at 31 August 2005 was 5.35% (FY2004: 5.31%).
- d) Repayments of long term debts during the period were as follows:
- (i) Foreign currency denominated term loans of RM3,194.4 million, and
  - (ii) Ringgit denominated term loans of RM1,679.9 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 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 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 that:

- (a) During the financial year-to-date, a wholly owned subsidiary of TNB, TNB Capital (L) Ltd, 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.
- (b) 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 19 October 2005, the outstanding notional principal amount of derivative financial instruments entered into by the Group was RM5,975.1 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 final gross dividend of 12.0 sen per share (FY2004: 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%) less income tax of 28% in respect of the financial year ended 31 August 2005. Together with the interim tax-exempt dividend of 3.0 sen per share equivalent to gross dividend of 4.2 sen per share (FY2004: 3.0 sen tax-exempt), the total equivalent gross dividend for the year amounts to 16.2 sen per share (FY2004: 18.2 sen per share). The final gross dividend of 12.0 sen per share is subject to the approval of the shareholders of TNB at the forthcoming Annual General Meeting and the Books Closure and Payment dates will be announced in due course.

**27) EARNINGS PER SHARE**

	Individual quarter		Cumulative quarter	
	ended 31-Aug-05	ended 31-Aug-04	ended 31-Aug-05	ended 31-Aug-04
<b>(a) Basic earnings per share</b>				
Net profit for the quarter (RM 'million)	403.6	446.4	1,280.0	813.7
Weighted average number of ordinary shares in issue ('000)	3,206,309	3,134,458	3,190,091	3,119,560
Basic earnings per share (sen)	12.59	14.24	40.12	26.08
<b>(b) Diluted earnings per share</b>				
Net profit for the quarter (RM 'million)	403.6	446.4	1,280.0	813.7
Elimination of interest expense on Guaranteed Exchangeable Bonds, net of tax effect (RM 'million)	10.0	-	39.9	-
	<u>413.6</u>	<u>446.4</u>	<u>1,319.9</u>	<u>813.7</u>
Weighted average number of ordinary shares in issue ('000)	3,206,309	3,134,458	3,190,091	3,119,560
Adjustments for:-				
- conversion of share options exercised ('000)	27,370	28,572	26,310	24,242
- conversion of Guaranteed Exchangeable Bonds ('000)	148,585	-	148,585	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>3,382,264</u>	<u>3,163,030</u>	<u>3,364,986</u>	<u>3,143,802</u>
Diluted earnings per share (sen)	12.23	14.11	39.22	25.88

By Order of the Board

**NOR ZAKIAH BINTI ABDUL GHANI (LS 0008795)**

**Company Secretary**

Kuala Lumpur

25 October 2005