

The Board of Directors is pleased to announce the following:

A. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE 4th QUARTER ENDED 31 AUGUST 2007

(Amounts in RM million unless otherwise stated)

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31.08.2007	PRECEDING YEAR CORRESPONDING QUARTER 31.08.2006	CURRENT YEAR TO DATE 31.08.2007	PRECEDING YEAR CORRESPONDING PERIOD 31.08.2006
Revenue	6,126.0	5,620.3	23,320.4	20,384.2
Operating expenses	(5,109.7)	(4,597.1)	(18,371.4)	(16,916.9)
Other operating income	186.5	161.7	593.7	489.3
Operating profit	1,202.8	1,184.9	5,542.7	3,956.6
Foreign exchange				
- Translation gain/(loss)	(549.0)	(24.4)	452.3	491.3
- Transaction gain/(loss)	5.0	(28.9)	33.5	(166.4)
Share of results of associates (net of tax)	8.9	8.6	42.4	14.6
Profit before finance cost	667.7	1,140.2	6,070.9	4,296.1
Finance cost	(338.2)	(344.4)	(1,305.0)	(1,539.3)
Profit from ordinary activities before taxation	329.5	795.8	4,765.9	2,756.8
Taxation and Zakat				
- Company and subsidiaries	(12.4)	35.1	(848.5)	(168.3)
- Deferred taxation	(177.3)	(85.3)	150.2	(426.8)
Profit for the period	139.8	745.6	4,067.6	2,161.7
Attributable to:				
- Equity holders of the Company	168.4	736.4	4,061.1	2,126.9
- Minority interest	(28.6)	9.2	6.5	34.8
	139.8	745.6	4,067.6	2,161.7
Earnings per share attributable to equity holders of the parent				
	Sen	Sen	Sen	Sen
Basic	3.89	18.07	94.92	52.52
Diluted	3.87	17.33	93.00	50.56

The unaudited Condensed Consolidated Income Statements should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2006.

B. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2007

(Amounts in RM million unless otherwise stated)

	31-Aug-07	31-Aug-06 (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	56,405.3	54,344.5
Prepaid operating lease	852.6	856.8
Coal mining rights	-	279.9
Associates	233.0	200.6
Investments	38.0	38.0
	<u>57,528.9</u>	<u>55,719.8</u>
CURRENT ASSETS		
Inventories	1,769.5	1,931.8
Trade receivables	1,541.1	1,852.1
Other receivables	1,380.7	1,563.3
Current tax assets	11.6	10.0
Amount owing from associates	45.3	43.6
Short term investments	12.6	12.6
Marketable securities	10.6	9.2
Deposits, bank and cash balances	5,299.3	3,949.7
Assets held for sale	125.0	-
	<u>10,195.7</u>	<u>9,372.3</u>
CURRENT LIABILITIES		
Trade payables	(3,233.8)	(2,488.8)
Other payables	(1,067.8)	(1,244.7)
Amount owing to associates	(226.1)	(212.4)
Current taxation	(226.1)	(184.6)
Short term borrowings	(2,015.5)	(2,534.7)
	<u>(6,769.3)</u>	<u>(6,665.2)</u>
NET CURRENT ASSETS	3,426.4	2,707.1
LONG TERM LIABILITIES		
Borrowings	(21,963.9)	(24,580.9)
Consumer deposits	(2,319.6)	(2,147.7)
Employee benefits	(2,730.6)	(2,314.1)
Other liabilities	(145.9)	(72.3)
Deferred taxation	(6,274.4)	(6,424.6)
Deferred income	(2,803.5)	(2,675.8)
Government development grants	(620.5)	(665.0)
	<u>(36,858.4)</u>	<u>(38,880.4)</u>
	<u>24,096.9</u>	<u>19,546.5</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDER OF THE COMPANY:		
Share capital	4,331.7	4,135.2
Share premium	5,242.0	3,912.9
Revaluation and other reserves	894.9	843.6
Retained profits	13,530.0	10,533.5
	<u>23,998.6</u>	<u>19,425.2</u>
Minority interests	98.3	121.3
TOTAL EQUITY	<u>24,096.9</u>	<u>19,546.5</u>
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	Sen 554	Sen 470

The unaudited Condensed Consolidated Balance Sheets should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2006.

C. UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AS AT 31 AUGUST 2007

(Amounts in RM million unless otherwise stated)

	Attributable to equity holders of the Company						Total
	Ordinary Shares of RM1.00 each	Share premium	Employees' Share Option Scheme Reserves	Revaluation and other reserves	Retained profits	Minority Interest	
As at 1 September 2006	4,135.2	3,912.9	-	843.6	10,533.5	121.3	19,546.5
Currency translation differences	-	-	-	42.7	-	-	42.7
Net profit for the financial year	-	-	-	-	4,061.1	6.5	4,067.6
Purchase of minority interest share	-	-	-	-	-	(29.5)	(29.5)
Dividends paid FY2006	-	-	-	-	(459.7)	-	(459.7)
Dividends paid FY2007	-	-	-	-	(632.0)	-	(632.0)
Provision for share option	-	-	35.7	-	-	-	35.7
Issuance of share capital - share options *	196.5	1,329.1	-	-	-	-	1,525.6
Realisation of revaluation reserve	-	-	-	(27.1)	27.1	-	-
As at 31 August 2007	<u>4,331.7</u>	<u>5,242.0</u>	<u>35.7</u>	<u>859.2</u>	<u>13,530.0</u>	<u>98.3</u>	<u>24,096.9</u>

* Share options comprising:-

- Exercise of options representing 66,736,312 ordinary shares of RM1 each in TNB under the Employee Share Option Scheme II ("ESOS II");
- Conversion of TNB Capital (L) Ltd.'s Guaranteed Exchangeable Bonds into a total of 114,699,925 ordinary shares of RM1 each in TNB; and
- Conversion of Unsecured Convertible Redeemable Income Securities (CRIS) into a total of 15,102,494 ordinary shares of RM1 each in TNB.

	Attributable to equity holders of the Company						Total
	Ordinary Shares of RM1.00 each	Share premium	Employees' Share Option Scheme Reserves	Revaluation and other reserves	Retained profits	Minority Interest	
As at 1 September 2005	3,220.7	3,989.6	-	844.7	8,030.5	115.3	16,200.8
Currency translation differences	-	-	-	5.8	-	-	5.8
Disposal of subsidiary	-	-	-	-	-	(30.4)	(30.4)
Realisation of revaluation reserve	-	-	-	(6.9)	6.9	-	-
Net profit for the financial year	-	-	-	-	2,126.9	34.8	2,161.7
Total recognised income and expense for the year	3,220.7	3,989.6	-	843.6	10,164.3	119.7	18,337.9
Transaction with minority interest in subsidiaries	-	-	-	-	-	1.6	1.6
Dividends paid for FY2005	-	-	-	-	(279.4)	-	(279.4)
Goodwill write back	-	-	-	-	5.7	-	5.7
Issuance of share capital - share options	105.8	732.0	-	-	-	-	837.8
- bonus shares	808.7	(808.7)	-	-	-	-	-
Waiver of term loan by Federal Government	-	-	-	-	642.9	-	642.9
As at 31 August 2006	<u>4,135.2</u>	<u>3,912.9</u>	<u>-</u>	<u>843.6</u>	<u>10,533.5</u>	<u>121.3</u>	<u>19,546.5</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 2006.

D. UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2007

(Amounts in RM million unless otherwise stated)

	FY2007 ended 31-Aug-07	FY2006 ended 31-Aug-06
Operating activities		
Cash generated from operations	10,268.2	7,353.4
Retirement benefits paid	(232.3)	(229.2)
Consumer contributions received	485.6	510.3
Customer deposits received	171.8	195.4
Tax paid	(798.4)	(198.9)
Tax refund received	(0.3)	1.9
Net cash inflow from operating activities	<u>9,894.6</u>	<u>7,632.9</u>
Investing activities		
Proceeds from redemption of		
RULS in Associates	10.0	-
Additional investment in a subsidiary	(26.1)	-
Investments:		
- disposals	-	0.1
- proceeds from redemption of		
RULS in subsidiary	4.2	16.0
- dividend income received	3.9	0.4
Interest income received	253.7	241.8
Property, plant and equipment:		
- purchases	(5,063.6)	(3,989.5)
- disposals	47.7	21.8
Prepaid operating lease		
- additions	(16.6)	-
- disposals	8.5	-
Net cash out-flow from investing activities	<u>(4,778.3)</u>	<u>(3,709.4)</u>
Financing activities		
Bank borrowings:		
- new drawdowns	814.5	3,764.8
- repayments	(3,494.9)	(5,511.3)
Interest paid	(1,483.7)	(1,658.5)
Dividends paid	(1,091.7)	(279.4)
Proceeds from issuance of shares	1,525.6	837.8
Purchase of shares from minority interests	(29.5)	-
Issue of shares to minority interests	-	1.6
Others	13.0	42.3
Net cash out-flow from financing activities	<u>(3,746.7)</u>	<u>(2,802.7)</u>
Changes in cash and cash equivalents	1,369.6	1,120.8
Currency translation differences	(7.0)	(4.5)
Cash and cash equivalents		
- at start of period	<u>3,936.7</u>	<u>2,833.4</u>
- at end of period	<u>5,299.3</u>	<u>3,949.7</u>
Deposit, held in trust*	-	(0.6)
Cash at bank, held in trust*	(65.6)	(12.4)
Cash Available	<u>5,233.7</u>	<u>3,936.7</u>

* Deposits and cash at bank held in trust are in respect of a grant given to a subsidiary by the Malaysian Government for a designated capital project.

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 2006.

E. EXPLANATORY NOTES

(Amounts in RM million unless otherwise stated)

1) BASIS OF PREPARATION

The unaudited condensed interim financial statements of the Group have been prepared in accordance with Financial Reporting Standards (FRS) 134 "Interim Financial Reporting", issued by Malaysian Accounting Standards Board "MASB") and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 August 2006.

The accounting policies, method of computation and basis of consolidation applied in the unaudited condensed interim financial statements are consistent with those used in the preparation of the FY2006 audited financial statements except for the changes arising from the adoption of the new and revised FRSs issued by MASB that are effective and applicable for financial year beginning on or after 1 January 2006. The new and revised FRSs adopted in this announcement are as follows:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition to the above, the Group has also opted for early adoption of FRS 117 – Leases.

The adoption of FRS 3, 101, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 136, 138 and 140 do not have a significant financial impact to the Group.

Standards currently in issue and adopted in Malaysia are subject to interpretations issued from time to time, and further standards may be issued, by the Malaysian Accounting Standards Board. The interpretation and application of these accounting standards are continuing to evolve locally and internationally. Therefore, the full financial effect of reporting under FRS may be subject to change.

1) BASIS OF PREPARATION (continued)

Listed below are the changes to the accounting policies, presentation and disclosures to the financial statements of the Group resulting from the adoption of the new and revised FRSs:

FRS 2

The adoption of FRS 2 has resulted in a change in the accounting policy for share-based payment.

The Company granted an equity-settled share-based compensation plan for the employees of the Group, the Employee Share Option Scheme ("ESOS"). Prior to 1 September 2006, no compensation expense was recognised in the income statement for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognised in the income statement over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by the vesting date. The fair value of the share option is computed using a trinomial model. At every balance sheet date, the Group revises its estimates of the number of share options that are expected to be vested by the vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to equity over the remaining vesting period. The impact for the current financial year is RM35.7 million.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had yet to be vested on 1 September 2006. The financial impact to the Group arising from the retrospective application of FRS 2 is not material and hence, no restatement of retained profits is performed.

FRS 3, FRS 136 and FRS 138

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in changes in accounting policy for goodwill. Goodwill arising on consolidation has to be capitalised and subject to annual impairment test. Impairment of goodwill is charged to the income statement as and when it arises and reversal is not allowed.

FRS 5

The adoption of FRS 5 requires a non-current asset or disposal group to be classified as held for sale if:

- i) its carrying amount will be recovered principally through a sale transaction rather than through continuing use
- ii) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal group and the sale is highly probable.

Non-current asset held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

The Group has applied FRS 5 prospectively on or after 1 September 2006. Consequently from the adoption of FRS 5, the Group has reclassified non-current assets identified for sale from property, plant and equipment to current assets held for sale.

FRS 101

The adoption of FRS 101 requires presentation of minority interest, share of results of associates and certain disclosures. Minority interest is now presented within total equity in the Consolidated Balance Sheet and as an allocation from profit for the period in the Consolidated Income Statement. The movement of minority interest is now presented in the Consolidated Statement of Changes in Equity. The share of results of associates is now presented net of tax in the Consolidated Income Statement. The presentation of the comparative financial statements of the Group has been restated to conform with current period presentation.

1) BASIS OF PREPARATION (continued)

FRS 117

FRS 117 requires leasehold land to be treated as an operating lease. The Group has applied FRS 117 retrospectively on or after 1 September 2006. Consequent from the adoption of FRS 117, the Group has reclassified the leasehold land as an operating lease instead of property, plant and equipment. The prepaid lease rentals are amortised on a straight-line basis over the lease period, which is similar to the depreciation policy when they were treated as property, plant and equipment.

2) AUDIT QUALIFICATION

The annual audited financial statements for the financial year ended 31 August 2006 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 reporting period.

5) MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

There were no changes in the estimates of the amounts reported in the previous financial year that have a material effect on the results of the current reporting period.

6) DEBT AND EQUITY SECURITIES

- (a) As announced on 12 October 2006 and with reference to the earlier announcements made on 13 September 2006 and 29 September 2006 in relation to the redemption notice of 2.625% Guaranteed Exchangeable Bonds due 2007 ("Bonds"), with the expiry of the right to exchange the Bonds at close of business on 6 October 2006, a total of USD398,960,000.00 were exchanged. As such, a total of 187,155,756 new ordinary shares have been issued.
- (b) On 27 April 2007, TNB have repaid two Notes maturing on 29 April 2007. Those two Notes are the 7.625% Notes principal amounting to USD156,082,000.00 and the 7.2% Notes principal amounting to USD32,550,000.00.
- (c) During the current financial year, a total of 196,538,731 ordinary shares of RM1 each were issued comprising:-
 - (i) Exercise of options representing 66,736,312 ordinary shares of RM1 each in TNB under the Employee Share Option Scheme II ("ESOS II");
 - (ii) Conversion of TNB Capital (L) Ltd.'s Guaranteed Exchangeable Bonds into a total of 114,699,925 ordinary shares of RM1 each in TNB; and
 - (iii) Conversion of Unsecured Convertible Redeemable Income Securities (CRIS) into a total of 15,102,494 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 reporting period.

7) DIVIDENDS PAID

- (a) In respect of the financial year ended 31 August 2006, TNB declared and paid a final gross dividend of 12.0 sen per ordinary share less income tax at 27%, and a tax-exempt dividend of 2.0 sen per ordinary share equivalent to gross dividend of 2.7 sen per ordinary share. The dividends, amounting to RM459.7 million, were paid on 4 January 2007.
- (b) In respect of the financial year ended 31 August 2007, a gross interim dividend of 10.0 sen per ordinary share less income tax at 27% amounting to RM315.8 million was paid on 7 June 2007, and a gross second interim dividend of 10.0 sen per ordinary share less income tax at 27% amounting to RM316.2 million was paid on 30 August 2007.

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 REPORTING PERIOD

On 9 October 2007, TNB announced that TNB Transmission Network Sdn.Bhd. ("TNBT"), (which is now a dormant company), received the Award of the Arbitration, whereby the Arbitrator dismissed TNBT's claims with cost and allowed Irham Niaga Sdn.Bhd. and Irham Niaga Logistic Sdn.Bhd counter claims for the sums of RM106,888,499.34 and RM6,102,922.50 respectively, together with simple interest to be calculated at 8% from 19 April 2004 until the date of Award, and between the Award and the payment pertaining to misrepresentation of Tenancy Agreements.

TNBT has been advised by solicitors that there are strong grounds to set aside the Award and instructed its solicitors to file the necessary application to the High Court to set aside the Award.

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 reporting period.

12) CONTINGENT LIABILITIES

Contingent liabilities of the Group include the following:-

	As at 31 August 2007	As at 31 August 2006
Claims by third parties	943.0	974.5
Trade guarantees and performance bonds	5.4	5.4
Stamp duties on transfer of assets	108.0	108.0
Other contingencies	29.7	67.2
	<u>1,086.1</u>	<u>1,155.1</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 August 2007
Property, plant and equipment committed over a 5 year period	
Authorised but not contracted for	11,580.6
Contracted but not provided for in the financial statements	<u>1,141.2</u>
	<u>12,721.8</u>

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

14) REVIEW OF PERFORMANCE

- (a) Performance of the current twelve months ended 31 August 2007 (4th Quarter FY2007) against the corresponding twelve months ended 31 August 2006 (4th Quarter FY2006):

The Group recorded a net profit after tax and minority interest of RM4,061.1 million compared to RM2,126.9 million, an improvement of RM1,934.2 million or 90.9%. The improvement was largely driven by higher revenue from sales of electricity and supported by the various cost management initiatives embarked by management emphasising on operational efficiency and service excellence.

For the financial year ended 31 August 2007, the Group recorded a total revenue of RM23,320.4 million or 14.4% higher than the corresponding period in the last financial year. The increase was mainly attributed to higher electricity sales which increased by RM2,676.6 million or 13.6%. The commercial, industrial and domestic sectors were the main contributors to the increase of RM1,227.5 million (17.9%), RM979.6 million (11.8%) and RM390.4 million (11.0%) respectively.

In line with the gazetted Finance Act 2006, which stipulates that the corporate income tax rate for the year of assessment 2007 is 27% and 26% for year of assessment 2008, the Group has made the appropriate adjustments to the deferred tax provision which resulted in reversal of RM448.4 million during the financial year ended 31 August 2007.

- (b) Performance of the current fourth quarter (three months) FY2007 against the corresponding fourth quarter (three months) FY2006:

For the current quarter, the Group recorded a total revenue of RM6,126.0 million as against RM5,620.3 million for the same period last financial year, an improvement of 9.0% or RM505.7 million. The improvement was derived mainly from increase in sales of electricity where the increases were RM222.9 million (11.7%) for the commercial, RM143.5 million (6.3%) for the industrial and RM87.2 million (9.4%) for the domestic sectors.

The Group registered a net profit after tax and minority interest of RM168.4 million for the current quarter as against RM736.4 million recorded for the corresponding quarter last year, a decrease of RM568.0 million or 77.1%. The lower net profit after tax and minority interest for quarter under review, despite the higher operating profit, was mainly due to higher foreign exchange translation loss compared to corresponding quarter last financial year.

**14) REVIEW OF PERFORMANCE (continued)
ECONOMIC PROFIT STATEMENT**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year Quarter 31.08.2007	Preceding Year Corresponding Quarter 31.08.2006	Current Year To Date 31.08.2007	Preceding Year Corresponding Period 31.08.2006
<u>NOPLAT computation:</u>				
Earning Before Interest and Tax (EBIT)*	929.7	909.3	4,622.1	3,126.9
Adjusted Tax	(251.0)	(254.6)	(1,248.0)	(875.5)
NOPLAT	678.7	654.7	3,374.1	2,251.4
<u>Economic Charge computation:</u>				
Average Invested Capital	53,171.7	52,769.7	53,171.7	52,769.7
WACC	7.6%	7.5%	7.6%	7.5%
Economic Charge	(1,007.6)	(985.5)	(4,030.4)	(3,941.9)
Economic loss	(328.9)	(330.8)	(656.3)	(1,690.5)

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 twelve months ended 31 August 2007 (4th Quarter FY2007) against the corresponding twelve months ended 31 August 2006 (4th Quarter FY2006):

The economic loss has reduced significantly by RM1,034.2 million to record at negative RM656.3 million from negative RM1,690.5 million. This improvement is in spite of higher cost of capital recognised over the period at 7.6% from 7.5% previously, and improved EBIT* margin from 15.6% to 20.1% as a result of higher revenue growth (from 7.3% to 14.7%), despite increased in operating expenses growth from 4.3% to 8.6%.

- (b) Performance of the current fourth quarter FY2007 against the corresponding fourth quarter FY2006:

The economic loss has marginally improved by RM1.9 million to record at negative RM328.9 million from negative RM330.8 million. Notwithstanding higher cost of capital recognised during the quarter, the slight improvement is attributable to the declined in the EBIT* margin from 16.5% to 15.4% resultant from lower revenue growth (from 12.8% to 9.7%), and higher operating expenses growth (from 1.4% to 11.2%) over the period.

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

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.

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	(189.7)	(50.2)	(698.3)	(595.1)

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).

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