

The Board of Directors is pleased to announce the following:

**A. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 4th QUARTER ENDED 31 AUGUST 2008**

(Amounts in RM million unless otherwise stated)

	INDIVIDUAL QUARTER		CUMULATIVE	
	CURRENT YEAR QUARTER 31.08.2008	PRECEDING YEAR CORRESPONDING QUARTER 31.08.2007	CURRENT YEAR TO DATE 31.08.2008	PRECEDING YEAR CORRESPONDING PERIOD 31.08.2007
Revenue	7,089.0	6,126.0	25,750.6	23,320.4
Operating expenses	(6,984.1)	(5,109.7)	(22,503.4)	(18,371.4)
Other operating income	<u>154.5</u>	<u>186.5</u>	<u>794.8</u>	<u>593.7</u>
Operating profit	259.4	1,202.8	4,042.0	5,542.7
Foreign exchange				
- Translation gain/(loss)	(288.8)	(549.0)	53.2	452.3
- Transaction gain/(loss)	(6.8)	5.0	(19.1)	33.5
Share of results of associates (net of tax)	<u>11.5</u>	<u>8.9</u>	<u>44.9</u>	<u>42.4</u>
Profit/(loss) before finance cost	(24.7)	667.7	4,121.0	6,070.9
Finance cost	<u>(250.5)</u>	<u>(338.2)</u>	<u>(1,095.8)</u>	<u>(1,305.0)</u>
Profit/(loss) from ordinary activities before taxation	(275.2)	329.5	3,025.2	4,765.9
Taxation and Zakat				
- Company and subsidiaries	101.8	(12.4)	(361.8)	(848.5)
- Deferred taxation	<u>(107.9)</u>	<u>(177.3)</u>	<u>(63.0)</u>	<u>150.2</u>
Profit/(loss) for the period	<u>(281.3)</u>	<u>139.8</u>	<u>2,600.4</u>	<u>4,067.6</u>
Attributable to:				
- Equity holders of the Company	(282.9)	168.4	2,594.0	4,061.1
- Minority interests	<u>1.6</u>	<u>(28.6)</u>	<u>6.4</u>	<u>6.5</u>
	<u>(281.3)</u>	<u>139.8</u>	<u>2,600.4</u>	<u>4,067.6</u>
Earnings/(loss) per share attributable to equity holders of the Company				
	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>	<b>Sen</b>
Basic	(6.53)	3.89	59.87	94.92
Diluted	(6.49)	3.87	59.61	93.00

These unaudited Condensed Consolidated Income Statement should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2007.

**B. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2008**

(Amounts in RM million unless otherwise stated)

	<b>31-Aug-08</b>	<b>31-Aug-07</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	57,475.2	56,405.3
Prepaid operating leases	844.1	852.6
Associates	322.5	233.0
Investments	38.0	38.0
	<u>58,679.8</u>	<u>57,528.9</u>
<b>CURRENT ASSETS</b>		
Non-current assets held for sale	14.1	125.0
Inventories	2,230.3	1,769.5
Trade receivables	2,082.7	1,549.6
Other receivables	1,364.0	1,372.2
Tax recoverable	14.4	11.6
Amounts due from associates	46.1	45.3
Investments	12.6	12.6
Marketable securities	8.5	10.6
Deposits, bank and cash balances	5,383.9	5,299.3
	<u>11,156.6</u>	<u>10,195.7</u>
<b>CURRENT LIABILITIES</b>		
Trade payables	(3,999.7)	(3,233.7)
Other payables	(1,187.7)	(1,067.9)
Amounts due to associates	(346.8)	(226.1)
Taxation	(69.4)	(226.1)
Borrowings	(1,058.3)	(2,015.5)
	<u>(6,661.9)</u>	<u>(6,769.3)</u>
<b>NET CURRENT ASSETS</b>	4,494.7	3,426.4
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	(21,682.1)	(21,963.9)
Consumer deposits	(2,551.9)	(2,319.6)
Employee benefits	(3,124.8)	(2,730.6)
Other liabilities	(258.9)	(145.9)
Deferred taxation	(6,331.9)	(6,274.4)
Deferred income	(2,899.4)	(2,803.5)
Government development grants	(563.6)	(620.5)
	<u>(37,412.6)</u>	<u>(36,858.4)</u>
<b>TOTAL NET ASSETS</b>	<u>25,761.9</u>	<u>24,096.9</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		
Share capital	4,334.5	4,331.7
Share premium	5,258.8	5,242.0
Revaluation and other reserves	718.2	894.9
Retained profits	15,345.7	13,530.0
	<u>25,657.2</u>	<u>23,998.6</u>
<b>MINORITY INTERESTS</b>	<u>104.7</u>	<u>98.3</u>
<b>TOTAL EQUITY</b>	<u>25,761.9</u>	<u>24,096.9</u>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	Sen 592	Sen 554

These unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2007.

### C. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 AUGUST 2008

(Amounts in RM million unless otherwise stated)

	Attributable to equity holders of the Company						
	Ordinary shares of RM1.00 each	Share premium	Employees' Share Option Scheme reserve	Revaluation and other reserves	Retained profits	Minority interests	Total equity
At 1 September 2007	4,331.7	5,242.0	35.7	859.2	13,530.0	98.3	24,096.9
Currency translation differences	-	-	-	(138.8)	-	-	(138.8)
Profit for the year	-	-	-	-	2,594.0	6.4	2,600.4
Dividends paid FY2007	-	-	-	-	(522.6)	-	(522.6)
Dividends paid FY2008	-	-	-	-	(320.7)	-	(320.7)
Provision for share option	-	-	27.1	-	-	-	27.1
Issuance of share capital - share options *	2.8	16.8	-	-	-	-	19.6
Realisation of revaluation reserve	-	-	-	(65.0)	65.0	-	-
At 31 August 2008	4,334.5	5,258.8	62.8	655.4	15,345.7	104.7	25,761.9

\* Share options comprising:-

- Exercise of options representing 2,573,225 ordinary shares of RM1.00 each in TNB under the Employee Share Option Scheme II ("ESOS II");
- Conversion of Unsecured Convertible Redeemable Income Securities (CRIS) into a total of 236,052 ordinary shares of RM1.00 each in TNB.

	Attributable to equity holders of the Company						
	Ordinary shares of RM1.00 each	Share premium	Employees' Share Option Scheme reserve	Revaluation and other reserves	Retained profits	Minority interests	Total equity
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
Profit for the 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	-	-
At 31 August 2007	4,331.7	5,242.0	35.7	859.2	13,530.0	98.3	24,096.9

These unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the annual audited financial statements for the year ended 31 August 2007.

**D. UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD  
ENDED 31 AUGUST 2008**

(Amounts in RM million unless otherwise stated)

	<b>FY2008 ended 31-Aug-08</b>	<b>FY2007 ended 31-Aug-07</b>
<b>Operating activities</b>		
Cash generated from operations	7,461.0	10,270.2
Retirement benefits paid	(275.4)	(232.7)
Consumer contributions received	441.0	454.6
Consumer deposits received	232.4	171.8
Tax paid	(519.0)	(798.7)
Tax refund received	1.4	-
Net cash inflow from operating activities	<u>7,341.4</u>	<u>9,865.2</u>
<b>Investing activities</b>		
Additional investment in subsidiaries	-	(26.1)
Investment in associates:		
- additions	(51.7)	-
- proceeds from redemption of RULS	6.5	10.0
Proceeds from redemption of RULS in subsidiary	-	4.2
Dividend income	3.6	3.9
Interest income	296.9	253.7
Property, plant and equipment:		
- additions	(4,607.4)	(5,063.6)
- disposals	11.5	47.6
Disposal of assets held for sale	302.4	-
Prepaid operating leases		
- additions	-	(16.6)
- disposals	1.8	8.5
Net cash out-flow from investing activities	<u>(4,036.4)</u>	<u>(4,778.4)</u>
<b>Financing activities</b>		
Bank borrowings:		
- new drawdowns	815.8	814.5
- repayments	(1,967.3)	(3,494.9)
Interest paid	(1,225.1)	(1,483.7)
Dividends paid	(843.3)	(1,091.7)
Proceeds from issuance of shares	19.6	1,525.6
Net cash out-flow from financing activities	<u>(3,200.3)</u>	<u>(3,730.2)</u>
<b>Changes in cash and cash equivalents</b>	104.7	1,356.6
<b>Currency translation differences</b>	(20.1)	(7.0)
<b>Cash and cash equivalents</b>		
- at start of period	<u>5,299.3</u>	<u>3,949.7</u>
- at end of period	<u>5,383.9</u>	<u>5,299.3</u>
Cash at bank, held in trust*	<u>(205.9)</u>	<u>(65.6)</u>
Cash Available	<u>5,178.0</u>	<u>5,233.7</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.

These unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2007.

## **E. EXPLANATORY NOTES**

(Amounts in RM million unless otherwise stated)

### **1) BASIS OF PREPARATION**

These 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 year ended 31 August 2007.

The accounting policies, method of computation and basis of consolidation applied in these unaudited condensed interim financial statements are consistent with those used in the preparation of the audited financial statements for the year ended 31 August 2007 except for the changes arising from the adoption of the new and revised FRSs issued by MASB that are effective and applicable for financial years beginning on or after 1 September 2007.

### **2) AUDIT QUALIFICATION**

The annual audited financial statements for the financial year ended 31 August 2007 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) On 1 October 2007, TNB repaid an amount of RM850.0 million (1<sup>st</sup> tranche) of RM1.0 billion Al-Bai Bithaman Ajil Notes Issuance Facility that matured.
- (b) On 28 March 2008, TNB repaid an amount of RM200.0 million (2<sup>nd</sup> tranche) of RM1.0 billion Al-Bai Bithaman Ajil Notes Issuance Facility with AmInvestment Bank Berhad that matured.
- (c) During the financial year, a total of 2,809,277 ordinary shares of RM1.00 each in TNB were issued as a result of :-
  - (i) exercise of options representing 2,573,225 ordinary shares of RM1.00 each in TNB under the Employee Share Option Scheme II ("ESOS II"); and
  - (ii) conversion of RM2,166,978.00 nominal amount of Unsecured Convertible Redeemable Income Securities ("CRIS") into a total of 236,052 ordinary shares of RM1.00 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 under review.

### **7) DIVIDENDS PAID**

- (a) In respect of the financial year ended 31 August 2007, TNB declared a final dividend of 16.3 sen gross per ordinary share less income tax at 26% (12.06 sen net per ordinary share). This dividend totalling RM522.6 million was paid on 3 January 2008.
- (b) In respect of the financial year ended 31 August 2008, an interim dividend of 10.0 sen gross per ordinary share less income tax at 26% amounting to RM320.7 million was paid on 29 May 2008.

## 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 MASB which allows 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

There were no material events subsequent to the end of the reporting period.

## 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:-

	<b>As at 31 August 2008</b>	<b>As at 31 August 2007</b>
Claims by third parties	1,077.5	943.0
Trade guarantees and performance bonds	1.2	5.4
Corporate guarantee for long term loans of an associate company	307.5	170.8
Stamp duties on transfer of assets	108.0	108.0
Other contingencies	5.9	29.7
	<u>1,500.1</u>	<u>1,256.9</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. During the period under review, the Company received the following claims:

- (a) On 15 February 2008, the Company announced that it had received from its solicitors a copy of the amended Statement of Claim whereby Perai Power Sdn Bhd ('PPSB') had revised the claim from RM11,863,061.15 to RM113,713,227.03. It is PPSB's claim that the additional sum of RM101,850,165.88 is an amount that is outstanding due and payable by TNB to PPSB in respect of available capacity payments from June 2003 to October 2006.

TNB will duly defend the claim and has been advised by its solicitors that it has strong grounds to do so.

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

- (b) On 26 June 2008, the Company announced that it has received a statement of claim from Segari Energy Ventures Sdn Bhd ("SEV") for the sum of RM43,692,188.47. The Company responded that such sum was legally deducted in accordance with the terms of the power purchase agreement between TNB and SEV following the latter's failure to respond to instructions to generate electricity.

TNB will duly defend the claim and has been advised by its solicitors that it has strong grounds to do so.

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

### 13) CAPITAL COMMITMENTS

	As at 31 Aug 2008	As at 31 Aug 2007
<b>Property, plant and equipment committed over a 5 year period</b>		
Authorised but not contracted for	16,352.9	11,580.6
Contracted but not provided for in the financial statements	<u>548.0</u>	<u>1,141.2</u>
	<u>16,900.9</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 2008 (FY2008) against the corresponding twelve months ended 31 August 2007 (FY2007):

For the twelve months ended 31 August 2008, the Group recorded total revenue of RM25,750.6 million, an increase of RM2,430.2 million or 10.4% compared to the corresponding period last financial year. This increase was mainly from higher sales of electricity which increased by RM1,806.1 million or 8.1%.

The net profit attributable to shareholders of the Company declined by 36.1% (RM1,467.1 million) to RM2,594.0 million as compared to RM4,061.1 million in the corresponding period in FY2007, mainly due to an increase in operating expenses by 22.5% (RM4,132.0 million). The major contributing factors to the increase in operating expenses were the higher capacity payments to the independent power producers and escalating energy payments as a result of the increase in coal and gas prices. The much smaller foreign exchange translation gain for the period under review was the result of lower Ringgit against the US Dollar and the Japanese Yen at 31 August 2008 compared to 1 September 2007.

- (b) Performance of the current fourth quarter (three months) FY2008 against the corresponding fourth quarter (three months) FY2007:

For the quarter, the Group recorded a total revenue of RM7,089.0 million against RM6,126.0 million for the same period last financial year, an improvement of 15.7% or RM963.0 million. The improvement was derived mainly from increase in sales of electricity in Peninsular Malaysia where the increases were RM339.7 million (14.4%) for the industrial, RM335.2 million (16.5%) for the commercial and RM102.4 million (10.7%) for the domestic sectors. The effect of the tariff revision also took effect during the quarter resulting in higher revenue for the month of August 2008, and the full impact of the tariff revision will be seen in FY2009.

Operating expenses, however, increased by 36.7% (RM1,874.4 million) thereby negating the higher revenue. The effect of the higher operating costs, notably the capacity payments and energy costs resulting from higher coal and gas prices, has drastically reduced the operating profit from RM1,202.8 million to RM259.4 million only, representing a reduction of 78.4%.

For the period under review the Group registered a net loss after tax and minority interest of RM282.9 million for the current quarter against a net gain of RM168.4 million recorded for the corresponding quarter last year, a decrease of RM451.3 million or 268.0% as a result of operating expenses increasing at a higher rate than revenue. The weakening of Ringgit against the US Dollar and Japanese Yen has also contributed to the loss.

**ECONOMIC PROFIT STATEMENT**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	Current Year Quarter 31.08.2008	Preceding Year Corresponding Quarter 31.08.2007	Current Year To Date 31.08.2008	Preceding Year Corresponding Period 31.08.2007
<u>NOPLAT computation:</u>				
Earning Before Interest and Tax (EBIT)*	15.2	929.7	2,902.1	4,622.1
Adjusted Tax	(4.0)	(251.0)	(754.5)	(1,248.0)
<b>NOPLAT</b>	<b>11.2</b>	<b>678.7</b>	<b>2,147.6</b>	<b>3,374.1</b>
<u>Economic Charge computation:</u>				
Average Invested Capital	54,142.7	53,171.7	54,142.7	53,171.7
WACC	7.7%	7.7%	7.7%	7.7%
<b>Economic Charge</b>	<b>(1,047.7)</b>	<b>(1,028.9)</b>	<b>(4,190.6)</b>	<b>(4,115.5)</b>
<b>Economic Loss</b>	<b>(1,036.4)</b>	<b>(350.2)</b>	<b>(2,043.1)</b>	<b>(741.4)</b>

**EXPLANATORY NOTES**

Economic Profit/(Loss) ("EP/(L)") is a measure of value created by a business during a single period by comparing the rate of return generated by the company against its cost of capital.

- (a) Performance of the current twelve months ended 31 August 2008 (4th Quarter FY2008) against the corresponding twelve months ended 31 August 2007 (4th Quarter FY2007):

Economic loss has increased to RM2,043.1 million from RM741.4 million; representing a greater loss of RM1,301.7 million over the corresponding period. This is attributable to a significantly higher growth in operating expenses by 22.5% (compared to 8.6% growth in the same period last year) and lower revenue growth of 10.5% (compared to 14.7% growth recorded over the same period) arising primarily from reduction in sales to EGAT. The higher growth in operating expenses was largely due to the large increase in IPP costs by 22.4% - being higher capacity and energy payments to Tanjung Bin; and other fuel-related expenses. Consequently, the EBIT\* margin reduced to 11.4% compared to 20.1% over the same period last year.

- (b) Performance of the current fourth quarter FY2008 against the corresponding fourth quarter FY2007:

Economic loss has also increased to RM1,036.4 million from RM350.2 million representing a higher loss of RM686.2 million over the corresponding period. The increase is attributable to the substantial increase in operating expenses by 36.7% (compared to 11.2% growth in the same period last year) despite higher revenue growth of 15.9% (compared to 9.7% growth recorded over the same period). Similarly, the higher growth in operating expenses was largely due to IPP capacity and energy payments as well as fuel-related expenses incurred in the current quarter. Consequently, the EBIT\* margin reduced to 0.2% compared to 15.4% over the same period last year.

*\*EBIT is defined as 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 FY2008) against the preceding quarter (3rd Quarter FY2008)

Compared to the immediate preceding quarter, the Group's revenue of RM7,089.0 million was RM735.0 million higher than the preceding quarter revenue of RM6,354.0 million. This was mainly due to sales growth of 12.2% recorded in the 4<sup>th</sup> quarter against the preceding quarter, and the impact of the tariff revision effective from 1 July 2008 has also increased the revenue for the month of August 2008.

The operating expenses continued to escalate and for the fourth quarter expenses increased by RM1,265.0 million from RM5,719.1 million to RM6,984.1 million or 22.1% mainly as a result of the factors discussed in paragraph 14.

**16) PROSPECTS FOR THE FINANCIAL YEAR 2009**

The Group's performance for the financial year under review deteriorated significantly in the last 6 months when compared to the first half. This is attributable to the higher average coal prices and the weakening of the Ringgit against both the US Dollar and Japanese Yen.

Whilst the Budget 2009 which was announced on 29 August 2008 projected a GDP growth of 5.4%, the current turmoil in the global financial markets which has affected several financial institutions if prolonged may impact global demand and indirectly slowdown regional economic growth including the Malaysian economy. Consequently, the growth in electricity demand will be lower than the 6.1% achieved in FY2008.

In addition, significant challenges to TNB remain in FY2009 with the commissioning of the 1,400MW Jimah Power Plant (thereby raising capacity payments and the reserve margin from the current 40.8% to 47.0%) and rising average coal prices (compared to the average price of USD76.4/metric tonne in FY2008) which raises fuel costs and energy payments to the IPPs. Moreover, a weakened Ringgit will result in higher fuel cost, procurement cost of imported parts, equipment and services as well as increased interest cost (on the USD and Yen-denominated loans).

Given the foregoing scenario of lower electricity demand and higher operating costs which will impact the operations of the Group, the Board of Directors is of the view that the Group's financial performance for FY2009 will continue to decline. Notwithstanding, TNB is committed to providing all its customers with a reliable supply of electricity and raising the level of service excellence.

**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		Cumulative	
	ended 31-Aug-08	ended 31-Aug-07	ended 31-Aug-08	ended 31-Aug-07
<b>Income Tax:</b>				
Current tax and zakat	<b>101.8</b>	(12.4)	<b>(361.8)</b>	(848.5)
<b>Deferred tax (net):</b>				
Relating to origination and reversal of temporary differences	<b>(109.9)</b>	(217.5)	<b>(289.0)</b>	(298.2)
Relating to changes in the Corporate income tax rate	<b>2.0</b>	40.2	<b>226.0</b>	448.4
Sub-total	<b>(107.9)</b>	(177.3)	<b>(63.0)</b>	150.2
Total taxation and zakat	<b>(6.1)</b>	(189.7)	<b>(424.8)</b>	(698.3)

The Group's effective tax rate of 14.0% for the period ended 31 August 2008 is lower than the Corporate income tax rate (26%) mainly due to the reversal of deferred tax arising from the reduction in the Corporate income tax rate and income not subject to tax (for example consumer contribution, capital gain on disposal of assets and foreign sourced income). Excluding the impact of the Deferred Tax reversal, the Group's effective tax rate is 21.5%.

The Corporate income tax rate for the Year of Assessment (YA) 2008 is 26%.

The Corporate income tax rate for YA 2009 will be reduced to 25%.

## 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 2008 are as follows:-

	Quarter ended 31-Aug-08
At cost	1.0
At carrying value	Nil
At market value	Nil

## 21) STATUS OF CORPORATE PROPOSALS

- On 26 December 2007, TNB announced that on 19 December 2007, the Company acquired two ordinary shares of RM1.00 each in Orion Mission Sdn Bhd (incorporated on 30 July 2007) with a total consideration of RM2.00, representing 100% of the latter's issued and paid up share capital.

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

- With reference to the earlier announcement made on 30 April 2007 and 6 February 2008, on 18 February 2008 TNB announced that all conditions precedent under the Share Sale Agreement ("SSA") have been fulfilled and confirmed the completion of the SSA. Upon completion, PT Dasa Eka Jasatama has ceased to be a subsidiary of Dynamic Acres Sdn Bhd, an indirect subsidiary of TNB.

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

## 21) STATUS OF CORPORATE PROPOSALS (continued)

- (c) On 25 February 2008, TNB announced the proposed acquisition of 1,000,000 ordinary shares of RM1.00 each in Jimah Energy Ventures Holdings Sdn Bhd and 20% of the nominal value of the Class B Bai 'Inah Medium Term Notes.

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

On 30 June 2008, Foreign Investment Committee approved the proposed acquisition and consequently the proposal was deemed completed.

- (d) On 27 May 2008, TNB announced that it proposed to purchase its own ordinary shares of up to ten percent (10%) of the issued and paid up share capital (Proposed Share Buy-Back) at any given point in time during the authorized period.

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

- (e) With reference to the earlier announcement made on 18 July 2008, on 21 July 2008 TNB announced that the divestment of TNB Energy Services Sdn Bhd 50% shareholding of Jana Landfill Sdn Bhd to Worldwide Landfills Sdn Bhd was made for a cash consideration of RM1.00 (One Ringgit Malaysia) to be paid upon the signing of the agreements.

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

- (f) With reference to the earlier announcement made on 23 May 2008 involving the acquisition of the remaining 50% of the issued and paid-up share capital of Teknologi Tenaga Perlis Consortium Sdn Bhd, on 25 July 2008 TNB announced that it has received a notification from its lawyer on 25 July 2008 that the last of the conditions precedent under the Shareholders' Agreement ("SHA") has been fulfilled by Jati Cakerawala Sdn Bhd on 1 July 2008. Pursuant to the provisions of the SHA, the effective date of the SHA shall be deemed to be on 1 July 2008 being the date on which the last of the conditions precedent is fulfilled.

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:-

	<b>As at 31 Aug 08</b>	<b>As at 31 Aug 07</b>
Short term - secured	399.6	215.8
- unsecured	658.7	1,799.7
Sub-total	1,058.3	2,015.5
Long term - secured	3,168.8	3,129.7
- unsecured	18,513.3	18,834.2
Sub-total	21,682.1	21,963.9
Total	22,740.4	23,979.4

- b) Currency denominations:-

	<b>As at 31 Aug 08</b>	<b>As at 31 Aug 07</b>
Japanese Yen	4,506.1	4,254.9
US Dollar	6,310.7	6,666.3
Euro	1.8	6.1
Others	-	8.1
Total Ringgit equivalent of foreign currency borrowings	10,818.6	10,935.4
Ringgit borrowings	11,921.8	13,044.0
Total	22,740.4	23,979.4

**22) GROUP BORROWINGS (continued)**

- c) Effective average cost of funding based on exposure as at 31 August 2008 was 5.49% (FY2007: 5.85%).
- d) Repayments of long term debts during the reporting period were as follows:
  - (i) Foreign currency denominated term loans of RM410.3 million, and
  - (ii) Ringgit denominated term loans of RM1,494.0 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 and interest rate swap agreements as well as 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 29 to the financial statements of TNB for the financial year ended 31 August 2007 (pages 53-55 of TNB's Annual Report).

There have been no material changes to the derivative financial instruments described therein between 31 October 2007 (being the date of financial statements) and the date of this announcement.

As at 9 October 2008, the outstanding notional principal amount of derivative financial instruments entered into by the Group was RM1,010.3 million. While this amount represents the total notional principal amount of outstanding off balance sheet 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 current 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 of TNB dated 21 November 2007 and note 12 of this announcement.

**25) DIVIDEND**

The Board of Directors has recommended a final dividend of 10.0 sen gross per ordinary share (2007: 16.3 sen gross per ordinary share) in respect of the financial year ended 31 August 2008 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-08	ended 31-Aug-07	ended 31-Aug-08	ended 31-Aug-07
<b>(a) Basic earnings per share</b>				
Profit/(loss) attributable to equity holders of the Company (RM 'million)	(282.9)	168.4	2,594.0	4,061.1
Weighted average number of ordinary shares in issue ('000)	4,333,679	4,328,535	4,333,006	4,278,527
Basic earnings/(loss) per share (s)	(6.53)	3.89	59.87	94.92
<b>(b) Diluted earnings per share</b>				
Profit/(loss) attributable to equity holders of the Company (RM 'million)	(282.9)	168.4	2,594.0	4,061.1
Elimination of interest expense net of tax effect (RM'million) on:				
(i) Guaranteed Exchangeable Bonds (RM 'million)	-	-	-	(6.8)
(ii) Unsecured Convertible Redeemable Income Securities (RM 'million)	0.5	0.5	1.8	4.5
	<u>(282.4)</u>	<u>168.9</u>	<u>2,595.8</u>	<u>4,058.8</u>
Weighted average number of ordinary shares in issue ('000)	4,333,679	4,328,535	4,333,006	4,278,527
Adjustments for:-				
- conversion of share options exercised ('000)	10,691	28,415	15,136	53,272
- conversion of:				
(i) Guaranteed Exchangeable Bonds ('000)	-	-	-	17,988
(ii) Unsecured Convertible Redeemable Income Securities ('000)	6,448	6,721	6,516	14,359
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>4,350,818</u>	<u>4,363,671</u>	<u>4,354,658</u>	<u>4,364,146</u>
Diluted earnings/(loss) per share	(6.49)	3.87	59.61	93.00

By Order of the Board

**NOR ZAKIAH BINTI ABDUL GHANI (LS 0008795)**  
**WAN MARZIMIN BIN WAN MUHAMMAD (LS 0009013)**  
**Company Secretaries**  
 Kuala Lumpur  
 16 October 2008