

The Board of Directors is pleased to announce the following:

A. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ('OCI') FOR THE 2nd QUARTER ENDED 30 JUNE 2018
 (Amounts in RM million unless otherwise stated)

| | INDIVIDUAL CURRENT QUARTER ENDED 30.06.18 | CUMULATIVE QUARTER PERIOD ENDED 30.06.18 |
|---|--|---|
| Revenue | 12,497.9 | 24,771.9 |
| Operating expenses | (10,683.4) | (20,450.2) |
| Other operating income | 199.9 | 382.4 |
| Operating profit | 2,014.4 | 4,704.1 |
| Foreign exchange | | |
| - Translation loss | (169.6) | (80.6) |
| - Transaction gain/(loss) | 0.7 | (5.2) |
| Share of results of joint ventures | 6.7 | 13.8 |
| Share of results of associates | (8.8) | (92.9) |
| Profit before finance cost | 1,843.4 | 4,539.2 |
| Finance income | 47.3 | 209.0 |
| Finance cost | (380.6) | (771.8) |
| Fair value of financial instruments | 13.8 | (37.1) |
| Profit before taxation and zakat | 1,523.9 | 3,939.3 |
| Taxation and zakat | | |
| - Company and subsidiaries | (340.4) | (601.6) |
| - Deferred taxation | 84.9 | 47.5 |
| Profit for the period | 1,268.4 | 3,385.2 |
| Attributable to: | | |
| - Owners of the Company | 1,237.3 | 3,357.0 |
| - Non-controlling interests | 31.1 | 28.2 |
| Profit for the period | 1,268.4 | 3,385.2 |
| Earnings per share attributable to the owners of the Company: | | |
| | Sen | Sen |
| Basic | 21.82 | 59.20 |
| Diluted | 21.80 | 59.14 |

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial period ended 31 December 2017.

There is no comparative for the quarter and period ended 30 June 2018 as stated in Note 16 of this announcement.

A. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ('OCI') FOR THE 2nd QUARTER ENDED 30 JUNE 2018 (CONTINUED)

(Amounts in RM million unless otherwise stated)

| | INDIVIDUAL CURRENT QUARTER ENDED 30.06.18 | CUMULATIVE CURRENT PERIOD ENDED 30.06.18 |
|---|--|---|
| Profit for the period | 1,268.4 | 3,385.2 |
| Other comprehensive expense | | |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Defined benefit plan actuarial gain | - | 104.0 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Foreign currency translation differences | (101.2) | (172.2) |
| Fair value of financial assets at fair value through OCI | 5.7 | 3.2 |
| Share of other comprehensive gain of associates accounted for using the equity method | 0.7 | 14.3 |
| Total other comprehensive expense for the period | (94.8) | (50.7) |
| Total comprehensive income for the period | 1,173.6 | 3,334.5 |
| Attributable to: | | |
| - Owners of the Company | 1,142.5 | 3,306.3 |
| - Non-controlling interests | 31.1 | 28.2 |
| Total comprehensive income for the period | 1,173.6 | 3,334.5 |

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial period ended 31 December 2017.

There is no comparative for the quarter and period ended 30 June 2018 as stated in Note 16 of this announcement.

B. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

(Amounts in RM million unless otherwise stated)

| | 30.06.2018 | 31.12.2017 (Restated) |
|---|-------------------|----------------------------------|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 108,131.9 | 104,807.6 |
| Joint ventures | 167.9 | 153.1 |
| Associates | 2,329.5 | 2,799.2 |
| Goodwill on consolidation | 261.3 | 211.0 |
| Investment in unquoted debt security | 313.6 | 318.5 |
| Tax recoverable | 1,765.1 | 1,765.1 |
| Deferred tax assets | 82.5 | 68.3 |
| Long term receivables | 796.9 | 829.4 |
| Finance lease receivables | 13.0 | 13.4 |
| Derivative financial instruments | 0.2 | - |
| Prepaid operating leases | 5,743.3 | 5,505.2 |
| Financial assets at fair value through OCI | 72.6 | 69.3 |
| | <u>119,677.8</u> | <u>116,540.1</u> |
| CURRENT ASSETS | | |
| Inventories | 1,247.1 | 885.0 |
| Receivables, deposits and prepayments | 10,463.1 | 10,362.1 |
| Tax recoverable | 102.3 | 104.7 |
| Finance lease receivables | 0.8 | 0.8 |
| Prepaid operating leases | 146.2 | 146.2 |
| Amounts due from joint ventures | 1.0 | 1.1 |
| Amounts due from associates | 317.2 | 332.0 |
| Derivative financial instruments | 3.5 | - |
| Financial assets at fair value through profit or loss | 10,015.1 | 10,490.2 |
| Deposits, bank and cash balances | 4,613.5 | 5,415.0 |
| | <u>26,909.8</u> | <u>27,737.1</u> |
| CURRENT LIABILITIES | | |
| Payables | (7,894.4) | (9,069.6) |
| Finance lease payables | (385.2) | (336.4) |
| Deferred income | (1,488.0) | (1,487.2) |
| Amounts due to associates | (633.9) | (691.2) |
| Current tax liabilities | (277.7) | (132.9) |
| Derivative financial instruments | (60.9) | (47.3) |
| Employee benefits | (748.8) | (748.8) |
| Short term borrowings | (3,463.7) | (1,745.3) |
| | <u>(14,952.6)</u> | <u>(14,258.7)</u> |
| NET CURRENT ASSETS | 11,957.2 | 13,478.4 |
| NON-CURRENT LIABILITIES | | |
| Borrowings | (39,053.6) | (39,698.4) |
| Consumer deposits | (5,552.0) | (5,209.2) |
| Finance lease payables | (4,657.8) | (4,874.1) |
| Deferred income | (1,447.8) | (1,220.2) |
| Other liabilities | (1,423.6) | (1,357.4) |
| Deferred tax liabilities | (7,674.9) | (7,646.0) |
| Employee benefits | (10,880.4) | (11,036.3) |
| Government development grants | (979.7) | (964.1) |
| Derivative financial instruments | (8.0) | - |
| | <u>(71,677.8)</u> | <u>(72,005.7)</u> |
| TOTAL NET ASSETS | <u>59,957.2</u> | <u>58,012.8</u> |
| EQUITY | | |
| Share capital | 11,360.6 | 11,199.6 |
| Other reserves | (6,483.1) | (6,373.0) |
| Retained profits | 54,135.3 | 52,263.0 |
| CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY | 59,012.8 | 57,089.6 |
| NON-CONTROLLING INTERESTS | 944.4 | 923.2 |
| TOTAL EQUITY | <u>59,957.2</u> | <u>58,012.8</u> |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 31 December 2017.

C. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

(Amounts in RM million unless otherwise stated)

| | Attributable to owners of the Company | | | Non-Controlling Interest | Total Equity |
|---|---------------------------------------|------------------|------------------|--------------------------|------------------|
| | Share Capital | Other Reserves | Retained Profits | | |
| At 1 January 2018 (restated) | 11,199.6 | (6,373.0) | 52,263.0 | 923.2 | 58,012.8 |
| Effects of adoption of MFRS 9 | - | - | (271.6) | (5.4) | (277.0) |
| At 1 January 2018 (restated) | 11,199.6 | (6,373.0) | 51,991.4 | 917.8 | 57,735.8 |
| Profit for the financial period | - | - | 3,357.0 | 28.2 | 3,385.2 |
| Foreign currency translation reserve | - | (172.2) | - | - | (172.2) |
| Fair value of financial assets at fair value through OCI | - | 3.2 | - | - | 3.2 |
| Share of other comprehensive gain of associates accounted for using the equity method | - | 14.3 | - | - | 14.3 |
| Employee benefits reserve | - | 104.0 | - | - | 104.0 |
| Total comprehensive (expense)/income | - | (50.7) | 3,357.0 | 28.2 | 3,334.5 |
| Long Term Incentive Plan ('LTIP') | | | | | |
| - share-based payment expense | - | 101.6 | - | - | 101.6 |
| - shares issued | 161.0 | (161.0) | - | - | - |
| Dividend paid to NCI | - | - | - | (1.6) | (1.6) |
| Final dividend paid for financial period ended 31.12.17 | - | - | (1,213.1) | - | (1,213.1) |
| Total transactions with owners | 161.0 | (59.4) | (1,213.1) | (1.6) | (1,113.1) |
| At 30 June 2018 | 11,360.6 | (6,483.1) | 54,135.3 | 944.4 | 59,957.2 |

| | Attributable to owners of the Company | | | Non-Controlling Interest | Total Equity |
|---|---------------------------------------|------------------|------------------|--------------------------|------------------|
| | Share Capital | Other Reserves | Retained Profits | | |
| At 1 September 2017 (as previously reported) | 11,124.9 | (6,128.8) | 52,115.3 | 473.4 | 57,584.8 |
| Effects of adoption of MFRS 15 | - | - | (5.1) | - | (5.1) |
| At 1 September 2017 (restated) | 11,124.9 | (6,128.8) | 52,110.2 | 473.4 | 57,579.7 |
| Profit for the financial period | - | - | 2,645.8 | (13.8) | 2,632.0 |
| Foreign currency translation reserve | - | (219.8) | - | - | (219.8) |
| Fair value of financial assets at fair value through OCI | - | (2.6) | - | - | (2.6) |
| Share of other comprehensive gain of associates accounted for using the equity method | - | 94.2 | - | - | 94.2 |
| Employee benefits reserve | - | (107.6) | - | - | (107.6) |
| Total comprehensive (expense)/income | - | (235.8) | 2,645.8 | (13.8) | 2,396.2 |
| LTIP share-based payment expense | - | 66.3 | - | - | 66.3 |
| LTIP shares issued | 74.7 | (74.7) | - | - | - |
| Subscription of shares in a subsidiary | - | - | - | 4.9 | 4.9 |
| Acquisition of additional equity by NCI | - | - | - | 458.7 | 458.7 |
| Final dividend paid for FY2017 | - | - | (2,493.0) | - | (2,493.0) |
| Total transactions with owners | 74.7 | (8.4) | (2,493.0) | 463.6 | (1,963.1) |
| At 31 December 2017 (restated) | 11,199.6 | (6,373.0) | 52,263.0 | 923.2 | 58,012.8 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial period ended 31 December 2017.

D. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

(Amounts in RM million unless otherwise stated)

| | FY2018 ended 30.06.18 | Financial period ended 31.12.17 (Restated) |
|--|--------------------------------------|---|
| Operating activities | | |
| Cash generated from operations | 5,925.5 | 2,172.8 |
| Retirement benefits paid | (383.3) | (240.1) |
| Customers' contributions received | 415.4 | 399.3 |
| Consumer deposits received | 282.7 | 135.8 |
| Taxation and zakat paid | (357.4) | (250.6) |
| Net cash flows generated from operating activities | <u>5,882.9</u> | <u>2,217.2</u> |
| Investing activities | | |
| Dividend received | 29.6 | 24.9 |
| Interest received | 77.7 | 96.6 |
| Investment in FVTPL: | | |
| - additions | (30,749.1) | (27,579.4) |
| - proceeds from disposals | 31,279.5 | 29,311.1 |
| Property, plant and equipment: | | |
| - purchases | (6,477.0) | (3,768.6) |
| - proceeds from disposals | 2.3 | 29.0 |
| Proceeds from redemption of unquoted debt security | 18.9 | - |
| Additional investment in joint venture | (1.0) | - |
| Net cash flows used in investing activities | <u>(5,819.1)</u> | <u>(1,886.4)</u> |
| Financing activities | | |
| Bank borrowings: | | |
| - drawdowns | 1,482.2 | 4,191.6 |
| - repayments | (451.6) | (1,030.6) |
| Interest paid: | | |
| - borrowings | (337.9) | (575.4) |
| - others | (6.2) | (9.8) |
| Dividends paid | (1,213.1) | (2,493.0) |
| Dividend paid to NCI | (1.6) | - |
| Government development grants received | 2.6 | 174.7 |
| Payment of finance lease obligations | (338.4) | (232.0) |
| Purchase of shares from NCI | - | 4.9 |
| Net decrease in debt reserve account | 3.8 | - |
| Net (increase)/decrease in cash at bank, held in trust | (1.2) | 3.7 |
| Net cash flows (used in)/generated from financing activities | <u>(861.4)</u> | <u>34.1</u> |
| Net (decrease)/increase in cash and cash equivalents | (797.6) | 364.9 |
| Effects of changes in foreign currency | (1.3) | (2.4) |
| Cash and cash equivalents at the beginning of the financial year/period | <u>4,875.4</u> | <u>4,512.9</u> |
| Cash and cash equivalents at the end of the financial period | <u>4,076.5</u> | <u>4,875.4</u> |
| Deposit, bank and cash balances at the end of the financial period | | |
| Debt reserve account ¹ | 4,613.5 | 5,415.0 |
| Cash at bank, held in trust ² | (246.0) | (249.8) |
| Cash and cash equivalents at the end of the financial period | <u>(291.0)</u> | <u>(289.8)</u> |
| Cash and cash equivalents at the end of the financial period | <u>4,076.5</u> | <u>4,875.4</u> |

¹ Debt reserve account relates to deposits placed with licensed financial institution as part of security obligations for bond financing.

² The cash at bank held in trust is in respect of grants received from the Government of Malaysia by a subsidiary for designated capital projects.

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2017.

E. EXPLANATORY NOTES

(Amounts in RM million unless otherwise stated)

1) BASIS OF PREPARATION

These condensed interim financial statements of the Group have been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standards ('MFRS') 134 'Interim Financial Reporting', International Accounting Standards ('IAS') 34 'Interim Financial Reporting' 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 period ended 31 December 2017.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries and the Group's interest in associates and joint arrangements as at 31 December 2017. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 31 December 2017.

2) AUDIT QUALIFICATION

The audited financial statements for the financial period ended 31 December 2017 were not subject to any qualification.

3) CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those adopted for the financial statements for the financial period ended 31 December 2017.

New standards, amendments to standards and IC Interpretations that are applicable and effective to the Group beginning 1 January 2018:

- IC Interpretation 22 'Foreign Currency Transaction and Advance Consideration'
- Amendments to MFRS 2 'Share-Based Payment'
- MFRS 15 'Revenue from Contracts with Customers'
- MFRS 9 'Financial Instruments'

Except for MFRS 15 and MFRS 9, the adoption of the revised standards and amendments to standards do not have any significant impact to the unaudited condensed consolidated financial statements upon their initial application.

MFRS 15 'Revenue from Contracts with Customers' ('MFRS 15')

MFRS 15 replaces MFRS 118 'Revenue' ('MFRS 118') and MFRS 111 'Construction Contracts' ('MFRS 111') and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

The revenue for customers' contribution which was previously recognised under IC Interpretation 18 'Transfers of Assets from Customers' ('IC 18') upon the point of connection to the network, is now recognised as revenue over a period of time under MFRS 15. For certain other revenue streams that were previously recognised over time, these revenues are now recognised at a point in time based on satisfaction of performance obligations.

MFRS 15 'Revenue from Contracts with Customers' ('MFRS 15') (continued)

The Group adopt the standard using the retrospective approach with practical expedients permitted under the standard, which means the impact of the adoption is recognised to the retained profits as at 1 September 2017 and comparatives will be restated.

The Group will refine the adjustments from the adoption of MFRS 15 as facts and circumstances evolve during the financial year.

MFRS 9 'Financial Instruments' ('MFRS 9')

MFRS 9 replaces MFRS 139 'Financial Instruments: Recognition and Measurement' ('MFRS 139') effective from 1 January 2018. MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ('FVTPL') and fair value through other comprehensive income ('FVOCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial assets.

Majority of the Group's debt instruments that were previously classified as loans and receivables are classified as amortised cost. Equity instruments previously classified as available-for-sale are classified as FVOCI and financial assets previously designated at FVTPL will continue to be measured on the same basis under MFRS 9.

The Group adopted an Expected Credit Loss ('ECL') model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and recognises the impairment loss based on expected credit losses. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under MFRS 15, lease receivables, loan commitments and certain financial guarantee contracts.

The Group apply the new standard retrospectively from 1 January 2018, with the practical expedients permitted under the standard, where comparatives are not restated.

The Group will refine the adjustments from the adoption of MFRS 9 as facts and circumstances evolve during the financial year.

Impact of adoption of new standards

Arising from the adoption of MFRS 15 and MFRS 9, the condensed financial statements for the previous financial periods have been restated as follows:

| | As previously reported as at 1 Sep 2017 | Adjustments | Restated as at 1 Sep 2017 |
|---|--|--------------------------------------|----------------------------------|
| | | Effect of adoption of MFRS 15 | |
| Condensed Consolidated Statements of Financial Position | | | |
| Current Liabilities | | | |
| Payables | 10,245.0 | 5.1 | 10,250.1 |
| Capital and Reserves attributable to owners of the Company | | | |
| Retained profits | 52,115.3 | (5.1) | 52,110.2 |

Impact of adoption of new standards (continued)

| | As previously reported as at 31 Dec 2017 | Adjustments | Restated as at 31 Dec 2017 | Adjustments | Restated as at 1 Jan 2018 |
|---|--|-------------------------------|----------------------------|------------------------------|---------------------------|
| | | Effect of adoption of MFRS 15 | | Effect of adoption of MFRS 9 | |
| Condensed Consolidated Statements of Financial Position | | | | | |
| Current Assets | | | | | |
| Receivables, deposits, and prepayments | 10,362.1 | - | 10,362.1 | (333.9) | 10,028.2 |
| Current Liabilities | | | | | |
| Payables | 9,065.2 | 4.4 | 9,069.6 | - | 9,069.6 |
| Non-Current Liabilities | | | | | |
| Deferred income | 1,107.6 | 112.6 | 1,220.2 | - | 1,220.2 |
| Deferred tax liabilities | 7,646.0 | - | 7,646.0 | (56.9) | 7,589.1 |
| Capital and Reserves attributable to owners of the Company | | | | | |
| Retained profits | 52,378.0 | (115.0) | 52,263.0 | (271.6) | 51,991.4 |
| Non-controlling interests | 925.2 | (2.0) | 923.2 | (5.4) | 917.8 |

4) REVENUE

The disaggregation of revenue is as follows:

| | Individual current quarter ended 30 Jun 2018 | Cumulative current period ended 30 Jun 2018 |
|----------------------------|---|--|
| Sales: | | |
| - Electricity | 12,288.5 | 24,354.8 |
| - Goods and services | 87.6 | 212.0 |
| - Contract revenue | 37.8 | 38.3 |
| - Customers' contributions | 1.0 | 1.4 |
| Release of deferred income | 83.0 | 165.4 |
| Total revenue | 12,497.9 | 24,771.9 |

5) SEASONAL OR CYCLICAL FACTORS

The businesses of the Group are not subject to material seasonal or cyclical fluctuations.

6) UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME or CASH FLOWS

During the quarter under review, the Group recognised an impairment of RM206.5 million on the value of the Group's investment in an associate, based on value-in-use calculations, given the continuous losses recorded mainly arising from foreign exchange losses on borrowings denominated in foreign currencies as a result of depreciation of Turkish Lira.

7) MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

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

8) DEBT AND EQUITY SECURITIES

Except for those disclosed in Note 23, there were no other material transactions relating to debts and equity securities during the quarter under review.

9) DIVIDENDS

The Board of Directors has approved an interim single tier dividend of 30.27 sen per share, on 5,678,180,571 ordinary shares in respect of the financial period ended 30 June 2018 amounting to RM1,718.8 million.

The books closure and payment dates will be announced in due course.

A final dividend for financial period ended 31 December 2017 was paid on 19 April 2018 totalling RM1,213.1 million.

10) SEGMENTAL REPORTING

Segmental reporting is not presented as the Group is principally engaged in the generation, transmission, distribution and sales of electricity and the provision of other related services, which are substantially within a single business segment. The Group operates primarily in Malaysia.

11) VALUATION OF PROPERTY, PLANT & EQUIPMENT

The Group does not adopt a revaluation policy on its property, plant and equipment.

12) MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

13) CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes to the composition of the Group during the quarter under review.

14) CONTINGENT LIABILITIES

Contingent liabilities of the Group include the following: -

| | As at 30 Jun 2018 | As at 31 Dec 2017 |
|--|------------------------------|------------------------------|
| Claims by third parties | 778.0 | 340.9 |
| Trade guarantees and performance bonds | 30.7 | 66.0 |
| Total contingent liabilities | 808.7 | 406.9 |

Claims by third parties include claims by contractors, consumers and former employees. These claims are being addressed and the Directors are of the opinion that their ultimate resolution will not have a material effect on the financial position of the Group.

On 7 December 2016, the Company and the Inland Revenue Board ('IRB') entered into a consent judgement before the Kuala Lumpur High Court to substitute the judicial review proceedings with regard to the notices of additional assessment dated 23 November 2015 ('Notices') by filing an appeal to the Special Commissioners of Income Tax ('SCIT'). The consent judgement also provides that the IRB will not commence any proceedings relating to the Notices until this matter is determined by the SCIT and by the High Court, if there is a subsequent appeal by either party.

On 15 December 2016, the Company filed notices of appeal against the Notices to the SCIT according to Section 99(1) of the Income Tax Act 1967. The appeals have since been registered before the SCIT. The Company has obtained legal advice from its tax solicitors on the merits of the appeals and on this basis, no provision has been made in the financial statements for the potential tax liability up to the reporting date.

15) CAPITAL COMMITMENTS

| | As at 30 Jun 2018 | As at 31 Dec 2017 |
|---|------------------------|------------------------|
| Property, plant and equipment committed over a 5-year period | | |
| Authorised but not contracted for | 31,694.0 | 36,641.7 |
| Contracted but not provided for in the financial statements | <u>1,103.8</u> | <u>1,109.4</u> |
| Total capital commitments | <u>32,797.8</u> | <u>37,751.1</u> |

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

16) REVIEW OF PERFORMANCE

Performance of the current period ended 30 June 2018:

As stated in Note 28, due to the change in the financial year, the performance of the current period of 6 months ended 30 June 2018 is not comparable against any comparative period previously reported.

The current period under review reported a revenue of RM24,771.9 million with a corresponding Profit attributable to owners of the Company of RM3,357.0 million.

The return for regulated business under the Incentive Based Regulation ('IBR') framework that mainly consist of Transmission and Distribution businesses contributed to 61.9% of the Group's Profit After Tax.

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

Performance of the current quarter (2nd quarter FY2018) against the preceding quarter (1st quarter FY2018):

The Group reported lower operating profit of RM2,014.4 million in the current quarter as compared to RM2,689.7 million in the preceding quarter, a decrease of RM675.3 million. This is mainly due to recognition of impairment on the value of the Group's investment in an associate.

Profit attributable to owners of the Company also decreased from RM2,119.7 million recorded in the preceding quarter to RM1,237.3 million in the current quarter, a decrease of RM882.4 million or 41.6% mainly due to the impairment as stated above and the weakening of the Ringgit against the US Dollar and Japanese Yen.

18) PROSPECTS

On the economic outlook for Malaysia, slower economic growth of 4.5% was recorded in the second quarter of 2018, as compared to 5.4% recorded in first quarter of 2018. This is as announced by Bank Negara Malaysia in its Economic and Financial Developments in Malaysia in the Second Quarter of 2018 Report. Going forward, the Malaysian economy is expected to remain on a steady growth path supported mainly by private sector activities.

Given the aforementioned scenarios, the Board of Directors expect electricity demand growth and the Group result for the Financial Year 2018 to remain stable.

19) PROFIT FROM OPERATIONS

The following items have been charged in arriving at the profit from operations:

| | Individual current quarter ended 30 Jun 2018 | Cumulative current period ended 30 Jun 2018 |
|---------------------------------|---|--|
| Property, plant and equipment: | | |
| - Depreciation | 1,553.0 | 3,084.9 |
| Receivables: | | |
| - Impairment losses | 131.3 | 258.7 |
| - Reversal of impairment losses | (8.7) | (178.6) |
| Inventories: | | |
| - Impairment for obsolescence | 62.7 | 128.2 |
| - Write back of obsolescence | (65.5) | (135.4) |
| - Written off | 6.5 | 11.2 |

Other than the items highlighted above, there were no disposal of quoted investment and impairment of property, plant and equipment during the current quarter ended 30 June 2018.

20) VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

This note is not applicable, as the Group did not publish any profit forecast.

21) TAXATION AND ZAKAT

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

| | Individual current quarter ended 30 Jun 2018 | Cumulative current period ended 30 Jun 2018 |
|---|---|--|
| Income tax: | | |
| Current tax and zakat | (340.4) | (601.6) |
| Deferred tax (net): | | |
| Relating to origination and reversal of temporary differences | 84.9 | 47.5 |
| Total taxation and zakat | (255.5) | (554.1) |

For the period ended 30 June 2018, the Group recorded a 14.1% effective tax rate, which is much lower than the statutory tax rate of 24.0%. The lower effective tax rate is mainly due to the utilisation of reinvestment allowance incentive and expenses not deductible in nature during the current quarter.

22) STATUS OF CORPORATE PROPOSALS

There were no material corporate proposals entered into during the reporting period.

23) GROUP BORROWINGS

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

| | As at 30 Jun 2018 | As at 31 Dec 2017 |
|----------------------|------------------------------|------------------------------|
| Short term - secured | 1,582.7 | 1,317.4 |
| - unsecured | 1,881.0 | 427.9 |
| Sub-total | 3,463.7 | 1,745.3 |
| Long term - secured | 24,609.7 | 23,024.8 |
| - unsecured | 14,443.9 | 16,673.6 |
| Sub-total | 39,053.6 | 39,698.4 |
| Total | 42,517.3 | 41,443.7 |

- (b) Currency denominations:

| | As at 30 Jun 2018 | As at 31 Dec 2017 |
|--|------------------------------|------------------------------|
| Japanese Yen | 2,515.7 | 2,542.0 |
| US Dollar | 5,937.5 | 5,958.5 |
| GB Pound | 624.0 | - |
| Others | 68.7 | 71.3 |
| Total Ringgit equivalent of foreign currency borrowings | 9,145.9 | 8,571.8 |
| Ringgit borrowings | 33,371.4 | 32,871.9 |
| Total | 42,517.3 | 41,443.7 |

- (c) Effective average cost of borrowing based on exposure as at 30 June 2018 was 4.96% (31 December 2017: 4.98%).
- (d) Repayments of long term debts during the reporting period were as follows:
- (i) Foreign currency denominated term loans of RM54.5 million, and
 - (ii) Ringgit denominated term loans of RM60.1 million.
- (e) Drawdowns of long term debts during the reporting period were as follows:
- (i) Foreign currency denominated term loans of RM651.1 million, and
 - (ii) Ringgit denominated term loans of RM441.9 million.

24) DERIVATIVE FINANCIAL INSTRUMENTS

| Type of Derivatives | As at 30 Jun 2018 | |
|-----------------------------------|-------------------|---------------|
| | Notional Amount | Fair Value |
| Forward Currency Contracts | | |
| - Less than 1 year | 369.3 | (13.5) |
| - 1 year to 3 years | 595.1 | (43.9) |
| Interest Rate Swaps | | |
| - More than 3 years | 635.0 | (8.0) |
| Put Option | | |
| - 1 year to 3 years | 14.2 | 0.2 |
| Total | 1,613.6 | (65.2) |

The notional amount and fair value of all forward contracts are disclosed on a net basis. There is no change to the cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks since the last financial year.

In March 2018, TNB Wind Ventures UK Ltd. ('TWV') entered into two Interest Rate Swap ('IRS') contracts transactions with effect from 28 Mar 2018 until 31 Mar 2023 and 30 September 2033 that entitled the company to receive interest at floating rates, and obliged it to pay interest at fixed rate of 1.33% and 1.67% on aggregate notional principal of GBP30.7 million and GBP89.3 million respectively.

The effect of this transaction is to effectively fix the interest rate payable on the term loans.

During the financial year, the Group completed the acquisition of 100.0% equity in GVO Wind Limited ('GVO') through its indirect wholly-owned subsidiary, TWV which is incorporated in United Kingdom. GVO owns 41 wind turbines spread across England, Wales and Scotland. One of the wind turbines is GVO Wind No.40 Limited ('GVO 40').

As per the Deed of Variation ('DoV') relating to Share Purchase Agreement ('SPA'), TWV as the buyer has the right to sell back GVO 40 to the seller, Georg von Opel at a price that TWV assigned to GVO 40 as part of the acquisition should the stipulated conditions with regards to GVO 40 are not fulfilled within 2 years. This is to ensure that TWV is protected against any adverse condition that could potentially arise from GVO 40 that might affect TWV as the buyer as a result of failure by the seller to fulfil the stipulated conditions.

TWV's right to sell back GVO 40 to the seller is effectively a put option on GVO 40.

25) MATERIAL LITIGATION

There is no pending material litigation other than those announced to Bursa Malaysia since the date of the last audited financial statements.

26) EARNINGS PER SHARE

| | Individual current quarter ended 30 Jun 2018 | Cumulative current period ended 30 Jun 2018 |
|---|---|--|
| Profit attributable to owners of the Company (RM' million) | 1,237.3 | 3,357.0 |
| Weighted average number of ordinary shares in issue ('000) | <u>5,670,163</u> | <u>5,670,163</u> |
| Basic earnings per share (sen) | 21.82 | 59.20 |
| Weighted average number of ordinary shares in issue ('000) | 5,670,163 | 5,670,163 |
| Adjustments for Long Term Incentive Plan ('000) | <u>5,938</u> | <u>5,938</u> |
| Weighted average number of diluted ordinary shares ('000) | <u>5,676,101</u> | <u>5,676,101</u> |
| Diluted earnings per share (sen) | 21.80 | 59.14 |

27) EXCEPTIONAL ITEMS

There were no exceptional items incurred during the quarter.

28) CHANGE OF FINANCIAL YEAR END

On 30 November 2016, the Board approved the change of financial year end of the Group and Company from 31 August to 31 December. Therefore, these condensed consolidated financial statements is for a period of 6 months from 1 January 2018 to 30 June 2018 being the second quarter for the financial year ending 31 December 2018.

By Order of the Board

NORAZNI BINTI MOHD ISA (LS 0009635)

Company Secretary

Kuala Lumpur
30 August 2018