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(Company No. 200866-W)  
(Incorporated in Malaysia under the Companies Act, 1965)

**STATEMENT TO SHAREHOLDERS**

**IN RELATION TO THE**

**PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES OF UP TO 10% OF THE ISSUED AND PAID-UP SHARE CAPITAL (“PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY”)**

The resolution in respect of the Proposed Renewal of Share Buy-Back Authority will be tabled at the Twenty-Second Annual General Meeting (“22<sup>nd</sup> AGM”) of Tenaga Nasional Berhad (“TNB”). The notice of 22<sup>nd</sup> AGM together with the Form of Proxy are enclosed in TNB’s 2012 Annual Report which is despatched together with this Statement.

Last day and time for lodging the Form of Proxy	: Sunday, 16 December 2012 at 10.00 a.m
Date and time of the 22 <sup>nd</sup> AGM	: Tuesday, 18 December 2012 at 10.00 a.m
Venue of the 22 <sup>nd</sup> AGM	: Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur.

This Statement is dated 21 November 2012

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## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Statement:

Act	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
AGM	:	Annual General Meeting of Tenaga Nasional Berhad
Board	:	Board of Directors of Tenaga Nasional Berhad
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Code	:	Malaysian Code on Take-Overs and Mergers 2010 as amended from time to time
EPS	:	Earnings per share
ESOS	:	Tenaga Nasional Berhad's Employees' Share Option Scheme II which came into effect on 8 July 2003 and expiring on 7 July 2013
ESOS Options or Options	:	The options granted under the ESOS which entitle the grantees to subscribe for new Tenaga Nasional Berhad Shares
Khazanah	:	Khazanah Nasional Berhad (275505-K)
MMLR	:	Main Market Listing Requirements of Bursa Securities
Market Day	:	A day on which Bursa Securities is open for trading of securities
NA	:	Net Assets
Proposed Renewal of Share Buy-Back Authority	:	Proposed Renewal of Share Buy-Back Authority for the Company to purchase its own shares and hold shares of up to a maximum of 10% of the aggregate amount of the issued and paid-up share capital of the Company as at the date of passing the resolution of the Proposed Renewal of Share Buy-Back Authority in accordance with Section 67A of the Act
RM and sen	:	Ringgit Malaysia and sen respectively
Shareholders	:	Shareholders of Tenaga Nasional Berhad
Statement	:	Statement to Shareholders in relation to the Proposed Renewal of Share Buy-Back Authority
TNB or Company	:	Tenaga Nasional Berhad (200866-W)
TNB Group or Group	:	Collectively, TNB and its subsidiaries
TNB Share(s) or Share(s)	:	Ordinary share(s) of RM1.00 each in TNB

All references to "you" in this Statement are to the Shareholders of the Company who are entitled to attend and vote at the 22<sup>nd</sup> AGM and whose names appear in the Record of Depositors at the time and on the date to be determined by the Board.

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(Company No. 200866-W)  
(Incorporated in Malaysia under the Companies Act, 1965)

## **PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

### **1. INTRODUCTION**

At the 21<sup>st</sup> AGM of the Company held on 15 December 2011, the Shareholders had approved the renewal authority for the Company to buy back up to 10% of its issued and paid-up share capital. The said approval will expire at the conclusion of the forthcoming 22<sup>nd</sup> AGM of the Company scheduled to be held on 18 December 2012.

The purpose of this Statement is to provide you with the details of the Proposed Renewal of Share Buy-Back Authority and to seek your approval for the resolution pertaining to the Proposed Renewal of Share Buy-Back Authority to be tabled at the forthcoming 22<sup>nd</sup> AGM. The notice convening the 22<sup>nd</sup> AGM is set out in the TNB's 2012 Annual Report.

### **2. DETAILS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

- 2.1 TNB is proposing to seek the approval of its Shareholders for the renewal of the authority to purchase its own shares on Bursa Securities of up to a maximum of 10% of the issued and paid-up share capital subject to compliance with Section 67A of the Act and any prevailing laws, rules, regulations, guidelines and requirements issued by the relevant authorities, and the approvals from all relevant authorities at the time of purchase.
- 2.2 As at 15 October 2012, the issued and paid-up share capital of TNB stood at RM5,509,832,109.00 comprising of 5,509,832,109 of TNB Shares.
- 2.3 The authority from the Shareholders, if renewed, would be effective immediately upon the passing of the ordinary resolution for the Proposed Renewal of Share Buy-Back Authority and such authority would continue to be in force until:
- (i) the conclusion of the next AGM at which time the authority shall lapse unless by an ordinary resolution passed by the Shareholders in that meeting, the authority is renewed either unconditionally or subject to conditions; or
  - (ii) the expiry of the period within which the next AGM is required by law to be held; or
  - (iii) the authority is revoked or varied by an ordinary resolution passed by the Shareholders at a general meeting,

whichever is the earlier.

- 2.4 Based on the MMLR, the Proposed Renewal of Share Buy-Back Authority must be made wholly out of the Group's retained profits and/or share premium account. Therefore, the Board proposes that the maximum amount of funds to be utilised for any purchase of the TNB Shares shall not exceed the aggregate of the retained profits and/or share premium account.

Based on the Audited Financial Statements for the Financial Year ended 31 August 2012, the share premium reserves and retained profits stood at RM4,529.1 million and RM25,457.9 million respectively, which in aggregate amounts to RM29,987.0 million.

- 2.5 The Proposed Renewal of Share Buy-Back Authority will allow the Board to exercise the power of the Company to purchase its own shares at any time within the abovementioned period. The funding for the Proposed Renewal of Share Buy-Back Authority will be from internally generated funds and/or bank borrowings, the proportion of which will depend on, among others, the availability of internally generated funds, the actual number of TNB Shares to be purchased and other relevant factors. The actual number of TNB Shares to be purchased will also depend on the market conditions and sentiment of Bursa Securities as well as the availability of retained profits, share premium reserves and financial resources. In the event the Proposed Renewal of Share Buy-Back Authority is to be financed by bank borrowings, the Company will ensure that it has the capability to repay such borrowings and that such repayment will not have a material effect on the Group's cash flow.
- 2.6 In accordance with Section 67A of the Act, the Board may resolve, at its discretion, to deal with the purchased TNB Shares in the following manner:
- (i) cancel the TNB Shares so purchased;
  - (ii) retain the TNB Shares so purchased as treasury shares which may be distributed to the Shareholders as share dividends and/or be resold on Bursa Securities in accordance with the relevant rules of Bursa Securities and/or be cancelled subsequently; or
  - (iii) combination of (i) and (ii) above.
- 2.7 While the TNB Shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distribution or otherwise, are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of the shares or of a class of the shares for any purposes including substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.
- 2.8 The Proposed Renewal of Share Buy-Back Authority will be in accordance with the prevailing laws at the time of the purchase including compliance with the 25% public shareholding spread as required by the MMLR.
- 2.9 The Company may only purchase its own shares at a price which is not more than 15% above the weighted average market price for the five (5) Market Days immediately preceding the date of the purchase(s).

- 2.10 The Company may only sell the purchased TNB Shares at a price which is:
- (i) not less than the weighted average market price for the TNB Shares for the five (5) Market Days immediately prior to the resale; or
  - (ii) not less than 5% below the weighted average market price for the TNB Shares for the five (5) Market Days immediately prior to the resale provided that:
    - (a) the resale takes place not earlier than 30 days from the date of purchase; and
    - (b) the resale price is not less than the cost of purchase of the shares being resold.

### **3. RATIONALE FOR THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

The Proposed Renewal of Share Buy-Back Authority will enable the Group to utilise surplus financial resources to purchase TNB Shares. The Proposed Renewal of Share Buy-Back Authority is expected to stabilise the supply and demand as well as the price of TNB Shares. The improvement in EPS, if any, arising from the Proposed Renewal of Share Buy-Back Authority is expected to benefit you.

The purchased TNB Shares can be held as treasury shares and resold on Bursa Securities with the intention of realising a potential gain without affecting the issued and paid-up share capital. If the treasury shares are distributed as share dividends, it will serve to reward you.

### **4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY**

The advantages and disadvantages of the Proposed Renewal of Share Buy-Back Authority include but are not limited to the following:

#### **4.1 Potential Advantages**

- (i) The Proposed Renewal of Share Buy-Back Authority will allow the Group to utilise its financial resources where there is no immediate use, to purchase TNB Shares. The TNB Shares purchased are expected to enhance the EPS of the Group;
- (ii) The Proposed Renewal of Share Buy-Back Authority may also stabilise the supply and demand of TNB Shares traded on Bursa Securities and reduce the volatility of Share prices. The stability of TNB Share price is important to maintain investors' confidence to facilitate any future fund raising exercises via the equity market;
- (iii) The Proposed Renewal of Share Buy-Back Authority will also provide the Group with opportunities for potential gains if the purchased TNB Shares which are retained as treasury shares are resold at prices higher than their purchase prices; and
- (iv) In the event the treasury shares are distributed as share dividends, it will serve to reward you.

## 4.2 Potential Disadvantages

- (i) The Proposed Renewal of Share Buy-Back Authority if implemented, will temporarily reduce the financial resources of the Group. However, the financial resources of the Group will recover or increase if the Company resell the purchased TNB Shares held as treasury shares;
- (ii) The funds allocated for the Proposed Renewal of Share Buy-Back Authority could be used for other better investment opportunities which may emerge in the future; and
- (iii) As the funds to be allocated for the Proposed Renewal of Share Buy-Back Authority must be made wholly out of the retained profits and/or share premium accounts, the amount available from these accounts for distribution of dividends to you may decrease accordingly.

Nevertheless, the Board is of the view that the Proposed Renewal of Share Buy-Back Authority is not expected to have any potential material disadvantage to you as well as the Group as it will be implemented only after careful consideration of the financial resources of the Group and the resultant impact on you.

## 5. EFFECTS OF THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY

### 5.1 Issued and Paid-up Share Capital

The effects of the Proposed Renewal of Share Buy-Back Authority on the issued and paid-up share capital of TNB are as follows:

	<b>Minimum Scenario No. of Shares</b>	<b>Maximum Scenario No. of Shares</b>
Issued and paid-up share capital as at 15 October 2012	5,509,832,109	5,509,832,109
Arising from the full exercise of ESOS Options	-	133,544,598
Effects to the share capital	<b>5,509,832,109</b>	<b>5,643,376,707</b>
<b>Less:</b>		
TNB Shares that may be purchased under the Proposed Renewal of Share Buy-Back Authority (assuming all purchased TNB Shares are cancelled)	550,983,211	564,337,671
Resultant share capital	<b>4,958,848,898</b>	<b>5,079,039,036</b>

The Proposed Renewal of Share Buy-Back Authority will have no effect on the issued and paid-up share capital if the TNB Shares purchased by the Company are held as treasury shares and are not cancelled. However, while the TNB Shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distribution or otherwise, are suspended and the treasury shares shall not be taken into account in calculating the number or percentage of the Company's shares or of a class of the Company's Shares for any purposes including substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for a meeting and the result of a vote on a resolution at a meeting.



## 5.2 **Net Assets and Working Capital**

If the purchased TNB Shares are kept as treasury shares, the NA per Share of TNB Group will decrease if the cost per share of the treasury shares purchased exceeds the NA per Share of TNB Group at the relevant point in time. However, if the cost per share of the treasury shares purchased is below the NA per Share of TNB Group at the relevant point in time, the NA per Share of TNB Group will increase.

Similarly, if the purchased TNB Shares are cancelled pursuant to Section 67A of the Act, the NA per Share of TNB Group will decrease if the cost per share of the purchased TNB Shares exceeds the NA per Share of TNB Group at the relevant point in time. However, if the cost per share of the treasury shares purchased is below the NA per Share of TNB Group at the relevant point in time, the NA per Share of TNB Group will increase.

In the case where the purchased TNB Shares are retained as treasury shares and subsequently resold on Bursa Securities, the NA per Share of TNB Group will increase if the Company realises a gain from the resale, and vice-versa. If the treasury shares are distributed as share dividends, the NA of TNB Group will decrease by the cost of the treasury shares.

Further, the Proposed Renewal of Share Buy-Back Authority will reduce the working capital and cash flow of TNB Group, the quantum of which depends on, among others, the number of TNB Shares eventually purchased and the purchase price(s) of the TNB Shares. For TNB Shares purchased which are kept as treasury shares, upon their resale, the working capital and cash flow will increase. The quantum of the increase in the working capital and cash flow will depend on the actual selling price(s) of the treasury shares and the number of treasury shares resold.

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## 5.3

**Substantial Shareholders' Shareholdings**

Based on the Register of Substantial Shareholders of TNB as at 15 October 2012, the effects of the Proposed Renewal of Share Buy-Back Authority on the shareholdings of the substantial shareholders are as follows:

**(i) Minimum Scenario**

Substantial Shareholders	As at 15 October 2012		Proposed Renewal of Share Buy-Back Authority		After the Proposed Renewal of Share Buy-Back Authority	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of TNB Shares held '000	%	No. of TNB Shares held '000	%	No. of TNB Shares held '000	%
Khazanah	1,939,656	35.20	1,939,656	39.12	-	-
Employees Provident Fund Board	*775,133	14.07	*775,133	15.63	-	-
Skim Amanah Saham Bumiputera	*584,844	10.61	*584,844	11.79	-	-

**(ii) Maximum Scenario**

Substantial Shareholders	As at 15 October 2012		After the full exercise of the ESOS Options		After (a) and the Proposed Renewal of Share Buy-Back Authority		After (a) and the Proposed Renewal of Share Buy-Back Authority	
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
	No. of TNB Shares held '000	%	No. of TNB Shares held '000	%	No. of TNB Shares held '000	%	No. of TNB Shares held '000	%
Khazanah	1,939,656	35.20	1,939,656	34.37	1,939,656	38.19	-	-
Employees Provident Fund Board	*775,133	14.07	*775,133	13.74	*775,133	15.26	-	-
Skim Amanah Saham Bumiputera	*584,844	10.61	*584,844	10.36	*584,844	11.51	-	-

**Notes:**

\* Including TNB Shares held under nominee accounts.

<sup>1</sup> Assuming that the purchase of the TNB Shares pursuant to the Proposed Renewal of Share Buy-Back Authority is implemented based on the maximum number of TNB Shares that may be purchased under the respective scenarios and are purchased from you (i.e. Shareholders other than the Substantial Shareholders and Directors of TNB).

#### 5.4 Directors' Shareholdings

Based on the Register of Directors' shareholdings of TNB as at 15 October 2012, the effects of the Proposed Renewal of Share Buy-Back Authority on the shareholdings of the Directors are as follows:

##### (i) Minimum Scenario

Directors	As at 15 October 2012			Proposed Renewal of Share Buy- Back Authority			After the Renewal of Share Buy- Back Authority		
	Direct	Indirect	%	Direct	Indirect	%	Direct	Indirect	%
	No. of TNB Shares held '000	No. of TNB Shares held '000		No. of TNB Shares held '000	No. of TNB Shares held '000		No. of TNB Shares held '000	No. of TNB Shares held '000	
Tan Sri Leo Moggie	-	-	-	-	-	-	-	-	-
Datuk Wira Ir. Azman bin Mohd	-	4,375	*	-	4,375	*	-	4,375	*
Datuk Nozirah binti Bahari	-	-	-	-	-	-	-	-	-
Dato' Mohammad Zainal bin Shaari	-	-	-	-	-	-	-	-	-
Dato' Zainal Abidin bin Putih	1,562	-	*	-	-	-	1,562	-	*
Tan Sri Dato' Hari Narayanan a/l Govindasamy	-	-	-	-	-	-	-	-	-
Dato' Fuad bin Jaafar	78,125	-	*	-	-	-	78,125	-	*
Tan Sri Dato' Seri Siti Norma binti Yaakob	1,562	-	*	-	-	-	1,562	-	*
Dato' Abd Manaf bin Hashim	-	-	-	-	-	-	-	-	-
Datuk Chung Hon Cheong	-	-	-	-	-	-	-	-	-
Suria binti Ab Rahman (Alternate Director to Dato' Mohammad Zainal bin Shaari)	-	-	-	-	-	-	-	-	-

(ii)

**Maximum Scenario**

Directors	(a)				(b)								
	As at 15 October 2012				After the full exercise of the ESOS Options				*After (a) and the Proposed Renewal of Share Buy-Back Authority				
	Direct	Indirect	%		Direct	Indirect	%		Direct	Indirect	%		
No. of TNB Shares held	No. of TNB Shares held			No. of TNB Shares held	No. of TNB Shares held			No. of TNB Shares held	No. of TNB Shares held			No. of TNB Shares held	
Tan Sri Leo Moggie	-	-	-	-	-	-	-	-	-	-	-	-	-
Datuk Wira Ir. Azman bin Mohd	-	4,375	*	0.02	858,427	-	-	0.02	858,427	0.02	-	-	4,375
Datuk Nozirah binti Bahari	-	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Mohammad Zainal bin Shaari	-	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Zainal Abidin bin Putih	1,562	-	-	*	1,562	-	-	*	1,562	*	-	-	-
Tan Sri Dato' Hari Narayanan a/l Govindasamy	-	-	-	-	-	-	-	-	-	-	-	-	-
Dato' Fuad bin Jaafar	78,125	-	-	*	78,125	-	-	*	78,125	*	-	-	-
Tan Sri Dato' Seri Siti Norma binti Yaakob	1,562	-	-	*	1,562	-	-	*	1,562	*	-	-	-
Dato' Abd Manaf bin Hashim	-	-	-	-	-	-	-	-	-	-	-	-	-
Datuk Chung Hon Cheong	-	-	-	-	-	-	-	-	-	-	-	-	-
Suria binti Ab Rahman (Alternate Director to Dato' Mohammad Zainal bin Shaari)	-	-	-	-	-	-	-	-	-	-	-	-	-

**Notes:**

\* Less than 0.01%.

<sup>1</sup> Assuming that the purchase of the TNB Shares pursuant to the Proposed Renewal of Share Buy-Back Authority is implemented based on the maximum number of TNB Shares that may be purchased under the respective scenarios and are purchased from you (i.e. Shareholders other than the Substantial Shareholders and Directors of TNB).

## 5.5 Earnings

The effects of the Proposed Renewal of Share Buy-Back Authority on the earnings of the Group are dependent on the purchase prices of TNB Shares, the effective funding cost to finance such purchases and/or loss in interest income to the Group if internally generated funds are utilised. Further, the purchase of the TNB Shares will result in a lower number of shares being taken into account for purposes of EPS computation.

## 5.6 Public Shareholding Spread

As at 15 October 2012, the public shareholding spread was approximately 64.79%. For illustration purposes, based on the public shareholding spread as at 15 October 2012, assuming that the Proposed Renewal of Share Buy-Back Authority was carried out in full, i.e. up to 10% of the issued and paid-up share capital is purchased through Bursa Securities and the number of TNB Shares held by the Directors and Substantial Shareholders and/or persons connected to them remains unchanged and assuming that no ESOS Options are exercised into new TNB Shares during the implementation of the Proposed Renewal of Share Buy-Back Authority, the proforma public shareholding spread is expected to be 60.88%.

The Board undertakes that the Proposed Renewal of Share Buy-Back Authority would only be implemented in accordance with the laws prevailing at the time of the purchase including compliance with the 25% public shareholding spread as required by the MMLR.

## 6. IMPLICATION RELATING TO THE CODE

As at 15 October 2012, Khazanah holds approximately 35.20% of the voting shares in TNB. The purchase of TNB Shares under the Proposed Renewal of Share Buy-Back Authority may cause the voting rights of Khazanah to increase by more than 2% in any six (6) month period. Accordingly, Khazanah and persons deemed acting in concert with it, if any, will be obliged under the Code to undertake a mandatory offer to acquire the remaining TNB Shares not already owned by them.

The Board is mindful of the requirements of the Code and will continue to do so when making any purchase of TNB Shares pursuant to Proposed Renewal of Share Buy-Back Authority.

Notwithstanding the above, Khazanah and persons deemed acting in concert, if any, may apply to the Securities Commission for an exemption from the obligations to undertake a mandatory offer prior to such obligation being triggered.

## 7. PURCHASE OR RESALE OF TREASURY SHARES MADE IN THE PREVIOUS 12 MONTHS

There has not been any purchase of TNB Shares or resale of treasury shares made by the Company in the previous 12 months preceding the date of this Statement.

Therefore, as at the date of this Statement, the Company does not hold any treasury shares and no shares have been cancelled in the previous 12 months.

## 8. APPROVALS REQUIRED

The Proposed Renewal of Share Buy-Back Authority is subject to the following approvals:

- (i) the Shareholders at the forthcoming 22<sup>nd</sup> AGM; and
- (ii) any other relevant authorities and/or parties, if necessary.

**9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

None of the Directors and/or Major Shareholders and persons connected to the Directors and/or Major Shareholders has any interest, direct or indirect, in the Proposed Renewal of Share Buy-Back Authority, save for the proportionate increase in the percentage of their shareholdings and/or voting rights resulting from the Proposed Renewal of Share Buy-Back Authority.

**10. DIRECTORS' RECOMMENDATION**

The Board, after careful deliberation, is of the opinion that the Proposed Renewal of Share Buy-Back Authority is in the best interest of the Company. Accordingly, the Board recommends that you vote in favour of the resolution to be tabled at the forthcoming 22<sup>nd</sup> AGM to give effect to the Proposed Renewal of Share Buy-Back Authority.

**11. 22<sup>ND</sup> ANNUAL GENERAL MEETING**

TNB will convene its 22<sup>nd</sup> AGM at Dewan Serbaguna, Kompleks Sukan TNB, Jalan Pantai Baru, 59200 Kuala Lumpur on Tuesday, 18 December 2012 at 10.00 a.m or at any adjournment (as the case may be), of which the notice together with the Form of Proxy are enclosed in TNB's 2012 Annual Report, for you to consider and, if thought fit, to pass the resolution with or without modifications, to give effect to the Proposed Renewal of Share Buy-Back Authority.

If you are unable to attend and vote in person at the 22<sup>nd</sup> AGM, please complete, sign and return the Form of Proxy to Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan so as to arrive not later than 48 hours before the time set for the 22<sup>nd</sup> AGM or at any adjournment thereof. The Form of Proxy should be completed strictly in accordance with the instructions contained therein. The lodgement of the Form of Proxy will not preclude you from attending and voting in person should you subsequently wish to do so.

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