TENAGA NASIONAL BERHAD (200866-W)

The Board of Directors is pleased to announce the following:

A. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 1st QUARTER ENDED 30 NOVEMBER 2003
(Amounts in RM million unless otherwise stated)

	1st Quarter ended 30 Nov 2003	1st Quarter ended 30 Nov 2002
Revenue	4,243.9	4,055.9
Operating expenses	(3,436.0)	(3,331.2)
Other operating income	51.5	65.4
Operating profit	859.4	790.1
Foreign exchange		
- Translation (loss)/gain	(382.7)	293.5
- Transaction (loss)/gain	(2.8)	5.7
Share of results of associates	9.2	33.7
Profit before finance cost	483.1	1,123.0
Finance cost	(346.3)	(324.8)
Profit from ordinary activities before taxation	136.8	798.2
Taxation		
- Company and subsidiaries	(15.9)	(10.4)
- Deferred taxation	(153.0)	(114.7)
- Share of taxes in associates	(0.9)	(9.5)
(Loss)/profit from ordinary activities after taxation	(33.0)	663.6
Minority interests	6.6	(0.4)
Net (loss)/profit for the period	(26.4)	663.2
	Sen	**Sen**
(Loss)/Earnings per share-Basic	(0.85)	21.31
(Loss)/Earnings per share-Diluted	N/A	N/A

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2003.

B. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 NOVEMBER 2003

(Amounts in RM million unless otherwise stated)

	30 NOV 2003	31 AUG 2003
NON CURRENT ASSETS		
Property, plant and equiptment	52,053.0	51,768.4
Coal Mine Rights	323.0	-
Associates	609.3	601.4
Investments	126.6	158.1
	53,111.9	52,527.9
CURRENT ASSETS		
Inventories	1,571.2	1,552.0
Trade receivables	2,042.8	1,817.6
Other receivables	1,259.1	1,179.9
Amount owing from associates	80.3	77.3
Short term investments	1,355.2	1,355.2
Securities	11.7	11.7
Deposits, bank and cash balances	1,239.1	1,434.9
	7,559.4	7,428.6
CURRENT LIABILITIES		
Trade payables	(1,696.9)	(1,721.7)
Other payables	(1,600.5)	(1,416.1)
Amount owing to associates	(203.4)	(216.8)
Current taxation	(258.7)	(235.3)
Short term borrowings	(4,453.3)	(4,508.7)
	(8,212.8)	(8,098.6)
NET CURRENT LIABILITIES	(653.4)	(670.0)
LONG TERM LIABILITIES		
Borrowings	(26,859.1)	(26,404.4)
Consumer deposits	(1,634.8)	(1,598.0)
Retirement benefits	(512.2)	(513.7)
Other liabilities	(81.7)	(84.1)
Deferred taxation	(5,428.8)	(5,285.8)
Deferred income	(2,301.2)	(2,299.9)
Government development grants	(509.6)	(519.9)
	(37,327.4)	(36,705.8)
	15,131.1	15,152.1
FINANCED BY:		
Share capital	3,112.2	3,111.8
Share premium	3,184.8	3,181.7
Retained profits	7,705.7	7,732.1
Revaluation and other reserves	1,056.6	1,048.1
SHAREHOLDERS' FUNDS	15,059.3	15,073.7
Minority interests	71.8	78.4
	15,131.1	15,152.1
	Sen	Sen
NET TANGIBLE ASSETS PER SHARE	484	484

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2003.

C. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 NOVEMBER 2003
(Amounts in RM million unless otherwise stated)

		Non-distributable		Distributable	
	Ordinary Shares of RM1.00 each	Share premium	Revaluation and other reserves	Retained profits	Total
As at 1 September 2003	3,111.8	3,181.7	1,048.1	7,732.1	15,073.7
Currency translation differences	-	-	8.5	-	8.5
Net loss for the 3-month period	-	-	-	(26.4)	(26.4)
Issuance of share capital					
- share options	0.4	3.1	-	-	3.5
As at 30 November 2003	3,112.2	3,184.8	1,056.6	7,705.7	15,059.3

		Non-distributable		Distributable	
	Ordinary Shares of RM1.00 each	Share premium	Revaluation and other reserves	Retained profits	Total
As at 1 September 2002					
- as previously reported	3,111.8	3,181.7	1,211.3	10,223.3	17,728.1
- prior year adjustment	-	-	(202.2)	(3,321.0)	(3,523.2)
- as restated	3,111.8	3,181.7	1,009.1	6,902.3	14,204.9
Currency translation differences	-	-	17.7	-	17.7
Net profit for the 3-month period	-	-	-	663.2	663.2
As at 30 November 2002	3,111.8	3,181.7	1,026.8	7,565.5	14,885.8

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2003.

D. UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE THREE MONTHS PERIOD ENDED 30 NOVEMBER 2003

(Amounts in RM million unless otherwise stated)

	30 Nov 2003	30 Nov 2002
Operating activities		
Cash generated from operations	1,291.0	778.0
Retirement benefit paid	(9.8)	(5.7)
Consumer contributions received	68.8	70.6
Customer deposits received	36.8	37.0
Tax paid	(10.4)	(68.6)
Net cash inflow from operating activities	1,376.4	811.3
Investing activities		
Acquisition of a subsidiary	(323.0)	-
Purchase of investments	(13.6)	-
Interest income received	7.7	9.3
Property, plant and equipment:		
- purchases	(853.0)	(857.2)
Net cash flow from investing activities	(1,181.9)	(847.9)
Financing activities		
Bank borrowings:		
- new drawdowns	1,999.5	3,581.5
- repayments	(1,985.2)	(2,296.9)
Interest paid	(407.2)	(403.1)
Proceeds from issuance of shares	3.5	-
Others	-	56.2
Net cash flow from financing activities	(389.4)	937.7
Changes in cash and cash equivalents	(194.9)	901.1
Currency translation differences	1.0	1.0
Cash and cash equivalents		
- at start of period	1,430.4	1,147.6
- at end of period	1,236.5	2,049.7

The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the annual audited financial statements for the financial year ended 31 August2003.

E. EXPLANATORY NOTES

(Amounts in RM million unless otherwise stated)

1) BASIS OF PREPARATION

This interim report is unaudited and has been prepared in accordance with the Malaysian Accounting Standards Board ('MASB') Standard No. 26 "Interim Financial Reporting" and paragraph 9.22 of the Kuala Lumpur Stock Exchange Listing Requirements, and should be read in conjunction with the Group's financial statements for the financial year ended 31 August 2003.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the annual audited financial statements for the financial year ended 31 August 2003 except for the adoption of the following new MASB standards:

i). MASB Standard No.28 "Discontinuing Operations"
ii). MASB Standard No.29 "Employee Benefits"

The deficit arising in respect of post employment benefit obligations on first adoption of MASB 29 on 1 September 2003 is recognised as an expense on a straight line basis over 5 years in accordance with the transitional provisions of the standard. A preliminary amount of RM50.0 million was charged to the income statements of the Group for the period.

Pursuant to note 38 of the annual audited financial statements for the financial year ended 31 August 2003, the comparative figures have been amended accordingly.

2) AUDIT QUALIFICATION

The annual audited financial statements for the financial year ended 31 August 2003 were not subjected to any qualification.

3) SEASONAL OR CYCLICAL FACTORS

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

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

There were no unusual items of nature, size or incidence that affect the assets, liabilities, equity, net income or cash flows of the Group during the period.

5) MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

This note is not applicable.

6) DEBT AND EQUITY SECURITIES

During the quarter, 417,500 ordinary shares of RM1 each were issued under the Employee Share Option Scheme II (''ESOS II'') Except for this, there were no other cancellation, repurchases, resales and repayments of debt and equity securities during the quarter.

7) DIVIDEND PAID

There was no dividend paid during the quarter.

8) SEGMENTAL REPORTING

This note is not applicable.

9) VALUATION OF PROPERTY, PLANT & EQUIPMENT

The valuations of property, plant & equipment have been brought forward without amendments from the previous annual audited financial statements.

10) MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

As announced, on 12 December 2003, TNB had disposed of 71 million YTL Power International Berhad ("YTL Power") shares, via a placement through a book-building process.

11) CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the quarter except for the acquisition of Dynamic Acres Sdn Bhd as described in note 21. The consideration of RM323.0 million paid substantially consisted of the coal mine rights owned by Dynamic Acres Sdn Bhd. The fair value exercise is expected to be completed in the next quarter.

12) CONTINGENT LIABILITIES

Contingent liabilities of the Group include the following:-

	As at 30 November 2003	As at 31 August 2003
Claims by third parties	584.1	576.6
Trade guarantees and performance bonds	5.6	5.5
Stamp duties on transfer of assets	108.0	108.0
Other contingencies	57.0	56.6
	754.7	746.7

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 30 NOVEMBER 2003
Property, plant and equipment committed over a 5 year period	
Authorised but not contracted for	15,252.0
Contracted but not provided for in the financial statements	4,580.4
	19,832.4
Investments:	
Authorised but not contracted for	203.5
Contracted but not provided for in the financial statements	19.0
	222.5
	20,054.9

F. ADDITIONAL INFORMATIONAS REQUIRED BY APPENDIX 9B OF THE KLSE LISTING REQUIREMENTS

(Amounts in RM million unless otherwise stated)

14) REVIEW OF PERFORMANCE

The Group recorded total revenue of RM4,243.9 million for the quarter ended 30 November 2003 compared to RM4,055.9 million achieved in the corresponding period for last financial year, an increase of 4.6%. The improved revenue was mainly attributed to higher electricity sales where the growth in sales was 4.1%. The Group recorded a loss of RM26.4 million compared to the profit of RM663.2 million for the corresponding quarter last year. The translation loss was the main factor for the loss which was brought about by the strengthening of the Japanese Yen, Pound Sterling and EURO.

Analysis of revenue:

	Quarter ended	
	30 Nov 2003	30 Nov 2002
Sales - electricity	4,112.5	3,951.9
- goods and services	63.9	38.3
Released of deferred income	67.5	65.7
	4,243.9	4,055.9
Units sold (GWh)	17,464.8	16,853.0

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

Compared to the immediate preceding quarter, the Group recorded a reduction in revenue by 2.0%. The Group however, recorded a loss of RM26.4 million as compared to the preceding quarter mainly due to the depreciation of Ringgit against the Japanese Yen, Pound Sterling and EURO.

16) CURRENT YEAR PROSPECTS

In line with the Malaysian Government's expectation to achieve GDP growth between 5.0% to 6.0% for the year 2004, and with management's commitment to continue to improve the operating efficiencies of the Group's business, the Board of Directors, barring any unforeseen circumstances, expects the Group's performance for FY2004 to remain satisfactory.

17) VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

This note is not applicable.

18) TAXATION

Taxation for the quarter comprised the following:-

	Quarter ended 30.11.2003	Quarter ended 30.11.2002
Taxation for the Group	(15.9)	(10.4)
Deferred taxation for the Group	(153.0)	(114.7)
Share of taxes in associates	(0.9)	(9.5)
	(169.8)	(134.6)

The effective tax rate for the Group for the year is higher than the statutory tax rate due to certain expenses which are not deductible for tax purposes being more than the tax exempt income.

19) PROFIT ON SALE OF INVESTMENTS

There were no disposals of investment during the period.

20) PURCHASES AND DISPOSALS OF QUOTED SECURITIES

a) There were no purchases and disposals of quoted securities during the quarter.

b) Investments in quoted securities as at 30 November 2003 are as follows:

	Quarter ended 30.11.2003
At cost	4.5
At carrying value	0.6
At market value	0.6

The above quoted securities are managed by external fund managers.

21) STATUS OF CORPORATE PROPOSALS

a) Further to the announcement made on 3 December 2002, TNB Coal International Limited, a joint venture company between TNB (70%) and the existing shareholders of Dynamic Acres Sdn Bhd (30%), has raised an offshore non-recourse financing totalling 80% of the acquisition purchase price to finance the Proposed Acquisition.

Drawdown of the loan was effected on 26 September 2003, and hence the Proposed Acquisition was completed on the same date.

b) On 21 May 2002, the Company announced that it had entered into a Share Sale Agreement ("SSA") with Mastika Lagenda Sdn Bhd ("MLSB"), a 97.7% owned indirect subsidiary of Genting Berhad, for the disposal by TNB of a 40% interest in Sepang Power Sdn Bhd ("SPSB") for a total cash consideration of RM65.7 million. The completion of the transaction is still pending.

c) In relation to the divestment of Kapar Power Station, TNB, Malakoff Berhad ("MB") and Kapar Energy Venture Sdn Bhd ("KEV"), in conjunction with the provision of the Supplemental Asset Sale Agreement dated 30 April 2002, have mutually agreed on 31 October 2002 inter-alia, to:

i). extend the period in which the Conditions Precedent are to be satisfied or fulfilled;
ii). extend the Subscription Shares Conditions Period (as defined in the Supplemental Agreement) for the purpose of satisfying or fulfilling the Subscription Shares Conditions Precedent (as defined in the Supplemental Agreement); and
iii). extend the period in which the conditions precedent to the Power Purchase Agreement (as amended by the Supplemental PPA) are to be satisfied or fulfilled;

commencing on 1 November 2002 up to and inclusive of 2 April 2003 ("Said Period"). TNB, KEV and MB have on 2 April 2003 mutually agreed to an extension of the Said Period commencing on 3 April 2003 up to and inclusive of 30 October 2003 and subsequently a further extension of the Said Period commencing on 31 October 2003 up to and inclusive of 30 April 2004.

The net proceeds from the Proposed Kapar Divestment will be utilised for the repayment of borrowings and working capital purposes of the Group.

d) On 26 August 2003, TNB announced that it has entered into a shareholders' agreement with MB, GB3 Sdn Bhd ("GB3") and Employees Provident Fund Board ("EPF") for its subscription of 20% ordinary shares in GB3 and purchase of 20% Redeemable Unsecured Loan Stocks ("RULS") in GB3 from MB. GB3 is the company, which currently owns and operates a 640MW combined cycle gas turbine power plant in Segari, Perak Darul Ridzuan ("Power Station"). The completion of the transaction is still pending.

22) GROUP BORROWINGS

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

	As at 30 Nov 2003
Short term - secured	10.3
- unsecured	4,443.0
Sub-total	4,453.3
Long term - secured	208.2
- unsecured	26,650.9
Sub-total	26,859.1
Total	31,312.4

b) Currency denominations:-

Japanese Yen	3,264.7
Sterling Pound	1,515.7
US Dollar	10,563.1
Euro	663.9
Others	16.4
Total Ringgit equivalent of foreign currency borrowings	16,023.8
Ringgit borrowings	15,288.6
Total	31,312.4

c) Effective average cost of funding based on exposure as at 30 November 2003 was 5.01% (FY2002: 4.92%).

d) Repayments of long term debts during the period are as follows:

iii). Foreign currency denominated term loans of RM314.3 million, and
iv). Ringgit denominated term loans of RM35.5 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 managements strategy, the Company manages its exposure to market rate movements of its financial liabilities through the use of the derivative financial instruments which include interest rate option contracts and currency swap agreements. Virtually all foreign currency contracts are denominated in US dollar and Japanese Yen.

TNB has entered into interest rate swap ("IRS") agreements and interest rate and currency swap agreements, some of which have embedded interest rate or currency options, which mature from year 2004 to 2007. 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 25 to the financial statements of TNB for the financial year ended 31 August 2003 (pages 51-55 of TNB's Annual Report). There has been no material changes to the derivative financial instruments described therein between the date of financial statements (dated 13 November 2003) and the date of this announcement.

As at 20 January 2004, the outstanding notional principal amount of derivative financial instruments entered into by the Group was RM7,975.3 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.

25) DIVIDEND

At the Annual General Meeting held on 23 December 2003, the shareholders of TNB had approved a final dividend of 7.8 sen gross per share less income tax 28% for the financial year ended 31 August 2003. The dividend was paid on 26 January 2004. The final dividend declared for the previous year was 6.0 sen gross per share less income tax 28%. The Board does not recommend any dividend for the quarter ended 30 November 2003.

26) EARNINGS PER SHARE

	30 Nov 2003	30 Nov 2002
(a) Basic earnings per share		
Net (loss)/profit for the period (RM 'million)	(26.4)	663.2
Weighted average number of ordinary shares in issue ('000)	3,112,041	3,111,825
Basic (loss)/earnings per share (sen	(0.85)	21.31

(b) Diluted earnings per share

No diluted earnings per share is presented as conversion of Guaranteed Exchangeable Bonds and exercise of ESOS II are not dilutive.

By Order of the Board

ZAINAL ABIDIN BIN YUNUS (LS 0008338)
Company Secretary
Kuala Lumpur
27 January 2004