TENAGA
NASIONAL BERHAD (200866-

The Board of Directors is pleased to announce the following:

A. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 1ST QUARTER ENDED 30 NOVEMBER 2002
(Amounts in RM million unless otherwise stated)

	1st Quarter 30 Nov 2002	1st Quarter 30 Nov 2001
Revenue	4,055.9	3,809.8
Operating expenses	(3,334.1)	(3,084.4)
Other operating income	65.4	55.9
Operating profit	787.2	781.3
Foreign exchange gain	299.2	261.5
Share of results of associates	33.7	32.4
Profit before finance cost	1,120.1	1,075.2
Finance cost	(321.9)	(287.1)
Profit from ordinary activities before taxation	798.2	788.1
Taxation		
- Company and subsidiaries	(10.4)	(33.6)
- Deferred taxation	(114.7)	(155.0)
- Share of taxes in associates	(9.5)	(9.8)
Profit from ordinary activities after taxation	663.6	589.7
Minority interests	(0.4)	14.3
Net profit for the period	663.2	604.0
Earnings per share-Basic	21.3	19.4
Earnings per share-Diluted	Not applicable	Not applicable

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2002.

B. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 NOVEMBER 2002

(Amounts in RM million unless otherwise stated)

	30 NOV 2002	31 AUG 2002
PROPERTY, PLANT AND EQUIPMENT	51,073.9	50,710.7
INVESTMENT IN ASSOCIATES	831.0	806.9
LONG TERM INVESTMENTS	390.1	390.1
CURRENT ASSETS		
Inventories	1,311.9	1,216.2
Trade receivables	1,607.3	1,528.8
Other receivables	1,480.9	1,243.4
Deposits, bank and cash balances	2,052.7	1,154.0
Amount owing from associates	87.3	4.7
Securities (quoted and unquoted)	9.9	10.7
	6,550.0	5,157.8
CURRENT LIABILITIES		
Trade payables	(1,833.3)	(2,029.5)
Other payables	(1,473.5)	(1,448.7)
Short term borrowings	(2,565.7)	(2,453.2)
Provision for taxation	(246.3)	(306.4)
Amount owing to associates	(262.6)	(364.6)
	(6,381.4)	(6,602.4)
NET CURRENT LIABILITIES	168.6	(1,444.6)
LONG TERM LIABILITIES		
Borrowings	(28,070.5)	(26,963.6)
Consumer deposits	(1,492.0)	(1,455.0)
Retirement benefits	(497.8)	(487.4)
Other liabilities	(95.0)	(97.3)
	(30,155.3)	(29,003.3)
DEFERRED TAXATION	(4,620.7)	(4,504.1)
DEFERRED INCOME	(2,236.5)	(2,231.6)
GOVERNMENT DEVELOPMENT GRANTS	(520.1)	(474.4)
	14,931.0	14,249.7
Financed by :-		
SHARE CAPITAL	3,111.8	3,111.8
SHARE PREMIUM	3,181.7	3,181.7
RETAINED PROFITS	7,565.5	6,902.3
REVALUATION AND OTHER RESERVES	1,026.8	1,009.1
SHAREHOLDERS' FUNDS	14,885.8	14,204.9
MINORITY INTERESTS	45.2	44.8
	14,931.0	14,249.7
	Sen	Sen
NET TANGIBLE ASSETS PER SHARE	478	456

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the annual audited financial statements for the financial year ended 31 August 2002.

C. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 NOVEMBER 2002

(Amounts in RM million unless otherwise stated)

	Note	Ordinary Shares of RM1.00 each	Non-distributable Share premium	Non-distributable Revaluation and other reserves	Distributable 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	1			(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 2002.

D. UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED 30 NOVEMBER 2002

(Amounts in RM million unless otherwise stated)

Operating activities	
Cash generated from operations	778.0
Retirement benefit paid	(5.7)
Consumer contributions received	70.6
Customer deposits received	37.0
Tax paid	(68.6)
Net cash inflow from operating activities	811.3
Investing activities	
Interest income received	9.3
Property, plant and equipment:	
- purchases	(857.2)
Net cash flow from investing activities	(847.9)
Financing activities	
Bank borrowings:	
- new drawdowns	3,581.5
- repayments	(2,296.9)
Interest paid	(403.1)
Others	56.2
Net cash flow from financing activities	937.7
Changes in cash and cash equivalents	901.1
Currency translation differences	1.0
Cash and cash equivalents	
- at start of period	1,147.6
- at end of period	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 August 2002.

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 year ended 31 August 2002.

The accounting policies and presentation adopted for the interim financial report are consistent with those adopted for the annual financial statements for the year ended 31 August 2002 except for MASB 25 "Income Taxes". TNB now recognises deferred tax on the full provision basis and the effects on the consolidated revaluation and other reserves and retained profits are as follows:

	Revaluation and other reserves	Retained profits
At 31 August 2002 as previously reported in the annual financial statements	1,211.3	10,223.3
Less: Adjustments to provide fully for deferred taxation in the financial statements	(202.2)	(3,321.0)
At 31 August 2002 as restated	1,009.1	6,902.3

If MASB 25 allowed for discounting, the deferred tax provision for TNB, based on a risk free rate of 2.8901% would have been RM2,767.4 million as opposed to a non-discounted figure of RM4,620.7 million as at 30 November 2002.

2) AUDIT QUALIFICATION
The audited annual financial statements for the year ended 31 August 2002 were not subject to any qualification.~~The audit report of the Group's preceding year financial statements was not qualified~~

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~~affecting~~ the assets, liabilities, equity, net income and cash flows of the Group during the period under review.~~.~~

5) MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED
This note is not applicable.

6) DEBT AND EQUITY SECURITIES
On 20 November 2002, TNB Capital (L) Ltd ("TNBCL") 'a wholly owned subsidiary of TNB' issued USD350.0 million 2.625% Guaranteed Exchangeable Bonds ("GEB"). The GEBs were fully subscribed and will mature on 20 November 2007. The purpose of the GEB issuance is to principally repay TNB's foreign currency denominated debt maturing from 2004 onwards and for general corporate purposes. The Holders of the GEB are entitled to exchange, at par, the GEB for TNB shares based on an exchange price commencing on 20 December 2002 and ending on 21 October 2007. In addition, the holders of the GEB have the option to put the Bonds to TNBCL for redemption on 20 November 2005.

On 26 November 2002, the joint lead book runners for the GEBs issue, namely J.P.Morgan Securities Ltd and CIMB(L) Limited, have exercised the option for the purchase of an additional USD50.0 million nominal value of GEBs on the aforesaid terms, thereby increasing the total outstanding GEBs to USD400.0 million.

Except the aforementioned issuance of debt securities, there were no other cancellation, repurchases, resales and repayments of equity securities during the period.

7) DIVIDEND PAID

There was no dividend paid during the~~current~~ period under review.

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.

1 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

Please refer to Note 21.

1 CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the period under

1 CONTINGENT LIABILITIES

Contingent liabilities of the Group include the following:-

	As at 30 Nov	As at 31 Aug
Claims by third parties	765.	1,01
Trade guarantees and performance bonds	9.8	10.2
Stamp duties on transfer of assets	108.	108.
Other contingencies	62.2	61.7
	945	1,18

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.

1 3) CAPITAL COMMITMENTS

	As at 30 Nov 2002
Property, plant and equipment:	
Authorised but not contracted for	9,244.7
Contracted but not provided for in the financial statements	3,791.8
	13,036.5
Investments:	
Authorised but not contracted for	19.0
Contracted but not provided for in the financial statements	203.5
	222.5
	13,259.0

F. ADDITIONAL INFORMATION AS REQUIRED ~~ON REQUIREMENT~~ BY APPENDIX 9B OF THE KLSE~~'s~~ LISTING REQUIREMENTS

(Amounts in RM million unless otherwise stated)

1 4) **REVIEW OF PERFORMANCE**

For the current quarter under review, the Group recorded a revenue of RM4,055.9 million against RM3,809.8 million recorded in the corresponding quarter in FY 2002, an increase of 6.5%. Sales of electricity increased by 6.7% from RM3,703.9 million recorded in the corresponding quarter in FY 2002 to RM3,951.9 million. The profit before tax improved marginally from RM788.1 million to RM798.2 million. The improvement in the performance was mainly due to increased volume of electricity sold. ~~The Group revenue improved by 6. 5% from RM3,809.8 million to RM4,055.9 million. This was largely attributed to the growth in demand for electricity, as the sales of electricity increased by 6. 7%.~~

Analysis of results:

	1st Quarter 30 Nov 2002	1st Quarter 30 Nov 2001
14.1 Revenue		
Sales - electricity	3,951.9	3,703.9
- goods and services	38.3	42.7
Released of deferred income	65.7	63.2
	4,055.9	3,809.8
Units sold (GWh)	16,853.0	15,733.1
14.2 Foreign exchange gain/(loss):		
Translation gain - borrowings	283.4	260.9
Translation gain - others	10.1	4.0
Transaction gain/(loss)	5.7	(3.4)
	299.2	261.5

Foreign exchange gain was mainly due to the weakening of the Japanese Yen compared to the Ringgit.

1 **MATERIAL CHANGES IN THE QUARTERLY RESULTS COMPARED TO THE PRECEDING QUARTER**

Compared to the immediate preceding quarter, the Group recorded a minimal reduction in revenue by 0.9% whereas the profit before tax recorded an increase of 336.4%. The increase in the profit before tax was due to the improvement in direct operating costs and

1 **CURRENT YEAR PROSPECTS**

With the Malaysian economy sustaining its growth and based on the measures taken to improve the operating efficiencies of the Group's businesses, the Board of Directors expects, barring any unforeseen circumstances, the Group's performance for the year to

1 **VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

This note is not applicable.

1 **TAXATION**

Taxation for the quarter comprised the following:-

	Quarter	Quarter

	ended 30.11.2002	ended 30.11.2001
Taxation for the Group	(10.4)	(33.6)
Deferred taxation for the Group	(114.7)	(155.0)
Share of taxes in associates	(9.5)	(9.8)
	(134.6)	(198.4)

The effective tax rate for the Group for the period is lower than the statutory rate due to the availability of capital allowances.

19) PROFIT ON SALE OF INVESTMENT

There were no disposals of investment for the period.

2 PURCHASES AND DISPOSALS OF QUOTED SECURITIES

a) Total purchases and disposals of quoted securities and the loss arising thereon for the quarter are as follows:-

	Quarter ended 30.11.2002	Quarter ended 30.11.2001
Purchases	-	-
Disposal	-	2.0
Loss on disposals	-	(3.5)

b) Investments in quoted securities as at 30th November 2002 are as follows:-

	Quarter ended 30.11.2002	Quarter Ended 30.11.2001
At cost	5.4	57.4
At carrying value	0.6	18.2
At market value	0.6	18.2

The above quoted securities are managed by external fund managers.

2 STATUS OF CORPORATE PROPOSALS

a) On 20 July 2001, TNB has entered into a conditional Sale & Purchase Agreement for the purchase of 15,750,000 ordinary shares representing 70% of the total issued and paid up capital in Dynamic Acres Sdn Bhd ("DASB"), a Malaysian company which owns a coal mining company in Indonesia ("Proposed Acquisition").

On 3 December 2002, TNB announced that ~~T~~the Parties~~have now~~ agreed to restructure the Proposed Acquisition, resulting in the incorporation of TNB Coal International Limited ("TNB Coal") in Mauritius, a joint venture company between TNB and the existing shareholder of DASB, to acquire the entire equity interest in DASB for USD85.0 million ("Restructured Acquisition"). TNB Coal will raise offshore~~be financed through~~

STATUS OF CORPORATE PROPOSALS (continued)

b) In relation to the divestment of Kapar Power Station, TNB, on 31 October 2002, announced that TNB and KEV, in conjunction with the execution of the Supplemental Asset Sale Agreement as announced on 30 April 2002, have mutually agreed to extend the period for which all the conditions precedent to the Asset Sale Agreement ('ASA') must be fulfilled or waived for a further period of six (6) months, commencing on 30 April 2002, being the execution date of the Supplemental ASA, or for such further period as TNB and KEV may mutually agree in writing ('Conditions Period'). In view that the Conditions Period will expire on 31 October 2002, TNB, KEV and Malakoff have, on 31 October 2002, mutually agreed in writing on the following:

i). to extend the Conditions Period for the purpose of satisfying or fulfilling the conditions precedent to the ASA (as amended by the Supplemental ASA);

ii) to extend the period for the purpose of satisfying or fulfilling the conditions precedent

c) On 21st 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 parties are now in the final stages of complying with the condition precedents.

2 GROUP BORROWINGS

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

Short term	– secured	20.1
	- unsecured	2,545.6
Sub-total		2,565.7
Long term	- secured	57.9
	- unsecured	28,012.6
Sub-total		28,070.5
Total		30,636.2

b) Currency denominations:-

Japanese Yen	5,926.0
Sterling Pound	1,357.5
US Dollar	8,443.2
Euro	547.2
Others	16.2
Total Ringgit equivalent of foreign currency borrowings	16,290.1

Ringgit borrowings	14,346.1
Total	30,636.2

c) Average cost of funding as at 30 November 2002 was 5.21% (FY2002: 5.35%)

d) Repayment of long term debts during the quarter are as follows:
i). Foreign currency denominated term loans of RM328.0 million, and
ii). Ringgit denominated term loans of RM32.3 million

23) OFF BALANCE SHEET FINANCIAL INSTRUMENTS

TNB has certain financial instruments including assets and liabilities and financial instruments incurred in the normal course of business. As part of its risk management strategy, the Company manages its exposure to market rate movements of its financial liabilities through the use of the derivatives financial instruments which include interest rate option contracts and currency swap agreements designated as hedges. Virtually all foreign currency contracts are denominated in U.S dollar and Japanese Yen. Although TNB may be exposed to losses in the event of market fluctuations, it does not anticipate significant losses due to the nature of its hedging arrangements.

TNB has entered into interest rate swap agreements and interest rate and currency swap agreements, some of which have embedded interest rate or currency options, which may mature from year 2003 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 hedging derivatives that TNB has entered into are substantially described in note 24 to the financial statements of TNB for the financial year ended 31 August 2002 (pages 55 – 59 of TNB's latest Annual Report). There have been no material changes to the terms and conditions of those derivatives between the date of financial statements (dated 12 November 2002) and the date of this announcement.

OFF BALANCE SHEET FINANCIAL INSTRUMENTS (continued)

As at 21 January 2003, the outstanding notional principal amount of derivative financial instruments entered into by the Group was RM8,022.1 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.

The above instruments are 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

On 7 February 2002, Union Bank of Switzerland (UBS) filed a suit against TNB in the High Court in London claiming USD86.94 million plus interest. The claim arises out of the following transaction.

In April 1997, TNB issued a USD500 million Yankee Bond maturing in April 2007. UBS was appointed as lead manager and underwriter for the issue. UBS recommended an integrated package to TNB involving TNB issuing a Yankee Bond for USD500 million and at the same time selling an option to UBS. If the option were exercised, UBS could require TNB at the expiry of the term of the Yankee Bond to issue a further 20-year bond.

In September 2001, TNB terminated the option as a result of which UBS claims in the suit that a termination payment of USD86.94 million is payable by TNB. TNB has denied any liability to UBS and alleged that UBS negligently advised and misrepresented facts to TNB both at the time the option was entered into and in the period leading to the termination by TNB.

The litigation is expected to come to trial in about July 2003 and TNB will continue to defend the UBS claim vigorously. The directors are confident that the outcome of the litigation will not have a material adverse financial impact on TNB.

There is no other pending material litigation at the date of this period.

2 DIVIDEND

5)

The Board does not recommend~~the~~ any dividend for the quarter ended 30 November 2002.~~this period.~~

2
6) **EARNINGS PER SHARE**

	Quarter ended 30 Nov 2002	Quarter ended 30 Nov 2001
Basic earnings per share		
Net profit for the quarter (RM 'million)	663.2	604.0
Weighted average number of ordinary shares in issue (RM '000)	3,111,825	3,106,841
Basic earnings per share (sen)	21.3	19.4

By Order of the Board

ZAINAL ABIDIN BIN YUNUS (LS 0008338)
Company Secretary
Kuala Lumpur
28 January 2003