

The Board of Directors is pleased to announce the following:

I. UNAUDITED RESULTS OF THE GROUP FOR THE 3RD QUARTER ENDED 31ST MAY 2001
(Amounts in RM million unless otherwise stated)

	INDIVIDUAL 3rd QUARTER		YEAR TO DATE	
	FY2001	FY2000	FY2001	FY2000
Revenue	3,573.3	3,444.6	10,629.0	10,076.5
Operating profit before investment and other income, interest charges, depreciation and amortisation, exceptional items, foreign exchange gain/(loss), taxation and minority interest	1,196.9	1,191.5	3,411.8	3,387.9
Investment income	0.7	0.3	10.2	5.2
Other income including interest income	87.8	54.6	261.1	274.4
Interest charges	(269.1)	(268.2)	(794.5)	(769.2)
Depreciation and amortisation	(482.3)	(419.4)	(1,418.0)	(1,228.8)
Exceptional items	(373.7)	-	(373.7)	-
Operating profit after investment and other income, interest charges, depreciation and amortisation, exceptional items but before foreign exchange gain/(loss), taxation and minority interest	160.3	558.8	1,096.9	1,669.5
Foreign exchange gain/(loss)	189.0	(186.7)	734.6	(276.2)
Share in profits of associated companies	30.3	30.0	91.5	70.5
Profit before taxation and minority interest	379.6	402.1	1,923.0	1,463.8
Taxation	(56.6)	(65.0)	(147.7)	(178.8)
Profit after taxation but before minority interest	323.0	337.1	1,775.3	1,285.0
Minority interest	10.0	11.3	24.1	33.6
Profit after taxation attributable to shareholders	333.0	348.4	1,799.4	1,318.6
	SEN	SEN	SEN	SEN
Earnings per share-Basic	10.7	11.2	57.9	42.5
Earnings per share-Diluted	10.7	11.2	57.9	42.5

II. UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 31ST MAY 2001
(Amounts in RM million unless otherwise stated)

	31st MAY 2001	31st AUGUST 2000
FIXED ASSETS	47,681.8	45,709.6
ASSOCIATED COMPANIES	636.6	582.0
INVESTMENTS	402.5	402.4
LONG TERM RECEIVABLES	-	444.0
CURRENT ASSETS		
Stocks	1,054.4	1,001.0
Trade Debtors	1,615.6	1,663.2
Other Debtors	1,617.5	837.7
Bank and cash balances	1,228.2	768.3
Securities (quoted and unquoted)	43.0	59.5
Amount due from associated companies	4.0	21.4
	5,562.7	4,351.1

	<u>31st MAY 2001</u>	<u>31st AUGUST 2000</u>
CURRENT LIABILITIES		
Trade creditors	(1,960.4)	(1,843.3)
Other creditors	(1,443.2)	(1,368.2)
Short term borrowings	(3,900.4)	(5,371.6)
Current taxation	(404.0)	(325.4)
Proposed dividend	(89.5)	(156.6)
Amount owing to associated companies	<u>(353.8)</u>	<u>(353.2)</u>
	<u>(8,151.3)</u>	<u>(9,418.3)</u>
NET CURRENT LIABILITIES	(2,588.6)	(5,067.2)
LONG TERM LIABILITIES		
Term loans	(24,396.4)	(22,289.9)
Customer deposits	(1,295.7)	(1,224.5)
Retirement benefits	(441.3)	(383.6)
Other liabilities	<u>(117.1)</u>	<u>(123.7)</u>
	<u>(26,250.5)</u>	<u>(24,021.7)</u>
DEFERRED TAXATION	(974.0)	(970.9)
DEFERRED INCOME	(2,122.1)	(2,097.3)
GOVERNMENT DEVELOPMENT GRANTS	<u>(527.5)</u>	<u>(380.0)</u>
	<u>16,258.2</u>	<u>14,600.9</u>
Financed by :-		
SHARE CAPITAL	3,106.7	3,106.2
SHARE PREMIUM	3,143.2	3,140.4
REVENUE RESERVE	8,798.9	7,089.0
REVALUATION RESERVES	1,237.1	1,237.1
FOREIGN EXCHANGE RESERVE	<u>(86.3)</u>	<u>(54.1)</u>
SHAREHOLDERS' FUNDS	16,199.6	14,518.6
MINORITY INTEREST	<u>58.6</u>	<u>82.3</u>
	<u>16,258.2</u>	<u>14,600.9</u>
	Sen	Sen
NET TANGIBLE ASSETS PER SHARE	521	467

III NOTES

(Amounts in RM million unless otherwise stated)

1) ACCOUNTING POLICIES

The same accounting policies and methods of computation used in the preparation of the Group's last annual financial statements have been applied in the preparation of the quarterly financial statements.

2) EXCEPTIONAL ITEMS

Exceptional items relates to the following:-

a) Redemption premium and fees (Note 11a) :-	
i) 7.875% USD Notes due 2004	86.9
ii) 7.200% USD Notes due 2007	17.2
b) Commission and discount on issue of 7.625% USD Notes due 2011 (Note 11a)	19.6
c) Provision for diminution of fixed assets in a subsidiary company	<u>250.0</u>
	<u>373.7</u>

3) EXTRAORDINARY ITEMS

There were no extraordinary items during the financial quarter.

4) TAXATION

Taxation for the current quarter comprises the following:-

Current taxation of Group	46.6
Deferred taxation of Group	(0.5)
Share of tax in associated companies	10.5
	<u>56.6</u>

5) PRE-ACQUISITION PROFITS

No pre-acquisition profits were included in the operating profit for the financial quarter.

6) PROFIT ON SALE OF INVESTMENT PROPERTIES

There were no disposals of investment properties during the financial quarter.

7) PURCHASES AND SALES OF QUOTED SECURITIES

a) Cost of total purchases and sales of quoted securities and the gain arising thereon for the financial quarter are as follows:-

Purchases	0.1
Sales	7.4
Gain on sales	2.4

b) Investments in quoted securities are as follows:-

At cost	79.9
At carrying value	35.3
At market value	35.3

The above quoted securities are managed by external fund managers.

8) CHANGES IN THE COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group during the financial quarter.

9) STATUS OF CORPORATE PROPOSAL

There was no change in the status of the corporate proposal announced previously but an announcement on this is imminent as parties are in discussion.

10) SEASONALITY OR CYCLICALITY OF OPERATIONS

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

11) ISSUANCE OR REPAYMENT OF DEBTS AND EQUITY SECURITIES

- a) On 4th April 2001, TNB purchased USD302.6 million of its 7.875% Notes due June 2004 and USD176.2 million of its 7.200% Notes due April 2007 at a total consideration (excluding accrued interest) of USD505.0 million. Simultaneously, TNB issued USD600.0 million 7.625% Notes due 2011 which were fully subscribed.
- b) At its Extraordinary General Meeting held on 31st July 2001, TNB obtained the approval of its shareholders to amend its Memorandum and Articles of Association to facilitate the creation and issue of the Redeemable Preference Shares ("RPS"). The issue of RPS forms part of the proposed Tenaga Income Securities which will be issued for a total cash consideration of RM1,500 million as follows:-
- RM1,498.5 million nominal value of 10-year interest bearing bonds issued at 100% of nominal value and in multiples of RM999,000; and
 - 1,500 RPS each issued at a premium of RM999.00 per RPS making a total issue price of RM1,000.00 per RPS.
- c) Except for the aforementioned repayment and issuance of debt securities, there were no other issuance or repayment of debt securities, equity securities, share buy-backs, share cancellation or shares held as treasury shares and resale of treasury shares. During the quarter under review, 86,000 ordinary shares of RM1 each were issued under the existing Employee Share Option Scheme ('ESOS').

12) GROUP BORROWINGS

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

Short term - secured	0.7
- unsecured	3,899.7
Sub-total	3,900.4
Long term - secured	73.2
- unsecured	24,323.2
Sub-total	24,396.4
Total	28,296.8

b) Currency denominations:-

French Franc	344.1
Japanese Yen	7,151.9
Sterling Pound	957.3
US Dollar	6,918.3
Others	21.7
Total Ringgit equivalent of foreign currency borrowings	15,393.3
Ringgit borrowings	12,903.5
Total	28,296.8

13) CONTINGENT LIABILITIES

As at 24th July 2001, contingent liabilities of the Group comprise the following:-

Claims by third parties	360.1
Stamp duties on transfer of assets	108.0
Other contingencies	37.3
	<u>505.4</u>

14) FINANCIAL INSTRUMENTS

TNB has certain financial instruments including assets and liabilities and financial instruments incurred in the normal course of business. In applying a consistent risk management strategy, the Company manages its exposure to market rate movements of its financial liabilities through the use of derivative financial instruments which include interest rate option contracts and currency swap agreements designated as hedges. These 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 remote on the basis of their respective financial strength. Virtually all foreign currency contracts are denominated in U.S dollars and Japanese Yen. Although TNB may be exposed to losses in the event of market rate 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 mature from year 2001 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.

TNB's accounting policy on financial derivatives is as follows:

¹ Financial derivatives hedging instruments are used in the Company's risk management of foreign currency and interest rate risk exposure of its financial liabilities. Hedge accounting principles are applied for the accounting of the underlying exposures and their hedge instruments. The underlying foreign currency liabilities are translated at their respective hedge exchange rate and net differentials in interest receipts and payments arising from interest rate derivative instruments are accrued, so as to match those net differentials with the related interest expense on the hedge liabilities. No amounts are recognised in respect of future periods¹.

As at 24th July 2001, the outstanding notional principal amount of derivative financial instruments entered into by the Group was RM5,522.1 million. While this amount is a summation of the notional principal amount of outstanding financial instruments, it is not a measure of the extent of risks that TNB is exposed to.

15) MATERIAL LITIGATION

As at 24th July 2001, there was no material litigation involving the Group except as disclosed in Note 13.

16) SEGMENT REPORT

As the principal business of the Group is the generation and supply of electricity, segmental reporting is deemed not necessary.

17) COMPARISON WITH PRECEDING QUARTER'S OPERATING RESULTS

Comparison of the quarter's operating results with that of the preceding quarter is as set out in Note 18.

18) REVIEW OF PERFORMANCE

Sales of electricity for the quarter increased by 3% compared to the previous quarter and hence the increase in operating profit. The following is a comparison of sales of electricity and operating profit :-

	INDIVIDUAL QUARTER	
	3rd Qtr	2nd Qtr
	FY2001	FY2001
Sales of electricity	3,448.3	3,344.2
Operating profit before investment and other income, interest charges, depreciation and amortisation, exceptional items, foreign exchange gain/(loss), taxation and minority interest	1,196.9	1,106.5
	<u> </u>	<u> </u>

Foreign exchange gains are as follows:-

	INDIVIDUAL QUARTER	
	3rd Qtr	2nd Qtr
	FY2001	FY2001
Translation gain – Borrowings	165.4	331.4
Translation gain – Others	10.3	5.1
Transaction gain/(loss)	13.3	(2.2)
	<u>189.0</u>	<u>334.3</u>

The translation gain of the current financial quarter relates mainly to the translation of Japanese Yen denominated borrowings arising from the weakening of the Japanese Yen against the US Dollar to which the local currency is pegged.

19) CURRENT YEAR PROSPECTS

Barring any unforeseen circumstances, the Directors expect the Group's performance for the year to be satisfactory.

20) VARIANCE ON FORECAST PROFIT/PROFIT GUARANTEE

This note is not applicable.

21) DIVIDENDS

No dividend has been recommended for this financial quarter.

By Order of the Board

DATIN AZIZAH BINTI OSMAN (LS0014)
Company Secretary

Kuala Lumpur
31st July 2001