

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the quarter ended 31 December 2006.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER CURRENT YEAR QUARTER 31.12.2006 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2005 RM'000	CUMULATIVE PERIOD CURRENT YEAR TO DATE 31.12.2006 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.12.2005 RM'000
REVENUE	976,601	915,023	1,935,934	1,841,746
COST OF SALES	(532,113)	(434,166)	(1,030,240)	(953,140)
GROSS PROFIT	444,488	480,857	905,694	888,606
OTHER OPERATING EXPENSES	(57,985)	(91,420)	(119,068)	(112,950)
OTHER OPERATING INCOME	11,632	4,819	21,336	7,984
PROFIT FROM OPERATION	398,135	394,256	807,962	783,640
FINANCE COSTS	(161,356)	(162,771)	(329,457)	(327,636)
SHARE OF RESULTS OF ASSOCIATED COMPANIES	49,931	48,386	94,130	73,174
PROFIT BEFORE TAXATION	286,710	279,871	572,635	529,178
TAXATION	(64,478)	(64,708)	(129,823)	(135,499)
NET PROFIT FOR THE PERIOD	222,232	215,163	442,812	393,679
ATTRIBUTABLE TO:				
Shareholders	222,232	215,163	442,812	393,679
Minority interest	-	-	-	-
	222,232	215,163	442,812	393,679
EARNINGS PER SHARE				
Basic (Sen)	4.51	4.42	8.98	8.12
Diluted (Sen)	4.22	4.09	8.44	7.54

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 30 June 2006.

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED BALANCE SHEET

	UNAUDITED AS AT 31.12.2006 RM'000	AUDITED AS AT 30.06.2006 RM'000
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	14,560,198	14,123,123
Investment Properties	300	300
Intangible Assets	441,333	441,333
Investment in Associated Companies	844,030	816,193
Investments	881,677	854,568
Development Expenditure	10,682	634
	-----	-----
	16,738,220	16,236,151
	-----	-----
Current Assets		
Inventories	142,620	153,311
Receivable, Deposits and Prepayment	949,837	1,071,519
Short Term Investments	43,813	43,137
Deposits, Cash and Bank Balances	6,235,711	4,740,147
	-----	-----
	7,371,981	6,008,114
	-----	-----
TOTAL ASSETS	24,110,201	22,244,265
	=====	=====
EQUITY AND LIABILITIES		
Share Capital	2,639,058	2,581,535
Reserves	4,237,228	3,616,989
Treasury Shares, at cost	(611,983)	(469,567)
	-----	-----
Equity attributable to Shareholders of the Company	6,264,303	5,728,957
Minority Interest *	-	-
	-----	-----
TOTAL EQUITY	6,264,303	5,728,957
	-----	-----

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 30 June 2006.

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CONDENSED CONSOLIDATED BALANCE SHEET – Continued

	UNAUDITED	AUDITED
	As at	As at
	31.12.2006	30.06.2006
	RM'000	RM'000
LIABILITIES		
Non-Current Liabilities		
Payables	16,603	16,132
Provision for Liabilities and Charges	379,861	406,644
Bonds	8,280,658	7,141,296
Borrowings	4,448,771	4,400,577
Deferred Income	149,321	147,203
Deferred Tax Liabilities	2,415,131	2,327,501
	-----	-----
	15,690,345	14,439,353
	-----	-----
Current Liabilities		
Payables and Accrued Liabilities	980,642	902,269
Provision for Liabilities and Charges	34,175	37,171
Provision for Taxation	71,584	71,768
Bonds	875,000	874,509
Borrowings	194,152	190,238
	-----	-----
	2,155,553	2,075,955
	-----	-----
TOTAL LIABILITIES	17,845,898	16,515,308
	-----	-----
TOTAL EQUITY AND LIABILITIES	24,110,201	22,244,265
	=====	=====
Net Assets Per Share (RM)	1.26	1.16
	====	====

* Minority Interest denotes RM1.

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 30 June 2006.

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2006**

	----- Attributable to Equity Holders of the Parent -----							Total Equity RM'000
	----- Non-Distributable -----		Merger & Other Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Minority Interest RM'000	
	Share Capital RM'000	Share Premium RM'000						
At 1 July 2006	2,581,535	2,211,391	(2,116,309)	(469,567)	3,521,907	5,728,957	-	5,728,957
Currency translation difference	-	-	70,704	-	-	70,704	-	70,704
Net profit for the period	-	-	-	-	442,812	442,812	-	442,812
Total recognised income and expenses for the period	-	-	70,704	-	442,812	513,516	-	513,516
Shares repurchased	-	-	-	(142,416)	-	(142,416)	-	(142,416)
Issue of share capital	57,523	106,723	-	-	-	164,246	-	164,246
At 31 December 2006	<u>2,639,058</u>	<u>2,318,114</u>	<u>(2,045,605)</u>	<u>(611,983)</u>	<u>3,964,719</u>	<u>6,264,303</u>	<u>-</u>	<u>6,264,303</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 June 2006.

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2005 - continued**

	----- Attributable to Equity Holders of the Parent -----							Minority Interest RM'000	Total Equity RM'000
	----- Non-Distributable -----		Merger & Other Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000			
	Share Capital RM'000	Share Premium RM'000							
At 1 July 2005	2,498,398	2,072,127	(2,058,302)	(301,499)	3,018,509	5,229,233	-	5,229,233	
Currency translation difference	-	-	(75,150)	-	-	(75,150)	-	(75,150)	
Net profit for the period	-	-	-	-	393,679	393,679	-	393,679	
Total recognised income and expenses for the period	-	-	(75,150)	-	393,679	318,529	-	318,529	
Shares repurchased	-	-	-	(117,755)	-	(117,755)	-	(117,755)	
Issue of share capital	67,406	111,272	-	-	-	178,678	-	178,678	
At 31 December 2005	<u>2,565,804</u>	<u>2,183,399</u>	<u>(2,133,452)</u>	<u>(419,254)</u>	<u>3,412,188</u>	<u>5,608,685</u>	-	<u>5,608,685</u>	

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 June 2006.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2006**

	CURRENT YEAR-TO-DATE 31.12.2006 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.12.2005 RM'000
Net cash generated from operating activities	704,175	639,093
Net cash used in investing activities	(222,462)	(406,048)
Net cash generated from/ (used in) financing activities	1,010,546	59,744
Net increase in cash and cash equivalents	1,492,259	292,789
Cash and cash equivalents at beginning of the period	4,676,223	4,446,874
Cash and cash equivalents at end of the period <i>[Note a]</i>	6,168,482	4,739,663

[Note a]

Cash and cash equivalents at the end of the period comprise:

	RM'000	RM'000
Fixed deposits	6,218,866	4,789,118
Cash and bank balances	16,845	8,035
Bank overdrafts (included within short term borrowings in [Note B9])	(67,229)	(57,490)
	6,168,482	4,739,663

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the year ended 30 June 2006.

INTERIM FINANCIAL REPORT

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

The Condensed Financial Statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 30 June 2006.

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (“FRS”) 134: “Interim Financial Reporting” and Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those adopted in the latest audited annual financial statements except for the adoption of the following new/revised FRSs effective for financial period beginning 1 July 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above FRSs does not have significant financial impact on the Group other than the effects of the following FRSs:

(a) FRS 2: Share-based Payment

This FRS requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company operates an equity-settled, share-based compensation plan for the employees of the Group, the YTL Power International Berhad Employee Share Option Scheme (“ESOS”).

INTERIM FINANCIAL REPORT

Notes - continued

Prior to 1 July 2006, no compensation expense was recognised in profit or loss for share options granted. With the adoption of FRS 2, the compensation expense relating to share option is recognised in profit or loss over the vesting periods of the grants with a corresponding increase in equity.

The financial impact to the Group arising from the retrospective application of FRS 2 is not material and hence, no restatement of retained earning is performed.

For the current period under review, the application of FRS 2 has resulted in a charge of approximately RM3.4 million to the profit/loss of the Group arising from the ESOS granted to employees of the Group.

(b) FRS 116: Property, Plant and Equipment

The adoption of FRS 116 has resulted in extension of the accounting policy on property, plant and equipment as follows:

- The cost of property, plant and equipment includes costs of dismantling, removal and restoration, the obligation incurred as a consequence of installing the assets;
- The assets' residual values and useful life are reviewed and adjusted as appropriate at least at each financial year end;
- Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
- Depreciation is provided for infrastructure assets according to its estimated useful lives.

A2. Audit Report of Preceding Financial Year Ended 30 June 2006

The Auditors' Report on the financial statements of the preceding financial year was not subject to any qualification.

A3. Seasonality or Cyclicity of Operations

The business operations of the Group are not materially affected by any seasonal or cyclical factor.

A4. Exceptional or Unusual Items

During the current financial quarter, there was no item of an exceptional or unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group.

INTERIM FINANCIAL REPORT

Notes – continued

A5. Changes in Estimates of Amounts Reported

There was no change to estimate of amount reported in prior interim periods and prior financial years.

A6. Changes in Debt and Equity Securities

During the current financial quarter and financial year to date, 111,684,278 ordinary shares and 111,686,278 ordinary shares were issued respectively pursuant to the exercise of warrants at a weighted average exercise price of RM 1.43 per share.

During the current financial quarter and financial year to date, 3,289,000 ordinary shares and 3,359,000 ordinary shares were issued respectively pursuant to the exercise of ESOS at a weighted average exercise price of RM 1.35 per share.

A total of 52,386,700 ordinary shares and 66,399,900 ordinary shares were repurchased from the open market for a total consideration of RM115,587,898 and RM142,415,113 respectively for the current financial quarter and financial year to date. The share buy-back transactions were financed by internally generated funds. The shares purchased are being held as treasury shares. As at 31 December 2006, the number of treasury shares held were 305,021,556 ordinary shares.

On 31 July 2006 a subsidiary company Wessex Water Services Finance Plc issued a GBP150.0 million index linked bonds at an interest rate of 1.75% plus inflation repayable in July 2046 and July 2051. The net proceed of the issuance will be used to fund future capital expenditure.

The outstanding debts are as disclosed in Note B9.

A7. Dividend Paid

No dividend was paid during the current financial quarter.

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INTERIM FINANCIAL REPORT

Notes – continued

A8. Segment Reporting

The Group is organised on a world wide basis into three main business segments namely investment holding, power generation and water & sewage.

Segment reporting for period ended 31 December 2006:

	Investment Holding RM'000	Power Generation RM'000	Water & Sewerage RM'000	Group RM'000
Revenue	106,450	576,159	1,253,325	1,935,934
<hr/>				
Results				
Segment result	20,575	244,460	542,927	807,962
Unallocated income				-
Profit from operations				<hr/> 807,962
Finance cost				(329,457)
Share of results of associated companies	207	93,923	-	94,130
Profit from ordinary activities before tax				<hr/> 572,635
Taxation				(129,823)
Profit from ordinary activities after tax				<hr/> <hr/> 442,812

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INTERIM FINANCIAL REPORT

Notes - continued

Segment Reporting for period ended 31 December 2005:

	Investment Holding RM'000	Power Generation RM'000	Water & Sewerage RM'000	Group RM'000
Revenue	89,364	569,702	1,182,680	1,184,746
<hr/>				
Results				
Segment result	19,486	245,214	518,940	783,640
Unallocated income				-
				<hr/>
Profit from operations				783,640
Finance cost				(327,636)
Share of results of associated companies	196	72,978	-	73,174
				<hr/>
Profit from ordinary activities before tax				529,178
Taxation				(135,499)
				<hr/>
Profit from ordinary activities after tax				<u>393,679</u>

A9. Valuation of Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

A10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the current financial quarter.

A11. Changes in the Composition of the Group

There was no change in the composition of the Group since the last quarterly report as at 30 September 2006.

A12. Changes in Contingent Liabilities

There was no change in the contingent liabilities of the Group since last annual balance sheet as at 30 June 2006

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of the Results

Group turnover increased to RM976.6 million for the current quarter ended 31 December 2006 from RM915.0 million in the preceding year corresponding quarter ended 31 December 2005. This represents an increase of RM61.6 million or 6.7% over the preceding year corresponding quarter ended 31 December 2005. The Group profit before taxation and profit after taxation increased by 2.4% and 3.3% to RM286.7 million and RM222.2 million respectively in the current quarter ended 31 December 2006 as compared to the preceding year corresponding quarter ended 31 December 2005.

B2. Comparison with Preceding Quarter

	Current Quarter 31.12.2006 RM'000	Preceding Quarter 30.9.2006 RM'000
Turnover	976,601	959,333
Consolidated Profit before taxation	286,710	285,925
Consolidated Profit after taxation	222,232	220,580

B3. Prospects

The Group, after considering its current level of operations and market conditions, is expected to achieve satisfactory performance for the financial year ending 30 June 2007.

B4. Profit Forecast/Profit Guarantee

The Group did not issue any profit forecast during the period.

B5. Taxation

	Current Year Quarter 31.12.2006 RM'000	Current Year To Date 31.12.2006 RM'000
In respect of current period		
- Income Tax	59,479	112,714
- Deferred Tax	19,519	31,499
In respect of prior years		
- Income Tax	(14,520)	(14,390)
	----- 64,478 =====	----- 129,823 =====

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Notes - continued

The provision for taxation for the current quarter and current year to date reflect an effective rate lower than the Statutory Income Tax Rate was substantially due to deferred tax credit recognised by a foreign subsidiary.

B6. Sale of Unquoted Investments and/or Properties

There is no sale of unquoted investment during the current financial quarter and financial year to date.

B7. Quoted Investments

- a) Purchase of quoted investment during the current financial quarter and financial year to date amounted to RM29.9 million.
- b) The cost, carrying value and the market value of the quoted investments of the Group as at end of the current reporting quarter are:

	RM'000
Cost	313,764
Carrying value	313,764
Market value	445,161
	=====

B8. Corporate Developments

- a) **Corporate Proposal Announced and Pending Completion**
 - (i) On 19 October 2006, YTL Power declared a distribution of One (1) treasury share for every Twenty Five (25) existing ordinary shares of RM0.50 each ("Share Dividend") held on an entitlement date to be determined at a later date. On 24 November 2006, the Company announced that the Book Closure Date for the Share Dividend was fixed for 5 February 2007.
 - (ii) On 15 January 2007, the Company announced that the Securities Commission ("SC") approved the Company's Proposed RM1.0 Billion Commercial Paper / Medium Term Notes programme ("Proposed CP/MTN Programme"). The Proposed CP/MTN programme has a tenure of seven years from the date of first issuance under the programme. The proposed exercise is currently pending completion.

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Notes – continued

b) **Status of Utilisation of Proceeds**

USD250 million Guaranteed Exchangeable Bonds Due 2010

The net proceeds received from the issue of the USD250 million Guaranteed Exchangeable Bond due 2010 is currently placed under fixed deposits pending investment in utilities assets.

B9. Group Borrowings and Debt Securities

The Group's borrowings from financial institutions as at end of the current financial quarter are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Secured	125,581	792,631	918,212
Unsecured	943,571	11,936,798	12,880,369
	<u>1,069,152</u>	<u>12,729,429</u>	<u>13,798,581</u>

The borrowings which are denominated in foreign currency are as follows:

In US Dollar ('000)	<u>420,000</u>
In Sterling Pound ('000)	<u>1,443,689</u>

All borrowings of subsidiary companies are on a non-recourse basis to the Company save and except for the following which is guaranteed by the Company:

- a) USD250 million Guaranteed Exchangeable Bonds Due 2010.

B10. Off Balance Sheet Financial Instruments

The Group finances its activities through a combination of short-term borrowings, long-term loans and bonds. The Group uses financial instruments to limit the Group's exposure to interest rate movements and also to generate a desire interest rate profile. These instruments are not recognised in the financial statements on inception. The accounting policy with regards to these financial instruments, which remain the same to that disclosed in the latest audited financial statements are as follows:

“Any differential to be paid or received on an interest rate swap contract is recognised as a component of interest income or expense over the period of the contract. Gains and losses on early termination of interest rate swaps or on repayment of the borrowings are taken to the income statement.”

There has been no material change to the terms and conditions of financial instruments disclosed in the latest audited financial statements and the date of this announcement. In addition to the above,

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Notes - continued

Wessex Water Services Limited has an interest rate swap agreement which limit the Group's exposure to floating interest rate, details of which are as follows:

	Total GBP'000
Notional Principal Amount (denotes in Sterling Pound)	10,800 =====
	RM'000
RM equivalent (exchange rate GBP1=RM6.9315)	74,860 =====
Average fixed interest rate	5.95%
Average period to maturity of the fixed rate borrowing (years)	2.96

All financial instruments are executed with creditworthy counter parties with a view to limit the interest rate risk exposure of the Group.

B11. Pending Material Litigation

There was no material litigation pending as at the date of this report.

B12. Dividend

The Board of Directors has recommended a tax exempt interim dividend of 7.5% for the current financial quarter and that the Book Close and Payment Dates in respect of the aforesaid dividend be 29 March 2007 and 18 April 2007.

B13. Earnings Per Share

i) Basic Earnings Per Share

The basic earnings per share of the Group has been computed by dividing the net profit for the financial quarter by the weighted average number of ordinary shares in issue during the financial quarter.

	Current Year Quarter 31.12.2006	Preceding Year Corresponding Quarter 31.12.2005
Net Profit for the period (RM'000)	222,232 =====	215,163 =====
Weighted average number of ordinary shares ('000)	4,923,084 =====	4,866,111 =====
Basic earnings per share (Sen)	4.51 =====	4.42 =====

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Notes - continued

ii) Diluted Earnings Per Share

The diluted earnings per share of the Group has been computed by dividing the net profit for the financial quarter by the weighted average number of ordinary shares in issue during the financial quarter.

	Current Year Quarter 31.12.2006	Preceding Year Corresponding Quarter 31.12.2005
Net Profit for the period (RM'000)	222,232 <u>=====</u>	215,163 <u>=====</u>
<i>Weighted average number of ordinary shares ('000) – diluted</i>		
Weighted average number of ordinary shares ('000) – basic	4,923,084	4,866,111
Effect of unexercised warrants	310,356	364,676
Effect of unexercised ESOS	34,930	29,947
	<u>-----</u> 5,268,370 <u>=====</u>	<u>-----</u> 5,260,734 <u>=====</u>
Diluted earnings per share (Sen)	4.22 <u>=====</u>	4.09 <u>=====</u>

* *Total cash expected to be received in the event of an exercise of all outstanding warrants and ESOS options is RM1,437.189 million. Accordingly, the Net Tangible Asset (NTA) on a proforma basis will increase by RM1,437.189 million resulting in an increase in NTA per share of RM0.24. In arriving at the Diluted earnings per share, NTA and NTA per share, no income has been accrued for the cash proceeds.*

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 8 February 2007