

Quarterly rpt on consolidated results for the financial period ended 30 Sep 2020

TENAGA NASIONAL BHD

Financial Year End	31 Dec 2020
Quarter	3 Qtr
Quarterly report for the financial period ended	30 Sep 2020
The figures	have not been audited

Attachments



[Announcement Q3 FY2020.pdf](#)

626.4 kB

Default Currency

Other Currency

Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 30 Sep 2020

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019
		\$\$'000	\$\$'000	\$\$'000	\$\$'000
1	Revenue	11,106,400	12,641,800	33,651,700	38,762,600
2	Profit/(loss) before tax	1,282,700	1,546,500	3,343,800	4,702,900
3	Profit/(loss) for the period	1,001,900	1,209,600	2,414,600	3,860,900
4	Profit/(loss) attributable to ordinary equity holders of the parent	1,009,600	1,202,900	2,380,800	3,875,900
5	Basic earnings/(loss) per share (Subunit)	17.73	21.15	41.81	68.16
6	Proposed/Declared dividend per share (Subunit)	0.00	0.00	22.00	30.00
		AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
7	Net assets per share attributable to ordinary equity holders of the parent (\$\$)		9.4463		10.1957

Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit.
Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

 **Announcement Info**

Company Name	TENAGA NASIONAL BHD
Stock Name	TENAGA
Date Announced	26 Nov 2020
Category	Financial Results
Reference Number	FRA-26112020-00028

The Board of Directors is pleased to announce the following:

A. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE 3rd QUARTER ENDED 30 SEPTEMBER 2020

(Amounts in RM million unless otherwise stated)

	Individual		Cumulative	
	Current quarter ended 30.09.2020	Corresponding quarter ended 30.09.2019	Current period ended 30.09.2020	Preceding period ended 30.09.2019
Revenue	11,106.4	12,641.8	33,651.7	38,762.6
Operating expenses	(9,555.2)	(10,647.2)	(28,238.4)	(32,268.4)
Net loss on impairment of financial instruments	(180.1)	(44.3)	(341.7)	(413.9)
Other operating income	486.7	328.3	832.2	776.7
Operating profit	1,857.8	2,278.6	5,903.8	6,857.0
Foreign exchange				
- Translation gain/(loss)	158.2	(67.3)	(174.3)	(76.0)
- Transaction loss	(8.6)	(18.8)	(19.5)	(81.5)
Share of results of joint ventures	(6.7)	6.6	(3.3)	18.7
Share of results of associates	13.5	23.1	41.1	93.1
Profit before finance cost	2,014.2	2,222.2	5,747.8	6,811.3
Finance income	76.4	140.7	269.5	402.5
Finance cost	(917.0)	(781.7)	(2,733.5)	(2,426.3)
Fair value changes of financial instruments	109.1	(34.7)	60.0	(84.6)
Profit before taxation and zakat	1,282.7	1,546.5	3,343.8	4,702.9
Taxation and zakat				
- Company and subsidiaries	(254.7)	(314.9)	(1,003.5)	(945.5)
- Deferred taxation	(26.1)	(22.0)	74.3	103.5
Profit for the period	1,001.9	1,209.6	2,414.6	3,860.9
Attributable to:				
- Owners of the Company	1,009.6	1,202.9	2,380.8	3,875.9
- Non-controlling interests	(7.7)	6.7	33.8	(15.0)
Profit for the period	1,001.9	1,209.6	2,414.6	3,860.9
Earnings per share attributable to the owners of the Company				
	Sen	Sen	Sen	Sen
Basic	17.73	21.15	41.81	68.16
Diluted	17.73	21.15	41.81	68.16

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

A. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 3rd QUARTER ENDED 30 SEPTEMBER 2020
(Amounts in RM million unless otherwise stated)

	Individual		Cumulative	
	Current quarter ended 30.09.2020	Corresponding quarter ended 30.09.2019	Current period ended 30.09.2020	Preceding period ended 30.09.2019
Profit for the period	1,001.9	1,209.6	2,414.6	3,860.9
Other comprehensive (expense)/income				
Items that will not be reclassified subsequently to profit or loss:				
Defined benefit plan actuarial loss	(372.4)	(518.4)	(1,016.6)	(1,189.8)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences	(36.2)	(169.9)	(102.7)	(68.6)
Financial assets at fair value through other comprehensive income ('FVOCI')	(2.3)	0.3	1.3	(15.8)
Share of other comprehensive gain/(loss) of associates accounted for using the equity method	2.7	-	(19.9)	3.8
Total other comprehensive expense	(408.2)	(688.0)	(1,137.9)	(1,270.4)
Total comprehensive income for the period	593.7	521.6	1,276.7	2,590.5
Attributable to:				
- Owners of the Company	606.0	514.9	1,254.4	2,605.5
- Non-controlling interests	(12.3)	6.7	22.3	(15.0)
Total comprehensive income for the period	593.7	521.6	1,276.7	2,590.5

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

B. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

(Amounts in RM million unless otherwise stated)

	30.09.2020	31.12.2019
NON-CURRENT ASSETS		
Property, plant and equipment	112,188.3	109,966.0
Right-of-use assets	35,776.3	38,264.0
Joint ventures	188.7	177.4
Associates	1,134.1	1,264.0
Goodwill on consolidation	241.1	241.3
Investment in unquoted debt security	217.4	331.8
Tax recoverable	1,765.1	1,765.1
Deferred tax assets	162.0	124.3
Long term receivables	572.7	740.0
Finance lease receivables	10.4	11.9
Financial assets at FVOCI	60.2	58.9
Financial assets at fair value through profit or loss ('FVTPL')	<u>146.0</u>	<u>149.1</u>
	<u>152,462.3</u>	<u>153,093.8</u>
CURRENT ASSETS		
Inventories	1,440.5	1,925.3
Receivables, deposits and prepayments	6,935.9	4,760.5
Contract assets	3,071.1	3,508.2
Contract cost assets	136.8	10.5
Tax recoverable	736.4	1,129.9
Finance lease receivables	1.1	1.0
Amounts due from joint ventures	2.0	10.6
Amounts due from associates	192.6	155.8
Derivative financial instruments	0.1	-
Financial assets at FVTPL	8,641.5	7,959.9
Deposits, bank and cash balances	<u>6,866.3</u>	<u>6,291.7</u>
	<u>28,024.3</u>	<u>25,753.4</u>
CURRENT LIABILITIES		
Payables	(9,582.0)	(9,220.3)
Contract liabilities	(347.4)	(354.4)
Derivative financial instruments	(2.3)	(8.6)
Lease liabilities	(2,698.1)	(3,403.3)
Amounts due to associates	(531.0)	(286.6)
Amounts due to joint venture	-	(0.1)
Current tax liabilities	(16.3)	(70.2)
Employee benefits	(757.8)	(758.2)
Consumer deposits	(6,534.1)	(6,220.9)
Short term borrowings	<u>(4,290.1)</u>	<u>(3,479.3)</u>
	<u>(24,759.1)</u>	<u>(23,801.9)</u>
NET CURRENT ASSETS	3,265.2	1,951.5
NON-CURRENT LIABILITIES		
Borrowings	(46,761.4)	(41,932.4)
Derivative financial instruments	(174.4)	(37.2)
Contract liabilities	(3,588.6)	(3,430.0)
Government development grants	(972.6)	(1,031.3)
Lease liabilities	(26,038.5)	(27,902.8)
Deferred tax liabilities	(7,472.9)	(7,783.0)
Other liabilities	(1,134.8)	(979.9)
Employee benefits	<u>(13,925.1)</u>	<u>(12,666.6)</u>
	<u>(100,068.3)</u>	<u>(95,763.2)</u>
TOTAL NET ASSETS	<u>55,659.2</u>	<u>59,282.1</u>
EQUITY		
Share capital	11,675.2	11,446.1
Other reserves	(9,218.0)	(7,763.8)
Retained profits	<u>51,431.3</u>	<u>54,299.5</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY	53,888.5	57,981.8
NON-CONTROLLING INTERESTS	<u>1,770.7</u>	<u>1,300.3</u>
TOTAL EQUITY	<u>55,659.2</u>	<u>59,282.1</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

**C. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE
3rd QUARTER ENDED 30 SEPTEMBER 2020**
(Amounts in RM million unless otherwise stated)

	Attributable to owners of the Company			Non- controlling interests	Total equity
	Ordinary shares	Other reserves	Retained profits		
At 1 January 2020	11,446.1	(7,763.8)	54,299.5	1,300.3	59,282.1
Profit for the period	-	-	2,380.8	33.8	2,414.6
Foreign currency translation reserve	-	(102.7)	-	-	(102.7)
Fair value of financial assets at other comprehensive income ('OCI')	-	1.3	-	-	1.3
Share of OCI of associates accounted for using the equity method	-	(19.9)	-	-	(19.9)
Employee benefits reserve	-	(1,005.1)	-	(11.5)	(1,016.6)
Total comprehensive (expense)/income	-	(1,126.4)	2,380.8	22.3	1,276.7
Long Term Incentive Plan ('LTIP'):					
- Share-based payment expense	-	192.6	-	-	192.6
- Reversal of share-based payment expense	-	(47.0)	-	-	(47.0)
- Shares issued	229.1	(229.1)	-	-	-
Dividends:					
- Final dividend paid for FY2019	-	-	(1,137.4)	-	(1,137.4)
- Special dividend paid for FY2019	-	-	(2,843.4)	-	(2,843.4)
- Interim dividend for FY2020	-	-	(1,255.0)	-	(1,255.0)
Dividend paid to non-controlling interests ('NCI')	-	-	-	(2.8)	(2.8)
Acquisition of shares from NCI	-	-	-	(1.9)	(1.9)
Acquisition of Redeemable Preference Shares from NCI	-	(244.3)	(13.2)	(23.6)	(281.1)
Subscription of Redeemable Preference Shares by NCI	-	-	-	225.3	225.3
Acquisition of new subsidiary	-	-	-	251.1	251.1
Total transactions with owners	229.1	(327.8)	(5,249.0)	448.1	(4,899.6)
At 30 September 2020	11,675.2	(9,218.0)	51,431.3	1,770.7	55,659.2
At 1 January 2019	11,446.1	(6,392.7)	52,784.4	1,214.1	59,051.9
Profit for the period	-	-	3,875.9	(15.0)	3,860.9
Foreign currency translation reserve	-	(68.6)	-	-	(68.6)
Fair value of financial assets at OCI	-	(15.8)	-	-	(15.8)
Share of OCI of associates accounted for using the equity method	-	3.8	-	-	3.8
Employee benefits reserve	-	(1,189.8)	-	-	(1,189.8)
Total comprehensive (expense)/income	-	(1,270.4)	3,875.9	(15.0)	2,590.5
LTIP:					
- Share-based payment expense	-	175.2	-	-	175.2
- Reversal of share-based payment expense	-	(221.5)	-	-	(221.5)
Dividends paid:					
- Final dividend for FY2018	-	-	(1,308.0)	-	(1,308.0)
- Interim dividend for FY2019	-	-	(1,706.1)	-	(1,706.1)
Acquisition of additional equity by NCI	-	-	-	195.1	195.1
Total transactions with owners	-	(46.3)	(3,014.1)	195.1	(2,865.3)
At 30 September 2019	11,446.1	(7,709.4)	53,646.2	1,394.2	58,777.1

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

D. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 3rd QUARTER ENDED 30 SEPTEMBER 2020

(Amounts in RM million unless otherwise stated)

	FY2020 ended 30.09.2020	FY2019 ended 30.09.2019
Operating activities		
Cash generated from operations	11,164.7	14,662.1
Post-employment benefits paid	(575.1)	(688.1)
Contract liabilities received	586.8	877.1
Consumer deposits received	202.1	275.3
Taxation and zakat paid	(631.2)	(1,065.4)
Net cash flows generated from operating activities	<u>10,747.3</u>	<u>14,061.0</u>
Investing activities		
Acquisition of subsidiaries net of cash and cash equivalent	67.4	-
Deferred consideration paid	(68.3)	-
Additional investments in:		
- Unquoted debt securities	(104.9)	-
- FVTPL	(50,571.2)	(54,008.5)
- Joint ventures	(1.2)	(62.5)
- Associate	(25.1)	-
Proceeds from redemptions:		
- Redeemable preference shares in associates	-	13.7
Disposals of FVTPL	50,025.8	53,816.7
Dividend income received	37.1	25.5
Interest income received	72.8	140.5
Property, plant and equipment:		
- Additions	(4,157.7)	(8,850.5)
- Proceeds from disposals	1.7	2.4
Right-of-use assets:		
- Proceeds from disposals	-	1.2
Net cash flows used in investing activities	<u>(4,723.6)</u>	<u>(8,921.5)</u>
Financing activities		
Government development grants received	1.2	13.9
Bank borrowings:		
- Drawdowns	5,729.3	687.2
- Repayments	(2,519.3)	(1,754.8)
Interests paid:		
- Borrowings	(1,330.8)	(750.6)
- Others	-	(0.2)
Repayments of lease obligations:		
- Principal	(2,263.2)	(3,225.6)
- Interest	(993.1)	(744.2)
Dividends paid to shareholders	(3,980.8)	(1,308.0)
Dividend paid to NCI	(2.8)	-
Acquisition of shares from NCI	(1.9)	-
Acquisition of Redeemable Preference Shares from NCI	(281.1)	-
Subscription of Redeemable Preference Shares by NCI	225.3	-
Acquisition of Preferred Equity Certificate from NCI	(33.0)	-
Net (increase)/decrease in debt reserve accounts	(16.0)	104.6
Net increase in cash at bank, held in trust	(27.3)	(124.7)
Net decrease in restricted cash	0.7	-
Net decrease/(increase) in deposits maturing more than 90 days	2,249.9	(479.0)
Net cash flows used in financing activities	<u>(3,242.9)</u>	<u>(7,581.4)</u>
Net increase/(decrease) in cash and cash equivalents	2,780.8	(2,441.9)
Effects of changes in foreign currency	1.1	1.2
Cash and cash equivalents at the beginning of the period	<u>2,440.8</u>	<u>7,598.6</u>
Cash and cash equivalents at the end of the period	<u>5,222.7</u>	<u>5,157.9</u>
Deposit, bank and cash balances at the end of the period	6,866.3	6,729.2
Debt reserve account ¹	(157.2)	(141.4)
Cash at bank, held in trust ²	(394.4)	(373.6)
Restricted cash	(21.9)	(16.3)
Deposits maturing more than 90 days	(1,070.1)	(1,040.0)
Cash and cash equivalents at the end of the period	<u>5,222.7</u>	<u>5,157.9</u>

¹ Debt reserve account relates to deposits placed with licensed financial institution as part of security obligations for bond financing.

² The cash at bank held in trust is in respect of loans received from the Government of Malaysia by a subsidiary for designated capital projects.

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019.

E. EXPLANATORY NOTES

(Amounts in RM million unless otherwise stated)

1) BASIS OF PREPARATION

These condensed interim financial statements of the Group have been prepared in accordance with the reporting requirements as set out in Malaysian Financial Reporting Standards ('MFRS') 134 'Interim Financial Reporting', International Accounting Standards ('IAS') 34 'Interim Financial Reporting' and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2019.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

2) AUDIT QUALIFICATION

The audited financial statements for the financial year ended 31 December 2019 was not subject to any qualification.

3) CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those adopted for the financial statements for the financial year ended 31 December 2019.

Amendments to standards that are applicable and effective to the Group beginning 1 January 2020 are as follows:

a) Amendments to References to the Conceptual Framework in MFRS Standards

- Amendments to MFRS 2 'Share-based Payments'
- Amendments to MFRS 3 'Business Combinations' ('MFRS 3')
- Amendments to MFRS 101 'Presentation of Financial Statements' ('MFRS 101')
- Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' ('MFRS 108')
- Amendments to MFRS 134 'Interim Financial Reporting'
- Amendment to MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets'
- Amendment to MFRS 138 'Intangible Assets'
- Amendment to IC Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'
- Amendment to IC 22 'Foreign Currency Transactions and Advance Consideration'
- Amendments to IC Interpretation 132 'Intangible Assets – Web Site Costs'

b) Amendments to MFRS 3 on Definition of a Business

c) Amendments to MFRS 101 and MFRS 108 on Definition of Material

The adoption of the amendments to the Standards do not have any significant impact to the unaudited condensed consolidated financial statements upon their initial application.

4) REVENUE

The disaggregation of revenue is as follows:

	Individual		Cumulative
	Current	Corresponding	Current
	quarter	quarter	period
	ended	ended	ended
	30.09.2020	30.09.2019	30.09.2020
			Preceding
			period
			ended
			30.09.2019
Sales:			
- Electricity	10,922.4	12,460.3	33,083.9
- Goods and services	97.1	92.8	314.7
Construction contracts	11.4	13.6	34.5
Customers' contributions	75.5	75.1	218.6
Total revenue	11,106.4	12,641.8	33,651.7
			38,762.6

5) SEASONAL OR CYCLICAL FACTORS

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

6) 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 reporting period.

7) MATERIAL CHANGES IN ESTIMATES OF AMOUNTS REPORTED

There were no changes in the estimates of the amounts reported in the previous financial period that have a material effect on the results of the current reporting period.

8) DEBT AND EQUITY SECURITIES

As announced to Bursa Malaysia on 12 August 2020, Tenaga Nasional Berhad ('TNB') has completed the issuance of RM3.0 billion of Sukuk Wakalah.

On 8 September 2020, the Company announced the allotment and issuance of 44,900 ordinary shares in relation to the vesting of the LTIP to eligible employees.

Except for those disclosed in Note 23, there were no other material transactions relating to debts and equity securities during the quarter under review.

9) DIVIDENDS

The Board of Directors has not recommended any dividend for the quarter ended 30 September 2020.

The final and special dividend for Financial Year 2019 was paid on 16 April 2020 totalling RM3,980.8 million.

The interim dividend for Financial Year 2020 was paid on 14 October 2020 totalling RM1,255.0 million.

10) SEGMENTAL REPORTING

Segmental reporting is not presented as the Group is principally engaged in the generation, transmission, distribution and sales of electricity and the provision of other related services, which are substantially within a single business segment. The Group operates primarily in Malaysia.

11) VALUATION OF PROPERTY, PLANT & EQUIPMENT

The Group does not adopt a revaluation policy on its property, plant and equipment.

12) MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

As announced to Bursa Malaysia on 1 October 2020, TNB has completed the proposed Internal Reorganisation, to transfer TNB's assets, liabilities and business undertakings (including shares held in certain subsidiaries) related to the domestic power generation business to TNB Power Generation Sdn. Bhd.

13) CHANGES IN THE COMPOSITION OF THE GROUP

As announced to Bursa Malaysia on 17 September 2020, TNB via its wholly owned subsidiary, TNB International Sdn. Bhd. has completed its acquisition of the 5% controlling equity stake in Vortex Solar Investments S.A.R.L. ('VSI') for a consideration of GBP11.0 million. The acquisition increased TNB's equity interest in VSI to 55%, giving TNB majority control of VSI and changed the controlling interest from an associate to a subsidiary of the Group.

As announced to Bursa Malaysia on 28 September 2020, TNB has acquired an additional 19% equity interest in its subsidiary, Southern Power Generation Sdn. Bhd. ('SPG') and 13% Class B Redeemable Preference Shares from SIPP Energy Sdn. Bhd. for a total consideration of RM283.0 million. The additional 19% equity interest acquired has increased TNB's equity interest in SPG to 70%.

14) CONTINGENT LIABILITIES

Contingent liabilities of the Group include the following:

	As at 30.09.2020	As at 31.12.2019
Claims by third parties	200.4	225.2
Trade guarantees and performance bonds	11.2	21.3
Total contingent liabilities	211.6	246.5

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.

On 7 December 2016, the Company and the Inland Revenue Board ('IRB') entered into a consent judgement before the Kuala Lumpur High Court to substitute the judicial review proceedings with regard to the notices of additional assessment dated 23 November 2015 ('Notices') for the Years of Assessment 2013 and 2014 arising from the disallowance of the Company's re-investment allowance ('RIA') claims by filing an appeal to the Special Commissioners of Income Tax ('SCIT'). The consent judgement also provides that the IRB will not commence any proceedings relating to the Notices until this matter is determined by the SCIT and by the High Court, if there is a subsequent appeal by either party. On 15 December 2016, the Company filed notices of appeal against the Notices to the SCIT according to Section 99(1) of the Income Tax Act 1967. The appeals have since been registered before the SCIT.

Meanwhile, for the notices of additional assessment issued for Years of Assessment 2015, 2016 and 2017, the High Court on 5 October 2020 has granted an interim stay of all further proceedings including the enforcement of the Notices until the decision of the leave application on 9 December 2020.

With regards to the notice of additional assessment for the Year of Assessment 2018, the High Court has granted leave to commence judicial application against the IRB on 30 September 2020.

14) CONTINGENT LIABILITIES (CONTINUATION)

The inter-partes stay hearing has been scheduled on 17 December 2020. In the meantime, the Court has granted an interim stay against the enforcement of the Notice until 17 December 2020.

The Company has obtained legal advice from its tax solicitors on the merits of the cases mentioned above and on this basis the Directors are of the opinion that no provision is required in the financial statements for the potential tax liability up to the reporting date.

15) CAPITAL COMMITMENTS

	As at 30.09.2020	As at 31.12.2019
Property, plant and equipment committed over a 5-year period		
Authorised but not contracted for	45,162.8	53,056.4
Contracted but not provided for in the financial statements	966.6	607.8
Total capital commitments	46,129.4	53,664.2

F. ADDITIONAL INFORMATION AS REQUIRED BY PART A OF APPENDIX 9B OF THE BURSA MALAYSIA LISTING REQUIREMENTS

16) REVIEW OF PERFORMANCE

- (a) Performance of the current period ended 30 September 2020 against the corresponding period ended 30 September 2019:

Revenue for the period decreased by 13.2% or RM5,110.9 million, mainly due to the over-recovery position of the Imbalance Cost Pass-Through ('ICPT') of RM1,479.2 million as compared to an under-recovery position of RM1,998.7 million posted during the last corresponding period and a 6.5% decline in sales of electricity from RM37,232.2 million to RM34,810.2 million. This was largely due to the decline in the certain customer segments, such as commercial and industrial which were affected by the COVID-19 outbreak. Consequently, operating profit fell 13.9% from RM6,857.0 million to RM5,903.8 million.

Profit after taxation for the current period under review reduced by RM1,446.3 million, from RM3,860.9 million reported during the last corresponding period to RM2,414.6 million, mainly due to a lower revenue recorded together with lower finance income resulting from lower interest rates. Additionally, the finance cost also increased, attributed to the expensing of finance cost to the profit and loss for the newly commissioned plant, Jimah East Power.

Under the Incentive Based Regulation ('IBR') framework, for the regulated business, the Company reported a return of RM3,039.6 million.

16) REVIEW OF PERFORMANCE (CONTINUATION)

- (b) Performance of the current third quarter (three months) FY2020 against the corresponding third quarter (three months) FY2019:

Revenue for the quarter fell 12.1% to RM11,106.4 million from RM12,641.8 million, which led to lower operating profit of RM1,857.8 million, reduced by RM420.8 million or 18.5%.

Profit after taxation for the current quarter under review reduced by RM207.7 million, from RM1,209.6 million reported in the same quarter last year from to RM1,001.9 million. This was due to higher finance cost, cushioned by the gain in forex translation and the non-cash fair value gain of RM143.8 million.

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

Performance of the current quarter (3rd Quarter FY2020) against the preceding quarter (2nd Quarter FY2020):

The Group reported higher profit after tax of RM1,001.9 million in the current quarter as compared to RM676.0 million in the preceding quarter, an increase of RM325.9 million. This is mainly due to higher operating income coupled with foreign exchange translation gain of RM158.2 million in the current quarter under review.

18) PROSPECTS

The Malaysian economy improved to record a smaller contraction of 2.7% in the third quarter of 2020. The improvement largely reflected the reopening of the economy from the COVID-19 containment measures and better external demand conditions. Improvements in growth were seen across most economic sectors, particularly manufacturing. It is also expected that the economy to improve further into 2021 in tandem with better global demand and domestic policy support. According to Bank Negara Malaysia report dated 13th November 2020, the recent resurgence of COVID-19 cases and targeted containment measures could affect the momentum of the recovery in the final quarter of the year. However, as most economic sectors have been allowed to continue to operate subject to compliance with standard operating procedures, the impact is expected to be less severe compared to previous period.

Amid the challenging environment, the Board of Directors foresees a prospect of a gradual recovery on the Group's performance for the remaining quarter of the financial year ending 31st December 2020, underpinned by the timely rollout of Government's stimulus packages specifically the Bantuan Prihatin Rakyat and a sustained momentum of business activities. The Group has taken prudent measures in terms of its operational and financial requirements to ensure it remains resilient.

19) PROFIT FROM OPERATIONS

The following items have been charged in arriving at the profit from operations:

	<u>Individual</u> Current quarter ended 30.09.2020	<u>Cumulative</u> Current period ended 30.09.2020
Property, plant and equipment:		
- Depreciation	(1,717.0)	(5,121.6)
- Gain on disposals	0.8	1.7
Right-of-use assets:		
- Depreciation	(899.1)	(2,739.8)
Receivables:		
- Impairment losses	(285.7)	(670.7)
- Reversal of impairment losses	122.2	331.7
Contract assets:		
- Impairment losses	(17.3)	(73.2)
- Reversal of impairment losses	-	69.8
Inventories:		
- Provision for obsolescence	(25.1)	(165.0)
- Write back of obsolescence	1.3	117.9
- Written off	(48.2)	(63.8)
Impairment of an associate	(51.6)	(51.6)

Other than the items highlighted above, there were no disposal of quoted investment and impairment of property, plant and equipment during the quarter under review.

20) VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

This note is not applicable, as the Group did not publish any profit forecast.

21) TAXATION AND ZAKAT

Taxation and zakat for the reporting period comprised the following:

	<u>Individual</u> Current quarter ended 30.09.2020	<u>Corresponding</u> quarter ended 30.09.2019	<u>Cumulative</u> Current period ended 30.09.2020	<u>Cumulative</u> Preceding period ended 30.09.2019
Income tax:				
Current tax and zakat	(254.7)	(314.9)	(1,003.5)	(945.5)
Deferred tax (net):				
Relating to origination and reversal of temporary differences	(26.1)	(22.0)	74.3	103.5
Total taxation and zakat	<u>(280.8)</u>	<u>(336.9)</u>	<u>(929.2)</u>	<u>(842.0)</u>

For the reporting period ended September 2020, the Group reported a 27.8% effective tax rate, which is higher than the statutory tax rate of 24.0%. The effective tax rate is higher in the current period due to higher expenses not allowable for tax and no reversal of overprovision of tax as compared to the corresponding period. The effective tax rate is 26.4% without unrealised forex exchange loss.

22) STATUS OF CORPORATE PROPOSALS

There were no material corporate proposals entered into during the reporting period other than those announced to Bursa Malaysia since the date of the last audited financial statements.

23) GROUP BORROWINGS

(a) The analysis of Group borrowings classified under current and non-current categories are as follows:

	As at 30.09.2020	As at 31.12.2019
Short term - secured	1,974.9	1,715.5
- unsecured	2,315.2	1,763.8
Sub-total	4,290.1	3,479.3
Long term - secured	23,859.0	22,357.4
- unsecured	22,902.4	19,575.0
Sub-total	46,761.4	41,932.4
Total	51,051.5	45,411.7

(b) Currency denominations:

	As at 30.09.2020	As at 31.12.2019
Japanese Yen	2,393.6	2,414.8
US Dollar	8,089.1	7,873.2
Others	2,357.2	651.6
Total Ringgit equivalent of foreign currency borrowings	12,839.9	10,939.6
Ringgit borrowings	38,211.6	34,472.1
Total	51,051.5	45,411.7

(c) Effective average cost of borrowing based on exposure as at 30 September 2020 was 4.83% (31 December 2019: 5.06%).

(d) Repayments of debts during the reporting period were as follows:

- (i) Foreign currency denominated loans of RM399.5 million; and
- (ii) Ringgit denominated loans of RM2,119.8 million.

(e) Drawdowns of debts during the reporting period were as follows:

- (i) Foreign currency denominated loans of RM240.3 million; and
- (ii) Ringgit denominated loans of RM5,489.0 million.

24) DERIVATIVE FINANCIAL INSTRUMENTS

Type of Derivatives	As at 30.09.2020	
	Notional Amount	Fair Value
Forward Foreign Currency Contracts		
- Spot	16.1	0
- Less than 1 year	68.0	(2.2)
Interest Rate Swap Contracts		
- 1 year to 3 years	92.9	(1.8)
- More than 3 years	1,610.4	(146.6)
Profit Rate Swap Contracts		
- More than 3 years	370.9	(26.0)
Total	2,158.3	(176.6)

The notional amount and fair value of all forward contracts are disclosed on a net basis. There is no change to the cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks since the last financial year.

TNB Sepang Solar Sdn. Bhd. ('TSS') has entered into Profit Rate Swap ('PRS') transaction with effect from 13 February 2020 that entitled TSS to receive profit at floating rates and obliged to pay profit at fixed rate of 3.15% on aggregate principal of RM236.2 million.

During the financial year, the Group completed the acquisition of additional 5% equity stake in VSI. In June 2017, Vortex Solar UK Limited, a wholly-owned subsidiary of VSI has entered into Interest Rate Swap ('IRS') contract transaction with effect from 22 June 2017 until 31 March 2035 that entitled the company to receive interest at floating rates, and obliged it to pay interest at fixed rate of 1.37% on aggregate principal of GBP252.7 million. As of 30 September 2020, the notional amount of the derivative instruments was GBP212.1 million.

The IRS and PRS entered into by subsidiaries are to effectively fix the interest and profit rate payable on the term loans.

25) MATERIAL LITIGATION

There is no pending material litigation other than those announced to Bursa Malaysia since the date of the last audited financial statements.

26) EARNINGS PER SHARE

	Current quarter ended 30.09.2020	Individual Corresponding quarter ended 30.09.2019	Current period ended 30.09.2020	Cumulative Preceding period ended 30.09.2019
Profit attributable to owners of the Company	1,009.6	1,202.9	2,380.8	3,875.9
Weighted average number of ordinary shares in issue ('000)	5,694,522	5,686,888	5,694,522	5,686,888
Basic earnings per share (sen)	17.73	21.15	41.81	68.16
Weighted average number of ordinary shares in issue ('000)	5,694,522	5,686,888	5,694,522	5,686,888
Adjustments for LTIP ('000)	-	-	-	-
Weighted average number of diluted ordinary shares ('000)	5,694,522	5,686,888	5,694,522	5,686,888
Diluted earnings per share (sen)	17.73	21.15	41.81	68.16

27) EXCEPTIONAL ITEMS

There were no exceptional items incurred during the quarter.

By Order of the Board

NORAZNI BINTI MOHD ISA
COMPANY SECRETARY
LS 0009635
SSM PRACTICING CERTIFICATE NO.: 201908000492

Kuala Lumpur
25 November 2020