TNB HANDBOOK

ASEAN CONFERENCE, TAIPEI

22nd - 23rd MARCH 2016

UOB Kay Hian

Prepared by:
Investor Relations & Management Reporting Department

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GROUP FINANCE DIVISION
1. INTRODUCTION TO TENAGA
2. INTRODUCTION TO MESI
3. SUSTAINABILITY - GREEN POLICY & INITIATIVES
4. TARIFF
5. KEY PERFORMANCE INDICATORS (KPIs)
6. BUSINESS STRATEGY & DIRECTION
7. DEBT EXPOSURE & GEARING
8. DIVIDEND POLICY
INTRODUCTION TO TENAGA

Three Major Utilities in Malaysia

<table>
<thead>
<tr>
<th>PENINSULAR MALAYSIA</th>
<th>SARAWAK</th>
<th>SABAH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenaga Nasional Bhd (TNB)</td>
<td>Sabah Electricity Sdn Bhd (A 83% TNB Subsidiary)</td>
<td></td>
</tr>
<tr>
<td>20,460MW</td>
<td>1,327MW*</td>
<td></td>
</tr>
</tbody>
</table>

![Diagram showing installed capacity and generation mix in Malaysia.](image)

**INSTALLED CAPACITY**
- TNB: 55.6%
- IPP: 44.4%

**GENERATION MIX**
- TNB: 54.1%
- IPP: 45.9%

<table>
<thead>
<tr>
<th></th>
<th>FY'12</th>
<th>FY'13</th>
<th>FY'14</th>
<th>FY'15</th>
<th>1QFY'16</th>
</tr>
</thead>
<tbody>
<tr>
<td>TNB - Peninsula Installed Capacity (MW)</td>
<td>11,462</td>
<td>11,462</td>
<td>10,814</td>
<td>11,708</td>
<td>11,384</td>
</tr>
<tr>
<td>Total units sold (Gwh)</td>
<td>102,132</td>
<td>105,479</td>
<td>108,102</td>
<td>110,837</td>
<td>28,571</td>
</tr>
<tr>
<td>Total customers (mn)</td>
<td>8.36</td>
<td>8.35</td>
<td>8.64</td>
<td>8.94</td>
<td>9.02</td>
</tr>
<tr>
<td>Total employees ('000)</td>
<td>33.6</td>
<td>35.0</td>
<td>36.1</td>
<td>36.0</td>
<td>35.9</td>
</tr>
<tr>
<td>Total assets (RM bn)</td>
<td>88.5</td>
<td>99.0</td>
<td>110.7</td>
<td>117.1</td>
<td>117.5</td>
</tr>
</tbody>
</table>

* Based on dependable capacity

Peninsula Installed Capacity vs. Generation mix
INTRODUCTION TO TENAGA

No of Customer vs. Sales Value vs. Unit Sales

Sectoral Sales Analysis (Gwh)

- Shift from Industrial-based to Service-based economy
- Increasing market share from Commercial sector
- Commercial sector contributes the highest electricity sales margin
INTRODUCTION TO TENAGA
Industry Regulatory Framework

PRIME MINISTER
/CABINET

MINISTRY of ENERGY,
GREEN TECHNOLOGY
AND WATER (KeTTHA)

ENERGY COMMISSION
(Regulator)
- Promote competition
- Protect interests of consumers
- Issue licenses
- Tariff regulation

Tenaga Nasional Berhad

IPPs

Consumers

SEDA
Malaysia

Empowered by Electricity Supply Act 1990

ECONOMIC PLANNING UNIT (EPU)
- Develops and complements Privatisation Policy
- Evaluates and selects IPPs
- Recommends ESI policies

Policy Maker

Holds ‘Golden’ Share

Ministry of Finance/
Khazanah Nasional Berhad

Other Govt. Agencies & Corporations:
- EPF 16.69%
- PNB 13.30%
- Others 11.16%

Shareholders

As at 30th Nov’15

Market Cap (3rd)
RM73.5bn (USD16.7bn)
- As at 12th Jan’16 -
AGENDA

PART ONE

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8. DIVIDEND POLICY
TRANSFORMATION INITIATIVES BY GOVERNMENT
Aimed at Delivering a Reliable, Transparent, Efficient and Sustainable ESI

New Energy Policy

1. Energy Pricing
   - Jun - Dec 2008
   - Khazanah's MESI Study

2. Energy Supply
   - Jan - Dec 2009
   - KeTTHA-led syndication

3. Energy Efficiency
   - 4 Dec 2009
   - Cabinet endorsement to transform ESI

4. Governance

5. Change Management

Transformation Programme

A. Governance
   1. Agency Roles
   2. Ring-fencing

B. Market Structure
   3. Competitive Bidding
   4. PPA Renegotiation

C. Fuel Supply and Security
   5. Fuel Supply and Security

D. Tariff
   6. Value Chain Tariff
   7. End User Tariff
   8. Stabilization Fund
   9. Accounts Unbundling

1st Gen IPP / Restricted Bidding
Subsidy Rationalisation Programme
FCPT Mechanism
LNG Importation
Nuclear Energy Capacity Building
National RE Policy & Action Plan
FIT & RE Fund
Legal & Regulatory Framework Enhancement

*Source: MyPower
### Track 1, 2 & 3A

#### Track 1

**1,071 MW CCGT PRAI (PRAI)**

<table>
<thead>
<tr>
<th>COD</th>
<th>February 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LEVELISED TARIFF</strong></td>
<td>34.7 sen/kWh</td>
</tr>
</tbody>
</table>

**STATUS**
- TNB has signed agreements for:
  1. EPC – TNB Northern Energy Bhd & Samsung Engineering & Construction (M) Sdn Bhd
  2. Long term Service – TNB Prai & Siemens AG
  3. O&M – TNB Prai & REMACO

TNB Northern Energy Sukuk has been issued out on 29 May 2013 for nominal value of RM1.625 billion.

#### Track 2

**RENEWAL OF EXPIRING PLANTS:**

<table>
<thead>
<tr>
<th>PLANTS</th>
<th>GENTING</th>
<th>SEGARI</th>
<th>TNB PASIR GUDANG</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXTENSION</strong></td>
<td>10 years (to 2026)</td>
<td>10 years (to 2027)</td>
<td>5 years (to 2022)</td>
</tr>
<tr>
<td><strong>LEVELISED TARIFF</strong></td>
<td>35.3 sen/kWh</td>
<td>36.3 sen/kWh</td>
<td>37.4 sen/kWh</td>
</tr>
<tr>
<td><strong>STATUS</strong></td>
<td>Reduction rates of CP effective 1 March 2013 until expiry of current PPA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Track 3A

**1 X 1,000 MW COAL-FIRED (MANJUNG 5)**

<table>
<thead>
<tr>
<th>COD</th>
<th>October 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LEVELISED TARIFF</strong></td>
<td>22.78 sen/kWh</td>
</tr>
</tbody>
</table>

**STATUS**
- TNB has signed agreements on 16 August 2013 for:
  1. PPA with TNB Manjung Five Sdn Bhd “Manjung 5” to design, construct, own, operate & maintain the coal plant capacity (25 years term)
  2. SFA “Shared Facilities Agreement” between TNB, Manjung 5 & TNB Janamanjung
  3. CSTA “Coal Supply and Transportation Agreement” between TNB Fuel Services & Manjung 5.

EPC contract signed on 21 August 2013 between: TNB Western Energy Bhd; a wholly owned subsidiary of Manjung 5 with Consortium of Sumitomo Corp, Daelim Industrial Co Ltd, Sumi-Power M’sia Sdn Bhd and Daelim M’sia Sdn Bhd.

TNB Western Energy Sukuk has been issued out on 30 January 2014 for nominal value of RM3.655 billion.

### Track 2 savings balance: approximately RM1.0 bn
(as at end 2015)
# ENERGY PRICING

## Track 3B & 4A

<table>
<thead>
<tr>
<th>TRACK 3B</th>
<th>2 X 1,000 MW COAL-FIRED (JIMAH EAST)</th>
</tr>
</thead>
<tbody>
<tr>
<td>COD</td>
<td>15 June 2019 &amp; 15 December 2019</td>
</tr>
<tr>
<td>TARIFF</td>
<td>26.67 sen/kWh</td>
</tr>
</tbody>
</table>
| STATUS   | TNB has signed agreements on 22 July 2014:  
  i. PPA with Jimah East Power Sdn. Bhd. (JEP), the incorporated company of the consortium of 1MDB and Mitsui & Co. Ltd, to design, construct, own, operate and maintain the coal plant (25 years term) at Mukim Jimah, Port Dickson, Negeri Sembilan.  
  ii. CSTA “Coal Supply and Transportation Agreement” with TNB Fuel Services Sdn. Bhd.  
  
  TNB received a letter of invitation from the EC on 19 June 2015 to submit a proposal pertaining to the participation of TNB through 70% ownership of JEP.  
  
  TNB received an addendum to the Letter of Award dated 3 June 2014 for the Project from the EC informing TNB and Mitsui that the Government has approved the transfer by 1MDB of its entire shareholding interest in JEP to TNB.  
  
  TNB has submitted the Letter of Acceptance on 3 July 2015 to the EC’s Addendum to the Letter of Award which was issued to TNB.  
  
  TNB entered into a Share Sale and Purchase Agreement with 1MDB on 3 July 2015 for the acquisition of a 70% shareholding in JEP for a total consideration of circa RM46.98 million.  
  
  On 26 August 2015, TNB has signed a Supplemental Power Purchase Agreement with JEP.  
| TECHNOLOGY | 2 units of IHI Ultra Super Critical Technology Steam Generator & 2 Units of Toshiba Turbo Generator |

<table>
<thead>
<tr>
<th>TRACK 4A</th>
<th>1,000 - 1,400 MW CCGT</th>
</tr>
</thead>
<tbody>
<tr>
<td>COD</td>
<td>June 2018</td>
</tr>
</tbody>
</table>
| STATUS   | TNB has signed heads of agreement on 24 July 2014 with SIPP Energy Sdn. Bhd., signifying the principal terms of the proposed joint venture which will undertake to build, own and operate a power plant of approximately 1,000MW-1,400MW on a land in Pasir Gudang, Johor.  
  
  EC has informed that the proposal submitted on 15 May 2015 by the Consortium to develop the Project was not accepted as the levelised tariff could not meet the terms of EC’s Conditional Letter of Award.  
  
  Following the decision made by EC, the Heads of Agreement had lapsed and TNB ceased to be part of the Consortium.  
| TECHNOLOGY | - |
IBR mechanism to strengthen the following:

1. The Economic Regulatory Framework for Regulating TNB
2. The Tariff Setting Mechanism and Principles for Tariff Design
3. Incentive Mechanisms to Promote Efficiency and Service Standards
4. The Process of Tariff Reviews
5. Creation of Regulatory Accounts and Its Annual Review Process

5 Business entities under IBR (Accounting Separation)

11 Regulatory Implementation Guidelines (RIGs) were Developed for IBR Implementation

*Source: EC
EFFICIENCY AND GOVERNANCE

Incentive Based Regulation (IBR) - Economic Regulation Methodology to Promote Efficiency And Transparency

Operational Efficiencies
- Rewarded for seeking efficiencies in operational and capital expenditure

Financial Efficiencies
- Rewarded for maintaining an efficient capital structure

Performance Efficiencies
- Rewarded for delivering improvements in network performance
Regulatory WACC for TNB under IBR (FY2014 - 2017) is 7.5%
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Evolution on National Energy Policies

- Minimise negative impacts on the environment
- Promote efficient utilisation of energy

Government Green Development Plan

8th Malaysia Plan (2001-2005)
- RE as the fifth fuel
- Target: 5% RE in energy mix

9th Malaysia Plan (2006-2010)
- RE Grid-connectivity
- Target:
  - Peninsula 300 MW
  - Sabah 50 MW

10th Malaysia Plan (2011-2015)
- RE installed capacity
- Target: 985 MW of RE by 2015

11th Malaysia Plan (2016-2020)
- Reduction in GHGs emission intensity of GDP compared to 2005 level
- Formulation of a comprehensive demand side management master plan
- In renewable energy installed capacity by 2020 (7.5% energy mix)

2013: 33%
2014: 243MW
**Government Green Initiatives**

**SEDA and RE Act (2011)**
- Enhance the utilisation of indigenous renewable energy (RE) resources to contribute towards national electricity supply security and sustainable socioeconomic development.
- Establish RE Fund to expand RE generation.

**KeTTHA’s SAVE Program**
- Create a culture of efficient energy usage among general public and business entities.
- Targets the final end user through the retailers of electronic appliances and will generate up to 7,300 GWh of energy saved by the year 2020.

**Government Investment Tax Allowance (ITA) scheme**
- Encourage Energy Efficiency among Industry & commercial users.

**Strengthening governance to drive green transformation**
- Uniform Building By Law (UBBL) & ISO150001.
TNB Green Policy

“TNB is committed to support the national green agenda and minimise the environmental impact of our business by applying sustainable, efficient operations and delivering green energy through the application of appropriate technologies and investments”

TNB RE Targets by 2020

**Domestic**
- 60-80% of national targets by 2020 (1,248 - 1,664 MW)

**International**
- In accordance to TNB Investment policy and guidelines on ventures, M&A and bidding for Green Energy Projects
SUSTAINABILITY
TNB Green Policy & Initiatives

TNB Green Initiatives

Major Green Projects
1) Ultra-supercritical technology for coal plants
   • 10% less CO2 emission compared to conventional subcritical technology
2) Carbon footprint study - supply side (2012)
   • Preliminary assessment of Carbon Inventory for TNB Thermal Power Plants
   • Recommendation on the most suitable methodology of measuring Carbon Footprint for TNB power plants
3) R&D projects for enhancing power plants efficiency
4) Smart Grid (SG) Project
5) Various District Cooling (DCS) & Thermal Energy Storage (TES) projects

Renewable Energy Projects
1) Non FiT and Off-grid installation:
   • Solar Hybrid project
     - 850kW in RPS Kemar, Perak.
2) FiT projects:
   • JV project with Felda Global Ventures
     - 10MW Biomass (Jengka)
   • JV with Sime Darby
     - 2MW Biogas Hadapan Palm Oil Mill
     - 2MW Remington Palm Oil Mill
   • JV with Amcorp Power Sdn Bhd
     - 20MW Mini Hydro at Sg Liang, Pahang
   • Floating solar pilot project in Negeri Sembilan

Demand Side Management (DSM) Programs
• Special tariff rates for DCS & TES
• Thermal energy storage
• DSM study on Enhanced Time of Use (ETOU) & interruptible scheme
• Development of training & capacity building centres
• Pilot Electric Vehicles (EV) charging terminal

Energy Efficiency (EE) Programs
• Energy audits & power quality services by TNB Energy Services, a subsidiary of TNB
• Pilot Home Energy Report (HER) Programme
• TNB EE Managers Programs
• TNB EE campaigns
• TNB participation in EE awareness programs
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TARIFF

Electricity Tariff Review = Base Tariff + Imbalance Cost Pass-Through (ICPT)

**Imbalance Cost Pass-Through (ICPT):**
- Tariff adjustment to reflect uncontrollable fuel costs and other generation costs (difference between forecast and actual cost of procuring electricity that is beyond the control of utility)

**Base Tariff under IBR framework reflects:**
- CAPEX and OPEX of transmission, distribution, system operation (SO) and single buyer operation (SB)
- Power purchase cost charged by generators (including base price for fuel) to the SB
- Return on regulated asset (rate base) of transmission, distribution, SO and SB business units

**Principle for ICPT Calculation**
Cost components comprise of:
- Actual vs forecast cost of fuels & other generation costs for the preceding 6-month period; and
- Piped gas price increase of RM1.50/mMbtu for the next 6-month period

*Source: EC*
Imbalance Cost Pass-Through (ICPT) Comprises Two Components

**Fuel Cost Pass Through (FCPT)**
- Adjustment in the following 6 month period, subject to government approval
- FCPT (gas/LNG and coal only)

**Generation Specific Cost Adjustment (GSCPT)**
- Adjustment in the following 6 month period, subject to government approval
- Actual cost of generation

Changes in gas/LNG and coal costs:
- Other fuel costs such as distillate and fuel oil
- All costs incurred by SB under the power procurement agreements (PPAs, SLAs and etc.) and fuel procurement agreements (CSTA, CPC, GFA/GSA and etc.)
- Renewable energy FiT displaced cost

<table>
<thead>
<tr>
<th>ICPT</th>
<th>Announcement</th>
<th>Rebate</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan - Dec’14</td>
<td>RM727 mn</td>
<td>2.25sen/kwh</td>
<td>Mar - Jun’15</td>
</tr>
<tr>
<td>Jan - Jun’15</td>
<td>RM1,086 mn</td>
<td>2.25sen/kwh</td>
<td>July - Dec’15</td>
</tr>
<tr>
<td>Jul - Dec’15</td>
<td>RM762 mn</td>
<td>1.52sen/kwh</td>
<td>Jan - Jun’16</td>
</tr>
</tbody>
</table>

**Abbreviations**
- PPAs: Power Purchase Agreements
- SLAs: Service Level Agreements
- CSTA: Coal Supply and Transportation Agreement
- CPC: Coal Purchase Contract
- GFA: Gas Framework Agreement
- GSA: Gas Supply Agreement
### TARIFF

**Average Base Tariff of 38.53 sen/kwh is Effective from 1\textsuperscript{st} January 2014**

<table>
<thead>
<tr>
<th>Tariff Components</th>
<th>sen/kWh</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Tariff (Jun 2011)</strong></td>
<td>33.54</td>
<td></td>
</tr>
<tr>
<td><strong>Fuel Components:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Piped-gas regulated price</td>
<td>0.51</td>
<td>1.52</td>
</tr>
<tr>
<td>(from RM13.70/mmBTU to RM15.20/mmBTU @1,000 mmscfd)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Coal (market price)</td>
<td>0.17</td>
<td>0.51</td>
</tr>
<tr>
<td>(from USD85/tonne to USD87.5/tonne CIF@CV 5,500kcal/kg)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• LNG RGT market price at RM41.68/mmBTU</td>
<td>3.41</td>
<td>10.17</td>
</tr>
<tr>
<td>(for gas volume &gt; 1,000 mmscfd)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-fuel component (TNB Base Tariff)</strong></td>
<td>0.90</td>
<td>2.69</td>
</tr>
</tbody>
</table>

**AVERAGE BASE TARIFF EFFECTIVE 1\textsuperscript{st} JANUARY 2014**

38.53 sen/kwh

![Chart showing the breakdown of the average base tariff components](chart.png)
## TARIFF

**Frequency of Review & Underlying Assumptions**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantum</td>
<td>12%</td>
<td>23 - 24%</td>
<td>(3.7%)</td>
<td>Neutral</td>
<td>7.1%</td>
<td>14.9%</td>
<td>(5.8%)</td>
<td>(5.8%)</td>
<td>(3.9%)</td>
</tr>
<tr>
<td>Gas (RM/mmbtu)</td>
<td>6.40</td>
<td>14.31</td>
<td>10.70</td>
<td>10.70</td>
<td>13.70</td>
<td>15.20</td>
<td>15.20</td>
<td>16.70</td>
<td>18.20</td>
</tr>
<tr>
<td>Coal (USD/MT)</td>
<td>45.00</td>
<td>75.00</td>
<td>85.00*</td>
<td>85.00*</td>
<td>85.00*</td>
<td>87.50**</td>
<td>87.50**</td>
<td>87.50**</td>
<td>87.50**</td>
</tr>
<tr>
<td>Average Tariff</td>
<td>26.2</td>
<td>32.5</td>
<td>31.3</td>
<td>31.3</td>
<td>33.5</td>
<td>38.5</td>
<td>38.5</td>
<td>38.5</td>
<td>38.5</td>
</tr>
</tbody>
</table>

Govt. decided not to review gas price for the power sector.

**Quantum of tariff review**

- Gas RM6.40 per mmbtu: 12% (incl. Fuel)
- Gas RM14.31 per mmbtu: 24%
- Gas RM10.70 per mmbtu: -3.7%
- Gas RM13.70 per mmBTU: 5.1%
- Gas RM15.20 per mmBTU: 12.2%
- Gas RM16.70 per mmBTU: 2.7%
- Gas RM18.20 per mmBTU: -5.8%
- ICPT Adjustment: -3.9%

* Forex (RM/USD) = RM3.6
** Forex (RM/USD) = RM3.14
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KEY PERFORMANCE INDICATORS (KPIs)

Incentive Based Regulation (IBR) - Incentive and Penalty Mechanism Based on Performance Targets Determined by EC

- Incentive/penalty is capped at +/- 0.3% to 0.5% of annual revenue requirement
- No incentive/penalty if performance between upper and lower bound targets
- Any incentive/penalty to be given in the next regulatory period

PERFORMANCE KPIs

<table>
<thead>
<tr>
<th>Code</th>
<th>Performance Incentive Scheme</th>
<th>Unit</th>
<th>Weightage (%)</th>
<th>Lower Bound Target</th>
<th>Upper Bound Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSP1</td>
<td>System Average Interruption Duration Index (SAIDI)</td>
<td>Mins./cust./year</td>
<td>50</td>
<td>70</td>
<td>55</td>
</tr>
<tr>
<td>CSP2</td>
<td>Average of Minimum Service Level Compliance Performance</td>
<td>%</td>
<td>25</td>
<td>84.11</td>
<td>94.11</td>
</tr>
<tr>
<td>CSP3</td>
<td>Weighted Average Guaranteed Service Level (3, 4 and 5)</td>
<td>%</td>
<td>25</td>
<td>86.32</td>
<td>95.50</td>
</tr>
<tr>
<td>TXP1</td>
<td>System Minutes</td>
<td>Minutes</td>
<td>40</td>
<td>5.1</td>
<td>1.5</td>
</tr>
<tr>
<td>TXP2</td>
<td>System Availability</td>
<td>%</td>
<td>30</td>
<td>99.04</td>
<td>99.48</td>
</tr>
<tr>
<td>TXP3</td>
<td>Project Delivery Index</td>
<td>Delayed month</td>
<td>30</td>
<td>5.47</td>
<td>0</td>
</tr>
<tr>
<td>SPO1</td>
<td>Wide Area Loss of Supply Event</td>
<td>No. of wide area system blackout incident</td>
<td>25</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>SPO2.1</td>
<td>Voltage Limit Compliance</td>
<td>%</td>
<td>25</td>
<td>90</td>
<td>96</td>
</tr>
<tr>
<td>SPO2.2</td>
<td>Frequency Limit Compliance</td>
<td>%</td>
<td>25</td>
<td>90</td>
<td>96</td>
</tr>
<tr>
<td>SPO3</td>
<td>Dispatch Adjustment</td>
<td>%</td>
<td>25</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td>SBP1</td>
<td>Dispatch Deviation</td>
<td>%</td>
<td>25</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td>SBP2</td>
<td>Compliance to Timely Settlement of Generators’ Invoices</td>
<td>%</td>
<td>25</td>
<td>99.55</td>
<td>99.85</td>
</tr>
<tr>
<td>SBP3</td>
<td>Compliance to Malaysian Grid Code</td>
<td>%</td>
<td>25</td>
<td>98.10</td>
<td>100</td>
</tr>
<tr>
<td>SBP4</td>
<td>Compliance to Single Buyer Rules</td>
<td>%</td>
<td>25</td>
<td>95.00</td>
<td>100</td>
</tr>
</tbody>
</table>

Incentive/penalty caps annually: RM47mn

*Source: EC*
## KEY PERFORMANCE INDICATORS (KPIs)

TNB Has Been Improving its Performances Over the Years and Now in Line with World Standards

### 1ST PHASE: HEADLINE KPIs

<table>
<thead>
<tr>
<th>INITIATIVES</th>
<th>TARGET FY’10</th>
<th>ACTUAL FY’05</th>
<th>ACTUAL FY’06</th>
<th>ACTUAL FY’07</th>
<th>ACTUAL FY’08</th>
<th>ACTUAL FY’09</th>
<th>ACTUAL FY’10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Assets (ROA) (%)</td>
<td>6.5</td>
<td>2.2</td>
<td>3.3</td>
<td>6.3</td>
<td>4.6</td>
<td>4.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Gearing (%)</td>
<td>&lt; 60.0</td>
<td>64.9</td>
<td>58.1</td>
<td>49.9</td>
<td>46.9</td>
<td>46.5</td>
<td>42.5</td>
</tr>
<tr>
<td>Company CPU (sen/kwh)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from Non-Regulated Business (RM bn)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unplanned Outage Rate (UOR)(%)</td>
<td>No target</td>
<td>6.1</td>
<td>4.7</td>
<td>2.2</td>
<td>3.3</td>
<td>2.9</td>
<td>2.7</td>
</tr>
<tr>
<td>T &amp; D Losses (%)</td>
<td>No target</td>
<td>10.5</td>
<td>11.0</td>
<td>10.0</td>
<td>9.5</td>
<td>9.7</td>
<td>9.5</td>
</tr>
<tr>
<td>Transmission System Minutes (mins)</td>
<td>9.0</td>
<td>14.0</td>
<td>7.3</td>
<td>9.3</td>
<td>6.6</td>
<td>1.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Distribution SAIDI (mins)</td>
<td>&lt; 100.0</td>
<td>148.0</td>
<td>101.6</td>
<td>83.0</td>
<td>78.0</td>
<td>68.6</td>
<td>65.0</td>
</tr>
</tbody>
</table>

**Note:**
- Not tracked as TNB Headline KPI during 1st phase
KEY PERFORMANCE INDICATORS (KPIs)
Financial & Technical 5-Year Performance

FINANCIAL PERFORMANCE

1. COMPANY CPU (sen/kwh) #

2. ROA

TECHNICAL PERFORMANCE

1. EQUIVALENT PLANT AVAILABILITY FACTOR (EAF)

2. SYSTEM MINUTES

3. SAIDI

# Exclude Finance Cost

* FY13 - restated

REVENUE FROM NON-REGULATED BUSINESS

FINANCIAL PERFORMANCE

ROA

TECHNICAL PERFORMANCE

EQUIVALENT PLANT AVAILABILITY FACTOR (EAF)

SYSTEM MINUTES

SAIDI
AGENDA

PART ONE

1. INTRODUCTION TO TENAGA
2. INTRODUCTION TO MESI
3. SUSTAINABILITY - GREEN POLICY & INITIATIVES
4. TARIFF
5. KEY PERFORMANCE INDICATORS (KPIs)
6. BUSINESS STRATEGY & DIRECTION
7. DEBT EXPOSURE & GEARING
8. DIVIDEND POLICY
THE PLAN LAYS DOWN THE PATH TOWARDS REALISING OUR VISION OF GLOBAL LEADERSHIP
It builds upon the progress of T7

T 7

SERVICE EXCELLENCE 2010
- Improve Core Operations under T7 Strategy
- Place Tenaga as the best performing company in Malaysia by 2007 and as the Regional best by 2010

GEOGRAPHICAL EXPANSION (SERVICES) 2015
- Expand works and services related to the energy sector
- Creation of new revenue stream leveraging on Tenaga’s knowledge and competencies in the energy business

OVERSEAS INVESTMENT 2020
- Improved financial position and human resource readiness
- Venture into power/energy related investments in the international arena

GLOBAL LEADERSHIP 2025
- Excel in:
  - All business areas
  - Reputation as a strong business partner
  - Ability to continue to create shareholder value
- Tenaga acknowledged as amongst the most admired companies globally

THE PLAN LAYS DOWN THE PATH TOWARDS REALISING OUR VISION OF GLOBAL LEADERSHIP
It builds upon the progress of T7
INTERNATIONAL FOOTPRINT
Business Expansion in Energy Related Businesses

Leverage on Tenaga’s capabilities (in Middle East region) in pursuing overseas investment and services e.g. O&M, project management etc. in power related businesses

Utilise existing related services (consultation & training) and manufacturing products as stepping stone for future business in new frontier countries

MTM supply of transformers to Saudi Arabia

REMako O&M for 225MW Sabiya Power Generation & Water Distillation Plant (KUWAIT)

REMako O&M for Shuaiba North Co-Gen (USD920m) 780MW Power; 204,000 m³/day water (KUWAIT)

IWPP: Shuaiba (USD2.7bn) 900MW Power 880,000 m³/day water

TNEC JV with Abu Dhabi Al Samah for District Cooling

TNEC JV Al Reef District Cooling, UAE 8,000 RT

TNEC JV BMC District Cooling, UAE 30,000 RT

IPP: Liberty Power Ltd (USD272m) 235MW

REMako O&M for Shuaiba North Co-Gen (USD920m) 780MW Power; 204,000 m³/day water (KUWAIT)

REMako O&M Services for Liberty Power Ltd

REMako O&M services – HUBCO (Narowal)

REMako O&M services for Bong Hydro Plant in Pakistan

REMako O&M services for Liberty Power Ltd

TSG supply of switchgears to Pakistan

MTM supply of transformers to Brunei

Development of the Sumatera – Peninsular Malaysia HVDC Interconnection, Coal-fired power plant & coal mine mouth projects

Source: Company presentation; Note: REMako is a 100% owned subsidiary with a focus on O&M; MTM is a wholly owned subsidiary manufacturing transformers; TSG is a subsidiary manufacturing high voltage switchgears; TNEC is a wholly owned subsidiary providing project services and developing energy related projects
AGENDA

PART ONE

1. INTRODUCTION TO TENAGA
2. INTRODUCTION TO MESI
3. SUSTAINABILITY - GREEN POLICY & INITIATIVES
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8. DIVIDEND POLICY
The Group is required to hedge a minimum of 50.0% of TNB’s known foreign currency exposure up to 12 months period. The Group uses forward exchange contracts and currency options contract to hedge its foreign currency risk. Most of the forward exchange contracts have maturities of less than three months.

HEDGING POLICY

<table>
<thead>
<tr>
<th>Statistics</th>
<th>30th Nov’15</th>
<th>31st Aug’15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gearing (%)</td>
<td>32.6</td>
<td>34.2</td>
</tr>
<tr>
<td>Net Gearing (%)</td>
<td>21.4</td>
<td>21.9</td>
</tr>
<tr>
<td>Fixed : Floating (%)</td>
<td>100.0 : 0.0</td>
<td>100.0 : 0.0</td>
</tr>
<tr>
<td>Final Exposure (%)</td>
<td>100.0 : 0.0</td>
<td>100.0 : 0.0</td>
</tr>
<tr>
<td>Weighted Average Cost of Debt (%)</td>
<td>4.90</td>
<td>4.80</td>
</tr>
<tr>
<td>Final Exposure (%)</td>
<td>4.90</td>
<td>4.80</td>
</tr>
</tbody>
</table>

Closing

<table>
<thead>
<tr>
<th></th>
<th>30th Nov’15</th>
<th>31st Aug’15</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/RM</td>
<td>4.25</td>
<td>4.19</td>
</tr>
<tr>
<td>100YEN/RM</td>
<td>3.46</td>
<td>3.47</td>
</tr>
<tr>
<td>USD/YEN</td>
<td>122.83</td>
<td>120.75</td>
</tr>
</tbody>
</table>
AGENDA

1. INTRODUCTION TO TENAGA
2. INTRODUCTION TO MESI
3. SUSTAINABILITY - GREEN POLICY & INITIATIVES
4. TARIFF
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6. BUSINESS STRATEGY & DIRECTION
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8. DIVIDEND POLICY

PART ONE
Tenaga is committed to pay out dividend based on its Dividend Policy whereby:

*Dividend is paid out based on 40%-60% of its Company’s Annual Free Cashflow; Cashflow from Operations less Normalised Capex and Interest Servicing*

**Interim Single-Tier Dividend of 10.0 sen per ordinary share**

**Single-Tier Dividend of 19.0 sen per ordinary share**

Total FY’15: 29.0 sen per ordinary share
PART TWO

1QFY2016 RESULTS HIGHLIGHTS
### 1st Quarter FY2016

#### 3-Month Ended 30th Nov 2015

<table>
<thead>
<tr>
<th></th>
<th>1QFY2016</th>
<th>1QFY2015</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit After Tax</td>
<td>RM1.96 bn</td>
<td>RM2.35 bn</td>
<td>(16.5%)</td>
</tr>
<tr>
<td>Forex Translation Gain/(Loss)</td>
<td>(RM58.5 mn)</td>
<td>RM45.9 mn</td>
<td>&gt; (100.0%)</td>
</tr>
<tr>
<td>Revenue</td>
<td>RM10.68 bn</td>
<td>RM11.03 bn</td>
<td>(3.2%)</td>
</tr>
</tbody>
</table>

- 3.2% unit electricity demand growth in Peninsular Malaysia
**QUARTERLY & YEARLY ANALYSIS**

**Stable EBITDA Margin from ICPT Implementation**

<table>
<thead>
<tr>
<th>RM mn</th>
<th>1QFY'16</th>
<th>1QFY'15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Units Sold (GWh)</td>
<td>28,571.1</td>
<td>27,450.3</td>
</tr>
<tr>
<td>Revenue</td>
<td>10,676.8</td>
<td>11,027.1</td>
</tr>
<tr>
<td>Operating Expenses (before depreciation)</td>
<td>7,078.0</td>
<td>7,161.8</td>
</tr>
<tr>
<td>Operating Income</td>
<td>139.3</td>
<td>136.9</td>
</tr>
<tr>
<td>EBITDA</td>
<td>3,738.1</td>
<td>4,002.2</td>
</tr>
<tr>
<td>EBITDA Margin (%)</td>
<td>35.0%</td>
<td>36.3%</td>
</tr>
<tr>
<td>Depreciation and Amortisation</td>
<td>1,340.4</td>
<td>1,257.4</td>
</tr>
<tr>
<td>EBIT</td>
<td>2,397.7</td>
<td>2,744.8</td>
</tr>
<tr>
<td>EBIT Margin (%)</td>
<td>22.5%</td>
<td>24.9%</td>
</tr>
<tr>
<td>Finance Cost</td>
<td>259.7</td>
<td>253.9</td>
</tr>
<tr>
<td>Profit Before Tax &amp; Forex Translation</td>
<td>2,221.8</td>
<td>2,574.9</td>
</tr>
<tr>
<td>Net Profit Before Forex Translation</td>
<td>2,034.5</td>
<td>2,306.0</td>
</tr>
<tr>
<td>Translation Gain/(Loss)</td>
<td>(58.5)</td>
<td>45.9</td>
</tr>
<tr>
<td>Net Profit attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Holders</td>
<td>1,976.0</td>
<td>2,351.9</td>
</tr>
<tr>
<td>Non-controlling Interest</td>
<td>(13.8)</td>
<td>(0.9)</td>
</tr>
</tbody>
</table>

**ANALYSIS OF EBITDA MARGIN & COAL PRICES**

*Includes ICPT over-recovery

* EBITDA Margin FY2016

* Avg Coal Price FY2016

* EBITDA Margin FY2015

* Avg Coal Price FY2015

* EBITDA Margin FY2015 with ICPT adjustment
GENERATION MIX (PENINSULA)

Year-on-Year Analysis

6.4% Reduction in Fuel Costs Mainly due to Lower LNG Price & LNG Consumption

Table 1:

<table>
<thead>
<tr>
<th>Fuel Type</th>
<th>1QFY’16</th>
<th>1QFY’15</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM mn</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Gas</td>
<td>1,881.1</td>
<td>1,861.6</td>
<td>19.5</td>
</tr>
<tr>
<td>LNG</td>
<td>296.0</td>
<td>685.2</td>
<td>(389.2)</td>
</tr>
<tr>
<td>Coal</td>
<td>1,587.2</td>
<td>1,301.4</td>
<td>285.8</td>
</tr>
<tr>
<td>Dist.</td>
<td>4.6</td>
<td>95.3</td>
<td>(90.7)</td>
</tr>
<tr>
<td>Oil</td>
<td>11.4</td>
<td>97.4</td>
<td>(86.0)</td>
</tr>
<tr>
<td>Total</td>
<td>3,780.3</td>
<td>4,040.9</td>
<td>(260.6)</td>
</tr>
</tbody>
</table>

Table 2:

<table>
<thead>
<tr>
<th></th>
<th>1QFY’16</th>
<th>1QFY’15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily Average Gas</td>
<td>1,175</td>
<td>1,218</td>
</tr>
<tr>
<td>Volume (mmscfd)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average LNG Price</td>
<td>33.07</td>
<td>46.75</td>
</tr>
<tr>
<td>(RM/mmbtu)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3:

<table>
<thead>
<tr>
<th></th>
<th>1QFY’16</th>
<th>1QFY’15</th>
<th>Var (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Coal Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumed (USD/MT)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FOB</td>
<td>52.8</td>
<td>60.4</td>
<td>-12.6%</td>
</tr>
<tr>
<td>Freight</td>
<td>5.8</td>
<td>9.3</td>
<td>-37.6%</td>
</tr>
<tr>
<td>Others</td>
<td>0.4</td>
<td>0.5</td>
<td>-20.0%</td>
</tr>
<tr>
<td>CIF</td>
<td>59.0</td>
<td>70.2</td>
<td>-16.0%</td>
</tr>
<tr>
<td>Average Coal Price</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumed (RM/MT) (CIF)</td>
<td>254.1</td>
<td>230.2</td>
<td>10.4%</td>
</tr>
<tr>
<td>Coal Consumption</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(mn MT)</td>
<td>6.1</td>
<td>5.6</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

Table 1:

<table>
<thead>
<tr>
<th>Fuel Costs (RM mn)</th>
<th>1QFY’16</th>
<th>1QFY’15</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel Type</td>
<td>RM mn</td>
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</tbody>
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Table 2:

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<td>(RM/mmbtu)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3:

<table>
<thead>
<tr>
<th></th>
<th>1QFY’16</th>
<th>1QFY’15</th>
<th>Var (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Coal Price</td>
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<td></td>
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</tr>
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<tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(mn MT)</td>
<td>6.1</td>
<td>5.6</td>
<td>8.9%</td>
</tr>
</tbody>
</table>
### GENERATION MIX (PENINSULA)  con’t

#### Quarterly Analysis

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Gas</th>
<th>Coal</th>
<th>Oil &amp; Distillate</th>
<th>Hydro</th>
</tr>
</thead>
<tbody>
<tr>
<td>1QFY’15</td>
<td>46.3</td>
<td>1.1</td>
<td>3.4</td>
<td>0.1</td>
</tr>
<tr>
<td>2QFY’15</td>
<td>47.0</td>
<td>0.1</td>
<td>7.0</td>
<td>0.1</td>
</tr>
<tr>
<td>3QFY’15 *</td>
<td>45.2</td>
<td>0.1</td>
<td>3.6</td>
<td>0.1</td>
</tr>
<tr>
<td>4QFY’15 *</td>
<td>44.1</td>
<td>0.6</td>
<td>4.3</td>
<td>0.1</td>
</tr>
<tr>
<td>1QFY’16 *</td>
<td>46.5</td>
<td></td>
<td>4.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

*Includes Manjung 4 (COD on 14th Apr 2015)*
COAL REQUIREMENT

Average Coal Price for 1QFY’16 was at USD59.0/MT

<table>
<thead>
<tr>
<th>Average Coal Price (CIF)</th>
<th>FY’10</th>
<th>FY’11</th>
<th>FY’12</th>
<th>FY’13</th>
<th>FY’14</th>
<th>FY’15</th>
<th>1QFY’16</th>
</tr>
</thead>
<tbody>
<tr>
<td>(USD/metric tonne)</td>
<td>88.2</td>
<td>106.9</td>
<td>103.6</td>
<td>83.6</td>
<td>75.4</td>
<td>66.0</td>
<td>59.0</td>
</tr>
<tr>
<td>(RM/metric tonne)</td>
<td>293.8</td>
<td>325.9</td>
<td>321.9</td>
<td>259.5</td>
<td>244.6</td>
<td>236.0</td>
<td>254.1</td>
</tr>
</tbody>
</table>

Average Coal Price for 1QFY’16 was at USD59.0/MT.

With commissioning of Tg Bin 4

Country Mix

- Indonesia: 57%
- Australia: 27%
- South Africa: 11%
- Russia: 5%

Tonne (mn)

Coal Consumption

Estimated Procurement

FY'04  FY'05  FY'06  FY'07  FY'08  FY'09  FY'10  FY'11  FY'12  FY'13  FY'14  FY'15  FY'16(f)

7.6  7.9  8.6  12.6  12.5  11.6  17.8  18.9  20.8  20.8  19.3  22.2  28.8  22.8
# ELECTRICITY GROWTH IN PENINSULA

## 3.2% Growth in Electricity Demand

### UNITS SALES

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1Q</td>
<td>2Q</td>
</tr>
<tr>
<td><strong>Industrial</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gwh</td>
<td>10,973</td>
<td>10,976</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>3.1</td>
<td>1.6</td>
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<tr>
<td><strong>Commercial</strong></td>
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<tr>
<td>Gwh</td>
<td>9,018</td>
<td>8,860</td>
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<tr>
<td>Growth (%)</td>
<td>3.4</td>
<td>3.1</td>
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<tr>
<td><strong>Domestic</strong></td>
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<tr>
<td>Gwh</td>
<td>5,538</td>
<td>5,338</td>
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<tr>
<td>Growth (%)</td>
<td>3.0</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Others</strong></td>
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<tr>
<td>Gwh</td>
<td>496</td>
<td>493</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>6.9</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gwh</td>
<td>26,025</td>
<td>25,667</td>
</tr>
<tr>
<td>Growth (%)</td>
<td>3.3</td>
<td>2.3</td>
</tr>
</tbody>
</table>

**FY’15** 2.2%  
**1QFY’16 3.2%**

<table>
<thead>
<tr>
<th></th>
<th>1QFY’16</th>
<th>1QFY’15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth (%)</td>
<td>3.2</td>
<td>3.3</td>
</tr>
</tbody>
</table>
CAPITAL EXPENDITURE

Major Projects Represent 59.4% of Total CAPEX

[Diagram showing capital expenditure by quarter from 1QFY'12 to 1QFY'16, with the following key points:
- Recurring Generation, Transmission, Distribution, Others: 1QFY'12 - RM 152.2mn, 1QFY'13 - RM 46.4mn, 1QFY'14 - RM 29.9mn, 1QFY'15 - RM 16.4mn, 1QFY'16 - RM 14.0mn
- Generation Capacity: 1QFY'12 - RM 357.4mn, 1QFY'13 - RM 539.0mn, 1QFY'14 - RM 559.9mn, 1QFY'15 - RM 1,596.6mn, 1QFY'16 - RM 1,348.6mn]
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THANK YOU