

**GROWING
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**MINORITY SHAREHOLDER
WATCHDOG GROUP (MSWG)**

**27TH ANNUAL
GENERAL MEETING**

18th December 2017



Q1

Please explain how TNB addresses the challenges of energy security, providing access to affordable energy services and maintaining environmentally friendly production and use of energy.

Answer:

- The Planning and Implementation Committee for Electricity Supply and Tariff (JPPPET) which is chaired by Minister of Energy, Green Technology and Water (KeTTHA) is responsible to determine and approve the Generation Development Planning for Peninsular Malaysia.
- In deciding future planting ups of generation plants, some of the factors considered are:-
 - i. Reserve margin required
 - ii. Electricity demand growth
 - iii. Fuel cost projection
 - iv. Overall fuel mix including renewable energy
- The role of the committee is to ensure security, reliability, and affordability of the nation's electricity supply.

Q2

How significant was the revenue and profit contribution from each of the acquisition of GMR Energy Limited (“GEL”) and Vortex Investment S.a.r.l (“Vortex”)?

Answer:

- The combined international portfolio contribution of GEL and Vortex is currently minimal from the overall TNB’s profit but it is expected to grow over the coming years.

Q3

Gama Enerji Anonim Sirketi reported a substantially higher comprehensive expense of RM291.6 million in FY2017 compared to RM25.2 million in FY2016 as disclosed on page 206 of the Annual Report.

What was the reason for the higher expense?

Answer:

- The RM291.6 million recognized in other comprehensive expenses for FY2017 is due to the restatement of the prior-year adjustments (PYAs) made by the associate in 2016, impacting the finalization of the purchase price allocation (PPA) as at 31 August 2017.

Q4

The Profit After Tax of Sabah Electricity Sdn. Bhd. (“SESB”) reduced substantially from RM128.7 million in FY2016 to RM44.7 million in FY2017 as disclosed on page 202 of the Annual Report.

What was the reason for the lower profit?

Answer:

- Lower Profit After Tax of SESB this year are mainly due to high costs of provision of doubtful debt under MFRS139, provision made for legal cases and increase in manpower costs.

Q5a

TNB uses gas, coal, hydro, bio gas and solar as fuels in the generation of electricity.

Which fuel results in the lowest cost in electricity generation?

Answer:

- Coal and Gas are the two main fuel sources for electricity generation.
- In terms of thermal plants, coal fired power plants offers the cheapest generation sources in the grid system due to the lower price of coal as compared to gas.
- These coal plants serve the baseload demand and are expected to run in a continuous nature to meet the energy demand.

Q5b

What is TNB's preferred fuel usage in the future and why?

Answer:

- The Planning and Implementation Committee for Electricity Supply and Tariff (JPPPET) which is chaired by Minister of Energy, Green Technology and Water (KeTTHA) is responsible to determine and approve the Generation Development Planning for Peninsular Malaysia.
- In balancing the environmental requirement, security of supply and affordability of the country's' choice of fuel of future plant-up, the Generation Development Planning will be based on the guiding principle of the optimum fuel mix to achieve a Herfindahl-Hirschman Index (HHI) of less than 0.5 in a medium term and less than 0.4 in the long run. This index measures the level of fuel diversification to ensure less reliant on any single fuel source for electricity generation. This is to ensure better system security by providing adequate diversification of resources/fuels.
- For participation in generation development, the Energy Commission (EC) will take into consideration competitive bidding exercise and conditional award to potential power plant developers. TNB as a player in the Malaysian generation market will aim to participate in any generation opportunity as sought by the EC.

Q5b

What is TNB's preferred fuel usage in the future and why?(Cont.)

Answer:

- Additionally, TNB is committed towards the development of Malaysia's renewable energy by investing in infrastructure that allows more renewable energy to be connected to the grid.
- Our efforts lend support to the Government's renewable energy target, as stated in the 11th Malaysia Plan, to achieve 2,080MW of renewable energy installed capacity by the year 2020. In response, we have set our own target, under Reimagining TNB, to achieve a renewable energy capacity of 1,700MW by 2025.

THANK YOU