



# 24<sup>th</sup> ANNUAL GENERAL MEETING

18<sup>th</sup> December 2014



*Making our world Better. Brighter.*

# QUESTIONS FROM SHAREHOLDERS

## 1. MINORITY SHAREHOLDER WATCHDOG GROUP (MSWG)



# FINANCIAL RELATED



**Q1**

The Company had increased its capex during FY2014 amounting to RM10,006.5 million up by 16.75% from the preceding FY2013.  
How was the funding mix and the impact on the Group's gearing ratio?

Answer:

During FY2014, Tenaga invested RM10 billion in Capex. Approximately 50% of the total Capex were invested for system maintenance and improvement to ensure system efficiency, security and reliability. This was financed through internally generated fund.

The balance of the Capex was mainly for generation projects; which were financed through project finance, normally based on 80:20 debt-equity ratio. However, this financing had minimal impact to the Group's gearing level.

As at 31<sup>st</sup> August 2014 the gearing ratio stood at 36.9% as compared to 37.6% recorded during 31<sup>st</sup> August 2013.

**Q1**

Could the Board indicate what would be the prospective Return on Assets (ROA) to be generated from this additional investment in FY2015?

*...continued*

Answer:

Tenaga's generation projects will contribute future revenue and hence, will not have immediate impact to the Group's earnings.

Q2

We noted Tenaga's Currency Option Agreement involving its Japanese Yen Loan of JPY26.0 billion under Note 22. Please explain the Company's exposure to this loan in the light of the strengthening US Dollar and the vulnerability to Tenaga Nasional, if any, going forward?

Answer:

The JPY26.0 billion (approximately equivalent to RM790mn) has two main components:

- **Principal repayment in JPY** – The company is currently protected as TNB Capital Limited has entered into a USD/JPY Currency Option to hedge its exposure for the JPY principal repayment against USD/JPY fluctuation throughout the repayment period of the underlying loan, annually starting from 13<sup>th</sup> April 2015.
- **Interest of 4.06% p.a in USD** – Based on our Hedging Policy, Tenaga has been hedging the interest via forward purchases to mitigate the forex loss.

Tenaga is continuously looking into effective Debt Liability Management to minimize its foreign currency exposure.

# OPERATIONAL RELATED



Q3

What is being done to improve the rotor and power failure incidents as well as tube leaks that occurred at the Tuanku Jaafar Power Station, Putrajaya Power Station and Stesen Janakuasa Sultan Azlan Shah and with the Company having an average Equivalent Unplanned Outage Factor (EUOF) of 7.1%.

Answer:

The Corrective and Preventive measures carried out were as follows:

Station	Issue	Initiatives
Tuanku Jaafar	Rotor failure	<ol style="list-style-type: none"> <li>1. Replacement of related equipment with better design.</li> <li>2. Enhancement of protection systems.</li> </ol>
Putrajaya	Hot gas leak from combustion chamber	Inspection and confirmation of actual valve position, in the event of any power losses and before gas turbine commission on fuel oil operation.
Janamanjung (Stesen Janakuasa Sultan Azlan Shah)	Boiler tube leak	<ol style="list-style-type: none"> <li>1. Improvement of boiler firing rate temperature monitoring.</li> <li>2. Upgraded design of boiler tube clips and attachments.</li> </ol>



### Q3 What is being done to significantly reduce the EUOF in the near future and what is the KPI target?

...continued

Answer:

The following are initiatives carried out to significantly reduce the EUOF:

- Improvement of the maintenance policy through **implementation of Asset Management Plan (AMP)**.
- Signing of **long term part and service agreement** with Original Equipment Manufacturer (OEM) for better technical support.
- **Enhancement of technical competency** of personnel through continuous competency and plant simulator training program.
- **Installation of predictive monitoring system** (Intelligent Predictive Diagnostic System) to enable the users to detect early diagnosis of anomalies in order to prevent tripping.

The EUOF target is set based on the Service Level Agreement (SLA) and Power Purchase Agreement (PPA) which is unique for each station.

**Q4**

Please brief shareholders on the Company's PERTALIAN project in Riau, Sumatera as well as its joint development of the Company's 35MW Hybrid Wind and Solar project in Jaffna, Sri Lanka and when would be the closure of the projects?

Answer:

### PERTALIAN project

- On 15<sup>th</sup> October 2012 Tenaga has entered into a **Joint Development Agreement (JDA)** with:
  1. PT PLN, the Indonesian state owned utility company involved in generation, transmission and distribution of electricity; and
  2. PT Bukit Asam, a company primarily involved in coal mining and a holder of the Production Operation Mining Permit in Indonesia.
- The JDA is pertaining to the development of:
  1. Coal Fired Power Plant Project (800-1200MW),
  2. Coal Mine Mouth Project; and
  3. HVDC Interconnection Project (construction of an interconnection line from Telok Gong in Melaka to a site in Sumatera).
- The feasibility studies and system study for the projects are currently ongoing and will be completed by mid 2015.

Q4

Please brief shareholders on the Company's PERTALIAN project in Riau, Sumatera as well as its joint development of the Company's 35MW Hybrid Wind and Solar project in Jaffna, Sri Lanka and when would be the closure of the projects?

*...continued*

Answer:

### Jaffna project

- Tenaga has signed **Investment Agreements (IA)** with KLS Energy Sdn. Bhd., KLS Energy Lanka Sdn. Bhd. and KLS Energy Lanka (Pvt.) on 25<sup>th</sup> July 2014.
- The IA allows for the completion of TNB's due diligence exercise and the continuation of exclusive negotiations to finalise the terms and conditions of TNB's proposed investment in the Project.
- The investment decision is expected by early 2015.
- Tenaga's participation in this project will provide an opportunity to penetrate into RE market in Sri Lanka with sizeable market value and capacity.

Q4

Please provide the projected revenue and the profit contributions from both projects?

*...continued*

Answer:

Both Pertalian and Jaffna projects are still at preliminary stage and details are yet to be finalised.

# CORPORATE GOVERNANCE



**Q1** MSWG is promoting standards of corporate governance best practices in PLCs. In this regard, we would like the Board to address the following issue: Minutes of Meetings - We would also like to encourage the Company to publish Minutes of the AGM on the Company's website to be in line with the spirit of transparency and good corporate governance practices based on the ASEAN CG Scorecard which is being used to assess the level of CG standards of PLCs in Malaysia by MSWG.

Answer:

The Board of Directors took note the suggestion made by MSWG and we support the concept of Good Corporate Governance. Tenaga will consider publishing its AGM/EGM minutes in the website upon the Board's deliberation.