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STAKE ACQUISITION

TNB TO BUY 51pc OF SOUTHERN POWER

Special purpose vehicle developing 2x720MW power plant in Pasir Gudang, Johor

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TENAGA Nasional Bhd (TNB) is buying a 51 per cent stake in special purpose vehicle (SPV) Southern Power Generation Sdn Bhd (SPG) for RM51 consideration from SIPP Energy Sdn Bhd.

SPG is developing a 2x720 megawatt combined-cycle gas turbine power plant in Pasir Gudang, Johor.

Prior to the acquisition, SIPP Energy owned 100 per cent of SPG and upon completion of the deal, the latter will become a TNB subsidiary.

The utility yesterday signed a share sale and purchase agreement with SIPP Energy and a shareholders' agreement with SPG for the stake acquisition.

The construction of the power plant is estimated to cost RM4.7 billion and will be financed through a combination of project finance and equity.

The plant is expected to achieve its scheduled commercial operation date on July 1 2020.

The project would enhance TNB's generation capacity and have a positive impact on its earnings, adding long-term value for its shareholders, said TNB in a filing with Bursa Malaysia yesterday.

The acquisition would enhance the certainty of the power project completion, in view of TNB's technical expertise and fi-

nancial strength, it added.

TNB had signed a 21-year power purchase agreement with SPG for the plant in September last year.

"It will increase TNB's generation market share and efficiency of our generation asset portfolio," it said.

The power plant is strategically located in the Pasir Gudang Industrial Zone, which reinforces the security of supply in Peninsular Malaysia, particularly to the southern region.

"TNB, together with appointed advisers, has carried out a comprehensive due diligence and risk assessment on the acquisition of the project," said the utility giant.

The transaction will not have any material effect on TNB's consolidated net assets per share.

The effects on TNB's future earnings and earnings per share will only be determined upon completion of the project.

"Any debt to be raised will increase TNB's consolidated gearing, the quantum of which is dependent on the amount borrowed. The acquisition, however, is not expected to have a material effect on TNB's gearing position," it added.

TNB's shares closed two sen, or 0.14 per cent, higher yesterday at RM13.94, giving it a market capitalisation of RM78.89 billion.

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