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Results review: (from left) Amir, TNB chairman Tan Sri Leo Moggie and Nazmi at the media briefing. — Bernama

New income stream for TNB

Group to benefit from fibre optic rollout starting next year

By CECILIA KOK
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KUALA LUMPUR: Utility giant Tenaga Nasional Bhd (TNB) is expected to see earnings contribution from the National Fiberisation and Connectivity Plan (NFCP) beginning next year.

According to its newly appointed president and CEO Amir Hamzah Azizan, the energy group is currently in the phase of exploring com-

mercially viable penetration for its fiberisation and connectivity business nationwide.

This followed the recent success of the NFCP pilot project in Jasin, Melaka.

The high-speed broadband pilot project was meant to allow TNB to assess the commercial viability for it to embark on possible larger-scale NFCP participation nationwide.

"We are now looking at the

expansion of our fiberisation journey to anywhere that is commercially viable; and we expect to see the first commercially viable rollout sometime this year," Amir told a press conference after the company's AGM.

He said earnings should start coming in from the new business starting financial year ending Dec 31, 2020.

He also noted that the recurrent earnings from TNB's fibre business

would be similar to the model of the group's utility business.

Under the new business, TNB will offer its fibre optic network to Internet service providers such as Telekom Malaysia Bhd, Astro Malaysia Holdings Bhd, Celcom Axiata Bhd, Digi.Com Bhd, Maxis Bhd and Time dotCom Bhd to enable them to provide high-speed broadband services to end-users.

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TNB to allocate RM9bil to RM9.5bil for capex

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"Our shareholders believe this business would be a good addition to the group's existing portfolio," Amir said.

Amir took over the helm of TNB on April 2 this year after the resignation of Datuk Seri Azman Mohd as the group's president and CEO on March 31.

On whether TNB was eyeing new assets to grow its business, Amir said all acquisitions by the group would be viewed on an opportunistic basis.

"TNB continues to look at opportunities to grow its portfolio. When the opportunities come up and are viable to the entity, we would take it to the next stage," he said, adding that the group was currently focused on driving growth of renewable energy.

Meanwhile, TNB chief financial

officer Nazmi Othman said the group would allocate RM9bil to RM9.5bil as capital expenditure (capex) for 2019.

Of the total capex, he said, RM6bil would be used for its grid division and RM2.5bil for its power-generation division, while the remainder would be used for renewable energy and smart-metering expansion.

"A big chunk of the RM2.5bil for power generation would be allocated for our Jimah East power plant in Melaka and the Southern Power Generation (SPG) Pasir Gudang plant," Nazmi said.

Last year, TNB spent RM12bil on capex.

TNB's group revenue grew 6.3% year-on-year (y-o-y) to RM50.39bil in 2018, driven mainly by higher electricity demand, which peaked in August 2018 at 18,338 megawatts, a rise of 3.1% y-o-y.

Net profit, however, was lower at RM3.75bil last year, compared with RM6.91bil in 2017, mainly due to regulatory adjustment as a result of regulatory changes in the Second Regulatory Period (2018-2020), impairment and foreign exchange (forex) translation.

Going forward, Amir said, the bulk of impairments due to overseas investments had already been incurred last year.

As for forex management, the group would continue to look at means to hedge against fluctuations and explore other forms of mitigation against volatility, he said.

Amir said TNB was working closely with its business partners overseas to ensure that their assets remained on a "good footing".

This particularly applies to the group's presence in volatile markets such as Turkey, where it has a 30% stake in GAMA Enerji; India,

where it has a 30% stake in GMR Energy; and Pakistan, where it operates as an independent power producer.

"Turkey has had some economic and financial challenges of late but we see a good future in the long term because electricity demand in the country is expected to rise.

"And if you look at the portfolio that we have in GAMA, the assets are pretty good in terms of the quality of the generation plants, and the water concession in Jordan.

"The key challenge that we have is to manage through the current cycle (in Turkey)," Amir said.

As for India, he said, the country has always had good potential for growth.

"It's one of the developing countries that continues to intensify utilisation of electricity; but there are regulatory challenges that we need to manage," Amir said.