



PRESS STATEMENT

S.A. 2020/02/18 (HQ)

TNB SUSTAINS GROWTH IN CHALLENGING 2019

- **Group PAT up 18.7% to RM4.45 bln**
- **Revenue 1.1% higher at RM50.94 bln**
- **Declares highest dividend payout**

Tenaga Nasional Berhad (TNB) reported an 18.7 percent increase in Group Profit After Tax to RM4.45 billion for financial year ended 31st December 2019 (FY2019) from RM3.75 billion in the corresponding period of 2018. The group revenue rose 1.1 per cent to RM50.94 billion from RM50.39 billion in the same period last year.

The company's performance was mainly attributable to lower impairments and positive contribution from TNB's international subsidiaries recorded in FY2019.

Sales in electricity for the Group increased 3.5 per cent in the reporting period to RM49.02 billion, from RM47.36 billion in 2018. In terms of Gigawatt hours (GWh), electricity sales grew by 2.7 per cent to 123,252.0 GWh, in tandem with the 2.7 per cent demand growth in Peninsular Malaysia in the same period.

Reasonable Performance

TNB President and CEO Datuk Seri Amir Hamzah Azizan described the group's financial performance in FY2019 as 'reasonable' amid operational challenges faced by TNB's Generation business in the last quarter, resulting in a lower contribution to the Group.

During the fourth quarter, two of TNB's coal-fired power plants, namely KEV (Unit 6) and TNB Janamanjung (Unit 2), experienced prolonged forced outages due to technical faults. Both units have since come online in Q1 2020.

International Portfolio

On TNB's international business, Amir said the turnaround exercise of assets in Turkey and India has led to a return of profitable contribution from the associates. The group's investment in Turkey (GAMA Enerji) in which TNB owns 30% equity interest, has shown overall operational performance improvement resulting in higher earnings.

Following impairments taken out on TNB's asset in India (GMR Energy Ltd) in 2018, the company is undergoing a restructuring, primarily through asset monetisation. There were no further impairment for GMR in 4Q of 2019. GMR Energy also successfully completed the sale of three (3)

of their assets, in line with TNB's intention to optimise its existing assets and sustainably grow a value-driven international portfolio.

As for TNB's UK investments, Amir expressed confidence of continuous encouraging performance, exceeding earlier expectation. "We foresee some potential upside in 2020 due to technology enhancement initiatives that we are currently undertaking."

TNB owns two renewable energy companies in the UK, namely Vortex Solar (50 percent stake) and Tenaga Wind Ventures (80 percent stake).

Moving forward, TNB will continue to strive for operational excellence on the international front as a key driver of its strategic transformation plan, Reimagining TNB, added Amir.

Internal Reorganisation

Earlier this month, TNB had obtained its shareholders' approval to undertake an internal reorganisation to split its core businesses of retail and generation into newly incorporated subsidiary companies.

The internal reorganisation involves the transfer of TNB's power generation assets within Malaysia to TNB Power Generation Sdn Bhd. TNB is also transferring its assets in the retail business to TNB Retail Sdn Bhd.

"This scheme of arrangement, in line with our strategic transformation plan, will place the group in an advantageous position to compete ahead of the expected changes in Malaysia's electricity supply industry," said Amir.

By separating the regulated and major-unregulated businesses through the two subsidiaries, shareholders stand to benefit from greater transparency over the business operations and financial performance of each subsidiary.

Rewarding loyal shareholders

The TNB Board of Directors has approved a final single tier dividend of 20.0 sen per share, raising the single tier dividend total to 50.0 sen per share for the Financial Year 2019. This translates to a dividend payout ratio of 56.0% from the Group's Adjusted PATAMI, effectively hitting the higher tier of the company's 30% to 60% dividend policy consistently for the last three (3) financial years.

In addition, the Board of Directors also approved a special dividend of 50.0 sen per share, bringing the total dividend per share to RM1.00, amounting to RM5.69 billion for this financial year. This marks TNB's highest dividend payout to date.

"The Board's approval of the additional special dividend of 50 sen per share is a reflection of our efforts in managing capital effectively, and as an additional reward for the continuous support from our loyal shareholders. We remain committed to deliver shareholder value and will continue to

provide strong effective cash dividend payout to our shareholders by balancing the company's growth with proactive capital management," added Amir.

Economic Stimulus Package

Speaking on the Economic Stimulus Package announced by the Prime Minister earlier this week, Amir Hamzah commented that the electricity industry's contribution through a six-month 15% discount for sectors severely affected by the Covid-19 outbreak, will not affect TNB's financial standing as the discounts will be fully funded through the Electricity Industry Fund or Kumpulan Wang Industry Elektrik (KWIE).

"In addition, TNB will invest RM13 billion this year to augment the electricity industry. This includes RM11 billion capex investments as planned in 2020, and an accelerated implementation of some high value projects of around RM2 billion, which includes projects such as LED street lights, transmission and distribution network projects and rooftop solar installations," he added.

Outlook

"The Malaysian economy grew by 3.6% in the fourth quarter of 2019 (3Q 2019: 4.4%). Growth was underpinned by stronger private sector expenditure, amid supply disruptions in the commodities sector. For 2019 as a whole, the economy expanded by 4.3% (2018: 4.7%).

Economic growth in Malaysia for 2020, particularly in the first quarter of the year, will be affected by the Covid-19 outbreak. The impact will be felt largely in tourism-related sectors, and to a certain extent, in the manufacturing sector through disruptions within the global supply chain and the expected slowdown in PR China. This will exert additional pressure to the electricity demand growth, primarily in the industrial sector.

Despite the above-mentioned challenges, the Board of Directors is of the view that the performance of the Group is expected to remain resilient for financial year ending 31 December 2020."

Financial Highlights

RM' Million	12 Months Ended 31 st Dec'19	12 Months Ended 31 st Dec'18
Total Revenue	50,939.7	50,392.5
Operating Expenses	(43,561.5)	(43,854.7)
Other Operating Income	1,131.0	825.1
Operating Surplus (EBIT)	<u>8,206.8</u>	<u>6,875.6</u>
Finance Cost	(3,382.7)	(1,688.5)
Forex Translation Gain / (Loss)	200.6	(393.1)
Profit (before Forex Translation Gain / (Loss))	4,328.6	4,116.8
Profit Attributable to Owners of the Company	4,529.2	3,723.7
Profit for the Period	4,445.0	3,745.0
Earnings per share	79.64 sen	65.62 sen

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*Kindly forward all press enquiries to Fitri Majid at 013-3626923 /
Grace Tan at 016-6626229 / Nasir Aziz at 018-9434524
or email us at media@tnb.com.my*

About Tenaga Nasional Berhad

TNB's core activities are in the generation, transmission, and distribution of electricity. In addition to being the nation's primary electricity generation enterprise, TNB also transmits and distributes all the electricity in Peninsular Malaysia, Sabah and Federal Territory of Labuan. As at 30 September 2019, TNB supplies electricity to approximately 9.8 million customers.

TNB, through its subsidiaries, is also involved in the manufacturing of transformers, high voltage switchgears and cables; the provider of professional consultancy services, construction and operating and maintenance of district cooling facilities, generation equipment, repair and maintenance, fuel supply services; services related to renewable energy, energy efficiency and power quality; higher education and skill training and undertakes research and development.

As an integrated electricity provider, TNB has and will continue to meet its crucial role in powering the nation's progress.

For further information, please visit www.tnb.com.my.