



PRESS STATEMENT

S.A. 2020/06/46(HQ)

TNB AFFECTED BY VOLATILE FOREIGN EXCHANGE IN Q1 2020, PREPARES FOR PROLONGED CHALLENGES POST COVID-19

- Group PAT down 51% to RM736.7 million
- Revenue fell 12% to RM11.65 billion
- Electricity sales stable at 27,938.2 GWh

Tenaga Nasional Berhad's group profit after tax (PAT) declined by 51.6 percent to RM736.7 million in the First Quarter Financial Year 2020 (1QFY2020) from RM1.52 billion in the same period last year. The lower PAT includes unrealised forex loss of RM388 million. The quarter saw volatile forex due to uncertainties in the global economy.

The Group's revenue decreased 12.0 percent to RM11.65 billion from RM13.24 billion in the same period last year, as overall revenue was impacted by the Imbalance Cost Pass Through (ICPT) being in a rebate position of RM307.5 million as against a surcharge position of RM1.37 billion in the corresponding quarter.

Electricity sales in the first three months of this year was however, stable at 27,938.2 GWh or RM11.78 billion compared with 28,471.1 GWh or RM12.03 billion in the first quarter of 2019. EBITDA margin improved 3.8 percent year-on-year due to a 15.4 percent decrease in operating expenses in the first quarter of 2020.

International Portfolios

In March 2020, TNB acquired the remaining 20 percent stake of Tenaga Wind Ventures UK Ltd. The Group intends to leverage on its UK investments and assets as a platform to grow its Renewable Energy portfolio, given the growth potential as the world shifts towards sustainable energy sources.

TNB reported that the COVID-19 pandemic is impacting the progress of the Group's initiatives to reduce its current exposure; including the restructuring and turnaround exercise and sale of investment, particularly in its 30 percent owned companies in GAMA (Turkey) and GMR (India). However, the Group's UK assets are insulated by the long-term subsidy scheme.

Going forward, TNB will leverage on its existing UK assets and market experience to build up a sizeable renewable energy portfolio by 2021 through acquisitions of both operating assets and development of greenfield projects.

Unprecedented Impact from COVID-19

The seasonal dry spell in March initially pushed Peninsular Malaysia's power consumption to an all-time high of 18,808 MW on 10th March 2020. This uptrend was disrupted by the imposition of the Movement Control Order (MCO) on 18th March 2020.

As a result, the overall electricity consumption in Peninsular Malaysia fell as businesses shut their operations in adherence to the government's stay-at-home directive during the MCO.

Electricity usage in the industrial and commercial sectors dropped between 25 percent and 50 percent as business industries halted activities while usage in the residential sector surged between 20 percent and 50 percent as families stayed indoors and workers worked from home.

Overall, demand contracted by 1.9 percent in 1QFY'20, before the full impact of the COVID-19 and corresponding MCO periods. However, demand for May 2020 fell by 28 percent as compared to May last year. TNB expects the electricity consumption to drop between 7-15 percent Year-on-Year for 2020, mainly due to slowdown of activities in the commercial sector.

Nevertheless, earnings of TNB's regulated revenue cap entities are guaranteed at demand growth of between 1.8 percent and 2.0 percent as stipulated by the Incentive-Based Regulation (IBR) guidelines in the Second Regulatory Period or RP2 (2018 to 2020).

Leading Corporations in COVID-19 Recovery

As the Government announced immediate and follow-through responses to address the severe impact of COVID-19 on the nation's economy and livelihoods of the people, TNB led Malaysian corporations in extending contributions at scale to provide immediate relief as well as to support initiatives for long-term economic recovery.

"As an essential services provider, TNB has a critical role in supporting the Malaysian Government's efforts to revive the economy and assist those whose livelihoods are affected. Facilitating economic stimulus at this time should be made a priority. For TNB, even though we are facing a hit to our revenue collection, we can remain resilient due to a robust balance sheet. Giving more now to help the nation rise out of this economic slump is going to yield better times for all of us collectively," said TNB President and Chief Executive Officer, Amir Hamzah Azizan.

In addition to an immediate RM10 million provided to the Ministry of Health at the onset of the pandemic, TNB also extended another RM17.5 million to State Governments to secure essential medical supplies and protective equipment, and to address the most pressing needs in the early stages of the MCO.

TNB further allocated RM150 million to fund the tiered electricity discounts of between 2 percent and 50 percent from April to September 2020, announced as part of the government's PRIHATIN stimulus package.

To further cushion the impact of COVID-19 on the rakyat, TNB has offered a six-month instalment plan to all its 7.5 million customers, surcharge waiver on late payment and an extension of supply disconnection suspension.

“We are all in this fight together. We have seen the serious implication of the pandemic and the MCO on the economy, which are also showing in the unemployment numbers. At TNB we are committed to doing everything we can to assist the rakyat through this challenging period, to help make life a little bit better and brighter,” said Amir.

Company Strategy and Outlook

Despite bracing for the impact of COVID-19 and disruptions arising from the MCO in the next Quarter, the Group is on track with its strategic transformation plan, ‘Reimagining TNB’, and will continue its internal restructuring exercise to carve out the Group’s Generation and Retail businesses into fully-owned subsidiaries.

As for the company’s dividend policy, Amir reiterated that TNB will honor its dividend policy of 30 percent to 60 percent dividend payout ratio based on the reported Consolidated Net Profit Attributable to shareholders after minority interest, excluding extraordinary, non-recurring items.

Economy Outlook

The Malaysia economy shrank to 0.7% in the first quarter of 2020* (4Q 2019: 3.6%), reflecting the impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the Movement Control Order (‘MCO’) in Malaysia. Malaysia’s economic prospects for 2020 is being affected by the COVID-19 pandemic. However, economic activity is expected to gradually pick up in second half 2020 and to register a positive recovery in 2021.

Given the ongoing COVID-19 pandemic and the uncertainties in global economic environment, the Board of Directors foresees prolonged challenges on the Group’s prospect for financial year ending 31 December 2020. The Group has taken the necessary measures to ensure the stability of its finances and operations.

**Bank Negara Report dated 15th May 2020.*

Financial Highlights

RM' Million	3 Months Ended 31 st Mar 2020	3 Months Ended 31 st Mar 2019
Total Revenue	11,654.5	13,244.8
Operating Expenses	(9,544.6)	(10,680.7)
Other Operating Income	215.5	221.5
Operating Profit (EBIT)	<u>2,223.8</u>	<u>2,505.9</u>
Finance Cost	(898.0)	(704.5)
Profit (before Forex Translation Gain / (Loss))	1,105.9	1,293.3
Forex Translation Gain / (Loss)	(388.0)	263.5
Profit Attributable to Owners of the Company	717.9	1,556.8
Profit for the Period	<u>736.7</u>	<u>1,521.2</u>
Earnings per share	12.62 sen	27.38 sen

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 31 March 2020, TNB supplies electricity to approximately 9.9 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.

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*For inquiries, please contact Shamshul Fitri b. Abdul Majid at 013-3626923 /
Muhammad Nasiruddin Aziz at 018-9434524 / Grace Tan at 016-6626229
or email to media@tnb.com.my*