



SIARAN AKHBAR PRESS STATEMENT

S.A.2017/07/50(HQ)

TNB RECORDED 7.3% LOWER PROFIT AFTER TAX

9 months ended 31st May 2017 (9MFY2017)

- 7.3% reduction in Profit After Tax due to Increased Finance Cost and Taxation
- Sustained capital expenditure “capex” reinvestment of RM7.54 billion towards meeting the energy needs of the nation

Kuala Lumpur, 27th July 2017 – Tenaga Nasional Berhad (TNB) today announced a Group Profit After Tax (PAT) of RM5.18 billion for the nine months of Financial Year 2017 (9MFY2017), as compared to RM5.58 billion reported in the corresponding period last year. The 7.3% reduction in the Group profit was mainly due to increased finance cost and taxation for the period under review.

The higher finance cost was mainly due to first time recognition of interest on Power Purchase Agreement (PPA) Saving Fund of approximately RM0.15 billion. To recap, PPA Saving Fund is the fund set-up by the Government in 2013 to accumulate savings from the Renegotiation of PPAs with the First Generation Independent Power Producers (IPP). TNB is currently the temporary custodian of this fund, until the amount is being reverted to the government.

This is in line with the newly gazetted Federal Government Electricity Supply (Electricity Industry Fund) Order 2017 in April 2017. The interest is made payable to the government.

The PAT was further impacted by increased taxation mainly due to increase in deferred taxation expense, resulting from higher capitalisation of asset during FY2016 and FY2017 recognised in the third quarter of FY2017.

During the period under review, the average coal price was recorded higher at RM312.30 per metric tonne as compared to RM234.70 per metric tonne for 9MFY2016. This resulted in 6.2% increase in Group operating expenses for 9MFY2017. However, this increase was mitigated by the 5.0%

increase in revenue, mainly attributed to the recoverability of the higher generation costs via the effective implementation of government approved Imbalance Cost Pass Through (ICPT) mechanism. The PAT of the regulated business under IBR framework that mainly consists of Transmission and Distribution businesses was recorded at RM3.09 billion for 9MFY2017, representing 59.6% of the Group PAT for the same period.

TNB President and Chief Executive Officer, Datuk Seri Ir. Azman Mohd, commented: “The ICPT mechanism, a part of the wider regulatory reform called the Incentive Based Regulation (IBR) allows for the Group’s regulated businesses to be financially neutral from any variation in generation costs and fuel prices.”

Datuk Seri Ir. Azman Mohd, further added: “We will remain committed towards unlocking values across the Group, from both our regulated and also non-regulated businesses. Our Transmission and Distribution achievements for the past few years have been consistently at par with those in developed countries, with system minutes being recorded at below 1 minute and System Average Interruption Duration Index or SAIDI below 50 minutes. For non-regulated business, our Generation Plant Availability Factor or EAF registered a sustainable improvement since Financial Year 2014.”

TNB continuously ensure that energy needs of the rakyat through continuous investment within the Malaysian electricity supply industry. For nine-month of FY2017, a total of RM7.54 billion of capital expenditure or capex was reinvested back into the nation. This strengthen the Group balance sheet with total Group asset base increased to RM138.2 billion as at 31st May 2017.

The Board of Directors took note of the observations made by Bank Negara Malaysia (BNM) and International Monetary Fund (IMF) in July 2017 that the Malaysian economy is performing better than expected, with an optimistic outlook moving forward. IMF on 24th July 2017 through its World Economic Outlook upgraded the country’s gross domestic product (‘GDP’) growth projection for 2017 to 4.8% from 4.5%. The Board is expecting that the unit electricity demand will grow in line with the projected GDP growth.

Notwithstanding the above, the Board remains cautious on the Group’s outlook for the year ending 31st August 2017, given the prospect of volatility in the global commodity and energy prices.

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Financial Highlights

RM' Million	9-month ended May	
	<u>FY2017</u>	<u>FY2016</u>
Total Revenue	34,953.1	33,294.8
Operating Expenses	(28,466.2)	(26,816.4)
Other Operating Income	544.8	508.2
Operating Surplus (EBIT)	<u>7,031.7</u>	<u>6,986.6</u>
Finance Cost	(1,158.5)	(758.9)
Forex Translation Loss	(11.4)	(275.2)
Net Profit (before Forex Translation Loss)	5,196.2	5,880.6
Net Profit Attributable to Owners of the Company	5,184.8	5,605.4
Earnings per share	91.62 sen	99.32 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 31st August 2016, TNB supplies electricity to approximately 9.1 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.