



SIARAN AKHBAR PRESS STATEMENT

S.A. 2019/05/32 (HQ)

TNB'S PAT DOWN 28.1%, REVENUE UP 7.9% IN 1ST QUARTER FY2019

- Revenue rose 7.9% to RM13.24 billion
- Posts PAT of RM1.52 billion

Kuala Lumpur, 27th May 2019 – Tenaga Nasional Berhad (TNB) today announced higher revenue for the first quarter of 2019 on the back of stronger electricity sales but Group Profit after Tax for the period was lower due to Other Regulatory Adjustment and impairments.

Releasing its first quarter results for the financial year ending 31st December 2019 (1QFY2019), TNB said Group revenue rose 7.9% to RM13.24 billion for the first three months of the year compared with the same period of last year.

The Group's EBITDA also recorded an increase, up by 17.6% at RM4.96 billion, given an EBITDA Margin of 37.5% due to the impact of the Malaysian Financial Reporting Standards (MFRS) 16.

However, Group Profit after Tax or PAT declined 28.1% to RM1.52 billion for the quarter as a result of Other Regulatory Adjustments to be returned, impairments for its international investments and higher tax in the quarter due to reinvestment allowance incentive is no longer available in the current year of assessment.

Financial:

Electricity sales grew 5.2% to 28,471.1 GWh in 1QFY2019 from 1QFY2018, mainly due the 4.5% growth in GDP in Malaysia for the same period. Higher sales in this period are expected to be due to increase in electricity usage, partly due to current hot weather in the country. The EBITDA margin seen by TNB in 1QFY2019 is positive given TNB has undertaken a major initiative to restructure its internal business services to increase productivity to support TNB's expansion at scale as well as initiatives to expand the business into the sphere of unregulated businesses such as rooftop solar PV system and High Speed Broadband.

Industry Outlook:

In tandem with the Malaysian government's target to grow renewables' proportion of the total generation capacity mix from 2% currently to 20% by 2025, TNB had set a target to grow its renewable energy capacity to 1,700MW both domestically and internationally by 2025.

With MESI 2.0 expected to be announced this year, under the leadership of Chief Executive Officer / President, Amir Hamzah Azizan, TNB has begun executing strategic initiatives to ensure that its business models are well poised to succeed within the pillars of future generation sources, smart grid and customer centricity.

Local Ventures

TNB Renewables Energy Sdn Bhd (TRe), a wholly-owned subsidiary of TNB is spearheading and accelerating TNB's renewable energy (RE) business growth in Malaysia via a three-pronged RE strategy by capturing growth opportunities in utility-scale RE assets, small-scale RE assets, and expanding retail self-generation platform.

GSPARX Sdn Bhd, a fully owned subsidiary of TRe, operates on the business model to provide solar photovoltaic system for residential customers, through cash and leasing options. A total amount of 1.3MWp worth of RE contracts have been confirmed under GSPARX to date.

In addition, TNB has also partnered with the Malaysian Green Technology Corporation with a target to install up to 10,000 EV charging stations nationwide.

In efforts to expand the capacity of the (LSS) business, TNB is looking to increase its renewable energy portfolio by 70MW through participation in the third round of the Large Scale Solar (LSS3) scheme. TNB currently has 50MW and 30MW LSS assets in Sepang, Selangor and Bukit Selambau respectively. The LSS in Sepang has been in commercial operations since November 2018 while Bukit Selambau is in early construction stage with expected commercial operations in late 2020.

International Assets:

While expanding domestic generation capacity, TNB is continuously building additional international generation capacity in selected international strategic markets. TNB's priorities are in growing its renewable capacity in new markets with strong growth prospects to improve the performance of the existing generation fleet. This is in line with TNB's aim to position itself as the leader in renewable energy in the ASEAN region.

“Given the current economic climate, we are focusing upon strengthening our businesses and position in the countries in which we operate, by taking prudent positions on the investments and ensuring that the business models in those countries are on sound footing as well”, said Amir Hamzah Azizan, TNB President/Chief Executive Officer.

Amir Hamzah added that, “TNB has taken the bulk of its impairments and is exploring hedging options to mitigate foreign exchange losses as part of its plan to mitigate consequential financial impacts from the investments.”

Specifically, electricity demand in Turkey is expected to rise and the portfolio of assets owned in Gama Enerji AS, is a lucrative one given the generation plant quality and water concession. Despite having faced financial challenges, TNB’s strategic investment team projects positive long-term return on the investment.

Investments in India, on the other hand, have shown affirmative potential for growth as the utilisation of electricity in the country is projected to intensify. The country is also opening doors to new and upcoming power projects to cater for the large demand volume of energy in India.

General Economic Statement

On the Economic Outlook, the Malaysian economy growth was moderate at 4.5% in the first quarter 2019 (4Q 2018: 4.7%), driven mainly by the expansion in domestic demand. For 2019, growth in the Malaysian economy is expected to remain on a steady path supported by monetary measures by Bank Negara and continued expansion in domestic demand.

(Bank Negara Malaysia, http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=4850)

Given the aforementioned scenarios, the performance of the Group is expected to remain stable for Financial Year 2019.

Financial Highlights

RM' Million	3 Months Ended 31 st Mar'19	3 Months Ended 31 st Mar'18 (Restated)
Total Revenue	13,244.8	12,274.0
Operating Expenses (Without Depreciation)	(8,223.2)	(8,230.1)
Other Operating Income	221.5	182.5
Operating Surplus (EBIT)	<u>2,505.9</u>	<u>2,689.7</u>
Finance Cost	(704.5)	(391.2)
Forex Translation Gain / (Loss)	263.5	89.0
Net Profit (before Forex Translation Gain / (Loss))	1,293.3	2,030.7
Net Profit Attributable to Owners of the Company	1,556.8	2,119.7
Earnings per share	27.38 sen	37.41 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 2019, TNB supplies electricity to approximately 9.5 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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