



PRESS STATEMENT

S.A. 2019/08/57 (HQ)

STEADY GROWTH IN TNB'S PERFORMANCE AHEAD OF INDUSTRY REFORMS

- Revenue up by 5.4% to RM26.12 billion in 1HFY2019
- Group Net Profit down 20.4% due to adoption of MFRS 16, Other Regulatory Adjustments & higher finance cost
- Share of associates improving

Tenaga Nasional Berhad (TNB) today announced a 5.4 per cent increase in Group revenue to RM26.12 billion for the first half of financial year ended 30th June 2019 (1HFY2019), compared with RM24.77 billion in the same period last year.

The higher revenue was mainly attributed to the increase in the group's sales of electricity of 5.6 per cent from RM23.27 billion in the corresponding period a year ago to RM24.58 billion. In terms of GWh, electricity sales grew by 5.1 per cent to 61,882 GWh in 1HFY2019 in tandem with the 4.5 per cent and 4.9 percent growth in Malaysia's Gross Domestic Product (GDP) in the first and second quarter of the year respectively, as well as hot weather during the period. Peninsular Malaysia recorded an all-time high peak demand of 18,566 MW on April 18, 2019.

Group Profit Attributable to Owners of the Company (Net Profit) in 1HFY2019 was lower at RM2.67 billion mainly due to the adoption of Malaysian Financial Reporting Standards (MFRS) 16 – Leases, effective January 2019, which negatively impacted the 1HFY2019 Group Net Profit by RM112.2 million. This is a non-cash adjustment to the Group.

Other Regulatory Adjustments made for the period of RM0.81 billion, which was only first recognised in the fourth quarter of financial year ended 31st December 2018, also further reduced the Group Net Profit. In addition, there has been a significant increase in finance cost reported for 1HFY2019 mainly due to the impact of MFRS 16 and new borrowings by the Group.

Operating expenses rose by 6.3 per cent in the first six months of 2019 mainly due to higher generation cost in line with the increase in electricity demand. The increase in generation cost was contributed by higher gas price and gas consumption.

TNB investments portfolio, both domestic and international, which is reflected in the result of share of associates showed positive contribution of RM70.0 million as opposed to a loss of RM92.9 million in the corresponding period last year.

“We are beginning to see progress from the turnaround efforts after five challenging quarters in the International Division,” said TNB President/Chief Executive Officer, Amir Hamzah Azizan.

“This augurs well for TNB as we continue to drive transformation efforts ahead of the pending industry reforms to the Malaysian Electricity Supply industry. In tandem with transformation initiatives to better manage our core businesses, we are sharpening our focus on ensuring TNB’s international portfolio continues to add value to the group,” he added.

TNB owns a 30 per cent stake in Indian power company, *GMR Energy Ltd*, a 30 per cent stake in *GAMA Enerji*, Turkey and two renewable energy companies in the U.K., *Vortex Solar* (50 per cent stake) and *Tenaga Wind Ventures* (80 per cent stake).

Ahead of the industry reforms under the Malaysia Electricity Supply Industry 2.0 (MESI 2.0) expected to be announced soon, TNB had in July 2019 announced a corporate restructuring exercise to establish independent generation and retail business entities in anticipation of a more liberalised market.

“The restructuring is a key enabler of TNB’s 5-year corporate strategy – Reimagining TNB, that commenced in 2016 to bring the company to its next stage of growth at the global level,” said Amir Hamzah.

“In Malaysia, TNB will continue to work closely with the government and our regulator to facilitate a gradual and managed change through the MESI 2.0 framework, taking into consideration the key interests of all stakeholders, in particular everyday consumers,” he added.

Amir said the Group remains committed to create a long-term value for TNB shareholders by consistently delivering optimum dividends for each financial year.

“For 1HFY2019, the Board has approved a single-tier interim dividend of 30 sen per ordinary share, amounting to a dividend payout of RM1.71 billion. This translates to dividend payout ratio of 54.5% from the Group’s Adjusted PATAMI, which is on the higher tier of the 30% to 60% company’s dividend policy,” he said.

He added that to support demand growth this year and beyond, TNB is maintaining, modernising and upgrading the power infrastructure with RM5.46 billion capital expenditure spent as of 1HFY2019. (FY2018: RM11.82 billion).

On the Economic Outlook, the Malaysian economy recorded a stronger Gross Domestic Product (GDP) growth of 4.9% in the second quarter 2019 (1Q 2019: 4.5%), supported by continued expansion in domestic demand and across all economic sectors. For 2019, the Malaysian economy is expected to remain on a steady growth path supported by private sector activity with a baseline projection growth of between 4.3% to 4.8% for the year.

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

Financial Highlights

| RM' Million | 6 Months Ended 30 th Jun'19 | 6 Months Ended 30 th Jun'18 (Restated) |
|--|--|--|
| Total Revenue | 26,120.8 | 24,771.9 |
| Operating Expenses | (21,621.2) | (20,340.9) |
| Other Operating Income | 448.4 | 382.4 |
| Operating Surplus (EBIT) | <u>4,578.4</u> | <u>4,704.1</u> |
| Finance Cost | (1,644.6) | (771.8) |
| Forex Translation Gain / (Loss) | (8.7) | (80.6) |
| Profit (before Forex Translation Gain / (Loss)) | 2,681.7 | 3,437.6 |
| Profit Attributable to Owners of the Company | 2,673.0 | 3,357.0 |
| Profit for the Period | 2,651.3 | 3,385.2 |
| Earnings per share | 47.00 | 59.20 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 30 June 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.

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