

SIARAN AKHBAR PRESS STATEMENT

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HIGHER COAL PRICES TO IMPACT TNB'S EARNINGS

- 6.1% increase in Operating Expenses due to higher coal prices
- 5.3% increase in Group Revenue
- 5.0% Unit electricity demand growth in Peninsular Malaysia
- Net profit of RM712.9 million
- EBITDA margin at 28.5% compared to 29.5% for the corresponding period in FY2010
- Incremental USD10/mt increase in coal prices, would reduce earnings by approximately 18.0%
- Prolonged coal supply disruptions to further increase coal prices

Kuala Lumpur, 19 January 2011 –Tenaga Nasional Berhad (TNB) today announced a net profit of RM712.9 million, for the 1st Quarter of the Financial Year ending 31 August 2011 (FY2011).

RM million	FY2011	FY2010
Unit Sales (Peninsula) (Gwh)	22,826.3	21,743.2
Revenue	7,726.4	7,338.3
Operating Expenses	(6,557.6)	(6,179.9)
Forex Translation Gain/(Loss)	(104.8)	(45.4)
Net Profit/(Loss)	712.9	706.3
EBITDA margin	28.5%	29.5%

The Group's performance reflects a 6.1% increase in operating expenses mainly attributed to the higher cost of electricity generation from the increase in demand and coal prices. Resulting from the higher operating expenses incurred, the Group reported a lower EBITDA margin of 28.5% as compared to 29.5% reported in the 1st quarter of FY2010. Group revenue recorded a 5.3% increase driven by electricity sales as a consequence of the demand growth of 5.0% in Peninsular Malaysia and 6.4% in Sabah.

Commenting on the Group's electricity demand growth, TNB's Chairman, Y. Bhg. Tan Sri Leo Moggie commented that "analysis of electricity growth year-on-year in Peninsular Malaysia shows demand growth at 5.0% during the 1st Quarter of FY2011, driven principally by the commercial and domestic sectors that recorded demand growth of 7.7% and 9.0% respectively."

The 5.3% increase in the Group's revenue was met by an increase of 6.1% from operating expenses principally from the higher cost of electricity generation. With fuel cost being a pass-through for all IPPs under the Power Purchase Agreements, the Group bears the full cost of higher coal prices and this is reflected in the higher average price of coal incurred during the period of USD95.5/mt, compared to USD79.5/mt in FY2010, reflecting a 20.1% increase over a 12 months period.

TNB's President/Chief Executive Officer, Y. Bhg. Dato' Sri Che Khalib Mohamad Noh elaborated on the operating expenses, in particular the impact on TNB from higher coal prices. He commented that "with generation from coal-fired power plants increasing to 40.2% to meet increasing demand, the higher coal price has increased total operating costs.

With current coal prices continuing to rise, and as of 14 January 2011, the reference Australia's Newcastle coal price index was trading at USD136.50/mt and South Africa's Richards Bay API4 Index at USD128.30 (source: *globalCOAL*), this has exceeded our earlier estimates. It is now critical that the fuel cost pass-through mechanism be considered to ensure TNB's rising costs are adequately compensated. Under the current tariff, TNB's coal cost is only covered up to USD85/mt. It is projected that for every USD10/mt increase in coal prices, TNB's earnings would deteriorate by approximately 18.0%."

Tan Sri Leo Moggie went on to announce the Group's Headline Key Performance Indicators (KPI's) for FY2011. He highlighted that "Financial Year 2011 sees TNB embarking on the second phase of our 20-Year Strategic Plan. The Plan known as '*GEMILANG2015- Growth, Global, Green*' encompasses four strategic themes that call for us to grow a profitable and sustainable business, delight our customers, enhance operational excellence, as well as enhance human capital development and productivity. This phase is the first step towards

expanding its operations across the region. It is also crucial that we establish a strong footing in the international arena to create a new and significant revenue stream leveraging on TNB's experience and competency in the energy business. We recognize that this phase will be vital for our sustainable growth and since the foundation has been established, TNB is ready to pursue new frontiers of operations. In line with this 2nd phase, a new KPI namely revenue from non-regulated businesses has been introduced.

Notwithstanding the above, our continued quest towards further improving the efficiency of our operations and fundamentals whilst providing high quality and reliable services to our customers will still be measured through the KPIs. I wish to highlight that as for Return on Assets (ROA), the target set of 4.5% is based on the current guidance for demand growth of 5.0% and coal prices at USD85/mt."

For the current financial year, demand growth is expected to be in line with the projected GDP of 5% – 6%. However, the rising coal prices will weigh down operating margins. Whilst Management will continue with efforts to improve productivity, raise operational efficiencies and provide reliable electricity supply as reflected by the Headline KPIs, TNB's operating margins will continue to be depressed by the rising coal prices.

The coal supply disruptions due to inclement weather conditions and higher demand for coal due to the severe winter in the Northern Hemisphere have resulted in rising coal prices. Any further increases in coal price will significantly erode TNB's earnings in the coming quarters.

Given the foregoing scenario, the Board of Directors expects the Group's prospects for the year ending 31 August 2011 to be very challenging.

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Kindly forward all press enquiries to Arziril Alim Azizi at 019-2686630 or
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Financial Highlights

RM' Million	3 months ended 30 November	
	<u>FY2011</u>	<u>FY2010</u>
Total Revenue	7,726.4	7,338.3
Operating Expenses	(6,557.6)	(6,179.9)
Other Operating Income	84.6	82.8
Operating Surplus (EBIT)	<u>1,253.4</u>	<u>1,241.2</u>
Finance Cost	(249.1)	(260.0)
Forex Translation (loss)/gain	(104.8)	(45.4)
Net Profit (before forex translation loss)	817.7	751.7
Net Profit Attributable to Shareholders	712.9	706.3
Basic (Loss)/Earnings per share	16.38 sen	16.28 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 August 2010, TNB supplies electricity to approximately 7.9 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