

# SIARAN AKHBAR

## PRESS RELEASE



**TENAGA  
NASIONAL BERHAD**  
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### GEARING UP FOR SERVICE EXCELLENCE 10/10

- Net Profit before foreign exchange translation gain of RM1,060.0 million
- Revenue increased by 14.1%
- Operating Expenses increased by 3.9%
- EBITDA margin at 40.0%
- EBIT margin at 26.6%
- ROA increased to 7.5% (5.7% based on annualized adjusted profit)
- Economic loss of RM70.0 million compared to loss of RM446.0 million in corresponding period of FY2006.

*Kuala Lumpur, 25 January 2006* - Tenaga Nasional Berhad (TNB) today announced a net profit before foreign exchange translation gain of RM1,060.0 million for the first quarter of the financial year ending 31 August 2007 (FY2007).

While the Group's performance was supported by the combination of an increase in electricity unit demand growth of 4.6% as well as the new tariff effective from 1<sup>st</sup> June 2006, it also benefited from a write back of deferred tax provision arising from the reduction in corporate income tax rate from 28% to 27% for the year of assessment 2007 as well as the part recovery from a delinquent account.

Relative to a 14.1% increase in the Group's revenue, operating expenses increased by 3.9% compared to 12.2% in the corresponding period in FY2006. With the commissioning of Tanjong Bin in September 2006, IPP cost increased by 10% in the first quarter of FY2007 and is expected to increase further with the commissioning of additional new capacity in February 2007. The higher IPP cost incurred in the first quarter of FY2007 however, was cushioned by a 33.3% reduction in general expenses and provisions.

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With the lower increase in operating expenses, the Group reported EBITDA margin at 40.0% and EBIT margin at 26.6% compared to 33.7% and 18.8% respectively in the corresponding period of FY2006.

Speaking at the press conference today, TNB's Chairman, Tan Sri Datuk Amar Leo Moggie acknowledged that "while the Group's performance is partially attributed to the new approved tariff rate accorded by the Government, it also reflects the continuous efforts by the Group to improve efficiency and strive towards business and service excellence. This is supported by our key focus for FY2007 of "Capacity Building" to support our "Service Excellence" objective by 2010."

TNB's President/Chief Executive Officer, Dato' Sri Che Khalib Mohamad Noh went on to announce the Group's Headline Key Performance Indicators ("KPIs") and Company-Wide Initiatives for FY2007. He highlighted that "under the Headline KPIs, the Group had introduced Transmission System Minutes as an additional KPI, as it is one of the key means to measure the efficiency of our transmission network."

"As for the Company-Wide Initiatives for FY2007, the focus will be on how TNB can create value from realization of its land bank, improve on debtors ageing accounts and recover amounts owing from theft of electricity. This has been targeted at RM400.0 million. In addition, we will move towards improving working capital and balance sheet efficiency."

"Notwithstanding the new initiatives declared for FY2007, we will continue in our efforts to manage cost through cost saving initiatives implemented previously which will be tracked under our "business as usual" operations. "

"In fact, as a result of the initiatives put in place in FY2005 and FY2006, we achieved a total of RM962.4 million and RM893.7 million respectively, in terms of value creation and cost savings. These initiatives will continue through FY2007 to provide value in terms of reduction in operating costs which is apparent in our results."

Dato' Sri further added that "with the strengthening of the Ringgit against the US Dollar, we have also benefited from lower interest cost incurred as well as from coal procurements effected during the period."

Tan Sri Datuk Amar went on to highlight that "the higher EBITDA margin achieved for the period of 40.0% and annualised ROA of 7.5% has not factored in the full impact of the oncoming plant capacity of Tanjong Bin in FY2007. The challenges ahead would be sustainability in light of inflationary pressures and managing the cost of industry excess capacity over the medium term. "

For the first quarter FY2007 the Group reported an economic loss of RM70.0 million compared to an economic loss of RM446.0 million reported for the corresponding period last year. Economic profit (or loss as the case may be) measures the value that a company generates using its capital over a period of time.

The ongoing implementation of the projects outlined under the 9th Ninth Malaysia Plan, further supported by the Government's drive to promote tourism under the Visit Malaysia 2007 banner is expected to provide the stimulus for continued growth to the Malaysian economy. This in turn could potentially translate to increased electricity demand growth.

The Group's first quarter FY2007 results reflects a substantial increase in net profit attributable to shareholders, arising from the new tariff accorded by the Government as well as from the continued cost savings achieved from all the initiatives implemented over the last few years. However, the higher cost from the impact of the additional new IPP capacity to be commissioned in FY2007 has not been fully factored into the results. With the commitment of Management to further drive operational efficiency and service excellence the Board of Directors is of the view that the Group's financial performance for the full year of FY2007 is promising.

## Financial Highlights

RM' Million	3 months ended 30 November	
	<u>FY2007</u>	<u>FY2006</u>
Total Revenue	5,601.7	4,911.4
Operating Expenses	(4,252.7)	(4,092.4)
Other Operating Income	143.0	103.6
<b>Operating Surplus (EBIT)</b>	<u>1,492.0</u>	<u>922.6</u>
<b>Finance Cost</b>	(314.2)	(403.1)
Forex Translation gain/(loss)	186.2	362.5
<b>Net Profit [before forex translation gain/(loss)]</b>	1,060.0	233.1
<b>Earnings per share</b>	29.8	14.8

### 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 2006, TNB supplies electricity to approximately 6.8 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, civil and electrical engineering works and services, repair and maintenance services and fuel; undertakes research and development and project management services.

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](http://www.tnb.com.my).