



SIARAN AKHBAR

PRESS STATEMENT

S.A. 2008/01/01(HQ)

PRESSURE ON CORE EARNINGS GROWTH FROM HIGHER ELECTRICITY GENERATION COST

- Net Profit before foreign exchange translation gain of RM1,272.5 million
- Revenue increased by 10.8% while operating expenses increased by 11.5% principally from a RM333 million increase in generation cost
- EBITDA margin at 40.3%
- Economic profit of RM4.9 million compared to an economic loss of RM71.8 million previously

Kuala Lumpur, 15 January 2008 - Tenaga Nasional Berhad (TNB) today announced a net profit before foreign exchange translation gain of RM1, 272.5 million for the first quarter of the financial year ending 31 August 2008 (FY2008).

The Group's performance was driven by a 7.7% increase in electricity demand growth and a corresponding 8.8% increase in revenue from electricity sales. Consequently, the Group's total revenue rose by 10.8% from RM5, 601.7 million to RM6, 208.3 million.

Commenting on the Group's electricity demand growth, TNB's Chairman, YBhg.Tan Sri Datuk Amar Leo Moggie commented that "electricity demand growth in Peninsular Malaysia was reported at 8.6% for the period and 11.6% in Sabah. While these numbers are encouraging, we have not revised our outlook for electricity demand for the full year of 6.0 – 6.5%, but will monitor developments over the next few months."

The 10.8% increase in the Group's revenue was matched by an increase of 11.5% from operating expenses principally from the higher cost of electricity generation. With the commissioning of Tanjung Bin Power Sdn Bhd's 3rd Unit on 31 August 2007, total capacity payment to Tanjung Bin for the 1st Qtr FY2008 increased by RM240 million to RM340 million compared to the corresponding period in FY2007. 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 utilized during the period of approximately USD52.5 per metric tonne, compared to USD45.3 per metric tonne in FY2007.

TNB's President/Chief Executive Officer, YBhg. Dato' Sri Che Khalib Mohamad Noh elaborated on the operating expenses, in particular the impact on TNB from higher coal prices. He commented that "based on our policy of adopting a diversified fuel generation mix, approximately 26.3% of the units currently generated in Peninsular Malaysia comes from the coal-fired plants and this is expected to increase as future demand growth will be required to be met from coal generation.

With coal prices continuing to rise, and spot market prices currently at a staggering level ranging between USD90 – USD104 per metric tonne, we have been actively adopting a tactical approach to procure our coal under the current global market conditions and as of today, we have secured approximately 81% of our coal requirements for FY2008 at an average price of USD60.3 per metric tonne. This is 14.9% higher than the average coal price of USD52.5 per metric tonne for the period under review."

The Group has reduced further its gross debt position to RM22.8 billion as at 30 November 2007 and together with the strengthening of Ringgit Malaysia, resulted in a lower interest cost for the period of RM290 million (a reduction of 7.7%). The average interest cost of the Group stood at 5.75% compared to 6.0% previously.

Tan Sri Leo went on to announce the Group's Headline Key Performance Indicators ("KPIs") and Company-Wide Initiatives for FY2008. He highlighted that "in our quest for service excellence, we continue to set aggressive targets for our KPIs. However the target set for Return on Asset ("ROA") of 5.5% is based on the current guidance for demand growth, the impact of higher coal prices and capacity payments to IPPs which will increase generation cost for the full year of FY2008."

"As for the Company-Wide Initiatives for FY2008," Dato' Sri Che Khalib added that "the focus will continue to be on how TNB can create value from realization of its land bank as well as recovery from theft and under billing. In addition we have introduced 2 new initiatives to generate savings from improvements to our work processes basically from improved procurement processes as well as effective inventory stock management. Notwithstanding the new initiatives declared for FY2008, 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."

The Group reported an economic profit of RM4.9 million for the period compared to an economic loss of RM71.8 million reported for the corresponding period last year.

The quarter under review reported an 11.5% increase in operating expenses as a direct consequence of higher payments to IPPs whilst coal supply contracts secured much earlier, enabled fuel costs to be contained at a lower level relative to the current market prices. Hence for the period, EBITDA margin stood at 40.3%.

For the current financial year, demand growth may exceed current expectations of 6.0%-6.5% in line with the projected GDP. However, the Board of Directors is of the view that rising operating costs caused by external factors will weigh down operating margins. This is inevitable although Management will continue with efforts to improve productivity, raise operational efficiencies, better cost management and provide reliability of electricity supply as reflected by the Headline KPIs.

Given the foregoing, the Board of Directors is of the view that the prospects for the current financial year will be more challenging compared to the previous financial year.

Financial Highlights

RM' Million	3 months ended 30 November	
	<u>FY2008</u>	<u>FY2007</u>
Total Revenue	6,208.3	5,601.7
Operating Expenses	(4,742.6)	(4,252.7)
Other Operating Income	216.7	143.0
Operating Surplus (EBIT)	<u>1,682.4</u>	<u>1,492.0</u>
Finance Cost	(290.0)	(314.2)
Forex Translation gain/(loss)	242.4	186.2
Net Profit [before forex translation gain/(loss)]	1,272.5	1,060.0
Earnings per share (sen)	34.97	29.78

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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 2007, the Group supplies electricity to approximately 7.1 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, 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.