

SIARAN AKHBAR PRESS STATEMENT

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TNB PERFORMANCE SUBDUED DUE TO HIGHER GENERATION COSTS & LOWER FOREX TRANSLATION GAIN

9 months FY2014

- Group Operating Profit declined by 0.8% to RM4.93 billion (9MFY2013 : RM4.97 billion) due to higher generation costs
- Profit Before Tax shrank by 15.8% to RM4.80 billion (9MFY2013 : RM5.71 billion)
- EBITDA margin reduced by 2.2 percentage point to 27.5% (9MFY2013 : 29.7%)
- Lower Forex Translation Gain of RM292.2 million (9MFY2013 : RM1,110.7million)

3 months ended 31st May 2014 (3rd Quarter FY2014)

- Group Operating Profit increased to RM1.95 billion (2QFY2014 : RM1.47 billion)
- Profit Before Tax rose to RM1.97 billion (2QFY2014 : RM1.23 billion)
- EBITDA margin increased to 27.4% (2QFY2014 : 27.0%)

Kuala Lumpur, 16 July 2014 – Tenaga Nasional Berhad (TNB) announced a 0.8% decline in Group Operating Profit to RM4.93 billion for the nine months of the Financial Year ending 31st August 2014 (FY2014) as compared to RM4.97 billion in the corresponding period last year on continued burning of the more expensive Liquefied Natural Gas (LNG), oil and distillate.

This higher generation costs resulted in EBITDA margin reduction by 2.2 percentage point to 27.5% for 9MFY2014 as compared to 29.7% for the same corresponding period in FY2013.

Profit Before Tax for the Group dropped 15.8% to RM4.80 billion as compared to RM5.71 billion registered in the corresponding nine months period of last year. This was mainly attributed to lower Forex Translation Gain of RM292.2 million recorded in 9MFY2014 as compared to RM1,110.7 million recorded in 9MFY2013.

For the 3rd Quarter ended 31st May2014, Group Operating Profit stood at RM1.95 billion as against RM1.47 billion registered in the previous quarter. Profit Before Tax for the quarter was recorded at RM1.97 billion as compared to RM1.23 billion reported in the preceding quarter.

The improvement in the Group Operating Profit for the quarter is mainly contributed by the increase in revenue of 15.0% as against 12.4% increase in Operating Expenses. Correspondingly, EBITDA Margin for 3QFY2014 improved slightly to 27.4% as compared to 27.0% for 2QFY2014. During the quarter, the Group continued to record lower effective tax rate.

For the nine-month period of FY2014, the Group recorded a negative 6.2% effective tax rate, which is much lower than the 21.6% recorded in the corresponding period last year. This is arising from the reduction in tax rate and utilisation of the reinvestment allowance for Year Assessment 2013 and the current year, which are mostly non-recurring items. Details of these non-comparative tax items between FY2013 and FY2014 are as below:-

Table 1 : Non-comparative tax items

RM million	FY2014			9-month	
	1Q	2Q	3Q	FY2014	FY2013
Reinvestment Allowance for FY2014	(201.7)	(75.5)	(137.5)	(414.7)	
FY2013 Over Provision – Reinvestment Allowance		(662.0)		(662.0)	
Change in Corporate Tax Rate	(188.7)			(188.7)	
IC4 Prior Year Adjustments & FY2012 Under Provision					232.7
Total	(390.4)	(737.5)	(137.5)	(1,265.4)	232.7

Thus, to better reflect the performance of the company, we removed the impact of forex translation and adjusted for the non-comparative tax items as illustrated in the following table. As a result, the Normalised Profit Before Forex and After Tax for the first nine months ended 31st May 2014 recorded a deterioration of 1.4% at RM3.55 billion as compared to RM3.60 billion announced during the same period of the last Financial Year.

Table 2 : Normalised Profit Before Forex & After Tax

Group (RM million)	FY2014			9-month	
	1Q	2Q	3Q	FY2014	FY2013 (Restated)
Revenue	9,585.4	10,008.6	11,510.0	31,104.0	27,628.5
Operating Expenses	(8,130.4)	(8,657.4)	(9,729.2)	(26,517.0)	(22,975.1)
Operating Profit	1,522.9	1,466.7	1,945.3	4,934.9	4,973.7
Profit from ordinary activities before taxation	1,602.6	1,233.7	1,968.6	4,804.9	5,707.0
Less : Forex Translation Gain / (Loss)	252.7	(119.0)	158.5	292.2	1,110.7
Profit Before Forex & Tax	1,349.9	1,352.7	1,810.1	4,512.7	4,596.3
Taxation and Zakat	115.9	415.2	(230.9)	300.2	(1,230.7)
Profit Before Forex & After Tax	1,465.8	1,767.9	1,579.2	4,812.9	3,365.6
Add : Tax Adjustments (as per Table 1)	(390.4)	(737.5)	(137.5)	(1,265.4)	232.7
Normalised Profit Before Forex & After Tax	1,075.4	1,030.4	1,441.7	3,547.5	3,598.3

The decline in the Normalised Profit Before Forex and After Tax was mainly attributed to higher generation costs from the continual burning of the more expensive Liquefied Natural Gas (LNG), and when necessary, oil and distillate. To recall, TNB had to absorb 50% of the market priced LNG costs up to December 2013. With the implementation of Incentive Based Regulation (IBR) effective 1st January 2014, TNB would initially absorb the full costs of these expensive fuels until tariff adjustment process, termed as the Imbalance Costs Pass-Through Mechanism (ICPTM) is concluded.

The financial performance of the Group was adversely affected as a result of TNB having to bear 100% of these alternative fuel costs at market prices which are currently trending upward. The financial impact was further compounded by higher consumption of LNG, oil and distillate seen during the nine-month period of FY2014.

TNB's President / Chief Executive Officer, Datuk Seri Ir. Azman Mohd commented that as expected, the third quarter of Financial Year 2014 continued to be technically challenging for TNB. High electricity demand together with on-going coal plant outages and low hydro availability due to dry season necessitated all generation plants to operate at the highest level of efficiencies to ensure that the increasing demand for electricity are met and delivered at high quality to meet customers' expectations.

He further remarked, "This year, we had recorded two peak demands, the first one on 28th May of 16,583MW and the latest being 16,901MW recorded on 11th June, reflecting an increase of 1.9%

within a period of 14 days. Correspondingly, our current peak demand reflected an improvement of 2.0% as compared to the peak demand of 16,562MW recorded in May last year.

“Although we had seen slower demand in the first half of this financial year, in which the reduction was mainly contributed by the industrial sector, we can see that demand has started to pick up towards the end of the third quarter. For the final quarter of this financial year, we expect that demand will remain steady in tandem with the country’s economic growth.”

Bank Negara Malaysia had indicated on 10th July 2014 that going forward, the overall growth momentum of the Malaysian economy is expected to be sustained and the prospects to remain firmly on a steady growth path. The Group expects electricity demand to grow in tandem with the above. However, the Group’s main challenge will be to manage the increasing LNG costs.

In view of the above, the Directors remain cautious of the Group’s performance for the year ending 31st August 2014.

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Kindly forward all press enquiries to Md. Derus Bunchit at 019-2662296 & Maizatul Nadiah Saadon at 017-3816602

Financial Highlights

RM' Million	9-month Ended 31 st May	
	<u>FY2014</u>	<u>FY2013</u> <u>(Restated)</u>
Total Revenue	31,104.0	27,628.5
Operating Expenses	(26,517.0)	(22,975.1)
Other Operating Income	347.9	320.3
Operating Surplus (EBIT)	<u>4,934.9</u>	<u>4,973.7</u>
Finance Cost	(651.4)	(617.8)
Forex Translation Gain	292.2	1,110.7
Net Profit (before Forex Translation Gain)	4,823.3	3,331.7
Net Profit Attributable to Shareholders	5,115.5	4,442.4
Earnings per share	90.64 sen	80.23 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 2013, TNB supplies electricity to approximately 8.4 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.