

SIARAN AKHBAR

PRESS RELEASE



**TENAGA
NASIONAL BERHAD**
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BETTER RESULTS FROM DEMAND GROWTH, SERVICE EXCELLENCE, HIGHER PRODUCTIVITY, VALUE CREATION & STRONGER RINGGIT

- Net Profit attributable to equity holders before foreign exchange translation gain of RM2,186.1 million
- Revenue increased by 15.8% whereas operating expenses increased by only 3.7%
- EBITDA margin at 39.9%
- EBIT margin at 26.6%
- ROA at 6.5% based on annualized adjusted net profit
- Economic loss of RM97.9 million compared to loss of RM998.4 million in corresponding period of FY2006

Tenaga Nasional Berhad (TNB) announced today its financial results for the first six months of the year ending 31 August 2007 ("FY2007").

The Group reported a net profit attributable to equity holders before foreign exchange translation gain of RM2,186.1 million for the period compared to RM516.1 million for the corresponding period in FY2006.

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The strong performance was led by a 15.8% increase in revenue, as a result of a 6.0% increase in electricity unit demand growth as well as the new tariff effective from 1st June 2006.

Relative to the increase in revenue, operating expenses increased by only 3.7%, cushioned by the improvements in operational and technical efficiency as well as from the recovery of outstanding debt. This resulted in a 74.2% increase in operating surplus (EBIT) from RM1,725.0 million in FY2006 to RM3,005.4 million in FY2007.

The Group also benefited from the strengthening of the Ringgit against US Dollar and Yen, which is evident from the 28.4% increase in forex translation gain. In addition, the 19.2% decrease in finance cost is attributed to the combination of the strong Ringgit as well as a 9.6% reduction in the Group's total debt.

Following the Government's announcement to reduce the corporate tax from 28% to 27% in 2007 and 26% in 2008, the Group has recognized a write back in deferred tax provision of RM408 million over the first 6 months of FY2007.

Speaking at the press conference today, TNB's Chairman, Tan Sri Datuk Amar Leo Moggie believes that "the planned investments under the 9th Malaysia Plan will provide the stimulus and the engine for growth in Malaysia. The Group reported a pick-up in electricity unit demand growth for the industrial sector of 4.7% compared to (1.6%) in the corresponding period of FY2006. I would like to also to mention that as part of our continuous commitment, the Group has spent RM1,120.0 million on capital expenditure in the first six months FY2007 for new supply and system improvement."

TNB's President/Chief Executive Officer, Dato' Sri Che Khalib Mohamad Noh went on to highlight that "the Group's net profit excluding new tariff, forex translation and deferred tax write back reflects an increase of RM331.7 million or 64.3% if compared against the corresponding period of FY2006. This increase is attributable to the

combination of unit demand growth, operational/financial efficiencies and higher productivity.”

Tan Sri Datuk Amar further added that “in terms of operating margins, the Group’s EBITDA margin and EBIT margin have inched up to 39.9% and 26.6% respectively for the period, compared to 32.8% and 17.7% respectively for the corresponding period in FY2006. However, the higher EBITDA and EBIT margin achieved for the period have not factored in the full impact of the plant capacity of Tanjung Bin in FY2007. The challenges ahead would be sustainability of the Group’s operating margins in light of inflationary pressures and managing the cost of industry excess capacity over the medium term. “

On the Group’s Headline Key Performance Indicators (“KPIs”) and Company-Wide Initiatives for FY2007, Dato’ Sri elaborated that “based on our performance in the first six months, we are on track to deliver. We are particularly watchful of the Return on Asset KPI as the target set of 6.5% is aggressive. I am especially pleased with the progress of the sale of properties from our landbank which is one of our initiatives. In fact todate, we have already executed the Sale & Purchase Agreements for the sale of 5 properties.”

For the first six months of FY2007, the Group reported an economic loss of RM97.9 million compared to an economic loss of RM998.4 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.

TNB also announced a dividend policy today wherein the company intends to distribute dividends within a range of 40% to 60% of its annual free cash flow defined as free cash flow less normalized capital expenditure and interest servicing. This policy will be effective from FY2007. The new payout will be comparable with other international peers and overall market expectations. The policy has been formulated to ensure sustainable and sound dividend payout, after considering the

company's financial performance, debt obligations, market expectation, optimal capital structure, credit and tax considerations. Going forward, the policy will be reviewed accordingly, to ensure sustainability and growth in line with the underlying business growth.

On that note, the Board of Directors approved an interim gross dividend of 10.0 sen per ordinary share less income tax of 27%; equivalent to a net dividend of 7.3 sen per ordinary share, in respect of the financial year ending 31st August 2007. The Book Closure and payment dates will be announced in due course.

On the back of the 9th Malaysia Plan and the Government's drive to promote tourism under Visit Malaysia 2007, Bank Negara has projected GDP to grow at 6% for 2007 (5.9% in 2006) whilst inflation is projected to moderate around 2% to 2.5% (3.6% in 2006). The positive economic outlook augurs well for electricity demand growth which, coupled with the tariff increase will raise Group revenue further.

Operating expenses rose moderately for the first six months but with the commissioning of the second unit of Tanjung Bin power plant on 28 February 2007, IPP cost is expected to further increase thereby impacting profitability.

Whilst continuing to place emphasis on numerous cost management initiatives, the management is focused on further improving service excellence, higher productivity and value creation. Given this commitment which will further drive operational and financial efficiency, the Board of Directors is of the view that the Group's financial performance for the full year of FY2007 continues to be encouraging.

Financial Highlights

RM' Million	6 months ended 28 February	
	<u>FY2007</u>	<u>FY2006</u>
Total Revenue	11,283.7	9,742.8
Operating Expenses	(8,544.9)	(8,239.8)
Other Operating Income	266.6	222.0
Operating Surplus (EBIT)	3,005.4	1,725.0
Finance Cost	(637.6)	(789.0)
Forex Translation gain/(loss)	614.9	479.0
Net Profit attributable to equity holders [before forex translation gain/(loss)]	2,186.1	516.1
Interim dividend per ordinary share (gross)	10.0 sen	-
Earnings per share	66.15	24.64

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.