TENAGA NASIONAL BERHAD

SIARAN AKHBAR

PRESS STATEMENT

EMBARGO

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S.A. 2011/04/29 (HQ)

LOWER NET PROFIT AS HIGHER FUEL COSTS BEGIN TO ERODE MARGINS

<u>3 months ended 28th February FY2011 (2nd Quarter)</u>

- Net profit of RM630.3 million
- 2.9% decline in Group Revenue compared to 1st Quarter FY2011 against an 8.1% increase in Operating Expenses
- Average coal price of USD103.8/mt compared to USD95.8/mt during the 1st Quarter FY2011
- EBITDA margin at 21.1% compared 28.5% reported for the previous quarter

<u>6 months FY2011</u>

- Net profit of RM1,343.2 million
- 3.4% increase in Group Revenue against a 10.5% increase in Operating Expenses
- Average coal price of USD100.0/mt compared to USD80.9/mt in 1HFY2010
- 3.5% Unit electricity demand growth in Peninsular Malaysia
- EBITDA margin at 24.8% compared to 30.8% reported for the corresponding period in FY2010

Kuala Lumpur, 21 April 2011 –Tenaga Nasional Berhad (TNB) today announced a net profit of RM630.3 million for the 3-month period ended 28th February 2011 (2nd Quarter FY2011).

For the 6-month period of FY2011, the Group reported a net profit of RM1,343.2 million, a reduction of 21.3% compared to the corresponding period in FY2010, principally from higher operating expenses incurred in the 2nd Quarter 2011.

RM million	FY2011 1st Quarter	FY2011 2nd Quarter	FY2011 6-month	FY2010 6-month
Unit Sales (Peninsula) (Gwh)	22,826.3	22,310.8	45,137.1	43,616.9
Revenue	7,726.4	7,503.5	15,229.9	14,727.4
Operating Expenses	(6,557.6)	(7,089.0)	(13,646.6)	(12,346.4)
Forex Translation Gain/(Loss)	(104.8)	152.4	47.6	99.0
Net Profit before forex	817.7	477.9	1,295.6	1,607.4
EBITDA margin	28.5%	21.1%	24.8%	30.8%

The Group's performance in the 2nd Quarter FY2011 compared to 1st Quarter FY2011 recorded a 2.9% reduction in revenue from RM7,726.4 million to RM7,503.5 million due to the festive holidays. However, the Group's operating expenses have also increased by 8.1% from RM6,557.6 million to RM7,089.0 million in the 2nd Quarter from higher generation costs. This has resulted in a 26.0% deterioration to the Group's EBITDA margin from 28.5% in the 1st Quarter to 21.1% in the 2nd Quarter.

Comparing the Group's performance for the six-month period FY2011 against the corresponding period in FY2010, operating expenses increased from RM12,346.4 million to RM13,646.6 million for the current period, representing an increase of 10.5%. The increase was mainly attributed to higher average price of coal incurred during the period of USD100.0/mt, compared to USD80.9/mt in FY2010, reflecting a 23.6% increase over a 12 months period. This caused the EBITDA margin to decline from 30.8% in FY2010 to 24.8% in FY2011.

Commenting on the Group's electricity demand growth in Peninsula, TNB's Chairman, Tan Sri Datuk Amar Leo Moggie commented that "analysis of electricity growth year-on-year shows demand growth at 3.5%, driven principally by the commercial and domestic sectors that recorded demand growth of 5.2% and 5.6% respectively. This is lower than our earlier forecast of 5.0% growth for the full year, as the second quarter is normally the low consumption period due to the festive holidays. Demand is typically higher in the second half of the financial year and we are confident that the target of 5.0% demand growth for the full year is achievable. This is supported by the new Peak Demand of 15,146MW recorded on 4th April 2011."

Commenting on the Group's performance, TNB's President/Chief Executive Officer, Dato' Sri Che Khalib Mohamad Noh commented that "2nd Quarter this year has been very challenging to Tenaga. We were faced with higher coal prices as well as insufficient gas supply. To meet demand, generation from coal-fired power plants had to increase and this is reflected in the total generation mix whereby coal represented 46.8% of the total generation mix. With the higher average coal price incurred in this quarter, cost of generation from coal-fired power plants increased by 21.7% compared to the previous quarter.

On the other hand, generation from gas-fired power plants declined by 20.4% in the 2nd Quarter compared to the 1st Quarter FY2011 due to the shortage in gas supply. We had to use oil as an alternative fuel, and coupled with the higher generation costs from coal-fired power plants, the total fuel cost in Peninsula increased by 10.0% in the 2nd quarter. This has impacted our earnings."

Dato' Sri went on to highlight the performance under the Group's Headline Key Performance Indicators (KPIs). "Under the key technical indicators, the 6-month report shows that the technical performances are within the targets set. However, what is worrying us now is the performance of the financial indicators. The target of 4.5% for Return on Asset (ROA) was based on demand growth of 5.0% and coal price at USD85/mt. This was also based on the assumption that the gas allocation for the power industry would be around 1,150 mmscfd. With the upward trend in coal prices and uncertainty in sufficient gas supply, Tenaga will have to seek alternative source of fuel, which coupled with existing higher generation cost, as reflected in the Company CPU (sen/kwh), will definitely place pressure on the EBITDA margin and profitability for the full year."

TNB is currently in the second phase of its 20-Year Strategic Plan known as "GEMILANG 2015 - Growth, Global, Green" which encompasses four strategic themes to grow a profitable and sustainable business, delight customers, enhance operational excellence, as well as enhance human capital development and productivity. The Strategic Plan will complement well with the Government's initiatives under the Economic Transformation Plan (ETP) launched in October 2010.

Operationally, TNB is now facing a very challenging period with the rising coal prices, insufficient gas supply and comparatively more expensive alternative fuels. Coal prices have currently surpassed USD120 per metric tonne and the price is expected to increase further due to the current global situation. Hence, the results for this financial year is expected to be adversely affected. This is inevitable due to the deferment of the fuel cost pass through mechanism. However, TNB will continue to strive in ensuring the continued reliability and security of supply in meeting the increasing demand.

Given the foregoing scenario, the Board of Directors expects the Group's prospects for the year ending 31 August 2011 to be very challenging and that the financial results for the full year to be lower compared to the previous year.

The Board of Directors has also approved an interim dividend of 4.50 sen gross per ordinary share in respect of the financial year ending 31 August 2011. The Books Closure and Payment dates will be announced in due course.

Released in Kuala Lumpur on 21 April 2011

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Financial Highlights

	6 months ended 28 February	
RM Million	FY2011	FY2010
Total Revenue	15,229.9	14,727.4
Operating Expenses	(13,646.6)	(12,346.4)
Other Operating Income	252.7	180.8
Operating Surplus (EBIT)	1,836.0	2,561.8
Finance Cost	(416.3)	(530.9)
Forex Translation gain	47.6	99.0
Net Profit (before forex translation gain)	1,295.6	1,607.4
Net Profit Attributable to Shareholders	1,343.2	1,706.4
Interim Dividend per ordinary share (gross)	4.5 sen	6.0 sen
Earnings per share	30.26 sen	39.33 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