

# SIARAN AKHBAR

## PRESS RELEASE



**TENAGA  
NASIONAL BERHAD**  
(200866-W)

### **EMBARGO**

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#### **COST SAVINGS FROM EFFICIENCY IMPROVEMENTS SHADOWED BY HIGHER OPERATING EXPENSES**

- Net Profit before forex translation declined by 22.3% to RM516.1 million compared to RM664.2 million in the corresponding period of last year
- Operating Expenses increased by 8.4%
- ROA remains low at 2.5% (annualized)
- Economic loss of RM1,003.7 million
- Cash flow deficit of RM893.4 million (before new borrowings)

**Kuala Lumpur, 13 April 2006** - Tenaga Nasional Berhad (TNB) today reported its financial results for the 6 months ended 28 February 2006.

Net profit before foreign exchange translation gain for the period declined to RM516.1 million compared to RM664.2 million for the corresponding period in FY2005; a drop of 22.3%.

The Group's total revenue for the period increased by 6.1% to RM9,742.8 million. This was mainly attributed to a 6.0% increase in electricity demand growth. Sales of electricity in Peninsula Malaysia accounted for 91.8% of total electricity sales.

While TNB achieved total cost savings of approximately RM313.3 million from its cost management and efficiency drivers, its greatest challenge has been to manage the impact of higher operating expenses especially in relation to its uncontrollable costs. Despite the cost savings reported, EBITDA margin declined to 32.8% from 33.8% in the previous corresponding period, as a result of an 8.4% increase in operating expenses. In particular, TNB's contracted coal purchase price (CIF) from third parties (ie excluding those purchased from TNB's own coal mine) for the period averaged at USD57.70 per metric tonne.

Speaking at the press conference today, TNB's Chairman, Tan Sri Datuk Amar Leo Moggie highlighted that "under the current volatile and inflationary environment facing world energy prices, TNB is challenged with increases in operating expenses that have outpaced electricity demand growth. This has resulted in the erosion of our EBITDA margin."

TNB's President/Chief Executive Officer, Dato' Che Khalib Mohamad Noh went on to elaborate that "with uncontrollable cost items constituting approximately 83% of TNB's total cost, our concern is to ensure that efforts to improve efficiency through cost management initiatives, continues to remove 'fat and not muscle'.

Furthermore, TNB's operating cost is destined to rise further with the introduction of additional generation capacity payments to Tanjong Bin Power Sdn Bhd (first unit to be commissioned in September 2006) and Jimah Energy Ventures Sdn Bhd (first unit to be commissioned in January 2009) in the near future." Specifically when the first unit of Tanjong Bin is completed in September 2006, capacity payments (hence operating cost) alone will rise by at least RM630 million. And when Jimah Energy fully operational the additional capacity payments to the new IPPs will amount to at least RM2,130 million.

Dato' Khalib also elaborated that TNB has declared the current status on its Headline Key Performance Indicators announced on 22 March 2006, as well as the broad key initiatives that was declared during TNB's 1<sup>st</sup> Quarter FY2006 results announcement.

For the six-month period TNB recorded an economic lost of RM1,003.7 million. Economic profit (or loss as the case may be) measures the value that a company generates using its capital over a period of time. In the case of TNB, Dato' Khalib sum it up when he said, "We are making losses when we sell electricity. The situation is further aggravated by the fact that TNB has to resort to new external borrowings to finance its expenditure.

Given the the uncertainty of the outcome of the tariff review proposal that TNB submitted to the Government, coupled with the continuous increase in operating expenses, the Board of Directors has decided not to declare and pay an interim dividend at this juncture.

Notwithstanding the foregoing, as an integrated electricity provider, TNB has and will continue to meet its crucial role in powering the nation's progress.



# Financial Highlights

6 Months  
ended 28 February

RM' Million	<u>FY2006</u>	<u>FY2005</u>
Total Revenue	9,742.8	9,185.6
Operating Expenses	(8,239.8)	(7,598.8)
Other Operating Income	222.0	170.4
Operating Profit	<u>1,725.0</u>	<u>1,757.2</u>
EBITDA	3,200.3	3,100.9
Finance Cost	(789.0)	(705.2)
Forex Translation gain/(loss)	479.0	(360.6)
Net Profit [before forex translation gain/(loss)]	516.1	664.2
Interim dividend (per ordinary share)	Nil	3.0 sen*

\* tax-exempt dividend of 3.0 sen per ordinary share equivalent to gross dividend of 4.2 sen per ordinary share.

## 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. TNB's distribution system supplies electricity to approximately 6.7 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.

For further information, please visit [www.tnb.com.my](http://www.tnb.com.my).