

SIARAN AKHBAR

PRESS RELEASE



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

S.A. Bil. 2006 / 07 / 31

ON TRACK TO DELIVER EFFICIENCY IMPROVEMENTS

- Cost Savings of RM426.3 million
- Net Profit before foreign exchange translation of RM874.8 million
- Revenue increased by 5.3%
- Operating Expenses increased by 5.4%
- Increase in EBITDA margin to 33.9%
- Improvement in ROA to 2.6% (annualized)
- Economic loss lower by 2.9% to RM1,369.8 million

Kuala Lumpur, 14 July 2006 - Tenaga Nasional Berhad (TNB) today reported its financial results for the 9 months ended 31 May 2006.

Net profit before foreign exchange translation gain for the period was reported at RM874.8 million compared to RM958.2 million for the corresponding period in FY2005; a decline of 8.7%.

The Group's total revenue for the period increased by 5.3% to RM14,763.9 million, mainly attributed to a 5.8% increase in electricity demand growth, while other operating income recorded a 13.6% increase partially the result of better recovery of theft back-billing.

The Group's EBITDA for the period of RM5,002.0 million represents an EBITDA margin of 33.9% compared to a 33.3% margin in the corresponding period last year. The stable EBITDA margin can be attributed to the operational efficiencies achieved as reflected in the Headline Key Performance Indicators ("KPIs") and Company-Wide Initiatives put in place.

Operating expenses increased by 5.4% to RM12,319.8 million, with IPP cost and fuel cost accounting for 59.2% of the total. As part of the Company-Wide Initiatives embarked on and to promote "maintenance for a sustainable future", TNB has aggressively adopted a "preventive rather than reactive maintenance strategy". This accounted for the Group's 15.8% increase in repair and maintenance costs.

Speaking at the press conference today, TNB's Chairman, Tan Sri Datuk Amar Leo Moggie was happy to emphasize that TNB has been "on track to delivering company-wide efficiency improvements ahead of the tariff announcement made on 24 May 2006. The current status of our Headline KPIs and Company-Wide Initiatives reflect cost savings achieved of RM426.3 million. In addition, technical efficiencies in terms of unplanned outage rate levels, system minutes and SAIDI are within target levels set and proof of our commitment to the consumers."

TNB's President/Chief Executive Officer, Dato' Che Khalib Mohamad Noh added that "TNB continues to be challenged with increase in operating expenses that outpace revenue growth. In particular, volatility in coal prices, increase in equipment costs and rising interest costs are our main concerns."

Dato' Khalib further reiterated that "despite a 6.6% increase in coal prices and current capacity reserve margin of approximately 37% which translates into the cost of bearing excess capacity, EBITDA increased by RM332 million."

For the 9 months period ended 31 May 2006, the Group reported a lower economic loss of RM1,369.8 million compared to RM1,410.6 million in the corresponding period last year; an improvement of 2.9%. Economic profit (or loss as the case may be) measures the value that a company generates using its capital over a period of time. Dato' Khalib further elaborated that "in TNB's case, the cost of financing infrastructure development to meet the economic growth requirements is higher than the margin achieved from electricity sales."

Based on the target cost savings that the Group hopes to achieve for the full year of RM600 million, the financial performance for the 9 months ended 31 May 2006 reflects RM426.3 million cost savings.

With the commitment of Management to achieve the KPIs set for FY2006, and with the increase in revenue effective from 1 June 2006 following the tariff announcement, the Board of Directors is of the view that the Group's financial performance for the full year would be better.

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

Financial Highlights

9 Months
ended 31 May

RM' Million

	<u>FY2006</u>	<u>FY2005</u>
Total Revenue	14,763.9	14,021.4
Operating Expenses	(12,319.8)	(11,684.1)
Other Operating Income	327.6	288.3
Operating Surplus	<u>2,771.7</u>	<u>2,625.6</u>
EBITDA	5,002.0	4,669.2
Finance Cost	(1,194.9)	(1,157.5)
Forex Translation gain/(loss)	515.7	(81.8)
Net Profit [before forex translation gain/(loss)]	874.8	958.2

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 2005, TNB 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.

Issued On 14th July, 2006