TENAGA NASIONAL BERHAD

SIARAN AKHBAR
PRESS STATEMENT

EMBARGO

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CONTINUED INCREASE IN GLOBAL ENERGY PRICES DRIVE UP TNB'S GENERATION COST

- **Net Profit for the 3rd Quarter reduced to RM298.8 million compared to RM1,091.7 million in the same period last financial year**
- **Operating expenses for the quarter rose by RM1,002.3 million**
- **Unit electricity demand growth for the 9-month period ended 31 May 2008**
    - **5.5% - Group**
    - **6.6% - Peninsular Malaysia**
- **17.0% increase in operating expenses**
- **RM1,464 million increase in generation cost**
- **Coal price per metric ton**
    - **USD71.2 - average price for 9 months FY2008**
    - **USD160 - current spot prices (cv basis 5,500 kcal/kg)**
- **EBITDA margin at 34.0% compared to 38.6% the year before**
- **Economic loss of RM944.2 million as a result of the deterioration in operating margins from higher generation cost.**

Tenaga Nasional Berhad (TNB) today announced a net profit of only RM298.8 million for the 3rd Quarter in the financial year ending 31 August 2008 (FY2008) result from global impact of higher energy prices. This is in marked contrast to the net profit of RM1,091.7 million achieved in the same period in the last financial year.

Correspondingly, Group profitability for the 9-month period was lower at RM2,876.9 million compared to RM3,892.7 million the year before or a reduction of 26.1%.

Although the electricity demand in Peninsular Malaysia for the 9-month period of 6.6% continues to reflect the resilience of the Malaysian economy in facing the global slowdown, rising operating costs continues to impinge on TNB's profitability.

At Group level, although revenue for the 9 months rose by RM1,467.2 million, operating expenses rose by RM2,257.6 million principally from the higher cost of electricity generation. Apart from higher IPP cost, the average contracted coal price rose from USD45 per metric ton in FY2007 to the current average of USD71.2 per metric ton (based on the volume of coal consumed for the current period). EBITDA margin consequently declined from 38.6% reported in FY2007 to the current 34.0%.

Commenting on the Group's performance, TNB's Chairman, Tan Sri Datuk Amar Leo Moggie said that "utilities globally are experiencing the impact of higher energy costs driven by global market conditions. In Malaysia, whilst gas is heavily subsidized by the Government, the Group has had to manage the impact of rising coal prices, as coal fired generation currently accounts for approximately 28% of units generated in Peninsular Malaysia. This is expected to increase to 36% following the commissioning of Jimah Energy Ventures in January 2009."

Tan Sri Leo added that "as a result of efforts taken in FY2007 to lock-in a considerable volume of coal contracts for FY2007 and FY2008, the current average coal price for the period of USD71.2 per metric ton is significantly below current market average price of USD160/- per metric ton. However, the impact of the higher coal prices currently will result in a significant increase in our coal prices for FY2009."

On 4 June 2008, the Government announced its decision to increase the gas price to the Malaysian power sector and a corresponding adjustment to the electricity tariff, both effective from 1 July 2008. This adjustment allows TNB to recover in full the increase in the price of gas which has been increased from RM6.40 per mmBTU to RM14.31 per mmBTU and provide partial relief for the 170% increase in coal price since 2006.

TNB's President/Chief Executive Officer, Dato' Sri Che Khalib Mohamad Noh commented that "IPP cost and fuel cost continues to be on the rise and currently accounts for 59.6% of the Group's operating expenses excluding finance cost. IPP and fuel cost for the period increased by RM1,463.6 million."

Let me add that these are historical costs incurred up till 31 May 2008. Taking into account the higher cost of gas and the current coal prices, and not forgetting Jimah Energy Ventures which is expected to be commissioned in FY2009, operating costs are expected to rise further and will place further pressure on the Group's EBITDA margin."

The introduction of the Windfall Profit Levy (Electricity) Order 2008 by the Government will also impact TNB's bottom line as 2 key subsidiaries will be levied. On an annualized basis, TNB Janamanjung Sdn Bhd and Kapar Energy Ventures Sdn Bhd will be levied at about RM43.8 million and RM24.0 million respectively.

Dato' Sri further added that "while we are not able to change or influence the market forces that are driving fuel costs higher, we will continue improving the efficiency of our operations to keep costs low, excel in the services to our customers and at the same time create value for our stakeholders. This is reflected to a significant extent from our current status of the Group's Headline Key Performance Indicators and Company-Wide Initiatives for FY2008."

Based on the lower operating profit margin reported and the increase in the Group's average invested capital, the Group reported an economic loss of RM944.2 million for the period compared to an economic loss of RM322.0 million reported for the corresponding period last year.

The Malaysian Institute of Economic Research ("MIER") has recently in its second quarter Malaysian Economic Outlook, cut its GDP forecast yet again from 5.4% to 4.6%. In its report, MIER is of the view that "the economic condition could deteriorate during the second half of the year due to the knock-on effects of higher oil prices and slower global growth."

The global power industry is currently facing an unprecedented challenge. Demand for reliable electricity supply and customer service excellence however continues. The extent to which increases in electricity generation cost can be recovered will determine the financial condition of TNB and affect its ability to make future investments in a timely manner.

Given the foregoing, concerns over the impact of global energy prices, especially the volatility in coal prices, increase in IPP capacity payments and inflationary pressure will continue to pose the main challenges for the Group. The result for the 3rd Quarter ended 31 May 2008 is a clear manifestation of this phenomenon.

Under this current scenario, the Board of Directors is of the view that the Group will remain profitable in FY2008. However, it will be lower than the year before as a direct consequence of the higher operating expenses and lower demand growth.

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Financial Highlights

RM' Million	9 months ended 31 May FY2008	9 months ended 31 May FY2007
Total Revenue	18,661.6	17,194.4
Operating Expenses	(15,519.3)	(13,261.7)
Other Operating Income	640.3	407.2
Operating Surplus (EBIT)	3,782.6	4,339.9
Finance Cost	(845.3)	(966.8)
Forex Translation gain	342.0	1,001.3
Net Profit (before forex translation gain)	2,534.9	2,891.4
Earnings per share	66.40	91.34

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 May 2008, TNB supplies electricity to approximately 7.2 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.