TENAGA NASIONAL BERHAD

SIARAN AKHBAR

PRESS STATEMENT

EMBARGO

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S.A. 2009/07/40 (HQ)

FUEL COST PASS THROUGH

KEY TO SUSTAINABILITY

3 months ended 31 May FY2009 (3rd Quarter)

- **Net profit before forex translation of RM419.9 million**
- **1.4% increase in Group Revenue compared to 2nd Quarter FY2009 whilst Operating Expenses increased by 6.0%**
- **EBITDA margin at 25.7% compared to 30.7% for 2nd Quarter FY2009**
- **Forex translation gain of RM603.2 million**

9- month period FY2009

- **Net profit before forex translation of RM1,687.1 million**
- **18.4% increase in Group Revenue against a 25.2% increase in Operating Expenses**
- **3.7% reduction in unit electricity demand in Peninsula**
- **Average Coal price of USD94.3/mt (CIF)**
- **EBITDA margin at 26.1% compared to 34.4% for the corresponding period in FY2008**
- **Forex translation loss of RM933.5 million**
- **Economic loss of RM1,051.7 million**

Kuala Lumpur, 22 July 2009 –Tenaga Nasional Berhad (TNB) today announced a net profit before forex translation of RM419.9 million for the 3 month period ended 31 May 2009 (3rd Quarter FY2009) compared to RM771.6 million reported for the 2nd Quarter FY2009; the lower profit resulted from the significant increase in units generated from coal generation.

For the 9-month period of FY2009 the Group reported a 33.4% decline in net profit before forex translation of RM1,687.1 million compared to RM2,534.9 million in FY2008, principally due to the higher average contracted coal price incurred for the period of USD94.3 /mt (CIF) compared to USD71.2/mt last year.

Following from the downward tariff adjustment effective from 1st March 2009, the Group's revenue for the 3rd Quarter FY2009 only reported a 1.4% increase when compared to the 2nd Quarter, whilst operating expenses increased by 6.0% principally from the increase in coal generation. This resulted in a lower EBITDA margin of 25.7% reported for the 3rd Quarter.

In comparing the Group's performance for the 9-month period FY2009 against the corresponding period in FY2008, revenue increased by 18.4% from the 2 tariff adjustments that became effective from 1st July 2008 and 1st March 2009. However operating expenses increased by 25.2%. Whilst the impact of higher gas prices was fully recovered through the tariff adjustment mentioned, coal price recovery was capped at USD75/mt and USD85/mt respectively and therefore only partially recovered as TNB's average contracted coal price for the 9-month period was at USD94.3/mt. The Group's operating profit thus declined by 18.6% from RM3,638.1 million (EBITDA margin at 34.4%) to RM2,962.9 million (EBITDA margin at 26.1%) in FY2009.

Peninsula electricity demand growth for the 9-month period FY2009 continued to be weak and registered a 3.7% reduction compared to previous year, principally dragged by an 11.1% decline in industrial sector growth, while all other sectors continued to record positive growth. However, the monthly electricity demand growth numbers have been steadily increasing month-on-month from March 2009. In fact demand growth for the 3rd Quarter grew by 3.9% compared to the 2nd Quarter, and even the industrial sector reported positive growth of 1.5%.

Commenting on electricity demand growth in Peninsula, TNB's Chairman, YBhg. Tan Sri Datuk Amar Leo Moggie was clearly pleased to declare that, "a new peak demand level has been recorded in Peninsula on 17 June 2009 at 14,029MW. The weekly generation data too that is captured seems to indicate that the energy consumption pattern in June/July seems to have exceeded the levels achieved last year." He further added that "whilst there are some signs of the global economy having reached rock bottom and being ready to turn around, I am of the opinion that the recovery would be a cautious and slow climb upwards."

TNB's President/Chief Executive Officer, Dato' Sri Che Khalib Mohamad Noh, elaborated on the Group's performance. "In the 3rd Quarter we were faced with several incidences of gas curtailment and had to increase the output from coal-fired generation. Whilst it is true that we actually saw an easing off of coal prices in the 3rd

Quarter from USD85.8/mt (CIF) incurred in the 2nd Quarter compared to USD79.9/mt for the current Quarter, coal is still the more expensive fuel compared to gas at the subsidized price of RM10.70 per mmbtu. The higher cost of coal generation thus principally contributed to the 21.5% decline in operating profit compared to the 2nd Quarter and accounted for the decline in EBITDA margin to 25.7%. I would like to add that whilst we managed to secure lower coal prices in the 3rd Quarter, the average contracted coal price for the 9-month period FY2009 is at USD94.3/mt which is still higher than what we are allowed to pass through under the fuel cost adjustment of USD85.0/mt."

Commenting on TNB's foreign currency exposure, Dato' Sri said that," during the 3rd Quarter, there was considerable volatility in the forex currency market which resulted in a stronger Ringgit against US Dollar and Japanese Yen, and attributed to the Group's forex translation gain reported for the period of RM603.2 million. However, the Ringgit at closing of 3rd Quarter was still weaker than the opening book rate against US Dollar and Japanese Yen at the onset of FY2009, and thus accounted for the Group forex translation loss reported for the 9 month period of RM933.5 million."

Briefly commenting on the Group's Headline Key Performance Indicators ("KPIs") Tan Sri mentioned that " our commitment to achieve Service Excellence by 2010 is on target, judging from our achievements declared under the key technical indicators. Our financial KPIs too have been closely monitored and benchmarked against other utilities, in our quest to be recognized amongst the "Regional Best" by 2010."

The Prime Minister in his keynote address at the Invest Malaysia Conference 2009 held in Kuala Lumpur on 30 June 2009, had highlighted that projects worth RM9 billion had been awarded under the 1st and 2nd Stimulus Plan to partially cushion the impact of the sharp external downturn and also to set the stage for economic recovery in the 2nd half of 2009.

The long term direction would be to shift to a "high income economy" through a new economic model directed at shifting Malaysia's reliance from a manufacturing base dependent on semi skilled and low cost labour to one that hinges on high technology and modern services sector.

Whilst the May 2009 industrial production index ("IPI") recently released reported an 11.1% decline year-on-year, it showed a gain of 1.6% from April 2009. It was further reported that May 2009 industrial output declined at the slowest pace since November 2008 and supports the view that the worst may be over for the Malaysian economy. While Malaysia remains one of the stronger economies in the region with sound fundamentals, we are not totally out of the woods yet. The global crisis, while easing, is still ongoing.

Operationally, electricity demand growth, fuel and IPP cost are the key drivers that affect the Group's earnings ability. Operating profit for the 3rd Quarter FY2009 was affected by the higher cost of coal generation as compared to gas generation at subsidised gas prices. For the 9-month period, whilst the 2 tariff adjustments which became effective from 1st July 2008 and 1st March 2009 catered for fuel cost adjustments arising from the higher gas price and to allow TNB to recover for coal price increases, TNB's average contracted coal price for the period of USD94.3/mt (CIF) is higher than the pass-through allowed up to USD85.0/mt. As coal prices moving forward continue to be volatile, it is uncertain whether the Group will be able to lock-in the average contracted coal price at USD85/mt for the full year FY2009.

Given the foregoing scenario, and with the early signs of global economic recovery, the Board of Directors expects the Group's financial performance for FY2009 to be satisfactory.

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Financial Highlights

RM' Million	9months ended 31 May FY2009	FY2008
Total Revenue	21,323.0	18,012.2
Operating Expenses	(18,624.4)	(14,869.9)
Other Operating Income	264.3	495.8
Operating Surplus (EBIT)	2,962.9	3,638.1
Finance Cost	(845.7)	(845.3)
Forex Translation (loss)/gain	(933.5)	342.0
Net Profit	753.6	2,876.9
Earnings per share	17.39 sen	66.40sen

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 2008, TNB supplies electricity to approximately 7.3 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.