



TENAGA NASIONAL BERHAD

**UNAUDITED FINANCIAL RESULTS
FY2006**

12th October 2006



AGENDA

- ❑ **Highlights Of Group's Performance**
- ❑ **Details Of Group's Performance**
- ❑ **Moving Forward**

Highlights Of Group's Performance

"One Team. One Spirit. One Goal."

Y.Bhg. Tan Sri Datuk Amar Leo Moggie
CHAIRMAN

Key Highlights

✓	Status of KPI	+ RM893.7 mn	■ Delivered in excess of target
✓	Revenue Growth	+ 7.4%	■ Demand growth and new tariff rate effective 1 st June'06
✓	Operating Expenses	+ 4.4%	<ul style="list-style-type: none"> ■ higher fuel cost ■ higher depreciation charges as a result of the "asset cleanup" exercise ■ partially offset by SESB diesel subsidy and benefit of value creation/cost saving initiatives
✓	EBITDA EBITDA Margin (35.7%)	+ RM1,340.5 mn	■ Delivery of KPI targets
✓	Forex Translation Gain	+ RM491.3 mn	■ Strong Ringgit

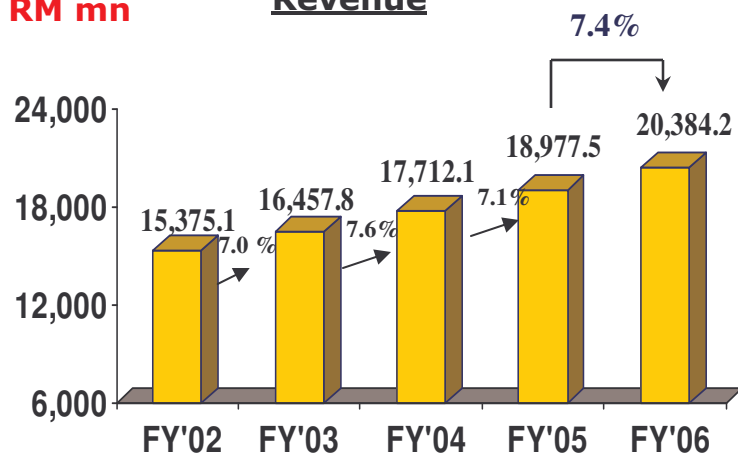
Financial Highlights.....

RM mn	FY'05	FY'06
Revenue	18,977.5	20,384.2
Operating Expenses	(16,215.9)	(16,924.9)
Other Operating Income	374.1	489.3
Operating Surplus	3,135.7	3,948.6
Finance Cost	(1,429.7)	(1,539.3)
Transaction Loss	(55.7)	(166.4)
Profit Before Tax & Translation gain/(loss)	1,621.4	2,260.6
Net Profit Before Translation gain/(loss)	1,082.5	1,635.6
Translation gain/(loss)	197.5	491.3
Net Profit	1,280.0	2,126.9

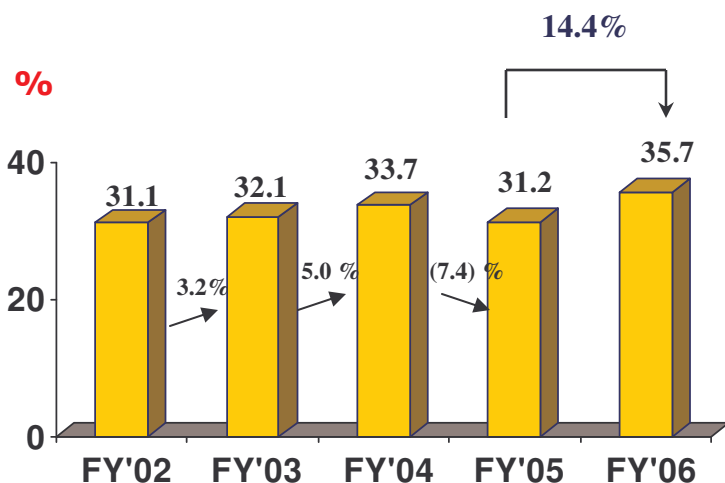
Snapshot of Financial Performance Trend

RM mn

Revenue

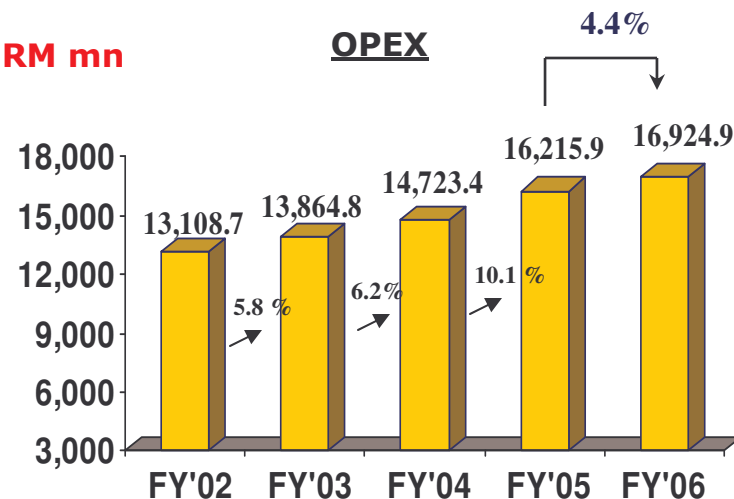


EBITDA Margin



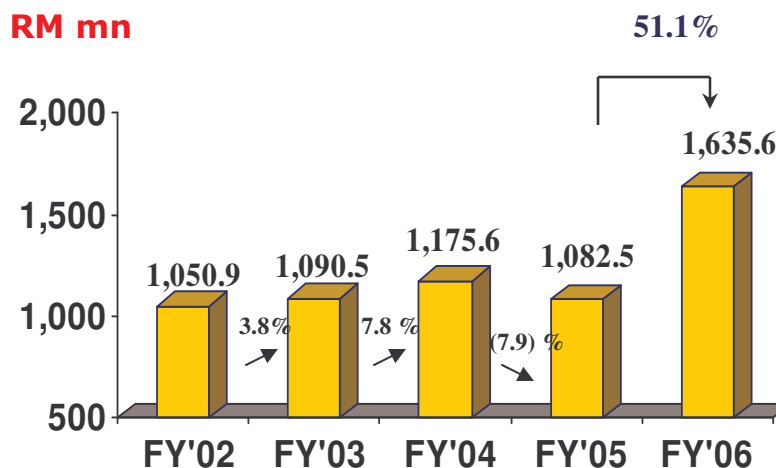
RM mn

OPEX



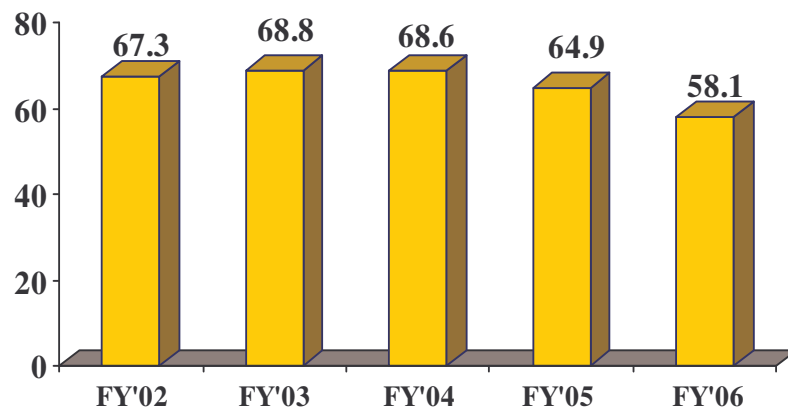
Net Profit ex Forex Translation

RM mn

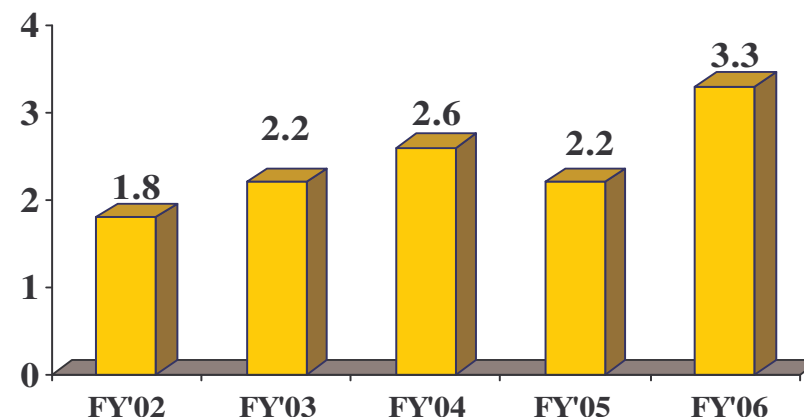


Improvements In Financial Ratios

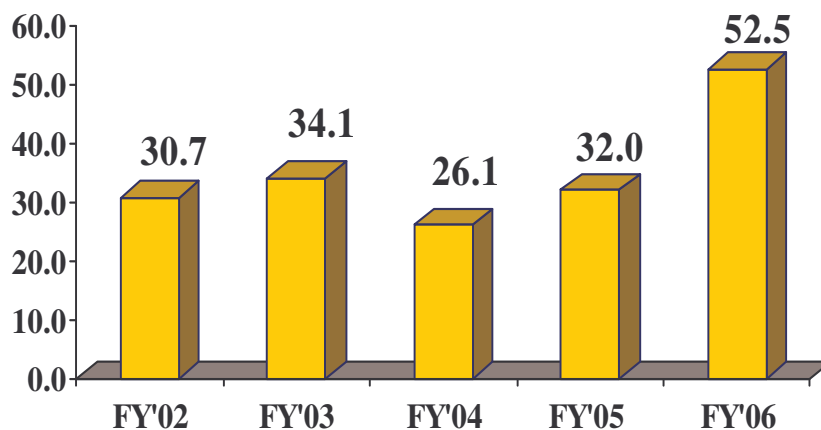
Gross Gearing (%)



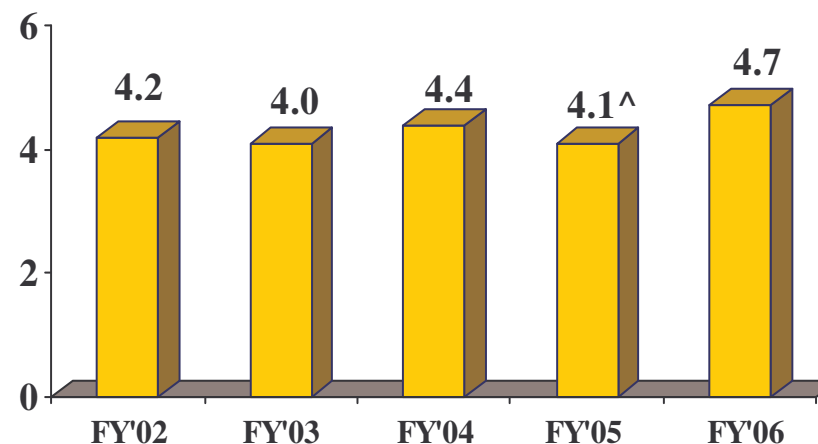
ROA* (%)



Basic Earnings Per Share (Sen)



Interest Coverage (X)

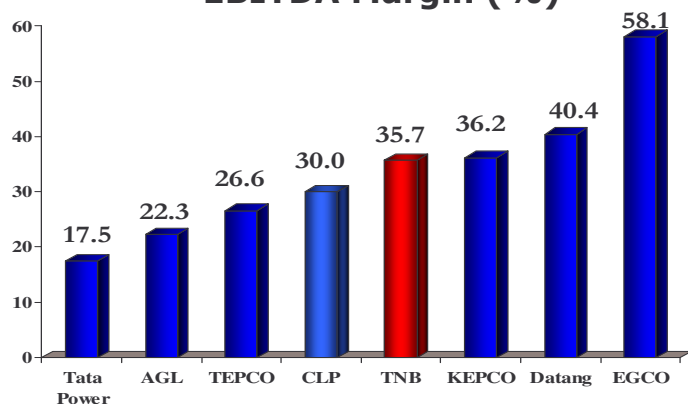


In accordance with FRS 133

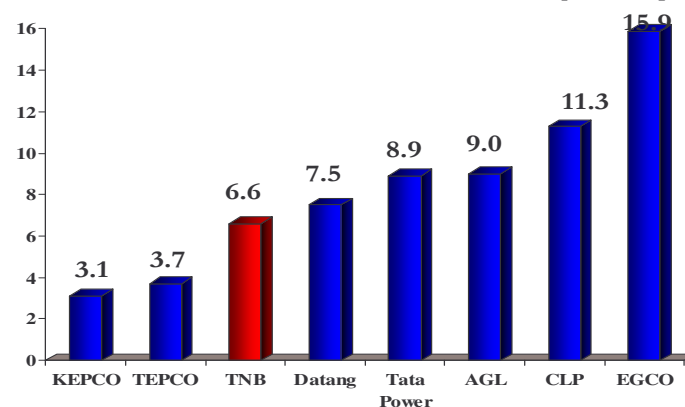
Benchmarked Against Other Utilities

	TNB	TEPCO	Tata Power	CLP	KEPCO	Datang	AGL	ECGO
Rating (Moody's/S&P)	Baa1/BBB	Aa3/AA-	Ba2/BB+	A1/A	A1/A	-/BBB	Baa1/BBB	Not rated

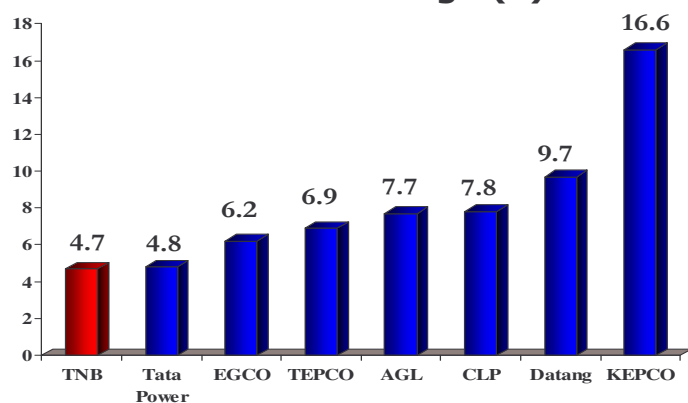
EBITDA Margin (%)



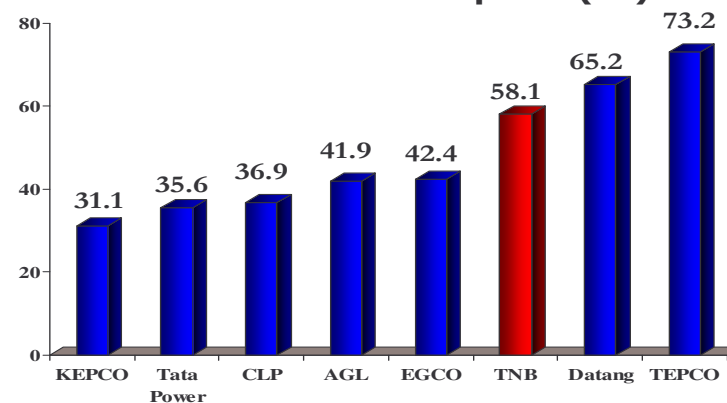
Return On Invested Capital (%)



Interest Coverage (x)

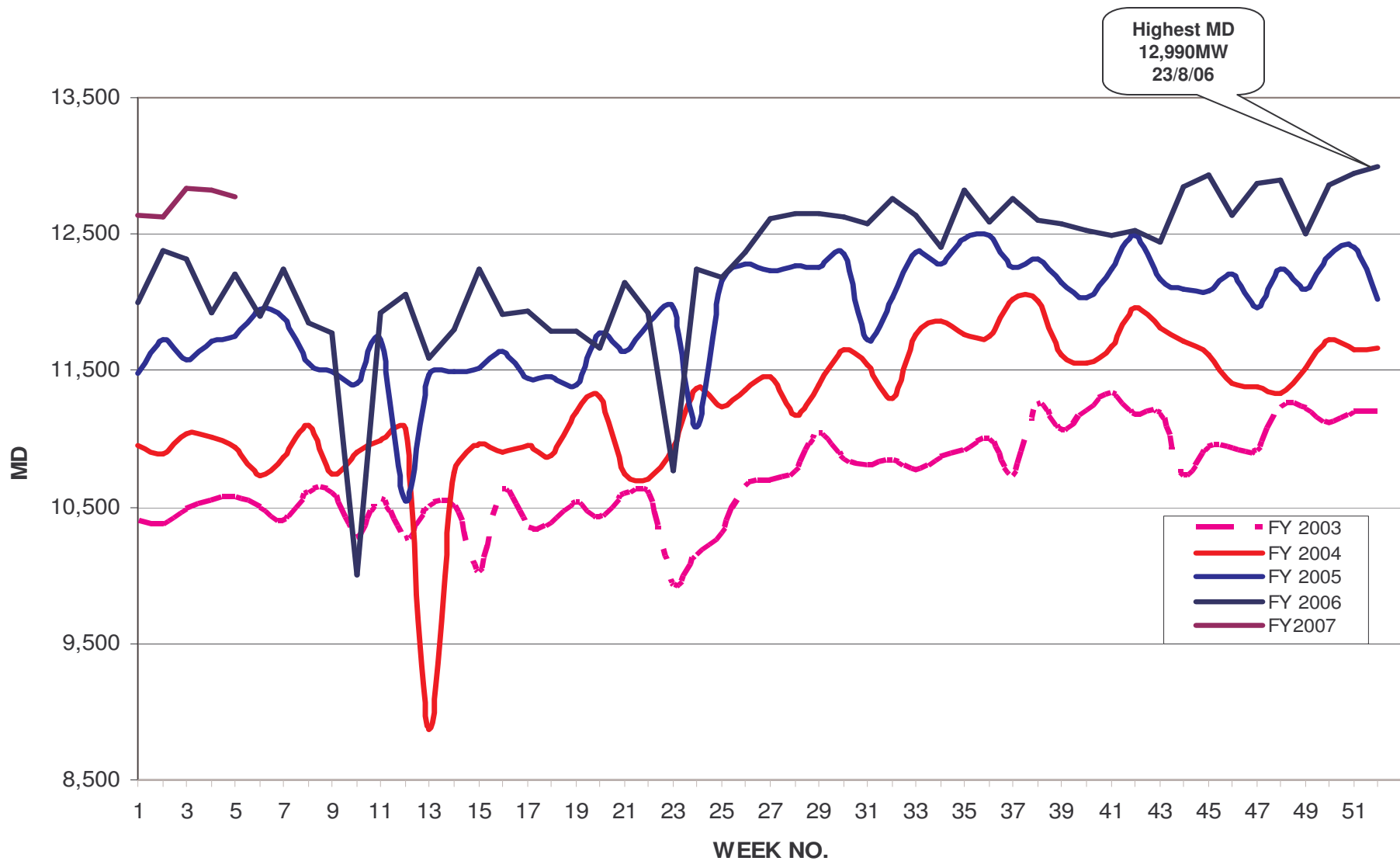


Debt to Total Capital (%)

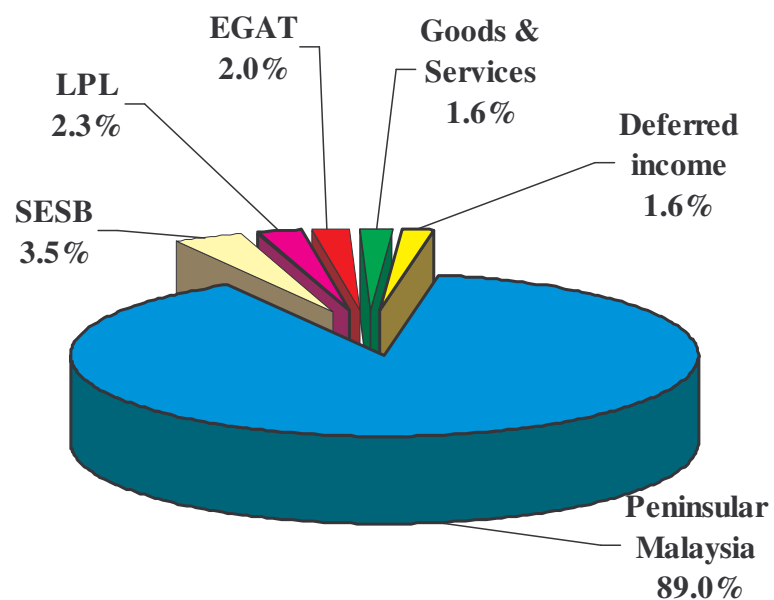


Source: Citigroup

Peak Demand Hits New Record High



Revenue – Predominantly From Electricity Sales



Revenue Breakdown (RM mn)		
	FY'05	FY'06
Peninsular Malaysia	17,009.9	18,137.2
EGAT	286.1	400.8
SESB	672.7	703.5
LPL	357.7	465.9
Deferred Income	293.8	340.4
Goods & Services	357.3	336.4
Total	18,977.5	20,384.2

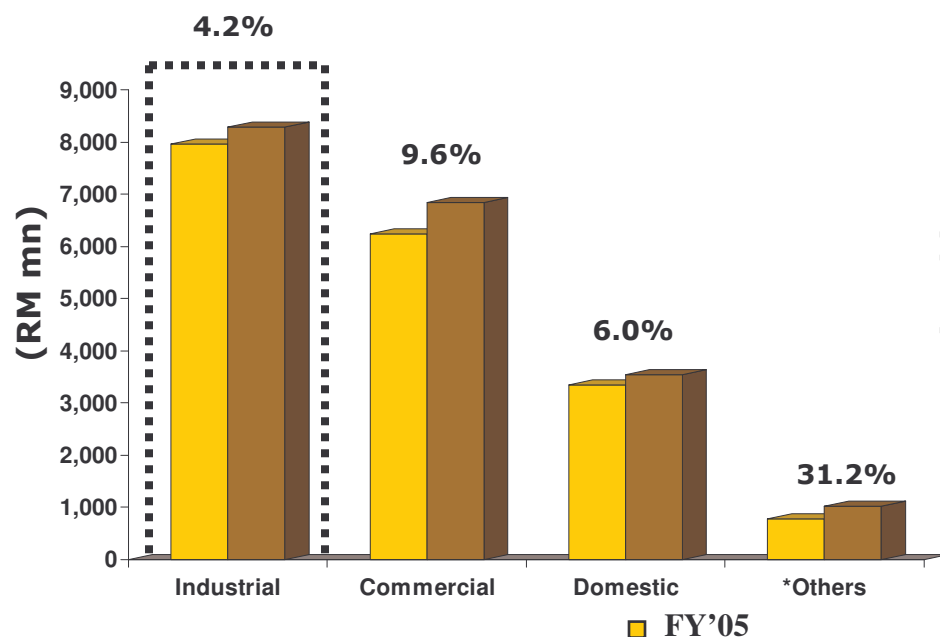
76.8% Of Revenue From Industrial & Commercial Sectors...

FY'06 electricity sales growth = 7.5%

FY'05 electricity sales growth = 6.4%

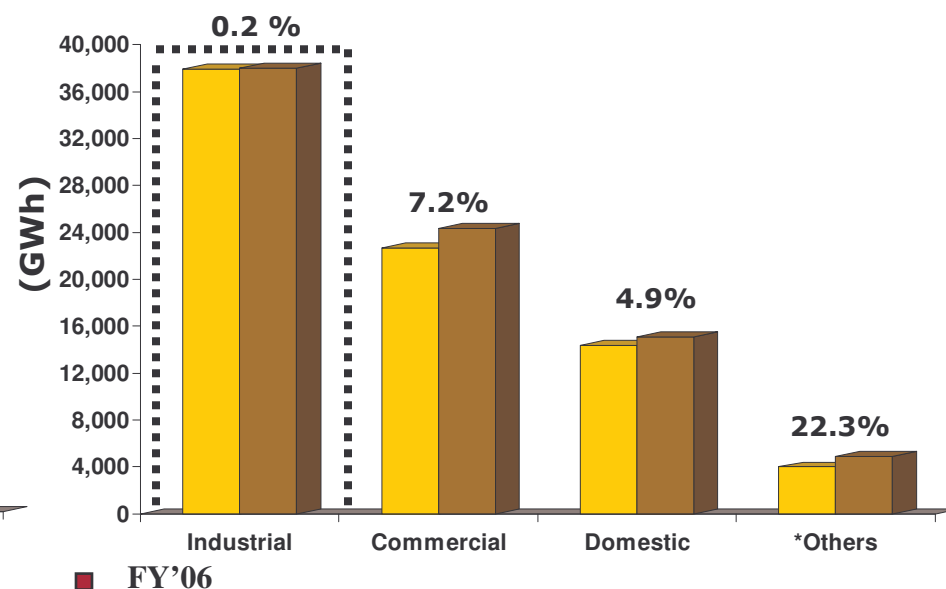
FY'06 unit sold growth = 4.2%

FY'05 unit sold growth = 8.2%



FY'06 Total RM19,707.4 mn

FY'05 Total RM18,326.4 mn



FY'06 Total 82,214.8 GWh

FY'05 Total 78,933.4 GWh

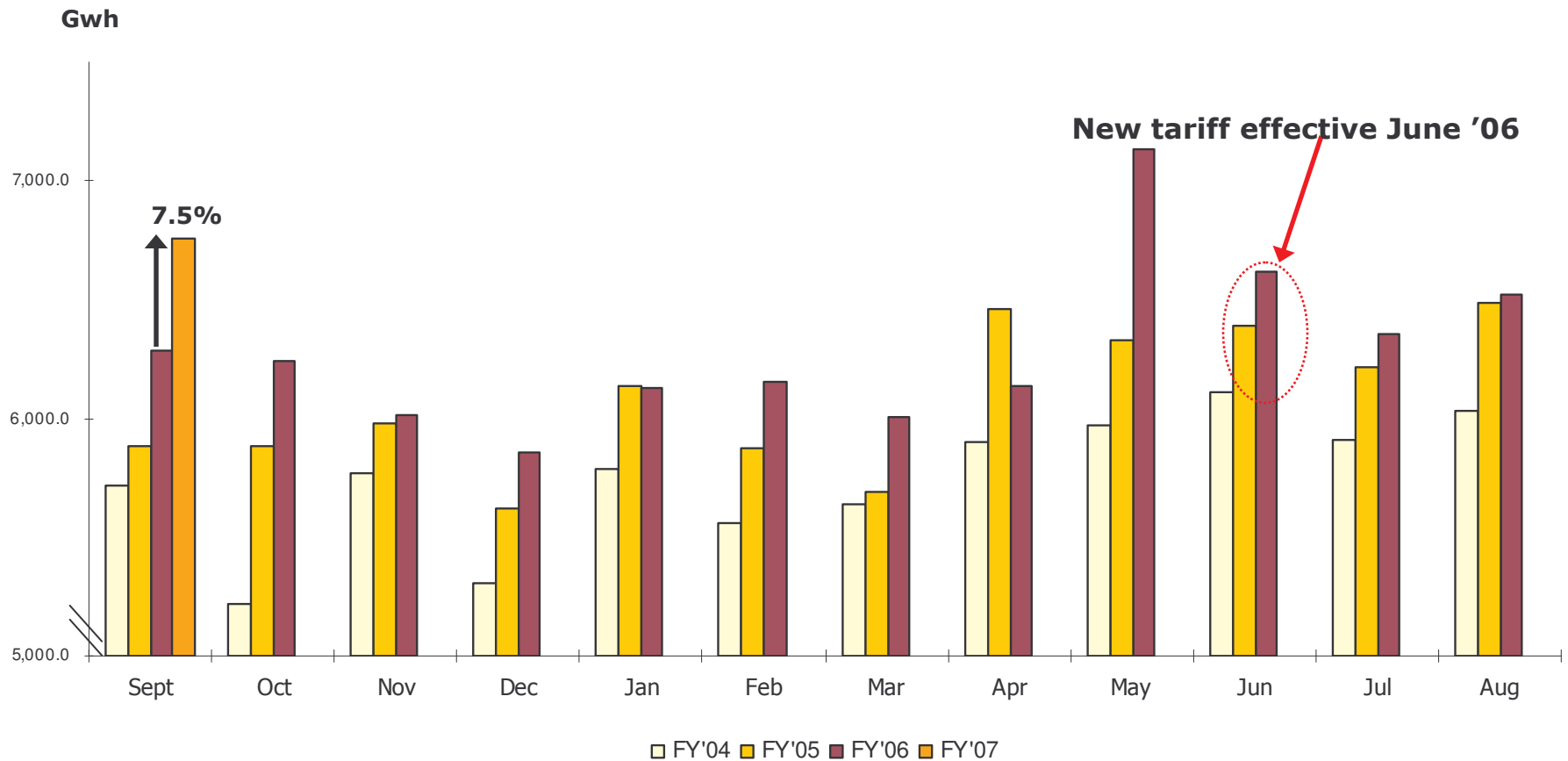
- Credit Notes are raised upon approval of discounts under SIT and in cases where effective rate is to be backdated
- Credit Notes raised :-
 FY2005 - RM158.5 mn
 FY2006 - RM88.8 mn



**TENAGA
NASIONAL BERHAD**

* Others include agriculture, public lighting, mining, EGAT and LPL sales

Demand Growth Not Affected By New Tariff



Maintaining Upward Growth Trend

Headline Key Performance Indicators

<i>Initiatives</i>	<i>FY2006</i>				
	<i>Target FY2006</i>	<i>(3 months)</i>	<i>(6 months)</i>	<i>(9 months)</i>	<i>(12 months)</i>
Return on Assets (ROA)	2.4%	*2.8%	*2.5%	*2.6%	3.3%
Gearing	63.0%	63.0%	63.7%	62.2%	58.1%
Unplanned Outage Rate (UOR)	5.0%	1.8%	2.9%	3.3%	4.7%
T&D Losses	9.5%	10.74%	10.81%	10.67%	11.03%
Distribution (SAIDI)	133 minutes	**25.1 minutes	**46.9 minutes	**72.9 minutes	101.6 minutes

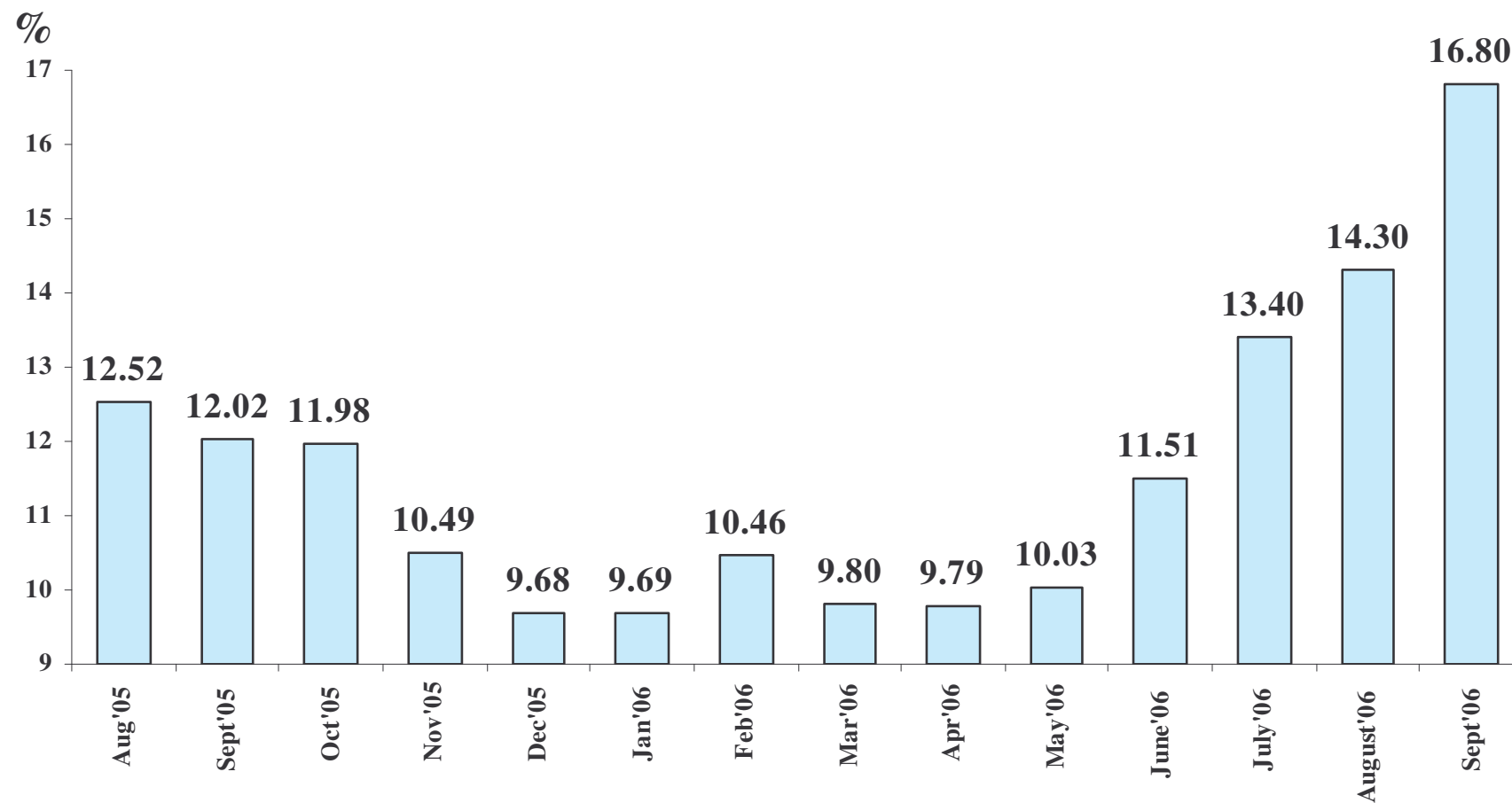
Based on total shares listed as at 10th Oct '06, gearing is 56.8%

Note: *Based on annualised net profit
**YTD Figure

Gearing (%) :
$$\frac{\text{LTD} + \text{STD}}{\text{LTD} + \text{STD} + \text{Shareholders' Fund} + \text{MI}}$$

Return on Asset :
$$\frac{\text{Group Net Profit (Adjusted for FOREX and FRS 119)}}{\text{Group (Non Current Assets + Current Assets)}}$$

Foreign Shareholdings - All Time High



Announcement of Final Dividend For FY'06

The Board of Directors has recommended a final gross dividend of 12.0 sen per ordinary share less income tax at 28%, and a tax-exempt dividend of 2.0 sen per ordinary share (equivalent to a gross dividend of 2.8 sen per ordinary share), in respect of the financial year ended 31stAugust 2006.

The total equivalent gross dividend for the year of 14.8 sen per ordinary share is subject to approval from the shareholders of TNB, at the forthcoming Annual General Meeting

The Books Closure Date will be announced at a later date.

The proposed dividend quantum is equivalent to a gross dividend of 19.5 sen per ordinary share without the bonus issue.

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- ❑ Moving Forward

Details Of Group's Performance

"Building Capacity"

Y.Bhg. Dato' Che Khalib Bin Mohamad Noh
President/Chief Executive Officer

Company Wide Initiatives

49% In Excess Of Target

Initiatives <u>RM mn</u>	FINANCIALS				
	Target FY2006	(3 months)	(6 months)	(9 months)	(12 months)
Recovery of Theft Backbilling EXCEEDED TARGET	20.0	7.6	14.7	32.8	38.5
	-	41.3 Identified	71.2 Identified	106.8 Identified	131.7 Identified
Reduction In General Expenses	50.0	(47.1)	9.7	33.4	74.8
Value Creation From Landbank	30.0	-	1.5	4.3	51.5
SESB Turnaround (Diesel Subsidy) EXCEEDED TARGET	300.0	138.1 recognised	138.1 recognised	199.3 recognised	599.1 recognised
	300.0 12 months	90.4 billed For 3 months	172.5 billed For 6 months	269.1 billed For 9 months	389.5 billed For 12 months
T&D Losses (10.5% to 9.5%)	60.0	(8.0)	(24.8)	(20.4)	(38.9)
		10.74	10.81	10.67	11.03
Recovery from Delinquent Accounts EXCEEDED TARGET	130.0	82.2	166.7	166.7	166.7
Manage Overtime Claims Paid	10.0				
	5% reduction of FY'05	10.3	10.7	15.3	19.6
Manage Medical Claims Paid	No Increase	(13.3)	(3.3)	(5.1)	(17.6)
TOTAL	600.0	169.8	313.3	426.3	893.7

Includes balance of proceeds of RM31.1mn on sales effected & expected to be received by Feb'07

RM 278.0 mn received on 6th Oct'06

On 9th Oct. received 3 cheques for RM75mn from Perwaja

An average of 10.7% reduction in overtime hours

Cash impact:
+RM583.9 mn

Company Wide Initiatives

OTHERS					
Initiatives	FY2006				
	Target	(3 months)	(6 months)	(9 months)	(12 months)
Debt Mix (%) (RM vs Other Currencies)	57:43	51:49	54:46	52:48	52:48
Generation Availability	86.5%	88.8%	90.4%	89.4%	87.9%
System Minutes	10	**1.3	**3.8	**5.5	7.32
Reduction in ACP (Pen. Malaysia)	*32 days	*36 days	*37 days	*34 days	*32 days
Reducing Procurement Process Time (Closing of Tenders)	90% in 90 days	78% in 90 days	78% in 90 days	85% in 90 days	85% in 90 days

Upon conversion/
redemption of remaining
GEB's = 54:46

Economic Profit/(Loss)

19.8% Decline In Economic Loss

RM mn	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	4Q		12 months	
	FY2005	FY2006	FY2005	FY2006
<u>NOPLAT computation</u>				
Earning Before Interest and Tax (EBIT)*	347.7 (97.4)	901.3 (252.4)	2,467.8 (691.0)	3,118.9 (873.3)
Adjusted Tax	250.3	648.9	1,776.8	2,245.6
NOPLAT				
<u>Economic Charge computation</u>				
Average Invested Capital	52,482.2	52,752.1	52,482.2	52,752.1
WACC	7.5%	7.5%	7.5%	7.5%
Economic Charge	(982.7)	(993.1)	(3,930.9)	(3,972.2)
Economic Profit / (Loss)	(732.4)	(344.1)	(2,154.1)	(1,726.6)

Operating Expenses Partially Cushioned By SESB Diesel Subsidy And Group Operational Efficiencies

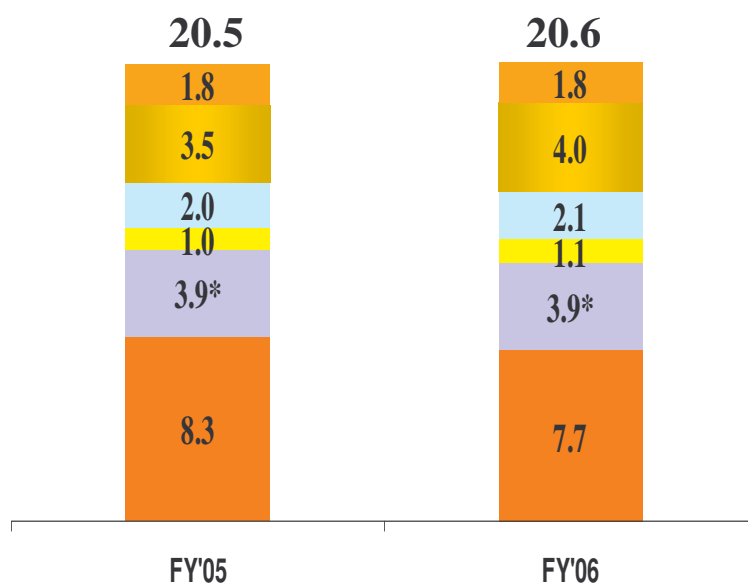
Operating Expenses (RM mn)	FY'05	FY'06	Changes (%)
▪ IPP	6,552.3	6,307.9	(3.7)
▪ Fuel	3,210.9	3,823.3	19.1
▪ Fuel Subsidy - SESB	(145.6)	(599.1)	(311.5)
▪ Repair & Maintenance	801.4	893.4	11.5
▪ Staff	1,603.1	1,717.4	7.1
▪ Depreciation	2,792.6	3,320.2	18.9
▪ General Expenses	701.3	626.5	(10.7)
▪ Subsidiaries Cost of Sales, General Expenses & Others	699.9	835.3	19.3
TOTAL OPERATING EXPENSES	16,215.9	16,924.9	4.4

Cost Per Unit Sold

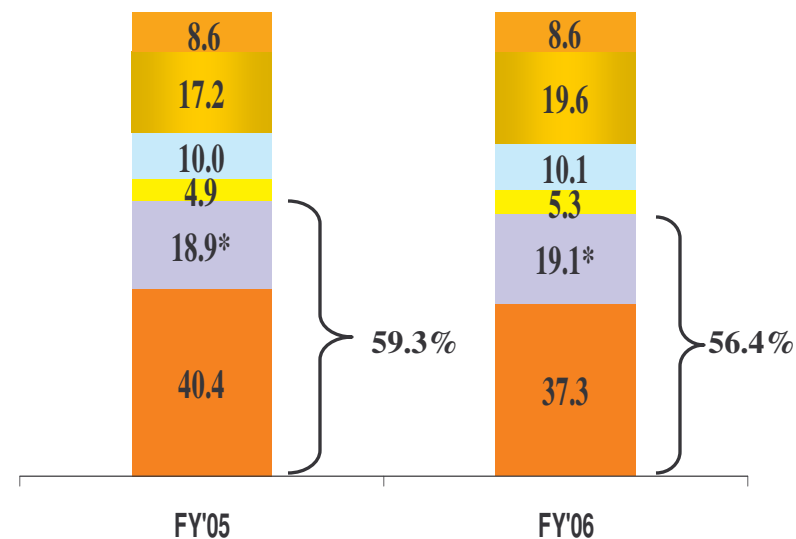
Higher Depreciation Charges Due To "Asset Cleanup" Exercise

COST PER UNIT SOLD (sen/kWh)	FY'02	FY'03	FY'04	FY'05	FY'06
	20.6	20.3	20.2	20.5	20.6

COST PER UNIT SOLD (sen/kWh)



% OF TOTAL OPERATING COST

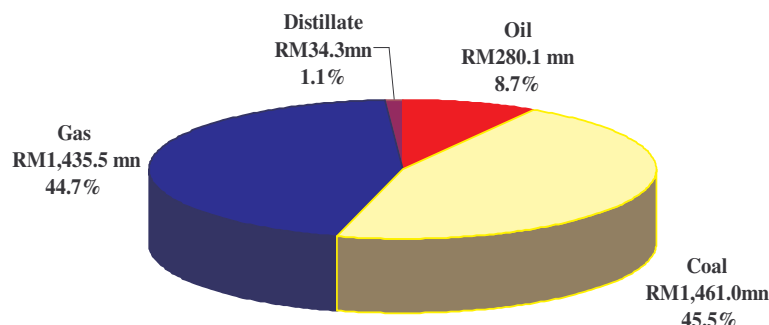


IPP Fuel R&M Staff Cost Depreciation Others

* Includes SESB diesel subsidy

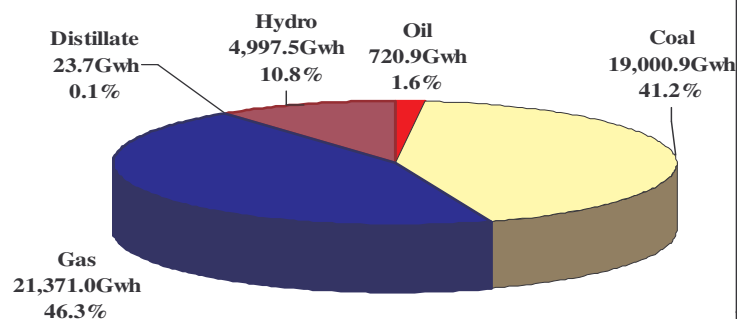
Higher Fuel Costs Impacted by 14.6% Increase In Units Generated and 6.0% Increase in Coal Prices

FY'05



TOTAL: RM3,210.9 mn

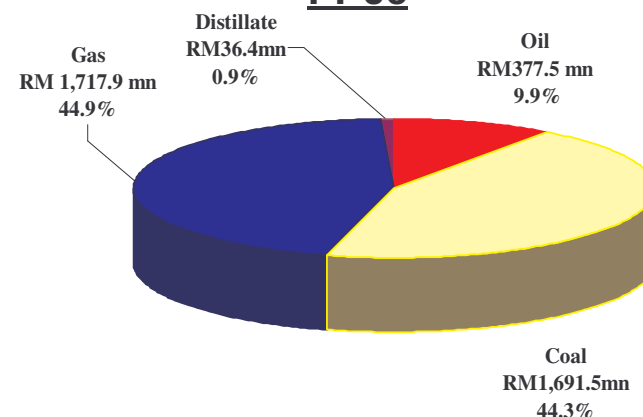
Average coal price USD 49.8 per metric tonne*
Consumption of Coal 7.9 MT



TOTAL: 46,114.0 GWh

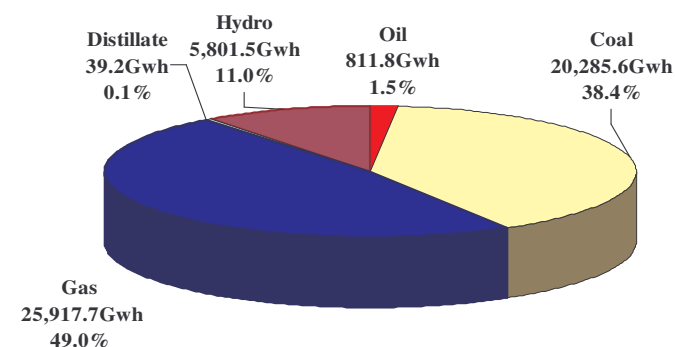
RM mn	FY'05	FY'06
Gas		
TNB	1,223.5	1,393.9
SESB	33.7	48.7
LPL	178.3	275.3
Total	1,435.5	1,717.9
Oil		
TNB	50.0	88.2
SESB	230.1	289.3
Total	280.1	377.5

FY'06



TOTAL: RM3,823.3 mn

Average coal price USD 52.8 per metric tonne*
Consumption of Coal 8.6 MT

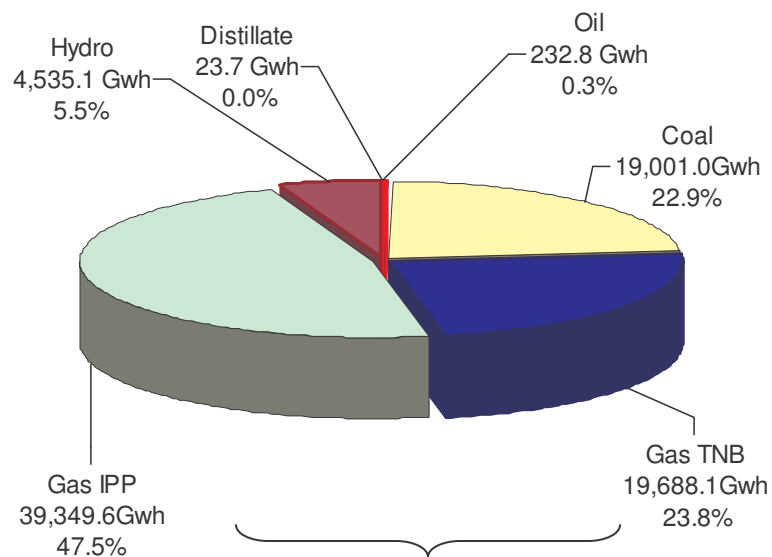


TOTAL: 52,855.8 GWh

GWh	FY'05	FY'06
Gas		
TNB	19,688.1	23,867.3
SESB	442.0	611.6
LPL	1,240.9	1,438.8
Total	21,371.0	25,917.7
Oil		
TNB	232.8	401.9
SESB	488.1	409.9
Total	720.9	811.8

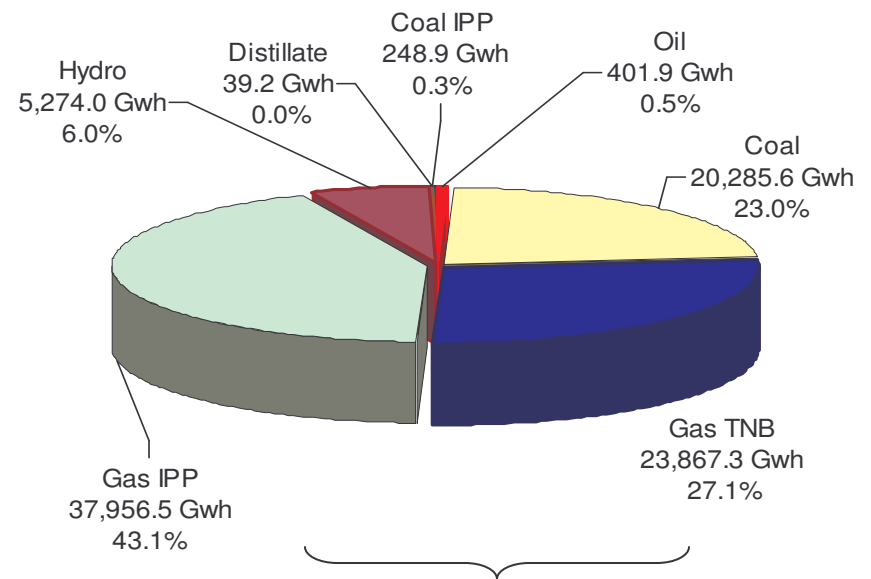
Achieving Optimal System Mix But Constrained By Gas Allocation

**INDUSTRY GENERATION
FY'05 = 82,830.3 GWh**



Note : Peninsular Malaysia only

**INDUSTRY GENERATION
FY'06 = 88,073.4 GWh**

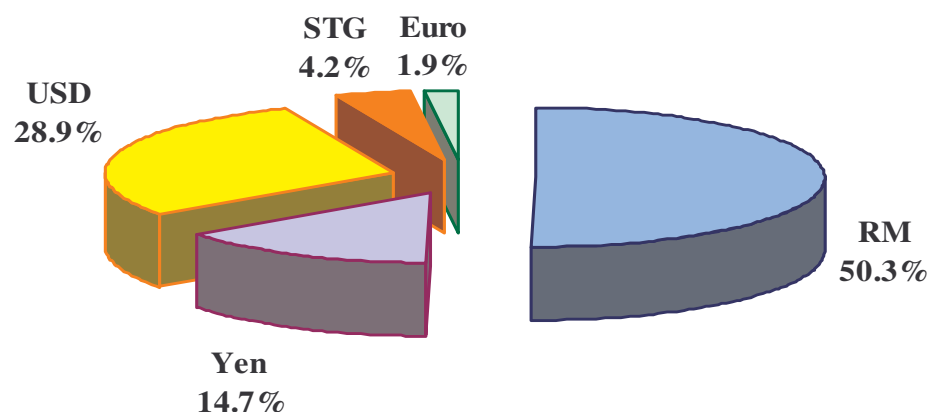


Hydro generation increased by 16.3% while coal generation increased by 8.1%

Debt Mix Benefits From Strengthening of Ringgit

Debt Portfolio Restructured To Reduce Risk of Multi-Currency Exposure

31st Aug '05



***Total Debt = RM29.9 bn**

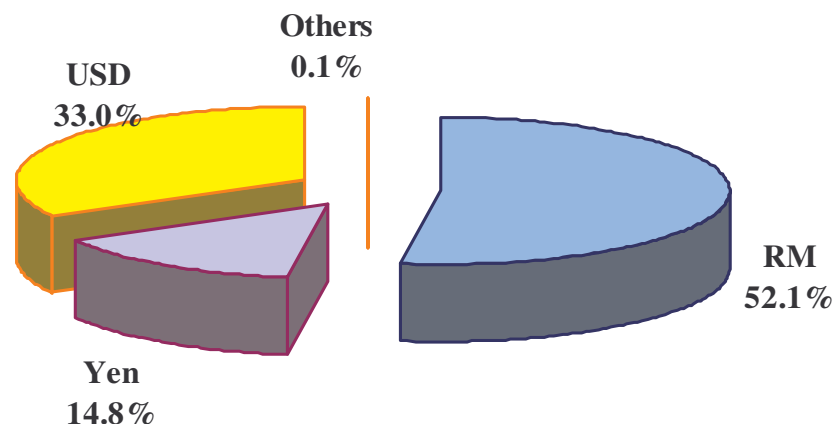
Net Debt = RM27.1 bn

Fixed 87.1% : 12.9%

Weighted Average Cost of Debt 5.35%

USD/RM	:	3.77
100YEN/RM	:	3.39
STG/RM	:	6.80
EURO/RM	:	4.60
USD/YEN	:	111.00

31st Aug '06



***Total Debt = RM27.1 bn**

Net Debt = RM23.2 bn

Fixed 90.4% : 9.6%

Weighted Average Cost of Debt 5.86%

USD/RM	:	3.68
100YEN/RM	:	3.14
STG/RM	:	6.99
EURO/RM	:	4.72
USD/YEN	:	117.00

*** In accordance with FRS 132**

Debt Liability Management

Restructuring Of ECA Loan

- **The ECA loan is novated from TNB Janamanjung to TNB Capital (L)**
- **Re-pricing of interest rate margin from 57.5 bps to 1bp**
- **Unification of previous 3 currencies £,€ and USD to a single currency,i.e. USD (USD Exposure increases from 27.1% as at 31st May 2006 to 32.2% as at 31st August 2006)**

Rationale:

- **TNB's objective of moving towards 3 currency basket**
- **Eliminates exposure to £ and €, thus volatility in earnings is likely to reduce**
- **RM strengthening against the USD will provide added benefit**
- **No hedge accounting required as opposed to swaps**

Debt Liability Management

Redemption of Guaranteed Exchangeable Bonds due 2007

- **On 12th September 2006, TNB exercised its call option to redeem the balance of its 2.625% Guaranteed Exchangeable Bonds.**
- **With the expiry of the right to exchange the Bonds at close of business on 6 October 2006, a total of USD398,960,000.00 of the Bonds were exchanged.**
- **As a result of the exchange, the paid-up ordinary share capital of the Company will increase by a total of 187,155,756 new TNB shares, of which 142,285,268 shares have been listed as at 10 October, 2006.**

Debt Liability Management

Redemption of Guaranteed Exchangeable Bonds due 2007

<u>RM mn</u>	<u>As at 31st Aug '06</u>	<u>Pro-Forma*</u> <u>31st Aug '06</u>	
Borrowings	27,115.6	26,547.4	
Cash	3,949.7	3,949.7	
Shareholders Funds	19,425.2	20,032.4	
Minority Interest	121.3	121.3	
Gearing	58.1%	56.8%	
Net Gearing	49.6%	48.4%	

mn shares

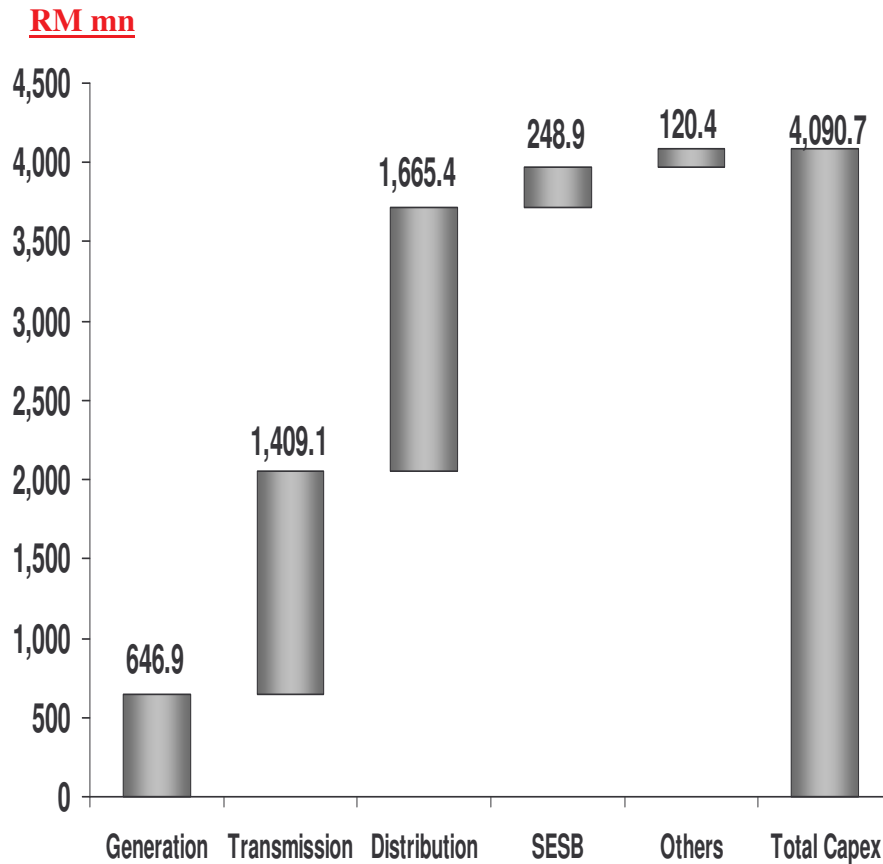
GEB	69.8
CRIS	0.3
ESOS	5.7
Total	75.8

* Adjusted for the conversion of GEB, CRIS & ESOS up to 10th Oct'06

Cash Surplus Sufficient For Capex In FY'07

RM mn	FY'02	FY'03	FY'04	FY'05	FY'06
Cashflow From Operations (before debt servicing and capex)	5,032.3	4,134.2	5,237.4	6,020.5	7,633.0
Capex	4,072.7	3,114.5	3,982.6	3,797.5	3,967.7
SURPLUS	959.6	1,019.7	1,254.8	2,223.0	3,665.3

58.9% of CAPEX Spent on Supply and System Improvement

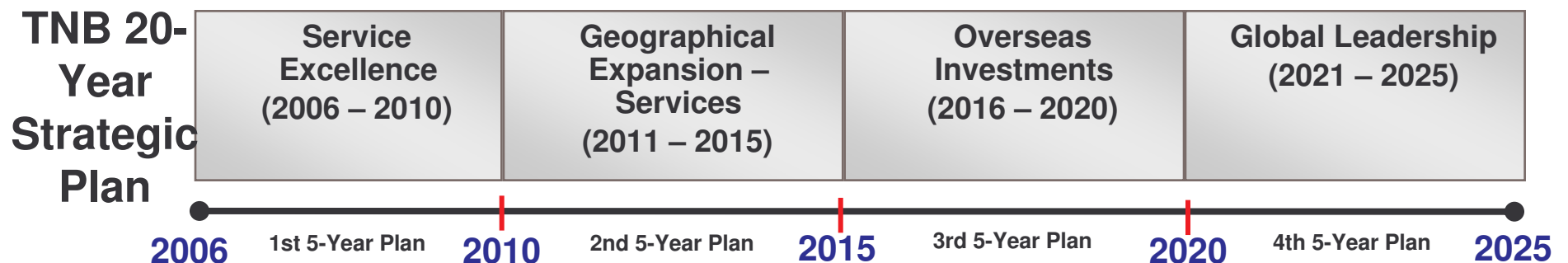


- Supply and system improvement accounted for RM1,221.6 mn (30%) & RM1,188.2 mn (29%) respectively of total capex
- Increase in number of customers in Peninsular Malaysia : 223,911

AGENDA

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TNB ROADMAP IS IN-LINE WITH THE GLC TRANSFORMATION PLAN



Building Capacity to Enhance Future Growth

Initiatives to Achieve Service Excellence 2006-2010

<u>Service Excellence In Generation & Transmission</u> <ul style="list-style-type: none"> ▪ Improve system reliability ▪ Improve efficiency through TJPS 	<u>Promote O&M capabilities</u> <ul style="list-style-type: none"> ▪ Connaught Bridge to be the "Regional O&M/R&M Hub" 	<u>Customer Service</u> <ul style="list-style-type: none"> ▪ Revamp of Customer Call Management Center (CMC) ▪ Installation of RMR devices ▪ SEAL Team ongoing efforts ▪ SMS Mobile Money
	<u>Transparency & Accountability Of Generation Dispatch</u> <ul style="list-style-type: none"> ▪ Pro-forma accounts for generating plants ▪ Service Level Agreements (PPA equivalent) for TNB's power plants ▪ Transparency in Merit Order Despatch 	
<u>Human Capital</u> <ul style="list-style-type: none"> ▪ Increase Productivity ▪ Aggressive vs Organic Transformation ▪ Succession Planning 	<u>SESB Turnaround Plan</u> <ul style="list-style-type: none"> ▪ Completion of Grid ▪ Increase generation from more efficient plants ▪ Diesel subsidy 	<u>Value Creation</u> <ul style="list-style-type: none"> ▪ Disposal of selective residential land from Land Bank ▪ Recovery from Perwaja <ul style="list-style-type: none"> - principal o/s RM198.1 mn - provision made RM176 mn as at 31st Aug '06

Value Creation From Land Bank

Approved

No	Sites	Area (acres)	Book Value RM mn	Market Value RM mn	Total Cash Proceeds RM mn	Gain From Disposal RM mn
1	Ampang	3.76	16.6	34.5	49.0	32.4
2	Pinggiran Tunku	2.00	4.2	20.0	22.0	17.8
3	Lot 227, Penggawa	3.35	6.7	13.4	13.4	6.7
4	Jln Wickham	0.90	3,5	8.0	8.8	5.3
5	Park West Apts, London	2 Units	0.7	3.8	3.8	3.1
6	Lorong Yap Kwan Seng	0.26	1.1	2.8	2.8	1.7
7	Land in Pahang & Negeri Sembilan	0.21	0.3	0.6	0.6	0.3
	Sub-Total		33.1	83.1	100.4	67.3

Value Creation From Land Bank (con't)

Pending Approval

No	Sites	Area (acres)	Book Value RM mn	Market Value RM mn	Total Cash Proceeds RM mn	Gain From Disposal RM mn
1	Penggawa	3.35	12.7	29.7	43.7	31.0
2	Taman Duta	3.16	6.6	24.5	24.5	17.9
3	7 Lots in Bukit Tunku	22.1	28.9	88.0	97.3	68.4
4	San Peng	3.0	5.1	30.0	32.7	27.6
5	Merchu	0.77	1.7	6.8	6.8	5.1
6	Pulau Pinang	10.85	16.8	53.9	53.9	37.1
	SUB-TOTAL		71.8	232.9	258.9	187.1
	GRAND TOTAL		104.9	316.0	359.3	254.4

Thank You



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