TENAGA NASIONAL BERHAD

SIARAN AKHBAR

PRESS STATEMENT

S.A. 2007/10/59

EMBARGO
NOT TO BE PUBLISHED BEFORE 5.00 P.M., OCTOBER 25, 2007

DELIVERING SHAREHOLDER VALUE WITHOUT COMPROMISING ON SERVICE EXCELLENCE

- **Net Profit of RM3,606.8 million before foreign exchange translation gain**
- **Revenue increased by 14.4% whilst Operating Expenses increased by 8.6%**
- **EBITDA margin at 37.6%**
- **ROA at 6.3% compared to 3.3% reported for FY2006**
- **Economic loss of RM656.3 million compared to loss of RM1,690.5 million in FY2006**
- **Total Capex at RM5.2 billion**

Tenaga Nasional Berhad's (TNB) key focus to deliver shareholder value without compromising service excellence, has enabled it to register a record net profit of RM3,606.8 million before foreign exchange translation gain for the 12 months ended 31 August 2007 ("FY2007").

Whilst the Group's results reflect the full impact of the new tariff effective from 1st June 2006, as well as the write back of deferred tax provision following the reduction in the corporate tax rate, core profits increased by 29.8%.

The strong performance is attributable to a 14.4% increase in the Group's revenue as a result of the 5.3% increase in the Group's electricity demand. Peninsular Malaysia which accounts for 92% of the Group's electricity sales recorded 5.5% growth, whilst Sabah Electricity Sdn Bhd chalked a 13.6% increase for the year.

The Group's operating expenses however increased by 8.6% compared to the 4.4% increase in the previous year. The higher operating costs was principally attributed to the additional capacity payments incurred during the year with the commissioning of Units 1 and 2 of Tanjung Bin as well as the higher provision made of RM657.5 million (FY2006: RM295.1 million) under FRS 119 for staff benefits. Notwithstanding the higher increase in operating expenses, EBITDA margin increased from 35.7% in FY2006 to 37.6% in FY2007.

As a result of an effective debt liability management program and the benefit of a stronger Ringgit, the Group reported an 11.4% reduction in its total debt exposure from RM27.1 billion to RM24.0 billion. Correspondingly, total finance cost for the year reported a 15.2% decline.

Speaking at the press conference today, TNB's Chairman, Tan Sri Leo Moggie said that "industrial sector growth recorded 3.5% for the year compared to 0.2% in FY2006, whilst the commercial sector recorded a stronger growth at 8.3% compared to 7.2% in FY2006. This is the result of the Government's drive to promote the development of the services sector.

In order to meet the future demand requirements for new supply and adopting a preventive rather than corrective approach for the replacement of old equipment as well as investing in continuous system improvement to ensure quality and reliability of supply, total capital expenditure incurred during the year was RM5.2 billion. Of this, RM1.5 billion and RM1.4 billion was incurred for new supply and system improvement respectively. This is in line with the commitment made by the Company in support of the request for the recent tariff increase.

Commenting on the Group's operations, TNB's President/Chief Executive Officer, Dato' Sri Che Khalib Mohamad Noh said that he was "pleased with the Group's performance for the year. In fact the 29.8% increase in core profits that we achieved after stripping out the increase from the new tariff, forex gain as well as the one-off provisions, can be totally attributed to all the efforts of the Board, Management and staff of TNB."

Moving forward, Dato' Sri added that "the higher operating expenses reported for the year of 8.6% is expected to increase further in FY2008 with the full impact of capacity payments to be made for all 3 units of Tanjung Bin as well as the higher prices we would have to pay for the balance of our coal requirements for FY2008."

On the Group's Headline Key Performance Indicators ("KPIs") and Company-Wide Initiatives for FY2007, Tan Sri mentioned that "except for Transmission system minutes, we have exceeded our targets for the other technical KPIs set. Our average collection period excluding the delinquent accounts has set a new record of 23 days while transmission and distribution losses have dropped to 10.0%. For the first time, TNB Distribution's system average interruption duration index ("SAIDI") has been reduced to a double-digit number from last year's figure of 104 minutes to 83 minutes. This remarkable achievement has ranked the company as one of the best utility companies in the world. Another notable achievement is TNB Generation's unplanned outage rate, now reduced to 2.2%, is at par with or better than some private operators.

As for the Return on Assets ("ROA"), despite not achieving the target set of 6.5%, the Group nevertheless achieved a commendable 6.3% compared to 3.3% in FY2006 ."

In terms of value creation, Dato' Sri mentioned that "the Group achieved a total of RM592.4 million through land sales, recovery from delinquent accounts and from theft, against the target set of RM400.0 million. While the land sales relate to the signing of the sales and purchase agreements, we have completed the sale on 4 plots and recognized the gain on sale of approximately RM36.3 million. We are confident of completing the balance of the sales and recognizing the balance of the gain in FY2008."

The Group reported an economic loss of RM656.3 million for the year compared to an economic loss of RM1,690.5 million reported for FY2006.

Under the Dividend Policy announced on 16th April 2007, TNB intends to distribute dividends within a range of 40% to 60% of its annual free cash flow defined as operating cash flow less normalized capital expenditure and financing cost.

For the financial year ended 31 August 2007, the Board of Directors has recommended a final gross dividend of 16.3 sen per ordinary share less income tax of 26%. The total equivalent gross dividend for the year of 36.3 sen per ordinary share represents 40% of the Company's free cashflow. The final gross dividend of 16.3 sen is subject to the approval of the shareholders of TNB at the forthcoming Annual General Meeting. The Books Closure period for dividend entitlement and dividend payment date will be announced at a later date.

In closing, Tan Sri noted that the demand growth for FY2007 was 5.5% for Peninsular Malaysia against the projected GDP growth of 6.0%. Whilst the global economy is still clouded by repercussions of the US "subprime shock", Malaysia's exposure to subprime is reported to be small and negligible. In addition, pro-growth domestic policies, announced under the recent Budget 2008 is expected to help spur domestic economic activities. AN early indication of this is the 7.2% electricity demand growth in the month of September 2007.

Notwithstanding the projected growth of Malaysia's economy of 6% - 6.5% as recently announced in the 2008 Budget, the financial performance of the Group is expected to be lower than that achieved for FY2007 as operating margins would be reduced as a result of rising fuel prices and higher capacity payments to IPPs. At the same time, there is a continuing need to invest in the system for its improvement, ensuring reliability and security.

With the commitment to further drive operational and financial efficiency and the upward growth trend in industrial and commercial sectors as shown in the recent IPI numbers for August, the Board of Directors is of the view that, subject to the pattern of growth and with the rollout plans expected to be launched for major projects under the 9th Malaysia Plan, the performance for FY2008 would be satisfactory.

Released on 25 October 2007 in Kuala Lumpur

Kindly forward all press enquiries to Sidek Kamiso at 019-354 1301, Khoo Choo Ki at 019-289 9225 or Nor Hanim Idris at 019 – 261 7617.

Financial Highlights

RM' Million	12 months ended 31 August FY2007	FY2006
Total Revenue	23,320.4	20,384.2
Operating Expenses	(18,371.4)	(16,916.9)
Other Operating Income	593.7	489.3
Operating Surplus (EBIT)	5,542.7	3,956.6
Finance Cost	(1,305.0)	(1,539.3)
Forex Translation gain/(loss)	452.3	491.3
Net Profit [before forex translation gain/(loss)]	3,608.8	1,635.6
Dividend per ordinary share (gross)		
First Interim	10.0 sen	-
Second Interim	10.0 sen	-
Tax-exempt Final	-	*2.8 sen
Ordinary Final	16.3 sen	12.0 sen
Total	36.3 sen	14.8 sen
Earnings per share	94.92	52.52

* tax-exempt dividend of 2.0 sen per ordinary share equivalent to a gross dividend of 2.8 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. As at 31 August 2006, TNB supplies electricity to approximately 6.4 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.