TENAGA NASIONAL BERHAD

SIARAN AKHBAR

PRESS STATEMENT

EMBARGO

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COAL PRICES, IPP COST & WEAKER RINGGIT LIKELY TO IMPEDE FY'09 EARNINGS

4th Qtr FY2008

- **Net loss of RM282.9 million**
- **15.7% increase in Group Revenue (YOY) against a 36.7% increase in Operating Expenses**
- **108.5% increase in fuel costs to RM1.5 billion**

Full year FY2008

- **Net Profit of RM2.6 billion**
- **Return on Assets of 4.6% compared to 6.3% previously**
- **10.4% increase in Group Revenue against a 22.5% increase in Operating Expenses**
- **Unit electricity demand growth**
  - **4.7% - Group**
  - **6.1% - Peninsular Malaysia**
- **EBITDA margin at 29.5% compared to 37.6% the year before**
- **Economic loss increased to RM2,043.1 million**

Outlook for FY2009

- **Growth in electricity demand may slowdown**
- **Coal price in excess of USD100/tonne**
- **Higher capacity and energy payments to the IPPs**
- **Reserve margin currently at 40.8% will reach 47.0% with the full commissioning of the Jimah Power Plant**

Kuala Lumpur, 16 October 2008 –Tenaga Nasional Berhad (TNB) today announced a net loss RM282.9 million for the 4th Quarter of the financial year ended 31 August 2008 (FY2008). Whilst the operating profit for the period decreased significantly as a result of a 36.7% increase in operating expenses, the Group also reported a foreign exchange translation loss of RM288.8 million for the 4th Quarter caused by the strengthening of USD and Japanese Yen against the Ringgit.

For the full year FY2008, the Group's net profit of RM2.6 billion reflected a 36.1% decline compared to FY2007.

Electricity demand growth for the financial year averaged at 6.1% in Peninsular Malaysia, led by strong demand growth from the industrial and commercial sectors. However, Malaysia's industrial production index slowed to 0.9% in August 2008 from 2.4% in July, while export growth too, slowed by 10.6% in August from a growth of 25.0% in July. With the slowest pace of industrial production growth recorded in over a year, the possibility of easing demand for manufactured exports could potentially be a test on the resilience of the Malaysian economy in facing the global financial turmoil.

At Group level, total revenue increased by 10.4%. However, with a 22.5% increase in operating expenses, the EBITDA margin dropped to 29.5% compared to 37.6% the year before. The sharp increase in operating expenses resulted to a great extent from the higher cost of electricity generation namely IPP and fuel costs which account for 60.5% of total operating expenses as summarized below :-

RM'mn	**FY'07**	**FY'08**	**Increase (%)**
IPP cost	7,726.0	9,454.1	22.4
Net fuel cost	2,959.5	4,156.6	40.4

In respect of IPP cost, total capacity payments made to IPPs increased by 22.0% from RM3.5 billion in FY2007 to RM4.2 billion for the current period, and will increase further in FY2009 to RM4.4 billion with the commissioning of the 1,400 MW Jimah coal-fired power plant, the full impact of which will only be in the year after.

Further, energy payments to IPPs will rise from RM5.2 billion in FY2008 to an amount in excess of RM8.5 billion in FY2009, an increase of 63.5%.

Amidst the global scenario of high volatility in fuel prices, one of the Group's key challenges during the year was to secure coal prices at the lowest level possible. This challenge continues into FY2009 with current market price indications for delivered coal at above USD100/mt which will add further pressure to the Company's profitability.

In terms of exchange rates, the Ringgit has weakened against both the USD and Yen especially in the second half of the year and gave rise to a translation gain of only RM53.2 million compared to RM522.8 million in the first 6 months. The weaker currency also meant that the cost of coal, parts/equipment, services and interest rose in that period.

Commenting on the Group's performance, TNB's Chairman, YBhg. Tan Sri Datuk Amar Leo Moggie stated that "FY2007 was a year of notable achievements, not just in terms of having posted record profits, but also in the area of operational performance, recoveries and value creation initiatives. With the benefits of these key drivers in place to optimize our financial and operational performance, we had prepared ourselves for the challenges to be faced in FY2008 of higher coal prices and the full impact of Tanjung Bin. However, the global volatility in coal prices rose beyond all market expectations."

"Moreover, despite the recent decline in oil prices, coal prices have not retreated by as much contrary to general expectations", Tan Sri added.

TNB's President/Chief Executive Officer, Dato' Sri Che Khalib Mohamad Noh went on to describe the achievements under the Group's Headline Key Performance Indicators (KPIs). The key technical indicators namely Unplanned Outage Rate, Transmission & Distribution Losses. Transmission System Minutes and Distribution System Average

Interruption Duration Index (SAIDI) had all out-performed their targets. This is in line with our target to achieve Service Excellence by 2010."

"With respect to other Company-Wide Initiatives, the emphasis has been on improvement of work processes and procedures. In terms of value creation, we have entered into Sales & Purchase (S&P) Agreements for further land sales amounting to RM105.4 million whilst the total gain on land sales recognized in FY2008 was RM229.4 million."

Dato' Sri further added that "in our endeavor to provide quality services to our customers whilst providing shareholder value to our stakeholders, we have created value/savings totaling RM2.6 billion over the last 4 years which can be equated to an average of RM652.8 million per annum. The increase in TNB's total coal cost for the year of RM1.3 billion would completely wipe out all our efforts made to improve the overall financial performance."

"However, with the full commissioning of the Jimah Power Plant, the installed capacity will increase by an additional 1,400MW thereby raising the reserve margin to 47.0%. Currently, the reserve margin stands at 40.8%", he noted.

Based on the lower operating profit margin reported, the Group reported an economic loss of RM2.0 billion for the period compared to an economic loss of RM741.4 million reported last year.

For the financial year ended 31 August 2008, the Board of Directors has recommended a final dividend of 10 sen gross per ordinary share (2007: 16.3 sen), subject to the approval of the shareholders of TNB at the forthcoming Annual General Meeting. The Books Closure and Payment dates will be announced in due course.

The Group's performance for the financial year under review deteriorated significantly in the last 6 months when compared to the first half. This is attributable to the higher average coal prices and the weakening of the Ringgit against both the US Dollar and Japanese Yen.

Whilst the Budget 2009 which was announced on 29 August 2008 projected a GDP growth of 5.4%, the current turmoil in the global financial markets which has affected several financial institutions if prolonged may impact global demand and indirectly slowdown regional economic growth including the Malaysian economy. Consequently, the growth in electricity demand will be lower than the 6.1% achieved in FY2008.

In addition, significant challenges to TNB remain in FY2009 with the commissioning of the 1,400MW Jimah Power Plant (thereby raising capacity payments and the reserve margin) and rising average coal prices which raises fuel costs and energy payments to the IPPs. Moreover, a weakened Ringgit will result in higher fuel cost, procurement cost of imported parts, equipment and services as well as increased interest cost (on the USD and Yen-denominated loans).

Given the foregoing scenario of lower electricity demand and higher operating costs as well as other unforeseen circumstances which will impact the operations of the Group, the Board of Directors is of the view that the Group's financial performance for FY2009 will continue to decline. Notwithstanding, TNB is committed to providing all its customers with a reliable supply of electricity and raising the level of service excellence.

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Kindly forward all press enquiries to Mr. Arziril Alim at 019-268 6630,
or Ms Evelyn Kuang at 019- 260 1292.

Financial Highlights

RM' Million		12 months ended 31 August FY2008	FY2007
Total Revenue		25,750.6	23,320.4
Operating Expenses		(22,503.4)	(18,371.4)
Other Operating Income		794.8	593.7
Operating Surplus (EBIT)		4,042.0	5,542.7
Finance Cost		(1,095.8)	(1,305.0)
Forex Translation gain		53.2	452.3
Net Profit (before forex translation gain)		2,540.8	3,608.8
Dividend per ordinary share (gross)			
First Interim		10.0 sen	10.0 sen
Second Interim		-	10.0 sen
Ordinary final		10.0 sen	16.3 sen
	Total	20.0 sen	36.3 sen
Earnings per share		59.87 sen	94.92 sen

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; providing 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.