TENAGA NASIONAL BERHAD

SIARAN AKHBAR
PRESS STATEMENT

S.A. Bil. 2011/10/53 (HQ)

PROLONGED GAS CURTAILMENT
DAMPENS TNB's EARNINGS FOR FY2011

<u>3 months ended 31st August FY2011 (4th Quarter)</u>

- Net loss of RM453.9 million
- 17.4% increase in Group revenue compared to 3rd Quarter 2011 against 12.5% increase in operating expenses
- Average coal price of USD117.3/mt

<u>Full Year FY2011</u>

- Net profit of RM499.5 million
- 6.2% increase in Group revenue against 19.1% increase in operating expenses
- Additional fuel cost of RM2.1 billion from oil and distillate
- EBITDA margin at 16.1% compared to 26.8% reported in FY2010
- 3.1% unit electricity demand growth in Peninsular Malaysia
- Average coal price of USD106.9/mt

Kuala Lumpur, 28 October 2011 – Tenaga Nasional Berhad (TNB) today announced a net loss of RM453.9 million for the 4th Quarter of the financial year ended 31 August 2011 (FY2011), compared to a net loss of RM440.2 million reported for the 3rd Quarter.

For the full year FY2011, the Group reported a net profit of RM499.5 million as compared to the RM3.2 billion reported in FY2010 mainly attributed to higher fuel costs.

RM million	FY2011				12-months	
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	FY2011	FY2010
Unit Sales - Peninsula (Gwh)	22,826.3	22,310.8	23,032.0	24,122.0	92,291.1	89,532.5
Revenue	7,815.1	7,503.5	7,768.1	9,120.2	32,206.9	30,317.4
Operating Expenses	(6,557.6)	(7,089.0)	(8,441.6)	(9,494.6)	(31,582.8)	(26,519.7)
Forex Translation Gain/(Loss)	(104.8)	152.4	60.0	(334.6)	(227.0)	632.6
Net Profit/(Loss) attributable to Owners of the Company	763.3	630.3	(440.2)	(453.9)	499.5	3,200.8
EBITDA margin	29.3%	21.1%	6.6%	8.9%	16.1%	26.8%

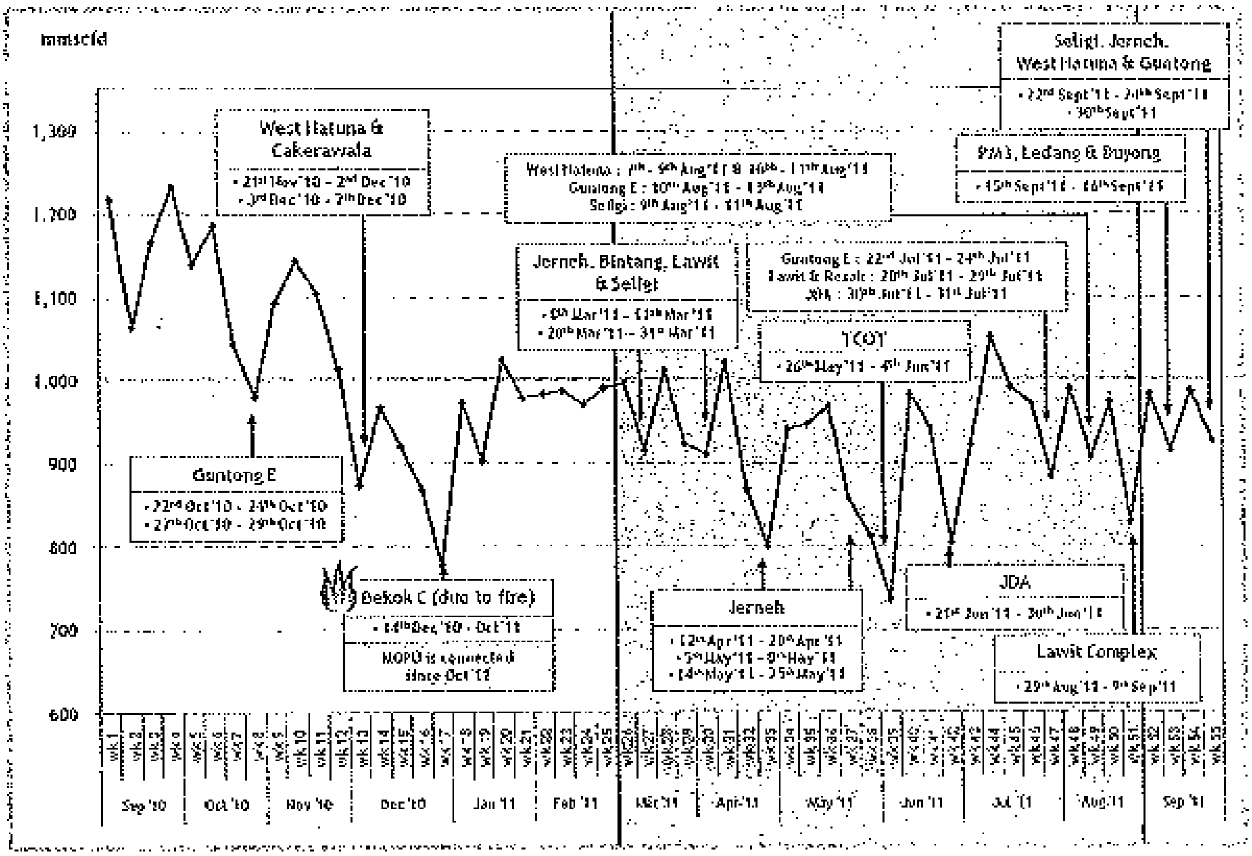
Electricity demand growth in Peninsula for the 4th Quarter FY2011 reported an increase of 3.9% Y-O-Y and 4.7% Q-O-Q. For the financial year 2011, electricity demand in Peninsula recorded a growth of 3.1%, driven by the commercial sector.

Though the Group reported a 17.4% increase in total revenue on a Q-O-Q basis, principally from the impact of the tariff adjustment effective from 1 June 2011, 4th quarter FY2011 saw further deterioration in EBITDA margin due to higher generation costs from utilisation of oil and distillate. The impact of the tariff adjustment was not sufficient to cover the higher fuel costs in the 4th quarter FY2011.

For the full year FY2011, the Group reported a 6.2% increase in total revenue. However, the severe and prolonged gas curtailment in the 2nd Half of FY2011 had resulted in a significant increase in fuel costs mainly from oil and distillate as well as from higher coal prices. As a consequence, the operating expenses increased by 19.1% resulting in a significant reduction in EBITDA margin from 26.8% in FY2010 to 16.1% in FY2011.

Commenting on the Group's performance during the year, TNB's Chairman Y.Bhg Tan Sri Leo Moggie said that "the year had been very challenging. Due to insufficient gas supply, we have had to use the more expensive alternative fuel to ensure continued supply of electricity. Coupled with higher average coal prices incurred during the year of USD106.9/mt, the Group's results were negatively impacted especially in the 2nd Half of FY2011".

At the operating level, TNB's President/Chief Executive Officer, YBhg Dato' Sri Che Khalib Mohamad Noh explained that "we started the financial year with high coal prices but it was still manageable as the existing tariff structure allows TNB to partially recover the coal cost. However, in the second half of the financial year, TNB was hit by severe gas curtailment resulting in higher utilisation of expensive alternative fuels namely distillate and oil. The cost of generation using these alternative fuels is five times more expensive as compared to the generation cost using gas. The lower gas volume resulted from the maintenance shutdowns carried out at Petronas facilities as shown in the graph below:



From the graph above, the daily average gas volume fell below 1,000 mmscfd level in the 2nd Half of FY2011, much lower than the total volume of 1,250 mmscfd required by the power sector. The shortfall in gas volume had to be made up by oil and distillate, and as a consequence, resulted in TNB incurring additional fuel cost of RM2.1 billion up to August 2011. Oil consumption had increased by almost 5 times from 110,501 MT in the 1st Half FY2011 to 546,630 MT in the 2nd Half FY2011. Distillate consumption also increased by almost 20 times from 28.0 million litres in the 1st Half FY2011 to 552.0 million litres in the 2nd Half FY2011".

As the global economic prospects are expected to be more challenging in 2012, the Malaysian 2012 Budget saw the Government putting in measures to stimulate domestic economic activities through the implementation of the Economic Transformation Plan (ETP) and Second Rolling Plan projects under the Tenth Malaysia Plan (10MP). To further support economic growth, the Government will also implement a Special Stimulus Package through Private Financing Facility amounting RM6.0 billion. Through these initiatives, the Government expects the Malaysian economy to achieve growth of 5.0% - 6.0% in 2012.

However, with the uncertainty in gas supply and rising fuel prices, generation cost is expected to increase from the use of oil and distillate as well as higher generation from coal fired power plants. TNB has continuously been engaging with the Government in an effort to resolve the gas volume issue as well as the burden of sharing the higher fuel costs. The outcome of the discussions and its impact to TNB will be significant.

Given the foregoing scenario the Board of Directors expects the Group's performance for the financial year ending 31 August 2012 to be very challenging.

The Board of Directors has not recommended any final dividend for the financial year ended 31 August 2011.

Released in Kuala Lumpur on 28 October 2011

Kindly forward all press enquiries to Arziril Alim Azizi at 019-2686630 or Nor Hanim Idris at 019-2617617

Financial Highlights

	12 months ended 31 August	
RM' Million	FY2011	FY2010
Total Revenue	32,206.9	30,317.4
Operating Expenses	(31,582.8)	(26,519.7)
Other Operating Income	532.0	382.3
Operating Surplus (EBIT)	1,156.1	4,180.0
Finance Cost	(827.8)	(1,070.9)
Forex Translation gain/(loss)	(227.0)	632.6
Net Profit before forex translation gain/(loss)	726.5	2,568.2
Net Profit Attributable to Shareholders	499.5	3,200.8
Dividend per ordinary share (gross)		
First Interim	4.5 sen	6.0 sen
Ordinary final	-	16.0 sen
Total	4.5 sen	22.0 sen
Earnings per share	9.16 sen	58.92 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 company, TNB also transmits and distributes all the electricity in Peninsular Malaysia, Sabah and the Federal Territory of Labuan. As at 31 August 2011, TNB Group supplies electricity to approximately 8.1 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 operation 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 also undertakes research and development related to the power industry.

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.