



PRESS RELEASE

S.A. 2021/08/114 (HQ)

TNB SETS NET ZERO EMISSIONS ASPIRATION BY 2050

- Adopts sustainability pathway to **reduce emission intensity by 35%** and **halve coal generation capacity** by 2035
- Gradual recovery of 1HFY2021 financial performance on increased economic activity and recovery of industrial sector demand

Tenaga Nasional Berhad (TNB) today announced its sustainability pathway with an aspiration to achieve net zero emissions by 2050, in a bold move towards decarbonisation and Renewable Energy (RE).

“This new pathway is a clearer manifestation of TNB’s sustainability journey which began in 2016 with the launch of the Reimagining TNB strategic plan. Today’s commitment provides further clarity towards TNB’s sustainability path over the next 30 years,” said TNB President and Chief Executive Officer, Datuk Ir. Baharin Din.

Baharin revealed TNB’s sustainability pathway on the sidelines of its First Half Financial Year 2021 (1HFY2021) announcement today.

Under its sustainability pathway, TNB aspires to achieve net zero emissions by 2050. This aspiration is underpinned by a commitment to reduce 35% of its emissions intensity as well as 50% of its coal generation capacity by 2035.

In addition, TNB has pledged to ensure its revenue from coal generation plants does not exceed 25% of its total revenue. The company had earlier this year committed to no longer investing in greenfield coal plants after Jimah East Power which was commissioned in 2019, while existing plants will be phased out on expiry of their power purchase agreement (PPA).

“Leading up to the 2035 commitment, we will continue to improve efficiency at our existing thermal plants, and build up scale in our renewable generation portfolio. Our target is to achieve 8,300MW of RE by 2025,” added Baharin.

“We believe that an inflection point between 2035 and 2040 will determine the speed of our net zero trajectory. Hence, building up towards that point, TNB is dedicated to develop energy storage solutions and is already in discussions with the Government to implement this as an enabler for RE growth. TNB is also committed to accelerate investments in emerging green technologies like green hydrogen, and carbon capture and utilisation (CCU) – as soon as it becomes economically viable,” added Baharin.

TNB remains committed to the Government’s green agenda and Malaysia’s commitment to reduce Greenhouse Gas (GHG) emission intensity of gross domestic product (GDP) by 45% by 2030, relative to the 2005 baseline.

“TNB’s Sustainability Pathway supports the nation’s RE plan to increase the share of green energy in its power capacity mix. Our domestic capacity plan is in tandem with the Peninsular Malaysia Generation Development Plan, based on considerations to balance the energy trilemma. The focus of our international business will be to grow our overall RE portfolio and serve as the pathfinder for green technologies which we can eventually adopt in Malaysia,” added Baharin.

“We are committed to this sustainability pathway that is firmly anchored on TNB’s purpose *“Better World · Brighter Lives”*. The initiatives and resource that will go towards achieving our ambitious goals, will be part of TNB’s investment towards a greener, healthier, more sustainable future for the next generation,” he said.

Gradual Recovery of 1HFY2021 Performance Due to Improved Economic Activities

TNB reported a gradual recovery in its First Half Financial Year 2021 (1HFY2021) performance against the ongoing Covid-19 pandemic backdrop. The Group’s profit after tax (PAT) recorded at RM1,823.5 million, an improvement from RM1,412.7 million in 1HFY2020, but still lower than the pre-pandemic 1HFY2019 PAT of RM2,651.3 million.

Sales of Electricity grew slightly by 4.9% to 59,304 GWh from the same period last year, driven by more economic activity. The demand growth was led by the industrial sector which saw a demand increase of 15.4% from the same period last year.

EBITDA margin sustained at 40.6% in 1HFY2021 as the increase in revenue was moderated by higher expenses of RM507.2million largely driven by our non-generation cost and higher allowance for doubtful debt by RM326.6million in the period.

“This gradual improvement on both EBITDA and PAT was largely on the back of higher Group electricity revenue on resumption of business this year compared to the total lockdown experienced last year and lower rebate in the ICPT in the period. Our subsidiaries’ performance have also improved as more businesses were allowed to operate,” said Baharin.

Despite the challenging environment, TNB continues to honour its dividend policy, rewarding shareholders with a RM1.26 billion interim dividend payout which translates to dividend per share of 22.0 sen.

Prospect 2QFY2021

During the year, the Malaysian economy performed better in the second quarter by recording a growth of 16.1% compared to negative 0.5% in the first quarter. The growth was mainly driven by the improvement in domestic demand and continued robust exports performance. This is consistent with the demand growth recorded by TNB of 4.4% for the first half of the year where recovery was registered in the industrial sector.

However, towards the end of the second quarter there was a slowdown in the economy resulting from the re-imposition of stricter containment measures nationwide due to the resurgence of Covid-19 cases. Therefore, Bank Negara Malaysia has revised the growth projection of between 3.0% and 4.0% for 2021 (from between 6.0% and 7.5% as previously projected).

Amid the developments surrounding the pandemic, the Group will continue to take prudent measures in terms of its operational and financial requirements to ensure it remains resilient.

Financial Highlights

RM' Million	6 Months Ended 30 th June 2021	6 Months Ended 30 th June 2020
Total Revenue	23,919.0	22,545.3
Operating Expenses	(19,204.3)	(18,683.2)
Other Operating Income	404.0	345.5
Operating Surplus (EBIT)	<u>4,451.1</u>	<u>4,046.0</u>
Finance Cost	(1,910.5)	(1,816.5)
Forex Translation Gain / (Loss)	(116.7)	(332.5)
Profit (before Forex Translation Gain / (Loss))	1,896.9	1,703.7
Profit Attributable to Owners of the Company	1,780.2	1,371.2
Profit for the Period	1,823.5	1,412.7
Earnings per share	31.18 sen	24.10 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 March 2021, TNB supplies electricity to approximately 10.1 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 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.

Released in Kuala Lumpur on 26 August 2021 at 5:10 pm

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TNB President and Chief Executive Officer

Datuk Ir. Baharin Din