



PRESS RELEASE

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TNB RESILIENT THROUGH CHALLENGING 9MFY2020 WITH RM2.41 BILLION PAT

- Group PAT down 37.5% to RM2.41 billion
- Revenue drops 13.2% to RM33.65 billion
- UK RE assets to be structured under a new Renewable Asset Co

Tenaga Nasional Berhad's (TNB) group profit after tax (PAT) eased 37.5 percent to RM2.41 billion in the nine months of the financial year 2020 (9MFY2020) from RM3.86 billion in the same period of 2019.

The lower profit was due to COVID-19-related business closures that led to lower sales, and the impact from the Malaysian Financial Reporting Standards (MFRS) 16 of RM595.1 million as well as unrealised forex losses of RM174.3 million.

The economic slowdown due to the physical closure of business premises, particularly the industrial and commercial sectors during the movement control order (MCO) caused electricity sales to decline to 82,283.6 GWh in 9MFY2020 compared with 87,751.5 GWh in the corresponding period of last year.

Group revenue decreased 13.2 percent year-on-year to RM33.65 billion from RM38.76 billion mainly due to the lower contribution from subsidiaries and over-recovery of the Imbalance Cost Pass Through (ICPT) of RM1.48 billion as against RM2 billion under-recovery position in the previous year's corresponding period.

EBITDA margin however was sustained at 40.9 percent in 9MFY2020 due to an 18 percent decrease in operating expenses in the nine months of the financial year 2020 as the Group adapts to the prevailing operational requirement including restriction of movement during the COVID-19 pandemic.

Signs of Recovery

"In the third quarter ended September 2020, electricity demand and sales have improved compared to the previous quarter as most of the industrial and commercial sectors were allowed to run at full capacity under the Recovery Movement Control Order (RMCO)," said TNB President and Chief Executive Officer, Datuk Seri Amir Hamzah Azizan.

He noted that in line with the economic recovery, the maximum demand for the quarter, at 16,570 GWh had almost reached 2019's level of 16,894 GWh. "As a result, sales and collection are gradually improving. We will continuously monitor the trend as the country is currently facing the third wave of COVID-19.

"For the full year, TNB expects the overall electricity consumption to drop between 6-10% year-on-year. Nevertheless, this will be cushioned by the earnings of our regulated revenue cap entities that are guaranteed at demand growth of 1.8% - 2.0% as stipulated by the Incentive-Based Regulation (IBR) guidelines in the second regulatory period RP2."

Forging Ahead with Reorganisation Plan

TNB Power Generation Sdn Bhd (TPGSB) was successfully incorporated on 1st October 2020, as a wholly-owned subsidiary of TNB.

"The creation of this independent subsidiary, as part of our internal reorganisation plan, enables TPGSB to have its own board and management for undiluted business focus, and the means to raise capital for further enhancement of its core functions in the future.

"TPGS will focus on improving the performance of TNB's domestic power plants in preparation for the expected introduction of a capacity and energy market. Its focus is on the growth and operational efficiency of its generation assets, as outlined in our 10-year strategic plan, Reimagining TNB.

RE Growth

TNB acquired the controlling equity stake in Vortex Solar Investments S.a.r.l. (Vortex Solar) from Beaufort Investments S.a.r.l, a subsidiary of EFG Hermes Holding SAE on 17th September 2020.

Vortex Solar is one of the largest solar platforms in the United Kingdom with 24 operational solar farms and a total combined capacity of 365MW. It is one of the largest solar platform in the UK with subsidy scheme, making it a promising asset in TNB's RE portfolio.

"The acquisition of Vortex's 5% controlling stake is a key milestone to take control of our performing RE assets. Earlier this year, through Tenaga Wind Ventures UK Ltd, we had also acquired the remaining 20% stake in GVO Wind Ltd and Bluemerang Capital Ltd, giving TNB 100% asset ownership of the largest Feed-in-Tariff wind portfolio in the UK.

"Following these acquisitions, both RE assets will be structured under a new Renewable Asset Co (RACo), a platform from which TNB can focus on growing our international RE footprint by leveraging on existing assets, capabilities and experience," disclosed Amir Hamzah.

On the domestic front, he added that TNB's newly commissioned 30MW Large Scale Solar (LSS) project in Bukit Selambau, Kedah (8th September, 2020) will further reduce emissions of about 35,840 metric tonnes of Carbon Dioxide Equivalent (tCO₂e) per year after its commercial operation date. The Group's first LSS, in Sepang, Selangor, with 50MW capacity cut emissions by approximately 57,174 tCO₂e/year.

Amir Hamzah announced that under the Group's renewed sustainability commitment, TNB's RE capacity target is now set at 8,300MW by 2025. He also said that the Group aspires to ensure that revenue from coal generation plants does not exceed 25 percent. The Group had pledged to no longer invest in greenfield coal plants, with Jimah East Power which was commissioned in 2019, slated to be the last greenfield coal plant for TNB.

TNB's total RE capacity currently stands at 3,390MW (including large hydros). This comprises 2,724MW from domestic assets and 666MW from international assets, comprising around 400MW in the U.K. and the rest in Turkey (wind and hydro) and India (solar).

Outlook of the Economy

The Malaysian economy improved to record a smaller contraction of 2.7% in the third quarter of 2020. The improvement largely reflected the reopening of the economy from the COVID-19 containment measures and better external demand conditions. Improvements in growth were seen across most economic sectors, particularly manufacturing. It is also expected for the economy to improve further into 2021 in tandem with better global demand and domestic policy support. According to Bank Negara Malaysia report dated 13th November 2020, the recent resurgence of COVID-19 cases and targeted containment measures could affect the momentum of the recovery in the final quarter of the year. However, as most economic sectors have been allowed to continue to operate subject to compliance with standard operating procedures, the impact is expected to be less severe compared to previous period.

Amid the challenging environment, the Board of Directors foresees a prospect of a gradual recovery on the Group's performance for the remaining quarter of the financial year ending 31st December 2020, underpinned by the timely rollout of the Government's stimulus packages specifically the Bantuan Prihatin Rakyat and a sustained momentum of business activities. The Group has taken prudent measures in terms of its operational and financial requirements to ensure it remains resilient.

Financial Highlights

RM' Million	9 Months Ended	9 Months Ended
	30 th Sep 2020	30 th Sep 2019
Total Revenue	33,651.7	38,762.6
Operating Expenses	(28,238.4)	(32,268.4)
Other Operating Income	832.2	776.7
Operating Surplus (EBIT)	<u>5,903.8</u>	<u>6,857.0</u>
Finance Cost	(2,733.5)	(2,426.3)
Forex Translation Gain / (Loss)	(174.3)	(76.0)
Profit (before Forex Translation Gain / (Loss))	2,555.1	3,951.9
Profit Attributable to Owners of the Company	2,380.8	3,875.9
Profit for the Period	2,414.6	3,860.9
Earnings per share	41.81 sen	68.16 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 30 September 2020, TNB supplies electricity to approximately 10 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.

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