



PRESS RELEASE

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TNB's 1QFY22: Group's PAT Down Double Digit by 10.5%

- Group PAT decreased to RM0.9 billion mainly due to an exponential increase in fuel prices

Tenaga Nasional Berhad (TNB)'s profit after tax (PAT) for the First Quarter of Financial Year 2022 (1QFY2022) fell 10.5% to RM0.9 billion despite Group revenue increasing by 36.4% to RM15.7 billion on the back of a 4.0% increase in electricity demand in Peninsular Malaysia.

The higher sales of electricity reflects Malaysia's transition to the endemic phase and is in line with the growth in Malaysia's economy of 5.0% for the first quarter of 2022. This is mainly driven by higher consumption recorded for commercial and domestic customers as businesses were allowed to operate with less restriction.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were reported at RM5.1 billion while the EBITDA margin was 32.8%, contributed by higher operating expenses which grew by 64.1% mainly from the exponential increase in fuel prices.

The power generation costs, including fuel costs, constitute over 65 percent of the base tariff. The rising price of fossil fuels, especially coal, has increased the country's power generation costs.

TNB President and Chief Executive Officer (CEO) Datuk Ir. Baharin Din said, during these difficult times the utility company has continued to deliver its role as the nation's electricity provider and ensured access to reliable and affordable power, keeping the lights on for all Malaysians.

"Our continuing investments will ensure that our existing infrastructure will operate efficiently while we embark on our Sustainability Pathway with an aspiration to achieve net-zero emissions by 2050. The coming years will see TNB focused on supporting the Government of Malaysia in rebuilding our nation's economy," he said.

To address the issue of the surging fossil fuel prices, Baharin said TNB is working closely with the government to ensure the welfare of the needy is protected while also safeguarding the continuation of the Incentive-based Regulation (IBR) framework.

The government, he said, has continuously upheld the IBR framework and has successfully managed the volatility in fuel prices through the Imbalance Cost Pass-Through (ICPT) mechanism. Since the introduction of the IBR framework, RM8.6 billion of ICPT rebate and RM5.3 billion of ICPT surcharge have been fully passed through to the consumers.

"Despite our world-class system performance, we continue to invest in our infrastructure, particularly to improve its reliability through the adoption of smart grid. In addition, our network plays a key role in enabling the nation's energy transition, therefore continuous planning and development of our infrastructure are crucial.

“TNB continues to remain committed to maintaining world-class standards in system performance despite the challenging operating environment,” said Baharin.

Embarking towards becoming a Smart Utility by 2025, he explained that it will enable customers to have improved access and management of their energy consumption; optimise voltage and bidirectional energy flow to increase integration of customer-owned power generation systems; support Renewable Energy (RE) generation, improve network visibility and allow automated operation and control.

“In addition to strong financial and technical performance, we recognise the need to decarbonize the core and build new sustainable businesses through our pathway. In the last year, we have focused on ensuring we are putting mechanisms in place for tangible measurements towards our targets,” he added.

Last year, TNB announced its Sustainability Pathway, a blueprint with an aspiration to achieve net-zero emissions by 2050, underpinned by a commitment to reduce 35% of TNB’s emissions intensity as well as 50% of coal generation capacity by 2035.

To achieve this, TNB’s power generation subsidiary, TNB Power Generation Sdn Bhd (TNB Genco) plans to accelerate its decarbonisation through managing its transition risks by increasing its renewable portfolio, repowering coal into cleaner alternatives, and progressively applying new emerging technologies to reduce carbon emissions.

The hydroelectric dam project in Nenggiri, Gua Musang that will take off this year, is expected to deliver 300 megawatts (MW) of renewable energy (RE) to the National Grid when completed in 2026. It will augment the security of supply in Peninsular Malaysia, particularly to the eastern region, while bringing additional benefits to the State of Kelantan in terms of flood mitigation, cleaner water supply and raw water for irrigation.

TNB Genco, which currently generates 50% of Malaysia’s power, is working on life extension of existing hydropower plants i.e Sg. Perak, Kenyir & Cameron Highlands power stations will utilise low-carbon fuel ammonia as co-firing technology and carbon capture at its coal power stations in efforts to reduce the GHG emissions intensity.

“We are fully supportive of our government’s efforts to put the country on a more sustainable footing, which is aligned with the long-term strategy that we have put in place for TNB. Our hope is that together, we will attain our aspiration, to be a leading provider of sustainable energy solutions while delivering on our purpose for better and brighter lives for all,” Baharin said.

On the international front, through its New Energy Division (NED), TNB strives to future proof its business by expanding its RE footprint globally through mergers and acquisitions, asset development and establishing strategic partnerships with leading RE players.

TNB’s wholly-owned subsidiary, Vantage RE Ltd (Vantage RE) was launched on 1 July 2021 to own, operate and manage TNB’s portfolio of renewable energy assets in the UK and Europe.

In October 2021, Vantage RE enhanced TNB’s RE portfolio and net-zero goals with the acquisition of a 49% stake in an offshore wind farm company, Blyth Offshore Demonstrator Limited (BODL) from EDF

Renewables (EDFR), a subsidiary of the French utility company, Électricité de France (EDF). It has also completed its acquisition of a 100% stake in a 97.3MW onshore wind portfolio in the United Kingdom (UK) in April 2022.

Both acquisitions were planned strategic acquisitions for TNB to accelerate its journey in delivering on its Environmental, Social and Governance (ESG) agenda. To date, it has achieved 530MW of RE portfolio including offshore wind, onshore wind and solar farms in the UK.

“This acquisition represents the continued success of our strategy to expand TNB’s RE portfolio in our focus markets such as the UK and Europe and will move TNB a step closer to transitioning towards a new energy future of low carbon generation, consistent with TNB’s Sustainability Pathway and overall ESG vision,” said Baharin.

Financial Highlights

RM' Million	3 Months Ended 31 st March 2022	3 Months Ended 31 st March 2021
Total Revenue	15,658.5	11,478.0
Operating Expenses	(13,431.8)	(9,146.5)
Other Operating Income	178.6	176.7
Operating Surplus (EBIT)	<u>2,369.6</u>	<u>2,327.8</u>
Finance Cost	(1,003.0)	(931.9)
Forex Translation Gain / (Loss)	42.7	(56.8)
Profit (before Forex Translation Gain / (Loss))	850.4	1,015.5
Profit Attributable to Owners of the Company	893.1	958.7
Profit for the Period	871.2	973.5
Earnings per share	15.60 sen	16.81 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 2022, TNB supplies electricity to approximately 10.3 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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