

# GROWING BETTER TOGETHER



# GROWING BETTER TOGETHER



## COVER RATIONALE

The cover for our Integrated Annual Report (IAR) 2017 reflects TNB's continued expansion as a Domestic and Regional Champion in the electricity utility industry. In pursuing this aspiration, we remain committed to delivering value and ensuring sustainability for our shareholders and all our other stakeholders. This is in line with the theme of our IAR this year, 'Growing Better Together'.

This also means driving innovation and transformative solutions to utilities across the Asia-Pacific region, as we seek to be a leader in providing higher standards and better quality of service in our industry.



### OUR INTERNATIONAL FOOTPRINT

Present throughout Peninsular Malaysia, Sabah and Labuan, TNB has established itself as Malaysia's largest electricity company. We are also expanding our footprint overseas, where we are building our portfolio of energy assets in diverse markets from Europe to the Middle East and around Asia.

#### UNITED KINGDOM

- 50% equity ownership in a UK Solar Portfolio via Vortex Solar Investments Sarl

#### TURKEY

- 30% equity ownership in GAMA Enerji A.S.

#### SAUDI ARABIA

- REMACO O&M Services for Shuaibah IWPP
- IWPP: Shuaibah (USD2.7bn) 900MW Power
  - 880,000 m<sup>3</sup>/day water
  - 150,000 m<sup>3</sup>/day water

#### KUWAIT

- REMACO O&M for 225MW Sabiya Power Generation & Water Distillation Plant
- REMACO O&M for Shuaiba North Co-Gen (USD320m) 780MW Power; 204,000 m<sup>3</sup>/day water
- REMACO O&M for 210MW Doha West Power Generation & Water Distillation Plant

#### PAKISTAN

- REMACO O&M services for Bong Hydro Plant
- REMACO O&M services for Liberty Power Ltd
- IPP: Liberty Power Ltd (USD272m) 235MW

#### INDIA

- 30% equity ownership in GMR Energy Ltd
- REMACO MoU with GMR Energy Ltd for power plant O&M, performance improvement, testing and diagnostic services

#### INDONESIA

- Development of the Sumatera – Peninsular Malaysia HVDC Interconnection, coal-fired power plant & coal mine mouth projects

For more information, kindly visit [www.tnb.com.my](http://www.tnb.com.my)

# OUR BUSINESSES

**GENERATION** - Our Generation Division operates and maintains TNB's portfolio of electricity generating assets, ensuring sufficient and secure electricity supply to meet the Nation's energy needs. These are made up of thermal generation facilities as well as major hydro-generation schemes in Peninsular Malaysia. The Division also provides support for the operation and maintenance of six Independent Power Producers (IPPs).



**CAPACITY**  
Total Equity Generating Capacity:  
**14,510.9MW**



**AVAILABILITY**  
Equivalent Availability Factor (EAF)  
**88.5%**

For wholly-owned power plants in Peninsular Malaysia



**RELIABILITY**  
Equivalent Unplanned Outage Factor (EUOF)  
**2.7%**

For wholly-owned power plants in Peninsular Malaysia



**GRID** - Our Grid Division enables our customers to access electricity by linking the electricity produced by our Company and the IPPs throughout Peninsular Malaysia with the Distribution Division's network. The Division also transmits electricity directly to large industrial customers through the National Grid.

**SYSTEM MINUTES**  
**0.2265**  
minutes, which has been consistently registered below the 2-minute mark since FY2009

**SYSTEM AVAILABILITY**  
**99.79%**  
up from the previous year of 99.77%

**TRANSMISSION LOSSES**  
**1.29%**  
Low transmission losses (1.28% in FY2016)

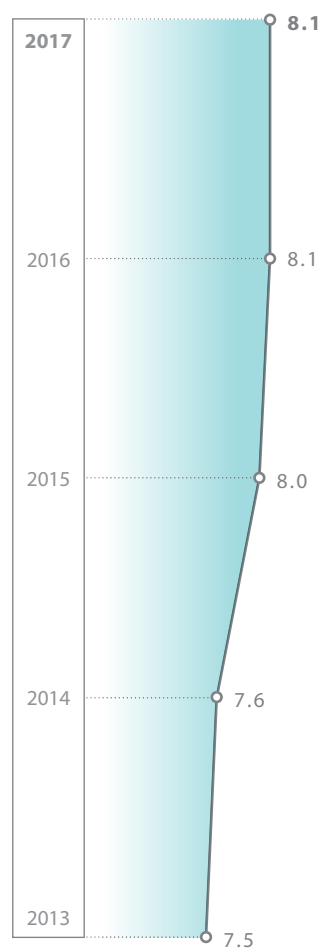
**SYSTEM RESILIENCE**  
**Zero**  
Tripping with load loss for the 500kV and 275kV system for the 9<sup>th</sup> consecutive years



**DISTRIBUTION** - Our Distribution Division represents the customer-facing component of our operations and is responsible for planning, designing, building, operating and maintaining the Nation's electricity supply system. The Division is also tasked with marketing and sales of our electricity supply to ensure access to electricity reaches all Malaysians.

SAIDI  
**50.24**  
min/customer/year

CUSTOMER  
SATISFACTION INDEX  
**8.1**





## OUR VISION



TO BE AMONG THE LEADING  
CORPORATIONS IN ENERGY AND  
RELATED BUSINESSES GLOBALLY

## OUR MISSION



WE ARE COMMITTED TO  
EXCELLENCE IN OUR PRODUCTS  
AND SERVICES

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# NOTICE OF THE 27<sup>TH</sup> ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT the Twenty-Seventh Annual General Meeting ("27<sup>th</sup> AGM") of Tenaga Nasional Berhad ("TNB" or "the Company") will be held on Monday, 18 December 2017 at 10.00 a.m. at Tun Hussein Onn Hall, Level 2, Putra World Trade Centre, 41 Jalan Tun Ismail, 50480 Kuala Lumpur, Malaysia to transact the following businesses:**

## AGENDA

### AS ORDINARY BUSINESS:

- |  |  |
|--|--|
| 1. To receive the Audited Financial Statements for the Financial Year ended 31 August 2017 together with the Reports of the Directors and Auditors thereon.  | (Please refer to Note (i) of the Explanatory Notes on Ordinary Businesses) |
| 2. To approve the declaration of a final single-tier dividend of 44.0 sen per ordinary share for the Financial Year ended 31 August 2017.  | Ordinary Resolution 1  |
| 3. To re-elect the following Directors who were appointed to the Board during the year and retire in accordance with Article 133 of the Company's Articles of Association and being eligible offer themselves for re-election:                     |  |
| (i) Juniwati Rahmat Hussin   | Ordinary Resolution 2  |
| (ii) Amran Hafiz bin Affifudin   | Ordinary Resolution 3  |
| (iii) Badrul Ilahan bin Abd Jabbar   | Ordinary Resolution 4  |
| 4. To re-elect the following Directors who retire by rotation in accordance with Article 135 of the Company's Articles of Association and being eligible offer themselves for re-election:   |  |
| (i) Datuk Seri Ir. Azman bin Mohd  | Ordinary Resolution 5  |
| (ii) Tan Sri Dato' Seri Chor Chee Heung  | Ordinary Resolution 6  |
| 5. To re-appoint Tan Sri Leo Moggie, who retires upon expiration of term of office at the conclusion of 27 <sup>th</sup> AGM.  | Ordinary Resolution 7  |
| Tan Sri Dato' Seri Siti Norma binti Yaakob, who holds office until the conclusion of 27 <sup>th</sup> AGM, has expressed her intention of not to seek for re-appointment and shall retain office until the conclusion of the 27 <sup>th</sup> AGM. |  |
| 6. To approve the payment of Non-Executive Directors' fees of RM2,629,677.41 for the Financial Year ended 31 August 2017.  | Ordinary Resolution 8  |
| 7. To approve the payment of benefits to the Non-Executive Directors amounting to RM3,003,000.00 from 31 January 2017 until the conclusion of the next Annual General Meeting ("AGM") of the Company.  | Ordinary Resolution 9  |
| 8. To re-appoint Messrs PricewaterhouseCoopers ("PwC"), having consented to act, as Auditors of the Company, to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.                         | Ordinary Resolution 10   |

### AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Ordinary Resolution:

9. Proposed renewal of authority for the Company to purchase its own shares:

"THAT subject to compliance with the Companies Act 2016 ("Act"), the Company's Memorandum and Articles of Association ("M&A"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and all other applicable laws, guidelines, rules and regulations for the time being in force or as may be amended from time to time, and the approvals from all relevant authorities, the Company be and is hereby authorised to purchase such amount of ordinary shares in the Company's issued share capital through Bursa Malaysia Securities Berhad ("BMSB") upon such terms and conditions as the Board may deem fit and expedient in the interest of the Company provided that:

- (i) the aggregate number of shares purchased pursuant to this resolution shall not exceed 10% of the total issued share capital of the Company ("Proposed Share Buy-Back");



# NOTICE OF THE 27<sup>TH</sup> ANNUAL GENERAL MEETING

- (ii) the maximum amount of funds to be utilised for the purpose of the Proposed Share Buy-Back shall not exceed the Company's aggregate retained profits at the time of purchase be allocated by the Company for the Proposed Share Buy-Back;
- (iii) the shares purchased by the Company pursuant to the Proposed Share Buy-Back may be dealt with by the Directors in all or any of the following manner:
  - (a) the shares so purchased may be cancelled; and/or
  - (b) the shares so purchased may be retained in treasury for distribution as dividend to the shareholders and/or resold on the market of BMSB and/or subsequently cancelled; and/or
  - (c) part of the shares so purchased may be retained as treasury shares with the remainder being cancelled; and/or
  - (d) transfer the shares, or any of the shares for the purposes of or under an employees' shares scheme; and/or
  - (e) transfer the shares, or any of the shares as purchase consideration; and/or
  - (f) deal with the shares in any other manner as may be permitted by the applicable laws and/or regulations in force from time to time.
- (iv) the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:
  - (a) the conclusion of the next AGM of the Company at which time the authority shall lapse unless by an ordinary resolution passed by the shareholders of the Company in a general meeting, the authority is renewed either unconditionally or subject to conditions;
  - (b) the expiry of the period within which the next AGM of the Company is required by law to be held;
  - (c) the authority is revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever is earlier."

"AND THAT the Board be and is hereby authorised to take such steps to give full effect to the Proposed Share Buy-Back with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed by the relevant authorities and/or to do all such acts and things as the Board may deem fit and expedient in the best interest of the Company."

To consider and if thought fit, to pass the following Special Resolution:

10. Proposed Alteration of Existing M&A in its entirety and substituting with a new Constitution of the Company ("Proposed Alteration").

"THAT subject to the approval of any other parties, if required, the Company's M&A be altered, modified, added and/or deleted, as the case may be, in the form and manner as set out in Appendix II of the Circular to Shareholders dated 21 November 2017."

"AND THAT the Board be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Alteration with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities or third parties to give effect to the Proposed Alteration."

11. To transact any other business of which due notice shall have been given in accordance with the Act.

**Ordinary Resolution 11**

**Special Resolution 1**

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# NOTICE OF THE 27<sup>TH</sup> ANNUAL GENERAL MEETING

**FURTHER NOTICE IS HEREBY GIVEN THAT** for the purpose of determining a member who shall be entitled to attend this 27<sup>th</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. ("Bursa Depository") in accordance with Article 87(B)(1) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 ("SICDA") to issue a General Meeting Record of Depositors ("ROD") as at 11 December 2017. Only a depositor whose name appears on the ROD as at 11 December 2017 shall be entitled to attend the said Meeting or appoint proxy/proxies to attend and/or vote on his/her behalf.

## NOTICE ON ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

**NOTICE IS ALSO HEREBY GIVEN THAT** subject to the approval of Members at the 27<sup>th</sup> AGM to be held on 18 December 2017, a final single-tier dividend of 44.0 sen per ordinary share for the Financial Year ended 31 August 2017 will be paid on 29 December 2017 to Depositors whose names appear in the ROD on 21 December 2017.

**FURTHER NOTICE IS HEREBY GIVEN THAT** a Depositor shall qualify for entitlement to the dividend only in respect of:

- (a) shares transferred into the Depositor's securities account before 4.00 p.m. on 21 December 2017 in respect of ordinary transfers; and
- (b) shares bought on BMSB on a cum entitlement basis according to the Rules of the BMSB.

## BY ORDER OF THE BOARD

**NORAZNI BINTI MOHD ISA**

(LS 0009635)

Company Secretary

Kuala Lumpur

21 November 2017

## EXPLANATORY NOTES ON ORDINARY BUSINESSES:

- (i) **Agenda No. 1** is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require shareholders' approval for the Audited Financial Statements. As such, it is not put forward for voting.

- (ii) **Ordinary Resolution 1 – Final Single-Tier Dividend**

Pursuant to Section 131 of the Act, a Company may only make a distribution to the shareholders out of profits of the Company available if the Company is solvent. On 31 October 2017, the Board had considered the amount of final single-tier dividend to be paid and resolved to recommend the same for the shareholders' approval in accordance with Article 156 of the Company's Articles of Association.

The Directors are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution to be made on 29 December 2017 in accordance with Sections 132(2) and 132(3) of the Act.

- (iii) **Ordinary Resolutions 2-6 – Proposed Re-election of Directors in accordance with Article 133 & 135 of the Company's Articles of Association**

Article 133 of the Company's Articles of Association provides among others, that the Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Article 135 of the Company's Articles of Association provides among others, that one-third (1/3) of the Directors at the time being of whom have been longest in office shall retire by rotation at the AGM of the Company and shall be eligible for re-election.

The Board and Board Nomination and Remuneration Committee ("BNRC") have conducted an assessment on the independence of all Independent Directors including Juniwati Rahmat Hussin, Badrul Ilahan bin Abd Jabbar and Tan Sri Dato' Seri Chor Chee Heung and are satisfied that they have complied with the independence criteria as required by the MMLR and continue to bring independent and objective judgment to the Board deliberations.

The Board and BNRC have also considered the evaluation of Juniwati Rahmat Hussin, Badrul Ilahan bin Abd Jabbar and Tan Sri Dato' Seri Chor Chee Heung and agree that they have met the Board's expectation in terms of experience, expertise, integrity, competency and commitment by continuously performing their duties diligently as Directors of the Company.

Datuk Seri Ir. Azman bin Mohd, an Appointed Director by the Minister of Finance (Incorporated) ("MoF Inc."), the Special Shareholder of TNB and Amran Hafiz bin Affifudin, an Appointed Director by Khazanah Nasional Berhad, a Major Shareholder of TNB, both are also standing for re-election.

# NOTICE OF THE 27<sup>TH</sup> ANNUAL GENERAL MEETING

## (iv) Ordinary Resolution 7 – Proposed Re-appointment of Director

At the 26<sup>th</sup> AGM duly held on 15 December 2016, the re-appointment of Tan Sri Leo Moggie and Tan Sri Dato' Seri Siti Norma binti Yaakob were approved by the shareholders for continuation in office until the conclusion of the 27<sup>th</sup> AGM pursuant to Section 129(6) of the Companies Act 1965.

With the enforcement of the Act with effect from 31 January 2017 and the abolishment of the Companies Act 1965, there is no age limit imposed for the Directors. The Ordinary Resolution 7 is tabled to seek the shareholders' approval for the continuation in office of Tan Sri Leo Moggie upon the expiry of his term of office. Should this resolution be passed, he shall thereafter be subject to retirement by rotation.

Tan Sri Leo Moggie is an Appointed Director by the MoF Inc., the Special Shareholder of TNB. Tan Sri Leo Moggie's extensive knowledge, experience and reputation in the energy-related industry are incomparable. He is also the Chairman of the Board Finance and Investment Committee and of several subsidiaries within TNB Group.

With the adoption of the Board's nine (9) year policy pursuant to the Malaysian Code on Corporate Governance 2017, Tan Sri Dato' Seri Siti Norma binti Yaakob has expressed her intention of not to seek for re-appointment and shall retain office until the conclusion of the 27<sup>th</sup> AGM of the Company.

The Board and BNRC hereby recommend for the re-election and re-appointment of the abovementioned Directors.

## (v) Non-Executive Directors' Remuneration

Section 230(1) of the Act stipulates among others that the fees and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. As agreed by the Board, the shareholders' approval shall be sought at the 27<sup>th</sup> AGM on the Non-Executive Directors' remuneration through two (2) separate resolutions as follows:

**Ordinary Resolution 8** on payment of Non-Executive Directors' fees in respect of the preceding Financial Year 2017; and

**Ordinary Resolution 9** on the payment of benefits to the Non-Executive Directors amounting to RM3,003,000.00 from 31 January 2017 until the conclusion of the next AGM of the Company.

The existing remuneration policy of Non-Executive Directors, last reviewed in 2013 is as follows:

Description	TNB Board		TNB Subsidiaries	
	Chairman	Non-Executive Directors	Chairman	Non-Executive Directors
Monthly fixed fees	RM30,000 per month	RM20,000 per month	Category I – RM7,000 Category II – RM5,000	Category I – RM5,000 Category II – RM3,000
*Meeting Allowances (per meeting):				
(i) Board	RM2,500	RM2,000	RM1,500	RM1,000
(ii) Board Committees	RM2,000	RM1,500	RM1,000	RM800
Benefits	Medical, Insurance, Business Peripherals, Travelling & Communication and other claimable benefits			

\* subject to not more than three (3) payments in a month.

In determining the estimated total amount of other benefits payable, the Board has considered various factors including the number of scheduled and special meetings for the Board and Board Committees.

Payment of Non-Executive Directors' benefits will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred, provided that the proposed Ordinary Resolution 9 be passed at the 27<sup>th</sup> AGM. The Board is of the view that it is just and equitable for the Non-Executive Directors' fees to be paid on monthly basis and/or as and when incurred, after the Non-Executive Directors have discharged their responsibilities and rendered their services to the Company.

## (vi) Ordinary Resolution 10 – Re-appointment of Auditors

Based on the External Auditors Assessment Result for the Financial Year under review, the Board and Board Audit Committee are satisfied with the quality of service, adequacy of resources provided, communication, interaction skills and independence, objectivity and professionalism demonstrated by the External Auditors in carrying out their functions. Being satisfied with the External Auditors' performance, the Board recommends their re-appointment for shareholders' approval at the forthcoming AGM.

# NOTICE OF THE 27<sup>TH</sup> ANNUAL GENERAL MEETING

## EXPLANATORY NOTES ON SPECIAL BUSINESSES:

### (i) Ordinary Resolution 11 – Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution, if passed, is to empower the Directors to purchase the Company's shares of up to 10% of the issued share capital of the Company by utilising the funds allocated out of the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

The details of the Proposed Renewal of Share Buy-Back Authority is set out in the Statement to Shareholders dated 21 November 2017 dispatched together with the 2017 Integrated Annual Report.

### (ii) Special Resolution 1 – Proposed Alteration

The proposed Special Resolution, if passed, shall streamline the Company's Constitution to be aligned with the enforcement of the Act and to enhance administrative efficiency. The details of Proposed Alteration is set out in Part II of the Circular to Shareholders dated 21 November 2017 dispatched together with the 2017 Integrated Annual Report.

## Additional Information on Ordinary Resolutions 2 to 7

Additional Information on the particulars of the retiring Directors, as required under Appendix 8A of the MMLR is detailed out in the Statement Accompanying Notice of 27<sup>th</sup> AGM in the 2017 Integrated Annual Report.

## NOTES:

1. A member of a Company shall be entitled to appoint another person as his/her proxy to exercise all or any of his/her rights to attend, participate, speak and vote at a meeting of members of the Company, in accordance with Section 334(1) of the Act.
2. Only members whose names appear in the ROD as at 11 December 2017 shall be entitled to attend the AGM or appoint proxy(ies) to attend and/or vote on their behalf. There shall be no restriction as to the qualification of a proxy.
3. Where a member is an authorised nominee as defined in accordance with the provisions of the SICDA, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
4. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Where a member appoints two (2) proxies, the appointments shall be invalid unless the proportion of the shareholdings to be represented by each proxy is specified.
5. The instrument appointing a proxy/Proxy Form shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney. Where the instrument appointing a proxy/Proxy Form is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly appointed under a power of attorney.
6. A corporation which is a member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting in accordance with Article 107(6) of the Company's Articles of Association.
7. Duly completed Proxy Form must be deposited at Symphony Share Registrars Sdn. Bhd., Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than twenty-four (24) hours before the time appointed for the taking of the poll or **no later than 17 December 2017 at 12.00 p.m.**
8. Pursuant to Paragraph 8.29A of the MMLR, voting at the 27<sup>th</sup> AGM of the Company will be conducted by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling/e-voting process and to verify the results of the poll.

## Registration of Members/Proxies

Registration of members/proxies attending the Meeting will start from 7.00 a.m. on the day of the Meeting and shall remain open until such time as may be determined by the Chairman of the Meeting. At the closure thereof, no person will be allowed to register for the Meeting nor enter the Meeting venue. Members/proxies are required to produce identification documents for registration.

# STATEMENT ACCOMPANYING NOTICE OF THE 27<sup>TH</sup> ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

## **The Directors who were appointed to the Board during the year and are retiring in accordance with Article 133 of the Company's Articles of Association and seeking re-election:**

- (i) Juniwati Rahmat Hussin
- (ii) Amran Hafiz bin Affifudin
- (iii) Badrul Ilahan bin Abd Jabbar

## **The Directors who are retiring by rotation in accordance with Article 135 of the Company's Articles of Association and seeking re-election:**

- (i) Datuk Seri Ir. Azman bin Mohd
- (ii) Tan Sri Dato' Seri Chor Chee Heung

## **The Director who is standing for re-appointment upon expiration of term of office at the conclusion of 27<sup>th</sup> AGM:**

- (i) Tan Sri Leo Moggie

The profiles of the above Directors are set out in Our Board on pages 99 to 111 of this Integrated Annual Report.

Save for Datuk Seri Ir. Azman bin Mohd, none of the above Directors has any interest in the securities of the Company or its Subsidiaries. The detail of his shareholdings in the Company is set out in the Directors' Report on page 154 of the Audited Financial Statements of this Integrated Annual Report.







## CHAPTER 01

# OUR BUSINESS

Having established ourselves as Malaysia's largest electricity utility, TNB is now in the midst of expanding our presence globally. Our Generation, Transmission and Distribution businesses make us one of the few companies in the world operating throughout the entire electricity value chain. This also sets a clear sustainability agenda for our Company as we seek to cement our longevity through both recurring businesses which provide stable earnings; and new businesses which offer untapped opportunities for growth. These efforts ensure continued value creation for all our stakeholders over the long-term.

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### — MANJUNG 4 & 5 —

First two ultra-supercritical coal-fired power plants in the whole of Southeast Asia.

# OUR REPORTING JOURNEY

**In line with our Strategic Plan to develop into a world-class electricity utility, our reporting journey this year continues in the format of the Integrated Annual Report (IAR) which is aligned to global standards.**

In doing so, we strive to provide all our stakeholders with meaningful analysis of our operations on the Economic, Environmental and Social (EES) fronts for a holistic disclosure of our efforts to ensure sustainability and deliver value not just for our business, but also for the energy industry, the communities we serve and the environment.

Following the adoption of the IAR as our reporting standard from last year, this year our reporting journey has once again progressed with the publication of a standalone Sustainability Report. This will supplement our Sustainability Statement within this IAR to provide further information on our sustainability activities.

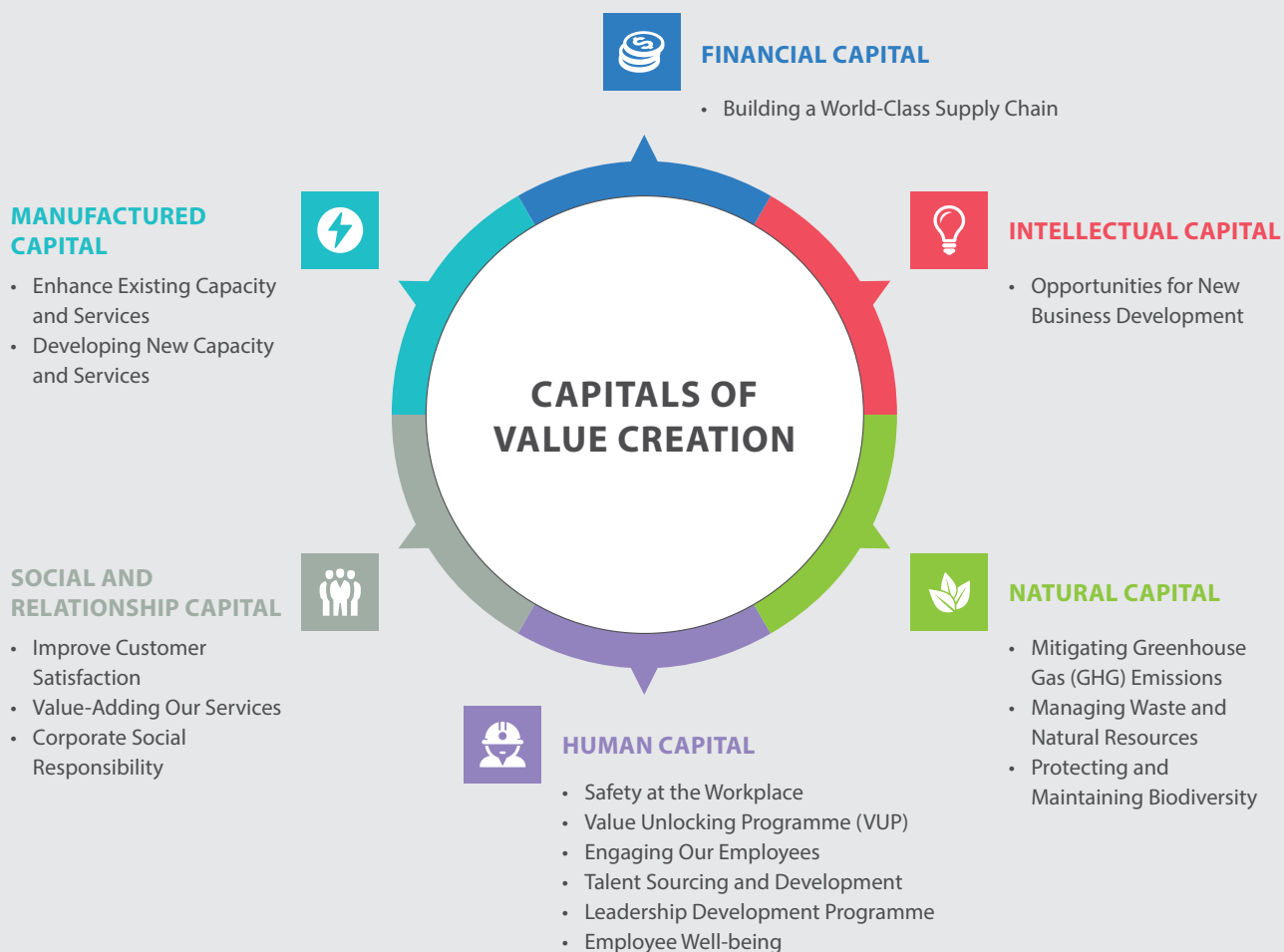
This IAR records the performance of TNB's domestic and international operations for the Financial Year ended 31 August 2017 (FY2017) and details our strategies moving forward to achieve long-term sustainability. Indeed, our Strategic Plan forms a core component of our sustainability agenda, setting the goals and actions that our Company must accomplish to ensure we thrive within the rapidly changing energy industry landscape and achieve continued value creation for all our stakeholders.

For FY2017, our IAR and Sustainability Report have been guided by Bursa Malaysia's Sustainability Reporting Guide, the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines and the International Integrated Reporting <IR> Framework.

## NAVIGATION

TNB's impact on and contributions to the six capitals of value creation described in the <IR> Framework are addressed in an integrated manner throughout this report, including all elements previously reported on in a separate sustainability section.

The following navigation icons are used throughout this report to highlight our reporting of the respective capital:



This icon indicates where more details can be accessed elsewhere in this report.





## A BRIGHTER FUTURE FOR YOUNG MINDS

For many, education is a springboard to success in life and thus, we have long lent whatever support we can to help deserving students in their pursuit of academic excellence. We do all this to better lives for a brighter tomorrow.



# KEY HIGHLIGHTS

## UNIT DEMAND GROWTH

# 1.0%

4.0% in FY2016



## CAPEX

# RM 12.1 billion

RM11.4 billion in FY2016



## ROA\*

# 5.4%

6.4% in FY2016

\* Based on adjusted net profit

## EBITDA MARGIN

# 32.6%

33.2% in FY2016

## NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

# RM 6,904.0 million

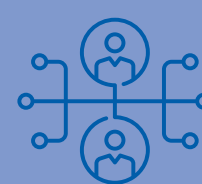
RM7,367.6 million in FY2016



## AVERAGE COAL PRICE

# USD 72.7 /mt

USD55.7/mt in FY2016



## OPERATING EXPENSES INCREASE/(DECREASE)

# 8.0%

1.9% in FY2016



## REVENUE GROWTH

(Sales of Electricity: Peninsular at 0.7%\* and SESB at -0.4%)

# 6.5%

\* Excludes Imbalance Cost Pass-Through

# KEY FINANCIAL HIGHLIGHTS

YEAR ENDED 31 AUGUST	GROUP		COMPANY	
	2016	2017	2016	2017
<b>PROFITABILITY</b> (RM Million)				
Revenue	44,531.5	<b>47,416.9</b>	41,272.1	<b>44,204.3</b>
Operating profit	9,072.0	<b>9,364.0</b>	8,678.9	<b>8,737.9</b>
Profit before taxation and zakat	8,066.8	<b>8,281.8</b>	7,477.4	<b>7,541.7</b>
Net profit attributable to owners of the Company	7,367.6	<b>6,904.0</b>	6,761.0	<b>6,295.7</b>
<b>KEY BALANCE SHEET DATA</b> (RM Million)				
Property, plant and equipment	96,512.7	<b>103,083.7</b>	74,916.3	<b>75,841.9</b>
Total assets	132,902.2	<b>142,012.4</b>	105,513.2	<b>113,261.9</b>
Total borrowings	34,306.7	<b>38,846.5</b>	10,762.9	<b>15,977.0</b>
Total liabilities	80,302.5	<b>84,427.6</b>	58,037.0	<b>61,442.3</b>
Share capital	11,025.8	<b>11,124.9</b>	11,025.8	<b>11,124.9</b>
Shareholders' equity	52,599.7	<b>57,584.8</b>	47,476.2	<b>51,819.6</b>
<b>SHARE INFORMATION</b>				
<b>Per share (sen)</b>				
Basic earnings	130.55	<b>122.00</b>		
Diluted earnings	130.16	<b>121.52</b>		
Dividend (sen):				
- Interim	10.00	<b>17.00</b>		
- Final	22.00	<b>44.00</b>		
Net assets per share attributable to owners of the Company	928.3	<b>1,009.2</b>		
<b>FINANCIAL RATIOS</b>				
Return on assets (%)	6.4	<b>5.4</b>		
EBITDA margin (%)	33.2	<b>32.6</b>		
Debt-equity (net of cash) ratio	0.33	<b>0.37</b>		



# SIX-YEAR GROUP FINANCIAL SUMMARY

YEAR ENDED 31 AUGUST	GROUP					
	2012 (Restated)	2013 (Restated)	2014	2015	2016	2017
<b>OPERATING RESULTS</b> (RM MILLION) <sup>1</sup>						
Revenue	35,848.4	37,130.7	42,792.4	43,286.8	44,531.5	<b>47,416.9</b>
Operating profit	6,680.8	5,906.9	7,181.0	8,627.6	9,072.0	<b>9,364.0</b>
Profit before taxation and zakat	5,821.1	5,925.1	7,114.7	7,133.7	8,066.8	<b>8,281.8</b>
Net profit attributable to owners of the Company	4,410.5	5,356.2	6,467.0	6,118.4	7,367.6	<b>6,904.0</b>
<b>KEY BALANCE SHEET DATA</b> (RM MILLION) <sup>2</sup>						
Property, plant and equipment	64,769.9	75,460.5	83,045.1	90,300.3	96,512.7	<b>103,083.7</b>
Total assets	88,469.1	99,999.3	110,665.4	117,135.0	132,902.2	<b>142,012.4</b>
Total borrowings	23,071.8	22,888.4	25,456.0	24,698.9	34,306.7	<b>38,846.5</b>
Total liabilities	53,311.8	62,028.6	67,206.2	69,668.1	80,302.5	<b>84,427.6</b>
Share capital	5,501.6	5,643.6	5,643.6	5,643.6	11,025.8	<b>11,124.9</b>
Shareholders' equity	34,897.7	37,693.1	43,222.0	47,208.0	52,599.7	<b>57,584.8</b>
<b>SHARE INFORMATION</b>						
<b>Per share (sen)</b>						
Basic earnings	80.71	96.13	114.59	108.41	130.55	<b>122.00</b>
Diluted earnings	80.51	95.96	114.59	108.41	130.16	<b>121.52</b>
Gross dividend	20.09	25.00	29.00	29.00	32.00	<b>61.00</b>
Net assets	634.3	667.9	765.9	836.5	928.3	<b>1,009.2</b>
Share price as @ 31 August (RM)	6.84	8.73	12.38	11.18	14.74	<b>14.28</b>
<b>FINANCIAL RATIOS<sup>3</sup></b>						
Return on assets (%)	4.5	5.6	6.2	6.6	6.4	<b>5.4</b>
Return on shareholders' equity (%)	11.4	14.7	15.8	16.3	16.1	<b>13.3</b>
Gearing (%)	39.6	37.6	36.9	34.2	39.5	<b>40.3</b>
EBITDA margin (%)	25.9	28.1	28.2	32.2	33.2	<b>32.6</b>
Effective weighted average cost of funds (%)	4.9	4.7	4.9	4.8	5.1	<b>4.7</b>
Interest coverage (%)	11.3	11.7	13.8	14.7	14.2	<b>10.6</b>
Currency mix (RM:Foreign)	65:35	71:29	77:23	78:22	83:17	<b>77:23</b>
Debt-equity (net of cash) ratio <sup>4</sup>	0.41	0.35	0.32	0.33	0.33	<b>0.37</b>

<sup>1</sup> Amounts for periods prior to FY2012 have not been restated for the Amendments to MFRS 119 which was early adopted in FY2013.  
Amounts for periods prior to FY2013 have not been restated for the Amendments to MFRS 10 and MFRS 116 which were adopted during the financial year.

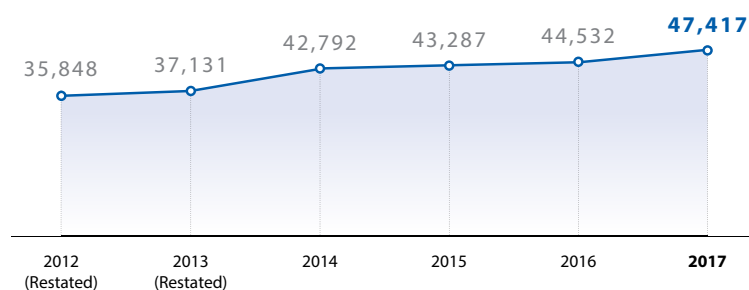
<sup>2</sup> Balances prior to 1 September 2011 have not been restated for the Amendments to MFRS 119 which was early adopted in FY2013.  
Balances prior to 1 September 2012 have not been restated for the Amendments to MFRS 10 and MFRS 116 which were adopted during the financial year.

<sup>3</sup> Based on adjusted net profit; FY2011 and FY2012 - after adjusting for Fuel Cost Compensation in respective periods.

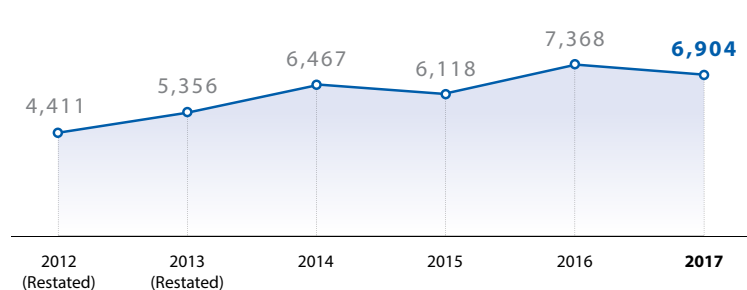
<sup>4</sup> Cash for FY2014 until FY2017 includes financial assets at fair value through profit or loss.

# SIX-YEAR GROUP GROWTH SUMMARY

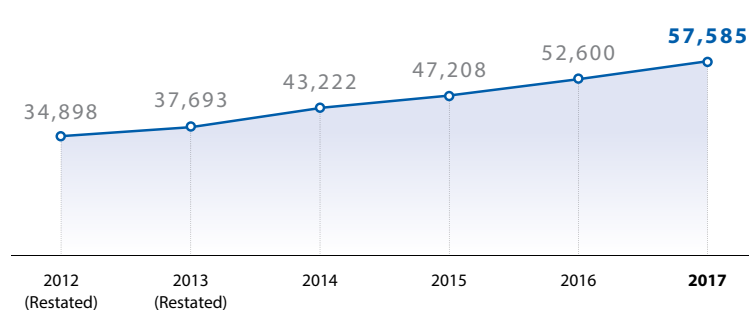
## REVENUE (RM Million)



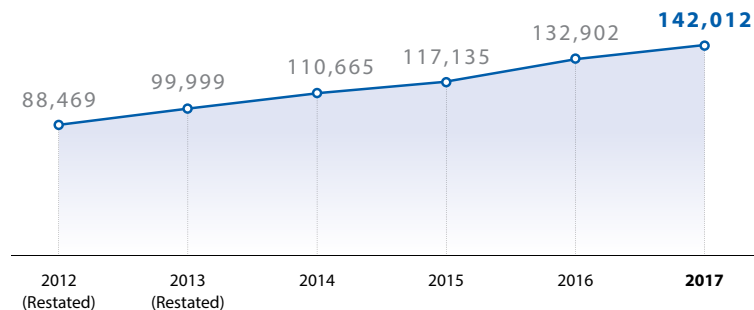
## NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM Million)



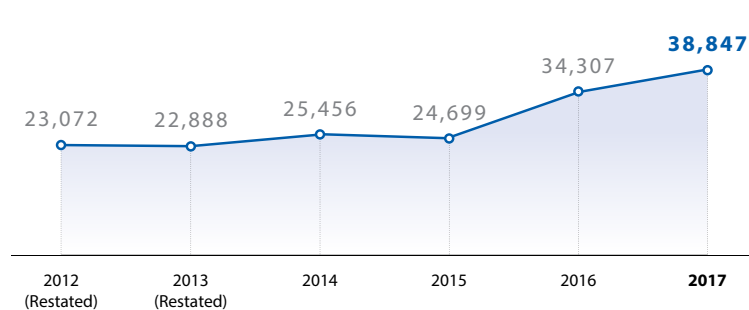
## SHAREHOLDERS' EQUITY (RM Million)



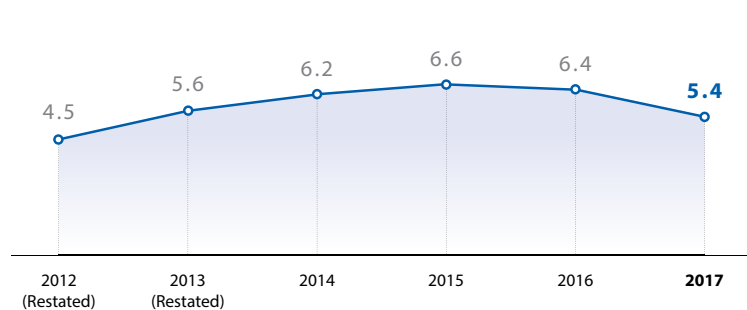
## TOTAL ASSETS (RM Million)



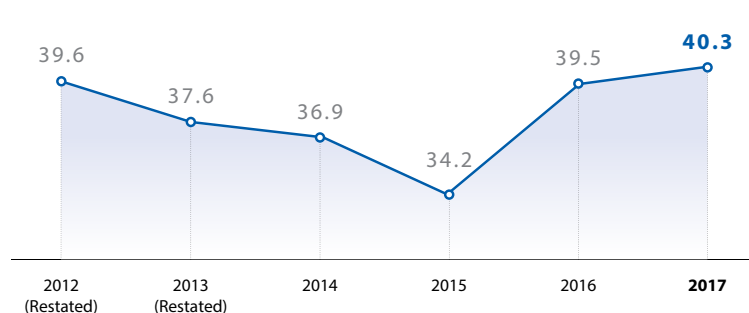
## TOTAL BORROWINGS (RM Million)



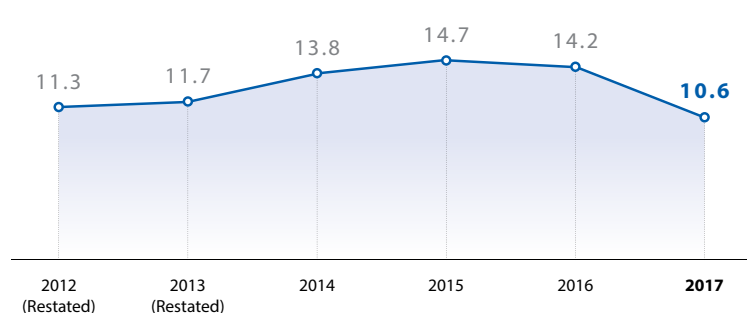
## RETURN ON ASSETS\* (%)



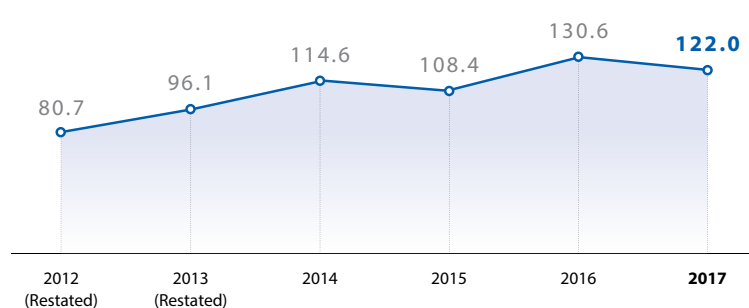
## GEARING (%)



## INTEREST COVERAGE (%)



## BASIC EPS (Sen)



\* FY2011 & FY2012 - After adjusting for Fuel Cost Compensation in respective periods.



# CHAIRMAN'S LETTER TO SHAREHOLDERS



DEAR SHAREHOLDERS OF TENAGA NASIONAL BERHAD,

I AM PLEASED TO PRESENT OUR INTEGRATED ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017 (FY2017). OUR COMPANY CONTINUED TO REGISTER SOLID RESULTS THIS YEAR, DEMONSTRATING OUR ABILITY TO DELIVER SUSTAINABLE AND STABLE EARNINGS WHILE PURSUING OUR GROWTH AGENDA.

**TAN SRI LEO MOGGIE**

*Chairman*



## Dividend Policy

**30% to 60%**  
of PATAMI

## Profit After Tax

RM **6.9** billion  
YoY -5.6%

## Total Dividend per Share

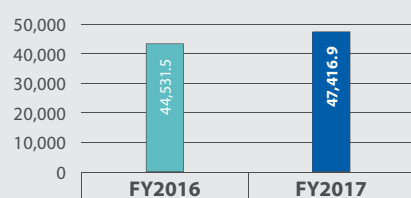
**61.0** sen  
YoY +90.6%

# CHAIRMAN'S LETTER TO SHAREHOLDERS

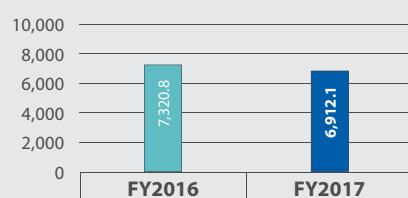


Board of Directors being briefed on Jimah East Power Plant project, which is targeted to be completed in 2019.

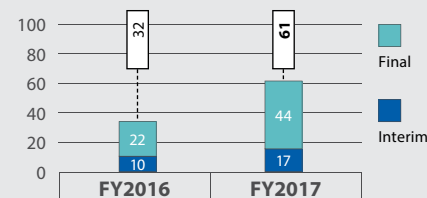
## Revenue (million)



## Net Profit (million)



## Dividend (sen)



## FINANCIAL POSITION INTACT

TNB's performance over the past three years has delivered huge value to our shareholders. As testament to the value we have created for you, our shareholders, TNB received the Gold award for highest growth in profit after tax over three years at The Edge Billion Ringgit Club awards in 2017, as well as the Silver award for highest returns to shareholders over three years.

I am pleased to announce that we have revised the Company's dividend policy to a 30%-60% dividend payout ratio of profit after tax and minority interests (PATAMI). For FY2017, the Board recommends a total dividend payout of 50% of PATAMI, equivalent to RM3.5 billion, which is almost double the dividend payout in FY2016. This marks our highest dividend payout to date.

More importantly, the dividend payout will create multipliers through our institutional investors such as Kumpulan Wang Simpanan Pekerja (KWSP), Permodalan Nasional Berhad (PNB), Kumpulan Wang Persaraan (KWP) and

Lembaga Tabung Haji (LTH), who can pass on the returns to their account holders, the rakyat.

The recommended final single tier dividend for FY2017 is 44.0 sen, bringing the total dividend to 61.0 sen per ordinary share for the financial year against 32.0 sen in FY2016. The total final dividend is subject to shareholders' approval at the 27<sup>th</sup> Annual General Meeting.

I would like to take this opportunity to announce that beginning January 2018, we will be changing our financial year-end to

31 December from the current 31 August. This is in line with the annual reporting period of the majority of public-listed companies in Malaysia. We also believe the change of our fiscal year to coincide with the calendar year will enable us to improve planning of our activities and align our reporting with industry milestones, such as the Incentive Based Regulation (IBR) regulatory period and the Imbalance Cost Pass-Through (ICPT) calculation timetable.

**TNB RECEIVED THE GOLD AWARD FOR HIGHEST GROWTH IN PROFIT AFTER TAX OVER THREE YEARS AT THE EDGE BILLION RINGGIT CLUB AWARDS IN 2017, AS WELL AS THE SILVER AWARD FOR HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS.**

# CHAIRMAN'S LETTER TO SHAREHOLDERS

## STABLE INDUSTRY LANDSCAPE CONDUCTIVE FOR GROWTH

The ICPT is implemented under the IBR framework with continued commitment from the Government of Malaysia. Since its introduction in 2014, it has served as the bedrock of stability for the Malaysian electricity supply industry.

The ICPT allows TNB to reflect any increase or decrease in fuel and other generation-related costs in the electricity tariff every six months subject to the Government's decision and approval. Consumers also benefit as they are only charged the actual cost of electricity generation. For the year under review, all customers continued to enjoy a rebate on their tariff, except for domestic customers with monthly usage of 300kWh and below. Although not affected by the ICPT adjustments, these domestic customers with monthly consumption of 300kWh and below continue to benefit from lower tariff rates in line with the Government's policy to protect the most deserving segments of the society.

We consistently engage with the Government, Energy Commission (EC) and all our stakeholders to ensure the successful implementation of both the IBR framework and ICPT mechanism. Negotiations with the Government and EC on the forecasted industry costs and tariffs for the upcoming Second Regulatory Period (2018-2020) are ongoing. The Government's decision is expected by the end of 2017. We are confident the new regulatory period will continue to be beneficial for all stakeholders of the Malaysian electricity supply industry.

## CHAMPIONING SUSTAINABILITY

As Malaysia's leading utility company, TNB believes that our value lies not only in providing access to electricity to homes and businesses throughout the country, but also in adopting sustainable activities in our operations to improve societal and environmental outcomes. It is in this way that we can ensure the

sustainability of our business alongside the continued growth and development of the community.

As part of these efforts, we have put in place our Green Policy which guides us in minimising our environmental impact by adopting sustainable practices and developing our green energy business whilst reducing our carbon footprint through energy-efficient operations. To this end, we have been expanding our portfolio of clean power assets which now includes two ultra-supercritical coal-fired power plants, Manjung 4 and the recently commissioned Manjung 5, our Large Scale Solar (LSS) plant currently under development in Kuala Langat, Selangor, biomass power plant in Jengka, Pahang and two biogas power plants in Layang-Layang, Johor and Bagan Datuk, Perak.

At the centre of our drive to empower the community sustainably is our contributions in education. We support the development of the talent pipeline among Malaysian youths at all levels, in both academic and vocational education. Our aim is to nurture young talents in fulfilling their potential to bring about change for a better future for all.



*PINTAR-TNB school adoption programme helps identify, nurture and groom future leaders.*

We remain a staunch advocate of the PINTAR Programme and are now in our 10<sup>th</sup> year of the school adoption initiative. To date, we have supported 58 schools through activities such as parent and teacher engagement sessions, provision of remedial and extra classes, exam preparation as well as team building and motivational courses, among others. In FY2017, we adopted 18 new schools throughout the country following the successful graduation of 13 schools from the programme.

This year, we collaborated with Yayasan AMIR on their Trust Schools programme by adopting eight schools across the country located near our power stations. We believe this is one of the ways to contribute to the communities closest to us. Through this partnership, we aim to embed an innovative culture in the participating schools and develop 21<sup>st</sup> century leaders by specifically improving the curriculum and delivery of education.

Our support for tertiary students is undertaken via our Yayasan Tenaga Nasional (YTN) foundation, which provides scholarships, study loans and motivational programmes. In FY2017, YTN provided assistance to 1,963

**WE ADOPTED**  
**26 new schools**



**YTN PROVIDED**  
**ASSISTANCE TO**

**1,963**  
outstanding students

**ILSAS HAS PROVIDED**  
technical and specialised training for over

**30 years**



# CHAIRMAN'S LETTER TO SHAREHOLDERS

outstanding students to further their tertiary studies in local and foreign universities.

Beyond the classroom, we further empower our Nation's technical talents through our support of vocational education programmes. Our subsidiary, TNB Integrated Learning Solution (ILSAS) is an Industry Lead Body which has provided technical and specialised training for over 30 years. Initially catering for TNB's technical talent needs, ILSAS now offers industry-wide vocational training to the public, focusing on courses for electrical technicians, chargemen and cable jointers. In FY2017, ILSAS in collaboration with Yayasan Peneraju Pendidikan Bumiputera provided financial assistance and vocational training to 541 Malaysians as part of our drive to provide vocational upskilling to the public at large.

Through our participation in the Skim Latihan 1Malaysia (SL1M) programme, we provide graduates with on-the-job training and help develop their soft skills. In FY2017, we selected 624 trainees to participate in this programme under two sessions in September and November 2016.

It is our hope that these initiatives will be able to contribute towards empowering positive change for all Malaysians.

## LIGHTING THE WAY TO THE FUTURE

The Malaysian energy industry is now in a more exciting time than ever, marked by rapid changes in the operating landscape and customer needs.

We are confident that our experience as Malaysia's largest electricity provider and our growing presence in overseas markets makes us well-placed to remain the leading name in the energy industry at home and globally. Our Strategic Plan launched last year has put in place measures to ensure this by continuously improving and expanding our domestic services while leveraging acquisitions abroad and focusing on the renewable energy sphere to further bolster our capacity.

## ACKNOWLEDGEMENTS

I would like to take this opportunity to record our Company's appreciation to the Malaysian Government and regulatory bodies. The Board of Directors is also ever grateful to TNB's Management and employees for their tireless

efforts to achieve our long-term aspirations. I would also like to extend our appreciation to our suppliers, contractors and vendors for their role in supporting our operations.

To my esteemed colleagues on the Board of Directors, I record my personal gratitude for their time, counsel and stewardship.

Most importantly, on behalf of our entire Company, I would like to express our thanks to our shareholders and customers for their trust and support in TNB.



**TAN SRI LEO MOGGIE**  
Chairman

**STUDENTS TAKING  
AN ACTIVE ROLE IN  
HELPING TO GREEN  
THE ENVIRONMENT  
IN LINE WITH TNB'S  
GREEN POLICY.**



# CEO'S STRATEGIC & OPERATIONAL REVIEW



**TO THE VALUED SHAREHOLDERS OF TENAGA NASIONAL BERHAD,**

I AM PLEASED TO REPORT TO YOU THAT YOUR COMPANY REMAINS ON A POSITIVE TRAJECTORY IN ITS JOURNEY TOWARDS BECOMING A DOMESTIC AND REGIONAL CHAMPION. GUIDED BY OUR STRATEGIC PLAN 2017-2025, REFERRED INTERNALLY AS REIMAGINING TNB, YOUR COMPANY CONTINUED TO DELIVER STABLE EARNINGS FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2017 (FY2017). YOUR COMPANY ALSO ACHIEVED STEADY EXPANSION OF ITS GLOBAL FOOTPRINT AS WE ASPIRE TO GROW INTO A LEADING UTILITY COMPANY ACROSS THE GLOBE BY 2025 TO ENSURE WE CREATE SUSTAINABLE VALUE FOR YOU, OUR SHAREHOLDERS.

**DATUK SERI IR. AZMAN BIN MOHD**  
*President/Chief Executive Officer*



## EBIT

RM **9,364.0** million  
 YoY +3.2%

## Basic Earning Per Share (EPS)

**122.0** sen  
 YoY -6.5%

## Total Assets

RM **142.0** billion  
 YoY +6.85%

# CEO'S STRATEGIC & OPERATIONAL REVIEW

## LOCKING IN SUSTAINABLE FINANCIAL PERFORMANCE

Your Company recorded a revenue of RM47.42 billion in FY2017, an increase of 6.5% from RM44.53 billion in FY2016. We remain confident in the sustainability and growth of our business, as well as in its ability to deliver value to you. This is owed to the stability afforded by our regulated business and rapid expansion of our non-regulated business which will unlock greater value over time.

The Imbalance Cost Pass-Through (ICPT) mechanism continued to shield TNB from the impact of any fluctuations in generation costs and fuel prices. The ICPT is a component of the wider Incentive Based Regulation (IBR) framework introduced in 2014. For the year under review, the return for regulated business under the IBR framework, which is mainly made up of our Transmission and Distribution businesses, was recorded at RM4.50 billion. Since March 2015, the Government has approved for RM5.40 billion from the generation costs savings to be passed-through as ICPT rebates to our customers.

In recognition of the continued strength of our business, in 2017 your Company was recognised as the fastest growing brand among Brand Finance's Global Top 50 utility brands (Utilities 50) as we moved up 15 places from 39<sup>th</sup> in 2016 to 24<sup>th</sup> place. Your Company's brand value now is worth US\$1.58 billion from US\$1.19 billion last year.

On the international landscape, we are holding the Chairmanship of the Association of Electricity Supply Industry of East Asia and the Western Pacific (AESIEAP) for 2017-2018. As part of our commitment to the utility industry, we are hosting the Conference of the Electricity Power Supply Industry (CEPSI) 2018, which will be held on 17 to 22 September 2018 in Kuala Lumpur, Malaysia. This year's theme is 'Reimagining and Transforming Electricity Supply Industry towards a Sustainable, Innovative and Smarter Future'.

As testament to our commitment to deliver value to you, our shareholders as well as to the resilience of our business, we have revised our dividend policy to a 30%-60% dividend payout ratio of profit after tax and minority interests (PATAMI) in our effort to maximise your shareholder value.

## CONSISTENTLY DELIVERING VALUE THROUGH STABILITY

As Malaysia's leading electricity provider, we are clear on the sources of growth and sustainability which will translate into the delivery of value to you, our shareholders. One of these sources of growth is our regulated business, governed under the IBR framework, which contributes to stable and recurring income for your Company.

In the current regulatory period, our regulated business has been successful in generating a Return On Assets (ROA) of no less than 5%. This has been fuelled by the healthy demand growth especially from our commercial customers. To ensure that we are able to meet the demand, we have been investing RM15.08 billion over the same period to enhance and strengthen our network reliability and security of supply.



Prime Minister of Malaysia, Dato' Sri Mohd Najib Tun Abdul Razak witnessed TNB's official entry into India market, GMR Energy Ltd.

OUR REGULATED BUSINESS HAS BEEN  
**SUCCESSFUL IN  
GENERATING**  
A RETURN ON ASSETS  
(ROA) OF NO LESS THAN 5%.

Moving forward, under the upcoming Second Regulatory Period (2018-2020) we are expecting a shift in customers' growth and demand. Therefore, our future investments will be focused on introducing automation and intelligent solutions to our grid to reduce grid costs to serve and enable new technologies such as energy storage, electric vehicle (EV) charging stations, cybersecurity upgrades and grid enhancements that enable bi-directional energy flow. This is in line with the **Grid of the Future** pillar under Reimagining TNB.

In April 2017, we started negotiations with the Government on the Second Regulatory Period. The Government's final decision is expected in late 2017. Through our continuous engagement with the Government and Energy Commission (EC), we are confident that we will be able to continue to deliver value to you, our shareholders, in the next regulatory period.



# CEO'S STRATEGIC & OPERATIONAL REVIEW

**TNB COMPLETED A 50% INTEREST ACQUISITION IN ONE OF BRITAIN'S LARGEST SOLAR PORTFOLIOS, VORTEX SOLAR UK LTD, WITH A COMBINED NET INSTALLED CAPACITY OF 365MW.**



## NAVIGATING THE FUTURE THROUGH SUSTAINABLE INITIATIVES



While the regulated business is vital to the delivery of stable and sustainable returns and we remain committed to meeting the electricity needs of our home market, we believe further longevity must be anchored on new sources of growth, both in terms of products and markets. Therefore, through our non-regulated business, we continue to explore avenues to unlock greater value which can sustain your Company in the years to come.

In response to this, in 2016 we developed a clear aspiration of what we want TNB to become through our Strategic Plan (2017-2025). The plan maps your Company's future direction to maintain its leadership in our home market amid developments in the domestic energy industry while expanding our global presence in selected markets. It also proves timely as electricity demand has begun to moderate as

expected, with unit electricity demand growth growing just 1% in FY2017. Our Strategic Plan, Reimagining TNB, is anchored by concrete and measurable targets with the ultimate aim of emerging as a Top 10 Global Utility by 2025. While we have achieved much thus far, we recognise that we cannot remain where we are. The time is ripe for our evolution, as the world is also changing at unprecedented speeds. As a forward-thinking organisation determined to transform into a global leader in the utilities industry, TNB seeks to capitalise on these changes through three strategic pillars: **Winning the Customer** and **Future Generation Sources**, in addition to **Grid of the Future** highlighted earlier.

In catering to **Winning the Customer**, we see potential energy-related services beyond the meter evolving through advances in technology. We plan to offer products and services that would meet the needs and values of our customers such as the growing

preference for clean power generation, smart home technology and improvement in energy efficiency. Earlier this year, we started offering self-generation packages that provide interested customers with technical and financial support enabling them to pursue self-generation through solar photovoltaic (PV) installation on rooftops.

Beyond self-generation, we also expect that smartness and automation to not just be confined to our grid but also begin to feature heavily in the homes and buildings of our customers. In supporting the drive to introduce smartness in buildings and homes, we are pushing ahead with our initiative to roll out Advanced Metering Infrastructure (AMI) and developing an online energy monitoring system that will enable our customers to monitor their electricity bills, automate appliances and keep their homes safe with optional security features. In addition, we are continuing with the Home Energy Report (HER) programme next year.

### INTERNATIONAL VENTURES

## 30%

Acquisition of interest in Indian power company GMR Energy Ltd

## 50%

Acquisition of interest in Vortex Solar UK Ltd

### OUR FIRST LARGE SCALE SOLAR PLANT

## 50MW

Full operationalisation scheduled for November 2018

# CEO'S STRATEGIC & OPERATIONAL REVIEW



## OUR STRATEGIC PLAN, REIMAGINING TNB, IS ANCHORED BY CONCRETE AND MEASURABLE TARGETS WITH THE ULTIMATE AIM OF EMERGING AS A TOP 10 GLOBAL UTILITY BY 2025.

The HER pilot programme, first introduced in August 2015, is another engaging solution where we empower our domestic customers to monitor their home energy usage and better manage their electricity costs.

One of the key components of our **Future Generation Sources** pillar is to venture into international markets, balancing both conventional and renewable asset acquisitions. In November 2016, we completed our acquisition of a 30% interest in Indian power company GMR Energy Ltd (GMR). This investment includes a balanced portfolio of six operational power assets in India with a combined total capacity of 2,299MW. Subsequently, this acquisition has allowed your Company to establish a refurbishment and maintenance facility in India, its first outside Malaysia. The facility will provide power plant operations and maintenance, performance improvement, testing and diagnostic services. We believe that the partnership with GMR is key in enabling your Company to create a strong foothold in a country with one of the highest electricity demand growth globally.

Renewable Energy (RE) makes up a vital component of value creation for TNB, with our goal to become the ASEAN leader in this future-ready segment. In line with this, during the financial year we completed the acquisition of a 50% share in Vortex Solar Investments Sarl. The purchase has given your Company an operational 365MW solar PV portfolio in the UK through Vortex Solar UK Ltd. The Vortex Solar asset is immediately earnings accretive with 80% of revenue under long-term, 15-year power purchase agreements and are subsidised by Renewable Obligation Certificates for the next 20 years.

Further cementing our RE ambitions, in July 2017 we commenced the construction of our first Large Scale Solar (LSS) project in Kuala Langat, Selangor. Upon its completion and full operationalisation scheduled for November 2018, the project will generate and transmit 50MW of electricity to the National Grid.

In the year under review, we also launched two biogas power plants in Layang-Layang, Johor, and Bagan Datuk, Perak, co-developed

with Sime Darby Berhad (Sime Darby). The power plants produce electricity using palm oil effluents. Both plants have an installed capacity of 1.6MW each and are fully operational, distributing electricity directly to the National Grid. They are also expected to pave the way for another four similar projects undertaken by TNB and Sime Darby.

In terms of conventional capacity, our Manjung 5 coal-fired power plant in Perak achieved its Initial Operation Date in May 2017 and was connected to the National Grid for the first time, before completing full commissioning in October 2017. This ultra-supercritical plant is set to generate 1,000MW of electricity at full capacity, increasing your Company's coal-fired generation capacity to almost 5,000MW. This is equivalent to around 23% of the maximum demand in Peninsular Malaysia.





# CEO'S STRATEGIC & OPERATIONAL REVIEW

## DEVELOPING OUR TALENT

Leadership and talent development remain a vital agenda for TNB. Our Leadership Drive, Future CEO and customised Master of Business Administration (MBA) programmes for identified talents and leaders continue to play a critical role in developing our employees to ensure a robust talent pipeline.

In support of this talent agenda, in January 2017 we launched our Transformation Accelerator Programme aimed at discovering, developing and deploying leaders within our organisation to ensure we have the right talent in pivotal positions. Under this programme, we have identified 54 pivotal positions in specific areas critical to the delivery of value in achieving our strategic targets. We will prioritise internal talents to fill these positions, however, in the event specific skill sets may not be available within the organisation, we will also seek external hires.

Meanwhile, our Leadership Drive Programme, which has been implemented since 2015, continues to identify and develop future leaders. To date, 43 candidates have been identified and provided with exposure through extended assignments in various divisions, projects and task forces to enhance their leadership skills and competencies. In addition, a further 59 MBA graduates were produced through our Leadership Development Centre's MBA programme.

We have also established our Generation Academy to develop generation's Subject Matter Experts (SMEs) with specific knowledge or skills in transformation as well as strong coaching abilities to provide on-the-job technical upskilling to our teams and ensure the transformation sustainability of TNB's generation fleet. Already, we are beginning to see marked improvement in operational cost efficiency valued at RM361 million for FY2017 due to intervention of these SMEs.

We believe that with these talent development initiatives in place, we are steadily equipping your Company with the workforce needed to achieve our aspirations.



## BETTER BRIGHTER YOUTH PROGRAMME WAS ORGANISED BY PELITAWANIS TO PROVIDE EXPOSURE AND INSPIRATION FOR YOUNGER GENERATIONS.

## INCULCATING A CULTURE OF SUSTAINABILITY

Since the inception of your Company over 68 years ago, we have held firmly to a tight-knit culture of family first inculcated when our employees and families were housed in the TNB quarters. During this time, the TNB workforce developed a bond which transcended the workplace. Over the years, we have continued to nurture this bond among TNB employees through internal associations such as Kelab Kilat, PELITAWANIS and Persatuan Kebajikan Pekerja Islam TNB (PKPI). The activities of these associations, which are also open to the spouses and families of TNB employees, strive to provide work-life balance, family and spiritual support during their tenure with us.

We believe the ties developed among our employees over the years provide us with a competitive edge, enabling your Company to move forward as one by breaking silos and allowing our people to work better together. This spirit of togetherness also helps us to stand out among other organisations, making your Company quite unlike others and providing an invaluable experience to those who work with us.

As we embark on our journey to become a Top 10 Global Utility by 2025, we are committed to maintaining this strong sense of togetherness and belonging while also identifying new values which can help drive us towards our aspirations.

## ACKNOWLEDGEMENTS

As we continue our journey of Reimagining TNB, I would like to take this opportunity to extend our appreciation to the Board of Directors for their stewardship and guidance. I would also like to express my heartfelt gratitude to all our employees for committing to our high-performing culture of excellence towards the achievement of our long-term goals. Additionally, I would like to thank the Government, in particular the Ministry of Energy, Green Technology and Water, the EC and the Economic Planning Unit for ensuring the continued development and stability of the domestic electricity industry.

Furthermore, on behalf of the entire organisation, I would like to sincerely thank you, our valued shareholders, for continuing to place your trust in us. Finally, our appreciation also goes to our customers, business partners and other stakeholders for enabling TNB to deliver our responsibility as a world-leading utility Company.

**DATUK SERI IR. AZMAN BIN MOHD**  
President/Chief Executive Officer

# OUR STRATEGY

TNB'S STRATEGY IS ANCHORED ON BECOMING ONE OF THE WORLD'S LEADING CORPORATIONS IN THE ENERGY AND RELATED BUSINESS. THIS HAS BEEN ACHIEVED THROUGH INITIATIVES CENTRED ON FIVE KEY RESULT AREAS (KRAs): ENABLING A STABLE REGULATORY ENVIRONMENT, EXCEEDING CUSTOMER EXPECTATIONS, DRIVING OPERATIONAL EXCELLENCE AND COST EFFICIENCIES, GROWING PROFITABLE BUSINESS, AND TRANSFORMING OUR PEOPLE AND LEADERSHIP. FROM FY2018, OUR STRATEGY WILL SHIFT TO THE STRATEGIC PILLARS UNDER REIMAGINING TNB.

## TARGETS: WHAT WE WANT TO ACHIEVE

6.0 to 6.4	7.6 to 8.0	35.5 to 36.5	3.0 to 4.0	75 to 80
Return on Assets (%)	Customer Satisfaction Index	Cost per Unit (sen/kWh)	Revenue from Non-Regulated business <sup>1</sup> (RM billion)	Employee Engagement Score (%)

## DOMESTIC & REGIONAL CHAMPION

 <b>Enabling a Stable Operating Environment</b>	 <b>Exceeding Customer Expectations</b>	 <b>Driving Operational Excellence &amp; Cost Efficiencies</b>	 <b>Growing Profitable Business</b>	 <b>Transforming Our People and Leadership</b>
 For more information, kindly refer to page 32	 For more information, kindly refer to page 34	 For more information, kindly refer to page 36	 For more information, kindly refer to page 38	 For more information, kindly refer to page 40

## TOP PRIORITIES

- |  |   |  |  |  |
|--|---|--|--|--|
| <ul style="list-style-type: none"> <li>• Deliver equitable regulatory earnings and value</li> <li>• Minimise regulatory risks</li> </ul> | <ul style="list-style-type: none"> <li>• Customer service</li> <li>• New products and services</li> </ul> | <ul style="list-style-type: none"> <li>• Improve operational performances</li> <li>• Optimise cost efficiency</li> </ul> | <ul style="list-style-type: none"> <li>• Improve non-regulated business performance and revenue</li> </ul> | <ul style="list-style-type: none"> <li>• Workforce engagement</li> <li>• Talent sourcing, development, and diversity</li> <li>• Shift to high-performance culture</li> </ul> |
|--|---|--|--|--|

## TARGET METRICS

- |   |  |  |   |   |
|---|--|--|---|---|
| <ul style="list-style-type: none"> <li>• Return on Assets</li> <li>• Generation Market Share</li> </ul> | <ul style="list-style-type: none"> <li>• Product and service quality scores</li> <li>• Customer loyalty and retention</li> </ul> | <ul style="list-style-type: none"> <li>• Availability performance metrics</li> <li>• Reliability performance metrics</li> <li>• Cost per unit</li> </ul> | <ul style="list-style-type: none"> <li>• Non-regulated revenue</li> </ul> | <ul style="list-style-type: none"> <li>• Employee engagement scores</li> <li>• Internal talent development</li> </ul> |
|---|--|--|---|---|

## STRATEGIC RISK

- |   |  |  |   |  |
|---|--|--|---|--|
| <ul style="list-style-type: none"> <li>• Uncertain implementation of regulatory reforms</li> <li>• Reputational Risk</li> </ul> | <ul style="list-style-type: none"> <li>• Inability to meet increasing customer expectations</li> </ul> | <ul style="list-style-type: none"> <li>• Failure to provide sustainable, reliable and secure supply of electricity</li> <li>• Cyber intrusion</li> </ul> | <ul style="list-style-type: none"> <li>• Inability to secure profitable new businesses internationally</li> <li>• Inability to maximise investment value</li> </ul> | <ul style="list-style-type: none"> <li>• Not having right leaders at pivotal positions to drive business growth</li> </ul> |
|---|--|--|---|--|

Note:

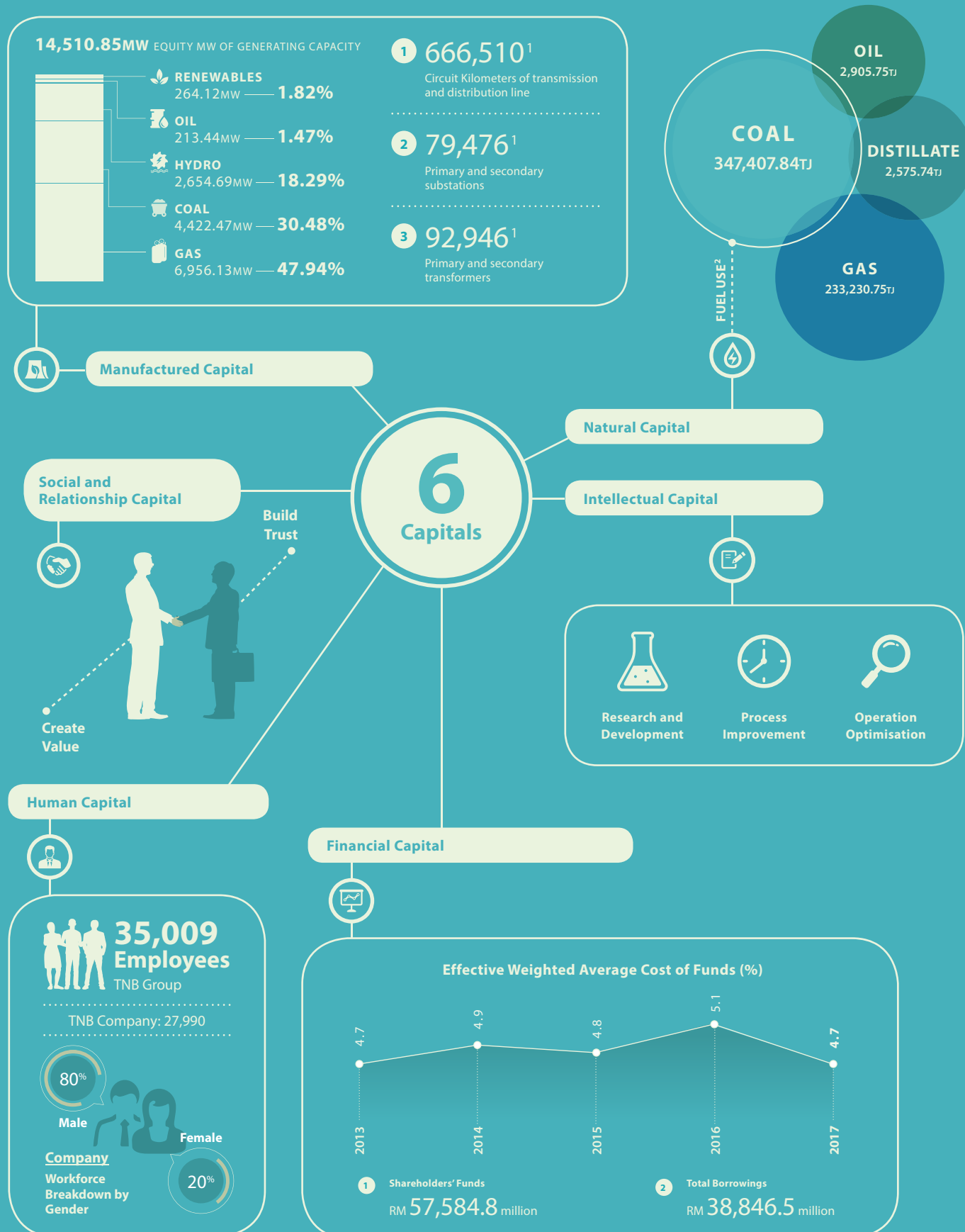
1. Gross revenue of all subsidiaries excluding Sabah Electricity Sdn Bhd (SESB), Kapar Energy Ventures (KEV), TNB Janamanjung Sdn Bhd (TNBJ) & TNB Capital.



# OUR BUSINESS MODEL AND VALUE CREATION JOURNEY

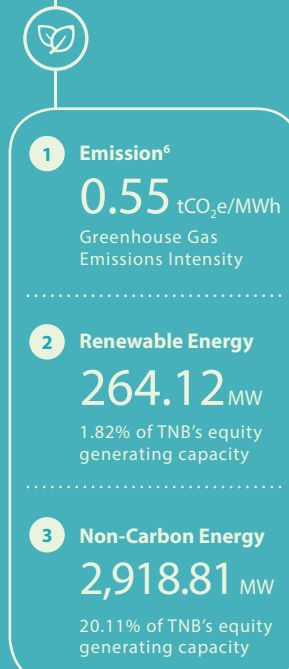
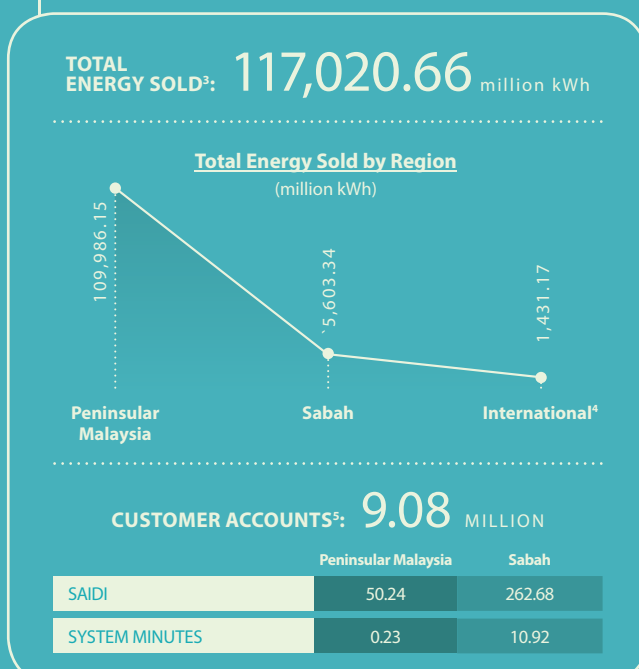
## INPUT FROM SIX CAPITALS

Input from the six capitals ensure we maintain a sustainable business. We recognise that an organisation depends on all forms of capitals, not just financial capital to contribute to the success of our business models. Our ability to enhance the stocks or values of these capitals are essential to the growth of our business.

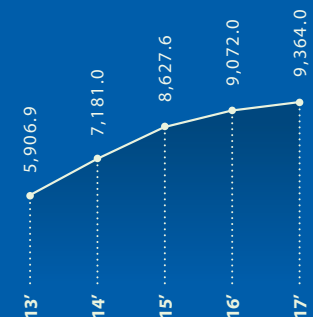




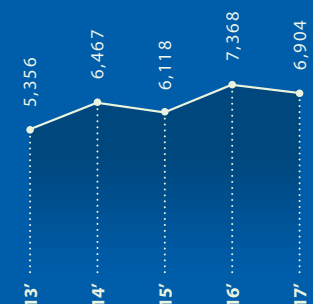
## THE VALUE CREATED AND ITS IMPACT



**Operating Profit**  
RM9,364.0 million



**Net Profit Attributable to Owners of the Company**  
RM6,904.0 million



Notes:

- For TNB operations in Peninsular Malaysia and Sabah only.
- From power plants which TNB has controlling stake for period FY2017.
- From power plants which TNB has invested and have power purchasing agreement with.
- Unit sold by wholly-owned TNB international power plants only.
- Including 8.49 million customers in Peninsular Malaysia and 588,000 customers in Sabah.
- For TNB operations in Peninsular Malaysia only.



# STRATEGIC REVIEW

WITH 68 YEARS OF EXPERIENCE IN THE COUNTRY,  
TNB HAS BEEN A RESPONSIBLE ENERGY PLAYER IN  
KEEPING THE LIGHTS ON.



## MARKET REVIEW

**THE GLOBAL ENERGY INDUSTRY CONTINUED TO UNDERGO RAPID CHANGES IN 2017, AS UNCERTAINTY ON THE INDUSTRY'S RECOVERY REMAINED DESPITE AN UPSWING IN ENERGY PRICES.**

Although the outlook for the industry is buoyed by the growing global population which will support consumption, factors such as increasing demand for clean energy amid higher pricing for renewables leave the industry at a crucial turning point which has yet to be fully addressed.

### MACROECONOMIC DRIVERS

In view of these trends, TNB expects the following macroeconomic drivers to impact our business:

- **Emerging economies** and regions such as Southeast Asia, South Asia and the Middle East whose influence on the global economy is growing and are leading energy consumption, making up the key markets we are targeting to pursue growth.
- **Climate change and sustainability** which have become vital considerations for global corporations, especially energy companies such as ours as we seek to meet public expectations on the green agenda.
- **Rapid urbanisation** is playing a major role in influencing the need for new ways to generate, transmit and distribute electricity as existing resources and infrastructure strive to keep up with the needs of burgeoning cities.
- **Technology**, undeniably the largest influence on the 21<sup>st</sup> Century, offers new opportunities and challenges for energy companies as digitisation creates new trends in product and electricity usage.

We remain confident that our Strategic Plan 2017-2025 will enable us to compete amid this landscape both in our home market as well as in the international markets where we are present.

# STRATEGIC REVIEW

## DOMESTIC POWER SECTOR OUTLOOK

Electricity sales growth in Malaysia is expected to continue to slow in line with the sales growth over the last three consecutive years. Sales growth has been revised for 2017 taking into account the current trend of slow demand in the industrial sector along with the change in consumer consumption behaviour in adopting more energy efficiency measures. This has led to a lower sales growth of 1.92% leading towards 2020.<sup>1</sup>

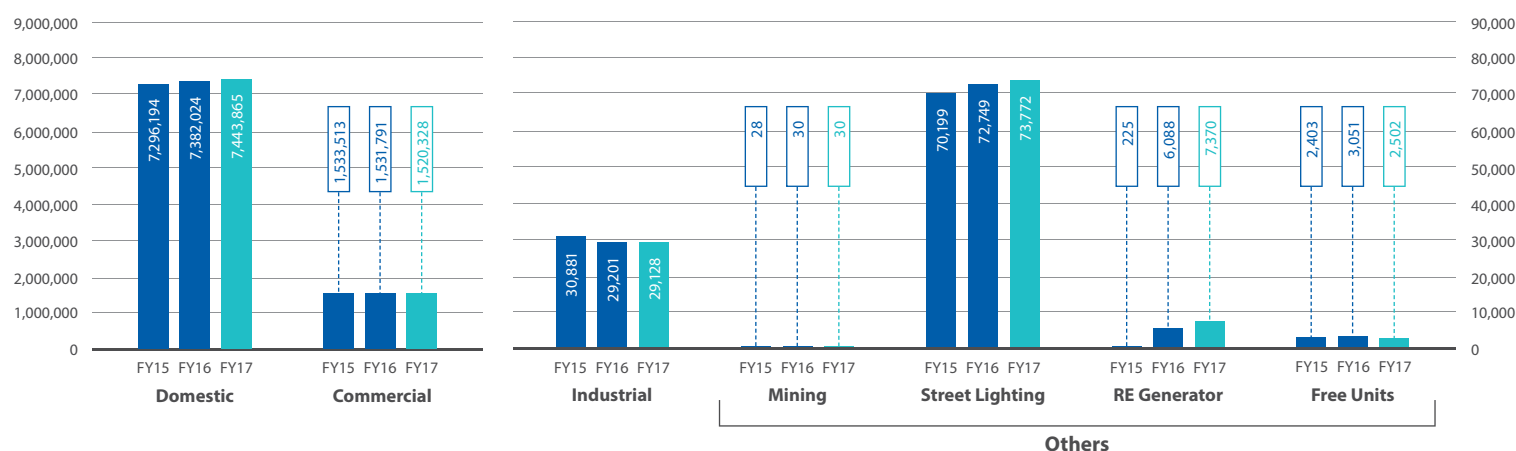
The domestic power sector is also on track to continue modernising through regulatory reforms, with the introduction of the Electricity Supply (Amendment) Act 2015 and the Gas Supply (Amendment) Act 2016. The authorities are also expected to continue reviewing and introducing regulations, codes and guidelines from time to time in an effort to stay abreast with industry trends. In particular, the Paris Agreement on climate change, which entered into force in November 2016, is expected to play

a role in future generation planning-up in Malaysia as energy industry stakeholders will need to address greenhouse gas emissions. In another domestic regulatory development, the second IBR regulatory period will commence in 2018 following the completion of the first regulatory period at the end of 2017.

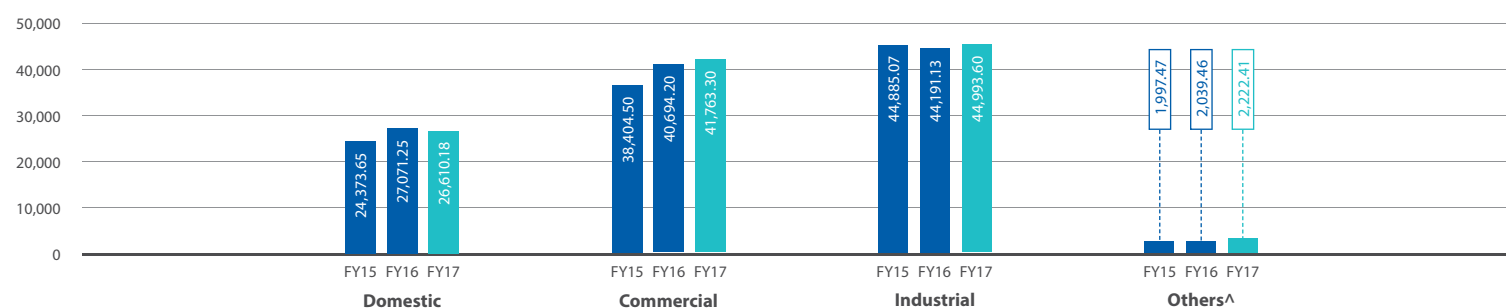
Capacity continues to grow with the commissioning of new thermal and solar plants, with the outlook for Renewable Energy (RE) also remaining bright supported by the Large Scale Solar capacity bidding and Net Energy Metering (NEM) schemes. At the same time, the industry must ensure existing transmission capacity congestion is addressed in a timely manner.

Furthermore, the country may require a higher generation adequacy target in tandem with its development into a high-income nation. This is to ensure continued reliable electricity supply which supports economic growth.

## Number of Customers<sup>#</sup>



## Sales by Segment (GWh)<sup>#</sup>



## OUR COMPETITIVE ADVANTAGE

As Malaysia's leading utility company which is also making a name for itself on the global stage, TNB will capitalise on its established competitive advantages to realise its aspirations of becoming a Domestic and Regional Champion.

- **Unrivalled experience in our home market:** TNB is backed by 68 years' experience operating in the domestic market, creating a wealth of expertise and technical knowledge which will serve us well in our pursuit for continued and sustainable growth.
- **Complete value chain presence:** Our Generation, Transmission and Distribution businesses provide us with a presence along the entire

electricity supply value chain, including energy support services from asset operation and maintenance to industry training and accreditation.

- **Technical expertise:** Our technical expertise allows us to provide world-class performance in developing and operating our assets.
- **Customer-centric:** We have gained a deep understanding of the values and needs of our customers while we have also earned their trust from our illustrious history as Malaysia's leading electricity company.
- **World-class talent:** Our employees are the centre of our organisation and we remain committed to developing our workforce along all levels of our talent pipeline.

<sup>1</sup> Peninsular Malaysia Electricity Supply Outlook 2017, Energy Commission

<sup>#</sup> Data shown are for Peninsular Malaysia and Sabah

<sup>^</sup> Others include Mining, Street Lighting and Agriculture



# STRATEGIC REVIEW



**MINISTER OF ENERGY, GREEN TECHNOLOGY AND WATER, DATUK SERI PANGLIMA DR. MAXIMUS JOHNTY ONGKILI VISITED TNB'S BOOTH DURING THE INTERNATIONAL GREENTECH & ECO PRODUCTS EXHIBITION & CONFERENCE MALAYSIA (IGEM) 2016, WHICH FOCUSED ON CLEAN AND GREEN TECHNOLOGIES.**

## OPERATIONS REVIEW

### KRA1: ENABLING A STABLE OPERATING ENVIRONMENT



#### STRATEGY

As a company which operates predominantly in a regulated industry, understanding and managing the needs and values of our key stakeholders is key to contribute to the stability of our operating environment. In recognition of our responsibility as the national utility supplying the majority of energy users in Malaysia, we are focused on:

- "Keeping the lights on" – ensuring that our customers will always benefit from a secure and reliable electricity supply;
- Maintaining affordable energy costs through efficient and optimum management across our value chain; and
- Supporting the Malaysian Government's aspiration to reduce GHG emission intensity in line with the country's commitment to the 21<sup>st</sup> Conference of Parties (COP21).

#### DEVELOPMENTS IN 2017

We have recorded encouraging progress in the Lao PDR-Thailand-Malaysia Power Interconnection Project which will enable the sale of up to 100MW of electricity from Lao PDR to Malaysia via Thailand's grid. This will also represent the first multilateral energy exchange in ASEAN. The three utilities involved in this exchange (Electricite du Laos, Electricity Generating Authority of Thailand and TNB) have already agreed to the terms of the sales agreement, scheduled to commence in January 2018.

As part of our preparation to enter the Second Regulatory Period (January 2018 – December 2020), we submitted our proposed cost

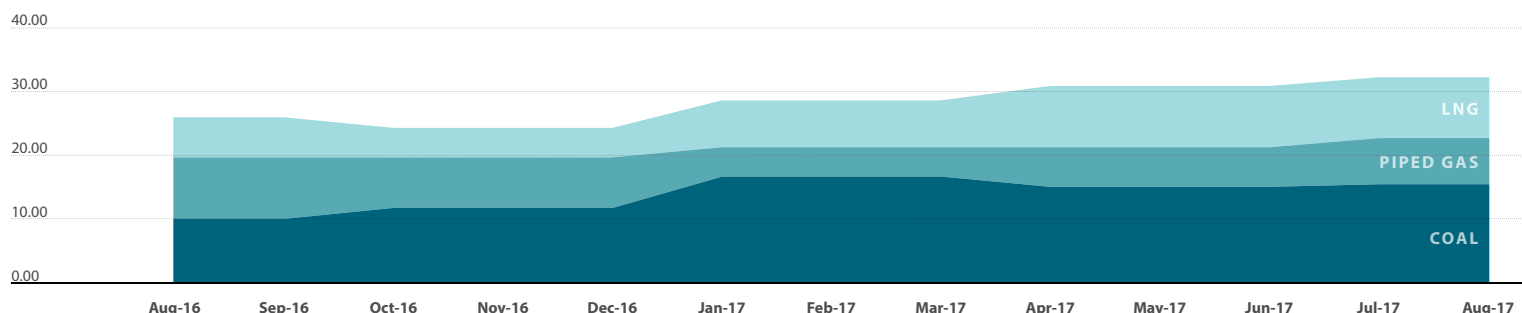
and investment plan for the new regulatory period. In committing our continued support for the Government, we have proposed:

- Promotion of energy efficiency targeted at improving our customers' energy efficiency and active reduction of grid energy losses
- Upgrading our grid to enhance its resilience and ability to support the Government's plans to activate distributed renewable energy sources
- Promotion of electric vehicles charging infrastructure in line with initiatives outlined in the 11<sup>th</sup> Malaysia Plan and the Electric Mobility Blueprint

# STRATEGIC REVIEW

## Fuel Price

RM/mmBTU



### Fuel Price Trend

While coal prices have remained relatively predictable over the long-term, short-term coal prices tend to fluctuate seasonally due to geopolitical developments, supply/demand imbalances and foreign exchange movements.

The gas price on the other hand follows the current two-tiered pricing mechanism, whereby gas volumes of up to 1,000 million standard cubic feet per day (mmscfd) is priced at the domestic piped gas price and all gas volumes above 1,000 mmscfd are priced at liquefied natural gas (LNG) ex-Bintulu.

In line with the Government's aspiration under the 11<sup>th</sup> Malaysia Plan from 2016 to 2020 to reduce the energy subsidy in stages, the gas subsidy rationalisation programme will continue to be implemented. This entails

a bi-annual increase in domestic piped gas prices in an effort to bring its pricing in line with the market.

Meanwhile, the pricing for LNG is calculated based on the discounted weighted average price of LNG exported from Bintulu, Malaysia. Historically, its movement has been tied to crude oil, particularly the Japan Customs-cleared Crude (JCC) prices.

The Government's decision to maintain a rebate of 1.52sen/kWh over both the ICPT implementation periods of January 2017 – June 2017 and July 2017 – December 2017, coupled with the increase in coal and LNG regional prices as well as the Government's continued scheduled increase of regulated piped gas prices at RM1.50/mmBTU every six months resulted in higher industry costs of RM1.3 billion. However, this cost has been paid by the Government to the industry through the utilisation of the Electricity Industry Fund.

## Our Key Stakeholders



## PLANNED ACTIVITIES MOVING FORWARD

As part of our operating license condition under the Electricity Supply Act 1990, TNB will be participating in the Regulatory Compliance Audit in the upcoming financial year ending 31 December 2018. The purpose of this audit is to ensure our compliance to regulatory requirements, assess the execution of technical works in accordance to required standards and evaluate our financial health. The period under audit is September 2012 to August 2016. We are prepared to assist our regulators on this audit as we have for previous audits.

We are also currently participating in negotiations for the Second Regulatory period. We expect the negotiations to be concluded by end of 2017 and are confident its outcome will continue to serve the interests of all stakeholders.



# STRATEGIC REVIEW



**WINNING THE CUSTOMER AND  
BUILDING A 'BEYOND THE METER' BUSINESS.**

## OPERATIONS REVIEW

### ○ KRA2: EXCEEDING CUSTOMER EXPECTATIONS ○ ○ ○ ○

#### STRATEGY

We see ourselves as a customer-centric company, supplying our household, industrial and business customers with a wide range of energy solutions and services beyond just the sale of kWh. In the last five years, we have focused our efforts on improving our customer service and developing an enduring relationship with our customers to better serve their needs and values. Since 2016, we have begun to push forward with digitising the delivery of our services as we aspire to bring 70% of our customer interactions online or through digital channels.



# STRATEGIC REVIEW

## DEVELOPMENTS IN 2017

Throughout the year, we continued focusing on the emotional and functional aspects of our customers' journey and experience. Among the initiatives undertaken included piloting our improved service offerings, designed to better help customers manage their energy consumption and bills, to selected customers. We also continued to develop our digital platform and payment channels to better serve our customers beyond our branches and service counters.

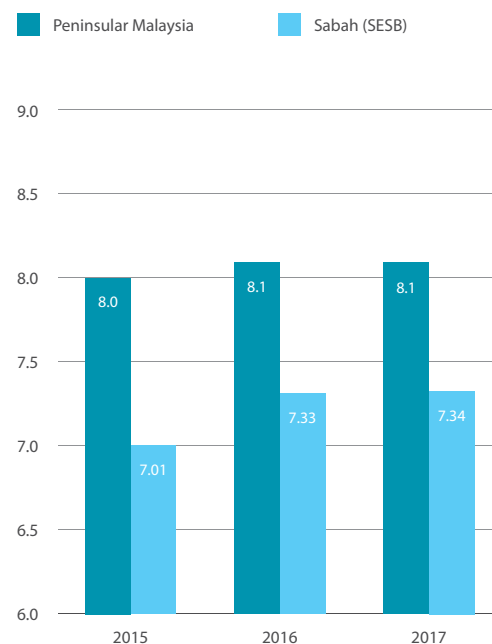
We have completed the organisational renewal of our customer services entity through the separation of customer-fronting operations and network asset management operations. This has allowed us to immediately realise the centralisation of large customer billing and invoicing management.

In recognition of the measures we have put in place to improve our contact centres since 2015, during the year we received the Customer Operations Performance Centre accreditation.

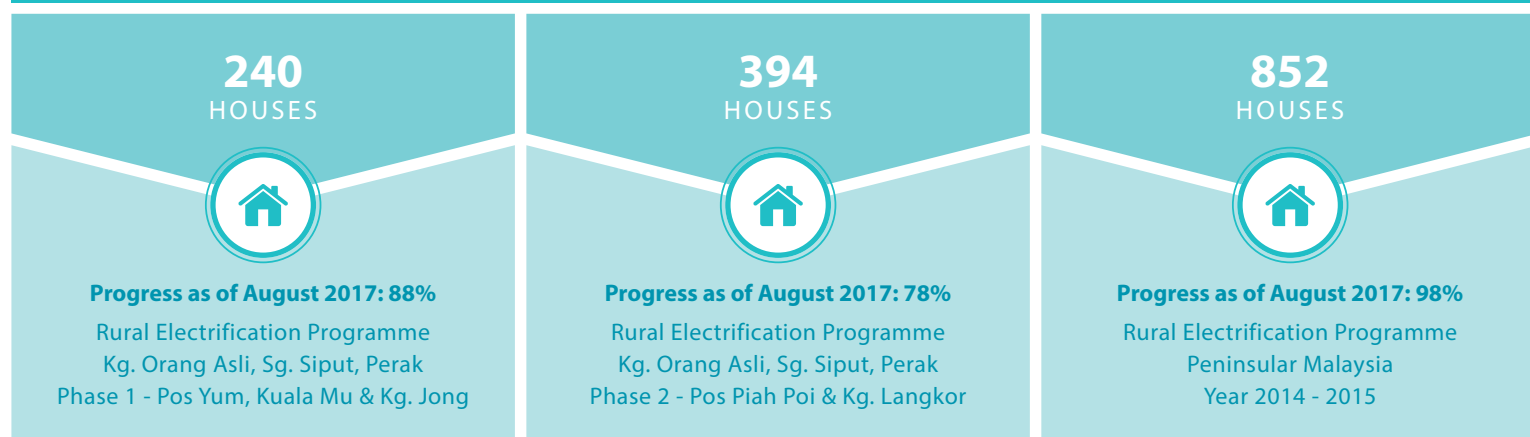
In line with our push to provide products and services that meet the needs of our customers, we have introduced our 'distributed energy' package to cater to customers interested in self-generation in line with the Government's Net Energy Metering programme.

We have also continued to support the national Rural Electrification Programme, connecting 1,486 rural homes with electricity supply, as well as the Village Street Lighting Project, installing 40,240 street lights.

## TNB CSI Score



**We engage in numerous community development programmes, and encourage our people to play an active role in volunteering. Overall progress for the three current Rural Electrification Programmes amounts to 88%, benefiting a total of 1,486 homes to date.**



## PLANNED ACTIVITIES MOVING FORWARD

Digital platforms and channels will increasingly become integral to our efforts to maximise the customer experience. We will also continue to expand our services beyond the sale of kWh through relevant energy-related services designed to better serve our customers' needs and values. This will be achieved through partnerships within the TNB Group and with other external customer-centric solutions providers as we target to improve our domestic profitability through these energy-related services over the medium-to-long-term.

The completion of the separation of our customer service entity is expected to improve our efficiency in serving our customers. As we seek to further enhance the performance of our award-winning contact centre, we plan to introduce 18 more services that will allow us to better serve our customers remotely.

We will continue providing our Home Energy Report (HER) in the next financial year, increasing the number of customers benefiting from this programme to include our domestic customers, who will be able to access the HER via our myTNB web portal. We see this initiative as an enabler in increasing customers' awareness on energy consumption and efficiency, which is key to achieving the Government's goal of making Malaysia a sustainable and low-carbon Nation.



# STRATEGIC REVIEW



A STUNNING VIEW OF TNB'S MEN AT WORK STRINGING THE LINES OF THE MONOPOLE TOWER, PULAU BESAR, MELAKA.

## OPERATIONS REVIEW

### KRA3: DRIVING OPERATIONAL EXCELLENCE & COST EFFICIENCIES

#### STRATEGY

As Malaysia's leading utility with a growing global footprint, we aspire to become the world's leading generation and grid operation utility. This will be anchored on maximising returns on our generation and grid assets while ensuring world-class performance levels and reliability.

In view of this, our strategic focus areas are:

- Maintaining safe, reliable and efficient power plants;
- Maintaining excellent grid performance and reliability;
- Accelerating business performance improvement across our generation fleet;
- Ensuring grid enhancement and development in line with our five-year grid strategic plan;
- Improving grid projects implementation to reduce our grid related projects lead time;
- Completing the organisational renewal initiative for our generation, transmission and distribution entities; and
- Reducing operation costs through improved building energy efficiency.

#### DEVELOPMENTS IN 2017

Our generation business recorded the highest plant reliability performance in five years in 2017, with our Equivalent Unplanned Outage Factor (EUOF) improving 39% to 2.7% from 4.4% in 2016. We also achieved improved performance of our legacy plants, which delivered RM361 million in term of cost efficiencies in line with targets under our Generation Excellence initiative. We have also institutionalised our Centre of Excellence, enabling a more effective platform for generation plants to share and address technical issues, plant improvement initiatives and management of planned outages.

Under our transmission business, we continued to improve our grid reliability and performance, achieving an 84% reduction in Transmission System Minutes to 0.2265 minutes from 1.4720 minutes in 2016.



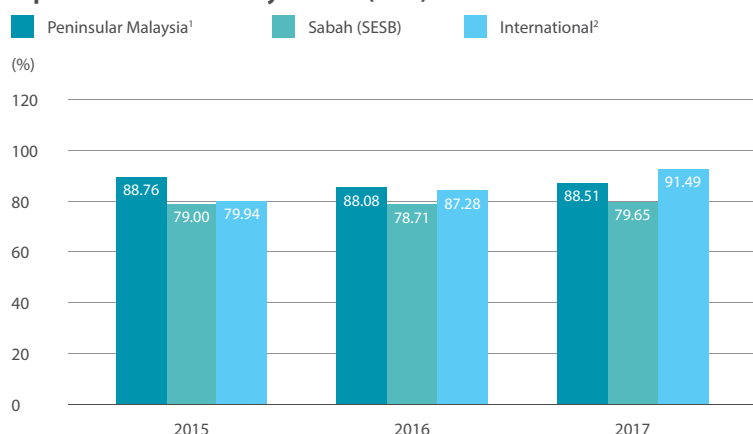
# STRATEGIC REVIEW

We completed two high-profile grid projects in the Klang Valley, comprising the Central Area reinforcement project of 275kV overhead lines (Bukit Tarek-Chubadak) and 275kV/132kV overhead lines (Salak South-Mahkota Cheras) for the Langat 2 Water Treatment Plant and MRT electrification. Furthermore, we continued to manage grid operations through the National Load Despatch Centre, strengthening grid reliability and performance for Malaysia's business centre.

Our distribution business continued to maintain its distribution grid availability performance in line with world-class standards and in 2017, with our SAIDI coming in at 50.24 minutes/customer/year. We also achieved the highest distribution grid availability performance in five years in Sabah, recording an improvement of 14% from 2016. In line with our efforts to adopt energy efficiency within our operations, we have improved energy efficiency in six of our office buildings, resulting in savings of 634 tonnes of displaced carbon dioxide.

The Distribution Automation initiative started in 2014, designed to deliver improved grid reliability and operational efficiency. It will be completed in 2025. Another project, the implementation of the Geospatial Information System (GIS) to help engineers manage distribution network planning, construction, operation and maintenance, successfully completed its pilot deployment at TNB Cheras.

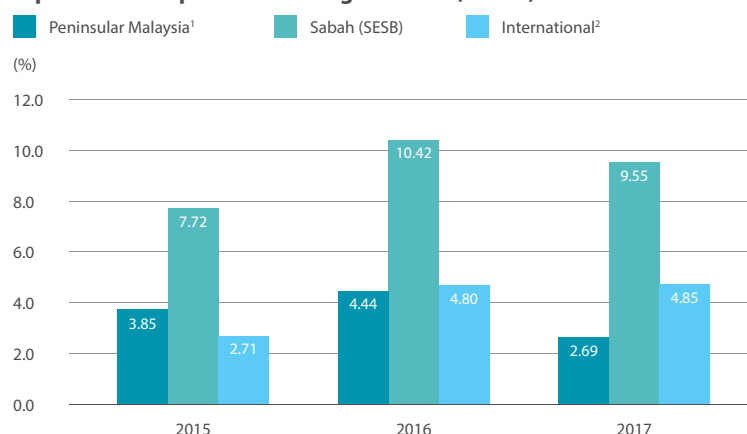
## Equivalent Availability Factor (EAF)



<sup>1</sup> Performance of TNB's wholly-owned power plants in Peninsular Malaysia

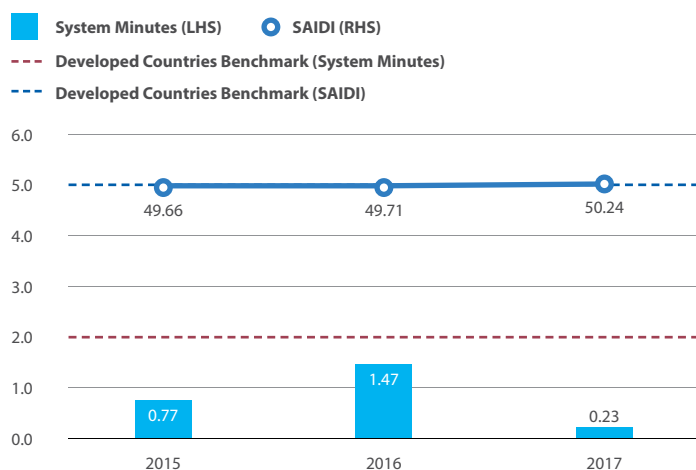
<sup>2</sup> Performance of TNB's wholly-owned power plants internationally

## Equivalent Unplanned Outage Factor (EUOF)

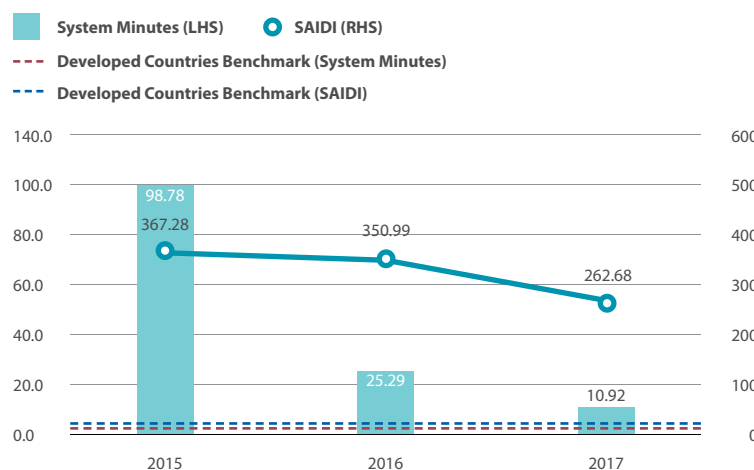


## System Minutes & System Average Interruption Duration Index (SAIDI)

### PENINSULAR MALAYSIA



### SABAH (SESB)



## PLANNED ACTIVITIES MOVING FORWARD

In our continued efforts to improve our generation plant efficiency and performance, we will embark on several key initiatives such as the establishment of a Business Turnaround Programme which aims to substantially enhance the performance of existing power plants. In addition to this programme, we will also be implementing an Intelligent Predictive and Diagnostic Monitoring System which will enable us to perform earlier detection of plant anomalies.

We plan to improve our world-class grid performance by putting in place an enhanced protection system for our transmission grid through automation and analytics. Additionally, we will improve grid project delivery through the utilisation of the integrated building system (IBS), as well as deploy analytics and GIS to ensure better management of grid assets. We will also deploy Smart Meter/Advanced Metering Infrastructure to 340,000 customers in Melaka in 2018.

We expect to conclude discussions with the Energy Commission and proceed with the deployment of a large-scale energy storage system to be used for utilities purposes in providing facilities such as spinning reserve, frequency regulation services and 'black start' capabilities.



# STRATEGIC REVIEW

THE 250MW HULU TERENGGANU HYDRO POWER STATION HAS FURTHER BOOSTED TNB'S HYDRO INSTALLED CAPACITY TO 2,533MW.



## OPERATIONS REVIEW

### KRA4: GROWING PROFITABLE BUSINESS

#### STRATEGY

The energy market is rapidly shifting towards a more sustainable system with a higher share of renewable energy, growing customer involvement in generation and decentralisation of energy generation. At the same time, regulatory pressures continue to drive the energy industry towards cost reductions and ensure an affordable tariff for our customers. We also see an emerging trend of customers keen to produce and consume their own electricity, especially utilising but not limited to renewable energy.

As a company focused on the sustainability of our business, we are preparing for such a future by focusing on growing our non-regulated business through:

- International asset acquisition in key markets with high-growth opportunities;
- Acquiring and developing renewable generation assets, both locally and abroad, through bilateral agreements or participation in tenders;
- Growing our energy services, equipment and cable manufacturing, and education business locally and internationally; and
- Piloting new products and services that will enable decentralised energy solutions for households, businesses and industrial customers.

# STRATEGIC REVIEW

## DEVELOPMENTS IN 2017

In the year under review, we have delivered the following additional capacity:

- Acquisition of a 51% shareholding in Southern Power Generation (SPG), a special purpose vehicle established to develop a 1,440MW combined cycle gas turbine plant in Pasir Gudang which is expected to be completed in July 2020
- Acquisition of a 30% shareholding in GMR Energy Limited, India (GEL) which has provided us with access to a portfolio of six operational power plants in India with a combined installed capacity of 2,299MW
- Acquisition of a 50% shareholding in Vortex Solar Investments Sarl (Vortex), which owns a portfolio of 24 solar farms with a combined capacity of 365MW in the UK
- Successful operations of our unit 1 Ulu Jelai hydroelectric plant (186MW), unit 3 and 4 Hulu Terengganu hydroelectric plant (2 x 7.5MW) since September 2016 and June 2017, respectively
- Successful operations of our jointly developed biogas plants with Sime Darby in Layang-Layang (1.6MW) and Bagan Datuk (1.6MW) since December 2016 and January 2017, respectively
- Successful operations of our jointly developed biomass plant with FELDA Global Group Plantation Company in Jengka with a capacity of 10MW
- Timely progress of our Manjung 5 ultra-supercritical plant (1,000MW) which began operations on 28 September 2017, three days ahead of schedule
- Timely progress of our 50MW Large Scale Solar in Kuala Langat, which is expected to be operational by the end of 2018

Furthermore, we continued our efforts to develop energy-related services to better serve our customers. Our subsidiary, TNB Repair and Maintenance successfully secured generation plant O&M contracts abroad and domestically. Among the contracts secured this year were:

- O&M contract with Balloki power plant (1,223MW) in Pakistan for 12 years
- Long-Term Service contract with Utilities Kerteh and Utilities Gebeng for six years

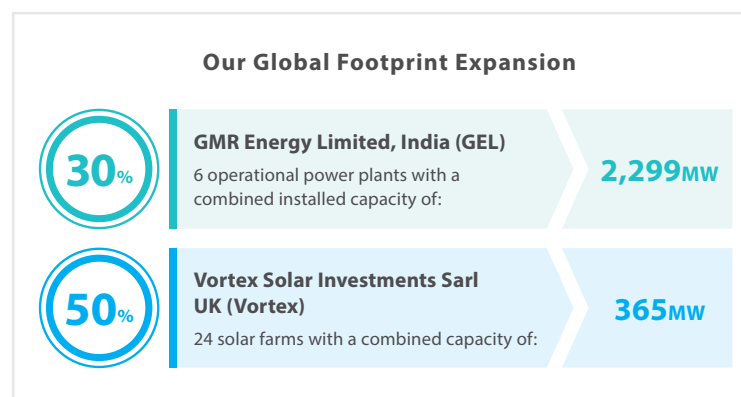
## PLANNED ACTIVITIES MOVING FORWARD

As a key component of our long-term strategy, we will continue to invest in Renewable Energy (RE) capacity going forward, both locally and abroad, and continue to prepare bids for tenders in 2018 with a focus on solar and wind projects.

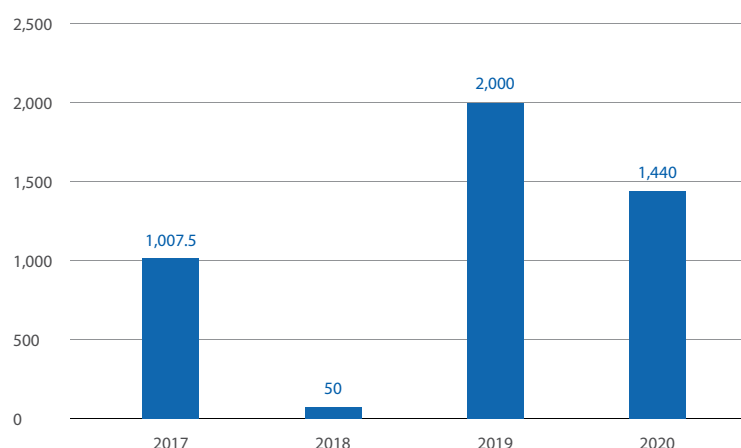
We have already submitted bids for the second round of Large Scale Solar PV plants locally and are expecting the outcome of our bids in early 2018. Similarly, we have made bids for another large solar PV plant in the Middle East and are also expecting the outcome in early 2018.

To strengthen our RE supply chain and allow us to explore potential RE opportunities in ASEAN, we continue to strengthen our relationships with ASEAN-based RE equipment suppliers and players. At the same time, we are exploring opportunities in conventional capacity in key growth markets internationally while also focusing on our generation project delivery capability to ensure that both upcoming plants, Jimah East (2 x 1,000MW) and SPG (1,440MW) will be delivered on time.

We have also started offering Energy Performance products and services through our subsidiary, aimed at helping large clients improve their energy efficiency. In this regard, we secured contracts with two large public Malaysian universities, Universiti Putra Malaysia and Universiti Teknologi Malaysia. We have also won tenders to provide Energy Performance Contract services for two large scale solar developments, comprising a 50MW plant in Kuala Langat, Selangor and a 29MW plant in Kuala Muda, Kedah.



**TNB Domestic Capacity Plant Up (MW)**



# STRATEGIC REVIEW

AT TNB, WE ENCOURAGE OUR STAFF TO LEAD HEALTHY LIVES THROUGH OUR TOTAL WELLNESS PROGRAMME, WHICH WE BELIEVE BENEFITS NOT ONLY THEIR HEALTH, BUT ALSO THEIR WORK PERFORMANCES.



## OPERATIONS REVIEW



### KRA5: TRANSFORMING OUR PEOPLE AND LEADERSHIP

#### STRATEGY

The energy industry is currently undergoing rapid change and faces major challenges. In view of this, we recognise the need to transform our business to become more competitive, allowing us to confront the challenges and capitalise on trends to ensure continued growth.

At the core of this transformation is the reorganisation of our current operations, an enhancement of existing competencies and the development of key capabilities in our identified growth areas.

As we gear up to deliver the aspirations of our Strategic Plan, we spent the last year putting the foundation for Reimagining TNB in place. These efforts involved:

- The delivery of our organisation renewal initiatives which we initiated in 2015 to unlock value from customers, employees, and finance towards Reimagining TNB;
- Identification and development of our future leadership with the right competencies;
- Promoting a safe, healthy and engaging working environment for all our employees; and
- Developing a high-performance culture to help us unlock a step change in our performance.

#### DEVELOPMENTS IN 2017

We have successfully delivered 11 out of 19 tracks of our organisational renewal initiative; the Value Unlocking Programme (VUP). The objective of this initiative is to shift from the current geographical organisational set-up to one which is focused on centralisation of functions through the creation of Centres of Expertise, Business Partners and Shared Service Centres for our various business entities.

Amongst the core entities which have completed the initiative this year is our Distribution division which has seen the separation of its Customer Service and Distribution Network functions. This has enabled Customer Service to focus on capturing new non-regulated business sales, whilst allowing the Distribution Network to focus on its operational functions and improved its efficiencies.

# STRATEGIC REVIEW

Similarly, we have also seen improved efficiencies in corporate functions which have completed this initiative, such as Group Human Resource, Group Finance and Group Procurement. In the case of Group Procurement, we have been able to realise RM200 million in cost savings from the introduction of category management as a direct result of this initiative.

Our VUP initiative is also focused on creating entities with the aim of capturing new business opportunities such as the establishment of a wholly-owned subsidiary focused on growing non-regulating revenue from the IT and telecommunication-related industry.

We have introduced our Transformation Accelerator initiative which is focused on identifying pivotal positions which will enable the success of our strategic target delivery. Through this programme, we have identified 54 pivotal positions along with the necessary traits and skillset for each position. These pivotal positions are expected to enable us to pursue business opportunities targeted to grow our three-year EBIT by ~50%.

Our Generation Academy was set up to develop Subject Matter Experts (SMEs) who are equipped with transformation knowledge and skills to problem-solve generation plant-based issues and ensure the continuous improvement of each plant. To date, more than 200 SMEs have been developed through this programme. These SMEs have been crucial in improving the efficiency of our plants, resulting in a savings of RM361 million.

We have also developed our Life-Saving Rules in line with our drive to create a safer working environment across all our business entities. We see these Life-Saving Rules as a key component that will drive us towards our aspiration of Zero Accidents.



2017 Lost Time Injury Frequency (LTIF)

1.44

Our Total Wellness Programme drive was expanded in 2017. Beyond the 1TNB Family Wellness annual event, we have also established:

- 60 1TNB gyms located throughout Peninsular Malaysia furnished with the latest equipment to help our employees maintain an active lifestyle and further improve their health levels. These 1TNB Gyms are also staffed with professional fitness instructors who are able to provide our employees with advice and classes to improve their fitness.
- Healthy meal options for our employees through the drive to acquire Healthy Cafeteria Certifications by the Ministry of Health Malaysia for dining facilities within our premises.

Other ongoing programmes include health screening and quit smoking initiatives for employees. This is a first for TNB, where we have attracted volunteers to subscribe to our quit smoking programme.

Employee Category	Objective	Highlights	Number of employees trained
<b>Top Management</b>	<ul style="list-style-type: none"> <li>• Leadership Capabilities</li> <li>• Executive Coaching</li> <li>• Business Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership Corporate Forum by LDC</li> <li>• Talent &amp; Succession Development Programme – Prestigious Programme by GHR</li> </ul>	36
<b>Management</b>	<ul style="list-style-type: none"> <li>• Leadership Capabilities</li> <li>• Executive Coaching</li> <li>• Business Strategy</li> <li>• Leveraging Networking</li> </ul>	<ul style="list-style-type: none"> <li>• Talent &amp; Succession Development Programme – Prestigious Programme by GHR</li> <li>• Technical &amp; Functional Excellence Programme</li> </ul>	296
<b>Executive</b>	<ul style="list-style-type: none"> <li>• Leadership Capabilities</li> <li>• Executive Coaching</li> <li>• Leveraging Networking</li> <li>• Competencies Based Learning</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership Capabilities</li> <li>• Technical &amp; Functional Capabilities</li> <li>• Current &amp; Future Jobs Needs</li> <li>• Technology Driven Programme</li> <li>• Education Programme</li> </ul>	5,321
<b>Non-Executive</b>	<ul style="list-style-type: none"> <li>• Upskilling &amp; Upward Mobility Programme</li> <li>• Competencies Based Learning</li> </ul>	<ul style="list-style-type: none"> <li>• Technical &amp; Functional Capabilities and Leadership Capabilities</li> <li>• Majority of Programmes Conducted In-house by Division/Department or by ILSAS</li> </ul>	29,347

This year, we invested up to RM165 million (2.39% of profit) on training and development, with 80% of our workforce attending at least three days of training.

## PLANNED ACTIVITIES MOVING FORWARD

We will deliver on the remaining eight of the 19 tracks of our organisation renewal initiatives while continuing to improve the efficiency and performance of the tracks already delivered in our push towards world-class performance standards. We will also enhance our Generation Academy by further expanding our SMEs' capabilities in order to develop leaders that are able to design and drive long-term transformation of the whole business. We believe this will be critical as we reach for more international capacity. In support of our Reimagining TNB Strategic Plan, we are committed to instilling a culture of high-performance amongst our employees.



# OPERATIONS SCORECARD

	FY2013	FY2014	FY2015	FY2016	FY2017
<b>ENABLING REGULATORY ENVIRONMENT</b>					
Return on asset	5.6%	6.2%	6.6%	6.4%	<b>5.4%</b>
Generation market share <sup>1</sup>	48%	47%	48%	54%	<b>52%</b>
<b>EXCEEDING CUSTOMER EXPECTATIONS</b>					
Customer satisfaction index <sup>1</sup>	7.5	7.6	8.0	8.1	<b>8.1</b>
Corporate reputation index <sup>3</sup>	-	74%	76%	82%	<b>81%</b>
<b>DRIVING OPERATION EXCELLENCE AND COST EFFICIENCIES</b>					
Cost per unit <sup>1</sup>	31.0sen/kWh	36.3sen/kWh	35.1sen/kWh	34.2sen/kWh	<b>36.60sen/kWh</b>
Equivalent availability factor <sup>2</sup>	88.10%	85.51%	88.76%	88.08%	<b>88.51%</b>
Equivalent unplanned outage factor <sup>2</sup>	6.21%	7.09%	3.85%	4.44%	<b>2.69%</b>
Transmission system minutes <sup>1</sup>	0.44 minute	0.13 minute	0.77 minute	1.47 minute	<b>0.23 minute</b>
System average interruption duration index <sup>1</sup> (SAIDI) minutes/customer/year	64.20	55.00	49.66	49.71	<b>50.24</b>
Transmission losses <sup>1</sup>	1.69%	1.63%	1.47%	1.28%	<b>1.29%</b>
Distribution losses <sup>1</sup>	6.66%	6.52%	6.21%	6.11%	<b>6.21%</b>
<b>GROWING PROFITABLE BUSINESS</b>					
Non-regulated revenue <sup>4</sup>	RM2.2bn	RM2.5bn	RM2.6bn	RM2.7bn	<b>RM3.3bn</b>
<b>TRANSFORMING PEOPLE AND LEADERSHIP</b>					
Employee engagement score <sup>5</sup>	83%	85%	85%	89%	<b>89%</b>

<sup>1</sup> For Peninsular Malaysia only.

<sup>2</sup> Including TNB's wholly-owned generating capacity in Peninsular Malaysia.

<sup>3</sup> TNB did not conduct any Corporate Reputation Index prior to FY2014.

<sup>4</sup> Gross revenue of all subsidiary excluding SESB, KEV, TNBJ and TNB Capital.

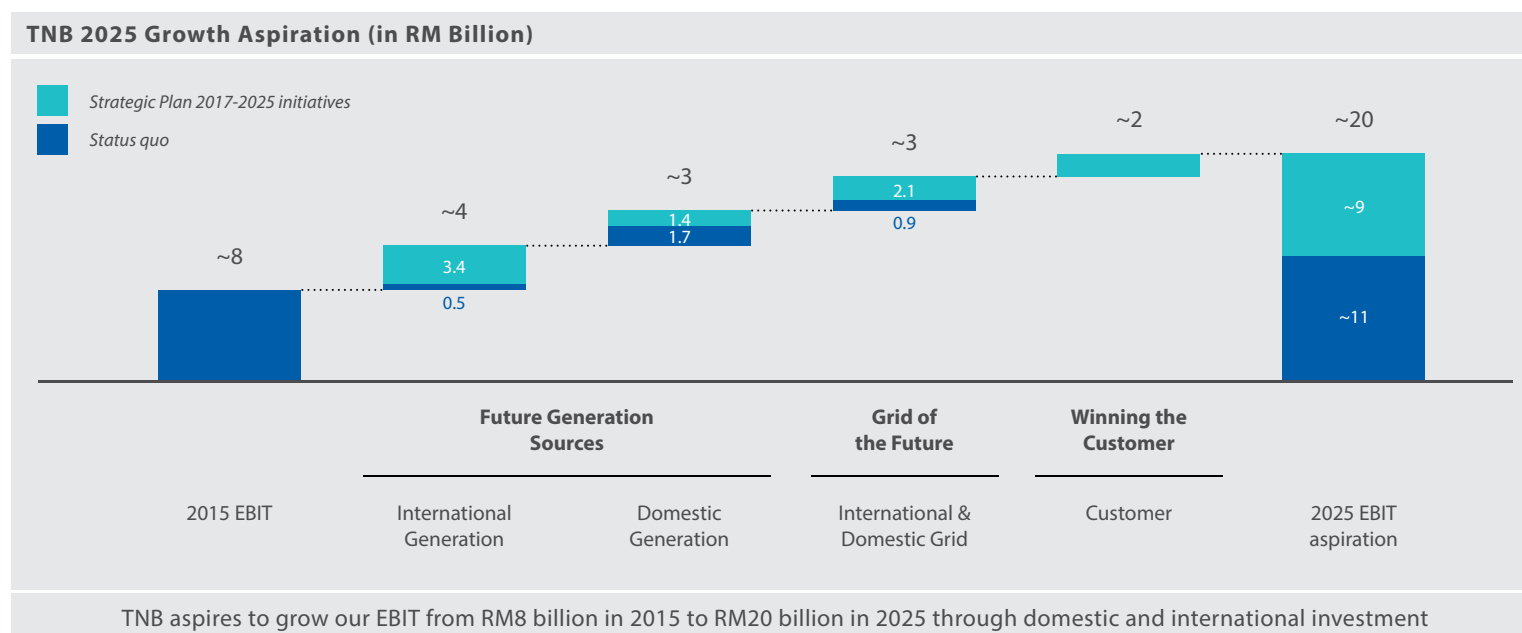
<sup>5</sup> TNB conducts its employee engagement survey biannually. The scores for both FY2016 and FY2017 are based on survey conducted in FY2016.

# MOVING FORWARD: OUR STRATEGIC PLAN 2017-2025

## IMPLEMENTING OUR STRATEGIC PLAN 2017-2025

We see the energy industry landscape continuing to evolve rapidly in the medium-term with emerging trends taking root. These trends take the form of Asia's growing economic prominence, disruptive technology, more expensive capital, and evolving regulatory landscape; and will shape the future of the energy industry while presenting exciting opportunities for growth.

TNB will strive to take advantage of these trends to unlock new growth areas, win a new generation of customers, expand our regional and global presence and achieve productivity gains. These efforts will be guided by our Strategic Plan 2017-2025 which is anchored on key pillars designed to achieve continued and sustainable growth. The pillars comprise: Future Generation Sources, Grid of the Future and Winning the Customer.



Source: TNB analysis



### Future Generation Sources

We aspire to be the ASEAN leader in renewables by working with the Malaysian Government to deliver a major portion of the country's RE portfolio through investments in solar, wind, biomass, biogas and mini hydro projects. This will be fortified by our existing capabilities and experience in the renewables space in Malaysia.

Another component of this pillar is our global expansion drive, focusing on key growth markets in Southeast Asia, South Asia and the Middle East, as well as other markets in which we see opportunities to add value to our portfolio.



### Grid of the Future

While the grid will continue to play a key role in the delivery of electricity, we foresee that its operations will evolve in line with advancements in technology. This will enable greater digitisation and automation of the grid, improving the performance and reliability of grid operations and delivering greater value to our customers.

In response to this, we have already introduced our smart meter/AMI facilities and will embark on providing more digitised and automated services not only to offer more value to our customers, but also unlock opportunities beyond the sale of electricity.



### Winning the Customer

We recognise that our customers are the keystone of our business. As the industry landscape shifts, it will be crucial for us to adopt a value-centric understanding of our customers' needs. This will require us to appreciate their needs beyond electricity consumption to enable us to provide more complex products and services which surpass the mere sale of electricity.

To achieve this, we will pursue new avenues for business and strengthen the capabilities of our workforce to equip the Company with the right talent who can achieve our identified business targets.





# FINANCIAL CALENDAR

## FINANCIAL YEAR 2016-2017

ANNOUNCEMENT OF QUARTERLY RESULTS	DIVIDENDS	DIVIDEND POLICY
<p><b>24 JANUARY 2017</b></p> <p>Unaudited consolidated results for the first (1<sup>st</sup>) quarter ended 30 November 2016</p>	<p><b>2016</b></p> <p>Final Single-Tier Dividend of 22.0 sen per ordinary share for the Financial Year ended 31 August 2016</p> <p>Notice of Book Closure</p>	<p><b>9 DECEMBER 2016</b></p> <p>Adoption of new dividend policy based on 30% to 50% dividend payout ratio for the Company</p>
<p><b>27 APRIL 2017</b></p> <p>Unaudited consolidated results for the second (2<sup>nd</sup>) quarter ended 28 February 2017</p>	<p><b>17 NOVEMBER 2016</b></p> <p>Entitlement Date</p>	<p><b>26 OCTOBER 2017</b></p> <p>Adoption of new dividend policy based on 30% to 60% dividend payout ratio for the Company</p>
<p><b>27 JULY 2017</b></p> <p>Unaudited consolidated results for the third (3<sup>rd</sup>) quarter ended 31 May 2017</p>	<p><b>20 DECEMBER 2016</b></p> <p>Payment Date</p>	<p><b>ANNUAL GENERAL MEETINGS</b></p>
<p><b>26 OCTOBER 2017</b></p> <p>Audited consolidated results for the fourth (4<sup>th</sup>) quarter and Financial Year ended 31 August 2017</p>	<p><b>30 DECEMBER 2016</b></p>	<p><b>18 NOVEMBER 2016</b></p> <p>Notice of 26<sup>th</sup> Annual General Meeting and Issuance of Integrated Annual Report for the Financial Year ended 31 August 2016</p>
<p><b>CHANGE IN FINANCIAL YEAR END</b></p>	<p><b>2017</b></p> <p>Interim Single-Tier Dividend of 17.0 sen per ordinary share for the Financial Year ended 31 August 2017</p> <p>Notice of Book Closure</p>	<p><b>15 DECEMBER 2016</b></p> <p>26<sup>th</sup> Annual General Meeting</p>
<p><b>30 NOVEMBER 2016</b></p> <p>Change in the Financial Year end of the Company from 31 August to 31 December</p>	<p><b>3 MAY 2017</b></p> <p>Entitlement Date</p>	<p><b>21 NOVEMBER 2017</b></p> <p>Notice of 27<sup>th</sup> Annual General Meeting and Issuance of Integrated Annual Report for the Financial Year ended 31 August 2017</p>
	<p><b>22 MAY 2017</b></p> <p>Payment Date</p>	<p><b>18 DECEMBER 2017</b></p> <p>27<sup>th</sup> Annual General Meeting</p>
	<p><b>31 MAY 2017</b></p>	

# INVESTOR RELATIONS

**IN SUPPORTING OUR LONG-TERM ASPIRATION OF BECOMING A LEADING ENERGY CORPORATION GLOBALLY BY 2025, TNB STRIVES TO CONTINUOUSLY CULTIVATE STRONG RELATIONSHIPS WITH THE DOMESTIC AND GLOBAL INVESTMENT COMMUNITY AND OUR VALUED STAKEHOLDERS. TNB AIMS AT TIMELY, EFFECTIVE AND RELIABLE DISSEMINATION OF INFORMATION WITH IMPROVED AND RELEVANT DISCLOSURES TO AID INVESTMENT DECISIONS OF VARIOUS STAKEHOLDERS, WHILE RETAINING CONFIDENCE TO STRENGTHEN OUR SHAREHOLDERS VALUE. DURING THE THIRD QUARTER OF FINANCIAL YEAR 2017, TNB TOOK A STEP FORWARD BY DISCLOSING THE PROFIT AFTER TAX OF THE REGULATED BUSINESS UNDER THE INCENTIVE BASED REGULATION (IBR) FRAMEWORK.**

This year marked the final year of the first regulatory period of the IBR. This saw the successful implementation of the six-monthly review of Imbalance Cost Pass-Through (ICPT) mechanism throughout the three-year period. Given the prospect of volatility in the global commodity and energy prices, the ICPT mechanism allows for TNB regulated businesses to be financially neutral from any variation in generation costs and fuel prices.

The Investor Relations role remained critical to keep all stakeholders reassured and updated on management strategies, directions and current developments. As for the upcoming second regulatory period, key parameters in deriving the levelised tariff, management viewpoints and strategic decisions proved to be matters of interest to the financial community. As such, these were the key focus areas for the Investor Relations team throughout the year under review.

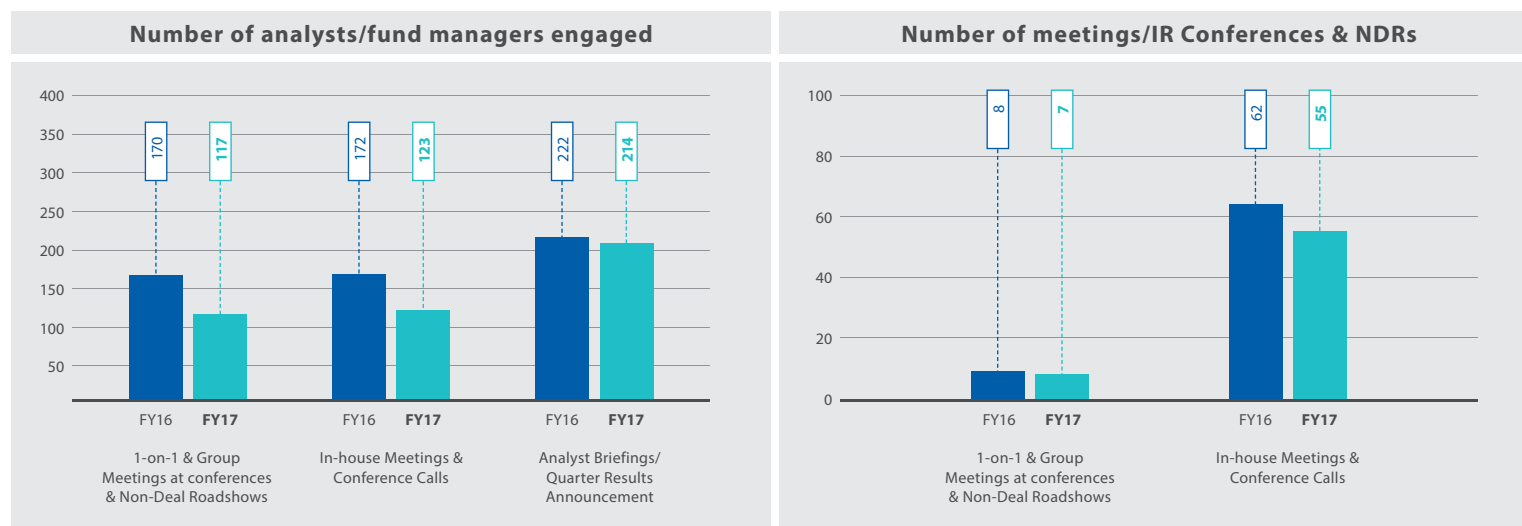
## ENGAGEMENT ACTIVITIES

TNB Investor Relations continued its robust investor engagements to better serve our investors' request for regular updates on TNB's financial performance, business strategies and growth prospects. The investment community was kept abreast of the regulatory developments within the Malaysia Electricity Supply Industry as we approach the second regulatory period under the IBR.

In Financial Year 2017, various engagement activities were carried out to maintain our engagements with existing and potential investors. These included Quarterly and Annual Financial Results announcements, IR conferences and non-deal roadshows (NDRs), in-house meetings, conference calls and site visits. While we collaborate with various key teams within the divisions, we also worked closely with TNB senior management to provide greater clarity and transparent information for areas of interest in 2017. Proactive communications through these engagement platforms create clearer understanding and better insights of TNB's performance to shareholders, stakeholders and the market in general.

## Engagement Activities in Financial Year 2017

We remained strongly committed to stakeholder communication and continued to ensure fair and equal distribution of information in a timely and accurate manner.



Investor Relations in-house meetings and conference calls were the main avenue for TNB's senior management to directly engage with institutional investors to outline TNB's strategic directions and business performance as well as to provide clarification on operational and financial matters. TNB also sustained continuous interactions with both the sell and buy-side communities.



# INVESTOR RELATIONS

However, there was a decline in the number recorded for in-house meetings and conference calls due to overall lower interest from foreign investors towards the region. This resulted in a lower number of total meeting requests from the financial community during the year under review. The take-up rate from foreign funds is reflected in TNB's foreign shareholding movement as can be seen in page 49.

We strived to meet as many investors as possible to provide clear guidance on the company's strategic direction, and promote understanding of the financial performance and latest developments of the company. Given the slower equity market and lower interest from foreign funds, TNB's senior management and Investor Relations team made the efforts to reach out directly to our various investors by engaging NDRs in major global finance centres for the past twelve months. This is critical to ensure a high level of

investor engagement through appropriate channels to disseminate equal and transparent information to all our stakeholders.

## Financial Year 2017 Investor Engagements through agile IR Annual Programme

We met 454 analysts and fund managers from conferences and NDRs, in-house meetings and conference calls, as well as analyst briefings hosted during the year to maintain our engagements with the financial community.

TNB Investor Relations manages and monitors engagement activities through investor profiling and segmentation, which enables the team to focus on a targeted audience when planning our IR Annual Programme. This is part of our initiatives to better utilise TNB senior management's efforts in our engagement activities to meet current, former or prospective shareholders.

### Key activities conducted during Financial Year 2017 were:



## EFFECTIVE COMMUNICATION TO ENHANCE ENGAGEMENT

TNB's corporate website, [www.tnb.com.my](http://www.tnb.com.my), offers an essential platform for investors to access information periodically through the Investor Relations section. Any queries or concerns regarding the company, especially on Investor Relations related matters, can be directed to the team at [tenaga\\_ird@tnb.com.my](mailto:tenaga_ird@tnb.com.my).

As part of our continuous improvements and consistent engagement initiatives with the financial community, our IR Survey is conducted on a bi-annual basis. We welcome valuable feedback on our IR initiatives and services through this channel.

## ANALYST COVERAGE

As the company is the second-largest on Bursa Malaysia by market capitalisation, TNB is closely tracked by the investment community and as at August 2017, 23 core analysts provided coverage on TNB, reflecting strong interest from sell side equity research houses, both domestic and abroad.

Affin Hwang Capital	Alliance DBS Research	Am Research	BIMB Securities Research	CIMB	Citi Research	CLSA	Credit Suisse
Hong Leong Investment Bank Research	HSBC Global Research	JP Morgan	KAF Seagroatt & Campbell Securities	Kenanga	Macquarie Research	Maybank Investment Bank Research	MIDF Research
Morgan Stanley Research	Nomura Research	Public Invest Research	RHB	TA Securities	UBS Global Research	UOB Kay Hian	<b>23 ANALYST COVERAGE</b>

# INVESTOR RELATIONS

## CREDIT RATING

Maintaining a good relationship with rating agencies is vital for TNB to have a better view on the overall capital market as well as to understand their concerns on the company's debt position, which ultimately affects their credit rating. TNB Investor Relations remains committed in engaging with our local and international rating agencies in ensuring accurate information is delivered and shared. As one of the largest issuers of debt and capital securities in Malaysia, we engaged with four credit rating agencies which are RAM Ratings, Malaysian Rating Corporation (MARC), Standard and Poor's (S&P) and Moody's Investors Services. Their ratings, which reflect TNB's outlook and position, are closely monitored by the investment community. Please refer to page 54 for the ratings details.

## INVESTOR INTEREST

Throughout the year under review, among the key areas of interest discussed during our investor engagement sessions were mainly:

### Regulatory Landscape

Under IBR framework, TNB remains neutral with regard to any fluctuations in generation costs via the ICPT mechanism.

To-date six cycles of ICPT review have been implemented in a timely manner as follows:

ICPT	Announcement	Rebate	Period
Jan – Dec'14	RM727mn	2.25 sen/kWh	Mar – Jun'15
Jan – Jun'15	RM1,086mn	2.25 sen/kWh	Jul – Dec'15
Jul – Dec'15	RM762mn	1.52 sen/kWh	Jan – Jun'16
Jan – Jun'16	RM758mn	1.52 sen/kWh	Jul – Dec'16
Jul – Dec'16	RM766mn	1.52 sen/kWh	Jan – Jun'17
Jan – Jun'17	RM523mn <sup>#</sup> RM780mn* } RM1.3bn	1.52 sen/kWh*	Jul – Dec'17

<sup>#</sup> Surcharge of 1.02 sen/kWh

\* Utilisation of RM780mn of PPA Saving Fund to maintain the current rebate of 1.52 sen/kWh

### Overseas Investment

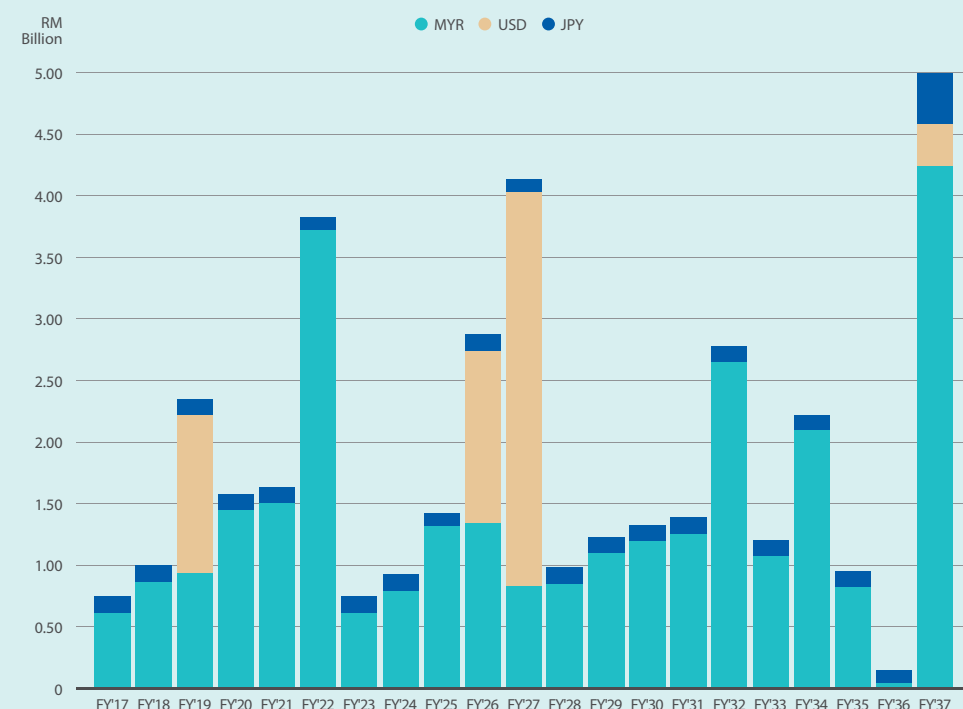
In line with TNB's aspiration to become one of the top 10 utilities globally, TNB is continuously expanding its footprint at home and regionally through M&A exercises, namely:

- Turkey: Completed the acquisition of a 30% equity interest in GAMA Enerji on 13 April, 2016.
- India: Completed the acquisition of a 30% equity interest in GMR Energy Limited on 4 November, 2016.
- United Kingdom: Completed the acquisition of 50% equity interest in Vortex Solar Investments Sarl on 12 May, 2017.

### Debt

TNB's debt mix is mainly denominated in Ringgit which limits its foreign currency exposure. TNB practices a prudence in managing our debt to safeguard TNB's position as a going concern entity as well as to fund future growth of the business. TNB continuously monitors its debt and gearing level and will consider improvement options if the overall impact is positive to TNB and its shareholders.

The following graph illustrates the Group Debt Maturity Profile.



### Demand Outlook

Demand growth in Financial Year 2017 normalised from the exceptionally hot weather season due to the El Nino phenomenon recorded last year, and in line with Malaysia's projected GDP growth.

### Capital Management Study - Dividend Policy

TNB completed reviewing its capital management framework with the objective of optimising its capital structure and maximising shareholders' value. One of the key actions was the adoption of a new Dividend Policy for the company effective from Financial Year 2017.

#### New dividend policy: **TNB intends to distribute dividends based on a 30%-60% dividend payout ratio**

based on the reported consolidated net profit after tax and minority interest (PATAMI), excluding extraordinary, non-recurring items.

TNB endeavours to adopt a dividend policy that will provide stable and sustainable dividends to shareholders, while maintaining an efficient capital structure, and sufficient to cater to TNB's business prospects, growth strategy, and other factors considered relevant by the Board.



# INVESTOR RELATIONS

## SHAREHOLDING PERFORMANCE

### Share Price and FBM KLCI Index in FY2017



### Significant Events in FY2017

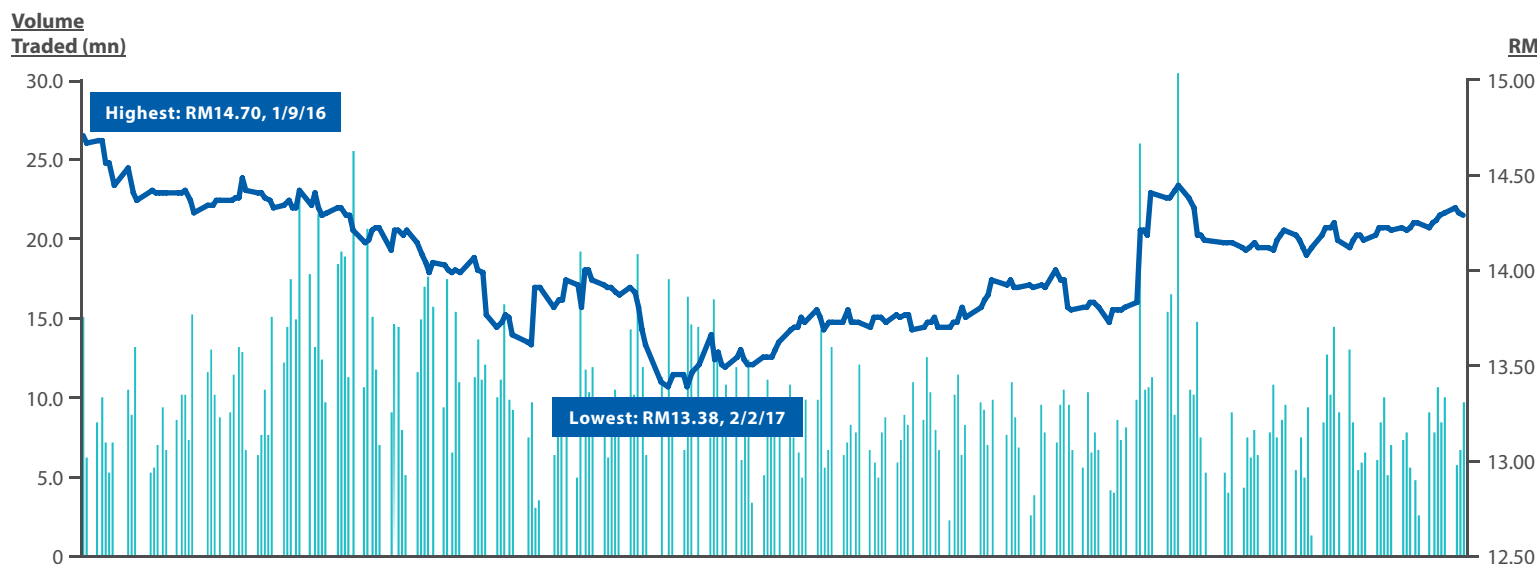
No.	Date	Significant Events
1.	06 Sept 2016	TNB signed a Power Purchase Agreement (PPA) with SIPP Energy Sdn. Bhd. for a 1,440MW gas-fired combined cycle plant to be built at Pasir Gudang, Johor.
2.	04 Oct 2016	TNB Global Ventures Capital Berhad established a Multicurrency Sukuk Issuance Programme of USD2.5 billion.
3.	20 Oct 2016	TNB Global Ventures Capital Berhad successfully priced and issued its USD denominated Sukuk with an issue size of USD750.0 million.
4.	04 Nov 2016	Proposed subscription of a 30% equity interest in GMR Energy Limited (GEL) completed.
5.	14 Dec 2016	ICPT rebate of 1.52 sen/kWh effective from 1 Jan 2017 until 30 Jun 2017.
6.	21 Dec 2016	TNB received a Letter of Acceptance of Offer from the Energy Commission (EC) dated 15 Dec 2016 to develop a 50MW Large Scale Solar (LSS) Photovoltaic Plant, located in Mukim Tanjung 12, Kuala Langat, Selangor.
7.	06 Jan 2017	TNB entered into a Subscription and Funding Agreement with Beaufort Investments Sarl, to subscribe for new equity shares in Vortex Solar Investments Sarl, representing a 50.0% equity interest in Vortex Solar for a total cash consideration of GBP86.00 million.
8.	03 Apr 2017	TNB REMACO ventured into power plant Operations & Maintenance (O&M) in India through a collaboration with TNB's 30%-owned GEL.
9.	27 Apr 2017	Interim Single-Tier Dividend of 17.0 sen per ordinary share announced in respect of the Financial Year ending 31 Aug 2017.
10.	08 May 2017	TNB REMACO awarded a USD176 million 12-year contract for the O&M of the 1,223MW Balloki combined cycle power plant located in the Punjab province, Pakistan.
11.	09 May 2017	TNB signed a new PPA and Land Lease Agreement (LLA) with YTL to continue the operations of the YTL plant for a further period of 3 years and 10 months. The scheduled commercial operation date of the plant is 1 Sept 2017.
12.	12 May 2017	Proposed subscription of a 50% equity interest in Vortex Solar Investments Sarl for the acquisition of an operational 365MW solar PV portfolio in the United Kingdom via Vortex Solar UK Limited which is an indirect wholly-owned subsidiary of Vortex Solar Investments Sarl completed.
13.	30 Jun 2017	ICPT subsidy of 2.54 sen/kWh effective from 1 Jul 2017 until 31 Dec 2017.
14.	06 Jul 2017	The lodgement of an Islamic Medium Term Notes under Islamic Medium Term Note Programme of RM5.0 billion in nominal value based on the Shariah principle of Wakalah.
15.	03 Aug 2017	The issuance of RM2.0 billion in nominal value Islamic Medium Term Notes pursuant to the Islamic Medium Term Note programme of RM5.0 billion in nominal value based on the Shariah principle of Wakalah.
16.	15 Aug 2017	TNB secured RM339 million financing for its LSS Photovoltaic Plant in Kuala Langat, Selangor.
17.	30 Aug 2017	All conditions precedent to the Share Sale and Purchase Agreement between TNB and SIPP Energy Sdn. Bhd. for the acquisition of 51% equity interest in Southern Power Generation Sdn. Bhd. satisfied and complied with, as such the acquisition was completed.

# INVESTOR RELATIONS

## Share Price and Volume Performance in FY2017

During the year under review, the stock recorded its highest closing price of RM14.70 on 1 September 2016 and the lowest closing price of RM13.38 on 2 February 2017.

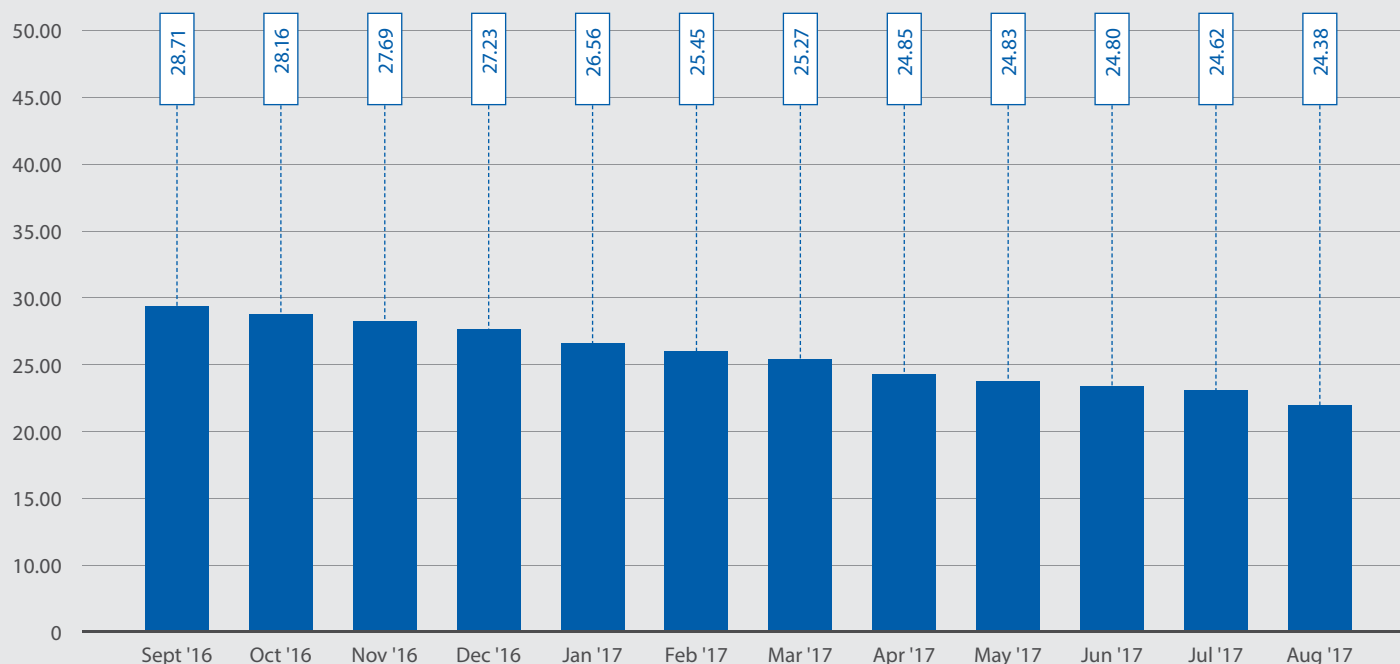
As at 31 August 2017, TNB ranked second on Bursa Malaysia with a market capitalisation of RM80.7 billion.



	Sept'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17
Volume Traded ('000)	178,582	244,118	310,749	222,281	204,990	193,874	191,478	163,201	156,283	222,797	173,891	160,511
Share Price (RM) highest	14.70	14.48	14.40	14.06	14.00	13.66	13.78	13.94	14.00	14.44	14.24	14.32
Share Price (RM) lowest	14.30	14.32	14.04	13.60	13.40	13.38	13.54	13.68	13.72	13.78	14.08	14.16

TNB's foreign shareholding reduced by 3.9 percentage points to 24.38% from 28.28% a year earlier; which was in line with weaker foreign fund interest seen in the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI), in light of the weaker Ringgit and geopolitical uncertainties.

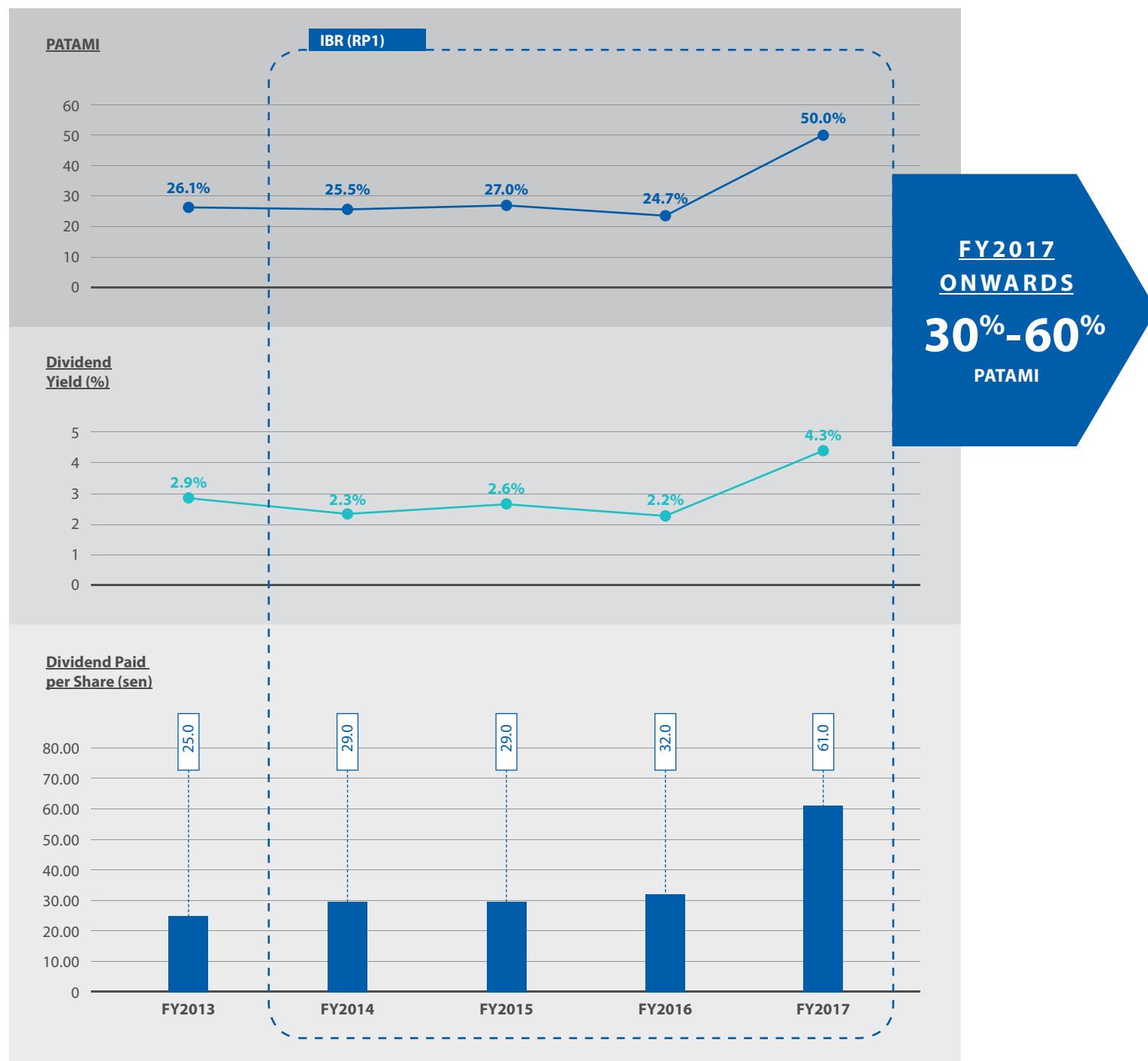
## Foreign Shareholding FY2017 (%)



# INVESTOR RELATIONS

## COMMITMENT TO SHAREHOLDERS THROUGH DIVIDEND PAYMENTS

TNB has been rewarding its shareholders with cash returns on a regular basis through the declaration of interim dividend and final dividend in each financial year. In the past, TNB's dividend payout ranged between 24% to 27% of PATAMI as illustrated in the graph below. With the new dividend policy, the payout ratio will be improved to between 30% and 60% of PATAMI.



For FY2017, the details of the dividends are:

- A single-tier interim dividend of 17.0 sen per ordinary share amounting to RM962.0 million (paid in May 2017); and
- A proposed single-tier final dividend of 44.0 sen per ordinary share subject to shareholders' approval.

The total dividend payout of 61.0 sen per ordinary share represents a dividend yield of 4.3% based on the closing price of RM14.28 as at 30 August 2017. For the year under review, the total dividend payout of RM3.45 billion represents 50.0% of the PATAMI.



# NET BOOK VALUE OF LAND AND BUILDINGS

As at 31 August 2017

Property List Group	LAND						BUILDINGS					
	Leasehold			Freehold			Total			Built-Up		
	No. of Lots (1)	Area (sq M) (2)	NBV (RM'000) (3)	No. of Lots (4)	Area (sq M) (5)	NBV (RM'000) (6)	No. of Lots (1+4) (7)	Area (sq M) (8)	NBV (RM'000) (9)	No. (10)	Area (sq M) (11)	Total NBV (RM'000) (12)
<b>LOCATION</b>												
Perlis	49	156,976	1,826	77	58,510	3,748	126	215,486	5,574	74	11,369	22,662
Kedah	297	1,056,663	14,186	598	937,580	51,943	895	1,994,243	66,129	369	135,440	222,452
Pulau Pinang	194	719,709	64,309	660	731,701	88,009	854	1,451,410	152,318	334	128,542	865,807
Perak	760	5,749,105	340,233	640	4,331,991	272,581	1,400	10,081,096	612,814	937	679,370	1,974,087
Selangor	850	10,644,494	360,193	1,389	2,522,530	382,328	2,239	13,167,024	742,521	1,649	729,646	2,601,237
W. Persekutuan	384	297,326	69,774	487	464,525	158,182	871	761,851	227,956	576	273,566	709,548
Putrajaya/Cyberjaya	6	588,490	13,407	8	1,554	1,693	14	590,044	15,100	62	8,581	41,475
N. Sembilan	282	2,065,430	56,762	481	1,008,299	46,891	763	3,073,729	103,653	260	459,156	508,485
Melaka	355	639,226	23,752	411	192,052	39,989	766	831,278	63,741	88	160,648	124,795
Johor	961	3,437,393	417,223	1,092	873,325	92,768	2,053	4,310,718	509,991	538	252,338	795,183
Pahang	371	1,316,429	51,404	497	297,228	43,569	868	1,613,657	94,973	498	275,608	3,330,751
Terengganu	361	2,119,260	27,010	184	10,982,897	88,308	545	13,102,157	115,318	275	489,507	1,988,484
Kelantan	360	1,288,093	8,870	337	469,437	46,371	697	1,757,530	55,241	356	663,204	840,220
Sabah	272	6,281,621	58,094	61	4,501,754	35,487	333	10,783,375	93,581	2,793	651,954	423,853
Pakistan	1	38,141	141	1	790,344	2,067	2	828,485	2,208	1	12,713	454
<b>Total</b>	<b>5,503</b>	<b>36,398,356</b>	<b>1,507,184</b>	<b>6,923</b>	<b>28,163,727</b>	<b>1,353,934</b>	<b>12,426</b>	<b>64,562,083</b>	<b>2,861,118</b>	<b>8,810</b>	<b>4,931,642</b>	<b>14,449,493</b>

The land and buildings comprise power stations, mini hydros, jetties, dams, substations, residential houses, apartments, holiday bungalows, office buildings, warehouses, stores and workshops.





— BRIGHTER BUSINESS OUTLOOK —

The energy landscape is changing at unprecedented speeds, but we are ready to take on its opportunities and challenges by delivering sustainable value and unlocking new sources of growth.



## CHAPTER 02

# BUSINESS CONTEXT

TNB shoulders a crucial responsibility in meeting Malaysia's power needs - whether to enable economic activity or by simply ensuring the lights are kept on in the homes of each Malaysian. We also embrace our role in Nation-building by operating a robust business to contribute to economic growth as well as by investing in our talent and community. In this way, we believe we will be able to meet the value needs of all our stakeholders.

Corporate Information	54
Organisational Structure	55
Group Corporate Structure	56
Direct Value Added to Malaysia	58
Awards & Recognition	59

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Tan Sri Leo Moggie

Chairman

Non-Independent Non-Executive Director

### Datuk Seri Ir. Azman bin Mohd

President/Chief Executive Officer

Non-Independent Executive Director

### Datuk Seri Hashmuddin bin Mohammad

Non-Independent Non-Executive Director

### Amran Hafiz bin Affifudin

Non-Independent Non-Executive Director

(Appointed w.e.f. 22 June 2017)

### Dato' Abd Manaf bin Hashim

Senior Independent Non-Executive Director

(Redesignated w.e.f. 31 October 2017)

### Tan Sri Dato' Seri Siti Norma binti Yaakob

Independent Non-Executive Director

### Datuk Sakthivel Alagappan

Independent Non-Executive Director

### Tan Sri Dato' Seri Chor Chee Heung

Independent Non-Executive Director

### Gee Siew Yoong

Independent Non-Executive Director

### Noraini binti Che Dan

Independent Non-Executive Director

### Juniwati Rahmat Hussin

Independent Non-Executive Director

(Appointed w.e.f. 1 June 2017)

### Badrul Ilahan bin Abd Jabbar

Independent Non-Executive Director

(Appointed w.e.f. 1 July 2017)

### Dato' Zainal Abidin bin Putih

Senior Independent Non-Executive Director

(Cessation of Office as Director w.e.f. 15 December 2016)

### Datuk Wira Ir. Md Sidek bin Ahmad

Independent Non-Executive Director

(Resigned w.e.f. 1 June 2017)

### Ahmad Farouk bin Mohamed

Non-Independent Non-Executive Director

(Resigned w.e.f. 22 June 2017)

## SENIOR INDEPENDENT

### NON-EXECUTIVE DIRECTOR

#### Dato' Abd Manaf bin Hashim

Email : cosec@tnb.com.my

## COMPANY SECRETARY

Norazni binti Mohd Isa (LS 0009635)

## SHARE REGISTRAR

### Symphony Share Registrars Sdn. Bhd.

(378993-D)

Level 6, Symphony House

Pusat Dagangan Dana 1

Jalan PJU 1A/46

47301 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Telephone : 603-7849 0777 (Helpdesk)

Facsimile : 603-7841 8151/8152

## DIVIDEND SERVICE PROVIDER

### Bursa Malaysia Depository Sdn. Bhd.

(165570-W)

10<sup>th</sup> Floor, Exchange Square

Bukit Kewangan

50200 Kuala Lumpur

Malaysia

Telephone : 603-2034 7751

Facsimile : 603-2026 3712

## PRINCIPAL BANKERS

Malayan Banking Berhad (3813-K)

CIMB Bank Berhad (13491-P)

Bank Islam Malaysia Berhad (98127-X)

## EXTERNAL AUDITORS

Messrs PricewaterhouseCoopers (AF 1146)

Chartered Accountants

Level 10, 1 Sentral

Jalan Rakyat

Kuala Lumpur Sentral

50706 Kuala Lumpur

Malaysia

Telephone : 603-2173 1188

Facsimile : 603-2173 1288

## REGISTERED OFFICE

Tenaga Nasional Berhad (200866-W)

Pejabat Setiausaha Syarikat, Tingkat 2

Ibu Pejabat Tenaga Nasional Berhad

No. 129, Jalan Bangsar

59200 Kuala Lumpur

Malaysia

Telephone : 603-2296 5566

Facsimile : 603-2283 3686

Website : www.tnb.com.my

TNB Careline : 15454 (for power outage or TNB street light malfunction)

: 1-300-88-5454

(for billing and account enquiries)

Whistle : wbis.tnb.com.my

Blowing

Information

System

Toll Free : 1-800-888-862

## AGM HELPDESK

Telephone : 603-2180 4586/4587/4590

(Share Administration Section,

Company Secretary's Office,

Tenaga Nasional Berhad)

## INVESTOR RELATIONS

### Investor Relations Department

Tingkat 4, Ibu Pejabat Tenaga Nasional Berhad

No. 129, Jalan Bangsar

59200 Kuala Lumpur

Malaysia

Telephone : 603-2296 6748

Facsimile : 603-2284 0095

Email : tenaga\_ird@tnb.com.my

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

(Listed since 28 May 1992)

## CREDIT RATINGS

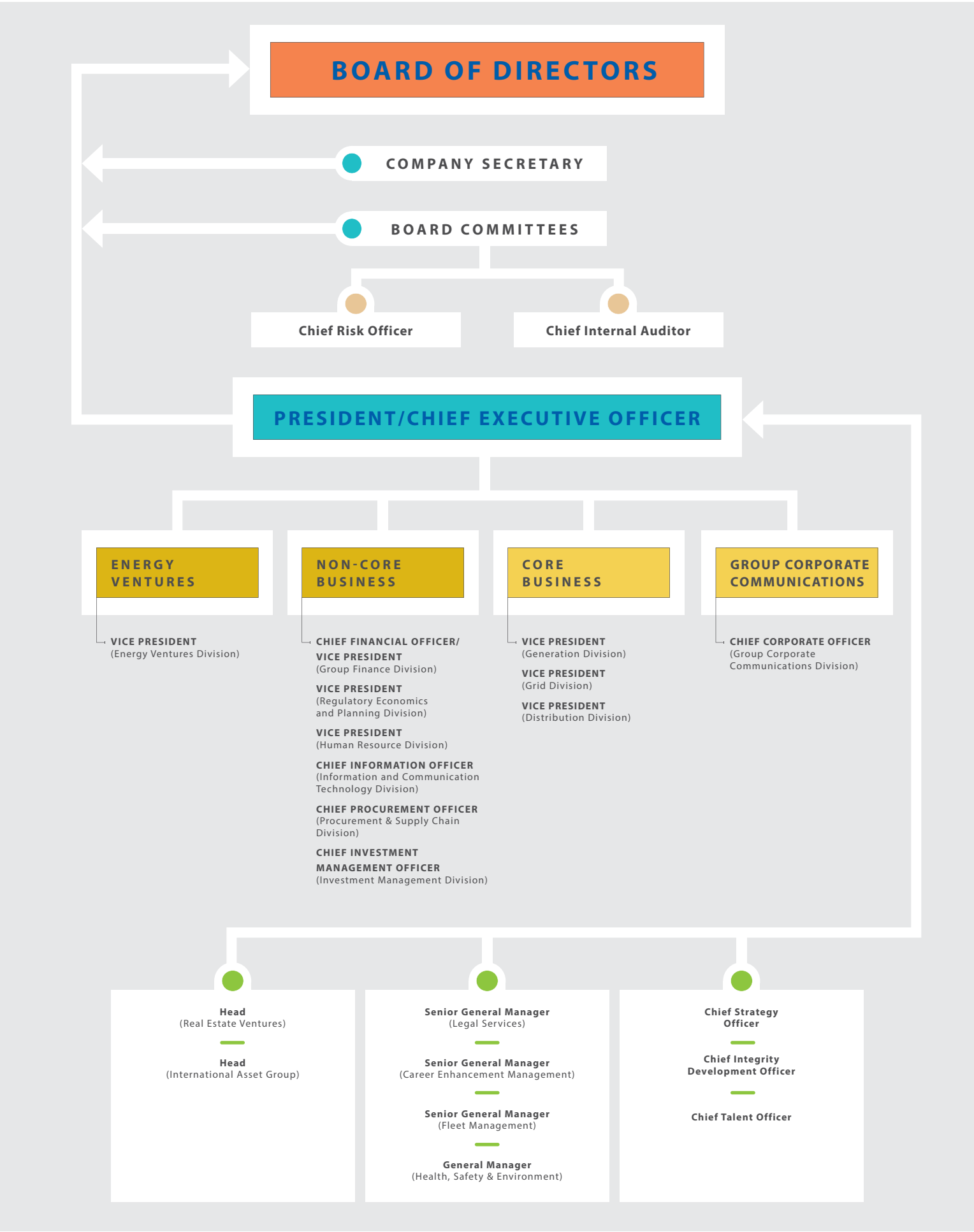
Local Rating Agency		International Rating Agency	
	Issuer Rating		Issuer Rating
RAM Rating Services Berhad (RAM)	AAA Stable	Standard & Poor's Ratings Services (S&P)	BBB+ Stable
Malaysian Rating Corporation Berhad (MARC)	AAA <sub>IS</sub> /AAA Stable	Moody's Investors Service (Moody's)	A3 Stable

## AMERICAN DEPOSITORY RECEIPTS

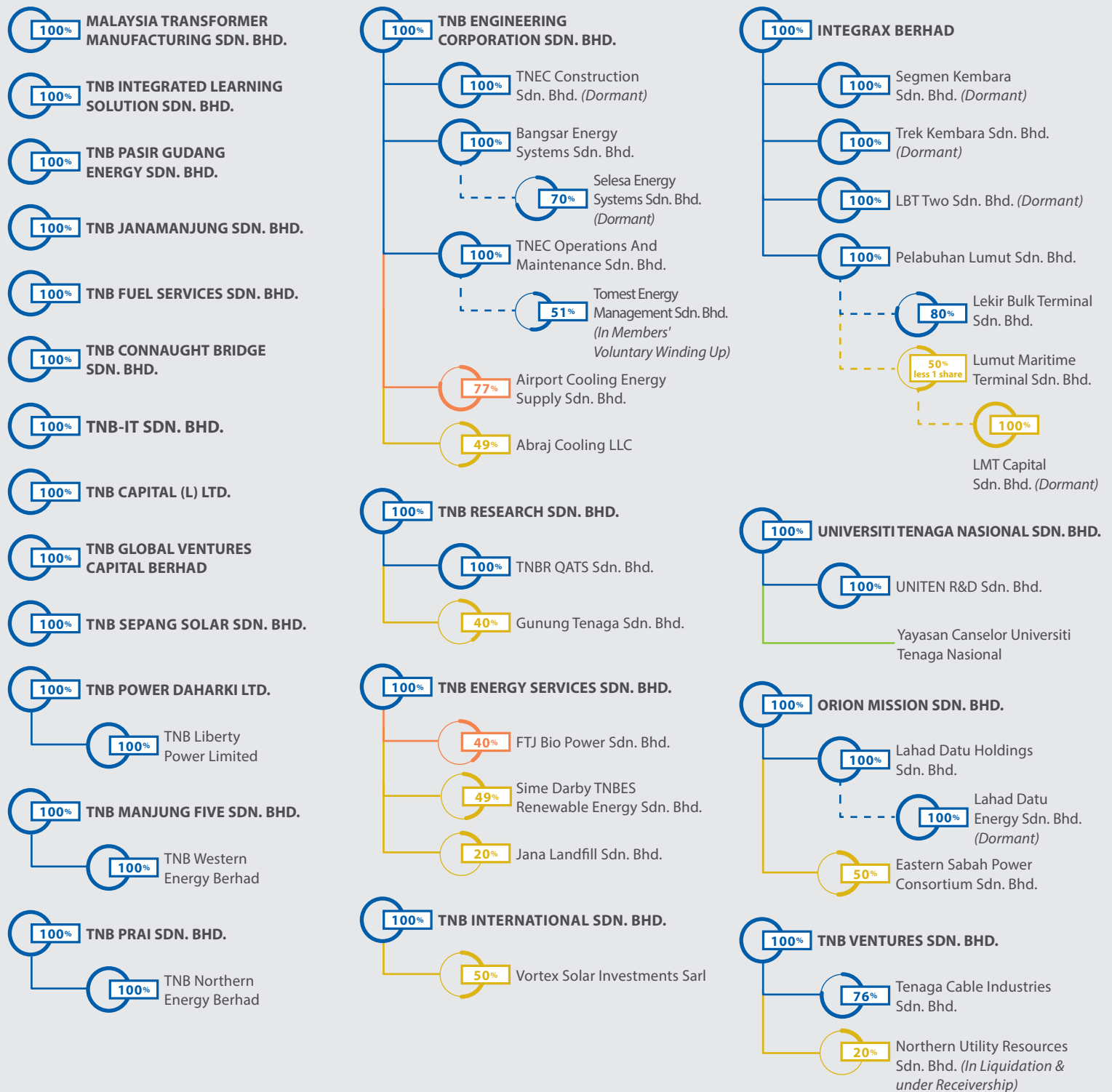
### PROGRAMME (ADR)

ADR Level 1

# ORGANISATIONAL STRUCTURE



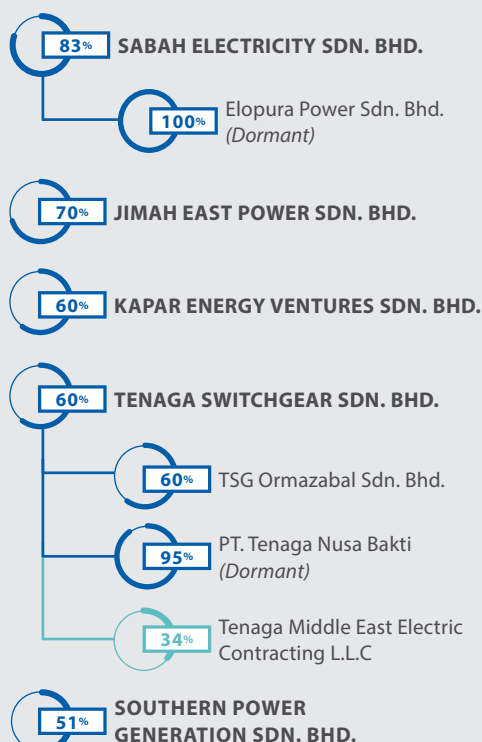
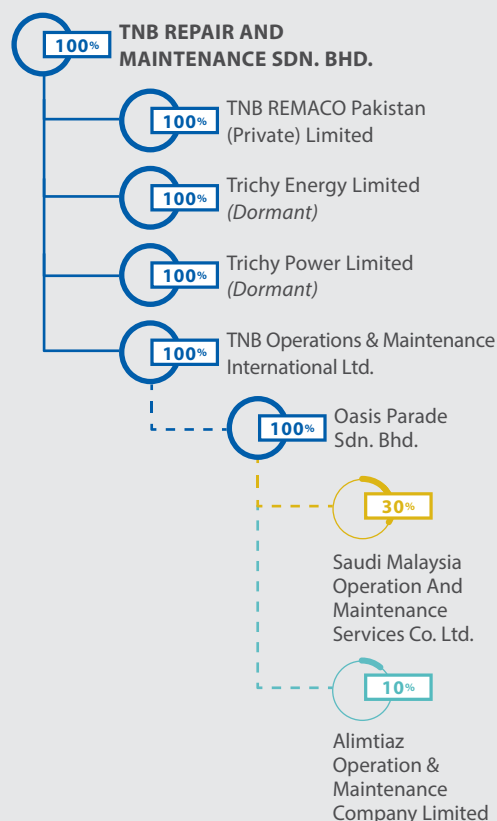
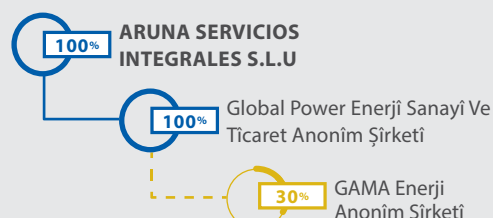
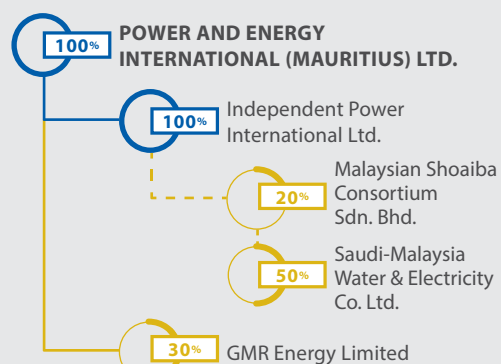
# GROUP CORPORATE STRUCTURE



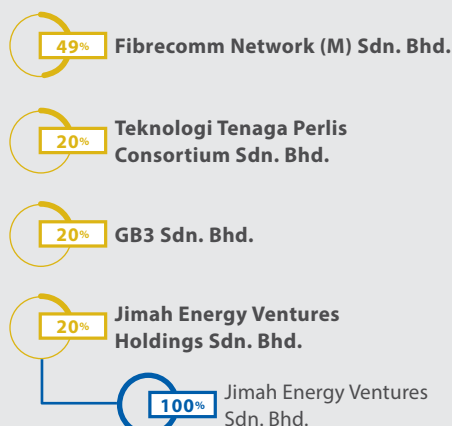
- Subsidiaries
- Associates
- Joint Venture
- Simple Investments
- Trust Foundations

\* The information is as at 11 October 2017

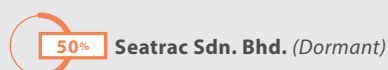
# GROUP CORPORATE STRUCTURE



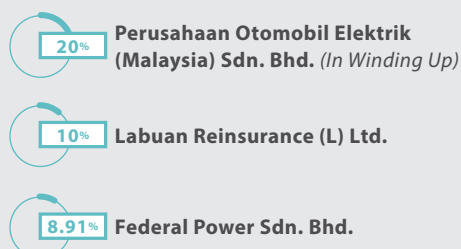
## ASSOCIATES



## JOINT VENTURE



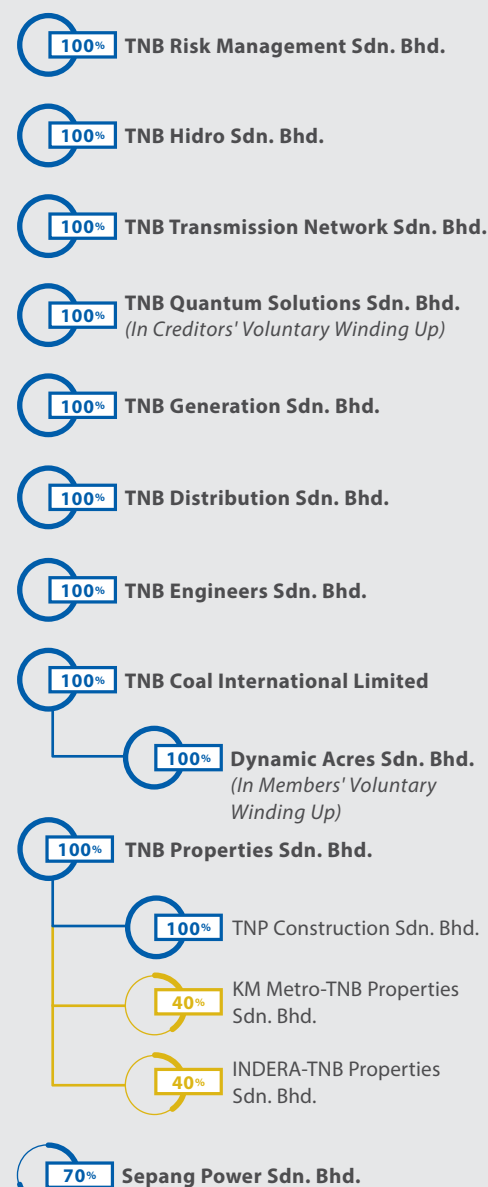
## SIMPLE INVESTMENTS



## TRUST FOUNDATIONS

Yayasan Tenaga Nasional Retirement Benefit Trust Fund

## DORMANT COMPANIES



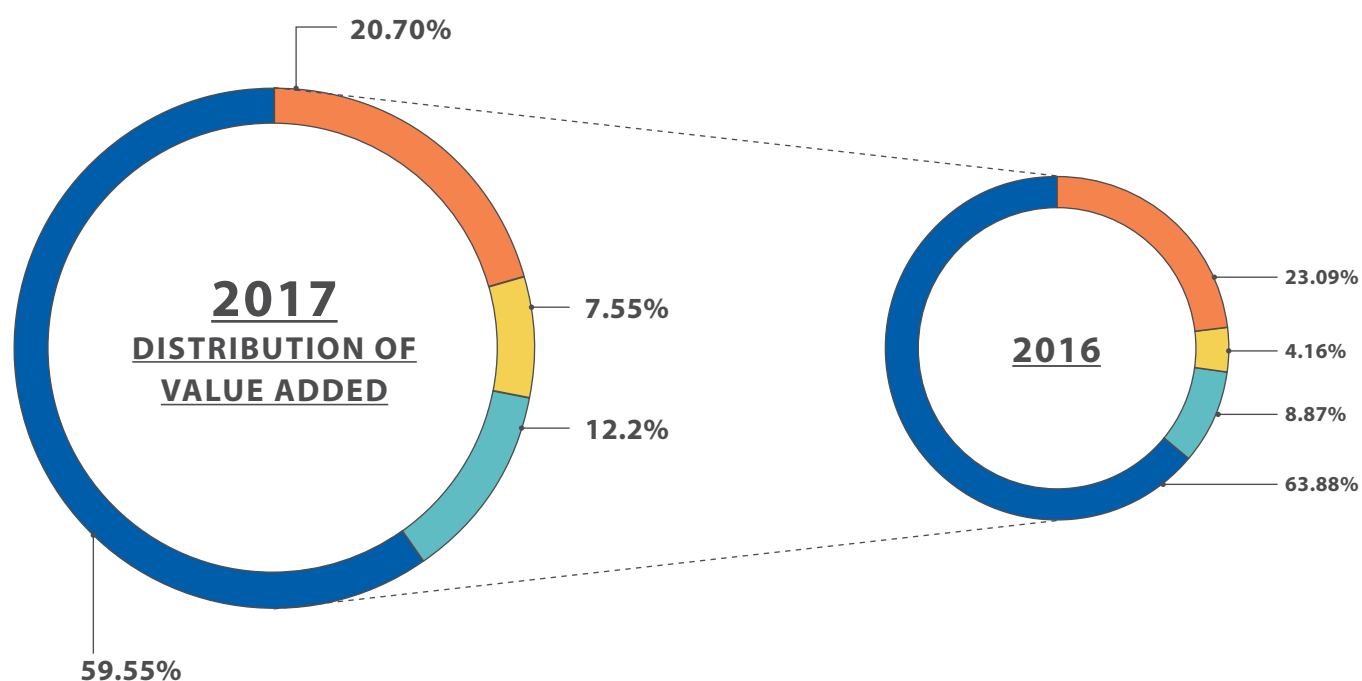
Manjung Island Energy Berhad  
(Subsidiary as defined by MFRS 10, 11 and 12)

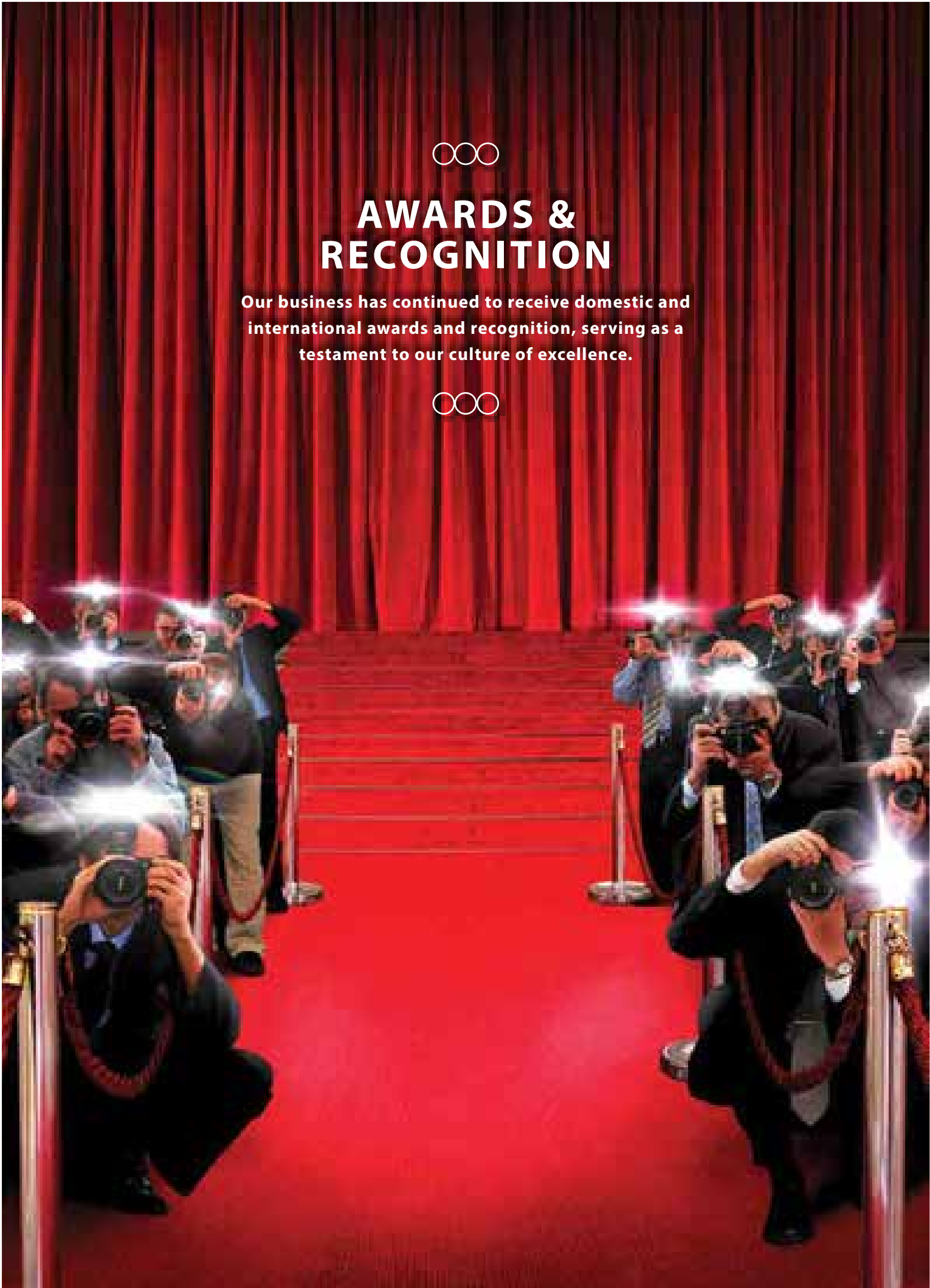


# DIRECT VALUE ADDED TO MALAYSIA

## STATEMENT OF VALUE ADDED

	2016 RM Million	2017 RM Million
<b>VALUE ADDED</b>		
Revenue	44,531.50	<b>47,416.90</b>
Operating expenses excluding staff costs, depreciation, amortisation and Directors' remuneration	(26,304.50)	<b>(29,212.80)</b>
Other operating income	711.50	<b>1,021.30</b>
Finance income	299.00	<b>237.60</b>
Finance cost	(1,039.30)	<b>(1,456.00)</b>
Foreign exchange gain/(loss) on borrowings	(358.20)	<b>7.90</b>
Share of results of associates and joint ventures	93.30	<b>128.30</b>
<b>Value added available for distribution</b>	<b>17,933.30</b>	<b>18,143.20</b>
<b>DISTRIBUTION</b>		
To employees:		
Employment cost	4,144.30	<b>3,756.40</b>
To the Government:		
Taxation and <i>zakat</i>	746.00	<b>1,369.70</b>
To shareholders:		
Dividends	1,636.70	<b>2,205.50</b>
Non-controlling interest	(46.80)	<b>8.10</b>
To reinvest to the Group:		
Depreciation and amortisation	5,722.20	<b>6,105.00</b>
Retained profit	5,730.90	<b>4,698.50</b>
<b>Total distributed</b>	<b>17,933.30</b>	<b>18,143.20</b>





# AWARDS & RECOGNITION

Our business has continued to receive domestic and international awards and recognition, serving as a testament to our culture of excellence.



## AWARDS & RECOGNITION



### RED HAT INNOVATION AWARDS APAC 2016

- Infrastructure Category



### ASEAN ENERGY AWARDS 2016

- Energy Management in Buildings and Industries - Large Building Category - Wisma TNB Jalan Timur, Malaysia
- 1<sup>st</sup> Runner-up



### ASIA GEOSPATIAL EXCELLENCE AWARD 2016

- Implementation of Unmanned Aerial Systems (UAS) for Utilities Asset Management



### 10<sup>TH</sup> ANNUAL BEST DEAL & SOLUTION AWARDS 2016

- Best Foreign Currency Bond Deal of the Year 2016 in Southeast Asia
  - TNB Global Ventures Capital for its US\$750 million Sukuk Wakala



### SHARE GUIDE ASSOCIATION MALAYSIA (SGAM) ICT AWARD 2016

- Malaysia IT User Group Category: Unmanned Aerial Services (UAS) Project



### MSWG MALAYSIA – ASEAN CORPORATE GOVERNANCE TRANSPARENCY INDEX, FINDINGS AND RECOGNITION 2016

- Industry Excellence – Consumer Services
- Merit Award for CG Disclosures – 9<sup>th</sup> Place



### ISLAMIC FINANCE NEWS (IFN) AWARDS DEALS OF THE YEAR 2016

- Sime Darby TNBES Renewable Energy Term Financing-i Facility
  - Malaysia Deal of the Year
  - Project & Infrastructure Deal of the Year

# AWARDS & RECOGNITION



## 9<sup>TH</sup> ANNUAL GLOBAL CSR SUMMIT & AWARDS 2017

- Best Workplace Practises Award – Gold
- Best Community Programme Award – Gold



## THE BRANDLAUREATE BEST BRANDS AWARD 2016 - 2017

- Brand of the Year for Best Performing Government-Linked Company – Energy & Power Category



## 11<sup>TH</sup> EMPLOYER BRANDING AWARDS 2017

- Malaysia Best Employer Brand Award



## ASIA-PACIFIC RISK MANAGEMENT AWARDS 2017

- Asia-Pacific Risk Management Team of the Year



## ASIAN UTILITY INNOVATORS AWARDS 2017

- Best Digital Transformation Project



## 2017 AUSTRALASIAN REPORTING AWARD

- Gold Award for Excellence in Content Reporting



## THE EDGE BILLION RINGGIT CLUB 2017

- Super Big Cap Companies, More Than RM40 Billion Market Capitalisation
- Best CR Initiatives
- Highest Returns to Shareholders Over Three Years
- Highest Growth in Profit After Tax Over Three Years



## ASSET ASIAN AWARDS 2017

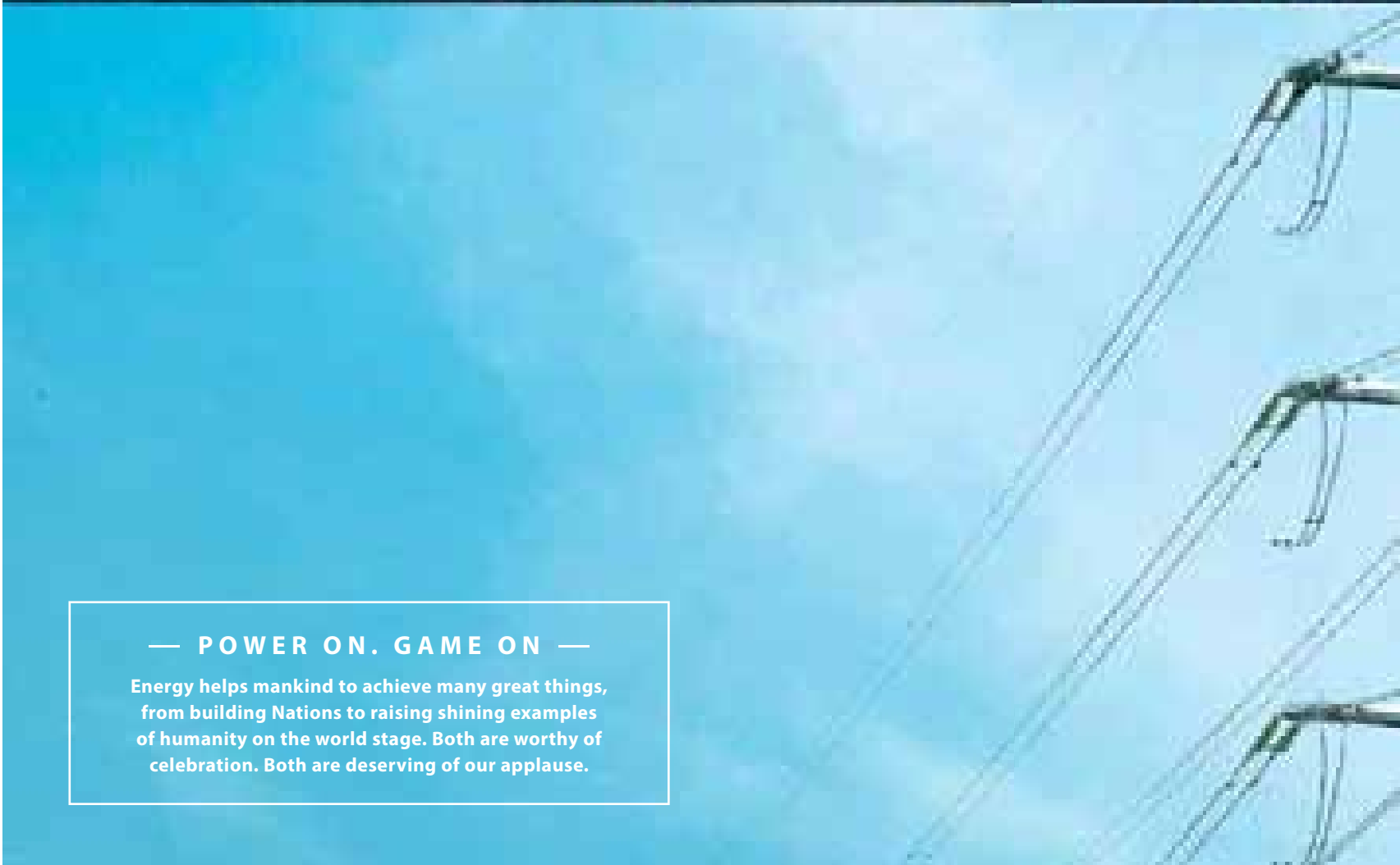
- TNB Global Ventures Capital for its US\$750 Million Wakala Sukuk
- Best Corporate Sukuk





— POWER ON. GAME ON —

Energy helps mankind to achieve many great things, from building Nations to raising shining examples of humanity on the world stage. Both are worthy of celebration. Both are deserving of our applause.





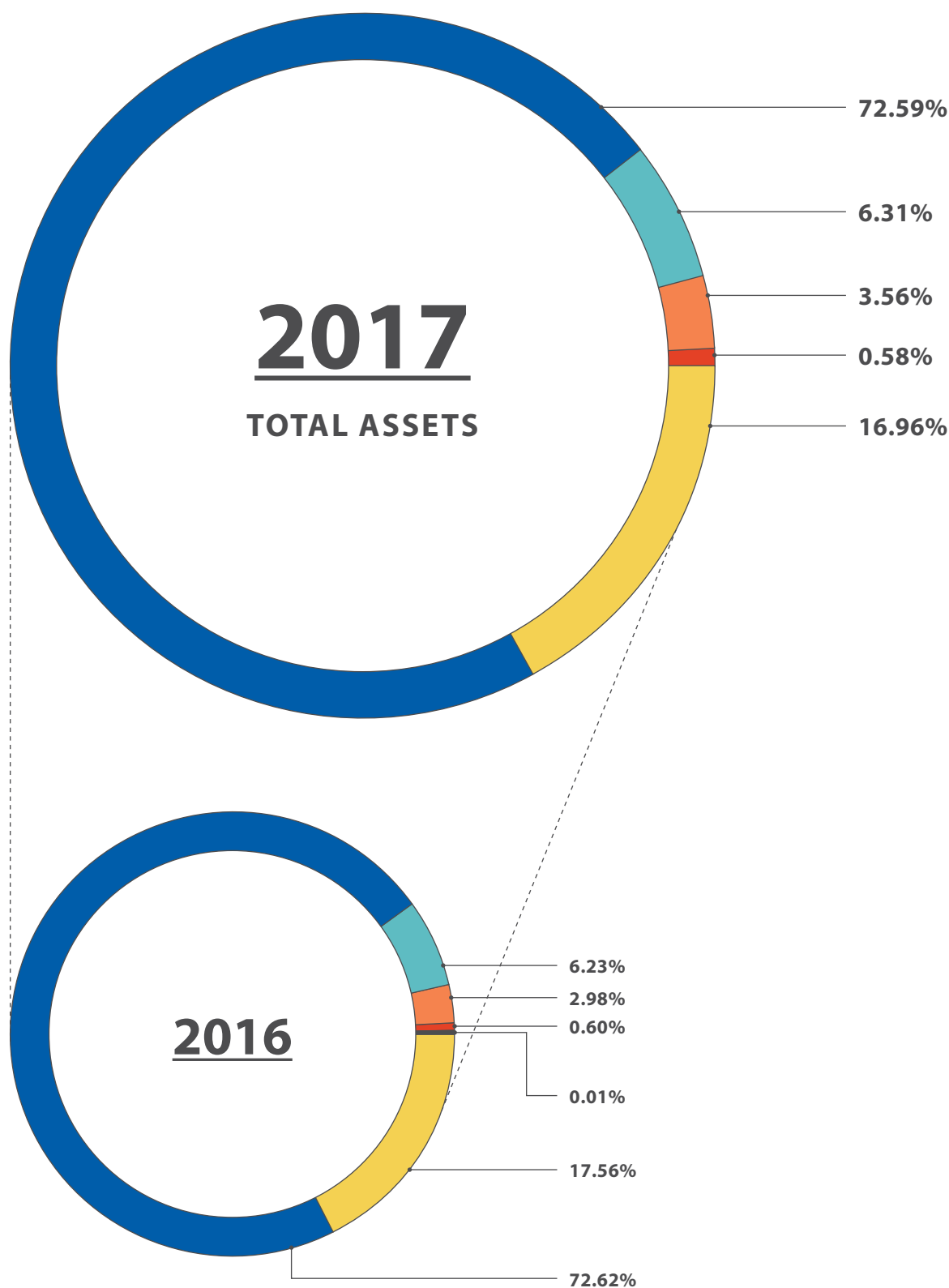
CHAPTER 03

# PERFORMANCE REVIEW

As an electricity company, we measure our performance not only through the delivery of sound financial results, but also excellence in service quality. This ensures we achieve sustainability of our business.

Simplified Group Statement of Financial Position	64
Group Quarterly Financial Performance	66
FY2017 Core Revenue	66
Operational Statistics	67

# SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION



Property, plant and equipment

Trade and other receivables

Deposits, bank and cash balances

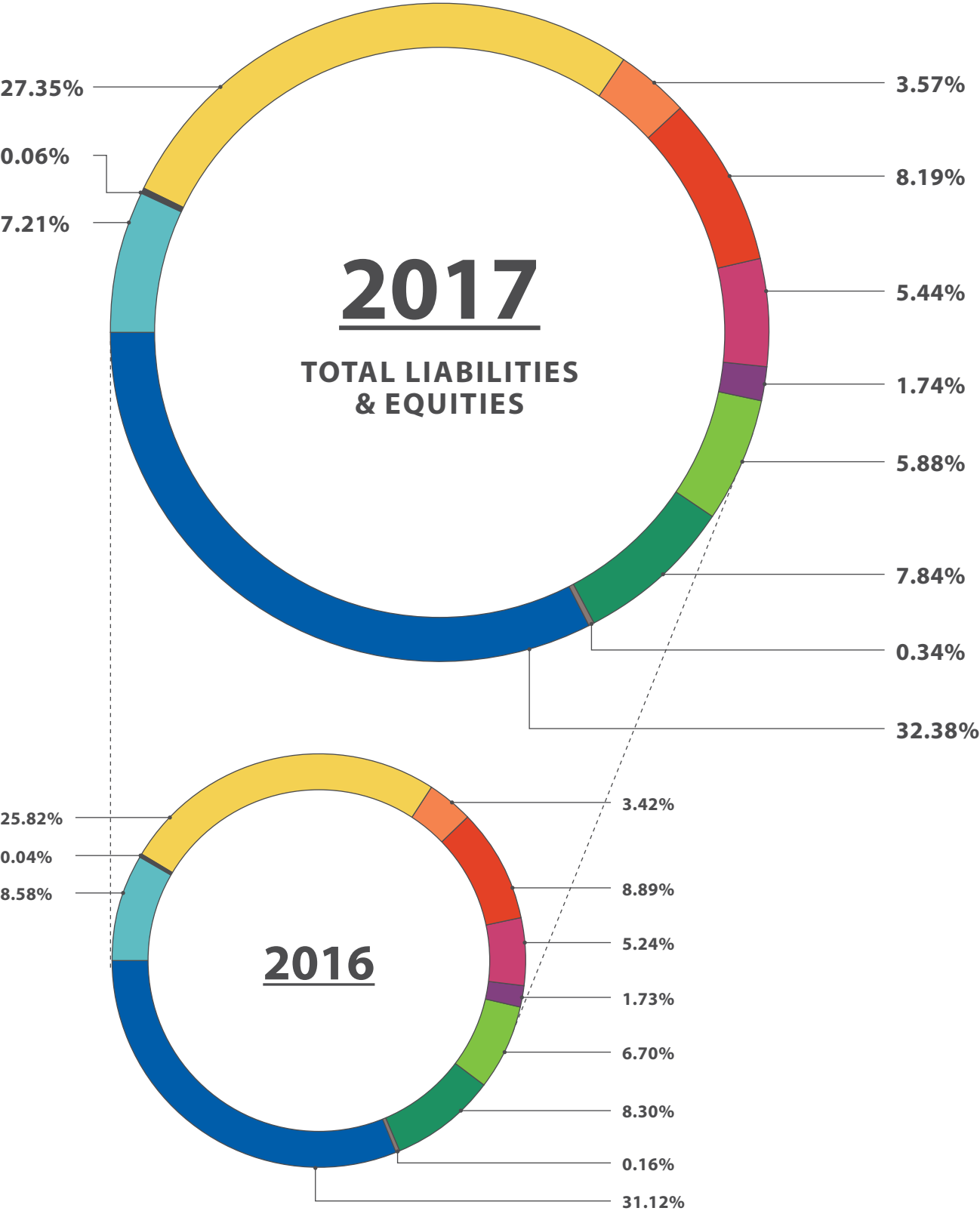
Inventories

Derivative financial instruments

Other assets



# SIMPLIFIED GROUP STATEMENT OF FINANCIAL POSITION



<div></div> Retained profits and reserves	<div></div> Consumer deposits	<div></div> Other current and non-current liabilities
<div></div> Trade and other payables	<div></div> Employee benefits	<div></div> Share capital
<div></div> Current taxation	<div></div> Deferred taxation	<div></div> Non-controlling interest
<div></div> Total borrowings	<div></div> Deferred income	

# GROUP QUARTERLY FINANCIAL PERFORMANCE

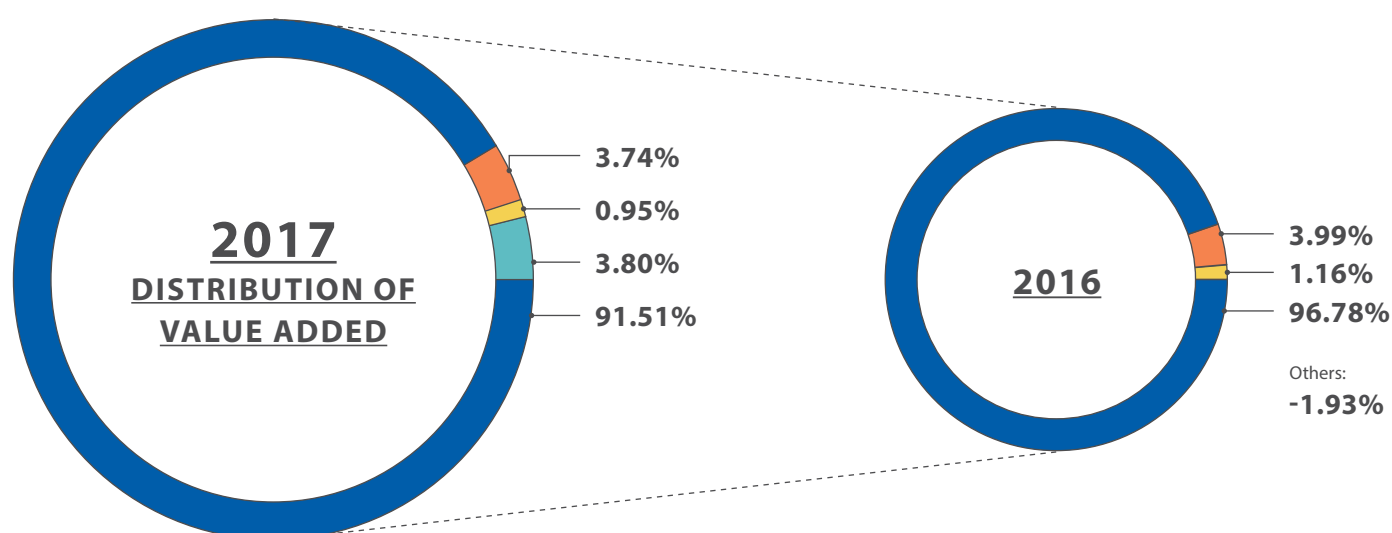
## STATEMENT OF VALUE ADDED

2016	1QFY'16	2QFY'16	3QFY'16	4QFY'16
(RM Million)				
Revenue	10,676.80	10,489.30	12,128.70	11,236.70
Operating profit	2,397.70	1,841.80	2,747.10	2,085.40
Profit before taxation and zakat	2,163.30	1,499.40	2,531.80	1,872.30
Net profit attributable to owners of the Company	1,976.00	1,320.70	2,308.70	1,762.20
Basic earnings per share (sen)	35.01	23.40	40.91	31.22

2017	1QFY'17	2QFY'17	3QFY'17	4QFY'17
(RM Million)				
Revenue	11,241.60	11,162.30	12,549.20	12,463.80
Operating profit	2,339.60	1,979.10	2,713.00	2,332.30
Profit before taxation and zakat	1,995.20	1,699.60	2,434.60	2,152.40
Net profit attributable to owners of the Company	1,740.50	1,481.90	1,962.40	1,719.20
Basic earnings per share (sen)	30.79	26.22	34.68	30.38

## FY2017 CORE REVENUE



\* Others include EGAT, LPL, LPL Operating Lease, Accrued Revenue, Goods & Services, Deferred Income & Imbalance Cost Pass-Through

# OPERATIONAL STATISTICS

