

YTL Power International completes acquisition of interest in 1,220MW Jawa Power station

Kuala Lumpur, 10 December 2004

YTL Power International Berhad (YTLPI) today announced that it has completed the acquisition of a 35% shareholding and certain loan stock interests in PT Jawa Power. The former owner, E.ON (UK) agreed to sell these interests to PT Bumipertiwi Tatapradipta (Bumipertiwi), following the exercise by Bumipertiwi of its pre-emption rights earlier this year. Bumipertiwi agreed to sell these interests to YTLPI. YTLPI will also acquire 100% of the shares of PT Powergen Jawa Timur, the operator of the power station under a 30-year agreement.

The investment in PT Jawa Power is a rare opportunity to invest in a well-structured and operating asset that is past the construction stage and already generating profits. Barring any unforeseen circumstances, the investment is expected to contribute post tax profit of approximately RM85.5 million to YTLPI for the six-month period ending 30 June 2005.

YTLPI also acquires 100% of PT Powergen Jawa Timur which operates and maintains the power station under a 30-year agreement. This will add to the company's already excellent gas turbine based operations and maintenance team, expanding it to include the knowledge and skill base required to operate modern coal fired power stations. This acquisition also marks the expansion of YTLPI's operating and maintenance activities into international markets.

Tan Sri (Dr.) Francis Yeoh, Managing Director of YTLPI said: "This transaction takes YTL Power into a new country, Indonesia, and this continues our strategy of combining investments in utilities in lower risk markets such as the UK, with investments in Asian growth markets."

Colin Scoins, Head of Asian Asset Management, E.ON UK said: "We are very pleased that following the exercise of its pre-emption rights Bumipertiwi has found an ideal company to buy these interests in the Jawa Power project: YTL Power International is an excellent, professionally-run company with a strong operational track record."

The acquisition by YTLPI has been approved inter alia by the Indonesian authorities, PT PLN and the lenders to PT Jawa Power. YTLPI was advised by Lexicon Partners and Slaughter & May.

Information on PT Jawa Power

PT Jawa Power owns a 1,220MW coal fired power station in East Java. The power station was commissioned in 2000 and is the second largest operational IPP in Indonesia. It was developed by, and was formerly owned by, Siemens Project Ventures GmbH (50%), E.ON (UK) (formerly Powergen) (35%) and Bumipertiwi (15%). Following the acquisition by E.ON AG of Powergen, the group has decided to divest its interests in non-core assets in order to focus on its European and US activities. PT Jawa Power supplies all its power to PT PLN, the Indonesian state owned integrated utility, pursuant to a 30 year power purchase agreement. PT Jawa Power burns Indonesian coal supplied from three mines in Kalimantan. In addition to shareholder funding, the construction of the power station was funded by debt and guarantees provided by German and US Government backed institutions, various US institutional investors and a consortium of international banks.

Speech by Tan Sri (Dr) Francis Yeoh Sock Ping

It gives me great pleasure to share with you the news that YTL Power International has completed the acquisition of a 35% interest in PT Jawa Power, together with various loan stock interests. Jawa Power is the second largest operational IPP in Indonesia with a capacity of 1,220MW.

The former owner, E.ON (UK) agreed to sell these interests in Jawa Power to PT Bumipertiwi Tatapradipta, following the exercise by Bumipertiwi of its pre-emption rights earlier this year. Bumipertiwi then agreed to sell these interests to YTL Power. YTL Power will also acquire 100% of the shares of PT Powergen Jawa Timur, the operator of the power station under a 30-year agreement.

YTL Power agreed a price of US\$139.4m for the 35% shareholding and loan stock in PT Jawa Power and a price of US\$3.6m for the shareholding in PT Powergen Jawa Timur.

The investment in PT Jawa Power is a rare opportunity to invest in a well-structured and operating asset that is past the construction stage and already generating profits. Barring any unforeseen circumstances, the investment is expected to contribute post tax profit of approximately RM85.5m to YTL Power for the six-month period ending 30 June 2005.

This transaction takes YTL Power into a new country, Indonesia and this continues our strategy of combining investments in utilities in lower risk markets such as the UK, with investments in Asian growth markets.

Indonesia, with a population of 240 million is the most populous of our immediate neighbours – 10 times larger than Malaysia. The population is growing at a rate of 1.5% per year. Yet the Indonesian electricity system has only about 25GW of power generation capacity – approximately one fifth of what Malaysia has per capita. Indonesia is hungry for more power, and our investment in Jawa Power places us in a strong position to benefit from the opportunities offered by that market.

Economically, the financial community is showing renewed optimism in Indonesia following this year's elections – the currency has stabilised and the Jakarta Stock Exchange has been one of the best performing in the region this year. I would like to thank the Indonesian parties – in particular the Government and PLN, the state-owned utility, for their support to YTL Power in this acquisition.

Whilst YTL Power has, within its team, excellent engineers experienced in coal technology, this acquisition takes YTL Power as a company into the operation of modern coal fired power stations for the first time. The operations and maintenance company employs over 300 staff who operate the power station day to day. The staff have fully supported YTL Power's acquisition and look forward to integrating their skills with those of the YTL Group. I thank the staff for their vote of confidence in us. Our own engineers, led by Harald Burchardt, are equally excited by this expansion and deepening of our skill base, which will broaden the share of the sector in which we are confident to invest.

I would also like to thank Siemens – in particular Hans Schulz and Johannes Schmidt – the owners of 50% of PT Jawa Power and our new partners for their support. I say "new partners" – yes – in this venture, but you will recall that Siemens and the YTL Group have worked together on our Malaysian Power Stations, the Express Rail Link to the Airport and the Pahang cement plant. This acquisition takes our cooperation a stage further.

Without PT Bumipertiwi Tatapradipta and their President Director, Jongkie Sugiarto in particular, and their insistence on their contractual rights of pre-emption, this acquisition would not have been possible. Naturally, the exercise of pre-emption did not make life easy for the vendor, E.ON (UK), formerly Powergen. Nevertheless, we have been highly impressed by the professionalism of the Powergen team led by Colin Scoins, throughout, and their dedication to

a fair and swift process to completion.

This transaction has required the approval of some 40 international lending institutions spread across America, Asia and Europe, including US Exim and KfW representing about US\$1.1bn of loans. Each of these institutions has given its approval to YTL Power's participation in the process. This would not have been achieved without the skills and commitment of Brian Caldwell, acting for the agent bank, Credit Suisse First Boston.

My thanks go to the YTL Power team who have had the courage and vision to pursue this opportunity as well as our advisers Lexicon Partners and Slaughter & May who have worked on this transaction for the last six months.

Lest we think that these are entirely our own achievements, let us remember that we are never alone in the steps we take, and above all, our thanks are due to our Lord Jesus for His mercy and His grace.

My thanks to all of you for attending this morning and very best wishes as we approach Christmas. May God bless you all.

Speech by Tan Sri (Dr.) Francis Yeoh
Managing Director of YTL Power International Bhd
at Cobalt 7, Carlton Conference Centre, Kuala Lumpur
on 10 December 2004, 12.30pm