



PETRONAS

PETRONAS GAS BERHAD

Interim Financial Report

For the Fourth Quarter ended 31 December 2018

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018



| Key Financial Highlights (in RM'000) | 12 months ended | | Variance % |
|---|-----------------|------------------|------------|
| | 2018 | 31 December 2017 | |
| Revenue | 5,498,074 | 4,896,689 | +12.3 |
| Profit before taxation (PBT) | 2,351,896 | 2,252,713 | +4.4 |
| Profit for the year | 1,908,181 | 1,816,933 | +5.0 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 3,611,780 | 3,183,694 | +13.4 |
| Earnings per share (EPS) (sen) | 91.49 | 90.60 | +1.0 |
| Declared dividends per share (sen) | 72.00 | 66.00 | +9.1 |

- **PETRONAS Gas Berhad** delivered record revenue of **RM5.5 billion, an increase of 12.3%** for the financial year ended 31 December 2018, driven by successful full year operations of the Group's LNG Regasification Terminal in Pengerang, Johor. This was further supported by higher revenue from Utilities segment.
- **Profit before tax (PBT) at RM2.4 billion saw an increase of 4.4% or RM99.2 million** mainly contributed by higher revenue but were offset by share of losses from a joint venture company, Kimanis Power Sdn Bhd (KPSB) due to de-recognition of deferred tax assets (DTA) in relation to certain tax benefits which now have a 7 year utilisation limit under the new Finance Act 2018.
- **Profit for the year rose by 5.0% to RM1.9 billion** in tandem with higher PBT. Excluding the impact of DTA from KPSB, profit for the year would be higher by 11.9% or RM215.6 million.
- **EBITDA was higher by 13.4% at RM3.6 billion** in line with higher contribution from the Group's regasification segment.
- **EPS increased by 1.0%** following higher net profit attributable to shareholders of the Company.
- **The Board of Directors has approved a fourth interim dividend** of 22 sen per ordinary share amounting to RM435.3 million in respect of the financial year ended 31 December 2018.

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The Board of Directors of PETRONAS Gas Berhad (PGB or the Company) is pleased to announce the following unaudited condensed consolidated financial statements of PGB Group for the fourth quarter ended 31 December 2018 which should be read in conjunction with the Explanatory Notes on pages 5 to 23.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <i>In RM'000</i> | Note | As at 31 December 2018 | As at 31 December 2017 |
|--|------|------------------------------|------------------------------|
| ASSETS | | | |
| Property, plant and equipment | | 12,487,577 | 12,898,583 |
| Prepaid lease payment | | 4,158 | 4,139 |
| Investment in joint ventures | | 559,056 | 622,633 |
| Investment in associate | | 136,729 | 131,742 |
| Deferred tax assets | | 315,861 | 364,789 |
| Long term receivables | | 282,276 | 197,799 |
| TOTAL NON-CURRENT ASSETS | | 13,785,657 | 14,219,685 |
| Trade and other inventories | | 66,657 | 66,663 |
| Trade and other receivables | 26 | 942,176 | 833,992 |
| Tax recoverable | | 13,466 | 6,839 |
| Cash and cash equivalents | | 3,616,028 | 2,500,357 |
| TOTAL CURRENT ASSETS | | 4,638,327 | 3,407,851 |
| TOTAL ASSETS | | 18,423,984 | 17,627,536 |
| EQUITY | | | |
| Share capital | | 3,165,204 | 3,165,204 |
| Reserves | | 9,806,652 | 9,349,817 |
| Total equity attributable to the shareholders of the Company | | 12,971,856 | 12,515,021 |
| Non-controlling interests | | 376,535 | 247,444 |
| TOTAL EQUITY | | 13,348,391 | 12,762,465 |
| LIABILITIES | | | |
| Borrowings | 28 | 3,232,761 | 2,978,939 |
| Deferred tax liabilities | | 1,180,181 | 1,165,576 |
| Deferred income | | 4,017 | 4,962 |
| TOTAL NON-CURRENT LIABILITIES | | 4,416,959 | 4,149,477 |
| Trade and other payables | | 564,481 | 610,250 |
| Borrowings | 28 | 94,153 | 105,344 |
| TOTAL CURRENT LIABILITIES | | 658,634 | 715,594 |
| TOTAL LIABILITIES | | 5,075,593 | 4,865,071 |
| TOTAL EQUITY AND LIABILITIES | | 18,423,984 | 17,627,536 |
| Net assets per share attributable to the shareholders of the Company (RM) | | 6.5556 | 6.3248 |

The unaudited interim consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim consolidated financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

| | Note | 3 months ended | | 12 months ended | |
|---|------|----------------|-----------|------------------|-------------|
| | | 31 December | | 31 December | |
| | | 2018 | 2017 | 2018 | 2017 |
| <i>In RM'000</i> | | | | | |
| Revenue | | 1,387,209 | 1,322,098 | 5,498,074 | 4,896,689 |
| Cost of revenue | | (794,160) | (745,349) | (2,962,141) | (2,666,822) |
| Gross profit | | 593,049 | 576,749 | 2,535,933 | 2,229,867 |
| Administration expenses | | (25,444) | (18,149) | (90,051) | (84,356) |
| Other expenses | | (19,164) | (2,563) | (21,360) | (6,025) |
| Other income | | 49,998 | 53,790 | 146,107 | 138,910 |
| Operating profit | 33 | 598,439 | 609,827 | 2,570,629 | 2,278,396 |
| Financing costs | | (45,075) | (36,369) | (169,387) | (113,496) |
| Share of (loss)/profit after tax of equity-accounted associate and joint ventures | | (106,038) | 32,435 | (49,346) | 87,813 |
| Profit before taxation | | 447,326 | 605,893 | 2,351,896 | 2,252,713 |
| Tax expense | 22 | (104,928) | (95,451) | (443,715) | (435,780) |
| PROFIT FOR THE PERIOD/YEAR | | 342,398 | 510,442 | 1,908,181 | 1,816,933 |
| Other comprehensive income/(expenses) | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | | |
| Net movement from exchange differences | | (219) | (35,076) | 28,787 | (75,860) |
| Cash flow hedge | | (13,738) | 42,235 | (9,834) | 127,087 |
| Share of cash flow hedge of an equity-accounted joint venture | | 315 | (6,775) | 3,137 | (16,256) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR | | 328,756 | 510,826 | 1,930,271 | 1,851,904 |
| Profit attributable to: | | | | | |
| Shareholders of the Company | | 317,904 | 486,696 | 1,810,259 | 1,792,682 |
| Non-controlling interests | | 24,494 | 23,746 | 97,922 | 24,251 |
| PROFIT FOR THE PERIOD/YEAR | | 342,398 | 510,442 | 1,908,181 | 1,816,933 |
| Total comprehensive income/(expenses) attributable to: | | | | | |
| Shareholders of the Company | | 304,544 | 499,357 | 1,822,479 | 1,854,204 |
| Non-controlling interests | | 24,212 | 11,469 | 107,792 | (2,300) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR | | 328,756 | 510,826 | 1,930,271 | 1,851,904 |
| Basic and diluted earnings per ordinary share (sen) | | 16.07 | 24.60 | 91.49 | 90.60 |

The unaudited interim consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim consolidated financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| In RM'000 | Attributable to shareholders of the Company | | | | | | | | |
|---|---|---------------|-----------------|--------------------------------------|----------------|------------------|---------------|---------------------------|-------------|
| | Non-distributable | | | | | | Distributable | | |
| | Share capital | Share premium | Hedging reserve | Foreign currency translation reserve | Other reserves | Retained profits | Total | Non-controlling interests | Total |
| Quarter ended 31 December 2017 | | | | | | | | | |
| Balance at 1 January 2017 | 1,978,732 | 1,186,472 | (2,331) | 56,354 | - | 8,747,553 | 11,966,780 | 194,469 | 12,161,249 |
| Net movement from exchange differences | - | - | - | (49,309) | - | - | (49,309) | (26,551) | (75,860) |
| Cash flow hedge | - | - | 127,087 | - | - | - | 127,087 | - | 127,087 |
| Share of cash flow hedge of an equity-accounted joint venture | - | - | (16,256) | - | - | - | (16,256) | - | (16,256) |
| Profit for the year | - | - | - | - | - | 1,792,682 | 1,792,682 | 24,251 | 1,816,933 |
| Total comprehensive income for the year | - | - | 110,831 | (49,309) | - | 1,792,682 | 1,854,204 | (2,300) | 1,851,904 |
| Transfer of share premium (Note a) | 1,186,472 | (1,186,472) | - | - | - | - | - | - | - |
| Issuance of shares to non-controlling interest | - | - | - | - | - | - | - | 55,275 | 55,275 |
| Redemption of redeemable preference share in subsidiary | - | - | - | - | 21,400 | (21,400) | - | - | - |
| Interim dividend declared and paid in respect of previous year | - | - | - | - | - | (375,959) | (375,959) | - | (375,959) |
| Interim dividend declared and paid in respect of the current year | - | - | - | - | - | (930,004) | (930,004) | - | (930,004) |
| Total transactions with shareholders of the Company | 1,186,472 | (1,186,472) | - | - | 21,400 | (1,327,363) | (1,305,963) | 55,275 | (1,250,688) |
| Balance at 31 December 2017 | 3,165,204 | - | 108,500 | 7,045 | 21,400 | 9,212,872 | 12,515,021 | 247,444 | 12,762,465 |
| Quarter ended 31 December 2018 | | | | | | | | | |
| Balance at 1 January 2018 | | | | | | | | | |
| - As previously reported | 3,165,204 | - | 108,500 | 7,045 | 21,400 | 9,212,872 | 12,515,021 | 247,444 | 12,762,465 |
| - Effect of adoption of MFRS 9 (net of tax) | - | - | - | - | - | (319) | (319) | - | (319) |
| At 1 January 2018, restated | 3,165,204 | - | 108,500 | 7,045 | 21,400 | 9,212,553 | 12,514,702 | 247,444 | 12,762,146 |
| Net movement from exchange differences | - | - | - | 18,917 | - | - | 18,917 | 9,870 | 28,787 |
| Cash flow hedge | - | - | (9,834) | - | - | - | (9,834) | - | (9,834) |
| Share of cash flow hedge of an equity-accounted joint venture | - | - | 3,137 | - | - | - | 3,137 | - | 3,137 |
| Profit for the year | - | - | - | - | - | 1,810,259 | 1,810,259 | 97,922 | 1,908,181 |
| Total comprehensive income for the year | - | - | (6,697) | 18,917 | - | 1,810,259 | 1,822,479 | 107,792 | 1,930,271 |
| Issuance of shares to non-controlling interest | - | - | - | - | - | - | - | 21,299 | 21,299 |
| Redemption of redeemable preference share in subsidiary | - | - | - | - | 35,690 | (35,690) | - | - | - |
| Interim dividend declared and paid in respect of previous year | - | - | - | - | - | (375,959) | (375,959) | - | (375,959) |
| Interim dividend declared and paid in respect of the current year | - | - | - | - | - | (989,366) | (989,366) | - | (989,366) |
| Total transactions with shareholders of the Company | - | - | - | - | 35,690 | (1,401,015) | (1,365,325) | 21,299 | (1,344,026) |
| Balance at 31 December 2018 | 3,165,204 | - | 101,803 | 25,962 | 57,090 | 9,621,797 | 12,971,856 | 376,535 | 13,348,391 |

Note a: Pursuant to section 74 of the Companies Act, 2016 ('the Act'), the Company's shares no longer have a par or nominal value with effect from 31 January 2017. In accordance with the transitional provision set out in section 618 of the Act, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have 24 months upon the commencement of the Act to utilise the credit.

There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. During the financial period, the Company has not utilised any of the credit in the share premium account which are now part of share capital.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

| | | 12 months ended | |
|---|------|--------------------|--------------------|
| | | 31 December | |
| | Note | 2018 | 2017 |
| <i>In RM'000</i> | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit Before Taxation | | 2,351,896 | 2,252,713 |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortisation | | 1,136,899 | 990,147 |
| Interest expense | | 169,387 | 113,496 |
| Interest income | 33 | (112,637) | (84,849) |
| Share of profit after tax equity-accounted joint ventures and associate | | 49,346 | (87,813) |
| Unrealised loss/ (gain) on foreign exchange | 33 | (1,508) | (15,819) |
| Other non-cash items | | 21,595 | 3,154 |
| Operating profit before changes in working capital | | 3,614,978 | 3,171,029 |
| Change in trade and other receivables | | (82,065) | (157,176) |
| Change in trade inventories | | (6,009) | (652) |
| Change in trade and other payables | | 58,420 | 194,126 |
| Cash generated from operations | | 3,585,324 | 3,207,423 |
| Interest income from fund and other investment | | 112,637 | 84,849 |
| Taxation paid | | (386,732) | (359,190) |
| Net cash generated from operating activities | | 3,311,229 | 2,933,082 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Dividend received from associate and joint ventures | | 52,151 | 53,334 |
| Investment in a joint venture | | (39,185) | - |
| Loans and advances to a joint venture | | (93,976) | (102,573) |
| Purchase of property, plant and equipment | | (916,521) | (1,846,105) |
| Government grant received | | 150,000 | - |
| Proceeds from disposal of property, plant and equipment | | 392 | 61 |
| Net cash used in investing activities | | (847,139) | (1,895,283) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Dividends paid | 10 | (1,365,325) | (1,305,963) |
| Drawdown of term loan | 28 | 225,255 | 855,598 |
| Drawdown of loan from corporate shareholder of a subsidiary | 28 | 49,715 | 287,716 |
| Repayment of loan from corporate shareholder of a subsidiary | 28 | (72,854) | - |
| Financing costs paid | | (175,015) | (158,145) |
| Repayment of finance lease liabilities | 28 | (29,727) | (34,427) |
| Proceeds from shares issued to a non-controlling interest | | 21,299 | 55,275 |
| Net cash used in financing activities | | (1,346,652) | (299,946) |
| Net increase in cash and cash equivalents | | 1,117,438 | 737,853 |
| Net foreign exchange difference | | (1,767) | (613) |
| Cash and cash equivalents at beginning of the year | | 2,500,357 | 1,763,117 |
| Cash and cash equivalents at end of the year | | 3,616,028 | 2,500,357 |

The unaudited interim consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim consolidated financial statements.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The interim financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of IAS 34, *Interim Financial Reporting*, MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

They should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2017. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries and the Group's interest in an associate and its joint ventures as at and for the period ended 31 December 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for the year ended 31 December 2018 under the Malaysian Financial Reporting Standards (MFRS) framework. These policies do not differ significantly from those used in the audited consolidated financial statements for the year ended 31 December 2017 except as described below.

As of 1 January 2018, the Group has adopted the following new and revised MFRSs, amendments to MFRS and IC interpretation (collectively referred to as "pronouncements") which are effective for annual periods beginning on or after 1 January 2018.

MFRS 9 *Financial Instruments (2014)*

MFRS 15 *Revenue from Contracts with Customers*

Amendments to MFRS 15 *Revenue from Contracts with Customers: Clarifications to MFRS 15*

Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The effects of initial application of MFRS 9 and 15 to the financial statements of the Group are as follows:

i. MFRS 9 *Financial Instruments*

The Group adopted MFRS 9 *Financial Instruments* on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

There was no material impact on the accounting for the Group's financial assets upon initial application of the new classification requirements.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12 months ECLs or lifetime ECLs.

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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****2. SIGNIFICANT ACCOUNTING POLICIES (continued)****i. MFRS 9 Financial Instruments (continued)**

As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives. Adjustment arising from the initial application of the new impairment model has been recognised in the opening balance of the retained earnings and the carrying amount of the financial assets as at 1 January 2018 as disclosed below:

| <i>In RM'000</i> | Impact of adoption of MFRS 9 to opening balance at 1 January 2018 |
|---|--|
| Decrease in retained earnings | 319 |
| Increase in deferred tax asset | 101 |
| Decrease in long term receivables | (328) |
| Decrease in trade and other receivables | (92) |

ii. MFRS 15 Revenue from Contracts with Customers

The Group adopted MFRS 15 *Revenue from Contracts with Customers* on 1 January 2018. MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue-Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The Group have applied the requirements of MFRS 15 retrospectively and have elected to restate comparatives.

The initial application of MFRS 15 does not have impact on the Group's financial statements other than the following reclassification in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

| Group | As previously reported RM'000 | MFRS 15 adjustments RM'000 | As restated RM'000 |
|--|--|---|-------------------------------|
| For the year ended 31 December 2017 | | | |
| Revenue | 4,809,623 | 87,066 | 4,896,689 |
| Other income | 225,976 | (87,066) | 138,910 |

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2017 were not subject to any audit qualification.

4. SEASONAL OR CYCLICAL FACTORS

The Group's operations are not significantly affected by seasonal or cyclical fluctuations of the business/ industry.

5. EXCEPTIONAL ITEMS

There were no exceptional items during the quarter under review.

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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****6. MATERIAL CHANGES IN ESTIMATES**

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of the Group for the year ended 31 December 2017 that may have a material effect on the results of the period under review.

7. PROPERTY, PLANT AND EQUIPMENT

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

8. GOVERNMENT GRANT

Government grant related to assets, including non-monetary grants at fair value, is deducted against the project cost of the asset. Subsequently, the grant is recognised in profit or loss on a systematic basis over the life of the asset as a reduced depreciation expense.

9. DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the year ended 31 December 2018, other than as disclosed in the Notes.

10. DIVIDENDS

The following dividends were declared and paid by the Company:

| <i>In RM'000</i> | 12 months ended | |
|---|------------------------|-------------------------|
| | 2018 | 31 December 2017 |
| Ordinary | | |
| Interim paid: | | |
| 2016 - Fourth interim dividend of 19 sen per ordinary share | - | 375,959 |
| 2017 - First interim dividend of 15 sen per ordinary share | - | 296,810 |
| 2017 - Second interim dividend of 16 sen per ordinary share | - | 316,597 |
| 2017 - Third interim dividend of 16 sen per ordinary share | | 316,597 |
| 2017 - Fourth interim dividend of 19 sen per ordinary share | 375,959 | - |
| 2018 - First interim dividend of 16 sen per ordinary share | 316,597 | - |
| 2018 - Second interim dividend of 16 sen per ordinary share | 316,597 | - |
| 2018 - Third interim dividend of 18 sen per ordinary share | 356,172 | |
| | 1,365,325 | 1,305,963 |

On 18 February 2019, the Directors of the Company approved a fourth interim dividend of 22 sen per ordinary share, amounting to RM435.3 million in respect of the financial year ended 31 December 2018.

The dividends are payable on 15 March 2019 to depositors registered in the Records of Depositors at the close of business on 5 March 2019.

A Depositor shall qualify for entitlement to the dividends only in respect of:

- Shares transferred into the Depositor's Securities Account before 4.00 pm on 5 March 2019 in respect of ordinary transfers.
- Shares brought on the Bursa Malaysia Securities Berhad on a cum entitlement basis accordingly to the rules of the Bursa Malaysia Securities Berhad.

The interim financial statements for the current quarter do not reflect this approved interim dividend. The dividend, will be accounted for in equity as an appropriation of retained profits in the financial statements for the financial year ending 31 December 2019.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the quarter under review.

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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****12. FAIR VALUE INFORMATION**

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short nature of these financial instruments.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The fair value hierarchy in the valuation technique are as follows:

- Level 1 - Quoted priced (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are, observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

The Group recognises transfers between levels of fair value hierarchy as at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 2 and 3 of the fair value valuation hierarchy during the financial period.

| | Fair value of financial instruments carried at fair value Level 2 | Fair value of financial instruments not carried at fair value Level 3 | Total fair value | Carrying amounts |
|---|--|--|---------------------|---------------------|
| <i>In RM'000</i> | | | | |
| 31 December 2018 | | | | |
| Financial assets | | | | |
| <i>Current</i> | | | | |
| Derivative assets | 17,175 | - | 17,175 | 17,175 |
| <i>Non-Current</i> | | | | |
| Long term receivables | - | 269,913 | 269,913 | 269,913 |
| Derivative assets | 12,363 | - | 12,363 | 12,363 |
| Total financial assets | 29,538 | 269,913 | 282,276 | 282,276 |
| Financial liabilities | | | | |
| <i>Current</i> | | | | |
| Finance lease liabilities | - | (41,188) | (41,188) | (41,188) |
| Loan from corporate shareholder of a subsidiary | - | (52,965) | (52,965) | (52,965) |
| Derivative liabilities | (328) | - | (328) | (328) |
| | (328) | (94,153) | (94,481) | (94,481) |
| <i>Non-Current</i> | | | | |
| Finance lease liabilities | - | (973,076) | (973,076) | (973,076) |
| Term loan | - | (1,793,643) | (1,793,643) | (1,793,643) |
| Loan from corporate shareholder of a subsidiary | - | (466,042) | (466,042) | (466,042) |
| | - | (3,232,761) | (3,232,761) | (3,232,761) |
| Total financial liabilities | (328) | (3,326,914) | (3,327,242) | (3,327,242) |

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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****12. FAIR VALUE INFORMATION (continued)**

| <i>In RM'000</i> | Fair value of financial instruments carried at fair value Level 2 | Fair value of financial instruments not carried at fair value Level 3 | Total fair value | Carrying amounts |
|---|--|--|---------------------|---------------------|
| 31 December 2017 | | | | |
| Financial assets | | | | |
| <i>Current</i> | | | | |
| Derivative assets | 2,962 | - | 2,962 | 2,962 |
| <i>Non-Current</i> | | | | |
| Long term receivables | - | 182,292 | 182,292 | 182,292 |
| Derivative assets | 15,507 | - | 15,507 | 15,507 |
| | 15,507 | 182,292 | 197,799 | 197,799 |
| Total financial assets | 18,469 | 182,292 | 200,761 | 200,761 |
| Financial liabilities | | | | |
| <i>Current</i> | | | | |
| Finance lease liabilities | - | (32,043) | (32,043) | (32,043) |
| Loan from corporate shareholder of a subsidiary | - | (73,301) | (73,301) | (73,301) |
| Derivative liabilities | (64) | - | (64) | (64) |
| | (64) | (105,344) | (105,408) | (105,408) |
| <i>Non-Current</i> | | | | |
| Finance lease liabilities | - | (991,492) | (991,492) | (991,492) |
| Term loan | - | (1,529,104) | (1,529,104) | (1,529,104) |
| Loan from corporate shareholder of a subsidiary | - | (458,343) | (458,343) | (458,343) |
| | - | (2,978,939) | (2,978,939) | (2,978,939) |
| Total financial liabilities | (64) | (3,084,283) | (3,084,347) | (3,084,347) |

The calculation of fair value for financial instruments depends on the type of instruments as follows:

- Fair value of finance lease liabilities are estimated using discounted cash flow method.
- Fair value of forward exchange contracts are estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).
- Fair value of interest rate swap agreements are estimated by discounting expected future cash flows using current market interest rate and yield curve over the remaining term of the instruments.

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****13. SEGMENTAL INFORMATION**

The Group has four reporting segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because it requires different technology and marketing strategies. The following summary describes the operations in each of the Group's reporting segments:

- Gas Processing – activities include processing of natural gas from gas fields offshore the East Coast of Peninsular Malaysia into salesgas and other by-products such as ethane, propane and butane.
- Gas Transportation – activities include transportation of processed gas to PETRONAS' end customers throughout Malaysia and export to Singapore and provision of operations and maintenance services.
- Regasification – activities include regasification of liquefied natural gas (LNG) into the Peninsular Gas Utilisation pipeline network.
- Utilities – activities include manufacturing, marketing and supplying of industrial utilities to the petrochemical complexes in the Kertih and Gebeng Industrial Area and provision of operations and maintenance services.

Performance is measured based on segment gross profit, as included in the performance reports to the Board of Directors as the Company believes that such information is the most relevant in evaluating the results of the segments.

The segmental information in respect of the associate and joint ventures is not presented as the contribution of the associate and joint ventures and the carrying amount of investment in the associate and joint ventures have been reflected in the statement of profit or loss and other comprehensive income and statement of financial position of the Group respectively.

| <i>In RM'000</i> | 12 months ended | | | | |
|--|-------------------------|---------------------------|-----------------------|------------------|--------------|
| | 31 December 2018 | | | | |
| Business Segment | Gas Processing | Gas Transportation | Regasification | Utilities | Total |
| Revenue | 1,571,045 | 1,360,549 | 1,245,394 | 1,321,086 | 5,498,074 |
| Segment results | 639,313 | 1,017,976 | 698,030 | 180,614 | 2,535,933 |
| Unallocated income | | | | | 34,696 |
| Operating profit | | | | | 2,570,631 |
| Financing costs | | | | | (169,387) |
| Share of profit after tax of equity-accounted associate and joint ventures | | | | | (49,346) |
| Profit before taxation | | | | | 2,351,896 |

| <i>In RM'000</i> | 12 months ended | | | | |
|--|-------------------------|---------------------------|-----------------------|------------------|--------------|
| | 31 December 2017 | | | | |
| Business Segment | Gas Processing | Gas Transportation | Regasification | Utilities | Total |
| Revenue | 1,572,273 | 1,382,419 | 773,588 | 1,168,409 | 4,896,689 |
| Segment results | 650,919 | 1,051,112 | 377,983 | 149,853 | 2,229,867 |
| Unallocated income | | | | | 48,529 |
| Operating profit | | | | | 2,278,396 |
| Financing costs | | | | | (113,496) |
| Share of profit after tax of equity-accounted associate and joint ventures | | | | | 87,813 |
| Profit before taxation | | | | | 2,252,713 |

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****13. SEGMENTAL INFORMATION (Continued)**

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated income/(expenses) mainly comprises foreign exchange gain or loss as well as other corporate income and expenses.

The Group's revenue from contracts with customers which also represents reportable segment revenue are further disaggregated as follows:

| <i>In RM'000</i> | 12 months ended | |
|-------------------------------------|------------------|---------------------|
| | 2018 | 31 December 2017 |
| Geographical Locations | | |
| Peninsular Malaysia | 5,421,976 | 4,801,318 |
| Sabah and Sarawak | 76,098 | 95,371 |
| Total | 5,498,074 | 4,896,689 |
| Products and Services | | |
| Gas processing services | 1,571,045 | 1,572,273 |
| Gas transportation services | 1,309,148 | 1,311,067 |
| Regasification services | 1,245,394 | 773,588 |
| Utilities | | |
| - Electricity | 594,630 | 517,383 |
| - Steam | 409,131 | 377,191 |
| - Industrial gases | 246,021 | 209,033 |
| - Others* | 69,890 | 63,857 |
| Operations and maintenance services | 52,815 | 72,297 |
| Total | 5,498,074 | 4,896,689 |

*Others relates to water treatment services and sale of other utilities products.

14. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the quarter.

15. CONTINGENCIES

| <i>In RM'000</i> | As at 31 December 2018 | As at 31 December 2017 |
|--|------------------------------|------------------------------|
| | Unsecured | |
| Counter claim by a third party against a joint venture | 137,296 | 137,296 |

No provision has been made on the above contingencies (i.e. RM137,296,000 being the 60% of the counter claim) in the financial statements up to the reporting date.

Details of the above counter claim are further disclosed in Note 30.

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****16. CAPITAL COMMITMENTS**

Outstanding commitments in respect of capital expenditure at the end of each reporting period not provided for in the interim financial statements are as follows:

| <i>In RM'000</i> | As at 31 December 2018 | As at 31 December 2017 |
|--|---------------------------------------|---------------------------------------|
| Property, plant and equipment | | |
| Approved and contracted for | 259,002 | 484,924 |
| Approved but not contracted for | 3,516,365 | 4,341,058 |
| | <u>3,775,367</u> | <u>4,825,982</u> |
| Share of capital expenditure of joint ventures | | |
| Approved and contracted for | 21,592 | 88,534 |
| Approved but not contracted for | 54,636 | 52,505 |
| | <u>76,228</u> | <u>141,039</u> |
| | <u>3,851,595</u> | <u>4,967,021</u> |

17. RELATED PARTY TRANSACTIONS

Significant transactions with related parties in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2017 are as follows:

| <i>In RM'000</i> | As at 31 December 2018 | As at 31 December 2017 |
|----------------------------------|---------------------------------------|---------------------------------------|
| Related Party | | |
| Gas transportation fee income | 109,090 | - |
| Regasification fee income | 107,458 | - |
| Total related party transactions | <u>216,548</u> | <u>-</u> |

The above arose from novation of the Group's gas transportation and regasification agreements from Petroliaam Nasional Berhad (PETRONAS) to PETRONAS Energy & Gas Trading Sdn Bhd, a wholly owned subsidiary of PETRONAS effective 1 December 2018.

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018



PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. REVIEW OF GROUP PERFORMANCE

(a) Performance of current quarter against the corresponding quarter

| In RM'000 | 3 months ended | | Variance % |
|------------------------------|----------------|------------------|------------|
| | 2018 | 31 December 2017 | |
| Revenue | 1,387,209 | 1,322,098 | +4.9 |
| Operating profit | 598,439 | 609,827 | -1.9 |
| Profit before taxation (PBT) | 447,326 | 605,893 | -26.2 |
| Profit for the quarter | 342,398 | 510,442 | -32.9 |
| EBITDA ¹ | 871,135 | 856,389 | +1.7 |

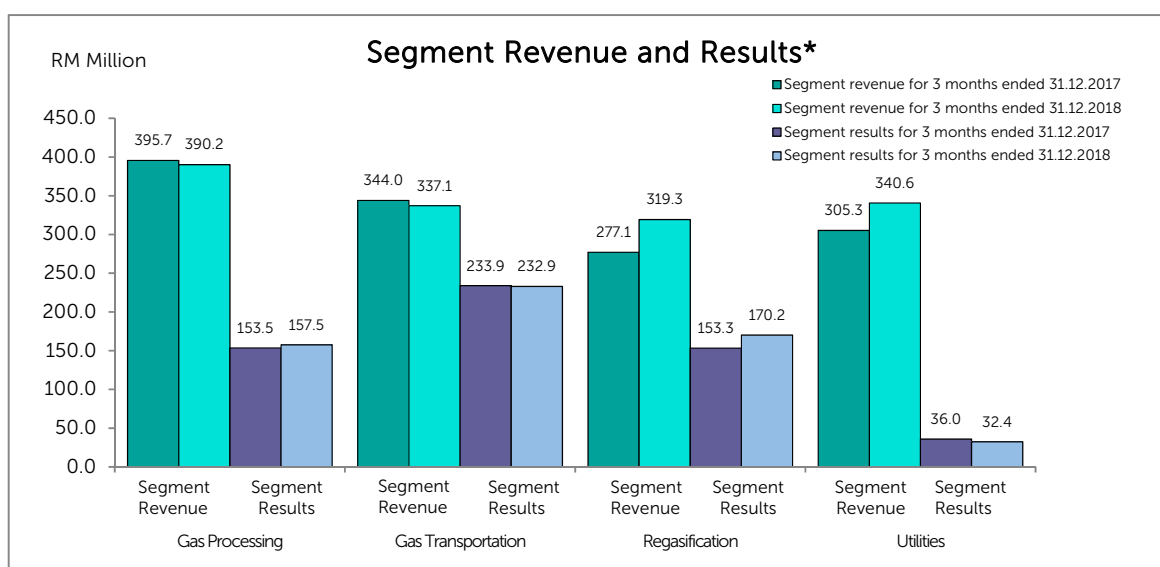
The Group's Gas Processing, Transportation and Regasification plants continued to perform strongly above 98% reliability. Gas Processing's liquid plant extraction performance continued to exceed targets, contributing towards continued performance based structure (PBS) income during the quarter. The Utilities segment achieved favourable sales volumes and selling price.

Group revenue grew by 4.9% or RM65.1 million to RM1,387.2 million, mainly contributed by the second LNG regasification terminal in Pengerang, Johor which commenced commercial operations in November 2017, coupled with higher revenue from Utilities and Gas Transportation segment.

Profit for the quarter was lower by 32.9% or RM168.0 million despite higher revenue largely attributed to share of losses from a joint venture company, Kimanis Power Sdn Bhd (KPSB). The losses arose due to de-recognition of deferred tax assets (DTA) amounting to RM124.3 million (being 60% share of the Group) in relation to certain tax benefits which now have a 7 year utilisation limit under the new Finance Act 2018.

Excluding the impact of DTA from KPSB, profit for the quarter would be lower by 8.6% or RM43.7 million due to once-off impairment loss on assets and higher finance costs. The impairment loss follows the change of business at one of our customers and the amount was recognised after all efforts to find alternative use for the facilities were exhausted. Higher finance cost was due to recognition of previously capitalised interest expense following completion of the Group's second LNG regasification terminal.

The following section provides further analysis of the Group performance by operating segments.



*Note: Segment Results refers to Gross Profit

¹ EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted associate and joint ventures and other significant non-cash items

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018



PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. REVIEW OF GROUP PERFORMANCE (continued)

(a) Performance of current quarter against the corresponding quarter (continued)

Gas Processing

The Group's gas processing plants continued to maintain its world class standards resulting in continued Performance Based Structure (PBS) income earned compared to corresponding quarter.

Segment gross profit improved by 2.6% or RM4.0 million on comparable revenue, mainly contributed by lower operating costs following completion of maintenance activities in Q3 FY2018.

Gas Transportation

Gas Transportation segment pipeline network reliability was close to 100%, comparable to corresponding quarter. Segment revenue decreased by 2.0% or RM6.9 million in relation to operations and maintenance revenue from Sabah Sarawak Gas Pipeline.

The segment's contribution was comparable at RM232.9 million as lower revenue was offset by lower maintenance costs.

Regasification

The Group's regasification facilities in Sungai Udang, Melaka and Pengerang, Johor achieved 100% plant reliability during the quarter.

The Regasification segment revenue increased by 15.2% or RM42.2 million to RM319.3 million compared to the corresponding quarter mainly contributed by the Group's second LNG regasification terminal in Pengerang, Johor which came on-stream in November 2017.

Segment results grew by 11.0% or RM16.9 million in line with higher revenue, offset by higher depreciation costs following full completion of the second LNG regasification terminal project in Q2 FY2018.

Utilities

Utilities revenue for the quarter rose by 11.6% or RM35.3 million to RM340.6 million mainly due to favourable sales volumes on higher customer demand for electricity and industrial gasses, coupled with higher product prices in line with the upward revision of fuel gas price in 1 January 2018 and 1 July 2018 respectively, and additional surcharge on national electricity tariff.

Segment gross profit was lower by 10.0% or RM3.6 million mainly contributed by higher cost of sales due to upward revision of fuel gas price coupled with higher depreciation due to completion of statutory turnarounds and capital projects.

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018



PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. REVIEW OF GROUP PERFORMANCE (continued)

(b) Performance of current year against the corresponding year

| In RM'000 | 12 months ended 31 December | | Variance % |
|------------------------|--------------------------------|-----------|---------------|
| | 2018 | 2017 | |
| Revenue | 5,498,074 | 4,896,689 | +12.3 |
| Operating profit | 2,570,631 | 2,278,396 | +12.8 |
| Profit before taxation | 2,351,896 | 2,252,713 | +4.4 |
| Profit for the year | 1,908,181 | 1,816,933 | +5.0 |
| EBITDA ¹ | 3,611,780 | 3,183,694 | +13.4 |

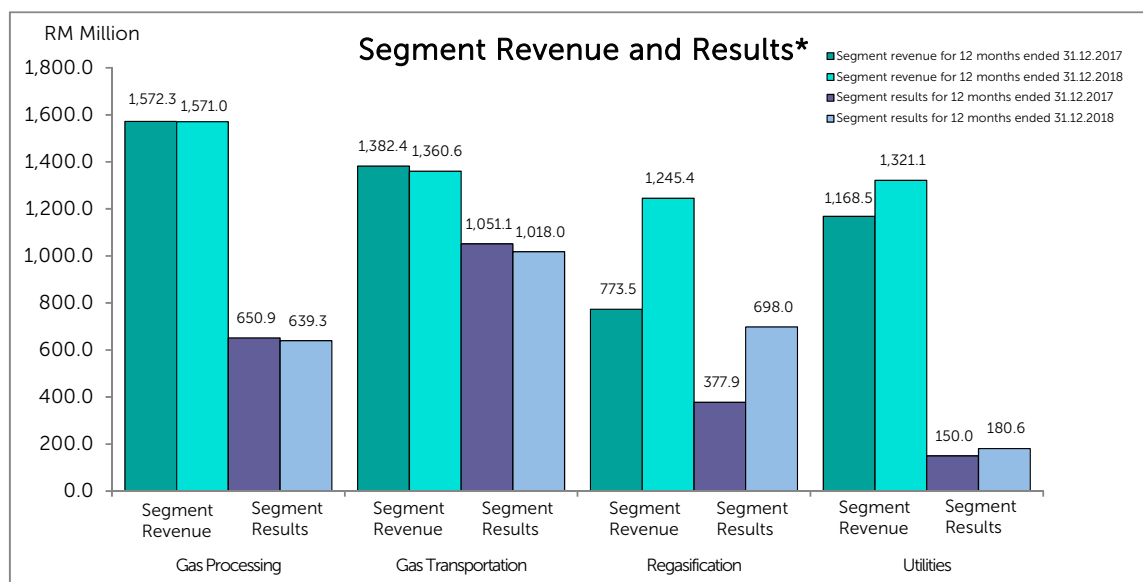
The Group continued its stellar performance for plant and facility reliability across all segments for the year ended 31 December 2018. Gas Processing's liquid extraction continued to exceed targets, resulting in higher PBS income for the year. Production volume for Utilities products increased in line with higher demand from customers as well as higher realised selling price following upward revision of fuel gas price.

Group revenue at RM5.5 billion was the highest in history, an increase of 12.3% or RM601.4 million compared to last year, driven by successful full year operations of the Group's LNG Regasification Terminal in Pengerang, Johor. This was further supported by higher revenue from Utilities segment.

Profit for the year improved by 5.0% or RM91.3 million on the back of higher revenue offset by share of losses from Kimanis Power Sdn Bhd (KPSB) following de-recognition of deferred tax assets (DTA) as well as higher finance costs. The de-recognition of DTA amounting to RM124.3 million (being 60% share of the Group) was in relation to certain tax benefits which now have a 7 year utilisation limit under the new Finance Act 2018. Higher finance costs was attributable to recognition of previously capitalised interest expenses following completion of the above regasification terminal.

Excluding the impact of DTA from KPSB, profit for the year would be higher by 11.9% or RM215.6 million.

The following section will provide further analysis of the Group performance by operating segments.



*Note: Segment Results refers to Gross Profit

¹ EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted associate and joint ventures and other significant non-cash items

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018



PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. REVIEW OF GROUP PERFORMANCE (continued)

(b) Performance of current year against the corresponding year (continued)

Gas Processing

Gas Processing segment ended the year by sustaining world class plant reliability performance. High liquid plant extraction performance for the year contributed to better PBS income.

Segment gross profit of RM639.3 million was lower by 1.8% or RM11.6 million as higher PBS income and lower plant maintenance costs was offset by higher depreciation expense following the completion of statutory plant turnarounds.

Gas Transportation

Gas Transportation segment sustained high gas transmission reliability at 99.98%, at par with last year. Segment revenue decreased by 1.6% or RM21.8 million relating to operations and maintenance revenue from Sabah Sarawak Gas Pipeline (SSGP).

Accordingly, segment gross profit was lower by 3.1% or RM33.1 million on the back of lower revenue and higher operating cost mainly attributed to gas transportation license fee and higher depreciation expenses following the completion of capital projects.

Regasification

The Group's regasification facilities in Sungai Udang, Melaka and Pengerang, Johor continued to record high plant reliability at close to 100% during the year.

Segment revenue grew by 61.0% or RM471.9 million to RM1,245.4 million primarily driven by the successful full year operations of the Group's LNG Regasification Terminal in Pengerang, Johor. Correspondingly, segment gross profit surged from RM377.9 million to RM698.0 million.

Utilities

Utilities segment concluded the year with higher sales volumes of electricity and industrial gases on the back of higher demand from customers. Realised selling price was also higher in line with upward fuel gas price revision on 1 January and 1 July 2018.

The higher volumes and price translated to improved revenue by 13.1% or RM152.6 million at RM1,321.1 million. Correspondingly, segment results grew from RM150.0 million to RM180.6 million.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****19. COMPARISON AGAINST IMMEDIATE PRECEDING QUARTER RESULTS**

| <i>In RM'000</i> | 3 months ended | | Variance |
|------------------------------|-----------------------------|------------------------------|-----------------|
| | 31 December 2018 | 30 September 2018 | |
| Revenue | 1,387,209 | 1,401,839 | -1.0 |
| Operating profit | 598,439 | 655,053 | -8.6 |
| Profit before taxation (PBT) | 447,326 | 634,750 | -29.5 |
| Profit for the quarter | 342,398 | 523,358 | -34.6 |
| EBITDA ¹ | 871,135 | 917,058 | -5.0 |

The Group has maintained its world class performance as plant and facilities reliability across all segments and was comparable to the preceding quarter.

The Group's revenue was marginally lower by 1.0% or RM14.6 million mainly attributed to lower revenue from Gas Transportation and Utilities segments during the quarter.

Profit for the quarter declined by 34.6% or RM181.0 million to RM342.4 million on the back of share of losses from Kimanis Power Sdn Bhd (KPSB), a joint venture company, following de-recognition of deferred tax assets (DTA) amounting to RM124.3 million (being 60% share of the Group) in relation to certain tax benefits which now have a 7 year utilisation limit under the new Finance Act 2018.

Excluding the impact of DTA from KPSB, profit for the quarter would be lower by 10.8% or RM56.7 million due to lower contribution from Gas Transportation and Utilities segments as a result of higher maintenance costs and depreciation expense respectively.

20. REVIEW OF GROUP FINANCIAL POSITION

| <i>In RM'000</i> | As at | As at | Variance |
|--|-----------------------------|-----------------------------|-----------------|
| | 31 December 2018 | 31 December 2017 | |
| Total assets | 18,423,984 | 17,627,536 | +4.5 |
| Total equity attributable to the shareholders of the Company | 12,971,856 | 12,515,021 | +3.7 |
| Total liabilities | 5,075,593 | 4,865,071 | +4.3 |
| Return on equity (%) | 14.0 | 14.3 | |

The Group's increase in total asset by 4.5% or RM796.4 million was mainly contributed by higher cash and cash equivalents generated from the Group's full year revenue stream from LNG regasification terminal in Pengerang, Johor.

Total equity of RM13.0 billion was higher by 3.7% or RM456.8 million attributable to profit recorded during the period partially offset by dividend payments to shareholders.

Total liabilities increased by 4.3% at RM210.5 million mainly due to additional term loan drawdown of RM275.0 million during the year to fund growth project offset by settlement of payables in line with completion of capital projects.

¹ EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted associate and joint ventures and other significant non-cash items

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****21. REVIEW OF GROUP CASH FLOWS**

| <i>In RM'000</i> | 12 months ended | | Variance % |
|--|------------------|---------------------|---------------|
| | 2018 | 31 December 2017 | |
| Net cash generated from operating activities | 3,311,229 | 2,933,082 | +12.9 |
| Net cash used in investing activities | (847,139) | (1,895,283) | -55.3 |
| Net cash used in financing activities | (1,346,652) | (299,946) | +349.0 |
| Net increase in cash and cash equivalents | 1,117,438 | 737,853 | +51.4 |

Net cash generated from operating activities was higher by 12.9% or RM378.1 million in line with the Group's full year revenue stream from LNG regasification terminal in Pengerang, Johor.

Net cash used in investing activities was lower by 55.3% or RM1,048.1 million mainly due to lower spending on capital expenditure following the completion of LNG regasification terminal in Pengerang, Johor. During the year, Pengerang LNG (Two) Sdn Bhd, a subsidiary of the Group, received a grant totaling RM150.0 million from the Government of Malaysia to develop the LNG regasification terminal project in Pengerang, Johor.

Net cash used in financing activities was higher by 349.0% or RM1,046.7 million mainly due to lower drawdown to finance the Group's LNG regasification terminal and air separation unit plant in Pengerang, Johor.

22. TAX EXPENSE

Tax expense comprises the following:

| <i>In RM'000</i> | 3 months ended | | 12 months ended | |
|---|----------------|---------------------|-----------------|---------------------|
| | 2018 | 31 December 2017 | 2018 | 31 December 2017 |
| Current tax expenses | | | | |
| Malaysia | | | | |
| - current period | 80,321 | 54,366 | 375,273 | 354,599 |
| - (over)/ underprovision in prior period/ years | (3,790) | - | 4,833 | 3,617 |
| Total current tax expenses | 76,531 | 54,366 | 380,106 | 358,216 |
| Deferred tax expenses | | | | |
| - origination and reversal of temporary differences | 28,397 | 41,085 | 61,772 | 77,441 |
| - under provision in prior period/ years | - | - | 1,837 | 123 |
| Total deferred tax expenses | 28,397 | 41,085 | 63,609 | 77,564 |
| Total tax expenses | 104,928 | 95,451 | 443,715 | 435,780 |

The effective tax rate (ETR) for the quarter and year ended 31 December 2018 was lower than the statutory tax rate of 24% mainly due to tax incentives granted for the Utilities business and the LNG regasification terminal in Pengerang, Johor.

23. COMMENTARY ON PROSPECTS

As announced by the Group on 31 December 2018, the Energy Commission has approved the tariffs for the Gas Transportation and Regasification services for 2019. While the tariffs are expected to affect the Group's Transportation and Regasification business segment revenues in 2019, both segments are anticipated to continue contributing positively to the Group's earnings.

The Group's Gas Processing segment is expected to deliver improved earnings pursuant to the higher fixed remuneration charge under the 2nd Term of the 20-year Gas Processing Agreement effective from 2019 until 2023.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****24. PROFIT FORECAST**

There was no profit forecast published by the Group as at the date of this report.

25. STATUS OF CORPORATE PROPOSAL ANNOUNCED BUT NOT COMPLETED

There was no corporate proposal announced but not completed as at the date of this report.

26. TRADE AND OTHER RECEIVABLES

| <i>In RM'000</i> | As at 31 December 2018 | As at 31 December 2017 |
|------------------------------------|---------------------------------------|---------------------------------------|
| Trade receivables | | |
| - Third party | 27,270 | 23,500 |
| - Related companies | 571,455 | 525,516 |
| - Joint ventures | 1,722 | 1,097 |
| - Related parties | 31,034 | 32,625 |
| | 631,481 | 582,738 |
| Other receivables | 310,860 | 251,607 |
| Less: Impairment losses | (165) | (353) |
| Trade and other receivables | 942,176 | 833,992 |

Average credit term for trade receivables granted to related parties and third parties is 30 days.

The ageing of trade receivables as at reporting date are as follows:

| <i>In RM'000</i> | As at 31 December 2018 | As at 31 December 2017 |
|----------------------------|---------------------------------------|---------------------------------------|
| Current | 638,532 | 530,795 |
| Past due 1 to 30 days | (11,894) | 51,981 |
| Past due 31 to 60 days | 2,867 | - |
| Past due 61 to 90 days | 2,014 | - |
| Past due more than 90 days | (38) | (38) |
| Trade receivables | 631,481 | 582,738 |

With respect to the Group's trade receivables, there are no indications as at reporting date that the debtors will not meet their payment obligations.

Significant related party trade receivables

| Related parties | Nature of transactions |
|--|---|
| a. Holding company Petroliam Nasional Berhad | Provision of gas processing services, gas transportation services and LNG regasification services |
| b. Related companies PETRONAS Energy & Trading Sdn Bhd PETRONAS Chemical Derivatives Sdn Bhd PETRONAS Chemical MTBE Sdn Bhd PETRONAS Chemical Ammonia Sdn Bhd | Provision of gas transportation services and LNG regasification services effective 1 December 2018 Sales of industrial utilities |

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****27. FOREIGN EXCHANGE EXPOSURE / HEDGING POLICY**

The Group operate predominantly in Malaysia and transact mainly in Ringgit Malaysia. Nevertheless, the Group is exposed to varying levels of foreign exchange risk when it enters into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date.

The Group's foreign currency management policy is to minimise economic and significant transactional exposure arising from currency movements. Residual net positions are actively managed and monitored against prescribed policies and control procedures. When deemed necessary and appropriate, the Group will enter into derivative financial instruments to hedge and minimise their exposure to the foreign currency movements.

28. BORROWINGS

Particulars of Group's borrowings are as follows:

| <i>In RM'000</i> | As at 31 December 2018 | As at 31 December 2017 |
|---|---------------------------------------|---------------------------------------|
| Non-Current | | |
| <i>Secured</i> | | |
| Finance lease liabilities | 973,076 | 991,492 |
| <i>Unsecured</i> | | |
| Term loan | 1,793,643 | 1,529,104 |
| Loan from corporate shareholder of a subsidiary | 466,042 | 458,343 |
| | <u>3,232,761</u> | <u>2,978,939</u> |
| Current | | |
| <i>Secured</i> | | |
| Finance lease liabilities | 41,188 | 32,043 |
| <i>Unsecured</i> | | |
| Loan from corporate shareholder of a subsidiary | 52,965 | 73,301 |
| | <u>94,153</u> | <u>105,344</u> |
| | <u>3,326,914</u> | <u>3,084,283</u> |
| <i>In RM'000</i> | | |
| By Currency | | |
| USD | 3,326,914 | 3,084,283 |
| Closing exchange rate (RM/USD) | 4.1445 | 4.0595 |

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****28. BORROWINGS (Continued)**

| In RM'000 | Total | Less than 1 year | Between 1-5 years | More than 5 years |
|---|------------------|------------------|-------------------|-------------------|
| Secured | | | | |
| Finance lease liabilities | 1,014,264 | 41,188 | 198,040 | 775,036 |
| Unsecured | | | | |
| Term loan | 1,793,643 | - | 1,793,643 | - |
| Loan from corporate shareholder of a subsidiary | 519,007 | 52,965 | 466,042 | - |
| | 3,326,914 | 94,153 | 2,457,725 | 775,036 |

¹ Finance lease liabilities bears interest at rate of 9.1% (2017: 9.1%) per annum.

² The unsecured term loan bears interest at floating rates ranging from 2.5% to 3.3% (2017: 1.7% to 2.3%) per annum and are due for full payment in February 2021. The Company had entered into a series of Interest Rate Swaps in August 2017 to hedge against variable interest rate exposure arising from the unsecured term loan. As a result of this hedging arrangement, the unsecured term loan has a net fixed interest rate of 1.685% per annum.

³ Loan from corporate shareholder of a subsidiary bears fixed interest at a rate of 6.5% per annum and are repayable in tranches at their various due dates from 2019 to 2028.

Reconciliation of liabilities arising from financing activities:

| In RM'000 | Cash flows | | | Non-cash changes | At 31 December 2018 |
|---|-------------------|----------------|------------------|---------------------------|---------------------|
| | At 1 January 2018 | Drawdown | Repayment | Foreign exchange movement | |
| Finance lease liabilities | 1,023,535 | - | (29,727) | 20,456 | 1,014,264 |
| Term loan | 1,529,104 | 225,255 | - | 39,284 | 1,793,643 |
| Loan from corporate shareholder of a subsidiary | 531,644 | 49,715 | (72,854) | 10,502 | 519,007 |
| | 3,084,283 | 274,970 | (102,581) | 70,242 | 3,326,914 |

Drawdown of term loan and loan from a corporate shareholder of a subsidiary was to finance the Group's LNG regasification terminal and air separation unit plant in Pengerang, Johor.

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****29. DERIVATIVES**

Outstanding derivatives as at the date of the statement of financial position are as follows:

| | Notional/Contract Value | | Fair Value | |
|---|---|---|--|--|
| | As at 31 December 2018 USD'000 | As at 31 December 2017 USD'000 | As at 31 December 2018 RM'000 | As at 31 December 2017 RM'000 |
| Finance lease liability (designated as hedging instrument) | | | | |
| - More than 3 years | 245,748 | 252,133 | 1,014,264 | 1,023,535 |
| Interest rate swap | | | | |
| - 1 year to 3 years | 322,003 | 322,003 | 29,093 | 18,469 |
| Forward exchange contract | | | | |
| - Less than 1 year | 18,666 | 18,437 | 117 | (64) |

There were no changes to the requirements and nature of the outstanding derivatives as disclosed since the last audited financial statements for the year ended 31 December 2017.

30. MATERIAL LITIGATION

Kimanis Power Sdn Bhd (KPSB), a 60% joint venture company of the Group, has issued a Notice of Arbitration on 24 March 2017 to Sabah Electricity Sdn Bhd (SESB) in connection to disputes on Power Purchase Agreement entered into between the parties.

Subsequent to the issuance of the Notice of Arbitration, KPSB had on 12 September 2017 filed its Statement of Claim for an estimated sum of RM83,381,000 plus interests. SESB has since filed its Statement of Defence and Counterclaim on 2 November 2017 amounting to a sum of RM228,826,000 plus interests. In pursuing with arbitration matter, both parties are currently at the inspection and discovery of documents stage and tribunal hearing is scheduled to be held in November 2019.

There has been no other material litigation since the last audited consolidated financial statements for the year ended 31 December 2017.

31. EARNINGS PER SHARE

Basic earnings per share (EPS) is derived based on the net profit attributable to shareholders of the Company and the number of ordinary shares outstanding during the period.

| | 3 months ended 31 December | | 12 months ended 31 December | |
|---|-------------------------------|-----------|--------------------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| Net profit for the period attributable to ordinary shareholders of the Company (RM'000) | 317,904 | 486,696 | 1,810,261 | 1,792,682 |
| Number of ordinary shares in issue ('000) | 1,978,732 | 1,978,732 | 1,978,732 | 1,978,732 |
| EPS (sen) | 16.07 | 24.60 | 91.49 | 90.60 |

As at the date of the statement of financial position, the Company has not issued any dilutive potential ordinary shares and hence, the diluted EPS is the same as the basic EPS.

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****32. AUDITOR REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

As disclosed in Note 3.

33. OPERATING PROFIT FOR THE PERIOD/YEAR

| <i>In RM'000</i> | 3 months ended | | 12 months ended | |
|---|-----------------------|-------------|------------------------|-------------|
| | 31 December | | 31 December | |
| | 2018 | 2017 | 2018 | 2017 |
| Operating profit includes the following charges: | | | | |
| Amortisation of prepaid lease payment | 17 | 17 | 66 | 70 |
| Depreciation of property, plant and equipment | 288,025 | 278,574 | 1,136,833 | 990,077 |
| Property, plant and equipment written off | 400 | - | 422 | 731 |
| Loss on disposal of property, plant and equipment | - | 238 | - | - |
| Loss on realised foreign exchange | 1,876 | - | 4,048 | - |
| Receivables written off | 421 | - | 421 | - |
| Impairment loss | | | | |
| - Property, plant and equipment | 16,889 | - | 16,889 | - |
| - Expected credit loss | - | - | 133 | - |
| and crediting: | | | | |
| Gain on realised foreign exchange | - | 1,139 | - | 315 |
| Gain on unrealised foreign exchange | 6,526 | 2,998 | 1,508 | 15,819 |
| Gain on disposal of property, plant and equipment | - | - | 392 | 61 |
| Interest income from fund investments | 32,236 | 32,029 | 112,637 | 84,849 |
| Impairment write back | | | | |
| - Receivables | 353 | - | 353 | - |
| - Expected credit loss | 13 | - | - | - |

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

34. DIVIDENDS

As disclosed in Note 10.

35. EXCHANGE RATE

| USD/MYR | Individual quarter ended | | | Cumulative quarter ended | | |
|--------------|--------------------------|------------|------------|--------------------------|------------|------------|
| | 31.12.2018 | 30.09.2018 | 31.12.2017 | 31.12.2018 | 30.09.2018 | 31.12.2017 |
| Average rate | 4.1721 | 4.0930 | 4.1590 | 4.0347 | 4.3002 | 4.3002 |
| Closing rate | 4.1445 | 4.1445 | 4.0595 | 4.1445 | 4.0595 | 4.0595 |

36. AUTHORISED FOR ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 February 2019.

BY ORDER OF THE BOARD

Syuhaida Ab Rashid (MACS 01582)
Yeap Kok Leong (MAICSA 0862549)
Company Secretaries
Kuala Lumpur
18 February 2019