



PETRONAS

PETRONAS GAS BERHAD

Interim Financial Report

for the Fourth Quarter ended 31 December 2017

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



Key Financial Highlights	12 months ended		Variance %
	2017	31 December 2016	
<i>In RM'000</i>			
Revenue	4,809,623	4,561,280	+5.4
Profit before taxation	2,252,713	2,106,769	+6.9
Profit for the year	1,816,933	1,736,301	+4.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	3,271,437	3,023,569	+8.2
Earnings per share (EPS) (sen)	90.60	87.89	+3.1
Declared dividends per share (sen)	66.00	62.00	+6.5

- **PETRONAS Gas Berhad Group** closed the financial year ended 31 December 2017 with the highest revenue ever at **RM4.8 billion, an increase of 5.4% or RM248.3 million** compared to the corresponding year. The growth was primarily driven by new revenue stream from its second LNG regasification terminal in Pengerang, Johor which commenced commercial operations in November 2017. This was further supported by higher Utilities segment revenue on the back of higher customer demand for electricity and steam coupled with higher realised selling price in line with fuel gas price increment in January and July 2017.
- **Profit before tax (PBT) was RM2.3 billion, an increase of 6.9% or RM145.9 million** on higher revenue, higher fund investment income and higher share of profit from one of the Group's joint venture companies.
- **Profit for the year rose by 4.6% to RM1.8 billion** in tandem with higher PBT.
- **EBITDA was similarly higher by 8.2% at RM3.3 billion** in line with higher PBT.
- **EPS was higher by 2.7 sen** with higher net profit attributable to shareholders of the Company.
- **The Board of Directors has approved a fourth interim dividend** of 19 sen per ordinary share amounting to RM376.0 million in respect of the financial year ended 31 December 2017.

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



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 2017 which should be read in conjunction with the Explanatory Notes on pages 5 to 19.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2017	As at 31 December 2016
<i>In RM'000</i>		
ASSETS		
Property, plant and equipment	12,898,583	12,807,524
Prepaid lease payment	4,139	4,645
Investment in joint ventures	622,633	605,990
Investment in associate	131,742	130,162
Deferred tax assets	364,789	408,042
Long term receivables	197,799	47,905
TOTAL NON-CURRENT ASSETS	14,219,685	14,004,268
Trade and other inventories	66,663	68,468
Trade and other receivables	833,992	711,914
Cash and cash equivalents	2,500,357	1,763,117
Tax recoverable	6,839	5,865
TOTAL CURRENT ASSETS	3,407,851	2,549,364
TOTAL ASSETS	17,627,536	16,553,632
EQUITY		
Share capital	3,165,204	1,978,732
Reserves	9,349,817	9,988,048
Total equity attributable to the shareholders of the Company	12,515,021	11,966,780
Non-controlling interests	247,444	194,469
TOTAL EQUITY	12,762,465	12,161,249
LIABILITIES		
Borrowings	2,978,939	2,216,869
Deferred tax liabilities	1,165,576	1,131,032
Deferred income	4,962	5,907
TOTAL NON-CURRENT LIABILITIES	4,149,477	3,353,808
Trade and other payables	610,250	1,006,007
Borrowings	105,344	32,568
TOTAL CURRENT LIABILITIES	715,594	1,038,575
TOTAL LIABILITIES	4,865,071	4,392,383
TOTAL EQUITY AND LIABILITIES	17,627,536	16,553,632
Net assets per share attributable to the shareholders of the Company (RM)	6.3248	6.0477

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

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

	3 months ended		12 months ended	
	2017	31 December 2016	2017	31 December 2016
<i>In RM'000</i>				
Revenue	1,303,755	1,153,943	4,809,623	4,561,280
Cost of revenue	(745,349)	(672,061)	(2,666,822)	(2,495,424)
Gross profit	558,406	481,882	2,142,801	2,065,856
Administration expenses	(18,149)	(28,599)	(84,356)	(93,086)
Other expenses	(2,563)	(10,405)	(6,025)	(15,029)
Other income	72,133	57,138	225,976	179,345
Operating profit	609,827	500,016	2,278,396	2,137,086
Financing costs	(36,369)	(25,579)	(113,496)	(93,943)
Share of profit after tax of equity-accounted associate and joint ventures	32,435	9,350	87,813	63,626
Profit before taxation	605,893	483,787	2,252,713	2,106,769
Tax expense	(95,451)	(20,522)	(435,780)	(370,468)
PROFIT FOR THE PERIOD/YEAR	510,442	463,265	1,816,933	1,736,301
Other comprehensive income/(expenses)				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movement from exchange differences	(35,076)	49,596	(75,860)	30,743
Cash flow hedge	42,235	(88,446)	127,087	(51,703)
Share of cash flow hedge of an equity-accounted joint venture	(6,775)	10,495	(16,256)	7,887
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	510,826	434,910	1,851,904	1,723,228
Profit/(loss) attributable to:				
Shareholders of the Company	486,696	465,061	1,792,682	1,739,052
Non-controlling interests	23,746	(1,796)	24,251	(2,751)
PROFIT FOR THE PERIOD/YEAR	510,442	463,265	1,816,933	1,736,301
Total comprehensive income/(expenses) attributable to:				
Shareholders of the Company	499,357	419,347	1,854,204	1,715,219
Non-controlling interests	11,469	15,563	(2,300)	8,009
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	510,826	434,910	1,851,904	1,723,228
Basic and diluted earnings per ordinary share (sen)	24.60	23.50	90.60	87.89

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

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

	Attributable to shareholders of the Company							Non-controlling interests	Total
				Non-distributable	Distributable				
	Share capital	Share premium	Hedging reserve	Foreign currency translation reserve	Other reserves	Retained profits	Total		
<i>In RM'000</i>									
Quarter ended 31 December 2016									
Balance at 1 January 2016	1,978,732	1,186,472	41,485	36,371	-	8,195,739	11,438,799	156,137	11,594,936
Net movement from exchange differences	-	-	-	19,983	-	-	19,983	10,760	30,743
Cash flow hedge	-	-	(51,703)	-	-	-	(51,703)	-	(51,703)
Share of cash flow hedge of an equity-accounted joint venture	-	-	7,887	-	-	-	7,887	-	7,887
Profit for the year	-	-	-	-	-	1,739,052	1,739,052	(2,751)	1,736,301
Total comprehensive income for the year	-	-	(43,816)	19,983	-	1,739,052	1,715,219	8,009	1,723,228
Issuance of shares to non-controlling interest	-	-	-	-	-	-	-	30,323	30,323
Interim dividend declared and paid in respect of previous year	-	-	-	-	-	(336,384)	(336,384)	-	(336,384)
Interim dividend declared and paid in respect of the current year	-	-	-	-	-	(850,854)	(850,854)	-	(850,854)
Total transactions with shareholders of the Company	-	-	-	-	-	(1,187,238)	(1,187,238)	30,323	(1,156,915)
Balance at 31 December 2016	1,978,732	1,186,472	(2,331)	56,354	-	8,747,553	11,966,780	194,469	12,161,249
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

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.

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	12 months ended	
	2017	31 December 2016
<i>In RM'000</i>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,252,713	2,106,769
<i>Adjustments for:</i>		
Depreciation and amortisation	990,147	877,152
Interest expenses	113,496	93,943
Interest income	(84,849)	(54,227)
Share of profit after tax equity-accounted joint ventures and associates	(87,813)	(63,626)
Unrealised (gain)/loss on foreign exchange	(15,819)	7,766
Other non-cash items	3,154	1,763
Operating profit before changes in working capital	3,171,029	2,969,540
Change in trade and other receivables	(157,176)	(59,963)
Change in trade inventories	(652)	(23,829)
Change in trade and other payables	194,126	(56,537)
Cash generated from operations	3,207,423	2,829,211
Interest income from fund and other investment	84,849	54,227
Taxation paid	(359,190)	(122,403)
Net cash generated from operating activities	2,933,082	2,761,035
CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received from associate and joint ventures	53,334	31,664
Investment in a joint venture	-	(20,593)
Loans and advances to a joint venture	(102,573)	(47,036)
Purchase of property, plant and equipment	(1,846,105)	(1,954,614)
Proceeds from disposal of property, plant and equipment	61	478
Net cash used in investing activities	(1,895,283)	(1,990,101)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(1,305,963)	(1,187,238)
Drawdown of term loan	855,598	776,078
Drawdown of loan from corporate shareholder of a subsidiary	287,716	287,255
Financing costs paid	(158,145)	(114,188)
Repayment of finance lease liabilities	(34,427)	(31,245)
Proceeds from shares issued to a non-controlling interest	55,275	30,323
Net cash used in financing activities	(299,946)	(239,015)
Net increase in cash and cash equivalents	737,853	531,919
Net foreign exchange difference	(613)	383
Cash and cash equivalents at beginning of the year	1,763,117	1,230,815
Cash and cash equivalents at end of the year	2,500,357	1,763,117

The Group has changed its presentation for the Statement of Cash Flows from the direct to the indirect method in order to provide relevant information for the readers of the financial statements

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



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 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.

The interim financial statements are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2016. 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 2016.

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 quarter ended 31 December 2017.

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 31 December 2017 under the Malaysian Financial Reporting Standards (MFRS) framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2016 except as described below.

As of 1 January 2017, the Group has adopted the following amendments to MFRSs which are effective for annual periods beginning on or after 1 January 2017.

Amendments to MFRS 12 *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

Amendments to MFRS 107 *Statement of Cash Flows: Disclosure Initiative*

Amendments to MFRS 112 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The initial application of the above mentioned amendments to MFRSs do not have any material impact to the financial statements of the Group.

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2016 were not subject to any audit qualification.

4. 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 2016 that may have a material effect in the results of the quarter under review.

5. SEASONAL OR CYCLICAL FACTORS

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

6. EXCEPTIONAL ITEMS

There were no exceptional items during the quarter under review.

7. PROPERTY, PLANT AND EQUIPMENT

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

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

8. DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 31 December 2017.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

	12 months ended	
	2017	31 December 2016
<i>In RM'000</i>		
Ordinary		
Interim paid:		
2015 - Fourth interim dividend of 17 sen per ordinary share	-	336,384
2016 - First interim dividend of 14 sen per ordinary share	-	277,022
2016 - Second interim dividend of 14 sen per ordinary share	-	277,022
2016 - Third interim dividend of 15 sen per ordinary share	-	296,810
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	-
	1,305,963	1,187,238

On 26 February 2018, the Directors of the Company approved a fourth interim dividend of 19 sen per ordinary share, amounting to RM376.0 million in respect of the financial year ended 31 December 2017.

The dividends are payable on 23 March 2018 to depositors registered in the Records of Depositors at the close of business on 14 March 2018.

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

- a) Shares transferred into the Depositor's Securities Account before 4.00 pm on 14 March 2018 in respect of ordinary transfers.
- b) 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 2018.

10. CHANGES IN THE COMPOSITION OF THE GROUP

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

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

11. 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 term 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, either directly (i.e. as prices) or indirectly observable for the asset or liability.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

There were no transfers between Level 2 and 3 of the fair value valuation hierarchy during the financial period.

<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				
Long term receivables	-	182,292	182,292	182,292
Derivative assets	18,469	-	18,469	18,469
	18,469	182,292	200,761	200,761
Financial liabilities				
Finance lease liabilities	-	(1,023,535)	(1,023,535)	(1,023,535)
Term loan	-	(1,529,104)	(1,529,104)	(1,529,104)
Loan from corporate shareholder of a subsidiary	-	(531,644)	(531,644)	(531,644)
Derivative liabilities	(64)	-	(64)	(64)
	(64)	(3,084,283)	(3,084,347)	3,084,347
31 December 2016				
Financial assets				
Long term receivables	-	47,905	47,905	47,905
Derivative assets	15	-	15	15
	15	47,905	47,920	47,920
Financial liabilities				
Finance lease liabilities	-	(1,166,580)	(1,166,580)	(1,166,580)
Term loan	-	(795,602)	(795,602)	(795,602)
Loan from corporate shareholder of subsidiary	-	(287,255)	(287,255)	(287,255)
	-	(2,249,437)	(2,249,437)	(2,249,437)

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

12. 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 offshore gas fields on 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.
- Utilities – activities include manufacturing, marketing and supplying of industrial utilities to the petrochemical complexes in the Kertih and Gebeng Industrial Area.
- Regasification – activities include regasification of liquefied natural gas (LNG) into the Peninsular Gas Utilisation pipeline network.

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 Group operates in Malaysia and accordingly, information by geographical location is not presented.

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.

Business Segment	12 months ended				Total
	Gas Processing	Gas Transportation	Utilities	Regasification	
Revenue	1,557,504	1,311,067	1,167,464	773,588	4,809,623
Segment results	636,150	979,760	148,908	377,983	2,142,801
Unallocated income					135,595
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

Business Segment	12 months ended				Total
	Gas Processing	Gas Transportation	Utilities	Regasification	
Revenue	1,557,175	1,303,877	1,069,071	631,157	4,561,280
Segment results	648,371	975,303	155,895	286,287	2,065,856
Unallocated income					71,230
Operating profit					2,137,086
Financing costs					(93,943)
Share of profit after tax of equity-accounted associate and joint ventures					63,626
Profit before taxation					2,106,769

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

12. 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 and other corporate income and expenses.

13. SUBSEQUENT EVENTS

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

14. CONTINGENCIES

<i>In RM'000</i>	As at 31 December 2017	As at 31 December 2016
Unsecured		
Counter claim by a third party against a joint venture	137,296	-

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

15. 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 2017	As at 31 December 2016
Property, plant and equipment		
Approved and contracted for	484,924	1,467,297
Approved but not contracted for	4,341,058	2,542,181
	4,825,982	4,009,478
Share of capital expenditure of joint ventures		
Approved and contracted for	88,534	261,917
Approved but not contracted for	52,505	55,089
	141,039	317,006
	4,967,021	4,326,484

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

16. 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 2016 are as follows:

<i>In RM'000</i>	As at 31 December 2017	As at 31 December 2016
Holding company		
Regasification fee income	108,136	-

The above is in respect of regasification services provided by Pengerang LNG (Two) Sdn Bhd, a subsidiary of the Group to Petrolia Nasional Berhad (PETRONAS) upon achieving commercial operations for its new LNG Regasification terminal in Pengerang, Johor.

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



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

17. REVIEW OF GROUP PERFORMANCE

(a) Current quarter against the corresponding quarter

In RM'000	3 months ended		Variance %
	2017	31 December 2016	
Revenue	1,303,755	1,153,943	+13.0
Operating profit	609,827	500,016	+22.0
Profit before taxation	605,893	483,787	+25.2
Profit for the quarter	510,442	463,265	+10.2

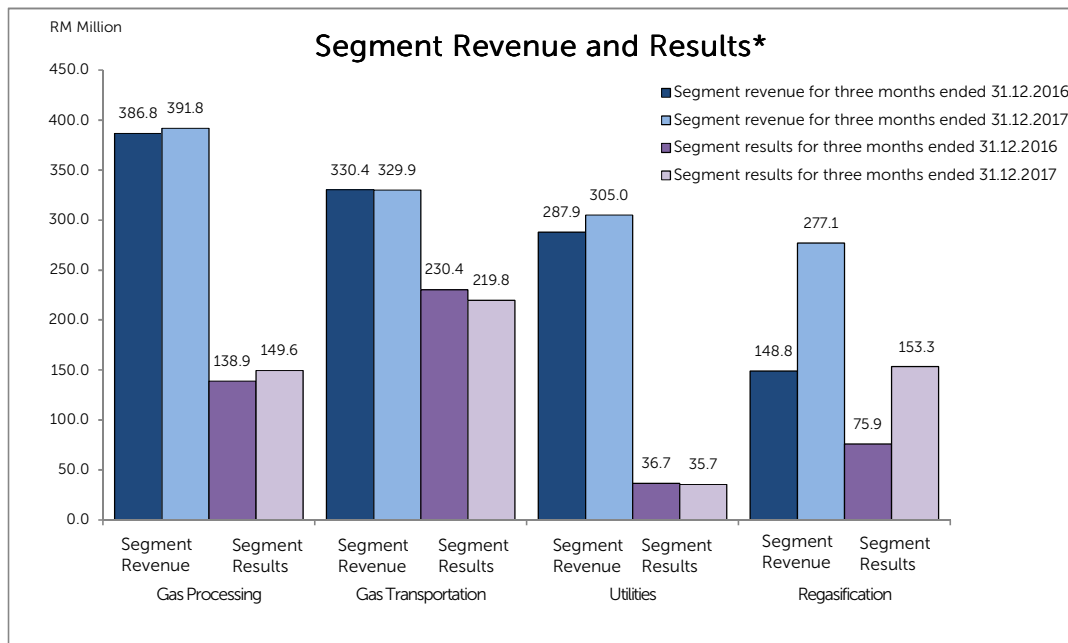
The Group continued to maintain its strong operational performance record across all segments. In particular, the Gas Processing, Transportation and Regasification segments performed at above 99% reliability.

Gas processing's liquid plant extraction performance continued to exceed targets, resulting in the higher performance based structure (PBS) income compared to corresponding quarter. Utilities segment recorded lower steam and industrial gases volume while electricity volume was higher.

Group revenue grew by 13% or RM149.9 million to RM1.3 billion, mainly contributed by the Group's new LNG regasification terminal in Pengerang, Johor which commenced operations during the quarter. This was further supported by higher revenue from Gas Processing and Utilities segments on the back of higher PBS income and favourable selling price respectively.

Profit for the quarter also increased by 10% or RM47.1 million to RM510.4 million on higher revenue coupled with higher share of profit from one of the Group's joint venture companies.

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



INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



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

17. REVIEW OF GROUP PERFORMANCE (continued)

(a) Current quarter against the corresponding quarter (continued)

Gas Processing

The Group's gas processing plants continued to perform well at 100% plant reliability, testament to our focus on operational excellence. Liquid plant extraction performance consistently exceeded targets throughout the quarter, resulting in higher tranches of PBS income earned compared to corresponding quarter.

As a result, segment revenue was higher by RM5.0 million or 1.3%. Gross profit increased by RM10.7 million or 7.7% driven by higher revenue and lower repairs and maintenance.

Gas Transportation

Gas Transportation segment sustained its pipeline network reliability at close to 100%, allowing the segment to register steady revenue for the quarter at RM329.9 million.

The segment contributed RM219.8 million to the Group, slightly lower by RM10.6 million or 4.6% largely attributable to higher depreciation relating to Pengerang gas pipeline which achieved first gas supply in June 2017.

Utilities

For Utilities segment, steam and industrial gases volumes were lower than the corresponding quarter on the back of lower demand from customers while electricity volumes were higher in line with production.

Segment revenue grew by RM17.1 million, mainly driven by higher effective selling price in line with upward fuel gas price revisions effective 1 January and 1 July 2017.

The increase in revenue was, however, offset by higher cost of sales attributable to upward fuel gas revision and higher depreciation following completion of scheduled turnaround activities. This resulted in slightly lower gross profit contribution to the Group by RM1.0 million or 2.7% at RM35.7 million.

Regasification

The Group's regasification facility in Melaka continued to record high plant reliability at 99% during the quarter.

The segment recorded higher revenue by RM128.3 million or 86% compared to the corresponding quarter, mainly contributed by the Group's new regasification terminal in Pengerang, Johor which came on-stream in November 2017. Correspondingly, gross profit surged by over 100% to RM153.3 million.

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



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

17. REVIEW OF GROUP PERFORMANCE (continued)

(b) Current year against the corresponding year

In RM'000	12 months ended 31 December		Variance %
	2017	2016	
Revenue	4,809,623	4,561,280	+5.4
Operating profit	2,278,396	2,137,086	+6.6
Profit before taxation	2,252,713	2,106,769	+6.9
Profit for the year	1,816,933	1,736,301	+4.6

For the year ended 31 December 2017, the Group continued its strong performance for plant and facilities reliability across all segments.

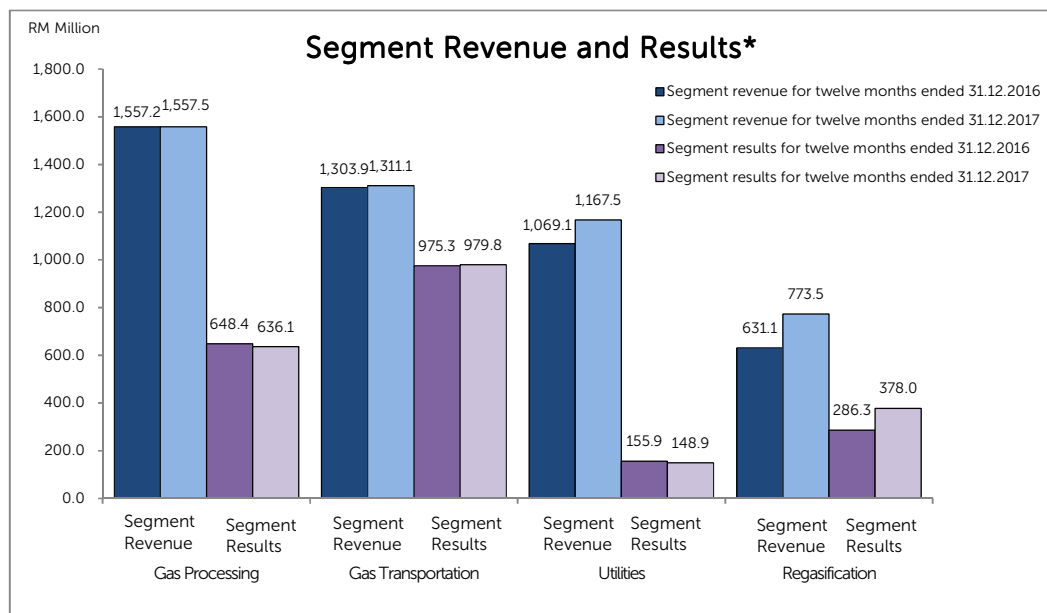
Gas Processing's liquid plant extraction exceeded targets, resulting in continued and similar level of performance based structure (PBS) income this year. Production volume for Utilities products increased in line with higher demand from customers while realised selling price was also higher following upward fuel gas price revision.

Notably, the Group's new LNG Regasification Terminal in Pengerang, Johor commenced commercial operations in November.

The Group recorded its highest revenue ever at RM4.8 billion, mainly contributed by new revenue stream from the LNG Regasification Terminal in Pengerang, Johor and higher revenue from Utilities segment.

Profit for the year rose by 4.6% or RM80.6 million at RM1.8 billion in tandem with higher revenue, further supported by higher fund investment income and higher share of profit from one of the Group's joint ventures companies.

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



*Note: Segment Results refers to Gross Profit

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



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

17. REVIEW OF GROUP PERFORMANCE (continued)

(b) Current year to date against the corresponding year to date (continued)

Gas Processing

Gas Processing segment recorded strong plant reliability performance of above 99% for the year, sustaining the corresponding year's achievement. Liquid plant extraction performance continued to exceed targets, resulting in similar level of PBS income this year.

Correspondingly, segment revenue was comparable at RM1,557.5 million. Gross profit declined slightly by 1.9% or RM12.3 million to RM636.1 million, attributable to higher depreciation following completion of scheduled turnaround activities, offset by lower repairs and maintenance in line with high plant reliability.

Gas Transportation

Gas Transportation segment sustained high gas transmission reliability at nearly 100%, at par with the corresponding year.

Revenue rose by 0.6% or RM7.2 million to RM1,311.1 million as the corresponding year included a once-off recognition relating to downward revision of Gas Transportation Sabah tariff. Excluding this impact, revenue would be comparable.

Gross profit increased by 0.5% or RM4.5 million to RM979.8 million on higher revenue, negated by higher depreciation in line with completion of capital projects.

Utilities

Utilities segment registered higher production and sales volumes of electricity and steam for the year 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 2017.

The higher volumes and price translated to improved revenue of RM98.4 million or 9.2% at RM1,167.5 million. Gross profit, however, declined slightly by RM7.0 million or 4.4% to RM148.9 million on the back of higher cost of sales.

Regasification

The Group's regasification facility in Melaka recorded higher plant reliability at 99% for the year compared to 98% in the corresponding year. On 1 November 2017, the Group's new regasification terminal in Pengerang, Johor commenced commercial operations.

Revenue for the segment consequently surged to RM773.5 million. Gross profit was also grew by 32% or RM91.7 million to RM378.0 million with contribution from the new regasification terminal offset by higher depreciation and higher lease charges following stronger USD against MYR.

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



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

18. COMPARISON WITH PRECEDING QUARTER RESULTS

<i>In RM'000</i>	3 months ended		Variance %
	31 December 2017	30 September 2017	
Revenue	1,303,755	1,163,208	+12.1
Operating profit	609,827	537,230	+13.5
Profit before taxation (PBT)	605,893	532,642	+13.8
Profit for the quarter	510,442	417,400	+22.3

Operational performance of the Group's plant and facilities were at par against the preceding quarter.

Group revenue rose by 12% or RM140.6 million to RM1.3 billion with the commencement of operations at the Group's new LNG regasification terminal in November 2017.

Group profit for the quarter also increased by 22% or RM93.0 million to RM510.4 million, primarily due to higher revenue coupled with higher fund investment income and higher share of profit from joint ventures and associate.

19. COMMENTARY ON PROSPECTS

The Group's performance is expected to remain robust for 2018, backed by its strong and sustainable revenue streams from existing Gas Processing Agreement and Gas Transportation Agreements signed with PETRONAS. Furthermore, revenue stream for the Regasification segment will grow with the first full year of operations at the Group's new LNG Regasification Terminal in Pengerang, Johor.

As announced by the Group on 15 January 2018, the Gas Supply (Amendment) Act 2016 is effective from 16 January 2018 onwards and the Energy Commission has confirmed that the current tariffs for the Group's Gas Transportation and Regasification services will be maintained until end of 2018. The Group is in continuous discussion with Energy Commission on the framework and quantum of the said tariffs beyond 2018.

The Group's Utilities segment will continue to contribute positively to the Group's results.

20. PROFIT FORECAST

Not applicable as no profit forecast was published.

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



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

21. TAXATION

Taxation comprises the following:

<i>In RM'000</i>	3 months ended		12 months ended	
	31 December		31 December	
	2017	2016	2017	2016
Current tax expenses				
Malaysia				
- current period	54,366	79,157	354,599	156,312
- (over)/under provision in prior years	-	(42,600)	3,617	(42,600)
Total current tax expenses	54,366	36,557	358,216	113,712
Deferred tax expenses				
- origination and reversal of temporary differences	41,085	18,510	77,441	291,301
- (over)/under provision in prior years	-	(34,545)	123	(34,545)
Total deferred tax expenses/(income)	41,085	(16,035)	77,564	256,756
	95,451	20,522	435,780	370,468

The effective tax rate (ETR) for the quarter and year ended 31 December 2017 was lower than the statutory tax rate of 24% mainly due to utilisation of tax incentive granted for Utilities and Regasification business. For Regasification business, income under the new LNG regasification terminal in Pengerang, Johor is eligible for RAPID tax incentives, including tax exemption for approved period commencing from the first year of taxable statutory income.

22. STATUS OF CORPORATE PROPOSAL ANNOUNCED BUT NOT COMPLETED

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

23. BORROWINGS

Particulars of Group's borrowings are as follows:

<i>In RM'000</i>	As at	As at
	31 December	31 December
	2017	2016
Non Current		
Finance lease liabilities	991,492	1,134,012
Term loan	1,529,104	795,602
Loan from corporate shareholder of a subsidiary	458,343	287,255
	2,978,939	2,216,869
Current		
Finance lease liabilities	32,043	32,568
Loan from corporate shareholder of a subsidiary	73,301	-
	105,344	32,568
	3,084,283	2,249,437
<i>In RM'000</i>		
By Currency		
USD	3,084,283	2,249,437
Closing exchange rate (RM/USD)	4.0595	4.4845

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



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

23. BORROWINGS (continued)

Terms and debt repayment schedule:

In RM'000	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Secured					
Finance lease liabilities	1,023,535	32,043	38,372	138,808	814,312
Unsecured					
Term loan	1,529,104	-	-	1,529,104	-
Loan from corporate shareholder of a subsidiary	531,644	73,301	106,034	173,665	178,644
	3,084,283	105,344	144,406	1,841,577	992,956

¹ Finance lease liabilities bears interest at rate of 9.1% (2016: 9.1%) per annum.

² The unsecured term loan bears interest at rates ranging from 1.7% to 2.3% (2016: 1.2% to 2.0%) 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.

³ Loan from corporate shareholder of a subsidiary bears interest at a rate of 6.5% per annum and repayable in tranches at their various due dates from 2018 to 2028.

Reconciliation of liabilities arising from financing activities:

In RM'000	Cash flows			Non-cash changes	At 31.12.2017
	At 1.1.2017	Drawdown	Repayment	Foreign exchange movement	
Finance lease liabilities	1,166,580	-	(34,427)	(108,618)	1,023,535
Term loan	795,602	855,598	-	(122,096)	1,529,104
Loan from corporate shareholder of a subsidiary	287,255	287,716	-	(43,327)	531,644
	2,249,437	1,143,314	(34,427)	(274,041)	3,084,283

24. MATERIAL LITIGATION

There has been no material litigation other than as disclosed in this report.

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



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

25. 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	
	2017	2016	2017	2016
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	486,696	465,061	1,792,682	1,739,052
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
Basic and diluted EPS (sen)	24.60	23.50	90.60	87.89

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.

26. AUDITOR REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

As disclosed in Note 3.

27. PROFIT FOR THE PERIOD

<i>In RM'000</i>	3 months ended 31 December		12 months ended 31 December	
	2017	2016	2017	2016
Profit for the period/year is arrived at after charging:				
Depreciation of property, plant and equipment	278,574	229,244	990,077	877,084
Property, plant and equipment written off	-	-	731	74
Loss on disposal of property, plant and equipment	238	-	-	-
Loss on unrealised foreign exchange	-	9,123	-	7,766
Impairment on receivables	-	353	-	353
and crediting:				
Gain on realised foreign exchange	1,139	780	315	12,925
Gain on unrealised foreign exchange	2,998	-	15,819	-
Gain on disposal of property, plant and equipment	-	183	61	389
Interest income from fund investments	32,029	17,188	84,849	54,227

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

28. DIVIDENDS

As disclosed in Note 9.

INTERIM FINANCIAL REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017



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

29. EXCHANGE RATE

USD/MYR	Individual quarter ended			Cumulative quarter ended		
	31.12.2017	30.09.2017	31.12.2016	31.12.2017	30.09.2017	31.12.2016
Average rate	4.1590	4.2616	4.3214	4.3002	4.3472	4.1459
Closing rate	4.0595	4.2265	4.4845	4.0595	4.2265	4.4845

30. 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 26 February 2018.

BY ORDER OF THE BOARD

Intan Shafinas (Tuty) Hussain (LS0009774)
 Yeap Kok Leong (MAICSA0862549)
 Company Secretaries
 Kuala Lumpur
 26 February 2018