



PETRONAS

PETRONAS GAS BERHAD

Quarterly Report

for the Fourth Quarter ended 31 December 2015

QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015



Key Financial Highlights	12 months ended	
	2015	31 December 2014
<i>In RM'000</i>		
Revenue	4,455,955	4,391,716
Profit before taxation	2,002,110	2,354,459
Profit for the year	1,985,870	1,842,080
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	2,837,228	3,180,827
Earnings per share (EPS) (sen)	100.44	93.15
Declared dividends per share (sen)	60.00	55.00

- **PETRONAS Gas Berhad Group's revenue for the year ended 31 December 2015 reached RM4.5 billion, a marginal increase of 1.5%** compared to the corresponding year primarily attributable to higher gas processing and gas transportation revenue in line with higher reservation charge and capacity booking by PETRONAS under the new Gas Processing Agreement and Gas Transportation Agreements effective from 1 April 2014.
- **Profit before taxation (PBT) was RM2.0 billion, a decrease of 15.0%**, compared to the corresponding year mainly due to lower share of profit after tax from joint ventures as a result of one-off recognition of deferred tax asset (DTA) arising from investment tax allowance (ITA) granted for Kimanis Power Plant (KPP) in the corresponding year as well as higher operating costs and unrealised foreign exchange (forex) loss on USD finance lease liabilities during the year.
- **Profit for the year improved by 7.8%** despite lower PBT, primarily contributed by lower tax expense due to recognition of DTA arising from ITA and reinvestment allowance (RA) granted for Plant Rejuvenation and Revamp (PRR) project totalling RM443.1 million. Excluding impact of tax incentives and forex, profit for the year increased by RM1.6 million or 0.1% in line with higher revenue and other income.
- **Earnings before interest, taxes, depreciation and amortisation were lower by 10.8%** in line with lower profit before taxation. Excluding impact of forex, EBITDA decreased by 6.1%.
- **Earnings per share higher by 7.29 sen**, in tandem with higher net profit attributable to ordinary shareholders of the Company.
- **The Board of Directors has approved** a fourth interim dividend of 17 sen per ordinary share amounting to RM336.4 million in respect of the financial year ended 31 December 2015.

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015



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 2015 which should be read in conjunction with the Explanatory Notes on pages 5 to 16.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2015	As at 31 December 2014
<i>In RM'000</i>		
ASSETS		
Property, plant and equipment	11,323,848	10,858,461
Prepaid lease payment	4,518	-
Investment in associate	128,063	132,335
Investment in joint ventures	547,647	468,399
Deferred tax assets	456,360	511,434
TOTAL NON-CURRENT ASSETS	12,460,436	11,970,629
Trade and other inventories	46,367	43,384
Trade and other receivables	644,389	608,718
Cash and cash equivalents	1,230,815	637,746
TOTAL CURRENT ASSETS	1,921,571	1,289,848
TOTAL ASSETS	14,382,007	13,260,477
EQUITY		
Share capital	1,978,732	1,978,732
Reserves	9,460,067	8,555,146
Total equity attributable to the shareholders of the Company	11,438,799	10,533,878
Non-controlling interests	156,137	35,125
TOTAL EQUITY	11,594,936	10,569,003
LIABILITIES		
Finance lease liabilities	1,029,596	861,223
Deferred tax liabilities	922,594	1,033,321
Deferred income	6,852	7,798
TOTAL NON-CURRENT LIABILITIES	1,959,042	1,902,342
Trade and other payables	796,539	668,185
Finance lease liabilities	28,664	21,027
Taxation	2,826	99,920
TOTAL CURRENT LIABILITIES	828,029	789,132
TOTAL LIABILITIES	2,787,071	2,691,474
TOTAL EQUITY AND LIABILITIES	14,382,007	13,260,477
Net assets per share attributable to the shareholders of the Company (RM)	5.7809	5.3235

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

	3 months ended 31 December		12 months ended 31 December	
	2015	2014	2015	2014
<i>In RM'000</i>				
Revenue	1,136,722	1,111,604	4,455,955	4,391,716
Cost of revenue	(705,613)	(572,708)	(2,316,526)	(2,179,498)
Gross profit	431,109	538,896	2,139,429	2,212,218
Administration expenses	(33,874)	(25,342)	(89,468)	(74,843)
Other expenses	-	(86,592)	(205,211)	(96,215)
Other income	90,643	33,501	172,213	100,899
Operating profit	487,878	460,463	2,016,963	2,142,059
Financing costs	(24,252)	(19,557)	(90,055)	(76,328)
Share of profit after tax of equity-accounted associate and joint ventures	24,597	242,264	75,202	288,728
Profit before taxation	488,223	683,170	2,002,110	2,354,459
Tax expense	(77,282)	(112,990)	(16,240)	(512,379)
PROFIT FOR THE PERIOD/YEAR	410,941	570,180	1,985,870	1,842,080
Other comprehensive income/(expenses)				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share of cash flow hedge of an equity-accounted joint venture	(4,403)	8,372	28,939	7,950
Net movement from exchange differences	(26,360)	-	55,955	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	380,178	578,552	2,070,764	1,850,030
Profit/(loss) attributable to:				
Shareholders of the Company	414,495	571,286	1,987,452	1,843,186
Non-controlling interests	(3,554)	(1,106)	(1,582)	(1,106)
PROFIT FOR THE PERIOD/YEAR	410,941	570,180	1,985,870	1,842,080
Total comprehensive income/(expense) attributable to:				
Shareholders of the Company	398,507	579,658	2,058,705	1,851,136
Non-controlling interests	(9,329)	(1,106)	12,059	(1,106)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	380,178	578,552	2,070,764	1,850,030
Basic and diluted earnings per ordinary share (sen)	20.95	28.87	100.44	93.15

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In RM'000	Attributable to shareholders of the Company							
	Non-Distributable				Distributable		Non-controlling interests	Total
	Share capital	Share premium	Hedging reserve	Foreign currency translation reserve	Retained profits	Total		
Quarter ended 31 December 2014								
Balance at 1 January 2014	1,978,732	1,186,472	4,596	-	7,095,930	10,265,730	(183)	10,265,547
Share of cash flow hedge of an equity-accounted joint venture	-	-	7,950	-	-	7,950	-	7,950
Profit for the year	-	-	-	-	1,843,186	1,843,186	(1,106)	1,842,080
Total comprehensive income for the year	-	-	7,950	-	1,843,186	1,851,136	(1,106)	1,850,030
Total transactions with shareholders of the Company								
Issuance of shares to non-controlling interest	-	-	-	-	-	-	36,414	36,414
Final dividend approved and paid in respect of previous year	-	-	-	-	(791,494)	(791,494)	-	(791,494)
Interim dividend declared and paid in respect of the current year	-	-	-	-	(791,494)	(791,494)	-	(791,494)
Total transactions with shareholders of the Company	-	-	-	-	(1,582,988)	(1,582,988)	36,414	(1,546,574)
Balance at 31 December 2014	1,978,732	1,186,472	12,546	-	7,356,128	10,533,878	35,125	10,569,003
Quarter ended 31 December 2015								
Balance at 1 January 2015	1,978,732	1,186,472	12,546	-	7,356,128	10,533,878	35,125	10,569,003
Net movements from exchange differences	-	-	-	42,314	-	42,314	13,641	55,955
Share of cash flow hedge of an equity-accounted joint venture	-	-	28,939	-	-	28,939	-	28,939
Profit for the year	-	-	-	-	1,987,452	1,987,452	(1,582)	1,985,870
Total comprehensive income for the year	-	-	28,939	42,314	1,987,452	2,058,705	12,059	2,070,764
Total transactions with shareholders of the Company								
Issuance of shares to non-controlling interest	-	-	-	-	-	-	102,833	102,833
Dilution of shareholding in a subsidiary	-	-	-	(5,943)	(177)	(6,120)	6,120	-
Interim dividend declared and paid in respect of previous year	-	-	-	-	(296,810)	(296,810)	-	(296,810)
Interim dividend declared and paid in respect of the current year	-	-	-	-	(850,854)	(850,854)	-	(850,854)
Total transactions with shareholders of the Company	-	-	-	(5,943)	(1,147,841)	(1,153,784)	108,953	(1,044,831)
Balance at 31 December 2015	1,978,732	1,186,472	41,485	36,371	8,195,739	11,438,799	156,137	11,594,936

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	12 months ended	
	2015	31 December 2014
<i>In RM'000</i>		
Cash receipts from customers	4,574,476	4,547,268
Cash paid to suppliers and employees	<u>(1,591,607)</u>	<u>(1,631,831)</u>
	2,982,869	2,915,437
Interest income from fund investments	31,755	37,056
Taxation paid	<u>(168,987)</u>	<u>(375,830)</u>
Net cash generated from operating activities	<u>2,845,637</u>	<u>2,576,663</u>
Dividends received from associate and joint ventures	29,165	26,987
Acquisition of subsidiary, net of cash acquired	-	2,101
Prepaid lease payment	<u>(4,133)</u>	-
Purchase of property, plant and equipment	<u>(1,169,372)</u>	<u>(1,254,029)</u>
Maturity of other investments	-	15,000
Reimbursement of project cost	56,236	-
Proceeds from disposal of property, plant and equipment	<u>368</u>	<u>268</u>
Net cash used in investing activities	<u>(1,087,736)</u>	<u>(1,209,673)</u>
Dividends paid	<u>(1,147,664)</u>	<u>(1,582,988)</u>
Financing costs paid	<u>(88,814)</u>	<u>(76,247)</u>
Repayment of finance lease liabilities	<u>(23,861)</u>	<u>(18,546)</u>
Proceeds from shares issued to non-controlling interest	<u>102,833</u>	<u>36,414</u>
Net cash used in financing activities	<u>(1,157,506)</u>	<u>(1,641,367)</u>
Net increase/(decrease) in cash and cash equivalents	600,395	(274,377)
Net foreign exchange differences	<u>(7,326)</u>	-
Cash and cash equivalents at beginning of the year	<u>637,746</u>	<u>912,123</u>
Cash and cash equivalents at end of the year	<u>1,230,815</u>	<u>637,746</u>

QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015



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* and 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 2014. 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 2014.

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 2015.

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 2015 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 2014 except as described below.

As of 1 January 2015, the Group has adopted the following amendments to MFRSs which are effective for annual periods beginning on or after 1 July 2014.

Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2011-2013 Cycle)*

Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 119, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*

The adoption of the above amendments to MFRSs did not have material impact to the financial statements of the Group.

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the annual financial statements for the year ended 31 December 2014.

4. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the interim financial statements of the Group that may have a material effect for the year ended 31 December 2015.

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 other than as disclosed in the quarterly report.

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015



PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

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.

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 2015.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

<i>In RM'000</i>	12 months ended 31 December	
	2015	2014
Ordinary		
Final paid:		
2013 – Final dividend of 40 sen per ordinary share	-	791,494
Interim paid:		
2014 – First interim dividend of 20 sen per ordinary share	-	395,747
2014 – Second interim dividend of 20 sen per ordinary share	-	395,747
2014 – Third interim dividend of 15 sen per ordinary share	296,810	-
2015 – First interim dividend of 14 sen per ordinary share	277,022	-
2015 – Second interim dividend of 14 sen per ordinary share	277,022	-
2015 – Third interim dividend of 15 sen per ordinary share	296,810	-
	1,147,664	1,582,988

The Board of Directors has approved on 24 February 2016, a fourth interim dividend of 17 sen per ordinary share amounting to RM336.4 million in respect of the financial year ended 31 December 2015. The interim dividend will be payable on 23 March 2016 to depositors registered in the record of depositors as at 11 March 2016.

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 2016.

10. 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 they require 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 sales gas and other by-products such as ethane, propane and butane.
- Gas Transportation – activities include transportation of the 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) for PETRONAS.

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.

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**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****10. SEGMENTAL INFORMATION (continued)**

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.

<i>In RM'000</i>	12 months ended 31 December 2015				
	Gas Processing	Gas Transportation	Utilities	Regasification	Total
Revenue	1,533,622	1,311,611	973,584	637,138	4,455,955
Segment results	696,953	1,009,146	135,775	297,555	2,139,429
Unallocated expenses					(122,466)
Operating profit					2,016,963
Financing costs					(90,055)
Share of profit after tax of equity-accounted associate and joint ventures					75,202
Profit before taxation					2,002,110

<i>In RM'000</i>	12 months ended 31 December 2014				
	Gas Processing	Gas Transportation	Utilities	Regasification	Total
Revenue	1,480,247	1,286,690	1,008,559	616,220	4,391,716
Segment results	701,668	1,006,666	195,905	307,979	2,212,218
Unallocated expenses					(70,159)
Operating profit					2,142,059
Financing costs					(76,328)
Share of profit after tax of equity-accounted associate and joint ventures					288,728
Profit before taxation					2,354,459

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

11. SUBSEQUENT EVENTS

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

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****12. CHANGES IN THE COMPOSITION OF THE GROUP**

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

13. CONTINGENCIES

There were no material contingent liabilities and contingent assets since the last audited statement of financial position as at 31 December 2014.

14. 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 2015	As at 31 December 2014
Property, plant and equipment		
Approved and contracted for	3,028,692	2,627,770
Approved but not contracted for	1,813,904	2,066,218
	<u>4,842,596</u>	<u>4,693,988</u>
Share of capital expenditure of joint ventures		
Approved and contracted for	-	-
Approved but not contracted for	9,221	1,478
	<u>9,221</u>	<u>1,478</u>
	<u>4,851,817</u>	<u>4,695,466</u>

15. RELATED PARTY TRANSACTIONS

Significant transactions with related party in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2014 are as follows:

<i>In RM'000</i>	As at 31 December 2015	As at 31 December 2014
Government of Malaysia's related entities:		
State Secretary, Johor (Incorporated)		
Land acquisition	4,133	-
	<u>4,133</u>	<u>-</u>

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

16. REVIEW OF GROUP PERFORMANCE

(a) Current quarter against the corresponding quarter

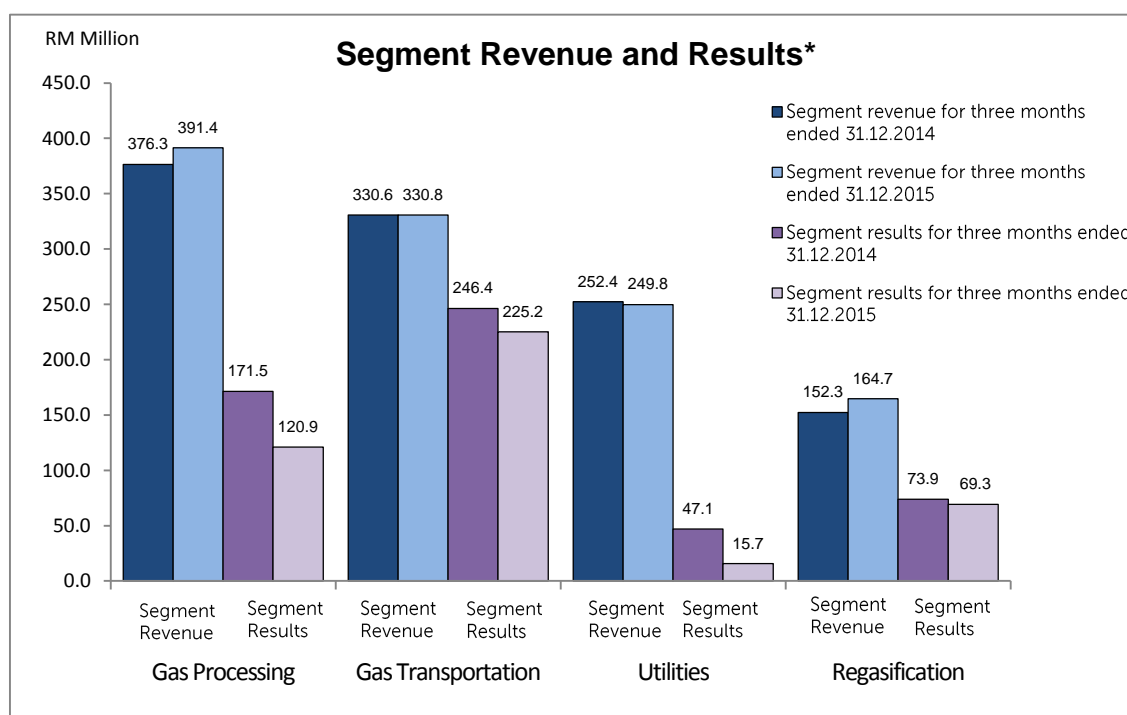
<i>In RM'000</i>	3 months ended	
	2015	31 December 2014
Revenue	1,136,722	1,111,604
Profit before taxation	488,223	683,170
Profit for the quarter	410,941	570,180

The Group's revenue for the quarter ended 31 December 2015 remained stable at RM1,136.7 million with slight increase of RM25.1 million or 2.3% compared to the corresponding quarter. This was primarily contributed by higher gas processing revenue in line with higher performance based structure (PBS) income and higher regasification revenue attributed to higher storage fees.

Profit before taxation (PBT) was lower by RM194.9 million mainly due to lower share of profit from joint ventures attributable to recognition of DTA on ITA granted for KPP in the corresponding quarter and higher operating costs driven by the Company's focus to improve asset integrity under the Company's Transformation initiatives. These were partially offset by unrealised forex gain on finance lease liabilities due to strengthening of RM against USD during the quarter.

Profit for the quarter however decreased by RM159.2 million due to utilisation of tax incentives. Excluding impact of tax incentives and forex, profit for the quarter decreased by RM133.9 million or 28.4% in line with lower share of profit from joint ventures and higher operating costs.

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



*Note: Segment Results refers to Gross Profit

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

16. REVIEW OF GROUP PERFORMANCE (continued)

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

Gas Processing

Revenue for the quarter ended 31 December 2015 improved by RM15.1 million as compared to the corresponding quarter mainly attributable to higher Performance Based Structure (PBS) income as a result of plant's higher liquid extraction performance compared to target.

Despite higher revenue, Gas Processing segment results for the quarter decreased by RM50.6 million to RM120.9 million resulting from higher repair and maintenance cost.

Gas Transportation

Gas Transportation segment registered revenue of RM330.8 million for the quarter ended 31 December 2015 as compared to RM330.6 million for the same quarter last year, reflecting a marginal increase of RM0.2 million. Segment results for the quarter however decreased by RM21.2 million to RM225.2 million, resulting from higher repair and maintenance cost to improve asset integrity.

Utilities

Utilities revenue was lower by RM2.6 million as compared to the corresponding quarter primarily contributed by lower offtake by customers partially offset by higher effective price charges in line with fuel gas price revision effective 1 July 2015.

Utilities segment registered results of RM15.7 million, a decrease of RM31.4 million as compared to the corresponding quarter due to higher plant repair and maintenance cost.

Regasification

Regasification revenue for the quarter ended 31 December 2015 was RM164.7 million, an increase of RM12.4 million as compared to the corresponding quarter due to higher storage fees attributed to the strengthening of USD against RM.

Despite higher revenue, Regasification segment results for the quarter were lower by RM4.6 million resulted from higher lease and depreciation expenses.

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015



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

16. REVIEW OF GROUP PERFORMANCE (continued)

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

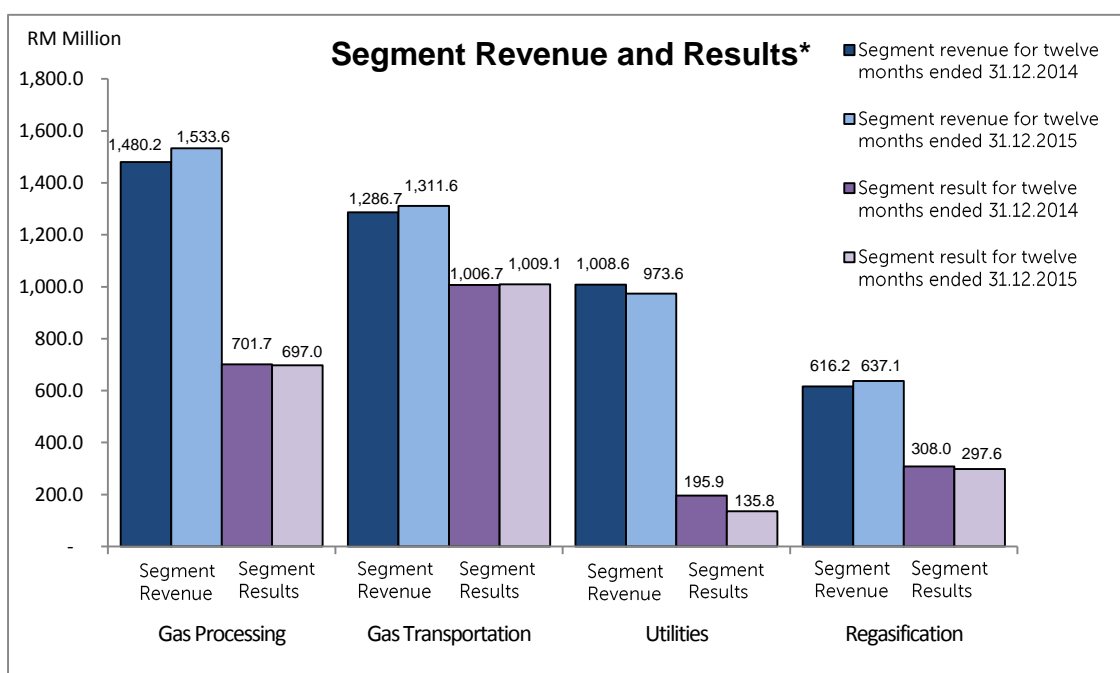
In RM'000	12 months ended	
	2015	2014
Revenue	4,455,955	4,391,716
Profit before taxation	2,002,110	2,354,459
Profit for the year	1,985,870	1,842,080

The Group's revenue for the year ended 31 December 2015 was RM4,456.0 million, an increase of RM64.2 million or 1.5% compared to the corresponding year mainly contributed by higher gas processing and gas transportation revenue in line with higher reservation charge and higher capacity booking by PETRONAS as a result of implementation of new Gas Processing Agreement (GPA) and Gas Transportation Agreements (GTA) effective from 1 April 2014.

Profit before taxation decreased by RM352.3 million or 15.0% primarily due to lower share of profit after tax from joint ventures as a result of one-off recognition of DTA on ITA granted for KPP in the corresponding year, higher operating costs driven by the Company's focus to improve asset integrity under the Company's Transformation initiatives and unrealised forex loss on finance lease liabilities totalling RM199.9 million (2014: RM53.5 million) following weakening of RM against USD.

Profit for the year improved by RM143.8 million or 7.8% due to recognition of DTA arising from ITA and RA granted for PRR project amounting to RM443.1 million. Excluding impact of tax incentives and forex, profit for the year increased by RM1.6 million or 0.1% in line with higher revenue and other income.

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



*Note: Segment Results refers to Gross Profit

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015



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

16. REVIEW OF GROUP PERFORMANCE (continued)

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

Gas Processing

Revenue for the year ended 31 December 2015 improved by RM53.4 million as compared to the corresponding year mainly attributable to higher reservation charge under the new GPA, partially offset by lower PBS income for the first quarter of this year.

Gas Processing segment recorded a profit of RM697.0 million, decreased by RM4.7 million in line with higher plant repair and maintenance cost to improve asset integrity.

Gas Transportation

Gas Transportation segment registered revenue of RM1,311.6 million for the year ended 31 December 2015 as compared to RM1,286.7 million last year, reflecting an increase of RM24.9 million. This is on the back of higher transportation capacity booked by PETRONAS under the new GTA.

Segment results for the year however, only increased by RM2.4 million to RM1,009.1 million due to higher repair and maintenance cost.

Utilities

Utilities revenue was lower by RM35.0 million as compared to the corresponding year primarily due to lower revenue from electricity and industrial gases in tandem with lower offtake by customers.

Profit for the year stood at RM135.8 million, a decrease by RM60.1 million as compared to the corresponding year as a result of lower revenue and higher plant repair and maintenance cost.

Regasification

Regasification revenue for the year ended 31 December 2015 was RM637.1 million, an increase of RM20.9 million as compared to the corresponding year due to higher storage fees resulted from strengthening of USD against RM.

However, segment results for the year of RM297.6 million were lower by RM10.4 million resulting from higher lease and depreciation expenses.

QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015



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

17. COMPARISON WITH PRECEDING QUARTER RESULTS

<i>In RM'000</i>	3 months ended	
	31 December 2015	30 September 2015
Revenue	1,136,722	1,134,273
Profit before taxation	488,223	415,497
Profit for the quarter	410,941	307,192

The Group registered revenue for the quarter of RM1,136.7 million, higher by RM2.4 million as compared to the preceding quarter primarily due to higher gas processing and regasification revenue.

Profit before tax increased by RM72.7 million mainly due to unrealised forex gain of RM38.1 million in current quarter as compared to unrealised forex loss of RM167.5 million in preceding quarter on finance lease liabilities partially offset by higher operating costs. Profit for the quarter was higher by RM103.7 million in line with higher PBT and lower tax expense due to tax incentives.

Excluding impact of tax incentives and forex, profit for the quarter decreased by RM137.7 million attributable to higher operating costs.

18. COMMENTARY ON PROSPECTS

The Group performance is expected to remain steady in 2016 amidst the challenging economic environment backed by its solid business models under Gas Processing Agreement, Gas Transportation Agreements and Regasification Service Agreement signed with PETRONAS respectively, whilst the Utilities segment performance will be dependent on demand from petrochemical customers.

19. PROFIT FORECAST

Not applicable as no profit forecast was published.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****20. TAXATION**

Taxation comprises the following:

<i>In RM'000</i>	3 months ended		12 months ended	
	31 December		31 December	
	2015	2014	2015	2014
Current tax expenses				
Malaysia				
- current year	11,632	32,210	113,020	365,441
- (over)/under provision in prior year	(39,833)	-	(41,127)	3,002
Total current tax (income)/expenses	(28,201)	32,210	71,893	368,443
Deferred tax expenses/(income)				
- origination and reversal of temporary differences	115,212	57,945	(45,924)	121,101
- (over)/under provision in prior year	(9,729)	22,835	(9,729)	22,835
Total deferred tax expenses/(income)	105,483	80,780	(55,653)	143,936
	77,282	112,990	16,240	512,379

The effective tax rate (ETR) for the quarter and year ended 31 December 2015 were lower than the statutory tax rate of 25% mainly due to recognition of RA and DTA arising from ITA granted for PRR project upon meeting conditions of the tax incentives and utilisation of tax incentive granted for Utilities segment. The RA was applied retrospectively in the prior year of assessments when the capital expenditure was incurred.

ETR for the corresponding quarter was lower due to commencement of utilisation of tax incentives for Utilities segment whilst ETR for the corresponding year is comparable against the statutory tax rate of 25%.

21. STATUS OF CORPORATE PROPOSAL ANNOUNCED BUT NOT COMPLETED

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

22. FINANCE LEASE LIABILITIES

Particulars of Group's finance lease liabilities are as follows:

<i>In RM'000</i>	As at 31 December 2015	As at 31 December 2014
Non Current		
Finance lease liabilities - secured	1,029,596	861,223
Current		
Finance lease liabilities - secured	28,664	21,027
	1,058,260	882,250
<i>In RM'000</i>		
By Currency		
USD	1,058,260	882,250

<i>In RM'000</i>	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Finance lease liabilities					
-9.13%	1,058,260	28,664	31,028	112,331	886,237

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****23. MATERIAL LITIGATION**

There has been no material litigation as at the date of this report.

24. 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		12 months ended	
	31 December		31 December	
	2015	2014	2015	2014
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	414,495	571,286	1,987,452	1,843,186
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	20.95	28.87	100.44	93.15

Diluted EPS is derived based on the profit attributable to shareholders of the Company after adjustment for the effect of all dilutive potential ordinary shares. As at the date of the statement of financial position, the Company has not issued any dilutive potential ordinary shares, hence, the diluted EPS is the same as the basic EPS.

25. AUDITOR REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

As disclosed in Note 3.

26. PROFIT FOR THE PERIOD/YEAR

<i>In RM'000</i>	3 months ended		12 months ended	
	31 December		31 December	
	2015	2014	2015	2014
<i>Profit for the period/year is arrived at after charging:</i>				
Depreciation of property, plant and equipment	203,953	192,381	776,818	786,935
Impairment losses on property, plant and equipment	-	30,850	-	30,850
Property, plant and equipment written off	-	563	2,087	13,362
Loss on changes in fair value of other investments	-	-	-	10
Loss on realised foreign exchange	-	471	-	1,264
Loss on unrealised foreign exchange	-	35,474	203,123	51,969
<i>and crediting:</i>				
Gain on realised foreign exchange	24	-	10,931	-
Gain on unrealised foreign exchange	31,082	-	-	-
Gain on disposal of property, plant and equipment	-	5	266	87
Interest income from fund investments	12,447	14,487	31,755	36,895

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

QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****27. DIVIDEND**

As disclosed in Note 9.

28. REALISED AND UNREALISED PROFITS

The breakdown of retained profits of the Group as at reporting date, into realised and unrealised profits, is as follows:

<i>In RM'000</i>	As at 31 December 2015	As at 31 December 2014
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- realised	8,494,324	7,609,990
- unrealised	(666,789)	(574,622)
	<u>7,827,535</u>	<u>7,035,368</u>
Total share of retained profits/(accumulated losses) from an associate:		
- realised	74,949	80,340
- unrealised	(23,351)	(24,471)
	<u>51,598</u>	<u>55,869</u>
Total share of retained profits from joint ventures:		
- realised	109,266	84,820
- unrealised	204,645	178,782
	<u>313,911</u>	<u>263,602</u>
Consolidation adjustments	2,695	1,289
Total retained profits	<u>8,195,739</u>	<u>7,356,128</u>

29. 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 24 February 2016.

BY ORDER OF THE BOARD

Intan Shafinas (Tuty) Hussain (LS0009774)
 Yeap Kok Leong (MAICSA0862549)
 Company Secretaries
 Kuala Lumpur
 24 February 2016