



**PETRONAS**

# **PETRONAS GAS BERHAD**

## **Quarterly Report**

for the Third Quarter ended 30 September 2016

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016



Key Financial Highlights	9 months ended 30 September	
	2016	2015
<i>In RM'000</i>		
Revenue	3,407,337	3,319,234
Profit before taxation	1,622,777	1,513,888
Profit for the period	1,272,830	1,574,930
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	2,302,144	2,133,251
Earnings per share (EPS) (sen)	64.37	79.49
Declared dividends per share (sen)	45.00	43.00

- PETRONAS Gas Berhad Group's revenue for the nine months period ended 30 September 2016 stood at RM3.4 billion, an increase of 2.7%** as compared to the corresponding period primarily driven by higher utilities revenue, as a result of higher average sales prices to customers in line with upward fuel gas price revision effective 1 January and 1 July 2016 respectively, Performance Based Structure income and regasification revenue.
- Profit before taxation (PBT) was RM1.6 billion, an increase of 7.2%** as compared to the corresponding period mainly due to lower unrealised foreign exchange (forex) loss as a result of adoption of hedge accounting effective 1 January 2016 and higher revenue but partially offset by higher operating costs.
- Profit for the period declined by 19.2% or RM302.1 million**, primarily due to lower tax expenses in the corresponding period due to recognition of deferred tax asset (DTA) arising from investment tax allowance (ITA) granted for Plant Rejuvenation and Revamp (PRR) project totalling RM407.4 million. Excluding impact of DTA and forex, profit for the period decreased by RM132.7 million or 9.4% due to higher operating costs.
- Earnings before interest, taxes, depreciation and amortisation were higher by 7.9%** in line with higher PBT.
- Earnings per share dropped by 15.12 sen**, in tandem with lower net profit attributable to ordinary shareholders of the Company. Excluding impact of DTA and forex, EPS decreased by 6.56 sen or 9.3%.
- The Board of Directors has approved** a third interim dividend of 15 sen per ordinary share amounting to RM296.8 million in respect of the financial year ending 31 December 2016.

**QUARTERLY REPORT**

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016



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 third quarter ended 30 September 2016 which should be read in conjunction with the Explanatory Notes on pages 5 to 17.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 30 September 2016	As at 31 December 2015
<i>In RM'000</i>		
<b>ASSETS</b>		
Property, plant and equipment	11,853,283	11,323,848
Prepaid lease payment	4,312	4,518
Investment in associate	123,280	128,063
Investment in joint ventures	587,436	547,647
Deferred tax assets	419,433	456,360
<b>TOTAL NON-CURRENT ASSETS</b>	<b>12,987,744</b>	12,460,436
Trade and other inventories	67,195	46,367
Trade and other receivables	655,607	644,389
Cash and cash equivalents	1,619,124	1,230,815
Tax recoverable	13,579	-
<b>TOTAL CURRENT ASSETS</b>	<b>2,355,505</b>	1,921,571
<b>TOTAL ASSETS</b>	<b>15,343,249</b>	14,382,007
<b>EQUITY</b>		
Share capital	1,978,732	1,978,732
Reserves	9,864,815	9,460,067
<b>Total equity attributable to the shareholders of the Company</b>	<b>11,843,547</b>	11,438,799
Non-controlling interests	174,032	156,137
<b>TOTAL EQUITY</b>	<b>12,017,579</b>	11,594,936
<b>LIABILITIES</b>		
Borrowings	1,609,575	1,029,596
Deferred tax liabilities	1,158,450	922,594
Deferred income	6,144	6,852
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,774,169</b>	1,959,042
Trade and other payables	521,990	796,539
Borrowings	29,511	28,664
Tax payable	-	2,826
<b>TOTAL CURRENT LIABILITIES</b>	<b>551,501</b>	828,029
<b>TOTAL LIABILITIES</b>	<b>3,325,670</b>	2,787,071
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,343,249</b>	14,382,007
<b>Net assets per share attributable to the shareholders of the Company (RM)</b>	<b>5.9854</b>	5.7809

**QUARTERLY REPORT**

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016


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

	3 months ended 30 September		9 months ended 30 September	
	2016	2015	2016	2015
<i>In RM'000</i>				
Revenue	1,157,800	1,134,273	3,407,337	3,319,234
Cost of revenue	(634,583)	(577,447)	(1,823,364)	(1,610,914)
<b>Gross profit</b>	<b>523,217</b>	556,826	<b>1,583,973</b>	1,708,320
Administration expenses	(21,218)	(23,326)	(66,547)	(55,594)
Other expenses	(27)	(161,042)	(160)	(233,830)
Other income	40,141	43,214	119,598	110,190
<b>Operating profit</b>	<b>542,113</b>	415,672	<b>1,636,864</b>	1,529,086
Financing costs	(22,245)	(23,641)	(68,364)	(65,804)
Share of profit after tax of equity- accounted associate and joint ventures	26,428	23,466	54,277	50,606
<b>Profit before taxation</b>	<b>546,296</b>	415,497	<b>1,622,777</b>	1,513,888
Tax (expense)/ income	(124,178)	(108,305)	(349,947)	61,042
<b>PROFIT FOR THE PERIOD</b>	<b>422,118</b>	307,192	<b>1,272,830</b>	1,574,930
<b>Other comprehensive income/(expenses)</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movement from exchange differences	18,810	57,250	(19,371)	82,314
Cash flow hedge	(30,943)	-	36,742	-
Share of cash flow hedge of an equity- accounted joint venture	1,220	22,665	(2,607)	33,342
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>411,205</b>	387,107	<b>1,287,594</b>	1,690,586
<b>Profit attributable to:</b>				
Shareholders of the Company	422,710	304,976	1,273,632	1,572,959
Non-controlling interests	(592)	2,216	(802)	1,971
<b>PROFIT FOR THE PERIOD</b>	<b>422,118</b>	307,192	<b>1,272,830</b>	1,574,930
<b>Total comprehensive income/(expenses) attributable to:</b>				
Shareholders of the Company	405,118	368,987	1,295,176	1,665,748
Non-controlling interests	6,087	18,120	(7,582)	24,838
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>411,205</b>	387,107	<b>1,287,594</b>	1,690,586
<b>Basic and diluted earnings per ordinary share (sen)</b>	<b>21.36</b>	15.41	<b>64.37</b>	79.49

# QUARTERLY REPORT

## FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016



### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In RM'000	Attributable to shareholders of the Company							Non-controlling interests	Total
	Non-Distributable				Distributable		Total		
	Share capital	Share premium	Hedging reserve	Foreign currency translation reserve	Retained profits				
<b>Quarter ended 30 September 2015</b>									
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 movement from exchange differences	-	-	-	59,447	-	59,447	22,867	82,314	
Share of cash flow hedge of an equity-accounted joint venture	-	-	33,342	-	-	33,342	-	33,342	
Profit for the period	-	-	-	-	1,572,959	1,572,959	1,971	1,574,930	
<b>Total comprehensive income for the period</b>	-	-	33,342	59,447	1,572,959	1,665,748	24,838	1,690,586	
Issuance of shares to non-controlling interest	-	-	-	-	-	-	70,546	70,546	
Change in ownership interest 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	-	-	-	-	(554,044)	(554,044)	-	(554,044)	
<b>Total transactions with shareholders of the Company</b>	-	-	-	(5,943)	(851,031)	(856,974)	76,666	(780,308)	
<b>Balance at 30 September 2015</b>	<b>1,978,732</b>	<b>1,186,472</b>	<b>45,888</b>	<b>53,504</b>	<b>8,078,056</b>	<b>11,342,652</b>	<b>136,629</b>	<b>11,479,281</b>	
<b>Quarter ended 30 September 2016</b>									
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	-	-	-	(12,591)	-	(12,591)	(6,780)	(19,371)	
Cash flow hedge	-	-	36,742	-	-	36,742	-	36,742	
Share of cash flow hedge of an equity-accounted joint venture	-	-	(2,607)	-	-	(2,607)	-	(2,607)	
Profit for the period	-	-	-	-	1,273,632	1,273,632	(802)	1,272,830	
<b>Total comprehensive income for the period</b>	-	-	34,135	(12,591)	1,273,632	1,295,176	(7,582)	1,287,594	
Issuance of shares to non-controlling interest	-	-	-	-	-	-	25,477	25,477	
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	-	-	-	-	(554,044)	(554,044)	-	(554,044)	
<b>Total transactions with shareholders of the Company</b>	-	-	-	-	(890,428)	(890,428)	25,477	(864,951)	
<b>Balance at 30 September 2016</b>	<b>1,978,732</b>	<b>1,186,472</b>	<b>75,620</b>	<b>23,780</b>	<b>8,578,943</b>	<b>11,843,547</b>	<b>174,032</b>	<b>12,017,579</b>	

**QUARTERLY REPORT**

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>9 months ended</b>	
	<b>2016</b>	<b>30 September 2015</b>
<i>In RM'000</i>		
Cash receipts from customers	3,507,781	3,282,319
Cash paid to suppliers and employees	<b>(1,478,599)</b>	(1,126,924)
	<b>2,029,182</b>	2,155,395
Interest income from fund investments	37,031	19,282
Taxation paid	<b>(93,569)</b>	(143,512)
<b>Net cash generated from operating activities</b>	<b>1,972,644</b>	2,031,165
Dividend received from associate and joint venture	16,664	7,600
Purchase of property, plant and equipment	<b>(1,272,905)</b>	(643,639)
Proceeds from disposal of property, plant and equipment	339	368
<b>Net cash used in investing activities</b>	<b>(1,255,902)</b>	(635,671)
Dividends paid	<b>(890,428)</b>	(850,854)
Financing costs paid	<b>(77,911)</b>	(64,404)
Drawdown of term loan	462,418	-
Drawdown of loan from corporate shareholder of a subsidiary	175,041	-
Repayment of finance lease liabilities	<b>(22,498)</b>	(16,925)
Proceeds from shares issued to a non-controlling interest	25,477	70,546
<b>Net cash used in financing activities</b>	<b>(327,901)</b>	(861,637)
<b>Net increase in cash and cash equivalents</b>	<b>388,841</b>	533,857
Net foreign exchange difference	<b>(532)</b>	(2,434)
Cash and cash equivalents at beginning of the period	<b>1,230,815</b>	637,746
<b>Cash and cash equivalents at end of the period</b>	<b>1,619,124</b>	1,169,169

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016



## 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 2015. 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 2015.

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 30 September 2016.

### 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 2016 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 2015 except as described below.

As of 1 January 2016, the Group has adopted the following amendments to MFRSs which are effective for annual periods beginning on or after 1 January 2016.

- Amendments to MFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7 Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101 Presentation of Financial Statements: Disclosure Initiative*
- Amendments to MFRS 116 Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 119 Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127 Separate Financial Statements: Equity Method in Separate Financial Statements*
- Amendments to MFRS 134 Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

The adoption of the above amendments to MFRSs did not have any 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 2015.

### 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 quarter ended 30 September 2016.

### 5. SEASONAL OR CYCLICAL FACTORS

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

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016



## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

### 6. EXCEPTIONAL ITEMS

There were no exceptional items during the quarter under review other than as disclosed in the quarterly report.

### 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 30 September 2016.

### 9. DIVIDENDS

The following dividends were declared and paid by the Company:

<i>In RM'000</i>	9 months ended 30 September	
	2016	2015
Ordinary		
Interim paid:		
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 - Fourth interim dividend of 17 sen per ordinary share	<b>336,384</b>	-
2016 - First interim dividend of 14 sen per ordinary share	<b>277,022</b>	-
2016 - Second interim dividend of 14 sen per ordinary share	<b>277,022</b>	-
	<b>890,428</b>	850,854

The Board of Directors has approved on 2 November 2016, a third interim dividend of 15 sen per ordinary share amounting to RM296.8 million in respect of the financial year ending 31 December 2016. The interim dividend will be payable on 2 December 2016 to depositors registered in the record of depositors as at 18 November 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 fourth quarter ending 31 December 2016.

### 10. CHANGES IN THE COMPOSITION OF THE GROUP

On 12 August 2016, the Company had entered into a Shareholders Agreement (SHA) with Linde Malaysia Sdn Bhd (Linde) for the formation of a joint venture company to undertake the development of an Air Separation Unit Plant (ASU) to be located in Pengerang, Johor.

Pursuant to the terms of the SHA, the Company had on 15 August 2016, acquired 51 ordinary shares of RM1 each representing 51% of the issued and paid-up capital of Pengerang Gas Solution Sdn. Bhd. (PGS) for a consideration of RM51. The other 49% equity in PGS is owned by Linde.

The Group has classified PGS as a joint venture considering that strategic and financial decision of PGS requires unanimous consent from both shareholders.

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016



## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

### 11. FAIR VALUE INFORMATION

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
<b>30 September 2016</b>				
<b>Financial assets</b>				
Derivative assets	-	-	-	-
<b>Financial liabilities</b>				
Finance lease liabilities	-	(999,020)	(999,020)	(999,020)
Term loan	-	(462,496)	(462,496)	(462,496)
Loan from corporate shareholder of a subsidiary	-	(177,570)	(177,570)	(177,570)
	-	(1,639,086)	(1,639,086)	(1,639,086)
<b>31 December 2015</b>				
<b>Financial assets</b>				
Derivative assets	112	-	112	112
<b>Financial liabilities</b>				
Finance lease liabilities	-	(1,058,260)	(1,058,260)	(1,058,260)
Derivative liabilities	(998)	-	(998)	(998)
	(998)	(1,058,260)	(1,059,258)	(1,059,258)

### 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 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 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) into the Peninsular Gas Utilisation pipeline network.

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016



## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

### 12. SEGMENTAL INFORMATION (continued)

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.

<i>In RM'000</i>	9 months ended				
	30 September 2016				
<b>Business Segment</b>	<b>Gas Processing</b>	<b>Gas Transportation</b>	<b>Utilities</b>	<b>Regasification</b>	<b>Total</b>
Revenue	1,170,328	973,514	781,128	482,367	3,407,337
Segment results	509,480	744,911	119,185	210,397	1,583,973
Unallocated income					52,891
Operating profit					1,636,864
Financing costs					(68,364)
Share of profit after tax of equity-accounted associate and joint ventures					54,277
Profit before taxation					1,622,777

<i>In RM'000</i>	9 months ended				
	30 September 2015				
<b>Business Segment</b>	<b>Gas Processing</b>	<b>Gas Transportation</b>	<b>Utilities</b>	<b>Regasification</b>	<b>Total</b>
Revenue	1,142,190	980,779	723,774	472,491	3,319,234
Segment results	575,989	783,977	120,075	228,279	1,708,320
Unallocated expenses					(179,234)
Operating profit					1,529,086
Financing costs					(65,804)
Share of profit after tax of equity-accounted associate and joint ventures					50,606
Profit before taxation					1,513,888

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, other corporate income and expenses.

### 13. SUBSEQUENT EVENTS

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

### 14. CONTINGENCIES

There were no material contingent liabilities and contingent assets since the last audited statement of financial position as at 31 December 2015.

**QUARTERLY REPORT**

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****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>	<b>As at 30 September 2016</b>	<b>As at 31 December 2015</b>
Property, plant and equipment		
Approved and contracted for	2,111,361	3,028,692
Approved but not contracted for	1,864,434	1,813,904
	<u>3,975,795</u>	<u>4,842,596</u>
Share of capital expenditure of joint ventures		
Approved and contracted for	399	-
Approved but not contracted for	359,392	9,221
	<u>359,791</u>	<u>9,221</u>
	<u>4,335,586</u>	<u>4,851,817</u>

**16. RELATED PARTY TRANSACTIONS**

There were no significant transactions with related party in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2015.

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016



**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**

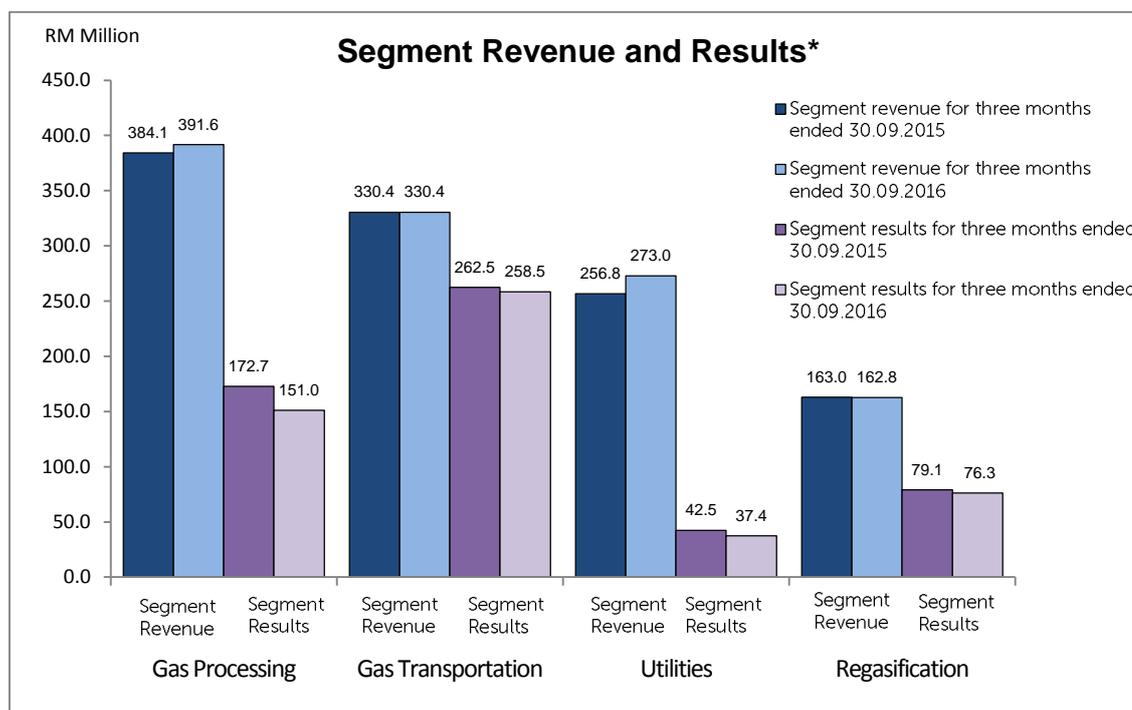
In RM'000	3 months ended	
	2016	30 September 2015
Revenue	1,157,800	1,134,273
Profit before taxation	546,296	415,497
Profit for the quarter	422,118	307,192

The Group's revenue for the quarter ended 30 September 2016 remained stable at RM1,157.8 million, an increase of RM23.5 million or 2.1% as compared to the corresponding quarter primarily driven by higher utilities revenue, in line with upward fuel gas price revision effective 1 January and 1 July 2016 respectively and higher Performance Based Structure (PBS) income.

Profit before taxation (PBT) was higher by RM130.8 million, mainly due to unrealised forex loss (forex) on USD finance lease liabilities totalling RM167.5 million incurred in the corresponding quarter. The forex exposure has been mitigated via adoption of hedge accounting effective 1 January 2016. Excluding the impact of forex, PBT decreased by RM36.7 million or 6.3% due to higher operating costs.

Profit for the quarter increased by RM114.9 million in line with higher PBT. However, excluding impact of forex, profit for the quarter decreased by RM52.6 million or 11.1% due to higher operating costs and tax expense.

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



\*Note: Segment Results refers to Gross Profit

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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

Revenue for the quarter ended 30 September 2016 improved by RM7.5 million as compared to the corresponding quarter mainly attributable to higher PBS income resulting from the plant's higher liquid extraction performance as compared to target.

Segment profit for the quarter however decreased by RM21.7 million to RM151.0 million due to higher depreciation expense in line with completion of capital projects.

#### Gas Transportation

Revenue for the quarter ended 30 September 2016 remains unchanged at RM330.4 million as compared to the corresponding quarter.

Gas Transportation segment profit for the quarter decreased by RM4.0 million to RM258.5 million resulting from higher repair and maintenance costs to improve asset integrity.

#### Utilities

Utilities revenue for the quarter ended 30 September 2016 rose by RM16.2 million to RM273.0 million, primarily contributed by higher average sales price in line with upward fuel gas price revision effective 1 January and 1 July 2016 respectively.

Utilities segment registered a profit of RM37.4 million, a decrease of RM5.1 million due to higher operating costs.

#### Regasification

Regasification revenue for the quarter ended 30 September 2016 was RM162.8 million, a marginal decrease of RM0.2 million due to lower storage fees attributed to the strengthening of RM against USD.

Regasification segment profit for the quarter were lower by RM2.8 million to RM76.3 million resulting from higher repair and maintenance costs.

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016



**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 period against the corresponding year to date period**

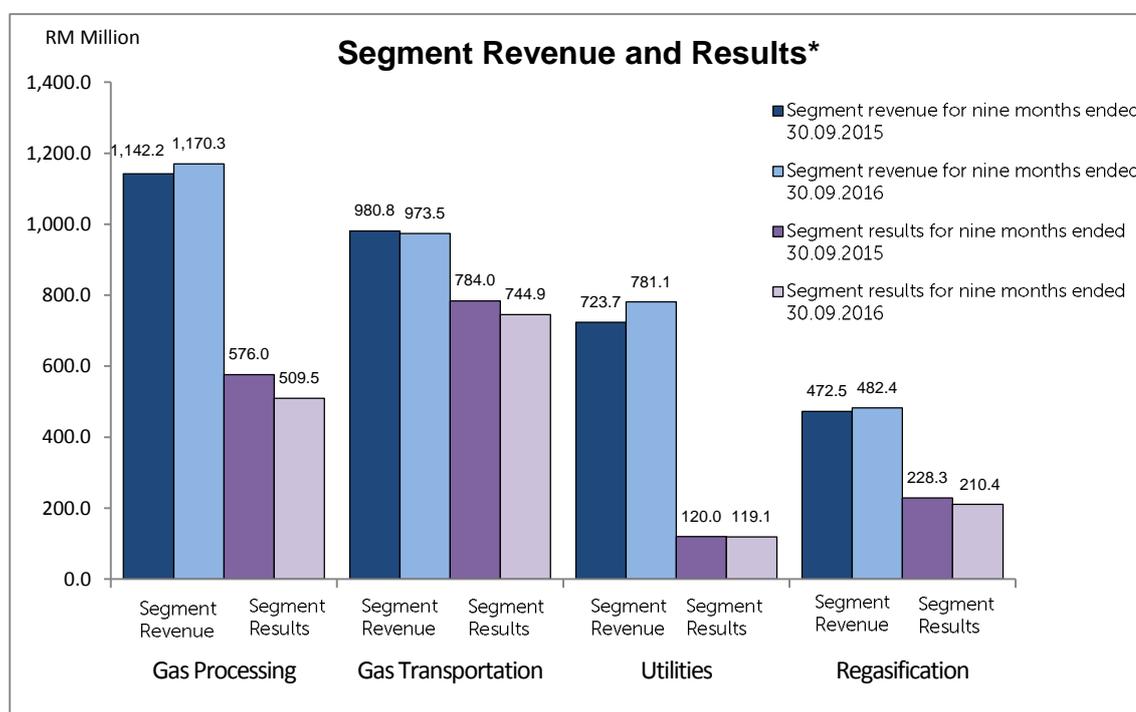
In RM'000	9 months ended 30 September	
	2016	2015
Revenue	3,407,337	3,319,234
Profit before taxation	1,622,777	1,513,888
Profit for the period	1,272,830	1,574,930

The Group's revenue for the nine months period ended 30 September 2016 remained stable at RM3,407.3 million, an increase of RM88.1 million or 2.7% as compared to the corresponding period. This was primarily driven by higher utilities revenue, as a result of higher average sales prices to customers in line with upward fuel gas price revision effective 1 January and 1 July 2016 respectively, PBS income and regasification revenue.

Profit before taxation increased by RM108.9 million mainly due to lower forex as a result of adoption of hedge accounting effective 1 January 2016 and higher revenue during the period. These were partially offset by higher operating costs by RM212.5 million as a result of higher repair and maintenance in line with the Group's continuous effort to ensure asset integrity, depreciation expense and utilities cost of sales.

Profit for the period declined by RM302.1 million primarily due to lower tax expense in the corresponding period due to recognition of DTA arising from ITA granted for PRR project totalling RM407.4 million. Excluding impact of DTA and forex, profit for the period decreased by RM132.7 million or 9.4% in line with higher operating costs.

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



\*Note: Segment Results refers to Gross Profit

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016



## 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 period against the corresponding year to date period (continued)

##### Gas Processing

Revenue for the nine month period ended 30 September 2016 improved by RM28.1 million as compared to the corresponding period mainly attributable to higher PBS income resulting from the plant's higher liquid extraction performance as compared to target.

Gas Processing segment profit of RM509.5 million were lower by RM66.5 million due to higher operating costs primarily contributed by depreciation expense in line with completion of capital projects, coupled with higher repair and maintenance.

##### Gas Transportation

Gas Transportation segment registered revenue of RM973.5 million for the period, reflecting a slight decrease of RM7.3 million from RM980.8 million previously due to downward revision of Gas Transportation Sabah tariff in the second quarter of 2016.

Gas Transportation segment profit had decreased by RM39.1 million to RM744.9 million mainly due to higher repair and maintenance costs.

##### Utilities

Utilities revenue for the nine month period ended 30 September 2016 rose by RM57.4 million to RM781.1 million, primarily contributed by higher average sales price in line with upward fuel gas price revision effective 1 January and 1 July 2016 respectively.

Utilities segment registered a profit of RM119.1 million, a marginal decrease of RM0.9 million as a result of higher operating costs which offset impact of higher revenue.

##### Regasification

Regasification revenue for the nine month period ended 30 September 2016 was RM482.4 million, an increase of RM9.9 million as compared to the corresponding quarter mainly due to higher storage fees attributed to the weakening of RM against USD.

Despite higher revenue, Regasification segment profit for the period were lower by RM17.9 million as a result of higher repair and maintenance costs to improve asset integrity.

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

**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	
	30 September 2016	30 June 2016
Revenue	1,157,800	1,118,942
Profit before taxation (PBT)	546,296	497,763
Profit for the quarter	422,118	403,440

The Group registered revenue for the quarter of RM1,157.8 million, an increase of RM38.9 million as compared to the preceding quarter. This was primarily contributed by higher utilities revenue as a result of fuel gas price revision effective 1 July 2016 and higher gas transportation revenue due to Gas Transportation Sabah tariff revision in the preceding quarter.

Profit before tax increased by RM48.5 million primarily driven by higher revenue coupled with higher share of profits from joint ventures. Accordingly, profit for the quarter was higher by RM18.7 million.

**19. COMMENTARY ON PROSPECTS**

Given the strong and stable income streams from existing Gas Processing Agreement, Gas Transportation Agreements and Regasification Service Agreement signed with PETRONAS, the Group performance is expected to remain steady in 2016, amidst the challenging economic environment.

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

**20. PROFIT FORECAST**

Not applicable as no profit forecast was published.

**21. TAXATION**

Taxation comprises the following:

<i>In RM'000</i>	3 months ended		9 months ended	
	2016	30 September 2015	2016	30 September 2015
<b>Current tax expenses</b>				
Malaysia				
- current period	33,629	33,839	77,164	101,388
- (over)/ under provision in prior year	-	(1,294)	-	(1,294)
Total current tax expenses	33,629	32,545	77,164	100,094
<b>Deferred tax expenses</b>				
- origination and reversal of temporary differences	90,549	75,760	272,783	(161,136)
<b>Total tax expenses/ (income)</b>	<b>124,178</b>	<b>108,305</b>	<b>349,947</b>	<b>(61,042)</b>

The effective tax rate (ETR) for the quarter and nine month ended 30 September 2016 are lower than the statutory tax rate of 24% due to utilisation of tax incentive granted for Utilities segment. The ETR for corresponding quarter was higher than the statutory tax rate mainly due to unrealised forex loss on USD finance lease liabilities while ETR for the corresponding period were lower than the statutory tax rate due to recognition of DTA on ITA granted for PRR project.

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****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 30 September 2016	As at 31 December 2015
<b>Non Current</b>		
Finance lease liabilities	969,509	1,029,596
Unsecured term loan	462,496	-
Unsecured loan from corporate shareholder of a subsidiary	177,570	-
	<u>1,609,575</u>	<u>1,029,596</u>
<b>Current</b>		
Finance lease liabilities	29,511	28,664
	<u>29,511</u>	<u>28,664</u>
	<u>1,639,086</u>	<u>1,058,260</u>
<i>In RM'000</i>		
<b>By Currency</b>		
USD	<u>1,639,086</u>	<u>1,058,260</u>

Terms and debt repayment schedule:

<i>In RM'000</i>	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Secured</b>					
Finance lease liabilities	999,020	29,511	32,322	117,016	820,171
<b>Unsecured</b>					
Term loan	462,496	-	-	462,496	-
Loan from corporate shareholder of a subsidiary	177,570	-	-	177,570	-
	<u>1,639,086</u>	<u>29,511</u>	<u>32,322</u>	<u>757,082</u>	<u>820,171</u>

Finance lease liabilities bears interest at rates of 9.13% (2015:9.13%) per annum. The unsecured term loan bears interest at rates ranging from 1.2% to 2.0% per annum and are due for full payment in 2021. 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.

**24. MATERIAL LITIGATION**

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

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

**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 30 September		9 months ended 30 September	
	2016	2015	2016	2015
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	422,710	304,976	1,273,632	1,572,959
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
<b>EPS (sen)</b>	<b>21.36</b>	15.41	<b>64.37</b>	79.49

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.

**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 30 September		9 months ended 30 September	
	2016	2015	2016	2015
<b>Profit for the period is arrived at after charging:</b>				
Depreciation of property, plant and equipment	231,366	191,819	648,043	572,865
Property, plant and equipment written off	-	-	-	2,088
Loss on unrealised foreign exchange	1,653	161,041	-	231,743
<b>and crediting:</b>				
Gain on realised foreign exchange	4,305	4,117	12,354	8,444
Gain on unrealised foreign exchange	-	-	1,174	-
Gain on disposal of property, plant and equipment	103	-	339	266
Interest income from fund and other investments	11,954	7,450	37,040	19,306

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.

# QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****29. 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 30 September 2016	As at 31 December 2015
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- realised	8,915,498	8,494,324
- unrealised	(736,731)	(666,789)
	<u>8,178,767</u>	<u>7,827,535</u>
Total share of retained profits/(accumulated losses) from an associate:		
- realised	69,802	74,949
- unrealised	(22,988)	(23,351)
	<u>46,814</u>	<u>51,598</u>
Total share of retained profits from joint ventures:		
- realised	161,313	109,266
- unrealised	194,994	204,645
	<u>356,307</u>	<u>313,911</u>
Consolidation adjustments	(2,945)	2,695
<b>Total retained profits</b>	<u><b>8,578,943</b></u>	<u><b>8,195,739</b></u>

**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 2 November 2016.

**BY ORDER OF THE BOARD**

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