



**PETRONAS**

# **PETRONAS GAS BERHAD**

## **Quarterly Report**

for the Fourth Quarter ended 31 December 2016

# QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016



Key Financial Highlights	12 months ended	
	2016	31 December 2015
<i>In RM'000</i>		
Revenue	4,561,280	4,455,955
Profit before taxation	2,106,769	2,002,110
Profit for the year	1,736,301	1,985,870
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	3,023,569	2,837,228
Earnings per share (EPS) (sen)	87.89	100.44
Declared dividends per share (sen)	62.00	60.00

- PETRONAS Gas Berhad Group's revenue for the year ended 31 December 2016 reached RM4.6 billion, an increase of 2.4%** compared to the corresponding year primarily driven by higher utilities revenue, as a result of higher sales prices to customers 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 at RM2.1 billion, an increase of 5.2% or RM104.7 million** as compared to corresponding year mainly due to lower unrealised foreign exchange (forex) loss on finance lease liabilities 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 year declined by 12.6% or RM249.6 million despite higher PBT**, primarily due to lower tax expenses in corresponding year due to recognition of tax incentives arising from investment tax allowance (ITA) and reinvestment allowance (RA) granted for Plant Rejuvenation and Revamp (PRR) project totalling RM443.1 million. Excluding the impact of tax incentive and forex, profit for the year only slightly decreased by RM6.4 million or 0.4%.
- Earnings before interest, taxes, depreciation and amortisation were higher by 6.6%** in line with higher PBT.
- Earnings per share was lower by 12.55 sen**, in tandem with lower net profit attributable to ordinary shareholders of the Company. Excluding impact of tax incentives and forex, EPS decreased by 0.33 sen or 0.4%.
- 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 2016, making the total declared dividend for the year of 62 sen per ordinary share, the Company's highest so far.

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The Board of Directors of PETRONAS Gas Berhad (PGB or the Company) is pleased to announce the following unaudited condensed consolidated financial statements of PGB Group for the fourth quarter ended 31 December 2016 which should be read in conjunction with the Explanatory Notes on pages 5 to 18.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 31 December 2016	As at 31 December 2015
<i>In RM'000</i>		
<b>ASSETS</b>		
Property, plant and equipment	12,807,524	11,323,848
Prepaid lease payment	4,645	4,518
Investment in associate	130,162	128,063
Investment in joint ventures	605,990	547,647
Deferred tax assets	408,042	456,360
Long term receivables	47,905	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>14,004,268</b>	12,460,436
Trade and other inventories	68,468	46,367
Trade and other receivables	711,914	644,389
Tax recoverable	5,865	-
Cash and cash equivalents	1,763,117	1,230,815
<b>TOTAL CURRENT ASSETS</b>	<b>2,549,364</b>	1,921,571
<b>TOTAL ASSETS</b>	<b>16,553,632</b>	14,382,007
<b>EQUITY</b>		
Share capital	1,978,732	1,978,732
Reserves	9,988,048	9,460,067
<b>Total equity attributable to the shareholders of the Company</b>	<b>11,966,780</b>	11,438,799
Non-controlling interests	194,469	156,137
<b>TOTAL EQUITY</b>	<b>12,161,249</b>	11,594,936
<b>LIABILITIES</b>		
Borrowings	2,216,869	1,029,596
Deferred tax liabilities	1,131,032	922,594
Deferred income	5,907	6,852
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>3,353,808</b>	1,959,042
Trade and other payables	1,006,007	796,539
Borrowings	32,568	28,664
Taxation	-	2,826
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,038,575</b>	828,029
<b>TOTAL LIABILITIES</b>	<b>4,392,383</b>	2,787,071
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,553,632</b>	14,382,007
<b>Net assets per share attributable to the shareholders of the Company (RM)</b>	<b>6.0477</b>	5.7809

**QUARTERLY REPORT**

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016


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

	3 months ended		12 months ended	
	2016	31 December 2015	2016	31 December 2015
<i>In RM'000</i>				
Revenue	1,153,943	1,136,722	4,561,280	4,455,955
Cost of revenue	(672,061)	(705,613)	(2,495,424)	(2,316,526)
<b>Gross profit</b>	<b>481,882</b>	431,109	<b>2,065,856</b>	2,139,429
Administration expenses	(28,599)	(33,874)	(93,086)	(89,468)
Other expenses	(10,405)	-	(15,029)	(205,211)
Other income	57,138	90,643	179,345	172,213
<b>Operating profit</b>	<b>500,016</b>	487,878	<b>2,137,086</b>	2,016,963
Financing costs	(25,579)	(24,252)	(93,943)	(90,055)
Share of profit after tax of equity- accounted associate and joint ventures	9,350	24,597	63,626	75,202
<b>Profit before taxation</b>	<b>483,787</b>	488,223	<b>2,106,769</b>	2,002,110
Tax expense	(20,522)	(77,282)	(370,468)	(16,240)
<b>PROFIT FOR THE PERIOD/YEAR</b>	<b>463,265</b>	410,941	<b>1,736,301</b>	1,985,870
<b>Other comprehensive income/(expenses)</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movement from exchange differences	49,596	(26,360)	30,743	55,955
Cash flow hedge	(88,446)	-	(51,703)	-
Share of cash flow hedge of an equity- accounted joint venture	10,495	(4,403)	7,887	28,939
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	<b>434,910</b>	380,178	<b>1,723,228</b>	2,070,764
<b>Profit/(loss) attributable to:</b>				
Shareholders of the Company	465,061	414,495	1,739,052	1,987,452
Non-controlling interests	(1,796)	(3,554)	(2,751)	(1,582)
<b>PROFIT FOR THE PERIOD/YEAR</b>	<b>463,265</b>	410,941	<b>1,736,301</b>	1,985,870
<b>Total comprehensive income/(expenses) attributable to:</b>				
Shareholders of the Company	419,347	389,507	1,715,219	2,058,705
Non-controlling interests	15,563	(9,329)	8,009	12,059
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	<b>434,910</b>	380,178	<b>1,723,228</b>	2,070,764
<b>Basic and diluted earnings per ordinary share (sen)</b>	<b>23.50</b>	20.95	<b>87.89</b>	100.44

# QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016



## 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		
<b>Quarter ended 31 December 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	-	-	-	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
<b>Total comprehensive income for the year</b>	-	-	28,939	42,314	1,987,452	2,058,705	12,059	2,070,764
Issuance of shares to non-controlling interest	-	-	-	-	-	-	102,833	102,833
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	-	-	-	-	(850,854)	(850,854)	-	(850,854)
<b>Total transactions with shareholders of the Company</b>	-	-	-	(5,943)	(1,147,841)	(1,153,784)	108,953	(1,044,831)
<b>Balance at 31 December 2015</b>	<b>1,978,732</b>	<b>1,186,472</b>	<b>41,485</b>	<b>36,371</b>	<b>8,195,739</b>	<b>11,438,799</b>	<b>156,137</b>	<b>11,594,936</b>
<b>Quarter ended 31 December 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	-	-	-	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
<b>Total comprehensive income for the year</b>	-	-	(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)
<b>Total transactions with shareholders of the Company</b>	-	-	-	-	(1,187,238)	(1,187,238)	30,323	(1,156,915)
<b>Balance at 31 December 2016</b>	<b>1,978,732</b>	<b>1,186,472</b>	<b>(2,331)</b>	<b>56,354</b>	<b>8,747,553</b>	<b>11,966,780</b>	<b>194,469</b>	<b>12,161,249</b>

**QUARTERLY REPORT**

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	12 months ended	
	2016	31 December 2015
<i>In RM'000</i>		
Cash receipts from customers	4,486,543	4,574,476
Cash paid to suppliers and employees	(1,657,332)	(1,591,607)
	<b>2,829,211</b>	2,982,869
Interest income from fund investments	54,227	31,755
Taxation paid	(122,403)	(168,987)
<b>Net cash generated from operating activities</b>	<b>2,761,035</b>	2,845,637
Dividends received from associate and joint ventures	31,664	29,165
Prepaid lease payment	-	(4,133)
Purchase of property, plant and equipment	(1,954,614)	(1,169,372)
Reimbursement of project cost	-	56,236
Proceeds from disposal of property, plant and equipment	478	368
Investment in a joint venture	(20,593)	-
Loan and advances to a joint venture	(47,036)	-
<b>Net cash used in investing activities</b>	<b>(1,990,101)</b>	(1,087,736)
Dividends paid	(1,187,238)	(1,147,664)
Financing costs paid	(114,188)	(88,814)
Drawdown of term loan	776,078	-
Drawdown of loan from corporate shareholder of a subsidiary	287,255	-
Repayment of finance lease liabilities	(31,245)	(23,861)
Proceeds from shares issued to a non-controlling interest	30,323	102,833
<b>Net cash used in financing activities</b>	<b>(239,015)</b>	(1,157,506)
<b>Net increase in cash and cash equivalents</b>	<b>531,919</b>	600,395
Net foreign exchange difference	383	(7,326)
Cash and cash equivalents at beginning of the year	1,230,815	637,746
<b>Cash and cash equivalents at end of the year</b>	<b>1,763,117</b>	1,230,815

# QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 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)*
- Amendments to MFRS 138 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*

The adoption of the above amendments to MFRSs do 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 31 December 2016.

### 5. SEASONAL OR CYCLICAL FACTORS

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

# QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016



## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

### 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.

### 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 2016.

### 9. DIVIDENDS

The following dividends were declared and paid by the Company:

<i>In RM'000</i>	<b>12 months ended 31 December</b>	
	<b>2016</b>	<b>2015</b>
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 - Third interim dividend of 15 sen per ordinary share	-	296,810
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>	-
2016 - Third interim dividend of 15 sen per ordinary share	<b>296,810</b>	-
	<b>1,187,238</b>	1,147,664

The Board of Directors has approved on 23 February 2017, a fourth interim dividend of 19 sen per ordinary share amounting to RM376.0 million in respect of the financial year ended 31 December 2016. The interim dividend will be payable on 22 March 2017 to depositors registered in the record of depositors as at 9 March 2017.

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 2017.

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

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



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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 prices (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 (i.e. derived from prices) 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>	<b>Fair value of financial instruments carried at fair value Level 2</b>	<b>Fair value of financial instruments not carried at fair value Level 3</b>	<b>Total fair value</b>	<b>Carrying amounts</b>
<b>31 December 2016</b>				
<b>Financial assets</b>				
Long term receivables	-	47,905	47,905	47,905
Derivative assets	15	-	15	15
	<u>15</u>	<u>47,905</u>	<u>47,920</u>	<u>47,920</u>
<b>Financial liabilities</b>				
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 a subsidiary	-	(287,255)	(287,255)	(287,255)
	<u>-</u>	<u>(2,249,437)</u>	<u>(2,249,437)</u>	<u>(2,249,437)</u>
<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)
	<u>(998)</u>	<u>(1,058,260)</u>	<u>(1,059,258)</u>	<u>(1,059,258)</u>

# QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016



## 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 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.

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.

<i>In RM'000</i>	12 months ended				
	31 December 2016				
<b>Business Segments</b>	<b>Gas Processing</b>	<b>Gas Transportation</b>	<b>Utilities</b>	<b>Regasification</b>	<b>Total</b>
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

<i>In RM'000</i>	12 months ended				
	31 December 2015				
<b>Business Segments</b>	<b>Gas Processing</b>	<b>Gas Transportation</b>	<b>Utilities</b>	<b>Regasification</b>	<b>Total</b>
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

# QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016



## 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 of 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

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

### 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 31 December 2016</b>	<b>As at 31 December 2015</b>
Property, plant and equipment		
Approved and contracted for	<b>1,467,297</b>	3,028,692
Approved but not contracted for	<b>2,542,181</b>	1,813,904
	<b>4,009,478</b>	4,842,596
Share of capital expenditure of joint ventures		
Approved and contracted for	<b>261,917</b>	-
Approved but not contracted for	<b>55,089</b>	9,221
	<b>317,006</b>	9,221
	<b>4,326,484</b>	4,851,817

### 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.

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FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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**

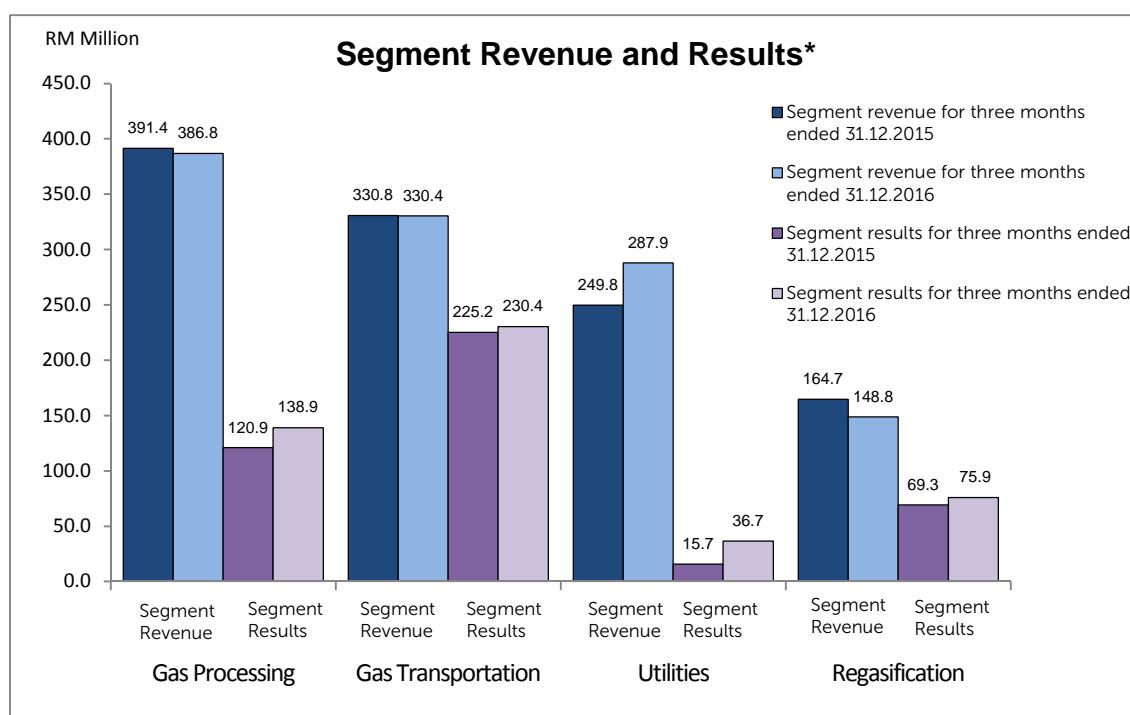
In RM'000	3 months ended	
	2016	31 December 2015
Revenue	1,153,943	1,136,722
Profit before taxation	483,787	488,223
Profit for the quarter	463,265	410,941

The Group’s revenue for the quarter ended 31 December 2016 remained stable at RM1,153.9 million, an increase of RM17.2 million or 1.5% as compared to the corresponding quarter driven by higher utilities revenue, in line with upward fuel gas price revision effective 1 January and 1 July 2016 respectively. This was partially offset by lower regasification revenue as a result of pass through revision of Floating Storage Unit (FSU) operating expenditure (OPEX) charter hire.

Profit before taxation (PBT) was lower by RM4.4 million, mainly due to unrealised foreign exchange (forex) gain on USD finance lease liabilities totalling RM38.1 million 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 increased by RM33.7 million or 7.5% due to higher revenue and lower operating costs.

Profit for the quarter increased by RM52.3 million despite lower PBT, primarily contributed by lower tax expenses arising from adjustment of over provision of tax expenses in prior years, partially offset by lower other income. Excluding impact of forex and tax incentive in corresponding quarter, PAT was higher by RM126.2 million or 37.4%.

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 FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 2016 was lower by RM4.6 million as compared to the corresponding quarter mainly due to lower tier of PBS income achieved.

Segment profit for the quarter however increased by RM18.0 million to RM138.9 million mainly due to lower utilities cost resulted from internal generation of electricity from our new cogeneration plant.

##### Gas Transportation

Gas Transportation segment revenue for the quarter ended 31 December 2016 sustained at RM330.4 million, marginally lower by RM0.4 million due to lower offtake by Sarawak customers.

Gas Transportation segment profit for the quarter however increased by RM5.2 million to RM230.4 million attributable to lower repair and maintenance costs.

##### Utilities

Utilities revenue for the quarter ended 31 December 2016 rose by RM38.1 million to RM287.9 million, primarily contributed by higher average sales price in line with upward fuel gas price revision effective 1 January and 1 July 2016 respectively and higher offtake by customers.

Utilities segment registered a profit of RM36.7 million, an increase of RM21.0 million in line with higher revenue.

##### Regasification

Regasification revenue for the quarter ended 31 December 2016 was RM148.8 million, a decrease of RM15.9 million mainly due to storage fees revenue as a result of pass through revision of FSU OPEX charter hire to customer.

Regasification segment profit for the quarter was however higher by RM6.6 million to RM75.9 million due to lower repair and maintenance costs.

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**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**

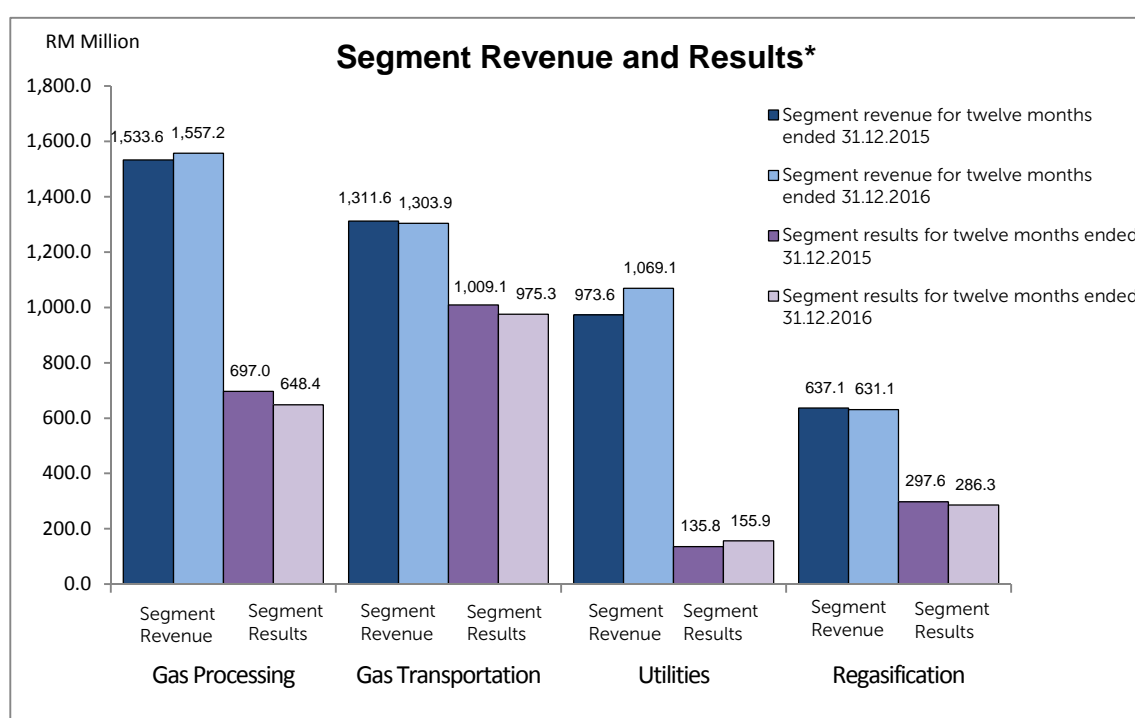
In RM'000	12 months ended 31 December	
	2016	2015
Revenue	4,561,280	4,455,955
Profit before taxation	2,106,769	2,002,110
Profit for the year	1,736,301	1,985,870

The Group's revenue for the year ended 31 December 2016 was RM4,561.3 million, an increase of RM105.4 million or 2.4% as compared to 2015. 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 and higher PBS income.

Profit before taxation increased by RM104.7 million mainly due to lower forex loss on finance lease liabilities as a result of adoption of hedge accounting effective 1 January 2016 and higher revenue during the year. This was partially offset by higher operating costs attributable to higher depreciation expense.

Profit for the year was lower by RM249.6 million due to lower tax expense in the corresponding year due to recognition of tax incentives arising from ITA and RA granted for PRR project totalling RM443.1 million. Excluding impact of tax incentives and forex, profit for the year only slightly decreased by RM6.4 million or 0.4%.

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

### 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 year ended 31 December 2016 improved by RM23.6 million as compared to the corresponding year mainly attributable to higher PBS income resulting from the plant's higher liquid extraction performance.

Gas Processing segment profit of RM648.4 million was lower by RM48.6 million due to higher operating costs mainly contributed by depreciation expense in line with completion of capital projects and accelerated depreciation for its turnaround expenditure. This was partially offset by lower utilities cost due to running of its cogeneration plant to produce electricity internally.

##### Gas Transportation

Gas Transportation segment registered revenue of RM1,303.9 million for the year, reflecting a slight decrease of RM7.7 million from RM1,311.6 million in corresponding year due to downward revision of Gas Transportation Sabah tariff in the second quarter of 2016.

Gas Transportation segment profit decreased by RM33.8 million to RM975.3 million mainly due to higher land assessment fees and depreciation expense and lower revenue.

##### Utilities

Utilities revenue for the year ended 31 December 2016 rose by RM95.5 million to RM1,069.1 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 profit improved by RM20.1 million, as compared to the corresponding year in tandem with higher revenue. This was partially offset by higher operating costs.

##### Regasification

Regasification revenue for the year ended 31 December 2016 was RM631.1 million, a decrease of RM6.0 million as compared to the corresponding year resulting from pass through revision of FSU OPEX charter hire to customer.

Regasification segment profit for the year was lower by RM11.3 million as a result of higher repair and maintenance costs to improve the asset integrity.

# QUARTERLY REPORT

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## 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	
	31 December 2016	30 September 2016
Revenue	1,153,943	1,157,800
Profit before taxation (PBT)	483,787	546,296
Profit for the quarter	463,265	422,118

The Group registered revenue for the quarter of RM1,153.9 million, a marginal decrease of RM3.9 million as compared to the preceding quarter. This was primarily contributed by lower regasification revenue due to pass through revision of FSU OPEX charter hire and lower PBS income partially offset by higher utilities revenue.

Profit before tax decreased by RM62.5 million, mainly due to higher operating costs and lower share of profit from joint ventures.

Despite lower PBT, profit for the quarter was higher by RM41.1 million, resulted from lower tax expense arising from over provision of tax expense in prior years.

### 19. COMMENTARY ON PROSPECTS

The Group performance is expected to remain stable in 2017, amidst the challenging economic environment on the back of its strong and sustainable income streams from existing Gas Processing Agreement, Gas Transportation Agreements and Regasification Service Agreement signed with PETRONAS.

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

### 20. PROFIT FORECAST

Not applicable as no profit forecast was published.



**QUARTERLY REPORT**

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**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	
	2016	2015	2016	2015
<b>Current tax expenses</b>				
Malaysia				
- current period	79,157	11,632	156,312	113,020
- over provision in prior year	(42,600)	(39,833)	(42,600)	(41,127)
Total current tax (income)/expenses	36,557	(28,201)	113,712	71,893
<b>Deferred tax expenses</b>				
- origination and reversal of temporary differences	18,510	115,212	291,301	(45,924)
- over provision in prior year	(34,545)	(9,729)	(34,545)	(9,729)
Total deferred tax (income)/expenses	(16,035)	105,483	256,756	(55,653)
	20,522	77,282	370,468	16,240

The effective tax rate (ETR) for the quarter and year ended 31 December 2016 were lower than the statutory tax rate of 24% due to overprovision of tax expense in prior years and utilisation of tax incentive granted for Utilities segment.

The ETR for corresponding quarter and year were lower than the statutory tax rate due to recognition of tax incentives granted for PRR project and utilisation of tax incentive granted for Utilities segment.

**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 31 December 2016	As at 31 December 2015
<b>Non Current</b>		
Finance lease liabilities	1,134,012	1,029,596
Term loan	795,602	-
Loan from corporate shareholder of a subsidiary	287,255	-
	2,216,869	1,029,596
<b>Current</b>		
Finance lease liabilities	32,568	28,664
	32,568	28,664
	2,249,437	1,058,260
<i>In RM'000</i>		
<b>By Currency</b>		
USD	2,249,437	1,058,260

# QUARTERLY REPORT

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**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:

<i>In RM'000</i>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
<b>Secured</b>					
Finance lease liabilities	1,166,580	32,568	38,719	140,061	955,232
<b>Unsecured</b>					
Term loan	795,602	-	-	795,602	-
Loan from corporate shareholder of a subsidiary	287,255	-	-	287,255	-
	<b>2,249,437</b>	<b>32,568</b>	<b>38,719</b>	<b>1,222,918</b>	<b>955,232</b>

Finance lease liabilities bears interest at rate of 9.1% (2015:9.1%) 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.

**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.

	<b>3 months ended 31 December</b>		<b>12 months ended 31 December</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	<b>465,061</b>	414,495	<b>1,739,052</b>	1,987,452
Number of ordinary shares in issue ('000)	<b>1,978,732</b>	1,978,732	<b>1,978,732</b>	1,978,732
<b>EPS (sen)</b>	<b>23.50</b>	20.95	<b>87.89</b>	100.44

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.

**QUARTERLY REPORT**

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

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

<i>In RM'000</i>	3 months ended 31 December		12 months ended 31 December	
	2016	2015	2016	2015
<b>Profit for the period is arrived at after charging:</b>				
Depreciation of property, plant and equipment	229,244	203,953	877,084	776,818
Property, plant and equipment written off	-	-	74	2,087
Loss on unrealised foreign exchange	9,123	-	7,766	203,123
Impairment of receivables	353	-	353	-
<b>and crediting:</b>				
Gain on realised foreign exchange	780	24	12,925	10,931
Gain on unrealised foreign exchange	-	31,082	-	-
Gain on disposal of property, plant and equipment	183	-	389	266
Interest income from fund and other investments	17,188	12,447	54,227	31,755

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.

**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 31 December 2016	As at 31 December 2015
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- realised	9,064,518	8,494,324
- unrealised	(706,298)	(666,789)
	<b>8,358,220</b>	<b>7,827,535</b>
Total share of retained profits/(accumulated losses) from an associate:		
- realised	76,584	74,949
- unrealised	(22,887)	(23,351)
	<b>53,697</b>	<b>51,598</b>
Total share of retained profits from joint ventures:		
- realised	158,812	109,266
- unrealised	184,962	204,645
	<b>343,774</b>	<b>313,911</b>
Consolidation adjustments	(8,138)	2,695
<b>Total retained profits</b>	<b>8,747,553</b>	<b>8,195,739</b>

PETRONAS GAS BERHAD (101671-H)

# QUARTERLY REPORT

FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016



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

## 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 23 February 2017.

## BY ORDER OF THE BOARD

Intan Shafinas (Tuty) Hussain (LS0009774)  
Yeap Kok Leong (MAICSA0862549)  
*Company Secretaries*  
Kuala Lumpur  
23 February 2017