YTL POWER INTERNATIONAL BERHAD

Company No. 406684-H

Incorporated in Malaysia

Interim Financial Report

30 September 2018

YTL POWER INTERNATIONAL BERHAD
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YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the financial period ended 30 September 2018.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	3 MONTHS ENDED	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM'000	RM'000 (Restated)	RM'000	RM'000 (Restated)
Revenue	2,803,430	2,575,382	2,803,430	2,575,382
Cost of sales	(2,284,395)	(2,056,781)	(2,284,395)	(2,056,781)
Gross profit	519,035	518,601	519,035	518,601
Other operating income	17,141	15,472	17,141	15,472
Other operating expenses	(150,626)	(135,513)	(150,626)	(135,513)
Profit from operations	385,550	398,560	385,550	398,560
Finance costs	(287,400)	(281,006)	(287,400)	(281,006)
Share of profits of investments accounted for using the equity method	92,593	95,596	92,593	95,596
Profit before taxation	190,743	213,150	190,743	213,150
Taxation	(40,345)	(57,737)	(40,345)	(57,737)
Profit for the period	150,398	155,413	150,398	155,413
Attributable to:				
Owners of the parent	126,275	132,623	126,275	132,623
Non-controlling interests	24,123	22,790	24,123	22,790
	150,398	155,413	150,398	155,413
Earnings per share for profit attributable to owners of the parent				
Basic (sen)	1.64	1.71	1.64	1.71
Diluted (sen)	1.63	1.70	1.63	1.70

The Condensed Consolidated Income Statement should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	3 MONTHS ENDED	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Profit for the period	150,398	155,413	150,398	155,413
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to income statement:				
Available-for-sale financial assets	(17,783)	(39,336)	(17,783)	(39,336)
Cash flow hedges:				
- Subsidiaries	13,457	102,489	13,457	102,489
- Associates and joint ventures	17,240	6,267	17,240	6,267
Currency translation differences:				
- Subsidiaries	281,143	52,997	281,143	52,997
- Associates and joint ventures	43,102	(24,888)	43,102	(24,888)
Other comprehensive income for the period, net of tax	337,159	97,529	337,159	97,529
Total comprehensive income for the period	487,557	252,942	487,557	252,942
Attributable to:				
Owners of the parent	446,417	241,220	446,417	241,220
Non-controlling interests	41,140	11,722	41,140	11,722
	487,557	252,942	487,557	252,942

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED As at 30.9.2018 RM'000	UNAUDITED As at 30.6.2018 RM'000 (Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	21,768,367	21,227,246
Investment properties	470,129	452,112
Project development costs	214,864	196,891
Intangible assets	8,206,546	8,029,565
Investments accounted for using the equity method	2,191,501	2,137,331
Investments	259,488	1,063,418
Derivative financial instruments	45,560	44,049
Receivables, deposits and prepayments	995,474	958,657
	34,151,929	34,109,269
Current assets		
Inventories	434,636	430,004
Investments	1,573,770	1,883,669
Receivables, deposits and prepayments	2,168,529	2,296,849
Derivative financial instruments	198,162	197,681
Cash and bank balances	7,410,065	7,337,927
	11,785,162	12,146,130
TOTAL ASSETS	45,937,091	46,255,399
EQUITY AND LIABILITIES		
Share capital	7,038,587	7,038,587
Reserves	6,931,160	6,483,378
Treasury shares, at cost	(708,259)	(509,634)
Equity attributable to owners of the parent	13,261,488	13,012,331
Non-controlling interests	113,855	110,841
TOTAL EQUITY	13,375,343	13,123,172

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Continued

	UNAUDITED As at 30.9.2018 RM'000	UNAUDITED As at 30.6.2018 RM'000 (Restated)
LIABILITIES		
Non-current liabilities		
Deferred taxation	1,836,699	1,788,657
Borrowings	24,981,750	23,780,022
Post-employment benefit obligations	707,144	685,509
Grants and contributions	584,476	548,493
Derivative financial instruments	15,118	21,077
Payables	833,654	811,875
	28,958,841	27,635,633
Current Liabilities		
Payables and accrued expenses	1,878,122	2,071,009
Derivative financial instruments	16,402	19,229
Post-employment benefit obligations	3,682	1,637
Taxation	118,152	113,793
Borrowings	1,586,549	3,290,926
	3,602,907	5,496,594
TOTAL LIABILITIES	32,561,748	33,132,227
TOTAL EQUITY AND LIABILITIES	45,937,091	46,255,399
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.73	1.66

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	Attributable to Owners of the Parent						
	Share Capital	Merger & Other Reserves	Treasury Shares	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 30 June 2018, as previously reported	7,038,587	(1,435,015)	(509,634)	7,919,190	13,013,128	111,386	13,124,514
Adjustments from adoption of MFRS 15	-	-	-	(797)	(797)	(545)	(1,342)
Restated balance as at 1 July 2018	7,038,587	(1,435,015)	(509,634)	7,918,393	13,012,331	110,841	13,123,172
Profit for the financial period	-	-	-	126,275	126,275	24,123	150,398
Other comprehensive income for the financial period	-	320,142	-	-	320,142	17,017	337,159
Total comprehensive income for the financial period	-	320,142	-	126,275	446,417	41,140	487,557
Effects arising from changes in composition of the Group	-	-	-	(13)	(13)	46	33
Dividends paid to non-controlling interests	-	-	-	-	-	(38,172)	(38,172)
Share option lapsed	-	(174)	-	174	-	-	-
Share repurchased	-	-	(198,625)	-	(198,625)	-	(198,625)
Share option expenses	-	1,378	-	-	1,378	-	1,378
At 30 September 2018	7,038,587	(1,113,669)	(708,259)	8,044,829	13,261,488	113,855	13,375,343

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

	Attributable to Owners of the Parent						
	Share Capital	**Merger & Other Reserves**	**Treasury Shares**	**Retained Earnings**	**Total**	**Non-Controlling Interests**	**Total Equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Balance as at 30 June 2017, as previously reported	7,019,847	(865,862)	(711,308)	7,816,148	13,258,825	230,855	13,489,680
Adjustments from adoption of MFRS 15	-	-	-	(1,127)	(1,127)	(752)	(1,879)
Restated balance as at 1 July 2017	7,019,847	(865,862)	(711,308)	7,815,021	13,257,698	230,103	13,487,801
Profit for the financial period	-	-	-	132,623	132,623	22,790	155,413
Other comprehensive income/(loss) for the financial period	-	108,597	-	-	108,597	(11,068)	97,529
Total comprehensive income for the financial period	-	108,597	-	132,623	241,220	11,722	252,942
Dividends paid to non-controlling interests	-	-	-	-	-	(35,519)	(35,519)
Issue of share capital	1,542	-	-	-	1,542	-	1,542
Share option lapsed	-	(122)	-	122	-	-	-
Share repurchased	-	-	(1)	-	(1)	-	(1)
Warrants reserves	135	(135)	-	-	-	-	-
Restated balance as at 30 September 2017	7,021,524	(757,522)	(711,309)	7,947,766	13,500,459	206,306	13,706,765

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	3 MONTHS ENDED	
	30.9.2018 RM'000	30.9.2017 RM'000 (Restated)
Cash flows from operating activities		
Profit for the financial period	150,398	155,413
Adjustment for:		
Allowance for impairment of inventories	158	261
Allowance for impairment of receivables (net of reversals)	17,279	21,885
Amortisation of contract costs	3,996	10,559
Amortisation of deferred income	(359)	(2,210)
Amortisation of grants and contributions	(5,415)	(4,559)
Amortisation of intangible assets	1,625	2,015
Depreciation of property, plant and equipment	278,494	268,000
Fair value gain on derivatives	(5,422)	-
Fair value loss/(gain) on investments	2,332	(4,589)
Interest expense	287,400	281,006
Interest income	(1,594)	(2,515)
Net gain on disposal of property, plant and equipment	(2,121)	(1,532)
Property, plant and equipment written off	2,941	7,432
Provision for liabilities and charges	144	559
Provision for post-employment benefit	11,642	11,765
Share of profits of investments accounted for using the equity method	(92,593)	(95,596)
Share option expenses	1,378	-
Taxation	40,345	57,737
Unrealised (gain)/loss on foreign exchange	(4,659)	6,298
Other non-cash items	(1,646)	(1,440)
	684,323	710,489
Changes in working capital:		
Inventories	4,363	4,755
Receivables, deposits and prepayments	123,906	(228,510)
Payables and accrued expenses	(242,214)	85,993
Cash flows from operations	570,378	572,727
Interest paid	(282,044)	(197,607)
Payment to post-employment benefit obligations	(12,643)	(11,738)
Tax paid	(29,571)	(33,055)
Net cash flows from operating activities	246,120	330,327

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 - Continued

	3 MONTHS ENDED	
	30.9.2018	**30.9.2017**
	RM'000	**RM'000**
		(Restated)
Cash flows from investing activities		
Development expenditure incurred on investment properties	(7,749)	(9,981)
Dividends received	89,573	95,279
Grants received	12,441	5,364
Interest received	3,308	3,746
Maturities of income funds	1,125,382	38,025
Prepayment for land acquisitions	(250)	-
Proceeds from disposal of property, plant and equipment	2,365	2,300
Purchase of intangible assets	(489)	(2,226)
Purchase of property, plant and equipment	(311,568)	(329,922)
Shareholder loans	(18,386)	(19,215)
Net cash flows from/(used in) investing activities	894,627	(216,630)
Cash flows from financing activities		
Dividends paid to non-controlling interests	(38,172)	(35,519)
Proceeds from borrowings	1,316,000	6,263,303
Proceeds from issue of shares	-	1,542
Repayment of borrowings	(2,277,458)	(7,015,884)
Repurchase of own shares	(198,625)	(1)
Net cash flows used in financing activities	(1,198,255)	(786,559)
Net changes in cash and cash equivalents	(57,508)	(672,862)
Effects of exchange rate changes	155,136	8,323
Cash and cash equivalents at beginning of the financial year	7,305,091	8,943,033
Cash and cash equivalents at end of the financial period *[Note a]*	7,402,719	8,278,494

[Note a]
Cash and cash equivalents at the end of the financial period comprise:

	RM'000	**RM'000**
Fixed deposits	6,841,826	7,957,745
Cash and bank balances	568,239	323,034
Bank overdrafts (included within short term borrowing in [Note B9])	(7,346)	(2,285)
	7,402,719	8,278,494

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

The interim financial report should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2018.

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: "Interim Financial Reporting" and Chapter 9, part K paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities").

The explanatory notes contained herein provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2018.

The accounting policies and methods of computations adopted by the Group in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2018, except for changes arises from the adoption of MFRS 9 "Financial Instruments" and MFRS 15 "Revenue from Contracts with Customers" as described below:

(a) <u>MFRS 9 "Financial Instruments" (MFRS 9)</u>

MFRS 9 replaces MFRS 139 "Financial Instruments: Recognition and Measurement". The adoption of MFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than in the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

(a) MFRS 9 "Financial Instruments" (MFRS 9) (continued)

On the date of initial application, the Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of MFRS 9. There is no change on classification. As for the ECL impact, the Group has concluded that the impact is not material.

(b) MFRS 15 "Revenue from Contracts with Customers" (MFRS 15)

The Group has adopted MFRS 15 in the current financial period. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

MFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The main changes are explained below:

(i) Accounting for sale of device as part of bundled telecommunication service package

MFRS 15 requires devices which the Group promises to transfer as part of a bundled package with mobile telecommunication services to be considered distinct and thus accounted for as a separate performance obligation.

As a result, total consideration received from such a package are allocated to the service and device based on relative stand-alone selling prices. This results in an allocation and early recognition of a portion of telecommunication service revenue as device revenue, an earlier recognition of device subsidy expenses which was capitalised as intangible asset previously and subsequently, a reduction in service revenue throughout the contract period. The recognition of higher device revenue upfront also resulted in recognition of what is known as a contract asset (a receivable arising from the customer contract that has not yet legally come into existence) in the statement of financial position.

(ii) Incremental costs of obtaining a contract

Under MFRS 15, the Group capitalises sales commissions and device costs (for those device which is bundled with fixed line telecommunication service and not distinct performance obligation) as costs of obtaining a contract with a customer when they are incremental and expected to be recovered. These costs are amortised consistently with the transfer of the good or service to the customer.

In accordance with the transitional provisions in MFRS 15, the Group has elected to adopt the full retrospective approach, requiring the restatement of the comparative period presented in the financial statements. Refer to Note A1(c) for the adjustments made to the comparative figures.

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Notes – continued

(c) Restatements of comparative figures

(i) Reconciliation of consolidated Income Statement

	QUARTER ENDED 30.9.2017			**PERIOD ENDED 30.9.2017**		
	Previously reported	**Effects of MFRS 15**	**Restated**	**Previously reported**	**Effects of MFRS 15**	**Restated**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	2,578,396	(3,014)	2,575,382	2,578,396	(3,014)	2,575,382
Cost of sales	(2,060,077)	3,296	(2,056,781)	(2,060,077)	3,296	(2,056,781)
Gross profit	518,319	282	518,601	518,319	282	518,601
Other operating income	15,472	-	15,472	15,472	-	15,472
Other operating expenses	(135,513)	-	(135,513)	(135,513)	-	(135,513)
Profit from operations	398,278	282	398,560	398,278	282	398,560
Finance costs	(281,006)	-	(281,006)	(281,006)	-	(281,006)
Share of profits of investments accounted for using the equity method	95,596	-	95,596	95,596	-	95,596
Profit before taxation	212,868	282	213,150	212,868	282	213,150
Taxation	(57,737)	-	(57,737)	(57,737)	-	(57,737)
Profit for the period	155,131	282	155,413	155,131	282	155,413
Attributable to:						
Owners of the parent	132,448	175	132,623	132,448	175	132,623
Non-controlling interests	22,683	107	22,790	22,683	107	22,790
	155,131	282	155,413	155,131	282	155,413
Earnings per share for profit attributable to owners of the parent:						
Basic (sen)	1.71		1.71	1.71		1.71
Diluted (sen)	1.70		1.70	1.70		1.70

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Notes – continued

(c) Restatements of comparative figures (continued)

(ii) Reconciliation of financial position and equity

	AS AT 30.6.2018		
	Previously reported RM'000	**Effects of MFRS 15 RM'000**	**Restated RM'000**
ASSETS			
Non-current assets			
Intangible assets	8,040,576	(11,011)	8,029,565
Receivables, deposits and prepayments	949,497	9,160	958,657
Other non-current assets	25,121,047	-	25,121,047
	34,111,120	(1,851)	34,109,269
Current assets			
Receivables, deposits and prepayments	2,295,541	1,308	2,296,849
Other current assets	9,849,281	-	9,849,281
	12,144,822	1,308	12,146,130
TOTAL ASSETS	46,255,942	(543)	46,255,399
EQUITY AND LIABILITIES			
Share capital	7,038,587	-	7,038,587
Reserves	6,484,175	(797)	6,483,378
Treasury shares, at cost	(509,634)	-	(509,634)
Equity attributable to owners of the parent	13,013,128	(797)	13,012,331
Non-controlling interests	111,386	(545)	110,841
TOTAL EQUITY	13,124,514	(1,342)	13,123,172
Non-current liabilities	27,635,633	-	27,635,633
Current Liabilities			
Payables and accrued expenses	2,070,210	799	2,071,009
Other current liabilities	3,425,585	-	3,425,585
	5,495,795	799	5,496,594
TOTAL LIABILITIES	33,131,428	799	33,132,227
TOTAL EQUITY AND LIABILITIES	46,255,942	(543)	46,255,399
Net assets per share attributable to ordinary equity holders of the parent (RM)	1.66		1.66

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Notes – continued

(c) Restatements of comparative figures (continued)

(iii) Reconciliation of cash flows

	PERIOD ENDED 30.9.2017		
	Previously reported RM'000	**Effects of MFRS 15 RM'000**	**Restated RM'000**
Cash flows from operating activities			
Profit for the financial period	155,131	282	155,413
Adjustment for:			
Amortisation of contract costs	-	10,559	10,559
Amortisation of intangible assets	15,298	(13,283)	2,015
Other non-cash items	542,502	-	542,502
	712,931	(2,442)	710,489
Changes in working capital:			
Inventories	4,755	-	4,755
Receivables, deposits and prepayments	(220,522)	(7,988)	(228,510)
Payables and accrued expenses	80,322	5,671	85,993
Cash flows from operations	577,486	(4,759)	572,727
Other cash flows used in operating activities	(242,400)	-	(242,400)
Net cash flows from operating activities	335,086	(4,759)	330,327
Cash flows from investing activities			
Purchase of intangible assets	(6,985)	4,759	(2,226)
Other cash flows used in investing activities	(214,404)	-	(214,404)
Net cash flows used in investing activities	(221,389)	4,759	(216,630)
Cash flows from financing activities			
Net cash flows used in financing activities	(786,559)	-	(786,559)
Net changes in cash and cash equivalents	(672,862)	-	(672,862)
Effects of exchange rate changes	8,323	-	8,323
Cash and cash equivalents at beginning of the financial year	8,943,033	-	8,943,033
Cash and cash equivalents at end of the financial period	8,278,494	-	8,278,494

The adoption of MFRSs or amendments to MFRSs which were effective for financial year beginning on or after 1 July 2018 do not have significant financial impact on the Group other than as disclosed above.

A2. Seasonality or Cyclicality of Operations

The business operations of the Group are not materially affected by any seasonal or cyclical factor.

A3. Disaggregation of revenue

	Individual Quarter		Cumulative Quarter	
	Quarter ended 30.9.2018 RM'000	**Quarter ended 30.9.2017 RM'000 (Restated)**	**Period ended 30.9.2018 RM'000**	**Period ended 30.9.2017 RM'000 (Restated)**
Sales of services	2,693,804	2,444,511	2,693,804	2,444,511
Sales of goods	13,663	5,933	13,663	5,933
Lease income	46,801	64,427	46,801	64,427
Interest income and others	49,162	60,511	49,162	60,511
Total	2,803,430	2,575,382	2,803,430	2,575,382

A4. Unusual Items

For the current financial year to date, there was no item of unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group.

A5. Changes in Estimates of Amounts Reported

There was no significant change to estimate of amount reported in prior interim periods or prior financial years.

A6. Changes in Debt and Equity Securities

There was no share issued pursuant to the exercise of employees' share options granted under the Company's Employees Share Option Scheme during the current financial quarter.

A total of 168,188,300 ordinary shares were repurchased from the open market for a total consideration of RM198,624,520 for the current financial quarter. The share buyback transactions were financed by internally generated funds. The shares purchased are held as treasury shares. As at 30 September 2018, the number of treasury shares held was 482,905,712 ordinary shares.

On 24 August 2018, the Company issued two tranche of borrowings amounted to RM500.0 million each totalling RM1.0 billion Medium Term Notes ("MTN") pursuant to a MTN programme of up to RM5.0 billion. The proceeds were utilised on the same day to repay the Company's outstanding MTN of RM2.2 billion.

The outstanding debts are as disclosed in Note B9.

A7. Dividends Paid

There was no dividend paid during the current financial quarter.

A8. Segment Information

The Group has five reportable segments as described below:

a) Power generation (Contracted)
b) Multi utilities business (Merchant)
c) Water and sewerage
d) Mobile broadband network
e) Investment holding activities

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

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Notes – continued

Segment information for the financial period ended 30 September 2018:

	Power generation (Contracted) RM'000	Multi utilities business (Merchant) RM'000	Water & sewerage RM'000	Mobile broadband network RM'000	Investment holding activities RM'000	Group RM'000
Total Revenue	207,960	1,470,842	849,899	196,309	96,364	2,821,374
Inter-segment elimination	-	-	-	(1,803)	(16,141)	(17,944)
External Revenue	207,960	1,470,842	849,899	194,506	80,223	2,803,430
Segment profit/(loss) before tax	14,074	(15,860)	200,489	(8,274)	314	190,743

Segment information for the financial period ended 30 September 2017 (Restated):

	Power generation (Contracted) RM'000	Multi utilities business (Merchant) RM'000	Water & sewerage RM'000	Mobile broadband network RM'000	Investment holding activities RM'000	Group RM'000
Total Revenue	49,786	1,401,080	861,401	193,762	85,863	2,591,892
Inter-segment elimination	-	-	-	(399)	(16,111)	(16,510)
External Revenue	49,786	1,401,080	861,401	193,363	69,752	2,575,382
Segment profit/(loss) before tax	(18,246)	26,392	220,708	(17,339)	1,635	213,150

A9. Events After the Interim Period

There was no item, transaction or event of a material or unusual nature during the period from the end of the quarter under review to the date of this report.

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A10. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial period ended 30 September 2018, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings and discontinuing operations save for the following:

(i) On 9 July 2018, Yakin Telesel Sdn. Bhd. ("Yakin Telesel") increased its share capital from RM1.00 to RM100,000.00 via an issuance of additional 99,999 ordinary shares. KJS Alunan Sdn. Bhd. ("KJS Alunan") and Menteri Besar Selangor (Pemerbadanan) subscribed for 69,999 ordinary shares and 30,000 ordinary shares respectively in Yakin Telesel, at an issue price of RM1.00 per share in cash.

As a result, Yakin Telesel became a 70%-owned subsidiary of KJS Alunan and remain an indirect subsidiary of the Company.

(ii) On 9 August 2018, KJS Alunan increased its share capital from RM1.00 to RM10,000.00 via an issuance of additional 9,999 ordinary shares. Konsortium Jaringan Selangor Sdn. Bhd. ("Konsortium Jaringan") and Alunan Media Sdn. Bhd. subscribed for 6,999 ordinary shares and 3,000 ordinary shares respectively in KJS Alunan, at an issue price of RM1.00 per share in cash.

As a result, KJS Alunan became a 70%-owned subsidiary of Konsortium Jaringan and remain an indirect subsidiary of the Company.

A11. Changes in Contingent Liabilities

There were no material changes in the contingent liabilities of the Group since the last financial year ended 30 June 2018.

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A12. Fair value measurement

The Group measures fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

a) Level 1 – quoted price (unadjusted) in active market for identical assets or liabilities;

b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices); and

c) Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value as at:

	Level 1 RM'000	Leve1 2 RM'000	Level 3 RM'000	Total RM'000
30.9.2018				
Assets				
Financial assets at fair value through profit or loss:				
- Income funds	-	1,573,770	-	1,573,770
- Equity investments	-	3,919	-	3,919
Available-for-sale	58,315	45	197,209	255,569
Derivatives used for hedging	-	243,722	-	243,722
Total assets	58,315	1,821,456	197,209	2,076,980
Liabilities				
Financial liabilities at fair value through profit or loss:				
- Currency options contracts	13,554	-	-	13,554
- Trading derivatives	-	4,620	-	4,620
Derivatives used for hedging	-	13,346	-	13,346
Total liabilities	13,554	17,966	-	31,520

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YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of the Results

The comparison of the results is tabulated below:

	Individual Quarter		Variance	Cumulative Quarter		Variance
	30.9.2018	30.9.2017	%	30.9.2018	30.9.2017	%
	RM'000	RM'000	+/-	RM'000	RM'000	+/-
		(Restated)			(Restated)	
Revenue						
Power generation (Contracted)	207,960	49,786	+317.7	207,960	49,786	+317.7
Multi utilities business (Merchant)	1,470,842	1,401,080	+5.0	1,470,842	1,401,080	+5.0
Water & sewerage	849,899	861,401	-1.3	849,899	861,401	-1.3
Mobile broadband network	194,506	193,363	+0.6	194,506	193,363	+0.6
Investment holding activities	80,223	69,752	+15.0	80,223	69,752	+15.0
	2,803,430	2,575,382	+8.9	2,803,430	2,575,382	+8.9
Profit/(Loss) before taxation						
Power generation (Contracted)	14,074	(18,246)	+177.1	14,074	(18,246)	+177.1
Multi utilities business (Merchant)	(15,860)	26,392	-160.1	(15,860)	26,392	-160.1
Water & sewerage	200,489	220,708	-9.2	200,489	220,708	-9.2
Mobile broadband network	(8,274)	(17,339)	+52.3	(8,274)	(17,339)	+52.3
Investment holding activities	314	1,635	-80.8	314	1,635	-80.8
	190,743	213,150	-10.5	190,743	213,150	-10.5

Current Quarter vs Preceding Year Corresponding Quarter

The Group recorded a revenue of RM2,803.4 million for the current financial quarter ended 30 September 2018 as compared to RM2,575.4 million recorded in the preceding year corresponding quarter ended 30 September 2017. The Group profit before taxation for the current financial quarter was RM190.7 million, a decrease of RM22.5 million or 10.5% as compared to a profit of RM213.2 million recorded in the preceding year corresponding quarter.

Performance of the respective operating business segments for the quarter ended 30 September 2018 as compared to the preceding year corresponding quarter is analysed as follows:

Power generation (Contracted)
Paka Power Plant commenced its short-term capacity generation from 1 September 2017 and this contributes to a profit before taxation for the current financial quarter.

Multi utilities business (Merchant)
The higher revenue was mainly due to higher fuel oil price. The loss before taxation was mainly due to lower vesting contract level, lower retail non-fuel and tank leasing margin.

Water & sewerage
The decrease in revenue was mainly due to the strengthening of Ringgit Malaysia against Great Britain Pound. The lower profit before taxation was mainly due to the foreign currency translation as mentioned and higher finance cost.

Mobile broadband network
This segment recorded an increase in revenue and lower operating cost.

Investment holding activities
The decrease in profit before taxation was mainly due to the lower share of profits of the associates.

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B2. Comparison with Preceding Quarter

	Current Quarter 30.9.2018 RM'000	Preceding Quarter 30.6.2018 RM'000 (Restated)	Variance % +/-
Revenue	2,803,430	2,815,782	-0.4
Consolidated profit before taxation	190,743	283,338	-32.7
Consolidated profit after taxation	150,398	233,771	-35.7

The lower profit before taxation was primarily attributable to absence of a one-off pension credit recognised in the preceding quarter by Water & sewerage segment.

B3. Prospects

Power generation (Contracted)
The Group has an 80% equity interest in PT Tanjung Jati Power Company ("TJPC"), an independent power producer which is undertaking the development of Tanjung Jati A, a 2 x 660 megawatt coal-fired power project in Java, Indonesia. TJPC has a 30-year power purchase agreement with PT PLN (Persero), Indonesia's state-owned electric utility company, amended and restated in December 2015 and March 2018. The project is currently in the development stage and progress is underway towards achieving financial close.

The Group also has a 45% equity interest in Attarat Power Company ("APCO"), which is developing a 554 megawatt oil shale fired power generation project in the Hashemite Kingdom of Jordan. APCO has signed a 30-year power purchase agreement (including construction period of 3.5 years) with the National Electric Power Company ("NEPCO"), Jordan's state-owned utility, for the entire electrical capacity and energy of the power plant, with an option for NEPCO to extend the power purchase agreement to 40 years (from the commercial operation date of the project's second unit). Construction has commenced on the project, with operations scheduled to commence in mid-2020.

YTL Power Generation Sdn. Bhd. ("YTLPG") has commenced its operation on 1 September 2017 for the supply of 585MW of capacity from the existing facility in Paka for a term of 3 years 10 months, which will be expiring on 30 June 2021. YTLPG is expected to perform satisfactorily as it operates under a regulatory regime.

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Multi utilities business (Merchant)
The electricity market in Singapore will remain competitive, driven by volatilities across global markets and generation capacity oversupply in the wholesale electricity market. Despite the current challenges, this segment will continue to focus on customer service and diversification beyond the core business into integrated multi-utilities supply.

Water & sewerage
Wessex Water which operates under a strict regulatory regime is confident of delivering its 2015-20 regulatory outperformance target whilst continuing to provide customers with first-class affordable service.

Mobile broadband network
The rollout of the new 800MHz spectrum will further enhance network coverage and reach and customers will be able to enjoy better connectivity. This coupled with availability of devices for this spectrum will facilitate the marketing of more competitive and affordable products and services to customers. Going forward, this business segment is confident of increasing subscriber base. In its drive to champion the use of Internet technology to empower Malaysian students and equip them with a culture of lifelong learning and technology know-how to succeed in the global knowledge economy, the Group continued to make good progress in its implementation of the 1BestariNet project, a project undertaken for the Government of Malaysia that aims to leverage information technology to scale up the quality of learning across the country. A key feature of the project is the provision of the Frog VLE (Virtual Learning Environment) to more than 10,000 state schools, a learning platform that allows schools to simplify and enhance teaching and learning, communication and administration. Plans are also underway to expand the Yes platform in Sarawak.

B4. Variance of Actual Profit from Financial Estimate, Forecast, Projection or Profit Guarantee

The Group did not issue any financial estimate, forecast, projection or profit guarantee during the current financial year to date.

B5. Audit Report of the preceding financial year ended 30 June 2018

The Auditors' Report on the financial statements of the financial year ended 30 June 2018 did not contain any qualification.

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B6. Profit for the period

	Current Quarter 30.9.2018 RM'000	Current Year To Date 30.9.2018 RM'000
Profit before taxation is stated after charging/(crediting):		
Allowance for impairment of inventories	158	158
Allowance for impairment of receivables (net of reversal)	17,279	17,279
Amortisation of contract costs	3,996	3,996
Amortisation of deferred income	(359)	(359)
Amortisation of grants and contributions	(5,415)	(5,415)
Amortisation of intangible assets	1,625	1,625
Depreciation of property, plant and equipment	278,494	278,494
Fair value gain on derivatives	(5,422)	(5,422)
Fair value loss on investments	2,332	2,332
Interest income	(1,594)	(1,594)
Interest expense	287,400	287,400
Loss on foreign exchange	1,255	1,255
Net gain on disposal of property, plant and equipment	(2,121)	(2,121)
Property, plant and equipment written off	2,941	2,941
Provision for liabilities and charges	144	144
	=========	=========

There was no exceptional items charged/(credited) for the period.

B7. Taxation

	Current Quarter 30.9.2018 RM'000	Current Year To Date 30.9.2018 RM'000
In respect of current period		
- Income Tax	33,262	33,262
- Deferred Tax	7,083	7,083
	------------	------------
	40,345	40,345
	=========	=========

The lower effective tax rate of the Group as compared to Malaysian statutory income tax rate for the current financial quarter was mainly due to income subjected to different tax jurisdictions and partially offset by non-deductibility of certain expenses for tax purposes.

B8. Corporate Proposals

There were no corporate proposals announced by the Company which are not completed as at the date of this report.

B9. Group Borrowings and Debt Securities

The Group's borrowings from financial institutions as at 30 September 2018 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Current			
Bank overdrafts	-	7,346	7,346
Committed bank loans	-	56,665	56,665
Finance lease	331	60,924	61,255
Revolving credit	-	703,155	703,155
Term loans	-	758,128	758,128
	331	1,586,218	1,586,549
Non-current			
Bonds	-	14,795,193	14,795,193
Finance lease	739	37,253	37,992
Term loans	-	10,148,565	10,148,565
	739	24,981,011	24,981,750
Total borrowings	**1,070**	**26,567,229**	**26,568,299**

The borrowings which are denominated in foreign currency are as follows:

	Foreign currency '000	RM Equivalents '000
US Dollar	647,063	2,679,164
Sterling Pound	2,077,626	11,250,760
Singapore Dollar	1,974,387	5,980,221

All borrowings of the subsidiaries are on non-recourse basis to the Company save and except for borrowings totalling RM294.8 million, for which the Company has provided corporate guarantees to the financial institutions.

B10. Derivative Financial Instruments and Fair Value Changes of Financial Liabilities

(a) Derivative Financial Instruments

As at 30 September 2018, the Group's outstanding derivatives are as follows:

Type of Derivatives	Contract/Notional Value RM'000	Fair Value RM'000
Fuel oil Swaps		
- Less than 1 year	1,079,376	182,615
- 1 year to 3 years	184,515	42,860
- More than 3 years	-	-
Currency forwards		
- Less than 1 year	1,096,558	(855)
- 1 year to 3 years	246,202	1,112
- More than 3 years	585	24
Currency options contracts		
- Less than 1 year	-	-
- 1 year to 3 years	1,656,200	(13,554)
- More than 3 years	-	-

The Group entered into fuel oil swaps to hedge highly probable forecast physical fuel oil and natural gas purchases that are expected to occur at various dates in the future. The fuel oil swaps have maturity dates that match the expected occurrence of these transactions.

The Group entered into currency forwards to hedge highly probable forecast transactions denominated in foreign currency expected to occur in the future. The currency forwards have maturity dates that match the expected occurrence of these transactions.

The Group entered into currency options contracts to enjoy interest rate reduction in related borrowings with an acceptable risk profile.

All derivative financial instruments are executed with creditworthy counter parties with a view to limit the credit risk exposure of the Group.

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(b) Fair Value Changes of Financial Liabilities

The (losses)/gains arising from fair value changes of financial liabilities for the current financial period ended 30 September 2018 are as follows:

Type of financial liabilities	Basis of fair value measurement	Reason for the (loss)/gain	Fair value (loss)/gain Current quarter 30.9.2018 RM'000	Current year to date 30.9.2018 RM'000
Forward foreign currency exchange contracts	Foreign exchange differential between the contracted rate and the market forward rate	Foreign exchange rates differential between the contracted rate and the market forward rate which have moved unfavourably against the Group	(1,676)	(1,676)
Fuel oil swap	Fuel oil price differential between the contracted price and the market forward price	Fuel oil price differential between the contracted price and the market forward price which have moved in favour of the Group	243	243
Currency options contracts	Spot rate, interest rate and basis curve, volatility and time to maturity	Spot rate has moved in favour of the Group	5,422	5,422
		Total	3,989	3,989

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B11. Material Litigation

There were no changes to the material litigation in the Group since the date of the last audited financial statements of financial position.

In 2015, a foreign subsidiary of the Group commenced proceedings in court against two customers to recover monies due to the subsidiary under contract, following termination of their electricity retail contracts. The substantive case was heard at the end of 2017 followed by a further hearing in November 2018. The court will deliver its decision on a date to be fixed.

Based on legal advice sought by the board, the subsidiary has strong prospects of succeeding in its claim and the customers are highly unlikely to succeed in their counterclaims. Thus, no provision has been made for potential losses that may arise from the counterclaims.

B12. Dividend

No dividend has been declared for the current financial quarter.

B13. Earnings Per Share

i) Basic Earnings Per Share

The basic earnings per share of the Group has been computed by dividing the profit attributable to Owners of the Parent by the weighted average number of ordinary shares in issue during the financial quarter as set out below:

	Current Year Quarter 30.9.2018	**Preceding Year Corresponding Quarter 30.9.2017 (Restated)**
Profit attributable to Owners of the Parent (RM'000)	126,275	132,623
Weighted average number of ordinary shares ('000)	7,719,374	7,758,891
Basic earnings per share (Sen)	1.64	1.71

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Notes – continued

ii) Diluted Earnings Per Share

The diluted earnings per share of the Group has been computed by dividing the profit attributable to Owners of the Parent by the weighted average number of ordinary shares in issue during the financial quarter as set out below:

	Current Year Quarter 30.9.2018	**Preceding Year Corresponding Quarter 30.9.2017**
Profit attributable to Owners of the Parent (RM'000)	126,275	132,623
	========	========
Weighted average number of ordinary shares – diluted ('000)		
Weighted average number of ordinary shares – basic	7,719,374	7,758,891
Effect of unexercised Warrants 2008/2018	-	21,978
Effect of unexercised ESOS	21,058	-
	--------------	--------------
	7,740,432	7,780,869
	========	========
Diluted earnings per share (Sen)	1.63	1.70
	========	========

* *Total cash expected to be received in the event of an exercise of all outstanding ESOS is RM286.5 million. Accordingly, the Net Asset (NA) on a pro forma basis will increase by RM286.5 million resulting in a decrease in NA per share of RM0.02. In arriving at the Diluted earnings per share, NA and NA per share, no income has been accrued for the cash proceeds.*

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 23 November 2018