PGB
TRANSFORMATION
3ZERO100 BEYOND
SUSTAINABLE SAFE AND RELIABLE OPERATIONS EFFICIENT AND EMPOWERED ORGANISATION COMPETITIVE GLOBAL BENCHMARKING IN COST, ENERGY AND MANPOWER
HIGH PERFORMANCE ORGANISATION

SUSTAINABLE SYSTEMS & WORK PROCESS
HIGHLY ENGAGED WORKFORCE
ABOUT OUR REPORTS

Annual Report
Primary source of information on our Group’s financial and non-financial performance for FY2016 and outlook for FY2017 across our operations in Malaysia.

Financial Report
Summary of financial information and full set of Group’s Audited Financial Statements.

Regulations Complied
- Bursa Malaysia Main Market Listing Requirements
- Companies Act 2016

Integrated Reporting cross-referencing

RATIONAL

The journey continues for PETRONAS Gas Berhad (PGB) as we strive to attain sustainable world class standards befitting our role as A Leading Gas Infrastructure and Utilities Company. Our approach is focused on changing mindsets and pushing boundaries to take the Company’s performance beyond expectations.

Our steadfast focus on improving Company-wide safety and operating efficiencies through our ongoing 3ZERO100 Transformation programme will also serve to enhance our overall sustainability and profitability.

We are continuously working towards our goal of becoming a high performance organisation by completely transforming our work culture and mindset. We will continue in this vein to sustain our legacy of high performance, strong leadership and value creation for our shareholders.

In line with this year’s theme, Going Beyond, the cover image depicts PGB’s commitment towards achieving results that exceed the norm.
This report covers our 2016 fiscal year, from 1 January 2016 to 31 December 2016. This year, besides our continued effort in improving integrated reporting, we have also included Sustainability Report in our Annual Report. This embedded sustainability report is in line with FTSE4Good Bursa Malaysia Index (FTSE4Good), which shows our ongoing commitment towards transparency and accountability.

Our sustainability report can be read from page 218 onwards of this Annual Report.
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### CORPORATE GOVERNANCE

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- Proxy Form
Kimanis Power Plants, Kimanis, Sabah
AT A GLANCE

8  Facts At A Glance
10  2016 Key Highlights
12  5-year Financial Summary
MORE THAN

2,000 mmscf/d

processing capacity through

SIX GAS PROCESSING PLANTS

OPERATING

300 MW

Power Plant in Kimanis, Sabah

Supply of

INDUSTRIAL UTILITIES

to petrochemical and industrial customers in Kertih and Gebeng

MORE THAN

2,500 km

GAS TRANSMISSION PIPELINE across Malaysia
PETRONAS Gas Berhad (PGB) has been in business for more than three decades and is still growing strong.
PETRONAS GAS BERHAD

**DIVIDENDS**
RM1.2 billion
2016: 62 sen/share
2015: 60 sen/share

**REVENUE**
RM4.6 billion
2015: RM4.5 billion

**MARKET CAPITALISATION**
RM42.1 billion
2015: RM44.9 billion

**TOTAL ASSET**
RM16.6 billion
2015: RM14.4 billion

**REVENUE**
+2%

**MARKET CAPITALISATION**
-6%

**DIVIDENDS**
+3%

**TOTAL ASSET**
+15%

**2016 KEY HIGHLIGHTS**

**REVENUE**
2015: RM4.5 billion

**MARKET CAPITALISATION**
2015: RM44.9 billion

**PROFIT AFTER TAX**
RM1.7 billion
2015: RM1.7 billion*

**PROFIT AFTER TAX**
-0.4%

* Based on normalised FY2015, excluding tax incentives and unrealised foreign exchange of RM243.2 million.
AIR SEPARATION UNIT PROJECT AT PENGGERANG (ASU)
Achieved Final Investment Decision of USD172 million
Pengerang Gas Solutions Sdn Bhd was incorporated in August 2016, a joint venture with Linde Malaysia Sdn Bhd to undertake the ASU project

EXCELLENT LIQUID PLANT EXTRACTION PERFORMANCE
Achieved 12 months Performance Based Structure income of RM69 million

EXTERNAL FINANCING
Secured USD500 million term loan from Mizuho Bank Ltd

PGB TRANSFORMATION
Completion of 3ZERO100 Transformation which focuses on improvement of asset integrity, people & culture and system & process

LNG REGASIFICATION TERMINAL PENGGERANG PROJECT
Advancing well at 75% completion and on track to achieve commercial operations by quarter four of 2017
## 5-YEAR FINANCIAL SUMMARY

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (RM million)</td>
<td>3,576.8</td>
<td>3,892.1</td>
<td>4,391.7</td>
<td>4,455.9</td>
<td>4,561.3</td>
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<tr>
<td>Profit after tax (RM million)</td>
<td>1,404.9</td>
<td>2,078.9</td>
<td>1,842.1</td>
<td>1,985.9</td>
<td>1,736.3</td>
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<tr>
<td>Dividends per share (sen)</td>
<td>50.0</td>
<td>55.0</td>
<td>55.0</td>
<td>60.0</td>
<td>62.0</td>
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<tr>
<td>Earnings per share (sen)</td>
<td>71.0</td>
<td>105.1</td>
<td>93.1</td>
<td>100.4</td>
<td>87.9</td>
</tr>
<tr>
<td>Total assets (RM million)</td>
<td>12,438.3</td>
<td>13,222.4</td>
<td>13,260.5</td>
<td>14,382.0</td>
<td>16,553.6</td>
</tr>
<tr>
<td>Total equity (RM million)</td>
<td>9,167.2</td>
<td>10,265.5</td>
<td>10,569.0</td>
<td>11,594.9</td>
<td>12,161.2</td>
</tr>
<tr>
<td>Market capitalisation (RM million)</td>
<td>38,624.8</td>
<td>48,043.6</td>
<td>43,848.7</td>
<td>44,917.2</td>
<td>42,147.0</td>
</tr>
<tr>
<td>Share price (RM)</td>
<td>19.52</td>
<td>24.28</td>
<td>22.16</td>
<td>22.70</td>
<td>21.30</td>
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<td>'14</td>
<td>'15</td>
<td>'16</td>
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Gas Processing Plant, Kertih, Terengganu
WHO WE ARE AND WHAT WE DO

16  Vision, Mission, and Shared Values
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20  Our Profile
22  Our Presence and Operations
24  Strategic Business Unit
26  Group Corporate Structure
27  Group Organisational Structure
VISION

A LEADING GAS INFRASTRUCTURE AND UTILITIES COMPANY

MISSION

• WE ARE A BUSINESS ENTITY
• GAS INFRASTRUCTURE AND UTILITIES IS OUR CORE BUSINESS
• WE OPERATE SAFELY, RELIABLY AND COMPETITIVELY
• WE OPTIMISE THE GAS VALUE CHAIN TO MAXIMISE RETURNS FOR OUR STAKEHOLDERS

SHARED VALUES

LOYALTY INTEGRITY PROFESSIONALISM COHESIVENESS
CORPORATE INFORMATION

BOARD AUDIT COMMITTEE
HABIBAH ABDUL
(Chairman)
DATO’ AB. HALIM MOHYIDDIN
EMELIANA DALLAN RICE-OXLEY
HENG HEYOK CHIANG @ HENG HOCK CHENG

NOMINATION AND REMUNERATION COMMITTEE
DATO’ AB. HALIM MOHYIDDIN
(Chairman)
HABIBAH ABDUL
HENG HEYOK CHIANG @ HENG HOCK CHENG

COMPANY SECRETARIES
INTAN SHAFINAS (TUTY) HUSSAIN
(LS 0009774)
YEAP KOK LEONG
(MAICSA 0862549)

REGISTERED OFFICE AND BUSINESS ADDRESS
Tower 1
PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia
Tel  : (+603) 2051 5000
Fax  : (+603) 2026 5505

REGISTRAR
Symphony Share Registrars Sdn Bhd
(378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel  : (+603) 7841 8000
Fax  : (+603) 7841 8151/7841 8152

AUDITORS
KPMG PLT (LLP0010081-LCA&AF0758)
Chartered Accountants
10th Floor, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel  : (+603) 7721 3388
Fax  : (+603) 7721 3399

BANKING SERVICES PROVIDER
PETRONAS Integrated Financial Shared Services Centre (IFSSC)*

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad

WEBSITE
www.petronasgas.com

* Banking requirements are managed centrally by IFSSC to enable more efficient banking management for the Group and the Company.
1983
• Incorporation of PETRONAS Gas Sdn Bhd (PGSB) as a wholly-owned subsidiary of Petronas Nasional Berhad (PETRONAS) on 23 May 1983.

1984
• Commissioning of Peninsular Gas Utilisation (PGU) 1 and commissioning of Gas Processing Plant (GPP) 1.
• First gas in and first salesgas delivery to power and industrial customers.

1987
• Appointment of PGSB as a throughput and servicing agent to PETRONAS for PGU via Throughput Agreement executed on 2 November 1987.

1991
• Commissioning of PGU 2.
• Officiation of the Segamat Gas Transmission Centre by the then Prime Minister of Malaysia, Tun Dr. Mahathir Mohamad.

1992
• First salesgas delivery to Senoko Power Station in Singapore via submarine pipeline.
• Commissioning of GPP2 and GPP3.

1994
• Commissioning of GPP4.

1995
• Execution of 20-year Gas Processing and Gas Transmission Agreement (GPTA) between PGSB and PETRONAS on 31 March 1995, with effective date 1 April 1994.
• Listed as PETRONAS Gas Berhad (PGB) on the Main Board of Bursa Malaysia Securities Berhad (Bursa Malaysia) which is formerly known as Kuala Lumpur Stock Exchange.

1998
• Completion of PGU 3.
• Execution of first Sale and Purchase Agreement with Centralised Utility Facilities (CUF).

1999
• Commissioning of GPP5 and GPP6.
• First delivery of electricity from CUF Kertih and CUF Gebeng to customers.

2000
• Secured RM1.4 billion from domestic private debt securities via Islamic Financing to partly finance CUF project.

2005
• First gas in from Malaysia-Thailand Joint Development Area.
• Execution of Operation and Maintenance Services Agreement with Trans Thai-Malaysia (M) Sdn Bhd.
2009

- Ground breaking ceremony of Kimanis Power Plant project by Chief Minister of Sabah, Datuk Seri Panglima Musa Haji Aman on 26 November 2009.

2010

- Announcement of the development of Malaysia’s first liquefied natural gas (LNG) Regasification Terminal in Sungai Udang, Melaka (RGTSU) by Prime Minister of Malaysia, Dato’ Sri Mohd Najib Tun Haji Abdul Razak on 10 June 2010 under the 10th Malaysia Plan.

2011

- PGB Network Code was announced to Bursa Malaysia on 23 December 2011.

2013

- Commissioning of RGTSU on 23 May 2013.
- Commissioning of Kimanis Power Plant.

2014

- Operationalisation of Kimanis Power Plant in November 2014.
- Executed a series of agreements for the development of Malaysia’s Second LNG Regasification Terminal in Pengerang (RGTP).
- Execution of Heads of Agreement with Linde to develop an Air Separation Unit for Pengerang Integrated Complex.
- Execution of the new Gas Processing Agreement (GPA) and Gas Transportation Agreements (GTA) with PETRONAS for another 20 years.

2015

- Completion of Plant Rejuvenation and Revamp Project for GPP2, 3 and 4.

2016

- Execution of USD500 million Term Loan Facility Agreement with Mizuho Bank Ltd to fund capital projects.
- Successful completion of both LNG tanks for LNG Regasification Terminal at Pengerang.
PETRONAS Gas Berhad (PGB) was initially a wholly-owned subsidiary of PETRONAS, the Malaysia’s national oil corporation, which upon listing owns 60.63% of its shares while the remaining 39.37% is held by financial institutions and retail shareholders.

Today, we are one of the largest companies on the local bourse, in terms of market capitalisation. We are also Malaysia’s leading gas infrastructure and utilities company with core businesses in Gas Processing (GP), Gas Transportation (GT), Utilities (UT) and Regasification (RGT).

We process PETRONAS’ natural gas piped from offshore fields, transports the processed gas via Peninsular Gas Utilisation (PGU) pipeline network to PETRONAS’ customers in Malaysia and Singapore. In addition, we also supply electricity, steam and industrial gases for our customers at Kertih Integrated Petrochemical Complex in Terengganu and Gebeng Industrial Area in Pahang.
PETRONAS GAS BERHAD (PGB) WAS INCORPORATED IN 1983 AND WAS LISTED ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD ON 4 SEPTEMBER 1995.

We have staff strength of 2,117 employees nationwide. The majority of the staff are based at its plant operations located in Kertih and Santong, Terengganu and in Gebeng, Pahang.

We operate from our headquarter at the PETRONAS Twin Towers in Kuala Lumpur as well as nine regional offices in Peninsular Malaysia and three in East Malaysia.

In 2013, we further broadened its business portfolio with the commissioning of the liquefied natural gas (LNG) Regasification Terminal in Sungai Udang, Melaka, the Malaysia’s first regasification facility.

Over the years, we have expanded our business and this includes venturing into power generation in Sabah in 2011, through a 60% joint venture company, Kimanis Power Sdn Bhd, which commenced its full commercial operations end of 2014.

We are also constructing two new plants, second LNG Regasification Terminal and Air Separation Unit (ASU) in Pengerang, Johor which are expected to complete by end 2017 and end 2018 respectively.
OUR PRESENCE AND OPERATIONS

MAIN PIPELINE

<table>
<thead>
<tr>
<th>PGU I</th>
<th>Kerih - Teluk Kalong</th>
<th>32 km</th>
<th>1983</th>
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<tbody>
<tr>
<td>PGU II</td>
<td></td>
<td></td>
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<tr>
<td>Sector I: Teluk Kalong - Segamat</td>
<td>265 km</td>
<td>1991</td>
<td></td>
</tr>
<tr>
<td>Sector II: Segamat - Kapar</td>
<td>241 km</td>
<td>1991</td>
<td></td>
</tr>
<tr>
<td>Sector III: Segamat - Plentong</td>
<td>208 km</td>
<td>1991</td>
<td></td>
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<thead>
<tr>
<th>PGU III</th>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Sector I: Meru - Lumut</td>
<td>184 km</td>
<td>1996</td>
</tr>
<tr>
<td>Sector II: Lumut - Gurun</td>
<td>130 km</td>
<td>1996</td>
</tr>
<tr>
<td>Sector III: Gurun - Pauh</td>
<td>136 km</td>
<td>1996</td>
</tr>
<tr>
<td>Loop 1: Kerih - Segamat</td>
<td>266 km</td>
<td>1999</td>
</tr>
<tr>
<td>Loop 2: Segamat - Meru</td>
<td>228 km</td>
<td>2000</td>
</tr>
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SALES GAS CUSTOMERS (PENINSULAR MALAYSIA)

POWER
1. TNB Tuanku Jaafar
2. Segari Energy Ventures
3. TNB Paka
4. Panglima Power, Teluk Gong
5. Genting Sanyen Power

NON-POWER
1. Gas Malaysia Bhd
2. PETRONAS Penapisan Melaka (M) Sdn Bhd
3. PETRONAS Chemical Fertiliser Kedah Sdn Bhd
4. LOTTE Chemical Titan (M) Sdn Bhd
5. White Horse Ceramic Industries Sdn Bhd

EXPORT
1. Senoko Energy
2. Keppel Energy
SALESGAS CUSTOMERS (EAST MALAYSIA)

SARAWAK
1. SESCO Miri Power Station
2. Sarawak Gas Distribution System
3. Bintulu Edible Oils Sdn Bhd
4. Syarikat Sebangun Sdn Bhd
5. Sime Darby Austral Sdn Bhd
6. Biport BULKers Sdn Bhd

SABAH
1. Kimanis Power Plant
2. SPR Energy (M) Sdn Bhd
3. PETRONAS Chemical Fertiliser Sabah Sdn Bhd

<table>
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<th>PGB TOTAL PIPELINE LENGTH (IN OPERATION)</th>
<th>LENGTH (km)</th>
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<tbody>
<tr>
<td>Main</td>
<td>1,690</td>
</tr>
<tr>
<td>Lateral</td>
<td>458</td>
</tr>
<tr>
<td>Liquid</td>
<td>373</td>
</tr>
<tr>
<td>Sarawak</td>
<td>39</td>
</tr>
<tr>
<td>RGTSU</td>
<td>30</td>
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<td>Total</td>
<td>2,590</td>
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<th>COMPLEX</th>
<th>GPP</th>
<th>CAPACITY (mmscfd)</th>
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<tbody>
<tr>
<td>Gas Processing Kertih</td>
<td>1</td>
<td>310</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>250</td>
</tr>
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<td>3</td>
<td>250</td>
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<td>4</td>
<td>250</td>
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<td>Gas Processing Santong</td>
<td>5</td>
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<td></td>
<td>6</td>
<td>500</td>
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<tr>
<td>Total</td>
<td></td>
<td>2,060</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LNG REGASIFICATION TERMINAL</th>
<th>CAPACITY (mmscfd)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sungai Udang, Melaka</td>
<td>530</td>
</tr>
</tbody>
</table>
STRATEGIC BUSINESS UNIT

OUR FOUR CORE BUSINESS SEGMENTS ARE GAS PROCESSING, GAS TRANSPORTATION, UTILITIES AND REGASIFICATION.

Gas Processing

is one of our primary business segments and is operated by Gas Processing and Utilities (GPU) Division. Our six gas processing plants in Terengganu are located in two complexes, Gas Processing Kertih (GPK) and Gas Processing Santong (GPS), which have a combined capacity to process over 2,000 million standard cubic feet per day (mmscfd) of feedgas. These plants processes feedgas from offshore of East Peninsular Malaysia into salesgas, ethane, propane and butane on behalf of PETRONAS which are then supplied to PETRONAS’ customers through our Peninsular Gas Utilisation (PGU) pipeline network. In return, we receive gas processing fees, comprising mainly fixed reservation charges under a 20-year Gas Processing Agreement (GPA) with PETRONAS.

Gas Transportation

is operated by Gas Transmission and Regasification (GTR) Division, whereby we manage the gas transmission pipelines covering much of West Malaysia known as the PGU pipeline network. We operate the pipeline network from our main Control Center located in Segamat, Johor and the salesgas is transported to PETRONAS’ customers in power and non-power sector via our 2,551 km PGU pipeline. Our current PGU pipeline network has the capacity to transport up to 3,000 mmscfd of gas. We also transport small volumes of salesgas for PETRONAS’ customers via our gas distribution system in Miri and Bintulu, Sarawak, as well as manage the gas pipeline in Kinans, Sabah. We receive gas transportation fees based on capacity booking following the 20-year Gas Transportation Agreements (GTA) with PETRONAS.
Regasification is operated by GTR Division. We operate and maintain our offshore liquefied natural gas (LNG) Regasification Terminal Sungai Udang in Melaka (RGTSU), which began its commercial operations in the second quarter of 2013 and soon will be the operator for LNG Regasification Terminal in Pengerang, Johor (RGTP). The facility receives vessels carrying PETRONAS’ LNG imported from around the world, stores it in two floating storage units and converts the LNG into gas before injecting it into the PGU pipeline network for distribution to PETRONAS’ customers. We receive regasification fee based on capacity underwritten from the 20-year Regasification services Agreement (RSA) with PETRONAS.

Utilities is operated by GPU Division comprising two complexes – Utilities Kertih (UK) in Terengganu and Utilities Gebeng (UG) in Pahang. The utilities plants provide reliable supply of electricity, steam, industrial gaseous and other by-products such as liquid oxygen, liquid nitrogen, demineralised water, raw water, cooling water and boiler feed water to various petrochemical plants operating in the Kertih Integrated Petrochemical Complex (KIPC) in Terengganu and Gebeng Industrial Area in Pahang. We receive utilities revenue based on the volume of products sold to customers.

We have expanded our utilities business by venturing into power generation in Kimanis, Sabah through a 60% joint venture company, Kimanis Power Sdn Bhd, which commenced its power plant operations fully from end of 2014.
*Although the Group has more than 50% ownership in the equity interests of Kimanis Power Sdn Bhd, Kimanis O&M Sdn Bhd and Pengerang Gas Solutions Sdn Bhd, the Group treats these companies as joint ventures in accordance with Malaysian Financial Reporting Standards. Read more details on page 66 of the Financial Report.
GROUP ORGANISATIONAL STRUCTURE

BOARD OF DIRECTORS

NOMINATION AND REMUNERATION COMMITTEE

MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

LEADERSHIP TEAM

BOARD AUDIT COMMITTEE

INTERNAL AUDIT*

GAS PROCESSING AND UTILITIES

FINANCE

HUMAN RESOURCE MANAGEMENT

LEGAL AND CORPORATE SECRETARIAT*

GAS TRANSMISSION AND REGASIFICATION

BUSINESS DEVELOPMENT AND COMMERCIAL

BUSINESS EXCELLENCE

* Internal Audit and Legal and Corporate Secretariat functions are undertaken by Group Internal Audit, PETRONAS and Group Legal, PETRONAS respectively.
GOING BEYOND
FUTURE GROWTH

We aim to leverage on our four core competencies to secure new business opportunities. Our Transformation will further strengthen our resilience in face of challenges and propel the Company towards realising our long term growth aspirations.
TRANSFORMING TO A GREATER HEIGHTS

DATUK MOHD ANUAR TAIB
Chairman
PETRONAS Gas Berhad
CHAIRMAN’S STATEMENT

“THE GROUP’S RESILIENT PERFORMANCE HAS ALLOWED US TO SUSTAIN A MARKET CAPITALISATION OF RM42 BILLION. WITH OUR HEALTHY PROFIT, MOREOVER, WE ARE ABLE TO PAY OUR HIGHEST EVER DIVIDEND OF 62 SEN PER SHARE FOR THE FINANCIAL YEAR 2016, WHICH REPRESENTS A PAYOUT RATIO OF 71%, ON PAR WITH THE INDUSTRY AVERAGE.”

Dear Shareholders,

The world in 2016 continued to be in the grips of a challenging economic landscape, with dampened trade, low levels of investment and reduced productivity leading to economic slowdowns generally. In Malaysia, despite slower economic growth that of 2015, private investments and domestic demand remained robust.

Within this environment, PETRONAS Gas Berhad (PGB) continued to enjoy financial stability through long-term agreements for processing, regasifying and transporting gas from PETRONAS to its customers. In addition, PGB benefited from the performance – based revenue by achieving its world class performance level and additional revenue from sales of utilities to customers in Kertih, Terengganu and Gebeng, Pahang.

The significant improvement in performance is an outcome of our extensive Transformation Plan under the banner 3ZERO100. The first phase, 3ZERO100 Transformation, completed in December 2016 followed by the second phase called 3ZERO100 Beyond. Each phase consists of a period of two years. 3ZERO100 Beyond seeks to further elevate our competitiveness and efficiencies to be on par with world benchmarks in terms of cost, energy utilisation and manpower, while achieving sustainable, safe and reliable operations. Health, Safety, Security and Environment (HSSE), which featured prominently in the first phase, will continue to be a key focus area as the safety of our people and contractors will always be our top priority.
I am pleased to share that early wins under the 3ZERO100 Transformation, together with a robust business base, enabled us to record a commendable financial performance in 2016. We maintained a healthy revenue of RM4,561.3 million, which was 2.4% higher than in FY2015, while our profit stood at RM1,736.3 million, just 0.4% less than the normalised profit excluding tax incentives and foreign exchange loss recorded in FY2015. This minor reduction in profit is due to investments in asset integrity and reliability as part of 3ZERO100 Transformation, a needed and prudent investment to ensure long-term sustainability of our business.

Our performance have been recognised both nationally and internationally. In 2016, our list of accolades expanded with recognition by the United Kingdom-based Royal Society for the Prevention of Accidents (ROSPA) and the International Convention on Quality Control Circles (ICQCC) for our high standards of occupational health and safety, as well as for innovation and quality. In addition, we were acknowledged by the National Annual Corporate Report Awards (NACRA) and the Minority Shareholder Watchdog Group (MSWG) for the third consecutive year, for our commitment to transparency, strong governance and good corporate reporting.

While strengthening our foundations we continue to grow for the future. It gives me great pleasure to share that we are making steady headway in two new projects in the Pengerang Integrated Complex (PIC) in Johor. During the year, we formed a joint venture company with one of the world’s leading industrial gas players, Linde Malaysia Sdn Bhd, to undertake the development of the Air Separation Unit (ASU), which is the third in the Group. Concurrently, our second liquified natural gas (LNG) Regasification Terminal is progressing as planned and is expected to be completed by end 2017. These two developments will increase our capacity and will integrate us into PIC, which is set to become a major regional oil and gas downstream hub.

Going into 2017, we will continue to focus on our core businesses. At the same time, we will work closely with the Energy Commission (EC) to ensure the smooth implementation of the Gas Supply (Amendment) Act 2016. The amendment, which provides for Third Party Access to our pipelines and regasification capacity, marks a defining change to the industry. We are supportive of this development and preparing ourselves well to be the safest, most reliable and efficient gas transporter and utilities management in the country.

The Group will look continuously for growth opportunities leveraging on our core competencies in the gas infrastructure and utilities business. Towards this end, we have close collaboration with the Malaysian Industrial Development Authority (MIDA), East Coast Economic Region (ECER), Economic Planning Unit (EPU) and EC to identify potential ventures that would enable us to expand our existing business with the ultimate objective of ensuring higher returns to our shareholders.

It is paramount that we ensure our growth is achieved in a manner that is sustainable. This, in turn, is reflected by elements of sustainability that have been fully integrated into the Company’s business value chain, as highlighted in our Sustainability Report. The report itself is a new development, and underlines our commitment to creating transparency in matters that are important to our stakeholders.

A key consideration in upholding corporate governance is to ensure a good balance of perspectives, diversity and views on the Board. With this in mind, during the year, we appointed three new Directors, Emeliana Dallan Rice-Oxley, Wan Shamilah Wan Saidi and Heng Heyok Chiang @ Heng Hock Cheng, who bring with them vast skills and expertise in divergent fields, further enhancing the collective experience of the PGB Board.
We also bid farewell to Dato’ N. Sadasivan N.N. Pillay, Datuk Rosli Boni, Ir. Pramod Kumar Karunakaran, Lim Beng Choon and my predecessor, Tan Sri Dato’ Seri Shamsul Azhar Abbas. On behalf of my colleagues, I would like to express our gratitude to them for their time and dedication, and especially to Dato’ N. Sadasivan N.N. Pillay for his 21 years of commitment to the PGB Board, and Tan Sri Dato’ Seri Shamsul Azhar Abbas for his exemplary leadership and wise counsel.

To our shareholders, it gives me pleasure to share that the Group’s resilient performance has allowed us to sustain a market capitalisation of RM42 billion. For the financial year 2016, we are able to pay dividend of 62 sen per share, our highest ever. This represents a payout ratio of 71%, on par with the industry average.

The Company is certainly making great strides, to enhance our shareholders value. For this, I would like to acknowledge the support provided by various federal and state agencies involved in the gas industry. A big thank you also goes to the true ‘engine of growth’ of this company – our very able Leadership Team as well as all our dedicated employees. With your hard work and commitment, we can make great things happen.

Thank you.

ANUAR TAIB
From left:

2. HENG HEYOK CHIANG @ HENG HOCK CHENG
   (Independent Non-Executive Director)

3. EMELIANA DALLAN RICE-OXLEY
   (Non-Independent Non-Executive Director)

4. DATUK MOHD ANUAR TAIB
   (Chairman, Non-Independent Non-Executive Director)

1. WAN SHAMILAH WAN MUHAMMAD SAIIDI
   (Non-Independent Non-Executive Director)
5. YUSA’ HASSAN  
(Managing Director/Chief Executive Officer)

6. HABIBAH ABDUL  
(Senior Independent Director)

7. DATO’ AB. HALIM MOHYIDDIN  
(Independent Non-Executive Director)

8. INTAN SHAFINAS (TUTY) HUSSAIN  
(Company Secretary)

9. YEAP KOK LEONG  
(Company Secretary)
OUR BOARD
AT A GLANCE

BOARD COMPOSITION

Non-Independent Non-Executive Directors
(Including the Chairman)
Non-Independent Non-Executive Directors
Independent Non-Executive Directors
Senior Independent Director
Executive Director
(Managing Director/Chief Executive Officer)

SKILLS AND EXPERIENCE

Declaration
None of the Directors have been changed for any offences within the past five years other than traffic offences, if any.
DATUK MOHD ANUAR TAIB
Chairman, Non-Independent Non-Executive Director
Malay, Malaysian (age 48, Male)

Date of Appointment: 1 January 2017
Length of Service (As at 17 February 2017): 2 months

Academic/Professional Qualifications
• Bachelor of Science in Mechanical Engineering, Case Western Reserve University, United States of America
• Masters of Business Administration in International Management, Royal Melbourne Institute of Technology University, Melbourne, Australia

Present Directorship
Listed Entities:
(i) PETRONAS Gas Berhad

Public companies:
Nil

Present Appointments
• Executive Vice President and Chief Executive Officer, PETRONAS Upstream
• Member, PETRONAS Executive Leadership Team
• Chairman of Advisory Council, Society of Petroleum Engineers Asia Pacific
• Board Member, various companies in PETRONAS

Past Experience
• Chief Executive Officer, PETRONAS Development and Production
• Senior Vice President, PETRONAS Upstream Malaysia
• Chairman, Shell Malaysia
• Chairman, Shell Refining Company (Federation of Malaya) Berhad
• 27 years of extensive experience in oil and gas industry

Declaration
• No family relationship with any Director/Major Shareholder
• No conflict of interest with PETRONAS Gas Berhad
YUSA’ HASSAN
Managing Director/Chief Executive Officer
Malay, Malaysian (age 54, Male)

Date of Appointment: 1 July 2013
Length of Service (As at 17 February 2017): 3 years 7 months

Academic/Professional Qualification

• Bachelor of Science in Mechanical Engineering, West Virginia University, United States of America

Present Directorships

Listed Entities:
(i) PETRONAS Gas Berhad
(ii) Gas Malaysia Berhad

Public companies:
Nil

Present Appointments

• Managing Director/Chief Executive Officer
• PETRONAS Skill Group Advisor for Mechanical Engineers SKG12
• Board Member, various companies in PETRONAS

Past Experience

• Head of Olefins and Derivative Business, PETRONAS Chemicals Group Berhad
• Head of Fertiliser and Methanol Business Division, PETRONAS Chemicals Group Berhad
• Held various senior and top management positions in PETRONAS Penapisan (Terengganu) Sdn Bhd and PETRONAS Chemicals MTBE Sdn Bhd
• Involved in the design, construction and commissioning of greenfield Ammonia Syngas Project, PETRONAS Ammonia Sdn Bhd (now known as PETRONAS Chemicals Ammonia Sdn Bhd)

Declaration

• No family relationship with any Director/Major Shareholder
• No conflict of interest with PETRONAS Gas Berhad
HABIBAH ABDUL
Senior Independent Director
Malay, Malaysian (age 61, Female)

Date of Appointment: 13 September 2013
Length of Service (As at 17 February 2017): 3 years 5 months

Academic/Professional Qualifications

- Bachelor of Economics (Accounting), University Malaya
- Member, Institute of Chartered Accountants in England and Wales
- Member, Malaysian Institute of Certified Public Accountants
- Member, Malaysian Institute of Accountants

Present Directorships

Listed Entities:
(i) PETRONAS Gas Berhad
(ii) KLCC Property Holdings Berhad

Public companies:
Nil

Present Appointments

- Chairman, Board Audit Committee, PETRONAS Gas Berhad
- Member, Nomination and Remuneration Committee, PETRONAS Gas Berhad
- Member, Board Audit Committee, KLCC Property Holdings Berhad
- Member, Nomination and Remuneration Committee, KLCC Property Holdings Berhad

Past Experience

- Member of Securities Commission
- Experienced in providing audit and business advisory services to several large public listed, multinationals and local corporations
- Partner, Arthur Andersen
- Partner, Ernst & Young

Declaration

- No family relationship with any Director/Major Shareholder
- No conflict of interest with PETRONAS Gas Berhad
DATO’ AB. HALIM MOHYIDDIN
Independent Non-Executive Director
Malay, Malaysian (age 71, Male)

Date of Appointment: 4 August 2011
Length of Service (As at 17 February 2017): 5 years 6 months

Academic/Professional Qualifications
- Master of Business Administration, University of Alberta, Canada
- Bachelor of Economics in Accounting, University Malaya
- Diploma in Accountancy, University Malaya
- Member, Malaysian Institute of Certified Public Accountants
- Member, Malaysian Institute of Accountants

Present Directorships
Listed Entities:
(i) PETRONAS Gas Berhad
(ii) MISC Berhad
(iii) Amway (Malaysia) Holdings Berhad
(iv) KNM Group Berhad

Public companies:
Nil

Present Appointments
- Chairman, MISC Berhad
- Chairman, Amway (Malaysia) Holdings Berhad
- Chairman, KNM Group Berhad
- Chairman, Nomination and Remuneration Committee, PETRONAS Gas Berhad
- Chairman, Board Audit Committee, Amway (Malaysia) Holdings Berhad
- Chairman, Nomination Committee, KNM Group Berhad
- Chairman, Audit Committee, KNM Group Berhad
- Member, Board Audit Committee, PETRONAS Gas Berhad
- Member, Nomination Committee, Amway (Malaysia) Holdings Berhad
- Member, Remuneration Committee, Amway (Malaysia) Holdings Berhad
- Member, Remuneration Committee, KNM Group Berhad

Past Experience
- Partner, KPMG/KPMG Desa Megat & Co
- Member, Education Committee International Federation of Accountants

Declaration
- No family relationship with any Director/Major Shareholder
- No conflict of interest with PETRONAS Gas Berhad
EMELIANA DALLAN RICE-OXLEY
Non-Independent Non-Executive Director
Anglo-Bisaya, Malaysian (age 54, Female)

Date of Appointment: 1 September 2016
Length of Service (As at 17 February 2017): 6 months

Academic/Professional Qualifications

• Degree in Geology University of South Carolina, United States of America
• Advanced Management Programme, Harvard Business School

Present Directorship

Listed Entities:
(i) PETRONAS Gas Berhad

Public companies:
Nil

Present Appointments

• Vice President, Exploration PETRONAS Upstream
• Member, Board Audit Committee of PETRONAS Gas Berhad
• Member, Upstream Leadership Team, PETRONAS
• Member, Upstream PDC, PETRONAS
• Champion, Upstream PETRONAS Leading Women Network
• Board Member, various companies in PETRONAS

Past Experience

• Vice President of Exploration Malaysia, PETRONAS
• Led PETRONAS strategy to accelerate monetisation of the gas-rich resources in East Malaysia as well as international exploration growth
• Served numerous technical and managerial roles in Malaysia, Central North Sea, Brazil, Onshore United States of America and Latin America for Shell
• Exploration Portfolio and Planning Manager for Asia Pacific region for Shell

Declaration

• No family relationship with any Director/Major Shareholder
• No conflict of interest with PETRONAS Gas Berhad
WAN SHAMILAH WAN MUHAMMAD SAIDI
Non-Independent Non-Executive Director
Malay, Malaysian (age 46, Female)

Date of Appointment: 1 September 2016
Length of Service (As at 17 February 2017): 6 months

Academic/Professional Qualifications

- Degree in Economics and Accounting, University of Bristol, United Kingdom
- Fellow, Institute of Chartered Accountants in England & Wales
- Advanced Management Programme, Harvard Business School
- Member, Malaysian Institute of Accountants

Present Directorship

Listed Entities:
(i) PETRONAS Gas Berhad

Public companies:
Nil

Present Appointments

- Chief Digital Officer, PETRONAS
- Board Member, various companies in PETRONAS

Past Experience

- Senior General Manager, Corporate Strategic Planning, PETRONAS
- Chief Financial Officer, PETRONAS Chemicals Group Berhad
- Senior General Manager, Crude Oil Group, PETRONAS
- General Manager Finance, Malaysia LNG Sdn Bhd
- General Manager Finance, PETRONAS Gas Berhad

Declaration

- No family relationship with any Director/Major Shareholder
- No conflict of interest with PETRONAS Gas Berhad
HENG HEYOK CHIANG @ HENG HOCK CHENG
Independent Non-Executive Director
Chinese, Malaysian (age 68, Male)

Date of Appointment: 1 January 2017
Length of Service (As at 17 February 2017): 2 months

Academic/Professional Qualification
- Bachelor of Science (Honours) in Chemical Engineering University of Birmingham, United Kingdom

Present Directorships

Listed Entities:
- PETRONAS Gas Berhad
- Malaysian Marine and Heavy Engineering Holdings Berhad
- Shell Refining Company (Federation of Malaya) Berhad

Public companies:
Nil

Present Appointments
- Chairman, Board Bid Committee, Malaysian Marine and Heavy Engineering Holdings Berhad
- Member, Nomination and Remuneration Committee, PETRONAS Gas Berhad
- Member, Board Audit Committee, PETRONAS Gas Berhad
- Member, Board Audit Committee, Shell Refining Company (Federation of Malaya) Berhad
- Member, Board Audit Committee, Malaysian Marine and Heavy Engineering
- Member, Nomination and Remuneration Committee, Malaysian Marine and Heavy Engineering
- Advisor, Dialog Group Berhad

Past Experience
- Chairman, Shell China
- Managing Director, Shell Gas & Power Malaysia
- Technical Director, Sarawak Shell Berhad/Sabah Shell Petroleum Co. Ltd.
- Extensive experience in Upstream, Downstream and Gas & Power Divisions with Shell

Description
- No family relationship with any Director/Major Shareholder
- No conflict of interest with PETRONAS Gas Berhad
LEADERSHIP TEAM
YUSA’ HASSAN
Managing Director/Chief Executive Officer (MD/CEO)

Responsibilities
- Spearheads PETRONAS Gas Berhad (PGB) overall business growth and transformation strategies
- Responsible for driving the execution of PGB Group’s business targets to meet its aspirations and visions
- Oversees and ensures an optimum balance between driving operational excellence and strong governance in creating sustainable values for shareholders and all stakeholders

Experience
- 30 years of experience in petrochemicals, refinery and gas businesses in PETRONAS; covering areas like operations, projects and commercial
- Held various engineering and management positions for numerous operating units in PETRONAS
- Appointed as Head of Olefins and Derivative Business, PETRONAS Chemicals Group Berhad

Qualification
- Bachelor of Science in Mechanical Engineering, West Virginia University, United States of America

Committee Memberships/Appointments
- Chairman of:
  - Kimanis Power Sdn Bhd
  - Kimanis O&M Sdn Bhd
  - Regas Terminal (Sg. Udang) Sdn Bhd
  - Regas Terminal (Pengerang) Sdn Bhd
  - Regas Terminal (Lahad Datu) Sdn Bhd
  - Pengerang LNG (Two) Sdn Bhd

External Appointment
- Director, Gas Malaysia Berhad

Yusa’ was appointed to his current position on 1 July 2013
Mohd Kabir was appointed to his current position on 1 July 2015

Responsibilities

- Responsible for the overall management and operations of Gas Processing and Utilities facilities by ensuring safe, optimum and efficient plant operations
- Ensure delivery of contracted utilities which satisfies customers’ requirements as well as achieving optimum gas value chain for PETRONAS and PGB
- Ensure compliance with regulations and statutory requirements

Experience

- Began his career in 1991, serving as a member of Production Technology at PETRONAS Penapisan (Terengganu) Sdn Bhd (PP(T)SB)
- Production Specialist in PETRONAS Penapisan (Melaka) Sdn Bhd (PP(M)SB) from 1993 until 1998, and subsequently progressed his career in various positions within PP(M)SB
- Appointed as the General Manager of Operation at Malaysia LNG Sdn Bhd (MLNG) in 2011
- Appointed as Head of Production, Gas Processing and Utilities Division (GPU) in April 2015

Qualification

- Degree in Chemical Engineering, University of Leeds, United Kingdom

Committee Membership/Appointment

- Director of Industrial Gases Solutions Sdn Bhd

External Appointment

- Nil

MOHD KABIR NOORDIN
Head of Gas Processing and Utilities Division

N  Malaysian
A  51 Years
G  Male
Burhan assumed his current position on 1 January 2017

BURHAN ABDULLAH
Head of Gas Transmission and Regasification Division

Responsibilities

• Responsible for the overall management and operations of Gas Transmission and Regasification facilities by ensuring safe, optimum and efficient pipeline network and regasification operations
• Ensure delivery of gas which satisfy PETRONAS’ customers requirements as well as achieving optimum gas value chain for PETRONAS
• Ensure compliance with regulations and statutory requirements

Experience

• Started his career in 1991 as Operation Engineer at PETRONAS Penapisan (Terengganu) Sdn Bhd (PP(T)SB)
• Part of commissioning team to commission PETRONAS 1st Ethylene Cracker, Ethylene Malaysia Sdn Bhd in 1996
• Served as Shift Supervisor and later as Utilities Offsite and Process Manager from 1997 to 2006. Subsequently, served as Senior Operation Managers, Gas Processing Kertih and later on to Gas Processing Santong from 2007 until 2013
• Appointed as Vice President Operations, Trans-Thai Malaysia (Thailand) Ltd (TTMT) in 2014 until 2016

Qualifications

• Bachelor of Chemical Engineering from University of Texas A&I, United States of America
• First Grade Steam Engineer from Malaysian Department of Occupational Safety & Health

Committee Membership/Appointment

• Chief Executive Officer of Regas Terminal (Sg. Udang) Sdn Bhd

External Appointment

• Nil
Aida Aziza is currently the Chief Financial Officer effective September 2012

Responsibilities

• Responsible for the Group’s financial, planning and reporting, capital funding and treasury management, procurement and investor relations
• Develop and implement initiatives and strategies to manage financial risks and improve the Group’s capital structure and financial performance
• Provide strategic support to the business particularly in new business ventures and commercial arrangements

Experience

• Began her career with PETRONAS in October 1996 as Executive in the Budget Department
• Subsequently, held various positions within PETRONAS until 2005 covering areas of reporting, planning and budgeting and taxation
• Appointed as Manager, Operations Accounting and Loan Management, PGB from 2005 to 2008
• Appointed, as General Manager of Finance and Accounts Services in PETRONAS from 2011 to 2012, responsible for financial reporting including accounting standards setting for PETRONAS Group of companies

Qualifications

• Bachelor of Accounting and Finance, University of Lancaster, United Kingdom
• Fellow of the Association of Chartered Certified Accountant of United Kingdom

Committee Memberships/Appointments

• Director of
  – Pengerang LNG (Two) Sdn Bhd
  – Kimanis Power Sdn Bhd
  – Kimanis O&M Sdn Bhd
  – Pengerang Gas Solutions Sdn Bhd
  – Gas District Cooling (UTP) Sdn Bhd
  – TTM Sukuk Berhad

External Appointment

• Alternate Director, Gas Malaysia Berhad
Abdul Razak assumed the position of Head of Business Development and Commercial Division (formerly known as Commercial and Corporate Services Division) in February 2013

Responsibilities

- Responsible to maximise profitability for the Group through effective business development, commercial negotiations and resolutions, business ventures management, land acquisition & management and Third Party Access (TPA) & regulatory

Experience

- Started his 24 years of career as a Procurement Executive in PGB Transmission Operation Division (currently known as Gas Transmission and Regasification Division) in 1992 and held various technical positions within PGB until 2002
- In September 2002, seconded to East Australia Pipeline Marketing Pty Ltd based in Sydney for three years, where he managed the capacity marketing for the 3,000 km Moomba-Sydney gas pipeline under TPA regime, involved in the front-end development of the Papua New Guinea–Queensland pipeline project
- Appointed as Manager, Gas Supply Planning, Gas Business Unit, PETRONAS in 2006 and headed the department from 2008 until 2011
- Appointed as General Manager, Gas Business Development Department, Gas Business Unit in 2011

Qualification

- Degree in Mechanical Engineering (Hons), University of Wollongong, New South Wales, Australia

Committee Memberships/Appointments

- Director of:
  - Industrial Gases Solutions Sdn Bhd
  - Regas Terminal (Pengerang) Sdn Bhd
  - Regas Terminal (Lahad Datu) Sdn Bhd
  - Gas District Cooling (UTP) Sdn Bhd
- Alternate Director on the Board of Pengerang LNG (Two) Sdn Bhd
- Chief Operating Officer (COO) and Director of BAKIPC Sdn Bhd (until June 2016)

External Appointments

- Director, Transasia Pipeline Company Pty Ltd
- Commissioner, PT Transportasi Gas Indonesia
Barishah was appointed as Head of Human Resources Management Division in March 2013

Responsibilities

• Formulate the people strategies and initiative in developing the capable leaders and workforce across PGB Group including attracting, developing and retaining talents
• Provide HR advisory support to the business in new business ventures

Experience

• Began her career with PETRONAS in February 1988 as an Executive at the Education Sponsorship Unit
• Held various positions within HRM of PETRONAS from 1991 to 2004 in the areas of remunerations, people development, capability development and HR information system
• Assigned as Manager (HR Planning) in PGB in January 2005
• Appointed as Manager, HRM in PETRONAS Chemicals Fertiliser (Kedah) Sdn Bhd in 2006
• Appointed as Manager of Sponsorship and Talent Sourcing at Talent Sourcing and Employee Relations Department, HRM Division, PETRONAS in December 2011
• Major accomplishments during her 29 years of service include the implementation of HRIS System and the outsourcing of medical administration for PETRONAS, the decentralisation of talent sourcing initiative as well as recruitment brand enhancement initiatives

Qualification

• Bachelor in Business Administration (Cum Laude), University of Toledo, Ohio, United States of America

Committee Membership/Appointment

• Joint secretary of the Nomination and Remuneration Committee

External Appointment

• Nil
Intan Shafinas assumed the position on March 2012

Responsibilities

• Responsible for all legal affairs and company secretarial services of the Group

Experience

• Five years working experience at several financial institutions prior to joining PETRONAS
• Joined Petrochemical Business, PETRONAS, in 2001 as Legal Executive
• From 2007 till 2010, was attached to the Corporate Services and Technology Department, Legal Division, providing legal advisory services in the areas of intellectual property, commercialisation of technologies as well as corporate matters
• Appointed as Senior Legal Counsel of PETRONAS Chemicals Group Berhad in 2011
• Appointed as Head, Legal and Corporate Secretariat Department, PETRONAS Gas Berhad in March 2012 and is the appointed joint Company Secretary of the Company
• Currently holds the position of Head, Legal PGB, Legal Downstream, Finance & Technology, Group Legal, PETRONAS

Qualifications

• LLB (Hons), Universiti of Leicester, United Kingdom
• Certificate in Legal Practice (Legal Profession Qualifying Board, Malaysia)
• Licensed Company Secretary

Committee Memberships/Appointments

• Company Secretary for:
  – Pengerang LNG (Two) Sdn Bhd
  – Kimanis Power Sdn Bhd
  – Kimanis O&M Sdn Bhd
  – Industrial Gas Solutions Sdn Bhd
  – Regas Terminal (Sg. Udang) Sdn Bhd
  – Regas Terminal (Pengerang) Sdn Bhd
  – Regas Terminal (Lahad Datu) Sdn Bhd
  – Gas District Cooling (UTP) Sdn Bhd

External Appointment

• Nil
Irwan assumed his current position as CEO of Kimanis Power Sdn Bhd on 1 November 2016

Responsibilities
- Responsible for the overall business and operations of Kimanis Power Sdn Bhd and Kimanis O&M Sdn Bhd in managing a 300 MW Combined Cycled Gas Turbines Power Plant, Kimanis, Sabah

Experience
- Starts his career in PGB as the first batch of Process Supervisor in Operation Department of Gas Processing in Paka, Terengganu in 1997
- Held managerial position in Operation Department and then as Asset Manager at Utilities Kertih, Terengganu from 2007 to 2010
- Appointed as the Head of Central Engineering Department in 2013
- In 2014, appointed as Head of Health, Safety and Environment (HSE) and Operational Excellence (OE) of PGB, responsible to develop and implement strategies to ensure sustainable plant operational performance as well as effective implementation of HSE Policy and assurance framework within PGB Group

Qualification
- Bachelor in Petroleum Engineering, Universiti Teknologi Malaysia, Johor

Committee Membership/Appointment
- Member, Sabah Labuan Grid Code Committee

External Appointment
- Nil
OPERATIONAL EXCELLENCE

Our focus on operational excellence is a never-ending journey; we will keep looking for more and better ways to improve our processes and achieve superior results. As we enhance our operations, we will build our brand reputation, and ultimately our competitive position.
GOING BEYOND
TO ACHIEVE
COMPETITIVENESS, PRODUCTIVITY & EFFICIENCY
WITHIN A CHALLENGING ECONOMIC LANDSCAPE, PETRONAS GAS BERHAD (PGB) CONTINUED TO FOCUS ON ENHANCING OUR OPERATIONAL EFFICIENCIES AND SAFETY STANDARDS TO RECORD NEW HIGHS IN KEY PERFORMANCE PARAMETERS. THIS, IN TURN, WAS REFLECTED IN YET ANOTHER ROBUST FINANCIAL PERFORMANCE, ALLOWING US TO PRESENT HEALTHY RETURNS TO OUR SHAREHOLDERS.

The financial year 2016 continued to be challenging, with the global economy seeing one of the lowest Gross Domestic Product (GDP) growths since the financial meltdown in 2008, estimated by the International Monetary Fund (IMF) to measure 3.1%. This was marked by dampened trade, low levels of investment and reduced productivity. Slowdowns were pandemic across developed nations and were mirrored in China and Japan, major trading partners for most countries in Asia. Yet, the region remained one of the fastest growing. In Malaysia itself, the economy expanded at 4.2%, according to the Malaysian Institute of Economic Research (MIER). Although this was lower than the 5.0% recorded in 2015, private investments and domestic demand remained relatively stable and look set to further increase along with expected, though gradual, recovery.

For the oil and gas industry in particular, the low oil price regime has become the ‘new norm’ requiring all players to re-think their business strategies in order to manage tighter margins. A new ‘survival mentality’ has been spawned which is spurring greater focus on efficiencies to ensure profitability in this period of lower capital expenditure (CAPEX) and expansion. In response to the industry downturn, PETRONAS has declared CAPEX cuts over the next four years. This, however, has not affected investments in the Pengerang Integrated Complex (PIC) in Johor.
As the sole gas processor and transporter and liquified natural gas (LNG) regasification service provider in the country, PGB is not directly affected by the low oil and gas environment. However, we are inevitably impacted by the long-term dynamics of gas supply and demand in Malaysia, as well as by demand for utilities in the industrial and petrochemicals complexes we supply.

We continue to fulfil the needs of PETRONAS to supply gas to its customers while also supplying utilities to our own long-term customers in Kertih Integrated Petrochemical Complex and Gebeng Industrial Area. The services we provide to PETRONAS are determined by long-term gas processing, transportation and regasification agreements which afford us stable and fixed revenue – with the potential of earning additional income from Performance Based Structure (PBS) incentives for Gas Processing. I am pleased to share that we were able to leverage on this during the year as a result of increased operational efficiencies, driven by an effective asset integrity programme under our Transformation Programme.

**3ZERO100 TRANSFORMATION**

Towards end 2014, PGB embarked on an extensive 3ZERO100 Transformation programme to enhance our performance across the board as we prepare for our next wave of growth. The two-year 3ZERO100 Transformation, aimed at achieving ZERO HSE incidents, ZERO interruptions, ZERO non-compliance and 100% product delivery reliability, was completed in December 2016.

As a result of various strategic initiatives focusing on Key Results Area (KRA), we successfully enhanced our assets performance and management system strategy, work processes and talent development to build a high performance work culture. This has, in turn, been reflected in commendable operational performance, with our plants attaining world-class standards, recording higher reliability as well as Overall Equipment Efficiency (OEE) and attaining 100% product delivery.

Our key achievements to date include:

- Gas Processing exceeding its OEE targets for each of the four gases – salesgas, ethane, propane and butane – resulting in significantly higher PBS income. This was supported by flawless execution of major turnarounds at the Gas Processing Plant (GPP) 3 and GPP4.

- Resolution of post-commissioning issues at our LNG Regasification Terminal Sungai Udang (RGTSU), resulting in 100% OEE, the best so far since its commissioning in 2013.

- Accelerated implementation of Work Process (WP) and Operational Excellence Management System (OeXMS), which were completed in September 2016, three months ahead of schedule.

- Significant reduction in HSE incidents and ZERO non-compliance case.

**OPERATIONAL PERFORMANCE**

Along with enhanced operational performance across the board, we have been able to elevate our service reliability to customers.

The year saw our Gas Processing Plants processed a total of 1,672 million standard cubic feet per day (mmscfd) of salesgas. Adding to this was 327 mmscfd of salesgas fed from the Malaysia-Thailand Joint Development Area (MTJDA) to the Peninsular Gas Utilisation (PGU) pipeline network, and another 153 mmscfd of salesgas from RGTSU. Accordingly, we delivered a total of 2,152 mmscfd of salesgas to PETRONAS’ customers via the PGU.

A key accomplishment of our Gas Processing segment was to record the highest ever ethane production. This was achieved as a result of enhanced plant reliability, which increased to 98.8% from 95.5% in 2015. Our Gas Processing Plants also collectively recorded a higher load during the year, accompanied by greater product recovery in Kertih and Santong. Salesgas reliability was maintained at 99.2%, while the reliability of both propane and butane rose from 96.5% to 99.1% year-on-year. In each key performance parameter, we either met or exceeded the world-class standard of 98%.

**HIGHEST EVER ETHANE RELIABILITY**

98.8%
I am pleased to share that this year our Utilities segment also achieved world-class performance, with reliability for electricity and industrial gases increasing from 96.4% and 94.4% to 98.8% and 99.9% respectively; whilst steam drop slightly to 94.5% from 95.9%. These encouraging results can be attributed largely to intent focus on Key Result Area (KRA) to enhance the reliability of our Air Separation Unit, complemented by preventive maintenance work at our gas turbines in Kertih and Gebeng.

Gas Transportation forms the backbone of our business, ensuring the safe and reliable transmission of gases to customers throughout Peninsular Malaysia, as well as certain sectors of Sabah and Sarawak. Focusing on the integrity of our pipeline and equipment, Gas Transportation once again achieved world-class performance in terms of transmission reliability and availability, exceeding targets that had been set. The segment also attained notable successes in ongoing projects. Work on the Sabah-Sarawak Gas Pipeline (SSGP) post Lawas was completed earlier than scheduled, enabling supply to Malaysia LNG Sdn Bhd (MLNG) to recommence in March, as opposed to July 2016.

Our Regasification segment added to security of natural gas supply in the country, by converting imported LNG into salesgas which is then transmitted to PETRONAS’ end users through the PGU. Since its commissioning in 2013, our RGTSU – currently the only such terminal in the country – has steadily improved in various performance parameters including reliability and availability. This year, we were proud to see it achieved 100% OEE.

While focusing on our existing operations, we also made significant headway in our investments in PIC. In August 2016, we entered into a Shareholders Agreement with Linde Malaysia Sdn Bhd (Linde) to set up Pengerang Gas Solution Sdn Bhd (PGSSB) which will undertake the development of the Air Separation Unit (ASU) project. The ASU plant will separate atmospheric air into gaseous nitrogen and oxygen, to be supplied as feedstock to utilities providers, petrochemical plants, refineries and the LNG Regasification Terminal in PIC.

Meanwhile, our second LNG Regasification Terminal project in Pengerang (RGTP) is progressing well, and was close to 75% completion as at year end. The terminal, which will primarily serve PIC’s needs, will have a maximum regasification capacity of 3.5 million tonnes per annum (MTPA) and total storage capacity of 400,000m³. Given the rate at which it is being constructed, we are confident of the project being completed and commissioned at end 2017, as per schedule.

Unfortunately, our operational successes were marred by three fatalities during the year in three separate incidents, one at the Pengerang Gas Pipeline Project (PGPP), one at the Segamat Operation Centre and another at one of our Gas Processing Plants. These incidents were extremely disheartening and served to further intensify our focus on HSSE as we implement additional safeguards to ensure the safety of all workers, including those of our contractors, at our sites.
MD/CEO’S MESSAGE

FINANCIAL PERFORMANCE

Our enhanced operations meant that we were once again able to meet our obligations to PETRONAS under the Gas Processing Agreement (GPA), Gas Transportation Agreements (GTA) and Regasification Services Agreement (RSA), thus securing a healthy financial scorecard.

Given lower plant downtime and higher OEE for ethane, butane and propane, Gas Processing recorded a 1.5% increase in revenue from PBS income. Our Utilities segment also achieved a notable increase in revenue – of 9.8% – on the back of two fuelgas tariff revisions. Meanwhile, the Regasification segment saw a 0.9% decrease in revenue resulting from the downward revision of Floating Storage Unit (FSU) charges which was passed to our customer.

Taking the performance of all our business segments, the Group’s revenue remained healthy, increasing 2.4% to RM4,561.3 million.

The Group’s profit after tax (PAT), however, was RM1,736.3 million, marking a slight decrease compared to the normalised profit achieved in 2015. This was mainly due to investments into asset integrity and reliability as part of our Transformation programme, which will bring us long-term benefits. Losses resulting from foreign exchange volatility on our USD denominated finance lease were, however, mitigated during the year by the adoption of hedge accounting at the beginning of 2016.

AWARDS AND RECOGNITIONS

While our efforts to enhance our operational efficiencies and attain world-class standards in plant and safety performance, it is always encouraging to receive independent recognition of our accomplishments. Over the years, each of our four business segments has gathered a string of awards reflecting high standards of quality, innovation and creativity. This year was no different.

Gas Processing won a Gold Award at the International Convention on Quality Control Circle (ICQCC) 2016 for Particle Analysis in Natural Gas Project held in Bangkok, Thailand in October.

Both Gas Processing and Utilities continued to win Gold Awards at the Mini Team Excellence Convention, Regional Team Excellence Convention for the East Coast Region 2016 and National Team Excellence Convention 2016 for value creation. Gas Processing had outlined a shorter, cost-saving preventive maintenance and overhaul programme, while Utilities had developed an initiative to enhance the reliability of our co-generation plant and ensure uninterrupted power supply to customers.

Another feather to our cap this year was our Gas Transmission and Regasification Division receiving the Silver Award for Culture Excellence at the Downstream Operational Excellence Forum Awards (DOEFA) 2016, organised by PETRONAS. We were also recognised by the Minority Shareholder Watchdog Group (MSWG), Focus Malaysia and ACCA Malaysia for strong governance, transparency and sustainability. Along with industry accolades, we maintained our place on the FTSE4Good Bursa Malaysia Index.

Meanwhile, PGB’s Annual Report for the year 2015 was once again named the best within our industry at the National Annual Corporate Report Awards (NACRA), indicating a high level of disclosure and operational transparency.

CHALLENGES AND MITIGATIONS

Our risk profile changes along with the operating environment, is monitored on a regular basis by our Leadership Team.

Currently, a major risk is that posed by the new Gas Supply (Amendment) Act 2016. We need to ensure compliance with the Act, as well as be able to face increased competition and regulated tariffs. We are already in compliant with most of the requirements and will be fully compliant in the near future. At the same time, we are looking into ways to ensure the continued stability of our revenue while embarking on various cost-reduction initiatives to streamline our operations.
Another key risk are HSE incidents, which could damage our reputation and assets and, most importantly, pose grave danger to our people if not properly managed. In this regard, we continue to reinforce safe processes and behaviours at our work sites among employees as well as contractors’ staff. We also make a concerted effort to take appropriate action as recommended by our safety audits, and continuously enhance the capabilities and accountability of key personnel.

A third key risk is not maintaining optimum operational efficiency, which would affect the quality of our products and/or our ability to deliver within budget and schedule. Towards this end, we continuously invest significant amounts into upgrading our plants and facilities to enhance our OEE, production as well as delivery.

Read more on our top key risk on page 83.

OUTLOOK

As we enter the year 2017, we have our journey mapped for us in the form of 3ZERO100 Beyond, which represents the second phase of our Transformation programme. Upon the early completion of Phase 1 focusing on the basics of operational and safety excellence in December 2016, Phase 2 revolves around creating a competitive and efficient organisation. Guided by 3ZERO100 Beyond, we aim to further entrench the safety and reliability of our operations to continue to deliver our service commitment to customers while managing our costs.

Our end goal with 3ZERO100 Beyond is for PGB to be included in the top quartile worldwide for cost and energy efficiencies; and to create a more empowered organisation through shared leadership.

We welcome the new Gas Supply (Amendment) Act 2016 as we believe in the benefits of a liberalised gas market to all affected stakeholders, and especially end users or customers. As the Energy Commission is to regulate all transmission and regasification activities under the new Act, we are working closely with the Commission and providing our input to ensure all the changes are implemented smoothly.

Recognising the changing face of the gas industry, we are undertaking an intensive study jointly with key stakeholders on the issues and challenges in Peninsular Malaysia. Insight from this study will be used to steer PGB as we pursue profitable growth opportunities within our core expertise, while supporting PETRONAS’ value chain.

In the immediate future, we have identified two areas of focus: 1) growing our Utilities services in Kertih to meet increasing demand by new as well as existing plants in the Kertih Integrated Petrochemical Complex (KIIPC) as well as East Coast Economic Region; and 2) creating opportunities to serve more customers who do not have access to the PGU.

At the same time, we remain committed to adding value to our shareholders and will continue to strive for enhanced financial performance so as to be able to offer attractive returns in the form of dividends on par with average industry payout ratios. This has enabled us to provide our shareholders with an attractive rate of return on their investments over the years.

PGB is undertaking necessary strategies and initiatives, in respond to the challenging economic environment. Read more from pages 68 to 69.

ACKNOWLEDGEMENTS

Despite operating in a very challenging environment, PGB has managed to grow from strength to strength. The many successes we have enjoyed to date are the result of the contributions of various stakeholders – from our shareholders to our customers, business partners, employees and our Board.

I would like to take this opportunity to thank our shareholders for their trust in our ability to deliver; our customers for their loyal support; our business partners for continuing to work collaboratively with us; and our employees for their hard work and commitment to the Group, without which we would not be where we are today.

Finally, on behalf of the Leadership Team, I would like to express our gratitude to our Board of Directors for their wisdom and counsel. In particular we wish to thank Dato’ N. Sadasivan N.N. Pillay for his 21 years of commitment to PGB Board, former Chairman, Tan Sri Dato’ Seri Shamsul Azhar Abbas, for his sound leadership; and to welcome his successor, Datuk Mohd Anuar Taib, who takes over as Chairman as of 1 January 2017.

Thank you.

YUSA’ HASSAN
THE GAS INDUSTRY IS AFFECTED BY VARIOUS MACRO-ECONOMIC FACTORS AS WELL AS MEGATRENDS WHICH ULTIMATELY IMPACT OUR BUSINESS.

The global economy influences the industry by affecting demand for natural gas. The current economic downturn, accompanied by lower consumer spending, has dampened demand for a range of goods and services, thus reducing demand for fuel and therefore also gas. However, there are indications that the global economy is picking up. Accompanied by continuously expanding populations, we can reasonably expect demand for energy fuel to keep increasing in the long term.

Although environmental concerns and fear that depletion of our oil and gas reserves have spurred investments into alternative fuels and especially renewable and green sources of energy, there is no question that oil and gas continue to be the primary source of fuel for most people around the world today and the situation is likely to last until hydrocarbon resources truly start to dry up. The predictions of ‘peak oil’ has been continuously proven wrong as new reserves are discovered along with better and more accurate technologies.

Although experts do not dispute there may come a day when earth will not be able to produce any more hydrocarbon fuels to support our needs, this is likely to happen only in the distant future. The very same experts will also not dispute, however, that remaining reserves of oil and gas are in remote or harder to access areas and we will require more advanced technologies to extract. These technologies will include more robotics and other forms of automation as it would be too costly and dangerous to send humans into the uncharted terrains. Already, there are a sprinkling of unmanned platforms in Malaysia, not because of their remote locations but rather because they are more cost efficient. Their numbers are bound to increase over time.

Aside from depletion of oil and gas, there are strong environmental grounds for the development of non-hydrocarbon forms of fuel to support the industry. Nations across the world are becoming more concerned about climate change and other environmental issues. At the United Nations Climate Change conference held in Paris in December 2015, representatives from 195 countries adopted the first ever universal, legally binding global climate deal – agreeing to cut down carbon emissions to limit global warming to below 2° above pre-industrial levels.

Environmental concerns are, however, positive for the gas industry given that it is the cleanest fossil fuel. Efforts to reduce our carbon emissions have resulted in the emergence of natural gas vehicles (NGVs) as well as electric vehicles.

Meanwhile, it is becoming increasingly important for oil and gas players to show a commitment, as responsible corporate citizens, to reduce their carbon footprint as far as possible. Not only is this being observed across the board, the bigger players are even contributing to research on alternative forms of energy such as solar and hydro-power.

Another challenge facing by the oil and gas industry has been the shortage of talent. Added to this is the need for industry players to take into account changing work styles of those entering the workforce. According to estimates, the industry will need to recruit 120,000 new employees globally over the next ten years. In order to do this, oil and gas companies will have to be seen attractive to Generation X, Millennials, Post Millennials and women. Many initiatives are being undertaken to attract and retain women, enabling them to balance their professional and personal obligations, and to enjoy equal opportunities for advancement as their male colleagues.

PGB has taken measures to overcome the encumbrance on talent shortage and reduce carbon emission. Refer pages 72 to 73 on how we create value.
In Malaysia, Petronas Nasional Berhad (PETRONAS) Group is still seen to be a prestigious company to work for, given its contribution to national wealth and its international reputation, being one of the few Malaysian corporations belong to Fortune 500. Nevertheless, PETRONAS Gas Berhad (PGB) takes seriously the challenges posed by today's talent as we do with other trends that have an impact on our operations.

Key among these is the new Gas Supply (Amendment) Act (GSA) 2016, passed on 14 June 2016, which aims to ensure gas supply security in Malaysia by liberalising the sector and allowing third party operators to import, regasify, transport and distribute gas to consumers via existing gas infrastructure. This will promote healthy competition in the gas supply industry, benefiting consumers.

Under the GSA, gas tariff and terms of services will be regulated and determined by the Energy Commission. This marks a departure from the practice to date, where both transmission and regasification tariffs have been agreed between PETRONAS and PGB, taking into account our investments in the infrastructure required to supply gas to PETRONAS' customers. There is a need, therefore, for the Energy Commission to be fully apprised of the costs involved in developing essential gas infrastructure, and we are working closely with the regulator to ensure the provisions of Third Party Access (TPA) are equitable to all stakeholders.

Read more about our strategy from pages 74 to 80.
**OUR CORE BUSINESSES AND ACTIVITIES**

**GAS PROCESSING (GP)**
Processes feedgas from offshore Peninsular Malaysia into a high-value products to be transported to PETRONAS’ customers by our GT business

**INPUT**
- Natural gas from offshore platforms

**OUTPUT**
- Salesgas
- Ethane
- Propane
- Butane

**ASSETS**
- Six Gas Processing Plants (GPP) located at Gas Processing Kertih (GPK) and Gas Processing Santong (GPS), Terengganu
- One Export Terminal Facility located at Tanjung Sulung, Kemaman, Terengganu (TSET) for export purposes

**REVENUE STRUCTURE**
- Reservation charge
- Flowrate charge
- Performance Based Structure Income

**COST STRUCTURE**
- Depreciation and operational costs such as repair and maintenance, materials and supplies, as well as professional and purchased services

**CUSTOMER**
- Mainly PETRONAS
- PGB distributes the output to PETRONAS’ customers – Power and non-power sector, including Petrochemical sector

**KEY RESOURCES**
- F: 12%
- M: 88%

**417 EMPLOYEES**

---

**GAS TRANSPORTATION (GT)**
Transports processed gas from our GPP, Joint Development Area (JDA) in Thailand and LNG Regasification Terminal in Sungai Udang, Melaka to PETRONAS’ customers in Peninsular Malaysia, Sabah, Sarawak and Singapore

**INPUT**
- Salesgas from GPP and JDA
- Ethane, butane and propane from GPP
- Regasified LNG from RGT

**OUTPUT**
- Transported salesgas

**ASSETS**
- 2,551 km pipelines covering much of West Malaysia known as the Peninsular Gas Utilisation (PGU) pipeline network
- A distribution systems in Miri and Bintulu in East Malaysia

**REVENUE STRUCTURE**
- Transportation fee

**COST STRUCTURE**
- Depreciation and operational costs such as repair and maintenance, materials and supplies, as well as professional and purchased services

**CUSTOMER**
- Mainly PETRONAS
- PGB distributes the output to PETRONAS’ customers – Power and non-power sector including Petrochemical sector

**KEY RESOURCES**
- F: 13%
- M: 87%

**1,120 EMPLOYEES**

* Input and output belong to customer.

---

Read more about our business segment performance from pages 126 to 161.
Our business strategy is underpinned by integrated business model illustrated from pages 70 to 71, which encompasses the entire value chain.
PETRONAS AND PGB CUSTOMERS

- Export Terminal
- Gas Transportation (GT)
- Power substation
- Pipeline network more than 2,500 km across Peninsular Malaysia
- Pengerang Gas Pipeline Project
- Small industries
- Small commercial
- Residential

GROWTH

- Air Separation Unit (ASU) Pengerang Project
- Refinery and Petrochemical Integrated Development (RAPID)
- LNG Regasification Terminal Pengerang (RGTP) Project
- Petrochemical Plants
- Large industries
- TNB
- Independent Power Producers (IPP)
- Senoko/Keppel

Legend

- Resources
- Products
- PGU pipeline
- UT pipeline to KIPC complex
- Electricity Transmission Grid
**INTEGRATED VALUE CHAIN**

Our integrated value chain model provides long term value creation to its stakeholders for sustainable, profitable and continuous business growth.

### Inputs

<table>
<thead>
<tr>
<th>Financial</th>
<th>Nature</th>
<th>Asset</th>
<th>Social and Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity funding</td>
<td>Gas consumption</td>
<td>Plants</td>
<td>Business partners</td>
</tr>
<tr>
<td>Debt funding</td>
<td>Air consumption</td>
<td>Pipeline</td>
<td>Suppliers</td>
</tr>
<tr>
<td>Internally generated cash flows</td>
<td>Water consumption</td>
<td></td>
<td>Customers</td>
</tr>
<tr>
<td></td>
<td>Physical locations</td>
<td></td>
<td>Investors &amp; funding institutions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Intellectual</th>
<th>Human Capital</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>System and process</td>
<td>Engaged workforce</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ethical values</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Specific knowledge and skills</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Social and Relationship</th>
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<tbody>
<tr>
<td>Business partners</td>
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<tr>
<td>Customers</td>
<td></td>
</tr>
<tr>
<td>Investors &amp; funding institutions</td>
<td></td>
</tr>
<tr>
<td>Communities</td>
<td></td>
</tr>
<tr>
<td>Government agencies/authorities</td>
<td></td>
</tr>
<tr>
<td>Unions</td>
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</tr>
</tbody>
</table>
OUTPUTS

• GAS PROCESSING SERVICES
  Processes PETRONAS’ upstream feedgas delivered from offshore Peninsular Malaysia into salesgas and other by-products such as ethane, propane and butane.

• GAS TRANSPORTATION SERVICES
  Transports processed gas to PETRONAS’ end customers through Peninsular Gas Utilisation (PGU) pipeline network and smaller distribution system in Miri and Bintulu.

• UTILITIES PRODUCTS
  Manufactures and supplies steam, electricity, industrial gaseous and others to various petrochemical businesses and third parties.

• REGASIFICATION SERVICES
  Receives PETRONAS’ imported Liquefied Natural Gas (LNG), stores it in Floating Storage Units (FSU) and converts the LNG to salesgas.

VALUE CREATED

• OPTIMISING FINANCIAL CAPITAL
  Growth opportunities
  Prudent gearing levels
  Sustainable returns for investors

• MANAGING NATURAL RESOURCES
  Energy efficiency

• ELEVATING ASSET PERFORMANCE
  ZERO HSE Incident
  ZERO Interruption

• LEVERAGING INTELLECTUAL CAPITAL
  World class performance of asset reliability
  ZERO Non-Compliance

• NURTURING PEOPLE
  Job creation
  Highly engaged and capable workforce

• ENGAGING STAKEHOLDERS
  National energy security

Details of value created can be found on pages 72 to 73.
OPTIMISING FINANCIAL CAPITAL

To ensure long term sustainable returns to our investors, we strategise our business model by effectively leveraging on our financial strengths which enable us to raise funding at the best possible rates. We also firmly stand on continuous investment as well as growth initiative with a considerable target return on capital to sustain the current business.

MANAGING NATURAL RESOURCES

We convert natural capital (i.e gas and water) into a high-value products (i.e salesgas, ethane, propane butane, electricity, steam, industrial gaseous and other utility products) by deploying our technology and other resources. While monetising natural capital to deliver country’s need, we also aim to minimise the impact of our business on the environment by reducing our carbon footprint e.g. greenhouse gas emission and promotion of energy efficiency and waste management.

ELEVATING ASSET PERFORMANCE

Ongoing capital investment in our plants and equipments enable us to operate the assets safely, reliably and competitively for an extended period.

Read more about our financial performance results from pages 88 to page 97.

Read more on our assets performance on page 103.

Read more about our environmental sustainability activities from pages 230 to 235.
In sustaining profitability and growing our business, we consider all our key resources and how we can create values from the Six Key Capitals.

**LEVERAGING INTELLECTUAL CAPITAL**

Intellectual capital development goes hand in hand for both the equipment and operators (workforce). These intangible assets such as new patents, system revamps and upgrades, procedures, protocols as well as practical courses are the competitive advantages that are needed to excel in this industry. In return, the results produced fulfill requirements and generate high return on investments. As one of the leaders of the industry, we revolve around the innovation theme through strategic partnerships and keeping all our systems at par if not higher compared to international standards.

**Key Input**
- Skilled, experienced and technically qualified employees, industry thought leaders and experts
- Our business processes and management system

**How We Create Value**
- Implementation of standardised Work Process at all assets and rolled out to key enablers
- Implementation of Operational Excellence Management System (OeXMS) with the first Management System Review (MSR) conducted in October 2016

**Key Output**
- OeXMS – a one-stop-center for all systems and requirements that assure safe and reliable executions, with a built-in self assurance process, incorporates best practices and continual improvement cycles
- New standardised Work Process covering end to end value chain

**NURTURING PEOPLE**

We offer challenging, meaningful and fulfilling careers for our people in a value-driven organisation. We have experienced a reduction in our workforce by 3.2% as a result of implementation of standardised Work Process and empowered organisation. This enables higher optimisation of talents and costs.

**Key Input**
- Management and employees
- Investors
- Government representatives and regulators
- Business partners and contractors
- Customers and suppliers

**How We Create Value**
- Our 2,117 talented workforce are exposed to world class working environment, culture and ethics in nurturing leadership capability.
- Health, Safety, Security and Environment (HSSE) priorities with introduction of policies and development of HSSE skill enhancement workshops and courses.
- Accelerating Culture Change (ACC) programme designed to enhance leadership competencies.
- Enhancing the Building Leaders Programme (BLP) Framework.

**Key Output**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total wages and salaries (RM’000)</th>
<th>Investment in training (RM)</th>
<th>Training mandays per employee (days)</th>
<th>No. of work-related fatalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>283,240</td>
<td>7,824</td>
<td>9.8</td>
<td>0</td>
</tr>
<tr>
<td>2016</td>
<td>281,798</td>
<td>6,348</td>
<td>10.3</td>
<td>3</td>
</tr>
</tbody>
</table>

**ENGAGING STAKEHOLDERS**

We believe that gaining the trust of our stakeholders is important to create value. Social and relationship capital is an initiative beneficial to the surrounding community and ourselves in the long run. Constant engagement with government bodies and society to address social issues and needs gives positive impact to the business. Programmes held and organised by our own staff, ensure more personal experience thus stimulating a sense of belonging for all.

**Key Input**
- Corporate Social Investment programmes
- Develop vendors (Vendor Development Programme), centrally organised by PETRONAS
- Continuous engagements with stakeholders
- Sponsorships and relief assistance to the underprivileged families

**Key Output**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax paid to Government (RM million)</th>
<th>Corporate Social Responsibility programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>169</td>
<td>16</td>
</tr>
<tr>
<td>2016</td>
<td>122</td>
<td>18</td>
</tr>
</tbody>
</table>

**Read more about our social sustainability activities from pages 248 to 249.**

**Read more about how we invest in our talent from pages 245 to 247.**
WE ARE COMMITTED TO REALISE OUR VISION OF BECOMING A LEADING GAS INFRASTRUCTURE AND UTILITIES COMPANY.

THE THREE PILLARS OF OUR STRATEGIC FOCUS AREAS ARE AS FOLLOWS:
HEALTH, SAFETY, SECURITY & ENVIRONMENT (HSSE)

Robust HSSE governance and assurance

- We are committed to exhibiting leadership in the area of HSSE and ensuring compliance with all HSSE governance and assurance frameworks including the PETRONAS Mandatory Control Framework at all times to safeguard lives, assets and ensure our overall business continuity.

Institutionalisation of Process and Behavioural Safety

- We are determined to increase our efforts to instill safety-at-heart in all members of our workforce to achieve safe operationalisation of the Company’s assets.

OPERATIONAL EXCELLENCE

Superior product delivery and reliability

- We are striving to elevate our Overall Equipment Effectiveness (OEE), which would translate into higher product delivery reliability to our customers.

Sustainable improvement of key operational indicators

- We are committed to improve and sustain our plant operational performance towards optimising the value delivered to our stakeholders.

VALUE OPTIMISATION & GROWTH

Optimum cost control and asset utilisation

- We endeavour to minimise value leakages and improve overall asset utilisation, which in turn would yield higher returns to our shareholders.

Improved energy efficiency

- We are committed to utilise energy-efficient technologies to reduce energy per unit cost of production, which contributes to lower production cost and a reduction in overall energy intensity and carbon footprint.

Strategic growth in gas infrastructure and utilities

- We are determined to pursue, explore and execute new business ventures within the core areas of the Company’s expertise to establish new revenue streams and value for our shareholders.

Excellence in project delivery

- We are focused on implementing a seamless project execution strategy for all projects which translates into on time and on budget project completion and delivery.

The business strategies of our four business segments are built on these three pillars. Read more about respective business strategies on pages 130, 140, 148 and 158.
WE HAVE OUTLINED A ROADMAP TO TAKE US TO OUR DESTINATION OF BEING A HIGH-PERFORMANCE ORGANISATION BY 2020. THIS IS THE 3ZERO100 JOURNEY – A STRATEGIC BLUEPRINT THAT DRIVES US TO KEEP BETTERING OURSELVES.

3ZERO100 ROADMAP

Brilliant at Basic

Efficiency & Competitiveness

Sustain for the Future

3ZERO100 TRANSFORMATION

Safety & Reliability
- ZERO HSE Incident
- ZERO Non-Compliance
- ZERO Interruption
- 100% Product Delivery Reliability

3ZERO100 BEYOND

Competitiveness, Productivity & Efficiency
- Sustainable safe and reliable operations
- Efficient and Empowered Organisation: Shared Leadership
- 1st Quartile in Cost and Energy, 2nd Quartile for manpower in Global Benchmarking
- Cost reduction

3ZERO100 GENERATION 3.0

World Class Organisation
- World Class competitiveness: Overall Quartile 1 in Global Benchmark
- Empowered Organisation: Self Directed

Petronas Gas Berhad

PAGE: 76
At the end of 3ZERO100 Transformation programme, PGB continued to record a progressive improvement towards its target. In 2016, we recorded the highest production and delivery of ethane in history, consistently well above our customer’s requirement under the Gas Processing segment resulting in additional revenue through the Performance Based Structure (PBS) income for twelve months. We achieved high reliability for both Utilities facilities and sustained world class performance of our Gas Transmission. A commendable reliability performance was also demonstrated at our Regasification facility. These improvements are represented by a higher number of Great Days, a measurement of all assets of the Group meeting the Key Performance Indicators (KPI) on a daily basis, from 40 days in 2015 to 126 days in 2016.

The standardisation of Work Process (WP) was successfully implemented at all assets while the newly developed PGB Operational Excellence Management System (OeXMS) was also introduced. With the deployment of both the WP and OeXMS, the organisation is geared towards ensuring operating discipline and continuous improvement. In addition, focus has been put towards shaping PGB’s organisational culture anchored to the PETRONAS Cultural Beliefs and nurturing internal technical and leadership capabilities which has shown a good improvement as indicated through the cultural survey results.

While a number of key operational parameters showed significant improvements, our Health, Safety, Security and Environment (HSSE) performance was marred with three fatalities in three separate incidents involving three contractors personnel. We shall continue to strive for zero incident as HSSE has always been and continues to remain our top priority.

### RESULT IN 2016

<table>
<thead>
<tr>
<th>TARGET</th>
<th>RESULT IN 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZERO HSE Incident</td>
<td>Reduction in number of incidents by <strong>52%</strong></td>
</tr>
<tr>
<td>ZERO Non-Compliance</td>
<td>Reduction in number of non-compliance by <strong>32%</strong></td>
</tr>
<tr>
<td>ZERO Interruption</td>
<td>Reduction in asset interruptions by <strong>35%</strong></td>
</tr>
</tbody>
</table>

**Gas Processing**
- Received 12 months PBS income
- Completion of major shutdown and plant improvement projects
- Achieved highest delivery of ethane (138 MT/hr) and highest ethane Overall Equipment Effectiveness (OEE) record in history, well above world class target of **95%**

**Gas Transportation**
- Sustained world class reliability performance above **99.9%**

**Utilities**
- Achieved the highest OEE performance for industrial gaseous at **100.0%**

**Regasification**
- Achieved the world class reliability performance above **98%** and sustained performance above **99.9%** since May 2016

**Growth**
- Achieved Final Investment Decision (FID) for the Air Separation Unit (ASU) project in August 2016 and on track to achieve Initial Acceptance (IA) by end of 2018
- LNG Regasification Terminal Project in Pengerang, Johor continued to progress well towards Commercial Operation Date (COD) for the first tank in quarter four, 2017

**Efficient and Sustainable System & Work Process**
- Successfully completed the implementation of standardised WP at all assets and rolled out to key enablers
- Completed the implementation of OeXMS with the first Management System Review (MSR) conducted in October 2016

**Highly Engaged and Capable Workforce**
- High manpower strength level with selective recruitment of technical professionals and experience staff to fill up critical and vacant positions
- Improved organisational technical capability and staff competency through in-house training and PETRONAS certification programme
- Progressive improvement towards a culture of accountability
- Engaging workforce with a healthy organisation climate

*Read details on our business segment achievements on pages 126 to 161*
3ZERO100 BEYOND

Amid the new challenging business landscape of the oil and gas industry, PGB has initiated the next phase of 3ZERO100 roadmap in our pursuit to become a World Class Organisation by 2020. The second phase coined as 3ZERO100 Beyond, is a continuous effort towards a safe, reliable and efficient organisation. This second phase commences from 2017 until 2018 and focuses on elevating the competitiveness, productivity and efficiency of our organisation. The targets are to achieve sustainable, safe and reliable operations, efficient and empowered organisation to the level of shared leadership, improving our position in global benchmarking in cost, energy and manpower. These challenging targets will be achieved through the implementation of six key productivity enablers, namely, work processes, empowered teams, performance culture, competencies in workforce, organisational design and management systems.
PETRONAS CULTURAL BELIEFS (PCB)

To accelerate the journey towards becoming the World Class Organisation, PGB continues to adopt PCB to strengthen the culture of personal accountability in delivering results as part of the 3ZERO100 roadmap. We believe that by changing the Company culture, it will transform the organisation and deliver sustainable, safe, reliable, and efficient performance. The focus is on leaders creating the culture by providing the right experience to the staff, which will in turn creates the right beliefs in the organisation. The six PETRONAS Cultural Belief are:

**RESULTS MATTER**
I stretch my limits to deliver superior results

**OWN IT!**
I own the results and don’t blame others

**FOCUSED EXECUTION**
I plan, commit, and deliver with discipline

**NURTURE TRUST**
I always keep my promise and build mutual trust

**TELL ME**
I seek, give and act positively on feedback

**SHARED SUCCESS**
I collaborate for greater good of PETRONAS
OUR STRATEGY

WHAT WE DID

In creating a culture of accountability, PGB has developed PGB Desired Culture (C²). In year 2016, our continuous engagements and development programmes has contributed towards an improved level of staff satisfaction, which has resulted in the much improved performance.

PGB DESIRED CULTURE (C²)

“Highly accountable and ownership towards safe, reliable and competitive organisation”

146 Leadership Engagements
conducted in 2016

36 Engagements
involved Managing Director/Chief Executive Officer

A healthy organisational culture with employee involvement

PGB C² CULTURE SCORE¹

3.12 average score

170 Coaching Sessions
conducted by leaders on contribution towards the organisation & staff development

98% Leaders participated in Culture Drive challenges!

Staff attended PCB Programme

100%

Note:
1. Barometer & Culture survey is an internal initiative conducted by PGB to determine the level of staff satisfaction. The highest score is 4.00. PGB score in 2015 was 2.98.
2. PGB Culture Drive Programme was conducted over nine months period targeted for all leaders to create new experience and drive the organisation towards PGB desired culture adopting PCB.
RISK MANAGEMENT POLICY

The Group’s Risk Policy provides a clear communication on the Management’s expectations with regard to risk management implementation and business continuity practices.

The Risk Policy encompasses three areas of business resiliency namely, Enterprise Risk Management (ERM), Crisis Management (CM) and Business Continuity Management (BCM), to strengthen the current practices and places greater emphasis on PGB Leadership Team expectations with regard to risk management implementation and business continuity practices.

RISK MANAGEMENT FRAMEWORK

Our Risk Management Framework adheres to the PETRONAS Resiliency Model, which entails an enhanced PETRONAS Enterprise Risk Management (ERM) Framework that adopts the ISO 31000:2009 Risk Management requirements.

For more comprehensive report on the Risk Management Framework, refer to page 186

RISK OVERSIGHT STRUCTURE

The Group oversight structure allows risk information flow for effective oversight on risk management implementation at all levels.

At Division level, the Plant Leadership Teams chaired by the Head of Divisions, take up the responsibility in ensuring the implementation of effective risk management for our plants and facilities.

At Group level, the Risk and Compliance Committee (RCC), which is chaired by the Managing Director/Chief Executive Officer (MD/CEO) is obliged to ensure that an appropriate and effective risk management framework is in place and implemented throughout the Group as well as its compliance with the statutory, regulatory requirements and policies applicable to it.

The Board Audit Committee (BAC) is authorised by the Board to review the adequacy and effectiveness of risk management practices and procedures as well as conducting risk profiling reviews the Group, on a quarterly basis. The BAC also deliberates the Group’s Enterprise Risk Report on a quarterly basis, including risk exposures and the mitigation plans required, subsequent to review by the RCC.

PGB GROUP RISK MANAGEMENT PRACTICES HAVE BEEN AN INTEGRAL PART OF OUR ORGANISATIONAL PROCESS AND ARE FIRMLY EMBEDDED IN THE MANAGEMENT SYSTEM. WE ADOPT A STRUCTURED APPROACH IN IDENTIFYING, ASSESSING, TREATING AND MONITORING RISKS TO ENHANCE THE ORGANISATION’S ABILITY TO ACHIEVE OUR STRATEGIC OBJECTIVES.
ENTERPRISE RISK PROFILING

Enterprise Risk Profiling and Assessment follows a structured process which ensures a comprehensive and consistent approach in assessing and analysing risks faced by PGB. Risks are reviewed annually with involvement from the Management and Subject Matter Experts (SMEs) from Divisions and Departments across the Company.

CONTEXT SETTING

Prior to risk profiling and assessment activities, various inputs are analysed in setting the context of the assessment, which include both internal and external factors that may impact our business and operations. The Group’s annual risk profiling and assessment process is guided by its approved strategies and plans. Discussions are focused on risks which could potentially impede the Group from meeting its objectives.

On a regular basis, other various operational risk profiles namely project risks, new business venture risks as well as plant and facilities risks under Gas Processing and Utilities (GPU) and Gas Transmission and Regasification (GTR) Divisions are reviewed to identify significant risks to be escalated to the Enterprise Risk Profile (ERP). Other key discussions include recent Health, Safety, Security and Environment (HSSE) issues or audit findings, operational issues as well as project issues.

From an external context, any recent changes in regulatory/statutory requirements as well as shifts in industry outlook and landscape are also analysed as they may have direct or indirect impact on the Group’s operations.

Further information on PGB 2016/17 ERP is provided on page 187.

RISK ASSESSMENT AND TREATMENT

Each risk is mapped based on a five-scale matrix which specifies its likelihood and impact. Likelihood rating specifies how likely it is for the risk to happen whilst impact rating indicates the extent of its impact if it did happen. Risk impact is analysed from both qualitative and quantitative perspectives.

The PGB Enterprise Risk Matrix is adopted from the PETRONAS ERM Framework and adapted based on the PGB risk appetite and tolerance level.

Depending on risk treatment strategies adopted, mitigation plans are outlined to mitigate the risks to an acceptable level.

Key Risk Indicators (KRIs) are identified to facilitate monitoring of the risks which provide an early warning signal on potential emerging risks. Risk Owners, Risk Mitigation Owners and Risk Focal Persons are assigned for each risk to ensure the risk mitigations developed are appropriately implemented, monitored and regularly reported.

Refer to page 188 for our Risk Assessment process.
The Group has identified three main key risks mainly in the area of Commercial and Assets as described in detail below:

<table>
<thead>
<tr>
<th>Our Strategy</th>
<th>Risk Category</th>
<th>Top Risks</th>
<th>Implications</th>
<th>Treatment Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZERO Non-Compliance</td>
<td>Commercial Risk</td>
<td>- Gas Supply (Amendment) Act 2016 and Third Party Access (TPA) regulations that are not favourable to PGB</td>
<td>- Occurrence of the risks will hinder PGB from achieving its aspirations and vision to be A Leading Gas Infrastructure and Utilities Company and as a result erode its value and returns to its stakeholders.</td>
<td>- Strengthen engagements with Energy Commission with regards to TPA regulations and its impact on PGB</td>
</tr>
<tr>
<td>ZERO HSE Incident</td>
<td>Health, Safety, Security &amp; Environment (HSSE) Risk</td>
<td>- Occurrence of major HSSE incidents due to non-compliance with HSSE requirements/policies affecting PGB business and reputation.</td>
<td>- As PGB is aggressively driving its 3ZERO100 BEYOND efforts in achieving safe, reliable and efficient organisation by 2018, these top risks need to be effectively mitigated and managed.</td>
<td>- Strengthen HSSE processes and behaviours amongst both staff and contractors.</td>
</tr>
<tr>
<td>ZERO Interruption 100% Product Delivery Reliability</td>
<td>Operation &amp; Project Risk</td>
<td>- Ineffective project management towards ensuring quality delivery within HSSE, budget and schedule.</td>
<td>- Rectifications and upgrading of plant and facilities which have direct impact on salesgas, ethane and utilities production and delivery improvements.</td>
<td>- Focus on closure of audit findings.</td>
</tr>
</tbody>
</table>

**Top key risks identified under the PGB Enterprise Risk Profile are regularly monitored to ensure timely completion of their mitigations**

*Our achievements resulting from implementation of Key Strategic Thrusts is provided on page 77*

*For details on key risks and mitigations relevant to each business segment, refer to pages 131, 141, 149 and 159*

*For a comprehensive disclosure of our material risk, refer to pages 189 to 190*

**CONTINUOUS IMPROVEMENTS**

We continue to enhance risk management awareness and capability building across the Company and our subsidiaries through various sharing of information efforts and application of best practices.

In addition, we benefit from being part of the PETRONAS Group, which has an established Board Governance and Risk Committee that primarily provides guidance and reviews strategies and policies on Risk Management implementation. The Company is also part of various Community of Practice (CoP) discussions driven by PETRONAS Downstream Business, which provides platforms for PETRONAS Downstream companies to share and learn best practices, discuss on issues and improvements relating to Risk Management and BCM implementation.

Efforts are also ongoing to reinforce risk assurance exercises within the Company to validate controls and mitigations supporting its risks, as part of its aspirations to achieve safe, reliable and effective organisation.

We will also continue our focus on institutionalisation of risk management as a culture throughout the Group.
MATERIAL MATTERS IMPACTING OUR STRATEGY

TO DETERMINE OUR MATERIAL MATTERS, WE ADOPT THE FOLLOWING APPROACH:

01 IDENTIFY

- Board meeting, board audit committee meeting and senior management meeting
- Conferences, analysts meeting
- Risk assessment matrix/workshop

02 PRIORITISE

- Our strategy
- Our code and ethics
- Materiality
- Industry and global trend

03 REPORT

- Materiality matrix
- Industry news
- Strategy
- Policies, code of conducts
- Sustainability indices

- Sustainability
- Economic growth
- Financial stability

IDENTIFY CRITICAL AREAS THROUGH:

- Materiality matrix
- Industry news
- Strategy
- Policies, code of conducts
- Sustainability indices

PRIORITISATION BASED ON ITS IMPACT AND VALUE CREATION TOWARDS:

REPORT MATTERS WHICH CREATE VALUES TO STAKEHOLDERS

An issue is material when it impacts our ability to remain commercially viable and socially relevant in which we operate. In particular, material issues are those that have a strong influence on our stakeholders’ judgement and decisions about the Group’s long term sustainability and its commitment to their needs. We also take into consideration those factors that may affect financial stability and economic growth and in turn our business. Effectively managing this is critical to achieve our strategic objectives.
Our material matters are those matters which may influence our judgement to deliver a strategic priorities, and create a sustainable value in short, medium and long term towards our stakeholders.

<table>
<thead>
<tr>
<th>MATERIAL MATTERS</th>
<th>IMPACT TO PGB</th>
<th>TIMEFRAME</th>
<th>PGB STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Capital</td>
<td>• Productive, innovative and competitive workforce</td>
<td>Immediate, Long Term</td>
<td>• Highly Engaged, Capable &amp; Empowered Workforce</td>
</tr>
<tr>
<td>Compliance to regulations</td>
<td>• Full compliance to statutory and regulatory requirement</td>
<td></td>
<td>• ZERO Non-compliance</td>
</tr>
<tr>
<td>Working environment</td>
<td>• Safe and healthy working environment promoting work-life balance</td>
<td></td>
<td>• ZERO HSE Incident • Efficient &amp; Sustainable System and Work Process</td>
</tr>
<tr>
<td>Plant and pipeline reliability</td>
<td>• Product Delivery Reliability • World class Overall Equipment Effectiveness (OEE)</td>
<td></td>
<td>• ZERO Interruption • ZERO HSE Incident • 100% Product Delivery Reliability • Efficient &amp; Sustainable System and Work Process</td>
</tr>
<tr>
<td>Energy consumption and waste emission</td>
<td>• Efficient running of operations and green technology</td>
<td></td>
<td>• 1st Quartile in Cost &amp; Energy</td>
</tr>
<tr>
<td>Gas market liberalisation and economic regularisation of transportation and regasification business through Gas Supply (Amendment) Act 2016</td>
<td>• Effective cost reduction to achieve sustainable profit following the impact of regulated tariff</td>
<td></td>
<td>• Cost reduction • 1st Quartile in Cost</td>
</tr>
<tr>
<td></td>
<td>• Potential revenue from various services and expansion of market arising from healthy competition in the gas industry</td>
<td></td>
<td>• Value optimisation and growth</td>
</tr>
<tr>
<td>Revenue growth</td>
<td>• Incremental return to shareholders</td>
<td></td>
<td>• Value optimisation and growth</td>
</tr>
<tr>
<td>Gas supply and demand outlook</td>
<td>• Strategic growth in gas infrastructure and utilities</td>
<td></td>
<td>• Value optimisation and growth</td>
</tr>
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To understand how we create value to our stakeholders, refer pages 72 to 73.
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<th>Section</th>
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<td>121</td>
<td>2017 Investor Relations Planner</td>
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</tbody>
</table>
GROUP FINANCIAL REVIEW BY
CHIEF FINANCIAL OFFICER

AS A TRUSTED BUSINESS PARTNER, FINANCE’S FOCUS IS PROVIDING
INSIGHTFUL AND VALUE ADDED ANALYSIS AND REPORTING,
IMPLEMENTING RISK MITIGATION, OPTIMISING COST OF CAPITAL AND
MAINTAINING EFFICIENT DELIVERY OF SERVICES.

REVENUE
Sustained revenue strength, driven by long
term agreements on gas processing, gas
transportation and regasification.

+2.4%
RM4.6
billion

PROFIT AFTER TAX*
Stable despite higher operating costs to
sustain higher assets integrity and
reliability.

-0.4%
RM1.7
billion

EARNINGS PER SHARE*
Declined by 0.3 sen in tandem with
lower net profit attributable to
shareholders.

-0.4%
87.9
sen

ASSETS
Strengthened by RM2.2 billion
supported by strong Group’s cash
balance and property, plant and
equipment.

+15.1%
RM16.6
billion

* Based on normalised FY2015, excluding tax incentives and unrealised foreign exchange (forex) of RM243.2 million.
**VALUE ADDED ANALYSIS AND REPORTING**

One of our key focus as a strategic business partner is to deliver value added and insightful analysis and reporting, which support and enable business decision making.

**MITIGATING RISK**

The Group are exposed to various financial risks arising from the normal course of business, comprising credit risk, liquidity risk and market risk.

Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks we face.

**Credit Risk**

We minimise credit risk by entering into contracts with high credit rated counterparties and implementing other credit enhancement measures such as cash deposits and bank guarantees.

**Liquidity Risk**

To ensure smooth running of the business and our projects, the Group maintain sufficient cash and liquid marketable assets. The Group and Company’s cash and cash equivalents stood at RM1.8 billion and RM1.6 billion respectively as at the 31 December 2016, sufficient to maintain our operational needs for the next one year notwithstanding cash requirements for financing and investing activities. Financing for growth projects is via external term loans and loans from corporate shareholders of joint ventures.

**Market Risk**

The market price changes that the Group are mainly exposed to include changes in interest rates and foreign currency exchange rates.

All interest rate exposures are monitored and manage proactively in line with our policies and guidelines including our recently secured USD500 million Term Loan Facility which is a floating rate instrument.

As of 1 January 2016, the PETRONAS Gas Berhad (PGB) Group had adopted cash flow hedge accounting to mitigate accounting treatment mismatch between USD finance lease liabilities (FLL) outflows, which was intended to hedge exposure on variability of cash flow from storage fees due to foreign currency exchange rate volatility.

Upon adoption of the hedge accounting, the unrealised foreign exchange (forex) gain or loss on FLL is recognised in equity instead of profit or loss. *(FY2015: RM199.9 million unrealised forex loss.)*

**OPTIMISE CAPITAL STRUCTURE**

Our strong business model has always assured us sufficient capital to run our operations and support projects that ensure reliability of our plants. Nevertheless, lowering cost of capital to remain competitive is also our focus.

On 7 January 2016, PGB had executed a Facility Agreement with Mizuho Bank Ltd for a USD500 million five year Term Loan Facility to finance the Group’s capital expenditure (CAPEX) requirements.

**A LEADING FINANCE FUNCTION**

In Finance, we strive to provide sustainable and reliable services to the business. During the year, in support of the implementation of 3ZERO100 Beyond we completed standardisation and alignment of finance Work Processes to ensure consistency in practices, operating discipline, continuous improvement and retention of knowledge. This in turn, would enable the implementation of new empowered and efficient Finance organisation structure effective 1 January 2017.

External accreditation also reflects our level of competency relative to our peers. In 2016, PGB was recognised as fifth Most Transparent Company in 2016 by Focus Malaysia, accredited with Industrial Excellence award at the National Annual Corporate Report Awards 2016 and Malaysia-Asean Corporate Governance Transparency Index, Findings and Recognition 2016. PGB was also shortlisted in ACCA Malaysia Sustainability Reporting Awards 2016.
As a strategic business partner, Finance enables the business in various strategic initiatives including:

**Acquisition of non-controlling interest in a subsidiary**

On 10 February 2016, the Company had acquired the remaining 1% interest in its subsidiary, Regas Terminal (Lahad Datu) Sdn Bhd (RGTLD) from a non-controlling party, Sabah Energy Corporation Sdn Bhd (SEC) for a purchase consideration of RM1,000 upon termination of the Shareholders Agreement. Accordingly, the Group increased its ownership in RGTLD from 99% to 100%.

**Formation of a joint venture**

On 15 August 2016, pursuant to Final Investment Decision (FID) obtained from the respective Boards to develop an Air Separation Unit plant (ASU) in Pengerang, Johor, the Company had formed a joint venture company, Pengerang Gas Solutions Sdn Bhd (PGSSB) with Linde Malaysia Sdn Bhd (Linde) where PGB and Linde owned 51% and 49% equity interests respectively.

**Financing growth projects**

As at 31 December 2016, PGB had drawdown USD177.4 million from the Facility and on-lent on a back-to-back basis to Pengerang LNG (Two) Sdn Bhd (PLNG2) and PGSSB, a subsidiary and joint venture respectively of the Group. The interest costs arising from this Facility is capitalised as part of the respective projects cost.

**SUPPORTING GROWTH**

**Raised Term Loan Facility**

**USD500 million**

from Mizuho Bank Ltd

**Drawdown**

**USD177.4 million**

from the Facility and on-lent on a back-to-back basis to projects
Upward Fuelgas Price Revision

Government implemented two upward fuelgas price revisions by RM1.50/mmbtu effective 1 January 2016 and 1 July 2016 respectively. The revision of price has no significant impact to the results as the increase in price is passed through to utilities customers except for electricity. The impact to electricity is being mitigated through fuelgas optimisation. Meanwhile, fuelgas is provided by our customer within Agreed Operating Parameters for Gas Processing (GP) and Gas Transportation (GT) businesses.

Improving Asset Integrity

One of the Key Strategic Thrusts under 3ZERO100 Transformation is elimination of asset Bad Actors to sustain and improve the Group’s asset integrity. Completion of various Key Results Area (KRA) activities have translated to achievement of higher Performance Based Structure (PBS) income of RM68.8 million in line with the GP plant’s higher liquid extraction performance.

Maximising Shareholders’ Return

It is always our aspiration to maximise shareholders’ return. Nevertheless, it needs to balance between cash requirements for the business operations and capital requirement for growth and dividend payouts to shareholders. To determine dividends to shareholders, PGB amongst others, benchmark dividend payout ratio of our industry peers and ensuring sustainable dividends for the future.

For 2016, the Company had declared dividends totalling 62 sen per ordinary share, our highest ever which is equivalent to a 70.7% dividend payout ratio.
PGB Group delivered a solid financial performance for the year ended 31 December 2016 supported by its strong fundamentals in GP, GT, Utilities (UT) and Regasification (RGT) business segments.

Revenue for the year sustained at RM4,561.3 million, contributed largely by the above key business segments. Compared to corresponding year, it was an increase of 2.4% primarily driven by higher utilities revenue, as a result of higher sales prices to customers in line with upward fuelgas price revision and higher GP revenue.

Profit for the year stood at RM1,736.3 million, marginally lower than normalised profit excluding tax incentives and forex loss recorded in FY2015.

Notes:
* Excluding tax incentives and forex (FY2013: RM567.7 million, FY2014: RM101.0 million and FY2015: RM243.2 million)
Revenue
The Group’s revenue for the year ended 31 December 2016 reached RM4,561.3 million, an increase of RM105.4 million or 2.4% as compared to 2015. This was primarily driven by higher utilities, and gas processing revenue.
Utilities revenue rose by RM95.5 million to RM1,069.1 million, primarily contributed by higher average sales price in line with upward fuelgas price revision by RM1.50/mmbtu effective 1 January 2016 (to RM18.20/mmbtu) and 1 July 2016 (to RM19.70/mmbtu) respectively.
Directly as a result of higher asset integrity under the Group’s 3ZERO100 Transformation, GP revenue improved by RM23.6 million mainly attributable to higher PBS income resulting from GP plant’s higher liquid extraction performance.
RGT revenue was at RM631.1 million, a decrease of RM6.0 million resulting from a pass through revision of Floating Storage Unit (FSU) Operating Expenditure (OPEX) charter hire to customer.
GT segment registered revenue of RM1,303.9 million, 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.
Cost of Revenue
Cost of revenue for the Group increased by RM178.9 million (7.7%) to RM2,495.4 million in FY2016, mainly due to higher depreciation expense in line with completion of various capital projects and accelerated depreciation for our turnaround expenditure, higher UT segment cost of sales due to upward fuelgas price revision as well as higher repair and maintenance to improve assets integrity.
Gross Profit
In line with higher cost of revenue, gross profit for the year under review declined by RM73.5 million (3.4%) to RM2,065.9 million in view of lower contribution from GP segment by RM48.6 million (7.0%), GT segment by RM33.8 million (3.3%) and RGT segment by RM11.2 million (3.8%). Only UT segment delivered higher contribution by RM20.1 million (14.8%) as compared to last year.
Other Income

Other income for the Group was higher by RM7.0 million (4.1%) primarily driven by higher investment income from cash and fund investment mainly attributed to higher cash balance and higher income from operations and maintenance services to Sabah Sarawak Gas Pipeline (SSGP) upon recommissioning its operations in March 2016.

Other Expenses

Other expenses were lower by RM190.2 million (92.7%) mainly due to lower unrealised forex loss on FLL as a result of adoption of cash flow hedge accounting effective 1 January 2016. In 2015, PGB Group recorded RM199.9 million forex loss arising from the translation of USD denominated FLL.

Share of Profit After Tax (PAT) of Associate and Joint Ventures

The Group’s associate, Gas Malaysia Berhad (GMB), contributed RM18.7 million whilst our joint ventures Kimanis Power Sdn Bhd (KPSB), Kimanis O&M Sdn Bhd (KOMSB), Industrial Gases Solutions Sdn Bhd (IGS) and PGSSB contributed a combined share of PAT of RM44.9 million.

The total share of PAT from our equity accounted associate and joint ventures amounted to RM63.6 million, a decrease by RM11.6 million (15.4%) from FY2015 as a result of lower contribution from KPSB.

Tax Expenses

Tax expense was higher by RM354.3 million compared to last year as PGB Group had recognised tax incentives totalling RM443.1 million in FY2015 arising from investment tax allowance (ITA) and reinvestment allowance (RA) granted by Malaysian Investment Development Authority (MIDA) for Plant Rejuvenation and Revamp (PPR) project.

Profit

As a result, the Group’s profit for the year declined by 12.6% or RM249.6 million, primarily due to lower tax expenses in FY2015.

Against normalised result in FY2015, profit decreased slightly by RM6.4 million or 0.4% due to higher operating costs.
Gas Processing (GP)

Segment revenue 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.

GP contributed RM648.4 million to the Group’s gross profit which was lower by RM48.6 million due to higher operating costs primarily due to depreciation expense in line with completion of capital projects and accelerated depreciation for its turnaround expenditure. These were partially offset by lower utilities cost due to running of its new cogeneration plant to produce electricity internally.

Gas Transportation (GT)

Segment revenue was at RM1,303.9 million, 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.

GT contributed RM975.3 million to the Group’s gross profit which was lower by RM33.8 million mainly due to higher land assessment fees and depreciation expense.

Utilities (UT)

UT revenue for 2016 rose by RM95.5 million to RM1,069.1 million, primarily contributed by higher average sales price to customers in line with two upward fuelgas price revisions effective 1 January 2016 and 1 July 2016 respectively.

UT contribution to the Group’s gross 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 (RGT)

Segment revenue for the year was RM631.1 million, a decrease of RM6.0 million resulting from pass through revision of FSU OPEX charter hire to customer.

RGT contribution to the Group’s gross profit of RM286.3 million was lower by RM11.2 million as a result of higher repair and maintenance costs to improve asset integrity.

The Group’s total assets stood firm at RM16,553.6 million as at 31 December 2016, representing an improvement of RM2,171.6 million (15.1%) from the RM14,382.0 million of the corresponding year.
**Property, Plant and Equipment (PPE)**

Property, plant and equipment increased by RM1,483.7 million (13.1%) to RM12,807.5 million mainly contributed by CAPEX for growth projects namely LNG Regasification Terminal, Pengerang and Pengerang Gas Pipeline projects as well as capital expenditure to sustain and improve the plants’ asset integrity.

**Cash and Cash Equivalents**

The Group generated RM2,761.0 million cash from operations during the year. This was sufficient to sustain the current year’s dividend payments of RM1,187.2 million to the shareholders’ and partly finance the Group’s CAPEX activities totalling RM1,954.6 million.

During the year, the Group had drawdown RM776.1 million from its USD Term Loan Facility as well as from corporate shareholder of a subsidiary amounting to RM287.3 million to finance the Group’s growth projects namely the LNG Regasification Terminal and ASU projects in Pengerang, Johor.

Consequently, the Group’s cash and cash equivalents increased by RM532.3 million (43.2%) to RM1,763.1 million as at 31 December 2016.

**Other Assets**

Other assets increased by RM155.6 million to RM1,983.0 million as at 31 December 2016 mainly contributed by higher trade and other receivables and higher investment in joint ventures.

**Liabilities**

Total liabilities for the Group rose by RM1,605.3 million (57.6%) from RM2,787.1 million to RM4,392.4 million as at 31 December 2016.

The increase was mainly due to drawdown from USD Term Loan Facility and loan from corporate shareholder of a subsidiary amounting to RM776.1 million and RM287.3 million respectively as well as increase in trade and other payables by RM208.5 million.

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**GROUP FINANCIAL REVIEW BY CHIEF FINANCIAL OFFICER**

**PETRONAS GAS BERHAD**
**Equity**

Total equity attributable to shareholders of the Company as at 31 December 2016 rose by RM527.9 million (4.6%) primarily contributed by profit attributable to shareholders of the Company, partially offset by dividend payments.

**Earnings Per Share (EPS)**

Earnings per share was lower by 12.55 sen, in tandem with lower net profit attributable to shareholders of the Company. Excluding impact of tax incentives and forex, EPS decreased by 0.33 sen or 0.4%.

**Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)**

EBITDA was higher by RM186.4 (6.6%) mainly due to lower unrealised forex loss on FLL as a result of adoption of hedge accounting effective 1 January 2016 and higher revenue but partially offset by higher operating costs.

**Dividends**

During the financial year, the Company declared four interim dividends totalling 62 sen per share amounting to RM1,226.8 million for FY2016, the Company’s highest ever dividend payout to shareholders.

Indeed, this represents a dividend payout ratio of 70.7% on profit attributable to the shareholders of the Company, on par with – if not better than – the industry average.
### 5-YEAR GROUP FINANCIAL ANALYSIS

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</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax (RM million)</td>
<td>1,404.9</td>
<td>2,078.9</td>
<td>1,842.1</td>
<td>1,985.9</td>
<td>1,736.3</td>
</tr>
<tr>
<td>Normalised profit after tax* (RM million)</td>
<td>1,404.9</td>
<td>1,511.2</td>
<td>1,741.1</td>
<td>1,742.7</td>
<td>1,736.3</td>
</tr>
</tbody>
</table>

* Excluding tax incentives and forex (FY2013: RM567.7 million, FY2014: RM101.0 million and FY2015: RM243.2 million)

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### ANALYSIS

#### 2012
- Profit of RM1.4 billion was contributed by three business segments comprising Gas Processing (GP), Gas Transportation (GT) and Utilities (UT).
- Compared to 2011, the Group results increased due to gain on partial disposal of investment in an associate, Gas Malaysia Berhad of RM100.0 million through initial public offering.

#### 2013
- Profit of RM2.1 billion was contributed by four business segments comprising GP, GT, UT and newly commissioned operations, Regasification (RGT).
- Achieved commercial operations of Malaysia’s First LNG Regasification Terminal in Sg Udang, Melaka (RGTSU) in May 2013.
- Compared to 2012, the Group results improved due to recognition of deferred tax assets (DTA) arising from investment tax allowances (ITA) granted by Malaysian Investment Development Authority (MIDA) amounting to RM626.4 million.
- Excluding impact of DTA, profit sustained at RM1.5 billion.

#### 2014
- Signing of new Gas Processing Agreement (GPA) and Gas Transportation Agreement (GTA) with PETRONAS for 20-year period.
- Kimanis Power Plant achieved full commercial operations in November 2014.
- Compared to 2013, excluding impact of DTA on ITA from RGTSU and Kimanis Power Sdn Bhd (KPSB), the Group’s profit increased attributable to profit contribution from KPSB, full year contribution from RGTSU and strengthening of GT revenue base under new GTA.

#### 2015
- Completion of the last series of plant revamp and rejuvenation project (PRR) for GP segment (PRR for Gas Processing Plant (GPP) 2 and 3 was completed in 2013 and PRR for GPP4 was completed in 2015).
- Compared to 2014, the Group’s profit increased as a result of recognition of tax incentives arising from ITA and reinvestment allowances granted by MIDA on PRR totalling RM443.1 million.
- This was partially offset by unrealised foreign exchange (forex) loss on USD finance lease liabilities totalling RM199.9 million due to weakening of the Ringgit.
- Excluding impact of tax incentives and forex, profit remained strong at RM1.7 billion.

#### 2016
- Compared to 2015, excluding impact of tax incentives and forex, profit remained steady at RM1.7 billion.
### ANALYSIS

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<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>9,777.9</td>
<td>10,611.1</td>
<td>10,858.5</td>
<td>11,323.8</td>
<td>12,807.5</td>
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<tr>
<td>Fixed assets</td>
<td>5,443.6</td>
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<td>1,706.2</td>
<td>637.7</td>
<td>1,230.8</td>
<td>1,763.1</td>
</tr>
</tbody>
</table>

#### 2012
- Total assets of RM12.4 billion mainly consist of plant, property and equipment (PPE) from the three business segments: GP, GT and UT.

#### 2013
- Compared to 2012, total assets further strengthened following completion of RGTSU and PRR for GPP2 and GPP3.

#### 2014
- Compared to 2013, total assets remained steady at RM13.3 billion mainly consist of PPE from four business segments: GP, GT, UT and RGT.

#### 2015
- Compared to 2014, total assets of the Group increased was mainly attributed to higher PPE arising from completion of PRR for GPP4 and higher cash balances.

#### 2016
- Compared to 2015, total assets surged to RM16.6 billion as the Group embarked into Malaysia’s Second LNG Regasification Terminal and Air Separation Unit plant projects in Pengerang, Johor.
## 5-YEAR GROUP FINANCIAL INFORMATION

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<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<td><strong>Key results</strong></td>
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<td>Revenue</td>
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<td>Gas Processing</td>
<td>1,511.2</td>
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<td>616.2</td>
<td>631.7</td>
<td>631.1</td>
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<td>By geographical:</td>
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<td>Peninsular Malaysia</td>
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<td>Sarawak</td>
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<td>Interest income</td>
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<td>41.8</td>
<td>36.9</td>
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<td>Cost of revenue</td>
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<td>2,179.5</td>
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<td>2,495.4</td>
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<tr>
<td>By segment:</td>
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<tr>
<td>Gas Processing</td>
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<td>746.1</td>
<td>778.5</td>
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<td>287.0</td>
<td>280.0</td>
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<td>Regasification</td>
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<td>344.8</td>
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<td>76.3</td>
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<td>Administration expenses</td>
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<td>120.0</td>
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<td>89.5</td>
<td>93.1</td>
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<td>Operating profit</td>
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<td>1,903.7</td>
<td>2,142.1</td>
<td>2,016.9</td>
<td>2,137.1</td>
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<td>Earnings before interest, taxes, depreciation and amortisation</td>
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<td>2,628.6</td>
<td>3,180.8</td>
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<td>3,023.6</td>
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<tr>
<td>Profit before taxation</td>
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<tr>
<td>Profit for the year</td>
<td>1,404.9</td>
<td>2,078.9</td>
<td>1,842.1</td>
<td>1,985.9</td>
<td>1,736.3</td>
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<tr>
<td>Profit attributable to the shareholders of the Company</td>
<td>1,405.0</td>
<td>2,078.9</td>
<td>1,843.2</td>
<td>1,987.5</td>
<td>1,739.1</td>
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### Key statement of financial position

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<tr>
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<td>912.1</td>
<td>1,706.2</td>
<td>637.7</td>
<td>1,230.8</td>
<td>1,763.1</td>
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<tr>
<td>Total assets</td>
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<td>13,222.4</td>
<td>13,260.5</td>
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<td>Borrowings</td>
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<td>Total liabilities</td>
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<td>1,978.7</td>
<td>1,978.7</td>
<td>1,978.7</td>
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<td>Reserves</td>
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<td>9,460.1</td>
<td>9,988.0</td>
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<tr>
<td>Total equity attributable to the shareholders of the Company</td>
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<td>10,265.7</td>
<td>10,533.8</td>
<td>11,438.8</td>
<td>11,966.7</td>
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<td>Non-controlling interests</td>
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<td>(0.2)</td>
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<td>Total equity</td>
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<td>10,569.0</td>
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### Share information

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<tbody>
<tr>
<td>Earnings per share (sen)</td>
<td>71.0</td>
<td>105.1</td>
<td>93.1</td>
<td>100.4</td>
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<td>Dividends per share (sen)</td>
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<td>55.0</td>
<td>55.0</td>
<td>60.0</td>
<td>62.0</td>
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<td>Net assets (sen)</td>
<td>4.63</td>
<td>5.19</td>
<td>5.32</td>
<td>5.78</td>
<td>6.05</td>
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<td>Closing share price</td>
<td>19.52</td>
<td>24.28</td>
<td>22.16</td>
<td>22.70</td>
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<td>Number of ordinary shares ('000)</td>
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<td>1,978,732</td>
<td>1,978,732</td>
<td>1,978,732</td>
<td>1,978,732</td>
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<td>Market capitalisation (RM million)</td>
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<td>48,043.6</td>
<td>43,848.7</td>
<td>44,917.2</td>
<td>42,147.0</td>
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## GROUP QUARTERLY PERFORMANCE

### 2016

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<tr>
<th>In RM Million</th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
<th>Year 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>1,130.6</td>
<td>1,119.0</td>
<td>1,157.8</td>
<td>1,153.9</td>
<td>4,561.3</td>
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<tr>
<td>Operating profit</td>
<td>591.9</td>
<td>502.9</td>
<td>542.3</td>
<td>500.0</td>
<td>2,137.1</td>
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<tr>
<td>Profit before taxation</td>
<td>578.8</td>
<td>497.9</td>
<td>546.3</td>
<td>483.8</td>
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<td>Profit for the period/year</td>
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<td>403.5</td>
<td>422.1</td>
<td>463.3</td>
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<td>Profit attributable to shareholders of the Company</td>
<td>447.3</td>
<td>403.9</td>
<td>422.8</td>
<td>465.1</td>
<td>1,739.1</td>
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<tr>
<td>Earnings per share (sen)</td>
<td>22.6</td>
<td>20.4</td>
<td>21.4</td>
<td>23.5</td>
<td>87.9</td>
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<td>Dividends per share (sen)</td>
<td>14.0</td>
<td>14.0</td>
<td>15.0</td>
<td>19.0</td>
<td>62.0</td>
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### 2015

<table>
<thead>
<tr>
<th>In RM Million</th>
<th>First Quarter</th>
<th>Second Quarter</th>
<th>Third Quarter</th>
<th>Fourth Quarter</th>
<th>Year 2015</th>
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</thead>
<tbody>
<tr>
<td>Operating revenue</td>
<td>1,101.3</td>
<td>1,083.6</td>
<td>1,134.3</td>
<td>1,136.7</td>
<td>4,455.9</td>
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<tr>
<td>Operating profit</td>
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<td>545.0</td>
<td>415.6</td>
<td>487.9</td>
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<td>Earnings per share (sen)</td>
<td>22.7</td>
<td>41.4</td>
<td>15.4</td>
<td>20.9</td>
<td>100.4</td>
</tr>
<tr>
<td>Dividends per share (sen)</td>
<td>14.0</td>
<td>14.0</td>
<td>15.0</td>
<td>17.0</td>
<td>60.0</td>
</tr>
</tbody>
</table>
IN ACHIEVING OUR STRATEGIC OBJECTIVES, PGB ALSO DEVELOPS NON-FINANCIAL KEY PERFORMANCE INDICATORS (KPI) TO ASSESS THE PERFORMANCE OF OTHER KEY ACTIVITIES WITHIN THE ORGANISATION. OUR PERFORMANCE SCORECARD PROVIDES AN OVERVIEW ON HOW WE HAVE PERFORMED DURING THE YEAR.

The two-year 3ZERO100 Transformation programme launched in 2015, strived the organisation to achieve ZERO Health, Safety and Environment (HSE) incident, ZERO non-compliance, ZERO interruption and 100% product delivery reliability. Various Key Results Area (KRA) activities under Key Strategic Thrusts: Assets, System & Process and People & Culture have contributed to the following achievements for the year. We achieved no major Lost of Primary Containment (LOPC) and major fire in 2016. However, we were unfortunate with the three fatalities and six Lost Time Injury (LTIs). PGB will put its utmost priorities in HSSE to prevent recurrence of the incidents.

### Performance Scorecard

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Units of measurement</th>
<th>Description</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>YoY Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatality Accident</td>
<td>Number of incidents</td>
<td>Total number of reportable fatalities (staff, contractor and third party).</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>LTI</td>
<td>Number of incidents</td>
<td>An injury is assessed to be a LTI when the injured person cannot return for duty during next shift or next day.</td>
<td>8</td>
<td>5</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Major LOPC</td>
<td>Number of incidents</td>
<td>Total number of LOPC related to process safety incidents with the greatest consequences.</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Major Fire Incident</td>
<td>Number of incidents</td>
<td>Total number of fire or explosion resulting in the greatest consequences.</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

---

PGB is committed to deliver a sustainable value for all stakeholders by ensuring a safer environment, boosting economy and improve social relationship. Read more on our Sustainability Report from pages 218 to 249.
Higher Overall Equipment Effectiveness (OEE) achieved for Gas Processing, Utilities and Regasification has translated into higher Product Delivery Reliability (PDR) to customers. Higher Transmission reliability demonstrated our world class performance in transmission operations, ensuring security of gas supply to the nation.

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Units of measurement</th>
<th>Description</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>YoY Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Gas PDR (%)</td>
<td>%</td>
<td>Product delivered meet the customer’s nomination on monthly basis.</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Power PDR (%)</td>
<td>%</td>
<td></td>
<td>99.99</td>
<td>99.98</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Steam PDR (%)</td>
<td>%</td>
<td></td>
<td>99.84</td>
<td>99.91</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Ethane Production (MT/hr)</td>
<td>Annual average ethane production from the gas processing plants.</td>
<td>117</td>
<td>135</td>
<td>142</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 1: OEE – A measure of plant performance against its limits and identified sources of loss within the plant and a measure of how well equipment is used when available.

Note 2: Reliability – A measure to determine the impact of unscheduled downtime on the availability of the plant.

* World Class Performance benchmark for OEE is 95% and Reliability is 98%.
PGB has adopted empowered and efficient organisational structure to ensure clear demarcation of roles. We always achieved optimum level of manning to ensure sustainability of our operations.

We provide continuous Leadership and Capability Development programmes to enhance the staff professional and personal development. In 2016, we further enhanced Building Leaders programme and 31 managers have attended the Accelerated Cultural Change (ACC) programme designed to enhance competencies to drive direction and lead change.

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Units of measurement</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employees</td>
<td>Number of staff</td>
<td>2,111</td>
<td>2,187</td>
<td>2,117</td>
</tr>
<tr>
<td>Other nationality</td>
<td>Number of staff</td>
<td>2</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Employee turnover</td>
<td>%</td>
<td>0.8%</td>
<td>1.1%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Staff costs</td>
<td>RM million</td>
<td>294.3</td>
<td>283.2</td>
<td>281.8</td>
</tr>
<tr>
<td>Mandays training per employee</td>
<td>days</td>
<td>8.0</td>
<td>9.8</td>
<td>10.3</td>
</tr>
<tr>
<td>Training investment per employee</td>
<td>RM'000</td>
<td>6.4</td>
<td>7.8</td>
<td>6.3</td>
</tr>
<tr>
<td>Employee satisfaction(^1)</td>
<td>%</td>
<td>1.83</td>
<td>2.98</td>
<td>3.13</td>
</tr>
</tbody>
</table>

* Data is based on internal survey conducted by PGB to determine the level of staff satisfaction. The highest score is 4.00.

Permanent

<table>
<thead>
<tr>
<th>2016</th>
<th>2015: 2,060 (97%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015: 2,032 (93%)</td>
<td></td>
</tr>
<tr>
<td>2014: 2,085 (99%)</td>
<td></td>
</tr>
</tbody>
</table>

Women in Leadership

<table>
<thead>
<tr>
<th>Team</th>
<th>2015: 33%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014: 33%</td>
<td></td>
</tr>
</tbody>
</table>

Women in Board Composition

<table>
<thead>
<tr>
<th>2015: 43%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014: 13%</td>
</tr>
</tbody>
</table>

2016

<table>
<thead>
<tr>
<th>210</th>
<th>575</th>
<th>1,331</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baby Boomers</td>
<td>Gen X</td>
<td>Millenials</td>
<td>Post Millenials</td>
</tr>
</tbody>
</table>
We believe that it is our duty to care for the well-being of the communities surround our operations. In 2016, we actively reached out to the community through several programmes:

1. **PGB Livelihood programme** which aims to impart baking and entrepreneurship skills to women from low-income households.

2. **Program Sentuhan Kasih PETRONAS** where we donated 10 kg of rice each to 95 low-income families during Ramadhan.

3. **Program Sentuhan Ilmu** offers academic and non-academic assistance to under performing students from low-income families.

4. In preserving the environment, PGB allocated RM2 million for **waste disposal** and set a target of reducing waste by 3% annually.

5. Preserve the biodiversity of Sungai Paka in Terengganu through ‘**Sayangi Sungai Paka**’ programme.

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Units of measurement</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>YoY Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Social Responsibilities (CSR) Programme</td>
<td>Number of programme</td>
<td>36</td>
<td>16</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>CSR Participation</td>
<td>Number of Staff</td>
<td>1,369</td>
<td>592</td>
<td>1,179</td>
<td></td>
</tr>
</tbody>
</table>

YOY – Year on year
KEY PERFORMANCE INDICATORS

The financial indicators assess the Group’s current year performance as compared to the corresponding year.

GROUP PERFORMANCE RATIOS

All analysis below is after excluding impact of tax incentives and unrealised foreign exchange.

Gross profit margin is defined as a ratio of gross profit to revenue.

- 2015: 45.3% (Normalised 2015: 48.0%)
- 2016: 48.0%

- Due to higher operating costs.

Net profit margin is defined as a ratio of net profit after tax to revenue.

- Normalised 2015: 38.1% (2015: 44.6%)
- 2016: 39.1%

- Sustained within healthy levels.

Cost to Income (CTI) is a measure of cost of revenue divided by revenue.

- 2015: 2.3
- 2016: 2.5

- Continuous improvement towards assets integrity.

Current ratio is defined as the Company’s ability to meet its short term obligations.

- 2015: 2.5
- 2016: 2.3

- Higher attributed to high cash balances.

Return on Asset (ROA) is an indicator that measures the Company’s efficiency in using the total assets to generate profit.

- Normalised 2015: 10.5% (2015: 13.8%)
- 2016: 12.1%

- Slightly lower due to higher spending on growth projects yet to generate returns.
Return on Equity (ROE) is defined as profit attributable to shareholders divided by the average shareholders’ equity for the financial year.

Earnings Per Share (EPS) represents the portion of the Company's distributable income allocated to each equity share.

Dividend Payout Ratio (DPR) is defined as the percentage of earnings paid to shareholders in dividend.

Dividends Per Share (DPS) is dividends declared for the shareholders divided by the number of ordinary shares issued.

Total Shareholder’s Return (TSR) is measure of share price performance and dividends paid during the year, divided by the opening share prices.

Return on Equity (ROE) 2015: 14.5% 2016: 17.4% 2015: 15.2%

Earnings Per Share (EPS) 2015: 87.9% 2016: 100.4% 2015: 88.2%

Dividend Payout Ratio (DPR) 2015: 77.0% 2016: 70.7% 2015: 59.8% 2015: 70.7%

Dividends Per Share (DPS) 2015: 59.8% 2016: 70.7% 2015: 77.0%

Total Shareholder’s Return (TSR) 2015: 60.0% 2016: 62.0% 2015: 51% 2015: 3.4%

Respectable returns from investments.

In line with steady profit for the year.

Within the industry average of DPR.


Due to decline of share price during the year.
## SIMPLIFIED GROUP STATEMENT ON FINANCIAL POSITION AND SEGMENTAL ANALYSIS

### Total Assets

**2016**

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, Plant and Equipment</td>
<td>77%</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>11%</td>
</tr>
<tr>
<td>Investment in Joint Ventures</td>
<td>4%</td>
</tr>
<tr>
<td>Trade and Other Receivables</td>
<td>4%</td>
</tr>
<tr>
<td>Deferred Tax Assets</td>
<td>3%</td>
</tr>
<tr>
<td>Investment in Associate</td>
<td>1%</td>
</tr>
<tr>
<td>Long Term Receivables</td>
<td>0%*</td>
</tr>
<tr>
<td>Tax Recoverable</td>
<td>0%*</td>
</tr>
<tr>
<td>Trade and Other Inventories</td>
<td>0%*</td>
</tr>
</tbody>
</table>

*Insignificant percentage (%)*

**2015**

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, Plant and Equipment</td>
<td>79%</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>9%</td>
</tr>
<tr>
<td>Investment in Joint Ventures</td>
<td>4%</td>
</tr>
<tr>
<td>Trade and Other Receivables</td>
<td>4%</td>
</tr>
<tr>
<td>Deferred Tax Assets</td>
<td>3%</td>
</tr>
<tr>
<td>Investment in Associate</td>
<td>1%</td>
</tr>
<tr>
<td>Trade and Other Inventories</td>
<td>0%*</td>
</tr>
</tbody>
</table>

*Insignificant percentage (%)*

**Total Assets**

**2015**

RM14.4 billion

**2016**

RM16.6 billion
## Total Liabilities & Shareholder's Equity

### 2016

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
<td>60%</td>
</tr>
<tr>
<td>Non-Current Borrowings</td>
<td>13%</td>
</tr>
<tr>
<td>Share Capital</td>
<td>12%</td>
</tr>
<tr>
<td>Deferred Tax Liabilities</td>
<td>7%</td>
</tr>
<tr>
<td>Trade and Other Payables</td>
<td>6%</td>
</tr>
<tr>
<td>Non-Controlling Interests</td>
<td>2%</td>
</tr>
<tr>
<td>Deferred Income</td>
<td>0%*</td>
</tr>
<tr>
<td>Current Borrowings</td>
<td>0%*</td>
</tr>
<tr>
<td>Taxation</td>
<td>0%*</td>
</tr>
</tbody>
</table>

* Insignificant percentage (%)

### 2015

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
<td>66%</td>
</tr>
<tr>
<td>Share Capital</td>
<td>14%</td>
</tr>
<tr>
<td>Non-Current Borrowings</td>
<td>7%</td>
</tr>
<tr>
<td>Deferred Tax Liabilities</td>
<td>6%</td>
</tr>
<tr>
<td>Trade and Other Payables</td>
<td>6%</td>
</tr>
<tr>
<td>Non-Controlling Interests</td>
<td>1%</td>
</tr>
<tr>
<td>Deferred Income</td>
<td>0%*</td>
</tr>
<tr>
<td>Current Borrowings</td>
<td>0%*</td>
</tr>
<tr>
<td>Taxation</td>
<td>0%*</td>
</tr>
</tbody>
</table>

* Insignificant percentage (%)

---

**Total Liabilities & Shareholder's Equity**

- **2016**: RM16.6 billion
- **2015**: RM14.4 billion
SEGMENT OPERATING REVENUE
for the financial year ended 31 December

Gas Transportation (RM million)
- 2016: RM1,303.9
- 2015: RM1,311.6

Gas Processing (RM million)
- 2016: RM1,557.2
- 2015: RM1,533.6

SEGMENT GROSS PROFIT
for the financial year ended 31 December

Gas Transportation (RM million)
- 2016: RM975.3
- 2015: RM1,009.1

Gas Processing (RM million)
- 2016: RM648.4
- 2015: RM697.0

SEGMENT ASSETS
for the financial year ended 31 December

Gas Transportation (RM million)
- 2016: RM2,620.1
- 2015: RM2,575.1

Gas Processing (RM million)
- 2016: RM4,321.6
- 2015: RM4,376.4
2015
RM4.5 billion

Utilities
(RM million)

Regasification
(RM million)

2016 2015

1,069.1 973.6

631.1 637.1

2015
RM2.1 billion

Utilities
(RM million)

Regasification
(RM million)

2016 2015

155.9 135.8

286.3 297.5

2015
RM12.5 billion

Utilities
(RM million)

Regasification
(RM million)

2016 2015

1,317.9 1,184.5

5,896.3 4,389.3
## KEY INTEREST BEARING ASSETS AND LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2015 As at 31 December RM million</th>
<th>Effective Interest Rate %</th>
<th>Interest Income/(Expenses) RM million</th>
<th>2016 As at 31 December RM million</th>
<th>Effective Interest Rate %</th>
<th>Interest Income/(Expenses) RM million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest earning assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,230.8</td>
<td>3.9</td>
<td>31.8</td>
<td>1,763.1</td>
<td>3.6</td>
<td>54.2</td>
</tr>
<tr>
<td><strong>Interest bearing liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>1,058.3</td>
<td>9.1</td>
<td>(90.1)</td>
<td>1,166.6</td>
<td>9.1</td>
<td>(93.9)</td>
</tr>
<tr>
<td>Team loan</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>795.6</td>
<td>1.7</td>
<td>–</td>
</tr>
<tr>
<td>Loan from corporate shareholder of a subsidiary</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>287.3</td>
<td>6.5</td>
<td>–*</td>
</tr>
</tbody>
</table>

* Interest expenses are being capitalised as part of projects-in-progress.

## STATEMENT OF VALUE ADDED

<table>
<thead>
<tr>
<th></th>
<th>2015 RM million</th>
<th>2016 RM million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>4,455.9</td>
<td>4,561.3</td>
</tr>
<tr>
<td>Purchase of goods and services</td>
<td>(1,300.2)</td>
<td>(1,386.8)</td>
</tr>
<tr>
<td><strong>Value added by the Company</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income and expenses</td>
<td>3,155.7</td>
<td>3,174.5</td>
</tr>
<tr>
<td>Financing costs</td>
<td>(32.9)</td>
<td>164.3</td>
</tr>
<tr>
<td>Share of profit after tax of equity accounted associate and jointly controlled entity</td>
<td>(90.1)</td>
<td>(93.9)</td>
</tr>
<tr>
<td><strong>Value added available for distribution</strong></td>
<td>75.2</td>
<td>63.6</td>
</tr>
<tr>
<td></td>
<td>3,107.9</td>
<td>3,308.5</td>
</tr>
</tbody>
</table>
# DISTRIBUTION OF VALUE ADDED

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RM million</td>
<td>RM million</td>
</tr>
<tr>
<td>To employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment costs</td>
<td>326.9</td>
<td>324.5</td>
</tr>
<tr>
<td>To government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>71.9</td>
<td>113.7</td>
</tr>
<tr>
<td>To shareholders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>1,147.8</td>
<td>1,187.2</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>(1.5)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Retained for reinvestment and future growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>778.9</td>
<td>877.2</td>
</tr>
<tr>
<td>Deferred tax expense/(income)</td>
<td>(55.7)</td>
<td>256.8</td>
</tr>
<tr>
<td>Retained profit</td>
<td>839.6</td>
<td>551.9</td>
</tr>
<tr>
<td></td>
<td>3,107.9</td>
<td>3,308.5</td>
</tr>
</tbody>
</table>

## Distribution of Value Added

**FY2015**
- 50% Retained for reinvestment and future growth
- 11% To shareholders
- 2% To employees
- 37% To government

**FY2016**
- 51% Retained for reinvestment and future growth
- 36% To shareholders
- 10% To employees
- 3% To government
IN TODAY'S DYNAMIC ENVIRONMENT, IT IS ESSENTIAL TO HAVE AN EFFECTIVE CHANNEL TO KEEP OUR STAKEHOLDERS ABOREAST WITH THE LATEST INFORMATION ON THE GROUP. PGB’S INVESTOR RELATIONS HELPS TO PROVIDE AN UP TO DATE INFORMATION TO THE INVESTMENT COMMUNITY THROUGH ITS VARIOUS ENGAGEMENT PROGRAMMES.

FORTIFYING TIES IN INVESTMENT COMMUNITY

PETRONAS Gas Berhad (PGB) acknowledges the importance of engaging its stakeholders particularly its investors and analysts on the financial and operational performance of the Group as well as on its strategic direction, growth initiatives and major projects updates. The Investor Relations unit facilitates communication to the investment community via an extensive programme approved by the Senior Management and obtains feedback from them to assess the effectiveness of each programme held.

The year kicked off with PGB participating in the CIMB 8th Annual Malaysia Corporate Day on 6 January 2016 at Hilton Kuala Lumpur. During the year under review, PGB participated in two conferences locally and two overseas conferences, held in Japan and Singapore. In comparison, PGB participated in three international conferences during FY2015. We believe that continuous investor engagement will promote transparency and is essential if the Company is to thrive in challenging economic conditions. Our Managing Director and Chief Executive Officer (MD/CEO), Chief Financial Officer and Head of Investor Relations were fully committed to dedicate their time to meet the investors to provide the latest Company’s updates.

We viewed the conferences to be successful as our foreign shareholdings sustained at 8.4% as at 17 February 2017. In addition, regular meetings and conference calls with analysts and potential investors were held on a frequent basis to demonstrate our commitment to engage with the investment community.
PGB’s Shareholding

Breakdown of Shareholdings by Local & Foreign

- Local shareholdings: 91.6%
- Foreign shareholdings: 8.4%

Category of Shareholder by Individual, Corporate Body, Institutions & Nominees

- Nominees: 83.3%
- Body Corporate: 0.6%
- Individuals: 0.1%
- Institutions: 0.0%

Foreign Shareholdings

- '12: 6.4%
- '13: 6.6%
- '14: 7.4%
- '15: 8.5%
- '16: 8.8%
- '17*: 8.4%

* as at 17 February 2017

Quick Facts

- PGB shareholders are mainly local investors. Out of this group, 83.3% shares belong to nominee companies.
- By geographical, our foreign shareholders are mainly from United States of America (4.5%), Ireland (0.5%), Singapore (0.4%) and Hong Kong (0.3%).
For the year under review, PGB announced its performance results on a quarterly basis. Through its quarterly result briefings PGB provided timely releases of financial results, growth initiatives and updates on major projects. The quarterly results were facilitated by our Head of Investor Relations while the presentation and questions and answers were undertaken in the presence of our MD/CEO and Chief Financial Officer. The webcasts and tele-conferences received overwhelming participation from analysts. On average, a total 35 analysts participated in our quarterly result briefings. The scope of information disseminated was extended from only internal news to external factors that impacted the business. Among key issues deliberated were the impact of the recent Gas Supply (Amendment) Act 2016 towards regasification and the transportation businesses, exposure on foreign exchange volatility particularly in relation to PGB’S external loan as well as the trend of the industry.

The top three key topics discussed with our analysts are summarised in page 120.

Our analysts coverage is highlighted on page 120.

<table>
<thead>
<tr>
<th>No</th>
<th>Report Title</th>
<th>Quarter &amp; Date</th>
<th>Financial Institutions</th>
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<tbody>
<tr>
<td>1</td>
<td>Flowing Smoothly</td>
<td>Q1 2016 (09.05.2016)</td>
<td>CIMB Bank</td>
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<tr>
<td>2</td>
<td>Steady earnings continue; defensive play with dividend upside potential; reiterate OW</td>
<td>Q1 2016 (09.05.2016)</td>
<td>J.P. Morgan Chase Bank Berhad</td>
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<tr>
<td>3</td>
<td>1Q16 No Surprises</td>
<td>Q1 2016 (10.05.2016)</td>
<td>Kenanga Investment Bank Berhad</td>
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<td>4</td>
<td>No Negatives</td>
<td>Q1 2016 (10.05.2016)</td>
<td>Maybank Investment Bank</td>
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<tr>
<td>5</td>
<td>Largely Routine</td>
<td>Q1 2016 (11.05.2016)</td>
<td>Maybank Investment Bank</td>
</tr>
<tr>
<td>6</td>
<td>Marginal decline in earnings not unexpected</td>
<td>Q1 2016 (10.05.2016)</td>
<td>MIDF Amanah Investment Bank Berhad</td>
</tr>
<tr>
<td>7</td>
<td>Rich valuations with slow growth prospects</td>
<td>Q1 2016 (09.05.2016)</td>
<td>Nomura Holdings</td>
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<td>8</td>
<td>Business as usual</td>
<td>Q1 2016 (11.05.2016)</td>
<td>TA Securities Holding Berhad</td>
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<td>9</td>
<td>2Q16 In Line</td>
<td>Q2 2016 (10.08.2016)</td>
<td>Kenanga Investment Bank Berhad</td>
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<td>10</td>
<td>Earnings buoyed by upward tariff revisions</td>
<td>Q2 2016 (10.08.2016)</td>
<td>MIDF Amanah Investment Bank Berhad</td>
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<td>11</td>
<td>Largely In-Line</td>
<td>Q2 2016 (10.08.2016)</td>
<td>TA Securities Holding Berhad</td>
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<tr>
<td>12</td>
<td>Near Term Looks Sleepy</td>
<td>Q2 2016 (11.08.2016)</td>
<td>TA Securities Holding Berhad</td>
</tr>
<tr>
<td>13</td>
<td>3Q16 Disappointing; Cut To UP</td>
<td>Q3 2016 (03.11.2016)</td>
<td>Kenanga Investment Bank Berhad</td>
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<td>14</td>
<td>Nothing Untoward</td>
<td>Q3 2016 (03.11.2016)</td>
<td>Maybank Investment Bank</td>
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<td>15</td>
<td>Smooth Earnings from Stable Biz</td>
<td>Q3 2016 (03.11.2016)</td>
<td>TA Securities Holding Berhad</td>
</tr>
<tr>
<td>16</td>
<td>More Colour on Looming Gas Liberalisation</td>
<td>Q3 2016 (04.11.2016)</td>
<td>TA Securities Holding Berhad</td>
</tr>
</tbody>
</table>
PGB also organised two plant visits namely, to Utilities Gebeng and Kuantan Compressor Station, Pahang and Segamat Operations Centre, Johor. This is a way to show appreciation to our shareholders and to bring them closer towards understanding our business. A total of 60 shareholders participated in the plant visits.


Shareholders’ Visit at Kuantan Compressor Station, Pahang, 15 August 2016.

Shareholders’ Visit at Kuantan Compressor Station, Pahang, 15 August 2016.
ANNUAL GENERAL MEETING (AGM)

PGB held its AGM on 26 April 2016 at the Mandarin Oriental, Kuala Lumpur. All resolutions proposed were duly passed.


Question and answer session during the AGM.

Press conference after AGM.
SHARE PERFORMANCE

PGB SHARE PRICE PERFORMANCE

Sustained strong share price underpinned by our strong and robust business model, despite changing economic landscape.

Accordingly, PGB market capitalisation stood at RM42.1 billion as at 31 December 2016.

MARKET CAPITALISATION
RM42.1 billion (2016)
RM44.9 billion (2015)

SHARE PRICE
RM22.70 (OPENING)
RM21.30 (CLOSING)
RM22.90 (PEAK)

AVERAGE DAILY VOLUME TRADED ('000)
- 28,644 (2016)
- 30,967 (2015)

DIVIDENDS PER SHARE
- 62 sen (2016)
- 60 sen (2015)

EARNINGS PER SHARE
- 87.9 sen (2016)
- 100.4 sen (2015)

TOTAL SHAREHOLDERS’ RETURN
-3.4% (2016)
5.1% (2015)

DIVIDEND PAYMENT DATE

Q1 14 sen
8 June 2016

Q2 14 sen
8 September 2016

Q3 15 sen
2 December 2016

Q4 19 sen
22 March 2017
SHARE PERFORMANCE

ANALYST COVERAGE

ANALYST AREA OF CONCERN

Implementation of New Gas Supply (Amendment) Act 2016
The new amendment exposed PGB to increased competition due to Third Party Access implementation and economic regulation.

Increasing Trend of Repair and Maintenance Cost
The Group incurred higher repair and maintenance cost in FY2015 and FY2016 to address assets integrity issues as part of its Key Results Area under 3ZERO100 Transformation.

Future Growth Strategy
The Group continue to focus on delivering the existing growth projects and initiatives which are expected to complete by FY2018. The Group has yet to announce its future growth plan, which will continue to leverage on its core competencies.
2016 INVESTOR RELATIONS CALENDAR

- **Q1**: 10 May 2016
- **Q2**: 10 August 2016
- **Q3**: 03 March 2016
- **Q4**: 24 February 2017

**ANALYST BRIEFING**

**ANNUAL GENERAL MEETING**
- 26 April 2016
- Mandarin Oriental, Kuala Lumpur

**33rd INVESTOR CONFERENCE**

**LOCAL**
- CIMB 8th Annual Malaysia Day
  - Hilton, Kuala Lumpur
- Maybank Invest Malaysia 2016
  - Shangri-La Hotel, Kuala Lumpur

**INTERNATIONAL**
- Daiwa Investment Conference 2016
  - Tokyo, Japan
- Nomura Investment Forum Asia 2016
  - Singapore

**PLANT VISITS (RETAIL SHAREHOLDERS)**
- 15 August 2016
  - Utilities Gebeng and Kuantan Compressor Station, Pahang
- 21 September 2016
  - Segamat Operations Centre, Johor

2017 INVESTOR RELATIONS PLANNER

- **Q1**: Closed period
- **Q2**: Closed period
- **Q3**: Closed period
- **Q4**: Closed period

- Q4 Results Announcement
- IR Conference
- Analyst Meetings
- Annual General Meeting
- Q2 Results Announcement
- Analyst Meetings
- IR Conference
- Shareholders’ Plant Visit
- Q3 Results Announcement
- Analyst Meetings
- Shareholder Plant Visit