

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

Interim Financial Report
31 December 2016

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

INTERIM FINANCIAL REPORT

Interim financial report on consolidated results for the financial period ended 31 December 2016.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.12.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2015 RM'000	6 MONTHS ENDED	
			31.12.2016 RM'000	31.12.2015 RM'000
Revenue	2,464,731	2,617,907	4,805,355	5,837,932
Cost of sales	(1,987,662)	(2,147,616)	(3,871,021)	(4,773,803)
Gross profit	477,069	470,291	934,334	1,064,129
Other operating income	21,518	231,079	37,471	249,210
Other operating expenses	(159,845)	(173,439)	(326,056)	(374,331)
Profit from operations	338,742	527,931	645,749	939,008
Finance costs	(196,603)	(242,999)	(397,749)	(481,210)
Share of profits of investments accounted for using the equity method	97,807	102,167	180,726	195,592
Profit before taxation	239,946	387,099	428,726	653,390
Taxation	(49,799)	(78,174)	(87,975)	(170,331)
Profit for the period	190,147	308,925	340,751	483,059
Attributable to:				
Owners of the parent	166,756	302,714	313,304	489,437
Non-controlling interests	23,391	6,211	27,447	(6,378)
	190,147	308,925	340,751	483,059
Earnings per share for profit attributable to owners of the parent				
Basic (sen)	2.15	3.92	4.05	6.62
Diluted (sen)	2.14	3.90	4.03	6.58

The Condensed Consolidated Income Statement should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

YTL POWER INTERNATIONAL BERHAD (Company No. 406684-H)
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.12.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2015 RM'000	6 MONTHS ENDED	
			31.12.2016 RM'000	31.12.2015 RM'000
Profit for the period	190,147	308,925	340,751	483,059
Other comprehensive income/(loss):				
<i>Items that may be reclassified subsequently to income statement:</i>				
Available-for-sale financial assets	(13,697)	34,923	(38,390)	(12,065)
Cash flow hedges:				
- Subsidiaries	267,420	(206,630)	370,562	(391,669)
- Associates and joint ventures	835	85	9,265	(6,323)
Currency translation differences:				
- Subsidiaries	226,515	(482,111)	416,488	781,388
- Associates and joint ventures	153,903	(51,624)	231,102	218,316
	-----	-----	-----	-----
Other comprehensive income/(loss) for the period, net of tax	634,976	(705,357)	989,027	589,647
	-----	-----	-----	-----
Total comprehensive income/(loss) for the period	825,123	(396,432)	1,329,778	1,072,706
	=====	=====	=====	=====
Attributable to:				
Owners of the parent	742,820	(380,985)	1,222,324	1,003,185
Non-controlling interests	82,303	(15,447)	107,454	69,521
	-----	-----	-----	-----
	825,123	(396,432)	1,329,778	1,072,706
	=====	=====	=====	=====

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED	AUDITED
	As at	As at
	31.12.2016	30.6.2016
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	20,604,791	20,009,675
Investment properties	12,028	14,462
Intangible assets	8,369,709	8,077,220
Investments accounted for using the equity method	2,370,914	2,119,011
Investments	450,190	271,359
Derivative financial instruments	41,104	29,865
Receivables, deposits and prepayments	444,277	367,909
	-----	-----
	32,293,013	30,889,501
	-----	-----
Current assets		
Inventories	844,290	805,902
Receivables, deposits and prepayments	1,880,283	1,724,308
Derivative financial instruments	181,230	64,547
Cash and bank balances	8,898,201	9,761,333
	-----	-----
	11,804,004	12,356,090
	-----	-----
TOTAL ASSETS	44,097,017	43,245,591
	=====	=====
EQUITY AND LIABILITIES		
Share capital	4,071,488	4,050,801
Reserves	9,644,425	9,171,486
Treasury shares, at cost	(711,306)	(711,306)
	-----	-----
Equity attributable to owners of the parent	13,004,607	12,510,981
Non-controlling interests	282,795	242,337
	-----	-----
TOTAL EQUITY	13,287,402	12,753,318
	-----	-----

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - Continued

	UNAUDITED	AUDITED
	As at	As at
	31.12.2016	30.6.2016
	RM'000	RM'000
LIABILITIES		
Non-current liabilities		
Deferred taxation	1,873,207	1,839,883
Borrowings	20,001,041	23,833,881
Grants and contributions	510,277	427,843
Post-employment benefit obligations	907,677	874,272
Derivative financial instruments	56,656	117,265
Payables	884,009	849,995
	-----	-----
	24,232,867	27,943,139
	-----	-----
Current Liabilities		
Payables and accrued expenses	1,653,619	1,844,835
Derivative financial instruments	95,212	248,266
Post-employment benefit obligations	3,829	2,518
Taxation	111,006	108,087
Borrowings	4,713,082	345,428
	-----	-----
	6,576,748	2,549,134
	-----	-----
TOTAL LIABILITIES	30,809,615	30,492,273
	-----	-----
TOTAL EQUITY AND LIABILITIES	44,097,017	43,245,591
	=====	=====
Net assets per 50 sen share (RM) attributable to ordinary equity holders of the parent	1.68	1.62
	=====	=====

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	-----Attributable to Owners of the Parent-----						Non-Controlling Interests	Total Equity
	Share Capital	Share Premium	Merger & Other Reserves	Treasury Shares	Retained Earnings	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2016	4,050,801	2,792,660	(1,713,893)	(711,306)	8,092,719	12,510,981	242,337	12,753,318
Profit for the financial period	-	-	-	-	313,304	313,304	27,447	340,751
Other comprehensive income for the financial period	-	-	909,020	-	-	909,020	80,007	989,027
Total comprehensive income for the financial period	-	-	909,020	-	313,304	1,222,324	107,454	1,329,778
Dividends paid to non-controlling interests	-	-	-	-	-	-	(66,996)	(66,996)
Interim dividends paid for the financial year ended 30 June 2016	-	-	-	-	(775,865)	(775,865)	-	(775,865)
Issue of share capital	20,687	26,480	-	-	-	47,167	-	47,167
Share option lapsed	-	-	(143)	-	143	-	-	-
Warrants reserves	-	4,137	(4,137)	-	-	-	-	-
At 31 December 2016	4,071,488	2,823,277	(809,153)	(711,306)	7,630,301	13,004,607	282,795	13,287,402

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015**

	-----Attributable to Owners of the Parent-----						Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Merger & Other Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000		
At 1 July 2015	3,710,825	2,287,408	(1,892,193)	(711,304)	7,998,951	11,393,687	235,008	11,628,695
Profit for the financial period	-	-	-	-	489,437	489,437	(6,378)	483,059
Other comprehensive income for the financial period	-	-	513,748	-	-	513,748	75,899	589,647
Total comprehensive income for the financial period	-	-	513,748	-	489,437	1,003,185	69,521	1,072,706
Effects arising from changes in composition of the Group	-	-	-	-	-	-	(5,933)	(5,933)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(86,620)	(86,620)
Interim dividends paid for the financial year ended 30 June 2015	-	-	-	-	(771,722)	(771,722)	-	(771,722)
Issue of share capital	339,962	437,771	(1,179)	-	-	776,554	-	776,554
Share option lapsed	-	-	(189)	-	189	-	-	-
Warrants reserves	-	67,460	(67,460)	-	-	-	-	-
At 31 December 2015	4,050,787	2,792,639	(1,447,273)	(711,304)	7,716,855	12,401,704	211,976	12,613,680

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	6 MONTHS ENDED	
	31.12.2016	31.12.2015
	RM'000	RM'000
Cash flows from operating activities		
Profit for the financial period	340,751	483,059
Adjustment for:		
Allowance for impairment of inventories	693	1,000
Allowance for/(Write back of) impairment of receivables (net of reversals)	60,357	(105,895)
Amortisation of grants and contributions	(10,189)	(10,306)
Amortisation of intangible assets	39,908	46,308
Depreciation of property, plant and equipment	514,571	685,118
Interest expense	397,749	481,210
Interest income	(13,427)	(52,571)
Net gain on disposal of property, plant and equipment	(5,800)	(8,260)
Provision for post-employment benefit	25,790	32,452
Provision for liabilities and charges	-	2,216
Share of profits of investments accounted for using the equity method	(180,726)	(195,592)
Taxation	87,975	170,331
Unrealised gain on foreign exchange	(3,345)	(19,051)
Other non-cash items	5,387	5,130
	-----	-----
	1,259,694	1,515,149
Changes in working capital:		
Inventories	(15,575)	(483,737)
Receivables, deposits and prepayments	(134,027)	802,869
Payables and accrued expenses	(105,332)	(158,191)
	-----	-----
Cash flows from operations	1,004,760	1,676,090
Interest paid	(387,073)	(475,003)
Payment to post-employment benefit obligations	(28,960)	(31,967)
Tax paid	(117,941)	(110,920)
	-----	-----
Net cash flows from operating activities	470,786	1,058,200
	-----	-----

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016 - Continued**

	6 MONTHS ENDED	
	31.12.2016	31.12.2015
	RM'000	RM'000
Cash flows from investing activities		
Acquisition of subsidiaries	(1,220)	(8,324)
Additional investments accounted for using the equity method	(6,168)	-
Additional investments	(212,478)	-
Dividends received	175,358	221,303
Grants received	23,221	22,231
Interest received	11,095	51,848
Purchase of intangible assets	(21,699)	(40,661)
Purchase of property, plant and equipment	(682,300)	(714,896)
Prepayment for land acquisitions	(20,171)	-
Proceeds from disposal of property, plant and equipment	5,740	116,533
	-----	-----
Net cash flows used in investing activities	(728,622)	(351,966)
	-----	-----
Cash flows from financing activities		
Dividends paid	(775,865)	(771,722)
Dividends paid to non-controlling interests	(66,996)	(86,620)
Proceeds from borrowings	69,713	1,277,749
Proceeds from issue of shares	47,167	776,554
Repayment of borrowings	(203,075)	(2,042,792)
	-----	-----
Net cash flows used in financing activities	(929,056)	(846,831)
	-----	-----
Net changes in cash and cash equivalents	(1,186,892)	(140,597)
Effects of exchange rate changes	388,991	538,812
Cash and cash equivalents at beginning of the financial year	9,696,102	9,523,238
	-----	-----
Cash and cash equivalents at end of the financial period <i>[Note a]</i>	8,898,201	9,921,453
	=====	=====

[Note a]

Cash and cash equivalents at the end of the financial period comprise:

	RM'000	RM'000
Fixed deposits	8,442,355	9,524,661
Cash and bank balances	455,846	443,012
Bank overdrafts	-	(46,220)
(included within short term borrowings in [Note B9])		
	-----	-----
	8,898,201	9,921,453
	=====	=====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

INTERIM FINANCIAL REPORT

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

The interim financial report should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2016.

A1. Accounting Policies and Methods of Computation

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

The accounting policies and methods of computations adopted by the Group in this interim financial report are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2016.

The adoption of MFRSs or amendments to MFRSs which were effective for financial year beginning on or after 1 July 2016 do not have significant financial impact on the Group.

The explanatory notes contained herein provide an explanation of the events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2016.

A2. Seasonality or Cyclicity of Operations

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

A3. Unusual Items

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

A4. Changes in Estimates of Amounts Reported

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

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INTERIM FINANCIAL REPORT

Notes – continued

A5. Changes in Debt and Equity Securities

During the current financial quarter and financial year to date, the Company issued 27,815,333 and 41,374,498 ordinary shares of RM0.50 each respectively pursuant to the exercise of Warrants 2008/2018 at a weighted average exercise price of RM1.14 per share.

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

A total of 100 ordinary shares of RM0.50 each were repurchased from the open market for a total consideration of RM192 for the current financial year to date. The share buyback transactions were financed by internally generated funds. The shares purchased are held as treasury shares. As at 31 December 2016, the number of treasury shares held was 384,265,779 ordinary shares of RM0.50 each.

The outstanding debts are as disclosed in Note B9.

A6. Dividends Paid

The following dividend payment was made during the financial period ended 31 December 2016:-

	<u>RM'000</u>
In respect of the financial year ended 30 June 2016:	
An interim single tier dividend of 20% or 10 sen per ordinary share of 50 sen each paid on 15 November 2016	<u>775,865</u>

A7. Segment Information

The Group has five reportable segments as described below:

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

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

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Notes – continued

Segment information for the financial period ended 31 December 2016:

	Power generation (Contracted) RM'000	Multi utilities business (Merchant) RM'000	Water & sewerage RM'000	Mobile broadband network RM'000	Investment holding activities RM'000	Group RM'000
External Revenue	-	2,821,569	1,510,097	387,644	86,045	4,805,355
Inter-segment Revenue	-	-	-	2,407	38,706	41,113
Segment profit/(loss) before tax	(52,095)	94,031	457,678	(80,731)	9,843	428,726

Segment information for the financial period ended 31 December 2015:

	Power generation (Contracted) RM'000	Multi utilities business (Merchant) RM'000	Water & sewerage RM'000	Mobile broadband network RM'000	Investment holding activities RM'000	Group RM'000
External Revenue	290,116	3,348,756	1,754,921	329,262	114,877	5,837,932
Inter-segment Revenue	-	-	-	736	59,215	59,951
Segment profit/(loss) before tax	211,005	80,253	482,456	(160,358)	40,034	653,390

A8. Events After the Interim Period

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

INTERIM FINANCIAL REPORT

Notes – continued

A9. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial period ended 31 December 2016, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructurings and discontinuing operations save for the following:

- (i) On 24 November 2016, YTL Land and Property (UK) Ltd (“YTL Land & Property”) (an indirect wholly-owned subsidiary of the Company) acquired the entire issued share capital comprising 1 ordinary share of GBP1 in YTL Developments (UK) Limited (“YTL Developments”) for GBP1.

As a result, YTL Developments became an indirect wholly-owned subsidiary of the Company. YTL Developments was incorporated on 24 November 2016 in England & Wales and will be principally involved in construction.

- (ii) On 1 December 2016, Wessex Water Limited (“WWL”) (an indirect wholly-owned subsidiary of the Company) acquired from Waterlevel Limited (formerly known as Albion Water Group Limited) fifty-one (51) B-ordinary shares of the nominal value of GBP0.01, representing 51% of the issued share capital of Albion Water Limited (“Albion”) for GBP227,505.21 in cash. As a result, Albion became a subsidiary of WWL and an indirect subsidiary of the Company.

Albion was incorporated on 14 September 1995 in England & Wales. It is a licenced water supplier, providing retail water, wastewater, drainage and wider environmental services.

- (iii) On 23 December 2016, YTL Land & Property acquired the entire issued share capital comprising 1 ordinary share of GBP1 in YTL Places Limited (“YTL Places”) for GBP1.

As a result, YTL Places became an indirect wholly-owned subsidiary of the Company. YTL Places was incorporated on 23 December 2016 in England & Wales and will be principally involved in development/construction.

A10. Changes in Contingent Liabilities

There were no material changes in the contingent liabilities of the Group since the last financial year ended 30 June 2016.

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INTERIM FINANCIAL REPORT

Notes – continued

A11. Fair value measurement

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

- a) Level 1 – quoted price (unadjusted) in active market for identical assets or liabilities;
- b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- c) Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2016				
Assets				
Financial assets at fair value through profit or loss:				
- Trading derivatives	-	289	-	289
- Trading securities	217,112	-	-	217,112
Available-for-sale	52,175	4,861	176,042	233,078
Derivatives used for hedging	-	222,045	-	222,045
Total assets	269,287	227,195	176,042	672,524
Liabilities				
Financial liabilities at fair value through profit or loss:				
- Trading derivatives	-	5,349	-	5,349
Derivatives used for hedging	-	146,519	-	146,519
Total liabilities	-	151,868	-	151,868

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INTERIM FINANCIAL REPORT

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

B1. Review of the Results

The comparison of the results is tabulated below:

	Individual Quarter		Cumulative Quarter	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Revenue				
Power generation (Contracted)	-	-	-	290,116
Multi utilities business (Merchant)	1,472,075	1,479,363	2,821,569	3,348,756
Water & sewerage	747,232	889,180	1,510,097	1,754,921
Mobile broadband network	198,569	185,983	387,644	329,262
Investment holding activities	46,855	63,381	86,045	114,877
	<u>2,464,731</u>	<u>2,617,907</u>	<u>4,805,355</u>	<u>5,837,932</u>
Profit/(Loss) before taxation				
Power generation (Contracted)	(26,108)	149,939	(52,095)	211,005
Multi utilities business (Merchant)	59,063	43,552	94,031	80,253
Water & sewerage	217,447	240,791	457,678	482,456
Mobile broadband network	(15,417)	(57,612)	(80,731)	(160,358)
Investment holding activities	4,961	10,429	9,843	40,034
	<u>239,946</u>	<u>387,099</u>	<u>428,726</u>	<u>653,390</u>

a) Current Quarter vs Preceding Year Corresponding Quarter

The Group recorded a revenue of RM2,464.7 million for the current financial quarter ended 31 December 2016 as compared to RM2,617.9 million recorded in the preceding year corresponding quarter ended 31 December 2015. The Group profit before taxation for the current financial quarter was RM239.9 million, a decrease of RM147.2 million or 38.0% as compared to a profit of RM387.1 million recorded in the preceding year corresponding quarter. In the preceding year corresponding quarter, there was a one-off gain from an arbitration award on recovery of impairment of receivable before tax of RM152.6 million and interest income of RM38.0 million in the Power generation (Contracted) segment. Adjusting for the one-off gain, the profit before tax would have been RM196.5 million. Hence, the current quarter profit before tax of RM239.9 million as compared to the adjusted corresponding quarter increased by RM43.4 million or 22.1%, mainly due to the better performance of the Mobile broadband and Multi utilities business segments.

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Notes – continued

Performance of the respective operating business segments for the quarter ended 31 December 2016 as compared to the preceding year corresponding quarter is analysed as follows:

Power generation (Contracted)

The loss before taxation was mainly due to depreciation charges and overhead costs recorded.

Multi utilities business (Merchant)

The higher profit before taxation was principally due to lower interest expenses and lower operating cost.

Water & sewerage

The decrease in revenue and profit before taxation was mainly due to the strengthening of Ringgit Malaysia against Great Britain Pound.

Mobile broadband network

The launch of the nationwide 4G LTE services has resulted in an increase in the revenue and lower losses accorded in this segment.

Investment holding activities

The decrease in both revenue and profit before taxation recorded was mainly due to lower interest income and lower share of profits of the associates.

b) Current Year to date vs Preceding Year to date

Group revenue was RM4,805.4 million for the current financial period ended 31 December 2016 as compared to RM5,837.9 million recorded in the preceding financial period ended 31 December 2015. The Group profit before taxation for the current financial period was RM428.7 million, a decrease of RM224.7 million or 34.4% as compared to a profit of RM653.4 million recorded in the preceding year corresponding period.

Performance of the respective operating business segments for the period ended 31 December 2016 as compared to the preceding year corresponding period was consistent with the notes mentioned in (a) above with the exception of the business segments mentioned below:

Power generation (Contracted)

There were three months of revenue recorded in the preceding year to date as the power purchase agreement expired on 30 September 2015.

Multi utilities business (Merchant)

The decrease in revenue was principally due to the lower unit of electricity sold and lower trading volume.

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B2. Comparison with Preceding Quarter

	Current Quarter 31.12.2016 RM'000	Preceding Quarter 30.9.2016 RM'000
Revenue	2,464,731	2,340,624
Consolidated profit before taxation	239,946	188,780
Consolidated profit after taxation	190,147	150,604

The increase in Group revenue and profit after taxation as compared to the preceding quarter was primarily attributable to the better performance in Multi utilities business and Mobile broadband segments.

B3. Prospects

Power generation (Contracted)

The Group has an 80% equity interest in P.T. Tanjung Jati Power Company (TJPC), an independent power producer which is undertaking the development of Tanjung Jati A, a 2 x 660 megawatt coal-fired power project in Java, Indonesia. TJPC has a 30-year power purchase agreement with PT PLN (Pesero), Indonesia's state-owned electric utility company, amended and restated in December 2015. The project is currently in the development stage and progress is underway towards achieving financial close.

The Group also has a 30% equity interest in Attarat Power Company (APCO) and has entered into agreements to increase its stake to 45%, expected to take place shortly before financial close of the project. APCO is developing a 554 megawatt oil shale fired power generation project in the Hashemite Kingdom of Jordan. APCO has signed a 30-year power purchase agreement with the National Electric Power Company (NEPCO), the Jordan state-owned utility, for the entire electrical capacity and energy of the power plant with an option for NEPCO to extend the power purchase agreement to 40 years. The project is currently in a very advanced stage of development with financial close expected within the first quarter of 2017.

The power purchase agreement between YTL Power Generation Sdn. Bhd. (YTLPG) and Tenaga Nasional Berhad (Tenaga) expired on 30 September 2015. On 5 August 2015, the Malaysian Energy Commission (Energy Commission) awarded the project for the supply of 585MW of capacity from the existing facility in Paka for the period 1 March 2016 to 30 December 2018 to YTLPG under the short term capacity bid called by the Energy Commission. The power purchase agreement with Tenaga has yet to be signed as Tenaga included a condition for a new land lease to be entered into for the term of the new power purchase agreement. The Energy Commission subsequently issued a directive (Directive) to Tenaga under the Electricity Supply Act 1990 to remove this condition as the existing land lease for Paka will only expire on 30 December 2018. On 4 July 2016, Tenaga applied to the High Court for leave to commence proceedings for a judicial review to, inter alia, quash the Directive, which has been granted by the High Court.

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On 26 January 2017, the High Court granted leave to YTLPG to intervene and be added as the 3rd Respondent in the Judicial Review. Tenaga has since appealed against the decision of the High Court granting leave to YTLPG to intervene and the matter is now pending before the Court of Appeal.

Multi utilities business (Merchant)

The electricity market in Singapore will remain competitive, driven by volatilities across global markets and generation capacity oversupply in the wholesale electricity market. Despite the current challenges, this segment will continue to focus on customer service, diversification beyond the core business into integrated multi-utilities supply and non-regulated ancillary businesses in steam sales, oil storage tank leasing, bunkering services and potable water sales.

Water & sewerage

Wessex Water which operates under a strict regulatory regime is confident of delivering its 2015-20 regulatory outperformance target by improving its business processes and will continue to provide customers with first-class affordable service.

Mobile broadband network

This segment has successfully launched its nationwide 4G LTE services for mobile devices and becoming Malaysia's first voice over LTE (VoLTE) service provider. This business segment will continuously be coming up with more competitive products to increase the subscriber base to generate higher revenue.

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

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

B5. Audit Report of the preceding financial year ended 30 June 2016

The Auditors' Report on the financial statements of the financial year ended 30 June 2016 did not contain any qualification.

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B6. Profit for the period

	Current Quarter 31.12.2016 RM'000	Current Year To Date 31.12.2016 RM'000
Profit before taxation is stated after charging/(crediting):		
Allowance for impairment of inventories	353	693
Allowance for impairment of receivables (net of reversal)	38,808	60,357
Amortisation of grants and contributions	(5,174)	(10,189)
Amortisation of intangible assets	18,593	39,908
Depreciation of property, plant and equipment	258,648	514,571
Interest income	(6,487)	(13,427)
Interest expense	196,603	397,749
Gain on foreign exchange	2,813	2,958
Net gain on disposal of property, plant and equipment	(2,614)	(5,800)
	=====	=====

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

B7. Taxation

	Current Quarter 31.12.2016 RM'000	Current Year To Date 31.12.2016 RM'000
In respect of current period		
- Income Tax	58,022	104,420
- Deferred Tax	(8,223)	(16,445)
	-----	-----
	49,799	87,975
	=====	=====

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

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B8. Corporate Proposals

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

B9. Group Borrowings and Debt Securities

The Group's borrowings from financial institutions as at 31 December 2016 are as follows:

	Short term		Long term		Total RM'000
	Bonds RM'000	Borrowings RM'000	Bonds RM'000	Borrowings RM'000	
Secured	-	90,833	-	84,206	175,039
Unsecured	-	4,622,249	13,457,873	6,458,962	24,539,084
Total	-	4,713,082	13,457,873	6,543,168	24,714,123

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

In US Dollar ('000)	400,000
In Sterling Pound ('000)	2,018,070
In Singapore Dollar ('000)	2,211,139

All borrowings of subsidiaries are on a non-recourse basis to the Company.

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B10. Derivative Financial Instruments, Fair Value Changes of Financial Liabilities and Realised and Unrealised Profits or Losses

(a) Derivative Financial Instruments

As at 31 December 2016, the Group's outstanding derivatives are as follows:

Type of Derivatives	Contract/Notional Value RM'000	Fair Value RM'000
<u>Fuel oil Swaps</u>		
- Less than 1 year	1,013,675	1,037,167
- 1 year to 3 years	236,179	193,956
- More than 3 years	-	-
<u>Currency forwards</u>		
- Less than 1 year	1,063,424	1,125,951
- 1 year to 3 years	300,595	327,270
- More than 3 years	678	673

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

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

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

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(b) Fair Value Changes of Financial Liabilities

The gains/(losses) arising from fair value changes of financial liabilities for the current financial period ended 31 December 2016 are as follows:

Type of financial liabilities	Basis of fair value measurement	Reason for the gain/(loss)	Fair value gain/(loss)	
			Current quarter 31.12.2016 RM'000	Current year to date 31.12.2016 RM'000
Forward foreign currency exchange contracts	Foreign exchange differential between the contracted rate and the market forward rate	Foreign exchange rates differential between the contracted rate and the market forward rate which have moved in favour of the Group	13	16
Fuel oil swap	Fuel oil price differential between the contracted price and the market forward price	Fuel oil price differential between the contracted price and the market forward price which have moved in favour/(unfavourably) against the Group	7,491	(3,231)
Total			7,504	(3,215)

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INTERIM FINANCIAL REPORT

Notes – continued

(c) Realised and Unrealised Profits or Losses

	As at 31.12.2016 RM'000	Audited As at 30.6.2016 RM'000
Retained earnings/(Accumulated losses) of the Group		
- Realised	6,635,137	7,020,127
- Unrealised	(403,441)	(283,475)
	-----	-----
	6,231,696	6,736,652
	-----	-----
Retained earnings/(Accumulated losses) from investments accounted for using the equity method		
- Realised	947,699	942,330
- Unrealised	66,134	66,134
	-----	-----
	1,013,833	1,008,464
	-----	-----
Add: Consolidation adjustments	384,772	347,603
	-----	-----
Total Group retained earnings	7,630,301	8,092,719
	=====	=====

B11. Material Litigation

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

During the previous financial year, a foreign subsidiary of the Group commenced proceedings in court against two customers to recover monies due to the subsidiary under contract, following termination of their electricity retail contracts. The customers have filed their defence and counterclaims, and the matter is now awaiting trial.

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

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INTERIM FINANCIAL REPORT

Notes – continued

B12. Dividend

No dividend has been declared for the current financial quarter.

B13. Earnings Per Share

i) Basic Earnings Per 50 sen Share

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

	Current Year Quarter 31.12.2016	Preceding Year Corresponding Quarter 31.12.2015
Profit attributable to Owners of the Parent (RM'000)	166,756	302,714
Weighted average number of ordinary shares ('000)	7,754,465	7,717,301
Basic earnings per share (Sen)	2.15	3.92

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ii) Diluted Earnings Per 50 sen Share

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

	Current Year Quarter 31.12.2016	Preceding Year Corresponding Quarter 31.12.2015
Profit attributable to Owners of the Parent (RM'000)	166,756 =====	302,714 =====
<i>Weighted average number of ordinary shares – diluted ('000)</i>		
Weighted average number of ordinary shares – basic	7,754,465	7,717,301
Effect of unexercised Warrants 2008/2018	29,618	39,399
Effect of unexercised ESOS	6,370	2,389
	----- 7,790,453 =====	----- 7,759,089 =====
Diluted earnings per share (Sen)	2.14 =====	3.90 =====

* *Total cash expected to be received in the event of an exercise of all outstanding warrants and ESOS is RM309.3 million. Accordingly, the Net Asset (NA) on a pro forma basis will increase by RM309.3 million resulting in a decrease in NA per share of RM0.01. In arriving at the Diluted earnings per share, NA and NA per share, no income has been accrued for the cash proceeds.*

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 23 February 2017