

YTL POWER INTERNATIONAL BERHAD

Company No. 406684-H

Incorporated in Malaysia

Interim Financial Report
31 December 2012

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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 2012.

The figures have not been audited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.12.2012 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2011 RM'000	6 MONTHS ENDED 31.12.2012 31.12.2011 RM'000 RM'000	
REVENUE	4,098,582	4,091,310	8,277,707	7,727,162
COST OF SALES	(3,531,206)	(3,499,681)	(7,254,720)	(6,516,886)
GROSS PROFIT	567,376	591,629	1,022,987	1,210,276
OTHER OPERATING EXPENSES	(120,923)	(48,044)	(242,474)	(221,753)
OTHER OPERATING INCOME	6,877	7,702	105,240	18,665
PROFIT FROM OPERATIONS	453,330	551,287	885,753	1,007,188
FINANCE COSTS	(195,963)	(205,094)	(397,482)	(424,167)
SHARE OF RESULTS OF ASSOCIATED COMPANIES	88,300	53,852	171,743	114,825
PROFIT BEFORE TAXATION	345,667	400,045	660,014	697,846
TAXATION	(93,717)	(113,018)	(156,217)	(200,664)
PROFIT FOR THE PERIOD	251,950	287,027	503,797	497,182
PROFIT ATTRIBUTABLE TO:				
Owners of the Parent	256,084	313,796	508,890	559,995
Non-Controlling Interests	(4,134)	(26,769)	(5,093)	(62,813)
	251,950	287,027	503,797	497,182
EARNINGS PER 50 SEN SHARE				
Basic (Sen)	3.52	4.33	6.99	7.74
Diluted (Sen)	3.40	4.11	6.67	7.31

The Condensed Consolidated Income Statement should be read in conjunction with the audited annual financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.12.2012 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2011 RM'000	6 MONTHS ENDED 31.12.2012 31.12.2011 RM'000 RM'000	
PROFIT FOR THE PERIOD	251,950	287,027	503,797	497,182
OTHER COMPREHENSIVE INCOME/(LOSS):				
AVAILABLE-FOR-SALE RESERVE	3,830	6,003	(7,475)	(12,934)
HEDGING RESERVE	(44,928)	975	175,136	9,059
CURRENCY TRANSLATION DIFFERENCES	(11,251)	(89,519)	(58,143)	(30,956)
	-----	-----	-----	-----
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(52,349)	(82,541)	109,518	(34,831)
	-----	-----	-----	-----
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>199,601</u>	<u>204,486</u>	<u>613,315</u>	<u>462,351</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Parent	205,135	216,447	635,911	510,427
Non-Controlling Interests	(5,534)	(11,961)	(22,596)	(48,076)
	-----	-----	-----	-----
	<u>199,601</u>	<u>204,486</u>	<u>613,315</u>	<u>462,351</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED	AUDITED	AUDITED
	As at	As at	As at
	31.12.2012	30.6.2012	1.7.2011
		(Restated)	(Restated)
	RM'000	RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	17,234,773	17,258,872	16,662,340
Intangible Assets	6,636,883	6,633,773	6,484,398
Associated Companies	1,558,104	1,524,768	1,138,020
Investments	168,253	180,857	745,976
Receivables, deposits and prepayments	487,238	507,026	42,228
Derivative Financial Instruments	4,869	3,797	2,611
	-----	-----	-----
	26,090,120	26,109,093	25,075,573
	-----	-----	-----
Current Assets			
Inventories	668,476	547,670	532,380
Receivables, Deposits and Prepayments	2,263,703	2,609,592	2,363,178
Derivative Financial Instruments	22,368	75,856	95,904
Deposits, Cash and Bank Balances	10,024,735	9,627,985	7,178,749
	-----	-----	-----
	12,979,282	12,861,103	10,170,211
	-----	-----	-----
TOTAL ASSETS	39,069,402	38,970,196	35,245,784
	=====	=====	=====
EQUITY AND LIABILITIES			
Share Capital	3,668,959	3,664,128	3,639,497
Reserves	6,294,893	5,715,552	4,815,950
Treasury Shares, at cost	(119,972)	(119,972)	(119,972)
	-----	-----	-----
Equity attributable to Owners of the Parent	9,843,880	9,259,708	8,335,475
Non-Controlling Interests	323,271	373,583	(121,980)
	-----	-----	-----
TOTAL EQUITY	10,167,151	9,633,291	8,213,495
	-----	-----	-----

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the financial statements.

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued

	UNAUDITED	AUDITED	AUDITED
	As at	As at	As at
	31.12.2012	30.6.2012	1.7.2011
		(Restated)	(Restated)
	RM'000	RM'000	RM'000
LIABILITIES			
Non-Current Liabilities			
Deferred Taxation	2,290,251	2,374,003	2,482,397
Borrowings	20,378,606	13,687,972	14,615,594
Deferred Income	289,026	280,011	256,834
Provision For Liabilities and Charges	362,506	361,850	366,722
Derivative Financial Instruments	20,414	45,478	19,989
Payables	263,480	273,644	25,877
	-----	-----	-----
	23,604,283	17,022,958	17,767,413
	-----	-----	-----
Current Liabilities			
Payables and Accrued Expenses	2,463,909	2,472,539	2,429,015
Provision for Liabilities and Charges	587	772	20,099
Derivative Financial Instruments	73,125	284,648	94,152
Taxation	273,054	257,605	239,337
Borrowings	2,487,293	9,298,383	6,482,273
	-----	-----	-----
	5,297,968	12,313,947	9,264,876
	-----	-----	-----
TOTAL LIABILITIES	28,902,251	29,336,905	27,032,289
	-----	-----	-----
TOTAL EQUITY AND LIABILITIES	39,069,402	38,970,196	35,245,784
	=====	=====	=====
Net Assets Per 50 Sen Share (RM)	1.35	1.27	1.15
	===	===	===

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the financial statements

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

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012**

	----- Attributable to Owners of the Parent -----							
	Share Capital RM'000	Share Premium RM'000	Merger & Other Reserves RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
At 1 July 2012, as restated	3,664,128	3,037,384	(3,223,816)	(119,972)	5,901,984	9,259,708	373,583	9,633,291
Profit/(Loss) for the period	-	-	-	-	508,890	508,890	(5,093)	503,797
Other comprehensive income	-	-	127,021	-	-	127,021	(17,503)	109,518
Total comprehensive income for the period	-	-	127,021	-	508,890	635,911	(22,596)	613,315
Non-Controlling Interest arising from business combination	-	-	-	-	-	-	1,709	1,709
Dividends paid to Non-Controlling Interest	-	-	-	-	-	-	(29,425)	(29,425)
Issue of share capital	4,831	6,860	-	-	-	11,691	-	11,691
Dividend paid – For the year ended 30 June 2012	-	-	-	-	(68,235)	(68,235)	-	(68,235)
Provision for share options	-	-	4,805	-	-	4,805	-	4,805
Warrants reserves	-	966	(966)	-	-	-	-	-
At 31 December 2012	3,668,959	3,045,210	(3,092,956)	(119,972)	6,342,639	9,843,880	323,271	10,167,151

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 2012 and the accompanying explanatory notes attached to the interim financial statements.

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

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011**

	----- Attributable to Owners of the Parent -----					Total RM'000	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			
At 1 July 2011	3,639,497	2,976,340	(3,083,561)	(119,972)	5,100,975	8,513,279	(121,980)	8,391,299
MFRS initial adoption adjustment	-	-	-	-	(177,804)	(177,804)	-	(177,804)
At 1 July 2011, as restated	3,639,497	2,976,340	(3,083,561)	(119,972)	4,923,171	8,335,475	(121,980)	8,213,495
Profit/(loss) for the period	-	-	-	-	559,995	559,995	(62,813)	497,182
Other comprehensive (loss)/income	-	-	(49,568)	-	-	(49,568)	14,737	(34,831)
Total comprehensive (loss)/income for the period	-	-	(49,568)	-	559,995	510,427	(48,076)	462,351
Change in ownership interest in subsidiary	-	-	(20,362)	-	144,506	124,144	362,621	486,765
Issue of share capital	22,702	57,386	(7,257)	-	-	72,831	-	72,831
Dividend paid – For the year ended 30 June 2011	-	-	-	-	(136,208)	(136,208)	-	(136,208)
Provision for share options	-	-	384	-	-	384	-	384
Share option lapsed	-	-	(10,099)	-	10,099	-	-	-
Warrant reserve	-	531	(531)	-	-	-	-	-
At 31 December 2011	3,662,199	3,034,257	(3,170,994)	(119,972)	5,501,563	8,907,053	192,565	9,099,618

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 2012 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 2012**

	CURRENT YEAR-TO-DATE 31.12.2012 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.12.2011 RM'000
Cash flows from operating activities		
Profit for the period	503,797	497,182
Adjustment for:		
Depreciation of property, plant and equipment	605,671	522,742
Fair value changes of investments	-	18,631
Interest expense	397,482	424,167
Interest income	(11,431)	(8,148)
Provision for retirement benefits	29,095	32,176
Provision for liabilities and charges	397	(17,584)
Share of results of associated companies	(171,743)	(114,825)
Taxation	156,217	200,664
Unrealised (gain)/loss on foreign exchange	(16,166)	25,567
Gain in disposal of investments	(3,846)	-
Provision for impairment of receivables	27,663	22,799
Other non-cash items	(9,701)	(14,519)
	-----	-----
	1,507,435	1,588,852
Changes in working capital:		
Inventories	(142,093)	(69,195)
Receivables, deposits and prepayments	364,120	260,315
Payables and accrued expenses	19,185	138,114
	-----	-----
Cash generated from operations	1,748,647	1,918,086
Interest paid	(354,549)	(251,398)
Tax paid	(203,988)	(200,188)
Payment to retirement benefit scheme	(27,210)	(29,419)
	-----	-----
Net cash flow from operating activities	1,162,900	1,437,081
	-----	-----
Cash flows from investing activities		
Dividends received	69,232	63,049
Grants received	14,628	17,656
Interest received	6,477	7,200
Investment of associated company	-	(7,845)
Purchase of property, plant and equipment	(679,213)	(613,165)
Proceeds from disposal of investments	16,957	-
Other investing activities	(6,341)	(677)
	-----	-----
Net cash flow used in investing activities	(578,260)	(533,782)
	-----	-----

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2012 and the accompanying explanatory notes attached to the financial statements

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012 -- Continued**

	CURRENT YEAR-TO-DATE 31.12.2012 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.12.2011 RM'000
Cash flows from financing activities		
Dividends paid	(97,660)	(271,626)
Proceeds from borrowings	7,957,254	9,627,312
Proceeds from issue of shares	11,691	72,831
Repayment of borrowings	(7,886,688)	(7,071,244)
Disposal of subsidiaries' interest to Non-Controlling Interests	-	544,566
Redemption of bond	-	(2,200,000)
Debt financing fee	(89,285)	-
Other financing activities	-	(7,974)
	-----	-----
Net cash flow (used in)/from financing activities	(104,688)	693,865
	-----	-----
Net changes in cash and cash equivalents	479,952	1,597,164
Effects of exchange rate changes	(35,314)	(60,452)
Cash and cash equivalents at beginning of the period	9,552,771	7,131,314
	-----	-----
Cash and cash equivalents at end of the period <i>[Note a]</i>	9,997,409	8,668,026
	=====	=====

[Note a]

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

	RM'000	RM'000
Fixed deposits	9,494,880	8,357,778
Cash and bank balances	529,855	317,923
Bank overdrafts (included within short term borrowings in [Note B9])	(27,326)	(7,675)
	-----	-----
	9,997,409	8,668,026
	=====	=====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2012 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 year ended 30 June 2012.

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”).

Subsequent to the last financial year end, the Group has adopted the Malaysian Financial Reporting Standard Framework (MFRS Framework) issued by the MASB. The MFRS is effective to the Group from 1 July 2012.

The Group’s interim financial statements for the 1st quarter ended 30 September 2012 are the first set of interim financial statements prepared in accordance to MFRS framework and the Group has applied MFRS 1 “First-time Adoption of MFRS” in the transition to MFRS Framework. Subject to certain transition elections provided by MFRS 1, the Group has consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 July 2011 (transition date) and throughout all periods presented in this set of interim financial statements, as if these policies had always been in effect.

The MFRS Framework is generally required to be applied retrospectively with certain mandatory exceptions and optional exceptions provided by MFRS 1 to facilitate entities transitioning into the MFRS Framework. The mandatory exceptions and optional exceptions of MFRS 1 have no financial impact to the Group’s financial statements, except for one optional exception elected by the Group, giving rise to financial impact as set out below.

(i) **Impact of Electing MFRS 1 Optional Exemption for Employee Benefit.**

In transitioning into the MFRS Framework, the Group has elected to recognise cumulative unrecognised actuarial loss from the inception of the plan at the date of transition to MFRS.

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INTERIM FINANCIAL REPORT

Notes – continued

The effect of the recognizing the loss at the date of transition on the Financial Position is as follows:

Group	As previously reported under FRS Framework	MFRS transition adjustment	As restated/ adjusted under MFRS Framework
	RM'000	RM'000	RM'000
As at 1 July 2011			
Retained earnings	5,100,975	(177,804)	4,923,171
Deferred taxation	2,538,545	(56,148)	2,482,397
Post-employment benefit obligations	132,770	233,952	366,722
As at 30 June 2012			
Retained earnings	6,079,788	(177,804)	5,901,984
Deferred taxation	2,430,151	(56,148)	2,374,003
Post-employment benefit obligations	127,898	233,952	361,850

Reconciliation of equity arising from adoption of MFRS Framework

	1 July 2011 RM'000	31 December 2011 RM'000	30 June 2012 RM'000
Total equity as previously reported under FRS Framework	8,391,299	9,277,422	9,811,095
Less: MFRS transitional adjustments			
- Actuarial losses on transition	(177,804)	(177,804)	(177,804)
Total equity under MFRS	<u>8,213,495</u>	<u>9,099,618</u>	<u>9,633,291</u>

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 2012.

The accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with those adopted in the latest audited annual financial statements.

A2. Seasonality or Cyclicity of Operations

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

INTERIM FINANCIAL REPORT

Notes – continued

A3. Unusual Items

During the current financial quarter, there was no item of an 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.

A5. Changes in Debt and Equity Securities

During the current financial quarter and financial year to date, 2,828,467 and 9,661,501 ordinary shares of RM0.50 each, respectively were issued pursuant to the exercise of Warrants 2008/2018 at a weighted average exercise price of RM1.21 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 RM219 for the current financial year to date. The share buy back transactions were financed by internally generated funds. The shares purchased are being held as treasury shares. As at 31 December 2012, the number of treasury shares held were 56,725,045 ordinary shares of RM0.50 each.

Medium Term Notes of RM515.5 million was fully settled during the current financial year to date.

On 30 August 2012, a subsidiary company issued GBP100 million Guaranteed Unsecured Bonds due on 24 September 2021 at an interest rate of 4.000% per annum. The net proceeds of the issuance will be utilised for financing existing indebtedness and for general corporate purposes.

The outstanding debts are as disclosed in Note B9.

A6. Dividends Paid

A fourth interim tax exempt dividend of 1.875% or 0.9375 sen per ordinary share of 50 sen each amounting to RM68,234,840 in respect of the financial year ended 30 June 2012 was paid on 31 October 2012.

INTERIM FINANCIAL REPORT

Notes – continued

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.

Segment information for the financial period ended 31 December 2012:

	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	556,314	6,200,579	1,267,665	219,291	33,858	8,277,707
Inter-segment Revenue	-	-	-	238	-	238
Segment profit / (loss) before tax	107,396	355,113	328,098	(137,724)	7,131	660,014

Segment information for the financial period ended 31 December 2011:

	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	596,852	5,857,697	1,192,075	30,586	49,952	7,727,162
Inter-segment Revenue	-	-	-	230	-	230
Segment profit/ (loss) before tax	205,358	464,496	322,696	(197,036)	(97,668)	697,846

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Notes – continued

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.

A9. Changes in the Composition of the Group

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

- (i) On 24 October 2012, YTL Power Investments Limited (“YTL Power Investments”), an indirect wholly-owned subsidiary of the Company incorporated in the Cayman Islands, disposed of all its shares in Swiss Water System AG (“SWS”) comprising 22,650 shares with a par value of CHF100, representing 58.98% of the issued and paid-up share capital of SWS for EUR1.00 in cash (“Disposal”). As a result of the Disposal, SWS ceased to be a subsidiary of YTL Power Investments and an indirect subsidiary of YTL Power.

SWS was incorporated in Zurich, Switzerland on 30 January 2004. As at date of the Disposal, SWS was inactive and had a share capital of CHF3,840,000 comprising 38,400 shares of the par value of CHF100 each.

- (ii) On 26 October 2012, Frogtrade Limited (“Frogtrade”), a 57.58%-owned subsidiary of YTL Power Investments entered into an agreement with three sellers for the acquisition of a total 1,020 ordinary shares of 5 pence each in the capital of I Education Limited (“I Education”), representing 51% of the issued and paid-up share capital of I Education, for a total consideration of £1,020,000 in cash.

The acquisition was completed on 26 October 2012 and the shares were registered in the name of Frogtrade on 23 November 2012. As a result, I Education became a subsidiary of Frogtrade and indirect subsidiary of the Company. Concurrently with the acquisition, Pagabo Limited (“**Pagabo**”), a wholly-owned subsidiary of I Education, became an indirect subsidiary of Frogtrade and YTL Power.

I Education and Pagabo were incorporated in England & Wales on 12 March 2007 and 5 January 2010, respectively and are principally involved in the business of providing internet services, including the development and provision of educational software.

- (iii) On 19 November 2012, the Company acquired 1 ordinary share of the par value GBP1.00 representing the entire issued and paid-up share capital of YTL Infrastructure Limited (“YTL Infrastructure”) at GBP1.00 in cash. As a result, YTL Infrastructure became a wholly-owned subsidiary of the Company.

Concurrently with the Acquisition, YTL Infrastructure acquired the entire issued and paid-up share capital of Sword Holdings Limited (“Sword Holdings”) comprising 1 ordinary share at par value of GBP1.00. As a result, Sword Holdings became an indirect subsidiary of YTL Power.

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Notes – continued

YTL Infrastructure and Sword Holdings were both incorporated on 19 November 2012 in the Cayman Islands, each with an authorised share capital of GBP30,000.00 comprising 30,000 shares of GBP1.00 each. YTL Infrastructure and Sword Holdings will be principally involved in investment holding.

- (iv) Sword Bidco Limited (“Sword Bidco”) and Sword Bidco (Holdings) Limited (“Sword Bidco Holdings”) were incorporated on 30 November 2012 and 6 December 2012, respectively, in England and Wales, each with its entire issued share capital of GBP1.00 comprising 1 ordinary share of the nominal value of GBP1.00 held by Sword Holdings. As a result, Sword Bidco and Sword Bidco Holdings have become indirect wholly-owned subsidiaries of YTL Power.

Sword Bidco and Sword Bidco Holdings will be principally involved in investment holding.

- (v) On 14 December 2012, Sword Midco Limited (“Sword Midco”) was incorporated in England and Wales as a wholly-owned subsidiary of Sword Bidco Holdings. As a result, Sword Midco became an indirect wholly-owned subsidiary of the Company.

On 17 December 2012, Sword Holdings transferred its one ordinary share of the nominal value of GBP1.00 in Sword Bidco, representing the entire issued share capital of Sword Bidco, to Sword Midco for GBP1.00. As a result, Sword Bidco became a direct subsidiary of Sword Midco and remained an indirect subsidiary of the Company.

Sword Midco was incorporated with an issued share capital of GBP1.00 comprising 1 ordinary share of the nominal value of GBP1.00. Sword Midco will be principally involved in investment holding.

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 2012 except for an additional corporate guarantee which was given by the Company to a financial institution for revolving credit facility of RM300 million granted to a subsidiary.

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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	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Revenue				
Power generation (Contracted)	293,041	321,830	556,314	596,852
Multi utilities business (Merchant)	3,037,802	3,108,206	6,200,579	5,857,697
Water & sewerage	635,032	618,108	1,267,665	1,192,075
Mobile broadband network	117,578	17,670	219,291	30,586
Investment holding Activities	15,129	25,496	33,858	49,952
	4,098,582	4,091,310	8,277,707	7,727,162
Profit/(Loss) before tax				
Power generation (Contracted)	56,241	119,255	107,396	205,358
Multi utilities business (Merchant)	151,887	249,439	355,113	464,496
Water & sewerage	182,071	145,448	328,098	322,696
Mobile broadband network	(76,996)	(102,092)	(137,724)	(197,036)
Investment holding Activities	32,464	(12,005)	7,131	(97,668)
	345,667	400,045	660,014	697,846

a) Current Quarter vs Preceding Year Corresponding Quarter

Group revenue was RM4,098.6 million for the current financial quarter ended 31 December 2012 as compared to RM4,091.3 million recorded in the preceding year corresponding quarter ended 31 December 2011. The Group profit before taxation for the current financial quarter was RM345.7 million, a decrease of RM54.3 million or 13.6% as compared to RM400.0 million recorded in the preceding year corresponding quarter.

Performance of the respective operating business segments for the quarter ended 31 December 2012 as compared to the preceding corresponding quarter is analysed as follows:

Power generation (Contracted)

The decrease in revenue and profit before tax was principally due to a one time recovery of excess generation in the preceding year corresponding quarter arising from gas curtailment and provision for maintenance cost.

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Multi utilities business (Merchant)

The decrease in revenue and profit before tax are mainly due to the lower fuel oil price coupled with the lower sales volume recorded by the fuel oil trading division during the quarter as compared to the preceding year corresponding quarter.

Water & sewerage

The increase in revenue and profit before tax are due to the increase in price in October 2012 as allowed by the regulator.

Mobile broadband network

The continuous growth in its subscriber base has resulted in an increase in the revenue of this segment. However, the losses were mainly attributed to the high fixed operating cost incurred.

Investment holding activities

The decrease in revenue earned is due to the reduction in dividend income. Nevertheless, the increase in share of profit in associates has contributed to the increase in profit before taxation.

b) Current Year to date vs Preceding Year to date

Group revenue was RM8,277.7 million for the current financial period ended 31 December 2012 as compared to RM7,727.1 million recorded in the preceding year corresponding period ended 31 December 2011. The Group profit before taxation for the current financial period was RM660 million, a decrease of RM37.8 million or 5.4% as compared to RM697.8 million recorded in the preceding year corresponding period.

Performance of the respective operating business segments for the period ended 31 December 2012 as compared to the preceding financial year was consistent with the notes mentioned in (a) above with the exception of the business segments mentioned below:

Mobile broadband network

The increase in subscriber base has cushioned the loss incurred to date, resulting in lower losses as compared to preceding year corresponding period.

Investment holding & other businesses

The increase in profit before taxation is mainly caused by the increase in share of profit of associate and also the favourable movement in foreign exchange resulting in an unrealised foreign exchange gain.

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B2. Comparison with Preceding Quarter

	Current Quarter 31.12.2012 RM'000	Preceding Quarter 30.9.2012 RM'000
Revenue	4,098,582	4,179,125
Consolidated profit before taxation	345,667	314,347
Consolidated profit after taxation	251,950	251,847

The increase in group profit before taxation was principally attributable to better performance recorded by certain foreign subsidiaries.

B3. Prospects

Power generation (Contracted)

YTL Power Generation is expected to perform satisfactorily as it operates under a regulatory regime.

Multi utilities business (Merchant)

The increase in generation capacity into the electricity market of Singapore would add pressure to both margin and sales volume for the current financial year. Nevertheless, this segment would continue to strive to diversify beyond their core business into integrated multi-utilities energy platform with focus on customer service.

Water & sewerage

The Company operates under strict regulatory regime and has met all of its regulatory targets and is top of the regulator's league table for customer service. Hence, the management is confident of delivering its 2010-15 regulatory outperformance target. The Company has a long term planning horizon to ensure that water resources are going to be available in the future.

Mobile broadband network

Despite the challenging market in the telecommunications industry, this business segment is expected to continuously grow its subscriber base to generate higher revenue by introducing improved and innovative services to the market.

B4. Profit Forecast

The Group did not issue any profit forecast during the financial period.

B5. Audit Report of the preceding financial year ended 30 June 2012

The Auditors' Report on the financial statements of the financial year ended 30 June 2012 did not contain any qualification.

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B6. Profit for the period

	Current Year Quarter 31.12.2012 RM'000	Current Year To Date 31.12.2012 RM'000
Profit before taxation is stated after charging/(crediting):		
Amortisation of grant	(2,792)	(5,640)
Depreciation of property, plant and equipment	299,486	605,671
Dividends income	(2)	(81)
Gain on disposal of property, plant and equipment	(4,101)	(4,998)
Gain on derivatives	(6,274)	(28,049)
Gain on foreign exchange	(153)	(16,166)
Interest income	(6,569)	(11,431)
Interest expense	195,963	397,482
Provision for impairment of receivables (net of reversal)	13,778	27,663
Rental income	-	-
Write (back)/off of provision for fuel cost	(21)	12,328
	<u>=====</u>	<u>=====</u>

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

B7. Taxation

	Current Year Quarter 31.12.2012 RM'000	Current Year To Date 31.12.2012 RM'000
In respect of current period		
- Income Tax	132,408	227,579
- Deferred Tax	(38,691)	(71,362)
	<u>-----</u>	<u>-----</u>
	<u>93,717</u>	<u>156,217</u>
	<u>=====</u>	<u>=====</u>

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 is mainly attributable to lower tax rate applicable in the foreign subsidiaries.

B8. Corporate Proposals

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

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B9. Group Borrowings and Debt Securities

The Group's borrowings from financial institutions as at 31 December 2012 are as follows:

	Short term		Long term		Total
	Bonds	Borrowings	Bonds	Borrowings	
	RM'000	RM'000	RM'000	RM'000	RM'000
Secured	-	2,247	-	2,212	4,459
Unsecured	950,000	1,535,046	10,437,407	9,938,987	22,861,440
	-----	-----	-----	-----	-----
Total	950,000	1,537,293	10,437,407	9,941,199	22,865,899
	=====	=====	=====	=====	=====

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

In US Dollar ('000)	396,764
	=====
In Sterling Pound ('000)	2,000,140
	=====
In Singapore Dollar ('000)	2,665,796
	=====

All borrowings of subsidiaries are on a non-recourse basis to the Company save and except for the following which is guaranteed by the Company:

- a) USD200 million term loan due on 17 December 2015.
- b) USD200 million term loan due on 30 June 2015.
- c) GBP100 million term loan due on 6 October 2014.
- d) SGD100 million revolving credit due on 16 May 2013.
- e) RM300 million revolving credit due on 18 March 2013.
- f) RM300 million revolving credit due on 21 March 2013.
- g) RM300 million revolving credit due on 28 February 2013.
- h) RM300 million revolving credit due on 1 March 2013.

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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 2012, 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	2,115,349	2,105,754
- 1 year to 3 years	306,070	308,309
<u>Currency forwards</u>		
- Less than 1 year	1,974,456	1,951,511
- 1 year to 3 years	373,916	368,541
- More than 3 years	23,364	23,353
<u>Interest rate swaps</u>		
- 1 year to 3 years	508,178	477,594

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.

Interest rate swaps are entered to hedge floating rate interest payments on bank borrowings which were obtained to finance the construction of property, plant and equipment.

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 arising from fair value changes of financial liabilities for the current financial period ended 31 December 2012 are as follows:

Type of financial liabilities	Basis of fair value measurement	Reason for the gain/(loss)	Fair value gain/(loss)	
			Current year quarter 3 months to 31.12.2012	Current year to date 6 months to 31.12.2012
			RM'000	RM'000
Forward foreign currency exchange contracts	Foreign exchange differential between the contracted rate and the market forward rate	Foreign exchange rates differential between the contracted rate and the market forward rate which have moved unfavourably against the Group	(1,609)	(13,468)
Fuel oil swap	Fuel oil price differential between the contracted price and the market forward price	Fuel oil price differential between the contracted price and the market forward price which have moved in favour of the Group	66,088	175,090
Total			64,479	161,622

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(c) Realised and Unrealised Profits or Losses

	As at 31.12.2012 RM'000	Audited As at 30.06.2012 (Restated) RM'000
Retained earnings/(Accumulated losses) of the Company and its subsidiaries		
- Realised	7,062,774	6,820,903
- Unrealised	(1,509,032)	(1,646,345)
	----- 5,553,742	----- 5,174,558
Retained earnings/(Accumulated losses) from associated companies		
- Realised	530,860	516,005
- Unrealised	(46,748)	(41,533)
	----- 484,112	----- 474,472
Consolidated adjustments	304,785	252,954
	-----	-----
Total Group retained earnings as per consolidated accounts	=====	=====

B11. Pending Material Litigation

There was no material litigation pending since the last financial year ended 30 June 2012.

B12. Dividend

No dividend has been declared for the current financial quarter.

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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 for the current financial quarter by the weighted average number of ordinary shares in issue during the financial quarter as set out below:

	Current Year Quarter 31.12.2012	Preceding Year Corresponding Quarter 31.12.2011
Profit attributable to Owners of the Parent (RM'000)	256,084 =====	313,796 =====
Weighted average number of ordinary shares ('000)	7,279,014 =====	7,250,461 =====
Basic earnings per share (Sen)	3.52 =====	4.33 =====

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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 for the current financial quarter by the weighted average number of ordinary shares in issue during the financial quarter as set out below:

	Current Year Quarter 31.12.2012	Preceding Year Corresponding Quarter 31.12.2011
Profit attributable to Owners of the Parent (RM'000)	256,084 =====	313,796 =====
<i>Weighted average number of ordinary shares ('000) – diluted</i>		
Weighted average number of ordinary shares ('000) – basic	7,279,014	7,250,461
Effect of unexercised Warrants 2008/2018	261,587	386,598
Effect of unexercised ESOS	1,805	-
	----- 7,542,406 =====	----- 7,637,059 =====
Diluted earnings per share (Sen)	3.40 =====	4.11 =====

* *Total cash expected to be received in the event of an exercise of all outstanding warrants and ESOS is RM1,627.2 million. Accordingly, the Net Asset (NA) on a pro forma basis will increase by RM1,627.2 million resulting in a decrease in NA per share of RM0.02. In arriving at the Diluted earnings per share, NA and NA per share, no income has been accrued for the cash proceeds.*

By Order of the Board
HO SAY KENG
Secretary

Kuala Lumpur
Dated: 21 February 2013