ANNUAL REPORT 2018

Phoenix Park
Gas Processors Ltd.

Tel: 636-1522
Website: www.ppgpl.com

Address: Rivulet Road
Couva

TABLE OF CONTENTS

CORPORATE PROFILE

Phoenix Park Gas Processors Limited (PPGPL) is a Trinidad and Tobago company which commenced operations in June 1991. Its core business is:

- Natural gas processing;
- NGL aggregation and fractionation;
- NGL marketing.

In 2018, the Company expanded its core business to include:

- Condensate processing; and
- LPG import and trading.

PPGPL is a subsidiary of The National Gas Company of Trinidad and Tobago Limited (NGC). As part of the NGC Group of Companies, it is guided by the Vision, Mission and Core Values of the Group, which are as follows:

Vision

To be a recognized global leader in the development of sustainable energy- related businesses.

Mission

To create exceptional value from natural gas and related energy businesses through our people and strategic partnerships.

Core Values

- Safety & Environmental Preservation
- Integrity
- Employee Engagement
- Excellence
- Transparency
- Customer Focus
- Corporate Social Responsibility

CHAIRMAN'S AND PRESIDENT'S REPORT

All figures quoted herein are in United States dollars.

INTRODUCTION

It is indeed a privilege to again report to the shareholders of Phoenix Park Gas Processors Limited (PPGPL). For year ended December 31st, 2018, PPGPL achieved its targeted twelve percent (12%) growth in Profit after Tax (PAT) over 2017. This increase from $82.215 million to $92.081 million was driven primarily by increased NGL prices (27.9%) complemented by deliberate strategies to secure new streams of revenue, manage cost, enhance efficiency and productivity and derive synergies across the NGC Group of Companies.

INTERNATIONAL INDUSTRY REVIEW

In 2018, global economic conditions improved, particularly in the first two quarters of the year, with the US and global economy showing strong growth in energy demand increasing at above-average levels, and, in the oil sector particularly, risks to supply persisting from a few key exporting countries. In oil markets, oil prices increased from 2017 annual average WTI price of $50 per barrel to average approximately $67 per barrel in 2018. In fact, average WTI prices during the first three quarters of the year were due to broad compliance with the production restraint agreement between OPEC and non-OPEC countries in force since the beginning of 2017. This resulted in less oil coming to market from challenged producers and continued strong global oil demand growth.

These more positive signals have helped US crude oil and natural gas liquids (NGL) production enjoy another impressive growth year, adding an estimated 2 million b/d in 2018, led by the prolific Permian Basin. Natural gas 2018 prices in the United States remained anchored at approximately $3.00, as plentiful, low-cost US supply continued to meet growing demand in domestic and export markets.

However, in Q4 due to increasing production from non-OPEC countries, slowing demand in Middle and Far East markets, uncertainty created by trade wars with the United States and China, in addition to other geopolitical issues all conspired to exert downward pressure on prices to the extent of a 30% reduction on average during Q4 of 2018. This low-price environment has continued into 2019, and is expected to remain at levels that average between

$55 - $60 per barrel throughout 2019 and into 2020. LPG (propane and butane) and natural gasoline prices are projected to be similarly low for most of 2019.

TRINIDAD AND TOBAGO'S ECONOMY

The Trinidad & Tobago economy returned to growth in 2018, fuelled by increased energy sector revenues and a recovery in strategic non-hydrocarbons sectors, including manufacturing and insurance. This return to growth was underpinned by a recovery in gas output to the highest levels seen since 2015, driven by the Trinidad Onshore Compression project and the Juniper field, Starfish field and other developments which reached full production during the year. Based on projections, the economy was forecast to expand by 1.9% in 2018.

TRINIDAD AND TOBAGO'S GAS INDUSTRY

Trinidad and Tobago's gas production recorded its second year of growth in 2018, after consecutive years of declining production. The current projections indicate continued growth through 2021, when production is projected at 4.14 bcf/d. This increase is still not likely to satisfy both local and export demand for natural gas.

With existing wells showing average annual declines in production of approximately 12-15 per cent per annum, the increase in gas production is expected to come from both new fields being brought into production, in addition to compression projects and increased development drilling from existing platforms. More specifically, in the case of new field development, projects that are currently either in execution or in advanced planning stages include BPTT's Angelin field, Shell's Bounty and Endeavour fields, all off Trinidad's east coast. In addition, Shell is also developing its Colibri project off the north coast, while DeNovo, supported by NGC, has brought on line the country's first offshore west coast field, Iguana. Of these projects, Angelin, came onstream in early 2019, and is projected to rise to a peak production of about 550 million standard feet of gas per day (mmscf/d).

BPTT is also executing an offshore compression project with a new platform, Cassia C, due to be installed to increase production from existing east coast fields.

While these higher levels of production in existing fields will significantly offset declining production from existing fields, continued investment is needed if new exploration drilling in Trinidad and Tobago is to maintain a plateau of production above 4.0 bcf/d into the next decade.

PPGPL's 2018 FINANCIAL AND OPERATING PERFORMANCE

In 2018, PPGPL refined and made clearer the path to achieve its revised five year approved rolling strategic plan for 2018 – 2022 with the aim to make PPGPL a more diversified, agile, efficient and innovative company. This has resulted in the financial and operating results achieved to date in the challenging lower production, albeit high-priced commodity environment that existed for most of 2018.

More specifically, PAT of $92.081 million for 2018 has been primarily due to the impact of:

1. Higher NGL prices;
2. Consolidation of our marketing efforts in core markets;
3. Continued robust cost management strategies via improved efficiencies which resulted in reduced operating costs of 13% below budget;
4. Strong operating performance resulting in greater than 97% uptime of the process plant facility; and

5. The continued diversification of our revenue streams from, small but encouraging, third party arranged sales which is part of the Product Trading initiative.

The Company's EBITDA margin improved 11.5% based on revenues of $386.332 million when compared to 2017.

A summary of 2018 accomplishments include:

- 12% growth in after tax earnings as compared to 2017;
- Excellent safety performance, evidenced by the achievement of quadruple zero (zero employee LWC, zero contractor LWC, zero responsible vehicular accidents, zero environmental incidents);
- Successful cost management strategy implementation;
- The addition of condensate processing as a business segment;
- The commencement of LPG import and marketing;
- The supply of LPG to the local market post the shutdown of the Petrotrin refinery;
- The penetration of new LPG markets in the Caribbean;
- Meeting dividend target of $75 million;
- Completion of 2018 financial audit with zero items on Management Letter;
- Continued operationalization of the Board approved 2018 – 2023 Strategic Plan.

PPGPL'S 2018 FINANCIAL HIGHLIGHTS

- PPGPL generated higher revenues for the twelve-month period as NGL prices exceeded budgeted price forecasts in a challenged production environment which saw production fall below budgeted targets.
- Revenues of $386.332 million are higher than budget by 15.0% and 8% versus 2017.
- PAT and EBITDA were both higher than budget by $5.355 million and $10.337 million respectively; versus 2017 both were 12.0% and 11.5% higher respectively.
- Dividends of $75 million paid were on par with the budget for 2018.
- Our tangible assets decreased marginally from $260.374 million as at December 2017 to $241.059 million at December 2018. This was due primarily to depreciation of our assets over its respective economic life.

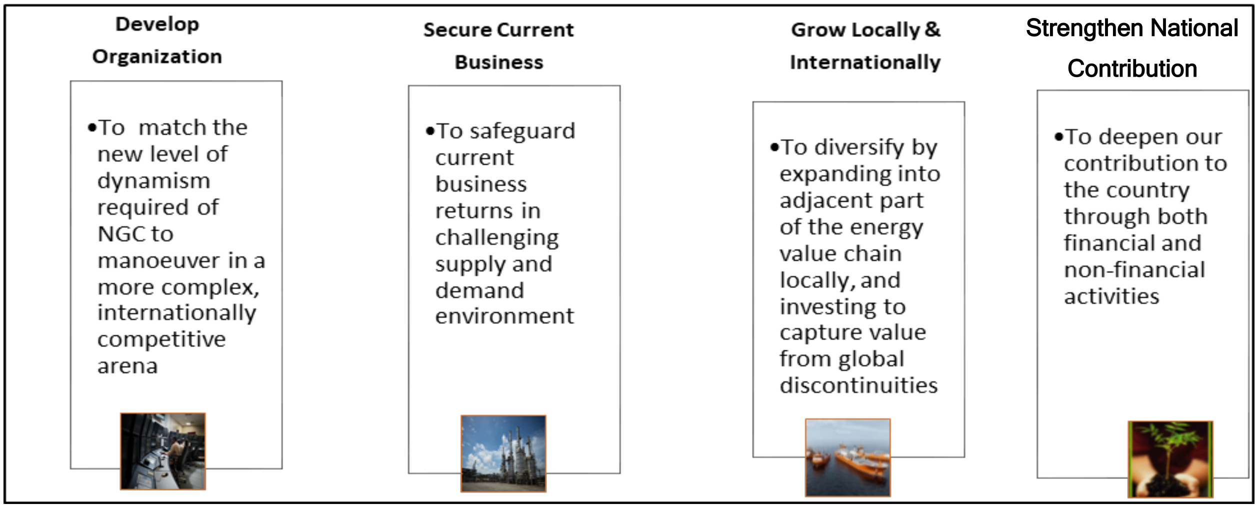
Financial Year 2018 vs Financial Year 2017

	FY 2018	FY 2017		
	ACTUAL	YTD	VARIANCE	VARIANCE
US$'000				
Sales Revenue	386,332	357,798	28,534	**8.0%**
O&O Expenditure	33,655	38,532	(4,877)	**-12.7%**
ATOI	92,081	82,215	9,866	**12.0%**
EBITDA	167,088	149,815	17,273	**11.5%**
Cash Flow from Operations	122,448	186,271	(63,823)	**-34.3%**
Capital Expenditure	5,809	4,505	1,304	**28.9%**
Dividends Paid	75,000	69,000	6,000	**8.7%**
NGL Production (bpd)	23,775	26,870	(3,095)	**-11.5%**
Prod from gas processing (bpd)	11,825	13,130	(1,305)	**-9.9%**
Prod from Atlantic LNG (bpd)	11,950	13,740	(1,789)	**-13.0%**
NGL Sales Volume (bpd)	20,860	22,952	(2,093)	**-9.1%**
Propane	7,413	8,234	(821)	**-10.0%**
Butane	5,708	6,384	(676)	**-10.6%**
Natural Gasoline	7,739	8,334	(596)	**-7.1%**
MB Prices (cpg)	111.86	87.46	24.41	**27.9%**
Propane	86.40	76.66	9.75	**12.7%**
Butane	101.13	90.55	10.58	**11.7%**
Natural Gasoline	144.17	95.76	48.41	**50.6%**

- Revenue was higher than the same period in 2018 by $28.534 million due to higher product prices by 27.9%.
- PAT was higher by 12.0%; EBITDA higher by 11.5% respectively as a result of higher revenue.
- Cash flow from Operations decreased by $63.854 million as a result of lower closing receivables and payables balances at December 31st 2018.
- Dividends of $75 million paid in 2018, 6% higher than that paid in 2017.

REPORT ON PPGPL's STRATEGIC PLAN AND STRATEGIC PILLARS

Since 2016, PPGPL's strategic plans have been aligned with the strategic plan for the NGC Group. This strategic plan is set on four pillars for success:



Develop the Organization

Aligned with our strategic intent, the Company continues to promote a culture to foster innovation, dynamism and empowerment of employees within the Company. In 2018, management and employees worked together to create a more efficient and competitive organisation, which is to be supported by the development of a constructive culture in the organization. As a result of these efforts, there are certain recommendations which both management and employees are working on together to implement during 2019.

Additionally, work progressed at the Group level to align the companies across the Group. In this regard efforts were focused on:

- Gaining alignment of the Group Vision and Mission;
- Alignment of procurement practices to derive cost synergies. This included the implementation of SAP/Ariba across the Group and the implementation of an e-Auction platform;
- Commencement of a common leadership development system across the Group
- Development of six Group HR policies;
- Alignment of HSSE practices and systems;

• Completion and roll out of the Group Project Development and Implementation policy and manual.

Secure the Current Business

During 2018, the Company reaffirmed its philosophy of operational excellence; achieving an average operational uptime in excess of 97%, consistent with the level attained since commencement of operations in June 1991. This operating performance reflects our commitment to a robust asset integrity program underlined by our commitment to safe process plant operations.

Safety is a core value of the NGC Group, and we are pleased to report on improvements made to the behavioural-based safety system, STOP, with the Leadership Team taking the responsibility to conduct training for all employees. Further, emergency pre-planning and training were conducted every quarter for all employees and contractors, including emergency drill training and first aid training. These all contributed to us successfully achieving our quadruple zero recordable incident target.

Operating expenses of $13.962 million decreased by $3.396 million in 2018 from 2017. We successfully implemented IFRS 9 with respect to our trade receivable and accounted for impairment on the other assets impacted by the closure of the Petrotrin refinery. Overall, costs were contained as we benefited from the renegotiation of rates with service providers and other innovative and efficiency improvements. We anticipate continued savings in 2019 as we participate in the maturing Group procurement and e-auction initiatives.

PPGPL's product marketing continues to be a key organizational strength. Although we were challenged in 2018 by lower than budgeted production volumes, we focused on strategic contract negotiation and tendering process with the aim to achieve maximum differentials in a market which favoured higher prices. The Product Trading initiative, while delayed, was advanced by the commissioning of the propane import facility in Q4 with 2 cargoes being imported to boost our product supply. In 2018, the main achievements are a successful bid for product supply to Petrojam, Jamaica in partnership with Glencore and the securing of a spot contract for the supply of product to Cuba.

In October 2018, PPGPL was called upon to supply the local market, such that there were no stock outs in 2018, as the Government announced the closure and restructuring of Petrotrin. Petrotrin still supplied some product to the market in October and November, completely winding up operations by December. As a result, product was required to be diverted to the local market but this was facilitated by the commissioning of the import facility which also allowed the Company to maintain and grow its export markets.

Grow Locally and Internationally

PPGPL continued to aggressively pursue value-added growth opportunities in its core business, and remains open to finding the right opportunity along its value chain. The Company has embarked on a series of initiatives to create new and diversified revenue streams that will mitigate the impact of the projected reduction in the gas deliveries over the next 5 years.

In 2018, the international growth initiative has utilized several avenues for potential project identification. One such path was the focused identification and preliminary screening of possible acquisition opportunities in the Caribbean, South and Central American region. During the fourth quarter of 2018, the team, via its network, was able to identify specific opportunities in North America. To date, work continues on reviewing targets to consider future potential transaction opportunities and PPGPL is in varying stages of discussion with several companies.

Locally, in Q4 2018 PPGPL and DeNovo executed a 5-year agreement whereby PPGPL would purchase and market the condensates produced by DeNovo. These volumes will be added to the condensates processed at PPGPL and will be sold on the export market as part of PPGPL's NGL marketing activities. In addition, planning for contract renewal negotiations with NGC and ALNG is being developed.

Strengthen National Contribution

From its inception, the Company has recognised its responsibility to its stakeholders, including the communities within which it operates and the wider national community. Our people-centred approach is reflected in all areas of our business from establishing a zero tolerance for workplace accidents to funding and supporting other initiatives that impact fence-line communities and national development. In 2018, the Gift to the Nations funds were redirected to assist the national community after the devastating floods. Both at the organizational and employee level we responded to those in need within our respective communities. Work also progressed to finalise the agreement with the Ministry of Health for the procurement of the oncology equipment for the local public health sector.

OUTLOOK FOR 2019

PPGPL's strategic plans for 2019 have been approved as part of its 2019 Budget and Operating Plan. These plans are in alignment with the Company's and Group's Strategic Plans and targeted growth objectives and will focus on:

- Maintaining safe and efficient process plant operations;
- Expanding the condensate processing business segment;
- Expanding the marketing and physical product trading activities;
- Advancing the inorganic growth strategy; and
- Ensuring highly motivated and aligned employees.

Currently, product prices are depressed due to increased supply and other geopolitical issues and this trend is expected to continue throughout 2019. As a result, an increased drive for the pursuit and delivery of organic and inorganic growth initiatives will be the focal point of 2019. As well, there will be the continued focus on revenue diversification and cost management to add further resilience to our existing core business.

CONCLUSION

The year 2018 has been another successful one for PPGPL piloting through external challenges and ultimately meeting budgeted targets. Our team is committed to replicating this achievement in 2019, through the appropriate strategies outlined above, as we build and develop a more resilient business capable of navigating through the current price environment.

The international commodity markets while down, have shown signs of improvement even though small, enabling PPGPL to continue to pursue value-added growth opportunities locally, regionally and internationally. We continue to focus on growth and prosperity of the Company, its stakeholders, its shareholders and the citizens of Trinidad and Tobago.

We wish to place on record our thanks and appreciation to the Board of Directors, Management and Employees of PPGPL who have all shown exceptional determination, resilience and commitment to the ideals of the Company and the NGC Group. May I also convey my thanks to Professors Andrew Jupiter whose industry knowledge, experience and integrity were invaluable to the Board and the Company. The contribution of the board of directors and the deep commitment of employees have created a solid foundation to be in place to enable the Company to compete and grow in a challenging market.

Finally, on behalf of the Board, I congratulate and thank the leadership team and the members of staff, who translate all our ideas and ideals through their daily activities and unrelenting efforts for the benefit of shareholders, the Company and the citizens of Trinidad and Tobago.

Professor Gerry C. Brooks
Chairman

L. Dominic Rampersad
President

DIRECTORS' REPORT

Year Ended 2018 December 31

The Directors are pleased to submit their report, together with the Financial Statements for the year ended December 31, 2018. The Board remains committed to creating long-term value and is actively engaged in pursuing the Company's strategies as articulated in the approved Strategic Plan 2018-2023 and the Group's strategic pillars.

Financial Results

PPGPL reported Net Income of $92.081 million in 2018 versus $82.215 million in 2017, an increase of 12.0%. This increase in earnings was mainly resulted from higher revenue due to increased product prices, which on average were 28.0% higher versus 2017. In addition, we acknowledge the strides made to leverage the strength of the NGC group in securing additional gas supply from up streamers, pursuing more competitive prices, thereby substantially reducing the costs of doing business.

Audited Financial Results

	Audited	Audited
Year Ended December 31st,	**2018**	**2017**
	$000	**$000**
Revenue	406,391	377,736
Cost of Sales	(235,261)	(219,243)
Gross Profit	171,130	158,493
Operating expenses	(13,962)	(17,358)
Administrative expenses	(11,898)	(8,607)
Distribution costs	(2,434)	(3,920)
Finance cost (net)	246	(740)
Profit before tax	143,082	127,868
Taxation	(51,001)	(48,653)
Net Profit after Tax	92,081	82,215
Total Comprehensive Income	92,081	82,215
Retained Earnings –		
At Beginning of Year	227,215	216,500
Total Comprehensive Income for year	92,081	82,215
Dividends proposed and paid	(75,000)	(71,500)
Retained Earnings – At End of Year	241,856	227,215

Dividends

With respect to dividends, PPGPL declared $75.000 million, an increase of $3.500 million versus 2017.

Auditors

Auditors, Deloitte and Touche have expressed their willingness to continue in office and offer themselves for re-election.

Phoenix Park Gas Processors Limited

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE DECEMBER 31ST, 2018

We are pleased to provide the following Management's Discussion and Analysis of operating performance and financial condition of Phoenix Park Gas Processors Limited for the financial year to date ended December 30th, 2018, compared to:

- The 2018 budget and
- The corresponding period for prior year 2017.

Unless otherwise stated the following discussion is presented in US dollars and was prepared as of January 15th, 2019.

Safety Metrics

Quad Zero Targets as at December 31st, 2018

LWCs- Employee = 0

LWCs- Contractor = 0

Responsible vehicular accidents = 0

Environmental incidents = 0

In achieving the above, it is noted that on July 26th, 2018 PPGPL achieved the one-year milestone without any recordable incident.

2018 Financial Highlights

- PPGPL generated lower revenue than budget for 2018 due to lower sales volumes over all 3 products versus budget and lower natural gasoline differentials. Our sales volume targets for 2018 were not met as a result of lower production from both gas processing and ALNG supply. This is partially offset by higher than budgeted prices for the majority of 2018. However, in November to the end of December 2018 there was a reversal of the previous trends, actual prices fell below the budget.

  Despite product revenue being lower than budget, product trading not progressing as planned and the acquisitions strategy not contributing to the 2018 revenue, our ATOI target was achieved as actual after-tax earnings of $92.081 million was earned.

- Revenue of $366.547 million is lower than budget by 15%.

- PAT was above than budget by $5.238 million and EBITDA was $10.157 million higher than budget.

- Dividends of $75.000 million were declared in line with budget.

- PPGPL's tangible asset decreased marginally from $262.597 million as at December 31st, 2017 to $241.059 million at 31st December 2018. This was due primarily to depreciation of PPGPL's assets over their respective economic life and to writing off the NBV of some assets that are no longer in service.

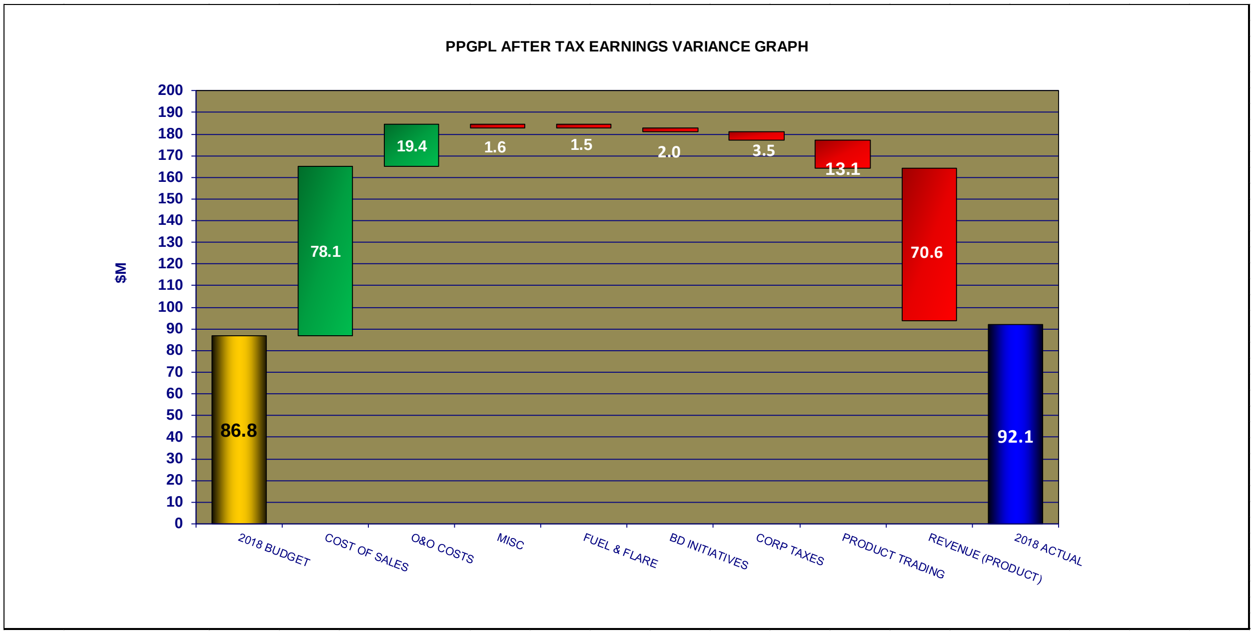
Discussion and Analysis

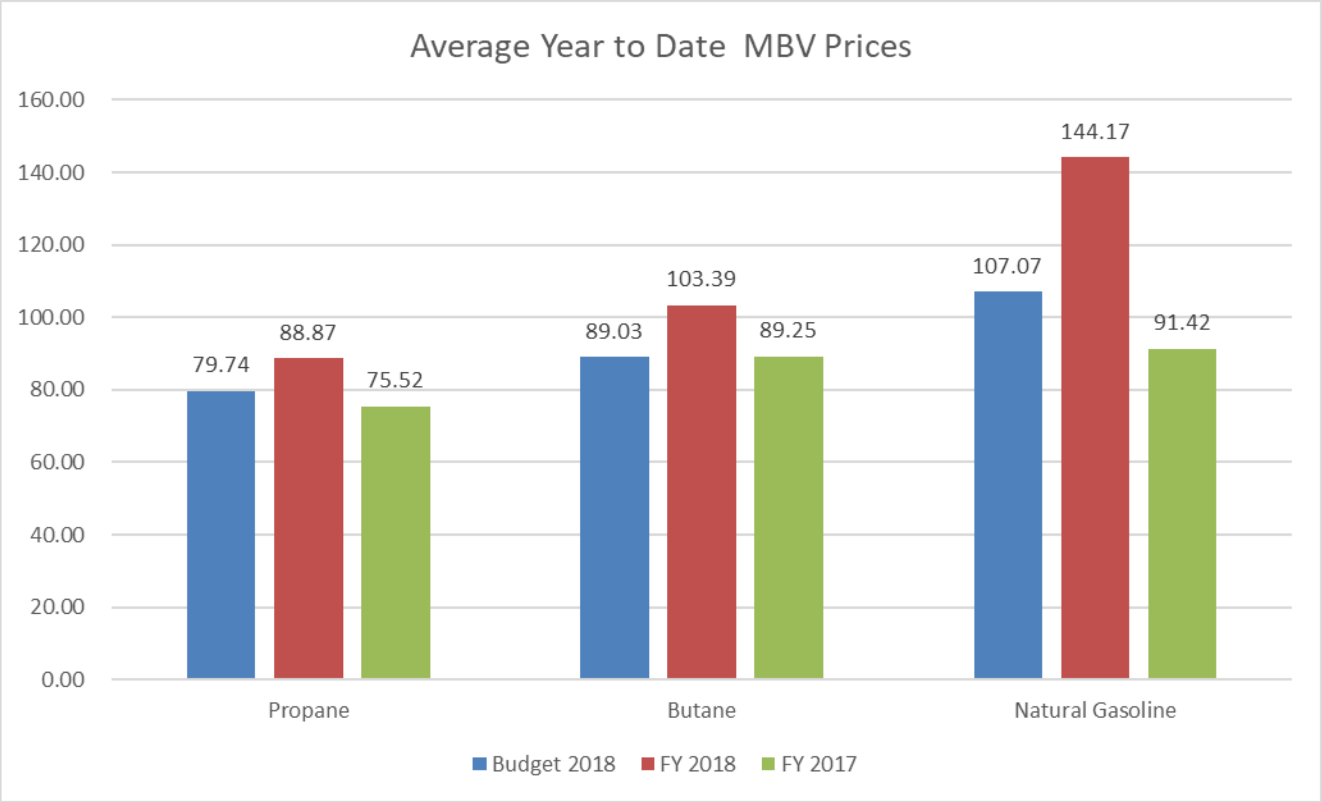
A detailed discussion of the major underlying performance drivers by year is provided in the following sections.

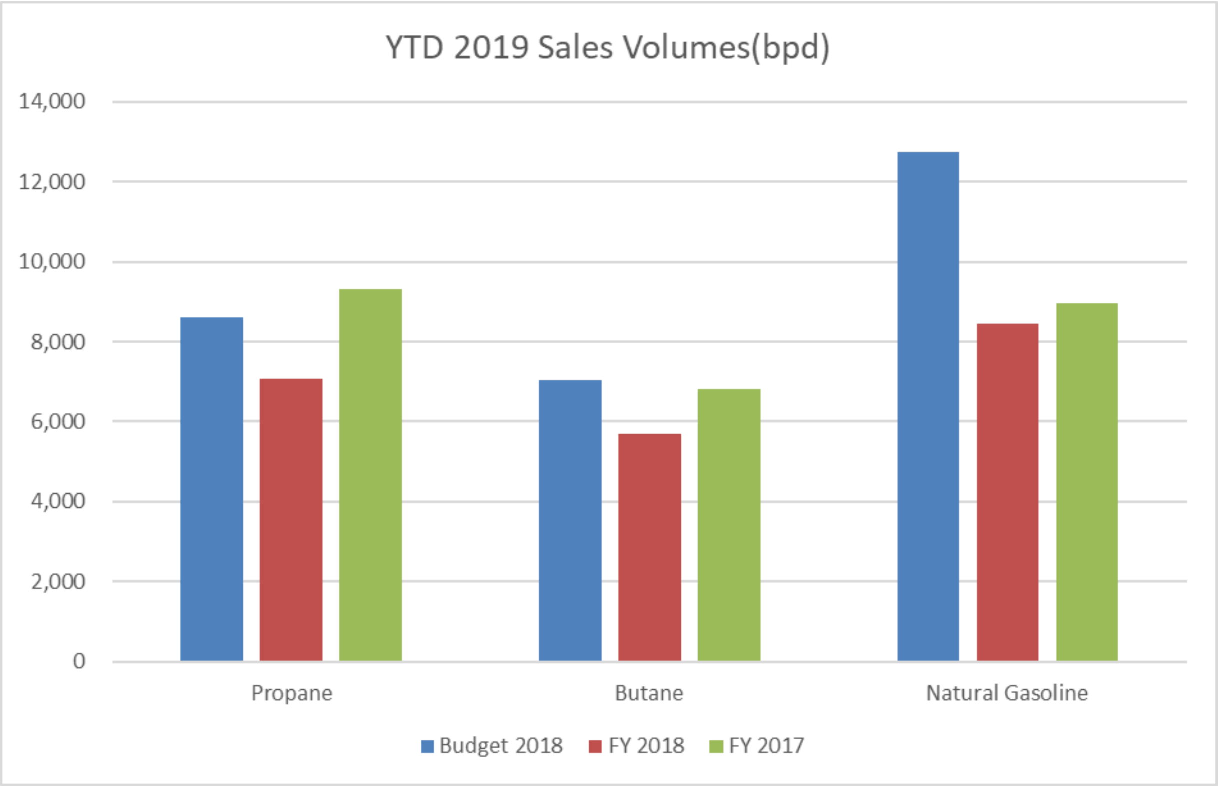
PHOENIX PARK GAS PROCESSORS LIMITED
Summary of Financial and Operating Results
FY 2018

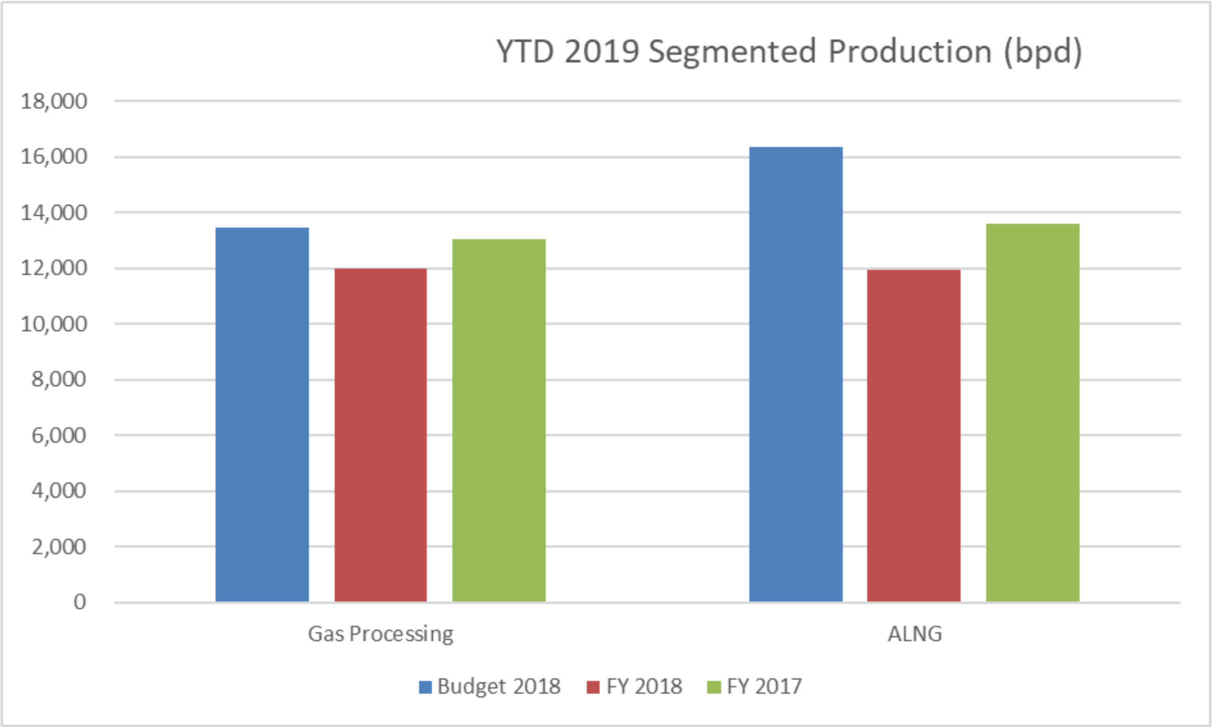
	FY 2018					FY 2017		
	ACTUAL	BUDGET	VARIANCE	NOTE		YTD	VARIANCE	NOTE
US$'000								
Sales Revenue	386,332	457,092	(70,760)	A		357,798	28,534	i
O&O Expenditure	33,655	52,951	19,296	B		38,532	(4,877)	
ATOI	92,081	86,810	5,271	C		82,215	9,866	ii
EBITDA	167,088	156,900	10,188	C		149,815	17,273	ii
Cash Flow from Operations	122,448	149,322	(26,874)	D		186,271	(63,823)	iii
Capital Expenditure	5,809	16,410	10,601	E		4,505	1,304	
Dividends Paid	75,000	75,000	0			69,000	6,000	iv
NGL Production (bpd)	23,775	29,118	(5,343)	F		26,870	(3,095)	v
Propane	7,828	9,685	(1,857)			9,729	(1,900)	
Butane	6,710	8,178	(1,468)			7,640	(930)	
Natural Gasoline	9,237	11,255	(2,018)			9,501	(264)	
Prod from gas processing (bpd)	11,825	13,310	(1,485)			13,130	(1,305)	v
Prod from Atlantic LNG (bpd)	11,950	15,809	(3,858)	F		13,740	(1,789)	v
Inlet Gas (mmscfd)	1,300	1,379	(79)			1,323	(23)	v
GPM	0.400	0.420	(0.020)	F		0.426	(0.03)	
Propane Recovery % - GP1	95.0%	99.0%	-4.0%			96.5%	-1.5%	
Propane Recovery % - GP2	91.9%	98.0%	-6.1%			98.8%	-6.9%	
Propane Recovery % - GP3	97.8%	99.0%	-1.2%			96.0%	1.8%	
Downtime Days - GP1	11.73	12.04	0.31	F		4.61	7.11	
Downtime Days - GP2	2.51	3.04	0.53			1.56	0.95	
Downtime Days - GP3	0.56	2.04	1.48			12.25	(11.69)	
Plant Availability - GP1	96.8%	96.7%	0.1%	F		98.7%	-2%	
Plant Availability - GP2	99.3%	99.2%	0.1%			99.6%	0%	
Plant Availability - GP3	99.8%	99.4%	0.4%			96.6%	3%	
NGL Sales Volume (bpd)	20,860	28,753	(7,893)	A		22,952	(2,093)	i
Propane	7,413	8,984	(1,571)			8,234	(821)	
Butane	5,708	7,165	(1,457)			6,384	(676)	
Natural Gasoline	7,739	12,604	(4,865)			8,334	(596)	
MB Prices (cpg)	111.86	93.66	18.21	A		87.46	24.41	i
Propane	86.40	78.76	7.64			76.66	9.75	
Butane	101.13	88.93	12.20			90.55	10.58	
Natural Gasoline	144.17	106.96	37.21			95.76	48.41	
Price Differential (cpg)	9.41	9.26	0.15	A		11.63	(2.22)	i
Propane	12.64	10.27	2.37			17.40	(4.76)	
Butane	11.45	6.19	5.26			8.01	3.44	
Natural Gasoline	6.25	9.17	(2.92)			6.25	0.00	

PHOENIX PARK
GAS PROCESSORS LIMITED


PPGPL AFTER TAX EARNINGS VARIANCE GRAPH
$M
200
190
180
170
160
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
86.8
78.1
19.4
1.6
1.5
2.0
3.5
13.1
70.6
92.1
2018 BUDGET
COST OF SALES
O&O COSTS
MISC
FUEL & FLARE
BD INITIATIVES
CORP TAXES
PRODUCT TRADING
REVENUE (PRODUCT)
2018 ACTUAL


Average Year to Date MBV Prices
160.00
140.00
120.00
100.00
80.00
60.00
40.00
20.00
0.00
79.74
88.87
75.52
89.03
103.39
89.25
107.07
144.17
91.42
Propane
Butane
Natural Gasoline
Budget 2018
FY 2018
FY 2017


YTD 2019 Sales Volumes(bpd)
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
Propane
Butane
Natural Gasoline
Budget 2018
FY 2018
FY 2017


YTD 2019 Segmented Production (bpd)
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
Gas Processing
ALNG
Budget 2018
FY 2018
FY 2017

Discussion notes

FY 2018 vs 2018 Budget

A. Revenue was lower than budget by $70.760 million due to:

- Lower Sales Volumes. 2018's PPGPL sales are 15% under budget. This was as a result of lower sales volumes across all products. The majority of this was due to lower natural gasoline shipments (39%), 13 shipments were forecasted and only 9 materialized due to lower production. In addition, propane and butane sales volumes were both down 17% and 20% respectively as a result of lower production.
- Budgeted product trading revenue of $13.053 million has not materialized due to delay in the product trading initiatives. In December a spot sale of indigenous PPGPL barrels was sold to the Cuban market being one of the territories PPGPL was targeting to break into.

Offset by

- Product prices. Weighted average price was 19% above budget this represents a net variance in prices across all products versus budget. Propane prices are 10% higher and butane 14% higher than budget. Natural gasoline prices were above budget by 39%. During 2018, U.S. crude oil, natural gas and NGL production hit new all-time highs almost every month. Oil production grew by a staggering 1.7 MMb/d from January to December, an increase of about 18%. NGLs soared even more: by 27%, up 1.0 MMb/d over the same 12-month period. Natural gas production gained about 13%. All this new supply came on in an increasing price environment where the increased production was not fully utilized by the increasing demand which grew at a slower rate resulting in inventory builds above projections resulting in downward pressure on prices in November 2018. WTI ran up from $60/bbl to $75/bbl in October, then collapsed below $50/bbl by year end and Henry Hub gas spiked to nearly $5/MMBtu, then retreated to the $3/MMBtu range during the last quarter of 2018.
- Product Differentials. Weighted average differentials were above budget by 2% because of natural gasoline differentials being 32% below budget offset by butane differentials

being 85% over the budget, as spot cargoes sold at higher than term contract prices for butane. The budgeted natural gasoline differentials of 10cpg from April did not materialize as the product continues to be below the required specification to attract the 10cpg. The outlook for 2019 is that the product will continue to remain off the specification required and is likely to attract 6.25cpg differential.

B. Operating expenses for year to dated December 2018 were lower than budget by $20.186 million. This was due to:
   - Employee costs ($1.146 million) as some budgeted positions have not yet been filled.
   - Business Development costs ($0.849 million) as a result of the various initiatives not incurring the forecasted level of external services as projected.
   - Product Trading logistics ($6.545 million), given the delay in the Product Trading initiative, have generated minimal costs at this point.
   - Write back of Property Taxes accrued ($4.131 million).
   - Repairs and Maintenance costs ($1.388 million) due to delays in workplans and shutdown related other works.
   - Administrative Expenses being lower by ($0.464 million).
   - Utilities (Electricity & Water) savings ($0.428 million).
   - Professional Fees ($1.523 million) due to Engineering projects ($1.000 million) as a result of more in-house works and projects not at stage gate to require use of outside consultants during 2018. These projects FEL works are forecasted to be completed in 2019

     Offset by,
   - Major maintenance activities ($1.851 million) as a result of cross island pipeline repair works together with BPTT and NGC. This project had not been planned at the beginning of the year.

C. PAT is higher than budget by 6% and EBITDA higher by 6% due to note A and B above. In addition, even though revenues are down, most sales barrels are from the gas processing segment of the business which are sold at a higher margin resulting in a higher contribution to overall profitability. In addition, expected credit losses in accordance with IFRS 9 affecting earnings by $1.159 million.

D. Net cash flow to December 2018 of $122.417 million was lower than budget by $26.905 million because of lower revenue offset by lower Operating expenses, Capital expenditure and lower feedstock costs.

E. Lower capital expenditure of $10.601 million was mainly due to lower activity to date, primarily resulting from activities slipping to 2019. See further detailed analysis on page 24.

F. Production for the period to December averaged 23,775 bpcd versus budget 29,118 bpcd, a net shortfall of 5,343 bpcd (or 18%). The primary contributing factors were as follows:

- Reduced gas supply to ALNG from its suppliers resulted in actual delivered volumes to PPGPL being lower than budget by 3,858 bpcd (24%). In addition, continued maintenance activities amongst the various ALNG Trains have adversely impacted volumes delivered by ALNG.
- Fluctuating upstream NGC inlet pressures, as a result of reduced gas throughput from upstream suppliers (gas curtailment) and unplanned supplier downtime have resulted in lower gas processing production by 1,485 bpcd (11%) compared to budget. Inlet pressure was lower by 5.7%.
- Lower GPM content by 5% as a result of changes in the supply mix.

FY 2018 vs FY 2017

i. Revenue was higher than the same period in 2017 by $28.534 million due to the following factors:

- Overall higher product prices by 28%, with all prices being above 2017's levels especially natural gasoline which was 51% higher.

Offset by:

- The weighted average price differentials for 2018 are 18% lower than the same period last year due mainly to 27% lower propane differential.
- Lower sales volumes of natural gasoline sales volumes of 7% when compared to 2017.

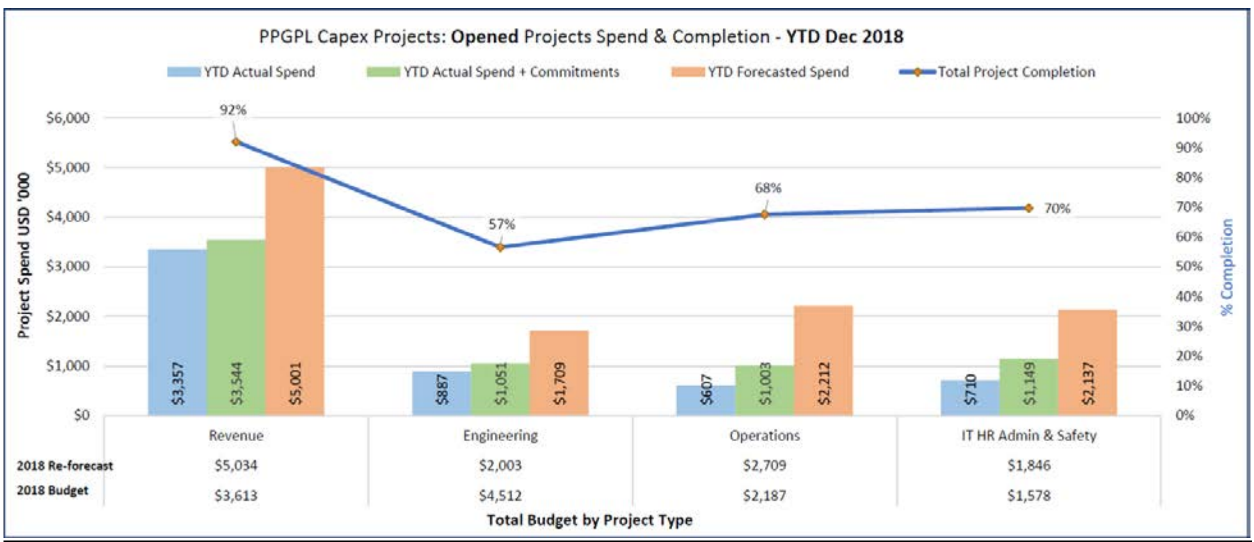
ii. PAT was higher by 12% and EBITDA higher by 12% respectively.

iii. Cash flow from Operations was negatively impacted by the lower 2018 revenue when compared to 2017 by $63.854 million.

iv. Dividends for 2018 was $6.000 million higher to that declared for 2017.

v. NGL production was lower by 3,095 bcpd (12%) as a result of the following:
- Lower liquid content (GPM) by 6% of the incoming inlet gas from NGC and lower inlet volume by 2%.
- Reduced supply from ALNG resulted in actual delivered volumes to PPGPL being lower by 1,789 bpcd (13%).

<u>Capital Projects for 2018</u>



As at December 2018, 66 capital projects exist. Of these projects, 49 are in execution or close out stage and 17 are in planning/finalise stage.

Regarding the 49 opened projects, actual spend to December 2018 was $5.569 million and commitments total $1.186 million vs forecasted spend $11.059 million.

PPGPL's overall capex projects completion at the end of December 2018 is 71%. The spend variance is mainly due to projects delays. Also, the Arsenic & Sulphur Analyser project was cancelled, reducing the budget by $0.600 million.

Revenue Projects: The Product Trading Project achieved mechanical completion in May and the propane facility is in use with the butane facility to be commissioned 1st quarter 2019.
The Condensate Upgrade project was commissioned on March 7th, civil works will roll into 2019.
The Propane Recovery Improvement Project was successfully commissioned on 22nd October 2018, monitoring continues.
Engineering projects: Projects are on schedule for 2019 facility outage execution as the long lead orders have been placed and planning continues. The major project Dock 2 Shoreline Remediation $3.000 million is behind original schedule due to EMA requirements.
Operations Projects: six projects were completed and five are over 70% complete at December 31st. Several Operations projects that were budgeted to be complete by December 2018 were deferred to be executed during the next facility wide shutdown resulting in a spend lag. In preparation for outage, long lead items are being ordered and preparations are on-going.