



PETRONAS

PETRONAS GAS BERHAD

Quarterly Report

For the Second Quarter Ended 30 June 2022

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

Key Financial Highlights (in RM'000)	Cumulative quarter ended		Variance %
	2022	30 June 2021	
Revenue	2,962,504	2,723,928	+8.8
Gross profit	1,235,361	1,312,125	-5.9
Profit before taxation (PBT)	1,146,639	1,247,371	-8.1
Profit for the period	853,072	1,003,902	-15.0
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)	1,627,305	1,730,568	-6.0
Earnings per share (EPS) (sen)	40.79	48.29	-15.5
Declared dividends per share (sen)	32.00	32.00	-

- **PETRONAS Gas Berhad revenue stood at RM2,962.5 million, an increase of 8.8% or RM238.6 million** mainly contributed by higher revenue from Utilities segment due to higher product prices and higher electricity sales volume.
- **Gross profit decreased by 5.9% or RM76.8 million** due to tighter margin recorded by the Utilities segment following higher fuel gas costs.
- **PBT was RM1,146.6 million, lower by 8.1% or RM100.7 million** as the lower gross profit was further reduced by the impact of unfavourable foreign exchange movement.
- **Profit for the period declined by 15.0% or RM150.8 million** with lower PBT as well as higher effective tax rate with the imposition of Prosperity Tax for year of assessment 2022.
- **EBITDA was correspondingly lower by 6.0% or RM103.3 million** in tandem with PBT movement.
- **EPS decreased by 15.5%**, reflecting lower profit attributable to shareholders of the Company.
- **The Board of Directors has approved a second interim dividend** of 16 sen per ordinary share amounting to RM316.6 million, in respect of the financial year ending 31 December 2022.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

The Board of Directors of PETRONAS Gas Berhad (PGB or the Company) is pleased to announce the following unaudited condensed consolidated financial statements of PGB Group of Companies (PGB Group or the Group) for the second quarter ended 30 June 2022 that should be read in conjunction with the accompanying explanatory notes on pages 5 to 23.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM'000</i>	Note	As at 30 June 2022	As at 31 December 2021
ASSETS			
Property, plant and equipment		13,199,659	13,272,393
Investment in joint ventures		761,633	705,018
Investment in associate		167,349	151,780
Long term receivables		151,654	171,381
Deferred tax assets		154,743	167,525
TOTAL NON-CURRENT ASSETS		14,435,038	14,468,097
Trade and other inventories		45,396	45,951
Trade and other receivables	26	840,291	889,598
Cash and cash equivalents		3,983,096	3,782,457
TOTAL CURRENT ASSETS		4,868,783	4,718,006
TOTAL ASSETS		19,303,821	19,186,103
EQUITY			
Share capital		3,165,204	3,165,204
Reserves		9,815,391	9,933,360
Total equity attributable to the shareholders of the Company		12,980,595	13,098,564
Non-controlling interests		246,430	240,946
TOTAL EQUITY		13,227,025	13,339,510
LIABILITIES			
Borrowings	28	3,560,495	3,278,907
Deferred tax liabilities		1,218,752	1,240,275
Provisions		30,956	30,550
Deferred income		709	1,181
TOTAL NON-CURRENT LIABILITIES		4,810,912	4,550,913
Trade and other payables		905,473	1,069,012
Borrowings	28	174,211	168,209
Tax payable		186,200	58,459
TOTAL CURRENT LIABILITIES		1,265,884	1,295,680
TOTAL LIABILITIES		6,076,796	5,846,593
TOTAL EQUITY AND LIABILITIES		19,303,821	19,186,103
Net assets per share attributable to the shareholders of the Company (RM)		6.5601	6.6197

The unaudited condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Individual quarter ended		Cumulative quarter ended	
	Note	2022	30 June 2021	2022	30 June 2021
<i>In RM'000</i>					
Revenue		1,504,599	1,383,918	2,962,504	2,723,928
Cost of revenue		(881,436)	(784,130)	(1,727,143)	(1,411,803)
Gross profit		623,163	599,788	1,235,361	1,312,125
Administration expenses		(26,326)	(33,874)	(54,789)	(60,990)
Other expenses		(55,460)	(15)	(63,906)	(36,454)
Other income		30,608	26,533	54,808	45,042
Operating profit	34	571,985	592,432	1,171,474	1,259,723
Financing costs		(43,536)	(41,580)	(86,681)	(83,357)
Share of profit after tax of equity- accounted joint ventures and associate		29,886	26,019	61,846	71,005
Profit before taxation		558,335	576,871	1,146,639	1,247,371
Tax expense	22	(142,837)	(112,974)	(293,567)	(243,469)
PROFIT FOR THE PERIOD		415,498	463,897	853,072	1,003,902
Other comprehensive income/(expenses)					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Net movement from exchange differences		13,559	(4,213)	17,170	7,356
Share of cash flow hedge of an equity-accounted joint venture		7,616	(433)	7,570	154
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		436,673	459,251	877,812	1,011,412
Profit attributable to:					
Shareholders of the Company		396,503	439,069	807,082	955,468
Non-controlling interests		18,995	24,828	45,990	48,434
PROFIT FOR THE PERIOD		415,498	463,897	853,072	1,003,902
Total comprehensive income attributable to:					
Shareholders of the Company		417,678	434,423	831,822	962,978
Non-controlling interests		18,995	24,828	45,990	48,434
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		436,673	459,251	877,812	1,011,412
Basic and diluted earnings per ordinary share (sen)					
		20.04	22.19	40.79	48.29

The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Attributable to shareholders of the Company**Non-distributable Distributable**In RM'000***Quarter ended 30 June 2022**

	Share capital	Capital reserve	Foreign currency translation reserve	Hedging reserve	Retained profits	Total	Non-controlling interests	Total Equity
Balance at 1 January 2022	3,165,204	520,801	17,474	25,671	9,369,414	13,098,564	240,946	13,339,510
Net movement from								
exchange differences	-	-	17,170	-	-	17,170	-	17,170
Share of cash flow hedge of an equity-accounted joint venture	-	-	-	7,570	-	7,570	-	7,570
Profit for the period	-	-	-	-	807,082	807,082	45,990	853,072
Total comprehensive income for the period	-	-	17,170	7,570	807,082	831,822	45,990	877,812
Interim dividend declared and paid in respect of previous year	-	-	-	-	(633,194)	(633,194)	-	(633,194)
Interim dividend declared and paid in respect of current year	-	-	-	-	(316,597)	(316,597)	(40,506)	(357,103)
Total transactions with shareholders of the Company	-	-	-	-	(949,791)	(949,791)	(40,506)	(990,297)
Balance at 30 June 2022	3,165,204	520,801	34,644	33,241	9,226,705	12,980,595	246,430	13,227,025

Quarter ended 30 June 2021

Balance at 1 January 2021	3,165,204	520,801	9,948	34,706	8,904,098	12,634,757	333,777	12,968,534
Net movement from								
exchange differences	-	-	7,356	-	-	7,356	-	7,356
Share of cash flow hedge of an equity-accounted joint venture	-	-	-	154	-	154	-	154
Profit for the period	-	-	-	-	955,468	955,468	48,434	1,003,902
Total comprehensive income for the period	-	-	7,356	154	955,468	962,978	48,434	1,011,412
Interim dividend declared and paid in respect of previous year	-	-	-	-	(534,258)	(534,258)	-	(534,258)
Interim dividend declared and paid in respect of current year	-	-	-	-	(316,597)	(316,597)	(51,842)	(368,439)
Total transactions with shareholders of the Company	-	-	-	-	(850,855)	(850,855)	(51,842)	(902,697)
Balance at 30 June 2021	3,165,204	520,801	17,304	34,860	9,008,711	12,746,880	330,369	13,077,249

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Cumulative quarter ended	
	Note	2022	30 June 2021
<i>In RM'000</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,146,639	1,247,371
<i>Adjustments for:</i>			
Depreciation and amortisation	34	499,002	507,245
Share of profit after tax of equity-accounted joint ventures and associate		(61,846)	(71,005)
Unrealised loss on foreign exchange	34	58,399	37,535
Interest income	34	(43,171)	(36,400)
Financing costs		86,681	83,357
Other non-cash items		157	484
Operating profit before changes in working capital		1,685,861	1,768,587
Change in trade and other receivables		53,925	(42,470)
Change in trade and other inventories		555	(772)
Change in trade and other payables		(31,987)	(33,718)
Cash generated from operations		1,708,354	1,691,627
Interest income		43,171	36,400
Taxation paid		(174,567)	(234,764)
Net cash generated from operating activities		1,576,958	1,493,263
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend received from joint ventures and associate		14,402	30,261
Repayment of term loan due from a joint venture		23,316	9,251
Proceeds from disposal of property, plant and equipment		-	335
Purchase of property, plant and equipment		(541,557)	(462,219)
Net cash used in investing activities		(503,839)	(422,372)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of the Company	9	(949,791)	(850,855)
Dividends paid to non-controlling interest		(40,506)	(51,842)
Drawdown of Islamic financing facility	28	243,000	262,587
Payment of lease liabilities	28	(31,400)	(28,810)
Interest expense paid		(93,783)	(86,222)
Net cash used in financing activities		(872,480)	(754,542)
Net increase in cash and cash equivalents		200,639	316,349
Cash and cash equivalents at beginning of the period		3,782,457	3,138,898
Cash and cash equivalents at end of the period		3,983,096	3,455,247

Included in the Group's cash and cash equivalents is an amount of RM133,595,960 (2021: RM114,493,000) being designated as security and a fixed balance amounting to RM30,000 in a trustee reimbursable account in relation to a subsidiary's Islamic financing facility.

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The condensed consolidated financial statements are unaudited and have been prepared in accordance with the requirements of IAS 34, *Interim Financial Reporting*, MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

They should also be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2021. The explanatory notes attached to the condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2021.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries and the Group's interest in an associate and its joint ventures as at and for the period ended 30 June 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for the year ending 31 December 2022 under the Malaysian Financial Reporting Standards (MFRS) framework. These policies do not differ significantly from those used in the audited consolidated financial statements for the year ended 31 December 2021 except as described below.

As of 1 January 2022, the Group has adopted the following amendments to MFRSs (pronouncements) which are effective for annual periods beginning on or after 1 January 2022:

- Amendments to MFRS 3 *Business Combinations (Reference to the Conceptual Framework)*
- Amendments to MFRS 9 *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16 *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116 *Property, Plant and Equipment (Property, Plant and Equipment—Proceeds before Intended Use)*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts—Cost of Fulfilling a Contract)*

The initial application and adoption of the above-mentioned pronouncements do not have any material impact to the financial statements of the Group.

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2021 were not subject to any audit qualification.

4. SEASONAL OR CYCLICAL FACTORS

The Group's operations are not significantly affected by seasonal or cyclical fluctuations of the business/ industry.

5. EXCEPTIONAL ITEMS

There were no exceptional items during the period under review.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of the Group for the year ended 31 December 2021 that may have a material effect on the results of the period under review.

7. PROPERTY, PLANT AND EQUIPMENT

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

8. DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities for the period under review other than as disclosed in Note 28.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

<i>In RM'000</i>	Cumulative quarter ended	
	2022	30 June 2021
Ordinary		
Interim paid:		
2020 - Fourth interim dividend of 22 sen per ordinary share	-	435,321
2020 - Special interim dividend of 5 sen per ordinary share	-	98,937
2021 - First interim dividend of 16 sen per ordinary share	-	316,597
2021 - Fourth interim dividend of 22 sen per ordinary share	435,321	-
2021 - Special interim dividend of 10 sen per ordinary share	197,873	-
2022 - First interim dividend of 16 sen per ordinary share	316,597	-
	949,791	850,855

On 26 August 2022, the Directors of the Company approved a second interim dividend of 16 sen per ordinary share amounting to RM316.6 million, in respect of the financial year ending 31 December 2022.

The dividends are payable on 23 September 2022 to depositors registered in the Records of Depositors at the close of business on 13 September 2022.

A Depositor shall qualify for entitlement to the dividends only in respect of:

- Shares transferred into the Depositor's Securities Account before 4.30 pm on 13 September 2022 in respect of ordinary transfers.
- Shares brought on the Bursa Malaysia Securities Berhad on a cum entitlement basis accordingly to the rules of the Bursa Malaysia Securities Berhad.

The financial statements for the current quarter do not reflect these approved interim dividends. The dividends will be accounted for in equity as an appropriation of retained profits in the financial statements for the financial year ending 31 December 2022.

10. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change in the composition of the Group for the period under review.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

11. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short nature of these financial instruments.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The fair value hierarchy in the valuation technique are as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

The Group recognises transfers between levels of fair value hierarchy as at the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 2 and 3 of the fair value valuation hierarchy during the financial period.

<i>In RM'000</i>	Fair value of financial instruments carried at fair value Level 2	Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amounts
30 June 2022				
Financial assets				
<i>Current</i>				
Derivative assets	5,213	-	5,213	5,213
<i>Non-Current</i>				
Long term receivables	-	151,941	151,941	151,941
Total financial assets	5,213	151,941	157,154	157,154
Financial liabilities				
<i>Current</i>				
Secured Islamic financing facility	-	(110,000)	(110,000)	(110,000)
Derivative liabilities	(2,179)	-	(2,179)	(2,179)
	(2,179)	(110,000)	(112,179)	(112,179)
<i>Non-Current</i>				
Secured Islamic financing facility	-	(1,500,000)	(1,500,000)	(1,500,000)
Unsecured Islamic financing facility	-	(647,842)	(647,842)	(647,842)
	-	(2,147,842)	(2,147,842)	(2,147,842)
Total financial liabilities	(2,179)	(2,257,842)	(2,260,021)	(2,260,021)

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

11. FAIR VALUE INFORMATION (continued)

<i>In RM'000</i>	Fair value of financial instruments carried at fair value Level 2	Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amounts
31 December 2021				
Financial assets				
<i>Current</i>				
Derivative assets	1,104	-	1,104	1,104
	1,104	-	1,104	1,104
<i>Non-Current</i>				
Long term receivables	-	171,696	171,696	171,696
Total financial assets	1,104	171,696	172,800	172,800
Financial liabilities				
<i>Current</i>				
Secured Islamic financing facility	-	(110,000)	(110,000)	(110,000)
Derivative liabilities	(761)	-	(761)	(761)
	(761)	(110,000)	(110,761)	(110,761)
<i>Non-Current</i>				
Secured Islamic financing facility	-	(1,500,000)	(1,500,000)	(1,500,000)
Unsecured Islamic financing facility	-	(405,940)	(405,940)	(405,940)
	-	(1,905,940)	(1,905,940)	(1,905,940)
Total financial liabilities	(761)	(2,015,940)	(2,016,701)	(2,016,701)

The calculation of fair value for derivative and non-derivative assets and liabilities within financial instruments depends on the type of instruments as follows:

- Fair value of non-derivative financial instruments, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.
- Fair value of derivative financial instruments comprising forward exchange contracts are estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on Malaysian government bonds).

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

12. SEGMENTAL INFORMATION

The Group has four reporting segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because it requires different technology and marketing strategies. The following summary describes the operations in each of the Group's reporting segments:

- Gas Processing – activities include processing of natural gas into salesgas and other by-products such as ethane, propane and butane.
- Gas Transportation – activities include transportation of processed gas to gas shippers' end customers and provision of operations and maintenance services.
- Regasification – activities include regasification of liquefied natural gas (LNG) and provision of ancillary services comprising LNG reloading, truck loading and gassing up and cooling down services.
- Utilities – activities include manufacturing, marketing and supplying of industrial utilities and provision of operations and maintenance services.

Performance is measured based on segment gross profit, as included in the performance reports to the Board of Directors as the Company believes that such information is the most relevant in evaluating the results of the segments.

The segmental information in respect of the associate and joint ventures are not presented, as the contribution of the associate and joint ventures and the carrying amount of investment in the associate and joint ventures have been reflected in the statement of profit or loss and other comprehensive income and statement of financial position of the Group respectively.

<i>In RM'000</i>					Cumulative quarter ended
					30 June 2022
Business Segment	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Revenue	871,342	578,996	697,800	814,366	2,962,504
Segment results	465,280	357,892	358,220	53,969	1,235,361
Unallocated expense					(63,887)
Operating profit					1,171,474
Financing costs					(86,681)
Share of profit after tax of equity-accounted joint ventures and associate					61,846
Profit before taxation					1,146,639

<i>In RM'000</i>					Cumulative quarter ended
					30 June 2021
Business Segment	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Revenue	856,826	579,700	700,609	586,793	2,723,928
Segment results	456,048	376,160	334,998	144,919	1,312,125
Unallocated expense					(52,402)
Operating profit					1,259,723
Financing costs					(83,357)
Share of profit after tax of equity-accounted joint ventures and associate					71,005
Profit before taxation					1,247,371

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

12. SEGMENTAL INFORMATION (continued)

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated income or expenses mainly comprise foreign exchange gain or loss as well as other corporate income and expenses.

The Group's revenue from contracts with customers which also represents reportable segment revenue are further disaggregated as follows:

<i>In RM'000</i>	Cumulative quarter ended	
	2022	30 June 2021
Geographical Locations		
Peninsular Malaysia	2,958,723	2,720,147
Sabah and Sarawak	3,781	3,781
Total	2,962,504	2,723,928
Products and Services		
Gas processing services	871,342	856,826
Gas transportation services	576,815	578,130
Regasification services	689,853	689,853
Utilities		
- Electricity	339,741	240,313
- Steam	301,334	197,141
- Industrial gases	144,520	116,261
- Others ¹	28,446	32,450
Operations and maintenance services	2,506	2,198
LNG ancillary services	7,947	10,756
Total	2,962,504	2,723,928

¹ Others relates to sale of water and other utilities products.

13. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the quarter.

14. CONTINGENCIES

There were no material contingent liabilities and contingent assets subsequent to the audited financial statements for the year ended 31 December 2021.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

15. CAPITAL COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of each reporting period not provided for in the interim financial statements are as follows:

<i>In RM'000</i>	As at 30 June 2022	As at 31 December 2021
Property, plant and equipment		
Approved and contracted for	383,761	229,638
Approved but not contracted for	4,320,751	5,561,725
	<u>4,704,512</u>	<u>5,791,363</u>
Share of capital expenditure of joint ventures		
Approved and contracted for	677	588
Approved but not contracted for	12,929	12,032
	<u>13,606</u>	<u>12,620</u>
	<u>4,718,118</u>	<u>5,803,983</u>

16. RELATED PARTY TRANSACTIONS

There were no significant transactions with related parties in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2021.

17. DISCONTINUED OPERATIONS

There were no discontinued operations in the Group during the period under review.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. REVIEW OF GROUP PERFORMANCE

(a) Performance of current quarter against the corresponding quarter

In RM'000	Individual quarter ended		Variance
	2022	30 June 2021	
Revenue	1,504,599	1,383,918	+8.7
Gross profit	623,163	599,788	+3.9
Profit before taxation (PBT)	558,335	576,871	-3.2
Profit for the quarter	415,498	463,897	-10.4
EBITDA*	804,109	833,980	-3.6

* EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted associate and joint ventures and other significant non-cash items.

The Group maintained its world-class reliability performance across all its plants and facilities during the quarter under review.

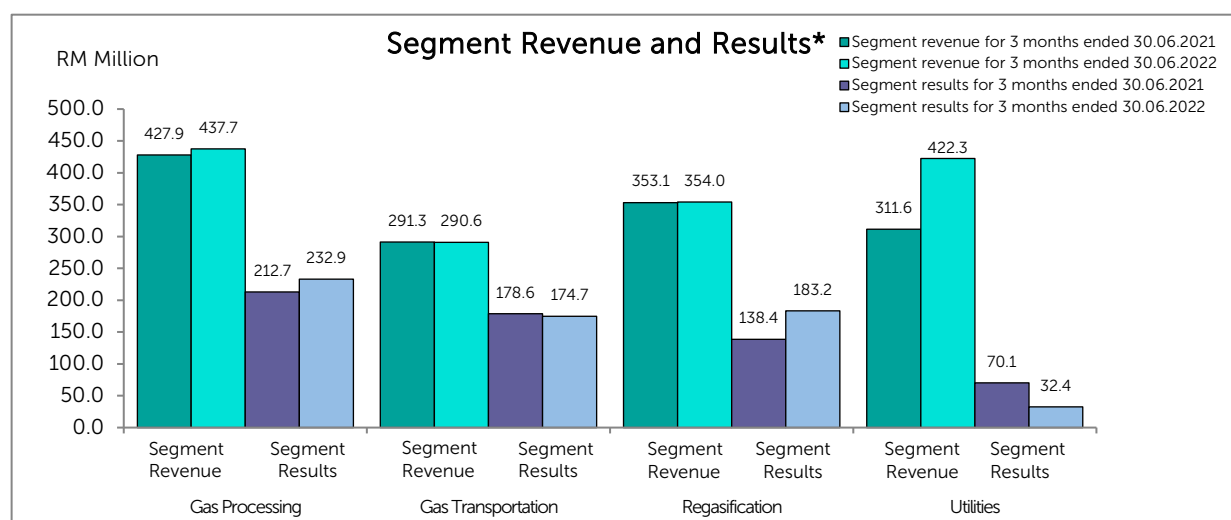
Group revenue rose by 8.7% or RM120.7 million to RM1,504.6 million mainly driven by higher revenue from the Utilities segment. Utilities revenue improved as a result of higher product prices and higher electricity sales volume recorded.

Gross profit increased by 3.9% or RM23.4 million with Regasification and Gas Processing segments recording lower operating costs negated by lower contribution from Utilities segment on the back of tighter margin following higher fuel gas price.

PBT was nonetheless lower by 3.2% or RM18.5 million due to impact of unfavourable foreign exchange movement, partially offset by higher gross profit.

Profit for the quarter decreased by 10.4% or RM48.4 million with lower PBT as well as higher effective tax rate with the imposition of Prosperity Tax for year of assessment 2022.

The following section provides further analysis of the Group performance by operating segments.



*Note: Segment Results refers to Gross Profit

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. REVIEW OF GROUP PERFORMANCE (continued)

(a) Performance of current quarter against the corresponding quarter (continued)

Gas Processing

The Group's Gas Processing plants maintained its world class operational performance, recording 100% reliability.

Segment revenue increased by 2.3% or RM9.8 million against corresponding quarter following higher internal gas consumption incentive achieved.

Segment results rose by 9.5% or RM20.2 million in tandem with higher revenue coupled with lower operating costs.

Gas Transportation

The Group's pipeline network continued to register close to 100% reliability, comparable to the corresponding quarter.

Segment revenue was comparable at RM290.6 million while segment results decreased by 2.2% or RM3.9 million due to higher operating costs, mainly internal gas consumption cost in tandem with higher fuel gas price.

Regasification

The Group's LNG regasification terminals in Sg. Udang, Melaka (RGTSU) and Pengerang, Johor (RGTP) sustained their strong reliability performance at close to 100% during the quarter.

Segment revenue was comparable at RM354.0 million while segment results surged by 32.4% or RM44.8 million driven by lower operating costs, largely attributable to lower internal gas consumption (IGC) cost. The IGC cost was higher in corresponding quarter due to inclusion of prior year charges.

Utilities

The Group's Utilities plants achieved 100% Product Delivery Reliability for steam, electricity, and industrial gases during the quarter under review.

Segment revenue grew by 35.5% or RM110.7 million, mainly attributable to higher product prices and higher electricity sales volume. Product prices were higher in line with fuel gas price, which is based on reference market price while electricity sales volume increased following commencement of electricity supply to the grid under the New Electricity Despatch Arrangement (NEDA) from August 2021 onwards.

Segment results, nevertheless, declined by 53.8% or RM37.7 million attributable to tighter margins as a result of higher fuel gas costs.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. REVIEW OF GROUP PERFORMANCE (continued)

(b) Performance of current year to date against the corresponding year to date

In RM'000	Cumulative quarter ended		Variance %
	2022	30 June 2021	
Revenue	2,962,504	2,723,928	+8.8
Gross profit	1,235,361	1,312,125	-5.9
Profit before taxation (PBT)	1,146,639	1,247,371	-8.1
Profit for the period	853,072	1,003,902	-15.0
EBITDA*	1,627,305	1,730,568	-6.0

* EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted associate and joint ventures and other significant non-cash items.

The Group maintained its world-class reliability performance across all its plants and facilities during the period.

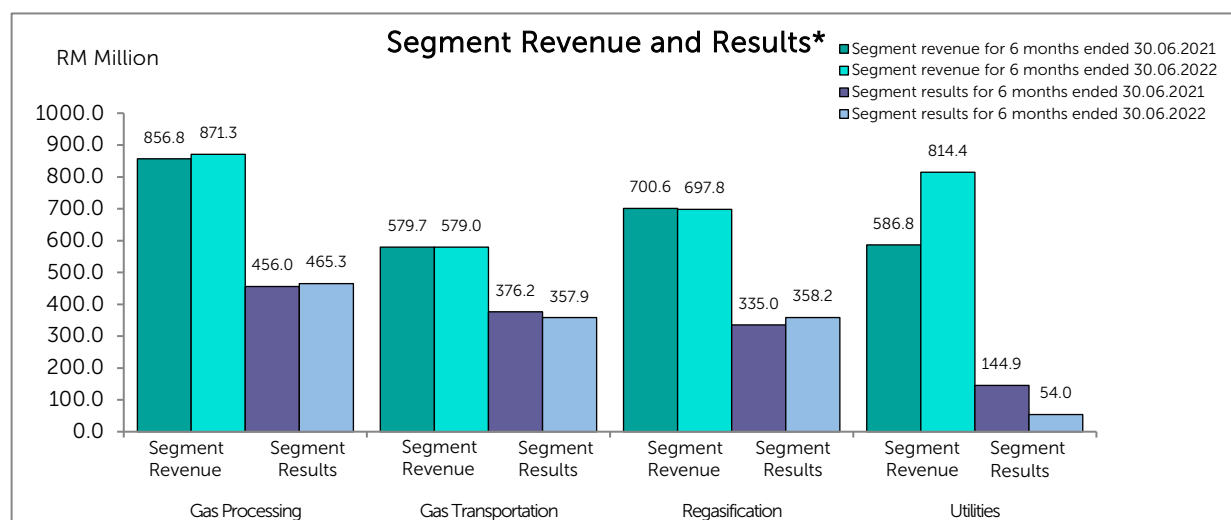
Group revenue increased by 8.8% or RM238.6 million to RM2,962.5 million mainly driven by higher revenue from the Utilities segment. Utilities revenue improved as a result of higher product prices and higher electricity sales volume recorded.

Gross profit was nonetheless lower by 5.9% or RM76.8 million on the back of tighter Utilities margin following higher fuel gas price, which is based on reference market price.

PBT declined by 8.1% or RM100.7 million in tandem with lower gross profit, coupled with impact of unfavourable foreign exchange movement.

Profit for the period decreased by 15.0% or RM150.8 million with lower PBT as well as higher effective tax rate with the imposition of Prosperity Tax for year of assessment 2022.

The following section provides further analysis of the Group performance by operating segments.



*Note: Segment Results refers to Gross Profit

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. REVIEW OF GROUP PERFORMANCE (continued)

(b) Performance of current year to date against the corresponding year to date (continued)

Gas Processing

The Group's Gas Processing plants maintained its world class operational performance, recording close to 100% reliability.

Segment revenue increased by 1.7% or RM14.5 million against corresponding period following higher internal gas consumption incentive achieved.

Segment results correspondingly increased by 2.0% or RM9.3 million in tandem with higher revenue.

Gas Transportation

The Group's pipeline network continued to register close to 100% reliability, comparable to the corresponding period.

Segment revenue was comparable at RM579.0 million while segment results decreased by 4.9% or RM18.3 million due to higher operating costs, mainly internal gas consumption in line with higher fuel gas price.

Regasification

The Group's LNG regasification terminals in Sg. Udang, Melaka (RGTSU) and Pengerang, Johor (RGTP) sustained their strong reliability performance at close to 100% during the period.

Segment revenue was slightly lower by 0.4% or RM2.8 million mainly attributable to lower LNG reloading fee at RGTSU.

Conversely, segment results rose by 6.9% or RM23.2 million driven by lower operating costs, largely attributable to lower internal gas consumption (IGC) cost. The IGC cost was higher in corresponding period due to inclusion of prior year charges.

Utilities

The Group's Utilities plants achieved 100% Product Delivery Reliability for steam, electricity, and industrial gases during the period.

Segment revenue grew by 38.8% or RM227.6 million, mainly attributable to higher product prices and higher electricity sales volume. Product prices were higher in line with fuel gas price, which is based on reference market price while electricity sales volume increased following commencement of electricity supply to the grid under the New Electricity Despatch Arrangement (NEDA) from August 2021 onwards.

Segment results, nevertheless, declined by 62.7% or RM90.9 million attributable to tighter margins as a result of higher fuel gas costs.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

19. COMPARISON AGAINST IMMEDIATE PRECEDING QUARTER RESULTS

<i>In RM'000</i>	Individual quarter ended		Variance %
	30 June 2022	31 March 2022	
Revenue	1,504,599	1,457,905	+3.2
Gross profit	623,163	612,198	+1.8
Profit before taxation (PBT)	558,335	588,304	-5.1
Profit for the quarter	415,498	437,574	-5.0
EBITDA*	804,109	823,196	-2.3

* EBITDA refers to earnings before interest, taxation, depreciation, and amortisation, share of profit of equity accounted associate and joint ventures and other significant non-cash items.

The Group sustained its strong performance across all of its plants and facilities during the quarter under review.

Group revenue was higher by 3.2% or RM46.7 million against the preceding quarter with all segments recording higher revenue mainly Utilities and Regasification segments. Utilities revenue increased due to favourable impact from contracts renewal coupled with higher customer demand while Regasification segment revenue was higher in tandem with higher number of days in the quarter coupled with higher LNG reloading fee recorded.

Gross profit increased by 1.8% or RM11.0 million with Utilities segment recording improved contribution on the back of higher revenue.

PBT and profit for the quarter were nonetheless lower by 5.1% or RM30.0 million and 5.0% or RM22.1 million respectively due to impact of unfavourable foreign exchange movement, partially negated with higher gross profit.

20. REVIEW OF GROUP FINANCIAL POSITION

<i>In RM'000</i>	As at 30 June 2022	As at 31 December 2021	Variance %
	Total assets	19,303,821	
Total equity attributable to the shareholders of the Company	12,980,595	13,098,564	-0.9
Total liabilities	6,076,796	5,846,593	+3.9
Return on equity (%)	14.2	15.2	-1.0

The Group's total assets at RM19.3 billion was higher by 0.6% or RM117.7 million following higher cash and cash equivalents.

Total equity attributable to shareholders of the Company slightly lower by 0.9% or RM118.0 million to RM13.0 billion mainly attributable to dividends declared and paid to shareholders of the Company, offset by profit for the period.

Total liabilities increased by 3.9% or RM230.2 million due to drawdown from Islamic financing facility and higher tax payable, partially negated by settlements of trade and other payables.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

21. REVIEW OF GROUP CASH FLOWS

<i>In RM'000</i>	Cumulative quarter ended		Variance %
	2022	30 June 2021	
Net cash generated from operating activities	1,576,958	1,493,263	+5.6
Net cash used in investing activities	(503,839)	(422,372)	+19.3
Net cash used in financing activities	(872,480)	(754,542)	+15.6
Net increase in cash and cash equivalents	200,639	316,349	-36.6

Net cash generated from operating activities was higher by 5.6% or RM83.7 million due to higher settlement from customers.

Net cash used in investing activities increased by 19.3% or RM81.5 million in line with higher spending on capital expenditure.

Net cash used in financing activities increased by 15.6% or RM117.9 million as a result of higher dividend paid to shareholders of the Company.

22. TAX EXPENSE

Tax expense comprises the following:

<i>In RM'000</i>	Individual quarter ended		Cumulative quarter ended	
	2022	30 June 2021	2022	30 June 2021
Current tax expenses				
Malaysia				
- current period	146,955	118,738	302,308	256,560
Deferred tax expenses				
- origination and reversal of temporary differences	(4,118)	(5,764)	(8,741)	(13,091)
Total tax expenses	142,837	112,974	293,567	243,469

The effective tax rate for the quarter and six months period ended 30 June 2022 was higher than the statutory tax rate of 24% mainly due to the one-off tax rate of 33% on chargeable income of the Company exceeding RM100 million for the year of assessment 2022 in accordance with the provision of Malaysian Finance Act 2021 ("Prosperity Tax"). This was negated by tax incentive granted for LNG regasification terminal in Pengerang, Johor.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

23. COMMENTARY ON PROSPECTS

Gas and utilities demand is expected to improve as the country is transitioning into endemic phase of COVID-19. PGB Group expects assets utilisation to improve in line with the economic recovery.

Group's performance in 2022 is expected to remain resilient on the back of long-term contracts which ensures steady revenue streams, particularly for Gas Processing, Gas Transportation and Regasification business segments. During the period, the Group has renewed several long-term Utilities' contracts which improved the Utilities segment margin for Quarter 2 performance amidst higher fuel gas costs.

Nevertheless, the anticipated rise in Malaysia Reference Price (MRP), weakening trend of MYR against USD and imposition of Prosperity Tax may further impact the overall Group's performance.

The Group will continue to focus on excellent operational performance and remain committed to ensure sustained level of returns to our shareholders.

24. PROFIT FORECAST

There was no profit forecast published by the Group as at the date of this report.

25. STATUS OF CORPORATE PROPOSAL ANNOUNCED BUT NOT COMPLETED

There was no corporate proposal announced but not completed as at the date of this report.

26. TRADE AND OTHER RECEIVABLES

<i>In RM'000</i>	As at 30 June 2022	As at 31 December 2021
Trade receivables		
- Third party	38,492	31,728
- Related companies	647,299	714,336
- Joint ventures	978	400
- Related parties	17,535	27,707
	704,304	774,171
Other receivables	136,125	115,557
Less: Impairment loss	(138)	(130)
Trade and other receivables	840,291	889,598

Average credit term for trade receivables granted to related parties and third parties is 30 days.

The ageing of trade receivables as at reporting date are as follows:

<i>In RM'000</i>	As at 30 June 2022	As at 31 December 2021
Current	704,304	771,602
Past due 1 to 30 days	-	2,569
Past due 31 to 60 days	-	-
Past due 61 to 90 days	-	-
Past due more than 90 days	-	-
Trade receivables	704,304	774,171

With respect to the Group's trade receivables, there are no indications as at reporting date that the debtors will not meet their payment obligations.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

26. TRADE AND OTHER RECEIVABLES (continued)

Significant related party trade receivables

Related companies	Nature of transactions
a. Holding company Petroleum Nasional Berhad	Provision of gas processing services.
b. Related companies PETRONAS Energy & Trading Sdn Bhd PETRONAS Chemical Derivatives Sdn Bhd	Provision of gas transportation services and LNG regasification services. Sales of industrial utilities.

27. FOREIGN EXCHANGE EXPOSURE / HEDGING POLICY

The Group operates predominantly in Malaysia and transacts mainly in Ringgit Malaysia. Nevertheless, the Group is exposed to varying levels of foreign exchange risk when it enters into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date. As at 30 June 2022, the Group foreign currency liabilities largely relate to USD lease liabilities for floating storage units at its LNG Regasification Terminal, Sg. Udang amounting to USD209.4 million (31 December 2021: USD215.5 million) and for jetty usage at its LNG Regasification Terminal, Pengerang amounting to USD122.7 million (31 December 2021: USD123.8 million).

The Group's foreign currency management policy is to minimise economic and significant transactional exposure arising from currency movements. Residual net positions are actively managed and monitored against prescribed policies and control procedures. When deemed necessary and appropriate, the Group will enter into derivative financial instruments to hedge and minimise their exposure to the foreign currency movements.

28. BORROWINGS

Particulars of Group's borrowings are as follows:

<i>In RM'000</i>	As at 30 June 2022	As at 31 December 2021
Non-Current		
Secured		
Islamic financing facility	1,500,000	1,500,000
Lease liabilities	1,412,653	1,372,967
Unsecured		
Islamic financing facility	647,842	405,940
	<u>3,560,495</u>	<u>3,278,907</u>
Current		
Secured		
Islamic financing facility	110,000	110,000
Lease liabilities	64,211	58,209
	<u>174,211</u>	<u>168,209</u>
	<u>3,734,706</u>	<u>3,447,116</u>
<i>In RM'000</i>		
By Currency		
RM	2,272,309	2,030,686
USD	1,462,397	1,416,430
Closing exchange rate (RM/USD)	4.4035	4.1740

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**28. BORROWINGS (continued)**

In RM'000	Total	Less than 1 year	Between 1-5 years	More than 5 years
Secured				
Islamic financing facility	1,610,000	110,000	435,000	1,065,000
Lease liabilities	1,476,864	64,211	348,842	1,063,811
Unsecured				
Islamic financing facility	647,842	-	647,842	-
	3,734,706	174,211	1,431,684	2,128,811

¹ The secured Islamic financing facility (Islamic Murabahah Medium Term Notes) bears profit rates ranging from 2.12% to 3.74% per annum and is repayable at various due dates annually from 2022 to 2040.

² The lease liabilities bear interest at rates between 8.1% to 9.1% (2021: between 7.2% to 9.1%) per annum.

³ The unsecured Islamic financing facility (Commodity Murabahah Term Financing) bears profit rates ranging from 2.38% to 2.66% (2021: 2.44%) per annum and is repayable in full in March 2024.

Reconciliation of liabilities arising from financing activities:

In RM'000	At 1 January 2022	Net changes from financing cash flows	Non-cash changes*	At 30 June 2022
Secured Islamic financing facility	1,610,000	-	-	1,610,000
Lease liabilities	1,431,176	(31,400)	77,088	1,476,864
Unsecured Islamic financing facility	405,940	243,000	(1,098)	647,842
	3,447,116	211,600	75,990	3,734,706

*Non-cash changes consist of foreign exchange translation, lease adjustment and other amortisation.

Islamic financing facilities

In RM'000	As at 30 June 2022	Group As at 31 December 2021
Secured RM Murabahah Medium Term Notes	1,610,000	1,610,000
Unsecured RM Commodity Murabahah Term Financing	647,842	405,940
	2,257,842	2,015,940

Lease liabilities

Lease liabilities mainly represent future obligation to make lease payments for the right to use the Group's floating storage unit in Sg. Udang, Melaka and jetty facilities in Pengerang, Johor.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

29. DERIVATIVES

Outstanding derivatives as at the date of the statement of financial position are as follows:

	Notional/Contract Value		Fair Value	
	As at 30 June 2022 USD'000	As at 31 December 2021 USD'000	As at 30 June 2022 RM'000	As at 31 December 2021 RM'000
Forward exchange contracts				
- Less than 1 year	16,337	33	3,034	343

There were no changes to the requirements and nature of the outstanding derivatives as disclosed since the last audited financial statements for the year ended 31 December 2021, other than as disclosed above.

30. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

The Group does not have any financial liabilities that are measured at fair value (other than derivative financial instruments) for the period under review.

31. MATERIAL LITIGATION

On 25 November 2019, PETRONAS Gas Berhad ("the Company") was served a Notice of Arbitration by PBJV Group Sdn Bhd ("PBJV"). The claim amounting to RM179.8 million is in relation to the procurement, construction, and commissioning of Pengerang Gas Pipeline Project ("the Project") where a Consortium was appointed by the Company as the contractor for the Project. PBJV was one of the Consortium partners for the Project.

On 24 December 2019, the Company has responded to the Notice of Arbitration and denied all PBJV claims as baseless allegation and without any merit as the Global Settlement Agreement agreed by both Consortium partners recorded the settlement terms in relation to the Project. The matter is currently ongoing.

There has been no other material litigation since the last audited consolidated financial statements for the year ended 31 December 2021.

32. EARNINGS PER SHARE

Basic earnings per share (EPS) is derived based on the net profit attributable to shareholders of the Company and the number of ordinary shares outstanding during the period.

	Individual quarter ended		Cumulative quarter ended	
	2022	30 June 2021	2022	30 June 2021
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	396,503	439,069	807,082	955,468
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	20.04	22.19	40.79	48.29

As at the date of the statement of financial position, the Company has not issued any dilutive potential ordinary shares and hence, the diluted EPS is the same as the basic EPS.

33. AUDITOR REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

As disclosed in Note 3.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

34. OPERATING PROFIT FOR THE PERIOD

<i>In RM'000</i>	Individual quarter ended		Cumulative quarter ended	
	2022	30 June 2021	2022	30 June 2021
Operating profit includes the following charges:				
Depreciation of property, plant and equipment*	253,544	260,320	499,002	507,245
Property plant and equipment written off	177	-	177	-
Loss on disposal of property, plant and equipment	-	13	-	-
Unrealised loss on foreign exchange	50,638	-	58,399	37,535
Realised loss on foreign exchange	-	-	215	-
Impairment loss – expected credit loss	13	20	-	-
and crediting:				
Gain on disposal of property, plant and equipment	-	-	-	69
Realised gain on foreign exchange	259	4,046	-	3,548
Unrealised gain on foreign exchange	-	521	-	-
Interest income:				
- fund investments	18,262	15,311	37,009	29,459
- term loan due from a joint venture	3,158	3,461	6,162	6,941
Impairment write back – expected credit loss	-	-	19	32

* Includes depreciation on right-of-use (ROU) assets and amortisation of prepaid lease payments.

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

35. DIVIDENDS

As disclosed in Note 9.

36. EXCHANGE RATE

USD/MYR	Individual quarter ended			Cumulative quarter ended		
	30.06.2022	31.03.2022	30.06.2021	30.06.2022	30.06.2021	31.12.2021
Average rate	4.3502	4.1925	4.1288	4.2713	4.0968	4.1439
Closing rate	4.4035	4.2030	4.1545	4.4035	4.1545	4.1740

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2022

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF
BURSA MALAYSIA SECURITIES BERHAD

37. AUTHORISED FOR ISSUE

The quarterly report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 26 August 2022.

BY ORDER OF THE BOARD

Mek Yam @ Mariam Hassan
MAICSA 7030578
SSM Practising Certificate No. 201908000788

Yeap Kok Leong
MAICSA 0862549
SSM Practising Certificate No. 202008001750

Company Secretaries
Kuala Lumpur
26 August 2022