



PETRONAS

PETRONAS GAS BERHAD

Interim Financial Report

For the First Quarter ended 31 March 2019

INTERIM FINANCIAL REPORT

FOR THE FIRST QUARTER ENDED 31 MARCH 2019



Key Financial Highlights (in RM'000)	3 months ended		Variance %
	2019	31 March 2018	
Revenue	1,367,590	1,350,766	+1.2
Profit before taxation (PBT)	670,031	636,985	+5.2
Profit for the period	530,774	505,352	+5.0
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	897,732	911,346	-1.5
Earnings per share (EPS) (sen)	26.05	24.42	+6.7
Declared dividends per share (sen)	16.00	16.00	0.0

- PETRONAS Gas Berhad** recorded revenue of **RM1,367.6 million, an increase of 1.2% or RM16.8 million** compared to the corresponding quarter last year. The higher revenue was attributable to higher revenue from gas processing and utilities segments arising from improved reservation charge under the 2nd term Gas Processing Agreement and higher prices following upward fuel gas price revision respectively. These offset the impact under Incentive Based Regulation (IBR), for the gas transportation and regasification segments.
- PBT stood at RM670.0 million, an increase of 5.2% or RM33.0 million** on unrealised foreign exchange gain on translation of USD denominated lease liabilities and higher share of profit from a joint venture company following the completion of the Group's Air Separation Unit project in Pengerang, Johor, amidst lower gross profit attributable mainly to the gas transportation and regasification segments.
- Profit for the quarter rose by 5.0% or RM25.5 million to RM530.8 million** in tandem with higher PBT.
- EBITDA was lower by 1.5% or RM13.6 million at RM897.7 million** in line with lower gross profit.
- EPS improved by 6.7%**, reflecting higher net profit attributable to shareholders of the Company.
- The Board of Directors has approved a first interim dividend** of 16 sen per ordinary share amounting to RM316.6 million in respect of the financial year ending 31 December 2019.

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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 for the first quarter ended 31 March 2019 that should be read in conjunction with the accompanying explanatory notes on pages 5 to 22.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM'000</i>	Note	As at 31 March 2019	As at 31 December 2018
ASSETS			
Property, plant and equipment		12,976,872	12,487,577
Prepaid lease payment		-	4,158
Investment in joint ventures		630,350	559,056
Investment in associate		144,932	136,729
Deferred tax assets		286,636	315,861
Long term receivables		283,950	282,276
TOTAL NON-CURRENT ASSETS		14,322,740	13,785,657
Trade and other inventories		67,180	66,657
Trade and other receivables	25	825,131	942,176
Tax recoverable		-	13,466
Cash and cash equivalents		3,771,409	3,616,028
TOTAL CURRENT ASSETS		4,663,720	4,638,327
TOTAL ASSETS		18,986,460	18,423,984
EQUITY			
Share capital		3,165,204	3,165,204
Reserves		9,822,725	9,806,652
Total equity attributable to the shareholders of the Company		12,987,929	12,971,856
Non-controlling interests		285,287	376,535
TOTAL EQUITY		13,273,216	13,348,391
LIABILITIES			
Borrowings	27	3,858,564	3,232,761
Deferred tax liabilities		1,175,750	1,180,181
Deferred income		3,781	4,017
TOTAL NON-CURRENT LIABILITIES		5,038,095	4,416,959
Trade and other payables		555,487	564,481
Borrowings	27	100,977	94,153
Tax payable		18,685	-
TOTAL CURRENT LIABILITIES		675,149	658,634
TOTAL LIABILITIES		5,713,244	5,075,593
TOTAL EQUITY AND LIABILITIES		18,986,460	18,423,984
Net assets per share attributable to the shareholders of the Company (RM)		6.5638	6.5556

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

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

		3 months ended	
	Note	2019	31 March 2018
<i>In RM'000</i>			
Revenue		1,367,590	1,350,766
Cost of revenue		(768,605)	(709,424)
Gross profit		598,985	641,342
Administration expenses		(25,510)	(24,303)
Other expenses		(297)	(3,683)
Other income		117,897	45,632
Operating profit	32	691,075	658,988
Financing costs		(60,254)	(39,025)
Share of profit after tax of equity-accounted joint ventures and associate		39,210	17,022
Profit before taxation		670,031	636,985
Tax expense	21	(139,257)	(131,633)
PROFIT FOR THE PERIOD		530,774	505,352
Other comprehensive income/(expenses)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movement from exchange differences		(10,663)	(43,354)
Cash flow hedge:			
- Changes in fair value of derivatives		(11,354)	62,633
- Transfer to profit or loss		(36,458)	-
Share of cash flow hedge of an equity-accounted joint venture		1,912	(5,979)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		474,211	518,652
Profit attributable to:			
Shareholders of the Company		515,461	483,224
Non-controlling interests		15,313	22,128
PROFIT FOR THE PERIOD		530,774	505,352
Total comprehensive income attributable to:			
Shareholders of the Company		465,229	511,698
Non-controlling interests		8,982	6,954
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		474,211	518,652
Basic and diluted earnings per ordinary share (sen)		26.05	24.42

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

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In RM'000	Attributable to shareholders of the Company								
	Share capital	Hedging reserve	Foreign currency translation reserve	Other reserves	Retained profits	Non-distributable		Non-controlling interests	Total
						Total	Distributable		
Quarter ended 31 March 2018									
At 1 January 2018, restated	3,165,204	108,500	7,045	21,400	9,212,553	12,514,702		247,444	12,762,146
Net movement from exchange differences	-	-	(28,180)	-	-	(28,180)		(15,174)	(43,354)
Cash flow hedge	-	62,633	-	-	-	62,633		-	62,633
Share of cash flow hedge of an equity-accounted joint venture	-	(5,979)	-	-	-	(5,979)		-	(5,979)
Profit for the period	-	-	-	-	483,224	483,224		22,128	505,352
Total comprehensive income/ (expenses) for the period	-	56,654	(28,180)	-	483,224	511,698		6,954	518,652
Issuance of shares to non-controlling interest	-	-	-	-	-	-		7,334	7,334
Redemption of redeemable preference share in subsidiary	-	-	-	9,230	(9,230)	-		-	-
Interim dividend declared and paid in respect of previous year	-	-	-	-	(375,959)	(375,959)		-	(375,959)
Total transactions with shareholders of the Company	-	-	-	9,230	(385,189)	(375,959)		7,334	(368,625)
Balance at 31 March 2018	3,165,204	165,154	(21,135)	30,630	9,310,588	12,650,441		261,732	12,912,173
Quarter ended 31 March 2019									
Balance at 1 January 2019	3,165,204	101,803	25,962	57,090	9,621,797	12,971,856		376,535	13,348,391
Effect on the adoption of MFRS 16	-	-	-	-	(13,835)	(13,835)		(7,254)	(21,089)
At 1 January 2019, restated	3,165,204	101,803	25,962	57,090	9,607,962	12,958,021		369,281	13,327,302
Net movement from exchange differences	-	-	(4,332)	-	-	(4,332)		(6,331)	(10,663)
Cash flow hedge	-	(47,812)	-	-	-	(47,812)		-	(47,812)
Share of cash flow hedge of an equity-accounted joint venture	-	1,912	-	-	-	1,912		-	1,912
Profit for the period	-	-	-	-	515,461	515,461		15,313	530,774
Total comprehensive income/ (expenses) for the period	-	(45,900)	(4,332)	-	515,461	465,229		8,982	474,211
Redemption of redeemable preference share in subsidiary	-	-	-	190,611	(190,611)	-		(73,320)	(73,320)
Interim dividend declared and paid in respect of previous year	-	-	-	-	(435,321)	(435,321)		-	(435,321)
Interim dividend declared and paid in respect of current year	-	-	-	-	-	-		(19,656)	(19,656)
Total transactions with shareholders of the Company	-	-	-	190,611	(625,932)	(435,321)		(92,976)	(528,297)
Balance at 31 March 2019	3,165,204	55,903	21,630	247,701	9,497,491	12,987,929		285,287	13,273,216

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

		3 months ended	
	Note	2019	31 March 2018
<i>In RM'000</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit Before Taxation		670,031	636,985
<i>Adjustments for:</i>			
Depreciation and amortisation		277,438	273,364
Interest expense		60,254	39,025
Interest income	32	(34,323)	(21,006)
Share of profit after tax equity-accounted joint ventures and associate		(39,210)	(17,022)
Unrealised gain on foreign exchange	32	(57,708)	(6,503)
Other non-cash items		(151)	(450)
Operating profit before changes in working capital		876,331	904,393
Change in trade and other receivables		100,241	47,956
Change in trade inventories		(523)	374
Change in trade and other payables		(7,562)	(73,213)
Cash generated from operations		968,487	879,510
Interest income from fund and other investment		34,323	21,006
Taxation paid		(82,312)	(127,568)
Net cash generated from operating activities		920,498	772,948
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in a joint venture		(31,031)	(26,203)
Loans and advances to a joint venture		-	(54,552)
Purchase of property, plant and equipment		(127,806)	(70,524)
Proceeds from disposal of property, plant and equipment		-	344
Net cash used in investing activities		(158,837)	(150,935)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	9	(435,321)	(375,959)
Dividends paid to non-controlling interest		(19,656)	-
Drawdown of term loan	27	-	99,990
Drawdown of loan from corporate shareholder of a subsidiary	27	-	17,022
Financing costs paid		(60,066)	(40,927)
Repayment of lease liabilities	27	(11,502)	(7,508)
Proceeds from shares issued to non-controlling interest		-	7,334
Payment on redemption of preference shares to non-controlling interest		(73,320)	-
Net cash used in financing activities		(599,865)	(300,048)
Net increase in cash and cash equivalents		161,796	321,965
Net foreign exchange difference		(6,415)	(2,747)
Cash and cash equivalents at beginning of the period		3,616,028	2,500,357
Cash and cash equivalents at end of the period		3,771,409	2,819,575

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

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

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

The interim 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 be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2018. The explanatory notes attached to the interim 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 2018.

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 31 March 2019.

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 ended 31 December 2019 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 2018 except as described below.

As of 1 January 2019, the Group has adopted the following new MFRS, amendments to MFRSs and IC interpretation (collectively referred to as "pronouncements") which are effective for annual periods beginning on or after 1 January 2019.

MFRS 16 Leases

Amendments to MFRS 3 *Business Combinations (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 11 *Joint Arrangements (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 112 *Income Taxes (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 119 *Employee Benefits: Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 123 *Borrowing Costs (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 128 *Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

The effects of initial application of MFRS 16 to the financial statements of the Group are as follows:

MFRS 16 Leases

MFRS 16 replaces existing leases guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on balance sheet lease accounting for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases, leases of low-value items and variable lease payments. Lessor accounting remains similar to current standard which continue to be classified as finance or operating leases.

Right-of-use assets and prepaid lease payments are included under property, plant and equipment in the statement of financial position. The corresponding liability is included as borrowings in the statement of financial position

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

MFRS 16 Leases (continued)

As allowed by the transitional provision of MFRS 16, the Group have elected modified retrospective approach, with no restatement of comparative and the cumulative adjustments resulting from the initial application of MFRS 16 has been recognised in the statement of financial position at 1 January 2019 as follows:

Impact of adoption of MFRS 16 to opening balance at 1 January 2019	<u>RM'000</u>
Asset and Liabilities	
Increase in rights-of-use assets	678,505
Decrease in prepaid lease payment	(4,158)
Increase in finance lease liability	(695,436)
Equity	
Decrease in retained earnings	13,835
Decrease in non-controlling interests	7,254

There is no contract where the Group is a lessor that contains a lease in which the Group needs to reclassify as a finance lease.

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2018 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 quarter under review.

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 2018 that may have a material effect on the results of the quarter 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.

Impact of adoption of MFRS 16 to opening balance of property, plant and equipment	<u>RM'000</u>
Balance at 1 January 2019, as previously stated	12,487,577
Increase in rights-of-use assets	
- Recognition of lease contracts	674,347
- Reclassification from prepaid lease payment	4,158
At 1 January 2019, restated	<u>13,166,082</u>

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8. DEBT AND EQUITY SECURITIES

There was no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 31 March 2019, other than as disclosed in the interim financial statements.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

<i>In RM'000</i>	3 months ended	
	2019	31 March 2018
Ordinary		
Interim paid:		
2017 - Fourth interim dividend of 19 sen per ordinary share	-	375,959
2018 - Fourth interim dividend of 22 sen per ordinary share	435,321	-
	435,321	375,959

On 28 May 2019, the Directors of the Company approved a first interim dividend of 16 sen per ordinary share, amounting to RM316.6 million in respect of the financial year ending 31 December 2019.

The dividends are payable on 27 June 2019 to depositors registered in the Records of Depositors at the close of business on 19 June 2019.

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

- a) Shares transferred into the Depositor's Securities Account before 4.00 pm on 19 June 2019 in respect of ordinary transfers.
- b) Shares brought on the Bursa Malaysia Securities Berhad on a cum entitlement basis accordingly to the rules of the Bursa Malaysia Securities Berhad.

The interim financial statements for the current quarter do not reflect this approved interim dividend. The dividend, will be accounted for in equity as an appropriation of retained profits in the financial statements for the financial year ending 31 December 2019.

10. CHANGES IN THE COMPOSITION OF THE GROUP

There was no change in the composition of the Group during the quarter under review.

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**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
31 March 2019				
Financial assets				
<i>Current</i>				
Derivative assets	1,126	-	1,126	1,126
<i>Non-Current</i>				
Long term receivables	-	266,211	266,211	266,211
Derivative assets	17,739	-	17,739	17,739
Total financial assets	18,865	266,211	283,950	283,950
Financial liabilities				
<i>Current</i>				
Loan from corporate shareholder of a subsidiary	-	(52,135)	(52,135)	(52,135)
Derivative liabilities	(913)	-	(913)	(913)
	(913)	(52,135)	(53,048)	(53,048)
<i>Non-Current</i>				
Term loan	-	(1,765,513)	(1,765,513)	(1,765,513)
Loan from corporate shareholder of a subsidiary	-	(458,732)	(458,732)	(458,732)
	-	(2,224,245)	(2,224,245)	(2,224,245)
Total financial liabilities	(913)	(2,276,380)	(2,277,293)	(2,277,293)

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**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 2018				
Financial assets				
<i>Current</i>				
Derivative assets	17,175	-	17,175	17,175
<i>Non-Current</i>				
Long term receivables	-	269,913	269,913	269,913
Derivative assets	12,363	-	12,363	12,363
	12,363	269,913	282,276	282,276
Total financial assets	29,538	269,913	299,451	299,451
Financial liabilities				
<i>Current</i>				
Loan from corporate shareholder of a subsidiary	-	(52,965)	(52,965)	(52,965)
Derivative liabilities	(328)	-	(328)	(328)
	(328)	(52,965)	(52,293)	(52,293)
<i>Non-Current</i>				
Term loan	-	(1,793,643)	(1,793,643)	(1,793,643)
Loan from corporate shareholder of a subsidiary	-	(466,042)	(466,042)	(466,042)
	-	(2,259,685)	(2,259,685)	(2,259,685)
Total financial liabilities	(328)	(2,312,650)	(2,312,978)	(2,312,978)

The calculation of fair value for financial instruments depends on the type of instruments as follows:

- Fair value of 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 government bonds).
- Fair value of interest rate swap agreements are estimated by discounting expected future cash flows using current market interest rate and yield curve over the remaining term of the instruments.

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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 from gas fields offshore the East Coast of Peninsular Malaysia into salesgas and other by-products such as ethane, propane and butane.
- Gas Transportation – activities include transportation of processed gas to PETRONAS' end customers throughout Malaysia and export to Singapore and provision of operations and maintenance services.
- Regasification – activities include regasification of liquefied natural gas (LNG) into the Peninsular Gas Utilisation pipeline network.
- Utilities – activities include manufacturing, marketing and supplying of industrial utilities to the petrochemical complexes in the Kertih and Gebeng Industrial Area 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.

Business Segment	3 months ended				Total
	Gas Processing	Gas Transportation	Regasification	Utilities	
Revenue	424,136	289,675	302,325	351,454	1,367,590
Segment results	195,728	200,019	157,734	45,504	598,985
Unallocated income					92,090
Operating profit					691,075
Financing costs					(60,254)
Share of profit after tax of equity-accounted associate and joint ventures					39,210
Profit before taxation					670,031

Business Segment	3 months ended				Total
	Gas Processing	Gas Transportation	Regasification	Utilities	
Revenue	393,757	333,715	299,627	323,667	1,350,766
Segment results	161,324	260,044	174,072	45,902	641,342
Unallocated income					17,646
Operating profit					658,988
Financing costs					(39,025)
Share of profit after tax of equity-accounted associate and joint ventures					17,022
Profit before taxation					636,985

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**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/(expenses) mainly comprises 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>	3 months ended	
	2019	31 March 2018
Geographical Locations		
Peninsular Malaysia	1,348,414	1,333,765
Sabah and Sarawak	19,176	17,001
Total	1,367,590	1,350,766
Products and Services		
Gas processing services	424,136	393,757
Gas transportation services	277,394	322,106
Regasification services	302,325	299,627
Utilities		
- Electricity	167,964	144,900
- Steam	108,331	100,386
- Industrial gases	59,542	61,084
- Others*	15,324	17,023
Operations and maintenance services	12,574	11,883
Total	1,367,590	1,350,766

*Others relates to water treatment services and sale of other utilities products.

13. SUBSEQUENT EVENTS

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

14. CONTINGENCIES

<i>In RM'000</i>	As at 31 March 2019	As at 31 December 2018
Unsecured		
Counter claim by a third party against a joint venture	137,296	137,296

No provision has been made on the above contingencies (i.e. RM137,296,000 being the 60% of the counter claim) in the financial statements up to the reporting date.

Details of the above counter claim are further disclosed in Note 29.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****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 31 March 2019	As at 31 December 2018
Property, plant and equipment		
Approved and contracted for	472,390	259,002
Approved but not contracted for	3,017,095	3,516,365
	<u>3,489,485</u>	<u>3,775,367</u>
Share of capital expenditure of joint ventures		
Approved and contracted for	4	21,592
Approved but not contracted for	10,467	54,636
	<u>10,471</u>	<u>76,228</u>
	<u>3,499,956</u>	<u>3,851,595</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 2018.

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

17. REVIEW OF GROUP PERFORMANCE

Performance of current quarter against the corresponding quarter

In RM'000	3 months ended		Variance
	2019	31 March 2018	
Revenue	1,367,590	1,350,766	+1.2
Gross profit	598,985	641,342	-6.6
Profit before taxation (PBT)	670,031	636,985	+5.2
Profit for the quarter	530,774	505,352	+5.0
EBITDA*	897,732	911,346	-1.5

* 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's plants and facilities continued to perform strongly, at close to 100% reliability during the quarter.

As announced on 31 December 2018, the Group's gas transportation and regasification segments are subject to new tariffs under Incentive Based Regulation (IBR) pursuant to Third Party Access. The new tariffs are applicable from 1 January to 31 December 2019.

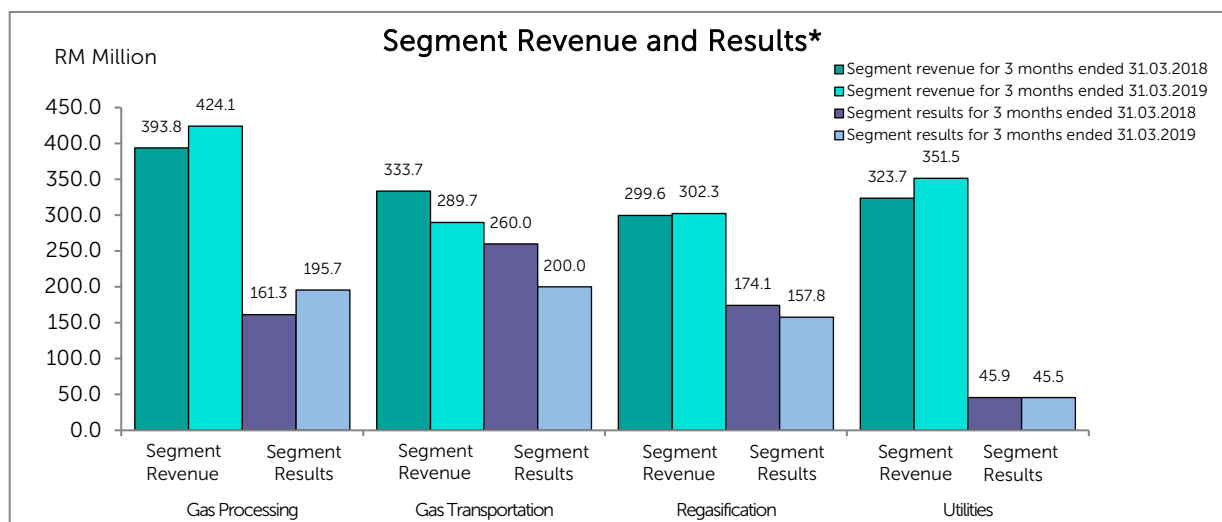
Group's revenue stood at RM1,367.6 million for the quarter, slightly higher by 1.2% or RM16.8 million, as higher revenue from gas processing and utilities offset lower revenue from gas transportation and LNG regasification Pengerang under IBR. Gas processing and utilities revenue rose on the back of higher reservation charge under the 2nd term Gas Processing Agreement and upward fuel gas price revision respectively.

Gross profit was lower by 6.6% or RM42.3 million at RM599.0 million, largely attributable to the gas transportation and regasification segments amidst improved results from gas processing.

Profit for the quarter was, nevertheless, higher by 5.0% or RM25.4 million due to unrealised foreign exchange gain and higher share of profit from a joint venture company. The unrealised foreign exchange gain of RM52.5 million arose due to discontinuance of hedge accounting on USD lease liabilities for floating storage units at the Group's LNG regasification terminal Sungai Udang. The higher share of profit follows the completion of the Group's Air Separation Unit project in Pengerang during the quarter.

EBITDA was lower by 1.5% or RM13.6 million in line with lower segment results.

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



*Note: Segment Results refers to Gross Profit

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17. REVIEW OF GROUP PERFORMANCE (continued)

Performance of current quarter against the corresponding quarter (continued)

Gas Processing

The Group's gas processing plants maintained its world class operating performance, comparable to corresponding quarter.

Segment revenue grew by 7.7% or RM30.3 million driven by higher reservation charge under the 2nd term Gas Processing Agreement effective 1 January 2019.

Driven by higher revenue and lower operating expenses, segment results surged by 21.3% or RM34.4 million against the corresponding quarter.

Gas Transportation

The Group's pipeline network achieved close to 100% reliability, similar to the corresponding quarter.

Segment revenue decreased by 13.2% or RM44.0 million in line with lower gas transportation tariff under Incentive Based Regulation (IBR) pursuant to Third Party Access. As announced on 31 December 2018, the new tariff will be applicable from 1 January to 31 December 2019.

Segment results was correspondingly lower by 23.1% or RM60.0 million with lower revenue and higher maintenance costs.

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.

As announced on 31 December 2018, new tariffs are applicable for both RGTSU and RGTP from 1 January to 31 December 2019 under Incentive Based Regulation.

Segment revenue was comparable at RM302.3 million against corresponding quarter as decrease in revenue from RGTP was offset by higher revenue from RGTSU.

Segment results declined by 9.4% or RM16.3 million with higher depreciation upon recognition of jetty facilities at RGTP.

Utilities

Segment revenue for the quarter rose by 8.6% or RM27.8 million in line with higher prices driven by upward revision of fuel gas price in 1 July 2018 and 1 January 2019, coupled with additional surcharge on national electricity tariff.

Segment results remained at similar level at RM45.5 million as the higher revenue was negated by higher cost of sales due to upward revision of fuel gas price.

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18. COMPARISON AGAINST IMMEDIATE PRECEDING QUARTER RESULTS

In RM'000	3 months ended		Variance %
	31 March 2019	31 December 2018	
Revenue	1,367,590	1,387,209	-1.4
Gross profit	598,985	593,049	+1.0
Profit before taxation (PBT)	670,031	447,326	+49.8
Profit for the quarter	530,774	342,398	+55.0
EBITDA*	897,732	871,135	+3.1

* 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.

Similar to the preceding quarter, the Group maintained its world class performance across its plant and facilities.

As announced on 31 December, both the gas transportation and regasification segments are subject to new tariffs under Incentive Based Regulation (IBR) pursuant to Third Party Access. The new tariffs are applicable from 1 January to 31 December 2019.

Group revenue declined slightly by 1.4% or RM19.6 million to RM1,367.6 million, mainly attributable to lower tariffs for the Group's gas transportation segment and LNG regasification terminal Pengerang under IBR. This was mitigated by higher revenue from gas processing on higher reservation charges under the 2nd Term Gas Processing Agreement and higher revenue from utilities driven by upward revision of fuel gas coupled with additional surcharge on national electricity tariff.

Gross profit improved by 1.0% or RM6.0 million to RM599.0 million with higher revenue from gas processing and utilities segments, supported by lower maintenance costs and depreciation.

Profit for the quarter registered a 55.0% or RM188.4 million increase. The preceding quarter results included a once-off de-recognition of deferred tax assets at the Group's joint venture company, Kimanis Power Sdn Bhd, amounting to RM124.3 million (being 60% share of the Group).

Excluding this impact, profit for the quarter would have been higher by 14% or RM64.1 million as a result of unrealised foreign exchange gain on translation and higher share of profits from a joint venture company during the quarter. The unrealised foreign exchange gain of RM52.5 million arose due to discontinuance of hedge accounting on USD lease liabilities for floating storage units at the Group's LNG regasification terminal Sungai Udang whilst higher share of profits from the joint venture company follows the completion of the Group's Air Separation Unit project in Pengerang.

EBITDA was up by 3.1% or RM26.6 million, tracking movement in gross profit.

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

19. REVIEW OF GROUP FINANCIAL POSITION

<i>In RM'000</i>	As at	As at	Variance %
	31 March 2019	31 December 2018	
Total assets	18,986,460	18,423,984	+3.1
Total equity attributable to the shareholders of the Company	12,987,929	12,971,856	+0.1
Total liabilities	5,713,244	5,075,593	+12.6
Return on equity (%)*	14.2	14.0	

* ROE is based on rolling PAT attributable to shareholders from 1 April 2018 to 31 March 2019.

The Group's increase in total asset by 3.1% or RM562.5 million was mainly contributed by higher property plant and equipment balance following adoption of MFRS 16 Leases, resulted in the recognition of right-of-use (ROU) assets and corresponding lease liabilities, effective from 1 January 2019.

Total equity of RM13.0 billion was slightly higher by 0.1% or RM16.1 million attributable to profit recorded during the period partially offset by dividend payments to shareholders.

Total liabilities increased by 12.6% at RM637.7 million mainly attributed to recognition of minimum lease payments for the ROU assets being recognised.

20. REVIEW OF GROUP CASH FLOWS

<i>In RM'000</i>	3 months ended		Variance %
	2019	31 March 2018	
Net cash generated from operating activities	920,498	772,948	+19.1
Net cash used in investing activities	(158,837)	(150,935)	+5.2
Net cash used in financing activities	(599,865)	(300,048)	+99.9
Net increase in cash and cash equivalents	161,796	321,965	-49.7%

Net cash generated from operating activities was higher by 19.1% or RM147.6 million mainly contributed by higher collection from utilities and operation and maintenance customers coupled with lower tax paid.

Net cash used in investing activities was higher by 5.2% or RM7.9 million mainly due to higher spending on capital expenditure mainly plant turnaround activities.

Net cash used in financing activities was higher by 99.9% or RM299.8 million mainly due to higher dividends paid during the quarter, redemption of preference shares by a subsidiary and nil drawdown of term loan in line with the completion of LNG regasification terminal and Air Separation Unit plant in Pengerang, Johor.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****21. TAX EXPENSE**

Tax expense comprises the following:

<i>In RM'000</i>	3 months ended	
	2019	31 March 2018
Current tax expenses		
Malaysia		
- current period	114,462	101,427
Total current tax expenses	114,462	101,427
Deferred tax expenses		
- origination and reversal of temporary differences	24,795	30,206
Total deferred tax expenses	24,795	30,206
Total tax expenses	139,257	131,633

The effective tax rate (ETR) for the current and corresponding quarter ended 31 March was lower than the statutory tax rate of 24% mainly due to tax incentives granted for LNG regasification terminal in Pengerang, Johor.

22. COMMENTARY ON PROSPECTS

As announced on 31 December 2018, the Energy Commission has approved the tariffs for the Gas Transportation and Regasification services for Pilot Regulatory Period in 2019. While the tariffs are expected to affect the Group's Transportation and Regasification business segment revenues in 2019, both segments are anticipated to continue contributing positively to the Group's earnings.

The Group's Gas Processing segment is expected to deliver improved earnings pursuant to the higher fixed reservation charge under the 2nd Term of the 20-year Gas Processing Agreement effective from 2019 until 2023.

23. PROFIT FORECAST

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

24. STATUS OF CORPORATE PROPOSAL ANNOUNCED BUT NOT COMPLETED

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

25. TRADE AND OTHER RECEIVABLES

<i>In RM'000</i>	As at 31 March 2019	As at 31 December 2018
Trade receivables		
- Third party	27,190	27,270
- Related companies	518,744	571,455
- Joint ventures	1,188	1,722
- Related parties	34,862	31,034
	581,984	631,481
Other receivables	243,319	310,860
Less: Impairment losses	(172)	(165)
Trade and other receivables	825,131	942,176

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

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****25. TRADE AND OTHER RECEIVABLES (continued)**

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

<i>In RM'000</i>	As at 31 March 2019	As at 31 December 2018
Current	573,533	638,532
Past due 1 to 30 days	4,121	(11,894)
Past due 31 to 60 days	3,921	2,867
Past due 61 to 90 days	-	2,014
Past due more than 90 days	409	(38)
Trade receivables	581,984	631,481

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.

Significant related party trade receivables

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

26. FOREIGN EXCHANGE EXPOSURE / HEDGING POLICY

The Group operate predominantly in Malaysia and transact 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.

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.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****27. BORROWINGS**

Particulars of Group's borrowings are as follows:

<i>In RM'000</i>	As at 31 March 2019	As at 31 December 2018
Non-Current		
<i>Secured</i>		
Lease liabilities	1,634,319	973,076
<i>Unsecured</i>		
Term loan	1,765,513	1,793,643
Loan from corporate shareholder of a subsidiary	458,732	466,042
	<u>3,858,564</u>	<u>3,232,761</u>
Current		
<i>Secured</i>		
Lease liabilities	48,842	41,188
<i>Unsecured</i>		
Loan from corporate shareholder of a subsidiary	52,135	52,965
	<u>100,977</u>	<u>94,153</u>
	<u>3,959,541</u>	<u>3,326,914</u>
<i>In RM'000</i>		
By Currency		
RM	1,673	-
USD	3,957,868	3,326,914
Closing exchange rate (RM/USD)	4.0795	4.1445

<i>In RM'000</i>	Total	Less than 1 year	Between 1-5 years	More than 5 years
Secured				
Lease liabilities	1,683,161	48,835	257,669	1,376,657
Unsecured				
Term loan	1,765,513	-	1,765,513	-
Loan from corporate shareholder of a subsidiary	510,867	52,135	228,941	229,791
	<u>3,959,541</u>	<u>100,970</u>	<u>2,252,123</u>	<u>1,606,448</u>

¹ Lease liabilities bears interest at rates between 7.2% to 9.1% (2018: 9.1%) per annum.

² The unsecured term loan bears interest at floating rates ranging from 3.2% to 3.3% (2018: 2.5% to 3.3%) per annum and are due for full payment in February 2021. The Company had entered into a series of Interest Rate Swaps in August 2017 to hedge against variable interest rate exposure arising from the unsecured term loan. As a result of this hedging arrangement, the unsecured term loan has a net fixed interest rate of 1.685% per annum.

³ Loan from corporate shareholder of a subsidiary bears fixed interest at a rate of 6.5% per annum and are repayable in tranches at their various due dates from 2019 to 2028.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****27. BORROWINGS (continued)**

Reconciliation of liabilities arising from financing activities:

<i>In RM'000</i>	At 1 January 2019	Effect of adoption of MFRS 16	At 1 January 2019 Restated	Net changes from financing cash flows	Foreign exchange movement	At 31 March 2019
Lease liabilities	1,014,264	695,436	1,709,700	(11,502)	(15,037)	1,683,161
Term loan	1,793,643	-	1,793,643	-	(28,130)	1,765,513
Loan from corporate shareholder of a subsidiary	519,007	-	519,007	-	(8,140)	510,867
	3,326,914	695,436	4,022,350	(11,502)	(51,307)	3,959,541

Drawdown of term loan and loan from a corporate shareholder of a subsidiary was to finance the Group's LNG regasification terminal and air separation unit plant in Pengerang, Johor.

28. DERIVATIVES

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

	Notional/Contract Value		As at 31 March 2019 USD'000	As at 31 December 2018 USD'000	As at 31 March 2019 RM'000	Fair Value As at 31 December 2018 RM'000
Lease liability <i>(designated as hedging instrument)</i>						
- More than 3 years			-*	245,748	-*	1,014,264
Interest rate swap						
- 1 year to 3 years			322,003	322,003	17,739	29,093
Forward exchange contract						
- Less than 1 year			8,662	18,666	213	117

* The Group's cash flow hedge accounting was discontinued as future storage fee under the Melaka regasification tariff denominated in USD, designated as the hedge item is no longer expected to occur following the conversion to RM effective 1 January 2019. Any related cumulative gain or loss on the hedging instrument has been reclassified from equity to profit or loss.

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 2018, other than as disclosed above.

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

29. MATERIAL LITIGATION

Kimanis Power Sdn Bhd (KPSB), a 60% joint venture company of the Group, has issued a Notice of Arbitration on 24 March 2017 to Sabah Electricity Sdn Bhd (SESB) in connection to disputes on Power Purchase Agreement entered into between the parties.

Subsequent to the issuance of the Notice of Arbitration, KPSB had on 12 September 2017 filed its Statement of Claim for an estimated sum of RM83,381,000 plus interests. SESB has since filed its Statement of Defence and Counterclaim on 2 November 2017 amounting to a sum of RM228,826,000 plus interests. In pursuing with arbitration matter, both parties are currently preparing factual and expert statements and tribunal hearing is scheduled to be held between November 2019 to December 2019.

There has been no other material litigation since the last audited consolidated financial statements for the year ended 31 December 2018.

30. 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.

	3 months ended	
	31 March	
	2019	2018
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	515,461	483,224
Number of ordinary shares in issue ('000)	1,978,732	1,978,732
EPS (sen)	26.05	24.42

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.

31. AUDITOR REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

As disclosed in Note 3.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****32. OPERATING PROFIT FOR THE PERIOD/YEAR**

<i>In RM'000</i>	3 months ended	
	2019	31 March 2018
Operating profit includes the following charges:		
Amortisation of prepaid lease payment	17	16
Depreciation of property, plant and equipment*	277,421	273,348
Property, plant and equipment written off	14	-
Loss on disposal of property, plant and equipment	182	-
Loss on realised foreign exchange	164	34
Impairment loss – expected credit loss	27	90
and crediting:		
Gain on unrealised foreign exchange	57,708	6,503
Gain on disposal of property, plant and equipment	-	380
Interest income from fund investments	34,323	21,006
Impairment write back – expected credit loss	-	207

*Depreciation of property, plant and equipment inclusive of Right-of Use (ROU) assets depreciation.

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

33. DIVIDENDS

As disclosed in Note 9.

34. EXCHANGE RATE

USD/MYR	31.03.2019	Individual Quarter Ended	
		31.12.2018	31.03.2018
Average rate	4.0905	4.1721	3.9248
Closing rate	4.0795	4.1445	3.8620

35. AUTHORISED FOR ISSUE

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 May 2019.

BY ORDER OF THE BOARD

Syuhaida Ab Rashid (MACS 01582)
Yeap Kok Leong (MAICSA 0862549)
Company Secretaries
Kuala Lumpur
28 May 2019