



PETRONAS

PETRONAS GAS BERHAD

Quarterly Report

For First Quarter ended 31 March 2020

Quarterly Report

For First Quarter ended 31 March 2020

Key Financial Highlights (in RM'000)	3 months ended		Variance %
	2020	31 March 2019	
Revenue	1,396,136	1,367,590	+2.1
Gross profit	609,584	598,985	+1.8
Profit before taxation (PBT)	448,958	670,031	-33.0
Profit for the period	348,019	530,774	-34.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	689,738	897,732	-23.2
Earnings per share (EPS) (sen)	18.60	26.05	-28.6
Declared dividends per share (sen)	16.00	16.00	-

- **PETRONAS Gas Berhad revenue stood at RM1,396.1 million, an increase of 2.1% or RM28.5 million compared to the corresponding quarter**, attributable to higher revenue from Gas Transportation and Regasification segments in line with new tariffs for Regulatory Period 1 (RP1) effective 1 January 2020, offset by lower revenue from Utilities segment due to lower electricity sales volume.
- **Gross profit improved by 1.8% or RM10.6 million** with higher contribution from Gas Processing and Regasification segments due to lower operating costs and inclusion of jetty leased asset at LNG Regasification Terminal, Pengerang for RP1 tariffs respectively. These negated lower contribution from Gas Transportation segment under RP1 and lower Utilities gross profit.
- **PBT at RM448.9 million, however, was lower by 33.0% or RM221.1 million** due to recognition of unrealised foreign exchange loss during the quarter on USD-denominated liabilities, as RM softened against USD. This compared to unrealised foreign exchange gain recognised in the corresponding quarter.
- **Profit for the quarter was lower by 34.4% or RM182.8 million** in tandem with lower PBT.
- **EBITDA was lower by 23.2% or RM208.0 million at RM689.7 million** driven by lower profit before tax. Excluding the impact of the unrealised foreign exchange movement, EBITDA would be higher in line with gross profit.
- **EPS decreased by 28.6%**, reflecting lower 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 2020.

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For First Quarter ended 31 March 2020

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 2020 that should be read in conjunction with the accompanying explanatory notes on pages 5 to 21.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM'000</i>	Note	As at 31 March 2020	As at 31 December 2019
ASSETS			
Property, plant and equipment		13,195,426	13,246,513
Investment in joint ventures		569,817	547,361
Investment in associate		147,570	137,771
Deferred tax assets		276,869	273,814
Long term receivables		274,895	263,569
TOTAL NON-CURRENT ASSETS		14,464,577	14,469,028
Trade and other inventories		78,489	78,153
Trade and other receivables	25	806,381	954,875
Tax recoverable		83,086	59,769
Cash and cash equivalents		3,961,666	4,021,696
TOTAL CURRENT ASSETS		4,929,622	5,114,493
TOTAL ASSETS		19,394,199	19,583,521
EQUITY			
Share capital		3,165,204	3,165,204
Reserves		9,817,454	10,080,158
Total equity attributable to the shareholders of the Company		12,982,658	13,245,362
Non-controlling interests		265,848	319,813
TOTAL EQUITY		13,248,506	13,565,175
LIABILITIES			
Borrowings	27	2,108,181	3,792,264
Deferred tax liabilities		1,236,043	1,233,482
Deferred income		2,835	3,072
TOTAL NON-CURRENT LIABILITIES		3,347,059	5,028,818
Trade and other payables		805,235	882,876
Borrowings	27	1,993,399	106,652
TOTAL CURRENT LIABILITIES		2,798,634	989,528
TOTAL LIABILITIES		6,145,693	6,018,346
TOTAL EQUITY AND LIABILITIES		19,394,199	19,583,521
Net assets per share attributable to the shareholders of the Company (RM)		6.5611	6.6939

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.

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For First Quarter ended 31 March 2020

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

		3 months ended	
		31 March	
	Note	2020	2019
<i>In RM'000</i>			
Revenue		1,396,136	1,367,590
Cost of revenue		(786,552)	(768,605)
Gross profit		609,584	598,985
Administration expenses		(29,710)	(25,510)
Other expenses		(163,034)	(297)
Other income		41,279	117,897
Operating profit	32	458,119	691,075
Financing costs		(54,383)	(60,254)
Share of profit after tax of equity-accounted joint ventures and associate		45,222	39,210
Profit before taxation		448,958	670,031
Tax expense	21	(100,939)	(139,257)
PROFIT FOR THE PERIOD		348,019	530,774
Other comprehensive income/(expenses)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movement from exchange differences		7,605	(10,663)
Cash flow hedge:			
- Changes in fair value of derivatives		(13,826)	(11,354)
- Transfer to profit or loss		-	(36,458)
Share of cash flow hedge of an equity-accounted joint venture		8,588	1,912
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		350,386	474,211
Profit attributable to:			
Shareholders of the Company		368,123	515,461
Non-controlling interests		(20,104)	15,313
PROFIT FOR THE PERIOD		348,019	530,774
Total comprehensive income attributable to:			
Shareholders of the Company		370,490	465,229
Non-controlling interests		(20,104)	8,982
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		350,386	474,211
Basic and diluted earnings per ordinary share (sen)		18.60	26.05

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In RM'000	Attributable to shareholders of the Company								
	Non-distributable					Distributable		Non-controlling interests	Total
	Share capital	Hedging reserve	Foreign currency translation reserve	Other reserves	Retained profits	Total			
Quarter ended 31 March 2019									
At 1 January 2019	3,165,204	101,803	25,962	57,090	9,459,579	12,809,638	369,281	13,178,919	
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 (expenses) /income 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 to shareholders of the Company	-	-	-	-	(435,321)	(435,321)	-	(435,321)	
Interim dividend declared and paid in respect of current year to non-controlling interest	-	-	-	-	-	-	(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	9,349,108	12,839,546	285,287	13,124,833	
Quarter ended 31 March 2020									
Balance at 1 January 2020	3,165,204	37,786	15,132	411,201	9,616,039	13,245,362	319,813	13,565,175	
Net movement from exchange differences	-	-	7,605	-	-	7,605	-	7,605	
Cash flow hedge	-	(13,826)	-	-	-	(13,826)	-	(13,826)	
Share of cash flow hedge of an equity-accounted joint venture	-	8,588	-	-	-	8,588	-	8,588	
Profit for the year	-	-	-	-	368,123	368,123	(20,104)	348,019	
Total comprehensive (expenses) /income for the period	-	(5,238)	7,605	-	368,123	370,490	(20,104)	350,386	
Redemption of redeemable preference share in subsidiary	-	-	-	109,600	(109,600)	-	-	-	
Interim dividend declared and paid in respect of previous year to shareholders of the Company	-	-	-	-	(633,194)	(633,194)	-	(633,194)	
Interim dividend declared and paid in respect of current year to non-controlling interest(s)	-	-	-	-	-	-	(33,861)	(33,861)	
Total transactions with shareholders of the Company	-	-	-	109,600	(742,794)	(633,194)	(33,861)	(667,055)	
Balance at 31 March 2020	3,165,204	32,548	22,737	520,801	9,241,368	12,982,658	265,848	13,248,506	

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	3 months ended 31 March	
		2020	2019
<i>In RM'000</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit Before Taxation		448,958	670,031
<i>Adjustments for:</i>			
Depreciation and amortisation	32	265,879	277,438
Financing costs		54,383	60,254
Interest income	32	(34,260)	(34,323)
Share of profit after tax of equity-accounted joint ventures and associate		(45,222)	(39,210)
Unrealised loss/(gain) on foreign exchange	32	151,957	(57,708)
Other non-cash items		(50)	(151)
Operating profit before changes in working capital		841,645	876,331
Change in trade and other receivables		150,349	100,241
Change in trade inventories		(336)	(523)
Change in trade and other payables		(9,639)	(7,562)
Cash generated from operations		982,019	968,487
Interest income from fund and other investments		34,260	34,323
Taxation paid		(124,764)	(82,312)
Net cash generated from operating activities		891,515	920,498
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend received from associate and joint ventures		29,160	-
Investment in joint venture		-	(31,031)
Purchase of property, plant and equipment		(241,725)	(127,806)
Proceeds from disposal of property, plant and equipment		8,447	-
Net cash used in investing activities		(204,118)	(158,837)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of the Company	9	(633,194)	(435,321)
Dividends paid to non-controlling interest		(33,861)	(19,656)
Financing costs paid		(54,234)	(60,066)
Repayment of lease liabilities	27	(26,138)	(11,502)
Payment on redemption of preference shares to non-controlling interest		-	(73,320)
Net cash used in financing activities		(747,427)	(599,865)
Net increase in cash and cash equivalents		(60,030)	161,796
Net foreign exchange difference		-	(6,415)
Cash and cash equivalents at beginning of the period		4,021,696	3,616,028
Cash and cash equivalents at end of the period		3,961,666	3,771,409

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.

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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 2019. 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 2019.

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 2020.

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 2020 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 2019 except as described below.

As of 1 January 2020, the Group has adopted the following amendments to MFRSs (pronouncements) which are effective for annual periods beginning on or after 1 January 2020.

Amendments to MFRS 3 *Business Combinations (Definition of a Business)*

Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

Amendments to MFRS 101 *Presentation of Financial Statements (Definition of Material)*

Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)*

The initial application of the above-mentioned pronouncements is not expected to 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 2019 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 2019 that may have a material effect on the results of the quarter under review.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

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 was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the period ended 31 March 2020, other than as disclosed in these condensed consolidated financial statements.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

<i>In RM'000</i>	3 months ended	
	2020	31 March 2019
Ordinary		
Interim paid:		
2018 - Fourth interim dividend of 22 sen per ordinary share	-	435,321
2019 - Fourth interim dividend of 22 sen per ordinary share	435,321	-
2019 - Special interim dividend of 10 sen per ordinary share	197,873	-
	633,194	435,321

On 20 May 2020, 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 2020.

The dividends are payable on 30 June 2020 to depositors registered in the Records of Depositors at the close of business on 15 June 2020.

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 15 June 2020 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 2020.

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 2020				
Financial assets				
<i>Current</i>				
Derivative assets	1,622	-	1,622	1,622
<i>Non-Current</i>				
Long term receivables	-	261,571	261,571	261,571
Derivative assets	13,324	-	13,324	13,324
Total financial assets	14,946	261,571	276,517	276,517
Financial liabilities				
<i>Current</i>				
Term loan	-	(1,880,309)	(1,880,309)	(1,880,309)
Loan from corporate shareholder of a subsidiary	-	(57,729)	(57,729)	(57,729)
Derivative liabilities	(14,355)	-	(14,355)	(14,355)
	(14,355)	(1,938,038)	(1,952,393)	(1,952,393)
<i>Non-Current</i>				
Loan from corporate shareholder of a subsidiary	-	(428,891)	(428,891)	(428,891)
	-	(428,891)	(428,891)	(428,891)
Total financial liabilities	(14,355)	(2,366,929)	(2,381,284)	(2,381,284)

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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 2019				
Financial assets				
<i>Current</i>				
Derivative assets	952	-	952	952
<i>Non-Current</i>				
Long term receivables	-	261,589	261,589	261,589
Derivative assets	1,980	-	1,980	1,980
	1,980	261,589	263,569	263,569
Total financial assets	2,932	261,589	264,521	264,521
Financial liabilities				
<i>Current</i>				
Loan from corporate shareholder of a subsidiary	-	(54,687)	(54,687)	(54,687)
Derivative liabilities	(1,329)	-	(1,329)	(1,329)
	(1,329)	(54,687)	(56,016)	(56,016)
<i>Non-Current</i>				
Term loan	-	(1,781,242)	(1,781,242)	(1,781,242)
Loan from corporate shareholder of a subsidiary	-	(406,295)	(406,295)	(406,295)
	-	(2,187,537)	(2,187,537)	(2,187,537)
Total financial liabilities	(1,329)	(2,242,224)	(2,243,553)	(2,243,553)

The calculation of fair value for derivative assets and derivative liabilities within 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 gas shippers' 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.

<i>In RM'000</i>	3 months ended				
	31 March 2020				
Business Segment	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Revenue	430,492	292,890	344,972	327,782	1,396,136
Segment results	222,888	188,824	164,927	32,945	609,584
Unallocated expense					(151,465)
Operating profit					458,119
Financing costs					(54,383)
Share of profit after tax of equity-accounted associate and joint ventures					45,222
Profit before taxation					448,958

<i>In RM'000</i>	3 months ended				
	31 March 2019				
Business Segment	Gas Processing	Gas Transportation	Regasification	Utilities	Total
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

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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:

In RM'000	3 months ended	
	2020	31 March 2019
Geographical Locations		
Peninsular Malaysia	1,392,576	1,348,414
Sabah and Sarawak	3,560	19,176
Total	1,396,136	1,367,590
Products and Services		
Gas processing services	430,492	424,136
Gas transportation services	289,791	277,394
Regasification services	344,972	302,325
Utilities		
- Electricity	140,999	167,964
- Steam	106,834	108,331
- Industrial gases	63,393	59,542
- Others ¹	16,253	15,324
Operations and maintenance services	3,402	12,574
Total	1,396,136	1,367,590

¹ 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

In RM'000	As at	As at
	31 March 2020	31 December 2019
Unsecured		
Counter claim by a third party against a joint venture	-	137,296

On 12 February 2020, the third party and joint venture of the Group have amicably resolved all outstanding disputes by entering into a Global Settlement Agreement and mutually withdrawing from the Arbitration proceedings.

There were no material contingent liabilities and contingent assets subsequent to the audited financial statements for the year ended 31 December 2019.

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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 31 March 2020	As at 31 December 2019
Property, plant and equipment		
Approved and contracted for	464,001	428,549
Approved but not contracted for	2,841,017	3,141,300
	3,305,018	3,569,849
Share of capital expenditure of joint ventures		
Approved and contracted for	9,892	18,760
Approved but not contracted for	7,862	15,405
	17,754	34,165
	3,322,772	3,604,014

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 2019.

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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
	2020	31 March 2019	
Revenue	1,396,136	1,367,590	+2.1
Gross profit	609,584	598,985	+1.8
Profit before taxation (PBT)	448,958	670,031	-33.0
Profit for the quarter	348,019	530,774	-34.4
EBITDA*	689,738	897,732	-23.2

* 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.

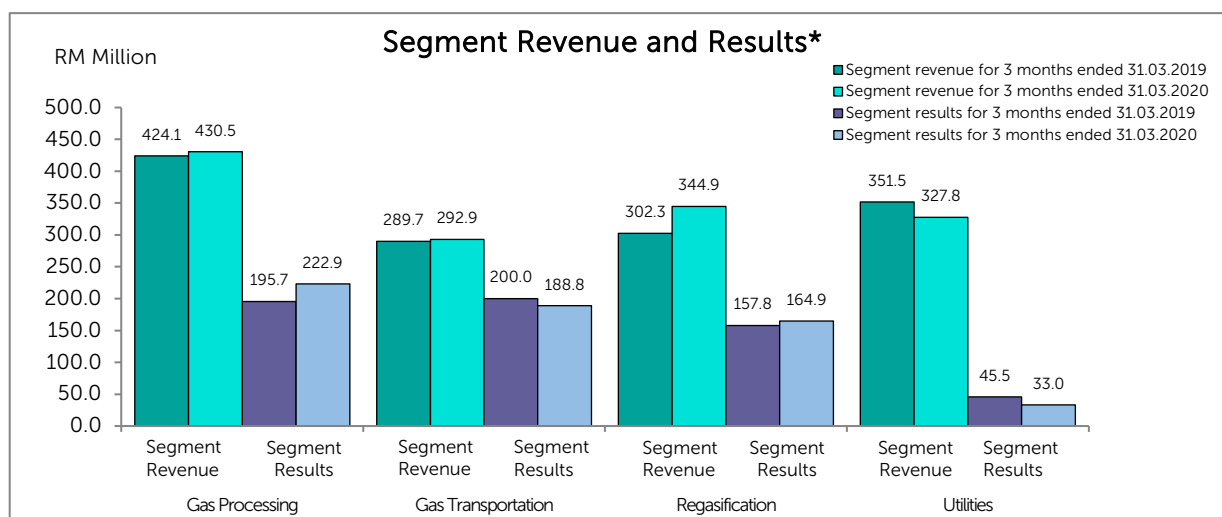
The Group recorded slightly higher revenue by 2.1% or RM28.5 million at RM1,396.1 million for the quarter following higher revenue for both its Gas Transportation and Regasification segments in line with new tariffs for Regulatory Period 1 (RP1) effective 1 January 2020, offset by lower revenue from Utilities segment due to lower electricity sales volume.

Gross profit increased by 1.8% or RM10.6 million with higher contribution from Gas Processing segment due to lower operational costs and from Regasification segment mainly attributable to inclusion of jetty leased asset at LNG Regasification Terminal, Pengerang for RP1 tariff. These offset lower contribution from Gas Transportation and Utilities segments.

PBT was lower by 33.0% or RM221.1 million as the Group was affected by weaker RM against USD which resulted in unrealised foreign exchange loss on translation of RM152.0 million relating to USD-denominated liabilities in the current quarter, compared to gain of RM57.7 million in the corresponding quarter.

Profit for the quarter was correspondingly lower by 34.4% or RM182.8 million.

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 operational performance, recording close to 99% reliability. During the quarter, the Group successfully completed planned statutory turnaround at one of its gas processing plant in the Kerteh complex.

Segment revenue increased by 1.5% or RM6.4 million, mainly attributable to higher internal gas consumption (IGC) performance incentive reflective of efficient plant operations.

Segment results grew by 13.9% or RM27.2 million as higher revenue was further supported by lower depreciation and other operational expenses.

Gas Transportation

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

Suruhanjaya Tenaga has approved regulated tariff of RM1.129/GJ for the Peninsular Gas Utilisation (PGU) pipeline network which is applicable for Regulatory Period 1 (RP1) from 1 January 2020 to 31 December 2022. This compares to regulated tariff of RM1.072/GJ in 2019 under Pilot Regulatory Period (PRP).

The higher RP1 tariff follows the inclusion of IGC cost recovery, which is a pass-through cost. Prior to RP1, IGC cost was borne directly by the shipper.

Segment revenue was comparable at RM292.9 million as higher RP1 tariff mitigated lower revenue following transfer of Sabah-Sarawak Gas Pipeline operations to PETRONAS Carigali Sdn Bhd as well as transfer of Miri and Bintulu gas distribution assets to a third-party.

Segment results were lower by 5.6% or RM11.2 million as a result of lower net RP1 tariff excluding IGC, amidst lower operating expenses.

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.

Suruhanjaya Tenaga has approved regulated tariff of RM3.455/GJ and RM3.485/GJ for RGTSU and RGTP respectively which are applicable for RP1 from 1 January 2020 to 31 December 2022. In 2019, tariffs were RM3.518/mmBtu and USD0.637/mmBtu respectively under PRP.

The RP1 tariffs are higher on a comparable unit basis following the inclusion of IGC cost recovery, which is a pass-through cost. Prior to RP1, IGC cost was borne directly by the capacity user. In addition, RGTP tariff was higher due to inclusion of jetty leased asset for RP1.

Segment revenue grew by 14.1% or RM42.6 million in line with higher tariffs.

Segment results increased by 4.5% or RM7.1 million attributable to higher contribution from RGTP, offset by higher operational expenses.

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17. REVIEW OF GROUP PERFORMANCE (continued)

Performance of current quarter against the corresponding quarter (continued)

Utilities

Utilities revenue declined by 6.7% or RM23.7 million, mainly attributable to lower electricity offtake.

Segment results were lower by 27.5% or RM12.5 million with lower contribution from electricity sales volume despite lower depreciation expense and utilities cost of sales in line with lower production.

18. COMPARISON AGAINST IMMEDIATE PRECEDING QUARTER RESULTS

In RM'000	3 months ended		Variance %
	31 March 2020	31 December 2019	
Revenue	1,396,136	1,372,379	1.7
Gross profit	609,584	574,157	6.2
Profit before taxation (PBT)	448,958	588,271	-23.7
Profit for the quarter	348,019	492,933	-29.4
EBITDA*	689,738	875,179	-21.2

* 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 for plant and facilities reliability across all segments during the quarter under review. During the quarter, the Group successfully completed planned statutory turnaround at one of its gas processing plant in the Kerteh complex.

Against the preceding quarter, the Group recorded slightly higher revenue by 1.7% or RM23.7 million as a result of higher Regulatory Period 1 (RP1) tariffs for its Peninsular Gas Utilisation (PGU) pipeline network and both LNG regasification terminals in Johor and Melaka. This was offset by lower revenue from Utilities, attributable to lower sales volume of electricity.

Gross profit increased by 6.2% or RM35.4 million, mainly due to higher contribution from Regasification segment with the inclusion of jetty leased assets at RGTP under RP1 and from Gas Processing segment supported by lower operational expenses.

PBT and profit for the quarter were, however, lower by 23.7% or RM139.4 million and 29.4% or RM145.0 million respectively as weaker RM against USD led to higher unrealised foreign exchange losses on translation of USD liabilities totalling RM152.0 million compared to gain of RM11.4 million in the preceding quarter.

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19. REVIEW OF GROUP FINANCIAL POSITION

<i>In RM'000</i>	As at 31 March 2020	As at 31 December 2019	Variance %
Total assets	19,394,199	19,583,521	-1.0
Total equity attributable to the shareholders of the Company	12,982,658	13,245,362	-2.0
Total liabilities	6,145,693	6,018,346	+2.1
Return on equity (%)	13.8	14.6	0.8

The Group's total assets at RM19.4 billion was slightly lower by 1.0% or RM189.3 million following lower receivable balances as well as lower cash and cash equivalents due to higher dividends paid to shareholders of the Company.

Total equity attributable to shareholders of the Company was lower by 2.0% or RM262.7 million at RM13.0 billion in line with higher dividends paid to shareholders of the Company offset by profit for the quarter.

Total liabilities increased by 2.1% or RM127.3 million mainly attributable to higher borrowings denominated in USD in line with unfavourable exchange rate movement trend against Ringgit Malaysia during the quarter.

20. REVIEW OF GROUP CASH FLOWS

<i>In RM'000</i>	3 months ended 31 March 2020	31 March 2019	Variance %
Net cash generated from operating activities	891,515	920,498	-3.1
Net cash used in investing activities	(204,118)	(158,837)	+28.5
Net cash used in financing activities	(747,427)	(599,865)	+24.6
Net increase in cash and cash equivalents	(60,030)	161,796	-137.1

Net cash generated from operating activities was slightly lower by 3.1% or RM29.0 million mainly due to higher tax paid.

Net cash used in investing activities increased by 28.5% or RM45.3 million in line with higher capital expenditure, mainly for statutory plant turnaround activities.

Net cash used in financing activities was higher by 24.6% or RM147.6 million arose from higher dividends paid to shareholders of the Company in respect of the financial year ended 31 December 2019.

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21. TAX EXPENSE

Tax expense comprises the following:

<i>In RM'000</i>	3 months ended	
	2020	31 March 2019
Current tax expenses		
Malaysia		
- current period	101,447	114,462
	101,447	114,462
Deferred tax expenses		
- origination and reversal of temporary differences	(508)	24,795
Total deferred tax expenses	(508)	24,795
Total tax expenses	100,939	139,257

The effective tax rate for the quarter ended 31 March 2020 was higher than the statutory tax rate of 24% as tax benefit arising from unrealised foreign exchange loss incurred by the Group's LNG regasification terminal business in Pengerang, Johor was not recognised as it had already been granted tax incentive in the form of tax holiday.

22. COMMENTARY ON PROSPECTS

As announced by the Group on 20 December 2019, the Energy Commission has approved the Incentive-based Regulation tariffs for the Regulatory Period 1 (RP1) for the Gas Transportation and Regasification services which commence from 1 January 2020 to 31 December 2022.

The Group's Transportation and Regasification business segment are anticipated to continue contributing positively to the Group's earnings under the RP1 tariffs.

The Group's Gas Processing segment is expected to remain stable on the back of its strong and sustainable income stream under the 2nd Term of the 20-year Gas Processing Agreement effective from 2019 until 2023.

The Group's Utilities segment contribution will be driven by customer demand, depending on economic conditions.

The current COVID-19 pandemic is not expected to significantly impact the Group's overall earnings as the Group's business model and long-term contracts ensures steady revenue streams, particularly for Gas Processing, Gas Transportation and Regasification business segments.

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.

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25. TRADE AND OTHER RECEIVABLES

<i>In RM'000</i>	As at 31 March 2020	As at 31 December 2019
Trade receivables		
- Third party	14,380	27,828
- Related companies	613,426	624,653
- Joint ventures	1,067	354
- Related parties	25,959	33,915
	<u>654,832</u>	<u>686,750</u>
Other receivables	151,611	268,210
Less: Impairment losses	(62)	(85)
Trade and other receivables	<u>806,381</u>	<u>954,875</u>

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 31 March 2020	As at 31 December 2019
Current	652,093	693,203
Past due 1 to 30 days	269	(140)
Past due 31 to 60 days	372	373
Past due 61 to 90 days	529	(8,623)
Past due more than 90 days	1,569	1,937
Trade receivables	<u>654,832</u>	<u>686,750</u>

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 Petroliam 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	Sales of industrial utilities.
PETRONAS Chemical MTBE Sdn Bhd	Sales of industrial utilities.
PETRONAS Chemical Ammonia Sdn Bhd	Sales of industrial utilities.

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26. 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.

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 derivative financial instruments to hedge and minimise their exposure to the foreign currency movements.

27. BORROWINGS

Particulars of Group's borrowings are as follows:

<i>In RM'000</i>	As at 31 March 2020	As at 31 December 2019
Non-Current		
Secured		
Lease liabilities	1,679,290	1,604,727
Unsecured		
Term loan	-	1,781,242
Loan from corporate shareholder of a subsidiary	428,891	406,295
	<u>2,108,181</u>	<u>3,792,264</u>
Current		
Secured		
Lease liabilities	55,361	51,965
Unsecured		
Term loan	1,880,309	-
Loan from corporate shareholder of a subsidiary	57,729	54,687
	<u>1,993,399</u>	<u>106,652</u>
	<u>4,101,580</u>	<u>3,898,916</u>
 <i>In RM'000</i>		
By Currency		
RM	5,765	5,903
USD	4,095,815	3,893,013
Closing exchange rate (RM/USD)	4.3275	4.0995

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27. BORROWINGS (continued)

In RM'000	Total	Less than	Between	More than
		1 year	1-5 years	5 years
Secured				
Lease liabilities	1,734,651	55,361	742,206	937,084
Unsecured				
Term loan	1,880,309	1,880,309	-	-
Loan from corporate shareholder of a subsidiary	486,620	57,729	251,278	177,613
	4,101,580	1,993,399	993,484	1,114,697

¹ Lease liabilities bears interest at rates between 7.0% to 9.1% (2019: between 7.2% to 9.1%) per annum.

² The unsecured term loan bears interest at floating rates ranging at 2.8% (2019: 2.1% to 2.8%) per annum and are due for full payment in February 2021. The Company had entered 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 2020 to 2028.

Reconciliation of liabilities arising from financing activities:

In RM'000	At	Net	Foreign	At
	1 January 2020	changes from financing cash flows	exchange movement	31 March 2020
Lease liabilities	1,656,692	(26,138)	104,097	1,734,651
Term loan	1,781,242	-	99,067	1,880,309
Loan from corporate shareholder of a subsidiary	460,982	-	25,638	486,620
	3,898,916	(26,138)	228,802	4,101,580

Lease liabilities mainly represents 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.

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.

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28. DERIVATIVES

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

	Notional/Contract Value		Fair Value	
	As at 31 March 2020 USD'000	As at 31 December 2019 USD'000	As at 31 March 2020 RM'000	As at 31 December 2019 RM'000
Interest rate swap - 1 year to 3 years	322,003	322,003	(11,845)	1,980
Forward exchange contract - Less than 1 year	13,497	13,497	(887)	(377)

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 2019.

29. MATERIAL LITIGATION

Arbitration by Kimanis Power Sdn Bhd ("KPSB"), a 60% joint venture company of the Group against Sabah Electricity Sdn Bhd ("SESB")

KPSB has issued a Notice of Arbitration on 24 March 2017 to SESB in connection to disputes on Power Purchase Agreement entered 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.

On 12 February 2020, both parties have agreed to amicably resolve all outstanding disputes by entering into a Global Settlement Agreement and mutually withdrawing from the Arbitration Proceedings.

There has been no material litigation as at the date of this report.

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	
	2020	31 March 2019
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	368,123	515,461
Number of ordinary shares in issue ('000)	1,978,732	1,978,732
EPS (sen)	18.60	26.05

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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32. OPERATING PROFIT FOR THE PERIOD

In RM'000	3 months ended	
	2020	31 March 2019
Operating profit includes the following charges:		
Depreciation of property, plant and equipment*	265,879	277,438
Property, plant and equipment written off	-	14
Loss on disposal of property, plant and equipment	-	182
Loss on realised foreign exchange	5,629	164
Loss on unrealised foreign exchange	151,957	-
Impairment loss - expected credit loss	-	27
and crediting:		
Gain on unrealised foreign exchange	-	57,708
Gain on disposal of property, plant and equipment	31	-
Interest income from fund investments	34,260	34,323
Impairment loss - expected credit loss	19	-

* 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.

33. DIVIDENDS

As disclosed in Note 9.

34. EXCHANGE RATE

USD/MYR	Individual quarter ended		
	31.03.2020	31.12.2019	31.03.2019
Average rate	4.1795	4.1683	4.0905
Closing rate	4.3275	4.0995	4.0795

35. AUTHORISED FOR ISSUE

The quarterly report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 May 2020.

BY ORDER OF THE BOARD

Syuhaida Ab Rashid (MACS 01582)
Yeap Kok Leong (MAICSA 0862549)
Company Secretaries
Kuala Lumpur
20 May 2020