



PETRONAS

PETRONAS GAS BERHAD

Quarterly Report

For the First Quarter Ended 31 March 2021

QUARTERLY REPORT

FOR THE FIRST QUARTER ENDED 31 MARCH 2021

Key Financial Highlights (in RM'000)	3 months ended		Variance %
	2021	31 March 2020	
Revenue	1,340,010	1,396,136	-4.0
Gross profit	712,337	609,584	+16.8
Profit before taxation (PBT)	670,500	448,958	+49.3
Profit for the period	540,005	348,019	+55.2
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)	896,588	689,738	+30.0
Earnings per share (EPS) (sen)	26.10	18.60	+40.3
Declared dividends per share (sen)	16.00	16.00	-

- **PETRONAS Gas Berhad revenue stood at RM1,340.0 million, a slight decrease of 4.0% or RM56.1 million** mainly attributable to lower revenue from Utilities segment in line with lower product prices amidst higher sales volume.
- **Nevertheless, gross profit improved by 16.8% or RM102.7 million** with all segments recording higher contribution as a result of lower operating costs.
- **PBT at RM670.5 million surged by 49.3% or RM221.5 million** as the higher gross profit was further bolstered by the impact of favourable foreign exchange movement.
- **Profit for the quarter and EBITDA were correspondingly higher by 55.2% or RM192.0 million at RM540.0 million and 30.0% or RM206.9 million at RM896.6 million** respectively in line with PBT.
- **EPS increased by 40.3%**, reflecting higher 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 2021.

QUARTERLY REPORT

FOR THE FIRST QUARTER ENDED 31 MARCH 2021

The Board of Directors of PETRONAS Gas Berhad (PGB or the Company) is pleased to announce the following unaudited condensed consolidated financial statements of PGB Group of Companies (PGB Group or the Group) for the first quarter ended 31 March 2021 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 2021	As at 31 December 2020
ASSETS			
Property, plant and equipment		12,985,526	13,216,195
Investment in joint ventures		676,026	631,248
Investment in associate		154,846	142,482
Long term receivables		214,974	208,453
Deferred tax assets		209,704	217,915
TOTAL NON-CURRENT ASSETS		14,241,076	14,416,293
Trade and other inventories		45,974	44,940
Trade and other receivables	25	706,326	744,484
Cash and cash equivalents		3,222,254	3,138,898
TOTAL CURRENT ASSETS		3,974,554	3,928,322
TOTAL ASSETS		18,215,630	18,344,615
EQUITY			
Share capital		3,165,204	3,165,204
Reserves		9,463,850	9,469,553
Total equity attributable to the shareholders of the Company		12,629,054	12,634,757
Non-controlling interests		330,412	333,777
TOTAL EQUITY		12,959,466	12,968,534
LIABILITIES			
Borrowings	27	3,203,391	3,134,260
Deferred tax liabilities		1,225,055	1,240,578
Deferred income		1,890	2,127
TOTAL NON-CURRENT LIABILITIES		4,430,336	4,376,965
Trade and other payables		673,931	839,135
Borrowings	27	146,303	145,161
Tax payable		5,594	14,820
TOTAL CURRENT LIABILITIES		825,828	999,116
TOTAL LIABILITIES		5,256,164	5,376,081
TOTAL EQUITY AND LIABILITIES		18,215,630	18,344,615
Net assets per share attributable to the shareholders of the Company (RM)		6.3824	6.3853

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

QUARTERLY REPORT

FOR THE FIRST QUARTER ENDED 31 MARCH 2021

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

	Note	Individual quarter ended	
		2021	31 March 2020
<i>In RM'000</i>			
Revenue		1,340,010	1,396,136
Cost of revenue		(627,673)	(786,552)
Gross profit		712,337	609,584
Administration expenses		(27,116)	(29,710)
Other expenses		(39,153)	(163,034)
Other income		21,223	41,279
Operating profit	32	667,291	458,119
Financing costs		(41,777)	(54,383)
Share of profit after tax of equity-accounted joint ventures and associate		44,986	45,222
Profit before taxation		670,500	448,958
Tax expense	21	(130,495)	(100,939)
PROFIT FOR THE PERIOD		540,005	348,019
Other comprehensive income/(expenses)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movement from exchange differences		11,569	7,605
Cash flow hedge		-	(13,826)
Share of cash flow hedge of an equity-accounted joint venture		587	8,588
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		552,161	350,386
Profit attributable to:			
Shareholders of the Company		516,399	368,123
Non-controlling interests		23,606	(20,104)
PROFIT FOR THE PERIOD		540,005	348,019
Total comprehensive income attributable to:			
Shareholders of the Company		528,555	370,490
Non-controlling interests		23,606	(20,104)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		552,161	350,386
Basic and diluted earnings per ordinary share (sen)		26.10	18.60

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

QUARTERLY REPORT

FOR THE FIRST QUARTER ENDED 31 MARCH 2021

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 2021									
Balance at 1 January 2021	3,165,204	34,706	9,948	520,801	8,904,098	12,634,757	333,777	12,968,534	
Net movement from									
exchange differences	-	-	11,569	-	-	11,569	-	11,569	
Share of cash flow hedge of an equity-accounted joint venture	-	587	-	-	-	587	-	587	
Profit for the period	-	-	-	-	516,399	516,399	23,606	540,005	
Total comprehensive income for the period	-	587	11,569	-	516,399	528,555	23,606	552,161	
Interim dividend declared and paid in respect of previous year	-	-	-	-	(534,258)	(534,258)	-	(534,258)	
Interim dividend declared and paid in respect of current year	-	-	-	-	-	-	(26,971)	(26,971)	
Total transactions with shareholders of the Company	-	-	-	-	(534,258)	(534,258)	(26,971)	(561,229)	
Balance at 31 March 2021	3,165,204	35,293	21,517	520,801	8,886,239	12,629,054	330,412	12,959,466	
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 period	-	-	-	-	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	-	-	-	-	(633,194)	(633,194)	-	(633,194)	
Interim dividend declared and paid in respect of current year	-	-	-	-	-	-	(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	

QUARTERLY REPORT

FOR THE FIRST QUARTER ENDED 31 MARCH 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Individual quarter ended	
	Note	2021	31 March 2020
<i>In RM'000</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		670,500	448,958
<i>Adjustments for:</i>			
Depreciation and amortisation	32	246,925	265,879
Share of profit after tax of equity-accounted joint ventures and associate		(44,986)	(45,222)
Unrealised loss on foreign exchange	32	38,056	151,957
Interest income	32	(17,628)	(34,260)
Financing costs		41,777	54,383
Other non-cash items		(117)	(50)
Operating profit before changes in working capital		934,527	841,645
Change in trade and other receivables		37,640	150,349
Change in trade and other inventories		(1,006)	(336)
Change in trade and other payables		(110,676)	(9,639)
Cash generated from operations		860,485	982,019
Interest income		17,628	34,260
Taxation paid		(147,048)	(124,764)
Net cash generated from operating activities		731,065	891,515
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend received from joint ventures and associate		-	29,160
Proceeds from disposal of property, plant and equipment		-	8,447
Purchase of property, plant and equipment		(177,283)	(241,725)
Net cash used in investing activities		(177,283)	(204,118)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of the Company	9	(534,258)	(633,194)
Dividends paid to non-controlling interest		(26,971)	(33,861)
Drawdown of Islamic financing facility	27	144,587	-
Payment of lease liabilities	27	(14,005)	(26,138)
Interest expense paid		(39,779)	(54,234)
Net cash used in financing activities		(470,426)	(747,427)
Net increase/(decrease) in cash and cash equivalents		83,356	(60,030)
Cash and cash equivalents at beginning of the period		3,138,898	4,021,696
Cash and cash equivalents at end of the period		3,222,254	3,961,666

Included in the Group's cash and cash equivalents is RM114,493,000 (2020: nil) held in a finance service reserve account which is designated as security against a subsidiary's Islamic financing facility.

QUARTERLY REPORT

FOR THE FIRST QUARTER ENDED 31 MARCH 2021

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 2020. 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 2020.

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 2021.

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 2021 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 2020 except as described below.

As of 1 January 2021, the Group has adopted the following amendments to MFRSs (pronouncements) which are effective for annual periods beginning on or after 1 January 2021.

Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosures* and MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)*

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

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2020 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.

QUARTERLY REPORT

FOR THE FIRST QUARTER ENDED 31 MARCH 2021

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of the Group for the year ended 31 December 2020 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.

8. DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the period ended 31 March 2021.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

<i>In RM'000</i>	3 months ended	
	2021	31 March 2020
Ordinary		
Interim paid:		
2019 - Fourth interim dividend of 22 sen per ordinary share	-	435,321
2019 - Special interim dividend of 10 sen per ordinary share	-	197,873
2020 - Fourth interim dividend of 22 sen per ordinary share	435,321	-
2020 - Special interim dividend of 5 sen per ordinary share	98,937	-
	534,258	633,194

On 25 May 2021, 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 2021.

The dividends are payable on 21 June 2021 to depositors registered in the Records of Depositors at the close of business on 11 June 2021.

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 11 June 2021 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 2021.

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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FOR THE FIRST QUARTER ENDED 31 MARCH 2021

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 2021				
Financial assets				
<i>Current</i>				
Derivative assets	6	-	6	6
<i>Non-Current</i>				
Long term receivables	-	215,311	215,311	215,311
Total financial assets	6	215,311	215,317	215,317
Financial liabilities				
<i>Current</i>				
Secured Islamic financing facility	-	(90,000)	(90,000)	(90,000)
Derivative liabilities	(4)	-	(4)	(4)
	(4)	(90,000)	(90,004)	(90,004)
<i>Non-Current</i>				
Secured Islamic financing facility	-	(1,610,000)	(1,610,000)	(1,610,000)
Unsecured Islamic financing facility	-	(144,587)	(144,587)	(144,587)
	-	(1,754,587)	(1,754,587)	(1,754,587)
Total financial liabilities	(4)	(1,844,587)	(1,844,591)	(1,844,591)

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FOR THE FIRST QUARTER ENDED 31 MARCH 2021

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 2020				
Financial assets				
<i>Current</i>				
Derivative assets	15	-	15	15
<i>Non-Current</i>				
Long term receivables	-	208,856	208,856	208,856
Total financial assets	15	208,856	208,871	208,871
Financial liabilities				
<i>Current</i>				
Secured Islamic financing facility	-	(90,000)	(90,000)	(90,000)
Derivative liabilities	(161)	-	(161)	(161)
	(161)	(90,000)	(90,161)	(90,161)
<i>Non-Current</i>				
Secured Islamic financing facility	-	(1,610,000)	(1,610,000)	(1,610,000)
Total financial liabilities	(161)	(1,700,000)	(1,700,161)	(1,700,161)

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 non-derivative financial instruments, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.
- Fair value of 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).

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FOR THE FIRST QUARTER ENDED 31 MARCH 2021

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 Peninsular 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 and provision of ancillary services comprising LNG reloading, truck loading and gassing up and cooling down services.
- Utilities – activities include manufacturing, marketing and supplying of industrial utilities 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 2021				
Business Segment	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Revenue	428,902	288,401	347,490	275,217	1,340,010
Segment results	243,348	197,612	196,582	74,795	712,337
Unallocated expense					(45,046)
Operating profit					667,291
Financing costs					(41,777)
Share of profit after tax of equity-accounted associate and joint ventures					44,986
Profit before taxation					670,500

<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

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FOR THE FIRST QUARTER ENDED 31 MARCH 2021

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	
	2021	31 March 2020
Geographical Locations		
Peninsular Malaysia	1,338,130	1,392,576
Sabah and Sarawak	1,880	3,560
Total	1,340,010	1,396,136
Products and Services		
Gas processing services	428,902	430,492
Gas transportation services	287,468	289,791
Regasification services	343,021	344,136
Utilities		
- Electricity	115,702	140,999
- Steam	91,001	106,834
- Industrial gases	52,566	63,393
- Others ¹	15,633	16,253
Operations and maintenance services	1,248	3,402
LNG ancillary services	4,469	836
Total	1,340,010	1,396,136

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

There were no material contingent liabilities and contingent assets subsequent to the audited financial statements for the year ended 31 December 2020.

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FOR THE FIRST QUARTER ENDED 31 MARCH 2021

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 2021	As at 31 December 2020
Property, plant and equipment		
Approved and contracted for	510,730	453,686
Approved but not contracted for	3,999,346	3,979,712
	<u>4,510,076</u>	<u>4,433,398</u>
Share of capital expenditure of joint ventures		
Approved and contracted for	220	795
Approved but not contracted for	9,957	9,648
	<u>10,177</u>	<u>10,443</u>
	<u>4,520,253</u>	<u>4,443,841</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 2020.

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FOR THE FIRST QUARTER ENDED 31 MARCH 2021

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 %
	2021	31 March 2020	
Revenue	1,340,010	1,396,136	-4.0
Gross profit	712,337	609,584	+16.8
Profit before taxation (PBT)	670,500	448,958	+49.3
Profit for the quarter	540,005	348,019	+55.2
EBITDA*	896,588	689,738	+30.0

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

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

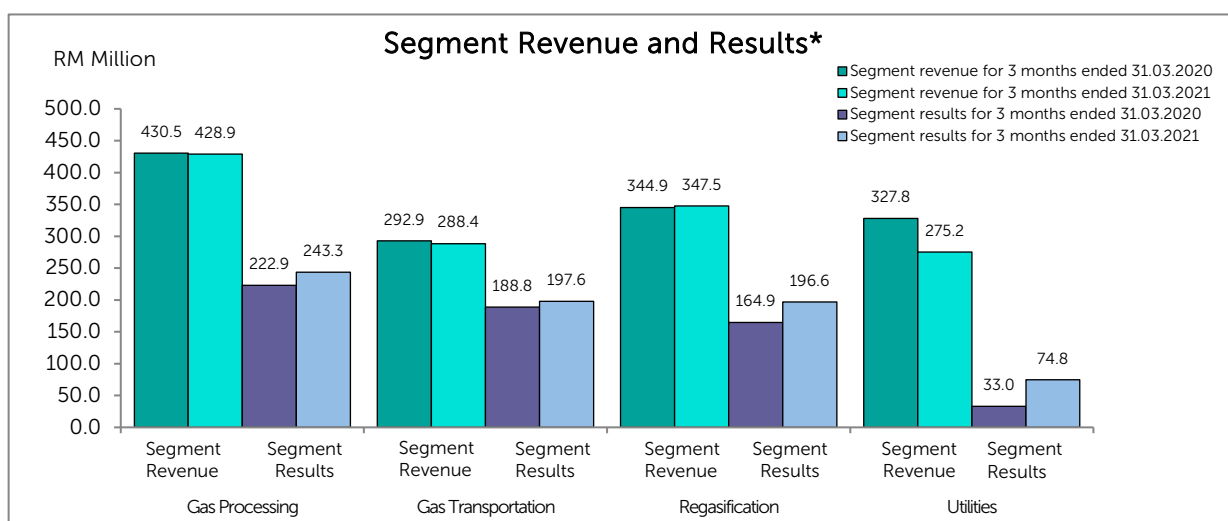
Group revenue declined slightly by 4.0% or RM56.1 million to RM1,340.0 million mainly attributable to lower revenue from Utilities segment in line with lower product prices amidst higher sales volumes.

Gross profit was nevertheless higher by 16.8% or RM102.7 million with all segments recording higher contribution on lower operating costs, relating to fuel gas, internal gas consumption and depreciation.

PBT surged by 49.3% or RM221.5 million in tandem with higher gross profit, complemented by favourable movement on foreign exchange.

Correspondingly, profit for the quarter grew by 55.2% or RM192.0 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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FOR THE FIRST QUARTER ENDED 31 MARCH 2021

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

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 100% reliability.

Segment revenue was comparable at RM428.9 million while segment results rose by 9.2% or RM20.4 million on the back of lower operating costs.

Gas Transportation

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

Segment revenue was slightly lower by 1.5% or RM4.5 million mainly due to lower number of operating days compared to corresponding quarter coupled with lower operations and maintenance services (O&M) revenue.

Segment results increased by 4.7% or RM8.8 million with lower operating costs including internal gas consumption (IGC).

Regasification

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

Segment revenue grew by 0.8% or RM2.6 million with the introduction of new revenue streams from LNG reloading at RGTSU and truck loading at RGTP.

Segment results registered a 19.2% or RM31.7 million increase on the back of lower operating costs, largely attributable to IGC cost.

Utilities

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

Segment revenue fell by 16.0% or RM52.6 million, mainly attributable to lower product prices following downward revision of fuel gas price as a result of changes in pricing from regulated price to reference market price amidst higher sales volumes. With the exception of electricity, Utilities product pricing allows for cost pass-through.

Conversely, segment results surged by 126.7% or RM41.8 million attributable to favourable margin impact of lower fuel gas costs as well as lower depreciation expense.

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18. COMPARISON AGAINST IMMEDIATE PRECEDING QUARTER RESULTS

<i>In RM'000</i>	3 months ended		Variance %
	31 March 2021	31 December 2020	
Revenue	1,340,010	1,388,740	-3.5
Gross profit	712,337	636,313	+11.9
Profit before taxation (PBT)	670,500	641,212	+4.6
Profit for the quarter	540,005	521,031	+3.6
EBITDA*	896,588	886,559	+1.1

* 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.

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

Group revenue was lower by 3.5% or RM48.7 million against the preceding quarter attributable to lower revenue from Utilities segment as a result of lower product prices to customers.

Gross profit nevertheless improved by 11.9% or RM76.0 million driven by lower operating costs largely attributable to lower repair and maintenance and fuel gas costs.

PBT and profit for the quarter were higher by 4.6% or RM29.3 million and 3.6% or RM19.0 million respectively as a result of higher gross profit coupled with higher share of profit from joint venture companies, offset by unfavourable impact of foreign exchange movement.

19. REVIEW OF GROUP FINANCIAL POSITION

<i>In RM'000</i>	As at 31 March 2021	As at 31 December 2020	Variance %
	Total assets	18,215,630	
Total equity attributable to the shareholders of the Company	12,629,054	12,634,757	-0.0
Total liabilities	5,256,164	5,376,081	-2.2
Return on equity (%)	17.1	15.9	+1.2

The Group's total assets at RM18.2 billion was slightly lower by 0.7% or RM129.0 million with lower property, plant and equipment balances due to depreciation, offset by increase in cash and cash equivalents.

Total equity attributable to shareholders of the Company was comparable at RM12.6 billion as profit for the year was offset by dividends paid.

Total liabilities decreased by 2.2% or RM119.9 million following settlement of trade and other payables.

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20. REVIEW OF GROUP CASH FLOWS

<i>In RM'000</i>	3 months ended		Variance %
	2021	31 March 2020	
Net cash generated from operating activities	731,065	891,515	-18.0
Net cash used in investing activities	(177,283)	(204,118)	-13.1
Net cash used in financing activities	(470,426)	(747,427)	-37.1
Net increase/(decrease) in cash and cash equivalents	83,356	(60,030)	+238.9

Net cash generated from operating activities was lower by 18.0% or RM160.4 million in line with higher settlement of trade and other payables.

Net cash used in investing activities decreased by 13.1% or RM26.8 million in line with lower spending on capital expenditure and lower dividends received from joint ventures and associate.

Net cash used in financing activities declined by 37.1% or RM277.0 million due to drawdown on the Company's new Islamic financing facility coupled with lower dividends paid to shareholders of the Company.

21. TAX EXPENSE

Tax expense comprises the following:

<i>In RM'000</i>	3 months ended	
	2021	31 March 2020
Current tax expenses		
Malaysia		
- current period	137,822	101,447
Deferred tax expenses		
- origination and reversal of temporary differences	(7,327)	(508)
Total tax expenses	130,495	100,939

The effective tax rate (ETR) for the quarter ended 31 March 2021 was lower than the statutory tax rate of 24% mainly due to tax incentives granted for LNG regasification terminal in Pengerang, Johor.

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22. COMMENTARY ON PROSPECTS

PGB Group's performance in 2021 is expected to remain resilient despite the ongoing pandemic as the Group's business model and long-term contracts ensures steady revenue streams, particularly for Gas Processing, Gas Transportation and Regasification business segments.

The Group's Gas Transportation and Regasification business segments 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, underpinned by economic conditions.

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 2021	As at 31 December 2020
Trade receivables		
- Third party	14,823	11,257
- Related companies	559,712	611,382
- Joint ventures	411	914
- Related parties	25,334	15,428
	600,280	638,981
Other receivables	106,122	105,564
Less: Impairment loss	(76)	(61)
Trade and other receivables	706,326	744,484

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 2021	As at 31 December 2020
Current	599,868	638,981
Past due 1 to 30 days	430	-
Past due 31 to 60 days*	(18)	-
Past due 61 to 90 days	-	-
Past due more than 90 days	-	-
Trade receivables	600,280	638,981

*Balances represent credit note issued to a customer.

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.

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25. TRADE AND OTHER RECEIVABLES (continued)

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.

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. As at 31 March 2021, the Group foreign currency liabilities largely relate to USD lease liabilities for floating storage units at its LNG Regasification Terminal, Sg Udang amounting to USD224.5 million (31 December 2020: USD227.1 million) and for jetty usage at its LNG Regasification Terminal, Pengerang amounting to USD134.8 million (31 December 2020: USD161.7 million).

The Group's foreign currency management policy is to minimise economic and significant transactional exposure arising from currency movements. Residual net positions are actively managed and monitored against prescribed policies and control procedures. When deemed necessary and appropriate, the Group will enter 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 2021	As at 31 December 2020
Non-Current		
Secured		
Islamic financing facility	1,610,000	1,610,000
Lease liabilities	1,448,804	1,524,260
Unsecured		
Islamic financing facility	144,587	-
	3,203,391	3,134,260
Current		
Secured		
Islamic financing facility	90,000	90,000
Lease liabilities	56,303	55,161
	146,303	145,161
	3,349,694	3,279,421
<i>In RM'000</i>		
By Currency		
RM	1,857,437	1,712,966
USD	1,492,257	1,566,455
Closing exchange rate (RM/USD)	4.1530	4.0285

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In RM'000	Total	Less than 1 year	Between 1-5 years	More than 5 years
Secured				
Islamic financing facility	1,700,000	90,000	445,000	1,165,000
Lease liabilities	1,505,107	56,303	302,300	1,146,504
Unsecured				
Islamic financing facility	144,587	-	144,587	-
	3,349,694	146,303	891,887	2,311,504

¹ The secured Islamic financing facility (Murabahah Islamic Medium Term Notes) bear profit rates ranging from 2.03% to 3.74% per annum and is repayable at various due dates annually from 2021 to 2040.

² The lease liabilities bears interest at rates between 7.2% to 9.1% (2020: between 7.2% to 9.1%) per annum.

³ The unsecured Islamic financing facility (Commodity Murabahah Term Financing) bear a profit rate of 2.44% per annum and is repayable in full in March 2024.

Reconciliation of liabilities arising from financing activities:

In RM'000	At 1 January 2021	Net changes from financing cash flows	Others*	At 31 March 2021
Secured Islamic financing facility	1,700,000	-	-	1,700,000
Lease liabilities	1,579,421	(14,005)	(60,309)	1,505,107
Unsecured Islamic financing facility	-	144,587	-	144,587
	3,279,421	130,582	(60,309)	3,349,694

*Others consist of foreign exchange translation and lease adjustment.

Islamic financing facilities

In RM'000	2021	Group 2020
Secured RM Murabahah Medium Term Notes	1,700,000	1,700,000
Unsecured RM Commodity Murabahah Term Financing	144,587	-
	1,844,587	1,700,000

On 22 February 2021, PETRONAS Gas Berhad (PGB) obtained a 3-year unsecured Commodity Murabahah term financing facility for a maximum aggregate principal of up to RM1.3 billion.

Lease liabilities

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

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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 2021 USD'000	As at 31 December 2020 USD'000	As at 31 March 2021 RM'000	As at 31 December 2020 RM'000
Forward exchange contract - Less than 1 year	202	64	2	(147)

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 2020, other than as disclosed above.

29. MATERIAL LITIGATION

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

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

There has been no other material litigation since the last audited consolidated financial statements for the year ended 31 December 2020.

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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	
	2021	31 March 2020
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	516,399	368,123
Number of ordinary shares in issue ('000)	1,978,732	1,978,732
EPS (sen)	26.10	18.60

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.

32. OPERATING PROFIT FOR THE PERIOD

<i>In RM'000</i>	3 months ended	
	2021	31 March 2020
Operating profit includes the following charges:		
Depreciation of property, plant and equipment*	246,925	265,879
Realised loss on foreign exchange	498	5,629
Unrealised loss on foreign exchange	38,056	151,957
and crediting:		
Gain on disposal of property, plant and equipment	82	31
Interest income from fund investments	17,628	34,260
Impairment write back – expected credit loss	52	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.

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33. DIVIDENDS

As disclosed in Note 9.

34. EXCHANGE RATE

USD/MYR	31.03.2021	Individual quarter ended	
		31.12.2020	31.03.2020
Average rate	4.0647	4.1082	4.1795
Closing rate	4.1530	4.0285	4.3275

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 25 May 2021.

BY ORDER OF THE BOARD

Tengku Mazura Tengku Ismit (MACS 01585)
Yeap Kok Leong (MAICSA 0862549)
Company Secretaries
Kuala Lumpur
25 May 2021