



PETRONAS

PETRONAS GAS BERHAD

Interim Financial Report

For the Third Quarter ended 30 September 2019

Interim Financial Report

For The Third Quarter Ended 30 September 2019

Key Financial Highlights (in RM'000)	9 months ended 30 September		Variance %
	2019	2018	
Revenue	4,085,871	4,110,865	-0.6
Profit before taxation (PBT)	1,874,613	1,904,572	-1.6
Profit for the period	1,491,118	1,565,785	-4.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	2,627,648	2,740,834	-4.1
Earnings per share (EPS) (sen)	73.28	75.42	-2.8
Declared dividends per share (sen)	50.00	50.00	0.0

- PETRONAS Gas Berhad** recorded revenue of **RM4,085.9 million for the 9 months ended 30 September 2019**, only marginally lower compared to the corresponding period. Lower revenue from Gas Transportation and LNG regasification terminal Pengerang due to lower tariffs under Incentive-based Regulation (IBR) during the period was offset by higher revenue from Gas Processing and Utilities segments arising from improved reservation charge under the 2nd term Gas Processing Agreement and higher selling prices respectively.
- PBT stood at RM1,874.6 million, a decrease of 1.6% or RM30.0 million** on the back of lower gross profit contribution from Gas Transportation, Regasification and Utilities segments. The lower gross profit registered for Utilities segment was in line with lower volumes due to planned statutory turnaround conducted at one of the Group's Air Separation Unit in Kertih. These were negated by higher Gas Processing gross profit, unrealised foreign exchange gain from translation of USD denominated lease liabilities and higher share of profit from a joint venture company following commercial operation of the Group's Air Separation Unit project in Pengerang, Johor.
- Profit for the period was RM1,491.1 million, lower by 4.8% or RM74.7 million** as a result of lower PBT and higher tax expense attributable to expiry of tax incentive for the Utilities segment. Furthermore, tax expense was lower in corresponding period as it included a deferred tax revision to reflect the tax incentive accorded to the Group's LNG regasification terminal in Pengerang, Johor.
- EBITDA was lower by 4.1% or RM113.2 million at RM2,627.6 million** in tandem with lower gross profit.
- EPS decreased by 2.8%**, reflecting lower profit attributable to shareholders of the Company.
- The Board of Directors has approved a third interim dividend** of 18 sen per ordinary share amounting to RM356.2 million in respect of the financial year ending 31 December 2019.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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 third quarter ended 30 September 2019 that should be read in conjunction with the accompanying explanatory notes on pages 5 to 24.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM'000</i>	Note	As at 30 September 2019	As at 31 December 2018
ASSETS			
Property, plant and equipment		13,008,215	12,487,577
Prepaid lease payment		-	4,158
Investment in joint ventures		693,473	559,056
Investment in associate		140,980	136,729
Deferred tax assets		260,177	315,861
Long term receivables		282,068	282,276
TOTAL NON-CURRENT ASSETS		14,384,913	13,785,657
Trade and other inventories		82,908	66,657
Trade and other receivables	25	787,607	942,176
Tax recoverable		-	13,466
Cash and cash equivalents		4,143,791	3,616,028
TOTAL CURRENT ASSETS		5,014,306	4,638,327
TOTAL ASSETS		19,399,219	18,423,984
EQUITY			
Share capital		3,165,204	3,165,204
Reserves		10,121,232	9,806,652
Total equity attributable to the shareholders of the Company		13,286,436	12,971,856
Non-controlling interests		319,841	376,535
TOTAL EQUITY		13,606,277	13,348,391
LIABILITIES			
Borrowings	27	3,915,903	3,232,761
Deferred tax liabilities		1,203,531	1,180,181
Deferred income		3,308	4,017
TOTAL NON-CURRENT LIABILITIES		5,122,742	4,416,959
Trade and other payables		516,370	564,481
Borrowings	27	107,005	94,153
Tax payable		46,825	-
TOTAL CURRENT LIABILITIES		670,200	658,634
TOTAL LIABILITIES		5,792,942	5,075,593
TOTAL EQUITY AND LIABILITIES		19,399,219	18,423,984
Net assets per share attributable to the shareholders of the Company (RM)		6.7146	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.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

	Note	3 months ended 30 September		9 months ended 30 September	
		2019	2018	2019	2018
<i>In RM'000</i>					
Revenue		1,338,061	1,401,839	4,085,871	4,110,865
Cost of revenue		(774,643)	(754,452)	(2,272,979)	(2,167,981)
Gross profit		563,418	647,387	1,812,892	1,942,884
Administration expenses		(22,698)	(19,445)	(68,745)	(64,607)
Other expenses		(15,065)	(5,690)	(6,722)	(7,212)
Other income		49,169	32,801	189,954	101,127
Operating profit	32	574,824	655,053	1,927,379	1,972,192
Financing costs		(57,455)	(43,432)	(174,241)	(124,312)
Share of profit after tax of equity-accounted joint ventures and associate		35,924	23,129	121,475	56,692
Profit before taxation		553,293	634,750	1,874,613	1,904,572
Tax expense	21	(107,782)	(111,392)	(383,495)	(338,787)
PROFIT FOR THE PERIOD		445,511	523,358	1,491,118	1,565,785
Other comprehensive income/(expenses)					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Net movement from exchange differences		12,700	27,503	9,304	29,005
Cash flow hedge:					
- Changes in fair value of derivatives		(2,617)	(20,139)	(26,526)	3,904
- Transfer to profit or loss		-	-	(36,458)	-
Share of cash flow hedge of an equity- accounted joint venture		(1,531)	3,146	3,062	2,822
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		454,063	533,868	1,440,500	1,601,516
Profit attributable to:					
Shareholders of the Company		431,589	499,808	1,449,947	1,492,357
Non-controlling interests		13,922	23,550	41,171	73,428
PROFIT FOR THE PERIOD		445,511	523,358	1,491,118	1,565,785
Total comprehensive income attributable to:					
Shareholders of the Company		436,288	500,692	1,396,930	1,517,936
Non-controlling interests		17,775	33,176	43,570	83,580
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		454,063	533,868	1,440,500	1,601,516
Basic and diluted earnings per ordinary share (sen)		21.81	25.26	73.28	75.42

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.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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	Non-distributable		Distributable	Non-controlling interests	Total
					Retained profits	Total			
Quarter ended 30 September 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	-	-	18,853	-	-	18,853	10,152	29,005	
Cash flow hedge	-	3,904	-	-	-	3,904	-	3,904	
Share of cash flow hedge of an equity-accounted joint venture	-	2,822	-	-	-	2,822	-	2,822	
Profit for the period	-	-	-	-	1,492,357	1,492,357	73,428	1,565,785	
Total comprehensive income for the period	-	6,726	18,853	-	1,492,357	1,517,936	83,580	1,601,516	
Issuance of shares to non-controlling interest	-	-	-	-	-	-	13,896	13,896	
Redemption of redeemable preference share in subsidiary	-	-	-	20,070	(20,070)	-	-	-	
Interim dividend declared and paid in respect of previous year	-	-	-	-	(375,959)	(375,959)	-	(375,959)	
Interim dividend declared and paid in respect of current year	-	-	-	-	(633,194)	(633,194)	-	(633,194)	
Total transactions with shareholders of the Company	-	-	-	20,070	(1,029,223)	(1,009,153)	13,896	(995,257)	
Balance at 30 September 2018	3,165,204	115,226	25,898	41,470	9,675,687	13,023,485	344,920	13,368,405	
Quarter ended 30 September 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	-	-	6,905	-	-	6,905	2,399	9,304	
Cash flow hedge	-	(62,984)	-	-	-	(62,984)	-	(62,984)	
Share of cash flow hedge of an equity-accounted joint venture	-	3,062	-	-	-	3,062	-	3,062	
Profit for the period	-	-	-	-	1,449,947	1,449,947	41,171	1,491,118	
Total comprehensive income/ (expenses) for the period	-	(59,922)	6,905	-	1,449,947	1,396,930	43,570	1,440,500	
Redemption of redeemable preference share in subsidiary	-	-	-	354,111	(354,111)	-	(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	-	-	-	-	(633,194)	(633,194)	(19,690)	(652,884)	
Total transactions with shareholders of the Company	-	-	-	354,111	(1,422,626)	(1,068,515)	(93,010)	(1,161,525)	
Balance at 30 September 2019	3,165,204	41,881	32,867	411,201	9,635,283	13,286,436	319,841	13,606,277	

Interim Financial Report

For The Third Quarter Ended 30 September 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		9 months ended	
		30 September	
	Note	2019	2018
<i>In RM'000</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit Before Taxation		1,874,613	1,904,572
<i>Adjustments for:</i>			
Depreciation and amortisation		844,290	849,044
Financing costs		174,241	124,312
Interest income	32	(107,563)	(80,402)
Share of profit after tax equity-accounted joint ventures and associate		(121,475)	(56,692)
Unrealised (gain)/loss on foreign exchange	32	(38,152)	5,018
Other non-cash items		(323)	6,290
Operating profit before changes in working capital		2,625,631	2,752,142
Change in trade and other receivables		134,683	(49,539)
Change in trade inventories		(16,251)	(3,704)
Change in trade and other payables		52,042	(2,709)
Cash generated from operations		2,796,105	2,696,190
Interest income from fund and other investment		107,563	80,402
Taxation paid		(244,170)	(287,103)
Net cash generated from operating activities		2,659,498	2,489,489
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend received from associate and joint ventures		19,351	17,101
Investment in a joint venture		(31,031)	(39,185)
Loans and advances to a joint venture		-	(76,231)
Purchase of property, plant and equipment		(728,043)	(579,800)
Proceeds from disposal of property, plant and equipment		241	391
Net cash used in investing activities		(739,482)	(677,724)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid to shareholders of the Company	9	(1,068,515)	(1,009,153)
Dividends paid to non-controlling interest		(19,690)	-
Drawdown of term loan	27	7,226	162,367
Drawdown of loan from corporate shareholder of a subsidiary	27	-	32,713
Repayment of loan to corporate shareholder of a subsidiary	27	(26,407)	-
Financing costs paid		(174,132)	(129,801)
Repayment of lease liabilities	27	(43,337)	(25,454)
Proceeds from shares issued to non-controlling interest		-	13,896
Payment on redemption of preference shares to non-controlling interest		(73,320)	-
Net cash used in financing activities		(1,398,175)	(955,432)
Net increase in cash and cash equivalents		521,841	856,333
Net foreign exchange difference		5,922	1,182
Cash and cash equivalents at beginning of the period		3,616,028	2,500,357
Cash and cash equivalents at end of the period		4,143,791	3,357,872

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.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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 30 September 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 ending 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.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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 for a modified retrospective approach, hence there is no requirement for restatement of comparatives. The cumulative adjustments resulting from the adoption 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 right-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>

Interim Financial Report

For The Third Quarter Ended 30 September 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

8. DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale or repayment of debt and equity securities during the quarter ended 30 September 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>	9 months ended 30 September	
Ordinary	2019	2018
Interim paid:		
2017 - Fourth interim dividend of 19 sen per ordinary share	-	375,959
2018 - First interim dividend of 16 sen per ordinary share	-	316,597
2018 - Second interim dividend of 16 sen per ordinary share	-	316,597
2018 - Fourth interim dividend of 22 sen per ordinary share	435,321	-
2019 - First interim dividend of 16 sen per ordinary share	316,597	-
2019 - Second interim dividend of 16 sen per ordinary share	316,597	-
	1,068,515	1,009,153

On 19 November 2019, the Directors of the Company approved a third interim dividend of 18 sen per ordinary share, amounting to RM356.2 million in respect of the financial year ending 31 December 2019.

The dividends are payable on 18 December 2019 to depositors registered in the Records of Depositors at the close of business on 6 December 2019.

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

- a) Shares transferred into the Depositor's Securities Account before 4.30 pm on 6 December 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.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

11. FAIR VALUE INFORMATION

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

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

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

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

<i>In RM'000</i>	Fair value of financial instruments carried at fair value Level 2	Fair value of financial instruments not carried at fair value Level 3	Total fair value	Carrying amounts
30 September 2019				
Financial assets				
<i>Current</i>				
Derivative assets	473	-	473	473
<i>Non-Current</i>				
Long term receivables	-	279,501	279,501	279,501
Derivative assets	2,567	-	2,567	2,567
Total financial assets	3,040	279,501	282,541	282,541
Financial liabilities				
<i>Current</i>				
Loan from corporate shareholder of a subsidiary	-	(54,681)	(54,681)	(54,681)
Derivative liabilities	(515)	-	(515)	(515)
	(515)	(54,681)	(55,196)	(55,196)
<i>Non-Current</i>				
Term loan	-	(1,819,261)	(1,819,261)	(1,819,261)
Loan from corporate shareholder of a subsidiary	-	(442,894)	(442,894)	(442,894)
	-	(2,262,155)	(2,262,155)	(2,262,155)
Total financial liabilities	(515)	(2,316,836)	(2,317,351)	(2,317,351)

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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 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.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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 Energy & Gas Trading Sdn. Bhd.'s 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>	9 months ended				
	30 September 2019				
Business Segment	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Revenue	1,273,592	875,720	924,056	1,012,503	4,085,871
Segment results	610,147	616,288	470,638	115,819	1,812,892
Unallocated income					114,487
Operating profit					1,927,379
Financing costs					(174,241)
Share of profit after tax of equity-accounted associate and joint ventures					121,475
Profit before taxation					1,874,613

<i>In RM'000</i>	9 months ended				
	30 September 2018				
Business Segment	Gas Processing	Gas Transportation	Regasification	Utilities	Total
Revenue	1,180,882	1,023,363	926,120	980,500	4,110,865
Segment results	481,920	784,975	527,944	148,045	1,942,884
Unallocated income					29,308
Operating profit					1,972,192
Financing costs					(124,312)
Share of profit after tax of equity-accounted associate and joint ventures					56,692
Profit before taxation					1,904,572

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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	9 months ended 30 September	
	2019	2018
Geographical Locations		
Peninsular Malaysia	4,032,635	4,048,201
Sabah and Sarawak	53,236	62,664
Total	4,085,871	4,110,865
Products and Services		
Gas processing services	1,273,592	1,180,882
Gas transportation services	842,398	979,508
Regasification services	924,056	926,120
Utilities		
- Electricity	488,031	444,336
- Steam	304,713	302,128
- Industrial gases	171,245	181,828
- Others ¹	47,401	51,353
Operations and maintenance services ²	34,435	44,710
Total	4,085,871	4,110,865

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

² Effective 1 September 2019, PETRONAS Gas Berhad had transferred its Sabah Sarawak Gas Pipeline operations and maintenances business to PETRONAS Carigali Sdn. Bhd.

13. SUBSEQUENT EVENTS

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

14. CONTINGENCIES

In RM'000	As at	As at
	30 September 2019	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.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

15. CAPITAL COMMITMENTS

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

<i>In RM'000</i>	As at 30 September 2019	As at 31 December 2018
Property, plant and equipment		
Approved and contracted for	480,595	259,002
Approved but not contracted for	2,566,627	3,516,365
	<u>3,047,222</u>	<u>3,775,367</u>
Share of capital expenditure of joint ventures		
Approved and contracted for	12,568	21,592
Approved but not contracted for	9,808	54,636
	<u>22,376</u>	<u>76,228</u>
	<u>3,069,598</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, other than as disclosed below.

In accordance with Suruhanjaya Tenaga's introduction of Third Party Access code pursuant to Gas Supply Act (Amendment) 2016, PETRONAS Gas Berhad and its subsidiaries had on 16 April 2019 entered into the following agreements with PETRONAS Energy & Gas Trading Sdn Bhd (previously entered with Petroliaam Nasional Berhad):

Company and Subsidiaries	Agreements	Tenure
PETRONAS Gas Berhad	Gas Transportation Agreement (GTA) for transportation of gas through Peninsular Gas Utilisation pipeline network.	2019 till 2033
Regas Terminal (Sg. Udang) Sdn Bhd	Terminal Use Agreement (TUA) for unloading, storage and regasification of LNG through its regasification terminal in Sg. Udang, Melaka.	2019 till 2033
Pengerang LNG (Two) Sdn Bhd	TUA for unloading, storage and regasification of LNG through its regasification terminal in Pengerang, Johor.	2019 till 2042

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

17. REVIEW OF GROUP PERFORMANCE

(a) Performance of current quarter against the corresponding quarter

In RM'000	3 months ended 30 September		Variance %
	2019	2018	
Revenue	1,338,061	1,401,839	-4.6
Gross profit	563,418	647,387	-13.0
Profit before taxation (PBT)	553,293	634,750	-12.8
Profit for the quarter	445,511	523,358	-14.9
EBITDA*	831,325	917,075	-9.4

* 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.

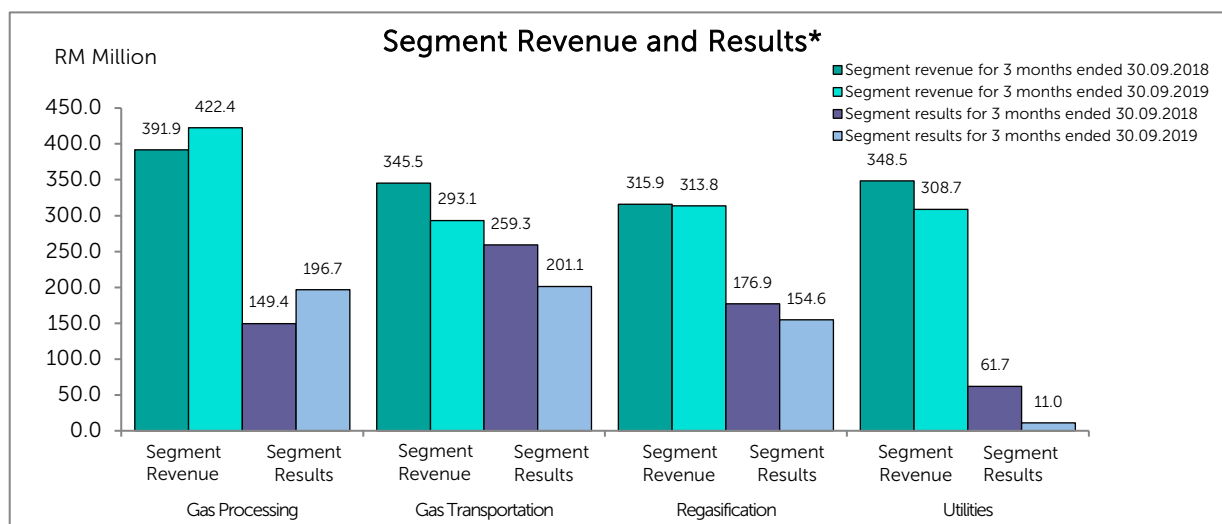
Group revenue declined slightly by 4.6% or RM63.8 million mainly attributed to lower revenue from Gas Transportation and Utilities segments. Gas Transportation revenue was lower in line with downward revision of tariff under Incentive-based Regulation (IBR), whilst Utilities revenue was attributed to lower volumes due to planned statutory turnaround conducted at one of the Group's Air Separation Unit in Kertih. The decrease was mitigated by higher Gas Processing revenue in line with higher reservation charge under the 2nd term Gas Processing Agreement.

Gross profit was lower by 13.0% or RM83.9 million on the back of lower revenue and higher repair and maintenance costs in line with planned statutory turnaround at the Utilities segment as well as planned maintenance activities.

PBT registered a 12.8% or RM81.4 million decrease in line with lower gross profit and higher finance costs, offset by higher share of profit from a joint venture company following the commencement of commercial operation at the Group's Air Separation Unit project in Pengerang, Johor in the first quarter of 2019.

Profit for the quarter was lower by 14.9% or RM77.9 million in tandem with PBT trend.

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



*Note: Segment Results refers to Gross Profit

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

17. REVIEW OF GROUP PERFORMANCE (continued)

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

Gas Processing

The Group's Gas Processing plants achieved close to 99% reliability, maintaining its world class operating performance.

Segment revenue registered an increase of 7.8% or RM30.5 million driven by higher reservation charge under the 2nd term Gas Processing Agreement effective 1 January 2019. Segment results surged by 31.7% or RM47.3 million as higher revenue was further supported by lower depreciation expense.

Gas Transportation

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

Segment revenue declined by 15.2% or RM52.4 million in line with lower gas transportation tariff for Peninsular Malaysia under Incentive-based Regulation (IBR). As announced on 31 December 2018, the new tariff will be applicable from 1 January to 31 December 2019.

Segment results were correspondingly lower by 22.4% or RM58.2 million.

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 regasification tariffs are applicable for both RGTSU and RGTP from 1 January to 31 December 2019 under Incentive-based Regulation. Segment revenue was comparable at RM313.8 million against corresponding quarter as decrease in revenue from RGTP was offset by higher revenue from RGTSU.

Segment results were lower by 12.6% or RM22.3 million on higher depreciation upon recognition of jetty facilities as right-of-use assets at RGTP under new Malaysian accounting standard and higher repair and maintenance costs.

Utilities

Utilities revenue for the quarter dropped by 11.4% or RM39.8 million in line with lower volumes following planned statutory turnaround at one of the Group's Air Separation Unit in Kertih.

Segment results were lower by 82.2% or RM50.7 million largely attributable to the lower volumes coupled with higher repair and maintenance as well as depreciation expense.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

17. REVIEW OF GROUP PERFORMANCE (continued)

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

In RM'000	9 months ended 30 September		Variance %
	2019	2018	
Revenue	4,085,871	4,110,865	-0.6
Gross profit	1,812,892	1,942,884	-6.7
Profit before taxation (PBT)	1,874,613	1,904,572	-1.6
Profit for the period	1,491,118	1,565,785	-4.8
EBITDA*	2,627,648	2,740,834	-4.1

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

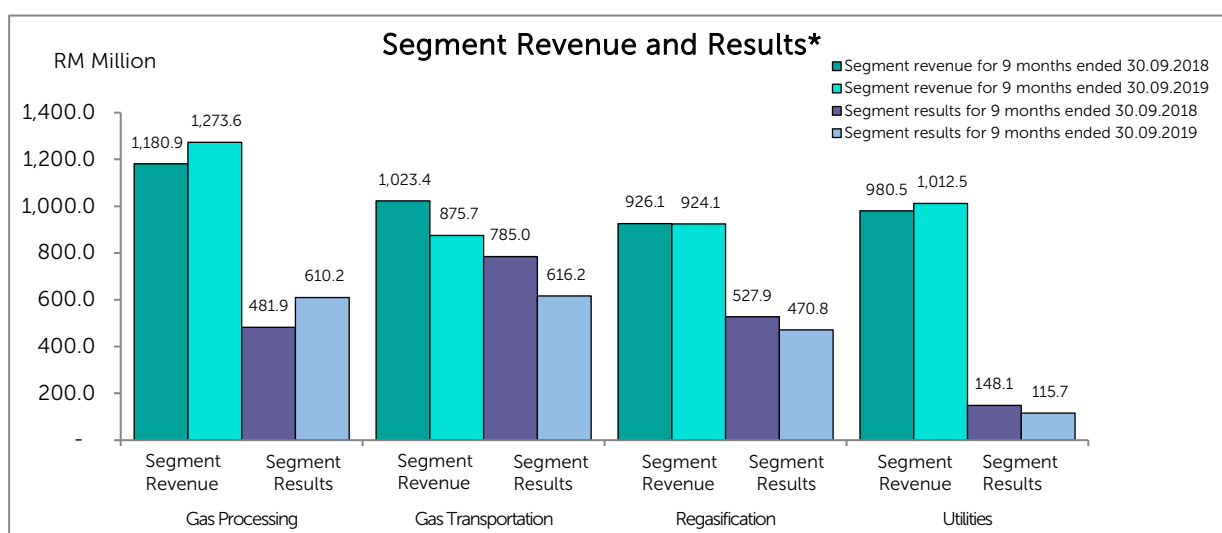
The Group recorded revenue of RM4,085.9 million for the period, a marginal decline of 0.6% or RM25.0 million compared to the corresponding quarter. Lower revenue from Gas Transportation segment and LNG regasification terminal Pengerang under Incentive-based Regulation (IBR) was offset by higher revenue from Gas Processing and Utilities segments. 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 decreased by 6.7% or RM130.0 million to RM1,812.9 million, largely attributable to Gas Transportation, Regasification and Utilities segments results amidst improved results from Gas Processing segment.

PBT declined slightly by 1.6% or RM30.0 million as higher share of profit from a joint venture company, unrealised foreign exchange gain and higher interest income from fund investment countered the impact of lower gross profit. Higher share of profit follows the commercial operation the Group's Air Separation Unit in Pengerang, Johor during the period. The unrealised foreign exchange gains mainly arose from the discontinuance of hedge accounting on translation of USD lease liabilities for floating storage units at the Group's LNG regasification terminal Sungai Udang.

Profit for the period was lower by 4.8% or RM74.7 million on lower PBT and higher tax expense during the period attributable to expiry of tax incentive for the Group's Utilities segment. In addition, corresponding period tax expense was lower as it included a deferred tax revision to reflect the tax incentive granted for the Group's LNG regasification terminal in Pengerang, Johor.

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



*Note: Segment Results refers to Gross Profit

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

17. REVIEW OF GROUP PERFORMANCE (continued)

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

Gas Processing

The Group's Gas Processing plants maintained its world class operating performance, comparable to corresponding period.

Segment revenue grew by 7.8% or RM92.7 million on the back of higher reservation charge under the 2nd term Gas Processing Agreement effective 1 January 2019.

Segment results surged by 26.6% or RM128.3 million driven by higher revenue coupled with lower depreciation expense.

Gas Transportation

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

Segment revenue was 14.4% or RM147.7 million lower in line with lower gas transportation tariff for Peninsular Malaysia effective 1 January to 31 December 2019 under Incentive-based Regulation (IBR).

Segment results was also lower by 21.5% or RM168.8 million on the back of lower revenue and higher operating 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 period.

Under IBR, new tariffs are applicable for both RGTSU and RGTP effective 1 January to 31 December 2019.

Segment revenue was comparable at RM924.1 million against corresponding period as decrease in revenue from RGTP was offset by higher revenue from RGTSU.

Segment results declined by 10.8% or RM57.1 million mainly attributable to higher depreciation upon recognition of jetty facilities as right-of-use assets at RGTP under new Malaysian accounting standard and higher operating costs.

Utilities

Segment revenue for the period rose by 3.3% or RM32.0 million attributable to higher prices following upward revision of fuel gas price on 1 January 2019 and 1 July 2019 respectively, coupled with additional surcharge on national electricity tariff. This was offset by lower volumes following planned statutory turnaround at one of the Group's Air Separation Unit in Kertih.

Segment results nevertheless declined by 21.9% or RM32.4 million on lower sales volumes, higher cost of sales following upward revision of fuel gas price and higher operating costs.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

18. COMPARISON AGAINST IMMEDIATE PRECEDING QUARTER RESULTS

In RM'000	3 months ended		Variance %
	30 September 2019	30 June 2019	
Revenue	1,338,061	1,380,220	-3.1
Gross profit	563,418	650,489	-13.4
Profit before taxation (PBT)	553,293	651,289	-15.0
Profit for the quarter	445,511	514,833	-13.5
EBITDA*	831,325	898,608	-7.5

* 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 sustained its strong performance for plant and facilities reliability across all segments during the quarter.

The Group recorded slightly lower revenue by 3.1% or RM42.2 million against the preceding quarter. This was mainly attributable to Utilities segment due to lower volumes following planned statutory turnaround at one of the Group's Air Separation Unit in Kertih.

Gross profit declined by 13.4% or RM87.1 million to RM563.4 million on the back of lower revenue as well as higher repair and maintenance costs.

Similarly, both PBT and profit for the quarter also declined by 15.0% or RM98.0 million and 13.5% or RM69.3 million respectively in line with lower gross profit and lower share of profit from joint ventures.

Profit for the quarter was lower in tandem with lower PBT.

19. REVIEW OF GROUP FINANCIAL POSITION

In RM'000	As at	As at	Variance %
	30 September 2019	31 December 2018	
Total assets	19,399,219	18,423,984	+5.3
Total equity attributable to the shareholders of the Company	13,286,436	12,971,856	+2.4
Total liabilities	5,792,942	5,075,593	+14.1
Return on equity (%)*	13.3	14.0	

* ROE is based on rolling PAT attributable to shareholders from 1 October 2018 to 30 September 2019.

The Group's total assets grew by 5.3% or RM975.2 million, mainly contributed by higher property plant and equipment balance following adoption of MFRS 16 Leases which resulted in the recognition of right-of-use (ROU) assets and corresponding lease liabilities effective from 1 January 2019 onwards.

Total equity attributable to shareholders of the Company of RM13.3 billion was higher by 2.4% or RM314.6 million attributable to profit recorded during the period, partially offset by dividend payments to shareholders.

Total liabilities increased by 14.1% at RM717.5 million, mainly attributable to recognition of finance lease liabilities for ROU assets being recognised.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

20. REVIEW OF GROUP CASH FLOWS

<i>In RM'000</i>	9 months ended 30 September		Variance %
	2019	2018	
Net cash generated from operating activities	2,659,498	2,489,489	+6.8
Net cash used in investing activities	(739,482)	(677,724)	+9.1
Net cash used in financing activities	(1,398,175)	(955,432)	+46.3
Net increase in cash and cash equivalents	521,841	856,333	-39.1

Net cash generated from operating activities was higher by 6.8% or RM170.0 million mainly contributed by higher collection from Utilities and Gas Processing customers.

Net cash used in investing activities increased by 9.1% or RM61.8 million largely attributable to capital expenditure, mainly for statutory plant turnaround activities.

Net cash used in financing activities was higher by 46.3% or RM442.7 million mainly due to lower term loan drawdown, higher dividends paid to the shareholders of the Company, redemption of preference shares by a subsidiary and higher finance cost paid in line with higher term loan balance.

21. TAX EXPENSE

Tax expense comprises the following:

<i>In RM'000</i>	3 months ended 30 September		9 months ended 30 September	
	2019	2018	2019	2018
Current tax expenses				
Malaysia				
- current period	72,611	89,792	307,712	294,952
- underprovision in prior year	(3,251)	8,623	(3,251)	8,623
	69,360	98,415	304,461	303,575
Deferred tax expenses				
- origination and reversal of temporary differences	38,422	12,977	79,034	35,212
Total tax expenses	107,782	111,392	383,495	338,787

The effective tax rate (ETR) for the quarter and nine months' period ended 30 September 2019 was lower than the statutory tax rate of 24% mainly due to tax incentives granted for LNG regasification terminal in Pengerang, Johor.

ETR for the quarter and period was higher against the corresponding period mainly due to the expiry of tax incentive for the Group's Utilities segment in 2018.

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.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

22. COMMENTARY ON PROSPECTS (continued)

The Group is awaiting approval from the Energy Commission for Gas Transportation and Regasification tariffs under Regulatory Period 1 effective from 2020 till 2022 which is expected to be announced by year end.

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 30 September 2019	As at 31 December 2018
Trade receivables		
- Third party	28,835	27,270
- Related companies	583,471	571,455
- Joint ventures	726	1,722
- Related parties	33,770	31,034
	646,802	631,481
Other receivables	140,926	310,860
Less: Impairment losses	(121)	(165)
Trade and other receivables	787,607	942,176

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

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

<i>In RM'000</i>	As at 30 September 2019	As at 31 December 2018
Current	639,532	638,532
Past due 1 to 30 days	2,158	(11,894)
Past due 31 to 60 days	3,756	2,867
Past due 61 to 90 days	1,356	2,014
Past due more than 90 days	-	(38)
Trade receivables	646,802	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 PETRONAS Chemical Derivatives Sdn Bhd PETRONAS Chemical MTBE Sdn Bhd PETRONAS Chemical Ammonia Sdn Bhd	Provision of gas transportation services and LNG regasification services. Sales of industrial utilities. Sales of industrial utilities. Sales of industrial utilities.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

26. FOREIGN EXCHANGE EXPOSURE / HEDGING POLICY

The Group operates 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.

27. BORROWINGS

Particulars of Group's borrowings are as follows:

<i>In RM'000</i>	As at 30 September 2019	As at 31 December 2018
Non-Current		
<i>Secured</i>		
Lease liabilities	1,653,748	973,076
<i>Unsecured</i>		
Term loan	1,819,261	1,793,643
Loan from corporate shareholder of a subsidiary	442,894	466,042
	<u>3,915,903</u>	<u>3,232,761</u>
Current		
<i>Secured</i>		
Lease liabilities	52,324	41,188
<i>Unsecured</i>		
Loan from corporate shareholder of a subsidiary	54,681	52,965
	<u>107,005</u>	<u>94,153</u>
	<u>4,022,908</u>	<u>3,326,914</u>
<i>In RM'000</i>		
By Currency		
RM	2,375	-
USD	4,020,533	3,326,914
Closing exchange rate (RM/USD)	4.1870	4.1445

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

27. BORROWINGS (continued)

In RM'000	Total	Less than 1 year	Between 1-5 years	More than 5 years
Secured				
Lease liabilities	1,706,072	52,324	277,404	1,376,344
Unsecured				
Term loan	1,819,261	-	1,819,261	-
Loan from corporate shareholder of a subsidiary	497,575	54,668	239,050	203,857
	4,022,908	106,992	2,335,715	1,580,201

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 2.1% to 2.6% (2018: 1.7% to 1.9%) 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.

Reconciliation of liabilities arising from financing activities:

In RM'000	At 1 January 2019	Effect of adoption of MFRS 16	At 1 January 2019 Restated	Net changes from financing cash flows	Others*	At 30 September 2019
Lease liabilities	1,014,264	695,436	1,709,700	(43,337)	39,709	1,706,072
Term loan	1,793,643	-	1,793,643	7,226	18,392	1,819,261
Loan from corporate shareholder of a subsidiary	519,007	-	519,007	(26,407)	4,975	497,575
	3,326,914	695,436	4,022,350	(62,518)	63,076	4,022,908

* Others mainly relate to foreign exchange movement and addition of new lease liabilities during the period.

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.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

28. DERIVATIVES

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

	Notional/Contract Value		Fair Value	
	As at 30 September 2019 USD'000	As at 31 December 2018 USD'000	As at 30 September 2019 RM'000	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	2,567	29,093
Forward exchange contract				
- Less than 1 year	79,193	18,666	(42)	118

* 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.

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 financial statements for the year ended 31 December 2018 other than disclosed above.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

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 30 September		9 months ended 30 September	
	2019	2018	2019	2018
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	431,589	499,808	1,449,947	1,492,357
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	21.81	25.26	73.28	75.42

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.

32. OPERATING PROFIT FOR THE PERIOD

<i>In RM'000</i>	3 months ended 30 September		9 months ended 30 September	
	2019	2018	2019	2018
Operating profit includes the following charges:				
Amortisation of prepaid lease payment	-	17	-	49
Depreciation of property, plant and equipment*	292,889	297,027	844,290	848,995
Loss on disposal of property, plant and equipment	104	-	236	-
Loss on realised foreign exchange	-	951	6,722	2,172
Loss on unrealised foreign exchange	14,742	4,738	-	5,018
Impairment loss – expected credit loss	-	33	3	430
and crediting:				
Gain on realised foreign exchange	3,773	-	-	-
Gain on unrealised foreign exchange	-	-	38,152	-
Gain on disposal of property, plant and equipment	-	-	-	391
Interest income from fund investments	36,388	35,022	107,563	80,402
Impairment write back – expected credit loss	45	-	-	-

*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.

Interim Financial Report

For The Third Quarter Ended 30 September 2019

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

33. DIVIDENDS

As disclosed in Note 9.

34. EXCHANGE RATE

USD/MYR	30.09.2019	Individual quarter ended		Cumulative quarter ended		
		30.06.2019	30.09.2018	30.09.2019	30.09.2018	31.12.2018
Average rate	4.1657	4.1481	4.0930	4.1348	3.9888	4.0347
Closing rate	4.1870	4.1415	4.1445	4.1870	4.1445	4.1445

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 19 November 2019.

BY ORDER OF THE BOARD

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