

PETRONAS Gas Berhad
(Company No.: 101671-H)
Condensed Group Balance Sheet
as at 30 June 2008 - Unaudited



	As at 30-Jun-08 RM'000	As at 31-Mar-08 RM'000
Assets		
Property, plant and equipment	6,949,729	7,050,793
Prepaid lease payments	457,460	443,491
Investment in associate	170,581	178,291
Investment in jointly controlled entity	1,934	1,530
Derivative Asset	65,552	-
Total non-current assets	7,645,256	7,674,105
Trade and other inventories	150,844	149,550
Trade and other receivables	290,245	261,843
Cash and cash equivalents	2,021,502	1,707,805
Total current assets	2,462,591	2,119,198
TOTAL ASSETS	10,107,847	9,793,303
Equity		
Share Capital	1,978,732	1,978,732
Reserves	6,268,084	5,943,663
Total equity	8,246,816	7,922,395
Liabilities		
Borrowings	488,627	454,100
Deferred tax liabilities	1,163,757	1,163,000
Deferred income	18,409	19,438
Total non-current liabilities	1,670,793	1,636,538
Trade and other payables	115,388	146,975
Taxation	74,850	87,395
Total current liabilities	190,238	234,370
Total liabilities	1,861,031	1,870,908
TOTAL EQUITY AND LIABILITIES	10,107,847	9,793,303
Net Assets per Share (RM)	4.168	4.004

The condensed Group balance sheet should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial statements.

PETRONAS Gas Berhad
(Company No.: 101671-H)
Condensed Group Income Statement
for the year ended 30 June 2008 - Unaudited



	Three months and year-to-date ended	
	30-Jun-08	30-Jun-07
	RM '000	RM '000
Revenue	796,699	775,890
Cost of Revenue	(413,002)	(402,528)
Gross profit	<u>383,697</u>	<u>373,362</u>
Administration expenses	(15,571)	(8,798)
Other income	12,243	17,923
Operating profit	<u>380,369</u>	<u>382,487</u>
Financing costs	(4,021)	(3,664)
Share of profit after tax of equity accounted associate and jointly controlled entity	12,380	11,451
Profit before taxation	<u>388,728</u>	<u>390,274</u>
Tax expense	(93,144)	(97,500)
Profit for the period	<u>295,584</u>	<u>292,774</u>
Basic Earnings Per Share (sen)	<u>14.94</u>	<u>14.80</u>

The condensed Group income statement should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial statements.

PETRONAS Gas Berhad
(Company No.: 101671-H)
Condensed Group Cash Flow Statement
for the year ended 30 June 2008 - Unaudited



	Three months and year-to-date ended	
	30-Jun-08	30-Jun-07
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	775,993	731,224
Cash paid to suppliers and employees	(271,812)	(291,965)
	504,181	439,259
Taxation paid	(114,545)	(69,518)
Interest income from deposits	10,943	5,080
Net Cash Generated From Operating Activities	400,579	374,821
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment - jointly controlled entity	-	(125)
Dividends received	19,686	19,686
Purchase of property, plant and equipment	(90,949)	(60,975)
Purchase of prepaid lease	(15,619)	-
Proceeds from disposal of property, plant and equipment	-	27
Net Cash Used In Investing Activities	(86,882)	(41,387)
Net Increase in Cash and Cash Equivalents	313,697	333,434
Cash and Cash Equivalents at beginning of the year	1,707,805	1,073,384
Cash and Cash Equivalents at end of the period	2,021,502	1,406,818

The condensed Group cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial statements.

PETRONAS Gas Berhad
 (Company No.: 101671-H)
 Condensed Group Statement of Changes in Equity
 for the year ended 30 June 2008 - Unaudited



	Share Capital Ordinary shares RM'000	Non Distributable Share premium RM'000	Distributable Retained Profits RM'000	Total RM'000
As at 1 April 2007	1,978,732	1,186,472	4,421,107	7,586,311
Profit for the period	-	-	292,774	292,774
As at 30 June 2007	1,978,732	1,186,472	4,713,881	7,879,085
As at 1 April 2008	1,978,732	1,186,472	4,757,191	7,922,395
Effects of adopting FRS 139, <i>Financial Instruments: Recognition and Measurement</i>			28,837	28,837
As at 1 April 2008, restated	1,978,732	1,186,472	4,786,028	7,951,232
Profit for the period	-	-	295,584	295,584
As at 30 June 2008	1,978,732	1,186,472	5,081,612	8,246,816

The condensed Group statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2008 and the accompanying explanatory notes attached to the interim financial statements.



PETRONAS GAS BERHAD

(Company No.: 101671-H)

Incorporated in Malaysia

Part A – Explanatory Notes Pursuant to FRS134

1. Basis of Preparation

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

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134, *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

Within the context of these financial statements, the Group comprises the Company and its interests in an associate and a jointly controlled entity as at and for the quarter ended 30 June 2008.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2008. 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 March 2008.

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2008 except for the early adoption of FRS 139, *Financial Instruments: Recognition and Measurement* for accounting periods beginning on 1 April 2008.

The adoption of the abovementioned FRS does not result in significant changes in accounting policies of the Group, other than as highlighted below:

FRS 139, Financial Instruments: Recognition and Measurement

In line with PETRONAS Group of Companies, the Company voluntarily adopts FRS 139 for the financial year beginning on 1 April 2008, to enable the Company's financial statements to be comparable with other multinational companies and in accordance with International Financial Reporting Standards (IFRS). FRS 139 provides guidance for the measurement of financial instruments. Depending on the categorisation applied for each individual financial asset and liability, some financial assets and liabilities will need to be fair valued and others will need to be stated at amortised cost. FRS 139 prescribed prospective application for first time adoption.

The adoption of FRS 139 affects the unsecured term loan comprising the 6th series 3.4% which represents an amount equivalent to Yen 16 billion. The loan was on lent from PETRONAS to the Company on 21 April 1997. Under the Currency Exchange Agreement (CEA) with PETRONAS, the repayment of the principal amount is at a fixed exchange rate of 100 Yen – RM2.838. The loan is due for payment in year 2013. In the previous year, the CEA was not fair valued and was treated as the hedging instrument of the term loan. Consequently, the term loan was translated at the contracted rate.

Under FRS 139, the underlying Yen 16 billion and the CEA are to be valued separately at each reporting date. The loan will be translated at the spot rate at the balance sheet date whereas the CEA, being a derivative, will be fair valued. Any increase or decrease in the translation or valuation is recorded accordingly in the income statement. The volatility and the impact to the income statement are dependent on the exchange rate and interest rate movement. The adoption of FRS 139 has no significant impact to the Company's Earning Per Share (EPS) for the current quarter.

3. Auditor's Report on Preceding Annual Financial Statements

The auditor's report on the financial statements for the year ended 31 March 2008 was not qualified.

4. Comments about Seasonal or Cyclical Factors

The Group's operations are not significantly affected by seasonal or cyclical fluctuations.

5. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income and cash flows during the current quarter and financial year-to-date except as disclosed in Note 2.

6. Changes in Estimates

There were no changes in estimates that have had material effect in the current quarter results.

7. Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the financial year-to-date ended 30 June 2008.

8. Dividends Paid

There were no dividends paid during the current quarter.

9. Segmental Information

The Company's principal business segments are services rendered for separating natural gas into its components and the storage, transportation and distribution of such components, and sale of industrial utilities.

The Company operates only in Malaysia and accordingly, information by geographical location is not presented.

The segmental information in respect of the associate and jointly controlled entity is not presented as the contribution of the associate and jointly controlled entity and the carrying amount of investment in the associate and jointly controlled entity are not material and have been reflected in the income statement and balance sheet of the Group.

Business Segments	-----30 June 2008-----			-----30 June 2007-----		
	Throughput Services RM'000	Utilities RM'000	Total RM'000	Throughput Services RM'000	Utilities RM'000	Total RM'000
Revenue	637,415	159,284	796,699	616,928	158,962	775,890
Segment results	331,484	52,213	383,697	318,963	54,399	373,362
Unallocated income/(expense)			(3,328)			9,125
Operating Profit			380,369			382,487
Financing costs			(4,021)			(3,664)
Share of profit after tax of equity accounted associate and jointly controlled entity			12,380			11,451
Profit before taxation			388,728			390,274

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated income/(expense) mainly comprises interest from fund investment, administration expenses and other income.

10. Property, Plant and Equipment

Property, plant and equipment except for freehold land and Project-in-Progress are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land and Project-in-Progress are stated at cost less accumulated impairment losses.

11. Subsequent Events

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

12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 June 2008.

13. Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets since the last annual balance sheet as at 31 March 2008.

14. Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 June 2008 were as follows:-

	30.6.2008 RM'000
Property, plant and equipment:	
Approved and contracted for	84,837
Approved but not contracted for	283,655
	<u>368,492</u>

Part B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

15. Performance Review

Revenue for the quarter ended 30 June 2008 was RM796.7 million (quarter ended 30 June 2007: RM775.9 million). The increase was due to higher throughput revenue and utilities sales.

Profit before tax for the quarter ended 30 June 2008 was RM388.7 million (quarter ended 30 June 2007: RM390.3 million). The decrease in profit was mainly due to higher cost of revenue and administration expenses.

Profit after tax for the quarter ended 30 June 2008 was RM295.6 million (quarter ended 30 June 2007: RM292.8 million). The increase was mainly due to lower tax expense as a result of lower corporate tax rate of 25%.

16. Material Change in Profit Before Taxation of Current Quarter Compared With Preceding Quarter

Revenue for the current quarter was RM796.7 million, a decrease of RM3.2 million from the preceding quarter due to lower throughput revenue.

Profit before tax for the current quarter of RM388.7 million was RM53.4 million higher than the preceding quarter mainly due to lower cost of revenue.

17. Commentary on Prospects

Revenue prospect for gas processing and transmission business would continue to be dependent on upstream gas production levels. Revenue from utilities business is expected to increase as a result of higher electricity tariff. The recent increase in fuel gas price will impact the profitability of the Company.

18. Profit Forecast

Not applicable as no profit forecast was published.

19. Tax Expense

Taxation comprises the following:

	3 months and year-to-date ended	
	30.6.2008	30.6.2007
	RM'000	RM'000
In respect of current period:		
- income tax	102,000	104,500
- deferred tax	(8,856)	(7,000)
	<hr/>	<hr/>
	93,144	97,500

The effective tax rate of 24.7% for the current quarter approximates the statutory tax rate of 25%.

20. Unquoted Investments and Properties

There were no sales of unquoted investments and/or properties in the current quarter and financial year-to-date.

21. Quoted Investments

There was no purchase or disposal of quoted securities during the current quarter and financial year-to-date and there were no investments in quoted shares as at the end of the current quarter.

22. Status of Corporate Proposal Announced

The Company is finalising a shareholders' agreement to undertake the development of a 300MW gas power plant in Kimanis, district of Papar, Sabah.

23. Borrowings

Particulars of Company's borrowings, are as follows:

Unsecured Loans:	30.6.2008	30.6.2007
	RM'000	RM'000
<u>Long Term</u>		
- Term Loan (denominated in JPY)	488,627	454,100
Total Borrowings	488,627	454,100

The unsecured term loan comprises the 6th series 3.4% amounting to RM454.1 million which represents an amount equivalent to Yen 16 billion. The unsecured term loan was secured by PETRONAS and on lent to the company on 21 April 1997. The terms and conditions of the on lent agreement are similar to those contained in the principal loan agreement. The repayment of the principal amount to PETRONAS is at a fixed exchange rate of 100 Yen – RM2.838. The loan is due for payment in year 2013.

As a result of adoption of FRS 139, the fair value of the loan was at RM488.6 million as at 30 June 2008.

24. Off Balance Sheet Financial Instruments

There are no off balance sheet financial instruments as at the date of this report.

25. Material Litigation

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

26. Dividends Proposed

On 21 May 2008, the Directors proposed a final dividend of 20% per share tax exempt and 15% per share less 25% tax altogether amounting to RM618,353,723 in respect of the financial year ended 31 March 2008 to the shareholders.

The final dividend was approved by the shareholders during the Annual General Meeting held on 23 July 2008. The dividend will be paid on 20 August 2008 to the depositors registered in the Record of Depositors at the close of business on 31 July 2008.

27. Earnings per Share

Basic earnings per share are derived based on the net profit attributable to ordinary shareholders and based on the number of ordinary shares outstanding during the period.

	3 months and year-to-date ended	
	30.6.2008	30.6.2007
Net profit for the period (RM '000)	295,584	292,774
Number of ordinary shares in issue ('000)	1,978,732	1,978,732
Earnings per share (sen)	14.94	14.80

28. Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 14 August 2008.

BY ORDER OF THE BOARD

Noryati Mohd Noor (LS0008877)
Yeap Kok Leong (MAICSA0862549)
Company Secretaries
Kuala Lumpur
14 August 2008