

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



	As at 30-Sep-08 RM'000	As at 31-Mar-08 RM'000
Assets		
Property, plant and equipment	6,855,013	7,050,793
Prepaid lease payments	455,838	443,491
Investment in associate	184,099	178,291
Investment in jointly controlled entity	2,224	1,530
Total non-current assets	7,497,174	7,674,105
Trade and other inventories	153,654	149,550
Trade and other receivables	382,516	261,843
Fund and other investments	9,995	-
Cash and cash equivalents	1,553,332	1,707,805
Total current assets	2,099,497	2,119,198
TOTAL ASSETS	9,596,671	9,793,303
Equity		
Share Capital	1,978,732	1,978,732
Reserves	5,856,972	5,943,663
Total equity	7,835,704	7,922,395
Liabilities		
Borrowings	412,862	454,100
Deferred tax liabilities	1,150,310	1,163,000
Deferred income	17,383	19,438
Total non-current liabilities	1,580,555	1,636,538
Trade and other payables	100,987	146,975
Taxation	79,425	87,395
Total current liabilities	180,412	234,370
Total liabilities	1,760,967	1,870,908
TOTAL EQUITY AND LIABILITIES	9,596,671	9,793,303
Net Assets per Share (RM)	3.960	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 six months ended 30 September 2008 - Unaudited



	Three months ended		Year-to-date ended	
	30-Sep-08 RM '000	30-Sep-07 RM '000	30-Sep-08 RM '000	30-Sep-07 RM '000
Revenue	849,700	780,129	1,646,399	1,556,019
Cost of Revenue	(597,174)	(463,328)	(1,010,175)	(865,856)
Gross profit	252,526	316,801	636,224	690,163
Administration expenses	(18,827)	(16,231)	(34,398)	(25,029)
Other income	30,335	13,702	42,578	31,625
Operating profit	264,034	314,272	644,404	696,759
Financing costs	(4,246)	(4,077)	(8,268)	(7,741)
Share of profit after tax of equity accounted associate and jointly controlled entity	13,807	12,936	26,187	24,387
Profit before taxation	273,595	323,131	662,323	713,405
Tax expense	(66,353)	(76,500)	(159,497)	(174,000)
Profit for the period	207,242	246,631	502,826	539,405
Basic Earnings Per Share (sen)	10.47	12.46	25.41	27.26

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 six months ended 30 September 2008 - Unaudited



	Six months and year-to-date ended	
	30-Sep-08	30-Sep-07
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1,472,412	1,583,400
Cash paid to suppliers and employees	(664,600)	(625,101)
	807,812	958,299
Taxation paid	(189,770)	(105,675)
Interest income from deposits	33,854	23,792
Net Cash Generated From Operating Activities	651,896	876,416
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment in jointly controlled entity	-	(125)
Purchase of other investments	(10,000)	-
Dividends received	19,686	19,686
Purchase of property, plant and equipment	(173,779)	(119,257)
Purchase of prepaid lease	(15,648)	-
Proceeds from disposal of property, plant and equipment	16	27
Net Cash Used In Investing Activities	(179,725)	(99,669)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing costs paid	(8,290)	(7,700)
Dividends paid	(618,354)	(540,194)
Net Cash Used In Financing Activities	(626,644)	(547,894)
Net Increase in Cash and Cash Equivalents	(154,473)	228,853
Cash and Cash Equivalents at beginning of the year	1,707,805	1,073,384
Cash and Cash Equivalents at end of the period	1,553,332	1,302,237

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 six months ended 30 September 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	-	-	539,405	539,405
Dividends approved in respect of the previous year			(540,194)	(540,194)
As at 30 September 2007	1,978,732	1,186,472	4,420,318	7,585,522
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	-	-	502,826	502,826
Dividends approved in respect of the previous year			(618,354)	(618,354)
As at 30 September 2008	1,978,732	1,186,472	4,670,500	7,835,704

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 FRS 134

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 September 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 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% Samurai Bond which was on lent from PETRONAS to the Company on 21 April 1997. The term loan represents an amount equivalent to Yen 16 billion. 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 financial statements. The volatility and the impact to the financial statements 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.

For the purpose of presentation of the financial statements, both the term loan and the CEA are netted off since the conditions of legally enforceable right and the intention to settle on net basis are met.

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 September 2008.

8. Dividends Paid

	6 months ended	
	30.9.2008 RM'000	30.9.2007 RM'000
Ordinary		
Final paid:		
- 2008 – 20% per share tax exempt and 15% per share less 25% tax	618,354	540,194
(2007 - 20% per share tax exempt and 10% per share less 27% tax)		
Total dividend paid	618,354	540,194

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 September 2008-----			-----30 September 2007-----		
	Throughput Services RM'000	Utilities RM'000	Total RM'000	Throughput Services RM'000	Utilities RM'000	Total RM'000
Revenue	1,309,058	337,341	1,646,399	1,245,633	310,386	1,556,019
Segment results	582,358	53,866	636,224	593,639	96,524	690,163
Unallocated income/(expense)			8,180			6,596
Operating Profit			644,404			696,759
Financing costs			(8,268)			(7,741)
Share of profit after tax of equity accounted associate and jointly controlled entity			26,187			24,387
Profit before taxation			662,323			713,405

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 comprise 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 year to date ended 30 September 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 September 2008 were as follows:-

	30.09.2008 RM'000
Property, plant and equipment:	
Approved and contracted for	134,469
Approved but not contracted for	183,595
	<u>318,064</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 September 2008 was RM849.7 million (quarter ended 30 September 2007: RM780.1 million) and revenue for the six months period was RM1,646.4 million (Year To Date 30 September 2007: RM 1,556.0 million). The increase was due to higher throughput revenue and utilities sales.

Profit before tax for the quarter ended 30 September 2008 was RM273.6 million (quarter ended 30 September 2007: RM323.1 million) and profit before tax for the six months period was RM662.3 million (Year To Date 30 September 2007: RM713.4). The decrease in profit was mainly due to higher cost of revenue.

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

Revenue for the current quarter was RM849.7 million, an increase of RM53.0 million from the preceding quarter due to higher throughput revenue.

Profit before tax for the current quarter of RM273.6 million was RM49.5 million lower than the preceding quarter mainly due to higher cost of revenue.

17. Commentary on Prospects

Revenue prospects for gas processing and transmission business would continue to be dependent on upstream gas production levels. The cost of internal gas consumption would be higher in the light of revision of gas price as announced by the Government. However, the margin for the gas processing and transmission business would not be impacted as the increase in cost will be passed through.

Increase in operating cost arising from revised fuel gas price would impact utilities business. To mitigate this, efforts are being undertaken to review the pricing agreement with customers.

18. Profit Forecast

Not applicable as no profit forecast was published.

19. Tax Expense

Taxation comprises the following:

	3 months ended		6 months ended	
	30.9.2008 RM'000	30.9.2007 RM'000	30.9.2008 RM'000	30.9.2007 RM'000
In respect of current period:				
- income tax	79,800	81,500	181,800	186,000
- deferred tax	(13,447)	(5,000)	(22,303)	(12,000)
	<u>66,353</u>	<u>76,500</u>	<u>159,497</u>	<u>174,000</u>

The effective tax rates of 25.5% for the current quarter and 25.1% for the financial year-to-date approximate 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 in the process of 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:

	30.9.2008	30.9.2007
	RM'000	RM'000
<u>Long Term</u>		
- Unsecured Term Loan	513,411	454,100
- Derivative Asset	(100,549)	-
Borrowings	412,862	454,100

The adoption of FRS 139 affects the unsecured term loan comprising the 6th series 3.4% Samurai Bond which was on lent from PETRONAS to the Company on 21 April 1997. The term loan represents an amount equivalent to Yen 16 billion. 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.

For the purpose of presentation of the financial statements, both the term loan and the CEA are netted off since the conditions of legally enforceable right and the intention to settle on net basis are met.

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

Interim dividend declared, payable on 18 December 2008 (2007: paid on 14 December 2007)	6 months ended 30.9.2008		6 months ended 30.9.2007	
	Gross dividend per share (sen)	Amount of dividend net of 25% tax (RM'000)	Gross dividend per share (sen)	Amount of dividend net of 27% tax (RM'000)
Less tax	15	222,607	15	216,671

NOTICE IS HEREBY GIVEN THAT the interim dividend of 15% per share less 25% tax will be payable on 18 December 2008 to depositors registered in the Records of Depositors at the close of business on 4 December 2008.

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

- Shares transferred into the Depositor's Securities Account before 4:00 p.m. on 4 December 2008 in respect of ordinary transfers.
- Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

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 ended		6 months ended	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
Net profit for the period (RM '000)	207,242	246,631	502,826	539,405
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
Earnings per share (sen)	10.47	12.46	25.41	27.26

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 19 November 2008.

BY ORDER OF THE BOARD

Noryati Mohd Noor (LS0008877)
Yeap Kok Leong (MAICSA0862549)
Company Secretaries
Kuala Lumpur
19 November 2008