

PETRONAS Gas Berhad
(Company No.: 101671-H)
Condensed Group Statement of Financial Position
as at 31 December 2010 - Unaudited



	As at 31-Dec-10 RM'000	As at 31-Mar-10 RM'000 (restated)	
Assets			
Property, plant and equipment	6,667,562	6,908,208	Note 2 (c)
Investment in associate	216,708	174,036	
Investment in jointly controlled entity	2,143	4,481	
Total non-current assets	6,886,413	7,086,725	
Trade and other inventories	131,044	144,017	
Trade and other receivables	343,988	322,228	
Fund and other investments	250,393	100,252	
Cash and cash equivalents	2,522,524	2,181,502	
Total current assets	3,247,949	2,747,999	
TOTAL ASSETS	10,134,362	9,834,724	
Equity			
Share Capital	1,978,732	1,978,732	
Reserves	6,220,366	6,037,138	
Total equity attributable to the shareholders of the Company	8,199,098	8,015,870	
Minority shareholder's interests	1,024	1,131	
Total equity	8,200,122	8,017,001	
Liabilities			
Borrowings	426,079	437,682	
Deferred tax	1,127,000	1,132,000	
Deferred income	12,352	13,597	
Total non-current liabilities	1,565,431	1,583,279	
Trade and other payables	147,830	202,230	
Taxation	220,979	32,214	
Total current liabilities	368,809	234,444	
Total liabilities	1,934,240	1,817,723	
TOTAL EQUITY AND LIABILITIES	10,134,362	9,834,724	
Net Assets per share attributable to the shareholders of the Company (RM)	4.1436	4.0510	

The condensed Group statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

PETRONAS Gas Berhad
(Company No.: 101671-H)
Condensed Group Statement of Comprehensive Income
for the quarter and nine months ended 31 December 2010 - Unaudited



	3 months ended		9 months ended	
	31-Dec-10 RM'000	31-Dec-09 RM'000	31-Dec-10 RM'000	31-Dec-09 RM'000
Revenue	892,687	810,886	2,633,762	2,419,632
Cost of revenue	(395,799)	(499,516)	(1,178,481)	(1,511,391)
Gross profit	<u>496,888</u>	<u>311,370</u>	<u>1,455,281</u>	<u>908,241</u>
Administration expenses	(20,230)	(20,619)	(64,055)	(56,768)
Other expenses	(20,746)	(8,352)	(44,464)	(41,479)
Other income	65,409	50,216	174,886	129,875
Operating profit	<u>521,321</u>	<u>332,615</u>	<u>1,521,648</u>	<u>939,869</u>
Financing costs	(5,306)	(5,018)	(15,510)	(15,630)
Share of profit after tax of equity accounted associate and jointly controlled entity	14,795	15,676	43,358	42,048
Profit before taxation	<u>530,810</u>	<u>343,273</u>	<u>1,549,496</u>	<u>966,287</u>
Tax expense	(130,091)	(77,373)	(377,010)	(227,686)
Profit for the period/ Total comprehensive income for the period	<u>400,719</u>	<u>265,900</u>	<u>1,172,486</u>	<u>738,601</u>
Total comprehensive income attributable to:				
Shareholders of the Company	400,737	266,474	1,172,593	739,504
Minority Interest	(18)	(574)	(107)	(903)
Total comprehensive income for the period	<u>400,719</u>	<u>265,900</u>	<u>1,172,486</u>	<u>738,601</u>
Basic and diluted earnings per ordinary share (sen)	<u>20.25</u>	<u>13.47</u>	<u>59.26</u>	<u>37.37</u>

The condensed Group statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

PETRONAS Gas Berhad
(Company No.: 101671-H)
Condensed Group Statement of Cash Flows
for the nine months ended 31 December 2010 - Unaudited



	9 months ended	
	31-Dec-10 RM'000	31-Dec-09 RM'000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	2,681,584	2,467,534
Cash paid to suppliers and employees	(760,272)	(1,106,391)
	1,921,312	1,361,143
Interest income from fund and other investments	46,674	28,237
Taxation paid	(193,087)	(208,935)
Net cash generated from operating activities	1,774,899	1,180,445
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fund and other investments	(160,032)	(50,033)
Proceeds from disposal of other investments	10,043	10,011
Dividends received	2,866	-
Purchase of property, plant and equipment	(308,250)	(283,848)
Proceeds from disposal of property, plant and equipment	1,647	355
Net cash used in investing activities	(453,726)	(323,515)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing cost paid	(10,022)	(10,337)
Dividends paid	(989,365)	(963,989)
Advance from minority shareholder	19,236	-
Issue of ordinary share capital to Minority Interest	-	2,000
Net cash used in financing activities	(980,151)	(972,326)
Net Increase in Cash and Cash Equivalents	341,022	(115,396)
Cash and Cash Equivalents at beginning of the year	2,181,502	1,945,136
Cash and Cash Equivalents at end of the period	2,522,524	1,829,740

The condensed Group statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 March 2010 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 nine months ended 31 December 2010 - Unaudited



	Share Capital Ordinary Shares RM'000	Non Distributable Share Premium RM'000	Distributable Retained Profits RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
Balance at 1 April 2009	1,978,732	1,186,472	4,873,759	8,038,963	(662)	8,038,301
Total comprehensive income for the period	-	-	739,504	739,504	(903)	738,601
Issue of ordinary share capital to Minority Interest	-	-	-	-	2,000	2,000
Dividends approved in respect of the previous year	-	-	(667,180)	(667,180)	-	(667,180)
Interim Dividend declared and paid in respect of the current year	-	-	(296,809)	(296,809)	-	(296,809)
Balance at 31 December 2009	1,978,732	1,186,472	4,649,274	7,814,478	435	7,814,913
Balance at 1 April 2010	1,978,732	1,186,472	4,850,666	8,015,870	1,131	8,017,001
Total comprehensive income for the period	-	-	1,172,593	1,172,593	(107)	1,172,486
Dividends approved in respect of the previous year	-	-	(692,556)	(692,556)	-	(692,556)
Interim Dividend declared and paid in respect of the current year	-	-	(296,809)	(296,809)	-	(296,809)
Balance at 31 December 2010	1,978,732	1,186,472	5,033,894	8,199,098	1,024	8,200,122

The condensed Group statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2010 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 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 Financial Reporting Standard (FRS) 134, *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Within the context of these financial statements, the Group comprises the Company and its subsidiary, and the Group's interest in an associate and a jointly controlled entity as at and for the quarter ended 31 December 2010.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2010. 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 2010.

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 2010.

As of 1 April 2010, the Group has adopted the following FRSs, Statement of Interpretations and Amendments to FRSs which are effective for annual periods beginning on or after 1 January 2010 (unless otherwise stated):

- (i) FRS 8, Operating Segments (effective for annual periods beginning on or after 1 July 2009)
- (ii) FRS 101, Presentation of Financial Statements (revised)
- (iii) Amendment to FRS 1, First-time Adoption of Financial Reporting Standard
- (iv) Amendment to FRS 107, Cash Flow Statements
- (v) Amendment to FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors
- (vi) Amendment to FRS 110, Events After the Balance Sheet Date
- (vii) Amendment to FRS 116, Property, Plant and Equipment
- (viii) Amendment to FRS 117, Leases
- (ix) Amendment to FRS 118, Revenue
- (x) Amendment to FRS 119, Employee Benefits
- (xi) Amendment to FRS 127, Consolidated and Separate Financial Statements
- (xii) Amendment to FRS 128, Investments in Associates
- (xiii) Amendment to FRS 131, Interests in Joint Ventures
- (xiv) Amendment to FRS 132, Financial Instruments: Presentation
- (xv) Amendment to FRS 134, Interim Financial Reporting
- (xvi) Amendment to FRS 136, Impairment of Assets
- (xvii) Amendment to FRS 139, Financial Instruments: Recognition and Measurement

The adoption of the above FRSs and Amendments to FRS other than FRS 8, FRS 101, and FRS 117 do not have any impact on these financial statements. The principal changes in accounting policies, presentation and extended disclosures are set out below:

a) FRS 8, Operating Segments

FRS 8 addresses the presentation of financial information to management. Currently, the Group presents segment information in respect of its business operating segments. FRS 8 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Therefore, the Group presents its segment information in respect of its operating segments as Gas Processing business, Gas Transportation business and Utilities business.

b) FRS 101, Presentation of Financial Statements (revised)

The adoption of FRS 101 (revised) has resulted in a change in the presentation of financial statements. The financial statements have been re-presented as statement of comprehensive income.

FRS 101 (revised) also requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (comprehensive income) are required to be presented in one statement of comprehensive income. Components of comprehensive income are not permitted to be presented in the statement of changes in equity. Currently, the Group does not have any non-owner changes in equity.

c) Amendment to FRS 117, Leases

The adoption of Amendment to FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land and did not have material impact on current year statement of comprehensive income.

Prior to the adoption of Amendment to FRS 117, the Group had classified leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payment that is amortised over the lease term in accordance with the pattern of benefits provided.

On adoption of Amendment to FRS 117, lease of a leasehold land which is in substance a finance lease has been reclassified to property, plant and equipment and measured as such retrospectively as follows:

	Group Balance Sheet at 31.03.2010 RM'000	Effect on adoption of Amendment to FRS 117 RM'000	Group Statement of Financial Position as at 31.03.2010 (restated) RM'000
Property, plant and equipment	6,461,614	446,594	6,908,208
Prepaid lease payments	446,594	(446,594)	-

3. Auditor's Report on Preceding Annual Financial Statements

The auditor's report on the financial statements for the year ended 31 March 2010 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 financial year-to-date.

6. Changes in Estimates

There were no changes in estimates that have had any material effect on the financial year-to-date 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 31 December 2010.

8. Dividends Paid

	9 months ended	
	31.12.2010 RM'000	31.12.2009 RM'000
Ordinary		
Final paid:		
2010 – 30% per share under single tier system and 5% per share tax exempt (2009 – 9.9% per share under single tier system, 20% per share tax exempt and 5.1% per share less 25% tax)	692,556	667,180
Interim declared and paid:		
2011 - 15% per share tax exempt under the single tier tax system (2010 - 15% per share tax exempt under the single tier tax system)	296,809	296,809
Total dividend paid	989,365	963,989

9. Segmental Information

Segment information is presented in respect of the Group's business segments which are based on the internal reporting structure presented to the management of the Company.

The Group's principal business segments are services rendered for separating natural gas into its components and the storing, transporting and distributing such components, and sale of industrial utilities.

The Group operates only in Malaysia and accordingly, information by geographical location of the Group's operations 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 statement of comprehensive income and statement of financial position of the Group.

On 31 March 2010, the Company entered into an Addendum to the Gas Processing and Transmission Agreement (GPTA) with PETRONAS, for the period of 1 April 2010 to 31 March 2014. It provides clearer demarcation of terms and remuneration structure between gas processing and transportation of gas.

Prior to 1 April 2010, the Company's total remuneration under the GPTA was classified as Throughput Services revenue with no separation between gas processing and gas transportation revenue.

To ensure ease of comparability between nine months ended 31 December 2010 and nine months ended 31 December 2009, the Segmental Information results for gas processing and gas transportation revenue have also been disclosed in a combined manner as Throughput Services.

9. Segmental Information (Continued)

Business Segment	9 months ended -----31 December 2010-----					9 months ended -----31 December 2009-----		
	Gas Processing RM'000	Gas Transportation RM'000	Throughput Services RM'000	Utilities RM'000	Total RM'000	Throughput Services RM'000	Utilities RM'000	Total RM'000
Revenue	1,191,380	839,681	2,031,061	602,701	2,633,762	1,849,623	570,009	2,419,632
Segment results	661,151	646,192	1,307,343	147,938	1,455,281	774,662	133,579	908,241
Unallocated income					66,367			31,628
Operating profit					1,521,648			939,869
Financing costs					(15,510)			(15,630)
Share of profit after tax of equity accounted associate and jointly controlled entity					43,358			42,048
Profit before taxation					<u>1,549,496</u>			<u>966,287</u>

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated income mainly comprise interest from fund investment, administration expenses, unrealised gain / (loss) from retranslation of term loan and revaluation of Currency Exchange Agreement (CEA).

10. Property, Plant and Equipment

Freehold land is stated at cost and is not depreciated. Projects-in-progress are stated at cost and are not depreciated. Other property, plant and equipment are stated at cost or valuation less accumulated depreciation and 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 financial year-to-date.

13. Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets since the last annual statement of financial position as at 31 March 2010.

14. Capital Commitments

The commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2010 were as follows:-

	31.12.2010 RM'000
Property, plant and equipment:	
Approved and contracted for	86,948
Approved but not contracted for	2,565,356
	<u>2,652,304</u>

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

15. Performance Review

Revenue for the quarter ended 31 December 2010 was RM892.7 million (quarter ended 31 December 2009: RM810.9 million) and revenue for the nine months period was RM2,633.8 million (year-to-date ended 31 December 2009: RM2,419.6 million). The increase was due to higher gas processing and gas transportation revenue.

Profit before tax for the quarter ended 31 December 2010 was RM530.8 million (quarter ended 31 December 2009: RM343.3 million) and profit before tax for the nine months period was RM1,549.5 million (year-to-date ended 31 December 2009: RM966.3 million). The increase in profit was mainly due to higher revenue and lower cost of revenue. Accordingly, profit after tax for the quarter ended 31 December 2010 was RM400.7 million (quarter ended 31 December 2009: RM265.9 million) and profit after tax for the nine months period was RM1,172.5 million (year-to-date ended 31 December 2009: RM738.6 million).

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

Revenue for the current quarter was RM892.7 million, an increase of RM24.3 million from the preceding quarter due to higher gas processing revenue.

Profit before tax for the current quarter of RM530.8 million was RM25.3 million higher than the preceding quarter mainly due to higher revenue and lower cost of revenue.

17. Commentary on Prospects

Revenue from the new fee structure under the GPTA is dependent on the volume of the gas processed at the Gas Processing Plants as well as volume of gas delivered directly into the pipeline network.

The performance based structure will continue to provide PGB with additional earnings potential which is dependent on the level of production of by-products and their prices. As internal gas consumption is provided by PETRONAS, PGB's exposure to fuel gas price fluctuation is eliminated.

The revised terms under the GPTA do not introduce new operating risks to PGB; it better defines the obligations of the parties to the GPTA.

Prospects for the utilities business will depend on the pace of economic recovery. Any variation in gas price will be reflected in the pricing to customers.

18. Profit Forecast

Not applicable as no profit forecast was published.

19. Tax Expense

Taxation comprises the following:

	3 months ended		9 months ended	
	31.12.2010 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
In respect of current period:				
- income tax	131,091	75,373	382,010	243,686
- deferred tax	(1,000)	2,000	(5,000)	(16,000)
	<u>130,091</u>	<u>77,373</u>	<u>377,010</u>	<u>227,686</u>

The effective tax rate was 25.2% for the current quarter and 25.0% for the financial year-to-date.

20. Unquoted Investments and Properties

Investments in unquoted securities as at 31 December 2010 are as follows:

	31.12.2010 RM'000	31.12.2009 RM'000
<u>Current</u>		
Fair value through profit or loss financial assets	250,393	110,552

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

There was no corporate proposal announced as at the date of this report.

23. Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses. The guideline and the disclosure requirement for realised and unrealised profits was issued by Bursa Malaysia on 20 December 2010.

Pursuant to the directive, the breakdown of retained profits of the Group as at reporting date, into realised and unrealised profits, is as follows:

	As at 31-Dec-10 RM'000	As at 30-Sep-10 RM'000
Total retained profits/(accumulated losses) of PGB and its subsidiary:		
- realised	5,884,323	5,791,573
- unrealised	(1,098,349)	(1,094,714)
	<u>4,785,974</u>	<u>4,696,859</u>
Total share of retained profits/(accumulated losses) from associated company:		
- realised	228,780	215,117
- unrealised	13,246	12,311
Total share of retained profits/(accumulated losses) from jointly controlled entity:		
- realised	4,888	4,705
- unrealised	30	16
	<u>5,032,918</u>	<u>4,929,008</u>
Consolidation adjustments	976	958
Total Group Retained Profits as per Consolidated Accounts	<u>5,033,894</u>	<u>4,929,966</u>

24. Borrowings

Particulars of Company's borrowings are as follows:

	31.12.2010	31.12.2009
	RM'000	RM'000
Non Current		
Term loan - unsecured	606,852	597,185
Derivative asset – Currency Exchange Agreement (CEA)	(180,773)	(165,000)
Total	426,079	432,185
	Total	2-5 years
	RM'000	RM'000
Unsecured term loan (net of derivative asset)		
31.12.2010 - 3.4%	426,079	426,079
31.12.2009 - 3.4%	<u>432,185</u>	<u>432,185</u>

The unsecured term loan comprising the 6th series 3.4% Samurai Bond 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 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 at contracted amount of RM454.1 million.

The CEA being an embedded derivative attached to the Yen 16 billion term loan are valued and accounted separately at each reporting date due to the risks and characteristics are not closely related to the host contract. The term loan is translated at the spot rate at the reporting date whereas the CEA is measured at fair value. The fair value of the CEA is based on the discounted cash flow of the difference between forward exchange rate and contracted rate. Any increase or decrease in the translation or valuation is recorded accordingly in the financial statements.

The market risk on the fair value or future cash flows of the term loan and CEA will fluctuate depending on the exchange rate and interest rate movement.

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.

The net unrealised gain arising from retranslation of term loan and revaluation of CEA for the nine months ended 31 December 2010 was RM11.6 million (nine months ended 31 December 2009: net unrealised gain of RM17.4 million).

25. Off Balance Sheet Financial Instruments

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

26. Material Litigation

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

27. Dividends

There was an interim dividend declared and paid during the quarter as disclosed in Note 8.

28. Earnings per Share

Basic earnings per share (EPS) is derived based on the net profit attributable to ordinary shareholders and based on the number of ordinary shares in issue as at 31 December 2010.

	3 months ended		9 months ended	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Net profit for the period attributable to ordinary shareholders (RM'000)	400,737	266,474	1,172,593	739,504
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	20.25	13.47	59.26	37.37

Diluted EPS is derived based on the profit attributable to ordinary shareholders after adjustment for the effect of all dilutive potential ordinary shares. The Group has not issued any dilutive potential ordinary shares, hence, the diluted EPS is the same as the basic EPS.

29. 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 22 February 2011.

BY ORDER OF THE BOARD

Noryati Mohd Noor (LS0008877)
Yeap Kok Leong (MAICSA0862549)
Company Secretaries
Kuala Lumpur
22 February 2011