

**PETRONAS Gas Berhad**  
**(Company No.: 101671-H)**  
**Condensed Group Statement of Financial Position**  
**as at 30 June 2011 - Unaudited**



	<b>As at 30-Jun-11 RM'000</b>	<b>As at 31-Mar-11 RM'000</b>
<b>Assets</b>		
Property, plant and equipment	6,986,678	6,830,609
Investment in associate	191,096	175,087
Investment in jointly controlled entity	3,181	2,606
<b>Total non-current assets</b>	<b>7,180,955</b>	<b>7,008,302</b>
Trade and other inventories	99,597	100,399
Trade and other receivables	311,614	369,997
Fund and other investments	280,288	275,082
Cash and cash equivalents	2,946,256	2,756,079
<b>Total current assets</b>	<b>3,637,755</b>	<b>3,501,557</b>
<b>TOTAL ASSETS</b>	<b>10,818,710</b>	<b>10,509,859</b>
<b>Equity</b>		
Share Capital	1,978,732	1,978,732
Reserves	6,873,761	6,487,024
Total equity attributable to the shareholders of the Company	8,852,493	8,465,756
Non-controlling interest	49,402	49,415
<b>Total equity</b>	<b>8,901,895</b>	<b>8,515,171</b>
<b>Liabilities</b>		
Borrowings	425,255	423,580
Deferred tax	1,090,000	1,107,000
Deferred income	11,523	11,937
<b>Total non-current liabilities</b>	<b>1,526,778</b>	<b>1,542,517</b>
Trade and other payables	270,609	340,030
Taxation	119,428	112,141
<b>Total current liabilities</b>	<b>390,037</b>	<b>452,171</b>
<b>Total liabilities</b>	<b>1,916,815</b>	<b>1,994,688</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>10,818,710</b>	<b>10,509,859</b>
<b>Net Assets per share attributable to the shareholders of the Company (RM)</b>	<b>4.4738</b>	<b>4.2784</b>

The condensed Group statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2011 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 three months ended 30 June 2011 - Unaudited**



	<b>Three months and year-to-date ended</b>	
	<b>30-Jun-11</b>	<b>30-Jun-10</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>	916,553	872,645
Cost of revenue	(420,645)	(372,779)
<b>Gross profit</b>	<u>495,908</u>	<u>499,866</u>
Administration expenses	(36,394)	(21,289)
Other expenses	(13,512)	(11,033)
Other income	53,268	36,423
<b>Operating profit</b>	<u>499,270</u>	<u>503,967</u>
Financing costs	(5,253)	(4,989)
Share of profit after tax of equity accounted associate and jointly controlled entity	16,584	14,235
<b>Profit before taxation</b>	<u>510,601</u>	<u>513,213</u>
Tax expense	(123,877)	(130,474)
<b>Profit for the period/ Total comprehensive income for the period</b>	<u><u>386,724</u></u>	<u><u>382,739</u></u>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	386,737	382,787
Non-controlling interest	(13)	(48)
<b>Total comprehensive income for the period</b>	<u><u>386,724</u></u>	<u><u>382,739</u></u>
<b>Basic and diluted earnings per ordinary share (sen)</b>	<u><u>19.54</u></u>	<u><u>19.35</u></u>

The condensed Group statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2011 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 three months ended 30 June 2011 - Unaudited**



	Three months and year-to-date ended	
	30-Jun-11	30-Jun-10
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	972,900	877,776
Cash paid to suppliers and employees	(301,514)	(241,679)
	671,386	636,097
Interest income from fund and other investments	14,207	12,036
Taxation paid	(133,589)	(71,452)
<b>Net cash generated from operating activities</b>	<b>552,004</b>	<b>576,681</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fund and other investments	(10,000)	(44,964)
Proceeds from disposal of other investments	5,000	10,043
Dividends received	-	2,866
Purchase of property, plant and equipment	(385,467)	(101,577)
Proceeds from disposal of property, plant and equipment	-	32
<b>Net cash used in investing activities</b>	<b>(390,467)</b>	<b>(133,600)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advance from non-controlling interest	28,640	1,800
<b>Net cash used in financing activities</b>	<b>28,640</b>	<b>1,800</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>190,177</b>	<b>444,881</b>
<b>Cash and Cash Equivalents at beginning of the year</b>	<b>2,756,079</b>	<b>2,181,502</b>
<b>Cash and Cash Equivalents at end of the period</b>	<b>2,946,256</b>	<b>2,626,383</b>

The condensed Group statement of cash flows should be read in conjunction with the audited financial statements for the year ended 31 March 2011 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 three months ended 30 June 2011 - Unaudited



	Share Capital Ordinary Shares RM'000	Non Distributable Share Premium RM'000	Distributable Retained Profits RM'000	Total RM'000	Non-controlling Interest RM'000	Total Equity RM'000
<b>Balance at 1 April 2010</b>	1,978,732	1,186,472	4,850,666	8,015,870	1,131	8,017,001
Total comprehensive income for the period	-	-	382,787	382,787	(48)	382,739
<b>Balance at 30 June 2010</b>	<b>1,978,732</b>	<b>1,186,472</b>	<b>5,233,453</b>	<b>8,398,657</b>	<b>1,083</b>	<b>8,399,740</b>
<b>Balance at 1 April 2011</b>	1,978,732	1,186,472	5,300,552	8,465,756	49,415	8,515,171
Total comprehensive income for the period	-	-	386,737	386,737	(13)	386,724
<b>Balance at 30 June 2011</b>	<b>1,978,732</b>	<b>1,186,472</b>	<b>5,687,289</b>	<b>8,852,493</b>	<b>49,402</b>	<b>8,901,895</b>

The condensed Group statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2011 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 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 30 June 2011.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2011. 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 2011.

### 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 2011.

As of 1 April 2011, the Group has adopted the following FRSs, Statement of Interpretations and Amendments to FRSs as follows:

#### **Effective for annual periods beginning on or after 1 July 2010**

FRS 1	First-time Adoption of Financial Reporting Standards (revised)
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
Amendments to IC 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Agreements

#### **Effective for annual periods beginning on or after 1 January 2011**

Amendment to FRS 1	First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-Time Adopters and Additional Exemptions for First Time Adopters
Amendment to FRS 1	First-time Adoption of Financial Reporting Standard [Improvements to FRSs (2010)]
Amendments to FRS 3	Business Combinations [Improvements to FRSs (2010)]
Amendments to FRS 7	Financial Instruments: Disclosures – Improving Disclosure about Financial Instruments
Amendments to FRS 7	Financial Instruments: Disclosures [Improvements to FRSs (2010)]
Amendments to FRS 101	Presentation of Financial Statements [Improvements to FRSs (2010)]
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates [Improvements to FRSs (2010)]
Amendments to FRS 128	Investment in Associates [Improvements to FRSs (2010)]
Amendments to FRS 131	Interests in Joint Ventures [Improvements to FRSs (2010)]

## **2. Changes in Accounting Policies (Continued)**

### ***Effective for annual periods beginning on or after 1 January 2011 (Continued)***

Amendments to FRS 132 Financial Instruments: Presentation [Improvements to FRSs (2010)]

Amendments to FRS 134 Interim Financial Reporting [Improvements to FRSs (2010)]

Amendments to FRS 139 Financial Instruments: Recognition and Measurements

IC Interpretation 4 Determining Whether an Arrangement contains a Lease

The adoption of the above FRSs, Statement of Interpretations and Amendments to FRS do not have any significant impact on these financial statements.

## **3. Auditor's Report on Preceding Annual Financial Statements**

The auditor's report on the financial statements for the year ended 31 March 2011 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 ended 30 June 2011.

## **6. Changes in Estimates**

There were no changes in estimates that have had any 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 2011.

## **8. Dividends Paid**

There were no dividends paid during the current quarter.

## **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.

## 9. Segmental Information (Continued)

Business Segment	Three months ended				Three months ended			
	-----30 June 2011-----				-----30 June 2010-----			
	Gas Processing RM'000	Gas Transportation RM'000	Utilities RM'000	Total RM'000	Gas Processing RM'000	Gas Transportation RM'000	Utilities RM'000	Total RM'000
Revenue	447,047	265,624	203,882	916,553	399,778	278,195	194,672	872,645
Segment results	261,047	196,715	38,146	495,908	231,070	218,124	50,672	499,866
Unallocated income				3,362				4,101
Operating profit				499,270				503,967
Financing costs				(5,253)				(4,989)
Share of profit after tax of equity accounted associate and jointly controlled entity				16,584				14,235
Profit before taxation				510,601				513,213

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

The Company has entered into a Shareholders Agreement (SHA) with NRG Consortium (Sabah) Sdn. Bhd. (NRG) on 1 July 2011 for the purpose of providing operation and maintenance services to Kimanis Power Sdn. Bhd. (KPSB), a 300 megawatt gas power plant and related facilities and infrastructure in Kimanis, District of Papar, Kota Kinabalu, Sabah, through a joint venture company (JVC).

NRG is a wholly owned subsidiary of Innoprise Corporation Sdn. Bhd. (ICSB). Yayasan Sabah is the holding company of ICSB. The equity participation of the Company and NRG in the JVC is 60% and 40%, respectively.

## 12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

## 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 2011.

## 14. Capital Commitments

The commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 June 2011 were as follows:-

	<b>30.06.2011</b>
	<b>RM'000</b>
Property, plant and equipment:	
Approved and contracted for	3,224,437
Approved but not contracted for	906,083
	<u><b>4,130,520</b></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 30 June 2011 was RM916.6 million (quarter ended 30 June 2010: RM872.6 million). The increase was due to higher gas processing revenue and utilities sales.

Profit before tax for the quarter ended 30 June 2011 was RM510.6 million (quarter ended 30 June 2010: RM513.2 million). The decrease in profit before tax by 0.5% was mainly due to higher cost of revenue.

Profit after tax for the quarter ended 30 June 2011 was RM386.7 million (quarter ended 30 June 2010: RM382.7 million) and the increase in profit after tax by 1.0% was mainly due to lower tax expense. The effective tax rate for the current quarter was 25.1%.

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

Profit before tax for the current quarter was RM510.6 million, an increase of RM159.8 million from the preceding quarter mainly due to lower cost of revenue.

**17. Commentary on Prospects**

Revenue from the 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.

Prospects for the utilities business will mainly depend on petrochemical customer demand. 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:

	Three months and year-to-date ended	
	30.06.2011 RM'000	30.06.2010 RM'000
In respect of current period:		
- income tax	140,877	134,474
- deferred tax	(17,000)	(4,000)
	<u>123,877</u>	<u>130,474</u>

The effective tax rate was 25.1% for the current quarter.

**20. Unquoted Investments and Properties**

Investments in unquoted securities (comprising Malaysian Government Securities and corporate bonds) as at 30 June 2011 were as follows:

	30.06.2011 RM'000	30.06.2010 RM'000
<b><u>Current</u></b>		
Fair value through profit or loss financial assets	280,288	135,129



## 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

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

	<b>As at 30.06.2011 RM'000</b>	<b>As at 31.03.2011 RM'000</b>
Total retained profits/(accumulated losses) of PGB and its subsidiary:		
- realised	6,656,829	6,302,192
- unrealised	(1,060,663)	(1,076,166)
	<u>5,596,166</u>	<u>5,226,026</u>
Total share of retained profits/(accumulated losses) from associated company:		
- realised	288,752	272,676
- unrealised	(12,688)	(12,620)
Total share of retained profits from jointly controlled entity:		
- realised	5,927	5,350
- unrealised	30	30
	<u>5,878,187</u>	<u>5,491,462</u>
Consolidation adjustments	(190,898)	(190,910)
Total Group Retained Profits as per Consolidated Financial Statements	<u><b>5,687,289</b></u>	<u><b>5,300,552</b></u>

## 24. Borrowings

Particulars of Company's borrowings are as follows:

	<b>30.06.2011 RM'000</b>	<b>30.06.2010 RM'000</b>
<b>Non Current</b>		
Term loan – unsecured	600,234	577,106
Derivative asset – Currency Exchange Agreement (CEA)	(174,979)	(129,315)
<b>Total</b>	<u><b>425,255</b></u>	<u><b>447,791</b></u>
	<b>Total RM'000</b>	<b>2-5 years RM'000</b>
Unsecured term loan (net of derivative asset)		
30.06.2011 - 3.4%	425,255	425,255
30.06.2010 - 3.4%	<u>447,791</u>	<u>447,791</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.

## 24. Borrowings (Continued)

The CEA being an embedded derivative attached to the Yen 16 billion term loan is valued and accounted separately at each reporting date due to the risks and characteristics not being 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 loss arising from retranslation of term loan and revaluation of CEA for the quarter ended 30 June 2011 was RM1.7 million (quarter ended 30 June 2010: net unrealised loss of RM10.1 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. Dividend Proposed

On 11 May 2011, the Directors proposed a final dividend of 35% per share under single tier system amounting to RM692,556,000 in respect of the financial year ended 31 March 2011.

The final dividend was approved by the shareholders during the Annual General Meeting held on 22 July 2011. On 17 August 2011, the dividend was paid to the depositors registered in the Record of Depositors at the close of business on 29 July 2011.

## 28. Earnings per Share

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

	Three months and year-to-date ended	
	30.06.2011	30.06.2010
	RM'000	RM'000
Net profit for the period attributable to ordinary shareholders (RM'000)	386,737	382,787
Number of ordinary shares in issue ('000)	1,978,732	1,978,732
<b>EPS (sen)</b>	<b>19.54</b>	<b>19.35</b>

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 17 August 2011.

**BY ORDER OF THE BOARD**

Noryati Mohd Noor (LS0008877)  
Yeap Kok Leong (MAICSA0862549)  
*Company Secretaries*  
Kuala Lumpur  
17 August 2011