

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



	As at 30-Sep-11 RM'000	As at 31-Mar-11 RM'000
Assets		
Property, plant and equipment	7,053,960	6,830,609
Investment in associate	194,942	175,087
Investment in jointly controlled entity	3,448	2,606
Total non-current assets	7,252,350	7,008,302
Trade and other inventories	103,565	100,399
Trade and other receivables	418,481	369,997
Fund and other investments	255,170	275,082
Cash and cash equivalents	2,451,910	2,756,079
Total current assets	3,229,126	3,501,557
TOTAL ASSETS	10,481,476	10,509,859
Equity		
Share Capital	1,978,732	1,978,732
Reserves	6,531,387	6,487,024
Total equity attributable to the shareholders of the Company	8,510,119	8,465,756
Non-controlling interest	79,632	49,415
Total equity	8,589,751	8,515,171
Liabilities		
Borrowings	457,339	423,580
Deferred tax	1,061,000	1,107,000
Deferred income	11,107	11,937
Total non-current liabilities	1,529,446	1,542,517
Trade and other payables	201,780	340,030
Taxation	160,499	112,141
Total current liabilities	362,279	452,171
Total liabilities	1,891,725	1,994,688
TOTAL EQUITY AND LIABILITIES	10,481,476	10,509,859
Net Assets per share attributable to the shareholders of the Company (RM)	4.3008	4.2784

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 quarter and six months ended 30 September 2011 - Unaudited



	Three months ended		Six months ended	
	30-Sep-11 RM'000	30-Sep-10 RM'000	30-Sep-11 RM'000	30-Sep-10 RM'000
Revenue	927,324	868,430	1,843,877	1,741,075
Cost of revenue	(451,465)	(409,903)	(872,110)	(782,682)
Gross profit	<u>475,859</u>	<u>458,527</u>	<u>971,767</u>	<u>958,393</u>
Administration expenses	(32,311)	(22,537)	(68,706)	(43,826)
Other expenses	(67,216)	(12,684)	(80,728)	(23,717)
Other income	82,882	73,054	136,150	109,477
Operating profit	<u>459,214</u>	<u>496,360</u>	<u>958,483</u>	<u>1,000,327</u>
Financing costs	(5,541)	(5,215)	(10,794)	(10,204)
Share of profit after tax of equity accounted associate and jointly controlled entity	4,114	14,328	20,697	28,563
Profit before taxation	<u>457,787</u>	<u>505,473</u>	<u>968,386</u>	<u>1,018,686</u>
Tax expense	(107,696)	(116,445)	(231,572)	(246,919)
Profit for the period/ Total comprehensive income for the period	<u>350,091</u>	<u>389,028</u>	<u>736,814</u>	<u>771,767</u>
Total comprehensive income attributable to:				
Shareholders of the Company	350,183	389,069	736,919	771,856
Non-controlling interest	(92)	(41)	(105)	(89)
Total comprehensive income for the period	<u>350,091</u>	<u>389,028</u>	<u>736,814</u>	<u>771,767</u>
Basic and diluted earnings per ordinary share (sen)	<u>17.70</u>	<u>19.66</u>	<u>37.24</u>	<u>39.01</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 six months ended 30 September 2011 - Unaudited



	Six months ended	
	30-Sep-11 RM'000	30-Sep-10 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1,835,961	1,738,440
Cash paid to suppliers and employees	(656,663)	(519,105)
	<u>1,179,298</u>	<u>1,219,335</u>
Interest income from fund and other investments	49,521	29,606
Taxation paid	(229,214)	(135,455)
Net cash generated from operating activities	999,605	1,113,486
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fund and other investments	(20,000)	(145,028)
Proceeds from disposal of other investments	40,000	10,043
Dividends received	-	2,866
Purchase of property, plant and equipment	(674,272)	(166,177)
Proceeds from disposal of property, plant and equipment	17,626	1,024
Net cash used in investing activities	(636,646)	(297,272)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing cost paid	(10,212)	(10,022)
Dividends paid	(692,556)	(692,556)
Advance from non-controlling interest	5,318	2,801
Issue of ordinary share capital to non-controlling interest	30,322	-
Net cash used in financing activities	(667,128)	(699,777)
Net Increase in Cash and Cash Equivalents	(304,169)	116,437
Cash and Cash Equivalents at beginning of the year	2,756,079	2,181,502
Cash and Cash Equivalents at end of the period	2,451,910	2,297,939

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 six months ended 30 September 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
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	-	-	771,856	771,856	(89)	771,767
Dividends approved in respect of the previous year	-	-	(692,556)	(692,556)	-	(692,556)
Balance at 30 September 2010	1,978,732	1,186,472	4,929,966	8,095,170	1,042	8,096,212
Balance at 1 April 2011	1,978,732	1,186,472	5,300,552	8,465,756	49,415	8,515,171
Total comprehensive income for the period	-	-	736,919	736,919	(105)	736,814
Dividends approved in respect of the previous year	-	-	(692,556)	(692,556)	-	(692,556)
Issue of ordinary share capital to non-controlling interest	-	-	-	-	30,322	30,322
Balance at 30 September 2011	1,978,732	1,186,472	5,344,915	8,510,119	79,632	8,589,751

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 September 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 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 30 September 2011.

8. Dividends Paid

	Six months ended	
	30.09.2011	30.09.2010
	RM'000	RM'000
Ordinary		
Final paid:		
2011 – 35% per share under single tier system		
(2010 – 30% per share under single tier system and 5% per share tax exempt)	692,556	692,556
Total dividend paid	692,556	692,556

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.

9. Segmental Information (Continued)

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.

Business Segment	Six months ended				Six months ended			
	30 September 2011				30 September 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	876,450	534,680	432,747	1,843,877	785,405	559,176	396,494	1,741,075
Segment results	498,628	391,182	81,957	971,767	429,154	431,047	98,192	958,393
Unallocated (expense) / income				(13,284)				41,934
Operating profit				958,483				1,000,327
Financing costs				(10,794)				(10,204)
Share of profit after tax of equity accounted associate and jointly controlled entity				20,697				28,563
Profit before taxation				968,386				1,018,686

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 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 September 2011 were as follows:-

	30.09.2011 RM'000
Property, plant and equipment:	
Approved and contracted for	3,135,309
Approved but not contracted for	994,026
	<u>4,129,335</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 September 2011 was RM927.3 million (quarter ended 30 September 2010: RM868.4 million) and revenue for the six months period was RM1,843.9 million (year-to-date ended 30 September 2010: RM1,741.1 million). The increase was due to higher gas processing revenue and utilities sales.

Profit before tax for the quarter ended 30 September 2011 was RM457.8 million (quarter ended 30 September 2010: RM505.5 million) and profit before tax for the six months period was RM968.4 million (year-to-date ended 30 September 2010: RM1,018.7 million). The decrease in profit before tax by 9.4% and 4.9% for the quarter and six months period respectively, was mainly due to higher cost of revenue and other expenses.

Accordingly, profit after tax for the quarter ended 30 September 2011 was RM350.1 million (quarter ended 30 September 2010: RM389.0 million) and profit after tax for the six months period was RM736.8 million (year-to-date ended 30 September 2010: RM771.8 million).

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

Profit before tax for the current quarter was RM457.8 million, a decrease of RM52.8 million from the preceding quarter mainly due to higher cost of revenue and other expenses.

17. Commentary on Prospects

Revenue from the fee structure under the GPTA is dependent on the volume and quality 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 ended		Six months ended	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- income tax	136,696	116,445	277,572	250,919
- deferred tax	(29,000)	-	(46,000)	(4,000)
	107,696	116,445	231,572	246,919

The effective tax rate was 23.7% for the current quarter and 24.4% for the financial year-to-date.

20. Unquoted Investments and Properties

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

	30.09.2011 RM'000	30.09.2010 RM'000
Current		
Fair value through profit or loss financial assets	255,170	235,218

21. Quoted Investment

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 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.

On 19 August 2011, the Company and NRG each subscribed to one ordinary share of RM1 each in the JVC, Kimanis O&M Sdn. Bhd., which currently has an authorised capital of RM100,000 comprising 100,000 ordinary share of RM1 each, making its initial paid up capital of RM2 divided into 2 ordinary shares of RM1 each.

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:

	As at 30.09.2011 RM'000	As at 31.03.2011 RM'000
Total retained profits/(accumulated losses) of PGB and its subsidiary:		
- realised	6,313,306	6,302,192
- unrealised	(1,063,718)	(1,076,166)
	<u>5,249,588</u>	<u>5,226,026</u>
Total share of retained profits/(accumulated losses) from associated company:		
- realised	293,119	272,676
- unrealised	(13,209)	(12,620)
Total share of retained profits from jointly controlled entity:		
- realised	6,208	5,350
- unrealised	15	30
	<u>5,535,721</u>	<u>5,491,462</u>
Consolidation adjustments	(190,806)	(190,910)
Total Group Retained Profits as per Consolidated Financial Statements	<u>5,344,915</u>	<u>5,300,552</u>

24. Borrowings

Particulars of Company's borrowings are as follows:

	30.09.2011 RM'000	30.09.2010 RM'000
Non Current		
Term loan – unsecured	666,745	586,139
Derivative asset – Currency Exchange Agreement (CEA)	(209,406)	(164,866)
Total	457,339	421,273
	Total RM'000	1-3 years RM'000
Unsecured term loan (net of derivative asset)		
30.09.2011 - 3.4%	457,339	457,339
30.09.2010 - 3.4%	<u>421,273</u>	<u>421,273</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 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 six months ended 30 September 2011 was RM33.8 million (six months ended 30 September 2010: net unrealised gain of RM16.4 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. Dividend Proposed

	Six months ended 30.09.2011		Six months ended 30.09.2010	
	Dividend per share (sen)	Dividend under single tier system (RM'000)	Dividend per share (sen)	Dividend under single tier system (RM'000)
Interim dividend declared, payable on 28 December 2011 (2010: paid on 29 December 2010)	15	296,810	15	296,810

NOTICE IS HEREBY GIVEN THAT the interim dividend of 15 sen per share under single tier system will be payable on 28 December 2011 to depositors registered in the Records of Depositors at the close of business on 12 December 2011.

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 12 December 2011 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.

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 ended		Six months ended	
	30.09.2011	30.09.2010	30.09.2011	30.09.2010
Net profit for the period attributable to ordinary shareholders (RM'000)	350,183	389,069	736,919	771,856
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	17.70	19.66	37.24	39.01

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 24 November 2011.

BY ORDER OF THE BOARD

Noryati Mohd Noor (LS0008877)
Yeap Kok Leong (MAICSA0862549)
Company Secretaries
Kuala Lumpur
24 November 2011