

PETRONAS Gas Berhad
(Company No.: 101671-H)
Condensed Group Statement of Financial Position
as at 31 March 2012 - Unaudited



	As at 31/03/2012 RM'000	As at 31/12/2011 RM'000
Assets		
Property, plant and equipment	7,721,680	7,458,272
Investment in associate	185,499	179,567
Investment in jointly controlled entity	5,808	5,414
Total non-current assets	7,912,987	7,643,253
Trade and other inventories	98,324	102,449
Trade and other receivables	329,964	386,371
Fund and other investments	235,538	245,562
Cash and cash equivalents	2,431,928	2,368,834
Total current assets	3,095,754	3,103,216
TOTAL ASSETS	11,008,741	10,746,469
Equity		
Share capital	1,978,732	1,978,732
Reserves	6,912,129	6,578,673
Total equity attributable to the owners of the Company	8,890,861	8,557,405
Non-controlling interests	126,875	86,516
Total equity	9,017,736	8,643,921
Liabilities		
Borrowings	449,154	444,735
Deferred tax	1,046,000	1,053,000
Deferred income	10,397	10,692
Total non-current liabilities	1,505,551	1,508,427
Trade and other payables	338,674	447,632
Taxation	146,780	146,489
Total current liabilities	485,454	594,121
Total liabilities	1,991,005	2,102,548
TOTAL EQUITY AND LIABILITIES	11,008,741	10,746,469
Net Assets per share attributable to the owners of the Company (RM)	4.4932	4.3247

The condensed Group statement of financial position should be read in conjunction with the audited financial statements for the period ended 31 December 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 ended 31 March 2012 - Unaudited



	1.01.2012 to 31.03.2012 RM'000	1.01.2011 to 31.03.2011 RM'000
Revenue	914,802	891,190
Cost of revenue	(466,355)	(559,298)
Gross profit	<u>448,447</u>	<u>331,892</u>
Administration expenses	(35,688)	(29,395)
Other expenses	(58,591)	(23,112)
Other income	91,308	57,467
Operating profit	<u>445,476</u>	<u>336,852</u>
Financing costs	(4,873)	(4,586)
Share of profit after tax of equity accounted associate and jointly controlled entity	6,326	18,493
Profit before taxation	<u>446,929</u>	<u>350,759</u>
Tax expense	(113,306)	(84,196)
Profit for the period/ Total comprehensive income for the period	<u><u>333,623</u></u>	<u><u>266,563</u></u>
Profit for the period/ Total comprehensive income for the period attributable to:		
Owners of the Company	333,456	266,658
Non-controlling interests	167	(95)
Total comprehensive income for the period	<u><u>333,623</u></u>	<u><u>266,563</u></u>
Basic and diluted earnings per ordinary share (sen)	<u>16.85</u>	<u>13.48</u>

The condensed Group statement of comprehensive income should be read in conjunction with the audited financial statements for the period ended 31 December 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 quarter ended 31 March 2012 - Unaudited



	1.01.2012 to 31.03.2012 RM'000	1.01.2011 to 31.03.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	988,807	881,186
Cash paid to suppliers and employees	(323,261)	(230,172)
	665,546	651,014
Interest income from fund and other investments	19,456	16,336
Taxation paid	(120,015)	(209,514)
Net cash generated from operating activities	564,987	457,836
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fund and other investments	-	(35,133)
Proceeds from disposal of other investments	10,000	10,000
Dividends received	-	56,131
Purchase of property, plant and equipment	(524,523)	(267,020)
Proceeds from disposal of property, plant and equipment	2	-
Net cash used in investing activities	(514,521)	(236,022)
CASH FLOWS FROM FINANCING ACTIVITIES		
Financing costs paid	(10,792)	(9,939)
Issue of ordinary share capital to non-controlling interests	23,420	21,680
Net cash used in financing activities	12,628	11,741
Net Increase in Cash and Cash Equivalents	63,094	233,555
Cash and Cash Equivalents at beginning of the period	2,368,834	2,522,524
Cash and Cash Equivalents at end of the period	2,431,928	2,756,079

The condensed Group statement of cash flows should be read in conjunction with the audited financial statements for the period ended 31 December 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 period ended 31 March 2012 - Unaudited



	Share Capital Ordinary Shares RM'000	Non Distributable Share Premium RM'000	Distributable Retained Profits RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance at 1 January 2011	1,978,732	1,186,472	5,033,894	8,199,098	1,024	8,200,122
Total comprehensive income for the period	-	-	266,658	266,658	(95)	266,563
Issue of ordinary share capital to non-controlling interests	-	-	-	-	48,486	48,486
Balance at 31 March 2011	1,978,732	1,186,472	5,300,552	8,465,756	49,415	8,515,171
Balance at 1 January 2012	1,978,732	1,186,472	5,392,201	8,557,405	86,516	8,643,921
Total comprehensive income for the period	-	-	333,456	333,456	167	333,623
Issue of ordinary share capital to non-controlling interests	-	-	-	-	40,192	40,192
Balance at 31 March 2012	1,978,732	1,186,472	5,725,657	8,890,861	126,875	9,017,736

The condensed Group statement of changes in equity should be read in conjunction with the audited financial statements for the period ended 31 December 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 MFRS 134

1. Basis of Preparation

The Group has adopted the Malaysian Financial Reporting Standard (MFRS) framework and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* for the first time in these condensed interim financial statements. The Group has elected 1 April 2011, being the beginning date of the immediate preceding financial period as the date of transition to MFRS accordingly.

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 MFRS 134, *Interim Financial Reporting* (except as stated below) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

Paragraph 20 of MFRS 134, *Interim Financial Reporting* requires the comparative statements to be presented from the immediate preceding financial year. However, the comparative numbers disclosed in these interim financial statements, other than the condensed Group statement of financial position, are in relation to the period from 1 January 2011 to 31 March 2011 (Quarter 4, FY 2010/11) which is not the immediate preceding financial year of the Group. This is due to the changes in financial year end from 31 March to 31 December effective from the financial period ended 31 December 2011.

Nevertheless, the period of 1 January 2011 to 31 March 2011 (Quarter 4, FY 2010/11) is an appropriate comparable period for 1 January 2012 to 31 March 2012 (Quarter 1, FY 2012) in terms of operations and business activities of the Group.

The period of 1 January 2011 to 31 March 2011 (Quarter 4, FY 2010/11), which falls outside the date of transition to MFRS framework, was based on the previous Financial Reporting Standard (FRS) framework adopted by the Group.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in an associate and a jointly controlled entity as at and for the quarter ended 31 March 2012.

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

2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the period ended 31 December 2011. The adoption of the MFRS framework did not have any material impact on the financial statements of the Group.

3. Auditor's Report on Preceding Annual Financial Statements

The auditor's report on the financial statements for the period ended 31 December 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 31 March 2012.

6. Changes in Estimates

There were no changes in estimates that have had any material effect on 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 current quarter ended 31 March 2012.

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, 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.

Business Segment	1.01.2012 to 31.03.2012				1.01.2011 to 31.03.2011			
	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	403,682	278,268	232,852	914,802	418,031	274,885	198,274	891,190
Segment results	194,475	219,586	34,386	448,447	209,335	101,879	20,678	331,892
Unallocated (expense)/ income				(2,971)				4,960
Operating profit				445,476				336,852
Financing costs				(4,873)				(4,586)
Share of profit after tax of equity accounted associate and jointly controlled entity				6,326				18,493
Profit before taxation				446,929				350,759

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated (expense)/ income mainly comprise fair value gain or loss on financial asset, finance income and other corporate expenses.

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 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 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 December 2011.

14. Capital Commitments

The commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 March 2012 were as follows:-

	31.03.2012
	RM'000
Property, plant and equipment:	
Approved and contracted for	1,871,231
Approved but not contracted for	8,123,427
	<u><u>9,994,658</u></u>

15. Related Party Transactions

Significant transactions within Government related entities in addition to the related party transactions disclosed in the audited financial statements for the period ended 31 December 2011 are as follows:

	1.01.2012	1.01.2011
	to	to
	31.03.2012	31.03.2011
	RM'000	RM'000
Government Related Entities:		
Tenaga Nasional Berhad		
- Sales of industrial utilities	23,194	19,379
- Purchase of industrial utilities	(19,104)	(19,808)
TNB Repair and Maintenance Sdn. Bhd.		
- Provision of repair and maintenance services	(2,786)	(8,118)

The terms and conditions for the above transactions are based on normal trade terms.

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

16. Performance Review

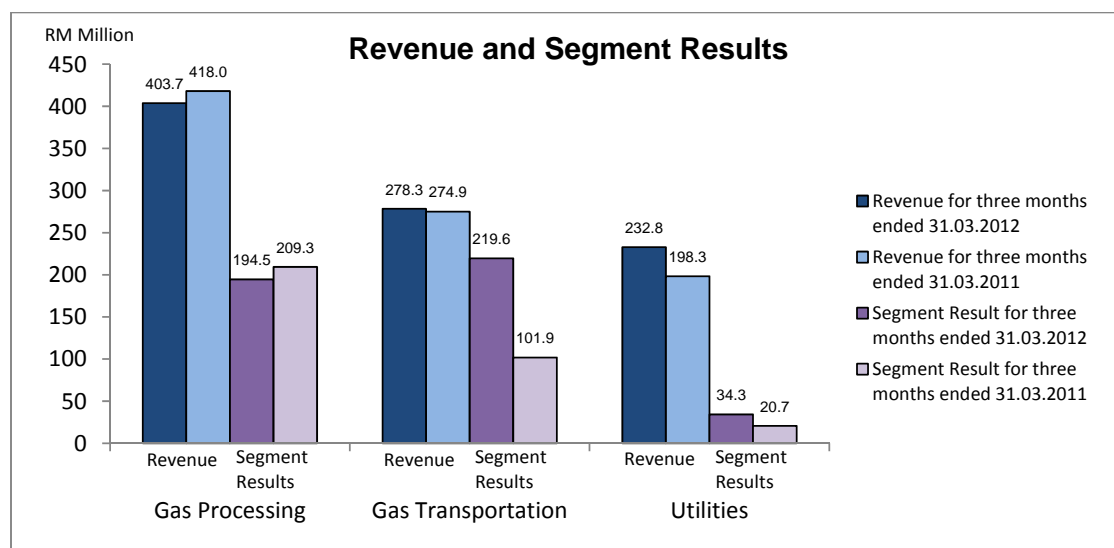
Current quarter review and commentary on prospects

The Group's revenue for the quarter ended 31 March 2012 was RM914.8 million, an increase of RM23.6 million (2.6%) as compared to the corresponding quarter ended 31 March 2011 mainly due to higher utilities sales and gas transportation revenue. Profit before tax increased by RM96.1 million (27.4%) as compared to the corresponding quarter mainly due to lower cost of revenue. Accordingly, profit after tax increased by RM67.0 million (25.1%).

Profit before tax for the current quarter was RM446.9 million, a decrease of RM17.7 million (3.8%) from the preceding quarter ended 31 December 2011 mainly due to higher other expense resulting from unrealised loss from the revaluation of Currency Exchange Agreement (CEA) and retranslation of term loan.

The Group's earnings will remain stable as a result of the fixed fee structure under the Gas Processing and Transmission Agreement (GPTA) with additional earnings potential from performance based structure which is dependent on the level of production of by-products and their prices. The completion of the LNG Regasification Terminal in Melaka within the next twelve months will have a positive impact to the Group's earnings in terms of additional income from regasification and transportation services.

Please refer below for detailed analysis by operating segments.



Gas processing revenue for the quarter ended 31 March 2012 was lower by RM14.3 million as compared to the corresponding quarter ended 31 March 2011 mainly due to lower performance based structure income resulting from lower export volume for propane and butane. The cost of revenue was higher by RM0.5 million mainly due to increase in staff cost. Accordingly, the segment results for gas processing was lower by RM14.8 million.

Revenue from gas processing will remain stable as a result of the fixed fee structure under the GPTA. 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 gas for internal consumption is provided by PETRONAS, PGB's exposure to fuel gas price fluctuation is eliminated.

16. Performance Review (Continued)

Gas transportation revenue for the quarter ended 31 March 2012 was higher by RM3.4 million as compared to the corresponding quarter ended 31 March 2011 mainly due to higher transportation capacity booked by customer. The cost of revenue was lower by RM114.4 million mainly due to lower repair and maintenance cost and no impairment loss incurred in the current quarter. Accordingly, the segment results was higher by RM117.7 million.

Revenue from gas transportation will remain stable as a result of capacity reservation booking made in advance by customers with potential upside of additional gas volume from LNG Regasification Terminal transported utilising PGB's pipeline network. As gas for internal consumption is provided by customers, PGB's exposure to fuel gas price fluctuation is eliminated.

Utilities revenue for the quarter ended 31 March 2012 was higher by RM34.5 million as compared to the corresponding quarter ended 31 March 2011 mainly due to higher revenue from industrial gases, electricity and steam resulting from higher consumption by customers and higher effective price charged to customers as a result of upward revision in fuel gas price commencing 1 June 2011. The cost of revenue was higher by RM20.9 million mainly due to higher fuel gas price as well as higher volume of fuel gas utilised in the production of industrial utilities to meet the increased customer demand. Accordingly, the segment results was higher by RM13.6 million.

Prospects for the utilities business will mainly depend on petrochemical customer demand. Any variation in gas price will be immediately reflected in the pricing to customers.

17. Profit Forecast

Not applicable as no profit forecast was published.

18. Tax Expense

Taxation comprises the following:

	1.01.2012 to 31.03.2012 RM'000	1.01.2011 to 31.03.2011 RM'000
In respect of current period:		
- income tax	120,306	104,196
- deferred tax	(7,000)	(20,000)
	113,306	84,196

The effective tax rate was 25.7% for the current quarter ended 31 March 2012.

19. Unquoted Investments and Properties

Investments in unquoted securities (comprising Malaysian Government Securities and corporate bonds) as at 31 March 2012 were as follows:

	31.03.2012 RM'000	31.12.2011 RM'000
<u>Current</u>		
Fair value through profit or loss financial assets	235,538	245,562

20. Status of Corporate Proposal Announced

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

21. 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 31.03.2012 RM'000	As at 31.12.2011 RM'000
Total retained profits/(accumulated losses) of PGB and its subsidiaries:		
- realised	6,677,550	6,352,810
- unrealised	<u>(1,040,086)</u>	<u>(1,042,644)</u>
	5,637,464	5,310,166
Total share of retained profits/(accumulated losses) from associated company:		
- realised	304,593	298,935
- unrealised	<u>(12,815)</u>	<u>(13,089)</u>
Total share of retained profits from jointly controlled entity:		
- realised	8,583	8,189
- unrealised	<u>1</u>	<u>1</u>
	5,937,826	5,604,202
Consolidation adjustments	<u>(212,169)</u>	<u>(212,001)</u>
Total Group Retained Profits as per Consolidated Financial Statements	<u><u>5,725,657</u></u>	<u><u>5,392,201</u></u>

22. Borrowings

Particulars of Group's borrowings are as follows:

	31.03.2012 RM'000	31.12.2011 RM'000
Non Current		
Term loan – unsecured	598,804	652,921
Derivative asset – Currency Exchange Agreement (CEA)	<u>(149,650)</u>	<u>(208,186)</u>
Total	<u><u>449,154</u></u>	<u><u>444,735</u></u>
	Total	1-2 years
	RM'000	RM'000
Unsecured term loan (net of derivative asset)		
31.03.2012 - 3.4%	449,154	449,154
31.12.2011 - 3.4%	<u>444,735</u>	<u>444,735</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.

22. 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 during the period was RM4.4 million (three months ended 31 March 2011: net unrealised gain of RM2.5 million).

23. Material Litigation

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

24. Dividend Proposed

On 22 February 2012, the Directors proposed a final dividend of 25 sen per share under single tier system amounting to RM494,683,000 in respect of the period ended 31 December 2011 to the shareholders.

The proposed final dividend will be tabled for shareholders' approval at the Twenty Ninth Annual General Meeting on 15 May 2012. Subject to the shareholders' approval, the proposed final dividend will be paid on 13 June 2012 to the depositors registered in the Record of Depositors at the close of business on 25 May 2012.

25. Earnings per Share

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

	1.01.2012 to 31.03.2012	1.01.2011 to 31.03.2011
Net profit for the period attributable to owners of the Company (RM'000)	333,456	266,658
Number of ordinary shares in issue ('000)	1,978,732	1,978,732
EPS (sen)	16.85	13.48

Diluted EPS is derived based on the profit attributable to owners of the Company 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.

26. Profit for the period

	Three months ended	
	31.03.2012	31.03.2011
	RM'000	RM'000
Profit for the period is arrived at after charging:		
Depreciation of property, plant and equipment	202,711	254,501
Provision for and write off of receivables *	-	-
Provision for and write off of inventories *	-	-
Property, plant and equipment expensed off	39	185
Property, plant and equipment written off	1	573
Impairment loss on property, plant and equipment	-	90,696
Loss on disposal of other investments	-	104
Loss on realised foreign exchange	-	20
Unrealised loss on CEA Revaluation	58,535	17,040
Unrealised loss on changes in values of Malaysia Government Securities and other unquoted securities	26	340
Exceptional items *	-	-
	<hr/>	
And crediting:		
Gain on realised foreign exchange	336	-
Gain on disposal of other investments	2	-
Gain on disposal of property, plant and equipment	1,555	143
Interest income from fund and other investments	21,635	21,974
Rental income on land and buildings	741	741
Unrealised gain on retranslation of term loan	54,116	19,540
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* Items not applicable to the Group.

27. Authorised for Issue

The interim financial report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 9 May 2012.

BY ORDER OF THE BOARD

Noryati Mohd Noor (LS0008877)
Yeap Kok Leong (MAICSA0862549)
Company Secretaries
Kuala Lumpur
9 May 2012