



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

The Board of Directors of PETRONAS Gas Berhad (PGB or the Company) is pleased to announce the following unaudited condensed consolidated financial statements of PGB Group for the fourth quarter ended 31 December 2012 which should be read in conjunction with the Explanatory Notes on pages 5 to 18.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at	As at
	31.12.2012	31.12.2011
<i>In RM'000</i>		
ASSETS		
Property, plant and equipment	10,501,881	7,458,272
Investment in associate	127,796	179,567
Investment in jointly controlled entity	7,205	5,414
TOTAL NON-CURRENT ASSETS	<u>10,636,882</u>	<u>7,643,253</u>
Trade and other inventories	103,044	102,449
Trade and other receivables	356,786	386,371
Fund and other investments	160,422	245,562
Cash and cash equivalents	2,205,070	2,368,834
TOTAL CURRENT ASSETS	<u>2,825,322</u>	<u>3,103,216</u>
TOTAL ASSETS	<u>13,462,204</u>	<u>10,746,469</u>
EQUITY		
Share capital	1,978,732	1,978,732
Reserves	7,188,199	6,578,673
Total equity attributable to shareholders of the Company	<u>9,166,931</u>	<u>8,557,405</u>
Non-controlling interests	115,815	86,516
TOTAL EQUITY	<u>9,282,746</u>	<u>8,643,921</u>
LIABILITIES		
Borrowings	1,639,284	444,735
Deferred tax liabilities	1,004,045	1,053,000
Other long term liabilities	30,517	10,692
TOTAL NON-CURRENT LIABILITIES	<u>2,673,846</u>	<u>1,508,427</u>
Borrowings	463,146	-
Trade and other payables	920,258	447,632
Taxation	122,208	146,489
TOTAL CURRENT LIABILITIES	<u>1,505,612</u>	<u>594,121</u>
TOTAL LIABILITIES	<u>4,179,458</u>	<u>2,102,548</u>
TOTAL EQUITY AND LIABILITIES	<u>13,462,204</u>	<u>10,746,469</u>
Net Assets per share attributable to the shareholders of the Company (RM)	4.6327	4.3247



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

	3 months ended		12 months ended	
	1.10.2012 to 31.12.2012	1.10.2011 to 31.12.2011	1.1.2012 to 31.12.2012	1.1.2011 to 31.12.2011
<i>In RM'000</i>				
Revenue	909,007	921,247	3,576,771	3,656,314
Cost of revenue	(466,840)	(475,141)	(1,806,762)	(1,906,549)
Gross profit	442,167	446,106	1,770,009	1,749,765
Administration expenses	(37,233)	(44,332)	(152,038)	(142,432)
Other expenses	(68,583)	(16,340)	(70,178)	(43,644)
Other income	63,895	76,736	293,177	193,817
Operating profit	400,246	462,170	1,840,970	1,757,506
Financing costs	(4,493)	(5,469)	(20,342)	(20,849)
Share of profit after tax of equity-accounted associate and jointly controlled entity	6,189	7,903	23,921	47,093
Profit before taxation	401,942	464,604	1,844,549	1,783,750
Tax expense	(114,847)	(120,626)	(447,448)	(436,394)
Profit for the period/ year	287,095	343,978	1,397,101	1,347,356
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Cash flow hedge	(6,976)	-	(6,976)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/ YEAR	280,119	343,978	1,390,125	1,347,356
Profit attributable to:				
Shareholders of the Company	295,218	344,095	1,405,205	1,347,672
Non-controlling interests	(8,123)	(117)	(8,104)	(316)
PROFIT FOR THE PERIOD/ YEAR	287,095	343,978	1,397,101	1,347,356
Total comprehensive income attributable to:				
Shareholders of the Company	291,032	344,095	1,401,019	1,347,672
Non-controlling interests	(10,913)	(117)	(10,894)	(316)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/ YEAR	280,119	343,978	1,390,125	1,347,356
Basic and diluted earnings per ordinary share (sen)	14.9	17.4	71.0	68.1



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In RM'000	Attributable to shareholders of the Company					Non-controlling interests	Total
	Non Distributable		Distributable				
	Share Capital	Share Premium	Hedging reserve	Retained Profits	Total		
Quarter ended 31 December 2011							
Balance at 1 January 2011	1,978,732	1,186,472	-	5,033,894	8,199,098	1,024	8,200,122
Profit for the period	-	-	-	1,347,672	1,347,672	(316)	1,347,356
Total comprehensive income for the period	-	-	-	1,347,672	1,347,672	(316)	1,347,356
(Distribution to)/ contribution from shareholders							
Issuance of ordinary shares to non-controlling interests	-	-	-	-	-	85,808	85,808
Dividends	-	-	-	(989,365)	(989,365)	-	(989,365)
Total transaction with shareholders	-	-	-	(989,365)	(989,365)	85,808	(903,557)
Balance at 31 December 2011	1,978,732	1,186,472	-	5,392,201	8,557,405	86,516	8,643,921
Quarter ended 31 December 2012							
Balance at 1 January 2012	1,978,732	1,186,472	-	5,392,201	8,557,405	86,516	8,643,921
Cash flow hedge	-	-	(4,186)	-	(4,186)	(2,790)	(6,976)
Profit for the year	-	-	-	1,405,205	1,405,205	(8,104)	1,397,101
Total comprehensive income for the year	-	-	(4,186)	1,405,205	1,401,019	(10,894)	1,390,125
(Distribution to)/ contribution from shareholders							
Issuance of ordinary shares to non-controlling interests	-	-	-	-	-	40,193	40,193
Dividends	-	-	-	(791,493)	(791,493)	-	(791,493)
Total transaction with shareholders	-	-	-	(791,493)	(791,493)	40,193	(751,300)
Balance at 31 December 2012	1,978,732	1,186,472	(4,186)	6,005,913	9,166,931	115,815	9,282,746



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended	
	1.1.2012	1.1.2011
	to	to
	31.12.2012	31.12.2011
<i>In RM'000</i>		
Cash receipts from customers	3,700,035	3,687,342
Cash paid to suppliers and employees	(1,210,753)	(1,234,361)
	<u>2,489,282</u>	<u>2,452,981</u>
Interest income from fund and other investments	92,039	88,960
Taxation paid	(520,684)	(581,364)
Net cash generated from operating activities	<u>2,060,637</u>	<u>1,960,577</u>
Purchase of fund and other investments	-	(55,133)
Proceeds from initial public offering of an associate	144,447	-
Maturity of other investments	85,000	60,000
Dividends received	29,433	77,443
Purchase of property, plant and equipment	(2,554,475)	(1,283,211)
Proceeds from disposal of property, plant and equipment	478	22,059
Net cash used in investing activities	<u>(2,295,117)</u>	<u>(1,178,842)</u>
Drawdown from Islamic financing facilities	1,016,000	-
Financing costs paid	(21,544)	(20,152)
Dividends paid	(791,493)	(989,365)
Advance from non-controlling interests	332	16,772
Issuance of ordinary share capital to non-controlling interests	23,421	57,320
Repayment of Islamic financing facilities	(156,000)	-
Net cash generated from/ (used in) financing activities	<u>70,716</u>	<u>(935,425)</u>
Net decrease in cash and cash equivalents	(163,764)	(153,690)
Cash and cash equivalents at beginning of the year/ period	<u>2,368,834</u>	<u>2,522,524</u>
Cash and cash equivalents at end of the year/ period	<u>2,205,070</u>	<u>2,368,834</u>



**PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)**

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

PART A – EXPLANATORY NOTES PURSUANT TO MFRS134

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* effective 1 January 2012 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 have been prepared in accordance with the requirements of IAS 34, MFRS 134, *Interim Financial Reporting* (except as stated below) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. 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.

Paragraph 20 of MFRS 134, *Interim Financial Reporting* requires the comparative statements to be presented from the immediate preceding financial year. However, the comparative year-to-date numbers disclosed in these interim financial statements, including the condensed Group statement of changes in equity, are in relation to the period from 1 January 2011 to 31 December 2011 which is partly not in 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.

The comparative statement of the period from 1 January 2011 to 31 December 2011 includes the period from 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. Nevertheless, the period of 1 January 2011 to 31 December 2011 is an appropriate comparable period to allow comparable review of performance in terms of operations and business activities of 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 December 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2012 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2011. The adoption of the MFRS framework did not have any material impact on the financial statements of the Group.

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the annual financial statements for the period ended 31 December 2011.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

4. MATERIAL CHANGES IN ESTIMATES

During the year ended 31 December 2012, the management reassessed its estimates in respect of major components and useful lives of property, plant and equipment. Except for the above, there were no material changes in estimates of the amounts reported in the annual financial statements of the Group for the year ended 31 December 2012 that may have a material effect in the current financial year results.

5. SEASONAL OR CYCLICAL FACTORS

The Group's operations are not significantly affected by seasonal or cyclical fluctuations.

6. EXCEPTIONAL ITEMS

There were no exceptional items during the current quarter under review.

7. 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, if any.

8. DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of equity securities during the year ended 31 December 2012. Issuance and repayment of debt securities during the year are disclosed in Note 23.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

	1.1.2012	12 months ended
	to	1.1.2011
	31.12.2012	to
	31.12.2012	31.12.2011
<i>In RM'000</i>		
Ordinary		
Final paid:		
31.12.2011 – 25 sen per share under single tier system	494,683	692,556
(31.03.2011 – 35 sen per share under single tier system)		
Interim paid:		
31.12.2012 – 15 sen per share under single tier system	296,810	296,809
(31.12.2011 – 15 sen per share under single tier system)		
	791,493	989,365

The Directors propose a final dividend of 35% per ordinary share under single tier system amounting to RM692,556,000 in respect of the financial year ended 31 December 2012 for shareholders' approval at the next Annual General Meeting. Subject to shareholders' approval, the proposed final dividend will be payable on a date to be announced later.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

9. DIVIDENDS (continued)

The interim financial statements do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2013.

10. SEGMENTAL INFORMATION

The Group reportable segments comprise mainly services rendered for separating natural gas into its components, transporting and distributing such components and sale of industrial utilities.

Performance is measured based on segment operating profit, as included in the internal management reports and reports to the Board of Directors.

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.

<i>In RM'000</i>	12 months ended							
	1.1.2012				1.1.2011			
	to				to			
Business Segment	Gas Processing	Gas Transportation	Utilities	31.12.2012 Total	Gas Processing	Gas Transportation	Utilities	31.12.2011 Total
Revenue	1,511,169	1,119,392	946,210	3,576,771	1,717,904	1,078,346	860,064	3,656,314
Segment results	768,688	839,343	161,978	1,770,009	930,184	674,093	145,488	1,749,765
Unallocated income/(expenses)				70,961				7,741
Operating profit				1,840,970				1,757,506
Financing costs				(20,342)				(20,849)
Share of profit after tax of equity accounted associate and jointly controlled entity				23,921				47,093
Profit before taxation				1,844,549				1,783,750

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated income/ (expenses) mainly comprises fair value gain or loss on financial asset, gain in partial disposal of investment in an associate, finance income and other corporate expenses.

11. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the quarter under review.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING
 REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

12. CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group.

13. CONTINGENCIES

There were no material contingent liabilities or contingent assets.

14. CAPITAL COMMITMENTS

Outstanding commitments in respect of the purchase of property, plant and equipment at the end of each reporting year/ period not provided for are as follows:

<i>In RM '000</i>	As at 31.12.2012	As at 31.12.2011
Property, plant and equipment:		
Approved and contracted for	1,466,692	2,150,486
Approved but not contracted for	6,647,826	4,553,094
	8,114,518	6,703,580

15. RELATED PARTY TRANSACTIONS

Significant transactions with 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:

<i>In RM'000</i>	3 months ended		12 months ended	
	1.10.2012	1.10.2011	1.1.2012	1.1.2011
	to	to	to	to
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Government Related Entities:				
CIMB Bank Berhad				
- Advisory fee	-	-	(5,002)	-
- Interest payable	(14,326)	-	(17,027)	-
Johor Bahru Valuation and Property Services Department				
- Land premium	(50,793)	-	(50,793)	-
POIC Sabah Sdn Bhd				
- Land reclamation and study	-	-	(33,955)	-
Tenaga Nasional Berhad				
- Purchase of electricity	(20,870)	(20,300)	(80,480)	(81,318)
- Sales of industrial utilities	16,124	19,577	78,409	74,558
TNB Repair and Maintenance Sdn. Bhd.				
- Provision of repair and maintenance Services	(25,062)	(22,285)	(39,218)	(33,821)

The above transactions have been entered into in the normal course of business and have been established on a commercial basis. Items which are statutory in nature including among others, taxation and import duties, are not considered related party transactions for the purpose of MFRS 124, *Related Party Disclosures* and therefore not included in the above disclosure.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

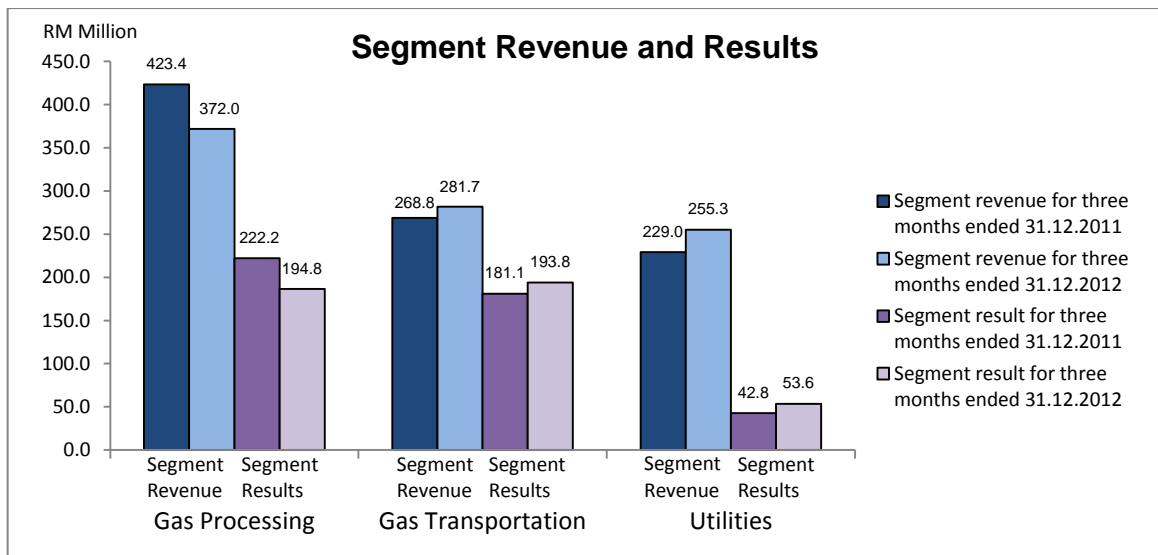
16. REVIEW OF GROUP PERFORMANCE

(a) Current quarter against the corresponding quarter

<i>In RM '000</i>	3 months ended	
	1.10.2012 to 31.12.2012	1.10.2011 to 31.12.2011
Revenue	909,007	921,247
Profit before taxation	401,942	464,604
Profit for the period	287,095	343,978

The Group's revenue for the quarter ended 31 December 2012 was RM909.0 million, a decrease of RM12.2 million or 1.3% compared to the corresponding quarter in 2011 on the back of lower revenue contribution from gas processing, partially offset by higher sales of utilities and gas transportation revenue. Profit before tax and profit for the quarter decreased by RM62.7 million and RM56.9 million respectively as compared to the same quarter last year which were primarily contributed by higher net unrealised foreign exchange loss and other expenses.

The following section will provide further analysis of the Group performance by operating segments.



Gas Processing

Revenue for the quarter ended 31 December 2012 was lower by RM51.4 million as compared to the corresponding quarter in 2011 mainly driven by lower performance based structure income resulting from lower export volume for propane and butane. The impact of lower volume, however, was cushioned by higher realised propane and butane prices. The segments results for Gas Processing were lower by RM27.4 million, in line with lower revenue but partly offset by decrease in staff cost and depreciation expenses.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

16. REVIEW OF GROUP PERFORMANCE (continued)

(a) Current quarter against the corresponding quarter (continued)

Gas Transportation

Revenue for the quarter ended 31 December 2012 was higher by RM12.9 million as compared to the corresponding quarter in 2011 on the back of higher transportation capacity booked by customer. Gas Transportation segment registered a higher segment results of RM193.8 million for the quarter, an increase of RM12.7 million in line with the increase in revenue.

Utilities

Revenue for the quarter ended 31 December 2012 grew by RM26.3 million as compared to the corresponding quarter in 2011 primarily contributed by higher revenue from steam and electricity on the back of higher consumption by customers. The impact of higher revenue is partially negated by higher volume of fuel gas utilised in the production of steam and electricity. Accordingly, Utilities segment registered segment results of RM53.6 million, an increase of RM10.8 million as compared to the same quarter last year.

(b) Current year to date period against the corresponding year to date period

<i>In RM '000</i>	12 months ended	
	1.1.2012	1.1.2011
	to	to
	31.12.2012	31.12.2011
Revenue	3,576,771	3,656,314
Profit before taxation	1,844,549	1,783,750
Profit for the period	1,397,101	1,347,356

The Group's revenue for the year ended 31 December 2012 was RM3,576.8 million, a reduction of RM79.5 million or 2.2% compared to the corresponding year mainly due to lower revenue contribution from gas processing, partially negated by higher sales of utilities and gas transmission revenue. Despite lower revenue coupled with higher other expenses, the Group's profit before taxation and profit for the year were higher by RM60.8 million and RM49.7 million respectively. These were primarily due to a gain of RM100.0 million arising from partial disposal of investment in an associate through initial public offering during the year. In addition, included in the corresponding year results are impairment of asset and inventory written off of RM119.2 million.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

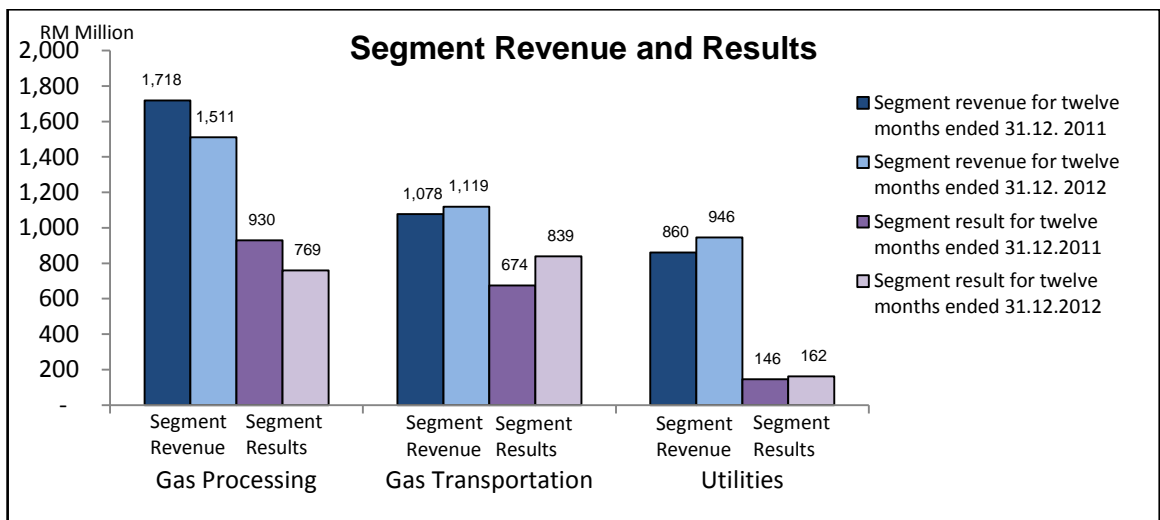
QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

16. REVIEW OF GROUP PERFORMANCE (continued)

(b) Current year to date period against the corresponding year to date period (continued)

The following section will provide further analysis of the Group performance by operating segments.



Gas Processing

Revenue for the year ended 31 December 2012 was lower by RM206.7 million as compared to the corresponding year mainly due to lower performance based structure income driven by lower export volume of propane and butane. The impact of lower volume however, was negated by improved realised propane and butane prices. The segment results for Gas Processing dropped by RM161.5 million in line with the lower revenue, partially offset by lower staff costs and material and supplies.

Gas Transportation

Gas transportation segment registered revenue of RM1,199.4 million for the year ended 31 December 2012 compared to RM1,078.3 million last year, reflecting an increase of RM41.1 million on the back of higher transportation capacity booked by customer. Segment results improved by RM165.3 million for the year mainly due to once off impairment loss on asset amounting to RM90.7 million in the corresponding year coupled with the aforesaid increase in revenue.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING
REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

16. REVIEW OF GROUP PERFORMANCE (continued)

(b) Current year to date period against the corresponding year to date period (continued)

Utilities

Revenue for the year ended 31 December 2012 of RM946.2 million was higher by RM86.1 million compared to last year mainly contributed by improved revenue from electricity, steam and industrial gases. This was primarily driven by higher consumption by customers and upward revision in the utilities prices in line with the increase in fuel gas price effective 1 September 2011. Cumulatively, the Utilities segment recorded higher segment results by RM16.5 million or 11.3% in line with higher revenue, partly offset by higher cost of utilities and depreciation costs arising from review of property, plant and equipment components and useful lives.

17. COMPARISON WITH PRECEDING QUARTER RESULTS

<i>In RM '000</i>	3 months ended	
	1.10.2012	1.07.2012
	to	to
	31.12.2012	30.09.2012
Revenue	909,007	865,599
Profit before taxation	401,942	417,854
Profit for the period	287,095	317,890

The Group registered revenue of RM909.0 million, an increase of RM43.4 million or 5% compared to the preceding quarter mainly driven by higher revenue contribution from utilities sales and gas processing revenue as a result of higher performance based structure income in line with higher export volume and prices for propane and butane. Despite higher revenue, profit before tax and profit for the quarter decreased by RM15.9 million and RM30.8 million respectively mainly resulting from higher unrealised foreign exchange loss and other expenses in the current quarter.

18. NEXT FINANCIAL YEAR PROSPECTS

The Group's earnings will remain stable on the back 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 contribution from the Group's LNG Regasification Terminal business in Melaka is expected to be reflected in the Group's earnings in the second quarter of FY2013.

Gas Processing

Revenue from Gas Processing segment will remain stable on the back 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. PGB's exposure to fuel gas price fluctuation is eliminated as gas for internal consumption is provided by PETRONAS.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

18. NEXT FINANCIAL YEAR PROSPECTS (continued)

Gas Transportation

Revenue from Gas Transportation segment will remain stable as a result of capacity reservation booking made in advance by customer with potential upside to be derived from volume regasified by the LNG Regasification Terminal. PGB's exposure to fuel gas price fluctuation is eliminated as gas for internal consumption is provided by PETRONAS.

Utilities

Moving forward, revenue and results for the Utilities segment will continue to be heavily influenced by the petrochemicals customers' demand.

19. PROFIT FORECAST

Not applicable as no profit forecast was published.

20. TAXATION

Taxation comprises the following:

	3 months ended		12 months ended	
	1.1.2012 to 31.12.2012	1.10.2011 to 31.12.2011	1.1.2012 to 31.12.2012	1.1.2011 to 31.12.2011
<i>In RM'000</i>				
In respect of current period:				
- income tax	131,847	131,672	496,403	493,439
- deferred tax	(17,000)	(8,000)	(48,955)	(54,000)
In respect of prior years:				
- income tax	-	(3,046)	-	(3,046)
- deferred tax	-	-	-	-
	<u>114,847</u>	<u>120,626</u>	<u>447,448</u>	<u>436,393</u>

The effective tax rates for the current quarter and for the year ended 31 December 2012 are 29.0% and 24.6% respectively. The effective tax rate for the quarter ended 31 December 2012 is higher than the statutory tax rate of 25.0% mainly due to higher non-deductible expenses during the quarter. Excluding the impact of these non-deductible expenses, the effective tax rate for the quarter is 25.7%.

21. STATUS OF CORPORATE PROPOSAL ANNOUNCED BUT NOT COMPLETED

There was no corporate proposal announced but not completed as at the date of this report.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

22. UNQUOTED INVESTMENTS

Investments in unquoted securities (comprising Malaysian Government Securities and corporate private debt securities) as at 31 December 2012 were as follows:

<i>In RM '000</i>	As at 31.12.2012	As at 31.12.2011
Current		
Fair value through profit or loss financial assets	160,422	245,562

23. BORROWINGS

Particulars of Group's borrowings are as follows:

<i>In RM'000</i>	As at 31.12.2012	As at 31.12.2011
Non Current		
Term loan	-	652,921
Derivative asset – Currency Exchange Agreement (CEA)	-	(208,186)
Islamic financing facilities	855,746	-
Finance lease liabilities	783,538	-
	1,639,284	444,735
Current		
Term loan	566,426	-
Derivative asset - CEA	(118,407)	-
Finance lease liabilities	15,127	-
	463,146	-
	2,102,430	444,735

<i>In RM'000</i>	Total Under 1 year	1-2 years	2-5 years	Over 5 years
Term loan (net of CEA) - 3.4%	448,019	448,019	-	-
Islamic financing facilities - 4.3% to 5.5%	855,746	-	149,217	706,529
Finance lease liabilities - 9.2%	798,665	15,127	16,505	707,313
	2,102,430	463,146	16,505	208,981
			208,981	1,413,842

Term loan and CEA

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 Currency Exchange Agreement (CEA) with PETRONAS, the repayment of the principal amount is at a fixed exchange rate of 100 Yen – RM2.838. The loan is due for payment in year 2013 at a contracted amount of RM454.1 million.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING
REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

23. 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 profit and loss.

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 translation of term loan and revaluation of CEA for the twelve months ended 31 December 2012 was RM3.3 million (31 December 2011: net unrealised loss of RM21.2 million).

Islamic financing facilities

The unsecured Islamic financing facilities obtained by a subsidiary of the Group, Kimanis Power Sdn. Bhd. with a nominal value up to RM1.16 billion comprise Shariah principles of Istisna' and Ijarah term financing (Sukuk Programme) bearing a yield payable at a range between 4.25% to 5.50% per annum. The Sukuk Programme consists of two series, namely Sukuk Programme Series 1 and Series 2. Sukuk Programme Series 1 have been issued on 8 August 2012 with an aggregate nominal value of RM860.0 million which is repayable up to 16 years from the date of first issue. The Sukuk Programme Series 2 which has an aggregate nominal value up to RM300.0 million and tenures up to 10.5 years is yet to be issued.

The Islamic financing facilities have been obtained to finance the construction of the power plant by the subsidiary and are secured by its project-in-progress.

In 2012, the subsidiary prior to the above Sukuk Programme issuance, obtained an unsecured Islamic financing facilities comprise of Bai' al 'Inah term financing bearing a yield payable of 4.40% per annum which are fully repayable up to 6 months from the date of first disbursement or upon receipt of proceeds from the above mentioned Sukuk Programme, whichever is earlier. A drawdown amounting to RM156.0 million was made during the year and was fully repaid upon receipt of proceeds from the Sukuk Programme on 8 August 2012.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING
 REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

23. BORROWINGS (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

<i>In RM'000</i>	Minimum lease payments	31.12.2012	
		Interest	Principal
Group			
Less than one year	88,041	72,914	15,127
Between 1 - 2 years	87,967	71,462	16,505
2 - 5 years	264,139	204,375	59,764
More than 5 years	1,289,566	582,297	707,269
	<u>1,729,713</u>	<u>931,048</u>	<u>798,665</u>

24. MATERIAL LITIGATION

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

25. EARNINGS PER SHARE

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

	3 months ended		12 months ended	
	1.10.2012 to 31.12.2012	1.10.2011 to 31.12.2011	1.1.2012 to 31.12.2012	1.1.2011 to 31.12.2011
Net profit for the period/ year attributable to ordinary shareholders (RM'000)	295,218	344,095	1,405,205	1,347,672
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	14.9	17.4	71.0	68.1

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. As at the date of the statement of financial position, the Company has not issued any dilutive potential ordinary shares, hence, the diluted EPS is the same as the basic EPS.

26. AUDITOR REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

As disclosed in Note 3.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

27. PROFIT FOR THE PERIOD/ YEAR

	3 months ended		12 months ended	
	1.10.2012	1.10.2011	1.01.2012	1.01.2011
	to	to	to	to
<i>In RM'000</i>	<u>31.12.2012</u>	<u>31.12.2011</u>	<u>31.12.2012</u>	<u>31.12.2011</u>
Profit for the period/ year is arrived at after charging:				
Depreciation of property, plant and equipment	164,476	163,419	663,121	741,797
Impairment loss on property, plant and equipment	-	-	-	90,696
Provision for and write off of inventories	1,326	-	1,326	28,504
Property, plant and equipment written off	28,810	637	29,078	1,722
Loss on disposal of other investments	11	77	-	328
Loss on realised foreign exchange	1,681	-	1,459	182
Loss on unrealised foreign exchange	11,895	-	12,800	18,655
and crediting:				
Gain on realised foreign exchange	-	160	-	-
Gain on disposal of property, plant and equipment	327	4,184	478	4,531
Gain on unrealised foreign exchange	-	12,605	-	-
Gain on disposal of other investments	-	-	48	-
Gain on partial disposal through initial public offering of an associate	-	-	99,978	-
Interest income from fund and other investments	14,928	22,869	72,551	93,144

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.



PETRONAS GAS BERHAD
(101671-H)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING
 REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

28. REALISED AND UNREALISED PROFITS

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

<i>In RM'000</i>	As at 31.12.2012	As at 31.12.2011
Total retained profits/ (accumulated losses) of PGB and its subsidiaries:		
- realised	6,967,958	6,352,810
- unrealised	<u>(1,029,230)</u>	<u>(1,042,644)</u>
	5,938,728	5,310,166
Total share of retained profits/ (accumulated losses) from associated company:		
- realised	61,129	89,319
- unrealised	(9,799)	(13,088)
Total share of retained profits from jointly controlled entity:		
- realised	6,935	5,164
- unrealised	<u>20</u>	<u>1</u>
	5,997,013	5,391,562
Consolidation adjustments	<u>8,900</u>	<u>639</u>
Total Group Retained Profits as per Consolidated Financial Statements	<u>6,005,913</u>	<u>5,392,201</u>

29. 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 21 February 2013.

BY ORDER OF THE BOARD

Intan Shafinas (Tuty) Hussain (LS0009165)
 Yeap Kok Leong (MAICSA0862549)
 Company Secretaries
 Kuala Lumpur
 21 February 2013