PETRONAS

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

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 2013 which should be read in conjunction with the Explanatory Notes on pages 5 to 21.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM'000	As at 31.12.2013	As at 31.12.2012 Restated	As at 1.1.2012 Restated
ASSETS			
Property, plant and equipment	10,611,108	9,777,939	7,296,690
Investment in associate	129,047	127,796	179,567
Investment in joint ventures	201,996	181,184	135,189
Deferred tax assets	603,049	-	-
TOTAL NON-CURRENT ASSETS	11,545,200	10,086,919	7,611,446
Trade and other inventories	38,615	38,638	39,055
Trade and other receivables	711,471	446,119	489,225
Fund and other investments	15,010	160,422	245,562
Cash and cash equivalents	912,123	1,706,219	2,322,896
TOTAL CURRENT ASSETS	1,677,219	2,351,398	3,096,738
TOTAL ASSETS	13,222,419	12,438,317	10,708,184
EQUITY			
Share capital	1,978,732	1,978,732	1,978,732
Reserves	8,286,998	7,188,694	6,579,324
Total equity attributable to the shareholders of the Company	10,265,730	9,167,426	8,558,056
Non-controlling interests	(183)	(171)	-
TOTAL EQUITY	10,265,547	9,167,255	8,558,056
LIABILITIES			
Borrowings	824,061	783,583	444,735
Deferred tax liabilities	981,000	1,004,000	1,053,000
Deferred income	12,336	9,688	10,692
TOTAL NON-CURRENT LIABILITIES	1,817,397	1,797,271	1,508,427
Trade and other payables	1,014,437	888,762	495,227
Borrowings	17,731	463,146	-
Taxation	107,307	121,883	146,474
TOTAL CURRENT LIABILITIES	1,139,475	1,473,791	641,701
TOTAL LIABILITIES	2,956,872	3,271,062	2,150,128
TOTAL EQUITY AND LIABILITIES	13,222,419	12,438,317	10,708,184
Net assets per share attributable to the shareholders of the Company (RM)	5.1880	4.6330	4.3250

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

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

	3 months ended 31 December		12 months ended 31 December	
	2013	2012 Restated	2013	2012 Restated
In RM'000				
Revenue	1,028,069	909,007	3,892,139	3,576,771
Cost of revenue	(592,533)	(466,840)	(1,947,274)	(1,806,762)
Gross profit	435,536	442,167	1,944,865	1,770,009
Administration expenses	(24,575)	(41,866)	(120,014)	(155,951)
Other expenses	(10,694)	(46,842)	(92,001)	(48,438)
Other income	71,676	65,474	170,893	293,986
Operating profit	471,943	418,933	1,903,743	1,859,606
Financing costs	(19,222)	(4,493)	(50,117)	(20,342)
Share of profit/(loss) after tax of equity-accounted associate and joint ventures	18,681	(5,738)	42,793	12,022
Profit before taxation	471,402	408,702	1,896,419	1,851,286
Tax income/(expense)	(77,692)	(113,808)	182,457	(446,409)
PROFIT FOR THE PERIOD/ YEAR	393,710	294,894	2,078,876	1,404,877
Other comprehensive income/(expense)				
Items that may be reclassified subsequently to profit or loss				
Share of cash flow hedge of an equity-accounted joint venture	2,378	(4,186)	8,782	(4,186)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/ YEAR	396,088	290,708	2,087,658	1,400,691
Profit/(loss) attributable to:				
Shareholders of the Company	393,705	295,066	2,078,888	1,405,049
Non-controlling interests	5	(172)	(12)	(172)
PROFIT FOR THE PERIOD/ YEAR	393,710	294,894	2,078,876	1,404,877
Total comprehensive income/(expense) attributable to:				
Shareholders of the Company	396,083	290,880	2,087,670	1,400,863
Non-controlling interests	5	(172)	(12)	(172)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/ YEAR	396,088	290,708	2,087,658	1,400,691
Basic and diluted earnings per ordinary share (sen)	19.90	14.91	105.06	71.01

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company						
	Non Distributable			*Distributable*			
In RM'000	**Share Capital**	**Share Premium**	**Hedging Reserve**	**Retained Profits**	**Total**	**Non-controlling Interests**	**Total**
Quarter ended 31 December 2012							
Balance at 1 January 2012 (restated)	1,978,732	1,186,472	-	5,392,852	8,558,056	-	8,558,056
Share of cash flow hedge of an equity-accounted joint venture	-	-	(4,186)	-	(4,186)	-	(4,186)
Profit for the year	-	-	-	1,405,049	1,405,049	(172)	1,404,877
Total comprehensive income for the year	-	-	(4,186)	1,405,049	1,400,863	(172)	1,400,691
(Distribution to)/ contribution from shareholders of the Company							
Issuance of shares to non-controlling interests	-	-	-	-	-	1	1
Dividends approved in respect of previous year	-	-	-	(494,683)	(494,683)	-	(494,683)
Interim dividend declared and paid in respect of current year	-	-	-	(296,810)	(296,810)	-	(296,810)
Total transactions with shareholders of the Company	-	-	-	(791,493)	(791,493)	1	(791,492)
Balance at 31 December 2012	1,978,732	1,186,472	(4,186)	6,006,408	9,167,426	(171)	9,167,255
Quarter ended 31 December 2013							
Balance at 1 January 2013 (restated)	1,978,732	1,186,472	(4,186)	6,006,408	9,167,426	(171)	9,167,255
Share of cash flow hedge of an equity-accounted joint venture	-	-	8,782	-	8,782	-	8,782
Profit for the year	-	-	-	2,078,888	2,078,888	(12)	2,078,876
Total comprehensive income for the year	-	-	8,782	2,078,888	2,087,670	(12)	2,087,658
Distribution to shareholders of the Company							
Dividends approved in respect of previous year	-	-	-	(692,556)	(692,556)	-	(692,556)
Interim dividend declared and paid in respect of current year	-	-	-	(296,810)	(296,810)	-	(296,810)
Total transactions with shareholders of the Company	-	-	-	(989,366)	(989,366)	-	(989,366)
Balance at 31 December 2013	1,978,732	1,186,472	4,596	7,095,930	10,265,730	(183)	10,265,547

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended 31 December 2013	**2012 Restated**
In RM'000		
Cash receipts from customers	3,665,257	3,771,604
Cash paid to suppliers and employees	(1,022,526)	(1,299,594)
	2,642,731	2,472,010
Interest income from fund and other investments	49,071	86,775
Taxation paid	(458,168)	(520,000)
Net cash generated from operating activities	2,233,634	2,038,785
Dividends received from associate and joint venture	29,512	29,433
Subscription of shares in joint venture	-	(60,288)
Maturity of other investments	145,000	85,000
Purchase of property, plant and equipment	(1,631,094)	(2,041,496)
Proceeds from partial disposal of investment in associate	-	144,447
Proceeds from disposal of property, plant and equipment	499	478
Net cash used in investing activities	(1,456,083)	(1,842,426)
Dividends paid	(989,366)	(791,493)
Financing costs paid	(112,671)	(21,544)
Repayment of finance lease liabilities	(15,510)	-
Repayment of term loan to Holding Company	(454,100)	-
Proceeds from shares issued to non-controlling interests	-	1
Net cash used in financing activities	(1,571,647)	(813,036)
Net decrease in cash and cash equivalents	(794,096)	(616,677)
Cash and cash equivalents at beginning of the year	1,706,219	2,322,896
Cash and cash equivalents at end of the year	912,123	1,706,219

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QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 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 IAS 34, *Interim Financial Reporting* and MFRS 134, *Interim Financial Reporting* 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 year ended 31 December 2012. 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 December 2012.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries and the Group's interest in an associate and its joint ventures as at and for the quarter ended 31 December 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies used in preparing the annual consolidated financial statements for 31 December 2013 under the Malaysian Financial Reporting Standards (MFRS) framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2012 except as described below.

As of 1 January 2013, the Group has adopted the following new and revised MFRSs and amendments (collectively referred to as "pronouncements") which are effective for annual periods beginning on or after 1 January 2013.

MFRS 10, *Consolidated Financial Statements*
MFRS 11, *Joint Arrangements*
MFRS 12, *Disclosure of Interests in Other Entities*
MFRS 13, *Fair Value Measurement*
MFRS 119, *Employee Benefits (revised)*
MFRS 127, *Separate Financial Statements*
MFRS 128, *Investments in Associates and Joint Ventures*
Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*
Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has also early adopted the Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* which is effective for annual periods beginning on or after 1 January 2014.

The adoption of the above pronouncements other than MFRS 10, MFRS 11, Amendments to MFRS 116 and Amendments to MFRS 132 does not have significant impact to the financial statements of the Group. The impact of the adoption of MFRS 10, MFRS 11, Amendments to MFRS 116 and early adoption of Amendments to MFRS 132 is disclosed in Note 3.

3. EFFECT OF ADOPTION OF MFRS 10, MFRS 11, AMENDMENTS TO MFRS 116 AND EARLY ADOPTION OF AMENDMENTS TO MFRS 132

i. Retrospective application of MFRS 10, *Consolidated Financial Statements* and MFRS 11, *Joint Arrangements*

MFRS 10 introduces a new single control model to determine which investees should be consolidated. The Group has re-evaluated its involvement with investees under the new control model. Based on its reassessment, the Group concluded that it does not have full control over certain subsidiaries of which the Group owns 60% of the voting rights as certain strategic and financial decisions of the investees require unanimous consent by all shareholders. Upon adoption of MFRS 10, the Group has de-consolidated these subsidiaries retrospectively. These investees are now classified as joint ventures and equity accounted for in accordance with MFRS 11.

The effect of the adoption of MFRS 10 and MFRS 11 on the Group's reported income and net assets are as summarised below:

In RM'000	**As at 31.12.2012**	**As at 1.1.2012**
Statement of Financial Position		
Decrease in property, plant and equipment	(788,348)	(224,976)
Increase in investment in joint ventures	173,979	129,775
(Decrease)/Increase in other current assets	(1,485)	2,823
Decrease in cash and cash equivalents	(498,851)	(45,938)
Increase in retained profits	495	651
Decrease in non-controlling interests	(115,986)	(86,516)
Decrease in borrowings	(855,701)	-
Decrease in other liabilities	(143,513)	(52,451)

3. EFFECT OF ADOPTION OF MFRS 10, MFRS 11, AMENDMENTS TO MFRS 116 AND EARLY ADOPTION OF AMENDMENTS TO MFRS 132 (continued)

i. Retrospective application of MFRS 10, *Consolidated Financial Statements* and MFRS 11, *Joint Arrangements* (continued)

In RM'000	3 months ended 31.12.2012	12 months ended 31.12.2012
Statement of Profit or Loss and Other Comprehensive Income		
Increase in administration expenses	4,633	3,913
Decrease in other expenses	(21,741)	(21,741)
Increase in other income	1,579	809
Decrease in share of profit after tax of equity-accounted associate and joint ventures	(11,927)	(11,899)
Decrease in tax expense	(1,039)	(1,039)
Decrease in profit attributable to non-controlling interests	(7,951)	(7,932)

ii. Retrospective application of Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*

Amendments to MFRS 116 clarify that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Previously, MFRS 116 states that spare parts, stand-by equipment and servicing equipment are usually carried as inventory and recognised in profit and loss as consumed.

Upon adoption of Amendments to MFRS 116, the Group has reclassified retrospectively spare parts, stand-by equipment and servicing equipment previously accounted for under trade and other inventories to property, plant and equipment.

The adoption of Amendments to MFRS 116 does not have impact on the Group's reported net assets other than the following reclassification.

In RM'000	As at 31.12.2012	As at 1.1.2012
Statement of Financial Position		
Increase in property, plant and equipment	64,406	63,394
Decrease in trade and other inventories	(64,406)	(63,394)

3. EFFECT OF ADOPTION OF MFRS 10, MFRS 11, AMENDMENTS TO MFRS 116 AND EARLY ADOPTION OF AMENDMENTS TO MFRS 132 (continued)

iii. Early adoption of Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRS 132 clarify on the requirement for offsetting financial assets and liabilities. The application guidance clarifies that the phrase 'currently has a legal enforceable right to set-off' means that right to set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

Upon adoption of Amendments to MFRS 132, the Group has reclassified retrospectively its financial assets and liabilities according to the new requirements.

The adoption of Amendments to MFRS 132 does not have impact on the Group's reported net assets other than the following reclassification.

In RM'000	**As at 31.12.2012**	**As at 1.1.2012**
Statement of Financial Position		
Increase in trade and other receivables	90,818	100,031
Increase in trade and other payables	90,818	100,031

4. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the annual financial statements for the year ended 31 December 2012.

5. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the interim financial statements of the Group for the year ended 31 December 2013 that may have a material effect in the current financial year results.

6. SEASONAL OR CYCLICAL FACTORS

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

7. EXCEPTIONAL ITEMS

There were no exceptional items during the current quarter under review, other than items which have been disclosed in this report.

8. PROPERTY, PLANT AND EQUIPMENT

Freehold land and 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.

9. DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the year ended 31 December 2013.

10. DIVIDENDS

The following dividends were declared and paid by the Company:

In RM'000	12 months ended 31 December 2013	2012
Ordinary		
Final paid:		
31.12.2012 – 35 sen per share under single tier system	692,556	
(31.12.2011 – 25 sen per share under single tier system)		494,683
Interim paid:		
31.12.2013 – 15 sen per share under single tier system	296,810	
(31.12.2012 – 15 sen per share under single tier system)		296,810
	989,366	791,493

The Directors propose a final dividend of 40 sen per ordinary share under single tier system amounting to RM791,493,000 in respect of the financial year ended 31 December 2013 for shareholders' approval at the forthcoming Annual General Meeting. Subject to shareholders' approval, the proposed final dividend will be payable on a date to be announced later.

The financial statements of the current financial year 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 2014.

11. SEGMENTAL INFORMATION

The Group has four reporting segments, as described below, which offer different products and services and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reporting segments:

- Gas processing – activities include processing of natural gas from gas fields offshore the East Coast of Peninsular Malaysia into sales gas and other by-products such as ethane, propane and butane.
- Gas transportation – activities include transportation of the processed gas to PETRONAS' end customers throughout Malaysia and export to Singapore.
- Utilities – activities include manufacturing, marketing and supplying of industrial utilities to the petrochemical complexes in the Kerteh and Gebeng Industrial Area.
- Regasification – activities include regasification of liquefied natural gas (LNG) for PETRONAS and third parties. The LNG Regasification Terminal in Sungai Udang, Melaka commenced its operations in the second quarter of 2013.

Performance is measured based on segment operating profit, as included in the performance reports to the Board of Directors. Segment operating profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments.

11. SEGMENTAL INFORMATION (continued)

The Group operates pre-dominantly in Malaysia and accordingly, information by geographical location is not presented.

The segmental information in respect of the associate and joint ventures is not presented as the contribution of the associate and joint ventures and the carrying amount of investment in the associate and joint ventures are not material and have been reflected in the statement of profit or loss and other comprehensive income and statement of financial position of the Group.

In RM'000 — **12 months ended 31 December 2013**

Business Segment	**Gas Processing**	**Gas Transportation**	**Utilities**	**Regasification**	**Total**
Revenue	1,497,435	1,189,269	867,244	338,191	3,892,139
Segment results	751,309	902,353	127,726	163,477	1,944,865
Unallocated expenses					(41,122)
Operating profit					1,903,743
Financing costs					(50,117)
Share of profit after tax of equity-accounted associate and joint ventures					42,793
Profit before taxation					1,896,419

In RM'000 — **12 months ended 31 December 2012 Restated**

Business Segment	**Gas Processing**	**Gas Transportation**	**Utilities**	**Regasification**	**Total**
Revenue	1,511,169	1,119,392	946,210	-	3,576,771
Segment results	768,688	839,343	161,978	-	1,770,009
Unallocated income					89,597
Operating profit					1,859,606
Financing costs					(20,342)
Share of profit after tax of equity-accounted associate and joint ventures					12,022
Profit before taxation					1,851,286

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, finance income and other corporate expenses.

12. SUBSEQUENT EVENTS

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

13. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group.

14. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last audited statement of financial position as at 31 December 2012.

15. CAPITAL COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of each reporting year not provided for in the interim financial statements are as follows:

In RM'000	As at 31.12.2013	As at 31.12.2012 Restated	As at 1.1.2012 Restated
Property, plant and equipment			
Approved and contracted for	656,526	1,026,939	1,214,257
Approved but not contracted for	5,635,190	6,473,233	4,359,929
	6,291,716	7,500,172	5,574,186
Share of capital expenditure of joint ventures			
Approved and contracted for	221,652	258,063	561,737
Approved but not contracted for	108,282	104,756	115,899
	329,934	362,819	677,636
	6,621,650	7,862,991	6,251,822

16. RELATED PARTY TRANSACTIONS

Significant transactions with related party in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2012 are as follows:

In RM'000	3 months ended 31 December 2013	3 months ended 31 December 2012 Restated	12 months ended 31 December 2013	12 months ended 31 December 2012 Restated
Holding Company				
Regasification fee	159,003	-	338,191	-
Related parties				
Recovery from early termination of electricity and utilities agreements	78,261	-	78,261	-

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.

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

17. REVIEW OF GROUP PERFORMANCE

(a) Current quarter against the corresponding quarter

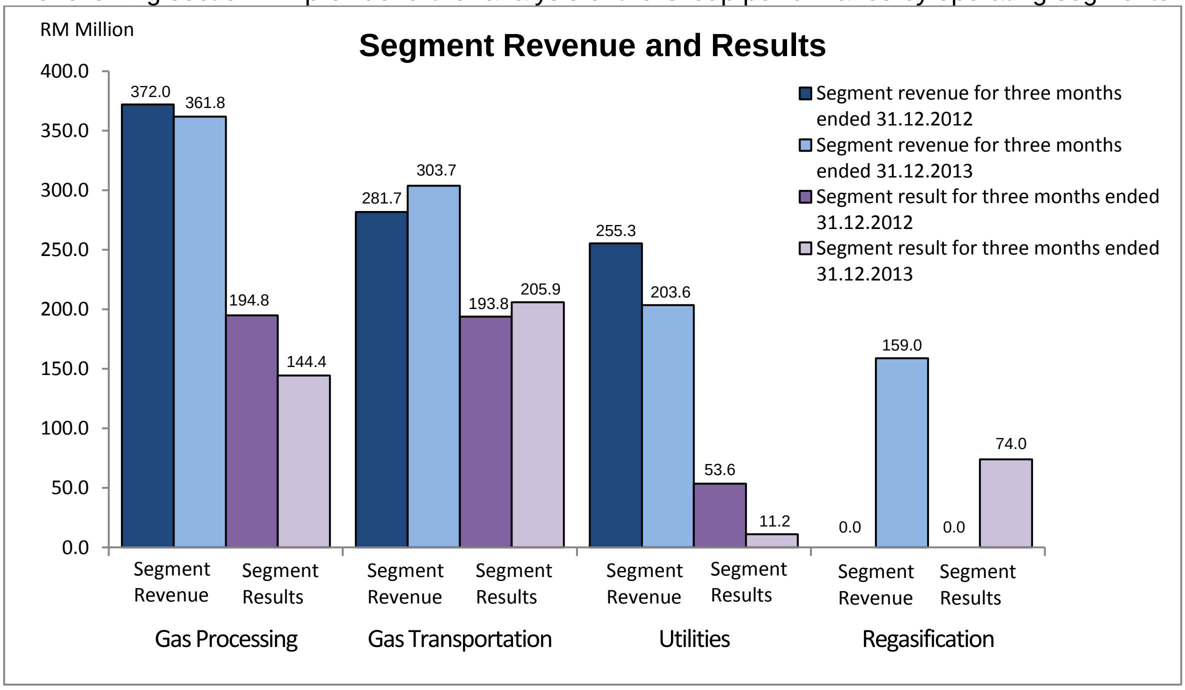
	3 months ended 31 December	
In RM'000	**2013**	**2012 Restated**
Revenue	1,028,069	909,007
Profit before taxation	471,402	408,702
Profit for the quarter	393,710	294,894

The Group's revenue for the quarter ended 31 December 2013 was RM1,028.1 million, an increase of RM119.1 million or 13.1% compared to the corresponding quarter in 2012 primarily attributable to regasification revenue following commencement of LNG Regasification Terminal operations in the second quarter of 2013 and higher gas transportation revenue. The increase however was partially offset by lower utilities revenue on the back of lower offtake by customers.

Profit before tax increased by RM62.7 million in line with the aforesaid increase in revenue coupled with higher other income and share of profit from associate and joint ventures despite higher cost of revenue.

Profit for the quarter increased by RM98.8 million in tandem with higher profit before tax and lower tax expense resulting from change in deferred tax estimates arising from decrease in future statutory tax rate.

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



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

17. REVIEW OF GROUP PERFORMANCE (continued)

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

Gas Processing

Revenue for the quarter ended 31 December 2013 was lower by RM10.2 million as compared to the corresponding quarter in 2012 primarily due to lower export volume for butane and ethane resulting from lower production. Gas Processing segment recorded profit of RM144.4 million, a decrease of RM50.4 million mainly due to higher depreciation expenses coupled with the above lower revenue.

Gas Transportation

Gas Transportation segment registered revenue of RM303.7 million for the quarter ended 31 December 2013 compared to RM281.7 million for the same quarter last year on the back of higher transportation capacity booked by PETRONAS. Results for the quarter improved by RM12.1 million supported by the increase in revenue.

Utilities

Revenue for the quarter ended 31 December 2013 was lower by RM51.7 million as compared to the corresponding quarter in 2012 primarily due to lower revenue from steam, industrial gases and electricity in line with lower offtake by customers. The impact of lower revenue was cushioned by lower cost of revenue mainly contributed by lower consumption of fuel gas for its production. Accordingly, Utilities segment registered profit of RM11.2 million, a decrease of RM42.4 million as compared to the same quarter last year.

Regasification

Regasification segment registered revenue of RM159.0 million for the quarter ended 31 December 2013 as a result of commencement of the LNG Regasification Terminal operations in the second quarter of 2013. The segment registered profit of RM74.0 million for the quarter.

17. REVIEW OF GROUP PERFORMANCE (continued)

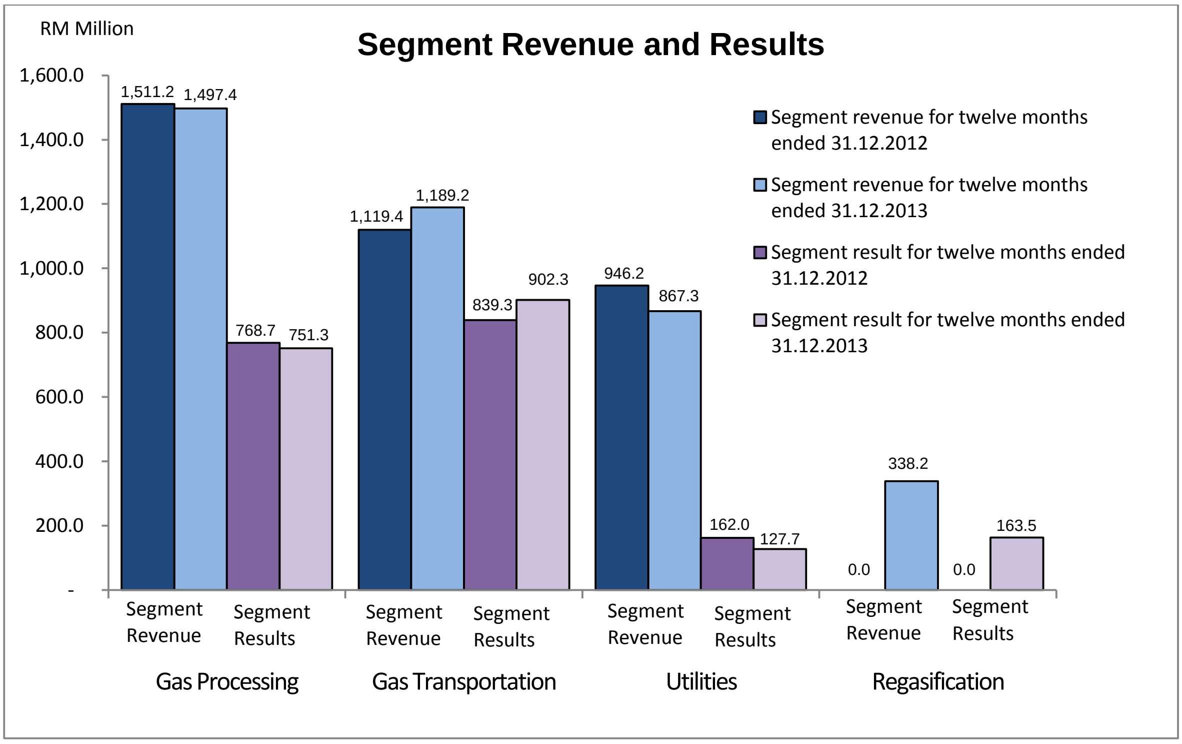
(b) Current year to date period against the corresponding year to date period

In RM'000	**12 months ended 31 December 2013**	**2012 Restated**
Revenue	3,892,139	3,576,771
Profit before taxation	1,896,419	1,851,286
Profit for the period	2,078,876	1,404,877

The Group's revenue for the year ended 31 December 2013 was RM3,892.1 million, an increase of RM315.3 million or 8.8% compared to the corresponding year on the back of new revenue stream contributed by Regasification segment and higher gas transportation revenue. This however was partially negated by lower utilities revenue in line with lower offtake by customers.

Profit before tax increased by RM45.1 million mainly due to contribution from Regasification segment from second quarter of 2013, partially offset by gain from partial disposal of shareholding in Gas Malaysia Berhad (GMB) in the previous year. Profit for the year increased by RM674.0 million primarily contributed by recognition of deferred tax assets arising from investment tax allowance granted for the LNG Regasification Terminal amounting to RM626.4 million.

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



17. REVIEW OF GROUP PERFORMANCE (continued)

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

Gas Processing

Revenue for the year ended 31 December 2013 was lower by RM13.8 million as compared to the corresponding year mainly driven by lower performance based structure income for butane and ethane resulting from lower production. The impact was partially negated by higher performance based structure income for propane primarily due to higher export volume.

Gas Processing results of RM751.3 million were decreased by RM17.4 million, mainly attributed by the above lower revenue and higher staff costs.

Gas Transportation

Gas Transportation segment registered revenue of RM1,189.2 million for year ended 31 December 2013 compared to RM1,119.4 million last year, reflecting an increase of RM69.8 million on the back of higher transportation capacity booked by PETRONAS. Consequently, results for the year improved by RM63.0 million in tandem with the higher revenue.

Utilities

Revenue for the year ended 31 December 2013 was lower by RM78.9 million as compared to the corresponding year primarily contributed by lower revenue from electricity, steam and industrial gases due to lower offtake by customers. Utilities segment registered results lower by RM34.3 million as compared to last year following lower revenue but offset by lower cost of sales in line with lower consumption of fuel gas for production and depreciation expenses.

Regasification

Revenue for the year ended 31 December 2013 was RM338.2 million as a result of commencement of the LNG Regasification Terminal operations in the second quarter of 2013. The segment registered profit of RM163.5 million for the year.

18. COMPARISON WITH PRECEDING QUARTER RESULTS

	3 months ended	
In RM'000	**31 December 2013**	**30 September 2013**
Revenue	1,028,069	1,022,860
Profit before taxation	471,402	471,069
Profit for the period	393,710	379,803

The Group registered revenue of RM1,028.1 million, an increase of RM5.2 million as compared to the preceding quarter mainly contributed by higher gas processing and utilities revenue.

Profit before tax increased marginally by RM0.3 million due to higher other income negated by higher cost of revenue.

Profit for the quarter however increased by RM13.9 million primarily due to lower tax expense resulting from change in deferred tax estimates arising from decrease in future statutory tax rate.

19. COMMENTARY ON PROSPECTS

The Group's earnings are expected to remain stable as the structure of the new gas processing and transmission agreements which will replace the existing Gas Processing and Transmission Agreement (GPTA) effective 1 April 2014 are expected to be not significantly different from the existing structure.

Gas Processing

Revenue from Gas Processing segment is expected to remain stable under the new GPTA. PGB's exposure to fuel gas price fluctuation is eliminated as gas for internal consumption is provided by PETRONAS.

Gas Transportation

Revenue from Gas Transportation segment will remain stable as a result of capacity reservation booking made in advance by customer. 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. COMMENTARY ON PROSPECTS (continued)

Regasification

Revenue from Regasification segment will remain stable on the back of capacity reservation by PETRONAS for regasification and storage fees under the Regasification Service Agreement.

20. PROFIT FORECAST

Not applicable as no profit forecast was published.

21. TAXATION

Taxation comprises the following:

In RM'000	3 months ended 31 December 2013	3 months ended 31 December 2012	12 months ended 31 December 2013	12 months ended 31 December 2012
In respect of current period:				
- income tax	105,173	130,808	443,592	495,409
- deferred tax	(27,481)	(17,000)	(626,049)	(49,000)
	77,692	113,808	(182,457)	446,409

The effective tax rate for the current quarter and year ended 31 December 2013 are lower than the statutory tax rate of 25%, mainly due to change in deferred tax estimates arising from decrease in future statutory tax rate from 25% to 24% and recognition of deferred tax assets arising from investment tax allowance granted for the LNG Regasification Terminal respectively. Excluding the deferred tax assets impact, the effective tax rate for the current quarter and year would be 24.6% and 26.2% respectively. The effective tax rate for the corresponding year is also lower than statutory tax rate due to gain from disposal of shareholding in GMB in 2012. Excluding the gain, the effective tax rate would substantially comparable to the statutory tax rate.

22. STATUS OF CORPORATE PROPOSAL ANNOUNCED BUT NOT COMPLETED

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

23. UNQUOTED INVESTMENTS

Investments in unquoted securities (comprising Malaysian Government Securities and corporate private debt securities) as at 31 December 2013 were as follows:

In RM'000	As at 31.12.2013	As at 31.12.2012	As at 1.1.2012
Current			
Fair value through profit or loss financial assets	15,010	160,422	245,562

24. BORROWINGS

Particulars of Group's borrowings are as follows:

In RM'000	As at 31.12.2013	As at 31.12.2012 Restated	As at 1.1.2012 Restated
Non Current			
Term loan – unsecured	-	-	652,921
Derivative asset – Currency Exchange Agreement (CEA)	-	-	(208,186)
Finance lease liabilities – secured	824,061	783,583	-
	824,061	783,583	444,735
Current			
Term loan – unsecured	-	566,426	-
Derivative asset – Currency Exchange Agreement (CEA)	-	(118,407)	-
Finance lease liabilities – secured	17,731	15,127	-
	17,731	463,146	-
	841,792	1,246,729	444,735

In RM'000	As at 31.12.2013	As at 31.12.2012 Restated	As at 1.1.2012 Restated
By Currency			
USD	841,792	798,710	-
RM	-	446,006	430,424
JPY	-	2,013	14,311
	841,792	1,246,729	444,735

In RM'000	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Finance lease liabilities					
- 8.9%	841,792	17,731	19,442	70,401	734,218

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 as at 31.12.2012 and 1.1.2012 respectively. 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 was fully repaid on 22 July 2013 at the contracted amount of RM454.1 million.

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.

24. BORROWINGS (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

In RM'000	Minimum lease payments	Interest	Principal
Less than one year	94,501	76,770	17,731
Between 1 - 2 years	94,501	75,059	19,442
Between 2 - 5 years	283,762	213,361	70,401
More than 5 years	1,290,908	556,690	734,218
	1,763,672	921,880	841,792

25. MATERIAL LITIGATION

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

26. 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 31 December		12 months ended 31 December	
	2013	2012 Restated	2013	2012 Restated
Net profit for the period/ year attributable to ordinary shareholders (RM'000)	393,705	295,065	2,078,888	1,405,049
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	**19.90**	**14.91**	**105.06**	**71.01**

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.

27. AUDITOR REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

As disclosed in Note 4.

28. PROFIT FOR THE PERIOD/ YEAR

In RM'000	3 months ended 31 December 2013	3 months ended 31 December 2012 Restated	12 months ended 31 December 2013	12 months ended 31 December 2012 Restated
Profit for the period/ year is arrived at after charging:				
Depreciation of property, plant and equipment	225,614	163,251	723,866	662,885
Inventory written off	-	1,326	-	1,326
Property, plant and equipment written off	2,039	28,809	2,976	29,078
Loss on maturity of other investments	125	12	355	-
Loss on realised foreign exchange	795	-	7,341	-
Loss on unrealised foreign exchange	7,993	-	58,595	-
Realised/Unrealised loss on changes in values of Malaysian Government Securities and other unquoted securities	-	114	57	188
and crediting:				
Gain on maturity of other investments	-	-	-	48
Gain on realised foreign exchange	-	317	-	1,062
Gain on unrealised foreign exchange	-	9,058	-	8,151
Gain on disposal of property, plant and equipment	334	327	493	478
Gain on partial disposal through initial public offering of an associate	-	-	-	99,978
Interest income from fund and other investments	8,512	14,617	41,789	71,471
Realised/Unrealised gain on changes in values of Malaysian Government Securities and other unquoted securities	95	-	-	-
Recovery from early termination of electricity and utilities agreements	78,261	-	78,261	-

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

PETRONAS

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

QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2013

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

29. REALISED AND UNREALISED PROFITS

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

In RM'000	**As at 31.12.2013**	**As at 31.12.2012 Restated**
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- realised	7,471,893	6,970,339
- unrealised	(433,875)	(1,008,552)
	7,038,018	5,961,787
Total share of retained profits/(accumulated losses) from an associate:		
- realised	77,794	61,129
- unrealised	(25,214)	(9,799)
	52,580	51,330
Total share of retained profits/(accumulated losses) from joint ventures:		
- realised	(7,686)	5,507
- unrealised	12,835	(12,388)
	5,149	(6,881)
	7,095,747	6,006,236
Consolidation adjustments	183	172
Total Retained Profits	7,095,930	6,006,408

30. 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 10 February 2014.

BY ORDER OF THE BOARD

Intan Shafinas (Tuty) Hussain (LS0009165)
Yeap Kok Leong (MAICSA0862549)
Company Secretaries
Kuala Lumpur
10 February 2014