



PETRONAS

PETRONAS GAS BERHAD

Quarterly Report

for the Third Quarter ended 30 September 2014

QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



Key Financial Highlights	9 months ended	
	2014	30 September 2013
<i>In RM'000</i>		
Revenue	3,280,112	2,864,070
Profit before taxation (PBT)	1,671,287	1,425,017
Profit for the period	1,271,899	1,685,166
Earnings per share (EPS) (sen)	64.28	85.16
Single tier dividend per share (sen)	60.00	50.00

- PETRONAS Gas Berhad Group's revenue for the nine months period ended 30 September 2014 increased by 14.5%** compared to the same period in 2013 primarily attributable to regasification revenue from three full quarters operations of the LNG Regasification Terminal Sungai Udang, Melaka, coupled with higher utilities revenue in line with upward revision of electricity tariff effective 1 January 2014 and higher gas transportation revenue under the new Gas Transportation Agreement (GTA).
- Profit before taxation increased by 17.3%** compared to the corresponding period last year primarily due to contribution from Regasification segment.
- Profit for the period decreased by 24.5%** despite higher PBT mainly due to recognition of deferred tax assets (DTA) arising from investment tax allowance (ITA) granted for the LNG Regasification Terminal in the corresponding period, partially offset by profit contribution from Regasification segment. Excluding impact of DTA, profit for the period increased by RM220.9 million or 21.0%.
- Earnings per share (sen) lower by 20.88 sen**, compared to the same period in 2013 in tandem with lower net profit attributable to ordinary shareholders. Excluding impact of DTA, EPS increased by 11.17 sen or 21.0%.
- Single tier dividend per share (sen) higher by 10.0 sen**, in relation to additional final dividend of 5.0 sen for the financial year ended 31 December 2013 and additional first interim dividend of 5.0 sen for the financial year ending 31 December 2014.
- The Board of Directors has approved** a second interim dividend of 20 sen per ordinary share under single tier system amounting to RM395.7 million in respect of the financial year ending 31 December 2014.

QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



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 third quarter ended 30 September 2014 which should be read in conjunction with the Explanatory Notes on pages 5 to 17.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2014	As at 31 December 2013
<i>In RM'000</i>		
ASSETS		
Property, plant and equipment	10,563,830	10,611,108
Investment in associate	134,907	129,047
Investment in joint ventures	228,192	201,996
Deferred tax assets	549,272	603,049
TOTAL NON-CURRENT ASSETS	11,476,201	11,545,200
Trade and other inventories	43,067	38,615
Trade and other receivables	657,246	711,471
Fund and other investments	-	15,010
Cash and cash equivalents	901,071	912,123
TOTAL CURRENT ASSETS	1,601,384	1,677,219
TOTAL ASSETS	13,077,585	13,222,419
EQUITY		
Share capital	1,978,732	1,978,732
Reserves	8,371,236	8,286,998
Total equity attributable to the shareholders of the Company	10,349,968	10,265,730
Non-controlling interests	(183)	(183)
TOTAL EQUITY	10,349,785	10,265,547
LIABILITIES		
Borrowings	812,790	824,061
Deferred tax liabilities	990,971	981,000
Deferred income	8,034	12,336
TOTAL NON-CURRENT LIABILITIES	1,811,795	1,817,397
Trade and other payables	746,015	1,014,437
Borrowings	19,272	17,731
Taxation	150,718	107,307
TOTAL CURRENT LIABILITIES	916,005	1,139,475
TOTAL LIABILITIES	2,727,800	2,956,872
TOTAL EQUITY AND LIABILITIES	13,077,585	13,222,419
Net assets per share attributable to the shareholders of the Company (RM)	5.2305	5.1880

QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014


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

	3 months ended		9 months ended	
	2014	2013	2014	2013
<i>In RM'000</i>				
Revenue	1,123,493	1,022,860	3,280,112	2,864,070
Cost of revenue	(567,971)	(506,943)	(1,606,790)	(1,354,741)
Gross profit	555,522	515,917	1,673,322	1,509,329
Administration expenses	(17,382)	(30,167)	(49,500)	(95,439)
Other expenses	(16,495)	(30,018)	(11,605)	(81,609)
Other income	30,931	21,552	69,380	99,519
Operating profit	552,576	477,284	1,681,597	1,431,800
Financing costs	(18,663)	(20,708)	(56,772)	(30,895)
Share of profit after tax of equity-accounted associate and joint ventures	15,248	14,493	46,462	24,112
Profit before taxation	549,161	471,069	1,671,287	1,425,017
Tax (expense)/income	(130,529)	(91,266)	(399,388)	260,149
PROFIT FOR THE PERIOD	418,632	379,803	1,271,899	1,685,166
Other comprehensive (expense)/income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share of cash flow hedge of an equity-accounted joint venture	2,215	1,494	(422)	6,404
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	420,847	381,297	1,271,477	1,691,570
Profit/(loss) attributable to:				
Shareholders of the Company	418,632	379,806	1,271,899	1,685,183
Non-controlling interests	-	(3)	-	(17)
PROFIT FOR THE PERIOD	418,632	379,803	1,271,899	1,685,166
Total comprehensive income/(expense) attributable to:				
Shareholders of the Company	420,847	381,300	1,271,477	1,691,587
Non-controlling interests	-	(3)	-	(17)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	420,847	381,297	1,271,477	1,691,570
Basic and diluted earnings per ordinary share (sen)	21.16	19.19	64.28	85.16

QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company					Non-controlling interests	Total
	Non-Distributable		Distributable				
	Share capital	Share premium	Hedging reserve	Retained profits	Total		
<i>In RM'000</i>							
Quarter ended 30 September 2013							
Balance at 1 January 2013	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	-	-	6,404	-	6,404	-	6,404
Profit for the period	-	-	-	1,685,183	1,685,183	(17)	1,685,166
Total comprehensive income for the period	-	-	6,404	1,685,183	1,691,587	(17)	1,691,570
Distribution to shareholders							
Final dividend approved in respect of previous year	-	-	-	(692,556)	(692,556)	-	(692,556)
Interim dividend declared and paid in respect of the current year period	-	-	-	(296,810)	(296,810)	-	(296,810)
Total distribution to shareholders	-	-	-	(989,366)	(989,366)	-	(989,366)
Balance at 30 September 2013	1,978,732	1,186,472	2,218	6,702,225	9,869,647	(188)	9,869,459
Quarter ended 30 September 2014							
Balance at 1 January 2014	1,978,732	1,186,472	4,596	7,095,930	10,265,730	(183)	10,265,547
Share of cash flow hedge of an equity-accounted joint venture	-	-	(422)	-	(422)	-	(422)
Profit for the period	-	-	-	1,271,899	1,271,899	-	1,271,899
Total comprehensive income for the period	-	-	(422)	1,271,899	1,271,477	-	1,271,477
Distribution to shareholders							
Final dividend approved in respect of previous year	-	-	-	(791,493)	(791,493)	-	(791,493)
Interim dividend declared and paid in respect of the current year period	-	-	-	(395,746)	(395,746)	-	(395,746)
Total distribution to shareholders	-	-	-	(1,187,239)	(1,187,239)	-	(1,187,239)
Balance at 30 September 2014	1,978,732	1,186,472	4,174	7,180,590	10,349,968	(183)	10,349,785

QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	9 months ended	
	2014	30 September 2013
<i>In RM'000</i>		
Cash receipts from customers	3,365,176	2,743,807
Cash paid to suppliers and employees	(1,244,195)	(885,671)
	2,120,981	1,858,136
Interest income from fund and other investments	22,569	40,720
Taxation paid	(292,229)	(316,549)
Net cash generated from operating activities	1,851,321	1,582,307
Maturity of other investments	15,000	120,000
Purchase of property, plant and equipment	(634,400)	(1,242,846)
Proceeds from disposal of property, plant and equipment	144	159
Dividend received from associate and joint venture	13,985	29,512
Net cash used in investing activities	(605,271)	(1,093,175)
Financing costs paid	(56,772)	(39,578)
Dividends paid	(1,187,239)	(989,366)
Repayment of finance lease liabilities	(13,091)	(11,435)
Repayment of term loan to holding company	-	(454,101)
Net cash used in financing activities	(1,257,102)	(1,494,480)
Net decrease in cash and cash equivalents	(11,052)	(1,005,348)
Cash and cash equivalents at beginning of the period	912,123	1,706,219
Cash and cash equivalents at end of the period	901,071	700,871

QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



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 are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2013. 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 2013.

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 30 September 2014.

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 2014 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 2013 except as described below.

As of 1 January 2014, the Group has adopted the following amendments to MFRSs and IC Interpretation which are effective for annual periods beginning on or after 1 January 2014.

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements: Investment Entities*
- Amendments to MFRS 136, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

The adoption of the above amendments to MFRSs and IC Interpretation did not have material impact to the Group's reported income and net assets.

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 year ended 31 December 2013.

4. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the interim financial statements of the Group that may have a material effect for the quarter ended 30 September 2014.

5. SEASONAL OR CYCLICAL FACTORS

The Group's operations are not significantly affected by seasonal or cyclical fluctuations of the business/industry.

6. EXCEPTIONAL ITEMS

There were no exceptional items during the quarter under review.

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FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

7. 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.

8. DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 30 September 2014.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

<i>In RM'000</i>	9 months ended 30 September	
	2014	2013
Ordinary		
Final paid:		
31.12.2013 – 40 sen per share under single tier system (31.12.2012 – 35 sen per share under single tier system)	791,493	692,556
Interim paid:		
31.12.2014 – 20 sen per share under single tier system (31.12.2013 – 15 sen per share under single tier system)	395,746	296,810
	1,187,239	989,366

The Board of Directors has approved on 4 November 2014, a second interim dividend of 20 sen per ordinary share under single tier system amounting to RM395,746,000 in respect of the financial year ending 31 December 2014. The interim dividend will be payable on 8 December 2014 to depositors registered in the records of depositors as at 20 November 2014. The interim financial statements for the current quarter do not reflect this approved interim dividend. The dividend will be accounted for in equity as an appropriation of retained profits in the interim financial statements for fourth quarter ending 31 December 2014.

10. 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. The LNG Regasification Terminal in Sungai Udang, Melaka commenced its operations in the second quarter of 2013.

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FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

10. SEGMENTAL INFORMATION (continued)

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

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.

<i>In RM'000</i>	9 months ended				
	30 September 2014				
Business Segment	Gas Processing	Gas Transportation	Utilities	Regasification	Total
Revenue	1,103,922	956,121	756,169	463,900	3,280,112
Segment results	530,156	760,334	148,766	234,066	1,673,322
Unallocated income					8,275
Operating profit					1,681,597
Financing costs					(56,772)
Share of profit after tax of equity-accounted associate and joint ventures					46,462
Profit before taxation					1,671,287

<i>In RM'000</i>	9 months ended				
	30 September 2013				
Business Segment	Gas Processing	Gas Transportation	Utilities	Regasification	Total
Revenue	1,135,626	885,626	663,630	179,188	2,864,070
Segment results	606,875	696,485	116,452	89,517	1,509,329
Unallocated expenses					(77,529)
Operating profit					1,431,800
Financing costs					(30,895)
Share of profit after tax of equity-accounted associate and joint ventures					24,112
Profit before taxation					1,425,017

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 finance income, other corporate income and expenses.

11. SUBSEQUENT EVENTS

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

12. CHANGES IN THE COMPOSITION OF THE GROUP

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

QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

13. CONTINGENCIES

There were no material changes in contingent liabilities and no contingent assets since the last audited statement of financial position as at 31 December 2013.

14. CAPITAL COMMITMENTS

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

<i>In RM'000</i>	As at 30 September 2014	As at 31 December 2013
Property, plant and equipment		
Approved and contracted for	621,375	656,526
Approved but not contracted for	4,318,231	5,635,190
	<u>4,939,606</u>	<u>6,291,716</u>
Share of capital expenditure of joint ventures		
Approved and contracted for	78,540	221,652
Approved but not contracted for	85,169	108,282
	<u>163,709</u>	<u>329,934</u>
	<u>5,103,315</u>	<u>6,621,650</u>

15. RELATED PARTY TRANSACTIONS

There were no significant transactions with related party in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2013.

QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



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

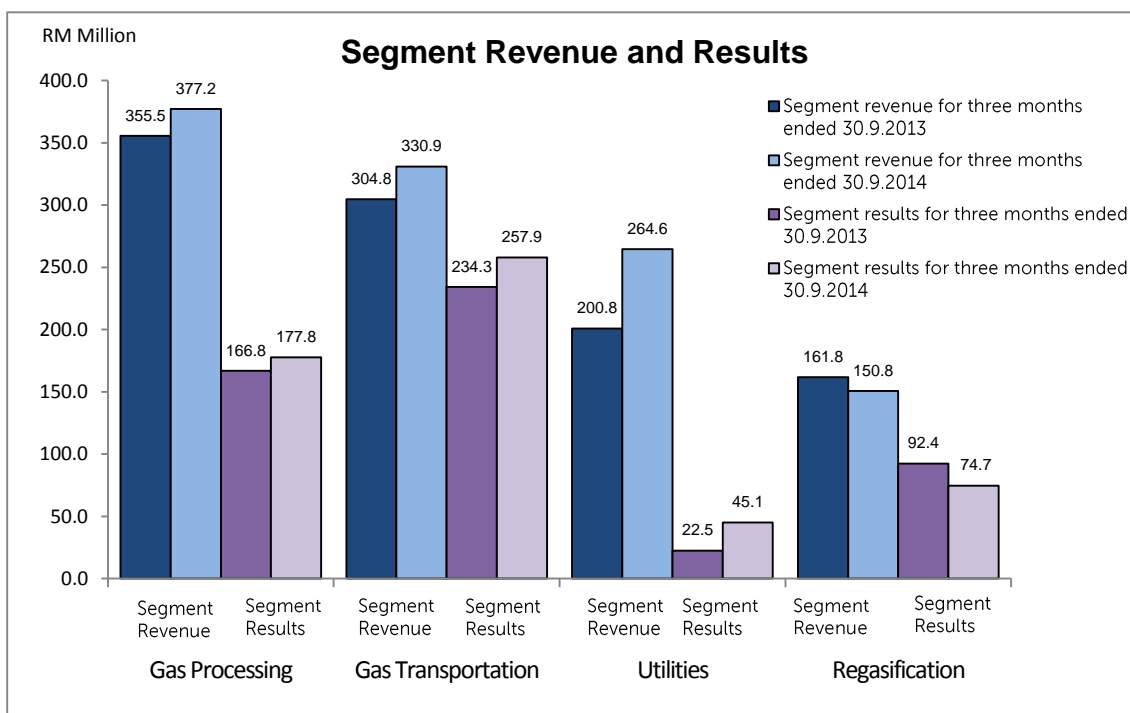
<i>In RM'000</i>	3 months ended	
	2014	2013
Revenue	1,123,493	1,022,860
Profit before taxation	549,161	471,069
Profit for the quarter	418,632	379,803

The Group's revenue for the quarter ended 30 September 2014 was RM1,123.5 million, an increase of RM100.6 million or 9.8% compared to the corresponding quarter in 2013 primarily attributable to higher utilities revenue as a result of higher offtake by customer and upward revision of electricity tariff effective 1 January 2014 coupled with higher gas transportation and gas processing revenue under the new Gas Transportation Agreements (GTA) and Gas Processing Agreement (GPA).

Profit before tax increased by RM78.1 million in line with higher revenue coupled with lower other operating and administration expenses. These however, were partially offset by higher cost of revenue mainly arising from the revision of fuel gas prices in January and July 2014.

Accordingly, profit for the quarter increased by RM38.8 million in tandem with higher PBT.

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



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FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



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 Processing

Revenue for the quarter ended 30 September 2014 was higher by RM21.7 million as compared to the corresponding quarter in 2013 primarily contributed by higher reservation charge under the new GPA effective 1 April 2014. The increase was partially offset by lower performance based structure income arising from lower plant liquid performance compared to target. Gas Processing segment profit increased by RM11.0 million to RM177.8 million supported by the increase in revenue, despite higher cost of revenue.

Gas Transportation

Gas Transportation segment registered revenue of RM330.9 million for the quarter ended 30 September 2014 compared to RM304.8 million for the same quarter last year on the back of higher transportation capacity booked by PETRONAS under the new GTA. Results for the quarter improved by RM23.6 million in line with the aforesaid increase in revenue.

Utilities

Revenue for the quarter ended 30 September 2014 was higher by RM63.8 million as compared to the corresponding quarter in 2013 primarily driven by higher revenue from electricity as a result of higher offtake by customer and upward revision of electricity tariff effective 1 January 2014. However, the impact of higher revenue was partially offset by higher cost of revenue in line with higher fuel gas tariff. Accordingly, Utilities segment registered an increase of profit by RM22.6 million for the quarter ended 30 September 2014.

Regasification

Regasification segment registered revenue of RM150.8 million for the quarter ended 30 September 2014, a decrease of RM11.0 million from the corresponding quarter as a result of revision of Regasification Service Agreement tariff, post one year of its commercial operations during the quarter. The segment registered a reduction in profit by RM17.7 million for the quarter resulting from lower revenue coupled with higher depreciation expenses.

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FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



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

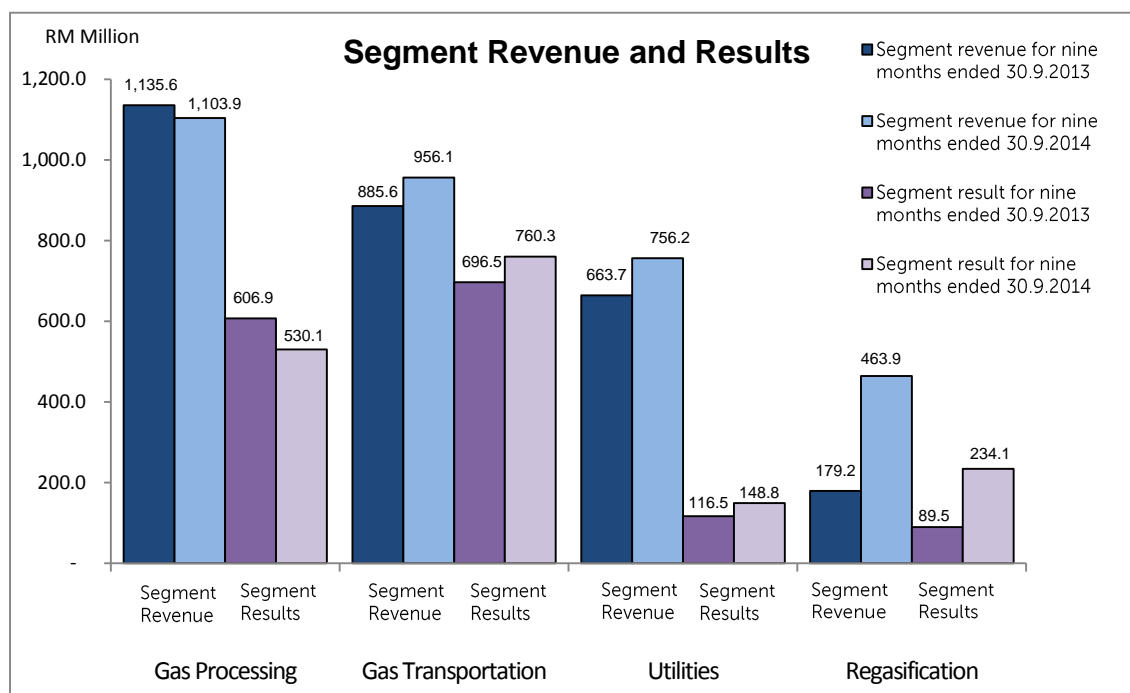
In RM'000	9 months ended	
	2014	2013
Revenue	3,280,112	2,864,070
Profit before taxation (PBT)	1,671,287	1,425,017
Profit for the period	1,271,899	1,685,166

The Group's revenue for the nine months period ended 30 September 2014 was RM3,280.1 million, an increase of RM416.0 million or 14.5% compared to the same period in 2013 primarily attributable to regasification revenue from three full quarters of the LNG Regasification Terminal operations, coupled with higher utilities revenue in line with upward revision of electricity tariff effective 1 January 2014 and higher gas transportation revenue under the new GTA.

Profit before tax increased by RM246.3 million primarily attributable to contribution from Regasification segment.

Profit for the period was lower by RM413.3 million despite higher PBT due to recognition of DTA arising from ITA granted for LNG Regasification Terminal amounting to RM634.2 million in the corresponding period but partially offset by profit contribution from Regasification segment. Excluding impact of DTA, profit for the period increased by RM220.9 million or 21.0%.

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



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FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



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)

Gas Processing

Revenue for the nine months period ended 30 September 2014 was lower by RM31.7 million as compared to the corresponding period in 2013 mainly due to lower performance based structure income arising from lower plant liquid performance compared to target, partially offset by higher reservation charge under the new GPA effective 1 April 2014.

Gas Processing segment recorded a profit of RM530.1 million, a decrease of RM76.8 million mainly due to lower revenue and higher depreciation expense due to plant rejuvenation and revamp program.

Gas Transportation

Gas Transportation segment registered revenue of RM956.1 million for the nine months period ended 30 September 2014 compared to RM885.6 million for the same period last year, reflecting an increase of RM70.5 million on the back of higher transportation capacity booked by PETRONAS. Accordingly, segment results for the period improved by RM63.8 million to RM760.3 million, in tandem with the higher revenue.

Utilities

Utilities revenue was higher by RM92.5 million as compared to the corresponding nine months period in 2013 primarily contributed by higher revenue from electricity due to upward revision of electricity tariff effective 1 January 2014.

Utilities segment registered results of RM148.8 million, an increase of RM32.3 million as compared to the same period last year in line with higher revenue but partially offset by higher utilities cost as a result of upward revision of fuel gas tariff in January and July 2014.

Regasification

Regasification revenue for the nine months period ended 30 September 2014 was RM463.9 million, an increase of RM284.7 million as compared to the corresponding period as a result of the LNG Regasification Terminal operating for three full quarters.

Regasification segment registered additional profit of RM144.6 million for the period in tandem with the increase in revenue.

QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



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

17. COMPARISON WITH PRECEDING QUARTER RESULTS

<i>In RM'000</i>	3 months ended	
	30 September 2014	30 June 2014
Revenue	1,123,493	1,102,361
Profit before taxation (PBT)	549,161	578,920
Profit for the quarter	418,632	435,263

The Group registered revenue of RM1,123.5 million, an increase of RM21.1 million as compared to the preceding quarter mainly driven by higher utilities revenue due to higher offtake by customers.

Profit before tax decreased by RM29.7 million primarily due to higher cost of revenue and higher other operating expense partially cushioned by higher revenue.

Profit for the quarter decreased by RM16.6 million in tandem with lower PBT.

18. COMMENTARY ON PROSPECTS

The Group is expected to continue delivering sustainable and steady returns as the structure of the new Gas Processing Agreement (GPA) and Gas Transportation Agreements (GTA) effective 1 April 2014 are not materially different from the previous structure. The Group's Regasification business will provide additional earnings from its full year operations in FY2014.

Gas Processing

Revenue from Gas Processing segment is expected to remain stable under the new GPA. As gas for internal consumption is provided by PETRONAS, PGB is not exposed to fuel gas price fluctuation. The new performance based structure is now dependent on PGB's liquid extraction performance.

Gas Transportation

Revenue from Gas Transportation segment will remain stable as a result of capacity reservation made in advance by PETRONAS. As gas for internal consumption is provided by PETRONAS, PGB is not exposed to fuel gas price fluctuation.

Utilities

The Group expects higher offtake by petrochemicals customers moving forward in view of their reduced planned turnaround maintenance activities.

Regasification

The Regasification segment is expected to contribute positively to the Group's bottom line through its full year of operations, on the back of capacity reservation by PETRONAS for regasification and storage fees under the Regasification Service Agreement.

QUARTERLY REPORT

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



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

19. PROFIT FORECAST

Not applicable as no profit forecast was published.

20. TAXATION

Taxation comprises the following:

<i>In RM'000</i>	3 months ended 30 September		9 months ended 30 September	
	2014	2013	2014	2013
Current tax expenses				
Malaysia				
- current year	114,926	83,288	332,638	338,419
- under provision in prior year	3,002	-	3,002	-
Total current tax expenses	117,928	83,288	335,640	338,419
Deferred tax expenses				
- origination and reversal of temporary differences	12,601	10,350	63,748	(596,196)
- over provision in prior year	-	(2,372)	-	(2,372)
Total deferred tax expenses/(income)	12,601	7,978	63,748	(598,568)
	130,529	91,266	399,388	(260,149)

The effective tax rate for the quarter and period ended 30 September 2014 are comparable against the statutory tax rate of 25%.

The effective tax rate for the corresponding quarter and period are lower than the statutory tax rate mainly due to recognition of deferred tax assets arising from ITA granted to LNG Regasification Terminal in 2013.

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.

22. UNQUOTED INVESTMENTS

Investments in unquoted securities (comprising corporate private debt securities) as at 30 September 2014 were as follows:

<i>In RM'000</i>	As at 30 September 2014	As at 31 December 2013
Current		
Fair value through profit or loss financial assets	-	15,010

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

23. BORROWINGS

Particulars of Group's borrowings are as follows:

<i>In RM'000</i>	As at 30 September 2014	As at 31 December 2013
Non Current		
Finance lease liabilities - secured	812,790	824,061
Current		
Finance lease liabilities - secured	19,272	17,731
	832,062	841,792

<i>In RM'000</i>	As at 30 September 2014	As at 31 December 2013
By Currency		
USD	832,062	841,792

<i>In RM'000</i>	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Finance lease liabilities -9.13%	832,062	19,272	21,380	76,251	715,159

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.

	3 months ended 30 September		9 months ended 30 September	
	2014	2013	2014	2013
Net profit for the period attributable to ordinary shareholders (RM'000)	418,632	379,806	1,271,899	1,685,183
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	21.16	19.19	64.28	85.16

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.

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

26. AUDITOR REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

As disclosed in Note 3.

27. PROFIT FOR THE PERIOD

<i>In RM'000</i>	3 months ended 30 September		9 months ended 30 September	
	2014	2013	2014	2013
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	195,946	199,392	594,554	498,251
Property, plant and equipment written off	-	-	12,799	937
Loss on maturity of other investments	-	207	9	230
Loss on realised foreign exchange	-	404	793	465
Loss on unrealised foreign exchange	16,495	29,380	16,495	56,684
Realised/Unrealised loss on changes in values of Malaysian Government Securities and other unquoted securities	-	-	4	152
and crediting:				
Gain on realised foreign exchange	407	-	587	-
Gain on unrealised foreign exchange	66	-	18,203	-
Gain on disposal of property, plant and equipment	28	9	82	150
Interest income from fund and other investments	6,975	5,884	22,408	33,277
Realised gain on changes in values of Malaysian Government Securities and other unquoted securities	-	116	3	-

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

28. DIVIDENDS

As disclosed in Note 9.

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FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014



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:

<i>In RM'000</i>	As at 30 September 2014	As at 31 December 2013
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- realised	7,547,741	7,471,893
- unrealised	(457,543)	(433,875)
	<u>7,090,198</u>	<u>7,038,018</u>
Total share of retained profits/(accumulated losses) from an associate:		
- realised	83,219	77,794
- unrealised	(24,779)	(25,214)
	<u>58,440</u>	<u>52,580</u>
Total share of retained profits/(accumulated losses) from joint ventures:		
- realised	68,801	(7,686)
- unrealised	(37,033)	12,835
	<u>31,768</u>	<u>5,149</u>
	<u>7,180,406</u>	<u>7,095,747</u>
Consolidation adjustments	184	183
Total Retained Profits	<u>7,180,590</u>	<u>7,095,930</u>

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 4 November 2014.

BY ORDER OF THE BOARD

Intan Shafinas (Tuty) Hussain (LS0009774)
 Yeap Kok Leong (MAICSA0862549)
 Company Secretaries
 Kuala Lumpur
 4 November 2014