



PETRONAS

PETRONAS GAS BERHAD

Quarterly Report

for the Second Quarter ended 30 June 2015

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2015



Key Financial Highlights	6 months ended	
	2015	30 June 2014
<i>In RM'000</i>		
Revenue	2,184,960	2,156,619
Profit before taxation	1,098,391	1,122,126
Profit for the year	1,267,738	853,267
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	1,509,902	1,543,410
Earnings per share (EPS) (sen)	64.08	43.12
Declared and paid dividend per share (sen)	29.00	40.00

- PETRONAS Gas Berhad Group's revenue for the six months period ended 30 June 2015 sustained at RM2.2 billion, marginally increased by 1%** compared to the corresponding period primarily attributable to higher gas processing and gas transportation revenue in line with higher reservation charge and higher capacity booking by PETRONAS as a result of implementation of new Gas Processing Agreement and Gas Transportation Agreements effective from 1 April 2014.
- Profit before taxation stood firm at RM1.1 billion, with a marginal decrease of 2%**, compared to the corresponding quarter mainly due to unrealised foreign exchange loss (forex) on finance lease liabilities following weakening of RM against USD despite higher revenue. Excluding forex impact, profit before taxation increased by RM65.0 million mainly contributed by higher gross profits and other income.
- Profit for the period improved by 49%** primarily contributed by lower tax expense due to recognition of deferred tax asset (DTA) arising from investment tax allowance (ITA) granted for Plant Rejuvenation and Revamp (PRR) project totaling RM407.4 million. Excluding impact of DTA and forex, profit for the period increased by RM95.7 million or 11.5%.
- Earnings before interest, taxes, depreciation and amortisation lower by 2%** in line with lower profit before taxation.
- Earnings per share higher by 20.96 sen**, in tandem with higher net profit attributable to ordinary shareholders of the Company. Excluding impact of DTA, EPS increased by 0.36 sen or 0.8%.
- The Board of Directors has approved** a second interim dividend of 14 sen per ordinary share amounting to RM277.0 million in respect of the financial year ending 31 December 2015.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2015



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 second quarter ended 30 June 2015 which should be read in conjunction with the Explanatory Notes on pages 5 to 16.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2015	As at 31 December 2014
<i>In RM'000</i>		
ASSETS		
Property, plant and equipment	10,836,646	10,858,461
Investment in associate	135,950	132,335
Investment in joint ventures	495,000	468,399
Deferred tax assets	487,428	511,434
TOTAL NON-CURRENT ASSETS	11,955,024	11,970,629
Trade and other inventories	43,488	43,384
Trade and other receivables	687,603	608,718
Cash and cash equivalents	975,184	637,746
TOTAL CURRENT ASSETS	1,706,275	1,289,848
TOTAL ASSETS	13,661,299	13,260,477
EQUITY		
Share capital	1,978,732	1,978,732
Reserves	9,278,076	8,555,146
Total equity attributable to the shareholders of the Company	11,256,808	10,533,878
Non-controlling interests	79,195	35,125
TOTAL EQUITY	11,336,003	10,569,003
LIABILITIES		
Finance lease liabilities	918,216	861,223
Deferred tax liabilities	772,418	1,033,321
Deferred income	7,325	7,798
TOTAL NON-CURRENT LIABILITIES	1,697,959	1,902,342
Trade and other payables	515,380	668,185
Finance lease liabilities	24,076	21,027
Taxation	87,881	99,920
TOTAL CURRENT LIABILITIES	627,337	789,132
TOTAL LIABILITIES	2,325,296	2,691,474
TOTAL EQUITY AND LIABILITIES	13,661,299	13,260,477
Net assets per share attributable to the shareholders of the Company (RM)	5.6889	5.3235

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FOR THE SECOND QUARTER ENDED 30 JUNE 2015


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

	3 months ended		6 months ended	
	2015	30 June 2014	2015	30 June 2014
<i>In RM'000</i>				
Revenue	1,083,647	1,102,361	2,184,960	2,156,619
Cost of revenue	(527,761)	(520,655)	(1,033,466)	(1,038,819)
Gross profit	555,886	581,706	1,151,494	1,117,800
Administration expenses	(18,104)	(17,880)	(32,269)	(32,118)
Other expenses	(17,154)	(12,799)	(72,544)	(12,041)
Other income	24,339	32,473	66,732	55,380
Operating profit	544,967	583,500	1,113,413	1,129,021
Financing costs	(21,184)	(19,005)	(42,162)	(38,109)
Share of profit after tax of equity-accounted associate and joint ventures	3,316	14,425	27,140	31,214
Profit before taxation	527,099	578,920	1,098,391	1,122,126
Tax expense	290,667	(143,657)	169,347	(268,859)
PROFIT FOR THE PERIOD	817,766	435,263	1,267,738	853,267
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Share of cash flow hedge of an equity- accounted joint ventures	3,363	(2,215)	10,677	(2,637)
Net movement from exchange differences	11,101	-	25,065	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	832,230	433,048	1,303,480	850,630
Profit attributable to:				
Shareholders of the Company	818,046	435,263	1,267,983	853,267
Non-controlling interests	(280)	-	(245)	-
PROFIT FOR THE PERIOD	817,766	435,263	1,267,738	853,267
Total comprehensive income attributable to:				
Shareholders of the Company	831,529	433,048	1,296,762	850,630
Non-controlling interests	701	-	6,718	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	832,230	433,048	1,303,480	850,630
Basic and diluted earnings per ordinary share (sen)	41.34	22.00	64.08	43.12

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FOR THE SECOND QUARTER ENDED 30 JUNE 2015



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company							Non-controlling interests	Total
	Non-Distributable				Distributable				
<i>In RM'000</i>	Share capital	Share premium	Hedging reserve	Foreign currency translation reserve	Retained profits	Total			
Quarter ended 30 June 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 ventures	-	-	(2,637)	-	-	(2,637)	-	(2,637)	
Profit for the period	-	-	-	-	853,267	853,267	-	853,267	
Total comprehensive income for the period	-	-	(2,637)	-	853,267	850,630	-	850,630	
Total transactions with shareholders of the Company									
Final dividend approved and paid in respect of previous year	-	-	-	-	(791,493)	(791,493)	-	(791,493)	
Total transactions with shareholders of the Company	-	-	-	-	(791,493)	(791,493)	-	(791,493)	
Balance at 30 June 2014	1,978,732	1,186,472	1,959	-	7,157,704	10,324,867	(183)	10,324,684	
Quarter ended 30 June 2015									
Balance at 1 January 2015	1,978,732	1,186,472	12,546	-	7,356,128	10,533,878	35,125	10,569,003	
Net movements from exchange differences	-	-	-	18,102	-	18,102	6,963	25,065	
Share of cash flow hedge of an equity-accounted joint ventures	-	-	10,677	-	-	10,677	-	10,677	
Profit for the period	-	-	-	-	1,267,983	1,267,983	(245)	1,267,738	
Total comprehensive income for the period	-	-	10,677	18,102	1,267,983	1,296,762	6,718	1,303,480	
Total transactions with shareholders of the Company									
Issuance of shares to non-controlling interest	-	-	-	-	-	-	37,352	37,352	
Interim dividend declared and paid in respect of previous year	-	-	-	-	(296,810)	(296,810)	-	(296,810)	
Interim dividend declared and paid in respect of the current year	-	-	-	-	(277,022)	(277,022)	-	(277,022)	
Total transactions with shareholders of the Company	-	-	-	-	(573,832)	(573,832)	37,352	(536,480)	
Balance at 30 June 2015	1,978,732	1,186,472	23,223	18,102	8,050,279	11,256,808	79,195	11,336,003	

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FOR THE SECOND QUARTER ENDED 30 JUNE 2015

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	6 months ended	
	2015	30 June 2014
<i>In RM'000</i>		
Cash receipts from customers	2,150,778	2,233,737
Cash paid to suppliers and employees	(800,895)	(908,367)
	1,349,883	1,325,370
Interest income from fund and other investments	11,832	15,593
Taxation paid	(79,588)	(186,539)
Net cash generated from operating activities	1,282,127	1,154,424
Dividend received from an associate	7,600	5,700
Purchase of property, plant and equipment	(365,003)	(381,399)
Maturity of other investments	-	15,000
Proceeds from disposal of property, plant and equipment	368	107
Net cash used in investing activities	(357,035)	(360,592)
Dividends paid	(573,832)	(791,493)
Financing costs paid	(41,706)	(38,109)
Repayment of finance lease liabilities	(10,376)	(8,929)
Proceeds from shares issued to non-controlling interest	37,352	-
Net cash used in financing activities	(588,562)	(838,531)
Net increase/(decrease) in cash and cash equivalents	336,530	(44,699)
Net foreign exchange difference	908	-
Cash and cash equivalents at beginning of the period	637,746	912,123
Cash and cash equivalents at end of the period	975,184	867,424

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2015



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 2014. 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 2014.

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 June 2015.

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 2015 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 2014 except as described below.

As of 1 January 2015, the Group has adopted the following amendments to MFRSs which are effective for annual periods beginning on or after 1 July 2014.

Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2011-2013 Cycle)*

Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 119, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*

The adoption of the above amendments to MFRSs did not have material impact to 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 year ended 31 December 2014.

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 June 2015.

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.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2015



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 June 2015.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

<i>In RM'000</i>	6 months ended 30 June	
	2015	2014
Ordinary		
Final paid:		
2013 – 40 sen per ordinary share	-	791,493
Interim paid:		
2014 – Third interim dividend of 15 sen per ordinary share	296,810	-
2015 – First interim dividend of 14 sen per ordinary share	277,022	-
	573,832	791,493

The Board of Directors has approved on 4 August 2015, a second interim dividend of 14 sen per ordinary share amounting to RM277.0 million in respect of the financial year ending 31 December 2015. The interim dividend will be payable on 11 September 2015 to depositors registered in the record of depositors as at 21 August 2015.

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 the third quarter ending 30 September 2015.

10. SEGMENTAL INFORMATION

The Group has four reporting segments, as described below, which are the Group's strategic business units. The strategic business units 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.

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 in Malaysia and accordingly, information by geographical location is not presented.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2015

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****10. SEGMENTAL INFORMATION (continued)**

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 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>	6 months ended				
	30 June 2015				
Business Segment	Gas Processing	Gas Transportation	Utilities	Regasification	Total
Revenue	758,099	650,368	466,995	309,498	2,184,960
Segment results	403,311	521,423	77,616	149,144	1,151,494
Unallocated expenses					(38,081)
Operating profit					1,113,413
Financing costs					(42,162)
Share of profit after tax of equity-accounted associate and joint ventures					27,140
Profit before taxation					1,098,391

<i>In RM'000</i>	6 months ended				
	30 June 2014				
Business Segment	Gas Processing	Gas Transportation	Utilities	Regasification	Total
Revenue	726,691	625,238	491,571	313,119	2,156,619
Segment results	352,344	502,453	103,617	159,386	1,117,800
Unallocated income					11,221
Operating profit					1,129,021
Financing costs					(38,109)
Share of profit after tax of equity-accounted associate and joint ventures					31,214
Profit before taxation					1,122,126

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.

13. CONTINGENCIES

There were no contingent liabilities and contingent assets since the last audited statement of financial position as at 31 December 2014.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2015

**PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134****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 June 2015	As at 31 December 2014
Property, plant and equipment		
Approved and contracted for	2,869,919	2,307,251
Approved but not contracted for	1,986,339	2,626,051
	4,856,258	4,933,302
Share of capital expenditure of joint ventures		
Approved and contracted for	-	-
Approved but not contracted for	2,450	1,478
	2,450	1,478
	4,858,708	4,934,780

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 2014.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2015



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

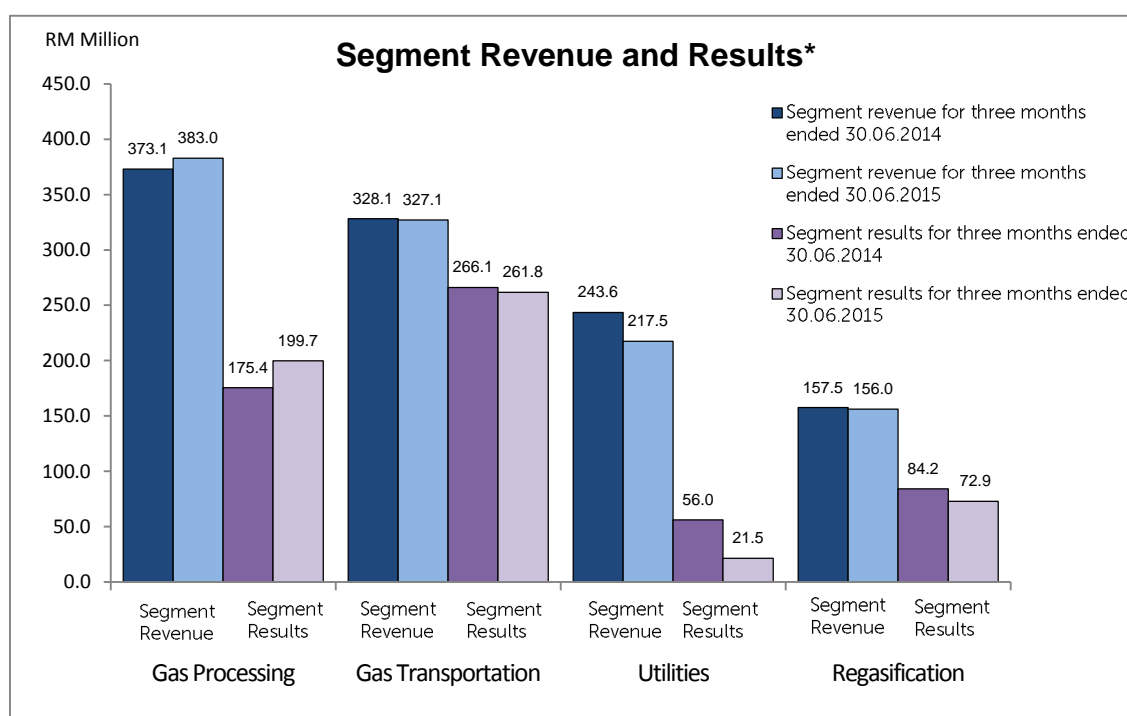
<i>In RM'000</i>	3 months ended	
	2015	30 June 2014
Revenue	1,083,647	1,102,361
Profit before taxation	527,099	578,920
Profit for the quarter	817,766	435,263

The Group’s revenue for the quarter ended 30 June 2015 was RM1,083.6 million, a decrease of RM18.7 million or 2% compared to the corresponding quarter primarily due to lower utilities revenue resulting from electricity tariff rebate as announced by Government effective 1 March 2015. The slight decrease in revenue was however partially cushioned by higher gas processing revenue in line with higher performance based structure (PBS) income resulting from plant’s higher liquid extraction performance compared to target.

Profit before taxation was lower by RM51.8 million as compared to the corresponding quarter in line with lower revenue coupled with lower share of profit from joint ventures and other income.

However, profit for the quarter increased by RM382.5 million mainly contributed by lower tax expense due to recognition of DTA arising from ITA granted for PRR project. Excluding impact of DTA, profit for the quarter decreased by RM24.9 million or 5.7%.

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



*Note: Segment Results refers to Gross Profit

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FOR THE SECOND QUARTER ENDED 30 JUNE 2015



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 June 2015 improved by RM9.9 million as compared to the corresponding quarter mainly attributable to higher PBS income as a result of plant's higher liquid extraction performance compared to target.

Gas Processing segment recorded a profit of RM199.7 million, an increase of RM24.3 million in line with higher revenue coupled with lower operating costs.

Gas Transportation

Gas Transportation segment registered revenue of RM327.1 million for the quarter ended 30 June 2015 as compared to RM328.1 million for the same quarter last year, reflecting a marginal decrease of RM1.0 million. Segment results for the quarter however decreased by RM4.3 million to RM261.8 million, compounded by higher repair and maintenance cost incurred.

Utilities

Utilities revenue was lower by RM26.1 million as compared to the corresponding quarter in 2014 primarily contributed by lower revenue from electricity, steam and industrial gases in tandem with lower electricity price arising from electricity tariff rebate as announced by Government effective 1 March 2015.

Utilities segment registered results of RM21.5 million, a decrease of RM34.5 million as compared to the corresponding quarter in line with lower revenue coupled with higher repair and maintenance cost during the quarter.

Regasification

Regasification revenue for the quarter ended 30 June 2015 was RM156.0 million, a slight decrease of RM1.5 million as compared to the corresponding quarter due to downward revision of Regasification Service Agreement tariff effective June 2014.

Regasification segment results for the quarter were lower by RM11.3 million as a result of higher repair and maintenance cost.

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FOR THE SECOND QUARTER ENDED 30 JUNE 2015



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

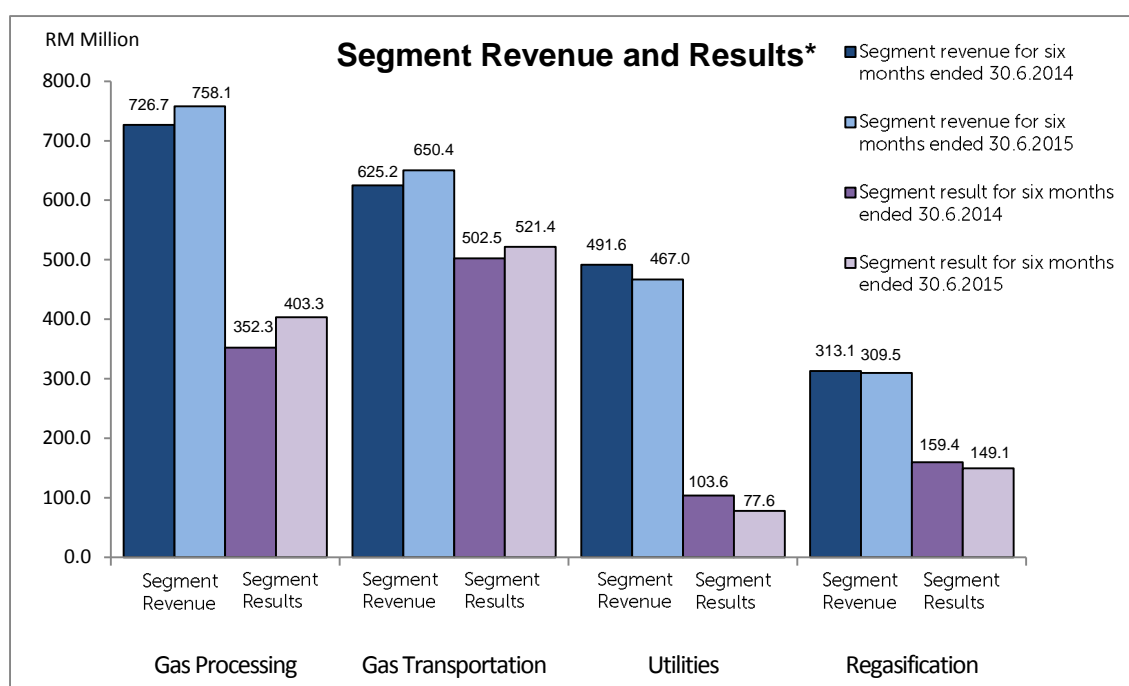
In RM'000	6 months ended	
	2015	30 June 2014
Revenue	2,184,960	2,156,619
Profit before taxation	1,098,391	1,122,126
Profit for the period	1,267,738	853,267

The Group's revenue for the six months period ended 30 June 2015 was RM2,185.0 million, an increase of RM28.3 million or 1% compared to the same period in 2014 primarily due to higher gas processing revenue and gas transportation revenue in line with higher reservation charge and higher capacity booking by PETRONAS as a result of implementation of new Gas Processing Agreement (GPA) and Gas Transportation Agreements (GTA) effective from 1 April 2014.

Profit before taxation decreased by RM23.7 million primarily due to higher unrealised forex loss on finance lease liabilities following weakening of RM against USD despite higher revenue. Excluding forex impact, profit before taxation increased by RM65.0 million mainly contributed by higher gross profits and other income.

Profit for the period improved by RM414.5 million despite lower profit before tax due to recognition of DTA arising from ITA granted for PRR project amounting to RM407.4 million which resulted to lower tax expense. Excluding impact of DTA and forex, profit for the period increased by RM95.7 million or 11.5%.

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



*Note: Segment Results refers to Gross Profit

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FOR THE SECOND QUARTER ENDED 30 JUNE 2015



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 six month period ended 30 June 2015 improved by RM31.4 million as compared to the corresponding period mainly attributable to higher reservation charge under the new GPA, partially offset by lower PBS income for the first quarter of this year.

Gas Processing segment recorded a profit of RM403.3 million, an increase of RM51.0 million in line with higher revenue and lower operating costs.

Gas Transportation

Gas Transportation segment registered revenue of RM650.4 million for the six month period ended 30 June 2015 as compared to RM625.2 million for the same period last year, reflecting an increase of RM25.2 million. This is on the back of higher transportation capacity booked by PETRONAS under the new GTA. Consequently, segment results for period increased by RM18.9 million to RM521.4 million.

Utilities

Utilities revenue was lower by RM24.6 million as compared to the corresponding period primarily due to lower revenue from electricity and industrial gases in tandem with lower offtake by customers.

Utilities segment registered results of RM77.6 million, a decrease of RM26.0 million as compared to the corresponding period in line with lower revenue.

Regasification

Regasification revenue for the six month period ended 30 June 2015 was RM309.5 million, a decrease of RM3.6 million as compared to the corresponding period due to downward revision of Regasification Service Agreement tariff effective June 2014. Accordingly, segment results for the period were lower by RM10.3 million resulting from lower revenue coupled with higher repair and maintenance cost.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2015

**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 June 2015	31 March 2015
Revenue	1,083,647	1,101,313
Profit before taxation	527,099	571,291
Profit for the quarter	817,766	449,971

The Group registered revenue for the quarter of RM1,083.6 million, lower by RM17.7 million as compared to the preceding quarter primarily due to lower utilities revenue as a result of lower offtake by customers.

Profit before tax decreased by RM44.2 million mainly attributed to lower gross profit coupled with lower share of profits. However, profit for the quarter was higher by RM367.8 million mainly due to lower tax expense resulting from recognition of DTA arising from ITA for PRR project amounting to RM407.4 million.

Excluding impact of DTA in the current quarter, profit for the quarter were lower by RM39.6 million in tandem with lower profit before tax.

18. COMMENTARY ON PROSPECTS

Consistent with the previous quarter, PGB expects its 2015 performance for Gas Processing, Gas Transportation and Regasification segments to remain stable relying on the steady revenue base generated from Gas Processing Agreement, Gas Transportation Agreements and Regasification Services Agreement signed with PETRONAS respectively, whilst performance for the Utilities segment will continue to be driven by petrochemical customers' demand.

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		6 months ended	
	2015	30 June 2014	2015	30 June 2014
Current tax expenses				
Malaysia				
- current year	(56,331)	109,154	67,549	217,712
Deferred tax expenses				
- origination and reversal of temporary differences	(234,336)	34,503	(236,896)	51,147
Total tax expenses	(290,667)	143,657	(169,347)	268,859

The effective tax rate for the quarter and six month period ended 30 June 2015 was lower than the statutory tax rate of 25% mainly due to utilisation of tax incentives granted for PRR project and Utilities segment.

Excluding the impact of tax incentives, the effective tax rate for the quarter and period ended 30 June 2015 was comparable with the statutory tax rate of 25%.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2015

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

Particulars of Group's finance lease liabilities are as follows:

<i>In RM'000</i>	As at 30 June 2015	As at 31 December 2014			
Non Current					
Finance lease liabilities - secured	918,216	861,223			
Current					
Finance lease liabilities - secured	24,076	21,027			
	942,292	882,250			
<i>In RM'000</i>					
By Currency					
USD	942,292	882,250			
<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%	942,292	24,076	26,061	94,351	797,804

23. MATERIAL LITIGATION

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

24. 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		6 months ended	
	2015	30 June 2014	2015	30 June 2014
Net profit for the period attributable to ordinary shareholders of the Company (RM'000)	818,046	435,263	1,267,983	853,267
Number of ordinary shares in issue ('000)	1,978,732	1,978,732	1,978,732	1,978,732
EPS (sen)	41.34	22.00	64.08	43.12

Diluted EPS is derived based on the profit attributable to shareholders 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.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2015

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD****25. AUDITOR REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

As disclosed in Note 3.

26. PROFIT FOR THE PERIOD

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

<i>In RM'000</i>	3 months ended 30 June		6 months ended 30 June	
	2015	2014	2015	2014
<i>Profit for the period is arrived at after charging:</i>				
Depreciation of property, plant and equipment	194,161	204,265	381,207	398,608
Property, plant and equipment written off	246	12,799	2,087	12,799
Loss on maturity of other investments	-	5	-	9
Loss on realised foreign exchange	-	-	-	613
Loss on unrealised foreign exchange	16,907	-	70,457	-
Unrealised loss on changes in values of Malaysian Government Securities and other unquoted securities	-	-	-	4
<i>and crediting:</i>				
Dividend income in Malaysia from				
- associate (quoted)	-	-	7,600	5,700
Gain on realised foreign exchange	1,439	114	4,084	-
Gain on unrealised foreign exchange	-	10,694	-	18,203
Gain on disposal of property, plant and equipment	-	2	266	54
Interest income from fund and other investments	6,833	8,270	11,858	15,433
Realised gain on changes in values of Malaysian Government Securities and other unquoted securities	-	3	-	3

27. DIVIDEND

As disclosed in Note 9.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2015

**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 30 June 2015	As at 31 December 2014
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- realised	8,167,277	7,609,990
- unrealised	(457,544)	(574,622)
	<u>7,709,733</u>	<u>7,035,368</u>
Total share of retained profits/(accumulated losses) from an associate:		
- realised	83,405	80,340
- unrealised	(23,921)	(24,471)
	<u>59,484</u>	<u>55,869</u>
Total share of retained profits from joint ventures:		
- realised	106,930	84,820
- unrealised	172,597	178,782
	<u>279,527</u>	<u>263,602</u>
Consolidation adjustments	1,535	1,289
Total retained profits	<u>8,050,279</u>	<u>7,356,128</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 4 August 2015.

BY ORDER OF THE BOARD

Intan Shafinas (Tuty) Hussain (LS0009774)
Yeap Kok Leong (MAICSA0862549)
Company Secretaries
Kuala Lumpur
4 August 2015