



PETRONAS

PETRONAS GAS BERHAD

Quarterly Report

for the Second Quarter ended 30 June 2014

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2014



| Key Financial Highlights | 6 months ended 30 June | |
|--------------------------------------|---------------------------|-----------|
| | 2014 | 2013 |
| <i>In RM'000</i> | | |
| Revenue | 2,156,619 | 1,841,210 |
| Profit before taxation (PBT) | 1,122,126 | 953,948 |
| Profit for the period | 853,267 | 1,305,363 |
| Earnings per share (EPS) (sen) | 43.12 | 65.97 |
| Single tier dividend per share (sen) | 40.00 | 35.00 |

- **PETRONAS Gas Berhad Group's revenue for the six months period ended 30 June 2014 increased by 17.1%** compared to the same period in 2013 primarily attributable to regasification revenue from two full quarters operations of the LNG Regasification Terminal which commenced operations at the end of second quarter of 2013, coupled with higher gas transportation revenue in line with higher capacity booking under the new Gas Transportation Agreements.
- **Profit before taxation increased by 17.6%** compared to the corresponding period last year primarily due to contribution from Regasification segment.
- **Profit for the period decreased by 34.6%** 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 RM139.5 million or 19.6%.
- **Earnings per share (sen) lower by 22.85 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 7.05 sen or 19.6%.
- **Single tier dividend per share (sen) higher by 5.0 sen**, compared to the same period in 2013 as approved in the Annual General Meeting on 5 May 2014 in relation to final dividend for the financial year ended 31 December 2013.
- **The Board of Directors has approved an 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 SECOND QUARTER ENDED 30 JUNE 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 second quarter ended 30 June 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 June 2014 | As at 31 December 2013 |
|--|--------------------------|------------------------------|
| <i>In RM'000</i> | | |
| ASSETS | | |
| Property, plant and equipment | 10,527,083 | 10,611,108 |
| Investment in associate | 135,991 | 129,047 |
| Investment in joint ventures | 217,930 | 201,996 |
| Deferred tax assets | 566,222 | 603,049 |
| TOTAL NON-CURRENT ASSETS | 11,447,226 | 11,545,200 |
| Trade and other inventories | 43,653 | 38,615 |
| Trade and other receivables | 657,989 | 711,471 |
| Fund and other investments | - | 15,010 |
| Cash and cash equivalents | 867,424 | 912,123 |
| TOTAL CURRENT ASSETS | 1,569,066 | 1,677,219 |
| TOTAL ASSETS | 13,016,292 | 13,222,419 |
| EQUITY | | |
| Share capital | 1,978,732 | 1,978,732 |
| Reserves | 8,346,135 | 8,286,998 |
| Total equity attributable to the shareholders of the Company | 10,324,867 | 10,265,730 |
| Non-controlling interests | (183) | (183) |
| TOTAL EQUITY | 10,324,684 | 10,265,547 |
| LIABILITIES | | |
| Borrowings | 801,740 | 824,061 |
| Deferred tax liabilities | 995,320 | 981,000 |
| Deferred income | 8,270 | 12,336 |
| TOTAL NON-CURRENT LIABILITIES | 1,805,330 | 1,817,397 |
| Trade and other payables | 729,333 | 1,014,437 |
| Borrowings | 18,465 | 17,731 |
| Taxation | 138,480 | 107,307 |
| TOTAL CURRENT LIABILITIES | 886,278 | 1,139,475 |
| TOTAL LIABILITIES | 2,691,608 | 2,956,872 |
| TOTAL EQUITY AND LIABILITIES | 13,016,292 | 13,222,419 |
| Net assets per share attributable to the shareholders of the Company (RM) | 5.2179 | 5.1880 |

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2014



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

| | 3 months ended | | 6 months ended | |
|---|----------------|-----------------|------------------|------------------|
| | 2014 | 30 June 2013 | 2014 | 30 June 2013 |
| <i>In RM'000</i> | | | | |
| Revenue | 1,102,361 | 930,767 | 2,156,619 | 1,841,210 |
| Cost of revenue | (520,655) | (435,820) | (1,038,819) | (847,798) |
| Gross profit | 581,706 | 494,947 | 1,117,800 | 993,412 |
| Administration expenses | (17,880) | (31,538) | (32,118) | (65,272) |
| Other expenses | (12,799) | (26,506) | (12,041) | (51,734) |
| Other income | 32,473 | 38,554 | 55,380 | 78,110 |
| Operating profit | 583,500 | 475,457 | 1,129,021 | 954,516 |
| Financing costs | (19,005) | (6,457) | (38,109) | (10,187) |
| Share of profit after tax of equity-accounted associate and joint ventures | 14,425 | (941) | 31,214 | 9,619 |
| Profit before taxation | 578,920 | 468,059 | 1,122,126 | 953,948 |
| Tax (expense)/income | (143,657) | 476,877 | (268,859) | 351,415 |
| PROFIT FOR THE PERIOD | 435,263 | 944,936 | 853,267 | 1,305,363 |
| 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) | 2,790 | (2,637) | 4,910 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 433,048 | 947,726 | 850,630 | 1,310,273 |
| Profit/(loss) attributable to: | | | | |
| Shareholders of the Company | 435,263 | 944,939 | 853,267 | 1,305,377 |
| Non-controlling interests | - | (3) | - | (14) |
| PROFIT FOR THE PERIOD | 435,263 | 944,936 | 853,267 | 1,305,363 |
| Total comprehensive income/(expense) attributable to: | | | | |
| Shareholders of the Company | 433,048 | 947,729 | 850,630 | 1,310,287 |
| Non-controlling interests | - | (3) | - | (14) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 433,048 | 947,726 | 850,630 | 1,310,273 |
| Basic and diluted earnings per ordinary share (sen) | 22.00 | 47.75 | 43.12 | 65.97 |

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2014



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| In RM'000 | Attributable to shareholders of the Company | | | | Total | Non-controlling interests | Total |
|---|---|------------------|-----------------|------------------|-------------------|---------------------------|-------------------|
| | Share capital | Share premium | Hedging reserve | Retained profits | | | |
| Quarter ended 30 June 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 | - | - | 4,910 | - | 4,910 | - | 4,910 |
| Profit for the period | - | - | - | 1,305,377 | 1,305,377 | (14) | 1,305,363 |
| Total comprehensive income for the period | - | - | 4,910 | 1,305,377 | 1,310,287 | (14) | 1,310,273 |
| Distribution to shareholders | | | | | | | |
| Dividends | - | - | - | (692,556) | (692,556) | - | (692,556) |
| Total distribution to shareholders | - | - | - | (692,556) | (692,556) | - | (692,556) |
| Balance at 30 June 2013 | 1,978,732 | 1,186,472 | 724 | 6,619,229 | 9,785,157 | (185) | 9,784,972 |
| 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 venture | - | - | (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 |
| Distribution to shareholders | | | | | | | |
| Dividends | - | - | - | (791,493) | (791,493) | - | (791,493) |
| Total distribution to shareholders | - | - | - | (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 |

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 2014



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | 6 months ended | |
|---|------------------|------------------|
| | 2014 | 30 June 2013 |
| <i>In RM'000</i> | | |
| Cash receipts from customers | 2,233,737 | 1,769,820 |
| Cash paid to suppliers and employees | (908,367) | (489,151) |
| | <u>1,325,370</u> | <u>1,280,669</u> |
| Interest income from fund and other investments | 15,593 | 33,066 |
| Taxation paid | (186,539) | (172,775) |
| Net cash generated from operating activities | <u>1,154,424</u> | <u>1,140,960</u> |
| Maturity of other investments | 15,000 | 30,000 |
| Purchase of property, plant and equipment | (381,399) | (1,009,749) |
| Proceeds from disposal of property, plant and equipment | 107 | 150 |
| Dividend received from an associate | 5,700 | 14,612 |
| Net cash used in investing activities | <u>(360,592)</u> | <u>(964,987)</u> |
| Financing costs paid | (38,109) | (4,837) |
| Dividends paid | (791,493) | (692,556) |
| Repayment of finance lease liabilities | (8,929) | (3,418) |
| Net cash used in financing activities | <u>(838,531)</u> | <u>(700,811)</u> |
| Net decrease in cash and cash equivalents | <u>(44,699)</u> | <u>(524,838)</u> |
| Cash and cash equivalents at beginning of the period | 912,123 | 1,706,219 |
| Cash and cash equivalents at end of the period | <u>867,424</u> | <u>1,181,381</u> |

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 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 June 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 June 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.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 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 June 2014.

9. DIVIDENDS

The following dividends were declared and paid by the Company:

| <i>In RM'000</i> | 6 months ended | |
|--|-----------------------|-------------------------|
| | 2014 | 30 June 2013 |
| Ordinary | | |
| Final paid: | | |
| 31.12.2013 – 40 sen per share under single tier system | 791,493 | 692,556 |
| (31.12.2012 – 35 sen per share under single tier system) | | |

The Board of Directors has approved on 8 August 2014 an interim dividend of 20 sen per ordinary share (30.6.2013: 15 sen per ordinary shares) 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 11 September 2014 to depositors registered in the records of depositors as at 26 August 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 third quarter ending 30 September 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 and third parties. The LNG Regasification Terminal in Sungai Udang, Melaka commenced its operations in the second quarter of 2013.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 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> | | | | | 6 months ended 30 June 2014 |
|--|---------------------------|-------------------------------|------------------|-----------------------|--|
| | Gas Processing | Gas Transportation | Utilities | Regasification | Total |
| Business Segment | | | | | |
| 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 |

| <i>In RM'000</i> | | | | | 6 months ended 30 June 2013 |
|--|---------------------------|-------------------------------|------------------|-----------------------|--|
| | Gas Processing | Gas Transportation | Utilities | Regasification | Total |
| Business Segment | | | | | |
| Revenue | 780,091 | 580,894 | 462,828 | 17,397 | 1,841,210 |
| Segment results | 440,095 | 462,228 | 93,906 | (2,817) | 993,412 |
| Unallocated expenses | | | | | (38,896) |
| Operating profit | | | | | 954,516 |
| Financing costs | | | | | (10,187) |
| Share of profit after tax of equity- accounted associate and joint ventures | | | | | 9,619 |
| Profit before taxation | | | | | 953,948 |

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.

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.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 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 June 2014 | As at 31 December 2013 |
|--|--------------------------|------------------------------|
| Property, plant and equipment | | |
| Approved and contracted for | 560,885 | 656,526 |
| Approved but not contracted for | 5,950,421 | 5,635,190 |
| | <u>6,511,306</u> | <u>6,291,716</u> |
| Share of capital expenditure of joint ventures | | |
| Approved and contracted for | 130,024 | 221,652 |
| Approved but not contracted for | 95,263 | 108,282 |
| | <u>225,287</u> | <u>329,934</u> |
| | <u>6,736,593</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 SECOND QUARTER ENDED 30 JUNE 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

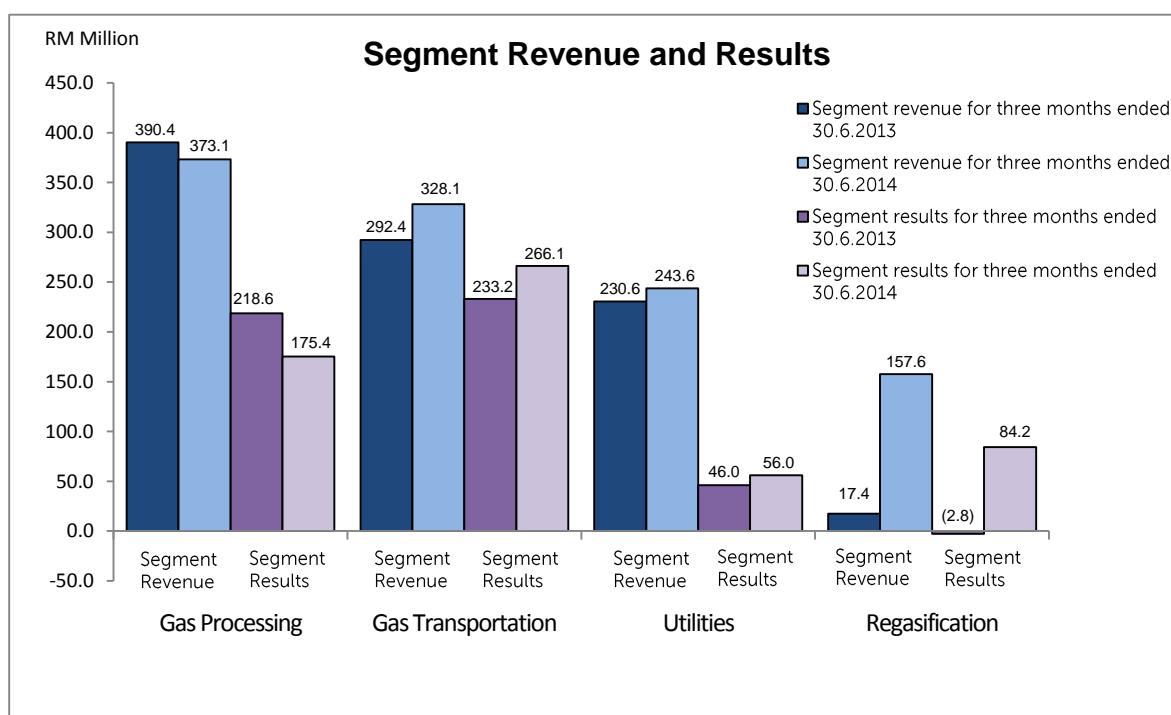
| In RM'000 | 3 months ended | |
|------------------------|----------------|--------------|
| | 2014 | 30 June 2013 |
| Revenue | 1,102,361 | 930,767 |
| Profit before taxation | 578,920 | 468,059 |
| Profit for the quarter | 435,263 | 944,936 |

The Group's revenue for the quarter ended 30 June 2014 was RM1,102.4 million, an increase of RM171.6 million or 18.4% compared to the corresponding quarter in 2013 primarily attributable to regasification revenue following commencement of LNG Regasification Terminal operations at the end of second quarter of 2013 and higher gas transportation revenue resulting from higher booking capacity by PETRONAS in the new Gas Transportation Agreements.

Profit before tax increased by RM110.8 million mainly due to contribution from Regasification segment and higher share of profit from joint ventures.

Despite higher profit before tax, profit for the quarter decreased by RM509.7 million due to deferred tax assets (DTA) arising from investment tax allowance (ITA) granted for the LNG Regasification Terminal amounting to RM591.6 million recognised in the corresponding quarter, partially offset by profit contribution from Regasification segment. Excluding impact of DTA, profit for the quarter increased by RM81.9 million or 23.2%.

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



QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 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 June 2014 was lower by RM17.3 million as compared to the corresponding quarter in 2013 primarily due to lower performance based structure income arising from lower plant liquid performance compared to target. The impact was cushioned by higher reservation charge under the new Gas Processing Agreement (GPA) effective 1 April 2014. Gas Processing segment profit decreased by RM43.2 million to RM175.4 million mainly due to higher depreciation expenses in line with completion of major projects and lower revenue.

Gas Transportation

Gas Transportation segment registered revenue of RM328.1 million for the quarter ended 30 June 2014 compared to RM292.4 million for the same quarter last year on the back of higher transportation capacity booked by PETRONAS under the new Gas Transportation Agreements (GTA). Results for the quarter improved by RM32.9 million supported by the increase in revenue.

Utilities

Revenue for the quarter ended 30 June 2014 was higher by RM13.0 million as compared to the corresponding quarter in 2013 primarily driven by higher revenue from electricity as a result of revision of electricity tariff effective 1 January 2014. However, the impact of higher revenue was offset by higher cost of revenue in line with higher fuel gas tariff. Accordingly, Utilities segment registered higher profit by RM10.0 million for the quarter ended 30 June 2014.

Regasification

Regasification segment registered revenue of RM157.6 million for the quarter ended 30 June 2014, an increase of RM140.2 million from the corresponding quarter as a result of a full quarter operations of the LNG Regasification Terminal. The segment registered profit of RM84.2 million for the quarter.

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FOR THE SECOND QUARTER ENDED 30 JUNE 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

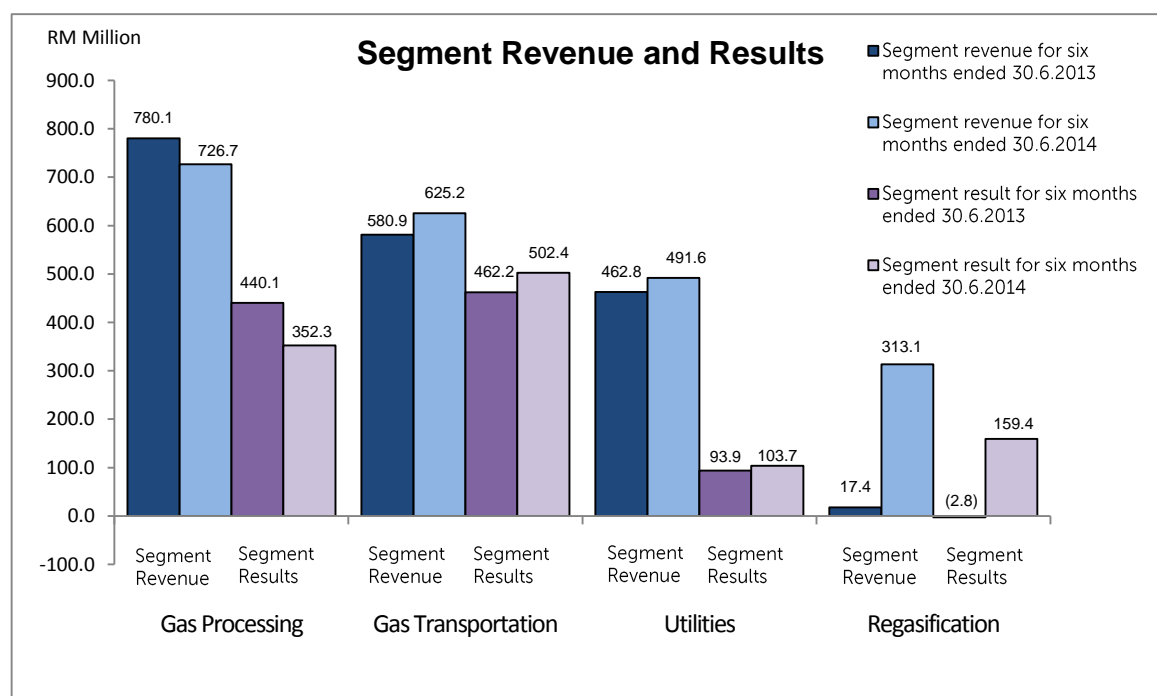
| In RM'000 | 6 months ended | |
|------------------------------|----------------|--------------|
| | 2014 | 30 June 2013 |
| Revenue | 2,156,619 | 1,841,210 |
| Profit before taxation (PBT) | 1,122,126 | 953,948 |
| Profit for the period | 853,267 | 1,305,363 |

The Group's revenue for the six months period ended 30 June 2014 was RM2,156.6 million, an increase of RM315.4 million or 17.1% compared to the same period in 2013 primarily attributable to regasification revenue from two full quarters of the LNG Regasification Terminal operations, coupled with higher gas transportation revenue in line with higher capacity booking under the new GTA.

Profit before tax increased by RM168.2 million primarily due to contribution from Regasification segment.

Profit for the period was lower by RM452.1 million despite higher PBT due to recognition of deferred tax assets arising from ITA granted for LNG Regasification Terminal amounting to RM591.6 million in the corresponding period but partially offset by profit contribution from Regasification segment. Excluding impact of DTA, profit for the period increased by RM139.5 million or 19.6%.

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



QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 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 six months period ended 30 June 2014 was lower by RM53.4 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 RM352.3 million, a decrease of RM87.8 million mainly due to lower revenue and higher depreciation expense.

Gas Transportation

Gas Transportation segment registered revenue of RM625.2 million for the six months period ended 30 June 2014 compared to RM580.9 million for the same period last year, reflecting an increase of RM44.3 million on the back of higher transportation capacity booked by PETRONAS. Accordingly, segment results for the period improved by RM40.2 million in tandem with the higher revenue.

Utilities

Utilities revenue was higher by RM28.8 million as compared to the corresponding six months period in 2013 primarily contributed by higher revenue from electricity due to revision of electricity tariff effective 1 January 2014.

Utilities segment registered results of RM103.7 million, an increase of RM9.8 million as compared to the same period last year in line with higher revenue but offset by higher utilities cost as a result of upwards revision of fuel gas tariff effective 1 January 2014.

Regasification

Regasification revenue for the six months period ended 30 June 2014 was RM313.1 million, an increase of RM295.7 million as compared to the corresponding period as a result of the LNG Regasification Terminal operating for two full quarters.

Regasification segment registered result of RM159.4 million for the period.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 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 June 2014 | 31 March 2014 |
| Revenue | 1,102,361 | 1,054,258 |
| Profit before taxation | 578,920 | 543,206 |
| Profit for the period | 435,263 | 418,004 |

The Group registered revenue of RM1,102.4 million, an increase of RM48.2 million as compared to the preceding quarter mainly driven by higher gas transportation and gas processing revenue from the new GPA and GTA.

Profit before tax increased by RM35.7 million primarily due to higher revenue but partially offset by higher other operating expenses.

Profit for the quarter increased by RM17.3 million in tandem with higher profit before tax.

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.

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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 June | | 6 months ended 30 June | |
|---|---------------------------|------------------|---------------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Current tax expenses | | | | |
| Malaysia | 109,154 | 122,669 | 217,712 | 255,131 |
| Deferred tax expenses | | | | |
| Origination and reversal of temporary differences | 34,503 | (599,546) | 51,147 | (606,546) |
| | 143,657 | (476,877) | 268,859 | (351,415) |

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

The effective tax rate for the corresponding quarter and period are significantly lower than the statutory tax rate mainly due to recognition of deferred tax assets arising from ITA granted to LNG Regasification Terminal in second quarter of 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 June 2014 were as follows:

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

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23. BORROWINGS

Particulars of Group's borrowings are as follows:

| <i>In RM'000</i> | As at 30 June 2014 | As at 31 December 2013 |
|-------------------------------------|--------------------------|------------------------------|
| Non Current | | |
| Finance lease liabilities - secured | 801,740 | 824,061 |
| Current | | |
| Finance lease liabilities - secured | 18,465 | 17,731 |
| | 820,205 | 841,792 |

| <i>In RM'000</i> | As at 30 June 2014 | As at 31 December 2013 |
|--------------------|--------------------------|------------------------------|
| By Currency | | |
| USD | 820,205 | 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% | 820,205 | 18,465 | 20,485 | 73,058 | 708,197 |

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 June | | 6 months ended 30 June | |
|--|---------------------------|--------------|---------------------------|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| Net profit for the period attributable to ordinary shareholders (RM'000) | 435,263 | 944,939 | 853,267 | 1,305,377 |
| Number of ordinary shares in issue ('000) | 1,978,732 | 1,978,732 | 1,978,732 | 1,978,732 |
| EPS (sen) | 22.00 | 47.75 | 43.12 | 65.97 |

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 June | | 6 months ended 30 June | |
|--|---------------------------|---------|---------------------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| Profit for the period is arrived at after charging: | | | | |
| Depreciation of property, plant and equipment | 204,265 | 155,911 | 398,608 | 298,860 |
| Property, plant and equipment written off | 12,799 | 27 | 12,799 | 937 |
| Loss on maturity of other investments | 5 | 6 | 9 | 22 |
| Loss on realised foreign exchange | 56 | - | 793 | 61 |
| Loss on unrealised foreign exchange | - | 16,979 | - | 27,305 |
| Realised/Unrealised loss on changes in values of Malaysian Government Securities and other unquoted securities | - | 206 | 4 | 269 |
| and crediting: | | | | |
| Dividend income in Malaysia from | | | | |
| - associate (quoted) | - | - | 5,700 | 14,612 |
| Gain on realised foreign exchange | 170 | 145 | 180 | - |
| Gain on unrealised foreign exchange | 10,694 | - | 18,203 | - |
| Gain on disposal of property, plant and equipment | 2 | - | 54 | - |
| Interest income from fund and other investments | 8,270 | 13,382 | 15,433 | 27,392 |
| Realised gain on changes in values of Malaysian Government Securities and other unquoted securities | 3 | - | 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.

QUARTERLY REPORT

FOR THE SECOND QUARTER ENDED 30 JUNE 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 June 2014 | As at 31 December 2013 |
|--|--------------------------|------------------------------|
| Total retained profits/(accumulated losses) of the Company and its subsidiaries: | | |
| - realised | 8,058,365 | 7,471,893 |
| - unrealised | (984,090) | (433,875) |
| | 7,074,275 | 7,038,018 |
| Total share of retained profits/(accumulated losses) from an associate: | | |
| - realised | 84,615 | 77,794 |
| - unrealised | (25,090) | (25,214) |
| | 59,525 | 52,580 |
| Total share of retained profits/(accumulated losses) from joint ventures: | | |
| - realised | 23,963 | (7,686) |
| - unrealised | (243) | 12,835 |
| | 23,720 | 5,149 |
| Consolidation adjustments | 7,157,520 | 7,095,747 |
| | 184 | 183 |
| Total Retained Profits | 7,157,704 | 7,095,930 |

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 8 August 2014.

BY ORDER OF THE BOARD

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