

transcending

ANNUAL REPORT 2010

...possibilities

At PETRONAS Gas Berhad (PGB), we continue to extend our reach as a world class gas and utilities company. With a unique blend of dynamic people and a culture of innovation, PGB is transcending to the next level as we explore new possibilities for growth.

Our Mission

- We are a business entity
- Gas is our core business
- Our primary responsibility is to add value to this natural resource

Our Vision

A World Class Gas and Utilities Company

Our Shared Values

Loyalty • Professionalism • Integrity • Cohesiveness



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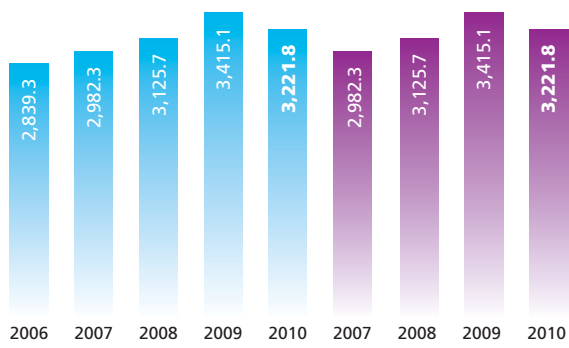
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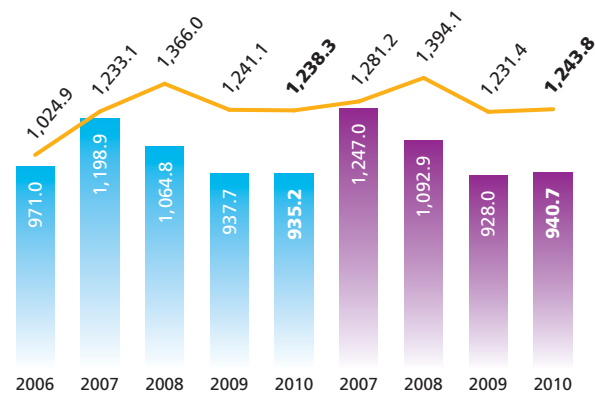
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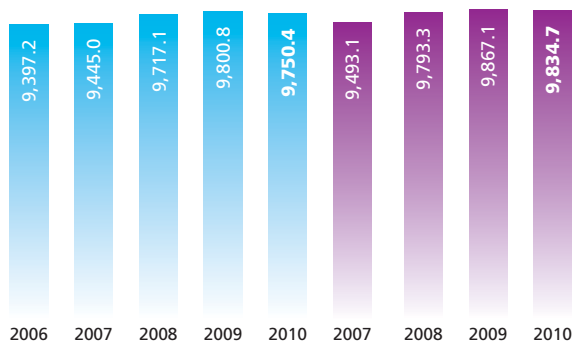


Revenue (RM million)

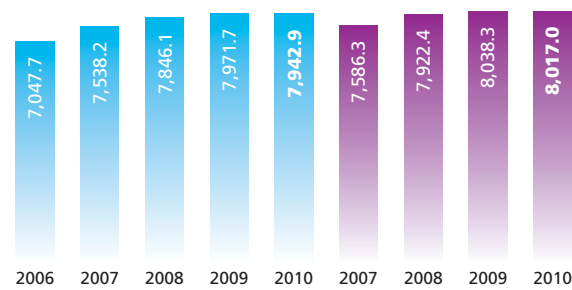


Profit (RM million)

■ Profit After Tax (PAT) ■ Profit Before Tax (PBT)

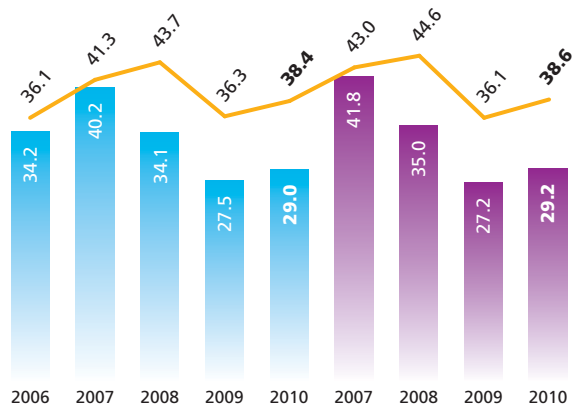


Total Assets (RM million)



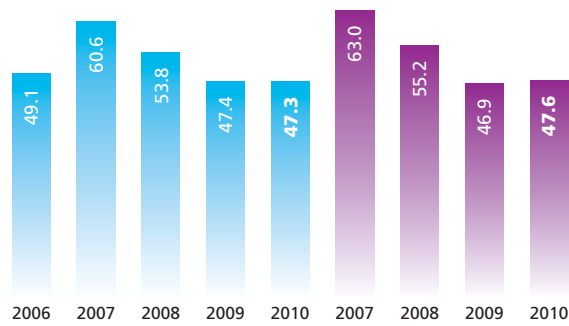
Total Equity (RM million)

Five-Year Financial Highlights

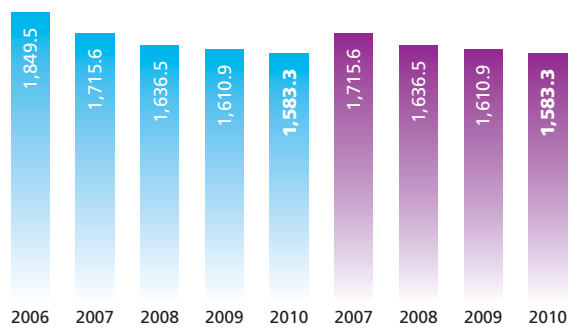


Profit as % Revenue (Percent)

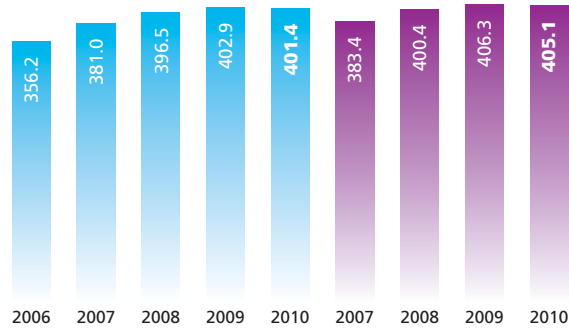
■ After Tax ■ Before Tax



Earnings per Share (Sen)




Long Term Liabilities (RM million)




Net Assets per Share (Sen)

■ Company ■ Group

RM Million/Year Ended 31 March	Company					Group			
	2006	2007	2008	2009	2010	2007	2008	2009	2010
Revenue	2,839.3	2,982.3	3,125.7	3,415.1	3,221.8	2,982.3	3,125.7	3,415.1	3,221.8
Profit Before Tax	1,024.9	1,233.1	1,366.0	1,241.1	1,238.3	1,281.2	1,394.1	1,231.4	1,243.8
Profit After Tax	971.0	1,198.9	1,064.8	937.7	935.2	1,247.0	1,092.9	928.0	940.7
Total Assets	9,397.2	9,445.0	9,717.1	9,800.8	9,750.4	9,493.1	9,793.3	9,867.1	9,834.7
Total Equity	7,047.7	7,538.2	7,846.1	7,971.7	7,942.9	7,586.3	7,922.4	8,038.3	8,017.0
Long Term Liabilities	1,849.5	1,715.6	1,636.5	1,610.9	1,583.3	1,715.6	1,636.5	1,610.9	1,583.3
Profit as % Revenue									
- Before Tax	36.1	41.3	43.7	36.3	38.4	43.0	44.6	36.1	38.6
- After Tax	34.2	40.2	34.1	27.5	29.0	41.8	35.0	27.2	29.2
Earnings Per Share (sen) - Basic	49.1	60.6	53.8	47.4	47.3	63.0	55.2	46.9	47.6
Net Assets Per Share (sen)	356.2	381.0	396.5	402.9	401.4	383.4	400.4	406.3	405.1

A close-up photograph of a male worker in profile, smiling. He is wearing an orange safety helmet with a clear visor, orange safety glasses, and an orange long-sleeved work shirt. He is holding a grey power tool with a green circular attachment that has 'EZY FIX' written in red. The tool is being used on a large, grey, spoked wheel, likely a valve. The background is a bright, overexposed outdoor setting with yellow safety railings visible.

Amiz was part of the project team that developed Ezy Fix, a specially modified tool for valve maintenance which enhances productivity.



“At PGB, we are encouraged to share ideas and be innovative; constantly stretching our imagination to achieve continuous improvement.”

Amiz Shahfaren M Jubir

Technician - Operation B - Process Engineering,
Plant Operations Division, Kertih

Corporate Information

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Since its incorporation in 1983, PETRONAS Gas Berhad (PGB) has been predominantly involved in gas processing and transmission activities in Malaysia. Natural gas from the offshore fields is processed at its six Gas Processing Plants located in Kertih and Paka in Terengganu under the supervision of Plant Operations Division. The Transmission Operations Division is responsible for the transmission and delivery of sales gas to customers in the power, industrial and commercial sectors throughout Peninsular and East Malaysia.

In 1998, the Company expanded and diversified the business into manufacturing, supplying and marketing of industrial utility products to customers in Kertih Integrated Petrochemical Complex and Gebeng Industrial Area through its Centralised Utility Facilities Division.

Given a strong track record in transmission operations, in 2007, the Company entered into an agreement with PETRONAS Carigali Sdn. Bhd. for the provision of project execution services for the Sabah-Sarawak Gas Pipeline project.

With more than 25 years of experience in operations, the Company's business landscape has further evolved to include the generation of electricity. Kimanis Power Sdn. Bhd., a joint venture company with Yayasan Sabah was set up to develop a 300 megawatt gas power plant in Kimanis to meet the growing demand for electricity requirement in the state of Sabah.

PGB will continue to pursue its business performance and operational excellence and at the same time maintain its health, safety and environmental performance to earn the confidence of customers, shareholders and society at large. With the aim to contribute to the nation's economic growth and progress, the Company is poised to expand the business to tap on new opportunities available.

PGB Today



PGB's main business portfolio is divided into four major divisions – Plant Operations; Transmission Operations; Centralised Utility Facilities; and Technical & Facilities Development. The first two are directly related, the former responsible for processing the gas piped from PETRONAS' offshore fields while the latter is responsible for transporting the processed gas via the Peninsular Gas Utilisation (PGU) pipeline network to our customers nationwide. The third division supports the gas value chain by supplying industrial utilities to the various petrochemical plants operating in Kertih, Terengganu and Gebeng, Pahang. The fourth division is a technical services outfit for PGB, which also extends its expertise in engineering and project management to other entities within the PETRONAS Group of Companies.



Gas Processing

Plant Operations

Plant Operations Division (POD) operates the six gas processing plants located in Kertih and Paka, Terengganu. With total combined sales gas processing capacity of over 2,000 million standard cubic feet per day, these gas processing plants process natural gas into sales gas and other by-products such as ethane, propane, butane and condensates to be transmitted to PETRONAS customers in power and non-power sectors via the gas pipeline network.

Our



Gas Transmission



Industrial Utilities



Engineering and Project Management Services

Transmission Operations

Transmission Operations Division (TOD) operates the Peninsular Gas Utilisation pipelines network. TOD manages the supply of gas to all PETRONAS customers throughout Malaysia and ensures that it is reliable, efficient and safe.

Centralised Utility Facilities

Centralised Utility Facilities (CUF) supplies industrial utilities to the petrochemical businesses in Kertih Integrated Petrochemical Complex in Terengganu and Gebeng Industrial Area in Pahang. The industrial utilities include electricity, steam, industrial gases and other by-products such as liquid oxygen, liquid nitrogen, demineralised water, raw water, cooling water and boiler feed water, as well as effluent treatment.

Technical and Facilities Development Division

Technical and Facilities Development Division (TFDD) is the engineering and project management arm of PETRONAS Gas Berhad. TFDD also provides services to other companies within the PETRONAS Group such as PETRONAS Carigali Sdn. Bhd. for the Sabah-Sarawak Gas Pipeline.

Operations

Our

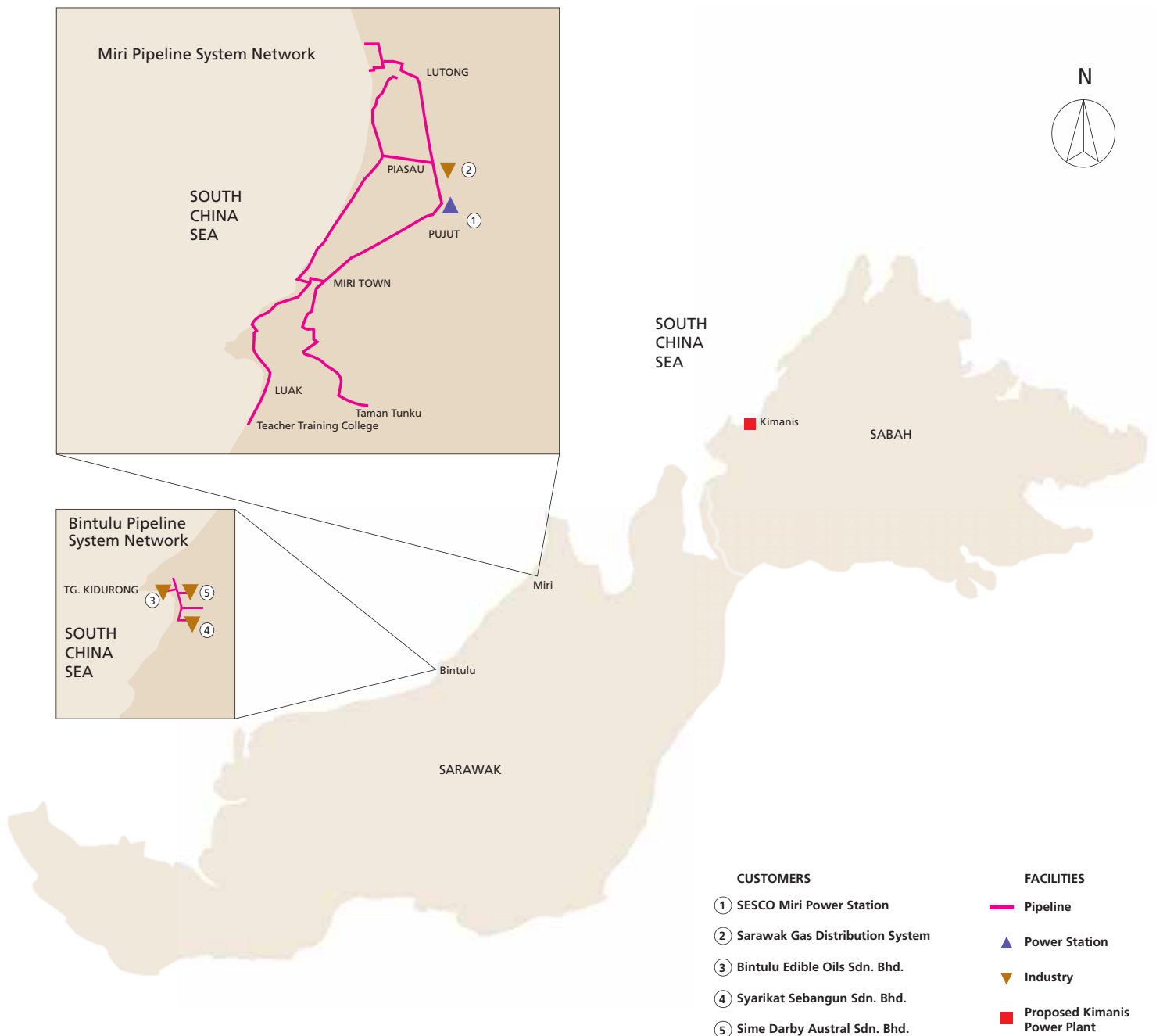
PGB Total Pipeline Length (in operation)		Complex	GPP	Capacity mmscfd
Main	1,658 km		1	310
Lateral	374 km		2	250
C2, C3 and C4	357 km		3	250
GPP Interconnect	116 km		4	250
Sarawak	45 km		5	500
			6	500
Total	2,550 km		Total	2,060

Major Customers	
1. TNB Paka	10. TNB Tuanku Jaafar
2. YTL Paka	11. Port Dickson Power
3. TNB Pasir Gudang	12. Genting Sanyen Power
4. YTL Pasir Gudang	13. TNB Serdang
5. Senoko Energy	14. TNB Connaught Bridge
6. Keppel Gas	15. TNB Kapar
7. Pahlawan Power, Tg. Kling	16. GB3 Lumut
8. Panglima Power, Teluk Gong	17. Segari Energy Ventures
9. Powertek, Teluk Gong	18. Prai Power
	19. TNB Gelugor
	20. Technology Tenaga Perlis Consortium

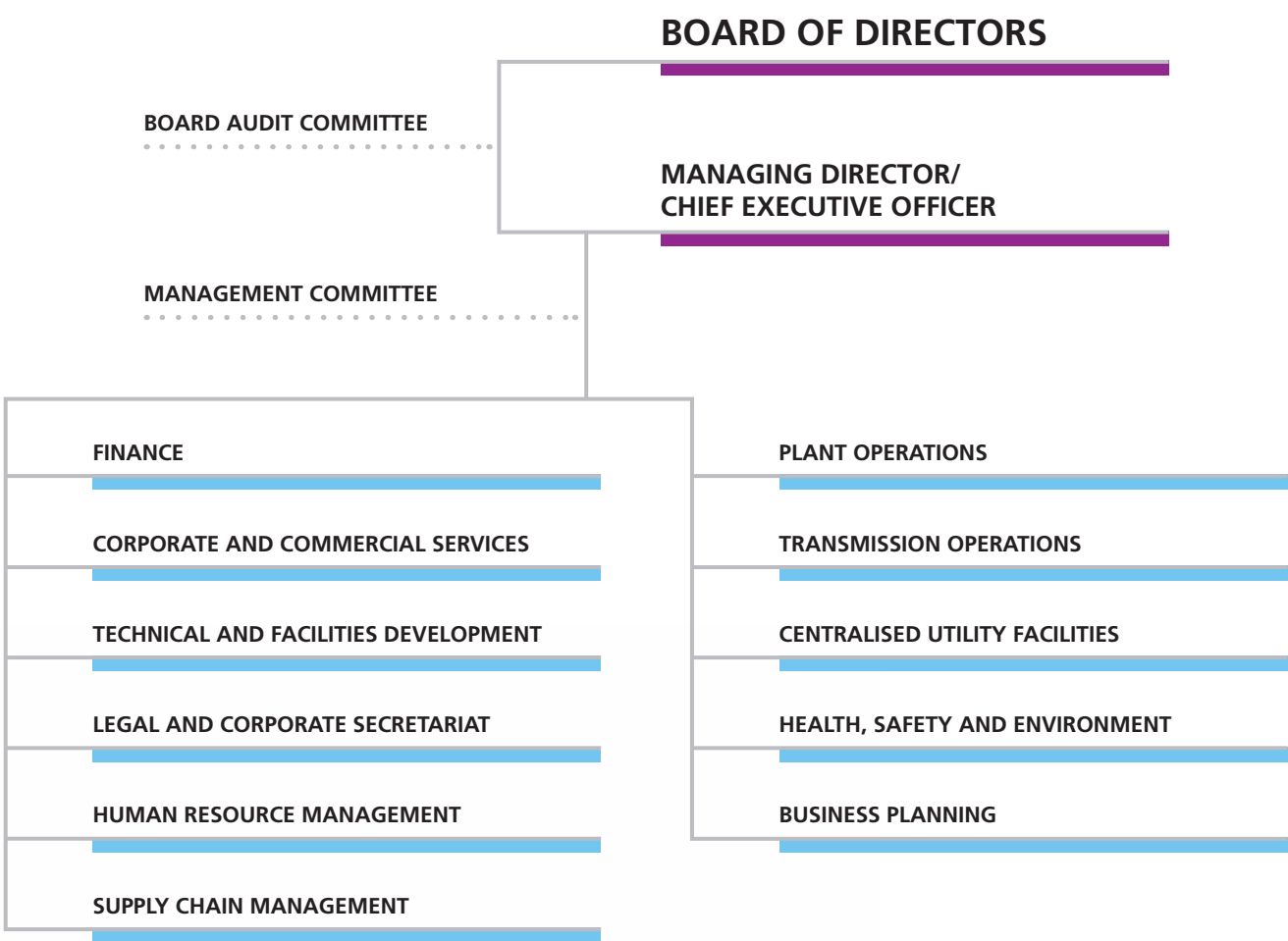
Main Pipeline	Gas - in
PGU I 32 km	
Kertih - Teluk Kalong	1984
PGU II 685 km	
Sector I : 233 km Teluk Kalong - Segamat	1991
Sector II : 241 km Segamat - Kapar	1991
Sector III : 211 km Segamat - Singapore	1991
PGU III 450 km	
Sector I : 184 km Meru - Lumut	1996
Sector II : 176 km Lumut - Gurun	1998
Sector III : 90 km Gurun - Pauh	1998
Loop 1 265 km	
Kertih - Segamat	1999
Loop 2 226 km	
Segamat - Meru	2001



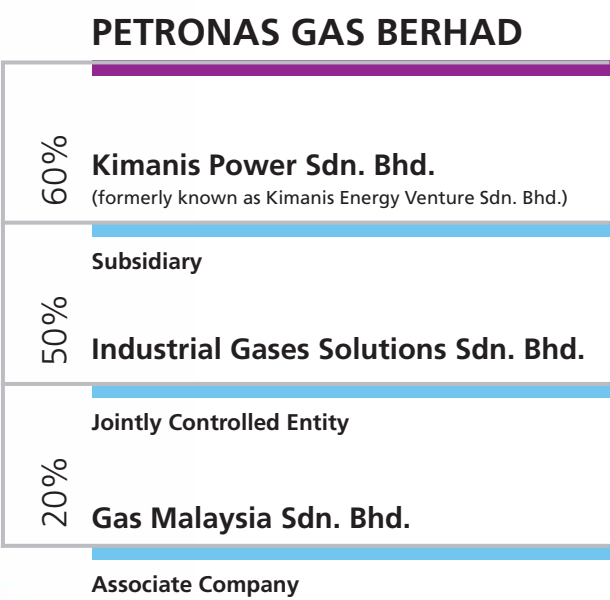
Presence



Organisational Structure



Corporate Structure



Corporate and Management Directory

Directors

Datuk Wan Zulkiflee bin Wan Ariffin
(Chairman)

Samsudin bin Miskon
(Managing Director/Chief Executive Officer)

Dato' Sadasivan s/o N.N. Pillay

Dato' Chew Kong Seng

Datuk Mohd Zain bin Haji Abdul Majid

Muri bin Muhammad

Dato' Mohammed Azhar
bin Osman Khairuddin

Farehana binti Hanapiah

Board Audit Committee

Dato' Sadasivan s/o N.N. Pillay
(Chairman)

Dato' Chew Kong Seng

Datuk Mohd Zain bin Haji Abdul Majid

Dato' Mohammed Azhar
bin Osman Khairuddin

Secretaries

Noryati binti Mohd Noor (LS0008877)

Yeap Kok Leong (MAICSA 0862549)

Registrar

Symphony Share Registrars Sdn. Bhd.
(378993-D)

Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan
Tel : (+603) 7841 8000
Fax : (+603) 7841 8151

Registered Office and Business Address

Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : (+603) 2051 5000
Fax : (+603) 2051 6555

Auditors

KPMG Desa Megat & Co.

Principal Banker

CIMB Bank Berhad

Stock Exchange Listing

Main Board of Bursa Malaysia
Securities Berhad



Board of Directors

Farehana binti Hanapiah

Muri bin Muhammad

Datuk Mohd Zain bin Haji Abdul Majid





Datuk Wan Zulkiflee
bin Wan Ariffin

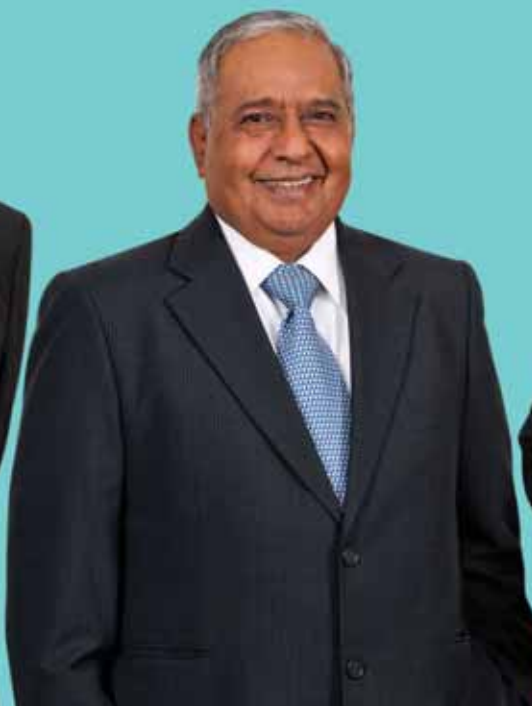


Samsudin
bin Miskon

Dato' Mohammed Azhar bin Osman Khairuddin

Dato' Sadasivan s/o N.N. Pillay

Dato' Chew Kong Seng



Board of Directors' Profiles

Datuk Wan Zulkiflee bin Wan Ariffin

a Malaysian aged 49, is a Non-Independent Non-Executive Director. He was appointed as the Chairman of PETRONAS Gas Berhad in August 2008. Effective 1 June 2010, he assumed the position of Executive Vice President of Downstream Business of PETRONAS.

Datuk Wan Zulkiflee graduated in Chemical Engineering from the University of Adelaide, South Australia. He joined PETRONAS in 1983 as a process engineer and was involved in the project implementation and operations of several gas processing facilities up to 1995.

In the ensuing years, Datuk Wan Zulkiflee has held several positions in the PETRONAS Group including serving in the Office of the President as Senior Manager (Downstream Business)/Executive Assistant to the President and as General Manager, International Projects Management Division of OGP Technical Services Sdn. Bhd. He was the General Manager for the Strategy and Business Development Unit of PETRONAS before assuming the position of Managing Director/ Chief Executive Officer of PETRONAS Gas Berhad from 2003 to 2007.

Prior to his appointment as the Executive Vice President of Downstream Business, he was the Vice President of Gas Business from April 2006 till May 2010.

Datuk Wan Zulkiflee is a member of PETRONAS Board of Directors, Executive Committee and currently sits on the Boards of several Joint Ventures and Subsidiary Companies in the PETRONAS Group. He was conferred the Honorary Fellowship by the Institution of Chemical Engineers United Kingdom in November 2005. He was on the Council for the Project Management Institute, Malaysian Chapter until end 2003 and for the Malaysian Chemical Engineers Institute for a number of years. He is a member of the Executive Committee of the International Gas Union, Argentinean Triennium until 2009. He is the National Organising Committee Chairman of the World Gas Conference 2012. He is also the Industry Advisor to the Engineering Faculty, University Putra Malaysia and Chairman of Malaysian-Egyptian Business Council.

He attended INSEAD Senior Management Development Program in 2000 and the Advanced Management Program at Harvard Business School in 2004.

Datuk Wan Zulkiflee has attended four Board meetings in the financial year.



Dato' Sadasivan s/o N.N. Pillay, a Malaysian aged 70. He is a Senior Independent Non-Executive Director and the Chairman of the Board Audit Committee. He graduated in Economics from University of Malaya in 1963 and started his career with the Economic Development Board Singapore upon graduation till 1967.

In 1968, Dato' Sadasivan joined the Malaysian Industrial Development Authority (MIDA) and he was appointed the Director-General of MIDA in 1984. He served in that capacity until his retirement in 1995. Upon retirement, he set up SKA Management Consultants Sdn. Bhd. where he is the Executive Chairman.

Dato' Sadasivan holds directorship in APM Automotive Holdings Berhad, Leader Universal Holdings Berhad, Malaysian Airline System Berhad and Yeo Hiap Seng (Malaysia) Berhad, eight private companies and one governmental financial institution (Bank Negara Malaysia).

He was appointed to the Board of PETRONAS Gas Berhad on 29 August 1995 and has attended three Board and four BAC meetings in the financial year.





Samsudin bin Miskon, a Malaysian aged 49, is the Managing Director/Chief Executive Officer of PETRONAS Gas Berhad. He graduated in Chemical Engineering from the University of Aston, UK.

Samsudin began his career with PETRONAS in 1983 as a process engineer and was involved in the operations, design and project implementation of gas processing facilities in PETRONAS Gas Berhad until 1992.

He had held several positions in the PETRONAS Group including serving as General Manager in the Plant Division of OGP Technical Services Sdn. Bhd., who was responsible for the project management of gas processing and petrochemical plants until 2000. He then served as General Manager of Malaysia LNG Dua Sdn. Bhd., and later as Senior General Manager Malaysia LNG Sdn. Bhd. until 2005, managing the operations of the PETRONAS LNG Complex in Bintulu, Sarawak.

Prior to his current appointment, Samsudin was the Senior General Manager of Leadership and Capability Development Department of Human Resource Management Division in PETRONAS where he was responsible to steer the development of leadership and capability of personnel throughout PETRONAS.

He obtained Masters of Science in Project Management from Reading University, UK in 1994. In 2005, Samsudin attended the Advanced Management Program at Harvard Business School.

Samsudin currently sits on the Board of several companies in the PETRONAS Group. He has attended four Board meetings in the financial year.

Dato' Chew Kong Seng, a Malaysian aged 72, is an Independent Non-Executive Director and a member of the Board Audit Committee. He is a Fellow of the Institute of Chartered Accounts in England and Wales and a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants.

He started his career as a tax officer in the Inland Revenue Department and subsequently at Stoy Hayward & Co. in the UK from 1964 to 1970. He returned to Malaysia to join Turquand Young & Co. (now known as Ernst & Young) and then transferred to Sarawak office in 1973, first as Manager-in-Charge and later as Partner-in-Charge. He served as the Managing Partner of Ernst & Young for six years before he retired from professional practice in 1996. From May 1999 to June 2005, he was an Executive Director of Sarawak Enterprise Corporation Bhd.

His experience covers a wide variety of industries including utilities, banking and financial institutions, timber-based, manufacturing, trading and advisory services to local and foreign investors.

He is also an Independent Director and Audit Committee Chairman of PETRONAS Dagangan Berhad, AEON Co. (M) Berhad, PBA Holdings Berhad as well as Audit Committee Member of Encorp Berhad and GuocoLand (Malaysia) Berhad. He also acts as Independent Director in other public limited companies.

He was appointed to the Board of PETRONAS Gas Berhad on 18 March 1999 and has attended four Board and four BAC meetings in the financial year.



Board of Directors' Profiles



Datuk Mohd Zain bin Haji Abdul Majid, a Malaysian aged 71, is an Independent Non-Executive Director and a member of the Board Audit Committee. He graduated in Economics from the University of Glasgow and in Law from the University of London and is a Fellow of the Economic Development Institute of the World Bank in Washington. He also attended the Senior Executive Programme at London Business School.

Datuk Mohd Zain had served for 37 years in several positions in the public and private sectors before retiring at the end of 1999. He was the Director-General of the Malaysian Industrial Development Authority (MIDA), Executive Chairman of the Urban Development Authority, Chief Executive of the Malaysian Employers Federation and was Executive and Non-Executive Director of various companies in the manufacturing, finance and property sectors. He has been a Director of Malaysia LNG Sdn. Bhd. since 1982 and is also a Director of Malaysia LNG Dua Sdn. Bhd. and Malaysia LNG Tiga Sdn. Bhd.

He was appointed to the Board of PETRONAS Gas Berhad on 6 March 2002 and has attended four Board and four BAC meetings in the financial year.

Farehana binti Hanapiah, a Malaysian aged 42, is a Non-Independent Non-Executive Director.

She holds a Bachelor Degree in Commerce and Administration from Victoria University of Wellington, New Zealand and is a member of the Institute of Chartered Accountants of New Zealand. She also holds a Diploma in International Management Program from INSEAD, France.

Farehana started her career with PETRONAS in 1990 as an internal auditor and was involved in the development of PETRONAS Information Systems' internal controls and auditing capabilities together with KPMG London, in-line with PETRONAS' groupwide automation initiative in the early 90s.

She was also involved in many Corporate Strategic initiatives, including Corporate Risk Management Study in 1997, the Corporate Strategic Study in 2002 and was initiative champion for the Corporate Portfolio Management initiative in 2004 and the recent Corporate Strategic Review undertaken in 2008.

Farehana also pioneered the development of the Enterprise-wide Risk Management methodology in 1999, currently used in all PETRONAS public listed companies and also the Strategic Portfolio Management methodology and system implementation in 2005.

She is currently serving as the General Manager of Group Strategic Planning where she is responsible for the Group's Strategies, Business Plans & Budget and also Performance Reviews.

In 2009, she had attended the Petroleum Economic Symposium in Langkawi and PC Energy Client Seminar at Abu Dhabi, UAE.

Farehana currently sits on the Board of several companies in the PETRONAS Group and was appointed to the Board of PETRONAS Gas Berhad on 27 April 2009.

She has attended three Board meetings in the financial year.





Muri bin Muhammad, a Malaysian aged 67, is an Independent Non-Executive Director.

He holds a Master of Science in Biological Oceanography from Dalhousie University, Halifax, Canada and he started his career with PETRONAS in 1975. He has served for 27 years in various capacities, including the Managing Director/Chief Executive Officer of ASEAN Bintulu Fertilizer Sdn. Bhd., and Managing Director/Chief Executive Officer of Malaysia LNG Sdn. Bhd., Muri retired as Vice President, Gas Business of PETRONAS in 2002. On his retirement, he was appointed Advisor to Gas Business until end of March 2005.

On 1 September 2005, he was appointed by the government as a member of the Energy Commission of Malaysia and served for the full term of four years till August 2009.

He was appointed to the Board of Petromin PNG Holdings Limited, a Papua New Guinea government owned Petroleum and Minerals Holding Company in March 2009.

Currently, Muri serves as Director of various gas pipeline companies namely APA Group, a public listed Australian gas transmission and energy company, Transportadora de Gas del Norte (TGN) and Transportadora de Gas del Mercosur (TGM), both gas transmission companies of Argentina.

Muri was also on the Board of several PETRONAS subsidiaries and held the position of the Chairman of the Board of the Gas District Cooling Group of Companies, PETRONAS NGV Sdn. Bhd., Bekalan Air KIPC Sdn. Bhd. and OGP Technical Services Sdn. Bhd.

Since 25 November 1996, he was appointed to the Board of PETRONAS Gas Berhad and has attended three Board meetings in the financial year.

None of the Directors has:

Any family relationship with any other Director and/or major shareholder

Any conflict of interest with PETRONAS Gas Berhad

Any conviction for offences within the past 10 years other than traffic offences

Dato' Mohammed Azhar bin Osman Khairuddin,

a Malaysian aged 54, is a Non-Independent Non-Executive Director and a member of the Board Audit Committee. He is also the Company Secretary of PETRONAS and a member of its Management Committee.

Dato' Mohd Azhar holds a Bachelor of Law (Honours) degree from the University of Malaya. He is also a member of the International Bar Association (IBA) as well as the Inter-Pacific Bar Association (IPBA).

He started his career with PETRONAS in 1979 as a legal officer and has served in various capacities within the PETRONAS legal fraternity. On 1 June 2010, Dato' Azhar was appointed as Vice President for Legal under PETRONAS' new corporate structure.

He was appointed to the Board of PETRONAS Gas Berhad on 9 May 1995 and has attended four Board and four BAC meetings in the financial year.



Management Committee



FROM LEFT:

Samsudin bin Miskon

Liza binti Mustapha

Rashid bin Muhamad

Zilfalilah binti Abdul Aziz

Muhamed Ali bin Hashim Mohamed

FROM LEFT:

Nordin bin Ab Ghani

Noryati binti Mohd Noor

Md Nasser bin Abdullah

Wan Mohd Muzani bin Wan Muda

Mohd Sukri bin Ibrahim

Ir. Hudal Firdaus bin Dimyati

NOT IN PICTURE:

Ozair bin Saidin





Management Committee's Profiles

Samsudin, aged 49, holds a Degree in Chemical Engineering from the University of Aston, UK and obtained his Masters of Science in Project Management from Reading University, UK. He also holds a Diploma in International Management from INSEAD, France and attended the Advanced Management Programme at Harvard Business School.

He has been with PETRONAS for more than 27 years, having held various positions in the PETRONAS Group of companies under various capacities. He began his career with PETRONAS as a process engineer who was involved in the operations, design and project implementation of gas processing facilities in 1983. In the ensuing years, he served as General Manager in the Plant Division of OGP Technical Services Sdn. Bhd. until 2000. He then served as General Manager of Malaysia LNG Dua Sdn. Bhd.

and later as Senior General Manager of Malaysia LNG Sdn. Bhd., where he was responsible for managing the operations of the PETRONAS LNG Complex in Bintulu, Sarawak.

Prior to his current appointment, Samsudin was the Senior General Manager of Leadership and Capability Development Department of Human Resource Management Division in PETRONAS where he was responsible to steer the leadership development and personnel capability throughout PETRONAS.

He currently sits on the Board of several companies in the PETRONAS Group. He assumed his current position in March 2007.

Samsudin bin Miskon

Managing Director/Chief Executive Officer



Liza, aged 39, holds a Degree in Economics, majoring in Accounting and Finance from the London School of Economics and Political Science, University of London, UK. She is also a Fellow of the Association of Chartered Certified Accountants.

She joined PETRONAS in 1995 as a Finance Executive in PETRONAS Carigali Sdn. Bhd. (PCSB) and in the ensuing years, she has held various positions within the Finance and Accounts Department of PCSB.

In May 2005, she joined PETRONAS Gas Berhad as Senior Manager of Financial and Management Accounting Department. She assumed her current position in August 2007.

Liza binti Mustapha

General Manager of Finance Division

Rashid, aged 51, graduated from Texas A & M University, USA with a Bachelor of Science in Mechanical Engineering.

He started his career with PETRONAS Gas Berhad in January 1980 and was involved in engineering, operations and projects relating to gas processing plants and transmission pipelines. In 1994, he was appointed as Project and Technical Service Manager of Gas District Cooling Sdn. Bhd., who was responsible to develop centralised gas district cooling and cogeneration systems in Kuala Lumpur City Centre, Kuala Lumpur International Airport and Putrajaya.

Subsequently, he was appointed as a Senior Project Manager and then Senior Plant Manager with PETLIN (M) Sdn. Bhd., managing the development and operations of High Pressure Low Density Polyethylene plant. In 2003, he was assigned to an overseas posting for 1 1/2 years at SASOL Polymer Business in Johannesburg, South Africa, and upon returning was involved in the Mega Methanol Project in Labuan.

Prior to his current position, he served as Plant General Manager at PETRONAS Fertilizer (Kedah) Sdn. Bhd. He assumed his current position in January 2009.

Rashid bin Muhamad

Senior General Manager of Plant Operations Division



Nordin, aged 53, holds a Degree in Civil Engineering from the University of Malaya.

He started his career with Public Works Department of Malaysia. After three years of service there, he moved to PETRONAS in September 1983 as a Civil Engineer where he was involved in the Project Implementation and Operations of the Peninsular Gas Transmission System. He served in that capacity until December 2002.

Prior to his current position, he was appointed as the Director of Operations of PT Transportasi Gas Indonesia, a joint venture company based in Jakarta, Indonesia.

He assumed his current position in August 2005.

Nordin bin Ab Ghani

General Manager of Transmission Operations Division

Management Committee's Profiles

Hudal Firdaus, aged 46, holds a Degree in Civil Engineering from the University of Toledo, Ohio, USA. He is a member of the Board of Engineers, Malaysia and also the Institution of Engineers, Malaysia.

He joined PETRONAS in September 1993 as Deputy Project Services Manager of OGP Technical Services Sdn. Bhd. after working in a multinational oil and gas company for six years. He was involved in the implementation of various cross-border pipeline projects in Malaysia, Thailand and Sudan.

In 1999, he served in the Group Internal Audit Division, PETRONAS as Audit Manager and later as Senior Manager where he was responsible for the audits on gas and

petrochemical companies in PETRONAS. In 2003, he was appointed as Head of Business Development under the Gas Business Unit, PETRONAS, pursuing gas business opportunities in Myanmar and Thailand.

Hudal Firdaus joined PETRONAS Gas Berhad in April 2005 as Senior Manager, Engineering Management Department, Technical and Facilities Development Division. He assumed his current position in January 2006.

Ir. Hudal Firdaus bin Dimyati

General Manager of Technical and Facilities Development Division



Noryati binti Mohd Noor, 44, is the Senior Manager of Legal and Corporate Secretariat Department. She holds a Bachelor of Law (Honours) from the International Islamic University Malaysia.

Her career in PETRONAS started in 1990 as Legal Executive for PETRONAS Dagangan Berhad. She continued to serve PETRONAS Dagangan Berhad until 1997 when she joined Gas District Cooling (M) Sdn. Bhd. as the Senior Legal Counsel. In the ensuing years, Noryati was involved in several illustrious projects in Iran, Singapore and Indonesia.

Noryati assumed her current position in October 2005. She also holds several other positions, namely Company Secretary to Industrial Gases Solution Sdn. Bhd. and Kimanis Power Sdn. Bhd.

Noryati binti Mohd Noor

Senior Manager of Legal and Corporate Secretariat Department

Zilfalilah, aged 43, graduated with a Degree in Computer Science and Mathematics from New Mexico Institute of Mining and Technology, New Mexico, USA in 1988.

She began her career in PETRONAS in 1990 as an Information System Executive in HRM Division, where she was assigned to develop the Human Resource Information System. Since then, Zilfalilah has served in various capacities in the field of human resource management, amongst others, she was responsible for the development of PETRONAS leadership dimensions, Leadership and Performance Management System, and employees' reward programmes for PETRONAS. She had also served Vinyl Chloride (Malaysia) Sdn. Bhd., a subsidiary of PETRONAS. She assumed her current position in January 2009.

Zilfalilah binti Abdul Aziz

General Manager of Human Resource Division



Muhammed Ali, aged 53, holds a Bachelor of Science (Honours) in Civil Engineering from Middlesex Polytechnic, UK in 1983.

He began his career in PETRONAS as a Project Engineer after graduation in 1983. His experience expanded from the management of pipeline system integrity to plant constructions. He also has had vast experience in managing projects including the Malaysia LNG Tiga project in Bintulu, Sarawak, the Pars LNG project in Iran and the Kakinada LNG project in India.

Prior to his current position, Muhamed Ali headed the Business Development of LNG, in the Gas Business Unit of PETRONAS. His responsibility was to manage the entry strategy for PETRONAS global LNG ventures through joint venture partnerships or acquisitions of new assets. He assumed his current position in January 2009.

Muhamed Ali bin Hashim Mohamed

Managing Director of Kimanis Power Sdn. Bhd.

Management Committee's Profiles



Wan Mohd Muzani, aged 45, graduated with a Bachelor of Science in Chemical Engineering from California State University, Long Beach, USA in 1987.

He started his career with PETRONAS in October 1988 as process engineer at Plant Operations Division. He spent majority of his time in the plant holding various positions in the area of Plant Technical Services, Project Management and Production Planning. He has had in depth experience in plant design and operation of gas plant where he was involved in the start up and commissioning of Gas Processing Plants (GPP) 2, 3 and 4 and plant rejuvenation project for GPP1.

Prior to his current position, he gained experience in business management by serving as Manager of Plant Production Planning and Senior Manager Technical Services Department. He assumed his current position on 16 Nov 2009.

Wan Mohd Muzani bin Wan Muda

Senior Manager of Business Planning Department

Mohd Sukri, aged 46, holds a Bachelor of Science in Petroleum Engineering from the West Virginia University, USA.

Upon graduation, he started his career as a Service Engineer with a drilling company serving Esso Production Malaysia Inc (EPMI) and Sarawak Shell Berhad. His career in PETRONAS started in 1991 as a shift supervisor in PGB where he was involved in the project implementation of several gas plants. In 1997, he was assigned to the project engineering, construction, commissioning and operations at

Centralised Utilities Facilities (CUF). Prior to his current position, he was assigned to GPP B as Senior Manager of plant operations, who was responsible for gas plant operations.

He assumed his current position in CUF in August 2009. He is also a member of the Board of Directors for Kimanis Power Sdn. Bhd. and Industrial Gases Solutions Sdn. Bhd.

Mohd Sukri bin Ibrahim

General Manager of Centralised Utility Facilities Division





Md Nasser, aged 53, holds a Degree in Civil Engineering from Newcastle University, Newcastle upon Tyne, UK and Diploma in Engineering from Norwich City College, Norwich, UK. He was also accredited as a Project Management Professional by the Project Management Institute in 1995 and attended the INSEAD, Senior Management Development Programme in 1998 in Kuala Lumpur.

He started his career as a Civil Engineer in the Government prior to joining PETRONAS in 1983. His career in PETRONAS was mostly at PETRONAS Gas Berhad (PGB), specifically the Pipeline Transmission Projects, where he was the Engineering Manager in the Peninsular Gas Utilisation (PGU II) project and Project Manager in the PGU III and Looping projects.

In May 2000, he joined the Transmission Operations Division as its Technical Services Manager and subsequently as Senior Manager for Operations in 2003.

In 2005, he was appointed as Director of Operations for PT Transportasi Gas Indonesia, a PETRONAS joint venture company based in Jakarta, Indonesia.

He assumed his current position in October 2009 upon his return from Indonesia. He is also Chairman of Industrial Gases Solutions Sdn Bhd, a joint-venture company of PGB and Malaysian Oxygen Berhad.

Md Nasser bin Abdullah

General Manager of Corporate and Commercial Services Division

Ozair, aged 50, holds a Degree in Chemistry with Honours from Universiti Kebangsaan Malaysia.

He began his career with PETRONAS in 1982 as a Chemist at PETRONAS Laboratory and later moved to Plant Operations Division of PETRONAS Gas Berhad in 1984. He served in various capacities in Plant Operations Division including Operations Shift Supervisor, Head of Quality Control, and Integrity and Reliability Manager.

He was the Senior Manager of Process Operations at Gas Processing Plant Complex B before he was transferred to Health, Safety and Environment Department in April 2006.

Ozair bin Saidin

Senior Manager of Health, Safety and Environment Department





Zukhairi, one of the engineers involved in the gas-powered Kimanis Power Plant project.



“Electricity is an essential part of our daily lives. When completed, the Kimanis Power Plant will play a vital role in providing clean energy to meet the electricity needs in Sabah.”

Mohd Zukhairi Ismail

Executive (Project Engineer), Kimanis Power Sdn Bhd,
Kota Kinabalu

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While we continue to improve our financial and operational performance, we are also exploring new business growth opportunities, with emphasis on capability development.



Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of PETRONAS Gas Berhad (PGB) for the financial year ended 31 March 2010.

While the world economy experienced the worst effects of the global economic downturn in the first half of 2009, most economies experienced a recovery in the second half of the year. Malaysia, like many emerging economies, has reported a return to growth, backed by a combination of significant and swift domestic policy responses, strong economic fundamentals as well as a robust financial sector. On average, the Malaysian economy in 2009 contracted by 1.7% with a positive growth of 4.5% being recorded in the fourth quarter of 2009. By the same token, overall domestic electricity demand in 2009 contracted by 1.3% with gas accounting for around 60% of the power generation mix, whilst electricity demand for the first quarter of 2010 registered a positive growth of 1.1%.

Notwithstanding the signs of economic recovery, the year under review proved to be yet another challenging year for us as we continue to strive to create value amidst high cost environment coupled with difficulties faced by the upstream gas sector in delivering gas volumes to the Company. Despite these challenges, the Group was still able to achieve satisfactory financial performance due to the persistent efforts and unwavering support from our dedicated employees.

Operational Performance

During the review period, the throughput business delivered an average of 2,178 million standard cubic feet per day (mmscfd) of sales gas, a decrease of 2.5% compared to 2,234 million in the previous year. This was mainly attributable to lower feedgas supply from domestic gas fields. Despite the decrease in sales gas delivery, we continue to maintain our operational performance at world class standards with sales gas and pipeline network reliability at 99.7% and 99.97% respectively.

Chairman's Statement

Chairman's Statement

The utilities business recorded an increase in sales volume for electricity by 9.1% while sales volume for both steam and industrial gases fell by 15.8% and 0.5% respectively. On the other hand, as a result of effective scheduled plant maintenance and innovative operational improvement efforts, the utilities business achieved its best ever operational reliability with electricity, steam and industrial gases reliability rates of 99.5%, 99.3% and 99.9% respectively.

Continuous preventive maintenance activities were carried out during the year to ensure that all operating facilities run at optimal levels. These continuous efforts have successfully secured several extensions of Certificate of Fitness for the Gas Processing Plants and Centralised Utility Facilities (CUF) from the Department of Safety and Health. These extensions are manifestations of the Company's good preventive maintenance practices, and at the same time have enabled the Company to operate without any major interruptions.

FROM LEFT:

The Company continues to maintain its plant operational performance at world class standards.

Continuous preventive maintenance activities were carried out to ensure the facilities are running at optimal levels.

Financial Performance

The Group recorded a revenue of RM3,221.8 million, a decrease of 5.7% primarily due to lower feedgas supply from domestic gas fields. Nevertheless, due to a combination of successful cost containment efforts coupled with downward revision in fuel gas price, the Group posted a 1% increase in profit before tax from RM1,231.4 million to RM1,243.8 million. Profit after tax increased by 1.4% from RM928.0 million to RM940.7 million. After adjusting for minority interests, earnings per share attributable to the shareholders of the Company increased from 46.9 sen to 47.6 sen.

The Group's Balance Sheet continues to remain strong with total assets amounting to RM9,834.7 million and total equity attributable to the shareholders of the Company at RM8,015.9 million.



The Board of Directors is recommending a final dividend of 30% per share under single tier system and 5% per share tax exempt. Together with the interim dividend of 15% per share under single tier system paid out on 17 December 2009, total gross and net dividend for the financial year ended 31 March 2010 will amount to 50 sen per share which represents a dividend payout ratio of 105.2%.

Other Interests

During the year, the Company commenced Plant Rejuvenation and Revamp (PRR) activities on Gas Processing Plants 2 and 3, as well as on Export Terminal Units 3 and 4. This exercise was undertaken to extend the life of these facilities for another 20 years, and is scheduled for completion in 2013. The PRR is a crucial and strategic project as it will ensure plant integrity and reliability in order to be able to continuously meet the nation's gas demand, predominantly coming from the power and industrial sectors.

Other than that, the Sabah-Sarawak Gas Pipeline (SSGP) project whereby the Company was engaged to provide project execution services for the construction of a 500km onshore natural gas pipeline from Kimanis, Sabah to Bintulu, Sarawak, is progressing well with activities during the year focusing on major pipeline construction.

Corporate Responsibilities

Health, Safety and Environment (HSE) will always be the main focus of the Company in doing business and the HSE culture is continuously inculcated within the hearts of our employees and contractors through pervasive implementation of HSE programmes and activities at all levels. As a result, the Company was accredited by the Malaysian Society of Occupational Safety and Health (MSOSH) with a total of nine MSOSH awards in recognition for its remarkable HSE practices which was carried out at the various operating divisions.

In February 2010, the Transmission Operations Division (TOD) and CUF each successfully obtained three certifications, namely the Occupational Health and Safety Assessment Series (OHSAS) 18001: 2007 Occupational Health and Safety Management Systems, the Malaysian Standards (MS) 1722: Part 1: 2005 Occupational Health and Safety Management Systems and the MS ISO 14001: 2004 Environmental Management Systems. At PETRONAS level, PGB once again received the Merit Award in Health Category for its success in carrying out the PGB Avian Influenza Emergency Preparedness Exercise.

Human capital remains as one of PGB's greatest assets and we continue to encourage a culture of learning among our employees as part of our efforts to develop future leaders for the organisation. During the year under review, focus was given to manpower optimisation, with deserving employees being provided with the opportunity to maximise their career potentials by venturing into other PETRONAS outfits overseas. Employees were also encouraged to be more innovative to effectively contribute towards the Company's growth aspiration.



Health, Safety and Environment (HSE) will always be the main focus at PGB and the HSE culture is continuously inculcated within the hearts of our employees and contractors.

Corporate Social Responsibility (CSR) programmes were also conducted during the year with the spirit of giving back to the community at the areas where the Company operates. Employees from all levels have voluntarily contributed their time, energy and resources in the various CSR programmes ranging from interactions with the communities in need and the less fortunate, to environmental related activities.

Another commendable effort by the Company during the year was its unrelenting commitment to the *Program Bakti Pendidikan PETRONAS* (PBPP) whereby our staff voluntarily dedicated their personal time and energy to be involved in this activity. The year under review saw the adoption of a fourth school, Sekolah Kebangsaan Batu Anam in Segamat, Johor as part of the PBPP, thus further strengthening our commitment to the programme. In recognising our efforts and achievements, the Company was selected as one of the finalists for the StarBiz-ICR Malaysia Corporate Responsibility Awards 2009, which acknowledges companies that have demonstrated outstanding corporate responsibility practices.

I am equally pleased to note that based on a poll conducted by FinanceAsia on Malaysia's public listed companies, PGB was ranked third for Best Managed Company, third for Best Investor Relations and fourth for Best Corporate Governance. I would like to take this opportunity to congratulate all staff and Management of PGB for this impressive achievement and to keep up the good work.

Posturing For Growth

While we continue to improve our financial and operational performance, we are also exploring new business growth opportunities, with emphasis on capability development.

Our 60% interest in the Kimanis Power Plant project, where we partner with Yayasan Sabah through NRG Consortium (Sabah) Sdn Bhd, is an important milestone for the Company as we start to venture into the Independent Power Producing (IPP) business. The project is scheduled to be completed by end of 2013 and is expected to benefit the state of Sabah by not only supplying a clean source of energy to meet the increasing demand for electricity, but will also provide development opportunities

for the state and the surrounding community. The year under review charted a significant event for the project when the Chief Minister of Sabah, YAB Datuk Seri Panglima Musa Hj. Aman officiated the ground-breaking ceremony at the project site in Kimanis, Sabah on 26 November 2009.

Given our vast experience and expertise in operating natural gas pipelines, another well placed opportunity for the Company to undertake in anticipation of a fully liberalised domestic gas market, is the open access gas pipeline system. Such a system allows external parties, other than PETRONAS, to use our Peninsular Gas Utilisation (PGU) pipeline network to transport gas molecules. During the year, extensive preparatory works have been carried out which include detailed study of the various open access gas pipeline networks around the world, in collaboration with some of the industry experts in the business. In addition, we have started to develop a draft Network Code to support the implementation of Non Discriminatory Access in relation to the open access gas pipeline system. Such efforts are testimony to the Company's relentless and pro-active measures in growing the business.

Corporate Social
Responsibility programmes
were conducted during
the year with the spirit
of giving back to the
communities where the
Company operates.



Another significant event during the year was the signing of the 4th Term Addendum to the Gas Processing and Transmission Agreement (GPTA) with PETRONAS on 31 March 2010, for the period beginning 1 April 2010 up to 31 March 2014. The terms stipulated in the 4th Term GPTA were developed taking into consideration the future outlook of PGB's business, in particular with regards to the possible implementation of open access gas pipeline system. For this purpose, the 4th Term GPTA provides for a clearer demarcation of terms and remuneration structure between the processing and transportation business, while still maintaining similar risk profile as during the 3rd Term GPTA.

Our pursuit for growth also transcends beyond economic expansion. During the year, PGB has embarked on corporate sustainability efforts with regards to reduction of carbon emission. In particular, we have started to evaluate projects that can potentially benefit from the application of Clean Development Mechanism (CDM) implementation. Accordingly, in December 2009, PGB signed a Memorandum of Understanding with Mitsubishi Corporation to jointly evaluate a potential CDM project.

Looking Ahead

Demand for gas is expected to remain strong in line with the projected economic growth of the Malaysian economy. With continued challenges arising from tight gas supply and high cost environment, the Company will continue to leverage on its experience and expertise in the business to forge ahead and deliver value to its stakeholders.

Appreciation

I would like to take this opportunity to express my sincere appreciation to all our shareholders and stakeholders for their support and confidence. My special appreciation also extends to the Board of Directors for their guidance and wisdom and to the Management and employees for their professionalism and commitment to the Group.



Datuk Wan Zulkiflee bin Wan Ariffin
Chairman

Chairman's Statement

FROM LEFT:

Students engaged in a learning activity under the *Program Bakti Pendidikan PETRONAS (PBPP)*.

Plant Rejuvenation and Revamp activities were carried out to extend the lifespan of the facilities and to ensure plant integrity and reliability.





Chief Executive Officer's Report

Introduction

Rallying Together to Remain Resilient

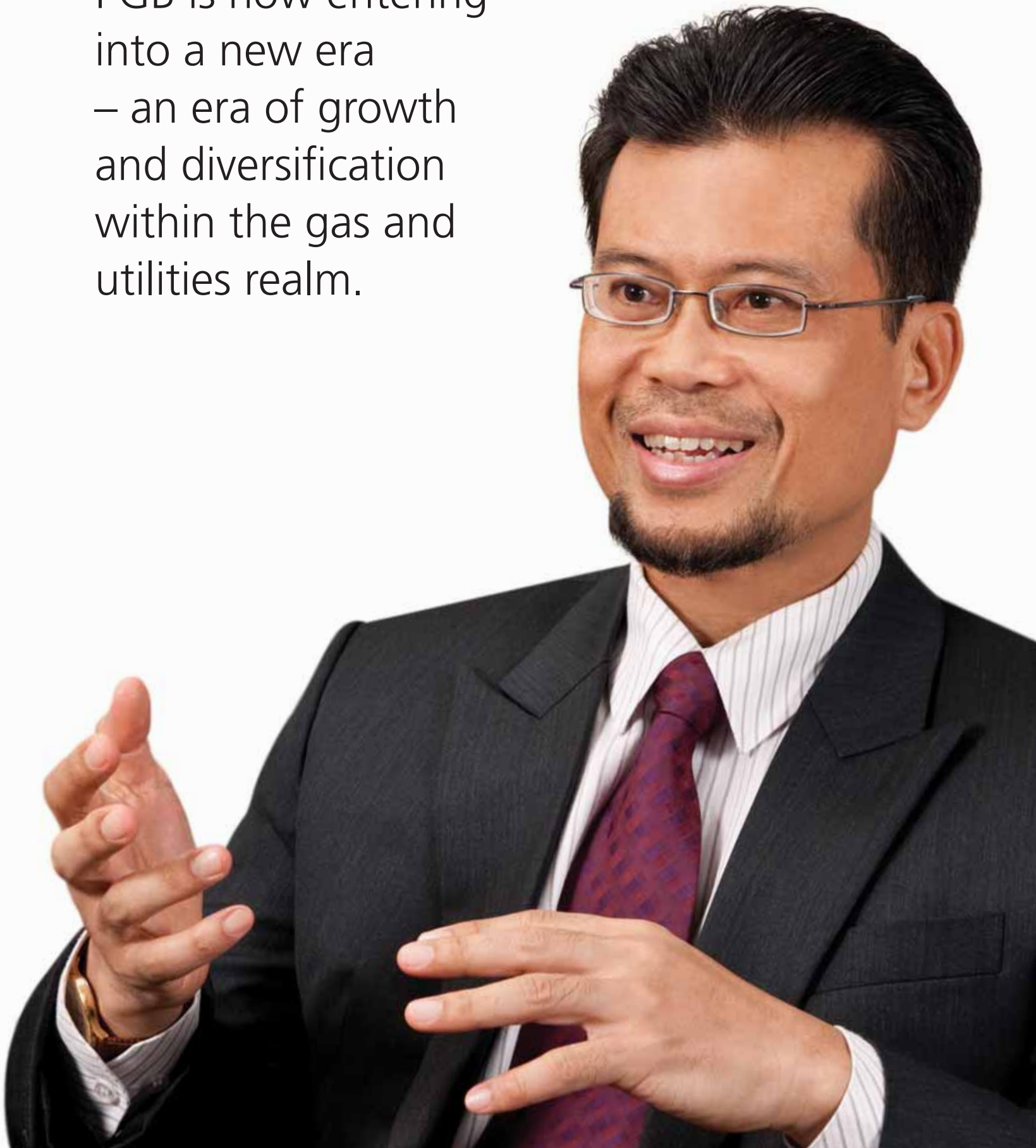
The financial year 2009/2010 marks the 26th year of incorporation for PETRONAS Gas Berhad (PGB). The Company has weathered many challenges since its inception to become what it is today – stable and reliable. After celebrating its Silver Jubilee last year, PGB is now entering into a new era – an era of growth and diversification within the gas and utilities realm.

Having in place a secure business platform, the Company is now eager to venture into potential growth area. Such is the Company's optimism and confidence that it has decided to change its vision from "A Gas Processing and Transmission Company of Choice" to "A World Class Gas and Utilities Company."

The Company is proud and thankful to its entire staff that has rallied together to deliver a stable and reliable performance to its shareholders and stakeholders, in spite of various challenges faced throughout the years.

With the capabilities and resilience of the Company's workforce which has been nurtured for the past 26 years, I am confident that we will continue to be a force to be reckoned with among the international and regional gas processing, transmission and utilities fraternity; and remain relevant and reliable both operationally and financially.

PGB is now entering
into a new era
– an era of growth
and diversification
within the gas and
utilities realm.



The Group's profit after tax increased from RM928.0 million last year to RM940.7 million.

Financial Performance

Firmly in the Driver's Seat

– Destination: Growth

The year under review saw the Company emerging successfully from yet another stormy economic scenario. The global economic downturn which is still in recovery mode has resulted in, amongst others, a slowdown to the country's economy, thus impacting customer demand for both the throughput services business and utilities business.

PGB's financial performance did well in spite of huge challenges such as slower than expected global economic recovery, escalating cost environment and multiple upstream reliability issues resulting in lower feedgas supply from offshore which have severely affected the amount of gas processed and transported by the Company's plants and PGU pipeline.

The Group recorded revenue of RM3,221.8 million, a decrease of 5.7% or RM193.3 million compared to last year mainly attributable



to lower feedgas supply from domestic gas fields, hence resulting in lower revenue from throughput services. Throughput services revenue decreased by 6.9% to RM2,475.0 million while revenue from the utilities business also decreased by 1.4% to RM746.8 million.

Despite the decrease in revenue by 5.7%, the Group had managed to bring down its cost of revenue by 6.9% or RM150.9 million to RM2,043.5 million. Decrease in cost of revenue was mainly achieved through rigorous efforts in lowering internal gas consumption (IGC) coupled with various cost optimisation initiatives at all levels of the organisation. In pursuit of improving the bottom line, cost saving initiatives on IGC, manpower, materials sourcing, travelling and purchased services have been carried out diligently throughout the year by the management and staff. Being frugal and doing the same with less has become a corporate culture in PGB.

Financial year 2009/2010 saw the Group's overall profit before tax increased by 1.0% from RM1,231.4 million last year to RM1,243.8 million, whilst profit after tax also increased by 1.4% from RM928.0 million last year to RM940.7 million amidst lower revenue. Earnings per share attributable to shareholders of the Company were higher from 46.9 sen last year to 47.6 sen this year.

As of 1 April 2009, the Group chose to early adopt three new Financial Reporting Standards (FRS) to enable our financial statements to be comparable with other multinational companies and to be in accordance with International Financial Reporting Standards (IFRS). They are FRS 7, Financial Instruments: Disclosures, FRS 123 Borrowing Costs (revised) and Amendment to FRS 123, Borrowings Costs. The adoption of these FRSs does not result in any significant impact on the financial statements of the Group.

Throughput Services Business

A Sound and Credible Compendium

The Company's Gas Processing Plants (GPPs) operated by the Plant Operations Division (POD) in Kertih and Paka endured a number of operational challenges coupled with upstream constraints which resulted in reduced feedgas supply, leaner feedgas composition and the occasional plant equipment issues. During the year under review, an average of 2,151 million standard cubic feet per day (mmscfd) of feedgas was processed. This represents a 4.3% decline compared to 2,247 mmscfd which was processed in the last financial year. Our Peninsular Gas Utilisation (PGU) pipeline network operated by the Transmission Operations Division (TOD) also received 343 mmscfd of gas from the Malaysia-Thailand Joint Development Area. Consequently, sales gas delivered to customers at 2,178 mmscfd was lower than the previous financial year of 2,234 mmscfd.



FROM LEFT:

To improve our operations, cost saving initiatives have been carried out diligently by employees at all levels.

The Company is committed in ensuring that its plants are well-maintained and operated in the safest manner.

The Company experienced continuous improvement in its plant operations. GPPs' sales gas reliability at 99.7% registered a slight increase of 0.2% compared to 99.5% which was highly attributed to lower scheduled and unscheduled downtime. For Ethane, plant reliability was 99.0%, a jump of 1.6% which was also highly attributed to the same reason as sales gas.

The Company's product delivery reliability via its GPPs also recorded convincing numbers with Propane and Butane registering 99.0% respectively for the year in review. Butane also recorded 99.0% in the previous financial year while Propane recorded an increase in delivery reliability of 0.2% compared to the previous year.

At the same time, the Company's PGU pipeline network continued to maintain its excellent record by achieving 99.97% reliability, exceeding world class standards.

Utilities Business

Adding Value & Diversifying Products

– Driven by Gas

The year under review also saw the Company as the sole supplier of processed gas once again playing a prominent role in the gas business value chain by firmly positioning itself as a utility supplier to niche and emerging markets. Our Centralised Utility Facilities Division (CUF) plants in Kertih, Terengganu and Gebeng, Pahang continued to show commendable improvements for both steam and industrial gases, with steam reliability increasing 1.9% from 97.4% to 99.3%, and our industrial gases recording its highest ever reliability rate at 99.9%, a 0.2% improvement from 99.7% in the previous year. These improvements were hugely attributed to the continuous and comprehensive scheduled maintenance activities conducted at both CUFs.

The year under review also saw the Company via CUF inked a major maintenance agreement with TNB REMACO, a subsidiary of Tenaga Nasional Berhad (TNB) for maintenance of gas turbine generators and auxiliary systems at both CUFs in Kertih and Gebeng. The contract covers the supply of spare parts, manpower for planned and unplanned inspections, and repair of gas turbine components taken out during inspections. This is testimony to PGB's commitment to reduce cost, increase reliability and ensure optimisation of CUFs' operations.

Plant Rejuvenation and Revamp

Sustaining Operational Availability and Reliability

The Company has also embarked on a Plant Rejuvenation and Revamp (PRR) exercise known as PRR2 Project which comprises the rejuvenation and revamp of facilities in PGB's GPP 2 and GPP 3 in Kertih, Terengganu; Export Terminal (ET) Unit 3 and 4 in Kemaman, Terengganu; and the Kertih Compressor

Continuous and comprehensive scheduled maintenance activities were conducted to ensure consistency of supply to all customers.



Station A (KCS A) located within the GPP Complex A in Kertih. The main objective of this rejuvenation exercise is to ensure that the plants' integrity can be sustained for a further 20 years of operation. The work involves replacement, refurbishment, upgrading and modification of the existing facilities and equipment to ensure adaptability and compatibility for services and technology of the near future as well as improvement of process technology; plant efficiency; and health, safety and environment (HSE) aspects of the plants.

The year under review saw the PRR2 project team completing the Basic Engineering Study which was a follow-up of the facilities and equipment assessment studies done in the previous financial year.

The Detailed Engineering, Procurement, Construction and Commissioning part of the project is scheduled to start in the next financial year and expected to be completed by 2013.

The main objective of the rejuvenation exercise is to ensure that the plants' integrity can be sustained for a further 20 years of operation.



The Company achieved a major milestone by venturing into the independent power producing business through its subsidiary, Kimanis Power Sdn Bhd.

Kimanis Power Plant

Full Gas Ahead as an Independent Power Producer

The Company achieved a major milestone in spreading its wings into the world of full-fledged power producing through its subsidiary, Kimanis Power Sdn Bhd (KPSB). The joint-venture company between PGB and Yayasan Sabah was incorporated to undertake the Kimanis Power Plant (KPP) project in Kimanis, District of Papar, Sabah. The proposed 300MW gas-fired power plant is being jointly developed through a 60:40 joint venture between PGB and NRG Consortium (Sabah) Sdn Bhd, a business arm of Yayasan Sabah.

Although the Shareholders Agreement between PGB and Yayasan Sabah was inked in the previous financial year, the year under review saw a monumental milestone event at this initial stage of the project which was the ground-breaking ceremony of the KPP project by the Chief Minister of Sabah, YAB Datuk Seri



Panglima Musa Haji Aman on 26 November 2009. The ground breaking ceremony was also attended by former President and Chief Executive Officer of PETRONAS, YBhg. Tan Sri Mohd Hassan Marican and PGB Chairman, YBhg. Datuk Wan Zulkiflee Wan Ariffin.

Located on a land area of 53 acres, the power plant is scheduled to be completed in late 2013 and is expected to meet Sabah's increasing electricity demand - in tandem with its industrial and economic growth - and will be an important component of the state's electricity supply grid.

Corporate Responsibility in the Environment

Giving Back to Mother Nature – Unconditionally

The Company continues to make environmental conservation and preservation a high priority. PGB is constantly aware there is a close interdependency between

the organisation resources, system and the environmental risks in order to sustain today's world environment while continue maintaining its business operations.

For the year under review, the PGB Health, Safety and Environment Management System (PGB HSEMS) continues to be the set standard which is used as an internal benchmark when assessing the effectiveness of HSE implementation Company-wide. PGB continues to improve the PGB HSEMS through the integration of manual, procedures and instructions related to environmental risks as part of the on-going International Organisation for Standardisation (ISO)14001:2004 certification. Environmental Aspect Impact (EAI) exercise was conducted focusing on schedule wastes, black smoke flaring and greenhouse gas (GHG) management. As a result, CUF received the ISO 14001:2004 recertification and TOD received the certification for all nine PGB Regional Offices nationwide on the Malaysian

Standard (MS) ISO 14001:2004. The Company has now started focusing on getting the ISO certification POD.

PGB is supporting the walk-the-talk approach in reducing the emission of greenhouse gases in tandem with the resolutions of the United Nations Climate Change Conferences, namely the 1997 Kyoto Protocol, the Bali Road Map 2007 and the recent 2009 Copenhagen Accord, of which Malaysia is a signatory. In relation to this, the year under review saw the Company, through the Gas Business Unit (GBU) of PETRONAS and Mitsubishi Corporation, jointly organising the Clean Development Mechanism (CDM) Workshop to discuss on process flow and requirements for CDM. In addition, the Company also signed a Memorandum of Understanding with Mitsubishi Corporation on CDM application for the Flare Gas Recovery Unit project at the gas processing plants.



FROM LEFT:

Facilities and equipment are continuously upgraded to ensure operational efficiency.

The Company is focused on monitoring its operations to ensure minimal impact on the environment.

Corporate Responsibility in the Workplace

Striving to Bring Out the Best of our Talents

Human capital is definitely the anchor which keeps the PGB ship steady, even during stormy seas. The Company's achievements during the year under review would not have materialised without the incredible efforts, support and undivided commitment of PGB's family members – all 2180 of them. The year under review saw the Company's Human Resource strategies focused on developing its people and re-strengthening its HR strategy to accelerate PGB's staff capability and smooth succession plans to ensure continuous availability of competent manpower as well as to guarantee uninterrupted business operations at all times. In warranting that our people are ready to live up to the challenge of adding value to PGB, efforts and initiatives have been put in motion towards equipping them with the necessary capability and competencies.

The Company continuously maximises the potentials of its growing pool of talented staff – both technical and non-technical - to drive PGB's performance by leaps and bounds. The key to this is constant talent development wherein PGB invests in developing and harnessing the functional and leadership capability of its employees through diverse programmes designed to equip them to raise the bar and elevate PGB to greater heights.

PGB also continues its efforts in accelerating the staff technical capability and competencies through the PETRONAS Accelerated Capability Development (ACD) programme, of which the technical staff are assessed and monitored on their competency gaps through a systematic coaching plan. PGB also focuses its learning approach on deepening its technical skills by developing current engineers into Technical Professional (TP) with specialised skills. With the relentless efforts by staff and the encouragement from Company, PGB now has 21 certified TPs with more potential TPs in the pipeline.

Corporate Responsibility in the Community

"Bakti Dihulur, Kasih Disemai"

PGB as one of the public-listed subsidiaries under the PETRONAS Group of Companies (PETRONAS) continues to leverage on PETRONAS' existing CSR initiatives and approaches to quantum leap into the higher echelons of commendable CSR practices in the league of Malaysia's prominent public-listed entities. The company believes in the concept of empowerment for those benefiting from the Company's CSR efforts.

PGB aspiration is to create sustainable value for the society with the hope of aspiring people everywhere, particularly in areas where it operates. Hence, most CSR initiatives undertaken by PGB are education-driven, the flagship being *Program Bakti Pendidikan PETRONAS (PBPP)* which focuses on developing the potential of marginally performing school students to excel in their studies.

FROM LEFT:

The Company is focused on growing a pool of talented staff, both technical and non-technical.

PGB continues its efforts in accelerating staff technical capability and competencies through the PETRONAS ACD programme.

Most CSR initiatives undertaken by PGB are education-driven, the flagship being *Program Bakti Pendidikan PETRONAS (PBPP)*.



PBPP is a structured and integrated long-term education programme focusing on students categorised as borderline students by the school and Education Department. The programme includes special tuition classes conducted by the school teachers to improve academic achievements specifically in Mathematics, English and Science for Year 4, 5 and 6 primary school students in which the tuition fees were paid to the teachers via a voucher scheme fully funded by the Company. At the same time, the programme also gives equal emphasis on soft skills via scheduled fun learning sessions conducted by PGB staff volunteers who selflessly invest their time and energy on a monthly basis.

The year under review saw the Company adopting a fourth school – Sekolah Kebangsaan Batu Anam in Segamat, Johor to add to its existing portfolio of adopted schools under the PBPP banner, namely Sekolah Kebangsaan Santong in Paka, Terengganu; Sekolah Kebangsaan Kemasik in Kertih, Terengganu and Sekolah Kebangsaan Pinang Tunggul in Kepala Batas, Pulau Pinang.

PGB's aspiration is to create sustainable value for society, with the hope of aspiring people, particularly in areas where it operates.



The PBPP has long since yielded the desired results and this year is of no exception. The greatest achievement of PBPP for the year under review was the encouraging results of the Ujian Penilaian Sekolah Rendah (UPSR) for the PBPP students of the four schools under the Company's care. The quality of the results improved where 16 students obtained 5As as compared to 12 in the previous year. The ability of the students under PBPP to achieve 5As or 4As scores is considered a monumental success that the Company is proud to be part of.

The PBPP programme gained the ultimate national recognition when it enabled PETRONAS to emerge as overall winner of the Prime Minister's CSR Awards on 8 March 2010 and also winner of the Education Category. PGB itself made the PETRONAS Group proud by once again being finalist in the Star Biz-ICR Malaysia Corporate Social Responsibility Award on 5 March 2010 under the Community Category for its commitment to PBPP.

PGB also celebrated its 25th Anniversary in the previous financial year. In contrast to the usual celebratory activities, PGB welcomed this significant milestone by giving back and sharing with the society in return for their continuous support throughout the years. The year under review saw PGB continuing with these CSR initiatives at the same momentum. A series of CSR programmes were carried out encompassing a wide range of activities from visiting patients at hospitals, assisting single mothers, fixing old and dilapidated homes of the needy, to giving motivation and moral support to orphans. Our staff commitment in working together to contribute back to the community was exemplary.

An integrated and structured series of CSR activities were introduced with the tagline "Bakti Dihulur, Kasih Disemai", which means every act of kindness instils the spirit of caring for each other. The management and staff contributed their personal time, energy and money for these activities. Through these personal contributions, the Company was able to conduct an average of one CSR activity per week covering numerous locations throughout Malaysia where PGB operates.

What's in Store

Third Party Access

Preparing for Full Market Liberalisation

The year under review also saw the Company shifting into higher gear in preparing for the open access concept for its gas transmission services known as Third Party Access (TPA) to improve revenue and diversify its business portfolio. Under TPA, external parties will be able to use the Company's PGU pipeline network to transport their natural gas molecules. The Company is looking to establish a TPA regime for the Malaysian gas industry by utilising the existing pipeline network. Once TPA is implemented, external parties other than PETRONAS will be allowed access to utilise available capacity in the pipeline network, allowing more than one shipper to use the pipeline network for gas transportation to end customers.

TPA will also promote a competitive market for natural gas where end users may have the option to choose suppliers of gas and/or bring in their own gas. The Company also pledges to provide the right to book and use the PGU

FROM LEFT:

PGB's CSR activities are focused on working together in giving back to the community.

The TPA initiative is a pro-active measure by the Company in anticipation of the gas market liberalisation by the Malaysian government.



pipeline network on conditions deemed fair and reasonable to players in the market. The TPA initiative is a pro-active measure by the Company in anticipation of the gas market liberalisation by the Malaysian government. When it takes place, PGB will be ready to capitalise on the opportunity.

4th Term Gas Processing and Transmission Agreement

Consolidating the Core of PGB's Existence

The year under review also saw the Company meticulously preparing for the 4th Term Gas Processing and Transmission Agreement (GPTA) which is the fourth and the final series of the GPTA signed between PGB and its holding company PETRONAS. The GPTA was signed between the Company and PETRONAS effective from 1 April 1994 for a 20-year period, expiring on 31 March 2014. This agreement is actually the core of PGB's existence in the first place, where PETRONAS agrees to pay the Company a Throughput Fee (TF) for the processing and transmission of gas to PETRONAS customers.

The Company shifted into higher gear in preparation for the open access concept for its gas transmission services to improve revenue and diversify its business portfolio.



The year under review saw the Company operating at the tail-end of the 3rd Term GPTA where the company intensified efforts to further motivate staff to maximise efficiency using the Performance-Based System (PBS) as the key incentive to propel the Company's revenue to greater heights.

Going forward, it is only fitting for the Company to start its new financial year with the 4th term GPTA, paving the way to what is expected to be an interesting and exciting future of transcending uncharted gas and utilities business possibilities up to the year 2014 and beyond.

Recognitions

Adding Feathers to Our Hard Hats

The Company continues to be recognised in the year under review by receiving a number of accolades and awards for its good practices and achievements, primarily in HSE. PGB received nine awards from the Malaysian Society of Occupational Safety and Health (MSOSH), involving the Company's facilities across all divisions. GPP B in Paka received the Grand Award; while our ET in Kemaman received the Gold Merit Award. CUF Gebeng

also received the Gold Merit Award and the same honour also went to the Company's Technical & Facilities Development Division (TFDD). Meanwhile, the TOD Regional Offices in Segamat, Kuantan and Bintulu received the Gold Class 1 Award, as well as CUF Kertih. Last but not least, TOD Shah Alam Regional Office received the Gold Class 2 Award.

The Company also continued to be successfully certified by both the MS-ISO and the Occupational Health and Safety Assessment Series (OHSAS). The year under review saw CUF Kertih attaining OHSAS 18001:2007 Occupational Health and Safety Management Systems; MS1722: Part 1 : 2005 Occupational Health and Safety Management Systems (2008 version) and MS ISO 14001:2004 Environmental Management Systems (2007 version). CUF Gebeng was equally impressive as it was upgraded from OHSAS 18001:1999 Occupational Health and Safety Management Systems to OHSAS 18001:2007 and re-certified for MS ISO 14001:2004 Environmental Management Systems (2007 version). CUF Gebeng also added another feather to its cap by attaining the MS1722 : Part 1 : 2005 Occupational Health and Safety Management Systems (2008 version).

In addition, TOD was certified for the Integrated Management System (IMS); comprising three certifications, namely OHSAS 18001: 2007 Occupational Health and Safety Management Systems; MS1722: Part 1: 2005 Occupational Health and Safety Management Systems; and MS ISO 14001:2004 Environmental Management Systems in February 2010.

Appreciation

On behalf of the Management, I wish to take this opportunity, first and foremost to thank all employees for coming together to deliver yet another commendable performance and more importantly, in believing in the Company. Their faith ensured PGB remains strong and relevant.

I wish to record my heartfelt gratitude and appreciation to Y.Bhg. Datuk Wan Zulkiflee Wan Ariffin, our Chairman, for his dynamic and forward-looking leadership, which has truly steered PGB on the right track for growth and business diversification.

The Company promotes a strong HSE culture amongst its employees.



I would also like to express our appreciation to four of our Management Committee members, Encik Abdul Aziz Othman and YM Raja Iskandar Ariffin Raja Azman, who have moved to other parts of the PETRONAS Group; Encik Ozair Saidin who has ventured outside the PETRONAS Group; and Encik Basharuiddin Saad who is now enjoying his retirement. I wish all of them continued success. I would also like to welcome three new Management Committee members, Encik Mohd Nasser Abdullah, Encik Mohd Sukri Ibrahim and Encik Wan Mohd Muzani Wan Muda to the Company.

I also wish to thank our customers, business partners, valued contractors, regulatory bodies & agencies; and our parent company, PETRONAS for the trust given to PGB all these years. We pledge to continue to give further benefit to your undivided trust in the years to come.

To our shareholders, thank you so much for the faith and confidence in us. We will continue to strive in making your investment value accretive.

On top of that, the Company could not have done it without the invaluable guidance and wise counsel of the distinguished Board of Directors. We look forward to leverage on your strengths, experience and expertise to steer us in the direction we desire – towards growth.

It will be another challenging year for PGB. However, I am confident that the Company's employees, with their strong drive and resilience, would be able to propel PGB to greater heights in the pursuit of our aspiration to be A World Class Gas and Utilities Company. With God's will, we can do it and we will, Insya Allah.



Samsudin bin Miskon

Managing Director/Chief Executive Officer



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