

OUR VALUE CREATING BUSINESS MODEL

Our business model is built across four strategic business units which actively interact and integrate with one another, thus ensuring resources are utilised to the fullest. It allows for dynamic decision making as well as focused execution and growth, enabling us to deliver value to both PETRONAS Group and to our own stakeholders.



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KEY RESOURCE CAPITALS: ROLE AND SCOREBOARD

SIX INPUT CAPITALS ▶

F FINANCIAL

| | 2022 | 2023 |
|--|-------|--------------|
| Equity funding (%) | 77.8 | 81.4 |
| Debt funding (%) | 22.2 | 18.6 |
| WACC (from Bloomberg) (%) | 7.2 | 8.6 |
| Interest gained from investment (RM million) | 120.2 | 149.2 |
| Interest expense paid (RM million) | 196.7 | 169.2 |
| Market capitalisation (RM billion) | 33.9 | 34.4 |

N NATURE

| | 2022 | 2023 |
|---|-------|--------------|
| Natural gas input (mmscfd) | 1,877 | 1,873 |
| Freshwater withdrawal (million m ³) | 8.2 | 8.3 |
| Land area (hectare) | 5,008 | 5,103 |

A ASSET

| | 2022 | 2023 |
|---------------------|------|-------------|
| Plant OEE (%) | 99.8 | 99.7 |
| PGU Reliability (%) | 99.9 | 99.9 |
| Salesgas PDR (%) | 100 | 100 |
| Utilities PDR (%) | 99.9 | 99.5 |

I INTELLECTUAL

Brand

Innovation

Intellectual property management

Systems and processes

H HUMAN CAPITAL

| | 2022 | 2023 |
|---|-------|--------------|
| Total employees | 1,763 | 1,821 |
| Training mandays per employee | 8.2 | 13.1 |
| Employee Cost (RM million) | 416.8 | 493.4 |
| Investment in training per employee (RM thousand) | 5.1 | 7.4 |

SR SOCIAL & RELATIONSHIP

- Investors and Funding Institutions
- Customers
- Business Partners
- Suppliers and Vendors

- Employees and Unions
- Government Agencies and Authorities
- Communities

KEY PROCESS ▶

Various processes such as gas processing, gas transportation, regasification and utilities to convert natural resources utilising all other key inputs into valuable products and output.

NATURAL GAS

WATER

AIR

OUTPUT/ OUTCOME ▶

| | 2022 | 2023 |
|---|-------|--------------|
| Operating profit (RM billion) | 2.32 | 2.27 |
| Cash from operating activities (RM billion) | 2.93 | 3.01 |
| EBITDA (RM billion) | 3.24 | 3.27 |
| Earnings per share (EPS) (sen) | 83.16 | 91.96 |
| Dividend per share (DPS) (sen) | 72 | 72 |

| | 2022 | 2023 |
|---|-------|--------------|
| Energy Efficiency Index | 91.5 | 94 |
| GHG Emission (million tonnes CO ₂ e) | 5.8 | 5.9 |
| Hazardous waste generated (tonnes) | 1,530 | 2,817 |
| Hazardous waste recycled (tonnes) | 847 | 2,083 |
| Waste recycled (%) | 64 | 74 |

| | 2022 | 2023 |
|---|-------|--------------|
| Salesgas delivered (mmscfd) | 2,188 | 2,187 |
| Ethane delivered (MT/hr) | 142 | 136 |
| Electricity (GWh) | 1,708 | 1,568 |
| Steam (kMT) | 4,821 | 4,565 |
| Industrial gases (mil Nm ³) | 640 | 606 |

- Organisational Excellence Management System (OEMS) enhancement.
- Sustained and improved project governance and delivery from Front-End-Loading (FEL) to project execution.
- Multiple awards received in HSSE and innovation front, i.e., Prime Minister Hibiscus Award, Malaysian Society of Occupational Safety and Health (MSOSH) Award, National Council for Occupational Safety and Health (NCOSH) Award, IDC Future Enterprise Award, British Safety Council Award, RoSPA Health and Safety Award, Malaysia Technology Excellence Award and Safety and Health Assessment System in Construction Assessment by CIDB.
- Innovation within Key Result Areas

| | 2022 (301099) | 2023 (G5dot5) |
|-----------------------------|---------------|---------------|
| Key Result Areas | 64 | 90 |
| Value Creation (RM million) | 123.1 | 259.3 |

| | 2022 | 2023 |
|--|------|-----------|
| Technical Specialist qualified Leaders (%) | 68 | 88 |

- PETRONAS Vendor Development Programme (VDP)
- Toolbox sessions with contractors
- Program Sentuhan Alam PETRONAS
- Program Sentuhan Kasih PETRONAS
- Program Sentuhan Ilmu PETRONAS
- Contractor HSSE Mentoring and Coaching Programme

ACTIONS TO ENHANCE OUTCOMES

Enhancing financial capital efficiency

- Renewal of contracts with utilities customers
- Cost optimisation by extending the plant turnaround interval
- Ensuring sustainable returns through dividend distribution to shareholders, in accordance with industry dividend payout ratios
- Implementing an optimal hedging strategy by continuously assessing various funding alternatives

Managing natural resources

- Investment in research and development as well as technologies to improve energy efficiency and address negative impact on natural elements by minimising pollution and promoting water stewardship
- Impose target on annual reduction in waste disposal
- Impose target on annual reduction in greenhouse gas emissions
- Investment to meet clean air regulation requirements

Elevating asset performance

- Embark on new PGB Strategic Agenda, G5dot5, in sustaining operational excellence whilst focusing on business growth and elevating project and commercial excellence.
- 5G Network adoption at RGTSU and GPU for seamless digital initiatives execution through faster data transmission.
- Distributed Acoustic Sensing (DAS) enables real time detection on third party encroachment along pipeline Right-of-Way (ROW) through online monitoring and deter intrusion via automated drone.
- Gas Transmission Optimisation (GTOPs) optimises fuel usage for compressor operation by 1.5% through smart performance monitoring whilst maintaining at healthy range pressure.

Leveraging intellectual capital

- Standardisation of processes to eliminate errors, enhance quality and free resources for more value-added tasks.
- The foundation for Project Development and Project Directorate has been further strengthened resulting in three projects FID and 82.4% projects completion.

Nurturing people

- Accelerate capability building and assessment for technical managers to be certified as technical specialists.

Engaging stakeholders

- Promoting gas as a cleaner source of fuel
- Leveraging on technical knowledge for potential business ventures
- Supportive of government initiatives especially National Energy Transition Roadmap (NETR)
- Advocating gas and gas-related solutions as the best clean fuel in Energy Transition

TRADE OFFS

Through the allocation of our financial capital towards the extraction of natural resources, we strive to generate and amplify value. Consequently, this endeavour has a beneficial effect on our asset, human, intellectual, and social and relationship capitals. Nonetheless, this approach may lead to the depletion of our natural resources.

We affect natural resources through our business processes as well as emissions. To address and minimise this impact, we tap into our financial, asset and human capitals.

In the short term, we utilise and deplete our financial capital to enhance asset performance. However, in the long term, this contributes positively to our financial, natural, human, and social and relationship capitals.

When we invest in intellectual capital, this reduces our financial capital for the short term. Nevertheless, over the longer term, our financial, natural, human as well as social and relationship capitals will all be strengthened.

While initially affecting the company's profits, investing in learning and development is poised to yield long-term benefits. These include improved productivity and to sustain organisational performance.

We invest in our social and relationship capital for long-term financial capital growth. However, for the short term, we will need to tap into both our financial and human capitals. Investing in social and relationships is a long-term initiative and will be done on continuous basis to ensure positive payback. PGB needs to invest in dedicated stakeholder management team to ensure comprehensive engagement plans and implementation.