



Our Reference: GSBG/CSDL/PGB/ADMIN/COMM/CORR/2023/64

Date: 10 May 2023

Minority Shareholders Watch Group
Level 23, Unit 23-2
Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

Attention: Devanesan Evanson
Chief Executive Officer

Dear Sir,

40th Annual General Meeting ("AGM") OF PETRONAS Gas Berhad ("PGB", "PETGAS" or "the Group") to be held on Thursday, 11 May 2023

With reference to your letter dated 1 May 2023, please find below responses to your questions:-

Operational & Financial Matters

1. Under Regulatory Period 2 or RP2 (2023-2025) for gas transportation and regasification services, new Incentive-based Regulation tariffs have been introduced which are expected to translate into lower revenues for PGB's Gas Transportation and Regasification business segments (page 44 of Integrated Report 2022).

- a) With the revised tariffs, what is the expected financial impact to PETGAS' profitability for 2023?

The impact of RP2 tariffs to PGB Group Profit After Tax (PAT) is anticipated to be approximately lower by 5%-6%. Despite the lower RP2 tariffs, the Gas Transportation and Regasification business segments are anticipated to continue contributing positively to the Group.

At the same time, we are committed to continue with our cost discipline and operational excellence to ensure that we maintain healthy level of margins for these business segments.

- b) PETGAS's profitability in 2022 was dragged by high fuel costs and unfavourable currency movements. Does RP2 take into account factors such as the fuel costs and US Dollar foreign exchange rates as sought by PETGAS?

Suruhanjaya Tenaga (ST) has agreed for a couple of improvements in RP2 to minimise the impact of fluctuations in fuel cost and foreign exchange (forex) movements.

For the fuel cost, there is a newly introduced Internal Gas Consumption (IGC) adjustment mechanism, where PGB is able to pass through 100% of the price volatility impact to shippers. The adjustment against the existing tariff will be done via the Annual Revenue Adjustment (ARA), which is subject to ST's approval each year.

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As for the forex movement, ST has agreed for the RP2 regulated asset base (RAB) to be reassessed based on current exchange rate to include the under recovery of lease cost due to forex impact in RP1. Moving forward, the impact of forex movement is a cost pass-through item via adjustment on asset value.

2. For 2022, PETGAS incurred capital expenditure (CAPEX) of RM1.2 billion, similar to the preceding year's CAPEX. What is the budgeted capital expenditure (CAPEX) for PETGAS in 2023 and what specific items are included in the budget?

We expect our CAPEX in 2023 to remain comparable to previous years, around the region of RM1.2 billion.

In 2023, CAPEX requirements are mostly for maintenance activities and growth projects that we have announced previously, such as the 42km pipeline extension to Pulau Indah, Selangor, new gas compressor station in Kluang, Johor and offgas rerouting project at Terengganu Crude Oil Terminal in Kertih, Terengganu.

3. Substantial amount of the Group's cash and cash equivalents are held predominantly in In-House Accounts managed by PETRONAS Integrated Financial Shared Service Centre to enable more efficient cash management (page 62 of Integrated Report). What was the average return generated from the fund investments managed by Petronas Integrated Financial Shared Services Centre (IFSSC) in 2022?

The Group's fund investments managed by PETRONAS IFSSC mainly comprises money market placements. Return on fund investments is competitive compared to market, averaging at 2.4% in 2022.

Thank you.

Yours faithfully

for PETRONAS GAS BERHAD



Mek Yam @ Mariam Hassan
Company Secretary

- c.c.
1. **Encik Adnan Zainol Abidin**
Chairman
PETRONAS Gas Berhad
 2. **Encik Abdul Aziz Othman**
Managing Director/ Chief Executive Officer
PETRONAS Gas Berhad
 3. **Encik Yeap Kok Leong**
Joint Company Secretary
PETRONAS Gas Berhad