



27 April 2026

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

Dear MSWG,

PETRONAS GAS BERHAD
43RD ANNUAL GENERAL MEETING

We refer to your letter dated 22 April 2026 and thank you for your continued interest in PETRONAS Gas Berhad (PGB). We appreciate the opportunity to address the questions raised and provide the following responses for the benefit of minority shareholders and stakeholders.

Operational and Financial Matters

1. The 2025 investigation report specifically noted that a cumulative soil settlement of 24.3 cm led to a 15.9 cm pipeline shift over a 25-year period. Since this was a gradual progression rather than a sudden event, and given that significant portions of the Company's traverse similar geological profiles, what specific enhancements have been made to pre-emptively detect such movement? Furthermore, how is the Company ensuring that the current monitoring frequency is sufficient to identify these slow-onset risks before they reach a critical point?

The finding on the soil settlement and pipeline shift for the last 25 years was only concluded after the Putra Heights incident. Hence, it was not clear whether the movement happened progressively over time or in a single event during the incident. Nevertheless, based on process parameters and observations on the ruptured joint, it indicates a sudden full-bore rupture instead of gradual progression.

PGB has been adopting a risk-based inspection philosophy, however the Putra Heights incident was not a reasonably foreseeable risk as based on Department of Occupational Safety and Health's finding, the incident occurred due to effects of anthropogenic activities. Based on PGB study of pipeline related incidents, both locally and abroad, there has been no other pipeline failure arising from a similar cause. We recognised that this is a new and emerging risk which needs to be mitigated.

Following the Putra Heights incident, environmental impacts were assessed in close coordination with relevant authorities, covering air quality, soil conditions, water bodies, and surrounding ecosystems. PGB continued to implement its Geohazard Management Plan (GMP), which comprises systematic geohazard assessments, continuous monitoring, and improvement or mitigation measures where required along the pipeline corridor.

2. **A significant portion of the PGU network has been in operation since the 1980s and 90s. As the Group transitions into Regulatory Period 3 (RP3), how much of the approved CAPEX is specifically earmarked for "Asset Rejuvenation" versus "Growth"?**

As the Peninsular Gas Utilisation (PGU) network continues to mature, a key focus under RP3 is to ensure the continued safety, reliability, and efficiency of existing assets through asset rejuvenation initiatives, alongside capacity expansion to support future demand growth.

Majority of the approved RP3 CAPEX is allocated towards asset integrity and rejuvenation programmes (60%), including the refurbishment, upgrading, and replacement of infrastructure guided by asset life study, while the remaining portion supports growth related investments (40%) such as the Jeram Compressor Project to enhance PGU system capacity. This balanced approach enables PGB to sustain safe and reliable operations while positioning the network to meet evolving market and demand requirements.

3. **With the Final Investment Decision (FID) reached for a fibre optic infrastructure project along the PGU Right-of-Way, how does this "sweating" of existing pipeline assets fundamentally change PGB's risk profile?**

The fibre optic project provides opportunity for portfolio diversification to capture value from data centre growth in Malaysia. It does not materially alter PGB's core risk characteristics as:

- (i) From business risk perspective, core gas transportation assets remain fully regulated, with predictable, capacity-based income forming the majority of earnings. The fibre optic project also helps to diversify the existing business portfolio and long-term value creations.
- (ii) Operational and safety risks of the gas network remain unchanged, as the fibre deployment is physically segregated and governed by strict interface and access controls. In fact, the installation complements the existing Distributed Acoustic Sensing (DAS) system, a technology that enables continuous real time monitoring of pipelines to detect intrusion, leaks, and ground movement, thereby enhancing safety and asset integrity.

4. Revenue saw a 2.5% decline in 2025, partly due to a downward tariff adjustment from lower internal gas consumption in the previous period. In a high-cost environment (Service Producer Price Index pressures), what is the Group's strategy to mitigate the "sharing factor" risks inherent in the Incentive-Based Regulation (IBR) framework?

Revenue declined by 2.5% in 2025, partly due to a downward tariff adjustment arising from lower utilisation of Internal Gas Consumption (IGC) in the previous period. Under the IBR sharing factor mechanism, PGB retains 75% of the efficiency gains, while 25% is shared with shippers on a time lagged basis. The downward adjustment reflects the return of 25% of the cost savings achieved in the previous year. In principle, the sharing factor is not a risk, instead it is a mechanism to incentivise operational efficiency while ensuring that actual gas costs are passed through via tariff adjustments, thereby mitigating PGB's exposure to gas price volatility.

Sustainability Matters

5. With a dedicated taskforce established for carbon tax readiness and the government's 2026 carbon tax timeline, has PGB quantified the potential impact on its Utilities margins, where it operates in a more competitive and non-regulated space?

PGB is closely monitoring updates from the government on the impending carbon tax implementation while waiting for the official enactment of relevant regulation such as the National Climate Change Bill. PGB is assessing its potential implications across all business segments based on its contractual framework and operational structure.

Utilities operations, particularly under the non-regulated segment, will require case-by-case assessment based on business structure and commercial arrangements. Any potential exposure to carbon tax will be evaluated to determine the mechanism to mitigate through efficiency initiatives or address the cost within the business models. We have conducted preliminary assessment using PGB Internal Carbon Price (ICP) of 5 USD/tCO₂e, however, the actual impact will again depend on the tax rate being implemented by government.

We trust the above addresses your queries. The questions raised and corresponding responses will be presented to shareholders at the forthcoming Annual General Meeting, as requested.

Thank you for your continued engagement and support.

Yours faithfully,

for **PETRONAS GAS BERHAD**



Azira Marini Ab Rahim

Company Secretary

c.c.

1. **YBhg. Datuk Adif Zulkifli**
Chairman
2. **Encil Abdul Aziz Othman**
Managing Director/ Chief Executive Officer
3. **Puan Mek Yam @ Mariam Hassan**
Company Secretary