

Our Reference: GL/GSBG/LST/ADMIN/COMM/CORR/2021/103

Date: 16 April 2021

Minority Shareholders Watch Group
11th Floor, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Attention: Devanesan Evanson
Chief Executive Officer

Dear Sir,

38th ANNUAL GENERAL MEETING ("AGM") OF PETRONAS GAS BERHAD ("PGB" or "the Group") ON TUESDAY, 20 APRIL 2021

With reference to your letter dated 31 March 2021, please find below responses to your questions:-

Operational & Financial Matters

1. The liberalisation of gas industry in Malaysia via Third Party Access ("TPA") has allowed PGB to diversify its revenue streams by venturing into ancillary businesses as well as increase asset utilisation. In 2020, PGB has launched its LNG Truck Loading services at Regasification Terminal Pengerang and LNG Reloading services at Regasification Terminal Sungai Udang (page 26 of Integrated Report 2020).
 - a) With LNG Truck Loading services and LNG Reloading services added into your ancillary services portfolio, what is the expected contribution from ancillary services in FY2021 and its growth potential beyond 2021?

Contribution of the new projects to PGB's profit is expected to be around RM5 million per annum. Although the contribution is small as compared to regulated services, projects such as LNG Truck Loading and LNG Reloading pave the way for PGB's foray into new ancillary services which complements existing regulated businesses and could provide new opportunities in the future.

The projects have introduced new earnings stream for RGTSU and RGTP, where revenue is earned on utilisation of the facilities via CAPEX recovery with agreed return. It will also increase berth utilisation rate for RGTSU.

- b) In the message from MD/CEO (page 26 of Integrated Report 2020), it was mentioned that several new projects have been identified and are currently in the framing stage. Please elaborate further on the new business opportunities that have been identified.

Moving forward, PGB is exploring growth potentials leveraging on energy transition through:

- i. potential collaborations in delivering integrated utilities solutions,
- ii. opportunities in power generation, and
- iii. new prospects emerging from energy transition such as potential hybrid Combined Heat and Power COGEN (CHP) and solar solutions in collaboration with PETRONAS.

We will make the necessary announcements in due course as the initiatives are in progress.

2. In the Consolidated statement of profit or loss and other comprehensive income, the group has shown administrative expenses of RM125.4 million in FY2020 (FY2019: RM94.8 million) and other expenses of RM22.3 million in FY2020 (FY2019: Nil) (page 81 of Governance and Financial Report 2020).

- a) What were the reasons for the significant increase in administrative expenses by 32% in FY2020? Please provide a breakdown.

The increase of RM32.2 million was mainly due to reclassification of IT, accounting, and legal charges for all segments under administrative expenses category effective 1 January 2020 to better reflect the nature of expenses. Previously, those items were classified as cost of revenue (RM44.2M).

Other elements under administrative expenses such as staff-related costs, travelling and corporate activities costs were slightly lower due to Movement Control Order (MCO) in FY2020.

- b) What would be the expected level of administrative expenses going forward?

PGB expects our administrative expenses to range between 2% to 3% of revenue, as deemed necessary to sustain and support the business requirement. Nevertheless, the Company will continue with our cost optimisation and digitalisation efforts.

- c) What were the other expenses in FY2020 amounting to RM22.3 million?

Other expenses in FY20 mainly relating to one off foreign exchange loss due to early settlement of external term loan of USD435 million by PGB and third-party shareholder's loan by PLNG2 of USD106 million arising from unfavourable movement on foreign exchange.

3. In Note 20 – write-off of inventories has increased to RM12.7 million (FY2019: RM1.4 million) (page 142 of Governance and Financial Report 2020). What were the reasons for the significant increase in write-off of inventories for FY2020?

The increase in write-off relates to obsolete spare part inventories identified during annual stock reviews in 2018 and 2019 which were only written off in 2020, as thorough verification was required before write-off in this particular instance. Ordinarily, write-offs will be made in the same year as the verification exercise.

Thank you.

Yours faithfully

for PETRONAS GAS BERHAD



Tengku Mazura Tengku Ismit
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