

# EXECUTION OF 2<sup>ND</sup> TERM OF GAS PROCESSING AGREEMENT BETWEEN PETRONAS GAS BERHAD AND PETROLIAM NASIONAL BERHAD EFFECTIVE 1 JANUARY 2019

## 1. INTRODUCTION

Reference is made to our earlier announcement dated 31 March 2014 in relation to, among others, Gas Processing Agreement ("GPA").

Pursuant to Paragraph 9.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR"), the Board of Directors of PETRONAS Gas Berhad ("PGB" or "the Company") ("Board") is pleased to announce that pursuant to the Gas Processing Agreement dated 31 March 2014 ("GPA") with a duration of 20 years effective 1 April 2014 until 31 December 2033, PGB and Petroliam Nasional Berhad ("PETRONAS") has entered into the second (2<sup>nd</sup>) term of the GPA on 31 December 2018 which will commence on 1 January 2019 and will continue until 31 December 2023 ("2<sup>nd</sup> Term GPA").

## 2. SALIENT TERMS UNDER THE 2<sup>ND</sup> TERM GPA

2.1. The remuneration structure under the GPA is calculated based on the following components with a revision to the remuneration terms as follows:

- i. PETRONAS shall pay PGB a Fixed Reservation Charge of RM2,524 per million standard cubic feet ("mmscf");
- ii. PETRONAS shall pay PGB the flow rate charge of RM0.20 for each gigajoule of dry gas processed above the committed target of 1,750 mmscf per day in each calendar month throughout the 2<sup>nd</sup> Term GPA;
- iii. PETRONAS shall pay PGB the performance incentive whenever PGB achieve higher Overall Equipment Effectiveness performance targets for Ethane, Propane, Butane as well as production target for Ethane; and
- iv. PETRONAS shall provide Internal Gas Consumption at no cost to PGB provided that PGB shall operate within the Agreed Operating Parameters ("AOP"). The AOP is a predetermine range between 5% above (Upper Limit) and 5% below (Lower Limit) of the Agreed Operating Conditions. Incentive and penalty payment shall be remunerated or levied if PGB operated outside AOP.

Save for the above, other terms under the GPA remain unchanged.

2.2. The methods and procedures in determining the above remuneration terms of the 2<sup>nd</sup> Term GPA have not changed since the last independent financial adviser's opinion dated 31 March 2014 incorporated in PGB's Annual Report 2013. Thus, the same methods and procedures are sufficient to ensure that the transactions were carried out on normal commercial terms and not to be to the detriment of PGB's minority shareholders.

**3. EFFECTS OF THE REVISION OF REMUNERATION TERMS UNDER 2<sup>ND</sup> TERM GPA**

The revised remuneration terms under the 2<sup>nd</sup> Term GPA, in particular the higher fixed reservation charge, is expected to contribute positively to PGB and its subsidiaries' ("Group") earnings for the duration of the 2<sup>nd</sup> Term GPA. The 2<sup>nd</sup> Term GPA has no impact to the PGB Group's business operations.

**4. INTERESTS OF THE DIRECTORS AND MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

PETRONAS is a majority shareholder of PGB and is therefore interested in the RPT.

Save for the interested Directors namely Datuk Mohd Anuar Taib, Kamalbahrin Ahmad, Emeliana Dallan Rice-Oxley, Wan Shamilah Wan Muhammad Saidi, Dato' Ab. Halim Mohyiddin, Habibah Abdul, Farina Farikhullah Khan and the interested major shareholder which is PETRONAS, none of other Directors, and/or major shareholder(s) of PGB and/or person(s) connected with them, has any interest, direct and/or indirect, in the RPT. In view of the above, the Interested Directors have abstained and will continue to abstain from all Board deliberations and voting at the relevant Board meeting(s) in relation to the RPT.

**5. STATEMENT BY BOARD AUDIT COMMITTEE**

PGB's Board Audit Committee has reviewed the revised remuneration terms under the 2<sup>nd</sup> Term GPA and is satisfied that the terms are fair, reasonable and on normal commercial terms; not detrimental to the interest of the Company's minority shareholders; and in the best interest of PGB Group.

**6. STATEMENT BY DIRECTORS**

The Board concurs with its Audit Committee's view that the revised remuneration terms under the 2<sup>nd</sup> Term GPA is fair, reasonable and on normal commercial terms; not detrimental to the interest of the Company's minority shareholders; and in the best interest of PGB Group.

**7. APPROVAL REQUIRED**

The waiver dated 26 March 2014 granted by Bursa Malaysia to PGB from complying with the requirements of Paragraph 10.09 of the MMLR including having to seek shareholders' approval with regard to, among others, the GPA is applicable in respect of the revision in remuneration terms of the 2<sup>nd</sup> Term GPA.

This announcement is dated 31 December 2018.