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26 April 2021

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

Attention: - Mr. Devanesan Evanson
Chief Executive Officer

Dear Mr. Devanesan Evanson,

39TH ANNUAL GENERAL MEETING (“AGM”) OF PETRONAS DAGANGAN BERHAD (“PDB” or “the Company”) TO BE HELD ON 28 APRIL 2021

In reference to your letter dated 12 April 2021 on the above, we thank you for taking the time to send us the list of questions following your review of our Integrated Report 2020. The responses are provided below. The same will be included in our AGM agenda and will be made publicly available on our corporate website (www.mymesra.com.my) from 26 April 2021.

Operational & Financial Matters

Retail Segment

1. The new Kedai Mesra concept was piloted in strategic locations within the Klang Valley in 2020 and will continue to be expanded in the year ahead. As part of that transformation, PDB launched the new concept Makan@Mesra in October 2020, which offers in-store ready-to-eat and ready-to-drink products and will be expanded significantly over the coming year. These initiatives form part of a concerted strategy to attract additional traffic to the stations and diversify its Retail Business away from over-reliance on revenue from fuel and mobility. (page 35 of Integrated Report (IR) 2020)

(a) Is the Company satisfied with the sales and progress of these new offerings under the Makan@Mesra concept?

Yes, as the Makan@Mesra had shown more than double growth in sales per sqft.

(b) How many PETRONAS stations currently offer Makan@Mesra? In terms of expansion strategy, in how many stations does the Company plans to offer Makan@Mesra in 2021?

As at 31st December 2020, Makan@Mesra are available at 10 PETRONAS stations and we expect to make it available to more than 100 stations by end of FY2021.

(c) What was Makan@Mesra contribution to the Group’s revenue in FY2020 and what is its potential revenue contribution in FY2021?

Since Makan@Mesra was officially launched on 1st October 2020, the contribution was less than 1% of Group’s revenue. PDB expect a bigger contribution from Makan@Mesra as we roll-out to more stations in FY2021.

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PETRONAS

- (d) **It has continued to strengthen its offerings in Kedai Mesra, with its own-brand, the Mesra Bites range (page 35 of IR 2020). What is the market response towards this new offering under your own-brand?**

PDB has seen positive response towards its own-brand offerings with more than 50% growth in sales revenue since it was launched in 2018. PDB has further introduced 6 additional new offerings under the Mesra Bites range in FY2020 and will continue exploring potential new offerings in the future.

- (e) **The Group will remain focused in growing its non-fuel revenue, what are the other initiatives in the pipeline to further diversify your retail business in FY2021?**

PDB has started to grow the non-fuel business such as Makan@Mesra, Setel®, Prysm etc both on physical and online platform. PDB will continue to accelerate the growth through more offerings as we launch more products in 2021 onwards.

Commercial Segment

2. **Commercial Segment recorded a decrease in revenue of 49.5%, due to a 33.1% decline in sales volume and a 24.4% decrease in average selling price. Profit before tax for the segment decreased by 59.6%, in line with lower gross profit from Jet A-1 and Diesel due to lower marketing operating prices (MOPS) and the decreases in sales volume in the first half of the year. (page 40 of IR 2020)**

- (a) **Aviation industry continues to be impacted by on-going travel restrictions locally and globally. By how much has this impacted the demand for aviation fuels in FY2020?**

Commercial aviation volume saw a reduction of approximately ~65% in FY2020 as compared to FY2019 due to demand destruction which also impacted the global aviation industry.

- (b) **There is a growing use of fuel-efficient technologies in the Aviation industry. What measures have the Company taken to ensure the sales volumes would not be affected?**

Commercial will continue to capture new customers to strengthen its domestic market leadership.

- (c) **Given the implementation of CMCO in most states and the on-going travel restrictions, what is the outlook on demand recovery for commercial sales volume and average selling prices for 2021?**

- PDB saw demand recovery in Q1 FY2021 for commercial customers as supported by the roll out of vaccine nationwide and increase in activities. However, the outlook remain uncertain as daily COVID-19 cases are still rising in Malaysia.
- Commercial selling prices is determined by product cost which correlates with Brent Crude prices and market competition. Average Brent Crude price in Q1 FY2021 was USD 60.90/BBL as compared to FY2020 of USD 41.67/BBL.

Financials

3. **"Property, plant and equipment (PPE) expensed off" has increased to RM7.1 million (FY2019: RM625,000) (page 264 & 311 of IR 2020)**

What were the reasons for the significant increase in PPE expensed off?

- The increase in property, plant and equipment expensed off was due to replacement of ageing Indoor Payment Terminal ("IPT") at stations nationwide.
- These IPTs were expensed-off since they are categorised as consumable assets which is in line with PETRONAS Group Accounting Policies and Guidelines ("GAPG").

4. **The Group's impairment losses on trade receivables have increased significantly to RM10.5 million (FY2019: RM1.0 million) (page 311 of IR 2020).**

(a) What actions have been taken to recover the said amount?

Majority of the impairment losses is in relation to Malaysian Financial Reporting Standard ("MFRS") 9 requirement where PDB is required to make assessment on the recoverability of trade receivables. As this is an accounting requirement, the trade receivables will continuously be assessed periodically and accounted accordingly for reporting purposes.

(b) What is the probability of recovering the impaired amount?

The recovery rate of General Impairment which represent a significant portion of PDB's total impairment is above 80%.

(c) To which business segment does the impaired trade receivables relate to? How much of the impaired trade receivables have been recovered to-date?

The impaired trade receivable predominantly from Commercial Segment i.e Aviation sectors which was almost recovered as at Q1 FY2021.

5. **Write down on Inventories has increased to RM4.2 million (FY2019: RM3.0 million) (Note 7, page 299 of IR 2020).**

(a) What type of inventories that have been written down in FY2020?

The inventory written down to Net Realisable Value ("NRV") in FY2020 relates to fuel oil at one of PDB's terminal. The write down of RM4.1 million was made to reflect the latest market price of fuel oil which was lower than the Net Book Value.

(b) Are there any foreseeable write-downs for the financial year ending 2021?

In line with the requirement of MFRS 102: Inventories, PDB shall continue to assess whether there is a need to write-down any inventories to NRV in FY2021, as part of the normal month-end closing activities of the Company.

Sustainability Matters

6. In 2020, PDB's total Greenhouse Gas ("GHG") emissions measured approximately 185.8 kilo tonnes of carbon dioxide equivalent (ktCO₂e). The reduction in GHG emissions in 2020 was due to the implementation of MCO during the COVID-19 pandemic. An independent verification of the Group's environmental performance data was conducted in 2018 by PETRONAS' Downstream Business, measured against the requirements of PETRONAS Technical Standards which are aligned with ISO 14064 (Part 3). This exercise provided gap identifications which will guide the Group in meeting international requirements in the future. PDB is on track to engage an external expert to conduct an independent verification in 2021. (page 209 -210 of IR 2020)

What is the status of engaging external expert to carry out assurance checks on your environmental performance data?

External verification exercise is planned to be conducted in Q3 2021.

Does the Board intend to have the Integrated Report ("IR") assured for your sustainability reporting for this coming financial year ending 2021?

The efforts and deliberation to have IR assured on sustainability reporting is on-going. PDB is currently rated 4-star under FTSE4Good and will continue to implement and track the activities and programs in supporting its sustainability agenda. As part of good governance practices, the assurance on sustainability reporting in the IR will be considered in the future.

Yours faithfully
for **PETRONAS DAGANGAN BERHAD**


Suria Kamarul Baharin
Company Secretary

- c.c.
1. **YBhg Datuk Md Arif Mahmood**
Chairman
PETRONAS Dagangan Berhad
 2. **Azrul Osman Rani**
Managing Director/Chief Executive Officer
PETRONAS Dagangan Berhad
 3. **Puan Farzlina Ahmad Murad**
Chief Financial Officer
PETRONAS Dagangan Berhad
 4. **Mr. Yeap Kok Leong**
Joint Company Secretary
PETRONAS Dagangan Berhad