



Ref. No: GSBG/CSDL/PDB/ADMIN/COMM/CORR/2024/13

27 April 2024

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

Attention: Dr. Ismet Yusoff
Chief Executive Officer

Dear Sir,

42nd ANNUAL GENERAL MEETING ("AGM") OF PETRONAS DAGANGAN BERHAD ("PDB" or "the Company") TO BE HELD ON 29 APRIL 2024

With reference to your letter dated 18 April 2024 on the above, we thank you for taking the time to send us the list of questions following your review of our Integrated Report 2023. The responses are provided below, the same will be included in our AGM agenda and will be made publicly available on PDB's corporate website (www.mymesra.com.my) from 29 April 2024.

Operational & Financial Matters

1. The economic impact has seen PDB effectively capitalise on the growing need for fuel and non-fuel-related products, serving customers across various industries. The surge in tourism and construction, increased vehicle ownership and improved road access synergistically boosted PDB's sales and market presence as it strategically positions more stations to meet the heightened demand (page 48 of Integrated Report (IR) 2023).

Is the positive environment expected to improve further in 2024, leading to better financial performance for PDB? How many more stations does PDB plan to set up in FY 2024?

PDB:

PDB experienced a year of solid operational and financial performance, underpinned by strong volumes and improved margins. PDB enters 2024 with positive momentum, in line with economic growth.

Open

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PDB typically plans for 10 new stations a year contingent upon strategic locations and economic viability. We will continue to assess opportunities to expand our network presence and strengthen our market leadership.

2. Commercial Business drives the sales and marketing of bulk fuel products to B2B customers across diverse economic sectors, including Aviation, Mining and Quarrying, Agriculture, Bunker, Manufacturing, Construction, and Services. PDB's products include Aviation Fuels, Diesel, Fuel Oil, Petroleum Coke, Bitumen, Sulphur, Mogas, Kerosene, Methanol, LNG, SmartPay and ROVR services (page 72 of IR 2023).

a) Which sector generated the most sales for the Commercial Business and what is the outlook in FY2024 for all the sectors?

b) Which product commands the highest growth, and what is the outlook for all the products in FY2024?

PDB:

Commercial Business sales are mainly driven by Aviation and Upstream sectors, which account for over 70% of the total sales.

Relative to FY2022, the sales growth is mainly contributed by Aviation Fuel, on the back of increased air travel and higher market share.

For FY2024, the market is projected to remain healthy, with air traffic in Malaysia to reach 98% of 2019 as published by IATA influencing the Aviation sector, and a moderate domestic GDP growth forecast supporting the other Commercial sectors.

3. The Lubricant Business achieved strong performance in 2023, surpassing industry benchmark. PDB's strategy effectively navigated these challenges, achieving growth in its Power Brands, securing major contracts, and developing a new direct B2C channel (page 76 of IR 2023).

a) What is the industry benchmark and to what extent has the Lubricant Business surpassed it?

PDB:

Lubricant Business performance is benchmarked using data provided by KLINE Group, an advisory consultancy and market research firm focuses

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on energy and chemical. For FY2023, Lubricant Business grew by 9% surpassed industry growth of 2%.

b) What is the Lubricant Business' market share, its growth in FY 2023, and its outlook for FY2024?

PDB:

Lubricant market share information is based on internal assessments performed from time to time using the best available industry data.

PDB Lubricant is currently amongst the top two market leaders, with market share sustained above 20% supported by acquisition of new Industrial sector key accounts and increased share of wallet in existing customers. We expect our market share will continue to grow in FY2024.

4. Net cash (used in)/generated from operating activities turned from RM2.0 billion in FY 2022 to (RM87.3 million) in FY 2023 (page 17 of Financial Report (FR) 2023).

Operating profit before changes in working capital	1,692,960	1,488,865
Changes in working capital:		
Trade and other receivables	(1,609,327)	(575,325)
Trade and other inventories	(9,206)	19,327
Trade and other payables	335,368	1,368,697
Cash generated from operations	409,795	2,301,564
Taxation paid	(497,040)	(306,697)
Net cash (used in)/generated from operating activities	(87,245)	1,994,867
Dividend received	750	500
	750	500

Please explain the reasons and any abnormalities for the significant change and whether any measures are being taken to address the situation going forward.

PDB:

The net cash used in operating activities was attributable to the delay in subsidy reimbursement. However, the outstanding reimbursement has been received in early 2024.

PDB has various standby banking facilities with multiple local banks to ensure working capital requirements can be met at any given time, if required.

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5. Share of post-acquisition profits and reserves from investments in joint ventures declined sharply to RM9.0 million in FY 2023 from RM 26.6 million in FY 2022 (page 52 of FR 2023).

What were the reasons for the significant decrease in share of post-acquisition profits and reserves and what is the outlook for FY 2024?

PDB:

Reduction in post-acquisition profits and reserves is in relation to the divestment of 40% of shareholdings by PETRONAS Aviation Sdn Bhd in United Fuel Company LLC (UFC). The divestment in UFC is presented as Asset Held for Sale in FY2023.

6. Revenue generated from Commercial Service decreased to RM18.5 billion in FY 2023 from RM19.2 billion in FY 2022 while revenue from Retail and Convenient Services showed increases (page 64 of FR 2023).

In RM'000	Group		Company	
	2023	2022	2023	2022
Major products/services lines				
- Retail	18,837,678	17,371,537	18,754,715	17,277,987
- Commercial	18,460,623	19,156,544	17,960,279	18,728,652
- Convenience	251,037	220,815	-	-
	37,549,338	36,748,896	36,714,994	36,006,639

What were the reasons for the decline in revenue from the Commercial Service? What is the outlook for FY 2024?

PDB:

The decline in Commercial segment revenue mainly due to lower average selling prices, with Brent averaging USD83/bbl in FY2023 compared to USD101/bbl in FY2022. The impact was negated by increase in sales volume particularly from Aviation sector.

Commercial segment revenue is subjected to petroleum products price movement. Nevertheless, for FY2024, the market is projected to remain healthy, with air traffic in Malaysia to reach 98% of 2019 influencing the Aviation sector, and a moderate domestic GDP growth forecast supporting the other Commercial sectors.

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Sustainability Matters

1. PDB recognizes significant potential in Sustainable Aviation Fuel (SAF) and is actively pursuing partnerships with international airlines to supply SAF. Focused on competitiveness and high-quality fuel, PDB aims to establish Malaysia as a preferred aviation hub and become the leading SAF supplier at Kuala Lumpur International Airport (KLIA) (page 29 of IR 2023).

a) Which international airlines have shown interest in procuring SAF from PDB operations at KLIA?

PDB:

There have been several international airlines from Asia and Europe indicating interest towards procuring SAF in KLIA to support their ambition in lowering carbon footprint.

b) What specific competitive advantages does PDB leverage at KLIA that could make it the preferred SAF supplier for international airlines?

PDB:

Our strong position in the Malaysia aviation market coupled with operational, logistic, and sourcing strengths puts us in a preferred position in supplying SAF.

The testament of these advantages is proven from consistent progress since FY2021, PDB secured SAF Offtake Agreement with MAG and partnership with Weststar Aviation Services in FY2023.

Yours faithfully

for **PETRONAS DAGANGAN BERHAD**



Norhashema Saleh

Company Secretary

c.c. 1. YBhg Datuk Anuar Ahmad
Chairman
PETRONAS Dagangan Berhad

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2. Encik Azrul Osman Rani
Managing Director/Chief Executive Officer
PETRONAS Dagangan Berhad
3. Puan Farzlina Ahmad Murad
Chief Financial Officer
PETRONAS Dagangan Berhad
4. Puan Mek Yam @ Mariam Hassan
Joint Company Secretary
PETRONAS Dagangan Berhad