



Move Like Never Before



INTEGRATED REPORT 2019

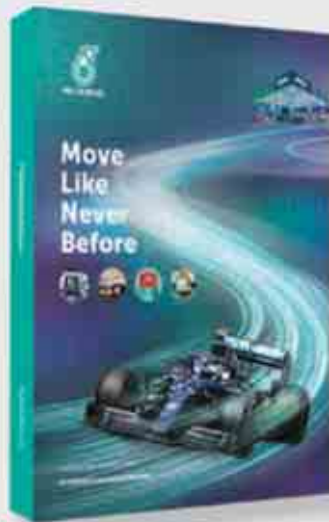
PETRONAS DAGANGAN BERHAD



The previous Annual and Integrated Reports are available on our corporate website at www.mymesra.com.my and Bursa Malaysia's website



PDB's full <IR> is available at PDB's corporate website at www.mymesra.com.my



Move Like Never Before

Rationale

In pursuit of excellence, we will Move Like Never Before as we go beyond the norm to deliver seamless and frictionless customer experiences through innovative and differentiated services as well as product offerings in our four core business segments.

With breakthrough products, innovative solutions and strategic partnerships, we are delivering greater convenience, unmatched choices, unbeatable value and complete business solutions. In line with our ongoing transformation programme, we will continue to enhance our efficiencies while strengthening our brand.

As Malaysia's leading retailer and marketer of downstream petroleum products, PDB will continue to Move Like Never Before to deliver value to our shareholders, consumers, people and the nation.

Cover Design

Lenticular 3D printing adds reality to the printed graphics and pictures with illusions of depth and movement when viewed from different angles.

ABOUT THIS REPORT

Our Integrated Report is prepared to provide a transparent, concise and balanced overview of the Group's performance and how we seek to create value for our stakeholders. This year marks the 4th year of our integrated reporting journey with our emphasis on improving clarity and conciseness of the Report.

REPORTING SCOPE AND BOUNDARY

This Report covers our financial and non-financial performances during the period from **1 January 2019 to 31 December 2019**.

Our Report consists of PDB's <IR> FY2019 which is prepared in accordance with International Integrated Reporting Council, Audited Financial Statement ended 31 December 2019 and Sustainability Report.

Through this Report, we hope to give a comprehensive and holistic overview of the Group's key developments, market challenges, our strategies and initiatives as well as our approach to risk and governance.

REPORTING FRAMEWORK

This Report applies the Content Elements and Guiding Principles of the International <IR> Framework by the International Integrated Reporting Council. Other reporting requirements and frameworks applied are the MMLR by Bursa Malaysia, Companies Act 2016, MCCG 2017 and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia.

ASSURANCE

Our financial statements are independently audited while the development of our non-financial reports are supported by our robust internal process and good governance practices.

MATERIAL MATTERS

This <IR> provides information that is material to PDB. We apply the principle of materiality in assessing what information should be included in <IR>. The information focuses on issues, opportunities and challenges that impact materially on PDB in ensuring a sustainable future while consistently delivering value and enriching lives of our stakeholders.

FORWARD LOOKING STATEMENTS

This <IR> contains certain forward looking statements, typically with words such as 'aim', 'may', 'plan', 'will' and 'expected' or other similar expressions. These statements discuss future expectations concerning the dispositions of assets or financial conditions or provide other forward looking information into 2020. These forward looking statements are not guarantees or predictions of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control and may cause actual results to differ materially from those expressed in the statements contained in this <IR>. Readers are cautioned not to put undue reliance on the forward looking statements.

NAVIGATION ICONS

The following navigation icons are used to link our Capitals and Strategic Priorities to Material Matters, Key Risks and Mitigation and Business Review.

Our Capitals

-  Financial Capital
-  Human Capital
-  Manufactured Capital
-  Intellectual Capital
-  Social and Relationship Capital
-  Natural Capital

Our Strategic Priorities

-  Market Leadership
-  Safe, Reliable and Efficient
-  Great Place to Work
-  Digitally Enabled

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ABOUT THIS REPORT



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PROXY FORM

38th

ANNUAL GENERAL MEETING

EXHIBITION HALL 1,
GROUND FLOOR,
KUALA LUMPUR
CONVENTION CENTRE,
JALAN PINANG,
50088 KUALA LUMPUR,
MALAYSIA

WEDNESDAY, 10 JUNE 2020

AT 10.00 A.M.

//

Our company's tagline 'Move Like Never Before' is not just an advertising slogan, it is the underlying philosophy of our approach to business //



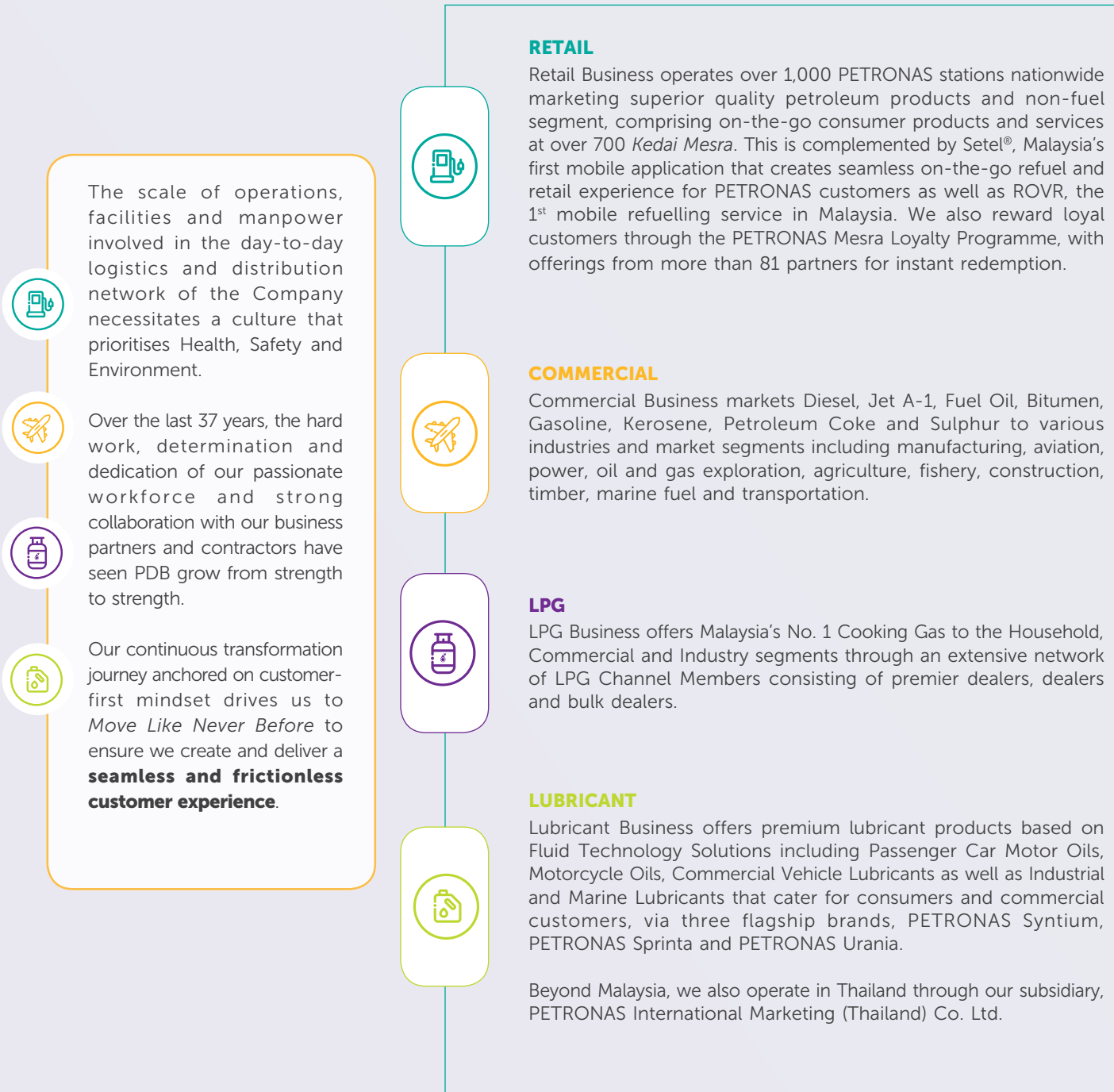


OVERVIEW OF PETRONAS DAGANGAN BERHAD

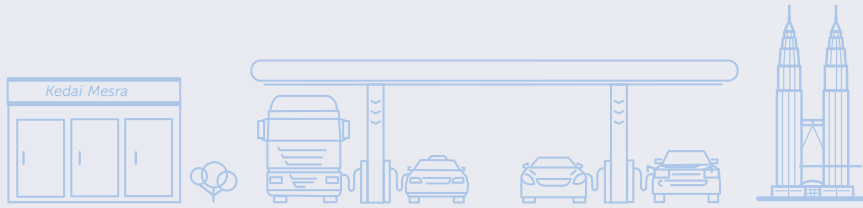
WHO WE ARE AND WHAT WE DO

PDB is Malaysia’s leading retailer and marketer of downstream petroleum products. We are committed to delivering innovative and differentiated offerings to fuel the nation’s growth.

Over the years, we have leveraged PETRONAS’ extensive investments in R&D to deliver world-class petroleum products in four core businesses:



OVERVIEW OF PETRONAS DAGANGAN BERHAD



VISION

'Brand of 1st Choice' drives the core essence of what PDB stands for in terms of delivering quality, innovation, excellence and differentiating experience for petroleum products and services in Malaysia. Given its wide range of innovative products and differentiated services, PDB is driven to ensure that customers will continue to recognise, endorse and recommend PETRONAS as their leading preferred brand in the downstream oil and gas sector.



MISSION

Value-Driven Fuel Marketing with Market Leadership in Malaysia

To be the 'Brand of 1st Choice', we are committed to delivering quality fuel products and reliable services to our consumers nationwide via our sound network of facilities and business partners. This market leadership is achieved by focusing on value, having in place a high performance-driven culture, ensuring operational and HSE excellence as well as prudent risk management and corporate governance best practices.



SHARED VALUES



LOYALTY

Loyal to Corporation



INTEGRITY

Honest and Upright



PROFESSIONALISM

Strive for Excellence



COHESIVENESS

United, Trust and Respect for Each Other



PETRONAS CULTURAL BELIEFS



RESULTS MATTER

I stretch my limits to deliver superior results



OWN IT!

I own the results and do not blame others



FOCUSED EXECUTION

I plan, commit and deliver with discipline



NURTURE TRUST

I always keep my promise and build mutual trust



TELL ME

I seek, give and act positively on feedback



SHARED SUCCESS

I collaborate for the greater good of PETRONAS

WHAT WE OFFER

OUR CORE BUSINESS SEGMENTS: PRODUCTS AND SERVICES

RETAIL



OFFERS FUEL AND NON-FUEL PRODUCTS, SERVICES AND SEAMLESS EXPERIENCE TO CONSUMERS AT ITS NETWORK OF MORE THAN 1,000 PETRONAS STATIONS AND 700 KEDAI MESRA ACROSS THE COUNTRY

KEY HIGHLIGHTS

RM14,214.4 million Revenue

>800 Rakan Niaga/Dealers

>4 million Registered Kad Mesra Members

Fuel

- PETRONAS Primax 97 with Advanced Energy Formula
- PETRONAS Primax 95 with Pro-Drive
- PETRONAS Dynamic Diesel (B10)
- PETRONAS Dynamic Diesel Euro 5 with Pro-Drive

Non-Fuel

- Kedai Mesra
- Quick Service Restaurants
- Food Solutions
- Banking Facilities
- Hypermarkets
- Terminal Services
- Courier Services
- Car Wash
- White Label Products
- Co-Working Space
- Other Convenience Offerings

Setel®

- Malaysia's first mobile application that creates seamless on-the-go refuel and retail experience for PETRONAS customers

Card Business

- PETRONAS SmartPay
- Co-Branded Cards – CIMB and Maybank
- PETRONAS Credit Cards, CIMB PETRONAS Debit Card
- PETRONAS Gift Card

Loyalty Programme

- PETRONAS Mesra Loyalty Programme

ROVR

- Malaysia's 1st innovative mobile refuelling service

COMMERCIAL



FULLY INTEGRATED BUSINESS FOCUSING ON SALES AND MARKETING OF BULK PETROLEUM PRODUCTS WITH MARKET LEADERSHIP IN DOMESTIC COMMERCIAL MARKET

KEY HIGHLIGHTS

RM14,248.0 million Revenue

>1,000 Commercial Customers



Jet A-1



Fuel Oil



Diesel



Sulphur



Bitumen



Gasoline



Petroleum Coke



Kerosene

WHAT WE OFFER

LPG



SELLS AND MARKETS LIQUEFIED PETROLEUM GAS TO HOUSEHOLD, COMMERCIAL AND INDUSTRIAL CUSTOMERS. WE ARE THE INDUSTRY LEADER, HOLDING THE LARGEST MARKET SHARE IN MALAYSIA

KEY HIGHLIGHTS

RM1,263.6 million Revenue

>300 Dealers

Household



12kg cylinders



14kg cylinders

Commercial



14kg cylinders



50kg cylinders

Industrial



Bulk LPG

LUBRICANT



PETRONAS LUBRICANTS MARKETING (MALAYSIA) SDN BHD UNDERTAKES ALL SALES AND MARKETING FUNCTIONS OF PETRONAS LUBRICANT PRODUCTS IN MALAYSIA

KEY HIGHLIGHTS

RM540.9 million Revenue

>2,000 Customers

Key Strategic Brands

- PETRONAS Syntium with °CoolTech™
- PETRONAS Sprinta with UltraFlex™
- PETRONAS Urania with ViscGuard™

Automotive Functional Fluids and Oils

- Auto Transmission and Gear
- Greases
- Radiator Coolant
- Brake

Passenger Car Motor Oils

- Fully Synthetic
- Semi Synthetic
- Mineral
- OEM Genuine Oil

Industrial and Marine Lubricants Fluids and Oils

- Hydraulic
- Compressor
- Turbine
- Agriculture
- Marine
- Metal Working
- Fishing Boat
- Industrial Gear

Motorcycle Oils (4T, 2T and Scooter)

- Fully Synthetic
- Semi Synthetic
- OEM Genuine Oil
- Mineral

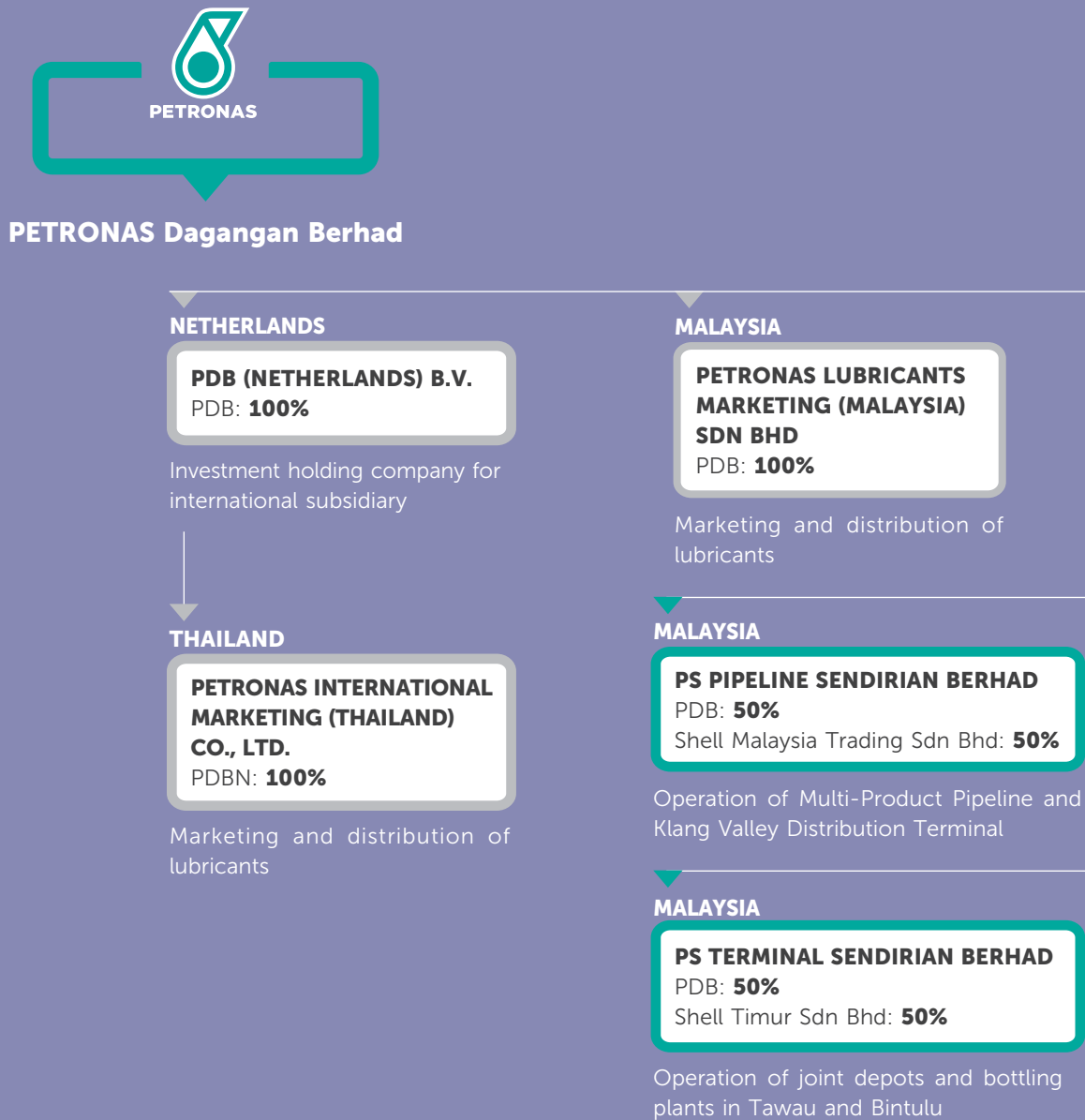
Other Service

- AutoExpert

Commercial Vehicle Lubricants

- Heavy duty diesel engine oil

GROUP CORPORATE STRUCTURE



■ Subsidiary ■ Joint Ventures ■ Associate

GROUP CORPORATE STRUCTURE



MALAYSIA

PETRONAS AVIATION SDN BHD
PDB: **100%**

Provides technical consultancy services

SAUDI ARABIA

**UNITED FUEL COMPANY LIMITED
LIABILITY COMPANY**

PAV: **40%**
Asyad Holding Company for Commercial
and Industrial Investment LLC: **33%**
Tama International Investment LLC: **27%**

Maintenance and operation services for
airport facilities and supply of aircrafts fuel

MALAYSIA

IOT MANAGEMENT SDN BHD
PDB: **20%**
Shell Timur Sdn Bhd: **10%**
Senari Synergy Sdn Bhd: **70%**

Operation of fuel and LPG terminal

MALAYSIA

**TANJUNG MANIS OIL TERMINAL
MANAGEMENT SDN BHD**
PDB: **20%**
Shell Timur Sdn Bhd: **20%**
Senari Synergy Sdn Bhd: **60%**

Operation of fuel terminal

MALAYSIA

**KUALA LUMPUR AVIATION
FUELLING SYSTEM SDN BHD**

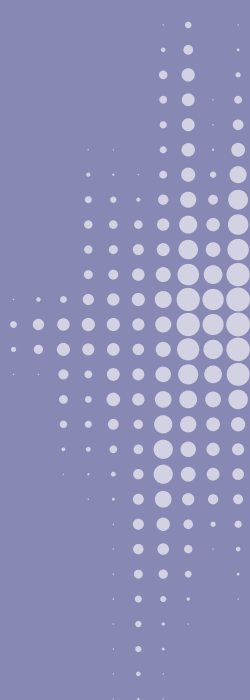
PDB: **65%**
Malaysia Airports (Properties)
Sdn Bhd: **20%**
Malaysia Airlines Berhad: **15%**

Operation of aircraft refuelling system at KLIA

MALAYSIA

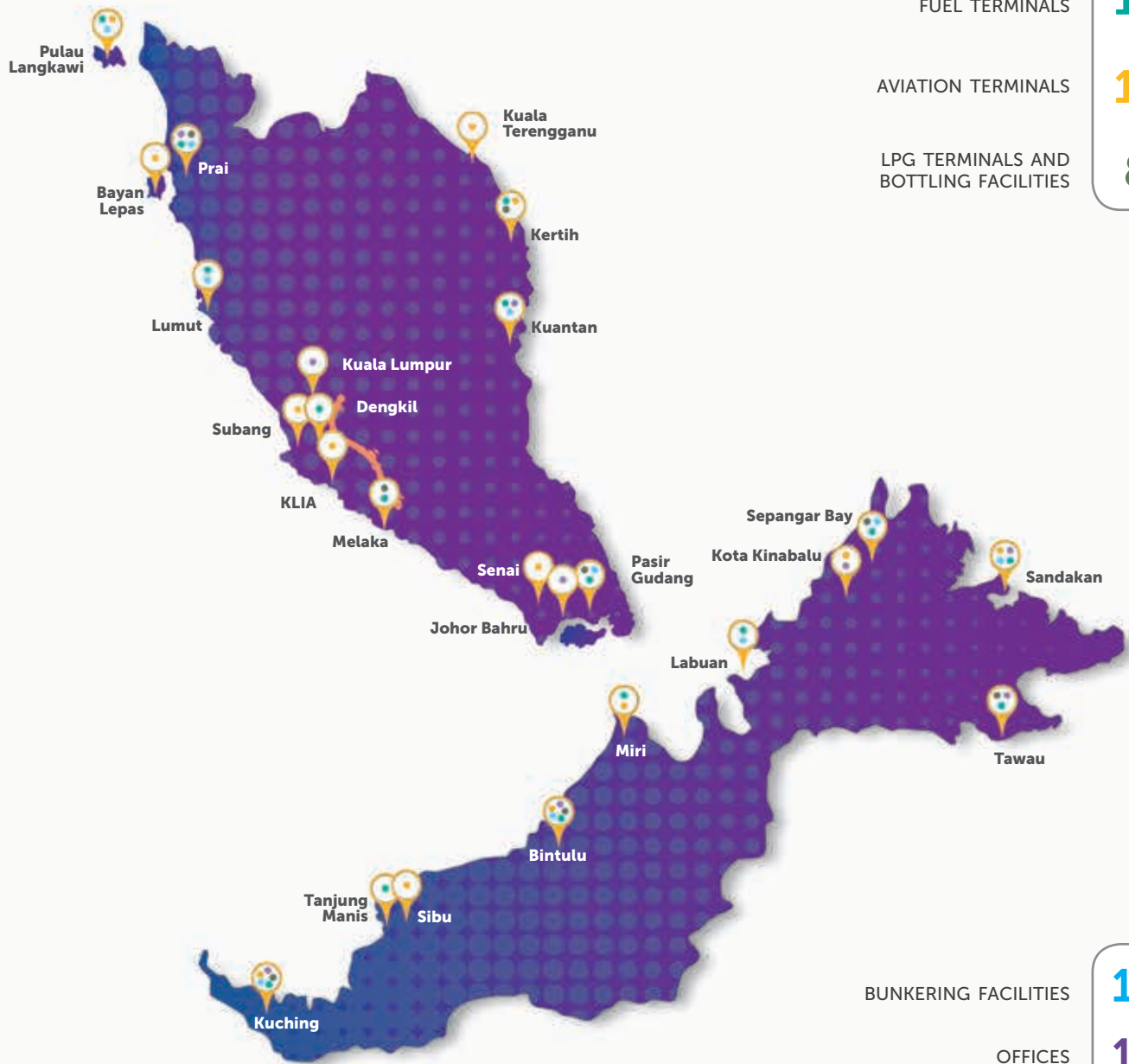
SETEL VENTURES SDN BHD
PDB: **100%**

Provides a seamless payment solution



WHERE WE OPERATE

MALAYSIA



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AVIATION TERMINALS 13

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BUNKERING FACILITIES 10

OFFICES 10

WHERE WE OPERATE

FUEL TERMINALS:

1. ASB Labuan
2. PST Bintulu (JV)
3. KVDT Dengkil (JV)
4. Kertih
5. Kuantan
6. IOT Kuching (JV)
7. Labuan
8. Lumut
9. Melaka
10. Miri
11. Pasir Gudang
12. Prai
13. Pulau Langkawi
14. Sandakan
15. Sepangar Bay
16. CODT Tanjung Manis (JV)
17. PST Tawau (JV)

LPG TERMINALS AND BOTTLING FACILITIES:

1. PST Bintulu (JV)
2. Kertih
3. IOT Kuching (JV)
4. Melaka
5. Pasir Gudang
6. Prai
7. Sepangar Bay
8. PST Tawau (JV)



Fuel Terminals



Aviation Terminals



LPG Terminals and Bottling Facilities



Lubricant Warehouse



Bunkering Facilities



Multi-Product Pipeline



Offices

AVIATION TERMINALS:

1. Bayan Lepas
2. Bintulu
3. Kertih
4. KLIA
5. Kota Kinabalu
6. Kuala Terengganu
7. Kuching
8. Miri
9. Pulau Langkawi
10. Sandakan
11. Senai
12. Sibul
13. Subang

BUNKERING FACILITIES:

1. PST Bintulu (JV)
2. Kuantan
3. IOT Kuching (JV)
4. Labuan
5. Lumut
6. Pasir Gudang
7. Prai
8. Pulau Langkawi
9. Sandakan
10. Sepangar Bay

OFFICES:

1. Bintulu
2. Johor Bahru
3. Kota Kinabalu
4. Kuala Lumpur
5. Kuantan
6. Kuching
7. Prai
8. Sandakan
9. Tawau
10. Bangkok

LUBRICANT WAREHOUSE:

1. Bangkok

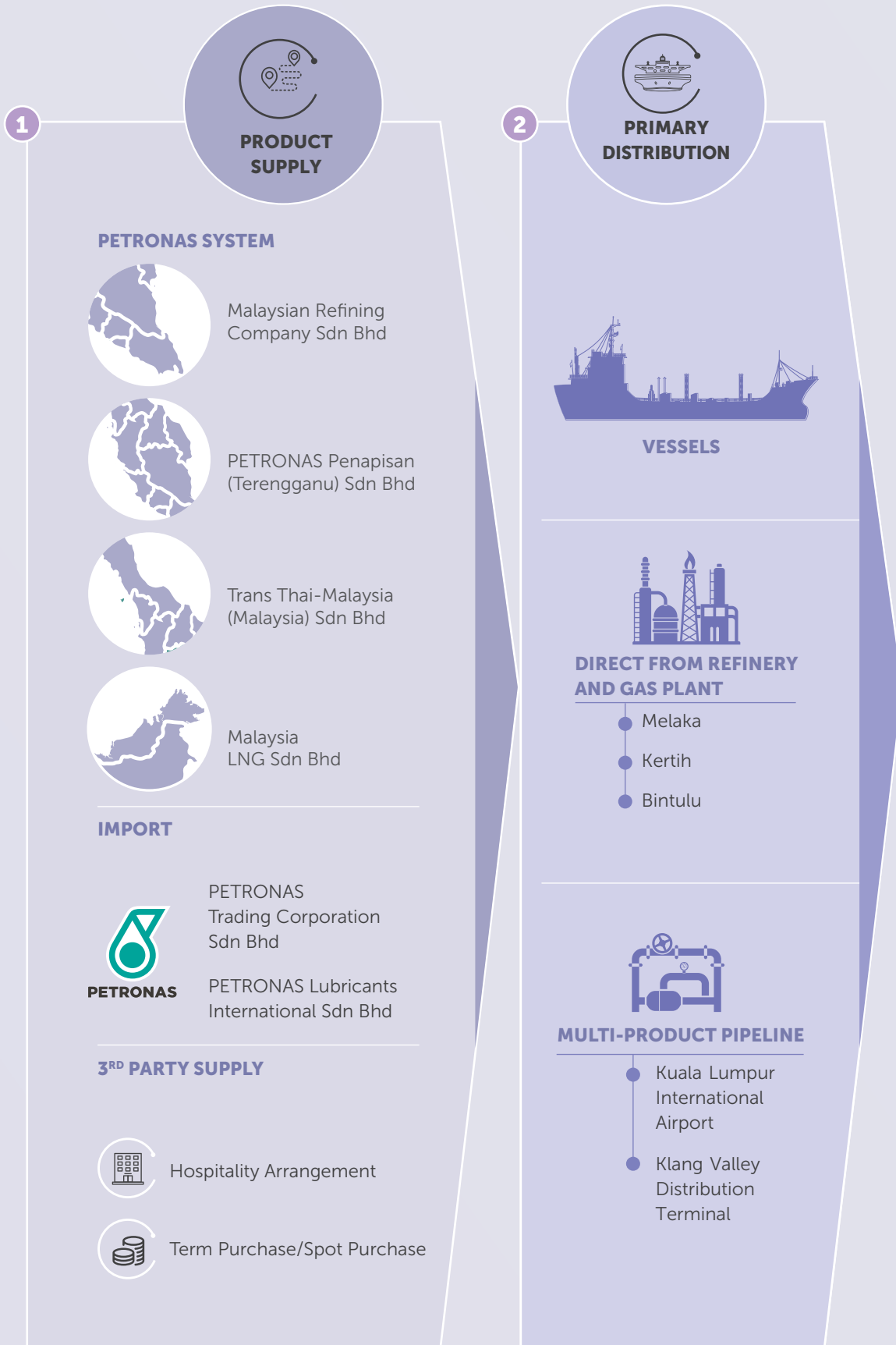
THAILAND



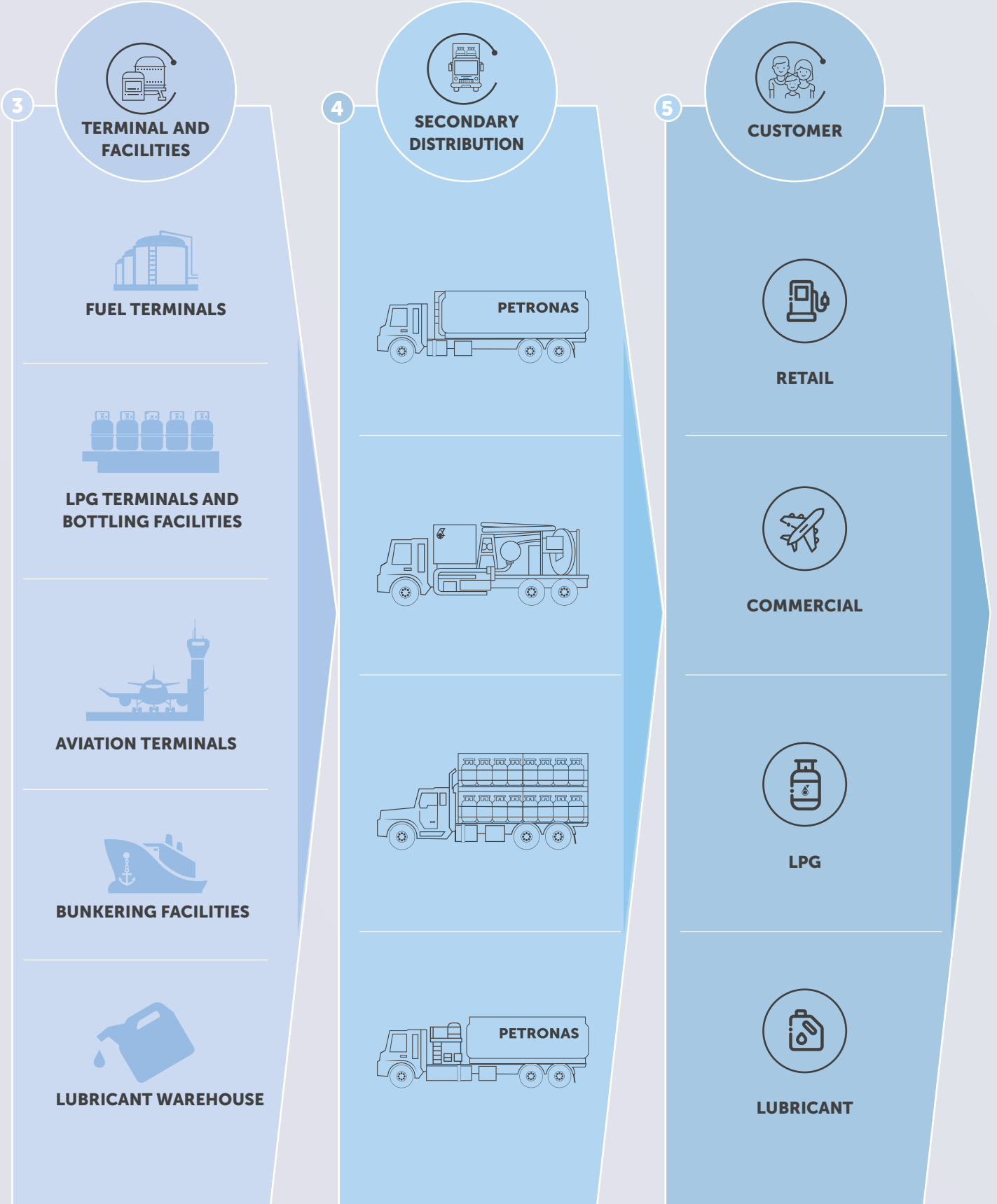
LUBRICANT WAREHOUSE

1

OUR VALUE CHAIN



OUR VALUE CHAIN



OUR STRATEGIC ALLIANCES



BUSINESS PARTNERS



CUSTOMERS



BANKING FACILITIES



AUTHORITIES





// Our tagline **“Move Like Never Before”** is not just an advertising slogan, it is the underlying philosophy of our approach to business. In order to lead the game and ensure sustainability, we must be relentless in our pursuit of exceeding customer expectations. Our aim is to create a seamless and frictionless customer experience. **//**

AZRUL OSMAN RANI

*Managing Director/
Chief Executive Officer*



M D / C E O ' S S T A T E M E N T

ON BEHALF OF THE BOARD OF DIRECTORS, IT GIVES ME GREAT PLEASURE TO PRESENT TO YOU PETRONAS DAGANGAN BERHAD'S INTEGRATED REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019.

IT IS AN HONOUR FOR ME TO TAKE UP PDB'S MD/CEO ROLE FROM 1 JANUARY 2020, SUCCEEDING YBHG. DATO' SRI SYED ZAINAL ABIDIN, WHO HAS LED OUR COMPANY THROUGH ITS TRANSFORMATION JOURNEY FOR THE PRECEDING YEAR AND A HALF. I WOULD LIKE TO OFFER MY DEEPEST GRATITUDE TO THE CHAIRMAN AND THE BOARD FOR THE CONFIDENCE THEY HAVE SHOWN BY ENTRUSTING ME WITH THIS POSITION.

I TAKE-ON THE ROLE AT A TIME WHEN OUR COMPANY IS IN A COMMANDING POSITION WITHIN OUR INDUSTRY AND I AM DETERMINED TO BUILD ON THE LEGACY OF MY PREDECESSOR BY ACCELERATING THE PACE OF CHANGE IN OUR TRANSFORMATION JOURNEY. GOING FORWARD, OUR FOCUS IS TO KEEP DELIVERING SUSTAINABLE VALUE THAT OUR STAKEHOLDERS, RIGHTLY, EXPECT FROM US.

DEAR SHAREHOLDERS,

PETRONAS Dagangan Berhad continues to evolve as a business. While we remain focused on our goal of being Malaysia's leading fuel retailer, we also believe that our future lies in being much more than that. We must be, first and foremost, a service provider, dedicated to providing a seamless and frictionless customer experience across our business.


OPERATING ENVIRONMENT

Our transformation journey in 2019 continued against a challenging backdrop. The global economy was negatively impacted by a confluence of trade tensions between the US and China, growing tensions in the Middle East and volatility in global energy prices. Domestically, the Malaysian economy saw moderate growth but was affected by the deferral of major infrastructure projects and a more cautious approach by businesses as they familiarised themselves with the policies of the new government.

MD/CEO'S STATEMENT

“In 2019, we continued our transformation journey to future-proof our organisation by upgrading our existing assets, embracing new technologies and investing in the right people to drive our transformation agenda.”


We also faced intensifying competition in the domestic market. Today, our competitors are no longer just other fuel retailers, because the traditional business model itself is being threatened by new technology. The switch to more fuel-efficient vehicles and public transportation has lessened the demand-growth for petrol and diesel. Similarly, the growing prominence of cleaner energy is shifting the demand landscape, while technologies like e-hailing and e-commerce platforms have transformed the way people travel and consume. Changing consumer sentiment has also led to a strong push for incorporating sustainable practices into business and we have responded to this by integrating sustainability planning into our strategy and operations.

 For more information on Operating Environment and Market Outlook, please refer to pages 39 to 43 of this <IR>

OUR STRATEGY

I am pleased to share with you that PDB recognised these trends early and has already made strong progress in adapting to these new challenges and in embracing the opportunities that they are creating. In 2019, we continued our transformation journey to future-proof our organisation by upgrading our existing assets, embracing new technologies and investing in the right people to drive our transformation agenda. Our tagline *“Move Like Never Before”* is not just an advertising slogan, it is the underlying philosophy of our approach to business. In order to lead the game and ensure sustainability, we must be relentless in our pursuit of exceeding customer expectations. Our aim is to create a seamless and frictionless customer experience.

Our growth strategy is anchored on four key areas – achieving Market Leadership in all our business segments; being Safe, Reliable and Efficient in operations; providing a Great Place to Work for our employees; and being Digitally Enabled to leverage the power of technology in accelerating growth. The implementation of our strategy has had a visible impact on our business during this period and we aim to accelerate the pace of transformation going forward.

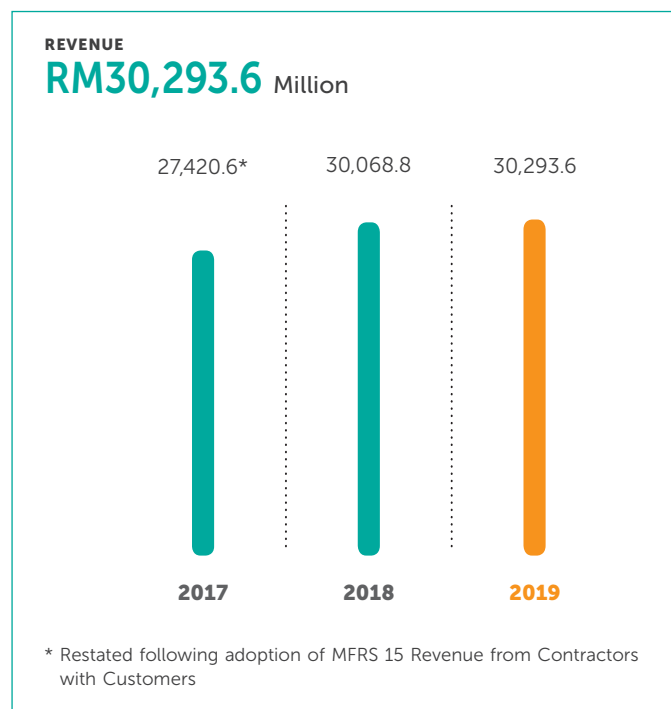
 For more information on Our Strategy, please refer to page 54 of this <IR>

OUR FINANCIAL PERFORMANCE

I am pleased to announce that for the year under review, the Company achieved a strong set of business and financial results, despite the challenging operating environment and stiff competition. PDB registered a record sales volume of 15.6 billion litres and a total revenue of RM30,293.6 billion for the financial year ending 31 December 2019. PDB recorded Profit After Tax of RM837.6 million for the year.

In view of these results, the Board is pleased to announce that the Company has declared a total dividend for the year of 85.0 sen per ordinary share which includes special dividend of 15.0 sen, which represents a 21.0% increase from 2018. This equates to a payout ratio of 104.0%, our highest payment ratio since 2014 and exceeding our dividend policy of 50.0% of the Company's Profit After Tax.

 For more information on Our Financial Performance, please refer to pages 76 to 83 of this <IR>



MD/CEO'S STATEMENT

In 2019, PDB **outgrew the industry average growth and achieved record sales volume** of 15.6 billion litres, highest since 2014 amidst a challenging market environment.

ACHIEVING MARKET LEADERSHIP

The impact of our transformation journey is visible across all our business segments as we continue to focus on delivering a seamless and frictionless customer experience and leveraging on technology to drive growth.

In 2019, PDB outgrew the industry average growth and achieved record sales volume of 15.6 billion litres, highest since 2014 amidst a challenging market environment. Our aggressive push for growth is anchored on our customer-first mindset, where we continuously design and develop solutions and experiences to delight and exceed our customers' expectations, which in turn strengthened our position as their preferred brand of choice. Our continued focus on driving operational excellence also gave us the edge to maintain cost competitiveness. In addition, we also widened our markets through cross-selling of our products across our business segments.

Over and above this, we ensure that we continue to invest in developing our people to strengthen the very foundation of our businesses.

Our **Retail Business** performed strongly in 2019. During the year, we were focused on enhancing our products and services, elevating customer experience, having the right station at the right place, and ensuring our stations are 'Clean, Bright and Safe' to increase patronage.

Fuel sales remain our biggest earner and to fuel our continued growth, in 2019, we introduced the new PETRONAS Primax 95 with Pro-Drive, which was later upgraded to be Euro 4M-compliant ahead of the Government's gazetted date. The new fuel has generated 9.0% growth in sales volume as compared to 2018.

Our strategy for Retail Business recognises that we have to be able to offer our customers more than just fuel, offering them convenience and an experience that differentiates us from our competitors. To deliver on this experience, we continued our programme of targeted expansion and upgrading works for our stations. In 2019, we operationalised

eight new stations at strategic locations and completed asset refresh and refurbishment works at close to 70 stations and 50 *Kedai Mesra*, respectively. *Kedai Mesra*'s income increased as a result of a positive response to the new Mesra concept as well as expanded offerings of food solutions. In addition, PDB introduced *Makan@Mesra* which offers local food, kuih muih, pastries, sandwiches and many more. In our efforts to grow the non-fuel segment and widen offerings for our customers, we also established strategic partnerships with ~90 new partners.

Capitalising on digital technology, we also launched the *Mesra* Redemption portal for customers to instantly make redemptions online, with offerings from 81 partners for instant redemption.

Setel®, Malaysia's first mobile application that creates seamless on-the-go refuel and retail experience for PETRONAS customers. In 2019, we expanded Setel® to more than 300 stations and increased the number of users to more than half a million. Following the increasing popularity of Setel®, it has been recognised as one of the top-5 applications in Malaysia. Our aim for 2020 is to make Setel® available nationwide and expand the number of features available through the application. We have also expanded our ROVR service to better-serve our commercial customers and will soon extend this to our Retail customers in 2020.

We believe that this combination of offering quality products, value-add loyalty programmes and widened access to lifestyle brands and experiences in a single point will underpin our continued growth despite the challenges to the traditional retail model.

Our **Commercial Business** continued to strengthen in 2019. Our strong customer-centric approach helped us win new supply contracts and defend existing contracts for both Diesel and Jet A-1 Fuel despite strong competition. Demand for Diesel declined as a result of major infrastructure projects in Malaysia being deferred. At the same time, the growing use of fuel-efficient technologies in the aviation industry is impacting our aviation fuel sales. Despite the tough business environment, we increased total sales volumes by 4.2% from the previous year by securing new supply contracts.


Our **LPG Business** continued to grow positive sales volumes. In 2019, we continued to expand and upgraded our dealer network to widen sales of gas cylinders to households. We have also leveraged on our network of stations with our LPG@PS strategy, which is now available at 20 stations, up from 5 stations in 2018. We also continue to see strong growth among commercial users nationwide.

MD/CEO'S STATEMENT

Our **Lubricant Business** offers very strong growth potential. We aim to become the market leader by maintaining and expanding PETRONAS' relationships with local and global OEMs, focus towards broadening our market penetration and improving our brand presence into outlets and workshops; we want to be disruptive in the market by uncovering needs and delivering value sustainably to our customers and partners. Underpinning this strategy will be Technology; a Winning Differentiator in responding to the needs of our customers, OEM partners and the industry.

On top of that, we also introduced the latest addition to PETRONAS flagship motorcycle engine oils, PETRONAS Sprinta with UltraFlex™ technology. It is fast growing in popularity amongst customers, in particular Sprinta F700.

With all the efforts in place, coupled with our winning of new supply contracts for key accounts, our sales volume in 2019 almost doubled from the previous year.


 For more information on Business Review, please refer to pages 58 to 75 of this <IR>

SAFE, RELIABLE AND EFFICIENT

In 2019, we continue to place utmost emphasis on safety even as we grow in terms of volume and scale. Nothing matters more to us than the safety and well-being of everyone involved in our business, not just our employees but also our contractors, suppliers, distributors, business partners and customers.

Our commitment to achieve world-class HSE Excellence is reflected in PDB's excellent safety performance in 2019, with zero major HSE incident across terminals as compared to the previous year. This is a testament of our commitment to a strong HSE culture and the effectiveness of our ongoing engagements with the employees and *Rakan Niaga/Dealers* such as "*Jom Patuh dan Tegur*" (Let's Comply and Intervene), Behavioural Recognition Programme, a programme to recognise good safety behaviours, and enhancement of our competency as well as procedures in safety process.

During the year, we continue to improve reliable and timely product delivery to our customers, equipment efficiency whilst reduced primary and secondary distributions.


 For more information on Safe, Reliable and Efficient, please refer to pages 58 to 60 of this <IR>

GREAT PLACE TO WORK

Having the right people in our workforce is crucial to delivering on our promise of seamless and frictionless customer experience. Accordingly, we will continue to invest in developing our people to equip them with the necessary skills to help drive our transformation journey.


The core principles and ideals that PDB apply in our day-to-day working lives are derived from the PETRONAS Cultural Beliefs and we have implemented programmes to apply these values within our company.

As part of our strategy to build the workforce that we need, we are also accelerating the recruitment of talent with the skills and experience necessary to execute our transformation plan. Our investment in people is critical to building an empowered, enabled and agile workforce that embodies our world-class work culture. Alongside that, we have invested in ensuring that our facilities offer a conducive work environment for our employees, both physically and through optimised work processes. Additionally, we also continue to invest in raising the capabilities of our *Rakan Niaga*, business partners and contractors to help them adopt our high performance culture.

 For more information on Great Place To Work, please refer to pages 172 to 181 of this <IR>

DIGITALLY ENABLED

In implementing our transformation strategy, our embrace of technology to drive growth has been comprehensive for both our business and operational sides. We have taken a major step forward in this direction in 2019, with the appointment of our first Chief Technology Officer to drive all aspects of our digital strategy. Having the right people is essential to enabling us to execute our transformation strategy successfully. As we increasingly focus on technology to drive our growth, we need to build a workforce that is competent and capable of utilising that technology effectively to play their part in executing our growth strategy.

 For more information on Digitally Enabled, please refer to pages 74 to 75 of this <IR>

OUR COMMITMENT TO SUSTAINABILITY

We consistently inculcate workplace culture that drives safe, reliable and efficient operations in our Company. We recognise that financial profitability and sustainable development must go hand-in-hand, thus we are committed to balancing economic growth, environmental protection and social responsibility.

In 2019, PDB's Board has approved our new sustainability framework which focuses on 8 United Nations Sustainable Development Goals. Our long-term sustainability vision is aimed at managing our Economic, Environmental and Social risks and opportunities to create net positive impact in the long term. This vision serves as the core of our focused sustainability initiatives.

PDB constantly seeks innovative solutions for the mutual benefit of all parties in the ecosystem. In support of low carbon energy landscape and in-line with the Government's vision, we have demonstrated our efforts through:


- Expanded the availability of PETRONAS Dynamic Diesel Euro 5 with Pro-Drive;
- Early rolled out of Euro 4M for RON95 nationwide;
- Supply of Low Sulfur Fuel Oil to comply with IMO requirements;
- Upgraded B7 Diesel to B10 Diesel which helped reduce 436,023 CO₂e from the transportation sector's GHG emission;

MD/CEO'S STATEMENT

- The installation of solar panels at 6 PETRONAS stations in 2019 which had generated approximately 103.9 MWh of electricity; and
- Provided ChargeEV facilities at 60 PETRONAS stations

We will continue to create positive alliances with the communities residing in areas where we operate by protecting and adding value to the well-being of employees, partners and the society at large.


During the year, we continued to be listed in the FTSE4Good Bursa Malaysia Index which further strengthened our ratings and indicated that we are on the right track in meeting our responsibilities.

 For more information on Our Commitment to Sustainability, please refer to pages 150 to 188 of this <IR>

ACCOLADES

PDB won several prestigious awards in 2019 that recognised our strong performance in a number of areas, including:

- MSWG-ASEAN Corporate Governance Awards 2018
- Putra Brand Platinum Award and inducted into the Hall of Fame by Putra Brand Awards in conjunction with PDB's 10th consecutive win in the Automotive – Fuel, Lubricant and Accessories Category.
- 7 Gold Awards at the Annual Productivity & Innovation Convention 2019 (APIC) by Malaysian Productivity Convention.
- 17 Gold Awards at the Malaysian Society for Occupational Safety and Health Awards.

 For more information on Awards and Accolades, please refer to pages 32 to 33 of this <IR>

OUTLOOK

Malaysia's economy is expected to remain challenging in 2020, supported by private sector activities. Consumer spending will remain cautious, particularly for big-ticket items such as houses and cars coupled with large-scale infrastructure projects and ramps-up fiscal stimulus.

While these trends are supportive of the business environment, demand for fuel will continue to be dampened by the ongoing shift towards cleaner and more efficient fuels, as well as changing transport trends. Alongside that, the rapid growth of the digital landscape will continue to change the buying habits of Malaysian consumers, resulting in fewer physical shopping trips.

The outlook remains resilient with domestic demand anchoring growth, and positive development on US-China trade war may ease the pressure on global economy. Nevertheless, near-term growth prospects will be weighed by the ongoing COVID-19 outbreak since early 2020. The

impact on Malaysian economy will be felt largely in tourism-related sectors and in the manufacturing sector through disruptions within the global supply chain and the expected slowdown in China's economy.

Additionally, with the recent change in the nation's political landscape in 2020, we will adapt accordingly and support any new policies, whilst continuing our focused efforts for growth.

Given the outlook for 2020 and these longer-term trends, we believe that our strategy of focusing on customer-centricity, widening our offerings, greater cross-selling of our products and services, and adopting strong sustainability practices positions us for continued growth in the year ahead and beyond in the fast-evolving landscape.

 For more information on Outlook, please refer to pages 39 to 43 of this <IR>

ACKNOWLEDGEMENTS

Firstly, I wish to thank our customers for their support during the year, as we continue our transformation journey. I would also like to express my gratitude to all our shareholders for your continued confidence in us. We look forward to continuing to earn your trust in the year ahead.

2019 was a year of change and challenges for PDB and I would like to thank the LTs for their dedication and loyalty to the Company.

I wish to express my deepest appreciation to our Chairman and to our Board for their support in ensuring the successful execution of the Company's strategy, which delivered the business and financial performance that our stakeholders expect.

I would like to express my particular appreciation to my predecessor, YBhg. Dato' Sri Syed Zainal Abidin Syed Mohamed Tahir for the leadership that he provided to PDB during his tenure as MD/CEO.

I would also like to acknowledge Encik Ikhwan Hamzah Azizan and Encik Mahadzer Arshad for their contributions during their tenures in the Leadership Team. With their departures, I would like to welcome Encik Wan Yussman Wan Yusof and Ms. Pramela Vallinayagan who have recently joined us.

Finally, I would like to thank all our *Rakan Niaga*, Dealers, business partners and contractors who have enabled us to continue delivering the best possible service for our customers. I also would like to extend my thank you to the press and media for their coverage on PDB. You are an essential part of our growth story and we are honoured to have you with us on our transformation journey.

CHIEF FINANCIAL OFFICER'S REVIEW



“2019 was another solid year for the Group as we registered a RM1.2 billion PBT which marks our fifth successful year in sustaining PBT above RM1 billion.”

NORLIWATI ABDUL WAHAB
Chief Financial Officer

Our strong performance was achieved on the back of a record sales volume of 15.6 billion litres, which grew by 5.0% and is our highest sales volume since 2014.

Our impressive performance and sound financials translated into a total dividend of 85.0 sen per share. This represents a payout ratio of 104.0%, our highest payout ratio since 2014 and affirms our commitment to return value to our shareholders.

With our robust balance sheet and strengthened cash position, the Group is in a firm position to continue and *Move Like Never Before*, in pursuit of our growth agenda.



REVENUE

RM30.3 Billion
2018: RM30.1 Billion

Increased by 1.0% due to higher than market volume growth.



PBT

RM1.1 Billion
2018: RM1.1 Billion

5th consecutive year of PBT exceeding RM1 billion.



DIVIDEND

Declared	Payout Ratio
85.0 sen	104.0%
2018: 70.0 sen	2018: 86%

Highest dividend payout ratio since 2014.



ASSETS

Total Asset	Cash
RM10.0 Billion	RM3.4 Billion
2018: RM9.2 Billion	2018: RM2.2 Billion

Robust balance sheet and strengthened cash.

OUR RESULTS

Group Financial Summary

RM million	2019	2018	Variance
Revenue	30,293.6	30,068.8	0.7%
Gross Profit	3,213.9	2,850.8	12.7%
Profit Before Taxation	1,128.9	1,177.0	-4.1%

Overall Financial Performance Review

For the financial year ended 31 December 2019, PDB Group registered revenue of RM30,293.6 million, an increase of 0.7% from last year, contributed by strong sales volume performance across most businesses. Gross profit increased by RM363.1 million, or by 12.7%, attributable to higher volume and strengthened petroleum product prices trend. In addition, the higher gross profit was also contributed by higher revenue following the increase in dealer's commission as a result of the Automatic Pricing Mechanism revision in January 2019. Consequential to this, selling and distribution expenses also increased with overall zero net impact to the Group's PBT.

Operating expenditure for the Group comprising selling and distribution as well as administrative expenses increased by RM409.0 million or 19.5%. Excluding the impact of dealer's commission as explained above, our operating expenditure increased by 7.7% due to transportation costs, advertising and promotion expenses and depreciation charges reflecting our asset refresh programmes and higher network services costs. These expenses are in line with our transformation efforts to create a seamless and frictionless experience for our customers.

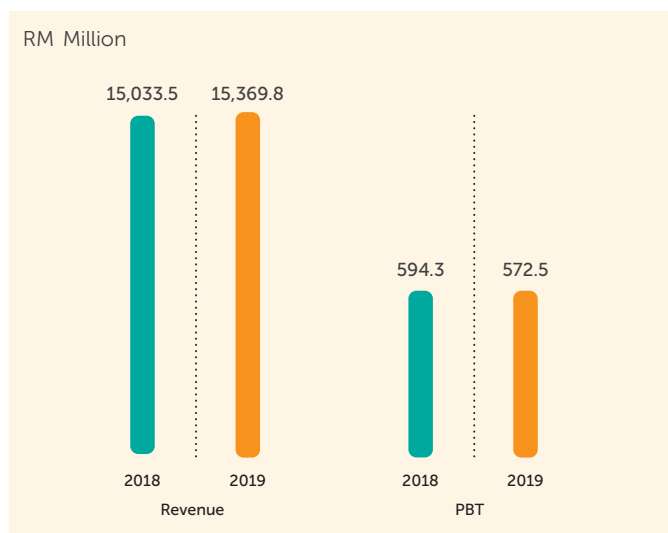
Other income grew by 3.4% or RM14.6 million contributed by higher *Kedai Mesra* income, resulting from our continuous efforts to grow the non-fuel segment. The increase was also contributed by higher interest income following improved cash management and higher cash balances.

CHIEF FINANCIAL OFFICER'S REVIEW

SEGMENTAL PERFORMANCE REVIEW

The Group's reportable segments comprise Retail, Commercial and Others. Retail Segment consists of sales and purchases of fuel, LPG and Lubricant to retail sector, while Commercial Segment consists of sales and purchases to commercial sector. Others consist of aviation fueling and technical services as well as business activities other than Retail and Commercial Segments. The combined Retail and Commercial Segments represent 99.0% of the Group's revenue and PBT.

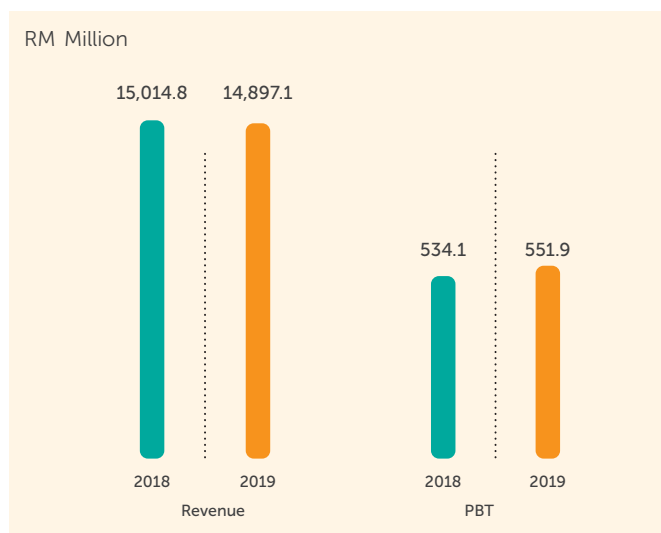
Retail Segment



In 2019, Retail Segment's revenue grew by 2.2% following higher sales volume of 6.1% mainly for Mogas and Diesel. The increase in volume was mainly attributed to the new PETRONAS PRIMAX 95 with Pro-Drive which was launched in January 2019. In addition, higher number of operational stations and improved stations productivity also contributed to the volume growth.

PBT decreased by RM21.8 million mainly due to higher operating expenses incurred for advertising and promotions, depreciation and amortisation as well as network services costs.

Commercial Segment



Commercial Segment's revenue decreased marginally by 0.8% following lower average selling prices by 4.9%. This was offset by an increase in sales volume of 4.0% contributed by Diesel and Jet A-1. Diesel volume increased following higher demand from upstream sector while Jet A-1 recorded higher sales from existing customers and new contracts secured.

PBT increased by RM17.8 million or 3.3% compared to last year in line with higher sales volume.

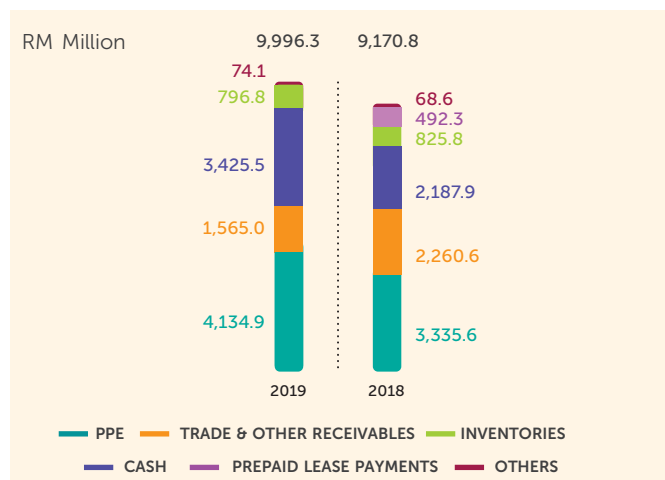
CHIEF FINANCIAL OFFICER'S REVIEW

FINANCIAL POSITION

FY2019 saw the Group adopt MFRS 16 – Leases. The main impact of the adoption of MFRS 16 is the introduction of a single, on balance sheet lease accounting for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Right-of-use assets and prepaid lease payments are included under property, plant and equipment in the statement of financial position. The lease liabilities are included as borrowings in the statement of financial position.

Total Assets



The Group's total assets stood at RM9,996.3 million, an increase of 9.0% compared to last year mainly due to higher cash and cash equivalents arising from net cash generated from operating activities.

This increase in asset was also contributed by recognition of right-of-use assets amounting to RM231.9 million in line with the adoption of MFRS 16.

CASH FLOW

The Group's cash and cash equivalents increased to RM3,425.5 million as at 31 December 2019, an increase of RM1,237.9 million or 56.6% from RM2,187.9 million as at 31 December 2018.

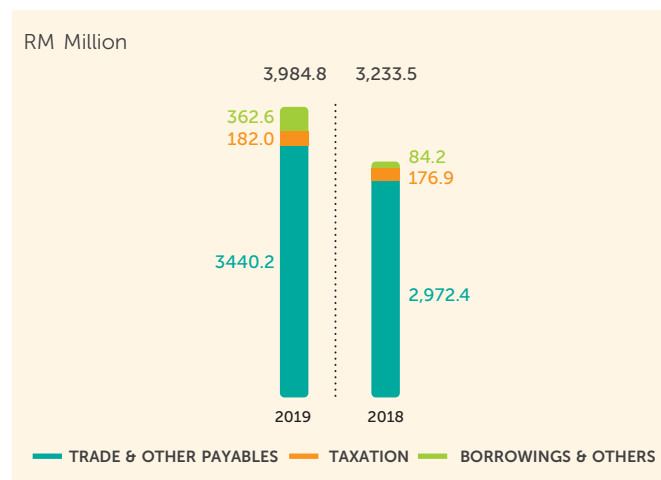
Net cash generated from operating activities was higher by RM2,326.8 million or more than 100.0% following receipt of subsidy and GST receivable as well as timing difference on payments to suppliers. Cash used for investing activities recorded an outflow of RM305.2 million, following investments in asset refresh programmes and digitalisation initiatives. Cash outflow from financing activities was lower by RM95.2 million following higher outflow incurred in last financial year for special dividend paid to shareholders in Quarter 1 FY2018.

RETURN TO SHAREHOLDERS

PDB has a dividend policy of 50.0% of the Company's PAT. However, our dividends declared have consistently exceeded the payout policy, while being able to maintain sufficient cash balance to fund the Company's investment and growth requirements.

For FY2019, the Company has declared interim and special dividends of 70.0 sen and 15.0 sen per ordinary share, respectively. This represented a total payout ratio of 104.0%, our highest payout ratio since 2014.

Total Liabilities



Total liabilities increased by 23.2% from RM3,233.5 million in 2018 to RM3,984.9 million in 2019 due to higher trade and other payables as a result of higher purchases made during the year. In addition, borrowings increased following recognition of lease liabilities in line with the adoption of MFRS 16. Excluding the impact of MFRS 16, borrowings would have reduced following repayment made during the year.

CHIEF FINANCIAL OFFICER'S REVIEW

During the year, various measures were undertaken to strengthen business operations in order to deliver a solid performance as well as to support initiatives to future-proof the business.



DISCIPLINED AND STRINGENT SPENDING

The year 2019 saw continuation of asset refresh programmes at the stations as we focused on delivering seamless and frictionless experience for our customers. In addition, there is a need to upgrade our infrastructure and invest in digital initiatives to differentiate ourselves and future-proof our business.

Whilst these investments are necessary, we have put in place a stringent review process to ensure our CAPEX spending are rigorously reviewed, meet our investment criteria and prioritised based on criticality and/or financial returns.

Operational expenses also continue to be monitored extensively in the organisation. Our operations continue to focus on cost optimisation initiatives such as renegotiation of term charter vessel contracts.



EFFICIENT MANAGEMENT OF WORKING CAPITAL AND LIQUIDITY

36.0% of the Group's net asset is made up of working capital, making it a continuous priority for us to manage our working capital effectively to ensure we have adequate funds to meet our operational requirements. Our focus areas are optimum inventory and liquidity management as well as stringent trade receivables management.

The Group's operations and performance are highly influenced by the volatility of petroleum product prices. Managing inventory and maintaining it at an optimum level is a key mitigation to minimise the financial exposure to the Group.

We maintain our inventory days at an optimum level of 8.2 days via an effective distribution channel and extensive network of supply. We put in place an Integrated Inventory Management system with improved forecasting of product

availability through end-to-end visibility and data automation to meet both retail and commercial customers' demand respectively.

Liquidity risk is managed by ensuring we maintain minimum sufficient cash balance. Weekly, monthly and longer term cashflow forecasts are prepared and scrutinised, while monitoring of daily cash outflows and inflows are done to ensure optimum working capital position.

The Group maintains a robust credit risk and TAR management through thorough assessment of credit worthiness of new and existing customers, based on PETRONAS Credit Risk Framework and Guidelines. In addition, rigorous monitoring of trade receivables are conducted to ensure timely collection and any overdues are diligently monitored.



For more information on PETRONAS Credit Risk Framework and Guidelines, please refer to pages 145 of this <IR>



EFFECTIVE RISK MANAGEMENT

Effective risk management is key in providing a strong foundation while we pursue our business and strategic objectives to ensure sustainable return to our shareholders. During the year, we elevated our risk practices through a revised risk policy and establishment of a dedicated Board Risk Committee which sets a strong tone from the top and provides an oversight role on various high impact business decisions.

The Group also established its risk appetite which defines the level or risk that the Group is willing to accept in pursuing its strategic objectives. To ensure a pervasive risk culture, rigorous risk assessment is mandated as part of decision making at management and Board level.



For more information on how we manage risks, please refer to pages 138 to 140 of this <IR>

CHIEF FINANCIAL OFFICER'S REVIEW



STRENGTHEN GOVERNANCE AND COMPLIANCE

The Group already has in place a strong governance structure, supported by approved policies, framework and processes. During the year, we continued to cultivate the importance of stronger governance and compliance in view of the legislations and regulatory controls of our new business ventures that we embarking on such as Setel®.

During the year, PDB enhanced its Limits of Authority to meet new business requirements and to tighten control on capital expenditure and investments while obtaining optimum balance of decision making, empowerment and further promoting a culture of accountability.

PDB also tightened its compliance practices through the establishment of Anti-Money Laundering and Counter Financing Terrorism (AML/CFT) Framework and the adoption of Third Party Risk Management (TPRM) Control. The AML/CFT Framework is established in line with Bank Negara Malaysia's guidelines to ensure our SmartPay and Gift Card businesses as well as Setel® are in full compliance with regulations. The TPRM adoption was implemented through a due diligence tool being the "know your customers" process which allows PDB to assess and safeguard PDB against reputational and legal risk posed by parties outside the organisation.



For more information on our governance and internal control, please refer to pages 145 to 146 of this <IR>

OUTLOOK

Looking forward, we are committed to *Move Like Never Before* and continue our customer-first mindset towards creating a seamless and frictionless experience for our customers.

We will continue to maintain a robust balance sheet, prudent cash management and strengthen fiscal discipline to ensure we are able to support our business requirements and future growth.

2019 HIGHLIGHTS

BUSINESS HIGHLIGHTS

Move Like Never Before

✓ Smooth ✓ Responsive ✓ Efficient

RETAIL



Launched **PETRONAS PRIMAX 95 WITH PRO-DRIVE**

EXPANDED SETEL® availability at >300 stations with **EXCELLENT** customer traction

Introduced **ROVR**, the first mobile refuelling service in the country

ENHANCED LOYALTY PROGRAMME through new *Mesra* Redemption portal with 81 partners

COMMERCIAL



Defended **MARKET POSITION**

Preserve **STRATEGIC PARTNERSHIPS**

Strengthened position as a **RELIABLE AND TRUSTED** fuel supplier

LPG



Malaysia's **NO. 1 COOKING GAS**

Sustained **MARKET LEADERSHIP**

Expanded **DEALERSHIP** network

LUBRICANT



Continued long-term **STRATEGIC** partnerships with **PROTON** and **PERODUA**

Top-tier premium lubricant product

Significant growth in **DIRECT B2B** segment and **HIGHSTREET**

Launched **PETRONAS AutoExpert**

Launched **PETRONAS Sprinta** with UltraFlex™

2019 HIGHLIGHTS

FINANCIAL HIGHLIGHTS



NEW
PETRONAS
PRIMAX 95
with Pro-Drive

**HIGHEST SALES VOLUME
SINCE 2014**

15.6
BILLION LITRE
2018 : 14.9 million litre

REVENUE

RM30,293.6
MILLION
2018 : RM30,068.8 million

PROFIT BEFORE TAX

RM1,128.9
MILLION
2018 : RM1,177.0 million

TOTAL ASSETS

RM9,996.3
MILLION
2018 : RM9,170.8 million

DIVIDEND PER SHARE

85.0
SEN
2018 : 70.0 sen

MARKET CAPITALISATION

RM22,948.8
MILLION
2018 : RM26,326.5 million

2019 HIGHLIGHTS

AWARDS AND ACCOLADES

BRAND AND MARKETING



PUTRA BRAND AWARDS 2019

- Platinum Award for Automotive Fuel and Lubricants
- Inducted into the Hall of Fame



#SEAC2019 CUSTOMER ENGAGEMENT AWARDS

- Capability Award Excellence in Content Marketing/ Native Advertising
- Capability Award Integrated Marketing Communication



THE LOYALTY AND ENGAGEMENT AWARDS 2019

- Gold for Best Use of Integrated Media
- Gold for Best Card-based Loyalty Programme
- Silver for Best Partnership in a Loyalty Programme

2019 DRAGONS OF ASIA MARKETING COMMUNICATIONS INDUSTRY AWARD PROGRAMME

- Silver Award for Best Innovative Idea or Concept



INNOVATION

ANNUAL PRODUCTIVITY AND INNOVATION CONVENTION 2019

- Gold Award by Prai Fuel Terminal
- Gold Award by Prai LPG Terminal
- Gold Award by Subang Aviation Terminal
- Gold Award by Bintulu LPG Terminal
- Gold Award by Kota Kinabalu Aviation Terminal
- Gold Award by Bintulu Aviation Terminal
- Gold Award by Kuching Aviation Terminal



2019 HIGHLIGHTS

HSE

MALYSIAN SOCIETY FOR OCCUPATIONAL SAFETY AND HEALTH AWARDS

Gold Merit:

- Kuantan Fuel Terminal
- Melaka Fuel and LPG Terminals
- Pasir Gudang Fuel and LPG Terminals
- Bintulu LPG Terminal
- Kota Kinabalu Aviation
- Kuching Aviation

Gold Class I:

- Kertih Fuel and LPG Terminals
- Lumut Fuel Terminal
- Langkawi Fuel Terminal
- Sepang Bay Fuel and LPG Terminals
- Labuan Fuel Terminal
- KLIA FFB Aviation
- Subang Aviation
- Sandakan Fuel Terminal
- KAFS Aviation
- Bayan Lepas Aviation
- Miri Fuel Terminal
- Senai Aviation



NATIONAL COUNCIL FOR OCCUPATIONAL SAFETY AND HEALTH AWARD

- Best in Transportation category
- Best in Wholesale and Retail category



GOVERNANCE

INTERNATIONAL CONVENTION ON QUALITY CONTROL CIRCLES 2019, TOKYO

- Corporate Governance Award



NATIONAL ANNUAL CORPORATE REPORT AWARDS 2019

- Certificate of Merit



MSWG-ASEAN CORPORATE GOVERNANCE AWARDS 2018

- 1st Place for Excellence Award for Overall Corporate Governance and Performance
- 2nd Place for Excellence Award for Corporate Governance Disclosure
- 1st Place for Industry Excellence Award - Consumer Products and Services



INVESTOR RELATIONS

IR MAGAZINE AWARDS – SOUTHEAST ASIA 2019

- Best in Country: Malaysia



CORPORATE MILESTONES

1980
1989



1981

- PDB operated its first PETRONAS service station at Taman Tun Dr. Ismail

1985

- Introduced the first PETRONAS lubricant, PETRONAS LUBRAM, in the market

1982

- Incorporated on 5 August as PETRONAS Dagangan Sdn. Bhd.

1987

- PETRONAS Dagangan Sdn. Bhd. launched its first unleaded fuel, PRIMAS

1993

- Converted to a public company on 21 August

1994

- Listed on the Kuala Lumpur Stock Exchange
- Launched PRIMAS PX2

1996

- Establishment of *Kedai Mesra* and new station image

1990
1999



2000
2009



2000

- Launched a new unleaded petrol, PETRONAS Primax
- Introduced PDB's website www.mesra.com.my to establish online presence

2004

- Introduced PETRONAS Primax Baru

2006

- Launched a new fuel, PETRONAS Primax 3

2001

- PDB offered *Kad Mesra*, Real Rewards Loyalty Programme to its customers

2009

- Introduced PETRONAS Urania, PETRONAS Primax 95 and PETRONAS Dynamic Diesel

2002

- Official launch of Mesralink

2010

- Introduced PETRONAS Primax 97

2011

- Launched PETRONAS Primax 95 Xtra

2012

- Launched the 1001st PETRONAS station at Wangsa Maju
- Launched Gas PETRONAS Home Delivery
- Launched the first-of-its-kind twin stations namely, PETRONAS Station Solaris Serdang and PETRONAS Station Solaris Putra
- Regional expansion to the Philippines, Thailand and Vietnam

2010
2018



CORPORATE MILESTONES

2013

- Launched the first fully branded automobile workshop, PETRONAS LubeXperts
- Rolled out PDB's Corporate Social Responsibility programme, 'Water For Life'
- Unveiled the improved PETRONAS SmartPay Chip Card
- Launched the first LPG Flexspeed facility in Melaka

2014

- Introduced PETRONAS Syntium 7000 Lubricant
- Launched PETRONAS Primax 95 with Advanced Energy Formula
- Appointed Lewis Hamilton, driver of the Mercedes-AMG PETRONAS Formula One™ Team as the Technical Performance Consultant for PETRONAS Primax range of fuels and PETRONAS Syntium range of lubricants

2015

- Launched PETRONAS Syntium °CoolTech™
- First to launch the new Euro 4M compliant PETRONAS Primax 97 with Advanced Energy Formula
- Launched the first-of-its-kind LPLFRD in Southeast Asia at LIMA'15

2016

- Relaunched PETRONAS Urania with ViscGuard™
- Launched PETRONAS Syntium SE, a high quality engine oil blended exclusively for PROTON
- PDB became the first non-Japanese lubricant company certified by HONDA as their supplier
- Launched the first Unmanned Terminal at Lumut, Prai, Melaka and Kertih Fuel Terminals

2017

- Introduced Breakfast Solutions, Mornings@Mesra
- Commenced selling products and merchandise through e-commerce platform
- Launched Gas2u, the first cooking gas ordering mobile application in Malaysia
- Launched the new PETRONAS Dynamic Diesel Euro 5 with Pro-Drive
- Introduced ChargEV facilities at selected PETRONAS stations

2018

- PETRONAS was named Brand of the Year by Putra Brand Awards
- Launched Setel®, Malaysia's first mobile application that creates seamless on-the-go refuel and retail experience for PETRONAS customers
- PDB was awarded Company of the Year at the Edge Billion Ringgit Club and Corporate Awards
- Introduced PETRONAS' white label brand, Mesra Bites

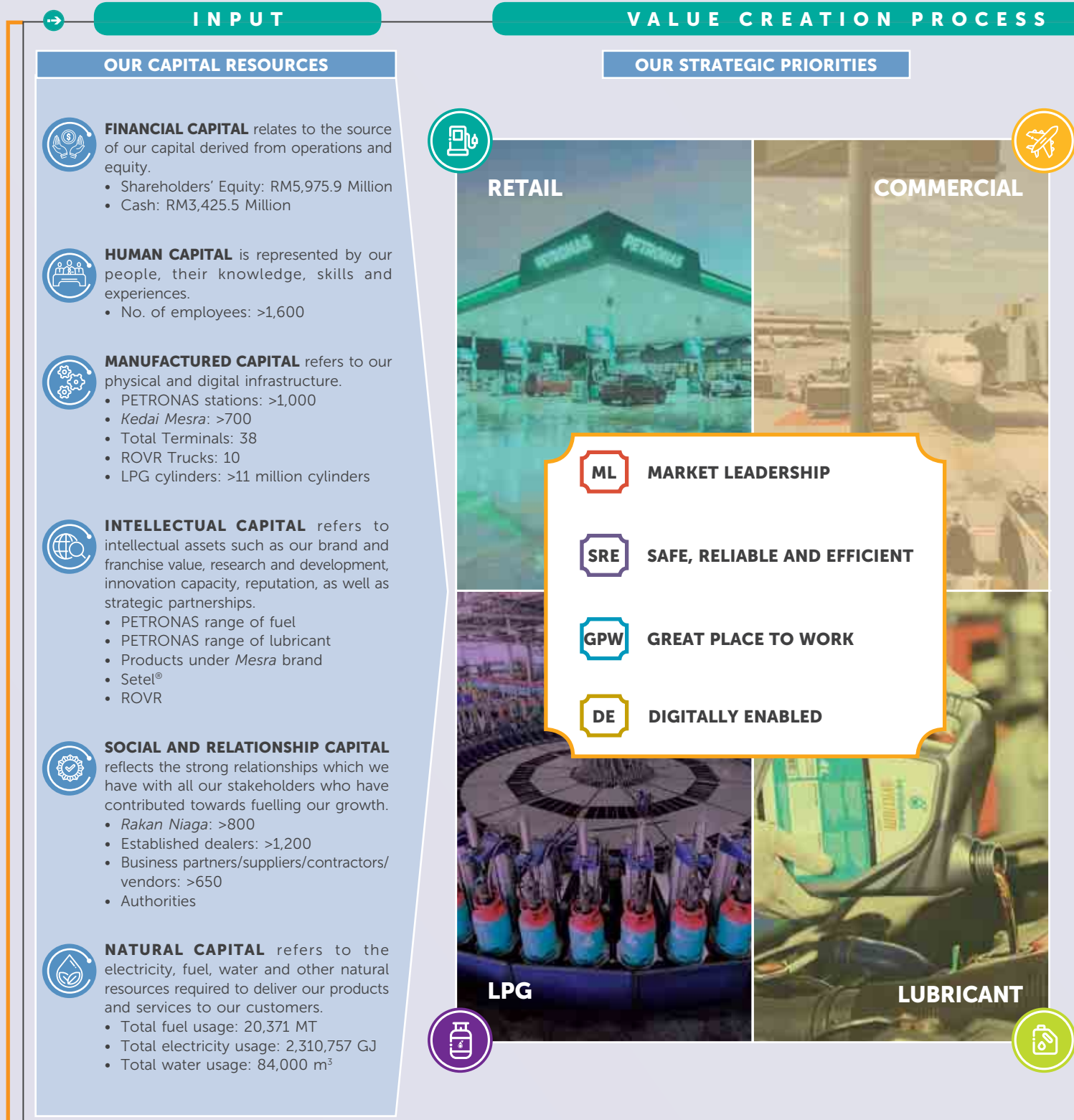
2019



- Launched the new PETRONAS Primax 95 with Pro-Drive
- Setel® fully operationalised in Klang Valley
- Introduced Mesra Redemption portal for easy and instant redemption
- Established PETRONAS AutoExpert service centre, offering high-quality car maintenance services
- Launched the latest range of PETRONAS flagship motorcycle engine oil, PETRONAS Sprinta with UltraFlex™ technology
- Introduced ROVR, the first mobile refuelling service in the country

OUR VALUE CREATING BUSINESS MODEL

Our business model is designed to create a sustainable future whilst enriching lives of our stakeholders. We do this through the effective management of our resources and relationships in order to deliver optimal outcomes. While our business model has been successful at creating sustainable value, we are acutely aware of the highly-competitive nature of the markets in which we operate and the impact that regulatory and technological changes can have on our competitiveness. Accordingly, our business model is built to allow us to respond rapidly to changes in our operating environment.



GOVERNANCE

OUR VALUE CREATING BUSINESS MODEL

MATERIAL MATTERS

HSE

SEAMLESS AND FRICTIONLESS CUSTOMER EXPERIENCE

PERFORMANCE MANAGEMENT

HUMAN CAPITAL

SOCIAL AND RELATIONSHIP CAPITAL

GOVERNANCE AND BUSINESS ETHICS

OUR RISKS

HSE RISK

FINANCIAL RISK

OPERATIONAL RISK

TECHNOLOGY RISK

STRATEGIC RISK

TALENT RISK

OUTPUT

PDB'S PERFORMANCE



REVENUE:
RM30.3 Billion



PROFIT AFTER TAX:
RM837.6 Million



RETURN ON AVERAGE CAPITAL EMPLOYED
14.1%



TOTAL VOLUME GROWTH
5.0%



SUSTAINED OVERALL MARKET LEADERSHIP POSITION



TIMELY FULFILMENT
99.3%

VALUE CREATED FOR OUR STAKEHOLDERS

INVESTORS

- Superior and consistent return on investment
- Strengthened our position in FTSE4Good Bursa Malaysia Index 2015 – 2019
- RM844.4 million dividends paid to shareholders
- Maintained our status in FTSE4Good Bursa Malaysia Index

CUSTOMERS

- Fueling customers with our high quality and innovative petroleum products
- Ensure reliable and security of supply to our industrial customers
- Providing services and convenience to customers at our PETRONAS stations
- Highest sales volume of 15.6 billion litres since 2014
- Station NPS improved by 4.0%
- Setel® recorded NPS of 75.0%

DEALERS, CONTRACTORS/SUPPLIERS AND BUSINESS PARTNERS

- Develop local businesses and provide spin-off employment opportunities
- Provide long-term partnership opportunities for sustainable growth
- Cultivate capabilities of our business
- RM30,846.0 million payments to contractors/suppliers/business partners

EMPLOYEES

- Create conducive working environment and rewarding employment
 - Provide opportunities for progression and personal development
 - Provide equal opportunities, personal development and improvement as well as career progression
 - RM264.0 million* paid for salaries and benefits
 - 14.4% employees promoted
 - RM5.3 million training investment
 - 31.9% female representation
- *excluding training cost

AUTHORITIES

- Compliance with regulatory requirements
- RM266.0 million Taxes paid to Government

COMMUNITIES

- Provide local economic opportunities through employment, business partnerships and entrepreneurship
 - Provide sponsorship through CSR and support to uplift their livelihood
- | | |
|----------------------------------|--|
| No of recipients: | Established local SME partnerships with: |
| • Water for life: 800 people | • >350 food suppliers |
| • StreetSmart: 600 people | • 60 automotive workshops |
| • Coffee Break: 1.5 million cups | |



The operating environment constitutes the economic, political, regulatory, technological and broad business environment in which our company operates. PDB's profitability and ability to sustain its performance is strongly affected by its operating environment. In 2019, a combination of moderate domestic economic growth, changing customer habits and technological advances contributed to a challenging operating environment for PDB.

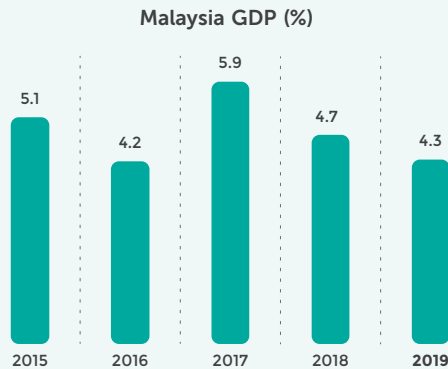


OPERATING ENVIRONMENT AND MARKET OUTLOOK

MODERATE ECONOMY GROWTH AND MORE CAUTIOUS CUSTOMER SPENDING

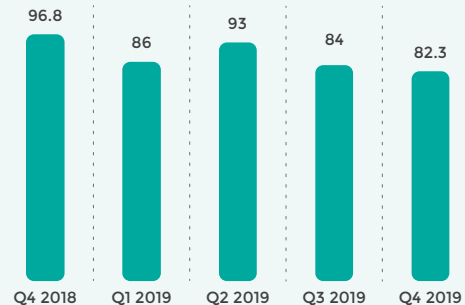
WHAT HAPPENED

Malaysia's economy grew moderately at 4.3% in 2019¹. Overall economic activity has been weighed down by weakening export demand and supply disruptions in the commodities sectors, but both private spending and investment have remained resilient, with services and manufacturing sectors continuing to be the key drivers for growth.



According to the Malaysian Institute of Economic Research, consumer sentiment survey shows that people are still cautious on the economy. Throughout the year, Customer Sentiment Index remains below the desired mark of 100 points of optimism. There are several reasons for the bearish consumer sentiment, ranging from the fear of price hikes to job security. Incomes are growing up moderately, but not at the pace of the rising cost of living, especially in urban areas.

Customer Sentiment Index



OUTLOOK

The pace of economic growth will remain challenging. Malaysia's economy is expected to grow by 3.2% to 4.2% in 2020, supported by private sector activities¹. The outlook remains resilient with domestic demand anchoring growth and positive development on the U.S.-China trade war may ease the pressure on global economy. Consumer spending will remain cautious, particularly for sensitive and big-ticket items such as houses and cars.

OUR RESPONSE

- Committed to deliver superior customer experience.
- Continuous cost optimisation effort.



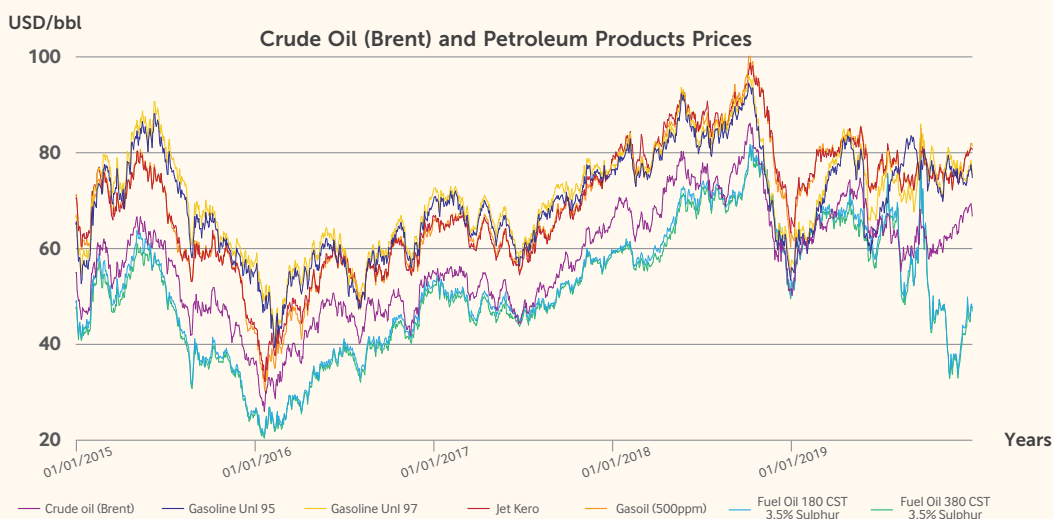
For more information on Our Response, please refer to Business Review on pages 58 to 75 of this <IR>

Source:

¹Bank Negara Malaysia

OPERATING ENVIRONMENT AND MARKET OUTLOOK

CONTINUED OIL PRICES VOLATILITY



WHAT HAPPENED

Oil demand in 2019 is at the weakest level since 2008/09’s Great Recession. The U.S. - China trade war continues to cloud prospects for the global economy and fuel demand. Average Brent oil price dropped by 10.0% in 2019 to USD64/bbl from USD71/bbl in the 2018. Throughout the year prices went from highs of USD75/bbl to lows of USD50/bbl.


Petroleum products prices generally moved in tandem with crude oil prices. Key petroleum products i.e. RON97, RON95 and Diesel, prices in 2019 averaged lower than in 2018, at USD74/bbl, USD72/bbl and USD77/bbl, respectively².

OUTLOOK

Crude oil price volatility is expected to continue amid a backdrop of global economic slowdown, geopolitical upheaval and prolonged trade tensions. Energy Information Agency forecasts Brent crude oil prices will average USD61/bbl in 2020, driven by rising global oil inventories, particularly in the first half of the year. Petroleum products prices are expected to face similar challenges. Global commitments to stop climate change introduces more uncertainty to future petroleum products demand.

OUR RESPONSE

- Continuous Integrated Inventory Management effort to minimise exposure to price volatility.

 For more information on Our Response, please refer to Our Key Operations on pages 58 to 60 of this <IR>

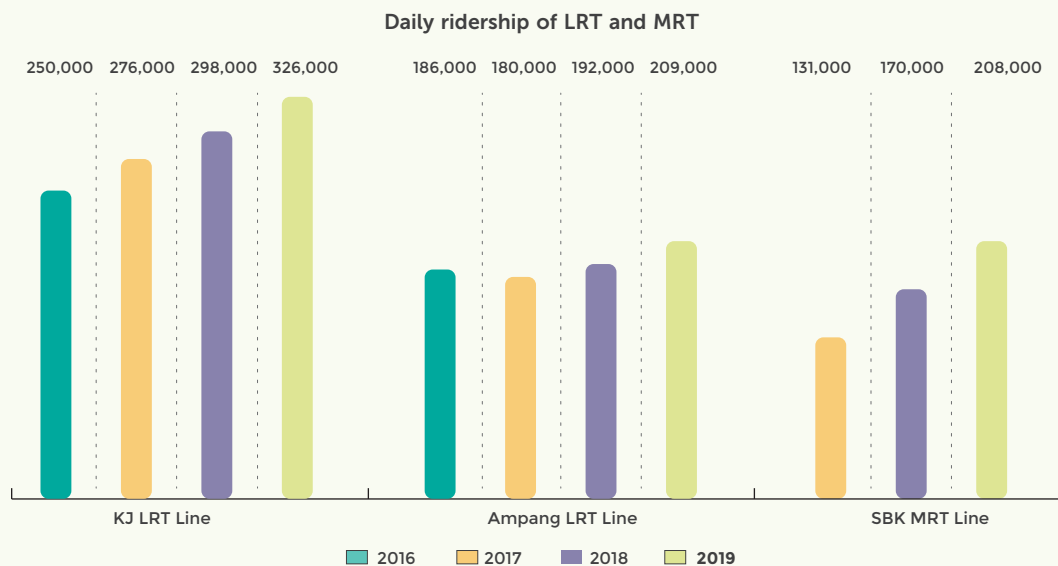
Source:
²S&P Global (Platts)

OPERATING ENVIRONMENT AND MARKET OUTLOOK

HIGHER USAGE OF PUBLIC TRANSPORTATION AND PUSH TOWARDS EEV, LEADING TO WANING FUEL DEMAND

WHAT HAPPENED

The usage of public transport presently is about 20.0%, driven mainly by buses, ride-hailing, and rail transportation. Kumpulan Prasarana Malaysia Berhad reported that their daily ridership grew to 1.4 million riders through its transport services in 2019³, with the introduction of new unlimited passes and extension of LRT and MRT lines.




New car sales increased marginally by 1.0% to 604,287 units in 2019, compared to 598,598 units recorded in 2018⁴ of which 60.0% of these new vehicles are Energy Efficient Vehicles (EEV)⁵. EEVs consume lesser fuel, which will impact future fuel demand.

OUTLOOK

Bearish demand for fuel is anticipated amidst increasing EEV penetration and higher usage of public transport. EEV penetration for new vehicles is expected to reach 85.0% in 2020, and the new National Automotive Policy 2020, announced on 21 February 2020, would include frameworks for EEV and next-generation vehicles which will feature electric and hybrid powertrains. The National Transport Policy 2019-2030 has set a target in raising public transport usage to 40.0% by 2030, with expected completion of MRT2 and LRT3 by 2022 and 2024, respectively.

OUR RESPONSE

- Grow volume through organic and inorganic network expansion
- Provided new eco-friendly products and ChargeEV facilities.

 For more information on Our Response, please refer to Business Review on pages 61 to 64 and Driving Sustainability on page 163 of this <IR>

Source:

³Bernama

⁴Malaysia Automotive Association

⁵Malaysia Automotive Robotics and IoT Institute

OPERATING ENVIRONMENT AND MARKET OUTLOOK

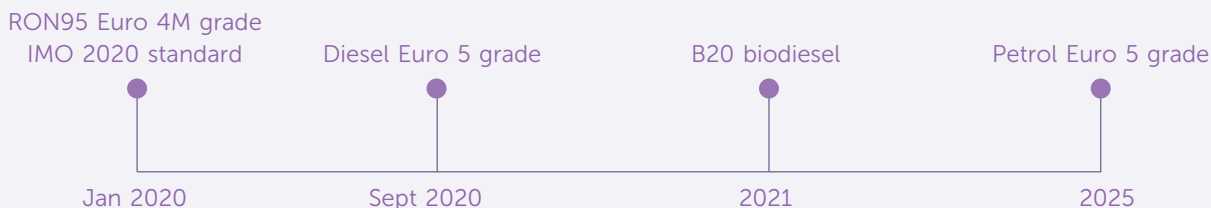
CLEANER ENERGY GAINING PROMINENCE, SHIFTING ENERGY DEMAND LANDSCAPE

WHAT HAPPENED

Climate change is impacting the outlook for energy usage. In Malaysia, the government is committed to provide a more environmentally friendly fuel to the public. Petrol stations nationwide switched from supplying palm biofuel in diesel from 7.0% to 10.0%⁶, reducing the dependency on fossil fuels. Retail gasoline is still at Euro 2M grade for RON95 but will shift to Euro 4M grade.

OUTLOOK

Starting in 2020, Malaysia is committed to supporting the International Maritime Organisation to limit sulphur emission from marine fuels⁷. Furthermore, B20 biodiesel fuel and Euro 4M standard for RON95 will be implemented for the transport sector. Malaysia is targeting to grow renewable energy generation to 20.0% by 2025 through various incentives introduced in Budget 2020. Stronger commitment towards cleaner energy by the government will lead to a significant shift in energy demand, which will affect fuel marketers significantly.



OUR RESPONSE

- B10 Biodiesel is made available nationwide
- Expanded the availability of PETRONAS Dynamic Diesel Euro 5 with Pro-Drive.
- Early rollout of Euro 4M for RON 95 nationwide
- Supply of Low Sulfur Fuel Oil to comply with IMO requirements



For more information on Our Response, please refer to Driving Sustainability on page 162 and Business Review on pages 61 to 67 of this <IR>

Source:

⁶Green Technology Master Plan 2017-2030

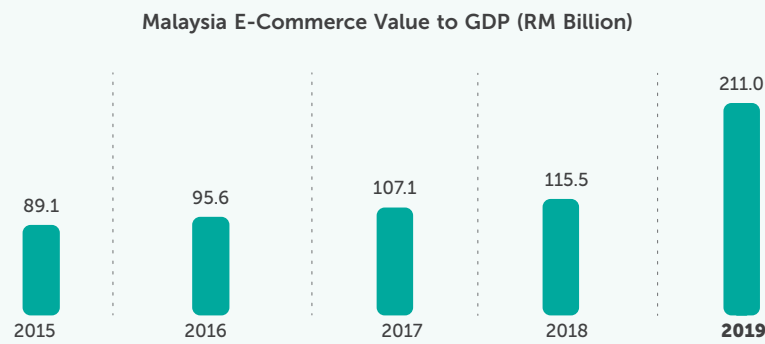
⁷International Maritime Organisation 2020

OPERATING ENVIRONMENT AND MARKET OUTLOOK

RAPID GROWTH IN DIGITAL ECONOMY CHANGING CONSUMERS' SPENDING PATTERN WITH STRONGER PUSH TOWARDS CASHLESS COMMUNITY

WHAT HAPPENED

Malaysia is moving towards becoming the Industrial Revolution 4.0 hub in Southeast Asia. Currently e-commerce contributes to 18.5% of Malaysia's GDP which is underpinned by various industry programmes and initiatives implemented by Malaysia Digital Economy Corporation (MDEC)⁸.



OUTLOOK

Digital economy remains a key agenda for the Malaysian government and is expected to contribute to 21.0% of Malaysia's GDP by 2020. In addition, the government's 2020 budget included a RM450 million e-Tunai Rakyat stimulus to be disbursed through e-wallet redemption, demonstrating the government's drive towards cashless payments. The rapid growth in the digital landscape is changing the buying pattern of Malaysian consumers towards online shopping, digital payment and valuing convenience as well as faster services.

OUR RESPONSE

- Expanded the availability of Setel[®] to >300 stations
- Continue to partner with major e-commerce platforms.



For more information on Our Response, please refer to Business Review on pages 61 to 64 of this <IR>

Source:

⁸Ministry of Finance

MATERIAL MATTERS

MANAGING MATERIAL MATTERS

Our material matters are the principal economic, social, and environmental issues that give rise to significant opportunities and risks for our company that are significantly important to our stakeholders. PDB carries out an annual exercise to validate how relevant each of these factors remains in the current year. The six material matters that we have identified for 2019 are discussed in this section.

MATERIAL MATTERS IDENTIFICATION PROCESS



Reviewing Material Matters

Revisiting the materiality process conducted in 2017 to ensure we effectively capture the issues, risks and opportunities which are most important to our stakeholders and our business' ability to create value over time.



Evaluating importance of Material Matters to us and our stakeholders

Subsequent evaluation on the level of importance of these material matters based on submissions to the Board and Leadership Team as well as our internal risk metrics.



Internalising Material Matters to business strategy

Usage of prioritised material matters to craft our business strategy which is reflected in the four (4) strategic priorities of (1) Market Leadership, (2) Safe, Reliable and Efficient, (3) Great Place to Work and (4) Digitally Enabled.



HEALTH, SAFETY AND ENVIRONMENT

WHAT THIS MEANS TO US

Good HSE records will enhance reputation for corporate responsibility among investors, customers, and communities, reduce the threat for legal action and boost staff morale and motivation. We will continue to focus on enforcing good HSE practices and inculcating a work culture which prioritises health and safety as well as minimises HSE risk.

RISKS

Failure to adequately manage HSE risks may result in injury to our customers, dealers, employees, contractors/suppliers, business partners, communities and impact the surrounding environment. It may also cause disruption to our operations, increase costs, cause reputational damage and or litigation.

OPPORTUNITIES

By having a strong HSE performance and prioritisation of areas for continuous improvement, we maintain safe and reliable operations which provides us with a competitive edge in the market while managing its impact to the environment.

Attention to our customers' safety, health, security and well-being will be an opportunity for us to enhance and improve further our image and reputation.

CAPITALS



STAKEHOLDERS

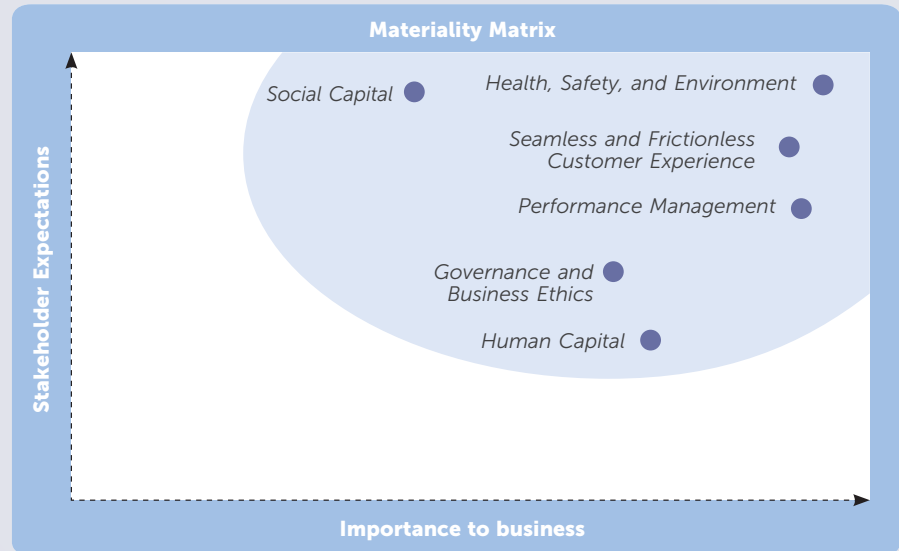
- Customers
- Dealers
- Employees
- Authorities
- Contractors
- Suppliers
- Business partners
- Communities

OUR RESPONSE

PDB prioritises HSE and aims for Zero HSE incidents. We duly recognise our corporate responsibility as a player in the global energy sector to balance the issue of climate change with the challenge to sustainably produce affordable and reliable energy.

MATERIAL MATTERS

Our Materiality Matrix was developed based on stakeholder expectations and importance to business. Stakeholder expectations reflects our ability to create and maximise value in a sustainable manner whilst importance to business covers financial impact and our ability to deliver strategic objectives.



SEAMLESS AND FRICTIONLESS CUSTOMER EXPERIENCE

WHAT THIS MEANS TO US

It is important that our customers' requirements and preferences be addressed as they are the key to our business success. This includes all aspects such as product quality, delivery, differentiated offerings and convenience.

RISKS

Addressing customers' needs and expectations are critical in maintaining our competitive position and to promote growth. We must be quick to adapt to digital advancements in order to meet the needs and provide convenience to our customers. Exposures arising from cyber threats may also lead to a breach of information security and adversely impact our business operations.

OPPORTUNITIES

By offering products of unparalleled quality, high levels of service delivery, as well as listening to our customers' concerns, we establish strong differentiating factors to appeal to our customers, ensuring excellent customer experience. Leveraging on technology advancements provide an avenue for differentiated solutions and increase efficiency for our customers. This will help us protect our position in core markets as well as extend our reach into emerging markets.

CAPITALS



STAKEHOLDERS

- Customers
- Dealers
- Employees
- Contractors
- Suppliers
- Business partners

OUR RESPONSE

Delivering superior customers experience is a strategic priority for PDB, while transforming customers experience through digitalisation initiatives and collaboration with partners.

MATERIAL MATTERS



PERFORMANCE MANAGEMENT

WHAT THIS MEANS TO US

Operational efficiencies are critical foundations in delivering business objectives and performance towards achieving sustainable levels of growth and profitability. PDB's profitability and ability to sustain its performance correlates strongly to changes in the economic environment.

RISKS

We must ensure timely response to changes in economic and market environment to remain competitive as well as to deliver our strategy and performance.

Operational and reliability interruptions including non-availability of supply and services could lead to business disruption and financial loss.

OPPORTUNITIES

Striving for operational efficiencies ensures a competitive advantage for our brands in the market. The ability to respond quickly to market changes and having flexibility in our strategy allows us to capitalise on lagging competitors' response.

CAPITALS



STAKEHOLDERS

- Investors
- Employees
- Customers
- Dealers
- Contractors
- Suppliers
- Business partners

OUR RESPONSE

Concerted efforts have been made to improve operational excellence and reliability, and this continues to be a strategic priority for PDB. Our strategy is designed to fuel growth and set the trajectory moving forward



SOCIAL AND RELATIONSHIP CAPITAL

WHAT THIS MEANS TO US

PDB recognises the value and impact of our business in the social ecosystem that we operate in. We are committed to operating safely, responsibly and reliably, and aligning our practices with acceptable business norms and the industry's benchmarks.

RISKS

It is vital for PDB to continuously behave as a socially responsible organisation. Failure to discharge our responsibility on human rights will infringe on the health, safety and general well-being of the people impacted by our operations.

OPPORTUNITIES

Behaving in a socially responsible manner allows us to support the goals of our stakeholders in creating positive social impact. This opens up opportunities for collaboration with social entrepreneurs.

CAPITAL



STAKEHOLDERS

- Investors
- Customers
- Employees
- Authorities
- Communities
- Dealers
- Contractors
- Suppliers
- Business partners

OUR RESPONSE

PDB continues to invest in (CSR) programmes as part of its commitment to contribute back to the people and community residing in areas where we operate in, whom have fueled our growth. We are also committed to avoid complicity in potential human rights violations in our relationships with dealers, contractors, suppliers and the community.

MATERIAL MATTERS



HUMAN CAPITAL

WHAT THIS MEANS TO US

Our talents are key assets in delivering our strategies.

RISKS

We must attract, develop, and retain the best talents to ensure sustainable business performance and deliver growth.

OPPORTUNITIES

Having the best talents will enable us to be nimble and agile in responding to changes in our operating environment

CAPITAL



STAKEHOLDER

- Employees

OUR RESPONSE

We continuously invest in the development and capability of our people as one of our prime assets to grow together with the Company.



GOVERNANCE AND BUSINESS ETHICS

WHAT THIS MEANS TO US

PDB believes in conducting our business in a manner that emphasises and advances the principle of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that is critical to the success and well-being of PDB.

RISKS

We must conduct our business in an ethical manner to instill trust to our stakeholders in areas we operate and avoid major losses due to integrity issues.

OPPORTUNITIES

Establishing a corporate culture which inculcates ethical conduct within the company and to our business partners will ensure governance and build trust with our stakeholders to uphold our image and reputation.

CAPITAL



STAKEHOLDERS

- Investors
- Customers
- Employees
- Authorities
- Dealers
- Contractors
- Suppliers
- Business partners

OUR RESPONSE

PDB has adopted the PETRONAS CoBE, the WBP and the ABC. These policies ensure that the conduct of business of PDB and its employees are consistently carried out ethically and with integrity. This is in addition to oversight from PDB Board for transparent decision making.

STAKEHOLDER ENGAGEMENT

As Malaysia’s leading retailer and marketer of downstream petroleum products, PDB has a broad range of stakeholders with, sometimes, competing interests. Each group in our spectrum of stakeholders have their own unique areas of interests, due to the different ways they are impacted by our business. To understand our stakeholders’ needs and interests, and effectively build positive and meaningful relationships with our stakeholders, we have adopted the Stakeholder Management Process as guided by PETRONAS Group Strategic Communication. Beyond the regular engagements that arise in the course of our business, we also engaged with our key stakeholders in validating our Material Matters, allowing us to integrate the results of our stakeholder engagement into every step of our value creation process.

WHY WE ENGAGE THEM

HOW WE ENGAGE THEM

AREAS OF INTEREST



INVESTORS

To provide fair, balanced and timely material updates to maintain trust and confidence as well as to allow informed decision making

- Quarterly result announcements
- Quarterly analyst briefings
- Group and one-on-one meetings
- NDRs and corporate conferences
- Site visits
- Corporate website – www.mymesra.com.my
- Reports - Annual and Sustainability Reports

- Economic outlook
- Business outlook and risks
- Operational efficiencies
- Cash utilisation and dividends
- Governance and business ethics
- Safety and health
- Sustainability matters



For more information on Investors, please refer to Investor Relations on pages 85 to 89 of this <IR>



CUSTOMERS

As a customer centric organisation, we must understand the needs and behaviour of our customers to ensure we win them over and deliver solutions to delight them

- Hotline – PETRONAS Mesralink at 1-300-88-8181
- Social media platforms (Facebook, Instagram, Twitter and YouTube)
- Corporate website – www.mymesra.com.my
- Events, dialogues, roadshows and engagement sessions
- Market/satisfaction surveys
- Customer feedback system via QR Code at PETRONAS stations and mobile applications

- Customers experience
- Customer service and support
- Products quality and availability
- Safety and health
- Governance and business ethics
- Environment and climate change
- Sustainability matters
- Cyber security
- Technology and digital transformation



For more information on Customers, please refer to Business Review on pages 58 to 75 and Driving Sustainability on pages 186 to 187 of this <IR>



RAKAN NIAGA/DEALERS

Rakan Niaga/Dealers are our critical business partners and an extension of our network. We must ensure our strategies and business plans are aligned

- Dealer conferences, events, dialogues, roadshows, engagement sessions, stations site visits
- Training sessions
- Hotline – PETRONAS Mesralink at 1-300-88-8181
- Retail dealers – www.mystation.com.my
- Corporate website – www.mymesra.com.my

- Economic outlook
- Strategic direction, business growth and opportunities
- Customers experience
- Operational efficiencies
- Safety and health
- Workforce development
- Governance and business ethics
- Human rights
- Sustainability matters
- Technology and digital transformation



For more information on Rakan Niaga/Dealers, please refer to Business Review on pages 61 to 64 and Driving Sustainability on pages 156 to 185 of this <IR>

STAKEHOLDER ENGAGEMENT

WHY WE ENGAGE THEM

HOW WE ENGAGE THEM

AREAS OF INTEREST



EMPLOYEES

We cascade business direction and performance while enabling open communications to ensure employees are engaged and highly motivated

- Town halls and engagement sessions
- Leadership messages through video, newsletters, intranet and e-mail
- Employee surveys
- Union Management

- Business direction and performance
- Employment acquisition and retention
- Work life balance
- Welfare and benefits
- Capability and career development
- Improved diversity, flexibility and inclusivity
- Corporate integrity and business ethics
- Health, safety, environment
- Technology and digital transformation
- Sustainability matters
- Human rights



For more information on Employees, please refer to Investors Information on pages 172 to 181 of this <IR>



AUTHORITIES

We operate in accordance with all regulatory requirements to ensure our operations are safe and not disrupted

- Formal meetings
- Dialogues and feedback sessions
- Operational site visits
- Knowledge sharing sessions
- Periodic reports

- Regulations and policies
- Product specifications
- Safety and health
- Environment and climate change
- Corporate Social Responsibility
- Human rights
- Governance and business ethics



For more information on Authorities, please refer to Business Review on pages 58 to 75 and Driving Sustainability on pages 186 to 187 of this <IR>



CONTRACTORS/SUPPLIERS/ BUSINESS PARTNERS

Engaging with our partners and supply chain providers means that we can ensure effective business collaboration, including upholding our safety standards and compliance

- One-on-one meetings
- Contractors' Day
- Sharing/training sessions
- Engagement sessions
- Progress reports
- Corporate presentations
- Reports – Annual and Sustainability as well as programme reports
- Annual Dealer Conference

- Business opportunity
- Governance integrity and business ethics
- Health, safety and environment
- Contractor's performance
- Local content
- Regulations and policies
- Products availability and services quality
- Customer experience
- Technology and digital transformation
- Sustainability matters
- Human rights



For more information on Contractors/Suppliers/Business Partners, please refer to Business Review on pages 58 to 75 and Driving Sustainability on pages 166 to 185 of this <IR>



COMMUNITIES

Ensures continued viability of the business into the long-term. We aim to enrich the lives of the communities in which we operate and protect the environment

- Community engagement and outreach programmes
- Corporate website – www.mymesra.com.my
- Customer Service Hotline – PETRONAS Mesralink at 1-300-88-8181
- PETRONAS Brands social media accounts – Facebook, Twitter, Instagram and YouTube

- Corporate Social Responsibility
- Local content and employment opportunities
- Safety and health
- Regulatory compliance
- Environment and climate change



For more information on Communities, please refer to Driving Sustainability on pages 182 to 185 of this <IR>

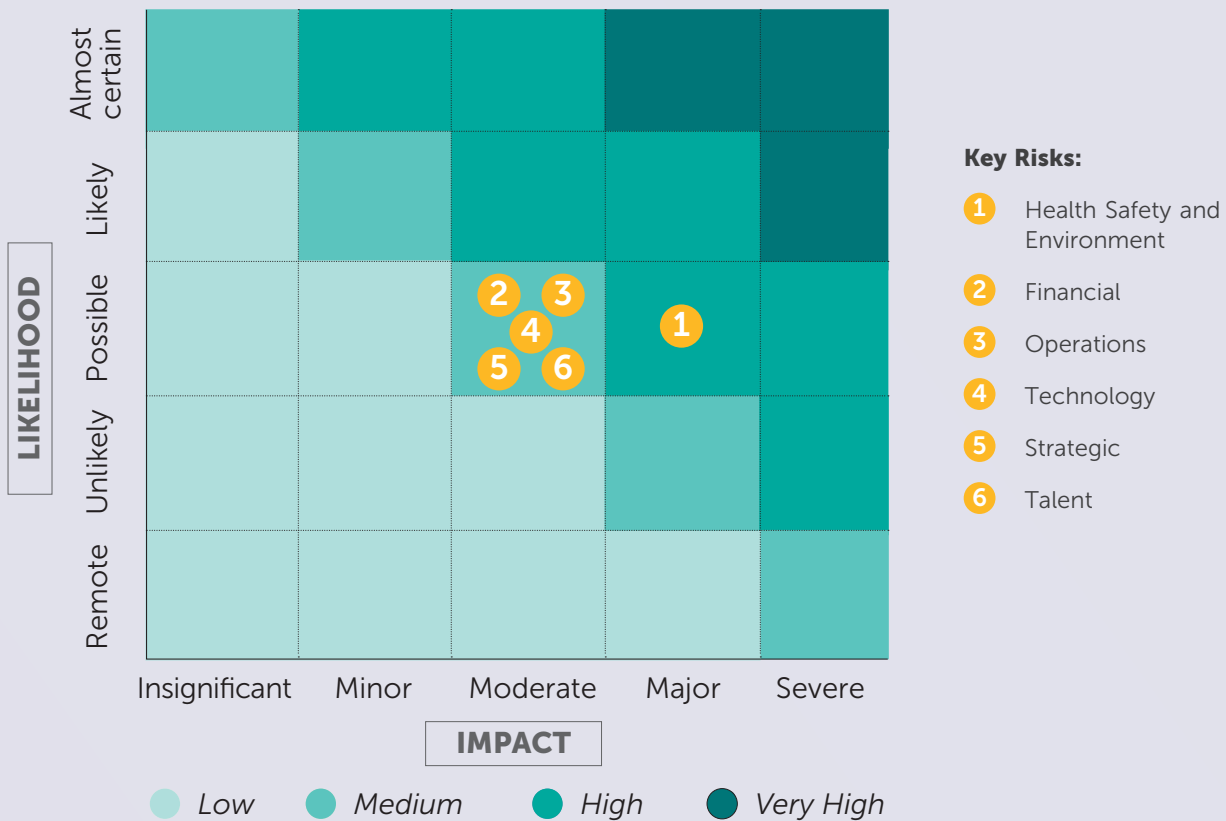
KEY RISKS AND MITIGATION

We are committed to effective risk management whilst pursuing our strategic and business objectives, with the ultimate aim of ensuring sustainable value creation for our stakeholders. Risk management is an integral part of our value-based strategy, our governance and day-to-day operations. Not only do we aim to deal with the uncertainty in the business environment by minimising the downside, we also seek to capitalise on the upside potential to achieve our strategic objectives.

How We Manage Our Risks

PDB has embedded effective risk management processes across the entire value creation process in all our lines of business. We identify, assess, treat and monitor all risks that could potentially impact our business; including inherent risks as early as possible. These are mapped onto a risk matrix which specifies the likelihood of the occurrence of the risk and its impact.

 For more information on how we manage our risk, please refer to SORMIC on page 140 of this <IR>



KEY RISKS AND MITIGATION

KEY RISKS

1 HEALTH SAFETY AND ENVIRONMENT RISK

What It Means to Us



The nature of the Company's operating activities exposes us to a wide range of health, safety and environmental risks such as incidents associated with operating facilities, flammable products and transportation hazards.

Strategic Priorities



Inability to provide safe environments for our workforce and the public while at our facilities, premises or during transportation, could lead to injuries, loss of life or environmental damage. The Company remains committed to safe, reliable and efficient operations.

HOW WE MITIGATE

- Address risks on potential hazards through identified control and preventive measures especially on transport safety, process safety as well as contractor and supplier management.
- Heighten safety and compliance culture among employees and extend to *Rakan Niaga/Dealers/business partners/contractors*.



For more information on Safety and Health, please refer to Driving Sustainability on pages 169 to 170 of this <IR>.

- Conduct asset refresh and asset integrity activities.



For more information on Safe, Reliable and Efficient, please refer to Retail, on page 64 of this <IR>.

IMPLICATIONS

Impact to Capitals



- Loss of productivity and performance due to accidents, injuries and casualties
- Litigation costs, penalties and compensations
- Business disruption
- Asset recovery
- Tarnished reputation

KEY RISKS

2 FINANCIAL RISK

What It Means to Us



The Company is exposed to various financial risks in the normal conduct of business.

Strategic Priorities



1. Price volatility

Exposure to petroleum price volatility poses a threat to short and medium term profitability of the Company.

2. Credit risk

The Company's diverse business makes us vulnerable to the credit worthiness of our customers. Credit risk exposes the Company to potential losses in the event of non-payments by customers.

HOW WE MITIGATE

- Minimise price exposure and improve margins through Integrated inventory management.



For more information on Integrated Inventory Management, please refer to Our Key Operations on page 60 of this <IR>

- Assess the credit-worthiness of all potential customers and *Rakan Niaga/Dealers* as well as performing credit reviews on existing customers in accordance to Credit Risk Framework and Guidelines.



For more information on Credit Risk Framework and Guidelines, please refer to SORMIC on page 145 of this <IR>

IMPLICATIONS

Impact to Capitals



- Insufficient cash flow
- Decrease in profit margin
- Bad debt, impairment and/or write-off

KEY RISKS AND MITIGATION

KEY RISKS

3 OPERATIONS RISK

What It Means to Us



Operational excellence is paramount to the Company for uninterrupted end-to-end supply chain stretching from sourcing to reliable delivery of products to customers. This includes ensuring availability of high quality products at all PETRONAS stations for a superior customer experience.

Strategic Priorities



The Company's value chain may be impacted by operational interruptions, including unavailability of products and system disruptions.

HOW WE MITIGATE

IMPLICATIONS

- Enhance operating discipline and proactive equipment maintenance.



For more information on Efficient Operations, please refer to Our Key Operations on page 60 of this <IR>

Impact to Capitals



- Business disruption
- Higher cost
- Poor product quality
- Litigation/penalty

KEY RISKS

4 TECHNOLOGY RISK

What It Means to Us



The Company is exposed to digital infrastructure and system disruptions as well as information security breaches arising from cyber threats which may adversely impact our business operations and customer experience.

Strategic Priorities



Rapid technology advancement has heightened the importance of the Company's IT systems to keep up with the pace of digital adoption. Failure to be at the technological forefront may affect our competitive position.

HOW WE MITIGATE

IMPLICATIONS

- Strengthen personal data protection and cyber security capability.
- Offer differentiated services through digitalisation to enhance customers experience and convenience.



For more information on Data Protection, Cyber Security and Our Digital Transformation, please refer to Digitally Enabled on pages 74 to 75 of this <IR>

Impact to Capitals



- Business disruption
- Loss of valuable business data
- Reputational damage
- Penalties by authorities

KEY RISKS AND MITIGATION

KEY RISKS

5 STRATEGIC RISK

What It Means to Us →

1. Competition Risk

The Company operates in a highly competitive and mature market. In order to retain our leading position and sustain our performance, it is vital to differentiate our products and services as well as continuously outperform our competitors.

Strategic Priorities **ML**


2. Market Risk

The ability to sustainably grow and deliver shareholder value depends on the main macroeconomic factors that drive the business strategy. Fluctuations in year-on-year profitability and earnings growth are a result of the adverse changes in the market environment.

HOW WE MITIGATE

IMPLICATIONS

- Enhance products and services by expanding availability of new product offerings.
- Offer competitive pricing and attractive sales package
- Enhance business strategies to address new needs, creating solutions and continue delighting our customers.
- Diversify business portfolio and strategy focusing on value creation for growth.

 For more information on Our Response, please refer to Business Review on pages 62, 66, 69 and 72 of this <IR>

Impact to Capitals



- Decrease in profit margin
- Loss of market competitiveness
- Insufficient cash flow

KEY RISKS

6 TALENT RISK

What It Means to Us →


The Company acknowledges the importance to attract, develop and retain talents in delivering business operations and strategies. In addition, we need talents with new and specific skill sets to achieve our growth aspiration.

Strategic Priorities **GPW**

HOW WE MITIGATE

IMPLICATIONS

- Robust talent management strategies and plans.
- Enhance talent and capability development.
- Review succession plan to ensure availability and readiness of suitable successors.

 For more information on Human Capital, please refer to Driving Sustainability on pages 172 to 175 of this <IR>

Impact to Capitals





- Loss of key talents
- Loss of competitive advantage





OUR STRATEGY

OUR KEY STRATEGIES TO STRENGTHEN THE CORE

Responding to emerging market trends and challenging business landscape, our strategies this year are devised to drive PDB's transformation plan in strengthening of our core businesses. The strategic initiatives are designed on four Strategic Priorities – (1) Market Leadership, (2) Safe, Reliable and Efficient, (3) Great Place to Work and (4) Digitally Enabled. The transformation plan highlights our strategic objectives and initiatives which take into account the operating environment, our material matters which address the organisation and stakeholders' needs and concerns, and management of business risks. Putting the customer's experience as our central purpose, we established a more robust approach for operational excellence, quality management, talent development, digital transformation and sustainable business practices to embark on.

 <p>ML Market Leadership</p> <p>To become the market leader in every business segment whilst maximising value through customer-first mindset</p>	 <p>SRE Safe, Reliable and Efficient</p> <p>To ensure all facets of our business and operations are executed in a manner that is safe, reliable and efficient</p>	 <p>GPW Great Place to Work</p> <p>To create a healthy, positive and conducive working environment for our people, who are our greatest assets</p>	 <p>DE Digitally Enabled</p> <p>To accelerate growth, future proof our business and disrupt the competitive business landscape</p>
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Anchored on the core of working from the Customer's Lens to ensure we deliver a Seamless and Frictionless Customer Experience

STRATEGIC PRIORITIES	STRATEGIC OBJECTIVES	INITIATIVES	2020 PRIORITIES
 Market Leadership	<ul style="list-style-type: none"> Maximise value Defend and grow market position Increase customer base Increase NPS 	<ul style="list-style-type: none"> Expand retail network Focused and targeted marketing campaigns Grow strategic alliances Secure new customers New product offerings Drive power brands 	<ul style="list-style-type: none"> Continue organic and inorganic expansion Maximise station throughput Improve customer service levels through digital solutions Expand and grow Non Fuel Business
 Safe, Reliable and Efficient	<ul style="list-style-type: none"> Zero HSE incidents Operational excellence Asset integrity Reliable products supply Cost optimisation 	<ul style="list-style-type: none"> Full compliance to HSE requirements Improve supply efficiency and reliability Improve operating discipline 	<ul style="list-style-type: none"> Generative HSE Culture throughout the organisation Extend Generative HSE Culture to PDB partners i.e. hauliers, dealers and contractors Replace aging asset Improve cost efficiency and operation excellence
 Great Place to Work	<ul style="list-style-type: none"> Empowered, enabled and agile workforce Safe, comfortable and conducive working environments 	<ul style="list-style-type: none"> Instil PETRONAS Cultural Beliefs Organisational restructuring for greater clarity of roles and accountability Capability development Execute office and terminals retrofit 	<ul style="list-style-type: none"> Sharpen employee competency Business improvement and transformation
 Digitally Enabled	<ul style="list-style-type: none"> Optimise use of data Deliver seamless and frictionless customer experience through digitalisation 	<ul style="list-style-type: none"> Install next generation hardware Systems modernisation Build data hub infrastructure 	<ul style="list-style-type: none"> Strengthen data and analytics platform Enhance customer interfaces Harden digital assets for cyber security enhancement

KEY PERFORMANCE INDICATORS

PDB's business involves all aspects of the retail and marketing of downstream petroleum, giving it a diversified earnings base across business sectors. To measure our performance, we have defined a number of targets comprising both financial and non-financial indicators, as well as quantitative and qualitative factors. We continually evaluate our performance against these targets.

ML MARKET LEADERSHIP

Profit After Taxation

Aim:
To maximise value creation and deliver high returns to shareholders

FY2019	837.6
-----	FY2018
	861.5

(RM Mil)

Return on Average Capital Employed

Aim:
To increase the Company's efficiency in generating profits from the available capital base

FY2019	14.1
-----	FY2018
	14.4

(%)

Total Volume

Aim:
To grow sales volume while maximising value

FY2019	15,638.1
-----	FY2018
	14,882.6

(Mil Litre)


SRE SAFE, RELIABLE AND EFFICIENT

Average Inventory Days

Aim:
To minimise exposure to product price volatility
(Day)

FY2019	8.2
-----	FY2018
	9.4

HSE Performance

 For more information on HSE Performance, please refer to Driving Sustainability on page 188 of this <IR>

GPW GREAT PLACE TO WORK

Ratio of Ready Top Talents to Critical Positions

Aim:
Increase talent pool for Top Talent and Potential Leaders, to ensure continuous pipeline of leaders
(Ratio)

FY2019	2.8:1
-----	FY2018
	2.5:1

Critical Positions Succession Planning

Aim:
To complete succession planning for all critical positions
(%)

FY2019	100
-----	FY2018
	100

DE DIGITALLY ENABLED

Digital Project Delivery

Aim:
To deliver PDB's vision of seamless and frictionless customer experience across our businesses

(No. of stations with Setel®)

FY2019	>300
-----	FY2018
	~100



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Thank you for being our valued customer. Your support means a lot to us and we will continue to offer innovative product solutions that exceed your expectations. We will keep pushing boundaries to provide quality products and services to serve you better. We thank you once again for being a part of our journey and we look forward to your continued patronage. //



