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DRAFT

## **REPORT**

### **ON BUSINESS PERFORMANCE IN 2023**

### **AND BUSINESS PLAN FOR 2024**

To: General Meeting of Shareholders of PetroVietnam Oil Corporation - JSC

The Board of Directors of PetroVietnam Oil Corporation would like to report the implementation results of 2023 business plan and the business plan for 2024 as follows:

#### **I. Business performance in 2023**

##### **1. General background**

Global crude oil and petroleum products prices in 2023 continued to fluctuate unpredictably due to economic recession, high inflation, tightening monetary policy, and prolonged interest rate increases by the FED and ECB, leading to a decline in consumer demand in many leading economies, negatively affecting economic growth. In particular, China's slow growth after opening up affected oil consumption demand and restrained the increase in oil prices.

The average Brent DTD crude oil price in 2023 reached 82.62 USD/barrel, decreased 18% compared to the average oil price in 2022 (101.2 USD/barrel) and increased 18% compared to the plan for 2023 (70 USD/barrel).

Domestically, economic growth slowed down due to the impact of the world economy, specifically: export turnover was estimated to decrease by 3.5%, imports were estimated to decrease by 4.2%; Bad debt tended to increase; Potentially risky real estate and corporate bond markets; Macroeconomic stability was not really solid; The resilience of many businesses has reached a critical level; Production and business activities continued to face many difficulties, economic sectors did not shift strongly in increasing productivity, especially the industrial and service sectors; Self-reliance and resilience are still limited... However, Vietnam is still a bright spot in the general economic picture with GDP estimated to increase by 5.05%, 1.5 times higher than the 2.9% growth rate of the global economy and among the countries with the highest growth rate in the world in 2023.

In petroleum business activities, the Government continued to operate according to Decree 83/2014/ND-CP and Decree No. 95/2021/ND-CP with a new price formula applied from the end of February 2023. On November 17, 2023, the Government issued Decree No. 80/2023/ND-CP amending and supplementing several regulations on petroleum business, continuing to adjust the price formula and shortening the time for operating gasoline prices from every 10 days to every 7 days. The Environmental Protection Tax applied in 2023 was 2,000 VND/liter for gasoline (except E5) and 1,000 VND/liter for oil.

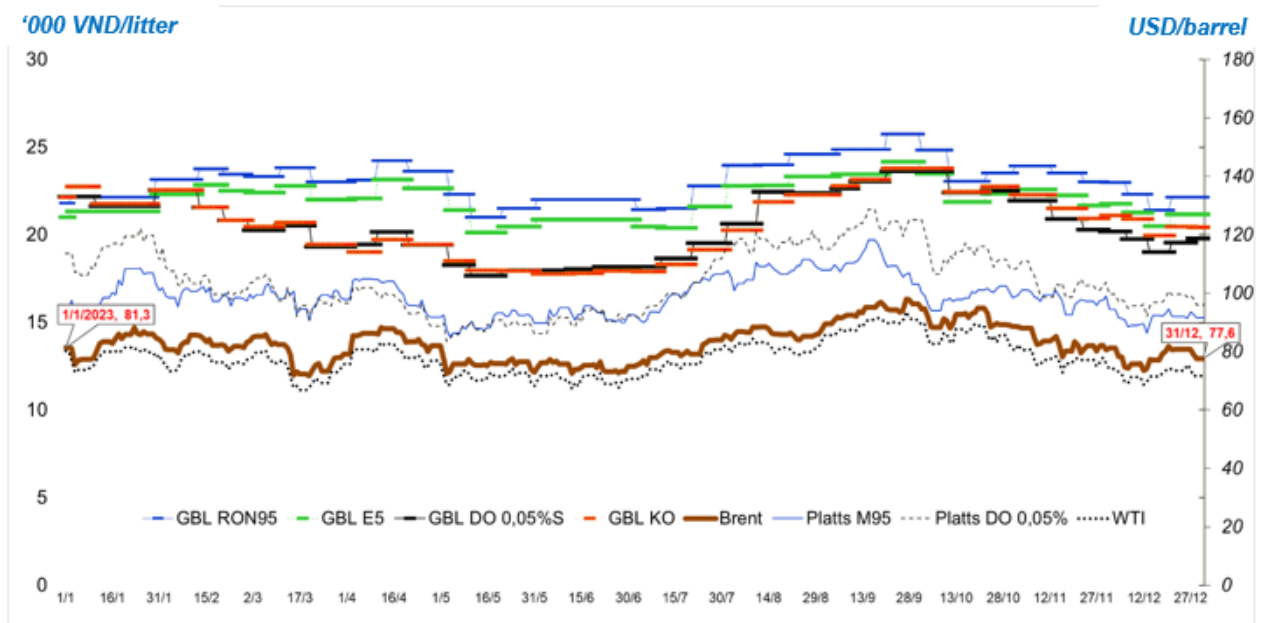
Vietnam's total petroleum consumption in 2023 was estimated at about 26 million m<sup>3</sup>/ton of petroleum of all types (excluding jet fuel). The supply of 02 domestic refineries

meets about 70% of total market demand. During the year, there were some times when supply was scarce when Nghi Son Refinery stopped maintenance and demand increased at power plants (in April & May).

The petroleum distribution market has been relatively healthy after many efforts by the Government to control the market and fight smuggling. In 2023, the Government continued to implement many measures to inspect and supervise business activities across the country, withdrew the licenses of 07 major distributors and handled many violations related to licensing and organizing business activities. By the end of 2023, the whole country has 34 major distributors and more than 330 active distributors.

As of December 31, 2023, the retail prices of gasoline increased from 180-340 VND/liter, while the retail price of diesel oil decreased by 2,370 VND/liter compared to the beginning of the year.

Global crude oil price developments and the State's petroleum products retail prices management in 2023 are as follows:



In a challenging market context, PVOIL thoroughly grasped and drastically implemented throughout the system the key tasks of the year, specifically: 1) *Focus on directing the implementation of the 2023 Production and Business Plan on the basis of maximizing the chain of production, transportation and distribution of crude oil and petroleum products with other subsidiaries of the PetroVietnam, in order to increase business output on all 3 distribution channels;* 2) *Focus on implementing investment in developing the petrol station system and digital transformation;* 3) *Continue to drastically implement corporate restructuring;* 4) *Proactively adapt to the energy transition process.*

## 2. Business performance

### 2.1. Production KPIs

The results for each field are as follows:

*Unit: 1,000 m<sup>3</sup>/ton*

No.	KPI	2022 Actual	2023		Comparison (%)	
			Plan	Actual	Year-over-year	Plan
1	Crude oil export/sales (including supply to Dung Quat refinery)	10,404	9,185	10,642	102%	116%
	- Exporting (including selling to BSR)	8,642	8,058	8,483	98%	105%
	- Importing crude oil for BSR	1,762	1,127	2,159	123%	192%
2	Production of petroleum, lubricant	601	484	676	112%	140%
	<i>In which: E5 gasoline</i>	598	480	612	102%	128%
3	Petroleum trading	4,048	3,300	5,242	129%	159%
	<i>Retail proportion</i>	26.1%	28.4%	24.5%		

### ***2.1.1. Import-export of crude oil and supply for Dung Quat Refinery***

PVOIL safely and effectively sold the entire volume of crude oil of Vietnam Oil and Gas Group (PetroVietnam) and other crude oil owners exploiting on Vietnam's continental shelf with an output of 8.48 million tons, completing 105% of the year plan and down 2% over the same period.

PVOIL also ensured adequate and timely supply of all crude oil for Dung Quat Refinery with a total output of 7.7 million tons. Of which, 5.5 million tons were supplied from domestic sources and 2.2 million tons from imported sources.

### ***2.1.2. Production of petroleum, lubricant***

Production output in the year reached 676 thousand m<sup>3</sup>/ton, completing 140% of the plan and increasing by 12% over the same period, mainly E5 RON92 biofuel. During the year, PVOIL received the entire amount of condensate under the Joint Venture Agreement with PetroVietnam Gas Joint Stock Corporation (PV Gas) to produce E5 blend base petroleum and coordinate with BSR to implement a plan to blend RON95 petroleum from RFCC Naptha and RON 97 petroleum sources, helping increase output, supplement supply in times of market scarcity and contribute significantly to the year's profit.

### ***2.1.3. Petroleum trading***

In the context of constantly fluctuating oil prices, domestic supply was in short supply at some times, thanks to the synchronous application of business solutions, making the most of market opportunities, and promoting good supply chains of raw materials - production - storage, distribution in the field of crude oil and oil products with units in the industry, PVOIL's 2023 petroleum business output continues to maintain impressive growth.

Consumption volume of the whole system reached more than 5.2 million m<sup>3</sup>, completing 159% of the year's plan and growing 29% compared to the previous year, accounting for 20% of the domestic market share.

## 2.2. Financial KPIs

Unit: Billions dong

No.	KPI	2022 Actual	2023		Comparison (%)	
			Plan	Actual	Year-over-year	Plan
<b>I</b>	<b>Consolidated</b>					
1	Total revenue	104,833	50,000	103,639	99%	207%
2	Profit before tax	912	600	798	88%	133%
3	Profit after tax	723	480	621	86%	129%
4	Contribution to State budget	6,706	6,400	9,508	142%	149%
<b>II</b>	<b>Holding company</b>					
1	Revenue	73,742	33,000	82,560	112%	250%
2	Profit before tax	657	500	611	93%	122%
3	Profit after tax	555	400	501	90%	125%

Total consolidated revenue for the whole year reached VND 103,639 billion, completing 207% of the plan and increasing by 99% over the same period (due to falling oil prices over the same period).

Consolidated tax profit reached 798 billion VND, reaching 133% of the plan and equal to 88% over the same period; The holding company's profit before tax reached 611 billion VND, reaching 122% of the plan and equal to 93% over the same period.

The consolidated contribution to state budget for the year (*does not include data on budget payments of overseas units to the host country's government*) reached VND 9.508 billion, achieving 149% of the year's target and equivalent to 142% year-over-year.

PVOIL has exceeded all the 2023 production and business plan targets assigned by the Annual General Meeting of Shareholders (AGM), in which important targets including petroleum sales volume, revenue, and profit have all been far exceeding the annual plan. The above results are due to the fact that PVOIL responded well to fluctuations in oil prices and supply in the market, synchronously applied business solutions, made the most of market opportunities, and promoted well the chain linking raw materials - production - storage and distribution in the field of crude oil and oil products with units in the industry.

## 3. Investment activities

In the development strategy, PVOIL is always steadfast in its orientation of developing and expanding the retail petrol station system, promoting sales output into direct consumption channels (retail, selling to B2B customers) with the aim of improving operational efficiency, stability and sustainability of the distribution system.

In 2023, PVOIL continued to seize opportunities and promote the development of petrol stations in many forms (receiving transfer, new investment, investment cooperation, long-term lease, ...). The entire PVOIL system has developed 107 petrol stations,

completing 184% of the year's plan; Bringing the total number of PVOIL's petrol stations by the end of 2023 to 756 petrol stations.

In addition, PVOIL continued to promote the implementation of information technology application projects to serve management and improve service quality at petroleum storages and petrol stations.

The total disbursement value of the entire system is 532 billion VND, reaching 83% of the year plan. Details are as follows:

No.	Investment item	2023 Plan	2023 Actual	% Actual/Plan
1	Development and renovation of storage/port	134	85	63%
2	Development and renovation of petrol stations	326	351	108%
3	Other procurement	178	96	54%
	<b>TOTAL</b>	<b>638</b>	<b>532</b>	<b>83%</b>
	<i>Of which: - Holding company</i>	<i>403</i>	<i>325</i>	<i>81%</i>
	<i>- Subsidiaries</i>	<i>235</i>	<i>207</i>	<i>88%</i>
	<i>Investment from owner's equity</i>	<i>517</i>	<i>478</i>	<i>92%</i>

*Note: 2023 investment plan according to the Resolution of the 2023 AGM*

#### **4. Restructuring and renovating**

Determining that restructuring is an urgent requirement to increase the competitiveness and operational efficiency of the whole system, towards long-term development goals, PVOIL has focused on implementing the plan of reorganization and restructuring in the period of 2020 - 2025 with the main objective of reviewing, rearranging and reorganizing member units of petroleum trading to ensure operational efficiency and reduce management costs, avoid duplication and internal competition in the same area or business field.

The restructuring in 2023 with specific activities as follows:

- Completing the transformation of PVOIL Thanh Hoa into a One-member Ltd. Co; After the conversion, the unit has been operating stably and increasing efficiency; Continue researching to convert PVOIL Binh Thuan into a One-member Ltd. Co and implementing it (expected to be completed in Quarter 2/2024).

- Continue to implement the plan to merge: PVOIL Tay Ninh into PVOIL Sai Gon

- Complete the development of a long-term operational restructuring plan for 02 companies in Laos (including PVOIL Laos and PVOIL Laos Trading) and approve the operating orientation of PVOIL Laos and PVOIL Laos Trading;

- Complete the increase in charter capital and approve the 5-year development plan for the period 2024 - 2028 of PVOIL Trans.

- Biofuel Projects: Continue to coordinate with shareholders of BSR-BF, OBF and PVB to implement treatment plans for biofuel projects under the direction of competent

authorities and comply with the order and provisions of law; At the same time, continuously update information about projects and report to competent authorities as required.

- Finalization of equitization: Continue to work with State management agencies to handle problems related to (i) finalization of PETEC equitization and (ii) arrangement and handling of land according to Decree No. 167/2017/ND-CP.

## **5. Application of digital transformation and research and development**

PVOIL continues to promote the implementation of digital transformation, IT application, and automation in all areas of production and business, thereby helping to increase operational efficiency, improve governance quality, and create convenience for customers and enhance PVOIL's competitive advantage with the following activities:

- Building digital culture in parallel with applying application solutions to production and business activities with the following goals: (i) Putting customers at the center: Research and build appropriate technology solutions to improve service quality and customer experience; (ii) Promote innovation: Encourage officers and employees to create new ideas and come up with creative solutions.

- Increase investment in scientific and technical equipment and facilities to proactively prevent and respond to the risk of negative impacts of digital transformation.

- Promoting the development of the Digital Transformation Strategy for the period 2024 – 2030.

- Continue to promote the implementation of projects in the fields of IT application, automation and digital transformation, specifically as follows:

- ✓ ERP project for the period 2023-2025, including items: Upgrading PVOIL B2B system, upgrading PVOIL Easy software features; Consulting on building purchasing, sales and warehouse modules; Build a centralized data warehouse (DW) and intelligent analysis reports (BI); Building software systems for human resource management, salaries, internal training and employee evaluation (HRM); Upgrading crude oil business information management system (CIMS)

- ✓ Project on building a sales application system for individual customers of PVOIL (PVOIL 4U): Expected to be completed in the first quarter of 2024.

- ✓ Petrol pumping station modernization solution project: is preparing a Feasibility Study Report and detailed project design report.

- ✓ PVOIL Easy payment cooperation project with VETC automatic toll cards at petrol stations: Piloting PVOIL Easy payment integration with VETC automatic toll cards at 20 PVOIL petrol stations for a period of 6 months from 15 September 2023.

Research and development work continues to focus on improving technology systems, upgrading and optimizing port warehouse system operations.

## **6. Service quality improvement, system administration and branding**

PVOIL always determines to improve the competitiveness of enterprises through improving governance and administration capacity and service quality is vital to the business, is the central and cross-cutting task of PVOIL throughout the period in order to create a solid foundation for development goals in the coming period

***Improving service quality at terminals/storages and petrol stations:*** PVOIL continues to implement two projects to improve service quality at petrol stations, and storages (Project 1114, 808) to create competitive advantages and thereby increase output. These two projects have been implemented and maintained by PVOIL for many years throughout the system, creating the image of a professional and friendly PVOIL through standardizing the brand identity and service activities at the storages and petrol stations such as landscaping, environmental sanitation, service attitude, ensuring fire safety...

***System administration continues to be improved through:*** (i) Managing cash flow and debt, ensuring payment safety and optimal use of PVOIL's resources (ii) ensuring security and safety, fire prevention and fighting, anti-terrorism (iii) standardizing working processes, implementing job performance evaluation through KPIs, step by step promoting efficiency in governance and improving labor productivity, work efficiency and professionalism of the PVOIL team.

***Brand communication and promotion*** continues to be promoted through regular activities such as: revamping petrol stations according to brand identity standards, participating in the main sponsorship of the VOC PVOIL Cup 2023 off-road racing tournament. In addition, PVOIL also took full advantages and effectiveness of social networks to quickly convey information about the Corporation activities to shareholders, customers and PVOIL employees through the Website, PVOIL Fanpage and Tuoi Tre PVOIL Fanpage.

***Shareholders relations:*** with the responsibility of a large-scale public company whose shares are traded on Upcom, PVOIL seriously implements transparency and disclosure of information on the stock market in accordance with regulations. In addition, PVOIL periodically organizes meetings with investors and shareholders as well as meetings upon request to provide and exchange information about the Holding company's operations.

## **7. Results evaluation and existing limitations**

In 2023, PVOIL had successfully complete the tasks and plans assigned by the AGM in all fields, specifically:

- Safe and efficient export and sale of all delivered crude oil and condensate; provide adequate and timely crude oil for operation of Dung Quat Refinery.
- Continue to maintain outstanding growth in output in all distribution channels, while increasing business efficiency in the context of unpredictable oil price fluctuations and lower-than-expected economic growth.
- Implement well and effectively the chain linking raw materials - production - storage, distribution in the field of crude oil and oil products with units in the industry. To coordinate with domestic refineries closely and effectively in ensuring the source and supplying of petroleum, especially in times of scarcity.
- Complete and exceed financial targets, especially revenue and profit targets.
- Seize the opportunity, promote petrol station development activities in many forms, develop 107 new stores, nearly 2 times the assigned plan at a lower cost than planned.
- The restructuring and rearrangement of the petroleum trading system continued to be promoted and achieved positive results.
- The work of improving service quality, management capacity, brand promotion, IT

application, digital transformation and ERP is focused on implementation and efficiency, helping to improve PVOIL's position and brand value, create solid foundation for long-term development goals.

## **II. Business plan for 2024**

### **1. Forecast**

In the newly published "World Economic Situation and Prospects for 2024" report, the United Nations made a gloomy forecast for the global economy this year, due to challenges such as escalating conflicts, weak global trade, high interest rates and rising climate disasters. The United Nations forecasts that global economic growth will decrease to 2.4% this year, compared to the 2.9% estimated for 2023.

The average Dated Brent crude oil price in 2024 according to Platts is expected to be at 85.17 USD/barrel, equivalent to the average crude oil price in 2023.

Domestically, the Government targets GDP growth at 6-6.5%. Exports, public investment and FDI are expected to continue to be the driving forces to support economic growth. In addition, the State Bank continues to have favorable foundations to maintain the orientation of loosening monetary policy, maintain the trend of reducing interest rates, and prioritize growth support.

In petroleum business activities, it is forecast that the Government will continue to innovate the petroleum business management mechanism in the direction of reducing focal points, reducing intermediaries, and strengthening market supervision and management. The business market is expected to become more transparent and healthier.

Supply from two domestic refineries will decrease significantly because Dung Quat Refinery is expected to stop for maintenance from March 2024 for about 50 days.

The trend of energy transition and the development of electric cars continues to grow stronger, directly affecting business activities, including PVOIL.

### **2. Main missions**

***Crude Oil Sector:*** Ensure safe and efficient export/sales of the entire volume of crude oil/condensate domestically and abroad; sufficiently supply crude oil from domestic sources to Dung Quat oil refinery.

***Petroleum production:*** Produce E5 RON92 gasoline, lubricants under PVOIL brand with the goal of increasing output together with ensuring quality and efficiency of the preparation, ensure system demand being met and supply to other distributors.

***Petroleum trading:*** Organizing petroleum trading complying with the regulations of the Nation and policies of the PVOIL; strive to increase business output on all 3 distribution channels to expand market share while ensuring business efficiency.

***Restructuring and revamping:*** Promote the restructuring and rearrangement of the subsidiaries to optimize business operations and efficiency; coordinate with PVN, the Committee for Management of State Capital at Enterprises, and relevant agencies to handle the backlog and promote the settlement of PVOIL's equitization.

***Investment and development of the system:*** Continue to seize the opportunity, promote investment and development of petrol stations in many forms. Continue to seek and promote the implementation of non-oil services at petrol stations.



**System administration and digital transformation:** Improve efficiency in management of cash flows and debts, cost reduction; continue to improve customer service quality at petrol stations and all storages; promote scientific research and application of 4.0 technology in management and operation.

### 3. Major targets

#### 3.1. Production and financial targets

No.	KPI	Unit	2024 Plan	Compared to 2023 Actual
<b>I</b>	<b>Production KPIs</b>			
1	Crude oil export/sales (including supply to Dung Quat refinery)	1000 ton	9,496	89%
2	Production of petroleum, lubricant	1000 m3/tons	585	87%
3	Petroleum trading	1000 m3	5,000	95%
	- Retail proportion	%	27.1%	+2.5%
<b>II</b>	<b>Financial KPIs</b>			
<b>II.1</b>	<b>Consolidated</b>			
1	Revenue	VND bn.	83,000	80%
2	Profit before tax	VND bn.	740	93%
3	Profit after tax	VND bn.	592	95%
4	Contribution to State budget	VND bn.	7,584	80%
<b>II.2</b>	<b> Holding Company</b>			
1	Revenue	VND bn.	56,000	68%
2	Profit before tax	VND bn.	600	98%
3	Profit after tax	VND bn.	480	96%
4	Dividend ratio/Charter capital	%	2.5%	

*Note: Revenue in 2024 is calculated on crude oil price of 70 USD/barrel*

Recommend that the AGM authorize the Board of Management (BOM) to consider and approve adjustments to the 2024 production and business plan (if any) when the competent state agency changes oil prices to calculate the 2024 plan or according to actual oil prices, report to the AGM on implementation results and disclose information according to regulations.

#### 3.2. Capital investment plan

PVOIL continues to focus on investment in developing retail petrol stations and renovating facilities for petroleum business in 2024 with the following specific targets:

No.	Investment item	Quantity	Value (VND bn.)	Compared to 2022 Actual
1	Development and renovation of Terminals/storages		459	540%
2	Development and renovation of petrol stations	65-70 stations	266	76%
3	Other investment and procurement		345	359%
	<b>TOTAL</b>		<b>1,070</b>	<b>201%</b>
	<i>Of which: - Holding Company</i>		<i>377</i>	<i>116%</i>
	<i>- Subsidiaries</i>		<i>693</i>	<i>335%</i>
	<b>Investment from owners' equity</b>		<b>639</b>	<b>134%</b>

#### 4. Implementation solutions

##### 4.1. Solutions for market and products

- Crude oil field: ensure safe and efficient export/sale of all crude oil/condensate exploited domestically and abroad; follow up and update the actual maintenance plan to fully supply crude oil to Dung Quat Oil Refinery and promptly sell the unreceived crude oil during the maintenance period.

- Petroleum sector: Closely following market developments and the Nation's management, ensuring flexibility and a harmonious balance between output and efficiency of petroleum business; Strictly manage petrol quality; To be flexible in moderation, to maintain reasonable inventory.

- Closely coordinate with the other subsidiaries of PetroVietnam to effectively implement the chain linking raw materials - production - storage and distribution in the field of crude oil and oil products.

- Promote the implementation of PVOIL Easy, PVOIL B2B programs and other non-cash payment methods to create competitive advantages and increase sales volume on all 3 distribution channels.

- Promote the implementation of non-oil business activities at petrol stations.

##### 4.2. Business restructuring solutions

- Restructure and rearrange the system of petroleum subsidiaries to ensure operational efficiency.

- Capital restructuring: continue to divest from affiliates operating outside the core business lines and thoroughly handle problems related to refineries.

- Restructure assets of the whole system on the basis of balancing demands to increase efficiency of asset utilization.

##### 4.3. Solutions to improve governance capacity

- Continue to transform towards modern, transparent, professional administration in accordance with international standards, and applying science and technology, digitalization, automation in production business and customer service.

- Strengthen management and supervision by completing the internal regulation system and directly inspect and supervise the operation of the whole system; Promote cost-effective practice, anti-wastefulness, and cost reduction.
- Accelerate the implementation progress of ongoing projects, especially speed up the implementation progress of projects in the field of digital transformation and application of 4.0 technology.
- Focus on investment in training and developing high-quality human resources to ensure and meet PVOIL's long-term goals.

#### ***4.4. Investment solutions***

- Seize opportunities, continue to promote investment in developing the affiliated petroleum station system in many forms.
- Strengthen investment promotion and cooperation to deploy non-oil services and rest stops on highways.
- Promote investment in developing a fleet of tank trucks and barges to meet the petroleum transportation needs of the entire PVOIL system.

Respectfully report to the General Meeting of Shareholders for approval.

We would like to thank and wish all delegates, distinguished guests and shareholders health, happiness and success./.

Sincerely report./.

**PRESIDENT & CEO**

**Doan Van Nhuom**