

NO: /BC-TGD

*Ho Chi Minh City, date... month... year...*

DRAFT

## REPORT ON BUSINESS PERFORMANCE IN 2020 AND BUSINESS PLAN FOR 2021

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 2020 business plan and the business plan for 2021 as follows:

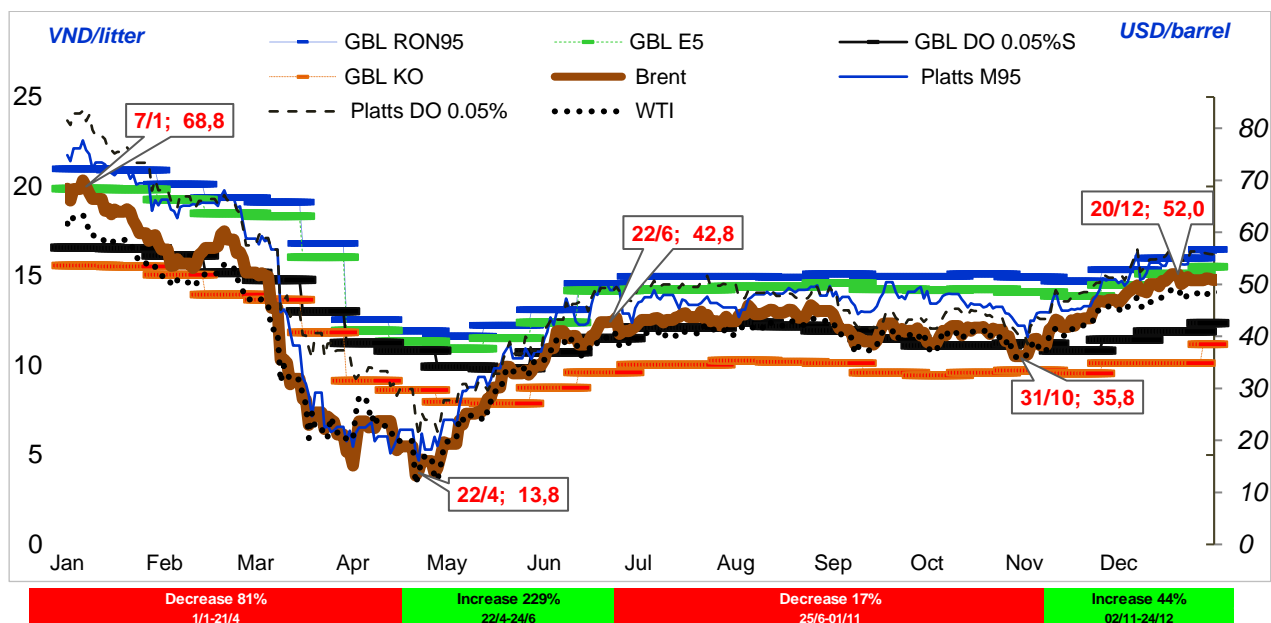
### I. Business performance in 2020

#### 1. General Background

In 2020, the world turned upside down due to the Covid-19 pandemic, the highly contagious virus with complicated developments left negative impacts on all socio-economic aspects on a global scale. After years of continuous growth, global GDP declined by 3.7% from the previous year.

The Covid-19 pandemic caused petroleum demand to decline significantly, global oil prices to move complicatedly, increasing and decreasing sharply and rapidly. In particular, for the first time in history, on April 20, 2020, prices of WTI oil futures crashed to negative (-37.63 USD / barrel). At the same time, price of Dtd Brent oil also dropped to USD 13.2/barrel, losing 80% value compared to beginning of the year, the lowest in 18 years.

Movement of global oil prices and State-administered retail prices during the year were as follows:



Average price of Brent DTD crude oil for the year was USD 41.67/barrel, decreased by 35% (USD 22.64/barrel) compared to 2019 (USD 64.3/barrel) and equaled to 69% of our forecast (USD 60/barrel). Prices of oil products on international markets moved in correlation, average prices declined by 29-38% compared to 2019 averages.

In Vietnam, thanks to good measures of disease control and benefits from the global supply chain shift of developed countries, the economy maintained positive growth at 2.91% for the year, among the countries with highest growth in the world.

Regarding the petroleum business sector, the Government continued market administration according to Decree No. 83/2014/ND-CP: adjusting prices every 15 days, maintaining operation of the price stabilization fund... Retail petroleum prices in Vietnam moved slower but also fluctuated sharply in correlation with global prices, decreased by 23% compared to the previous year. Domestic demand for petroleum declined by approximately 10% compared to 2019 (according to the 2020 Summary report of Vietnam Petroleum Association).

Supplies from Dung Quat and Nghi Son refineries met approximately 70% of domestic demand, however, at some points during the year, the operation of Nghi Son refinery was unstable, causing short supply. The problem of substandard petroleum products, petroleum products of unknown origin was still complicated.

The domestic petroleum market experienced a year full of fluctuations and irregularities: demands plummeted, retail prices dropped to its 13-year low, and market discounts were complicated, sometimes extremely low but at times reaching record high...

Facing the unprecedented double effects of the Covid-19 pandemic and the decline in global oil prices, PVOIL drastically deployed response solutions to minimize negative impacts on business operations of the Corporation, including 3 main solution groups:

- i) Business solutions: Focusing on close control of inventory; striving to maintain and stop the decline in outputs; Optimizing business efficiency through all stages of preparation, transportation, delivery, and storage;
- ii) Cost reduction solutions: Developing and implementing detailed cost reduction scenarios with 10-13-16% cost reduction from plan, corresponding to the scenarios of 10-20-30% output decline; and
- iii) Covid-19 disease control solutions.

## 2. Business performance

### 2.1. Production KPIs

*Unit: 1000 m<sup>3</sup>/ton*

No.	KPI	2019 Actual	2020		Compared to	
			Plan	Actual	Year-over-year	2020 Plan
1	Crude oil export/sales (including supply to Dung Quat oil refinery)	11,052	8,890	9,380	85%	106%
2	Production of petroleum, lubricant	604	604	455	75%	75%
	<i>In which: E5 gasoline</i>	567	600	452	80%	75%

No.	KPI	2019 Actual	2020		Compared to	
			Plan	Actual	Year-over-year	2020 Plan
3	Petroleum trading	3,200	3,250	2,938	92%	90%
	<i>Retail proportion</i>	26.1%	27%	29.4%		

Detailed performance of each area as follows:

### **2.1.1. Import-export of crude oil:**

PVOIL safely and effectively sold the entire volume of crude oil of Vietnam Oil and Gas Group and other field owners with output reaching 106% of target and equivalent to 85% year-over-year. PVOIL sufficiently and promptly supplied 100% materials for Dung Quat oil refinery from domestic crude oil with output reaching 125.5% of the year's target.

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

Production and preparation output of the year reached 75% of target and equivalent to 75% year-over-year, mainly E5 RON92 gasoline. E5 RON92 gasoline trading output decreased by 20% year-over-year due to the impact of the Covid-19 epidemic, consumers' lack of confidence on E5 RON92 gasoline while the difference in retail price compared to RON95 gasoline was often below VND 1,000/liter in 2020, which was not attractive enough to consumers.

### **2.1.3. Petroleum trading**

In the challenging background of 2020, thanks to the efforts to synchronously apply solutions in order to prevent output decline and accelerate the application of 4.0 technologies and non-cash payment methods on the PVOIL Easy system, total petroleum trading output of the whole PVOIL system reached 2.94 million m<sup>3</sup>/ton, only dropped by 8% year-over-year, achieving 90% of the year's target. Retail channel through petrol stations owned by PVOIL continued to grow, increased by 0.7% in output year-over-year, accounting for 29.4% of total sales output. Sales output through PVOIL Easy increased by 44% compared to 2019.

## **2.2. Financial KPIs**

*Unit: billion VND*

No.	KPI	2019 Actual	2020		Compare (%)	
			Plan	Actual	Year-over-year	Plan
<b>I</b>	<b>Consolidated</b>					
1	Total revenue (*)	80,235	52,200	50,541	63%	97%
2	Cost of Goods	77,088		48,071	62%	
3	Gross Profit (**)	3,199		2,462	77%	
4	Costs	2,784		2,573	92%	
5	Total Profit before tax (***)	396	470	(111)	Negative	Negative
6	Profit after tax	325	376	(166)	Negative	Negative
7	Contribution to State budget	9,780	8,260	8,340	85%	101%
<b>II</b>	<b>Holding Company</b>					

No.	KPI	2019 Actual	2020		Compare (%)	
			Plan	Actual	Year-over-year	Plan
1	Revenue	32,197	32,200	20,953	65%	65%
2	Profit before tax	315	350	(152)	Negative	Negative
3	Profit after tax	290	280.	(149)	Negative	Negative

(\*) Including net revenue from operating activities and financial activities

(\*\*) Including gross profit from operating activities and financial activities

(\*\*\*) Including profit from operating activities, profit/loss from affiliates and other profit

Consolidated revenue for the whole year reached VND 50,480 billion, achieving 97% of the year's target and equivalent to 63% year-over-year. PVOIL's revenue came from two main areas: petroleum trading (accounted for 60%) and international crude oil trading (accounted for 40%) - both plummeted year-over-year due to the impact of oil prices.

Consolidated gross profit reached VND 2,462 billion, decreased by VND 737 billion (23%) year-over-year, mainly due to the impact on inventories when oil prices plummeted.

Consolidated expenditures decreased by VND 246 billion (9%) year-over-year (of which administrative and sale expenses decreased by VND 171 billion), mainly due to PVOIL's thorough implementation of cost reduction solutions in challenging business conditions.

Profit before tax: Despite several measures to cope with the double effects of the Covid-19 pandemic crisis and the declining oil prices (preventing the overall decline in output and maintaining retail output; closely controlling inventories to minimize losses due to sharp decline in oil prices; minimizing costs), however with unprecedented challenges, PVOIL still suffered a consolidated loss of VND 111 billion and the Holding Company's loss was VND 152 billion (mainly due to the provisions for financial investment in subsidiaries).

The consolidated contribution to state budget for the year reached VND 8,340 billion, achieving 101% of the year's target and equivalent to 85.4% year-over-year.

### 3. Investment activities

Value of investment was VND 168 billion for the year, achieving 55% of the target, mainly for the development of 28 new petrol stations, the expansion of Nghi Son petroleum depot Phase 1 and the renovation of existing terminal/depots an petrol stations.

Details as follows:

No.	Investment item	2020 Plan	2020 Actual	% Actual/2020 Plan
1	Development and renovation of terminal/depots	96	59	61%
2	Development and renovation of petrol stations	99	78	79%
3	Other procurement	110	31	28%
	<b>TOTAL</b>	<b>305</b>	<b>168</b>	<b>55%</b>
	<i>Of which: - Holding Company</i>	<i>111</i>	<i>78.5</i>	<i>71%</i>
	<i>- Subsidiaries</i>	<i>194</i>	<i>89.5</i>	<i>46%</i>

No.	Investment item	2020 Plan	2020 Actual	% Actual/2020 Plan
	<i>Investment from owners' equity</i>	203	158	78%

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

The restructuring and rearrangement of petroleum subsidiaries to optimize business operations and efficiency was identified by PVOIL as a key mission in 2020 plan. Implementation results as follows:

- Completing the development and approval of the Corporation restructuring plan for the 2020-2025 period;
- Executing the merger of 4 groups of petroleum subsidiaries with the goal of reducing focal points, reducing costs, improving competitiveness;
- Executing the divestment at Petec and affiliates; completing divestment at Petroland;
- Continuing the support for asset preservation at biofuels plants together with implementing restructuring solutions under guidelines of the Government and the Holding Company - Vietnam Oil and Gas Group. Supporting cost to maintain minimum operations for Dung Quat biofuel plant (BSR-BF) and Phu Tho biofuel plant (PVB) for the year was 2.5 billion VND.
- Equitization finalization of the Corporations: Continuing to work with state management authorities to resolve problems related to (i) finalization of the equitization of PETEC and (ii) real estate arrangement and resolution in accordance with Decree No. 167/2017/ND-CP.

#### **5. Application of 4.0 technology and research and development**

PVOIL is leading the petroleum market in creating new business methods and applying 4.0 technology in operations.

##### **5.1. PVOIL Easy program**

Modern solutions for management and payment – no cash nor credit cards via management software of PVOIL Easy program over the years have attracted a number of customers who are transportation businesses.

In 2020, PVOIL will continue to promote the integration of PVOIL Easy with non-cash payment methods, connect with partners such as GotIt, ViettelPay, MoMo, VCB, HDBank to target retail customers.

The volume of transactions through PVOIL Easy has constantly increased, in 2020 the volume increased by 50% compared to previous year, on average nearly 5,500 m<sup>3</sup>/month, equivalent to the average sales volume of 50 petrol stations owned by PVOIL, contributing to maintaining output of the retail channel in the background of plummeting demand.

PVOIL Easy program is currently applied in the entire system of nearly 600 PVOIL's petrol stations and 36 COMECO's petrol stations in Ho Chi Minh City.

##### **5.2. E-Invoicing**

From July 1, 2019, PVOIL officially started operating the e-invoice system throughout the Corporation with 80 issuance points (different tax codes) to meet administrative requirements of the Government, at the same time provide fast and safe service to customers.

### ***5.3. Research on Energy transformation trend and response***

The energy transformation trend is strongly promoted all over the world in recent years. Many developed countries developed roadmap and specific supporting policies for electric vehicle (EV) production with the goal of replacing gasoline-operated light vehicles in the near future to protect the environment. Some countries have had initial success in the application of highly-efficient batteries for electric vehicles, especially large trucks.

In Vietnam, VinFast - Vietnam's major car manufacturer has ambitious plans to launch their own electric cars in order to dominate the domestic market, most recently the high-tech electric bus project has been deployed in some major cities (Ha Noi, Ho Chi Minh City, Phu Quoc).

For many years, PVOIL has focused on monitoring, analyzing and evaluating the development of electric vehicles and implementing research for response plan. PVOIL has cooperated with Vingroup and Vietnam Electricity Corporation EVN to install and commission the solar energy system and electric car charging station at two petrol stations in Da Nang city from the beginning of July 2020.

In addition, PVOIL presided over and coordinated with PetroVietnam Power Corporation (PVPower) and Vietnam Petroleum Institute to implement research projects on energy transformation and response plan.

In 2021, PVOIL plans to continue cooperating with PVPower, EVN, and Vingroup to research and invest in the development and expansion of solar battery systems, charging stations for cars and electric scooters at PVOIL's petrol stations.

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

Having determined that improving competitiveness of the corporation through improving management, administration, service quality is vital to the business and is a key mission throughout the past years to cultivate a solid foundation for development goals in the coming period.

***Improving service quality at petrol depots and stations:*** PVOIL continued to implement two projects to improve service quality at petrol depots and stations to create competitive advantage and thereby increase outputs. These two projects were deployed and maintained by PVOIL for many years throughout the system, creating a professional and friendly image of PVOIL through brand standardization and service activities at petrol depots and stations such as landscaping, sanitation, service attitude, fire safety...

***System administration was always paid attention with:*** (i) Management of cash flows, debt, payment security and optimal use of business resources (ii) ensuring security, safety, fire safety and rescue, anti-terrorism (iii) standardization of work processes, employing productivity assessment through KPIs has gradually been effective in administrating and improving labor productivity, performance and professionalism of PVOIL team.

***Brand promotion*** continued to be focused through regular activities such as: decorating petrol stations following brand guidelines, advertising at petrol stations in many forms, participating as main sponsor for the PVOIL Vietnam Off-Road Cup 2020; exercising PVOIL's responsibilities to the community through activities such as: providing 50,000 medical masks to customers buying petroleum and people in need at PVOIL's petrol stations; Providing masks, hand sanitizers to employees and face shields for retail workers at petrol depots and stations; Donating 9 tons of rice to the "Free rice ATM for the poor"; Providing gasoline and oil to support flood victims in Central Vietnam; Organizing "Coming home for



Tet with PVOIL" program for students with disadvantages ...

Thanks to the tireless efforts over the years, the PVOIL brand has become familiar, confirming reputation in the market for its products and service quality. In 2020, for the second consecutive year, PVOIL is in the top 50 brands in Vietnam in 2020 - one of the three retail brands voted by Forbes - a leading prestigious American business magazine.

**Investor relations:** With the responsibility of a large public listed company whose shares are traded on Upcom, PVOIL strictly implemented transparent information disclosure on the stock market in accordance with regulations. Besides, PVOIL was always ready to meet, provide and exchange information with shareholders and institutional investors as requested.

## **7. Evaluation of results**

The double impact of Covid-19 pandemic and declining oil prices had serious impacts on business operation of PVOIL in 2020. This can be said to be the most difficult period that the Corporation experienced during its establishment and development. With great efforts and determination to reach the planned targets assigned by the General Meeting of Shareholder, the Corporation minimized the negative effects of the market and achieved the following results:

- **Responding promptly and effectively** to the double impact of the COVID-19 pandemic and declining oil prices; Thoroughly implementing inventory control, and cost reduction, which contributed significantly to reducing operating losses.

- **Crude oil import and export entrustment:** Safely and efficiently exporting the entire volume of crude oil in Vietnam; supplying crude oil in a sufficient and timely manner for the operation of Dung Quat oil refinery.

- **Petroleum production and preparation:** ensuring E5 RON92 gasoline supply to meet market demand with stable quality.

- **Petroleum distribution:** Stable distribution system; sales volume through direct sales channels (*Petrol stations/PVOIL Easy and industrial customers*) grew in the background of sharp decline in demand;

- **Improving service quality, management capacity, brand promotion** continues to be focused and effective, helping to improve the reputation and value of PVOIL brand, cultivating a solid foundation for long-term development goals.

- **Restructuring and revamping of business** was promoted

## **II. Business plan for 2021**

### **1. Forecast:**

#### **a) Factors affecting operations of the Corporation:**

The COVID-19 pandemic had strong and unprecedented impacts on the global economy as well as deviating the fundamentals of the oil market in the past year and is expected to still be complicated in 2021 until wide-scale vaccination is implemented globally in general and domestically in particular.

PVOIL developed business plan for 2021 based on the following forecasts:

- In 2021, Vietnam's economy will grow between 6.17% and 6.72%. In the base scenario - global economic growth recovers, COVID-19 pandemic is gradually controlled -

Vietnam's GDP growth rate this year will reach 6.17%/year, average CPI will increase by 3.8%. In the positive scenario - global economy recovers quickly, Vietnam's economic growth in 2021 may reach 6.72%/year, CPI will increase by 4.2%.

- Crude oil prices are forecast to fluctuate around USD 45/barrel.
- In 2021, the State will amend Decree 83/2014/ND-CP on petroleum trading and some regulations are expected to change, such as: (i) Reducing the required reserves in circulation; (ii) Shortening the retail price administration cycle; (iii) Adjusting the base price formula... to move closer to market situation.
- The supply of imported gasoline is increasingly plentiful when there are more available sources of gasoline from ASEAN countries with special import tax incentives under AKFTA Agreement. Supplies from domestic refineries meet approximately 70% of domestic demand.

## **b) Advantages and challenges for PVOIL**

### ***Advantages:***

- PVOIL owns a relatively stable distribution system, owning nearly 600 petrol stations and nearly 1,200 General Agents/Agents/Franchisees nation-wide.
- The storage system spreads across the country, in which 2 depots directly connected to 2 Dung Quat and Nghi Son oil refineries.
- Supplies from domestic oil refineries are expected to account for approximately 90%, which will help PVOIL to actively coordinate supply sources.

### ***Difficulties and challenges:***

- The Covid-19 pandemic is still complicated in the world, implicating several potential risks for the economy in general and PVOIL's business in particular. Demand for petroleum in the world and in the country recovers slowly; Crude oil prices continue to fluctuate complicatedly, unpredictably, with many potential risks in 2021.
- Domestic petroleum market is subject to fierce competition due to the ongoing increase of the number of distributors and the problem of substandard petroleum products, petroleum products of unknown origin was still complicated.

## **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 plant.

***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:*** Maintain market share and distribution system, boost petroleum trading, ensure safety and efficiency; Focus on increasing the sales proportion in direct channels.

***Restructuring and revamping:*** Promote the restructuring and rearrangement of the subsidiaries to optimize business operations and efficiency; Continue to support asset



preservation in biofuels plants together with implementing restructuring solutions; Complete the finalization of PVOIL's equitization and execute the divestment of state capital right after.

**Investment and development of the system:** Continue to promote investment and development of petrol stations in many forms. Promote the implementation of non-petroleum services, cooperate in the development of solar energy systems and electric vehicle charging stations at petrol stations.

**System administration:** Improve efficiency in management of cash flows and debts, cost reduction; continue to improve customer service quality at petrol stations and depots; 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	2021 Plan	Compared to 2020 Actual
<b>I</b>	<b>Production KPIs</b>			
1	Crude oil export/sales (including supply to Dung Quat oil refinery)	1000 tons	8,586	92%
2	Production of petroleum, lubricant	1000 m3/ton	484	106%
3	Petroleum trading	1000 m3/ton	3,150	107
	- Retail proportion	%	28.6%	
<b>II</b>	<b>Financial KPIs</b>			
<b>II.1</b>	<b>Consolidated</b>			
1	Revenue	VND bn.	55,750	110%
2	Profit before tax	VND bn.	400	
3	Profit after tax	VND bn.	320	
4	Contribution to State budget	VND bn.	8,480	102
<b>II.2</b>	<b>Holding Company</b>			
1	Revenue	VND bn.	27,000	129%
2	Profit before tax	VND bn.	300	
3	Profit after tax	VND bn.	240	

#### 3.2. Capital investment plan

PVOIL continues to focus on investment in developing retail petrol stations and renovating facilities for petroleum business in 2021 with the following specific targets:

No.	Investment item	Quantity	Value (VND bn.)	Compared to 2020 Actual
1	Development and renovation of Terminal/depots		98	166
2	Development and renovation of petrol stations	37 stations	418	536
3	Other investment and procurement		97	313
	<b>TOTAL</b>		613	365%
	<i>Of which: - Holding Company</i>		428	544

No.	Investment item	Quantity	Value (VND bn.)	Compared to 2020 Actual
	- <i>Subsidiaries</i>		186	207%
	<b><i>Investment from owners' equity</i></b>		521	330

#### 4. Implementation solutions

##### 4.1. Solutions for markets and products

- Closely monitor market developments and State's administration to stay flexible in creating/supplying sources, maintain reasonable inventory and optimally utilize/allocate the Corporation's resources.

- Continue to focus on increasing outputs and sales proportion in direct channels (petrol stations and industrial customers) by improving quality of customer service (projects 1114, 808);

- Applying 4.0 technology and other forms of non-cash payment to create a competitive advantage and increase sales in direct channels. Specifically: i) For PVOIL Easy: Expand PVOIL Easy to wholesale and industrial customers; Upgrade PVOIL Easy for existing corporate customers; Develop sales application (app) for retail customers to purchase petroleum at PVOIL petrol stations; ii) Apply information technology, modernize gasoline pumps at petrol stations...

- Deploy non-oil business activities at petrol stations

- Actively coordinate with other companies in the industry to develop a chain of production, processing, transportation and distribution of petroleum products to optimize business administration efficiency according to the PVN's policy.

##### 4.2. Business restructuring solutions

- Restructure and rearrange the petroleum subsidiaries; proceed to transform the organization and operation model of the Corporation;

- Capital restructuring: continue to divest from affiliates operating outside the core business lines. Execute divestment at Petec and thoroughly resolve issues related to biofuels plants.

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

##### 4.3. Improve governance capacity

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

- Focus on investment in training and developing high-quality human resources to meet PVOIL's long-term goals.

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./.

**PRESIDENT & CEO**

**Doan Van Nhuom**