

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2015



The Board of Directors of PETRONAS Dagangan Berhad ("PDB" or the Company) is pleased to announce the following Unaudited Interim Condensed Consolidated Financial Statements for PDB Group for the third quarter ended 30 September 2015 which should be read in conjunction with the accompanying explanatory notes on pages 5 to 17.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2015 RM'000	As at 31/12/2014 RM'000
ASSETS		
Property, plant and equipment	4,016,673	4,031,094
Prepaid lease payments	494,766	500,908
Investment in associates	2,907	2,781
Investment in joint ventures	9,692	6,736
Deferred tax assets	8,227	8,227
TOTAL NON-CURRENT ASSETS	4,532,265	4,549,746
Inventories	692,900	1,031,957
Trade and other receivables	2,046,732	2,119,144
Cash and cash equivalents	1,384,152	1,839,684
Assets classified as held for sale	35,639	-
TOTAL CURRENT ASSETS	4,159,423	4,990,785
TOTAL ASSETS	8,691,688	9,540,531
EQUITY		
Share capital	993,454	993,454
Reserves	4,000,686	3,758,725
Total Equity Attributable to Shareholders of the Company	4,994,140	4,752,179
Non-controlling interests	36,737	39,644
TOTAL EQUITY	5,030,877	4,791,823
LIABILITIES		
Borrowings	128,914	134,726
Deferred tax liabilities	136,894	140,189
Other long term liabilities and provisions	30,066	29,120
TOTAL NON-CURRENT LIABILITIES	295,874	304,035
Trade and other payables	3,085,336	4,059,457
Borrowings	99,399	359,638
Taxation	141,807	25,578
Liabilities classified as held for sale	38,395	-
TOTAL CURRENT LIABILITIES	3,364,937	4,444,673
TOTAL LIABILITIES	3,660,811	4,748,708
TOTAL EQUITY AND LIABILITIES	8,691,688	9,540,531
Net assets per share attributable to ordinary equity holders of the Parent (RM)	5.03	4.78

The Unaudited Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2015



UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended 30/09/2015 RM'000	3 months ended 30/09/2014 RM'000	9 months ended 30/09/2015 RM'000	9 months ended 30/09/2014 RM'000
Revenue	6,529,317	8,226,648	19,123,642	24,888,180
Operating profit	300,968	230,728	963,750	712,216
Finance cost	(4,218)	(8,108)	(11,330)	(16,246)
Share of profit after tax of equity accounted associates and joint ventures	929	1,009	3,082	1,583
Profit before taxation	297,679	223,629	955,502	697,553
Tax expense	(77,362)	(61,721)	(253,198)	(190,028)
Profit for the period	220,317	161,908	702,304	507,525
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising from translation of financial statements of foreign operations	14,213	(1,825)	20,962	(2,644)
Total comprehensive income for the period	234,530	160,083	723,266	504,881
Profit attributable to:				
Shareholders of the Company	218,884	160,399	697,861	501,127
Non-controlling interests	1,433	1,509	4,443	6,398
Profit for the period	220,317	161,908	702,304	507,525
Total comprehensive income attributable to:				
Shareholders of the Company	233,097	158,574	718,823	498,483
Non-controlling interests	1,433	1,509	4,443	6,398
Total comprehensive income for the period	234,530	160,083	723,266	504,881
Earnings per ordinary share- basic (sen)	22.0	16.1	70.2	50.4

The Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Shareholders of the Company						Total Equity RM'000
	Share Capital RM'000	Foreign Currency Translation Reserves RM'000	Capital reserves RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	
At 1 January 2014	993,454	(820)	(44,053)	3,841,535	4,790,116	39,366	4,829,482
Exchange difference arising from translation of financial statements of foreign operations	-	(2,644)	-	-	(2,644)	-	(2,644)
Profit for the period	-	-	-	501,127	501,127	6,398	507,525
Dividends paid	-	-	-	(432,152)	(432,152)	(3,150)	(435,302)
At 30 September 2014	993,454	(3,464)	(44,053)	3,910,510	4,856,447	42,614	4,899,061
At 1 January 2015	993,454	11,038	(44,053)	3,791,740	4,752,179	39,644	4,791,823
Exchange difference arising from translation of financial statements of foreign operations	-	20,962	-	-	20,962	-	20,962
Profit for the period	-	-	-	697,861	697,861	4,443	702,304
Dividends paid	-	-	-	(476,862)	(476,862)	(7,350)	(484,212)
At 30 September 2015	993,454	32,000	(44,053)	4,012,739	4,994,140	36,737	5,030,877

The Unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended 30/09/2015	Period ended 30/09/2014
	RM'000	RM'000
Cash receipts from customers	19,384,844	25,123,428
Cash paid to suppliers and employees	(18,728,116)	(24,269,924)
	656,728	853,504
Interest expenses paid	(1,296)	(3,476)
Taxation paid	(141,991)	(213,742)
Net cash generated from operating activities	513,441	636,286
Acquisition of a joint venture	-	(1,028)
Advances to a joint venture	-	(3,067)
Interest income from fund and other investments	38,564	13,711
Purchase of property, plant and equipment	(237,933)	(239,747)
Prepayment of leases	(15,483)	(24,751)
Proceeds from disposal of property, plant and equipment	10,386	7,294
Net cash used in investing activities	(204,466)	(247,588)
Dividends paid	(476,862)	(432,152)
Dividends paid to non-controlling interest	(7,350)	(3,150)
Repayment of term loan	(7,828)	-
(Repayment)/drawdown of Islamic medium term notes	(300,000)	300,000
Drawdown/ (Repayment) of revolving credit facility	50,547	(220,073)
(Repayment)/drawdown of Islamic financing facility	(12,381)	11,159
Interest paid on term loan	(1,150)	-
Profit margin paid for Islamic medium term notes	(5,280)	(5,368)
Profit margin paid for Islamic financing facility	(3,708)	(3,348)
Net cash used in financing activities	(764,012)	(352,932)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(455,037)	35,766
NET FOREIGN EXCHANGE DIFFERENCES	4,451	151
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,839,684	358,633
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1,389,098	394,550

The Unaudited Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2015



PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A1 BASIS OF PREPARATION

The interim financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements are unaudited and should be read in conjunction with the audited financial statements for the year ended 31 December 2014. The explanatory notes attached to the Interim Financial Statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2014.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries, and the Group’s interest in its associates and its joint ventures as at and for the quarter ended 30 September 2015.

Significant Accounting Policies

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2014 except for the adoption of Amendments to Standards effective as of 1 January 2015.

A. Amendments effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
Amendments to MFRS 2	Share-based Payment (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 119	Employee Benefits – Defined Benefit Plans: Employee Contributions
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 140	Investment Properties (Annual Improvements 2011-2013 Cycle)

The initial adoption of the above pronouncements did not have any material impact to the interim financial statements of the Group.

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PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

The following pronouncements that have been issued by the Malaysian Accounting Standards Board will become effective in future financial reporting periods and have not been adopted by the Group in the interim financial statements:

B. MFRSs and amendments effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 11	Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure Initiative
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 119	Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants
Amendments to MFRS 127	Employee Benefits (Annual Improvements 2012-2014 Cycle) Separate Financial Statements – Equity Method in Separate Financial Statements
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

C. MFRS effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (2014)
MFRS 15	Revenue from Contracts with Customers

The Group is expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The Group is currently assessing the impact of adopting the above pronouncements.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A2 AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the annual financial statements for the year ended 31 December 2014.

A3 SEASONAL OR CYCLICAL FACTORS

The Group's operations in relation to sales volume are not significantly affected by seasonal or cyclical fluctuations of the business/industry.

A4 EXCEPTIONAL ITEM

There were no exceptional items during the current quarter under review.

A5 MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in estimates of the amounts reported in the annual financial statements of the Group for the year ended 31 December 2014 that may have a material effect in the current quarter results.

Included in the trade and other receivables is an amount of RM89.9 million in respect of subsidy claims for diesel, which are pending approval from the Government Authorities.

The key assumption in estimating the recoverability of the amount was that there are letters received from the Government Authorities indicating that these claims will be reviewed and considered. All relevant documentations to support these claims have been submitted to the Government Authorities.

A6 COMMITMENTS

Outstanding commitments in respect of capital expenditure at financial position date not provided for in the interim financial statements are:-

	As at 30/09/2015	As at 31/12/2014
	RM'000	RM'000
Approved and contracted for	61,329	21,208
Approved but not contracted for	273,528	308,458
	<u>334,857</u>	<u>329,666</u>

A7 DEBT AND EQUITY SECURITIES

On 23 March 2015, the Company fully repaid RM300 million Islamic Medium Term Notes which was issued pursuant to the Sukuk Programme as announced on 21 March 2014.

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 30 September 2015.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A8 DIVIDENDS PAID

During the nine months period ended 30 September 2015, the following dividend payments were made :

1. A special interim dividend of 22 sen per ordinary share amounting to RM218,559,880.00 for the quarter ended 31 December 2014 was paid on 27 March 2015 (Quarter 4 2013: an interim dividend of 17.5 sen per ordinary share amounting to RM173,854,450.00).
2. An interim dividend of 12 sen per ordinary share amounting to RM119,214,480.00 for the quarter ended 31 March 2015 was paid on 25 June 2015 (Quarter 1 2014: an interim dividend of 12 sen per ordinary share amounting to RM119,214,480.00).
3. An interim dividend of 14 sen per ordinary share amounting to RM139,083,560.00 for the quarter ended 30 June 2015 was paid on 22 September 2015 (Quarter 2 2014: an interim dividend of 14 sen per ordinary share amounting to RM139,083,560.00).

A9 SEGMENTAL INFORMATION

A segment is a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and assess the Group's performance, and for which discrete financial information is available.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

Results for 9 months period ended 30 September 2015

<i>In RM'000</i> Business Segments	2015				2014			
	Retail	Commercial	Others	Group	Retail	Commercial	Others	Group
Revenue	10,169,220	8,935,638	18,784	19,123,642	11,893,206	12,981,944	13,030	24,888,180
Depreciation and amortisation	187,983	34,769	14,915	237,667	181,242	34,977	11,449	227,668
Other income	189,179	35,166	1,412	225,757	141,766	8,018	753	150,537
Operating profit for reportable segments	488,495	452,183	23,072	963,750	369,940	320,100	22,176	712,216
Finance cost	(4,663)	(3,039)	(3,628)	(11,330)	(10,782)	(3,659)	(1,805)	(16,246)
Share of profit after tax of associates and joint ventures				3,082				1,583
Profit before taxation				<u>955,502</u>				<u>697,553</u>

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any.

A11 ASSETS AND LIABILITIES HELD FOR SALE

The Group intends to sell two of its subsidiaries and the related assets and liabilities of the subsidiaries are presented as assets/liabilities classified as held for sale. Efforts to sell the subsidiaries are ongoing and the transaction is expected to complete within the next twelve months. At 30 September 2015, the subsidiaries comprised assets of RM35.6 million less liabilities of RM38.4 million.

A12 SUBSEQUENT EVENTS

In the opinion of the Directors, there were no transactions or events of a material or unusual nature that had occurred between 30 September 2015 and the date of this announcement.

A13 CHANGES IN THE COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the period under review.

A14 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities and contingent assets.

A15 RELATED PARTY TRANSACTIONS

There were no significant transactions with related party in addition to the related party transactions disclosed in the audited financial statements for the year ended 31 December 2014.

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A16 FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted price in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments not carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Group					
30 September 2015					
Financial Liabilities					
Islamic financing facility	-	95,821	-	95,821	106,866
Term loan	-	36,747	-	36,747	41,747
	-	132,568	-	132,568	148,613
Group					
31 December 2014					
Financial Liabilities					
Islamic financing facility	-	103,584	-	103,584	119,304
Term loan	-	39,239	-	39,239	40,783
	-	142,823	-	142,823	160,087

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the prevailing rate of interest charged on the respective loans at the end of the reporting period.

QUARTERLY REPORT

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B1 REVIEW OF PERFORMANCE

a) Performance of the current quarter against the corresponding quarter

In RM' Mil	Quarter ended					
	Group		Retail		Commercial	
	September 2015	September 2014	September 2015	September 2014	September 2015	September 2014
Revenue	6,529.3	8,226.6	3,498.8	3,939.6	3,024.2	4,282.9
Operating profit	301.0	230.7	143.0	98.1	150.2	133.3

Group Revenue for the quarter ended 30 September 2015 was RM6,529.3 million, a decrease of RM1,697.3 million over the results of the corresponding quarter last year mainly as a result of a decrease in average selling price and sales volume by 18% and 3%, respectively. The decrease in average selling price was in line with the decline in Means of Platts Singapore ("MOPS") prices beginning June 2014.

Group operating profit for the quarter ended 30 September 2015 was RM301.0 million, an increase of RM70.3 million compared to the corresponding quarter last year mainly as a result of higher gross profit by RM33.5 million, lower operating expenditure by RM15.9 million and higher other income by RM20.9 million. Higher other income was mainly due to an accounting reclassification arising from Goods and Services Tax ("GST") implementation which has no profit impact as well as higher interest income.

Higher gross profit was as a result of higher margin contribution from both Retail and Commercial segments.

The reduction in operating expenditure was mainly due to lower advertising and promotion expenses, foreign exchange gain and other cost reduction efforts undertaken by the Company.

Retail Segment

The decrease in revenue of RM440.8 million was mainly due to a decrease in sales volume of Diesel arising from the impact of Managed Float implementation beginning December 2014 which resulted in lower Retail industry demand for Diesel.

The increase in operating profit by RM44.9 million compared to corresponding quarter last year was mainly due to higher gross profit by RM22.1 million, lower operating expenditure by RM14.9 million and higher other income RM7.9 million.

Higher gross profit was mainly due to revision in Automatic Pricing Mechanism ("APM") for LPG effective June 2015 coupled with cost optimisation initiatives undertaken during the quarter.

Commercial Segment

The decrease in revenue by RM1,258.7 million was mainly due to a decrease in average selling price by 31% despite increase in sales volume by 3%. Decrease in average selling price had mainly impacted revenue contribution for Aviation, Fuel Oil and Diesel.

The increase in operating profit by RM16.9 million was mainly due to higher gross profit by RM9.6 million and higher other income by RM6.2 million.

Higher gross profit was in line with higher sales volume and improvement in Bitumen margins.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B1 REVIEW OF PERFORMANCE

b) Performance of the current period against the corresponding period last year

In RM' Mil	Period ended					
	Group		Retail		Commercial	
	September 2015	September 2014	September 2015	September 2015	September 2014	September 2015
Revenue	19,123.6	24,888.2	10,169.2	11,893.2	8,935.6	12,981.9
Operating profit	963.8	712.2	488.5	369.9	452.2	320.1

Group revenue for the period ended 30 September 2015 was RM19,123.6 million, a decrease of RM5,764.6 million over the results of the corresponding period last year mainly as a result of a decrease in average selling price by 19% coupled with a decrease in sales volume by 5%. The decrease in average selling price was in line with the decline in MOPS prices beginning June 2014.

Group operating profit for the period ended 30 September 2015 was RM963.8 million, an increase of RM251.6 million compared to the corresponding period last year mainly as a result of lower operating expenditure by RM123.0 million, higher other income by RM75.2 million and higher gross profit by RM53.4 million. Higher other income was mainly due to an accounting reclassification arising from GST implementation which has no profit impact as well as higher interest income.

Higher gross profit was as a result of higher margin contribution from Commercial segment.

The reduction in operating expenditure was mainly due to variation in yearly bonus payment resulting in lower manpower expenses for the current period compared to corresponding period last year. In addition, lower advertising and promotion expenses and foreign exchange gain had further contributed to the lower operating expenditure.

Retail Segment

The decrease in revenue of RM1,724.0 million was due to a decrease in sales volume of Diesel arising from the impact of Managed Float implementation beginning December 2014 which resulted in lower Retail industry demand for Diesel.

The increase in operating profit by RM118.6 million compared to corresponding period last year was mainly due to lower operating expenditure by RM73.2 million and higher other income by RM47.4 million.

Commercial Segment

The decrease in revenue by RM4,046.3 million was mainly due to a decrease in average selling price by 31%. Decrease in average selling price had mainly impacted revenue contribution for Aviation, Fuel Oil and Diesel.

The increase in operating profit by RM132.1 million was due to higher gross profit by RM54.3 million, lower operating expenditure by RM50.6 million and higher other income by RM27.2 million.

Despite maintaining sales volume, gross profit was higher arising from efforts undertaken to improve margins. Improvement in margins was mainly contributed by Bitumen.

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PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B2 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

Group revenue for the quarter ended 30 September 2015 was RM6,529.3 million, an increase of RM36.2 million compared to the preceding quarter mainly as a result of an increase in sales volume by 3% despite lower average selling price by 3%.

Group operating profit was RM301.0 million, a decrease of RM74.6 million compared to the preceding quarter mainly due to lower gross profit by RM72.7 million. Lower gross profit was mainly attributed to the Retail segment arising from lower margins in the current quarter in line with decreasing MOPS prices.

B3 CURRENT YEAR PROSPECTS

The Malaysian economy grew by 5.3% in the first half of 2015 (1H 2014: 6.4%), driven by private investment and consumption. On the external front, Malaysia continues to be impacted by slower global growth and regional trade. This has impacted the manufacturing sector which recorded a lower growth of 4.9% for the first half of 2015 (1H 2014: 7.2%). The construction sector has also shown a lower growth at 7.7% (1H 2014: 14.5%). The Consumer Price Index (CPI) increased at 2.2% in 2Q 2015 (1Q 2015: 0.7%) reflecting mainly the impact of Goods and Services Tax (GST). The ringgit continued to be driven by shifts in investor sentiments and portfolio investments resulting in ringgit depreciation of 16.3% against the US dollar between Jan-Aug 2015.

Despite the internal and external challenges facing the country, strong economic fundamentals, including diversified sources of growth, low unemployment rate, coupled with pro-growth fiscal policies, real GDP is projected to grow moderately between 4.5% - 5.5% for the full year of 2015 (2014: 6%) (Extracted from MOF Economic Report 2015/2016, and Bank Negara Quarterly Bulletin - Second Quarter 2015).

Uncertainty in the crude oil markets on the potential impact of the lifting of Iran sanctions and increased OPEC production continues to put downward pressure on oil prices.

The Directors are of the opinion that the economic and business environment will continue to be challenging in the remaining months of 2015. The Group will continue to implement measures such as inventory management strategy and operating expenditure management as part of the cost reduction efforts, as well as pursuing ongoing efforts and initiatives to ensure the Company remains resilient in the face of a more competitive environment.

Retail Segment

Retail Segment will continue to push for sales of petroleum products, leveraging on the PETRONAS PRIMAX 95 with Advanced Energy Formula and the newly launched Euro4 PETRONAS PRIMAX 97 with Advanced Energy Formula, which was made available to consumers nationwide two weeks earlier than the Government stipulated date of 1 September 2015. Retail Segment will also continue to strengthen its product branding and leverage on its extensive station and dealer network, and offer differentiated services to meet customers' expectations.

Commercial Segment

Commercial Segment will continue to focus on value by improving margins and targeted product and market segments, leveraging on the public and private sector investments on infrastructure and construction projects. In addition, the Commercial Segment will also leverage on its superior logistics, personalised services and differentiated offerings to sustain existing markets and capture new markets.

B4 PROFIT FORECAST

There was no profit forecast issued for the financial year.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2015



PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B5 TAX EXPENSE

Taxation comprises the following:

	3 months ended 30/09/2015	3 months ended 30/09/2014	9 months ended 30/09/2015	9 months ended 30/09/2014
	RM'000	RM'000	RM'000	RM'000
<u>Income Tax:</u>				
Current Quarter/ Year-to-Date	76,684	60,248	256,493	192,854
<u>Deferred Taxation:</u>				
Current Quarter/ Year-to-Date	678	1,473	(3,295)	(2,826)
	77,362	61,721	253,198	190,028

The effective tax rate was higher than the statutory tax rate mainly due to depreciation of buildings which was disallowed for tax purposes.

B6 STATUS OF CORPORATE PROPOSALS ANNOUNCED

There were no corporate proposals announced as at the date of this report.

B7 BORROWINGS

Particulars of the Group's borrowing as at 30 September 2015 is as follows:

	As at 30/09/2015	As at 31/12/2014
	RM'000	RM'000
Non Current – Unsecured	89,775	102,529
Non Current – Secured	39,139	32,197
	128,914	134,726
Current – Unsecured	109,105	351,052
Current – Secured	2,609	8,586
	111,714	359,638

B8 DERIVATIVE FINANCIAL INSTRUMENTS

Foreign currency forward contracts are entered into by the Group in currencies other than the functional currency to manage exposure to the fluctuations in foreign currency exchange rates.

Foreign currency forward contracts are recognised on the contractual dates and are measured at fair value with changes in fair value recognised in profit or loss.

As at 30 September 2015, there were outstanding foreign currency forward contracts denominated in USD amounting to USD1.45 million.

B9 MATERIAL LITIGATION

There are no material litigations as at the date of this report.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2015



PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B10 DIVIDENDS

The Board has declared a single tier interim dividend of 14 sen per ordinary share amounting to RM139,083,560.00 for three months ended 30 September 2015 payable on 4 December 2015 (Quarter 3 2014: a single tier interim dividend of 12 sen per ordinary share amounting to RM119,214,480.00).

NOTICE IS HEREBY GIVEN that the interim dividend will be payable on 4 December 2015 to depositors registered in the Records of Depositors at the close of the business on 19 November 2015. A depositor shall qualify for entitlement to the dividends only in respect of:-

- Shares transferred into Depositors' Securities Account before 4 pm on 19 November 2015 in respect of ordinary transfer.
- Share bought on the Bursa Malaysia on a cum entitlement basis according to the rules of the Bursa Malaysia.

B11 BASIC EARNINGS PER SHARE

Basic earnings per share is derived based on the profit attributable to shareholders of the Company and based on the number of ordinary shares outstanding as at 30 September 2015.

	3 months ended		9 months ended	
	<u>30/09/2015</u>	<u>30/09/2014</u>	<u>30/09/2015</u>	<u>30/09/2014</u>
Profit attributable to shareholders of the Company (RM'000)	218,884	160,399	697,862	501,127
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings per ordinary share (sen)	22.0	16.1	70.2	50.4

B12 REALISED AND UNREALISED PROFIT

The breakdown of the retained earnings of the Group as at 30 September 2015 into realised and unrealised profits is as follows:

	<u>30/09/2015</u>	<u>31/12/2014</u>
	RM'000	RM'000
Total retained profits		
- realised	4,158,531	3,968,823
- unrealised	(99,673)	(99,372)
	<u>4,058,858</u>	<u>3,869,451</u>
Total retained profit of associates attributable to the Group		
- realised	948	821
Total retained profit of joint ventures attributable to the Group		
- realised	8,639	5,683
Less: Consolidation adjustments	(55,706)	(84,215)
Total retained profits	<u><u>4,012,739</u></u>	<u><u>3,791,740</u></u>

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2015



PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B13 Profit for the period

	3 months ended 30/09/2015 RM'000	3 months ended 30/09/2014 RM'000	9 months ended 30/09/2015 RM'000	9 months ended 30/09/2014 RM'000
Profit for the period is arrived at after charging:				
Depreciation and amortisation	77,580	73,907	237,667	227,668
Impairment loss on trade and other receivables	13	5	306	-
Inventories written off	-	-	5,157	-
Interest on revolving credit and term loan	2,004	1,866	3,026	4,649
Loss on disposal of property, plant and equipment	-	1,441	-	-
Net loss on foreign exchange	-	-	-	2,002
Profit margin for Islamic financing facility	1,175	248	3,628	1,806
Profit margin for Islamic Medium Term Notes	-	5,368	2,321	5,368
Property, plant and equipment written off	3,089	-	11,788	-
Trade and other receivables written off	4,630	35	4,846	57
and after crediting:				
Gain on disposal of property, plant and equipment	245	-	2,194	521
Interest income from deposits	14,045	4,622	38,357	13,265
Income from rental of premises	737	382	1,558	553
Net gain on foreign exchange	18,181	3,979	31,978	-
Net gain on forward contract	161	1,063	164	849
Reversal of impairment losses on trade receivables	-	-	-	475

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

BY ORDER OF THE BOARD

Hasnizaini Mohd Zain (LS 0009780)

Yeap Kok Leong (MAICSA 0862549)

Joint Secretaries

Kuala Lumpur

2 November 2015