

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 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 fourth quarter ended 31 December 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 31/12/2015 RM'000	As at 31/12/2014 RM'000
ASSETS		
Property, plant and equipment	3,989,865	4,031,094
Prepaid lease payments	491,950	500,908
Investments in associates	3,015	2,781
Investments in joint ventures	10,281	6,736
Deferred tax assets	9,412	8,227
TOTAL NON-CURRENT ASSETS	4,504,523	4,549,746
Inventories	625,558	1,031,957
Trade and other receivables	1,649,252	2,119,144
Cash and cash equivalents	1,258,637	1,839,684
Assets classified as held for sale	32,635	-
TOTAL CURRENT ASSETS	3,566,082	4,990,785
TOTAL ASSETS	8,070,605	9,540,531
EQUITY		
Share capital	993,454	993,454
Reserves	3,958,865	3,758,725
Total Equity Attributable to Shareholders of the Company	4,952,319	4,752,179
Non-controlling interests	31,693	39,644
TOTAL EQUITY	4,984,012	4,791,823
LIABILITIES		
Borrowings	113,321	134,726
Deferred tax liabilities	153,066	140,189
Other long term liabilities and provisions	27,427	29,120
TOTAL NON-CURRENT LIABILITIES	293,814	304,035
Trade and other payables	2,602,174	4,059,457
Borrowings	98,499	359,638
Taxation	67,600	25,578
Liabilities classified as held for sale	24,506	-
TOTAL CURRENT LIABILITIES	2,792,779	4,444,673
TOTAL LIABILITIES	3,086,593	4,748,708
TOTAL EQUITY AND LIABILITIES	8,070,605	9,540,531
Net assets per share attributable to ordinary equity holders of the Parent (RM)	4.98	4.78

The Unaudited Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these consolidated financial statements.

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended	3 months ended	12 months ended	12 months ended
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Revenue	6,047,568	7,452,818	25,171,210	32,340,998
Operating profit	130,563	16,179	1,094,313	728,395
Finance cost	(2,115)	(4,763)	(13,444)	(21,009)
Share of profit after tax of equity accounted associates and joint ventures	697	323	3,779	1,906
Profit before taxation	129,145	11,739	1,084,648	709,292
Tax expense	(36,826)	(11,114)	(290,024)	(201,142)
Profit for the period/ year	92,319	625	794,624	508,150
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	8,213	14,502	29,175	11,858
Total comprehensive income for the period/ year	100,532	15,127	823,799	520,008
Profit attributable to:				
Shareholders of the Company	92,113	445	789,975	501,572
Non-controlling interests	206	180	4,649	6,578
Profit for the period/ year	92,319	625	794,624	508,150
Total comprehensive income attributable to:				
Shareholders of the Company	100,326	14,947	819,150	513,430
Non-controlling interests	206	180	4,649	6,578
Total comprehensive income for the period/ year	100,532	15,127	823,799	520,008
Earnings per ordinary share - basic (sen)	9.3	0.04	79.5	50.5

The Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these consolidated financial statements.

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

← Attributable to the Shareholders of the Company →

Non-Distributable

 Distributable

	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	Total Equity 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	-	11,858	-	-	11,858	-	11,858
Profit for the year	-	-	-	501,572	501,572	6,578	508,150
Dividends paid	-	-	-	(551,367)	(551,367)	(6,300)	(557,667)
At 31 December 2014	993,454	11,038	(44,053)	3,791,740	4,752,179	39,644	4,791,823
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	-	29,175	-	-	29,175	-	29,175
Profit for the year	-	-	-	789,975	789,975	4,649	794,624
Waiver of loan for a subsidiary acquired under common control business combination in prior year	-	-	(3,069)	-	(3,069)	-	(3,069)
Dividends paid	-	-	-	(615,941)	(615,941)	(12,600)	(628,541)
At 31 December 2015	993,454	40,213	(47,122)	3,965,774	4,952,319	31,693	4,984,012

The Unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these consolidated financial statements.

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months ended 31/12/2015	12 months ended 31/12/2014
	RM'000	RM'000
Cash receipts from customers	25,547,500	33,057,234
Cash paid to suppliers and employees	(24,685,761)	(30,267,119)
	861,739	2,790,115
Interest expenses paid	(2,325)	(3,267)
Taxation paid	(242,775)	(236,837)
Net cash generated from operating activities	616,639	2,550,011
Investment in a joint venture	-	(1,028)
Advances to a joint venture	-	(3,067)
Interest income from fund and other investments	54,554	23,534
Purchase of property, plant and equipment	(315,010)	(395,062)
Prepayment of leases	(21,012)	(42,392)
Proceeds from disposal of property, plant and equipment	9,550	8,872
Net cash used in investing activities	(271,918)	(409,143)
Dividends paid	(615,941)	(551,367)
Dividends paid to non-controlling interest	(12,600)	(6,300)
Repayment of term loan	(10,066)	(2,146)
(Repayment)/drawdown of Islamic medium term notes	(300,000)	300,000
Drawdown/ (Repayment) of revolving credit facility	42,288	(397,152)
(Repayment)/drawdown of Islamic financing facility	(16,550)	6,933
Interest paid on term loan	(1,512)	(1,277)
Profit margin paid for Islamic medium term notes	(5,280)	(5,368)
Profit margin paid for Islamic financing facility	(4,892)	(4,498)
Net cash used in financing activities	(924,553)	(661,175)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(579,832)	1,479,693
NET FOREIGN EXCHANGE DIFFERENCES	4,541	1,358
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,839,684	358,633
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,264,393	1,839,684

The Unaudited Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these consolidated financial statements.

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 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 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 31 December 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 2015.

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

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)

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

B. 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 11	Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure Initiative
Amendments to MFRS 116	Property, Plant and Equipment (Clarification of Acceptable Methods of Depreciation)
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2012-2014 Cycle)

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



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

B. Amendments effective for annual periods beginning on or after 1 January 2016 (continued)

Amendments to MFRS 127	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

D. Amendments effective for a date yet to be confirmed

Amendments to MFRS 10	Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 128	Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective.

- i) **MFRS 15, Revenue from Contracts with Customers**
MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

- ii) **MFRS 9, Financial Instruments**
MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

The MASB has issued pronouncements which are not yet effective, but for which are not relevant to the operations of the Group and the Company and hence, no further disclosure is warranted.

E. New pronouncements not applicable to the Group and the Company

Amendments to MFRS 10	Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 12	Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception
MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 116	Property, Plant and Equipment – Agriculture: Bearer Plants
Amendments to MFRS 140	Investment Property (Annual Improvements 2011-2013 Cycle)
MFRS 141	Agriculture – Agriculture: Bearer Plants

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



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 31/12/2015	As at 31/12/2014
	RM'000	RM'000
Approved and contracted for	9,104	21,208
Approved but not contracted for	185,942	308,458
	<u>195,046</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 31 December 2015.

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



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

A8 DIVIDENDS PAID

During the twelve-month period ended 31 December 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: a single tier interim dividend of 17.5 sen per ordinary share amounting to RM173,854,450.00).
2. A single tier 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: a single tier interim dividend of 12 sen per ordinary share amounting to RM119,214,480.00).
3. A single tier 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: a single tier interim dividend of 14 sen per ordinary share amounting to RM139,083,560.00).
4. A single tier interim dividend of 14 sen per ordinary share amounting to RM139,083,560.00 for the quarter ended 30 September 2015 was paid on 4 December 2015 (Quarter 3 2014: a single tier interim dividend of 12 sen per ordinary share amounting to RM119,214,480.00).

A9 SEGMENTAL INFORMATION

The Group's reportable segments comprise of Retail, Commercial and Others. Each reportable segment offers different services because they require different marketing strategies.

For each of the reportable segment, the Group's chief operating decision maker which is the Board of Directors of the Company, reviews internal management reports at least on a quarterly basis.

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



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

Results for 12 months period ended 31 December 2015

<i>In RM'000</i> Business Segments	2015				2014			
	Retail	Commercial	Others	Group	Retail	Commercial	Others	Group
Revenue	13,508,086	11,637,854	25,270	25,171,210	15,707,397	16,616,168	17,433	32,340,998
Depreciation and amortisation	308,381	57,703	1,903	367,987	281,900	57,133	1,604	340,637
Other income	265,433	58,633	3,058	327,124	190,110	14,082	156	204,348
Operating profit for reportable segments	526,357	541,828	26,128	1,094,313	291,367	411,243	25,785	728,395
Finance cost	4,952	3,667	4,825	13,444	13,168	4,748	3,093	21,009
Share of profit after tax of associates and joint ventures				3,779				1,906
Profit before taxation				<u>1,084,648</u>				<u>709,292</u>

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



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 CLASSIFIED AS HELD FOR SALE

The Group has announced its intention 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 31 December 2015, the subsidiaries comprised assets of RM32.6 million less liabilities of RM24.5 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 31 December 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.

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



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

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 3	Total	
	RM'000	RM'000	
Group			
31 December 2015			
Financial Liabilities			
Islamic financing facility	88,871	88,871	102,697
Term loan	34,159	34,159	37,347
	<u>123,030</u>	<u>123,030</u>	<u>140,444</u>
Group			
31 December 2014			
Financial Liabilities			
Islamic financing facility	103,584	103,584	119,304
Term loan	39,239	39,239	40,783
	<u>142,823</u>	<u>142,823</u>	<u>160,087</u>

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

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



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	
	December 2015	December 2014	December 2015	December 2014	December 2015	December 2014
Revenue	6,047.6	7,452.8	3,338.9	3,814.2	2,702.2	3,634.3
Operating profit/(loss)	130.6	16.2	37.9	(78.6)	89.6	91.1

Group Revenue for the quarter ended 31 December 2015 was RM6,047.6 million, a decrease of RM1,405.2 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 2%, 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 31 December 2015 was RM130.6 million, an increase of RM114.4 million compared to the corresponding quarter last year mainly as a result of higher margin contribution from Retail segment, and higher other income by RM47.6 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.

Retail Segment

The decrease in revenue of RM475.3 million was mainly due to a decrease in selling prices, coupled with decline 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 RM116.5 million compared to corresponding quarter last year was mainly due to higher gross profit by RM78.0 million, as gross profit in the corresponding quarter last year was adversely affected by margin compression due to the sharp decline in selling price, in line with the fall in Mean of Platts Singapore ("MOPS") prices. Higher other income by RM28.0 million and lower operating expenditure by RM10.5 million have also contributed to higher operating profit.

Commercial Segment

The decrease in revenue by RM932.1 million was mainly due to a decrease in average selling price by 23% coupled with decrease in sales volume by 3%. Decrease in average selling price had mainly impacted revenue contribution for Aviation, Diesel and Fuel Oil.

The decrease in operating profit by RM1.5 million was mainly due to higher operating expenditure of RM12.6 million and lower gross profit of RM6.3 million recorded mainly by Aviation, in line with lower sales volume. These were offset by higher other income of RM17.4 million.

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



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 year against last year

In RM' Mil	Year ended					
	Group		Retail		Commercial	
	December 2015	December 2014	December 2015	December 2014	December 2015	December 2014
Revenue	25,171.2	32,341.0	13,508.1	15,707.4	11,637.9	16,616.2
Operating profit	1,094.3	728.4	526.4	291.4	541.8	411.2

Group revenue for the year ended 31 December 2015 was RM25,171.2 million, a decrease of RM7,169.8 million over the results of last year mainly as a result of a decrease in average selling price by 19% coupled with a decrease in sales volume by 4%. The decrease in average selling price was in line with the decline in MOPS prices beginning June 2014.

Group operating profit for the year ended 31 December 2015 was RM1,094.3 million, an increase of RM365.9 million compared to last year mainly as a result of higher margin contribution from both Retail and Commercial segments, and higher other income by RM122.8 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.

In addition, reduction in operating expenditure by RM118.7 million had further contributed to higher operating profit. This was mainly due to variation in yearly bonus payment resulting in lower manpower expenses for the current year, lower advertising and promotion expenses and higher net gain on foreign currency.

Retail Segment

The decrease in revenue of RM2,199.3 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 RM235.0 million compared to last year was mainly due to lower operating expenditure by RM85.5 million, higher other income by RM75.3 million and higher gross profit by RM74.2 million.

Higher gross profit was mainly attributable to revision in Automatic Pricing Mechanism ("APM") for LPG effective June 2015, coupled with cost optimisation initiatives undertaken during the year. These were also compounded by last year's lower gross profit arising from the sharp decline in MOPS prices, which had adversely impacted margins.

Commercial Segment

The decrease in revenue by RM4,978.3 million was mainly due to a decrease in average selling price by 29%. Decrease in average selling price had mainly affected revenue contribution for Aviation, Fuel Oil and Diesel.

The increase in operating profit by RM130.6 million was due to higher gross profit by RM52.1 million, higher other income by RM44.5 million and lower operating expenditure by RM34.0 million.

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

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



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 31 December 2015 was RM6,047.6 million, a decrease of RM481.7 million compared to the preceding quarter mainly as a result of a decrease in sales volume by 7%.

Group operating profit was RM130.6 million, a decrease of RM170.4 million compared to the preceding quarter mainly due to lower gross profit by RM116.1 million and higher operating expenditure by RM75.9 million, negated by higher other income of RM21.6 million. Lower gross profit was mainly attributable to Retail segment, mostly arising from lower margins in the current quarter in line with decreasing MOPS prices.

Higher operating expenditure was mainly due to planned repair and maintenance works at terminals and petrol stations, as well as foreign currency loss compared to a gain in the preceding quarter.

B3 CURRENT YEAR PROSPECTS

Malaysia's economy recorded a GDP growth of 5.0% in 2015. Private expenditure continued to be the key driver of growth and contributed towards the expansion in domestic demand. Private consumption remained moderate at 4.9% in Q4 2015 as households continued to adjust to the implementation of GST. The Malaysian Ringgit has depreciated by 11.3% against the US dollar between June 2015 to January 2016.

In 2015, Dated Brent price averaged at US\$52.80/bbl, lower by about half from 2014's average of US\$99.00/bbl. The global oil market is projected to remain in an oversupply situation in 2016, due to strong supply growth from OPEC and US tight oil, high inventory build-up, Iran's re-entry into the market and slow demand growth from China. Hence, the low and volatile oil price environment is expected to prolong due to the overwhelming bearish factors.

After taking into consideration the current economic scenario, the Government has revised the 2016 GDP forecast from 4% - 5% to 4% - 4.5%, and the assumption for average Dated Brent crude oil price was revised from US\$48/bbl to US\$30-35/bbl.

(Source: Bank Negara Quarterly Bulletin: Third Quarter 2015, Platts and 2016 National Budget Recalibration: 28 Jan 2016)

The Directors are of the opinion that the economic and business environment will continue to be challenging in 2016. The Group will continue to implement measures such as inventory management strategy, supply and distribution efficiency and operating expenditure management, as well as pursuing ongoing efforts and initiatives to ensure the Company remains resilient in the face of a more challenging 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 PETRONAS PRIMAX 97 Euro 4M with Advanced Energy Formula. 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 FOURTH QUARTER ENDED 31 DECEMBER 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 31/12/2015	3 months ended 31/12/2014	12 months ended 31/12/2015	12 months ended 31/12/2014
	RM'000	RM'000	RM'000	RM'000
<u>Income Tax:</u>				
Current Quarter/ Year-to-Date	21,839	18,126	278,332	210,980
<u>Deferred Taxation:</u>				
Current Quarter/ Year-to-Date	14,987	(7,012)	11,692	(9,838)
	36,826	11,114	290,024	201,142

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 31 December 2015 is as follows:

	As at 31/12/2015	As at 31/12/2014
	RM'000	RM'000
Non Current – Unsecured	85,640	102,529
Non Current – Secured	27,681	32,197
	113,321	134,726
Current – Unsecured	88,433	351,052
Current – Secured	10,066	8,586
	98,499	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 31 December 2015, there were outstanding foreign currency forward contracts denominated in USD amounting to USD5.56 million.

B9 MATERIAL LITIGATION

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

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 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 20 sen per ordinary share amounting to RM198,690,800 for three months ended 31 December 2015 payable on 17 March 2016 (Quarter 4 2014: a single tier special interim dividend of 22 sen per ordinary share amounting to RM218,559,880.00).

NOTICE IS HEREBY GIVEN that the interim dividend will be payable on 17 March 2016 to depositors registered in the Records of Depositors at the close of the business on 8 March 2016. A depositor shall qualify for entitlement to the dividends only in respect of:-

- Shares transferred into Depositors' Securities Account before 4 pm on 8 March 2016 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 31 December 2015.

	3 months ended		12 months ended	
	<u>31/12/2015</u>	<u>31/12/2014</u>	<u>31/12/2015</u>	<u>31/12/2014</u>
Profit attributable to shareholders of the Company (RM'000)	92,113	445	789,975	501,572
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings per ordinary share (sen)	9.3	0.04	79.5	50.5

B12 REALISED AND UNREALISED PROFIT

The breakdown of the retained earnings of the Group as at 31 December 2015 into realised and unrealised profits is as follows:

	Group	
	<u>31/12/2015</u>	<u>31/12/2014</u>
	RM'000	RM'000
Total retained profits		
- realised	4,119,185	3,968,823
- unrealised	(111,775)	(99,372)
	<u>4,007,410</u>	<u>3,869,451</u>
Total retained profit of associates attributable to the Group		
- realised	1,056	821
Total retained profit of joint ventures attributable to the Group		
- realised	9,228	5,683
Less: Consolidation adjustments	(51,920)	(84,215)
Total retained profits	<u><u>3,965,774</u></u>	<u><u>3,791,740</u></u>

QUARTERLY REPORT

FOR FOURTH QUARTER ENDED 31 DECEMBER 2015



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

B13 Profit for the period/ year

	3 months ended 31/12/2015 RM'000	3 months ended 31/12/2014 RM'000	12 months ended 31/12/2015 RM'000	12 months ended 31/12/2014 RM'000
Profit for the period/ year is arrived at after charging:				
Depreciation and amortisation	130,321	123,216	367,987	340,637
Impairment loss on trade and other receivables	2,237	4,193	2,543	4,193
Inventories written off	2,491	3,838	7,648	3,838
Interest on revolving credit and term loan	898	987	2,910	4,466
Loss on disposal of property, plant and equipment	-	5,775	-	5,254
Net loss on foreign exchange	6,377	-	-	-
Profit margin for Islamic financing facility	1,198	1,286	4,825	3,092
Profit margin for Islamic Medium Term Notes	-	2,089	2,321	8,627
Property, plant and equipment written off	3,925	1,056	13,308	1,056
Other receivables written off	3,192	35	7,684	57
and after crediting:				
Gain on disposal of property, plant and equipment	1,513	-	3,707	-
Interest income from deposits	16,153	9,544	54,511	22,809
Income from rental of premises	171	541	1,456	2,290
Net gain on foreign exchange	-	8,251	25,601	6,416
Reversal of impairment losses on trade receivables	659	471	659	1,003

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

19 February 2016