

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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 2016 which should be read in conjunction with the accompanying explanatory notes on pages 5 to 18.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
ASSETS		
Property, plant and equipment	3,749,381	3,989,865
Prepaid lease payments	479,158	491,950
Investments in associates	3,519	3,015
Investments in joint ventures	15,486	10,281
Long term receivables	11,173	-
Deferred tax assets	6,805	9,412
TOTAL NON-CURRENT ASSETS	4,265,522	4,504,523
Inventories	600,264	625,558
Trade and other receivables	1,476,331	1,649,252
Cash and cash equivalents	2,017,615	1,258,637
Assets classified as held for sale	15,924	32,635
TOTAL CURRENT ASSETS	4,110,134	3,566,082
TOTAL ASSETS	8,375,656	8,070,605
EQUITY		
Share capital	993,454	993,454
Reserves	4,172,682	3,958,865
Total Equity Attributable to Shareholders of the Company	5,166,136	4,952,319
Non-controlling interests	34,625	31,693
TOTAL EQUITY	5,200,761	4,984,012
LIABILITIES		
Borrowings	102,180	113,321
Deferred tax liabilities	144,183	153,066
Other long term liabilities and provisions	28,743	27,427
TOTAL NON-CURRENT LIABILITIES	275,106	293,814
Trade and other payables	2,794,801	2,602,174
Borrowings	24,678	98,499
Taxation	80,166	67,600
Liabilities classified as held for sale	144	24,506
TOTAL CURRENT LIABILITIES	2,899,789	2,792,779
TOTAL LIABILITIES	3,174,895	3,086,593
TOTAL EQUITY AND LIABILITIES	8,375,656	8,070,605
Net assets per share attributable to ordinary equity holders of the Parent (RM)	5.20	4.98

The Unaudited Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	3 months ended 30/09/2016 RM'000	3 months ended 30/09/2015 RM'000	9 months ended 30/09/2016 RM'000	9 months ended 30/09/2015 RM'000
Revenue	5,537,492	6,505,878	15,779,417	19,041,681
Operating profit	329,563	302,680	875,774	965,448
Finance cost	(2,187)	(4,218)	(6,388)	(11,330)
Share of profit after tax of equity accounted associates and joint ventures	4,316	929	6,959	3,082
Profit before taxation	331,692	299,391	876,345	957,200
Tax expense	(82,061)	(77,362)	(221,763)	(253,198)
Profit from continuing operations	249,631	222,029	654,582	704,002
Profit/(Loss) from discontinued operation, net of tax	-	(1,712)	31,467	(1,698)
Profit for the period	249,631	220,317	686,049	702,304
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising from translation of financial statements of foreign operations	3,406	14,213	(6,737)	20,962
Disposal of subsidiary acquired under common control business combination in prior year	-	-	3,729	-
Total comprehensive income for the period	253,037	234,530	683,041	723,266
Profit attributable to:				
Shareholders of the Company	248,763	218,884	683,117	697,861
Non-controlling interests	868	1,433	2,932	4,443
Profit for the period	249,631	220,317	686,049	702,304
Total comprehensive income attributable to:				
Shareholders of the Company	252,169	233,097	680,109	718,823
Non-controlling interests	868	1,433	2,932	4,443
Total comprehensive income for the period	253,037	234,530	683,041	723,266
Earnings/ (Loss) per ordinary share- basic (sen)				
from continuing operations	25.0	22.2	65.6	70.4
from discontinued operation	-	(0.2)	3.2	(0.2)

The Unaudited Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 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
At 1 January 2016	993,454	40,213	(47,122)	3,965,774	4,952,319	31,693	4,984,012
Exchange difference arising from translation of financial statements of foreign operations	-	(6,737)	-	-	(6,737)	-	(6,737)
Reversal of capital contribution on disposal of subsidiary	-	-	(9,303)	-	(9,303)	-	(9,303)
Disposal of subsidiary acquired under common control business combination in prior year	-	3,729	28,316	(28,316)	3,729	-	3,729
Profit for the period	-	-	-	683,117	683,117	2,932	686,049
Dividends paid	-	-	-	(456,989)	(456,989)	-	(456,989)
At 30 September 2016	993,454	37,205	(28,109)	4,163,586	5,166,136	34,625	5,200,761

The Unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Period ended 30/09/2016	Period ended 30/09/2015
	RM'000	RM'000
Cash receipts from customers	16,024,107	19,384,844
Cash paid to suppliers and employees	(14,518,645)	(18,728,116)
	1,505,462	656,728
Interest expenses paid	(1,076)	(1,296)
Taxation paid	(218,693)	(141,991)
Net cash generated from operating activities	1,285,693	513,441
Interest income from fund and other investments	61,232	38,564
Purchase of property, plant and equipment	(66,304)	(237,933)
Prepayment of leases	(10,021)	(15,483)
Proceeds from disposal of property, plant and equipment	16,506	10,386
Proceeds from disposal of subsidiary	6,278	-
Net cash generated from/ (used in) investing activities	7,691	(204,466)
Dividends paid	(456,989)	(476,862)
Dividends paid to non-controlling interest	-	(7,350)
Net repayment of term loan	(6,471)	(7,828)
Repayment of Islamic medium term notes	-	(300,000)
Net (repayment)/drawdown of revolving credit facilities	(58,263)	50,547
Repayment of Islamic financing facilities	(12,768)	(12,381)
Interest paid on term loan	(1,007)	(1,150)
Profit margin paid for Islamic medium term notes	-	(5,280)
Profit margin paid for Islamic financing facilities	(3,242)	(3,708)
Net cash used in financing activities	(538,740)	(764,012)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	754,644	(455,037)
NET FOREIGN EXCHANGE DIFFERENCES	(646)	4,451
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,264,393	1,839,684
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,018,391	1,389,098

Included in the Cash and Cash Equivalents at end of the period is an amount of RM776,464 categorised as Asset Held for Sale.

The Unaudited Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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 2015. 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 2015.

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 2016.

Significant Accounting Policies

The financial information presented herein has been prepared in accordance with the accounting policies used in preparing the annual consolidated financial statements for 31 December 2015 except for the adoption of Amendments to Standards effective as of 1 January 2016.

A. 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 Amortisation)
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2012-2014 Cycle)
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)

The initial adoption of the above pronouncement did not have any material impact to the interim Financial Statements of the Group.

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. Amendments effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 107	Statement of Cash Flows – Disclosure Initiative
Amendments to MFRS 112	Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

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

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

D. MFRS effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases
---------	--------

E. 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.

iii) **MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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.

F. 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 128	Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception
MFRS 141	Agriculture – Agriculture: Bearer Plants

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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 2015.

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 most recent annual financial statements of the Group for the year ended 31 December 2015 that may have a material effect in the current quarter results.

A6 COMMITMENTS

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

	As at <u>30/09/2016</u> RM'000	As at <u>31/12/2015</u> RM'000
Approved and contracted for	34,882	9,104
Approved but not contracted for	<u>219,671</u>	<u>185,942</u>
	<u>254,553</u>	<u>195,046</u>

A7 DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter ended 30 September 2016.

A8 DIVIDENDS PAID

During the 9 months period ended 30 September 2016, the following dividend payments were made:

1. An interim dividend of 20 sen per ordinary share amounting to RM198,690,800.00 for the quarter ended 31 December 2015 was paid on 17 March 2016 (Quarter 4 2014: a special interim dividend of 22 sen per ordinary share amounting to RM218,559,880.00).
2. An interim dividend of 12 sen per ordinary share amounting to RM119,214,480.00 for the quarter ended 31 March 2016 was paid on 8 June 2016 (Quarter 1 2015: 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 2016 was paid on 9 September 2016 (Quarter 2 2015: an interim dividend of 14 sen per ordinary share amounting to RM139,083,560.00).

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

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 THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

Results for 9 months period ended 30 September

In RM'000

Business Segments	2016				2015			
	Retail	Commercial	Others	Group	Retail	Commercial	Others	Group
Revenue	8,759,951	7,001,172	18,294	15,779,417	10,140,258	8,884,009	17,414	19,041,681
Depreciation and amortisation	212,778	39,480	15,170	267,428	187,561	34,291	14,915	236,767
Other income/ (expenses)	238,004	57,391	(15,443)	279,952	189,069	35,041	1,410	225,520
Operating profit for reportable segments	422,688	451,854	1,232	875,774	498,710	444,605	22,133	965,448
Finance cost	(2,098)	(1,599)	(2,691)	(6,388)	(4,663)	(3,039)	(3,628)	(11,330)
Share of profit after tax of associates and joint ventures				6,959				3,082
Profit before taxation for continuing operations				876,345				957,200

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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 one of its subsidiaries, Thang Long LPG Company Ltd ("TLLCL") and the related assets and liabilities of TLLCL are presented as assets/liabilities classified as held for sale. The transaction is expected to complete by the end of 2016. At 30 September 2016, TLLCL comprised of assets amounting to RM15.9 million less liabilities of RM0.1 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 2016 and the date of this announcement.

A13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities and contingent assets.

A14 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 2015.

A15 COMPARATIVES

The comparatives for the Consolidated Statement of Profit or Loss and Other Comprehensive Income has been re-presented to show the discontinued operation from the continuing operations.

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

A16 FAIR VALUE CHANGES OF FINANCIAL INSTRUMENTS

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 Consolidated 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			
30 September 2016			
Financial Asset			
Long term receivables	8,945	8,945	11,173
	<u>8,945</u>	<u>8,945</u>	<u>11,173</u>
Financial Liabilities			
Islamic financing facilities	78,379	78,379	89,418
Term loan	25,968	25,968	28,274
	<u>104,347</u>	<u>104,347</u>	<u>117,692</u>
Group			
31 December 2015			
Financial Liabilities			
Islamic financing facilities	88,871	88,871	102,697
Term loan	34,159	34,159	37,747
	<u>123,030</u>	<u>123,030</u>	<u>140,444</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 THIRD QUARTER ENDED 30 SEPTEMBER 2016



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 last year

In RM' Mil	Quarter ended					
	Group		Retail		Commercial	
	September 2016	September 2015	September 2016	September 2015	September 2016	September 2015
Revenue	5,537.5	6,505.9	2,978.8	3,486.8	2,553.0	3,014.1
Operating profit	329.6	302.7	167.3	142.7	167.9	153.3

Group Revenue for the quarter ended 30 September 2016 was RM5,537.5 million, a decrease of RM968.4 million over the corresponding quarter last year mainly as a result of a decrease in average selling price by 13% coupled with lower sales volume of 2%. The decrease in average selling price was due to the decrease in Mean of Platts Singapore ("MOPS") prices.

Group operating profit for the quarter ended 30 September 2016 was RM329.6 million, an increase of RM26.9 million compared to the corresponding quarter last year mainly attributable to the Retail segment.

Retail Segment

The decrease in revenue of RM508.0 million was mainly due to a drop in average selling price by 15% impacting both Mogas and Diesel. Volume was higher by 1%.

Operating profit registered an increase of RM24.6 million against the corresponding quarter last year. This was mainly due to improved diesel margins and higher other income.

Commercial Segment

The decrease in revenue by RM461.1 million was due to a decrease in average selling price by 11% and volume by 5% impacting both Diesel and Aviation.

Despite lower volume, operating profit increased by RM14.6 million mainly due to higher margins from aviation and fuel oil, as well as higher other income.

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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 2016	September 2015	September 2016	September 2015	September 2016	September 2015
Revenue	15,779.4	19,041.7	8,760.0	10,140.3	7,001.2	8,884.0
Operating profit	875.8	965.4	422.7	498.7	451.9	444.6

Group Revenue for the period ended 30 September 2016 was RM15,779.4 million, a decrease of RM3,262.3 million over the corresponding period last year mainly as a result of a decrease in average selling price by 18% despite higher sales volume of 1%. The decrease in average selling price was due to the decrease in MOPS prices.

Group operating profit for the period ended 30 September 2016 was RM875.8 million, a decrease of RM89.6 million compared to the corresponding period last year mainly attributable to the Retail segment.

Retail Segment

The decrease in revenue of RM1,380.3 million was mainly due to a drop in average selling price by 14% impacting both Mogas and Diesel. Volume was higher by 1%.

Operating profit also registered a decline by RM76.0 million against the corresponding period last year mainly due to impairment of subsidy receivables of RM89.9 million made in Q2 2016. Excluding the impairment, operating profit was higher by RM13.9 million due to improved diesel margins and higher other income.

Commercial Segment

The decrease in revenue by RM1,882.8 million was mainly due to a decrease in average selling price by 21%. Decrease in average selling price had mainly impacted revenue contribution from Diesel and Aviation.

The increase in operating profit by RM7.3 million was mainly due to higher other income, partially negated by lower gross profit for Diesel, in line with lower industry demand from exploration and production activities, as well as fishery sectors.

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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 2016 was RM5,537.5 million, an increase of RM206.0 million compared to the preceding quarter mainly due to the increase in average selling price by 5% despite lower sales volume by 1%.

Group operating profit stood at RM329.6 million, an increase of RM80.2 million compared to the preceding quarter mainly contributed by the Retail segment arising from the impairment of subsidy receivables made in the preceding quarter.

The Commercial segment's operating profit also registered an increase mainly due to improved margins from Aviation and Diesel and higher other income.

B3 CURRENT YEAR PROSPECTS

Oil price (Dated Brent) increase slightly Quarter-on-Quarter from USD 45.6/bbl (Q2 2016) to USD 45.9/bbl (Q3 2016). The oversupply situation in the global market is expected to remain, at least through the first half of 2017 resulting in continued price volatility.

Gross Domestic Product (GDP) declined Quarter-on-Quarter from 4.2% (Q1 2016) to 4.0% (Q2 2016). The full year 2016 GDP is forecasted to grow at a slower pace of 4.0% – 4.5% compared to 5.0% in 2015.

Malaysia's Consumer Confidence Index dropped by 5 points from 78.5 (Q2 2016) to 73.5 (Q3 2016). Consumers remain cautious in spending due to increasing cost of living which may potentially impact both fuel and non-fuel demand. Nevertheless, the recent Malaysia's 2017 Budget announcement which focused on increasing the people's disposable income may improve private consumption.

(Source: International Energy Agency (IEA), Bank Negara Quarterly Bulletin, Malaysia National Budget 2017, Malaysia Institute of Economic Research (MIER))

The Directors are of the opinion that the economic and business environment outlook for FY2016 remains challenging. The Group will continue to focus on inventory management, supply and distribution efficiency as well as operating expenditure optimisation to ensure the Company remains resilient in the face of a challenging environment.

Retail Segment

Retail Segment will push for higher sales of petroleum products, leveraging on its superior products, namely PRIMAX 95 with Advanced Energy Formula, PRIMAX 97 Euro 4M with Advanced Energy Formula and DYNAMIC Diesel Euro5 which have been made available in the Klang Valley starting August 2016. Retail Segment will also focus on enhancing customer experience and services to meet customers' expectations.

Commercial Segment

Commercial Segment will emphasise on value by improving margins in 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 period.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

B5 TAX EXPENSE

Tax expense on continuing operations comprises the following:

	3 months ended 30/09/2016 RM'000	3 months ended 30/09/2015 RM'000	9 months ended 30/09/2016 RM'000	9 months ended 30/09/2015 RM'000
<u>Income Tax:</u>				
Current Quarter/ Year-to-Date	88,145	76,684	230,710	256,493
<u>Deferred Taxation:</u>				
Current Quarter/ Year-to-Date	(6,084)	678	(8,947)	(3,295)
	<u>82,061</u>	<u>77,362</u>	<u>221,763</u>	<u>253,198</u>

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

There was no tax expense on discontinued operation.

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 borrowings as at 30 September 2016 are as follows:

	As at 30/09/2016 RM'000	As at 31/12/2015 RM'000
Non Current – Unsecured	76,262	85,640
Non Current – Secured	25,918	27,681
	<u>102,180</u>	<u>113,321</u>
Current – Unsecured	21,724	88,433
Current – Secured	2,954	10,066
	<u>24,678</u>	<u>98,499</u>

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 2016, there were outstanding foreign currency forward contracts denominated in USD amounting to USD6.68 million.

B9 MATERIAL LITIGATION

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

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

B10 DIVIDENDS

The Board has declared an interim dividend of 14 sen per ordinary share amounting to RM139,083,560.00 for nine months ended 30 September 2016 payable on 8 December 2016 (Quarter 3 2015: an interim dividend of 14 sen per ordinary share amounting to RM139,083,560.00).

NOTICE IS HEREBY GIVEN that the interim dividend will be payable on 8 December 2016 to depositors registered in the Records of Depositors at the close of the business on 23 November 2016. A depositor shall qualify for entitlement to the dividends only in respect of:-

- a) Shares transferred into Depositors' Securities Account before 4 pm on 23 November 2016 in respect of ordinary transfer.
- b) Share bought on the Bursa Malaysia on a cum entitlement basis according to the rules of the Bursa Malaysia.

B11 BASIC EARNINGS/(LOSS) 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 2016.

	3 months ended		9 months ended	
	<u>30/09/2016</u>	<u>30/09/2015</u>	<u>30/09/2016</u>	<u>30/09/2015</u>
Profit/(Loss) attributable to shareholders of the Company (RM'000)				
- continuing operations	248,763	220,596	651,650	699,559
- discontinued operation	-	(1,712)	31,467	(1,698)
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings/(Loss) per ordinary share (sen)				
- continuing operations	25.0	22.2	65.6	70.4
- discontinued operation	-	(0.2)	3.2	(0.2)

QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

B12 REALISED AND UNREALISED PROFIT

The breakdown of the retained earnings of the Group as at 30 September 2016 into realised and unrealised profits is as follows:

	<u>Group</u>	
	<u>30/09/2016</u> RM'000	<u>31/12/2015</u> RM'000
Total retained profits		
- realised	4,343,419	4,119,185
- unrealised	(103,625)	(111,775)
	<u>4,239,794</u>	<u>4,007,410</u>
Total retained profit of associates attributable to the Group		
- realised	1,560	1,056
Total retained profit of joint ventures attributable to the Group		
- realised	14,432	9,228
Less: Consolidation adjustments	(92,200)	(51,920)
Total retained profits	<u><u>4,163,586</u></u>	<u><u>3,965,774</u></u>

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

B13 PROFIT BEFORE TAXATION

	3 months ended 30/09/2016 RM'000	3 months ended 30/09/2015 RM'000	9 months ended 30/09/2016 RM'000	9 months ended 30/09/2015 RM'000
Profit before taxation is arrived at after charging:				
Depreciation and amortisation	89,086	79,055	267,428	236,767
Impairment loss on trade and other receivables	5,600	13	99,549	306
Inventories written off	-	-	-	5,157
Interest on revolving credit and term loan	366	990	1,853	2,012
Profit margin for Islamic financing facility	1,012	1,175	2,692	3,628
Profit margin for Islamic Medium Term Notes	-	-	-	2,321
Property, plant and equipment written off	2,044	3,089	2,697	11,788
Trade and other receivables written off	-	4,630	-	4,846
Net loss on forward contract	138	-	299	-
and after crediting:				
Net gain on disposal of property, plant and equipment	16,269	627	16,933	2,194
Interest income from deposits	18,209	14,063	63,804	38,357
Income from rental of premises	337	737	1,335	1,558
Net gain on foreign exchange	5,226	18,181	5,491	31,978
Net gain on forward contract	-	161	-	164

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
8 November 2016