

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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 second quarter ended 30 June 2017 which should be read in conjunction with the accompanying explanatory notes on pages 5 to 19.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| In RM'000 | Note | As at 30/06/2017 | As at 31/12/2016 |
|--|------|---------------------|---------------------|
| ASSETS | | | |
| Property, plant and equipment | | 3,445,159 | 3,794,252 |
| Prepaid lease payments | | 463,850 | 476,856 |
| Investments in associates | | 1,360 | 3,431 |
| Investments in joint ventures | | 16,148 | 14,234 |
| Long term receivables | | - | 3,509 |
| Deferred tax assets | | - | 5,424 |
| TOTAL NON-CURRENT ASSETS | | 3,926,517 | 4,297,706 |
| Inventories | | 773,191 | 803,374 |
| Trade and other receivables | | 1,629,599 | 1,832,196 |
| Cash and cash equivalents | | 2,571,405 | 2,431,637 |
| Assets classified as held for sale | | 192,098 | - |
| TOTAL CURRENT ASSETS | | 5,166,293 | 5,067,207 |
| TOTAL ASSETS | | 9,092,810 | 9,364,913 |
| EQUITY | | | |
| Share capital | | 993,454 | 993,454 |
| Reserves | | 4,349,624 | 4,309,520 |
| Total Equity Attributable to Shareholders of the Company | | 5,343,078 | 5,302,974 |
| Non-controlling interests | | 36,741 | 33,552 |
| TOTAL EQUITY | | 5,379,819 | 5,336,526 |
| LIABILITIES | | | |
| Borrowings | B7 | 57,968 | 84,461 |
| Deferred tax liabilities | | 133,899 | 142,128 |
| Other long term liabilities and provisions | | 27,986 | 30,169 |
| TOTAL NON-CURRENT LIABILITIES | | 219,853 | 256,758 |
| Trade and other payables | | 3,323,862 | 3,659,660 |
| Borrowings | B7 | 18,316 | 34,310 |
| Taxation | | 126,267 | 77,659 |
| Liabilities classified as held for sale | | 24,693 | - |
| TOTAL CURRENT LIABILITIES | | 3,493,138 | 3,771,629 |
| TOTAL LIABILITIES | | 3,712,991 | 4,028,387 |
| TOTAL EQUITY AND LIABILITIES | | 9,092,810 | 9,364,913 |
| Net assets per share attributable to ordinary equity holders of the Parent (RM) | | 5.38 | 5.34 |

The Unaudited Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| In RM'000 | Note | 3 months ended 30/06/2017 | 3 months ended 30/06/2016 | 6 months ended 30/06/2017 | 6 months ended 30/06/2016 |
|---|------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Revenue | | 6,505,281 | 5,331,453 | 13,191,544 | 10,241,925 |
| Operating profit | | 317,004 | 250,073 | 654,058 | 547,379 |
| Finance cost | | (999) | (2,433) | (2,493) | (4,201) |
| Share of profit after tax of equity accounted associates and joint ventures | | 1,224 | 2,023 | 2,256 | 2,643 |
| Profit before taxation | B13 | 317,229 | 249,663 | 653,821 | 545,821 |
| Tax expense | B5 | (75,598) | (66,728) | (156,591) | (139,702) |
| Profit from continuing operations | | 241,631 | 182,935 | 497,230 | 406,119 |
| Profit from discontinued operation, net of tax | | 6,150 | 32,508 | 5,154 | 30,299 |
| Profit for the period | | 247,781 | 215,443 | 502,384 | 436,418 |
| Other comprehensive income | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Exchange differences arising from translation of financial statements of foreign operations | | (17,395) | 8,284 | (19,475) | (10,143) |
| Disposal of subsidiary acquired under common control business combination in prior years | | (2,496) | 3,729 | (2,496) | 3,729 |
| Total comprehensive income the period | | 227,890 | 227,456 | 480,413 | 430,004 |
| Profit attributable to: | | | | | |
| Shareholders of the Company | | 246,043 | 214,953 | 499,195 | 434,354 |
| Non-controlling interests | | 1,738 | 490 | 3,189 | 2,064 |
| Profit for the period | | 247,781 | 215,443 | 502,384 | 436,418 |
| Total comprehensive income attributable to: | | | | | |
| Shareholders of the Company | | 226,152 | 226,966 | 477,224 | 427,940 |
| Non-controlling interests | | 1,738 | 490 | 3,189 | 2,064 |
| Total comprehensive income for the period | | 227,890 | 227,456 | 480,413 | 430,004 |
| Earnings per ordinary share- basic (sen) | | | | | |
| from continuing operations | B11 | 24.2 | 18.4 | 49.7 | 40.7 |
| from discontinued operation | B11 | 0.6 | 3.2 | 0.5 | 3.0 |

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 2016 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to the Shareholders of the Company | | | | | Non-Controlling Interests | Total Equity |
|--|---|---------------------------------------|------------------|------------------|-----------|---------------------------|--------------|
| | Non- Distributable | | Distributable | | | | |
| In RM'000 | Share Capital | Foreign Currency Translation Reserves | Capital Reserves | Retained Profits | Total | | |
| 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 | - | (10,143) | - | - | (10,143) | - | (10,143) |
| 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 years | - | 3,729 | 28,316 | (28,316) | 3,729 | - | 3,729 |
| Profit for the period | - | - | - | 434,354 | 434,354 | 2,064 | 436,418 |
| Dividends paid | - | - | - | (317,905) | (317,905) | - | (317,905) |
| At 30 June 2016 | 993,454 | 33,799 | (28,109) | 4,053,907 | 5,053,051 | 33,757 | 5,086,808 |
| At 1 January 2017 | 993,454 | 51,635 | (28,109) | 4,285,994 | 5,302,974 | 33,552 | 5,336,526 |
| Exchange difference arising from translation of financial statements of foreign operations | - | (19,475) | - | - | (19,475) | - | (19,475) |
| Disposal of subsidiary acquired under common control business combination in prior years | - | (2,496) | (7,093) | 7,093 | (2,496) | - | (2,496) |
| Profit for the period | - | - | - | 499,195 | 499,195 | 3,189 | 502,384 |
| Dividends paid | - | - | - | (437,120) | (437,120) | - | (437,120) |
| At 30 June 2017 | 993,454 | 29,664 | (35,202) | 4,355,162 | 5,343,078 | 36,741 | 5,379,819 |

The Unaudited Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS ^{Note}

| In RM'000 | 6 months ended 30/06/2017 | 6 months ended 30/06/2016 |
|--|---------------------------------|---------------------------------|
| Profit before taxation from continuing operations | 653,821 | 545,821 |
| Loss before taxation from discontinued operations | (1,067) | (5,310) |
| Adjustments for: | | |
| Depreciation and amortisation | 181,784 | 190,864 |
| Impairment loss on receivables | 4,287 | 93,949 |
| Share of profit after tax of equity accounted associates and joint ventures | (2,256) | (2,643) |
| Net gain on disposal of property, plant and equipment | (17,111) | (664) |
| Interest income | (36,832) | (45,566) |
| Finance cost | 2,493 | 4,201 |
| Other non-cash items | 8,402 | 12,314 |
| Operating profit before changes in working capital¹ | 793,521 | 792,966 |
| Inventories | 23,639 | (58,369) |
| Trade and other receivables | 162,387 | 238,356 |
| Trade and other payables | (276,851) | 532,665 |
| Cash generated from operations | 702,696 | 1,505,618 |
| Interest expenses paid | (18) | (798) |
| Taxation paid | (110,789) | (113,083) |
| Net cash generated from operating activities | 591,889 | 1,391,737 |
| Interest income from fund and other investments | 36,832 | 45,566 |
| Purchase of property, plant and equipment | (32,206) | (65,340) |
| Prepayment of leases | (2,306) | (2,291) |
| Proceeds from disposal of property, plant and equipment | 28,168 | 1,962 |
| Proceeds from disposal of subsidiary, net of cash disposed | 4,236 | 737 |
| Dividend received from jointly-controlled entity | 862 | - |
| Net cash generated from/ (used in) investing activities | 35,586 | (19,366) |
| Dividends paid | (437,120) | (317,905) |
| Repayment of term loan | (5,297) | (4,710) |
| Repayment of revolving credit facilities | (6,347) | (46,248) |
| Repayment of Islamic financing facilities | (8,929) | (8,469) |
| Interest paid on term loan | (358) | (689) |
| Profit margin paid for Islamic financing facilities | (1,851) | (1,680) |
| Net cash used in financing activities | (459,902) | (379,701) |

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

| | | |
|--|------------------|------------------|
| Net increase in cash and cash equivalents | 167,573 | 992,670 |
| Net foreign exchange differences | (865) | 306 |
| Cash and cash equivalents at beginning of the period | 2,431,637 | 1,264,393 |
| Cash and cash equivalents at end of the period | <u>2,598,345</u> | <u>2,257,369</u> |

Included in the Cash and Cash Equivalents at end of the period is an amount of RM26,940,383 categorised as Assets Held for Sale.

¹ Operating profit before changes in working capital includes Asset/ Liabilities Held For Sale

Note: For the quarter ended 30 June 2017, the Group has changed the presentation format of the Statement of Cash Flows from direct method to indirect method so as to provide better information to the users of its financial statements.

The Unaudited Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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 2016. 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 2016.

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 June 2017.

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 2016 except for the adoption of Amendments to Standards effective as of 1 January 2017.

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

| | |
|------------------------|---|
| Amendments to MFRS 12 | Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle) |
| Amendments to MFRS 112 | Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses |

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

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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

| | |
|------------------------|---|
| MFRS 9 | Financial Instruments (2014) |
| MFRS 15 | Revenue from Contracts with Customers |
| Amendments to MFRS 15 | Revenue from Contracts with Customers: Clarifications to MFRS 15 |
| Amendments to MFRS 128 | Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |

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

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

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.

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.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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

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

Effective for annual periods beginning on or after 1 January 2018

| | |
|------------------------|--|
| Amendments to MFRS 1 | First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle) |
| Amendments to MFRS 2 | Share-based Payment: Classification and Measurement of Share-based Payment Transactions |
| Amendments to MFRS 4 | Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts |
| Amendments to MFRS 140 | Investment Property: Transfers of Investment Property |

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 2016.

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 2016 that may have a material effect in the current quarter results.

A6 CAPITAL COMMITMENTS

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

| In RM'000 | As at 30/06/2017 | As at 31/12/2016 |
|---------------------------------|---------------------|---------------------|
| Approved and contracted for | 12,764 | 4,963 |
| Approved but not contracted for | 393,198 | 132,469 |
| | <u>405,962</u> | <u>137,432</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 June 2017.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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

A8 DIVIDENDS PAID

During the 6 months period ended 30 June 2017, the following dividend payments were made:

1. An interim dividend of 30 sen per ordinary share amounting to RM298.0 million for the quarter ended 31 December 2016 was paid on 16 March 2017 (Quarter 4 2015: an interim dividend of 20 sen per ordinary share amounting to RM198.7 million).
2. An interim dividend of 14 sen per ordinary share amounting to RM139.1 million for the quarter ended 31 March 2017 was paid on 16 June 2017 (Quarter 1 2016: an interim dividend of 12 sen per ordinary share amounting to RM119.2 million).

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 SECOND QUARTER ENDED 30 JUNE 2017



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

Results for period ended 30 June

In RM'000

| Business Segments | 2017 | | | | 2016 | | | |
|--|-----------|------------|---------|----------------|-----------|------------|---------|----------------|
| | Retail | Commercial | Others | Group | Retail | Commercial | Others | Group |
| Revenue | 6,997,250 | 6,184,742 | 9,552 | 13,191,544 | 5,780,184 | 4,449,295 | 12,446 | 10,241,925 |
| Depreciation and amortisation | 147,000 | 24,735 | 10,049 | 181,784 | 151,981 | 28,821 | 10,062 | 190,864 |
| Other income | 157,724 | 31,859 | 3,181 | 192,764 | 145,777 | 33,961 | (3,959) | 175,779 |
| Operating profit for reportable segments | 353,185 | 287,422 | 13,451 | 654,058 | 273,473 | 267,235 | 6,671 | 547,379 |
| Finance cost | (270) | (372) | (1,851) | (2,493) | (1,277) | (1,244) | (1,680) | (4,201) |
| Share of profit after tax of associates and joint ventures | | | | 2,256 | | | | 2,643 |
| Profit before taxation for continuing operations | | | | 653,821 | | | | 545,821 |

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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 entered into 2 share purchase agreements with P-H-O-E-N-I-X Petroleum Philippines, Inc. in relation to the divestment of 100% equity interest in a subsidiary, PETRONAS Energy Philippines, Inc. ("PEPI") and 40% equity interest in an associated company, Duta Inc. The related assets and liabilities of these companies are presented as assets/liabilities classified as held for sale. At 30 June 2017, the subsidiary and associated company comprised assets of RM192.1 million less liabilities of RM24.7 million. The share purchase agreements were subsequently completed on 14 August 2017 and with this completion, PEPI and Duta have ceased to be part of PDB Group. Further details of the divestment can be found in separate Bursa announcements issued on 5 July 2017 and 14 August 2017.

A12 CHANGES IN COMPOSITION OF THE GROUP

In the current quarter ended 30 June 2017, the Group has disposed 100% of its equity interest in Thang Long LPG Company Limited ("TLLCL") to Noi Thuong Bac Joint Stock Company, an external party of the Group for a fair value consideration of RM18.5 million resulting in a gain on disposal of RM6.2 million.

Profit attributable to the discontinued operation was as follows:

| | 3 months ended 30/06/2017 | 3 months ended 30/06/2016 | 6 months ended 30/06/2017 | 6 months ended 30/06/2016 |
|---------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| RM'000 | | | | |
| Loss for the period | (71) | (3,101) | (1,067) | (5,310) |
| Gain on disposal | <u>6,221</u> | <u>35,609</u> | <u>6,221</u> | <u>35,609</u> |
| | <u>6,150</u> | <u>32,508</u> | <u>5,154</u> | <u>30,299</u> |

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 2016.

A15 COMPARATIVES

The comparatives for the Consolidated Statement of Profit or Loss and Other Comprehensive Income have been re-presented to show the discontinued operation from the continuing operations following divestment of PETRONAS (Vietnam) Co., Ltd. and Thang Long LPG Company Limited.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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.

| In RM'000 | Fair value of financial instruments not carried at fair value | | Carrying amount |
|------------------------------|---|---------|-----------------|
| | Level 3 | Total | |
| Group | | | |
| 30 June 2017 | | | |
| Financial Liabilities | | | |
| Islamic financing facilities | 68,950 | 68,950 | 76,284 |
| Group | | | |
| 31 December 2016 | | | |
| Financial Asset | | | |
| Long term receivables | 2,397 | 2,397 | 3,509 |
| | 2,397 | 2,397 | 3,509 |
| Financial Liabilities | | | |
| Islamic financing facilities | 76,088 | 76,088 | 85,001 |
| Term loan | 25,061 | 25,061 | 27,425 |
| | 101,149 | 101,149 | 112,426 |

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 SECOND QUARTER ENDED 30 JUNE 2017



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 | |
| | June 2017 | June 2016 | June 2017 | June 2016 | June 2017 | June 2016 |
| Revenue | 6,505.3 | 5,331.5 | 3,441.2 | 2,903.9 | 3,059.9 | 2,421.3 |
| Operating profit | 317.0 | 250.1 | 154.4 | 117.9 | 155.2 | 132.7 |

Group Revenue for the quarter ended 30 June 2017 was higher by RM1,173.8 million over the corresponding quarter last year as a result of an increase in average selling prices by 28% following the increase in Mean of Platts Singapore ("MOPS") prices, offset by lower sales volume by 5%.

Group operating profit for the quarter ended 30 June 2017 was higher by RM66.9 million compared to the corresponding quarter last year mainly attributable by Retail and Commercial segment.

Retail Segment

The increase in revenue of RM537.3 million was mainly due to increase in average selling price of 24% impacting both Mogas and Diesel. Volume was lower by 4%.

Operating profit registered an increase of RM36.5 million mainly contributed by impairment of subsidy receivables of RM89.9 million in the corresponding quarter last year, lower depreciation and amortisation and higher other income by RM10.5 million following gain from asset disposal.

Commercial Segment

The increase in revenue by RM638.6 million was due to increase in average selling price of 34% impacting mainly Aviation and Diesel offset by decrease in volume by 6%.

Despite lower volume, operating profit increased by RM22.5 million mainly due to improved margins by RM15.0 million from Aviation and lower operating expenditure by RM4.6 million.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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 | |
| | June 2017 | June 2016 | June 2017 | June 2016 | June 2017 | June 2016 |
| Revenue | 13,191.5 | 10,241.9 | 6,997.3 | 5,780.2 | 6,184.7 | 4,449.3 |
| Operating profit | 654.1 | 547.4 | 353.2 | 273.5 | 287.4 | 267.2 |

Group Revenue for the period ended 30 June 2017 was higher by RM2,949.6 million over the corresponding period last year as a result of an increase in average selling prices by 35% following the increase in MOPS prices, offset by lower sales volume by 5%.

Group operating profit for the period ended 30 June 2017 was higher by RM106.7 million compared to the corresponding period last year mainly attributable by Retail and Commercial segment.

Retail Segment

The increase in revenue of RM1,217.1 million was mainly due to increase in average selling price of 27% impacting both Mogas and Diesel. Volume was lower by 5%.

Operating profit registered an increase of RM79.7 million mainly contributed by impairment of subsidy receivables of RM89.9 million in the corresponding period last year and higher other income by RM11.9 million due to gain on asset disposal. This was partially offset by higher operating expenditure of RM12.2 million mainly due to higher professional services.

Commercial Segment

The increase in revenue by RM1,735.4 million was due to increase in average selling price of 46% mainly for Aviation and Diesel, offset by decrease in volume by 4%.

Despite lower volume, operating profit increased by RM20.2 million mainly from improved margins by RM26.1 million contributed by Aviation and Diesel. This is offset by higher operating expenditure by RM3.8 million following higher transportation cost and lower other income by RM2.1 million from lower interest income.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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 June 2017 was RM6,505.3 million, a decrease of RM181.0 million compared to the preceding quarter mainly due to the decrease in average selling price by 5% offset by higher sales volume by 3%.

Group operating profit stood at RM317.0 million, a decrease of RM20.2 million compared to the preceding quarter mainly due to lower margin by RM16.5 million from Mogas in line with the decreasing MOPS price trend during the quarter and higher operating expenditure by RM13.1 million mainly due to increase in salaries, wages and benefits. This was partially offset by higher other income of RM9.4 million mainly due to gain from asset disposal.

B3 CURRENT YEAR PROSPECTS

The results of the Group's operations are expected to be primarily influenced by petroleum product prices which have a high correlation to crude oil prices and Malaysia's economic outlook such as Gross Domestic Product ("GDP"), Consumer Confidence Index ("CCI") and Manufacturing Index.

During the quarter, Brent crude oil price ranged between USD44.2/bbl to USD55.0/bbl. The Company expects the price will continue to be volatile during the year.

Malaysia's economic outlook appears to be favorable with economic growth recorded in the second quarter of 2017 at 5.8% (Q4 2016: 4.5%). However, Q2 2017 economy is anticipated to be slower due to contraction in the mining sector which will offset acceleration in the manufacturing sector. For 2017, GDP growth rate is predicted to be 4.9%.

The Directors are of the opinion that the business environment outlook for FY2017 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.

Retail Segment

Retail market is forecasted to remain tough with car sales performance recording modest growth of 1% in the first half of 2017 against corresponding period in 2016. Consumer Sentiment Index for Q2 2017 was at 80.7, below 100 point optimism threshold reflecting consumers' cautiousness.

Retail Segment will focus on enhancing customer experience and services to meet customers' expectations leveraging on superior products namely PRIMAX 95 with Advanced Energy Formula, PRIMAX 97 Euro 4M with Advanced Energy Formula and DYNAMIC Diesel Euro5.

Commercial Segment

Manufacturing Index experienced a decline in Q2 2017 (4.7%) vs Q1 2017 (5.9%). The trend is expected to continue which may impact Commercial Segment.

Commercial Segment will emphasise on value maximisation 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.

(Source: World Bank, BNM, MIER, MAA, DOS)

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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

B4 PROFIT FORECAST

There was no profit forecast issued for the financial period.

B5 TAX EXPENSE

Tax expense on continuing operations comprises the following:

| In RM'000 | 3 months ended 30/06/2017 | 3 months ended 30/06/2016 | 6 months ended 30/06/2017 | 6 months ended 30/06/2016 |
|----------------------------------|--|--|--|--|
| <u>Income Tax:</u> | | | | |
| Current Quarter/ Year-to-Date | 78,950 | 70,275 | 161,904 | 142,565 |
| <u>Deferred Taxation:</u> | | | | |
| Current Quarter/ Year-to-Date | (3,352) | (3,547) | (5,313) | (2,863) |
| | <u>75,598</u> | <u>66,728</u> | <u>156,591</u> | <u>139,702</u> |

Effective tax rates for the period ended 30 June 2017 and 2016 were 24% and 26% respectively.

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 are as follows:

| In RM'000 | As at 30/06/2017 | As at 31/12/2016 |
|-------------------------|-----------------------------|-----------------------------|
| Non Current – Unsecured | 57,968 | 67,009 |
| Non Current – Secured | - | 17,452 |
| | <u>57,968</u> | <u>84,461</u> |
| Current – Unsecured | 18,316 | 24,337 |
| Current – Secured | - | 9,973 |
| | <u>18,316</u> | <u>34,310</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 June 2017, there were outstanding foreign currency forward contracts denominated in USD, SGD & PHP amounting to USD8.48 million, SGD26.50 thousand and PHP1.18 million.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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

B9 MATERIAL LITIGATION

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

B10 DIVIDENDS

The Board has declared an interim dividend of 14 sen per ordinary share amounting to RM139,083,560 for three months ended 30 June 2017 payable on 19 September 2017 (Quarter 2 2016: an interim dividend of 14 sen per ordinary share amounting to RM139,083,560).

NOTICE IS HEREBY GIVEN that the interim dividend will be payable on 19 September 2017 to depositors registered in the Records of Depositors at the close of the business on 7 September 2017. A depositor shall qualify for entitlement to the dividends only in respect of:-

- Shares transferred into Depositors' Securities Account before 4 pm on 7 September 2017 in respect of ordinary transfer.
- Shares 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 June 2017.

| | 3 months ended | | 6 months ended | |
|---|-------------------|-------------------|-------------------|-------------------|
| | <u>30/06/2017</u> | <u>30/06/2016</u> | <u>30/06/2017</u> | <u>30/06/2016</u> |
| Profit attributable to shareholders of the Company (RM'000) | | | | |
| - continuing operations | 239,893 | 182,445 | 494,041 | 404,055 |
| - discontinued operation | 6,150 | 32,508 | 5,154 | 30,299 |
| Number of ordinary shares ('000) | 993,454 | 993,454 | 993,454 | 993,454 |
| Earnings per ordinary share (sen) | | | | |
| - continuing operations | 24.2 | 18.4 | 49.7 | 40.7 |
| - discontinued operation | 0.6 | 3.2 | 0.5 | 3.0 |

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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 June 2017 into realised and unrealised profits is as follows:

| RM'000 | <u>Group</u> | |
|---|-------------------|-------------------|
| | <u>30/06/2017</u> | <u>31/12/2016</u> |
| Total retained profits | | |
| - realised | 4,576,196 | 4,485,008 |
| - unrealised | (154,418) | (110,233) |
| | <u>4,421,778</u> | <u>4,374,775</u> |
| Total retained profit of associates attributable to the Group | | |
| - realised | 1,814 | 1,472 |
| Total retained profit of joint ventures attributable to the Group | | |
| - realised | 15,094 | 13,180 |
| Less: Consolidation adjustments | (83,524) | (103,433) |
| Total retained profits | <u>4,355,162</u> | <u>4,285,994</u> |

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2017



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

B13 PROFIT BEFORE TAXATION

| In RM'000 | 3 months ended 30/06/2017 | 3 months ended 30/06/2016 | 6 months ended 30/06/2017 | 6 months ended 30/06/2016 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Profit before taxation for the period is arrived at after charging: | | | | |
| Depreciation and amortisation | 90,993 | 99,229 | 181,784 | 190,864 |
| Impairment loss on long term receivables | - | - | 2,321 | - |
| Impairment loss on trade and other receivables | 514 | 92,962 | 1,966 | 93,949 |
| Net unrealised loss on foreign exchange | 3,695 | 5,419 | 4,653 | 11,500 |
| Net realised loss on foreign exchange | 2,162 | - | 2,782 | - |
| Net unrealised loss on forward contract | 237 | - | 15 | 161 |
| Interest on revolving credit and term loan | 165 | 672 | 376 | 1,487 |
| Profit margin for Islamic financing facility | 793 | 1,058 | 1,851 | 1,680 |
| Property, plant and equipment written off | 1,245 | 289 | 3,734 | 653 |
| and after crediting: | | | | |
| Net gain on disposal of property, plant and equipment | 11,047 | 1,020 | 17,111 | 664 |
| Interest income from deposits | 19,047 | 18,956 | 36,832 | 45,566 |
| Income from rental of premises | 283 | 864 | 690 | 998 |
| Net realised gain on foreign exchange | - | 5,862 | - | 5,599 |
| Net unrealised gain on forward contract | - | 133 | - | - |
| Net realised gain on forward contract | 2,324 | - | 3,690 | 6,326 |

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

21 August 2017