PETRONAS DAGANGAN BERHAD

Quarterly Report

For Second Quarter Ended 30 June 2018

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PETRONAS DAGANGAN BERHAD

QUARTERLY REPORT
FOR SECOND QUARTER ENDED 30 JUNE 2018

PETRONAS

The Board of Directors of PETRONAS Dagangan Berhad ("PDB" or the Company) is pleased to announce the following Unaudited Condensed Consolidated Financial Statements for PDB Group for the second quarter ended 30 June 2018 which should be read in conjunction with the accompanying explanatory notes on pages 6 to 21.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM'000	Note	As at 30 June 2018	As at 31 December 2017
ASSETS			
Property, plant and equipment		3,266,427	3,372,292
Prepaid lease payments		461,775	456,821
Investments in associates		1,661	1,556
Investments in joint ventures		15,993	14,630
TOTAL NON-CURRENT ASSETS		**3,745,856**	**3,845,299**
Trade and other inventories		1,107,261	869,241
Trade and other receivables		2,061,320	1,675,951
Cash and cash equivalents		2,833,757	3,357,742
TOTAL CURRENT ASSETS		**6,002,338**	**5,902,934**
TOTAL ASSETS	B1	**9,748,194**	**9,748,233**
EQUITY			
Share capital		993,454	993,454
Reserves		4,900,777	5,008,202
Total Equity Attributable to Shareholders of the Company		**5,894,231**	**6,001,656**
Non-controlling interests		48,991	39,025
TOTAL EQUITY	B1	**5,943,222**	**6,040,681**
LIABILITIES			
Borrowings	B8	39,593	48,909
Deferred tax liabilities		131,832	140,099
Other long term liabilities and provisions		28,858	30,996
TOTAL NON-CURRENT LIABILITIES		**200,283**	**220,004**
Trade and other payables		3,431,305	3,359,112
Borrowings	B8	24,312	18,366
Taxation		149,072	110,070
TOTAL CURRENT LIABILITIES		**3,604,689**	**3,487,548**
TOTAL LIABILITIES	B1	**3,804,972**	**3,707,552**
TOTAL EQUITY AND LIABILITIES		**9,748,194**	**9,748,233**
Net assets per share attributable to ordinary equity holders of the Parent (RM)		5.93	6.04

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

QUARTERLY REPORT
FOR SECOND QUARTER ENDED 30 JUNE 2018

PETRONAS

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Individual quarter ended		Cumulative quarter ended	
			30 June		30 June
In RM'000	Note	2018	2017	2018	2017
Revenue	B1	7,278,012	6,616,427	14,348,128	13,393,394
Operating profit	B1	422,339	307,201	713,243	628,705
Finance cost		1,111	(825)	703	(2,126)
Share of profit after tax of equity accounted associates and joint ventures		808	1,132	1,468	2,062
Profit before taxation	B1	424,258	307,508	715,414	628,641
Tax expense	B6	(101,724)	(75,392)	(172,551)	(155,354)
Profit from continuing operations		322,534	232,116	542,863	473,287
Profit from discontinued operations, net of tax		-	15,665	-	29,097
PROFIT FOR THE PERIOD	B13	322,534	247,781	542,863	502,384
Other comprehensive expenses					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of financial statement of foreign operations		(15,152)	(17,395)	(22,295)	(19,475)
Reclassification of foreign currency translation differences to profit or loss on disposal of subsidiaries		-	(2,496)	-	(2,496)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		307,382	227,890	520,568	480,413
Profit attributable to:					
Shareholders of the Company		314,421	246,043	532,897	499,195
Non-controlling interests		8,113	1,738	9,966	3,189
PROFIT FOR THE PERIOD		322,534	247,781	542,863	502,384
Total comprehensive income attributable to:					
Shareholders of the Company		299,269	226,152	510,602	477,224
Non-controlling interests		8,113	1,738	9,966	3,189
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		307,382	227,890	520,568	480,413
Earnings per ordinary share- basic (sen)					
from continuing operations	B11	31.6	23.2	53.6	47.3
from discontinued operations	B11	-	1.6	-	2.9

The Unaudited Condensed 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 2017 and the accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Shareholders of the Company						
	Non- Distributable			Distributable			
In RM'000	**Share Capital**	**Foreign Currency Translation Reserves**	**Capital Reserves**	**Retained Profits**	**Total**	**Non-Controlling Interests**	**Total Equity**
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)
Reclassification of foreign currency translation differences to profit or loss on disposal of subsidiaries	-	(2,496)	(7,093)	7,093	(2,496)	-	(2,496)
Total other comprehensive (expense)/ income for the period	-	(21,971)	(7,093)	7,093	(21,971)	-	(21,971)
Profit for the period	-	-	-	499,195	499,195	3,189	502,384
Total comprehensive (expense)/ income for the period	-	(21,971)	(7,093)	506,288	477,224	3,189	480,413
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**
At 1 January 2018							
-As previously stated	**993,454**	**263**	**(18,732)**	**5,026,671**	**6,001,656**	**39,025**	**6,040,681**
-Effect on the adoption of MFRS 9	-	-	-	(2,086)	(2,086)	-	(2,086)
At 1 January 2018, restated	**993,454**	**263**	**(18,732)**	**5,024,585**	**5,999,570**	**39,025**	**6,038,595**
Exchange difference arising from translation of financial statements of foreign operations	-	(22,295)	-	-	(22,295)	-	(22,295)
Total other comprehensive expense for the period	-	(22,295)	-	-	(22,295)	-	(22,295)
Profit for the period	-	-	-	532,897	532,897	9,966	542,863
Total comprehensive (expense)/ income for the period	-	(22,295)	-	532,897	510,602	9,966	520,568
Dividends paid	-	-	-	(615,941)	(615,941)	-	(615,941)
At 30 June 2018	**993,454**	**(22,032)**	**(18,732)**	**4,941,541**	**5,894,231**	**48,991**	**5,943,222**

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Cumulative quarter ended 30 June	
In RM'000	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation from:			
- continuing operations		**715,414**	**628,641**
- discontinued operations		**-**	**30,334**
Adjustments for:			
Depreciation and amortisation		171,539	181,791
(Reversal of impairment loss)/ Impairment loss on receivables		(778)	4,287
Share of profit after tax of equity accounted associates and joint ventures		(1,468)	(2,256)
Gain on disposal of subsidiaries		-	(6,221)
Net gain on disposal of property, plant and equipment		(9,973)	(17,111)
Interest income from funds and other investments		(51,320)	(36,927)
Finance cost		(703)	2,493
Other non-cash items		(3,870)	8,402
Operating profit before changes in working capital		**818,841**	**793,433**
Inventories		(238,020)	23,638
Trade and other receivables		(385,369)	166,543
Trade and other payables		79,797	(282,031)
Cash generated from operations		**275,249**	**701,583**
Taxation paid		(141,523)	(110,789)
Net cash generated from operating activities	B1	**133,726**	**590,794**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income from from funds and other investments		51,320	36,927
Purchase of property, plant and equipment		(88,400)	(32,206)
Proceeds from disposal of leases/ (Prepayment of leases)		595	(2,306)
Proceeds from disposal of property, plant and equipment		11,610	28,168
Proceeds from disposal of subsidiary, net of cash disposed		-	4,236
Dividend received from jointly-controlled entity		-	862
Net cash (used in)/generated from investing activities	B1	**(24,875)**	**35,681**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(615,941)	(437,120)
Repayment of term loan		-	(4,675)
Net drawdown of revolving credit facilities		(5,729)	(5,951)
Repayment of Islamic financing facilities		(9,067)	(8,929)
Interest paid on revolving credit and term loan		(12)	(376)
Profit margin paid for Islamic financing facilities		(1,418)	(1,851)
Net cash used in financing activities	B1	**(632,167)**	**(458,902)**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Net (decrease)/ increase in cash and cash equivalents	**(523,316)**	**167,573**
Net foreign exchange differences	(669)	(865)
Cash and cash equivalents at beginning of the period	3,357,742	2,431,637
Cash and cash equivalents at end of the period	2,833,757	2,598,345

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 BASIS OF PREPARATION

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

The condensed financial statements are unaudited and 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. They should be read in conjunction with the Audited Financial Statements and the accompanying notes for the year ended 31 December 2017. The explanatory notes attached to the condensed 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 2017.

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 2018.

A2 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the consolidated financial statements for 31 December 2017.

As of 1 January 2018, the Group has adopted the following new and revised MFRSs and amendments to MFRS and IC interpretation (collectively referred to as "pronouncements") which are effective for annual years 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	Investment in Associates and Joint Ventures (Annual Improvements 2014 – 2016 Cycle)
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration

The initial application on the above pronouncements did not have any material impact to the condensed financial statements, except for MFRS 9 and 15 as disclosed in note A3.

A3 ADOPTION OF MFRS 9 AND MFRS 15

i. MFRS 9 Financial Instruments

The Group adopted MFRS 9, Financial Instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The three principal classifications categories for financial assets are: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

There was no material impact on the accounting for the Group's financial assets upon initial application of the new classification requirements.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12 month ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives. Adjustments arising from the initial application of the new impairment model has been recognised in the opening balance of the retained earnings and the carrying amount of the financial assets as at 1 January 2018 as disclosed below:

In RM'000	Impact of adoption of MFRS 9 to opening balance at 1 January 2018
Decrease in retained earnings	2,086
Decrease in trade and other receivables	2,744
Decrease in deferred tax liabilities	658

ii. MFRS 15 Revenue for Contracts with Customers

The Group adopted MFRS 15, Revenue from Contracts with Customers on 1 January 2018. 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. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

Effective 1 January 2018, the Group recognised revenue from contracts with retail dealers, gross of commission on the basis that Group is able to direct the use and the benefit received from the operation of petrol stations. Dealers commission is accordingly recognised as selling and distribution expenses. Comparatives have been represented in accordance with the above changes.

A4 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 2017.

A5 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.

A6 EXCEPTIONAL ITEMS

There were no exceptional items during the quarter under review.

A7 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 2017 that may have a material effect in the current quarter results.

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 CAPITAL COMMITMENTS

Outstanding capital commitments in respect of capital expenditure which have not been provided for at the end of each reporting period are as follows:

In RM'000	As at 30 June 2018	As at 31 December 2017
Approved and contracted for	31,999	45,818
Approved but not contracted for	173,037	241,771
	205,036	287,589

A9 DEBT AND EQUITY SECURITIES

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review, other than as disclosed in note B8.

A10 DIVIDENDS PAID

During the 6 months period ended 30 June 2018, the following dividend payments were made:

1. An interim dividend of 27 sen per ordinary share amounting to RM268.2 million and a special dividend of 22 sen per ordinary share amounting to RM218.6 million for the quarter ended 31 December 2017 was paid to shareholders on 27 March 2018 (Quarter 4 2016: an interim dividend of 30 sen per ordinary share amounting to RM298.0 million).

2. An interim dividend of 13 sen per ordinary share amounting to RM129.1 million for the quarter ended 31 March 2018 was paid to shareholders on 14 June 2018 (Quarter 1 2017: an interim dividend of 14 sen per ordinary share amounting to RM139.1 million).

A11 OPERATING SEGMENTS

The Group's reportable segments comprise of Retail, Commercial and Others. Each reportable segment offers different services and 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.

- Retail – consist of sales and purchase of petroleum products to the retail sector
- Commercial – consist of sales and purchase of petroleum products to the commercial sector
- Others – comprise mainly of aviation fuelling services, technical services and business activities other than retail and commercial segments

Revenues derived from petroleum products are predominately sold to the retail and commercial sectors in Malaysia which have been disclosed in the Operating Segment. In this respect, no further disaggregation of revenue is presented.

Cumulative quarter ended 30 June

In RM'000	2018			
Business Segments	**Retail**	**Commercial**	**Others**	**Group**
Revenue - continuing operations	7,393,311	6,944,998	9,819	14,348,128
Depreciation and amortisation	141,880	19,053	10,606	171,539
Other income	154,038	36,437	30,931	221,406
Operating profit for reportable segments	401,896	271,413	39,934	713,243
Finance cost	1,754	367	(1,418)	703
Share of profit after tax of equity accounted associates and joint ventures				1,468
Profit before taxation from continuing operations				715,414

In RM'000	2017			
Business Segments	**Retail**	**Commercial**	**Others**	**Group**
Revenue - continuing operations	7,303,906	6,079,936	9,552	13,393,394
Depreciation and amortisation	145,802	21,601	10,042	177,445
Other income	156,316	28,462	2,019	186,797
Operating profit for reportable segments	345,762	269,492	13,451	628,705
Finance cost	(169)	(106)	(1,851)	(2,126)
Share of profit after tax of equity accounted associates and joint ventures				2,062
Profit before taxation from continuing operations				628,641

Note: Operating segments presented are from continuing operations only.

A12 VALUATIONS OF 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.

A13 CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2017.

A14 CHANGES IN COMPOSITION OF THE GROUP

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

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 2017.

A16 COMPARATIVES

The comparatives for the Consolidated Statement of Profit or Loss and Other Comprehensive Income have been re-presented to show the discontinued operations pursuant to the disposals of subsidiaries and associate in prior year and the effect of the adoption of MFRS 15 as disclosed in note A3 (ii).

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A17 FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents and short term receivables and payables reasonably approximate their fair values due to their relative short term nature of these 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 prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input).

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.

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.

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 Level 3	Carrying amount
Group		
30 June 2018		
Financial Liabilities		
Islamic financing facilities	53,081	58,176
Revolving credit facility	5,586	5,729
	58,667	**63,905**
Group		
31 December 2017		
Financial Liability		
Islamic financing facilities	60,956	67,275

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

B1 FINANCIAL PERFORMANCE

(a) Highlight on Consolidated Statement of Financial Position

In RM'000	As at 30 June 2018	As at 31 December 2017	Variance (%)
Total assets	9,748,194	9,748,233	-
Total equity	5,943,222	6,040,681	(2)
Total liabilities	3,804,972	3,707,552	3
Return on equity (%)	18.2	15.7	3

Total assets remain comparable at RM9,748.2 million as compared to December 2017.

Group recorded a decrease in total equity of RM97.5 million mainly attributable to a special dividend payment in Q1 2018 and partially offset with net profit registered for the period.

A net increase of RM97.4 million in total liabilities was mainly contributed by higher trade and other payables following lower repayment during the quarter.

(b) Highlight on Consolidated Statement of Profit or Loss and Other Comprehensive Income

(i)

In RM'000	Cumulative quarter ended 30 June 2018	2017	Variance (%)
Revenue	14,348,128	13,393,394	7
Profit before taxation	715,414	628,641	14
Profit for the period	542,863	502,384	8

Group revenue increased by RM954.7 million to RM14,348.1 million driven by higher sales volume of 1% and an increase in average selling prices by 6%.

Profit before taxation increased by RM86.8 million contributed by higher margin following improved sales volume as well as lower product cost and higher other income by RM94.0 million and RM34.6 million respectively, but offset by higher operating expenses of RM41.3 million.

(b) Highlight on Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

(ii)

In RM'000	Individual quarter ended 30 June 2018	2017	Variance (%)
Revenue	7,278,012	6,616,427	10
Profit before taxation	424,258	307,508	38
Profit for the quarter	322,534	247,781	30

Group revenue for the quarter ended 30 June 2018 was RM7,278.0 million, an increase of RM661.6 million or 10% as compared to the corresponding quarter last year mainly contributed by an increase in Mean of Platts Singapore ("MOPS") product prices.

Profit before taxation increased by RM116.8 million against corresponding quarter last year mainly due to higher margin which resulted from increasing MOPS price trend, lower product and freight costs as well as an increase in other income arising from insurance proceeds claim received by a subsidiary. This was partially offset by higher advertising and promotion expenses.

(c) Highlight on Consolidated Statement of Cash Flows

In RM'000	Cumulative quarter ended 30 June 2018	2017	Variance (%)
Net cash generated from operating activities	133,726	590,794	(77)
Net cash (used in)/ generated from investing activities	(24,875)	35,681	(170)
Net cash used in financing activities	(632,167)	(458,902)	38

Net cash generated from operating activities is lower by RM457.1 million as compared to corresponding period last year mainly due to an increase in subsidy receivables.

There was a cash outflow from investing activities of RM24.9 million as compared to cash inflow of RM35.7 million mainly due to higher purchase of property, plant and equipment ("PPE") as well as lower proceeds from disposal of PPE.

In addition, there was a higher cash outflow from financing activities by RM173.3 million mainly arising from higher dividends paid.

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

B2 REVIEW OF GROUP PERFORMANCE

a) Performance of the current quarter against the corresponding quarter last year

	Quarter ended 30 June								
	Group			Retail			Commercial		
In RM' Mil	June 2018	June 2017	Var %	June 2018	June 2017	Var %	June 2018	June 2017	Var %
Revenue	7,278.0	6,616.4	10	3,728.1	3,600.1	4	3,545.1	3,012.2	18
Profit before taxation	424.3	307.5	38	237.6	151.7	57	152.6	148.1	3

Retail Segment

Retail Segment revenue increased by RM128.0 million mainly attributable to increase in average selling price by 5% and offset by lower sales volume of 1%.

Profit before taxation improved by RM85.9 million in line with increasing MOPS price trend. In addition, lower product and freight costs also contributed to higher margin for Mogas, Diesel and Retail LPG.

This was partially offset by higher spending on advertising and promotion.

Commercial Segment

Commercial Segment recorded higher revenue by RM532.9 million driven by increase in average selling price of 18%. Sales volume decreased by 1% due to lower demand for Jet A1 following usage of fuel efficient aircraft as well as refuelling optimisation initiatives by the airlines. This was offset by volume growth from Diesel, bulk LPG and Sulphur following higher customer demand.

Profit before taxation increased by RM4.5 million following improved margin from Fuel Oil resulted from higher sales premium.

B2 REVIEW OF GROUP PERFORMANCE

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

Cumulative quarter ended 30 June

In RM' Mil	Group			Retail			Commercial		
	June 2018	June 2017	Var %	June 2018	June 2017	Var %	June 2018	June 2017	Var %
Revenue	14,348.1	13,393.4	7	7,393.3	7,303.9	1	6,945.0	6,079.9	14
Profit before taxation	715.4	628.6	14	403.7	345.6	17	271.8	269.4	1

Retail Segment

Retail Segment revenue increased by RM89.4 million attributable to increase in average selling prices by 3%. Overall retail volume was lower by 2% resulting from higher average pump prices and challenging market conditions.

Profit before taxation increased by RM58.1 million mainly contributed by improved margins for Mogas and Diesel following increase in MOPS price trend as well as lower product costs.

This was partially offset with higher salaries, wages and benefits as well as advertising and promotion expenses.

Commercial Segment

Commercial Segment recorded higher revenue by RM865.1 million mainly driven by volume growth of 4%, coupled with increase in average selling price by 10%. The improved volume was mainly contributed by Fuel Oil and bulk LPG as a result of intensified sales and marketing efforts. In addition, Diesel and Sulphur sales grew following higher customer demand.

Profit before taxation increased by RM2.4 million resulting from increase in margins in line with volume growth.

B3 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Quarter ended		
In RM' Mil	**June 2018**	**March 2018**	**Var %**
Revenue	7,278.0	7,070.1	3
Profit before taxation	424.3	291.2	46

Group revenue for the quarter ended 30 June 2018 increased by 3% compared to the preceding quarter mostly attributable to higher average selling price by 4%. Retail sales volume grew by 3% while Commercial sales volume reduced by 5% following lower demand.

Profit before taxation stood at RM424.3 million, an increase of RM133.1 million compared to the preceding quarter mainly due to:

- higher margins for both Retail and Commercial Segments contributed by higher sales volume for Retail and favourable MOPS price trend in current quarter; and
- higher other income arising from insurance proceeds claim received by a subsidiary.

This was partially offset by higher operating expenditure by RM10.3 million due to increase in advertising and promotion expenses as well as professional services.

B4 COMMENTARY ON PROSPECTS

The results of the Group's operations are primarily influenced by petroleum product prices which have strong correlation to crude oil prices, and Malaysia's economic growth as reflected in the Gross Domestic Product ("GDP"), Consumer Sentiment Index ("CSI") and Manufacturing Index.

Crude oil prices (Brent) averaged at USD74.23/bbl, an increase of 12% from previous quarter (Q1 2018: USD66.42/bbl). The price is expected to continue to be volatile.

Malaysia's GDP grew at 4.5% (Q2 2018) as compared to 5.4% in the preceding quarter. Consumer Sentiment Index rose to 132.9 in Q2 2018 (Q1 2018: 91.0) reflecting positive consumer sentiment.

The continued volatility of oil price, economic and consumer sentiment will have impact on the Group's profitability. The Group will continue to focus on inventory management, supply and distribution efficiency as well as operating expenditure optimisation to sustain the Group's profitability.

Retail Segment

Car sales for YTD June 2018 was 289,714 units, an increase of 2% from the previous year. Since end of March 2018, the pump price of RON95 and Diesel has remained unchanged at RM2.20 and RM2.18 per litre respectively. Demand for fuel is anticipated to increase following higher car sales and stable fuel prices.

Retail Segment will continue to focus on enhancing customer experience through continuous upgrading of stations and convenience stores. In addition, Retail will pursue strategic partnerships to provide added convenience to customers as well as diversifying its point-of-sales to grow in the e-commerce segment.

LPG and Lubricant businesses will focus on strengthening distribution channels to grow their market share.

Commercial Segment

The manufacturing sector grew at 4.1% in May as compared to 5.3% in April 2018. Growth in manufacturing activities may result in stronger demand for petroleum products, which provides an opportunity to the Commercial Segment.

Commercial business and bulk LPG sales will maximise value through effective sales strategies, leveraging on its superior logistics, personalised services and differentiated offerings to sustain existing markets and capture new markets.

(Source: Platts, BNM, MIER, MAA, DOSM)

B5 PROFIT FORECAST

The Group does not publish any profit forecast.

B6 TAX EXPENSE

Tax expense on continuing operations comprises the following:

In RM'000	Individual quarter ended 30 June 2018	2017	Cumulative quarter ended 30 June 2018	2017
Income Tax:				
Current period	102,758	78,495	179,949	161,097
Deferred Taxation:				
Current period	(1,034)	(3,103)	(7,398)	(5,743)
	101,724	75,392	172,551	155,354

Effective tax rates for the quarter and period ended 30 June 2018 and 2017 were comparable to the statutory tax rate of 24%.

B7 STATUS OF CORPORATE PROPOSALS ANNOUNCED

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

B8 BORROWINGS

Particulars of the Group's borrowings are as follows:

In RM'000	As at 30 June 2018	As at 31 December 2017
Non Current – unsecured	39,593	48,909
Current – unsecured	24,312	18,366
	63,905	67,275

Included in borrowings are unsecured revolving credit facility of RM5.7 million and Islamic financing facilities of RM58.2 million.

The Islamic financing facilities are denominated in Ringgit Malaysia and governed by the Musharakah Mutanaqisah and Commodity Murabahah principles, and bear a profit margin ranging from 4.54% to 4.68% per annum. During the period, the Group made repayment amounting to RM9.1 million. There was no drawdown of the facilities during the period.

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 16 sen per ordinary share amounting to RM158,952,640 for quarter ended 30 June 2018, payable on 19 September 2018 (Quarter 2 2017: 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 2018 to depositors registered in the Records of Depositors at the close of the business on 6 September 2018 . A depositor shall qualify for entitlement to the dividends only in respect of:-

a) Shares transferred into Depositors' Securities Account before 4 pm on 6 September 2018 in respect of ordinary transfer.
b) 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 the number of ordinary shares outstanding as at 30 June 2018.

	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2018	2017	2018	2017
Profit attributable to shareholders of the Company (RM'000)				
- continuing operations	314,421	230,378	532,897	470,098
- discontinued operations	-	15,665	-	29,097
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings per ordinary share (sen)				
- continuing operations	31.6	23.2	53.6	47.3
- discontinued operations	-	1.6	-	2.9

B12 TRADE RECEIVABLES

In RM'000	As at 30 June 2018	As at 31 December 2017
Trade receivables		
- Third party	1,044,525	940,714
- Related companies	100,142	95,550
Less:		
- Impairment loss: specific	(7,726)	(8,236)
- Impairment loss: general	(2,028)	-
	1,134,913	**1,028,028**

In RM'000	As at 30 June 2018	As at 31 December 2017
At net		
Current	1,061,233	980,055
Past due 1 to 30 days	57,452	32,882
Past due 31 to 60 days	5,469	5,747
Past due 61 to 90 days	3,993	2,339
Past due more than 90 days	8,794	7,005
Less:		
- Impairment loss: general	(2,028)	-
	1,134,913	**1,028,028**

As at 30 June 2018, there are no indications that the debtors will not meet their payment obligations except for impairment losses recognised above.

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

B13 PROFIT FOR THE PERIOD

	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
In RM'000	**2018**	**2017**	**2018**	**2017**
Profit for the period is arrived at after charging:				
Depreciation and amortisation	84,926	90,996	171,539	181,791
Impairment loss on long term receivables	-	-	-	2,321
Impairment loss on trade and other receivables	334	514	334	1,966
Interest on revolving credit and term loan	12	165	12	376
Net unrealised loss on foreign exchange	-	3,932	-	4,668
Net realised loss on foreign exchange	1,898	-	2,124	-
Profit margin for Islamic financing facility	722	793	1,418	1,851
Property, plant and equipment written off	-	1,245	-	3,734
and after crediting:				
Net gain on disposal of property, plant and equipment	2,402	11,047	9,973	17,111
Interest income from from funds and other investment	24,848	19,602	51,320	36,927
Income from rental of premises	165	283	575	690
Net realised gain on foreign exchange	-	162	-	908
Net unrealised gain on foreign exchange	3,983	-	3,870	-
Reversal of impairment loss on trade and other receivable	495	-	1,112	-

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
Nur Nadia Mohd Nordin (LS0009231)
Yeap Kok Leong (MAICSA 0862549)
Joint Secretaries
Kuala Lumpur
20 August 2018