PETRONAS DAGANGAN BERHAD

Quarterly Report

For Third Quarter Ended 30 September 2018

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PETRONAS DAGANGAN BERHAD

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 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 September 2018	As at 31 December 2017
ASSETS			
Property, plant and equipment		3,248,214	3,372,292
Prepaid lease payments		472,332	456,821
Investments in associates		1,711	1,556
Investments in joint ventures		15,867	14,630
TOTAL NON-CURRENT ASSETS		3,738,124	3,845,299
Trade and other inventories		1,076,484	869,241
Trade and other receivables		2,789,808	1,675,951
Cash and cash equivalents		2,941,890	3,357,742
TOTAL CURRENT ASSETS		6,808,182	5,902,934
TOTAL ASSETS	B1	10,546,306	9,748,233
EQUITY			
Share capital		993,454	993,454
Reserves		5,016,060	5,008,202
Total Equity Attributable to Shareholders of the Company		6,009,514	6,001,656
Non-controlling interests		49,837	39,025
TOTAL EQUITY	B1	6,059,351	6,040,681
LIABILITIES			
Borrowings	B8	34,817	48,909
Deferred tax liabilities		127,734	140,099
Other long term liabilities and provisions		27,746	30,996
TOTAL NON-CURRENT LIABILITIES		190,297	220,004
Trade and other payables		4,149,637	3,359,112
Borrowings	B8	24,788	18,366
Taxation		122,233	110,070
TOTAL CURRENT LIABILITIES		4,296,658	3,487,548
TOTAL LIABILITIES	B1	4,486,955	3,707,552
TOTAL EQUITY AND LIABILITIES		10,546,306	9,748,233
Net assets per share attributable to ordinary equity holders of the Parent (RM)		6.05	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 THIRD QUARTER ENDED 30 SEPTEMBER 2018

PETRONAS

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

In RM'000	Note	Individual quarter ended 30 September 2018	Individual quarter ended 30 September 2017	Cumulative quarter ended 30 September 2018	Cumulative quarter ended 30 September 2017
Revenue	B1	7,819,296	6,866,387	22,167,424	20,259,780
Operating profit	B1	395,326	439,002	1,108,569	1,067,707
Finance cost		(4,765)	(1,575)	(4,062)	(3,701)
Share of profit after tax of equity-accounted associates and joint ventures		925	879	2,393	2,941
Profit before taxation	B1	391,486	438,306	1,106,900	1,066,947
Tax expense	B6	(120,370)	(103,684)	(292,921)	(259,038)
Profit from continuing operations		271,116	334,622	813,979	807,909
Profit from discontinued operations, net of tax		-	427,932	-	457,029
PROFIT FOR THE PERIOD	B13	271,116	762,554	813,979	1,264,938
Other comprehensive expenses					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of financial statement of foreign operations		3,966	(520)	(18,329)	(19,995)
Reclassification of foreign currency translation differences to profit or loss on disposal of subsidiaries		-	(24,924)	-	(27,420)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		275,082	737,110	795,650	1,217,523
Profit attributable to:					
Shareholders of the Company		270,270	761,726	803,167	1,260,921
Non-controlling interests		846	828	10,812	4,017
PROFIT FOR THE PERIOD		271,116	762,554	813,979	1,264,938
Total comprehensive income attributable to:					
Shareholders of the Company		274,236	736,282	784,838	1,213,506
Non-controlling interests		846	828	10,812	4,017
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		275,082	737,110	795,650	1,217,523
Earnings per ordinary share- basic (sen)					
from continuing operations	B11	27.2	33.6	80.8	80.9
from discontinued operations	B11	-	43.1	-	46.0

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	-	(19,995)	-	-	(19,995)	-	(19,995)
Reclassification of foreign currency translation differences to profit or loss on disposal of subsidiaries	-	(27,420)	23,925	(23,925)	(27,420)	-	(27,420)
Total other comprehensive (expense)/ income for the period	-	(47,415)	23,925	(23,925)	(47,415)	-	(47,415)
Profit for the period	-	-	-	1,260,921	1,260,921	4,017	1,264,938
Total comprehensive (expense)/ income for the period	-	(47,415)	23,925	1,236,996	1,213,506	4,017	1,217,523
Reversal of capital contribution on disposal of subsidiaries	-	-	(14,548)	-	(14,548)	-	(14,548)
Dividends paid	-	-	-	(576,203)	(576,203)	-	(576,203)
At 30 September 2017	993,454	4,220	(18,732)	4,946,787	5,925,729	37,569	5,963,298
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	-	(18,329)	-	-	(18,329)	-	(18,329)
Total other comprehensive expense for the period	-	(18,329)	-	-	(18,329)	-	(18,329)
Profit for the period	-	-	-	803,167	803,167	10,812	813,979
Total comprehensive (expense)/ income for the period	-	(18,329)	-	803,167	784,838	10,812	795,650
Dividends paid	-	-	-	(774,894)	(774,894)	-	(774,894)
At 30 September 2018	993,454	(18,066)	(18,732)	5,052,858	6,009,514	49,837	6,059,351

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 September	
In RM'000	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation from:			
- continuing operations		1,106,900	1,066,947
- discontinued operations		-	458,469
Adjustments for:			
Depreciation and amortisation		258,510	272,800
Net impairment loss on trade and other receivables		6,102	4,290
Share of profit after tax of equity accounted associates and joint ventures		(2,393)	(3,161)
Gain on disposal of subsidiaries		-	(430,834)
Net gain on disposal of property, plant and equipment		(9,556)	(22,644)
Interest income from funds and other investments		(73,451)	(58,729)
Finance cost		4,062	4,064
Other non-cash items		2,509	10,554
Operating profit before changes in working capital		1,292,683	1,301,756
Inventories		(207,243)	(28,739)
Trade and other receivables		(1,113,857)	101,281
Trade and other payables		775,236	(90,370)
Cash generated from operations		746,819	1,283,928
Taxation paid		(292,461)	(206,100)
Net cash generated from operating activities	B1	454,358	1,077,828
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income from funds and other investments		73,451	58,729
Purchase of property, plant and equipment		(187,268)	(54,279)
Proceeds from disposal of leases/ (Prepayment of leases)		676	(2,620)
Proceeds from disposal of property, plant and equipment		23,682	38,168
Proceeds from disposal of subsidiary, net of cash disposed		-	552,408
Dividend received from jointly-controlled entity		1,000	3,362
Net cash (used in)/generated from investing activities	B1	(88,459)	595,768
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(774,894)	(576,203)
Repayment of term loan		-	(25,619)
Net drawdown/(repayment) of revolving credit facilities		5,729	(5,928)
Repayment of Islamic financing facilities		(13,676)	(13,449)
Interest paid on revolving credit and term loan		(48)	(378)
Profit margin paid for Islamic financing facilities		(2,093)	(2,609)
Net cash used in financing activities	B1	(784,982)	(624,186)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Net (decrease)/ increase in cash and cash equivalents	(419,083)	1,049,410
Net foreign exchange differences	3,231	(803)
Cash and cash equivalents at beginning of the period	3,357,742	2,431,637
Cash and cash equivalents at end of the period	2,941,890	3,480,244

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 September 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.

A3 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

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 are 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.

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 September 2018	As at 31 December 2017
Approved and contracted for	68,347	45,818
Approved but not contracted for	70,608	241,771
	138,955	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 9 months period ended 30 September 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).

3. An interim dividend of 16 sen per ordinary share amounting to RM158.9 million for the quarter ended 30 June 2018 was paid to shareholders on 19 September 2018 (Quarter 2 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.

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

Cumulative quarter ended 30 September

In RM'000	2018			
Business Segments	Retail	Commercial	Others	Group
Revenue - continuing operations	11,249,769	10,902,199	15,456	22,167,424
Depreciation and amortisation	215,345	28,848	14,317	258,510
Other income	231,920	51,283	36,987	320,190
Operating profit for reportable segments	637,058	427,976	43,535	1,108,569
Finance cost	(1,866)	(103)	(2,093)	(4,062)
Share of profit after tax of equity accounted associates and joint ventures				2,393
Profit before taxation from continuing operations				1,106,900

In RM'000	2017			
Business Segments	Retail	Commercial	Others	Group
Revenue - continuing operations	10,855,297	9,390,112	14,371	20,259,780
Depreciation and amortisation	219,284	33,388	15,102	267,774
Other income	243,183	46,131	(435)	288,879
Operating profit for reportable segments	610,180	434,353	23,174	1,067,707
Finance cost	(610)	(482)	(2,609)	(3,701)
Share of profit after tax of equity accounted associates and joint ventures				2,941
Profit before taxation from continuing operations				1,066,947

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).

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 September 2018		
Financial Liabilities		
Islamic financing facilities	49,123	53,599
Revolving credit facility	5,857	6,006
	54,980	59,605
Group		
31 December 2017		
Financial Liability		
Islamic financing facilities	60,956	67,275

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 September 2018	As at 31 December 2017	Variance (%)
Total assets	10,546,306	9,748,233	8
Total equity	6,059,351	6,040,681	0.3
Total liabilities	4,486,955	3,707,552	21
Return on equity (%)	18.1	25.7	(30)

Total assets increased by RM798.1 million mainly attributable to higher trade and other receivables following increase in subsidy receivables. The increase was partially offset by a decrease in cash and cash equivalents due to a special dividend payment in Q1 2018.

The Group recorded an increase in total equity of RM18.7 million mainly attributable to net profit registered for the period, offset by dividend declared and paid to shareholders.

A net increase of RM779.4 million in total liabilities was due to higher trade and other payables following higher purchase price, in line with increase in Mean of Platts Singapore ("MOPS") product prices.

Return on equity decreased from 25.7% to 18.1% due to gain on disposal of subsidiaries in prior year.

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

(i)

	Cumulative quarter ended 30 September		
In RM'000	2018	2017	Variance (%)
Revenue	22,167,424	20,259,780	9
Profit before taxation	1,106,900	1,066,947	4
Profit for the period	813,979	1,264,938	(36)

Group revenue increased by RM1,907.6 million to RM22,167.4 million primarily driven by an increase in average selling prices by 10% in line with higher MOPS product prices, offset by lower sales volume of 1%.

Profit before taxation increased by RM40.0 million mainly contributed by improved margin of RM80.6 million in line with the increase in MOPS prices trend. This is then offset by higher operating expenses of RM71.3 million due to higher advertising and promotion expenses as well as salaries, wages and benefits. In addition, other income increased by RM31.3 million due to proceeds from insurance claim received by a subsidiary.

Profit for the period was lower as compared to previous year due to gain on disposal of subsidiaries of RM430.8 million in prior year.

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

(ii)

	Individual quarter ended 30 September		Variance
In RM'000	2018	2017	(%)
Revenue	7,819,296	6,866,387	14
Profit before taxation	391,486	438,306	(11)
Profit for the quarter	271,116	762,554	(64)

Group revenue for the quarter ended 30 September 2018 was RM7,819.3 million, an increase of RM952.9 million or 14% as compared to the corresponding quarter last year mainly contributed by an increase in MOPS product prices, offset by decrease in sales volume of 3%.

Profit before taxation decreased by RM46.8 million against corresponding quarter last year due to increase in operating expenses by RM30.2 million following higher advertising and promotions spending as well as lower profit by RM13.4 million due to lower sales volume.

Profit for the quarter was lower as compared to previous year due to gain on disposal of subsidiary of RM424.6 million in corresponding quarter last year.

(c) Highlight on Consolidated Statement of Cash Flows

	Cumulative quarter ended 30 September		Variance
In RM'000	2018	2017	(%)
Net cash generated from operating activities	454,358	1,077,828	(58)
Net cash (used in)/ generated from investing activities	(88,459)	595,768	(>100)
Net cash used in financing activities	(784,982)	(624,186)	26

Net cash generated from operating activities is lower by RM623.4 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 RM88.5 million as compared to cash inflow of RM595.8 million mainly due to proceeds received from disposal of subsidiaries during corresponding period last year.

In addition, there was a higher cash outflow from financing activities by RM160.8 million mainly arising from a special dividend paid in Q1 2018.

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 September								
	Group			Retail			Commercial		
In RM' Mil	Sept 2018	Sept 2017	Var %	Sept 2018	Sept 2017	Var %	Sept 2018	Sept 2017	Var %
Revenue	7,819.3	6,866.4	14	3,856.5	3,551.4	9	3,957.2	3,310.2	20
Profit before taxation	391.5	438.3	(11)	231.5	264.0	(12)	156.1	164.5	(5)

<u>Retail Segment</u>
Retail Segment revenue increased by RM305.1 million attributable to the increase in average selling prices by 7% and higher sales volume of 2% mainly contributed by Diesel.

Profit before taxation decreased by RM32.5 million mainly due to higher spending on advertising and promotion as well as lower gain on fixed asset disposal.

<u>Commercial Segment</u>
Commercial Segment recorded higher revenue by RM647.0 million primarily due to the increase in average selling prices of 31%. Sales volume decreased by 8% due to the shifting of Diesel customers from Commercial Segment to Retail Segment and lower sales of Jet A1 in tandem with increased efficiency measures undertaken by the airlines. In addition, Fuel Oil volume decreased due to lower customer demand.

Profit before taxation decreased by RM8.4 million due to lower sales volume.

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

B2 REVIEW OF GROUP PERFORMANCE

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

	Cumulative quarter ended 30 September								
	Group			Retail			Commercial		
In RM' Mil	Sept 2018	Sept 2017	Var %	Sept 2018	Sept 2017	Var %	Sept 2018	Sept 2017	Var %
Revenue	22,167.4	20,259.8	9	11,249.8	10,855.3	4	10,902.2	9,390.1	16
Profit before taxation	1,106.9	1,066.9	4	635.2	609.6	4	427.9	433.9	(1)

<u>Retail Segment</u>
Retail Segment revenue increased by RM394.5 million attributable to the increase in average selling prices by 4%. This was offset by lower sales volume of 1% mainly due to higher average pump prices and challenging market conditions in Q1 2018 as well as temporary station closures for refurbishment activities.

Profit before taxation increased by RM25.6 million mainly contributed by improved margins for Mogas and Diesel in line with increase in MOPS prices trend as well as lower product costs.

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

<u>Commercial Segment</u>
Commercial Segment recorded higher revenue by RM1,512.1 million mainly contributed by the increase in average selling prices of 17%, offset by lower sales volume of 1%. The reduction in volume was mainly due to shifting of diesel customers from Commercial Segment to Retail Segment and lower demand for Jet A1 following increased efficiency measures undertaken by the airlines. However, this was partially offset by improved volume contributed by Petcoke and Sulphur following higher customers' demand.

Profit before taxation decreased by RM6.0 million due to lower sales volume.

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

B3 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Quarter ended		
In RM' Mil	September 2018	June 2018	Var %
Revenue	7,819.3	7,278.0	7
Profit before taxation	391.5	424.3	(8)

Group revenue for the quarter ended 30 September 2018 increased by 7% as compared to the preceding quarter mainly attributable to volume growth in both Retail and Commercial Segments by 3% and 7% respectively, coupled with higher average selling prices by 2%.

Profit before taxation stood at RM391.5 million, a decrease of RM32.8 million as compared to the preceding quarter due to higher operating expenditure of RM34.9 million and lower other income of RM26.3 million, offset by higher margins of RM28.4 million.

Operating expenditure was higher due to write-off of Property, Plant and Equipment ("PPE") as well as an increase in repair and maintenance work for refurbishment activities at stations. Other income was lower as compared to the preceding quarter due to proceeds from insurance claim received by a subsidiary in the preceding quarter.

The margins were higher as compared to the preceding quarter for both Retail and Commercial Segments contributed by higher sales volume and favourable MOPS prices trend in the current quarter.

PETRONAS

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

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 USD75.25/bbl, an increase of 1% from previous quarter (Q2 2018: USD74.23/bbl). The price is expected to continue to be volatile.

Malaysia's GDP grew at 4.4% (Q3 2018) as compared to 4.5% in the preceding quarter. Consumer Sentiment Index decreased from 132.9 in Q2 2018 to 107.5 in Q3 2018 but remained above the 100-point optimism threshold.

The continued volatility of oil price, Malaysia's economic environment and consumer sentiment will have an 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.

<u>Retail Segment</u>

Car sales for YTD September 2018 was 454,971 units, an increase of 7% from the previous year. Since end of March 2018, the pump prices of RON95 and Diesel have 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 as well as consistently delivering high levels of service. In addition, Retail will pursue strategic partnerships to provide added convenience to customers as well as diversifying its sales channel in the e-commerce segment.

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

<u>Commercial Segment</u>

The manufacturing sector grew at 4.8% in September as compared to 4.3% in August 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)

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

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 September 2018	2017	Cumulative quarter ended 30 September 2018	2017
Income Tax:				
Current period	124,675	99,691	304,624	260,787
Deferred Taxation:				
Current period	(4,305)	3,993	(11,703)	(1,749)
	120,370	103,684	292,921	259,038

Effective tax rates for the period ended 30 September 2018 and 2017 were 26% and 24% respectively.

B7 STATUS OF CORPORATE PROPOSALS ANNOUNCED

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

B8 BORROWINGS

(a) Particulars of the Group's borrowings are as follows:

In RM'000	As at 30 September 2018	As at 31 December 2017
Non Current – unsecured	34,817	48,909
Current – unsecured	24,788	18,366
	59,605	67,275

Included in borrowings are unsecured revolving credit facility of RM6.0 million and Islamic financing facilities of RM53.6 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 4.57% to 4.66% per annum. During the period, the Group made repayment amounting to RM13.7 million. There was no drawdown of the facilities during the period.

The revolving credit facility is denominated in Thai Baht and bears an interest rate of 2.55% per annum. During the period, the Group made drawdown of RM8.4 million and repayment amounting to RM2.7 million.

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

B8 BORROWINGS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

		Cash flows		*Non-cash changes*	
In RM'000	As at 1 January 2018	Drawdown	Repayment	Foreign exchange movement	As at 30 September 2018
Islamic financing facilities	67,275	-	(13,676)	-	53,599
Revolving credits	-	8,412	(2,683)	277	6,006
	67,275	8,412	(16,359)	277	59,605

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 the quarter ended 30 September 2018, payable on 26 December 2018 (Quarter 3 2017: an interim dividend of 20 sen per ordinary share amounting to RM198,690,800).

NOTICE IS HEREBY GIVEN that the interim dividend will be payable on 26 December 2018 to depositors registered in the Records of Depositors at the close of the business on 12 December 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 12 December 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 September 2018.

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2018	2017	2018	2017
Profit attributable to shareholders of the Company (RM'000)				
- continuing operations	270,270	333,794	803,167	803,892
- discontinued operations	-	427,932	-	457,029
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings per ordinary share (sen)				
- continuing operations	27.2	33.6	80.8	80.9
- discontinued operations	-	43.1	-	46.0

B12 TRADE RECEIVABLES

In RM'000	As at 30 September 2018	As at 31 December 2017
Trade receivables		
- Third party	1,115,950	940,714
- Related companies	114,010	95,550
Less:		
- Impairment loss: specific	(8,481)	(8,236)
- Impairment loss: general	(2,231)	-
	1,219,248	1,028,028

In RM'000	As at 30 September 2018	As at 31 December 2017
At net		
Current	1,140,804	980,055
Past due 1 to 30 days	45,347	32,882
Past due 31 to 60 days	14,466	5,747
Past due 61 to 90 days	9,352	2,339
Past due more than 90 days	11,510	7,005
Less:		
- Impairment loss: general	(2,231)	-
	1,219,248	1,028,028

As at 30 September 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 September		Cumulative quarter ended 30 September	
In RM'000	2018	2017	2018	2017
Profit for the period is arrived at after charging:				
Depreciation and amortisation	86,291	91,009	258,510	272,800
Impairment loss on long term receivables	-	-	-	2,321
Impairment loss on trade and other receivables	6,867	3	7,201	1,969
Interest on revolving credit and term loan	36	2	48	378
Net unrealised loss on foreign exchange	-	2,130	-	6,798
Net realised loss on foreign exchange	-	-	361	-
Profit margin for Islamic financing facility	675	758	2,093	2,609
Property, plant and equipment written off	6,691	22	6,691	3,756
Loss on disposal of property, plant and equipment	417	-	-	-
and after crediting:				
Gain on disposal of property, plant and equipment	-	5,533	9,556	22,644
Interest income from from funds and other investment	22,131	21,802	73,451	58,729
Income from rental of premises	450	610	1,025	1,301
Net realised gain on foreign exchange	1,763	994	-	1,902
Net unrealised gain on foreign exchange	312	-	4,182	-
Reversal of impairment loss on trade and other receivable	391	-	1,099	-
Dividend income from joint ventures	1,000	2,500	1,000	3,362

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
27 November 2018