PETRONAS DAGANGAN BERHAD

Quarterly Report

For Fourth Quarter and Year Ended
31 December 2018

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PETRONAS DAGANGAN BERHAD

QUARTERLY REPORT
FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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 fourth quarter and year ended 31 December 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 31 December 2018	As at 31 December 2017
ASSETS			
Property, plant and equipment		3,335,561	3,372,292
Prepaid lease payments		492,256	456,821
Investments in associates		1,555	1,556
Investments in joint ventures		17,135	14,630
TOTAL NON-CURRENT ASSETS		**3,846,507**	**3,845,299**
Trade and other inventories		825,818	869,241
Trade and other receivables		2,260,569	1,675,951
Fund investment		50,000	-
Cash and cash equivalents		2,187,891	3,357,742
TOTAL CURRENT ASSETS		**5,324,278**	**5,902,934**
TOTAL ASSETS	B1	**9,170,785**	**9,748,233**
EQUITY			
Share capital		993,454	993,454
Reserves		4,903,651	5,008,202
Total Equity Attributable to Shareholders of the Company		**5,897,105**	**6,001,656**
Non-controlling interests		40,135	39,025
TOTAL EQUITY	B1	**5,937,240**	**6,040,681**
LIABILITIES			
Borrowings	B8	29,924	48,909
Deferred tax liabilities		124,518	140,099
Other long term liabilities and provisions		29,268	30,996
TOTAL NON-CURRENT LIABILITIES		**183,710**	**220,004**
Trade and other payables		2,972,400	3,359,112
Borrowings	B8	25,036	18,366
Taxation		52,399	110,070
TOTAL CURRENT LIABILITIES		**3,049,835**	**3,487,548**
TOTAL LIABILITIES	B1	**3,233,545**	**3,707,552**
TOTAL EQUITY AND LIABILITIES		**9,170,785**	**9,748,233**
Net assets per share attributable to ordinary equity holders of the Parent (RM)		5.94	6.04

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

QUARTERLY REPORT
FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

PETRONAS

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

In RM'000	Note	Individual quarter ended 31 December 2018	2017	Cumulative quarter ended 31 December 2018	2017
Revenue	B1	7,901,329	7,160,866	30,068,753	27,420,647
Operating profit	B1	69,500	372,837	1,178,069	1,440,544
Finance costs		(485)	(2,988)	(4,547)	(6,689)
Share of profit after tax of equity-accounted associates and joint ventures		1,111	1,061	3,504	4,002
Profit before taxation	B1	70,126	370,910	1,177,026	1,437,857
Tax expense	B6	(22,646)	(90,878)	(315,567)	(349,917)
Profit from continuing operations		47,480	280,032	861,459	1,087,940
Profit from discontinued operations, net of tax		-	-	-	457,029
PROFIT FOR THE PERIOD / YEAR	B13	47,480	280,032	861,459	1,544,969
Other comprehensive expenses					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of financial statement of foreign operations		(138)	(3,957)	(18,467)	(23,952)
Reclassification of foreign currency translation differences to profit or loss on disposal of subsidiaries		-	-	-	(27,420)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD / YEAR		47,342	276,075	842,992	1,493,597
Profit attributable to:					
Shareholders of the Company		46,682	278,576	849,849	1,539,496
Non-controlling interests		798	1,456	11,610	5,473
PROFIT FOR THE PERIOD / YEAR		47,480	280,032	861,459	1,544,969
Total comprehensive income attributable to:					
Shareholders of the Company		46,544	274,619	831,382	1,488,124
Non-controlling interests		798	1,456	11,610	5,473
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD / YEAR		47,342	276,075	842,992	1,493,597
Earnings per ordinary share- basic (sen)					
from continuing operations	B11	4.7	28.0	85.5	109.0
from discontinued operations	B11	-	-	-	46.0

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these 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	-	(23,952)	-	-	(23,952)	-	(23,952)
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 year	-	(51,372)	23,925	(23,925)	(51,372)	-	(51,372)
Profit for the year	-	-	-	1,539,496	1,539,496	5,473	1,544,969
Total comprehensive (expense)/ income for the year	-	(51,372)	23,925	1,515,571	1,488,124	5,473	1,493,597
Reversal of capital contribution on disposal of subsidiaries	-	-	(14,548)	-	(14,548)	-	(14,548)
Dividends paid	-	-	-	(774,894)	(774,894)	-	(774,894)
At 31 December 2017	**993,454**	**263**	**(18,732)**	**5,026,671**	**6,001,656**	**39,025**	**6,040,681**
At 1 January 2018							
-As previously stated	**993,454**	**263**	**(18,732)**	**5,026,671**	**6,001,656**	**39,025**	**6,040,681**
-Effect of 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	-	(18,467)	-	-	(18,467)	-	(18,467)
Total other comprehensive expense for the year	-	(18,467)	-	-	(18,467)	-	(18,467)
Profit for the year	-	-	-	849,849	849,849	11,610	861,459
Total comprehensive (expense)/ income for the year	-	(18,467)	-	849,849	831,382	11,610	842,992
Dividends paid	-	-	-	(933,847)	(933,847)	(10,500)	(944,347)
At 31 December 2018	**993,454**	**(18,204)**	**(18,732)**	**4,940,587**	**5,897,105**	**40,135**	**5,937,240**

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these Condensed Consolidated Financial Statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM'000	Note	Year ended 31 December 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation from:			
- continuing operations		**1,177,026**	**1,437,857**
- discontinued operations		**-**	**458,469**
Adjustments for:			
Depreciation and amortisation		341,215	363,172
Impairment loss on long term receivables		-	2,321
Net impairment loss on trade and other receivables		4,491	(6,541)
Share of profit after tax of equity accounted associates and joint ventures		(3,504)	(4,222)
Gain on disposal of subsidiaries		-	(430,834)
Net gain on disposal of property, plant and equipment		(10,125)	(22,688)
Interest income from fund investments		(96,006)	(94,716)
Finance costs		4,547	7,052
Other non-cash items		6,446	7,821
Operating profit before changes in working capital		**1,424,090**	**1,717,691**
Inventories		43,423	(71,215)
Trade and other receivables		(584,618)	118,665
Trade and other payables		(412,930)	(326,940)
Cash generated from operations		**469,965**	**1,438,201**
Taxation paid		(388,161)	(319,485)
Net cash generated from operating activities	B1	**81,804**	**1,118,716**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income from fund investments		96,006	94,716
Placement of fund investment		(50,000)	-
Purchase of property, plant and equipment		(374,865)	(58,781)
Proceeds from disposal of leases		716	4,195
Proceeds from disposal of property, plant and equipment		35,662	39,306
Proceeds from disposal of subsidiary, net of cash disposed		-	552,408
Dividend received from joint ventures		1,000	3,362
Net cash (used in)/generated from investing activities	B1	**(291,481)**	**635,206**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(933,847)	(774,894)
Dividends paid to non-controlling interests		(10,500)	-
Repayment of term loan		-	(25,619)
Net drawdown/(repayment) of revolving credit facility		5,729	(5,928)
Repayment of Islamic financing facilities		(18,305)	(17,726)
Interest paid on revolving credit and term loan		(178)	(386)
Profit margin paid for Islamic financing facilities		(2,725)	(3,405)
Net cash used in financing activities	B1	**(959,826)**	**(827,958)**
Net (decrease)/ increase in cash and cash equivalents		**(1,169,503)**	**925,964**
Net foreign exchange differences		(348)	141
Cash and cash equivalents at beginning of the year		3,357,742	2,431,637
Cash and cash equivalents at end of the year		2,187,891	3,357,742

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these 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 and year ended 31 December 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 MFRS 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 of 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 year are as follows:

In RM'000	As at 31 December 2018	As at 31 December 2017
Approved and contracted for	5,407	45,818
Approved but not contracted for	12,322	241,771
	17,729	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 year, 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).

4. An interim dividend of 16 sen per ordinary share amounting to RM158.9 million for the quarter ended 30 September 2018 was paid to shareholders on 26 December 2018 (Quarter 3 2017: an interim dividend of 20 sen per ordinary share amounting to RM198.7 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 predominantly 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

Results for the year ended 31 December

In RM'000	2018			
Business Segments	**Retail**	**Commercial**	**Others**	**Group**
Revenue - continuing operations	15,033,532	15,014,781	20,440	30,068,753
Depreciation and amortisation	285,946	37,897	17,372	341,215
Other income	317,253	67,676	39,972	424,901
Operating profit for reportable segments	596,075	534,236	47,758	1,178,069
Finance costs	(1,734)	(88)	(2,725)	(4,547)
Share of profit after tax of equity accounted associates and joint ventures				3,504
Profit before taxation				1,177,026

In RM'000	2017			
Business Segments	**Retail**	**Commercial**	**Others**	**Group**
Revenue - continuing operations	14,543,976	12,857,139	19,532	27,420,647
Depreciation and amortisation	292,967	44,900	20,279	358,146
Other income / (expenses)	332,517	70,308	(197)	402,628
Operating profit for reportable segments	838,330	572,058	30,156	1,440,544
Finance costs	(2,665)	(619)	(3,405)	(6,689)
Share of profit after tax of equity accounted associates and joint ventures				4,002
Profit before taxation from continuing operations				1,437,857

Note: Operating segments presented for prior year were from continuing operations only.

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

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

	Group	
	2018	2017
	RM'000	RM'000
Contingent assets		
An award in favour of a subsidiary was issued by the arbitrator following an arbitration proceeding, which allowed additional costs and expenses for restructuring works at one of the subsidiary's major facility. The award as of the financial statement date is pending final settlement.	26,662	-

There were no material contingent liabilities 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 SUBSEQUENT EVENT

On 9 January 2019, Setel Ventures Sdn. Bhd. ("SETEL"), a wholly-owned subsidiary, was incorporated in Malaysia with an issued share capital of 5,000 ordinary shares at a total cash consideration of RM5,000,000.

A17 COMPARATIVES

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

A18 FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to their relatively 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 year.

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with the 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		
31 December 2018		
Financial Liabilities		
Islamic financing facilities	45,528	48,970
Revolving credit facility	5,841	5,990
	51,369	54,960
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 31 December 2018	As at 31 December 2017	Variance (%)
Total assets	9,170,785	9,748,233	(6)
Total equity	5,937,240	6,040,681	(2)
Total liabilities	3,233,545	3,707,552	(13)
Return on equity (%)	14.6	25.7	(11.1)

Total assets decreased by RM577.4 million mainly due to decrease in cash and cash equivalents following special dividend payment in Q1 2018, partially offset by higher trade and other receivables due to increase in subsidy receivables.

Total equity decreased by RM103.5 million mainly due to dividend paid to shareholders, offset by net profit registered for the year.

A net decrease of RM474.1 million in total liabilities was due to lower trade and other payables following lower MOPS prices in December 2018 compared to December 2017. In addition, there was also lower tax payable in line with lower profit for the year.

Return on equity decreased from 25.7% to 14.6% due to gain on disposal of subsidiaries in prior year. Excluding gain on disposal of subsidiaries, return on equity decreased from 18.1% to 14.6% due to lower profit for the year.

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

(i)

In RM'000	Year ended 31 December 2018	2017	Variance (%)
Revenue	30,068,753	27,420,647	10
Profit before taxation	1,177,026	1,437,857	(18)
Profit for the year	861,459	1,544,969	(44)

Group revenue increased by RM2,648.1 million to RM30,068.8 million primarily driven by an increase in average selling prices by 10% in line with higher average MOPS product prices.

Profit before taxation decreased by RM260.9 million mainly due to lower margin of RM162.0 million following the decrease in MOPS prices towards the end of the year and higher operating expenses of RM120.5 million due to higher advertising and promotion expenses as well as salaries, wages and benefits. This was then offset by higher other income of RM22.3 million contributed by proceeds from insurance claim received by a subsidiary.

Profit for the year was lower by RM683.5 million as compared to previous year due to gain on disposal of subsidiaries of RM430.8 million in prior year. Excluding gain on disposal of subsidiaries, profit for the year decreased by RM226.4 million, in line with lower profit.

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

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

(ii)

In RM'000	Individual quarter ended 31 December 2018	2017	Variance (%)
Revenue	7,901,329	7,160,866	10
Profit before taxation	70,126	370,910	(81)
Profit for the quarter	47,480	280,032	(83)

Group revenue for the quarter ended 31 December 2018 was RM7,901.3 million, an increase of RM740.5 million or 10% as compared to the corresponding quarter last year mainly contributed by increase in sales volume of 1% as well as higher MOPS prices.

Profit before taxation decreased by RM300.8 million against corresponding quarter last year due to lower gross profit by RM242.8 million following declining MOPS prices in November and December, higher operating expenses by RM49.1 million mainly due to professional services as well as higher spending on advertising and promotions.

(c) Highlight on Consolidated Statement of Cash Flows

In RM'000	Year ended 31 December 2018	2017	Variance (%)
Net cash generated from operating activities	81,804	1,118,716	(93)
Net cash (used in)/ generated from investing activities	(291,481)	635,206	(>100)
Net cash used in financing activities	(959,826)	(827,958)	16

Net cash generated from operating activities was lower by RM1,036.9 million as compared to last year mainly due to an increase in subsidy receivables as well as decrease in profit before taxation.

There was a cash outflow from investing activities of RM291.5 million mainly due to higher capital expenditure incurred. Cash inflow of RM635.2 million in prior year mainly relates to proceeds received from disposal of subsidiaries.

In addition, there was a higher cash outflow from financing activities by RM131.9 million mainly arising from a special dividend paid in Q1 2018.

B2 REVIEW OF GROUP PERFORMANCE

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

Quarter ended
31 December

In RM' Mil	Group			Retail			Commercial		
	Dec 2018	Dec 2017	Var %	Dec 2018	Dec 2017	Var %	Dec 2018	Dec 2017	Var %
Revenue	7,901.3	7,160.9	10	3,783.8	3,688.7	3	4,112.6	3,467.0	19
Profit/(loss) before taxation	70.1	370.9	(81)	(40.8)	226.1	(>100)	106.3	137.6	(23)

<u>Retail Segment</u>
Retail Segment revenue increased by RM95.1 million attributable to higher sales volume by 3% mainly contributed by Diesel.

Loss before taxation of RM40.8 million was recorded as compared to profit before taxation of RM226.1 million in corresponding quarter last year substantially due to decreased margins following declining MOPS prices in November and December for Mogas and Diesel as well as higher product costs for LPG. In addition, there was higher spending on advertising and promotions as well as professional services.

<u>Commercial Segment</u>
Commercial Segment recorded higher revenue by RM645.6 million primarily due to the increase in average selling prices of 20%. Sales volume decreased by 1% due to the shifting of Diesel customers from Commercial Segment to Retail Segment whilst Fuel Oil volume decreased due to lower customer demand. This was offset by higher sales of Jet A1 contributed by increased demand from major customers.

Profit before taxation decreased by RM31.3 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 year against last year

	Year ended 31 December								
	Group			Retail			Commercial		
In RM' Mil	Dec 2018	Dec 2017	Var %	Dec 2018	Dec 2017	Var %	Dec 2018	Dec 2017	Var %
Revenue	30,068.8	27,420.6	10	15,033.5	14,544.0	3	15,014.8	12,857.1	17
Profit before taxation	1,177.0	1,437.9	(18)	594.3	835.7	(29)	534.1	571.4	(7)

Retail Segment
Retail Segment revenue increased by RM489.5 million attributable to the increase in average selling prices by 3%. This was further contributed by higher sales volume of 0.5%.

Profit before taxation decreased by RM241.4 million mainly due to lower margins for LPG due to higher product costs and Mogas following declining MOPS prices towards the end of the year. In addition, there was also higher advertising and promotion expenses as well as repair and maintenance work for refurbishment activities at stations.

Commercial Segment
Commercial Segment recorded higher revenue by RM2,157.7 million contributed by the increase in average selling prices of 18%, 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 Lubricant following higher customers' demand.

Profit before taxation decreased by RM37.3 million due to lower sales volume.

B3 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

In RM' Mil	Quarter ended December 2018	Quarter ended September 2018	Var %
Revenue	7,901.3	7,819.3	1
Profit before taxation	70.1	391.5	(82)

Group revenue for the quarter ended 31 December 2018 increased by 1% as compared to the preceding quarter mainly attributable to volume growth in Commercial Segment by 4%.

Profit before taxation stood at RM70.1 million, a decrease of RM321.4 million as compared to the preceding quarter due to lower margins of RM283.2 million and higher operating expenditure of RM44.3 million.

The margins were lower as compared to the preceding quarter for both Retail and Commercial Segments due to declining MOPS prices trend in the current quarter.

Operating expenditure was higher due to increase in professional services.

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 USD67.43/bbl, a decrease of 10% from previous quarter (Q3 2018: USD75.25/bbl). The price is expected to remain volatile.

Malaysia's GDP grew at 4.7% (Q4 2018) as compared to 4.4% in the preceding quarter. Consumer Sentiment Index decreased from 107.5 in Q3 2018 to 96.8 in Q4 2018, falling below the 100-point optimism threshold.

The continued volatility of oil prices, 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.

Retail Segment

Car sales for FY 2018 was 598,714 units, an increase of 4% from the previous year. Effective 5 January 2019, the Government has implemented weekly pump price mechanism which is still based on the Automatic Pricing Mechanism elements.

Retail Segment will focus on strengthening dealership and network management, enhancing customer experience by leveraging on superior products namely PETRONAS PRIMAX 95 with Pro-Drive 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.

Commercial Segment

The manufacturing sector grew at 4.4% in December as compared to 4.8% in September 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, 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 31 December 2018	2017	Year ended 31 December 2018	2017
Income Tax:				
Current period / year	25,866	91,006	330,490	351,794
Deferred Taxation:				
Current period / year	(3,220)	(128)	(14,923)	(1,877)
	22,646	90,878	315,567	349,917

Effective tax rates for the year ended 31 December 2018 and 2017 were 27% 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 31 December 2018	As at 31 December 2017
Non Current – unsecured	29,924	48,909
Current – unsecured	25,036	18,366
	54,960	67,275

Included in borrowings are unsecured revolving credit facility of RM6.0 million and Islamic financing facilities of RM48.9 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 4.27% to 4.68% per annum. During the year, the Group made repayment amounting to RM18.3 million. There was no drawdown of the facilities during the year.

The revolving credit facility is denominated in Thai Baht and bears an interest rate of 2.55% per annum. During the year, 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 borrowings arising from financing activities

In RM'000	As at 1 January 2018	Cash flows: Drawdown	Cash flows: Repayment	Cash flows: Interest expenses	Non-cash changes: Foreign exchange movement	Non-cash changes: Others	As at 31 December 2018
Islamic financing facilities	67,275	-	(18,305)	(2,725)	-	2,725	48,970
Revolving credit facility	-	8,405	(2,676)	(178)	261	178	5,990
	67,275	8,405	(20,981)	(2,903)	261	2,903	54,960

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 25 sen per ordinary share amounting to RM248,363,500 for the fourth quarter ended 31 December 2018, payable on 28 March 2019 (Quarter 4 2017: an interim dividend of 27 sen per ordinary share amounting to RM268,232,580 and special dividend of 22 sen per ordinary share amounting to RM218,559,880).

NOTICE IS HEREBY GIVEN that the interim dividend will be payable on 28 March 2019 to depositors registered in the Records of Depositors at the close of the business on 13 March 2019 . A depositor shall qualify for entitlement to the dividends only in respect of:-

a) Shares transferred into Depositors' Securities Account before 4 pm on 13 March 2019 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 31 December 2018.

	Individual quarter ended 31 December 2018	Individual quarter ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2017
Profit attributable to shareholders of the Company (RM'000)				
- continuing operations	46,682	278,576	849,849	1,082,467
- discontinued operations	-	-	-	457,029
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings per ordinary share (sen)				
- continuing operations	4.7	28.0	85.5	109.0
- discontinued operations	-	-	-	46.0

B12 TRADE RECEIVABLES

In RM'000	As at 31 December 2018	As at 31 December 2017
Trade receivables		
- Third party	1,211,449	940,714
- Related companies	81,377	95,550
Less:		
- Impairment loss: specific	(8,328)	(8,236)
- Impairment loss: general	(2,317)	-
	1,282,181	**1,028,028**

In RM'000	As at 31 December 2018	As at 31 December 2017
At net		
Current	1,208,763	980,055
Past due 1 to 30 days	40,646	32,882
Past due 31 to 60 days	8,751	5,747
Past due 61 to 90 days	10,693	2,339
Past due more than 90 days	13,328	7,005
	1,282,181	**1,028,028**

As at 31 December 2018, there were 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/ YEAR

	Individual quarter ended 31 December		Year ended 31 December	
In RM'000	**2018**	**2017**	**2018**	**2017**
Profit for the period / year is arrived at after charging:				
Depreciation and amortisation	82,703	90,379	341,215	363,172
Impairment loss on long term receivables	-	-	-	2,321
Impairment loss on trade and other receivables	-	758	6,534	2,727
Interest on revolving credit and term loan	130	8	178	386
Net unrealised loss on foreign exchange	1,859	-	-	4,643
Net realised loss on foreign exchange	-	6,923	302	5,022
Profit margin for Islamic financing facility	632	796	2,725	3,405
Property, plant and equipment written off	2,078	1,151	8,769	3,178
and after crediting:				
Gain on disposal of property, plant and equipment	569	45	10,125	22,688
Gain on disposal of subsidiaries	-	-	-	430,834
Interest income from fund investments	22,555	35,987	96,006	94,716
Income from rental of premises	50	657	1,075	1,958
Net unrealised gain on foreign exchange	-	2,155	2,323	-
Net realised gain on foreign exchange	59	-	-	-
Reversal of impairment loss on trade and other receivable	1,611	9,268	2,043	9,268
Dividend income from joint ventures	-	-	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
26 February 2019