



PETRONAS DAGANGAN BERHAD

Quarterly Report

For Third Quarter Ended 30 September 2019



Quarterly Report

For Third Quarter Ended 30 September 2019

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 2019 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 22.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM'000	Note	As at 30 September 2019	As at 31 December 2018
ASSETS			
Property, plant and equipment		4,082,264	3,335,561
Prepaid lease payments		-	492,256
Investments in associates		1,788	1,555
Investments in joint ventures		21,957	17,135
TOTAL NON-CURRENT ASSETS		4,106,009	3,846,507
Trade and other inventories		890,235	825,818
Trade and other receivables		1,690,855	2,260,569
Fund investment		51,004	50,000
Cash and cash equivalents		3,338,354	2,187,891
TOTAL CURRENT ASSETS		5,970,448	5,324,278
TOTAL ASSETS	B1	10,076,457	9,170,785
EQUITY			
Share capital		993,454	993,454
Reserves		5,018,106	4,903,651
Total Equity Attributable to Shareholders of the Company		6,011,560	5,897,105
Non-controlling interests		36,551	40,135
TOTAL EQUITY	B1	6,048,111	5,937,240
LIABILITIES			
Borrowings	B8	198,791	29,924
Deferred tax liabilities		89,555	124,518
Other long term liabilities and provisions		29,303	29,268
TOTAL NON-CURRENT LIABILITIES		317,649	183,710
Trade and other payables		3,444,057	2,972,400
Borrowings	B8	174,771	25,036
Taxation		91,869	52,399
TOTAL CURRENT LIABILITIES		3,710,697	3,049,835
TOTAL LIABILITIES	B1	4,028,346	3,233,545
TOTAL EQUITY AND LIABILITIES		10,076,457	9,170,785
Net assets per share attributable to ordinary equity holders of the Parent (RM)		6.05	5.94

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

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

In RM'000	Note	Individual quarter ended		Cumulative quarter ended	
		2019	2018	2019	2018
			30 September		30 September
Revenue	B1	7,807,228	7,819,296	22,499,362	22,167,424
Operating profit		321,653	395,326	949,516	1,108,569
Finance cost		(4,988)	(4,765)	(15,450)	(4,062)
Share of profit after tax of equity accounted associates and joint ventures		1,026	925	4,239	2,393
Profit before taxation	B1	317,691	391,486	938,305	1,106,900
Tax expense	B6	(77,181)	(120,370)	(229,832)	(292,921)
PROFIT FOR THE PERIOD	B13	240,510	271,116	708,473	813,979
Other comprehensive income/ (expenses)					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of financial statements of foreign operations		1,885	3,966	2,519	(18,329)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		242,395	275,082	710,992	795,650
Profit attributable to:					
Shareholders of the Company		239,001	270,270	702,948	803,167
Non-controlling interests		1,509	846	5,525	10,812
PROFIT FOR THE PERIOD		240,510	271,116	708,473	813,979
Total comprehensive income attributable to:					
Shareholders of the Company		240,886	274,236	705,467	784,838
Non-controlling interests		1,509	846	5,525	10,812
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		242,395	275,082	710,992	795,650
Earnings per ordinary share- basic (sen)	B11	24.1	27.2	70.8	80.8

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 2018 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In RM'000	Attributable to Shareholders of the Company						
	Non-Distributable			Distributable			Total Equity
	Share Capital	Foreign Currency Translation Reserves	Capital Reserves	Retained Profits	Total	Non-Controlling Interests	
At 1 January 2018	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
At 1 January 2019							
-As previously reported	993,454	(18,204)	(18,732)	4,940,587	5,897,105	40,135	5,937,240
-Effect of the adoption of MFRS 16	-	-	-	(54,547)	(54,547)	(9,109)	(63,656)
At 1 January 2019, restated	993,454	(18,204)	(18,732)	4,886,040	5,842,558	31,026	5,873,584
Exchange difference arising from translation of financial statements of foreign operations	-	2,519	-	-	2,519	-	2,519
Total other comprehensive income for the period	-	2,519	-	-	2,519	-	2,519
Profit for the period	-	-	-	702,948	702,948	5,525	708,473
Total comprehensive income for the period	-	2,519	-	702,948	705,467	5,525	710,992
Dividends paid	-	-	-	(536,465)	(536,465)	-	(536,465)
At 30 September 2019	993,454	(15,685)	(18,732)	5,052,523	6,011,560	36,551	6,048,111

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 2018 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM'000	Note	2019	Cumulative quarter ended 30 September 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		938,305	1,106,900
Adjustments for:			
Depreciation and amortisation		344,207	258,510
Impairment loss on property, plant and equipment		4,026	-
Net impairment loss on trade and other receivables		345	6,102
Share of profit after tax of equity accounted associates and joint ventures		(4,239)	(2,393)
Net gain on disposal of property, plant and equipment		(18,754)	(9,556)
Interest income		(83,103)	(73,451)
Finance cost		15,450	4,062
Other non-cash items		2,276	2,509
Operating profit before changes in working capital		1,198,513	1,292,683
Inventories		(64,417)	(207,243)
Trade and other receivables		569,713	(1,113,857)
Trade and other payables		465,299	775,236
Cash generated from operations		2,169,108	746,819
Taxation paid		(204,680)	(292,461)
Net cash generated from operating activities	B1	1,964,428	454,358
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		83,103	73,451
Net placement of fund investment		(1,004)	-
Purchase of property, plant and equipment		(270,556)	(187,268)
Proceeds from disposal of leases		-	676
Proceeds from disposal of property, plant and equipment		27,038	23,682
Dividend received from joint venture		2,250	1,000
Net cash used in investing activities	B1	(159,169)	(88,459)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(536,465)	(774,894)
(Net repayment)/ Net drawdown of revolving credit facility	B8	(4,376)	5,729
Repayment of Islamic financing facilities	B8	(14,181)	(13,676)
Repayment of lease liabilities	B8	(85,301)	-
Interest paid on revolving credit	B8	(70)	(48)
Profit margin paid for Islamic financing facilities	B8	(1,487)	(2,093)
Interest paid on lease liabilities	B8	(13,893)	-
Net cash used in financing activities	B1	(655,773)	(784,982)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Net increase/ (decrease) in cash and cash equivalents	1,149,486	(419,083)
Net foreign exchange differences	977	3,231
Cash and cash equivalents at beginning of the period	2,187,891	3,357,742
Cash and cash equivalents at end of the period	<u>3,338,354</u>	<u>2,941,890</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and accompanying explanatory notes attached to the Interim Condensed Consolidated Financial Statements.

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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 2018. 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 2018.

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 2019.

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 2018.

As of 1 January 2019, the Group has adopted the following new MFRS and amendments to MFRSs and IC interpretation (collectively referred to as "pronouncements") which are effective for annual years beginning on or after 1 January 2019.

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations (Annual Improvements 2015-2017 Cycle)
Amendments to MFRS 11	Joint Arrangements (Annual Improvements 2015-2017 Cycle)
Amendments to MFRS 112	Income Taxes (Annual Improvements 2015-2017 Cycle)
Amendments to MFRS 123	Borrowing Costs (Annual Improvements 2015-2017 Cycle)
Amendments to MFRS 128	Investment in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 119	Employee Benefits: Plan Amendment, Curtailment or Settlement
IC Interpretation 23	Uncertainty over Income Tax Treatments

The initial application on the above pronouncements did not have any material impact to the condensed financial statements, except for MFRS 16 as disclosed in note A3.

A3 ADOPTION OF MFRS 16

The Group adopted MFRS 16 Leases on 1 January 2019. MFRS 16 replaces existing leases guidance in MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on balance sheet lease accounting for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to the current standard which continues to be classified as finance or operating leases.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

Right-of-use assets and prepaid lease payments are included under property plant and equipment in the statement of financial position. The lease liabilities are included as borrowings in the statement of financial position.

As allowed by the transitional provision of MFRS 16, the Group have elected the modified retrospective approach with no restatement of comparative and cumulative adjustments resulting from the initial application of MFRS 16 are recognised in total equity as at 1 January 2019, as disclosed below:

In RM'000	Impact of adoption of MFRS 16 to opening balance at 1 January 2019
Increase in rights-of-use assets	226,680
Increase in deferred tax assets	20,099
Decrease in total equity	63,656
Increase in lease liabilities	310,435

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 2018.

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 2018 that may have a material effect in the current quarter results.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 CAPITAL COMMITMENTS

Outstanding capital commitments in respect of capital expenditure at financial position date not provided for at the end of each reporting period are as follows:

In RM'000	As at 30 September 2019	As at 31 December 2018
Approved and contracted for	54,146	5,407
Approved but not contracted for	357,669	12,322
	411,815	17,729

A9 DEBT AND EQUITY SECURITIES

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

A10 DIVIDENDS PAID

During the 9 months period ended 30 September 2019, the following dividend payments were made:

1. An interim dividend of 25 sen per ordinary share amounting to RM248.4 million for the quarter ended 31 December 2018 was paid to shareholders on 28 March 2019 (Quarter 4 2017: 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).
2. An interim dividend of 15 sen per ordinary share amounting to RM149.0 million for the quarter ended 31 March 2019 was paid to shareholders on 27 June 2019 (Quarter 1 2018: an interim dividend of 13 sen per ordinary share amounting to RM129.1 million for the quarter ended 31 March 2018).
3. An interim dividend of 14 sen per ordinary share amounting to RM139.1 million for the quarter ended 30 June 2019 was paid to shareholders on 20 September 2019 (Quarter 2 2018: an interim dividend of 16 sen per ordinary share amounting to RM158.9 million for the quarter ended 30 June 2018).

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 aviation fuelling services, technical services and 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.

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

Results for cumulative quarter ended 30 September

In RM'000	2019			
	Retail	Commercial	Others	Group
Business Segments				
Revenue	11,434,904	11,044,586	19,872	22,499,362
Depreciation and amortisation	254,065	67,924	22,218	344,207
Other income	282,924	37,494	399	320,817
Operating profit for reportable segments	513,569	431,544	4,403	949,516
Finance cost	(6,346)	(3,025)	(6,079)	(15,450)
Share of profit after tax of equity accounted associates and joint ventures				4,239
Profit before taxation				938,305

In RM'000	2018			
	Retail	Commercial	Others	Group
Business Segments				
Revenue	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				1,106,900

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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 ASSETS CLASSIFIED AS HELD FOR SALE

The Group disclosed Asset Held For Sale in quarter 2 FY2019 which was related to the intention to sell two of its land parcels. The transaction was completed in quarter 3 FY2019 which resulted in a gain of RM2.7 million.

A14 CONTINGENCIES

In RM'000	2019	Group 2018
<p>An award in favour of a subsidiary was issued by the arbitrator in 2018 following an arbitration proceeding, which allowed additional costs and expenses for restructuring works at one of the subsidiary's major facility. The quantum to be paid following the award as of the financial period date is pending settlement negotiation between the parties.</p>	26,662	26,662

No provision has been made on the above contingency in the quarterly report up to reporting date. There were no material contingent liabilities since the last consolidated statement of financial position as at 31 December 2018.

A15 CHANGES IN COMPOSITION OF THE GROUP

On 9 January 2019, the Group incorporated a wholly owned subsidiary, Setel Ventures Sdn. Bhd. ("SETEL").

A16 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 2018.

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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	Carrying amount
	Level 3	
Group		
30 September 2019		
Financial Liabilities		
Islamic financing facilities	33,144	34,590
Revolving credit facility	1,993	2,051
	35,137	36,641
 Group		
31 December 2018		
Financial Liabilities		
Islamic financing facilities	45,528	48,970
Revolving credit facility	5,841	5,990
	51,369	54,960

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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 September 2019	As at 31 December 2018	Variance (%)
Total assets	10,076,457	9,170,785	10
Total equity	6,048,111	5,937,240	2
Total liabilities	4,028,346	3,233,545	25
Return on equity (%)	15.7	14.6	8

Total assets increased by RM905.7 million mainly due to higher cash and cash equivalents by RM1,150.5 million arising from receipt of subsidy receivable from the Government. The increase was also contributed by recognition of right-of-use assets of RM226.7 million in line with the adoption of MFRS 16. These were then partially offset by decrease in trade and other receivables by RM569.7 million in line with the above subsidy receivable payment.

Total liabilities increased by RM794.8 million mainly due to higher trade and other payables as a result of higher purchases made during the quarter as well as higher borrowings following recognition of lease liabilities in line with the adoption of MFRS 16.

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

In RM'000	Cumulative quarter ended 30 September		Variance (%)
	2019	2018	
Revenue	22,499,362	22,167,424	2
Profit before taxation	938,305	1,106,900	(15)

Group revenue increased by RM331.9 million to RM22,499.4 million primarily driven by an increase in overall sales volume of 6% contributed by both Retail and Commercial segments. This was offset by lower average selling prices of 4%.

Profit before taxation ("PBT") decreased by RM168.6 million mainly from higher operating expenses due to advertising and promotion as well as system maintenance cost. In addition, there was a once off insurance claim received by a subsidiary in 2018 which contributed to the better PBT last year.

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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)	Individual quarter ended		Variance (%)
	2019	30 September 2018	
In RM'000			
Revenue	7,807,228	7,819,296	(1)
Profit before taxation	317,691	391,486	(19)

Group revenue decreased by RM12.1 million to RM7,807.2 million primarily driven by lower average selling prices of 6%, offset by an increase in sales volume by 7%.

PBT decreased by RM73.8 million due to higher product cost and higher depreciation and amortisation expenses. This was offset by an increase in MESRA income.

(c) Highlight on Consolidated Statement of Cash Flows

In RM'000	Cumulative quarter ended		Variance (%)
	2019	30 September 2018	
Net cash generated from operating activities	1,964,428	454,358	>100
Net cash used in investing activities	(159,169)	(88,459)	80
Net cash used in financing activities	(655,773)	(784,982)	(16)

Net cash generated from operating activities was higher by RM1,510.0 million as compared to last year mainly contributed by higher receipt of subsidy from Government during the period.

There was a higher cash outflow from investing activities of RM70.7 million mainly related to higher capital expenditure incurred, partially offset by proceeds from disposal of property, plant and equipment.

However, cash outflow from financing activities was lower by RM129.2 million mainly due to special dividends paid to shareholders in Q1 2018.

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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

In RM' Mil	Individual quarter ended								
	Group			Retail			Commercial		
	Sept 2019	Sept 2018	Var %	Sept 2019	Sept 2018	Var %	Sept 2019	Sept 2018	Var %
Revenue	7,807.2	7,819.3	(1)	3,947.3	3,856.5	2	3,852.8	3,957.2	(3)
Profit before taxation	317.7	391.5	(19)	170.3	231.5	(26)	154.0	156.1	(1)

Retail Segment

Retail Segment revenue increased by RM90.8 million contributed by higher sales volume of 6% following improved station productivity, higher number of stations in operation and introduction of the new PETRONAS PRIMAX 95 with Pro-Drive. This was offset by decrease in average selling prices of 3%.

Profit before taxation decreased by RM61.2 million mainly due to lower gross profit for Mogas and Diesel following higher product cost and less favourable MOPS prices trend compared to the corresponding quarter. The decrease in PBT was also due to higher depreciation and amortisation.

Commercial Segment

Commercial Segment recorded lower revenue of RM104.4 million following lower average selling prices of 10%, offset by increase in sales volume of 8%. The increase in volume was mainly attributable to Diesel following higher demand from upstream sector. In addition, volume for Jet A1 grew contributed by higher demand from existing customers.

Profit before taxation decreased marginally by RM2.1 million following higher operating expenditure.

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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 period against the corresponding period last year

In RM' Mil	Cumulative quarter ended								
	Group			Retail			Commercial		
	Sept 2019	Sept 2018	Var %	Sept 2019	Sept 2018	Var %	Sept 2019	Sept 2018	Var %
Revenue	22,499.4	22,167.4	1	11,454.2	11,249.8	2	11,025.3	10,902.2	1
Profit before taxation	938.3	1,106.9	(15)	513.6	635.2	(19)	431.5	427.9	1

Retail Segment

Retail Segment revenue increased by RM204.4 million contributed by higher sales volume of 6% following improved station productivity, higher number of stations in operation and introduction of the new PETRONAS PRIMAX 95 with Pro-Drive. This was offset by decrease in average selling prices of 4%.

Profit before taxation decreased by RM121.6 million due higher spending on advertising and promotion expenses as well as system maintenance cost. This was partially offset by an increase in MESRA income.

Commercial Segment

Commercial Segment recorded higher revenue of RM123.1 million contributed by an increase in volume of 6%, offset by lower average selling prices of 4%. The higher volume was mainly attributable to Jet A1 sales following new contracts secured in Q1 FY2019 and Diesel following higher demand from upstream sector.

Profit before taxation increased by RM3.6 million in line with higher volume.

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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

In RM' Mil	Quarter ended		Var %
	September 2019	June 2019	
Revenue	7,807.2	7,606.2	3
Profit before taxation	317.7	237.6	35

Group revenue for the quarter ended 30 September 2019 increased by 3% compared to the preceding quarter mainly attributable to higher sales volume of 4%, offset by decrease in average selling prices of 1%.

PBT stood at RM317.7 million, an increase of RM80.1 million as compared to the preceding quarter due to higher Retail and Commercial segments gross profit of RM73.8 million in tandem with higher volume.

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For Third Quarter Ended 30 September 2019

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.

Average Brent in Q3 2019 was USD61.97/bbl compared to previous quarter at USD68.82/bbl and the price is expected to remain volatile.

Malaysia recorded GDP growth of 4.4% in Q3 2019 as compared to 4.9% in Q2 2019. Consumer Sentiment Index decreased from 93.0 in Q2 2019 to 84.0 in Q3 2019 and remaining below the 100-point optimism threshold.

The volatility of oil price, economic condition and consumers' 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 ensure the Group remains resilient.

Retail Segment

Retail Segment plans to grow volume by leveraging the newly launched superior products mainly PETRONAS PRIMAX 95 with Pro-Drive, PETRONAS Syntium range and PETRONAS Sprinta F900. In addition, Retail Segment will focus on strengthening dealership and network management as well as enhancing customer experience through digital initiatives such as Setel, an e-payment solution. Retail plans to increase its profitability by pursuing strategic partnerships and enhance product offerings.

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

Commercial Segment

Services and Manufacturing sectors are the key drivers for Malaysia economic growth. Manufacturing sector grew by 2.5% in September FY2019 as compared to 3.8% in June FY2019. Growth in manufacturing activities may lead to stronger demand for petroleum products, which provides an opportunity to the Commercial Segment.

Commercial Business will continue to maximise value by providing superior value proposition through enhancing channel delivery and differentiated offerings, competitive pricing, leveraging superior logistics and distribution network to sustain existing markets and capture new markets.

(Source: Platts, DOSM, MIER)

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B5 PROFIT FORECAST

Not applicable as the Group does not publish any profit forecast.

B6 TAX EXPENSE

Tax expense comprises the following:

In RM'000	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2019	2018	2019	2018
<u>Income Tax:</u>				
Current period	79,711	124,675	244,150	304,624
<u>Deferred Taxation:</u>				
Current period	(2,530)	(4,305)	(14,318)	(11,703)
	<u>77,181</u>	<u>120,370</u>	<u>229,832</u>	<u>292,921</u>

Effective tax rates for the quarter and cumulative quarter ended 30 September 2019 were comparable to the statutory tax rate. Effective tax rates for the corresponding quarter and cumulative quarter ended 30 September 2018 were higher due to higher final tax return.

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 2019	As at 31 December 2018
Non Current		
Secured		
Lease liabilities	183,247	-
Unsecured		
Islamic financing facilities	15,544	29,924
	<u>198,791</u>	<u>29,924</u>
Current		
Secured		
Lease liabilities	153,674	-
Unsecured		
Islamic financing facilities	19,046	19,046
Revolving credit facility	2,051	5,990
	<u>174,771</u>	<u>25,036</u>
	<u>373,562</u>	<u>54,960</u>

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B8 BORROWINGS (CONTINUED)

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

In RM'000	As at 30 September 2019	As at 31 December 2018
By Currency		
RM	253,712	48,970
USD	117,192	-
THB	2,658	5,990
	373,562	54,960

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 4.33% to 4.68% per annum.

The revolving credit facility is denominated in Thai Baht and bears an interest rate of 2.90% per annum.

The lease liabilities bear interest at rates between 4.19% to 8.43% per annum.

(b) Reconciliation of borrowings arising from financing activities

In RM'000	As at 1 January 2019	Effect of adoption of MFRS 16	Cash flows		Non-cash changes		As at 30 Sept 2019
			Drawdown/ (Repayment)	Interest expenses	Foreign exchange movement	Others	
Islamic financing facilities	48,970	-	(14,181)	(1,487)	-	1,288	34,590
Revolving credit facility	5,990	-	(4,376)	(70)	437	70	2,051
Lease liabilities	-	310,435	(85,301)	(13,893)	-	125,680*	336,921
	54,960	310,435	(103,858)	(15,450)	437	127,038	373,562

*Includes additions of new leases amounting to RM113 million.

B9 MATERIAL LITIGATION

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

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B10 DIVIDENDS

The Board has declared an interim dividend of 16 sen per ordinary share amounting to RM158,952,640 for quarter ended 30 September 2019, payable on 20 December 2019 (Quarter 3 2018: an interim dividend of 16 sen per ordinary share amounting to RM158,952,640).

NOTICE IS HEREBY GIVEN that the interim dividend will be payable on 20 December 2019 to depositors registered in the Records of Depositors at the close of the business on 9 December 2019. A depositor shall qualify for entitlement to the dividends only in respect of:

- Shares transferred into Depositor's Securities Account before 4.00 pm on 9 December 2019 in respect of ordinary transfers.
- Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

B11 BASIC EARNINGS PER SHARE

Basic earnings per share is derived based on the profit attributable to shareholders of the Company and based on the number of ordinary shares outstanding as at 30 September 2019.

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2019	2018	2019	2018
Profit attributable to shareholders of the Company (RM'000)	239,001	270,270	702,948	803,167
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings per ordinary share (sen)	24.1	27.2	70.8	80.8

B12 TRADE RECEIVABLES

In RM'000	As at 30 September 2019	As at 31 December 2018
Trade receivables		
- Third party	1,246,240	1,211,449
- Related companies	97,955	81,377
Less:		
- Impairment loss: specific	(8,058)	(8,328)
- Impairment loss: general	(2,619)	(2,317)
	1,333,518	1,282,181
At net		
Current	1,260,484	1,208,763
Past due 1 to 30 days	25,930	40,646
Past due 31 to 60 days	13,911	8,751
Past due 61 to 90 days	9,873	10,693
Past due more than 90 days	23,320	13,328
	1,333,518	1,282,181

As at 30 September 2019, there are no indications that the debtors will not meet their payment obligations except for impairment losses recognised above.

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B13 PROFIT FOR THE PERIOD

In RM'000	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2019	2018	2019	2018
Profit for the period is arrived at after charging:				
Depreciation and amortisation*	119,753	86,291	344,207	258,510
Impairment loss on property, plant and equipment	4,026	-	4,026	-
Impairment loss on trade and other receivables	413	6,867	1,187	7,201
Interest on revolving credit	21	36	70	48
Net unrealised loss on foreign exchange	1,158	-	1,180	-
Net realised loss on foreign exchange	-	-	-	361
Profit margin for Islamic financing facility	424	675	1,487	2,093
Interest on lease liabilities	4,543	-	13,893	-
Inventories written-off	522	-	601	-
Property, plant and equipment written off	495	6,691	495	6,691
and after crediting:				
Net gain /(loss) on disposal of property, plant and equipment	888	(417)	18,754	9,556
Interest income	27,414	22,131	83,103	73,451
Income from rental of premises	220	450	652	1,025
Net unrealised gain on foreign exchange	-	312	-	4,182
Net realised gain on foreign exchange	751	1,763	1,976	-
Reversal of impairment loss on trade and other receivables	283	391	842	1,099
Dividend income from joint venture	1,000	1,000	2,250	1,000

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

* Includes depreciation on rights-of-use assets

BY ORDER OF THE BOARD

Nur Nadia Mohd Nordin (LS0009231)

Yeap Kok Leong (MAICSA 0862549)

Joint Secretaries

Kuala Lumpur

22 November 2019