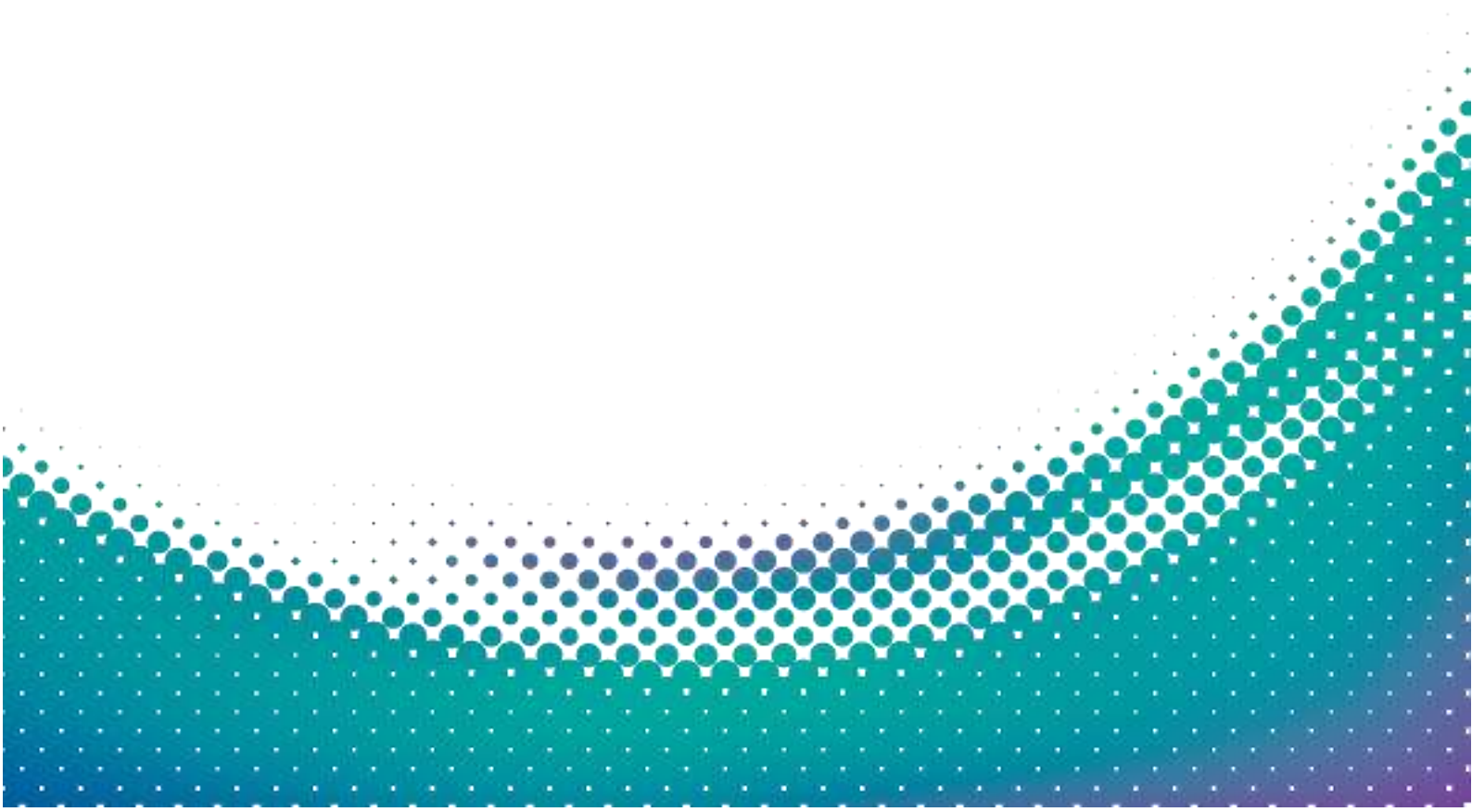




PETRONAS DAGANGAN BERHAD

Quarterly Report

For Fourth Quarter and Year Ended
31 December 2019



Quarterly Report

For Fourth Quarter And Year Ended 31 December 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 fourth quarter and year ended 31 December 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 31 December 2019	As at 31 December 2018
ASSETS			
Property, plant and equipment		4,134,901	3,335,561
Prepaid lease payments		-	492,256
Investments in associates		1,456	1,555
Investments in joint ventures		21,561	17,135
TOTAL NON-CURRENT ASSETS		4,157,918	3,846,507
Trade and other inventories		796,819	825,818
Trade and other receivables		1,565,011	2,260,569
Fund investment		51,004	50,000
Cash and cash equivalents		3,425,500	2,187,891
TOTAL CURRENT ASSETS		5,838,334	5,324,278
TOTAL ASSETS	B1	9,996,252	9,170,785
EQUITY			
Share capital		993,454	993,454
Reserves		4,982,490	4,903,651
Total Equity Attributable to Shareholders of the Company		5,975,944	5,897,105
Non-controlling interests		35,451	40,135
TOTAL EQUITY	B1	6,011,395	5,937,240
LIABILITIES			
Borrowings	B8	168,653	29,924
Deferred tax liabilities		100,318	124,518
Other long term liabilities and provisions		28,473	29,268
TOTAL NON-CURRENT LIABILITIES		297,444	183,710
Trade and other payables		3,440,211	2,972,400
Borrowings	B8	165,502	25,036
Taxation		81,700	52,399
TOTAL CURRENT LIABILITIES		3,687,413	3,049,835
TOTAL LIABILITIES	B1	3,984,857	3,233,545
TOTAL EQUITY AND LIABILITIES		9,996,252	9,170,785
Net assets per share attributable to ordinary equity holders of the Parent (RM)		6.02	5.94

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

Quarterly Report

For Fourth Quarter And Year Ended 31 December 2019

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

In RM'000	Note	Individual quarter ended 31 December		Year ended 31 December	
		2019	2018	2019	2018
Revenue	B1	7,794,209	7,901,329	30,293,571	30,068,753
Operating profit		197,280	69,500	1,146,795	1,178,069
Finance cost		(6,362)	(485)	(21,812)	(4,547)
Share of profit after tax of equity accounted associates and joint ventures		(350)	1,111	3,889	3,504
Profit before taxation	B1	190,568	70,126	1,128,872	1,177,026
Tax expense	B6	(61,405)	(22,646)	(291,237)	(315,567)
PROFIT FOR THE PERIOD / YEAR	B13	129,163	47,480	837,635	861,459
Other comprehensive expense					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of financial statements of foreign operations		(3,250)	(138)	(731)	(18,467)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD / YEAR		125,913	47,342	836,904	842,992
Profit attributable to:					
Shareholders of the Company		126,588	46,682	829,535	849,849
Non-controlling interests		2,575	798	8,100	11,610
PROFIT FOR THE PERIOD / YEAR		129,163	47,480	837,635	861,459
Total comprehensive income attributable to:					
Shareholders of the Company		123,338	46,544	828,804	831,382
Non-controlling interests		2,575	798	8,100	11,610
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD / YEAR		125,913	47,342	836,904	842,992
Earnings per ordinary share- basic (sen)	B11	12.7	4.7	83.5	85.5

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.

Quarterly Report

For Fourth Quarter And Year Ended 31 December 2019

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 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	-	(18,467)	-	-	(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
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	-	(731)	-	-	(731)	-	(731)
Total other comprehensive income for the year	-	(731)	-	-	(731)	-	(731)
Profit for the year	-	-	-	829,535	829,535	8,100	837,635
Total comprehensive income for the year	-	(731)	-	829,535	828,804	8,100	836,904
Dividends paid	-	-	-	(695,418)	(695,418)	(3,675)	(699,093)
At 31 December 2019	993,454	(18,935)	(18,732)	5,020,157	5,975,944	35,451	6,011,395

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.

Quarterly Report

For Fourth Quarter And Year Ended 31 December 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM'000	Note	2019	Year ended 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,128,872	1,177,026
Adjustments for:			
Depreciation and amortisation		471,457	341,215
Net impairment (write-back)/ losses on trade and other receivables		(478)	4,491
Share of profit after tax of equity accounted associates and joint ventures		(3,889)	(3,504)
Net gain on disposal of property, plant and equipment		(18,727)	(10,125)
Interest income		(121,997)	(96,006)
Finance cost		21,812	4,547
Other non-cash items		9,850	6,446
Operating profit before changes in working capital		1,486,900	1,424,090
Inventories		28,999	43,423
Trade and other receivables		695,558	(584,618)
Trade and other payables		463,175	(412,930)
Cash generated from operations		2,674,632	469,965
Taxation paid		(266,037)	(388,161)
Net cash generated from operating activities	B1	2,408,595	81,804
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		121,997	96,006
Placement of fund investment		(1,004)	(50,000)
Purchase of property, plant and equipment		(460,142)	(374,865)
Proceeds from disposal of leases		-	716
Proceeds from disposal of property, plant and equipment		31,271	35,662
Dividend received from associates		380	1,000
Dividend received from joint venture		2,250	-
Net cash used in investing activities	B1	(305,248)	(291,481)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(695,418)	(933,847)
Dividends paid to non-controlling interests		(3,675)	(10,500)
(Net repayment)/ Net drawdown of revolving credit facility	B8	(957)	5,729
Repayment of Islamic financing facilities	B8	(19,214)	(18,305)
Repayment of lease liabilities	B8	(124,426)	-
Interest paid on revolving credit	B8	(107)	(178)
Profit margin paid for Islamic financing facilities	B8	(1,841)	(2,725)
Interest paid on lease liabilities	B8	(18,930)	-
Net cash used in financing activities	B1	(864,568)	(959,826)

Quarterly Report

For Fourth Quarter And Year Ended 31 December 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Net increase/ (decrease) in cash and cash equivalents	1,238,779	(1,169,503)
Net foreign exchange differences	(1,170)	(348)
Cash and cash equivalents at beginning of the year	2,187,891	3,357,742
Cash and cash equivalents at end of the year	<u>3,425,500</u>	<u>2,187,891</u>

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

Quarterly Report

For Fourth Quarter And Year Ended 31 December 2019

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 and year ended 31 December 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.

Quarterly Report

For Fourth Quarter And Year Ended 31 December 2019

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
Decrease in deferred tax liabilities	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.

Quarterly Report

For Fourth Quarter And Year Ended 31 December 2019

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 year are as follows:

In RM'000	As at 31 December 2019	As at 31 December 2018
Approved and contracted for	34,209	5,407
Approved but not contracted for	215,258	12,322
	<u>249,467</u>	<u>17,729</u>

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 year, 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.)
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.)
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.)
4. An interim dividend of 16 sen per ordinary share amounting to RM159.0 million for the quarter ended 30 September 2019 was paid to shareholders on 20 December 2019 (Quarter 3 2018: an interim dividend of 16 sen per ordinary share amounting to RM159.0 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 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.

Quarterly Report

For Fourth Quarter And Year Ended 31 December 2019

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

Results for the year ended 31 December

In RM'000	2019			
	Retail	Commercial	Others	Group
Business Segments				
Revenue	15,369,819	14,897,138	26,614	30,293,571
Depreciation and amortisation	347,529	94,659	29,269	471,457
Other income	387,638	47,386	4,503	439,527
Operating profit for reportable segments	581,894	556,419	8,482	1,146,795
Finance cost	(9,354)	(4,490)	(7,968)	(21,812)
Share of profit after tax of equity accounted associates and joint ventures				3,889
Profit before taxation				1,128,872

In RM'000	2018			
	Retail	Commercial	Others	Group
Business Segments				
Revenue	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 cost	(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

Quarterly Report

For Fourth Quarter And Year Ended 31 December 2019

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 year 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, Setel Ventures Sdn. Bhd. ("SETEL"), a wholly owned subsidiary, was incorporated in Malaysia with an issued share capital of 5,000 ordinary shares of RM1,000 per ordinary share at a total cash consideration of RM5,000,000.

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.

Quarterly Report

For Fourth Quarter And Year Ended 31 December 2019

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		
31 December 2019		
Financial Liabilities		
Islamic financing facilities	28,131	29,756
Revolving credit facility	5,312	5,466
	33,443	35,222
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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For Fourth Quarter And Year Ended 31 December 2019

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	2019	As at	Variance (%)
		31 December	
		2018	
Total assets	9,996,252	9,170,785	9
Total equity	6,011,395	5,937,240	1
Total liabilities	3,984,857	3,233,545	23
Return on equity (%)	14.0	14.6	(4)

Total assets increased by RM825.5 million mainly due to higher cash and cash equivalents by RM1,237.6 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 RM695.6 million in line with the above subsidy receivable payment.

Total liabilities increased by RM751.3 million mainly due to higher trade and other payables as a result of higher purchases made during the period 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	2019	Year ended	Variance (%)
		31 December	
		2018	
Revenue	30,293,571	30,068,753	1
Profit before taxation	1,128,872	1,177,026	(4)

Group revenue increased by RM224.8 million to RM30,293.6 million primarily driven by an increase in overall sales volume of 5% contributed by both Retail and Commercial segments. This was offset by lower average selling prices of 4%.

Profit before taxation ("PBT") decreased by RM48.1 million mainly from higher operating expenses due to advertising and promotion, depreciation and amortisation costs as well as network upgrade costs. This was offset by improved gross profit following increasing MOPS prices trend and higher sales volume as well as an increase in interest and MESRA income.

Quarterly Report

For Fourth Quarter And Year Ended 31 December 2019

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	31 December 2018	
In RM'000			
Revenue	7,794,209	7,901,329	(1)
Profit before taxation	190,568	70,126	>100

Group revenue decreased by RM107.1 million to RM7,794.2 million due to lower average selling prices of 4%, offset by an increase in sales volume by 3%.

PBT increased by RM120.4 million contributed by higher sales volume and higher gross profit following increasing MOPS prices trend during the quarter, compounded by decreasing MOPS prices trend last year. In addition, there was also higher interest income contributed by higher cash balances. However, the increase in PBT was offset by higher advertising and promotion, depreciation and amortisation costs as well as network upgrade costs.

(c) Highlight on Consolidated Statement of Cash Flows

In RM'000	Year ended		Variance (%)
	2019	31 December 2018	
Net cash generated from operating activities	2,408,595	81,804	>100
Net cash used in investing activities	(305,248)	(291,481)	5
Net cash used in financing activities	(864,568)	(959,826)	(10)

Net cash generated from operating activities was higher by RM2,326.8 million as compared to last year mainly contributed by higher receipt of subsidy from Government as well as timing difference on payments to suppliers.

There was a higher cash outflow from investing activities of RM13.8 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 RM95.2 million mainly due to special dividends paid to shareholders in Q1 2018, offset with repayment of lease liabilities in FY2019 in line with the adoption of MFRS 16.

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For Fourth Quarter And Year Ended 31 December 2019

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		
	Dec 2019	Dec 2018	Var %	Dec 2019	Dec 2018	Var %	Dec 2019	Dec 2018	Var %
Revenue	7,794.2	7,901.3	(1)	3,915.7	3,783.8	3	3,871.8	4,112.6	(6)
Profit before taxation	190.6	70.1	>100	65.3	(40.8)	>100	123.4	106.3	16

Retail Segment

Retail Segment revenue increased by RM131.9 million contributed by higher sales volume of 6% following improved station productivity, higher number of stations in operation and launch of the new PETRONAS PRIMAX 95 with Pro-Drive. This was offset by decrease in average selling prices of 3%.

Profit before taxation increased by RM106.1 million mainly due to higher gross profit for Mogas and Diesel following favourable MOPS prices trend during the quarter, compounded by decreasing MOPS prices trend in corresponding quarter last year.

Commercial Segment

Commercial Segment recorded lower revenue of RM240.8 million due to lower average selling prices of 5% and decrease in sales volume of 1%. The lower volume was mainly due to shortage of Petcoke supply following refinery turnaround, partially offset by higher Diesel volume contributed by higher demand from dealer and upstream sector.

Profit before taxation increased by RM17.1 million mainly contributed by higher Diesel sales volume.

Quarterly Report

For Fourth Quarter And Year Ended 31 December 2019

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 year against last year

In RM' Mil	Year ended								
	Group			Retail			Commercial		
	Dec 2019	Dec 2018	Var %	Dec 2019	Dec 2018	Var %	Dec 2019	Dec 2018	Var %
Revenue	30,293.6	30,068.8	0.8	15,369.8	15,033.5	2	14,897.1	15,014.8	(1)
Profit before taxation	1,128.9	1,177.0	(4)	572.5	594.3	(4)	551.9	534.1	3

Retail Segment

Retail Segment revenue increased by RM336.3 million contributed by higher sales volume of 6% following improved station productivity, higher number of stations in operation and launch 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 RM21.8 million due to higher spending on advertising and promotion, depreciation and amortisation costs as well as network upgrade costs. This was partially offset by higher gross profit in line with increase in volume as well as higher MESRA income.

Commercial Segment

Commercial Segment recorded lower revenue of RM117.7 million due to lower average selling prices of 5%, offset by an increase in sales volume 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 RM17.8 million in line with higher volume.

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B3 VARIATION OF RESULTS AGAINST PRECEDING QUARTER

In RM' Mil	Individual quarter ended		Var %
	December 2019	September 2019	
Revenue	7,794.2	7,807.2	-
Profit before taxation	190.6	317.7	(40)

Group revenue for the quarter ended 31 December 2019 remains comparable to the preceding quarter.

PBT stood at RM190.6 million, a decrease of RM127.1 million due to lower Retail and Commercial segments gross profit of RM60.7 million due to lower volume and higher product costs. In addition, there was an increase in operating expenses due to higher advertising and promotion and network upgrade costs.

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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 Q4 2019 was USD63.32/bbl compared to previous quarter at USD61.97/bbl and the price is expected to remain volatile.

Malaysia recorded GDP growth of 3.6% in Q4 2019 as compared to 4.4% in Q3 2019. Consumer Sentiment Index decreased from 84.0 in Q3 2019 to 82.3 in Q4 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.

PDB is monitoring the development of Covid-19 and assessing any possible impact it may have on PDB's businesses as well as looking into measures of minimising any such impact.

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 enhancing customer experience through a nationwide expansion of SETEL, an advanced retail intelligence platform that upgrades the fuel payments, loyalty and retail experience for PETRONAS users. Retail plans to increase its profitability by pursuing strategic partnerships and enhancing 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 index increased by 3.4% in December FY2019 as compared to 2.5% in September FY2019. Growth in manufacturing activities may lead to stronger demand for petroleum products, which provides an opportunity to the Commercial Segment.

Commercial and LPG businesses 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 31 December		Year ended 31 December	
	2019	2018	2019	2018
<u>Income Tax:</u>				
Current period/year	51,188	25,866	295,338	330,490
<u>Deferred Taxation:</u>				
Current period/year	10,217	(3,220)	(4,101)	(14,923)
	<u>61,405</u>	<u>22,646</u>	<u>291,237</u>	<u>315,567</u>

Effective tax rates for the year ended 31 December 2019 and 31 December 2018 were higher compared to the statutory tax rate following non-allowable expenses. Effective tax rates for the quarter ended 31 December 2019 and 31 December 2018 were higher due to additional disallowed expenses.

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 2019	As at 31 December 2018
Non Current		
Secured		
Lease liabilities	158,694	-
Unsecured		
Islamic financing facilities	9,959	29,924
	<u>168,653</u>	<u>29,924</u>
Current		
Secured		
Lease liabilities	140,239	-
Unsecured		
Islamic financing facilities	19,797	19,046
Revolving credit facility	5,466	5,990
	<u>165,502</u>	<u>25,036</u>
	<u>334,155</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 31 December 2019	As at 31 December 2018
By Currency		
RM	226,469	48,970
USD	101,672	-
THB	6,014	5,990
	334,155	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 4.27% 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 31 Dec 2019
			Net repayment	Interest expenses	Foreign exchange movement	Others	
Islamic financing facilities	48,970	-	(19,214)	(1,841)	-	1,841	29,756
Revolving credit facility	5,990	-	(957)	(107)	433	107	5,466
Lease liabilities	-	310,435	(124,426)	(18,930)	-	131,854*	298,933
	54,960	310,435	(144,597)	(20,878)	433	133,802	334,155

*Includes additions of new leases amounting to RM114 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 25 sen per ordinary share amounting to RM248,363,500 and a special dividend of 15 sen per ordinary share amounting to RM149,018,100 for the fourth quarter ended 31 December 2019, payable on 26 March 2020 (Quarter 4 2018: an interim dividend of 25 sen per ordinary share amounting to RM248,363,500).

NOTICE IS HEREBY GIVEN that the interim dividend will be payable on 26 March 2020 to depositors registered in the Records of Depositors at the close of the business on 11 March 2020. 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 11 March 2020 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 31 December 2019.

	Individual quarter ended		Year ended	
	2019	31 December 2018	2019	31 December 2018
Profit attributable to shareholders of the Company (RM'000)	126,588	46,682	829,535	849,849
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings per ordinary share (sen)	12.7	4.7	83.5	85.5

B12 TRADE RECEIVABLES

In RM'000	As at 31 December 2019	As at 31 December 2018
Trade receivables		
- Third party	1,262,929	1,211,449
- Related companies	98,430	81,377
Less:		
- Impairment loss: specific	(8,049)	(8,328)
- Impairment loss: general	(2,420)	(2,317)
	1,350,890	1,282,181
At net		
Current	1,281,254	1,208,763
Past due 1 to 30 days	26,831	40,646
Past due 31 to 60 days	12,389	8,751
Past due 61 to 90 days	10,840	10,693
Past due more than 90 days	19,576	13,328
	1,350,890	1,282,181

As at 31 December 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 / YEAR

In RM'000	Individual quarter ended 31 December		Year ended 31 December	
	2019	2018	2019	2018
Profit for the period / year is arrived at after charging:				
Depreciation and amortisation*	127,250	82,703	471,457	341,215
Impairment loss on trade and other receivables	413	-	1,600	6,534
Interest on revolving credit	37	130	107	178
Net unrealised loss on foreign exchange	781	1,859	-	-
Net realised loss on foreign exchange	-	-	-	302
Profit margin for Islamic financing facility	354	632	1,841	2,725
Interest on lease liabilities	5,037	-	18,930	-
Inventories (write back)/ written-off	(130)	-	471	-
Property, plant and equipment written off	5,257	2,078	9,778	8,769
and after crediting:				
Net (loss)/ gain on disposal of property, plant and equipment	(27)	569	18,727	10,125
Interest income	38,894	22,555	121,997	96,006
Income from rental of premises	212	50	864	1,075
Net unrealised gain on foreign exchange	-	-	399	2,323
Net realised gain on foreign exchange	617	59	2,593	-
Write back of impairment loss on trade and other receivables	1,236	1,611	2,078	2,043

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

25 February 2020