



PETRONAS DAGANGAN BERHAD

Quarterly Report

For Fourth Quarter and Year Ended
31 December 2021



QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

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 2021 which should be read in conjunction with the accompanying explanatory notes on pages 6 to 20.

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	
		2021	2020	2021	2020
Revenue	B2	7,057,356	4,394,808	22,505,326	18,710,947
Operating profit		203,446	119,080	751,187	402,534
Finance costs		(4,242)	(3,999)	(11,640)	(16,035)
Share of profit/(loss) after tax of equity accounted associates and joint ventures		603	310	1,221	(78)
Profit before taxation	B2	199,807	115,391	740,768	386,421
Taxation	B5	(61,722)	(27,748)	(209,537)	(114,007)
PROFIT FOR THE PERIOD/YEAR	B12	138,085	87,643	531,231	272,414
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising from translation of financial statements of foreign operations		5,187	(1,881)	5,802	(2,156)
Reclassification of foreign currency translation differences to profit or loss on disposal of subsidiary		8,779	-	8,779	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		152,051	85,762	545,812	270,258
Profit attributable to:					
Shareholders of the Company		137,191	89,214	529,754	275,964
Non-controlling interests		894	(1,571)	1,477	(3,550)
PROFIT FOR THE PERIOD/YEAR		138,085	87,643	531,231	272,414
Total comprehensive income attributable to:					
Shareholders of the Company		151,157	87,333	544,335	273,808
Non-controlling interests		894	(1,571)	1,477	(3,550)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		152,051	85,762	545,812	270,258
Earnings per ordinary share - basic (sen)	B10	13.8	9.0	53.3	27.8

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 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM'000	Note	As at 31 December 2021	As at 31 December 2020
ASSETS			
Property, plant and equipment		4,017,549	4,067,023
Intangible asset	A13	806	-
Investments in associates		2,008	1,665
Investments in joint ventures		20,327	19,449
TOTAL NON-CURRENT ASSETS		4,040,690	4,088,137
Trade and other inventories		158,866	410,229
Trade and other receivables		3,490,185	1,169,444
Cash and cash equivalents		1,911,062	2,691,820
TOTAL CURRENT ASSETS		5,560,113	4,271,493
TOTAL ASSETS	B2	9,600,803	8,359,630
EQUITY			
Share capital		993,454	993,454
Reserves		4,588,619	4,650,291
Total Equity Attributable to Shareholders of the Company		5,582,073	5,643,745
Non-controlling interests		33,378	31,901
TOTAL EQUITY	B2	5,615,451	5,675,646
LIABILITIES			
Borrowings	B7	92,166	96,778
Deferred tax liabilities		102,723	104,609
Other long term liabilities and provisions		31,272	30,328
TOTAL NON-CURRENT LIABILITIES		226,161	231,715
Trade and other payables		3,645,060	2,342,061
Borrowings	B7	24,266	81,392
Taxation		89,865	28,816
TOTAL CURRENT LIABILITIES		3,759,191	2,452,269
TOTAL LIABILITIES	B2	3,985,352	2,683,984
TOTAL EQUITY AND LIABILITIES		9,600,803	8,359,630
Net assets per share attributable to ordinary equity holders of the Parent (RM)		5.62	5.68

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.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Shareholders of the Company						Total Equity
	Non-Distributable			Distributable			
In RM'000	Share Capital	Foreign Currency Translation Reserves	Capital Reserves	Retained Profits	Total	Non-controlling Interests	
At 1 January 2021	993,454	(21,091)	(18,732)	4,690,114	5,643,745	31,901	5,675,646
Exchange difference arising from translation of financial statements of foreign operation	-	5,802	-	-	5,802	-	5,802
Disposal of subsidiary acquired under common control	-	8,779	18,427	(18,427)	8,779	-	8,779
Total other comprehensive income/(loss) for the year	-	14,581	18,427	(18,427)	14,581	-	14,851
Profit for the year	-	-	-	529,754	529,754	1,477	531,231
Total comprehensive income for the year	-	14,581	18,427	511,327	544,335	1,477	545,812
Dividends paid	-	-	-	(606,007)	(606,007)	-	(606,007)
At 31 December 2021	993,454	(6,510)	(305)	4,595,434	5,582,073	33,378	5,615,451
At 1 January 2020	993,454	(18,935)	(18,732)	5,020,157	5,975,944	35,451	6,011,395
Exchange difference arising from translation of financial statements of foreign operations	-	(2,156)	-	-	(2,156)	-	(2,156)
Total other comprehensive loss for the year	-	(2,156)	-	-	(2,156)	-	(2,156)
Profit/(Loss) for the year	-	-	-	275,964	275,964	(3,550)	272,414
Total comprehensive (loss)/income for the year	-	(2,156)	-	275,964	273,808	(3,550)	270,258
Dividends paid	-	-	-	(606,007)	(606,007)	-	(606,007)
At 31 December 2020	993,454	(21,091)	(18,732)	4,690,114	5,643,745	31,901	5,675,646

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.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM'000	Note	2021	Year ended 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		740,768	386,421
Adjustments for:			
Depreciation and amortisation		412,155	497,839
Net impairment losses on:			
- Trade and other receivables		12,351	5,530
- Property, plant and equipment		4,124	-
Share of (profit)/loss after tax of equity accounted associates and joint ventures		(1,221)	78
Net loss on disposal of property, plant and equipment		1,710	4,199
Interest income		(61,265)	(71,270)
Financing costs		11,640	16,035
Net inventories written off		346	37
Net inventories written-back to net realisable value ("NRV")		(4,088)	(302)
Property, plant and equipment written off		1,096	1,393
Property, plant and equipment expensed off		2,627	7,119
Other non-cash items		(1,045)	(2,255)
Operating profit before changes in working capital		1,119,198	844,824
Inventories		255,106	386,553
Trade and other receivables		(2,332,048)	392,040
Trade and other payables		1,305,223	(1,097,988)
Cash generated from operations		347,479	525,429
Taxation paid		(150,374)	(162,600)
Net cash generated from operating activities	B2	197,105	362,829
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		61,265	71,270
Net withdrawal of fund investment		-	51,004
Purchase of property, plant and equipment		(374,313)	(443,231)
Acquisition of subsidiary, net of cash acquired	A13	(713)	-
Proceeds from disposal of subsidiary, net of cash disposed	A13	7,278	-
Proceeds from disposal of property, plant and equipment		9,471	1,565
Net cash used in investing activities	B2	(297,012)	(319,392)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOWS FROM FINANCING ACTIVITIES

Dividends paid		(606,007)	(606,007)
Net drawdown of revolving credits	B7	6,500	4,114
Repayment of Islamic financing facilities	B7	(9,880)	(19,876)
Repayment of lease liabilities	B7	(63,842)	(141,163)
Interest paid on revolving credits	B7	(423)	(40)
Profit margin paid for Islamic financing facilities	B7	(139)	(788)
Interest paid on lease liabilities	B7	(8,968)	(14,047)
Net cash used in financing activities	B2	(682,759)	(777,807)
Net decrease in cash and cash equivalents		(782,666)	(734,370)
Net foreign exchange differences		1,908	690
Cash and cash equivalents at beginning of the year		2,691,820	3,425,500
Cash and cash equivalents at end of the year		1,911,062	2,691,820

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 2021

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 2020. 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 2020.

Within the context of these financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in its associates and joint ventures as at and for the year ended 31 December 2021.

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 audited consolidated financial statements for the year ended 31 December 2020.

During the financial year, the Group has adopted the following amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standard's Board ("MASB").

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 7	Financial Instruments: Disclosures – Interest Rate Benchmark Reform
Amendments to MFRS 9	Financial Instruments
Amendments to MFRS 16	Leases (Interest Rate Benchmark Reform - Phase 2)
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement

Effective for annual periods beginning on or after 1 April 2021

Amendments to MFRS 16	Leases (Covid-19 Related Rent Concessions beyond 30 June 2021)
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The initial application of the above pronouncements does not have any material impact to the consolidated financial statements of the Group.

A3 AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of PDB and the Group for the year ended 31 December 2020 were not subject to audit qualification.

A4 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.

A5 EXCEPTIONAL ITEMS

There were no exceptional items during the year under review.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A6 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 2020 that may have a material effect in the current quarter results.

A7 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 2021	As at 31 December 2020
Approved and contracted for	137,220	81,140
Approved but not contracted for	401,434	207,648
	538,654	288,788

A8 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 B7.

A9 DIVIDENDS PAID

During the year, the following dividend payments were made:

In RM'000	2021	Year ended 31 December 2020
<u>2019</u>		
Quarter 4: interim dividend of 25 sen per ordinary share	-	248,363
Quarter 4: special dividend of 15 sen per ordinary share	-	149,018
<u>2020</u>		
Quarter 1: interim dividend of 5 sen per ordinary share	-	49,673
Quarter 2: interim dividend of 5 sen per ordinary share	-	49,673
Quarter 3: interim dividend of 11 sen per ordinary share	-	109,280
Quarter 4: interim dividend of 17 sen per ordinary share	168,887	-
<u>2021</u>		
Quarter 1: interim dividend of 14 sen per ordinary share	139,084	-
Quarter 2: interim dividend of 10 sen per ordinary share	99,345	-
Quarter 3: interim dividend of 20 sen per ordinary share	198,691	-
	606,007	606,007

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 OPERATING SEGMENTS

The Group's reportable segments comprise Retail, Commercial and Others. Each reportable segment offers different services and requires 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 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 Segments. In this respect, no further disaggregation of revenue is presented.

Results for the year ended 31 December

In RM'000	2021			
	Retail	Commercial	Others	Group
Business Segments				
Revenue	12,612,599	9,867,915	24,812	22,505,326
Depreciation and amortisation	357,845	61,996	(7,686)	412,155
Other income/(expense)	303,106	47,847	(8,942)	342,011
Operating profit/(loss) for reportable segments	487,091	284,636	(20,540)	751,187
Finance costs	(3,805)	(1,081)	(6,754)	(11,640)
Share of profit after tax of equity accounted associates and joint ventures				1,221
Profit before taxation				740,768

In RM'000	2020			
	Retail	Commercial	Others	Group
Business Segments				
Revenue	11,178,291	7,521,095	11,561	18,710,947
Depreciation and amortisation	374,049	88,040	35,750	497,839
Other income	308,742	51,568	3,481	363,791
Operating profit/(loss) for reportable segments	229,451	225,046	(51,963)	402,534
Finance costs	(6,852)	(2,106)	(7,077)	(16,035)
Share of loss after tax of equity accounted associates and joint ventures				(78)
Profit before taxation				386,421

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A11 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.

A12 CONTINGENCIES

In RM'000	31 December 2021	As at 31 December 2020
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.	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 2020.

A13 SIGNIFICANT EVENTS

Acquisition of subsidiary

On 10 September 2021, the Group fulfilled all the conditions of its Sale and Purchase Agreement entered on 4 September 2021 to acquire 100% equity interest in D-Two Couriers (M) Sdn. Bhd. ("D-Two"). Following this acquisition, D-Two has become a wholly-owned subsidiary of the Group.

The fair value of the net identifiable liabilities and goodwill as disclosed below are based on provisional figures which will be finalised within twelve months after the acquisition date. The goodwill, if any, reflect the synergy that D-Two will contribute to the Group.

The net profit contributed by D-Two from the date of acquisition to the year ended 31 December 2021 is not material in relation to the consolidated net profit of the Group for the year.

The effect of the acquisition on the cash flows and fair values of assets and liabilities acquired are as follows:

In RM'000	At fair value
Property, plant and equipment	7
Trade and other receivables	32
Cash and cash equivalents	2
Trade and other payables	(132)
Net identifiable liabilities	(91)
Add: Goodwill on acquisition	806
Purchase consideration	715
Less: Cash and cash equivalents of acquired subsidiary	(2)
Cash flow on acquisition, net of cash	713

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A13 SIGNIFICANT EVENT (continued)

Disposal of subsidiary

On 29 October 2021, the Group via its wholly-owned subsidiary PDB (Netherlands) B.V. disposed off PETRONAS International Marketing (Thailand) Co., Ltd ("PIMTCL") for a total consideration of RM13,128,161 to another related company.

The net effect of the above disposal on the cash flows and carrying amount of assets and liabilities disposed are as follows:

Cash flows from disposal of subsidiary In RM'000

	2021	2020
Net cash generated from investing activities	7,278	-

Effect of disposal on the financial position of the Group

In RM'000	Carrying amount at disposal date
Non-current assets	2,190
Current assets	28,695
Current liabilities	(15,523)
Non-current liabilities	(699)
Net assets disposed off	14,663
Foreign exchange translation reserve	8,779
Loss on disposal	(10,314)
Consideration received	13,128
Less: Cash and cash equivalents of subsidiary disposed	(5,850)
Cash flow on disposal, net of cash disposed off	7,278

As PIMTCL was acquired via a common control acquisition in prior years from the ultimate holding company, the capital reserve amounting to RM18,427,000 was derecognised to retained earnings.

A14 CHANGES IN THE COMPOSITION OF THE GROUP

On 8 July 2021, the Group incorporated a wholly-owned subsidiary, Mesra Retail & Cafe Sdn. Bhd. ("MRCSB") and on 10 September 2021, the Group acquired 100% equity interests in D-Two which has subsequently become a wholly-owned subsidiary of the Group, as disclosed in note A13.

On 29 October 2021, the Group completed its divestment of 100% equity interests in a subsidiary, PIMTCL to PETRONAS Lubricants International Sdn. Bhd. ("PLISB") as disclosed in note A13.

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 2020.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A16 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 identifiable 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 year.

The following table analyses financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the Consolidated Statement of Financial Position.

In RM'000	Fair value of financial instruments not carried at fair value	
	Level 3	Carrying amount
31 December 2021		
Financial Liability		
Revolving credit facilities	15,801	16,000
	<u>15,801</u>	<u>16,000</u>
31 December 2020		
Financial Liabilities		
Islamic financing facilities	9,713	9,880
Revolving credit facilities	9,500	9,500
	<u>19,213</u>	<u>19,380</u>

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

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

B1 HIGHLIGHTS FOR THE QUARTER

The Group performance bounced back in Q4 2021 from the lifting of inter-state travel ban on 11 October 2021 which positively impacted the demand during the quarter as compared to the corresponding quarter last year. The reopening of more economic sectors following the National Recovery Plan (“NRP”) in July 2021 and increasing booster vaccination rate have geared the country towards a better recovery prospect. However, we remain cautious on the discovery of new variant Omicron case in Malaysia and shall monitor the impact to our business operations.

Malaysia’s Growth Domestic Product (“GDP”) recorded a growth of 3.6% in Q4 2021 as compared to a contraction of 3.4% in Q4 2020. The Group’s operations were also impacted by the crude oil prices. In Q4 2021, Average Brent price has improved to USD79.73/bbl from USD44.30/bbl in corresponding quarter last year which had directly contributed to an improvement in the Group’s overall results.

The Group continues to embark on various initiatives to optimise its resources while adapting to the current economic conditions by expanding the non-fuel segment and continuously leveraging on digital platform.

During the quarter, Retail Segment has further expanded the Segar@Mesra to more stations in Sarawak as part of its efforts to continue making customers’ lives simpler and better. In addition, PDB entered into a Memorandum of Understanding (“MOU”) with Mercedes-Benz Malaysia Sdn. Bhd. and EV Connection Sdn. Bhd., the operator of JomCharge network in Malaysia, to deploy Direct Current Fast Electric Vehicle (“EV”) chargers at selected PETRONAS stations. The Lubricant business is staying ahead of competition through prioritising differentiated customer experience, leveraging its own branded automotive workshop, PETRONAS AutoExpert as well as accelerating growth through e-commerce platforms including Lazada and Shopee. As of December 2021, it has expanded PETRONAS AutoExpert to 14 outlets within the Klang Valley and Negeri Sembilan. In addition, LPG business continued to strengthen its distribution channel through PETRONAS stations and selected sundry shops.

Commercial Segment has also marked a major milestone forming a partnership with Malaysia Aviation Group (“MAG”) to jointly explore the long-term supply and adoption of Sustainable Aviation Fuel (“SAF”) at Kuala Lumpur International Airport (“KLIA”).

B2 REVIEW OF GROUP PERFORMANCE

The Group’s sales continue to recover from the COVID-19 pandemic following less restrictions in the current period. Furthermore, improvement in MOPS prices trend during the period has further supported the improvement in the Group’s bottom line performance in FY2021.

a) Performance of the current year against last year

In RM’ Mil	Year ended								
	Group			Retail			Commercial		
	Dec 2021	Dec 2020	Var %	Dec 2021	Dec 2020	Var %	Dec 2021	Dec 2020	Var %
Revenue	22,505.3	18,710.9	20	12,612.6	11,178.3	13	9,867.9	7,521.1	31
Profit before taxation	740.8	386.4	92	483.3	222.6	>100	283.6	222.9	27

Group

The Group’s revenue for the year increased by RM3,794.4 million as average selling prices increased by 23% in line with increasing MOPS prices trend. This was however, marginally offset with decrease in sales volume by 2%.

The Group recorded a Profit Before Taxation (“PBT”) of RM740.8 million which was mainly contributed by higher gross profit and lower operating expenditure, mainly from lower purchased and professional services, dealer’s commission and advertising and promotion activities.

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

a) Performance of the current year against last year (continued)

Retail Segment

Retail Segment revenue increased by RM1,434.3 million, mainly contributed by increase in average selling prices by 16% despite lower sales volume of 3% following full impact of Movement Control Order (“MCO”) during the year as compared to last year.

PBT for the year was higher by RM260.7 million, mainly contributed by higher gross profit from Mogas and Diesel as well as lower operating expenditure.

Commercial Segment

Commercial Segment recorded an increase in revenue of RM2,346.8 million or 31%, which was contributed by increase in average selling prices by 33% despite lower sales volume by 1%.

PBT increased by RM60.7 million, in line with higher gross profit mainly from Jet A1 and Diesel.

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

In RM' Mil	Individual quarter ended								
	Group			Retail			Commercial		
	Dec 2021	Dec 2020	Var %	Dec 2021	Dec 2020	Var %	Dec 2021	Dec 2020	Var %
Revenue	7,057.4	4,394.8	61	3,890.1	2,785.7	40	3,159.0	1,606.7	97
Profit before taxation	199.8	115.4	73	135.4	85.7	58	59.5	45.7	30

Group

The Group's revenue for the quarter increased by RM2,662.6 million as average selling prices increased by 38% and sales volume increased by 16%.

The Group recorded PBT of RM199.8 million, higher by RM84.4 million as compared to the corresponding quarter last year. This was contributed by higher gross profit following higher sales volume as well as higher other income during the current quarter. The increase was offset by higher operating expenditure mainly from higher dealer's commission in line with higher sales volume, as well as higher repair and maintenance.

Retail Segment

Retail Segment revenue increased by RM1,104.4 million or 40%, contributed by increase in average selling prices by 22% as well as higher sales volume by 15% following higher demand.

PBT recorded for the quarter was RM135.4 million, higher by RM49.7 million as compared to the corresponding quarter last year, mainly contributed by higher gross profit from Mogas and Diesel following higher sales volume.

Commercial Segment

Commercial Segment recorded an increase in revenue of RM1,552.3 million, contributed by increase in average selling prices by 66% and higher sales volume by 18%.

PBT increased by RM13.8 million, in line with higher gross profit mainly from Jet A1 following higher sales volume.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

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

B2 REVIEW OF GROUP PERFORMANCE (continued)

c) Variation of results against preceding quarter

In RM' Mil	Individual quarter ended		
	Dec 2021	Sept 2021	Group Var %
Revenue	7,057.4	5,200.7	36
Profit before taxation	199.8	165.5	21

Revenue for the Group has increased by RM1,856.7 million or 36% as compared to preceding quarter following the increase sales volume as well as average selling prices by 23% and 10% respectively.

Group PBT for the quarter increased by RM34.3 million or 21%, as a result of higher gross profit from Retail and Commercial segments and higher other income mainly from Mesra income and interest income. Higher PBT was offset by higher operating expenditure due to higher dealer's commission during the period.

d) Highlight on Consolidated Statement of Financial Position

In RM'000	As at 31 December 2021	As at 31 December 2020	Variance (%)
Total assets	9,600,803	8,359,630	15
Total equity	5,615,451	5,675,646	(1)
Total liabilities	3,985,352	2,683,984	48
Return on equity (%)	9.5	4.8	98

Total assets increased by RM1,241.2 million or 15% mainly contributed by higher subsidy receivable in line with increasing MOPS prices and higher trade receivables following increase in credit sales.

Total liabilities increased by RM1,301.4 million or 48% mainly due to higher trade and other payables resulting from higher purchase price, in line with increasing MOPS prices. In addition, there was an increase in taxation payable following higher profit during the year.

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B2 REVIEW OF GROUP PERFORMANCE (continued)

e) Highlight on Consolidated Statement of Cash Flows

In RM'000	Year ended 31 December		Variance (%)
	2021	2020	
Net cash generated from operating activities	197,105	362,829	(46)
Net cash used in investing activities	(297,012)	(319,392)	(7)
Net cash used in financing activities	(682,759)	(777,807)	(12)

Net cash generated from operating activities was lower by RM165.7 million during the year mainly due to higher purchases by RM4,774.1 million. This was offset by higher sales by RM2,559.4 million, higher subsidy received of RM1,298.7 million and lower duties paid of RM756.3 million.

Investing activities were lower by RM22.4 million due to lower spending on capital expenditures of RM68.9 million as well as maturity of fund investment of RM51.0 million in prior year.

Financing activities were lower by RM95.0 million mainly due to lower repayment of lease liabilities and Islamic financing facilities.

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B3 COMMENTARY ON PROSPECTS

Overall outlook

The current roll out of the National Recovery Plan has a continuous positive impact on the demand towards the end of 2021. The reopening of major economic sectors and increase in domestic travel has resulted to significant improvement in the Company's business performance. As we are gradually transitioning into the recovery stage, the world is once again combating the threat of the new variants such as Omicron, we foresee it may spill over into 2022. However, given the continuous easing and lifting of restrictions and the Government's stand that it would not reinforce any movement control despite the spike in Covid cases including the rapid rollout of booster vaccination, we are cautiously optimistic that the Group's current performance will be sustainable in the current year.

Dated Brent Crude prices in most part of 2021 continued to increase compared to the previous quarter stimulated by economic recovery in major markets around the world and OPEC+ decision to restrict its monthly production increase until early 2022. Going into the first quarter of 2022, the improved crude oil price is poised to further strengthen as demand outstrips supply.

Retail Segment

The Retail business will continue to expand its non-fuel offerings and to provide convenience to its customers, including activation of DC Fast EV chargers at PETRONAS stations by mid 2022 in line with the Company's strategy towards sustainability. LPG business will remain focused to strengthen its distribution channels whilst Lubricant business strives to remain competitive by leveraging on its own branded automotive workshop, PETRONAS AutoExpert and accelerating growth via e-commerce platforms.

Commercial Segment

Commercial business will continue to provide superior value proposition to its customers through strategic partnerships, comprehensive product and service offerings including clean energy solution such as LNG, solar and SAF for aviation sector, whilst optimising its operating cost effectively.

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B4 PROFIT FORECAST

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

B5 TAXATION

Tax expense comprises the following:

In RM'000	Individual quarter ended 31 December		Year ended 31 December	
	2021	2020	2021	2020
<u>Income Tax:</u>				
Current period/year	63,985	22,310	211,423	109,716
<u>Deferred Taxation:</u>				
Current period/year	(2,263)	5,438	(1,886)	4,291
	<u>61,722</u>	<u>27,748</u>	<u>209,537</u>	<u>114,007</u>

Effective tax rate for the quarter and year ended 31 December 2021 of 31% and 28% respectively were higher than the statutory tax rate due to higher non-deductible expenses.

B6 STATUS OF CORPORATE PROPOSALS ANNOUNCED

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

B7 BORROWINGS

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

In RM'000	As at 31 December 2021	As at 31 December 2020
Non Current		
Secured		
Lease liabilities	92,166	96,778
Current		
Secured		
Lease liabilities	8,266	62,012
Unsecured		
Islamic financing facilities	-	9,880
Revolving credit facilities	16,000	9,500
	<u>24,266</u>	<u>81,392</u>
	<u>116,432</u>	<u>178,170</u>

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B7 BORROWINGS (continued)

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

In RM'000	As at 31 December 2021	As at 31 December 2020
By Currency		
RM	108,597	123,501
USD	7,835	54,366
THB	-	303
	116,432	178,170

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 2.75% to 3.59% (2020: 2.78% to 4.32%) per annum. The Islamic financing facilities was fully paid during the financial year.

The revolving credit facility is denominated in Ringgit Malaysia and bears interest rate ranging from 2.83% to 2.89% (2020: 2.80% to 2.89%) per annum.

The lease liabilities bear interest at rates ranging from 3.24% to 8.43% (2020: 3.68% to 8.43%) per annum.

(b) Reconciliation of borrowings arising from financing activities

In RM'000	As at 1 January 2021	Cash flows		Non-cash changes		As at 31 Dec 2021
		Net (repayment)/ drawdown	Interest expenses	Foreign exchange movement	Others	
Islamic financing facilities	9,880	(9,880)	(139)	-	139	-
Revolving credit facilities	9,500	6,500	(423)	-	423	16,000
Lease liabilities	158,790	(63,842)	(8,968)	-	14,452	100,432
	178,170	(67,222)	(9,530)	-	15,014	116,432

B8 MATERIAL LITIGATION

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

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B9 DIVIDENDS

The Board has declared an interim dividend of 26 sen per ordinary share amounting to RM258,298,040 for the fourth quarter ended 31 December 2021, payable on 24 March 2022 (Quarter 4 2020: an interim dividend of 17 sen per ordinary share amounting to RM168,887,180).

NOTICE IS HEREBY GIVEN that the interim dividend will be payable on 24 March 2022 to depositors registered in the Records of Depositors at the close of the business on 10 March 2022. 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 10 March 2022 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.

B10 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 2021.

	Individual quarter ended		Year ended	
	2021	31 December 2020	2021	31 December 2020
Profit attributable to shareholders of the Company (RM'000)	137,191	89,214	529,754	275,964
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings per ordinary share (sen)	13.8	9.0	53.3	27.8

B11 TRADE RECEIVABLES

In RM'000	As at 31 December 2021	As at 31 December 2020
Trade receivables:		
- Third party	1,344,196	918,385
- Related companies	274,616	48,739
Less:		
- Impairment loss: specific	(8,413)	(7,408)
- Impairment loss: general	(14,263)	(4,828)
	1,596,136	954,888
At net		
Current	1,556,875	912,436
Past due 1 to 30 days	13,836	20,963
Past due 31 to 60 days	9,455	5,181
Past due 61 to 90 days	2,216	1,683
Past due more than 90 days	13,754	14,625
	1,596,136	954,888

As at 31 December 2021, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amounts in the statement of financial position.

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B12 PROFIT FOR THE PERIOD/YEAR

In RM'000	Individual quarter ended 31 December		Year ended 31 December	
	2021	2020	2021	2020
Profit for the period/year is arrived at after charging:				
Depreciation and amortisation*	73,130	120,236	412,155	497,839
Impairment loss on:				
- trade and other receivables	13,080	3,506	16,873	10,565
- property, plant and equipment	4,124	-	4,124	-
Net loss on disposal of property, plant and equipment	3,696	3,750	1,710	4,199
Interest on revolving credit facilities	115	12	423	40
Net realised loss on foreign exchange	1,046	190	3,136	1,028
Net unrealised loss on foreign exchange	992	-	-	-
Profit margin for Islamic financing facilities	-	102	139	788
Interest on lease liabilities	2,017	2,725	8,968	14,047
Inventories written off	346	19	346	37
Inventories written down to NRV	-	4,223	-	4,223
Property, plant and equipment written off	1,085	1,393	1,096	1,393
Property, plant and equipment expensed off	1,466	7,119	2,627	7,119
and after crediting:				
Reversal of inventories written down to NRV	-	-	4,088	-
Interest income	20,672	21,018	61,265	71,270
Income from rental of premises	516	374	1,503	991
Net unrealised gain on foreign exchange	-	97	1,045	2,255
Write back of impairment loss on trade and other receivables	428	3,542	4,522	5,035
COVID-19 related rent concessions	-	89	-	139

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

* Includes depreciation on right-of-use assets

BY ORDER OF THE BOARD

Wong Lay See (MAICSA 7018684)
Yeap Kok Leong (MAICSA 0862549)
Joint Secretaries
Kuala Lumpur
22 February 2022