

ATTACHMENT 1



PETRONAS

PETRONAS DAGANGAN BERHAD

Quarterly Report

For Second Quarter Ended 30 June 2019

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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 second quarter ended 30 June 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 June 2019	As at 31 December 2018
ASSETS			
Property, plant and equipment		4,022,254	3,335,561
Prepaid lease payments		-	492,256
Investments in associates		1,718	1,555
Investments in joint ventures		22,001	17,135
TOTAL NON-CURRENT ASSETS		4,045,973	3,846,507
Trade and other inventories		791,089	825,818
Trade and other receivables		1,759,127	2,260,569
Fund investment		51,004	50,000
Cash and cash equivalents		3,605,592	2,187,891
Assets classified as held for sale		1,339	-
TOTAL CURRENT ASSETS		6,208,151	5,324,278
TOTAL ASSETS	B1	10,254,124	9,170,785
EQUITY			
Share capital		993,454	993,454
Reserves		4,916,304	4,903,651
Total Equity Attributable to Shareholders of the Company		5,909,758	5,897,105
Non-controlling interests		35,042	40,135
TOTAL EQUITY	B1	5,944,800	5,937,240
LIABILITIES			
Borrowings	B8	163,270	29,924
Deferred tax liabilities		93,245	124,518
Other long term liabilities and provisions		29,296	29,268
TOTAL NON-CURRENT LIABILITIES		285,811	183,710
Trade and other payables		3,810,625	2,972,400
Borrowings	B8	132,744	25,036
Taxation		80,144	52,399
TOTAL CURRENT LIABILITIES		4,023,513	3,049,835
TOTAL LIABILITIES	B1	4,309,324	3,233,545
TOTAL EQUITY AND LIABILITIES		10,254,124	9,170,785
Net assets per share attributable to ordinary equity holders of the Parent (RM)		5.95	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.



QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2019

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

In RM'000	Note	Individual quarter ended		Cumulative quarter ended	
		2019	30 June 2018	2019	30 June 2018
Revenue	B1	7,606,229	7,278,012	14,692,134	14,348,128
Operating profit		240,369	422,339	627,863	713,243
Finance cost		(5,008)	1,111	(10,462)	703
Share of profit after tax of equity accounted associates and joint ventures		2,267	808	3,213	1,468
Profit before taxation	B1	237,628	424,258	620,614	715,414
Tax expense	B6	(63,249)	(101,724)	(152,651)	(172,551)
PROFIT FOR THE PERIOD	B13	174,379	322,534	467,963	542,863
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		2,899	(15,152)	635	(22,295)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		177,278	307,382	468,598	520,568
Profit attributable to:					
Shareholders of the Company		172,751	314,421	463,947	532,897
Non-controlling interests		1,628	8,113	4,016	9,966
PROFIT FOR THE PERIOD		174,379	322,534	467,963	542,863
Total comprehensive income attributable to:					
Shareholders of the Company		175,650	299,269	464,582	510,602
Non-controlling interests		1,628	8,113	4,016	9,966
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		177,278	307,382	468,598	520,568
Earnings per ordinary share- basic (sen)	B11	17.4	31.6	46.7	53.6

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.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2019



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In RM'000	Attributable to Shareholders of the Company						
	Non-Distributable			Distributable		Non-Controlling Interests	Total Equity
	Share Capital	Foreign Currency Translation Reserves	Capital Reserves	Retained Profits	Total		
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	-	(22,295)	-	-	(22,295)	-	(22,295)
Total other comprehensive expense for the period	-	(22,295)	-	-	(22,295)	-	(22,295)
Profit for the period	-	-	-	532,897	532,897	9,966	542,863
Total comprehensive (expense)/ income for the period	-	(22,295)	-	532,897	510,602	9,966	520,568
Dividends paid	-	-	-	(615,941)	(615,941)	-	(615,941)
At 30 June 2018	993,454	(22,032)	(18,732)	4,941,541	5,894,231	48,991	5,943,222
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	-	635	-	-	635	-	635
Total other comprehensive income for the period	-	635	-	-	635	-	635
Profit for the period	-	-	-	463,947	463,947	4,016	467,963
Total comprehensive income for the period	-	635	-	463,947	464,582	4,016	468,598
Dividends paid	-	-	-	(397,382)	(397,382)	-	(397,382)
At 30 June 2019	993,454	(17,569)	(18,732)	4,952,605	5,909,758	35,042	5,944,800

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.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2019



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM'000	Note	2019	Cumulative quarter ended 30 June 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		620,614	715,414
Adjustments for:			
Depreciation and amortisation		224,455	171,539
Net impairment/ (reversal) of impairment loss on trade and other receivables		215	(778)
Share of profit after tax of equity accounted associates and joint ventures		(3,213)	(1,468)
Net gain on disposal of property, plant and equipment		(17,866)	(9,973)
Interest income		(55,690)	(51,320)
Finance cost		10,462	(703)
Other non-cash items		101	(3,870)
Operating profit before changes in working capital		779,078	818,841
Inventories		34,729	(238,020)
Trade and other receivables		501,442	(385,369)
Trade and other payables		835,615	79,797
Cash generated from operations		2,150,864	275,249
Taxation paid		(136,694)	(141,523)
Net cash generated from operating activities	B1	2,014,170	133,726
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income		55,690	51,320
Net placement of fund investment		(1,004)	-
Purchase of property, plant and equipment		(197,127)	(88,400)
Proceeds from disposal of leases		-	595
Proceeds from disposal of property, plant and equipment		21,942	11,610
Dividend received from joint venture		1,250	-
Net cash used in investing activities	B1	(119,249)	(24,875)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(397,382)	(615,941)
Net repayment of revolving credit facility	B8	(6,326)	(5,729)
Repayment of Islamic financing facilities	B8	(9,391)	(9,067)
Repayment of lease liabilities	B8	(53,802)	-
Interest paid on revolving credit	B8	(49)	(12)
Profit margin paid for Islamic financing facilities	B8	(1,063)	(1,418)
Interest paid on lease liabilities	B8	(9,350)	-
Net cash used in financing activities	B1	(477,363)	(632,167)



QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Net increase/ (decrease) in cash and cash equivalents	1,417,558	(523,316)
Net foreign exchange differences	143	(669)
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>3,605,592</u>	<u>2,833,757</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.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 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 ended 30 June 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 SECOND QUARTER ENDED 30 JUNE 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
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.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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 period are as follows:

In RM'000	As at 30 June 2019	As at 31 December 2018
Approved and contracted for	63,620	5,407
Approved but not contracted for	425,835	12,322
	<u>489,455</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 6 months period ended 30 June 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 1 2018: 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 2 2018: an interim dividend of 13 sen per ordinary share amounting to RM129.1 million for the quarter ended 31 March 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.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2019



PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

Results for quarter ended 30 June

In RM'000	2019			
	Retail	Commercial	Others	Group
Business Segments				
Revenue	7,506,867	7,172,544	12,723	14,692,134
Depreciation and amortisation	167,192	43,732	13,531	224,455
Other income	187,620	24,247	293	212,160
Operating profit for reportable segments	343,294	277,584	6,985	627,863
Finance cost	(4,620)	(1,718)	(4,124)	(10,462)
Share of profit after tax of equity accounted associates and joint ventures				3,213
Profit before taxation				620,614

In RM'000	2018			
	Retail	Commercial	Others	Group
Business Segments				
Revenue	7,393,311	6,944,998	9,819	14,348,128
Depreciation and amortisation	141,880	19,053	10,606	171,539
Other income	154,038	36,437	30,931	221,406
Operating profit for reportable segments	401,896	271,413	39,934	713,243
Finance cost	1,754	367	(1,418)	703
Share of profit after tax of equity accounted associates and joint ventures				1,468
Profit before taxation				715,414

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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

Assets classified as held for sale relate to the Group's intention to sell two of its land parcels. Effort to sell the land parcels are ongoing and the transaction is expected to complete within the next twelve months.

A14 CONTINGENCIES

In RM'000	2019	Group 2018
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 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.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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	
	Level 3	Carrying amount
Group		
30 June 2019		
Financial Liabilities		
Islamic financing facilities	37,627	39,381
Revolving credit facility	-	-
	<u>37,627</u>	<u>39,381</u>
Group		
31 December 2018		
Financial Liabilities		
Islamic financing facilities	45,528	48,970
Revolving credit facility	5,841	5,990
	<u>51,369</u>	<u>54,960</u>

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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	As at 30 June 2019	As at 31 December 2018	Variance (%)
Total assets	10,254,124	9,170,785	12
Total equity	5,944,800	5,937,240	-
Total liabilities	4,309,324	3,233,545	33
Return on equity (%)	15.8	14.6	8

Total assets increased by RM1,083.3 million mainly due to higher cash and cash equivalents by RM1,417.7 million arising from receipt of subsidy receivable from the Government as well as timing difference on payments to suppliers. 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 RM501.4 million in line with the above subsidy receivable payment.

Total liabilities increased by RM1,075.8 million mainly due to higher trade and other payables as explained above 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 June		Variance (%)
	2019	2018	
Revenue	14,692,134	14,348,128	2
Profit before taxation	620,614	715,414	(13)

Group revenue increased by RM344.0 million to RM14,692.1 million primarily driven by an increase in sales volume by 5%, offset by lower average selling prices of 3%.

Profit before taxation ("PBT") decreased by RM94.8 million mainly due to higher product costs and operating expenses due to advertising and promotion as well as higher depreciation and amortisation costs. In addition, there was a once off insurance claim received by a subsidiary in 2018 which contributed to the better PBT last year.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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	30 June 2018	
In RM'000			
Revenue	7,606,229	7,278,012	5
Profit before taxation	237,628	424,258	(44)

Group revenue increased by RM328.2 million to RM7,606.2 million primarily driven by an increase in sales volume by 8%, offset by lower average selling prices of 2%.

PBT decreased by RM186.7 million due to lower margin in line with decreasing MOPS price trend during the quarter and higher product costs. There was an increase in operating expenditure due to higher depreciation and amortisation expenses following capitalisation of SETEL application as well as higher advertising and promotion expenses. In addition, there was a once off insurance claim received by a subsidiary in 2018 which contributed to the better PBT last year.

(c) Highlight on Consolidated Statement of Cash Flows

In RM'000	Cumulative quarter ended		Variance (%)
	2019	30 June 2018	
Net cash generated from operating activities	2,014,170	133,726	>100
Net cash used in investing activities	(119,249)	(24,875)	>100
Net cash used in financing activities	(477,363)	(632,167)	(24)

Net cash generated from operating activities was higher by RM1,880.4 million as compared to last year mainly contributed by timing difference on payments to suppliers as well as higher receipt of subsidy from Government during the period.

There was a higher cash outflow from investing activities of RM94.4 million mainly related to higher capital expenditure incurred, partially offset with proceeds from disposal of property, plant and equipment.

However, cash outflow from financing activities was lower by RM154.8 million mainly due to special dividends paid to shareholders in Q1 2018.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 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		
	June 2019	June 2018	Var %	June 2019	June 2018	Var %	June 2019	June 2018	Var %
Revenue	7,606.2	7,278.0	5	3,874.1	3,728.1	4	3,726.1	3,545.1	5
Profit before taxation	237.6	424.3	(44)	112.3	237.6	(53)	130.2	152.6	(15)

Retail Segment

Retail Segment revenue increased by RM146.0 million contributed by higher sales volume of 7% 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 RM125.3 million mainly due to lower margins for Mogas and Diesel from decreasing MOPS price trend and higher products costs. In addition, LPG margin also decreased due to higher material costs. The decrease in PBT was also due to higher advertising and promotion expenses as well as depreciation and amortisation.

Commercial Segment

Commercial Segment recorded higher revenue of RM181.0 million following an increase in sales volume of 9%, offset by lower average selling prices of 4%. The increase in volume was mainly attributable to higher Jet A1 sales following higher demand from existing customers. However, this was partially offset by decrease in sale of Fuel Oil due to lower customer demand.

Profit before taxation decreased by RM22.4 million mainly due to lower Diesel margin following decreasing MOPS price trend and lower Fuel Oil sales volume.

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2019



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

B2 REVIEW OF GROUP PERFORMANCE

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

In RM' Mil	Cumulative quarter ended								
	Group			Retail			Commercial		
	June 2019	June 2018	Var %	June 2019	June 2018	Var %	June 2019	June 2018	Var %
Revenue	14,692.1	14,348.1	2	7,506.9	7,393.3	2	7,172.5	6,945.0	3
Profit before taxation	620.6	715.4	(13)	338.7	403.7	(16)	275.9	271.8	2

Retail Segment

Retail Segment revenue increased by RM113.6 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 RM65.0 million due to lower margin and higher advertising and promotion expenses.

Commercial Segment

Commercial Segment recorded higher revenue of RM227.5 million contributed by an increase in volume of 5%, offset by lower average selling prices of 2%. The higher volume was mainly attributable to Jet A1 sales following new offshore contracts secured in Q1 FY2019.

Profit before taxation increased by RM4.1 million in line with higher volume.



QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2019

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 %
	June 2019	Mar 2019	
Revenue	7,606.2	7,085.9	7
Profit before taxation	237.6	383.0	(38)

Group revenue for the quarter ended 30 June 2019 increased by 7% compared to the preceding quarter mainly attributable to higher sales volume of 3% and increase in average selling prices of 4%.

PBT stood at RM237.6 million, a decrease of RM145.4 million as compared to the preceding quarter due to lower Retail and Commercial segments margins of RM99.5 million in tandem with the decline in MOPS price trend in the current quarter. In addition, there was an increase in operating expenses due to higher support services costs as well as depreciation and amortisation.

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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 (Brent). In addition, Malaysia's economic growth as reflected in the Gross Domestic Product ("GDP"), Consumer Sentiment Index ("CSI") and Manufacturing Index also has impact on the Group's results.

Brent price averaged USD68.94/bbl in Q2 2019, an increase of 9.3% from Q1 2019 price of USD63.05/bbl. In April 2019, Brent price was on an upward trend and peaked at USD74.69/bbl on 16 May 2019. Subsequently, Brent price was on a downward trend until the end of the quarter and the price is expected to remain volatile.

Malaysia recorded GDP growth of 4.9% in Q2 2019 as compared to 4.5% in Q1 2019. Consumer Sentiment Index increased from 85.6 in Q1 2019 to 93.0 in Q2 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 market is still anticipated to be challenging due to increasing numbers of energy efficient vehicles as well as the rise in usage of public transportation and e-hailing services. In Q1 FY2019, the Government has implemented a weekly pump prices mechanism and has capped the prices for RON95 and Diesel at a maximum of RM2.08 and RM2.18 per litre, respectively.

Retail Segment will continue to leverage the newly launched superior products mainly PETRONAS PRIMAX 95 with Pro-Drive, PETRONAS Syntium 7000, PETRONAS Syntium 7000 Hybrid and PETRONAS Syntium 3000. 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 plan to increase its profitability by pursuing strategic partnerships to enhance product offerings.

Meanwhile, LPG and Lubricant businesses will 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 3.8% in June FY2019 as compared to 4.1% in March FY2019. Growth in manufacturing activities may lead to stronger demand for petroleum products, which provides an opportunity to the Commercial Segment.

Commercial business and bulk LPG sales will maximise value through effective sales strategies, leveraging its superior logistics, personalised services and differentiated offerings to sustain existing markets and capture new markets.

(Source: Platts, MIER, MAA, DOSM)

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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 June		Cumulative quarter ended 30 June	
	2019	2018	2019	2018
<u>Income Tax:</u>				
Current period	68,811	102,758	164,439	179,949
<u>Deferred Taxation:</u>				
Current period	(5,562)	(1,034)	(11,788)	(7,398)
	<u>63,249</u>	<u>101,724</u>	<u>152,651</u>	<u>172,551</u>

Effective tax rate for the quarter ended 30 June 2019 was higher due to a subsidiary's tax adjustment in relation to write-off of Property, Plant & Equipment in prior year. Effective tax rates for the cumulative quarter ended 30 June 2019 and 2018 were substantially comparable to the statutory tax rate.

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 June 2019	As at 31 December 2018
Non Current		
Secured		
Lease liabilities	142,935	-
Unsecured		
Islamic financing facilities	20,335	29,924
	<u>163,270</u>	<u>29,924</u>
Current		
Secured		
Lease liabilities	113,698	-
Unsecured		
Islamic financing facilities	19,046	19,046
Revolving credit facility	-	5,990
	<u>132,744</u>	<u>25,036</u>
	<u>296,014</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 June 2019	As at 31 December 2018
By Currency		
RM	289,683	48,970
USD	5,665	-
THB	666	5,990
	296,014	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 4.57% to 4.66% per annum.

The revolving credit facility is denominated in Thai Baht and bears an interest rate of 2.90% per annum. The facility was fully paid during the period.

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 June 2019
			Drawdown/ (Repayment)	Interest expenses	Foreign exchange movement	Others	
Islamic financing facilities	48,970	-	(9,391)	(1,063)	-	865	39,381
Revolving credit facility	5,990	-	(6,326)	(49)	336	49	-
Lease liabilities	-	310,435	(53,802)	(9,350)	-	9,350	256,633
	54,960	310,435	(69,519)	(10,462)	336	10,264	296,014

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 14 sen per ordinary share amounting to RM139,083,560 for quarter ended 30 June 2019, payable on 20 September 2019 (Quarter 2 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 September 2019 to depositors registered in the Records of Depositors at the close of the business on 11 September 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 11 September 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 June 2019.

	Individual quarter ended		Cumulative quarter ended	
	30 June		30 June	
	2019	2018	2019	2018
Profit attributable to shareholders of the Company (RM'000)	172,751	314,421	463,947	532,897
Number of ordinary shares ('000)	993,454	993,454	993,454	993,454
Earnings per ordinary share (sen)	17.4	31.6	46.7	53.6

B12 TRADE RECEIVABLES

In RM'000	As at 30 June 2019	As at 31 December 2018
Trade receivables		
- Third party	1,202,945	1,211,449
- Related companies	62,793	81,377
Less:		
- Impairment loss: specific	(8,091)	(8,328)
- Impairment loss: general	(2,168)	(2,317)
	1,255,479	1,282,181
At net		
Current	1,185,210	1,208,763
Past due 1 to 30 days	18,795	40,646
Past due 31 to 60 days	9,674	8,751
Past due 61 to 90 days	14,568	10,693
Past due more than 90 days	27,232	13,328
	1,255,479	1,282,181

QUARTERLY REPORT FOR SECOND QUARTER ENDED 30 JUNE 2019



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

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

B13 PROFIT FOR THE PERIOD

In RM'000	Individual quarter ended		Cumulative quarter ended	
	2019	30 June 2018	2019	30 June 2018
Profit for the period is arrived at after charging:				
Depreciation and amortisation*	118,289	84,926	224,455	171,539
Impairment loss on trade and other receivables	696	334	774	334
Interest on revolving credit	14	12	49	12
Net unrealised loss on foreign exchange	1,200	-	22	-
Net realised loss on foreign exchange	-	1,898	-	2,124
Profit margin for Islamic financing facility	509	722	1,063	1,418
Interest on lease liabilities	4,485	-	9,350	-
Inventories written-off	79	-	79	-
and after crediting:				
Net (loss)/ gain on disposal of property, plant and equipment	(874)	2,402	17,866	9,973
Interest income	28,871	24,848	55,690	51,320
Income from rental of premises	202	165	432	575
Net unrealised gain on foreign exchange	-	3,983	-	3,870
Net realised gain on foreign exchange	840	-	1,225	-
Reversal of impairment loss on trade and other receivables	142	495	559	1,112
Dividend income from joint venture	1,250	-	1,250	-

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

23 August 2019