



PETRON MALAYSIA REFINING & MARKETING BHD
(Company Number 3927 V)

The Board of Directors of Petron Malaysia Refining & Marketing Bhd is pleased to announce the financial results of the Company for the quarter ended March 31, 2014 and for the three months period ended March 31, 2014.

This interim report is prepared in accordance with the requirements of Malaysian Financial Reporting Standard (MFRS) 134 "Interim Financial Reporting" and paragraph 9.22 of the Main Market Listing Requirements (BURSA Securities Listing Requirements) of Bursa Malaysia Securities Berhad (BMSB).



PETRON MALAYSIA REFINING & MARKETING BHD
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousand Ringgit Malaysia, Except Per Share Amounts)

Unaudited

	Note	January to March		January to March	
		2014	2013	2014	2013
Revenue		2,942,895	2,891,454	2,942,895	2,891,454
Cost of sales		(2,909,768)	(2,791,376)	(2,909,768)	(2,791,376)
Gross profit		33,127	100,078	33,127	100,078
Other operating income		8,668	8,203	8,668	8,203
Selling and administrative expense		(49,373)	(53,699)	(49,373)	(53,699)
Operating income		(7,578)	54,582	(7,578)	54,582
Other (expense) income - net		15,413	4,840	15,413	4,840
Finance cost		(17,161)	(16,699)	(17,161)	(16,699)
(Loss) Profit before tax	15	(9,326)	42,723	(9,326)	42,723
Tax benefit (expense)	16	2,611	(11,963)	2,611	(11,963)
(Loss) Profit for the period		(6,715)	30,760	(6,715)	30,760
Total comprehensive (loss) income for the period		(6,715)	30,760	(6,715)	30,760
(Loss) Profit attributable to equity holders of the Company		(6,715)	30,760	(6,715)	30,760
Total comprehensive (loss) income attributable to equity holders of the Company		(6,715)	30,760	(6,715)	30,760
(Loss) Earnings per share (sen)	23	(2.5)	11.4	(2.5)	11.4

Certified by: 
MYRNA C. GERONIMO
Chief Finance Officer

(The condensed statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)



PETRON MALAYSIA REFINING & MARKETING BHD
CONDENSED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousand Ringgit Malaysia)

Unaudited

	<i>Note</i>	<i>As at Mar 31, 2014</i>	<i>As at Dec 31, 2013 (As Restated)</i>
ASSETS			
Deposit, cash and bank balances		24,668	97,593
Derivative financial assets		7,926	3,129
Trade and other receivables		891,142	809,531
Inventories		824,416	694,765
Tax recoverable		32,581	32,581
Total Current Assets		1,780,733	1,637,599
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Property, plant and equipment		946,726	945,705
Long-term assets		196,066	199,456
Intangible assets- software		8,474	9,138
Total Non-Current Assets		1,151,266	1,154,299
TOTAL ASSETS		2,931,999	2,791,898
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LIABILITIES			
Borrowings (unsecured)	18	938,042	900,000
Derivative financial liabilities		4,996	4,334
Trade and other payables		905,800	895,554
Retirement benefits obligations		4,604	4,604
Total Current Liabilities		1,853,442	1,804,492
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Borrowings	18	98,975	-
Payables		23,765	23,486
Retirement benefits obligations		43,223	42,000
Deferred income tax		57,518	60,129
Total Non-Current Liabilities		223,481	125,615
TOTAL LIABILITIES		2,076,923	1,930,107

(The condensed statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)



PETRON MALAYSIA REFINING & MARKETING BHD
CONDENSED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousand Ringgit Malaysia)

Unaudited
(Continued)

	Note	As at Mar 31, 2014	As at Dec 31, 2013 (As Restated)
EQUITY			
Share capital		135,000	135,000
Retained earnings	24	712,076	718,791
Other reserves	24	8,000	8,000
TOTAL EQUITY		855,076	861,791
TOTAL EQUITY and LIABILITIES		2,931,999	2,791,898

Certified by: 
MYRNA C. GERONIMO
Chief Finance Officer

(The condensed statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)



PETRON MALAYSIA REFINING & MARKETING BHD
CONDENSED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Ringgit Malaysia and Number of Shares, in Thousand)

Unaudited

	Issued and fully paid ordinary share of RM0.50 each	Non-distributable			Distributable		
	Number of ordinary share	Nominal value	Capital redemption reserve	Reserve for retirement plan	Total other reserves	Retained earnings	Total equity
At January 1, 2013 (restated)	270,000	135,000	8,000	(14,557)	(6,557)	814,099	942,542
Total comprehensive income attributable to equity holders	-	-	-	-	-	30,760	30,760
At March 31, 2013 (restated)	270,000	135,000	8,000	(14,557)	(6,557)	844,859	973,302
At January 1, 2014 (restated)	270,000	135,000	8,000	-	(8,000)	718,791	861,791
Total comprehensive loss attributable to equity holders	-	-	-	-	-	(6,715)	(6,715)
At March 31, 2014	270,000	135,000	8,000	-	(8,000)	712,076	855,076

Certified by: *Myrna C. Geronimo*
MYRNA C. GERONIMO
Chief Finance Officer

(The condensed statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)



PETRON MALAYSIA REFINING & MARKETING BHD
CONDENSED STATEMENTS OF CASH FLOWS
(Amounts in Thousand Ringgit Malaysia)
Unaudited

	<i>January to March</i>	
	<i>2014</i>	<i>2013</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(9,326)	42,723
Adjustments for:		
Amortisation of intangible asset	664	684
Amortisation of long-term asset	5,565	5,087
Depreciation/amortisation of property, plant and equipment	14,990	14,446
Impairment loss on receivables	-	65
Bad debt written off	(147)	-
Interest income	(217)	(418)
Interest expense	15,793	15,384
Gain on disposal of property, plant and equipment	(300)	-
Property, plant and equipment written off	489	746
Retirement/separation benefit costs	1,366	1,321
Unrealised foreign exchange gain	(1,645)	(4,401)
Unrealised fair value (gain)/ loss on derivatives		
Commodity	(6,261)	-
Forex	3,330	1,691
Changes in working capital		
Change in inventories	(129,651)	(37,855)
Change in long term asset	(1,033)	(40)
Change in trade and other receivables and other financial assets	(78,658)	(107,711)
Change in trade and other payables and other financial liabilities	5,914	142,701
Cash flows from operations	(179,126)	74,423
Interest paid	(13,256)	(14,979)
Interest received	217	418
Income taxes paid	-	(7,131)
Retirement/separation benefits paid	(143)	(869)
Net cash flows from operating activities	(192,308)	51,862

(The condensed statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)



PETRON MALAYSIA REFINING & MARKETING BHD
CONDENSED STATEMENTS OF CASH FLOWS
(Amounts in Thousand Ringgit Malaysia)

Unaudited
(Continued)

	<i>January to March</i>	
	<i>2014</i>	<i>2013</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(16,500)	(54,288)
Payment for long-term assets	(1,142)	(1,509)
Proceeds from disposal of property, plant and equipment	300	-
Net cash flows (used in) from investing activities	(17,342)	(55,797)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	138,042	-
Debt issue cost paid	(1,035)	-
Deposits with related company	(137)	-
Net cash flows from financing activities	136,870	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	(72,780)	(3,935)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(145)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	97,593	34,642
CASH AND CASH EQUIVALENTS AT END OF PERIOD	24,668	30,707

Certified by: 
MYRNA C. GERONIMO
Chief Finance Officer

(The condensed statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)



PETRON MALAYSIA REFINING & MARKETING BHD
(Amounts in Thousand Ringgit Malaysia, Except Per Share Data)

Part A - Explanatory Notes Pursuant to MFRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (BMSB). These interim financial statements also comply with IAS 134 Interim Financial Reporting issued by the International Accounting Standards Board.

The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and the performance of the Company since the financial year ended December 31, 2013.

2. Summary of Significant Accounting Policies

a) Changes in Accounting Policies

The audited financial statements of the Company for the year ended December 31, 2013 were prepared in accordance with MFRS. The same accounting policies and methods of computation were followed in the interim financial statements as with the financial statements for the year ended December 31, 2013.

On January 1, 2014, the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after January 1, 2014.

- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

The adoption of the above standards did not have any effect on the financial performance or position of the Company.

b) Standards, Amendments to Published Standards and Interpretations to Existing Standards that are applicable to the Company but not yet effective

The new standards and amendments to published standards applicable to the Company that will be effective from January 1, 2015 but have not been early adopted by the Company, are as follows:

- MFRS 9, Financial Instruments (2009)
- MFRS 9, Financial Instruments (2010)
- Amendments to MFRS 7, Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

The Company will apply the above standards and amendments from financial period beginning January 1, 2015.

Adoptions of these standards are not expected to have any material impact on the financial position of the Company.

3. Comments about Seasonal or Cyclical Factors

The operations of the business are not seasonal or cyclical in nature.

4. Unusual Items Due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income and cash flows of the Company during the current quarter.

5. Changes in Estimates

There were no changes in estimates that have had any material effect in the current quarter.

6. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayments of debt and equity securities during the current quarter.

7. Dividend Paid

There has been no dividend paid since December 31, 2013.

8. Segmental Information

The Company is organised to operate as one integrated business segment to manufacture and sell petroleum products. These integrated activities are known across the petroleum industry as the Downstream segment. As such, the assets and liabilities are disclosed within the financial statements as one segment.

Revenues are mainly derived from the sale of petroleum products to domestic customers including its affiliates and competitors, and sales to Concord Energy Pte. Ltd. A breakdown of the revenues by geographical location is as follows:

	<i>3 months ended</i>		<i>Period ended</i>	
	<u>31.03.2014</u>	<u>31.03.2013</u>	<u>31.03.2014</u>	<u>31.03.2013</u>
Domestic	2,636,904	2,530,989	2,636,904	2,530,989
Foreign	305,991	360,465	305,991	360,465
Total Revenues	2,942,895	2,891,454	2,942,895	2,891,454

For the year ended March 31, 2014 approximately RM909,344 (2013: RM1,066,945) of the revenues are derived from two (one related party for 2013) major customers, one of whom is a related party to the Company.

All non-current assets of the Company are located in Malaysia.

9. Changes in Composition of the Company

There were no changes in the composition of the Company during the current quarter.

10. Changes in Contingent Liabilities

There were no significant changes in contingent liabilities or contingent assets since the last annual statement of financial position as at December 31, 2013.

11. Capital Commitments

Capital commitments not provided for in the Interim Financial Report as at March 31, 2014 are as follows:

Property, plant & equipment	
Authorised but not contracted for	170,857
Contracted for but not provided for	73,063
Total	243,920

Part B- Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of BMSB

12. Review of Performance - Current Financial period ended March 31, 2014

Petron Malaysia Refining & Marketing Bhd (PMRMB) sales revenues slightly increased in the first quarter of 2014 to RM 2.94 billion, slightly better than last year's RM 2.89 billion over the same period, on the back of stronger domestic sales.

Local sales surged by 12% to 4.8 million barrels compared to 4.3 million barrels in 2013. This was largely driven by growth in the retail sector and a substantial increase in commercial volumes due to growing market confidence in Petron. This growth was offset as refinery production was lower resulting in decreased export and affiliate sales. Overall, sales volumes slightly dipped to 7.3 million barrels in the first three months of 2014 from 7.4 million a year ago.

Strong retail sales can be attributed to increased customer patronage with more Petron-branded service stations that offer world class petroleum products, personalised customer service and first-rate facilities. As of end April 2014, PMRMB, together with sister companies, Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd, have completed the upgrading and rebranding of 342 out of 560 stations to Petron. In the commercial sector, sales were boosted by increased demand from the power-generation sector, aviation, and LPG.

Despite a robust sales and operating performance, PMRMB reported a loss of RM 7 million over the period compared to the RM 31 million income last year. The narrowing price differential between crude oil processed at its Refinery and that of the finished product continued to affect its margins.

13. Commentary on Prospects

While PMRMB was challenged by a volatile external environment, the Company continues to focus on matters within control.

From business consolidation, PMRMB is now on expansion mode and have ongoing programs aimed at increasing market share, and ultimately, grow the business.

PMRMB is pursuing a network expansion program and aims to add 30 more service stations during the year.

In April, the Petron Miles Privilege Card was launched to replace the Smiles Loyalty Card, which has 1.5 million cardholders nationwide. Petron Miles offers cardholders 1 Miles point with every RM1 spent on fuels purchased and features better savings, more rewards and allows for redemption of loyalty points. The transfer of loyal customers from the Smiles Card to the Petron Miles Card is ongoing and it is expected that the latter will attract new customers to try out Petron fuels and services.

14. Profit Forecast or Profit Guarantee

As a matter of policy, the Company does not make profit forecasts or profit guarantees.

15. Commentary on Profit before Tax

The profit before tax is arrived at after charging (crediting) the following items:

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.03.2014</i>	<i>31.03.2013</i>	<i>31.03.2014</i>	<i>31.03.2013</i>
Property, plant and equipment				
- Depreciation	14,990	14,150	14,990	14,150
- Write-off	489	746	489	746
- Gain on disposal	(300)	-	(300)	-
Amortisation of long-term assets	5,565	5,383	5,565	5,383
Amortisation of intangible assets	664	684	664	684
Interest income	(217)	(418)	(217)	(418)
Interest expense	15,793	15,384	15,793	15,384
Impairment loss on receivables	-	65	-	65
Foreign exchange				
- Realised loss (gain)	(1,794)	12,364	(1,794)	12,364
- Unrealised loss (gain)	(1,645)	(4,401)	(1,645)	(4,401)
Fair value changes on derivatives				
- Realised loss (gain)				
- Forex	2,702	(9,604)	2,702	(9,604)
- Commodity	(4,532)	-	(4,532)	-
- Unrealised loss (gain)				
- Forex	3,330	1,691	3,330	1,691
- Commodity	(1,665)	-	(1,665)	-

There are no exceptional items, inventories written down or written off, gain or loss on disposal of quoted or unquoted investments or properties.

16. Tax expense

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.03.2014</i>	<i>31.03.2013</i>	<i>31.03.2014</i>	<i>31.03.2013</i>
Current income tax expense	-	12,562	-	12,562
Deferred income tax				
- Origination and reversal of temporary differences	(2,611)	(599)	(2,611)	(599)
Income tax (benefit) expense recognised in profit or loss	(2,611)	11,963	(2,611)	11,963

The effective tax rate is normally higher than the statutory tax rate primarily reflecting the varying relationship of the non-deductible expenses (which are relatively fixed over time) to changing levels of profit or loss from period to period.

17. Corporate Proposals

There were no corporate proposals.

18. Borrowings

The Company's borrowings as at March 31, 2014 are as follows:

Working capital facility - short-term, unsecured	900,000
Overdraft	38,042
Long term loan facility	98,975
Total	1,037,017

19. Derivative Financial Instruments

As at March 31, 2014, the Company has the following outstanding derivative financial instruments:

<i>Type of derivatives</i>	<i>Contract/ Notional value</i>	<i>Cash paid</i>	<i>Fair value</i>	
			<i>Assets</i>	<i>Liabilities</i>
Derivatives at fair value through profit or loss				
- Foreign currency forward contract	538,050	-	-	(3,330)
- Commodity swaps	571,662	-	7,527	(1,588)
- Commodity options	122,619	-	399	(78)
	1,232,331	-	7,926	(4,996)

(a) Foreign currency forward contract

The Company enters into foreign currency forward contracts to manage its exposures on foreign currency arising from payables for crude and products purchases denominated in US Dollar. Forward contracts have maturities of less than 180 days after the end of the reporting period.

(b) Commodity derivatives

The Company mitigates crude and petroleum products price risks using commodity swap and options. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. All of the commodity derivative contracts have maturities of less than 180 days after the end of the reporting period.

The foreign currency forward contracts, commodity swaps and options are transacted with accredited banks and traded on over-the-counter ("OTC") markets. Hence, credit risk for non-performance by the counterparties and liquidity risk associated with these derivative instruments are minimal. Hedging policy is in place and decisions are guided by the conditions set and approved by the Company's management. The Company does not apply hedge accounting.

Derivatives are financial instruments classified at fair value through profit or loss. Derivative instruments are initially recognised at fair value on the date in which a derivative transaction is entered into, and are subsequently re-measured at fair value.

Gains and losses from changes in fair value of these derivatives are recognised directly in profit or loss.

20. Gains and Losses Arising from Fair Value Changes of Financial Liabilities

The gains and losses arising from fair value changes of financial liabilities measured at fair value through profit or loss are as follows:

	<i>(Gain) Loss</i>		<i>Basis for fair value measurement</i>
	<u><i>3 months ended</i></u> <u><i>31.03.2014</i></u>	<u><i>Period ended</i></u> <u><i>31.03.2014</i></u>	
Foreign currency forward contract	3,330	3,330	Level 2 measurement (OTC price)
Commodity swaps	1,588	1,588	Level 2 measurement (OTC price)
Commodity options	78	78	Level 2 measurement (OTC price)
	<u>5,772</u>	<u>5,772</u>	

The fair value losses on derivative financial liabilities are due to underlying risk variables have become potentially unfavourable.

Except for the derivative financial liabilities, all other financial liabilities are measured at the amortised cost using effective interest method. Hence, no gain or loss is recognised for changes in the fair values of these liabilities.

21. Changes in Material Litigation

There were no significant changes to material litigation since December 31, 2013.

22. Dividend Payable

The Company did not declare any dividends during the three months ended March 31, 2014.

23. Earnings per Ordinary Share

	<u><i>3 months ended</i></u>		<u><i>Period ended</i></u>	
	<u><i>31.03.2014</i></u>	<u><i>31.03.2013</i></u>	<u><i>31.03.2014</i></u>	<u><i>31.03.2013</i></u>
(Loss) Profit for the period attributable to equity holders of the Company	(6,715)	30,760	(6,715)	30,760
Number of ordinary shares in issue ('000)	270,000	270,000	270,000	270,000
(Loss) Earnings per share (sen)	(2.5)	11.4	(2.5)	11.4

24. Reserves

	<i>As at</i>	
	<u>31.03.2014</u>	<u>31.03.2013</u>
Non-distributable		
Capital redemption reserve	8,000	8,000
Reserve for retirement plan	-	(14,557)
Other reserves	8,000	(6,557)
Transfer to retained earning	-	-
	<u>8,000</u>	<u>(6,557)</u>
Distributable		
Retained earnings	712,076	844,859
Transfer from reserve for retirement plan	-	-
Total reserves	<u>720,076</u>	<u>838,302</u>

25. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Company's financial statements for the year ended December 31, 2013 was not qualified.

26. Supplementary information disclosed pursuant to Bursa Malaysia Securities Berhad Listing Requirements

The following analysis of realised and unrealised retained profits at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	<i>As at</i>	
	<u>31.03.2014</u>	<u>31.12.2013</u>
Total retained profits:		
- realised	761,688	782,495
- unrealised	(49,612)	(63,704)
Total retained profits	712,076	718,791

The disclosure of realised and unrealised profits above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.