



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

The Board of Directors of Petron Malaysia Refining & Marketing Bhd hereby announce the financial results of the Company for the quarter ended September 30, 2014 and for the nine months period ended September 30, 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	July to September		January to September	
		2014	2013	2014	2013
Revenue		2,621,028	2,814,754	8,611,028	8,318,577
Cost of sales		(2,564,956)	(2,758,512)	(8,460,755)	(8,145,859)
Gross profit		56,072	56,242	150,273	172,718
Other operating income		9,108	8,774	26,766	33,248
Selling and administrative expense		(53,967)	(48,261)	(158,610)	(146,857)
Operating income		11,213	16,755	18,429	59,109
Other income (expense)					
- net		(2,011)	(7,131)	15,057	(34,175)
Finance cost		(18,628)	(16,406)	(54,344)	(49,681)
Loss before tax	15	(9,426)	(6,782)	(20,858)	(24,747)
Tax benefit	16	762	1,894	3,963	6,924
Loss for the period		(8,664)	(4,888)	(16,895)	(17,823)
Total comprehensive loss for the period		(8,664)	(4,888)	(16,895)	(17,823)
Loss attributable to equity holders of the Company		(8,664)	(4,888)	(16,895)	(17,823)
Total comprehensive loss attributable to equity holders of the Company		(8,664)	(4,888)	(16,895)	(17,823)
Loss per share (sen)	23	(3.2)	(1.8)	(6.3)	(6.6)

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 Sept 30, 2014</i>	<i>As at Dec 31, 2013 (As Restated)</i>
ASSETS			
Deposit, cash and bank balances		66,297	97,593
Derivative financial assets		18,707	3,129
Trade and other receivables		866,841	809,531
Inventories		847,831	694,765
Tax recoverable		32,149	32,581
Total Current Assets		1,831,825	1,637,599
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Property, plant and equipment		960,678	945,705
Long-term assets		187,787	199,456
Intangible assets- software		7,147	9,138
Total Non-Current Assets		1,155,612	1,154,299
TOTAL ASSETS		2,987,437	2,791,898
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LIABILITIES			
Borrowings (unsecured)	18	900,000	900,000
Derivative financial liabilities		192	4,334
Trade and other payables		953,710	895,554
Retirement benefits obligations		4,604	4,604
Total Current Liabilities		1,858,506	1,804,492
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Borrowings	18	198,142	-
Payables		24,953	23,486
Retirement benefits obligations		43,005	42,000
Deferred income tax		55,735	60,129
Total Non-Current Liabilities		321,835	125,615
TOTAL LIABILITIES		2,180,341	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 Sept 30, 2014	As at Dec 31, 2013 (As Restated)
EQUITY			
Share capital		135,000	135,000
Retained earnings	24	664,096	718,791
Other reserves	24	8,000	8,000
TOTAL EQUITY		807,096	861,791
TOTAL EQUITY and LIABILITIES		2,987,437	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	-	-	-	-	-	(17,823)	(17,823)
Dividends for the year ended December 31, 2012	-	-	-	-	-	(28,350)	(28,350)
At September 30, 2013 (restated)	270,000	135,000	8,000	(14,557)	(6,557)	767,926	896,369
At January 1, 2014 (restated)	270,000	135,000	8,000	-	8,000	718,791	861,791
Total comprehensive loss attributable to equity holders	-	-	-	-	-	(16,895)	(16,895)
Dividends for the year ended December 31, 2013	-	-	-	-	-	(37,800)	(37,800)
At September 30, 2014	270,000	135,000	8,000	-	8,000	664,096	807,096

Certified by: 
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 September</i>	
	<i>2014</i>	<i>2013</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(20,858)	(24,747)
Adjustments for:		
Amortisation of intangible asset	1,991	2,051
Amortisation of long-term asset	15,553	16,149
Depreciation/amortisation of property, plant and equipment	44,835	44,265
Impairment loss on receivables	-	65
Bad debt written off	147	-
Interest income	(589)	(1,148)
Interest expense	45,019	37,820
Gain on disposal of property, plant and equipment	(2,414)	(17)
Loss on disposal of property, long-term asset	-	-
Property, plant and equipment written off	2,489	6,132
Retirement/separation benefit costs	3,923	3,998
Unrealised foreign exchange loss (gain)	11,485	(1,289)
Unrealised fair value gain on derivatives		
Commodity	(10,700)	(1,466)
Forex	(7,815)	(4,553)
Changes in working capital		
Change in inventories	(153,066)	(31,871)
Change in long-term asset	(435)	1,653
Change in trade and other receivables and other financial assets	(53,638)	29,872
Change in trade and other payables and other financial liabilities	42,676	56,591
Cash flows (used in) from operations	(81,397)	133,505
Interest paid	(44,409)	(37,012)
Interest received	589	1,148
Income taxes paid	-	(17,827)
Retirement/separation benefits paid	(2,918)	(3,545)
Net cash flows (used in) from operating activities	(128,135)	76,269

(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 September</i>	
	<i>2014</i>	<i>2013</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(62,471)	(110,610)
Payment for long-term assets	(3,449)	(5,915)
Proceeds from disposal of property, plant and equipment	2,589	132
Net cash flows (used in) investing activities	(63,331)	(116,393)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	238,042	89,571
Payment of borrowings	(38,042)	-
Debt issue cost paid	(2,067)	-
Dividend paid	(37,800)	(28,350)
Net cash flows from (used in) financing activities	160,133	61,221
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(31,333)	21,097
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	37	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	97,593	38,724
CASH AND CASH EQUIVALENTS AT END OF PERIOD	66,297	59,821

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

The amounts of dividends paid since December 31, 2013 are as follows:

In respect of the year ended December 31, 2013:

Final dividend per ordinary share, paid on June 25, 2014	
- 14 sen per ordinary shares	<u>37,800</u>

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. A breakdown of the revenues by geographical location is as follows:

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2014</i>	<i>30.09.2013</i>	<i>30.09.2014</i>	<i>30.09.2013</i>
Domestic	2,426,556	2,504,136	7,754,531	7,356,449
Foreign	194,472	310,618	856,497	962,128
Total Revenues	2,621,028	2,814,754	8,611,028	8,318,577

For the period ended September 30, 2014 approximately RM1,896,645 (2013: RM2,023,728) of the revenues are derived from one major customer who 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 September 30, 2014 are as follows:

Property, plant & equipment	
Authorised but not contracted for	141,253
Contracted for but not provided for	80,436
Total	221,689

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

12. Review of Performance - Current Financial period ended September 30, 2014

Petron Malaysia Refining & Marketing Bhd (PMRMB) reported a 4% increase in sales revenues for the first nine months of 2014 reaching RM8.61 billion from RM8.32 billion in the same period last year on the back of stronger fuel demand.

Domestic sales volumes surged by 9% to 14.6 million barrels from last year's 13.4 million barrels as the Company saw sustained growth across all major segments including Retail and Commercial.

PMRMB's domestic sales is being fuelled by strong Retail volumes, a direct result of the ongoing upgrading and rebranding of service stations to the Petron brand. Coupled with innovative and rewarding products such as the Petron Miles Card and the Petron Fleet Card, the program has increased customer patronage and loyalty. As of end-September, PMRMB together with sister companies' Petron Fuel International Sdn Bhd and Petron Oil (M) Sdn Bhd have completed the rebranding of 460 out of 550 stations. The Company also has 30 new stations in various stages of construction in a bid to strengthen its market presence even further.

In the Commercial sector, sales of industrial fuels increased as a result of rising demand from the power-generation and aviation segments while LPG volumes rose with growing market confidence in the Company's LPG brand Petron Gasul.

The improvement in sales was offset by the steep drop in oil prices in the third quarter resulted in weak margins as higher-priced inventory was sold at lower prices. This was felt by oil refiners across the region. Despite this, PMRMB trimmed down its losses to RM16.9 million in the first nine months of 2014 compared to last year's loss of RM17.8 million.

13. Commentary on Prospects

PMRMB is optimistic of its growth prospects amid the weakness in global oil prices.

The Company is confident about its prospects here since it is a major participant in one of Asia's fastest growing economies.

PMRMB is on track with its investments such as the retail network rebranding and logistics improvements. The Company aims to give the customers the unique and rewarding Petron experience at every point of the supply chain. Improving sales volumes indicate the public's trust and confidence in the Petron brand. The Company programs should continue to cushion the effects of global oil price volatility.

PMRMB continues to enhance its supply chain under its Logistics Master Plan to ensure reliable and efficient supply of its world-class fuels to customers.

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>	
	<u>30.09.2014</u>	<u>30.09.2013</u>	<u>30.09.2014</u>	<u>30.09.2013</u>
Property, plant and equipment				
- Depreciation	14,730	15,340	44,835	44,265
- Write-off	902	3,373	2,489	6,132
- Gain on disposal	(1,149)	(17)	(2,414)	(17)
Amortisation of long-term assets	4,999	5,383	15,553	16,149
Amortisation of intangible assets	663	684	1,991	2,051
Interest income	(228)	(291)	(589)	(1,148)
Interest expense	16,040	12,613	45,019	37,820
Impairment loss on receivables	-	-	-	65
Foreign exchange loss	15,645	14,538	2,598	40,503
(Gain) loss on derivative	(39,493)	(2,436)	(23,828)	7,697

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>	
	<u>30.09.2014</u>	<u>30.09.2013</u>	<u>30.09.2014</u>	<u>30.09.2013</u>
Income tax expense				
- Current year	432	-	432	-
- Prior year	-	5	-	5
Deferred income tax				
- Origination and reversal of temporary differences	(1,194)	(1,899)	(4,395)	(6,929)
Income tax benefit recognised in profit or loss	(762)	(1,894)	(3,963)	(6,924)

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 September 30, 2014 are as follows:

Working capital facility - short-term, unsecured	900,000
Long term loan facility - unsecured	198,142
Total	1,098,142

19. Derivative Financial Instruments

As at September 30, 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	557,232	-	7,867	(52)
- Commodity swaps	92,080	-	8,075	(140)
- Commodity options	65,016	-	2,765	-
	714,328	-	18,707	(192)

(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. 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>Fair Value (Gain) Loss</i>		<i>Basis for fair value measurement</i>
	<u><i>3 months ended</i></u> <u>30.09.2014</u>	<u><i>Period ended</i></u> <u>30.09.2014</u>	
Foreign currency forward contract	1,359	857	Level 2 measurement (OTC price)
Commodity swaps	859	1,332	Level 2 measurement (OTC price)
Commodity options	2,948	1,953	Level 2 measurement (OTC price)
	<u>5,166</u>	<u>4,142</u>	

The fair value losses on derivative financial liabilities are due to underlying risk variables.

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 September 30, 2014.

23. Earnings per Ordinary Share

	<u><i>3 months ended</i></u>		<u><i>Period ended</i></u>	
	<u>30.09.2014</u>	<u>30.09.2013</u>	<u>30.09.2014</u>	<u>30.09.2013</u>
Loss for the period attributable to equity holders of the Company	(8,664)	(4,888)	(16,895)	(17,823)
Number of ordinary shares in issue ('000)	270,000	270,000	270,000	270,000
Loss per share (sen)	(3.2)	(1.8)	(6.3)	(6.6)

24. Reserves

	<i>As at</i>	
	<u>30.09.2014</u>	<u>30.09.2013</u>
Non-distributable		
Capital redemption reserve	8,000	8,000
Reserve for retirement plan	-	(14,557)
Other reserves	8,000	(6,557)
Distributable		
Retained earnings	664,096	767,926
Total reserves	672,096	761,369

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>30.09.2014</u>	<u>31.12.2013</u>
Total retained profits:		
- realised	712,166	782,495
- unrealised	(48,070)	(63,704)
Total retained profits	664,096	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.