



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 December 31, 2014 and for the twelve months period ended December 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	October to December		January to December	
		2014	2013 (As Restated)	2014	2013 (As Restated)
Revenue		2,290,001	2,809,523	10,901,029	11,128,100
Cost of sales		(2,310,843)	(2,801,912)	(10,771,598)	(10,947,771)
Gross profit		(20,842)	7,611	129,431	180,329
Other operating income		20,066	29,108	62,938	76,927
Other operating expenses		(51,504)	(56,118)	(197,650)	(182,333)
Administrative expense		(5,144)	(3,563)	(17,608)	(24,205)
Operating income		(57,424)	(22,962)	(22,889)	50,718
Other income (expense) - net		11,152	(10,813)	10,103	(59,559)
Finance cost		(18,642)	(16,896)	(72,986)	(66,577)
Loss before tax	15	(64,914)	(50,671)	(85,772)	(75,418)
Tax benefit	16	17,331	4,248	21,294	11,172
Loss for the period		(47,583)	(46,423)	(64,478)	(64,246)
Other comprehensive gain net of tax: Actuarial gain in defined benefits obligation		510	11,845	510	11,845
Total comprehensive loss for the period		(47,073)	(34,578)	(63,968)	(52,401)
Loss attributable to equity holders of the Company		(47,583)	(46,423)	(64,478)	(64,246)
Total comprehensive loss attributable to equity holders of the Company		(47,073)	(34,578)	(63,968)	(52,401)
Loss per share (sen)	23	(17.6)	(17.2)	(23.9)	(23.8)

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 Dec 31, 2014</i>	<i>As at Dec 31, 2013 (As Restated)</i>
ASSETS			
Deposit, cash and bank balances		354,668	97,593
Derivative financial assets		19,507	3,129
Trade and other receivables		422,092	809,531
Inventories		442,385	694,765
Tax recoverable		32,149	32,581
Total Current Assets		1,270,801	1,637,599
Property, plant and equipment		981,591	945,705
Long-term assets		183,767	199,456
Intangible assets- software		6,483	9,138
Total Non-Current Assets		1,171,841	1,154,299
TOTAL ASSETS		2,442,642	2,791,898
LIABILITIES			
Borrowings (unsecured)	18	790,000	900,000
Derivative financial liabilities		834	4,334
Trade and other payables		589,251	895,554
Retirement benefits obligations		4,452	4,604
Taxation		400	-
Total Current Liabilities		1,384,937	1,804,492
Borrowings	18	198,276	-
Payables		18,917	23,486
Retirement benefits obligations		42,304	42,000
Deferred income tax		38,185	60,129
Total Non-Current Liabilities		297,682	125,615
TOTAL LIABILITIES		1,682,619	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)

		<i>As at</i> <i>Dec 31, 2014</i>	<i>As at</i> <i>Dec 31, 2013</i> <i>(As Restated)</i>
	<i>Note</i>		
EQUITY			
Share capital		135,000	135,000
Retained earnings	24	617,023	718,791
Other reserves	24	8,000	8,000
TOTAL EQUITY		760,023	861,791
TOTAL EQUITY and LIABILITIES		2,442,642	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

	Number of ordinary share	Nominal value	Non-distributable			Distributable		Total equity
			Capital redemption reserve	Reserve for retirement plan	Total other reserves	Retained earnings		
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	-	-	-	11,845	11,845	(64,246)	(52,401)	
Dividends for the year ended December 31, 2012	-	-	-	-	-	(28,350)	(28,350)	
Transfer to retained earnings	-	-	-	2,712	2,712	(2,712)	-	
At December 31, 2013 (restated)	270,000	135,000	8,000	-	8,000	718,791	861,791	
At January 1, 2014 (restated)	270,000	135,000	8,000	-	8,000	718,791	861,791	
Total comprehensive loss attributable to equity holders	-	-	-	-	-	(63,968)	(63,968)	
Dividends for the year ended December 31, 2013	-	-	-	-	-	(37,800)	(37,800)	
At December 31, 2014	270,000	135,000	8,000	-	8,000	617,023	760,023	

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 December</i>	
	<i>2014</i>	<i>2013</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(85,772)	(75,418)
Adjustments for:		
Amortisation of intangible asset	2,655	2,728
Amortisation of long-term asset	20,823	20,347
Depreciation/amortisation of property, plant and equipment	59,830	60,624
Impairment loss on receivables	-	105
Intangible asset written off	-	444
Interest income	(1,038)	(1,812)
Interest expense	60,847	61,229
(Gain) loss on disposal of property, plant and equipment	(9,834)	34
Property, plant and equipment written off	3,628	7,491
Retirement/separation benefit costs	5,173	2,479
Unrealised foreign exchange loss	302	5,767
Unrealised fair value (gain) loss on derivatives		
Commodity	(17,939)	3,397
Forex	(734)	(2,192)
Changes in working capital		
Change in inventories	252,380	35,894
Change in long-term asset	(797)	1,796
Change in trade and other receivables and other financial assets	390,776	87,475
Change in trade and other payables and other financial liabilities	(316,037)	98,940
Cash flows from operations	364,263	309,328
Interest paid	(60,178)	(49,489)
Interest received	1,038	1,812
Real Property Gain Tax / Income tax paid	(27)	(17,827)
Retirement/separation benefits paid	(4,301)	(4,573)
Net cash flows from operating activities	300,795	239,251


(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 December</i>	
	<i>2014</i>	<i>2013</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(99,604)	(142,708)
Payment for long-term assets	(4,337)	(9,703)
Proceeds from disposal of property, plant and equipment	10,094	379
Net cash flows used in investing activities	(93,847)	(152,032)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	90,000	-
Debt issue cost paid	(2,067)	-
Dividend paid	(37,800)	(28,350)
Net cash flows from (used in) financing activities	50,133	(28,350)
NET INCREASE IN CASH AND CASH EQUIVALENTS	257,081	58,869
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(6)	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	97,593	38,724
CASH AND CASH EQUIVALENTS AT END OF PERIOD	354,668	97,593

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

37,800

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>Year ended</i>	
	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2014</u>	<u>31.12.2013</u>
Domestic	2,046,211	2,469,659	9,800,742	9,826,108
Foreign	243,790	339,864	1,100,287	1,301,992
Total Revenues	2,290,001	2,809,523	10,901,029	11,128,100

For the year ended December 31, 2014 approximately RM2,838,163 (2013: RM3,837,785) 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 December 31, 2014 are as follows:

Property, plant & equipment	
Authorised but not contracted for	159,847
Contracted for but not provided for	48,927
Total	208,774

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

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

Petron Malaysia Refining & Marketing Bhd (PMRMB) announced that it posted an unaudited after tax loss of RM47.6 million in the last quarter of 2014, slightly higher than the RM46.4 million loss over the same period in 2013, despite a 7% percent increase in domestic sales volumes for the same period and a 9% full-year increase in domestic sales in 2014 versus 2013. The Company said this was caused by depressed margins as higher priced inventory was sold at lower prices in the last two quarters of 2014.

The price of the benchmark Dated Brent crude fell steeply by 44% from an average of US\$112/barrel in June to only US\$63/barrel in December. This exceptional external development had a negative impact on oil companies around the world.

Accordingly, revenues decreased by 18% to RM2.3 billion in the last quarter of 2014 from RM2.8 billion in the 4th quarter of 2013.

Despite the significant increase in local sales by PMRMB, 2014 revenues dropped slightly to RM10.9 billion from RM11.1 billion in 2013 following the steep drop in crude and product prices in the 2nd half. The Company ended 2014 with an unaudited after tax loss of RM64.5 million.

13. Commentary on Prospects

PMRMB continued to focus on the completion of strategic projects to further increase its market presence and boost operational efficiencies. These projects are aimed at serving customers better and give them the unique “Petron” experience.

At the end of 2014, PMRMB together with sister companies Petron Fuel International Sdn Bhd and Petron Oil (Malaysia) Sdn Bhd, have upgraded and rebranded 96% of 550 stations to the Petron brand. Barely three years since entering the highly-competitive Malaysian market, nearly 530 stations now carry Petron’s distinct red and blue colors, have upgraded facilities, and more importantly, offer premium fuels and innovative services. All 550 stations are expected to be transformed ahead of schedule.

Petron is a company that fulfills its promises and commitments. This is a significant milestone since this program lays the foundation for further expansion in the Malaysian market. The Company is gaining the trust and confidence of customers and will go for more creative ways to fuel their convenience and satisfaction.

The rebranding goes hand-in-hand with PMRMB’s retail network expansion program which aims to bring Petron closer to its customers. The Company completed 10 new service stations last year and about 20 more sites are in various stages of construction and commissioning.

Petron has also rolled out cards programs to reward and benefit loyal customers. Since its launch in April 2014, the Petron Miles Card now has 1.8 million registered members, surpassing target. The new Petron Fleet Card is also gaining traction with favorable feedback from corporate customers since it allows for better fleet management and greater security with its microchip technology.

These programs have resulted in sustained volume growth for PMRMB across key market segments including Retail, Commercial and LPG.

Despite the challenges, we remain unfazed and will focus on completing our initiatives. Petron is well-positioned to grow its business and reach out to more 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>Year ended</i>	
	<i>31.12.2014</i>	<i>31.12.2013</i>	<i>31.12.2014</i>	<i>31.12.2013</i>
Property, plant and equipment				
- Depreciation	14,995	15,174	59,830	60,624
- Write-off	1,139	1,359	3,628	7,491
- Gain (loss) on disposal	(7,420)	51	(9,834)	34
Amortisation of long-term assets	5,270	5,383	20,823	20,347
Amortisation of intangible assets	664	677	2,655	2,728
Interest income	(449)	(664)	(1,038)	(1,812)
Interest expense	15,828	23,409	60,847	61,229
Write down of inventories	27,547	-	27,547	-
Impairment loss on receivables	-	40	-	105
Foreign exchange				
- Realised loss (gain)	37,867	(2,052)	28,980	39,740
- Unrealised (gain) loss	(11,183)	7,056	302	5,767
Fair value changes on derivatives				
- Realised (gain) loss				
- Forex	(30,921)	(2,235)	(13,151)	7,778
- Commodity	(70,679)	(3,927)	(93,762)	(224)
- Unrealised loss (gain)				
- Forex	7,081	2,361	(734)	(2,192)
- Commodity	(7,239)	4,862	(17,939)	3,396

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

16. Tax expense

	<i>3 months ended</i>		<i>Year ended</i>	
	<i>31.12.2014</i>	<i>31.12.2013</i>	<i>31.12.2014</i>	<i>31.12.2013</i>
Income tax expense				
- Prior year	-	-	432	5
Deferred income tax				
- Origination and reversal of temporary differences	(11,669)	(3,339)	(16,063)	(10,268)

	<i>3 months ended</i>		<i>Year ended</i>	
	<i>31.12.2014</i>	<i>31.12.2013</i>	<i>31.12.2014</i>	<i>31.12.2013</i>
- Under provision in prior year	(6,089)	(909)	(6,089)	(909)
Real property gains tax	427	-	427	-
Income tax benefit recognised in profit or loss	(17,331)	(4,248)	(21,294)	(11,172)
Deferred income tax related to other comprehensive gain				
- Actuarial gain in defined benefits obligation	209	3,948	209	3,948

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 December 31, 2014 are as follows:

Working capital facility - short-term, unsecured	790,000
Long term loan facility - unsecured	198,276
Total	988,276

19. Derivative Financial Instruments

As at December 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	430,509	-	1,096	(362)
- Commodity swaps	76,126	-	18,411	(472)
	506,635	-	19,507	(834)

(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>
	<i>3 months ended</i>	<i>Year ended</i>	
	<u>31.12.2014</u>	<u>31.12.2014</u>	
Foreign currency forward contract	(309)	548	Level 2 measurement (OTC price)
Commodity swaps	(332)	999	Level 2 measurement (OTC price)
Commodity options	-	1,953	Level 2 measurement (OTC price)
	<u>(641)</u>	<u>3,500</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

Considering the losses suffered by the Company for two consecutive years and the need to prioritize funds for operations and manage bank borrowings, the Directors are not recommending a dividend payout for 2014.

23. Earnings per Ordinary Share

	<i>3 months ended</i>		<i>Year ended</i>	
	<u>31.12.2014</u>	<u>31.12.2013</u>	<u>31.12.2014</u>	<u>31.12.2013</u>
Loss for the period attributable to equity holders of the Company	(47,583)	(46,423)	(64,478)	(64,246)
Number of ordinary shares in issue ('000)	270,000	270,000	270,000	270,000
Loss per share (sen)	(17.6)	(17.2)	(23.9)	(23.8)

24. Reserves

	<i>As at</i>	
	<u>31.12.2014</u>	<u>31.12.2013</u>
Non-distributable		
Capital redemption reserve	8,000	8,000
Reserve for retirement plan	-	(2,712)
Other reserves	8,000	5,228
Transfer to retained earning	-	2,712
	8,000	8,000
Distributable		
Retained earnings	617,023	721,503
Transfer from reserve for retirement plan	-	(2,712)
Total reserves	625,023	726,791

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>31.12.2014</u>	<u>31.12.2013</u>
Total retained profits:		
- realised	643,724	782,495
- unrealised	(26,701)	(63,704)
Total retained profits	617,023	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.