



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 June 30, 2016 and for the six months ended June 30, 2016.

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 FINANCIAL POSITION
(Amounts in Thousand Ringgit Malaysia)

Unaudited

	Note	<i>As at Jun 30, 2016</i>	<i>As at Dec 31, 2015</i>
ASSETS			
Cash and cash equivalents		109,116	159,274
Derivative financial assets		4,190	10,991
Trade and other receivables		310,639	315,910
Inventories		503,251	499,842
Other current assets		137,230	93,560
Total Current Assets		1,064,426	1,079,577
Property, plant and equipment		961,117	977,502
Long-term assets		191,405	209,877
Intangible assets - software		2,508	3,828
Total Non-Current Assets		1,155,030	1,191,207
TOTAL ASSETS		2,219,456	2,270,784
LIABILITIES			
Loans and borrowings	15	285,516	385,696
Trade and other payables		684,062	615,477
Derivative financial liabilities		7,743	11,495
Retirement benefits obligations		5,809	5,809
Taxation		910	7,274
Total Current Liabilities		984,040	1,025,751
Loans and borrowings	15	125,342	158,126
Retirement benefits obligations		41,364	41,290
Deferred tax liabilities		63,059	64,111
Total Non-Current Liabilities		229,765	263,527
TOTAL LIABILITIES		1,213,805	1,289,278

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 Jun 30, 2016	As at Dec 31, 2015
EQUITY			
Share capital		135,000	135,000
Reserves	16	8,000	8,000
Retained earnings	16	862,651	838,506
TOTAL EQUITY		1,005,651	981,506
TOTAL EQUITY and LIABILITIES		2,219,456	2,270,784

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 COMPREHENSIVE INCOME
(Amounts in Thousand Ringgit Malaysia, Except Per Share Amounts)

Unaudited

	Note	April to June		January to June	
		2016	2015 Restated	2016	2015 Restated
Revenue		1,830,902	2,265,985	3,489,085	4,105,603
Cost of sales		(1,695,284)	(2,092,750)	(3,277,279)	(3,779,924)
Gross profit		135,618	173,235	211,806	325,679
Other operating income		18,804	14,019	33,894	27,960
Other operating expenses		(55,883)	(52,371)	(111,111)	(103,174)
Administrative expenses		(5,029)	(4,702)	(9,285)	(8,315)
Results from operating activities		93,510	130,181	125,304	242,150
Other income		12,755	3,205	28,809	21,806
Other expenses		(12,334)	(15,325)	(28,316)	(50,670)
Finance income		378	129	678	553
Finance cost		(7,590)	(11,852)	(17,028)	(25,150)
Profit before tax	17	86,719	106,338	109,447	188,689
Tax expense	18	(25,188)	(32,963)	(31,302)	(58,492)
Profit for the period		61,531	73,375	78,145	130,197
Total comprehensive income for the period		61,531	73,375	78,145	130,197
Profit attributable to equity holders of the Company		61,531	73,375	78,145	130,197
Total comprehensive income attributable to equity holders of the Company		61,531	73,375	78,145	130,197
Earnings per ordinary share (sen)	24	22.8	27.2	28.9	48.2

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 Thousand Ringgit Malaysia)

Unaudited

	<u>Non-Distributable</u>		<u>Distributable</u>	<i>Total equity</i>
	<i>Share capital</i>	<i>Capital redemption reserve</i>	<i>Retained earnings</i>	
At January 1, 2015	135,000	8,000	617,023	760,023
Total comprehensive income for the period	-	-	130,197	130,197
At June 30, 2015	135,000	8,000	747,220	890,220
At January 1, 2016	135,000	8,000	838,506	981,506
Total comprehensive income for the year	-	-	78,145	78,145
Dividends for the year ended December 31, 2015	-	-	(54,000)	(54,000)
At June 30, 2016	135,000	8,000	862,651	1,005,651

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 CASH FLOWS
(Amounts in Thousand Ringgit Malaysia)

Unaudited

	<i>January to June</i>	
	<i>2016</i>	<i>2015</i>
		<i>Restated</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	109,447	188,689
Adjustments for:		
Amortisation of intangible assets	1,320	1,328
Amortisation of long-term assets	16,156	9,835
Depreciation of property, plant and equipment	29,544	30,032
Finance costs	17,028	25,150
Finance income	(678)	(553)
Property, plant and equipment written off	1,101	6,072
Long-term assets written off	75	-
Retirement benefits costs	2,527	2,527
Unrealised foreign exchange (gain) loss	(7,313)	3,274
Fair value loss on derivatives	3,553	1,313
Operating profit before changes in working capital	172,760	267,667
Change in inventories	(3,409)	(56,752)
Change in long-term assets	2,588	2
Change in trade and other payables and other financial liabilities	58,970	35,032
Change in trade and other receivables and other financial assets	(28,132)	(112,963)
Cash generated from operations	202,777	132,986
Interest paid	(10,048)	(20,539)
Interest received	678	553
Real Property Gain Tax/Income tax paid	(38,720)	(345)
Retirement benefits paid	(2,452)	(1,240)
Net cash from operating activities	152,235	111,415


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 June</i>	
	<i>2016</i>	<i>2015</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(14,267)	(37,941)
Payment for long-term assets	(346)	(2,984)
Proceeds from disposals of property, plant and equipment	8	-
Net cash used in investing activities	(14,605)	(40,925)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	(133,250)	(370,000)
Dividend paid	(54,000)	-
Net cash used in financing activities	(187,250)	(370,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(49,620)	(299,510)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(538)	26
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	159,274	354,668
CASH AND CASH EQUIVALENTS AT END OF PERIOD	109,116	55,184

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.

This report should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2015. 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, 2015.

2. Significant Accounting Policies

a) Changes in Accounting Policies

The audited financial statements of the Company for the year ended December 31, 2015 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, 2015.

On January 1, 2016, the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after January 1, 2016.

- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities*
- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

The adoption of the above standards did not have any material impact to the interim financial statements of the Company.

2. Significant Accounting Policies (continued)

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 applicable to the Company that will be effective but have not been adopted yet by the Company, are as follows:

Amendments effective from January 1, 2017

- Amendments to MFRS 107, *Disclosure Initiative*
- Amendments to MFRS 112, *Recognition of Deferred Tax Assets for Unrealised Losses*

Standards effective from January 1, 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

Standards effective from January 1, 2019

- MFRS 16, *Leases*

The Company will apply the above standards and amendments on their effective dates.

Adoptions of these standards are not expected to have any material impact on the financial position of the Company. The remaining standards, amendments and interpretations that are issued but not yet effective are not applicable to the Company's operations.

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 amount of dividends paid since December 31, 2015 is as follows:

In respect of the year ended December 31, 2015:

Final dividend per ordinary share, paid on June 24, 2016	
- 20 sen per ordinary shares	<u>54,000</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>	
	<u>30.06.2016</u>	<u>30.06.2015</u>	<u>30.06.2016</u>	<u>30.06.2015</u>
Domestic	1,710,308	2,028,586	3,221,714	3,708,173
Foreign	120,594	237,399	267,371	397,430
Total Revenues	1,830,902	2,265,985	3,489,085	4,105,603

For the period ended June 30, 2016 approximately RM768,468 (2015: RM936,966) 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 Assets and Contingent Liabilities

There were no significant changes in contingent assets or contingent liabilities since the last annual statement of financial position as at December 31, 2015.

11. Capital Commitments

Capital commitments not provided for in the Interim Financial Report as at June 30, 2016 are as follows:

Property, plant & equipment	
Authorised but not contracted for	90,007
Contracted but not provided for	37,392
Total	<u>127,399</u>

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

12. Review of Performance - Current Financial period ended June 30, 2016

PMRMB recorded a better quarter with an after tax income of RM61.5 million compared to RM16.6 million in the first quarter of 2016. Net income for the quarter ending June 30, 2016, however, is lower by RM11.8 million compared to RM73.4 million in the same period in 2015 due to lower margins. The drop in margin can be attributed to the weaker price differentials between finished products and crude oil.

PMRMB's revenues for the first six months of 2016 decreased to RM3.5 billion from RM4.1 billion in the same period last year due to lower crude oil and finished product prices. Dated Brent averaged US\$40 per barrel in the first half of the year compared to US\$58 per barrel in 2015.

The Company's sales volumes grew by 1 million barrels or 7% in the first six months of 2016 to 16.1 million barrels compared to 15.1 million barrels over the same period last year. Petron's retail and commercial businesses contributed significantly to the upswing in volumes. The strong volume performance and the recovery of oil price in the second quarter from the low levels in the first quarter resulted in a net income of RM78.1 million for the first half of the year.

13. Commentary on Prospects

Global supply and demand will continue to influence the oil prices and industry outlook. Given the impact these will have on potential earnings, the Company shall remain focused on sustaining flawless operations, network expansion and product and services quality and innovation.

The Company will continue to focus on strategic programs that will bring it closer to its customers. These include more stations and service offerings together with an efficient value chain. The Company is confident that the initiatives will sustain its growth in sales across major business segments.

14. Profit Forecast or Profit Guarantee

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

15. Borrowings

The Company's borrowings as at June 30, 2016 are as follows:

Current	
Revolving credit - unsecured	220,000
Long-term loan - unsecured	65,516
	<hr/>
	285,516
Non-current	
Long-term loan - unsecured	125,342
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	410,858

16. Reserves

	<i>As at</i>	
	<u>30.06.2016</u>	<u>30.06.2015</u>
Non-distributable		
Capital redemption reserve	8,000	8,000
Distributable		
Retained earnings	862,651	747,220
	<hr/>	<hr/>
	870,651	755,220

17. 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>30.06.2016</u>	<u>30.06.2015</u>	<u>30.06.2016</u>	<u>30.06.2015</u>
Property, plant and equipment				
- Depreciation	14,683	15,790	29,544	30,032
- Written off	327	-	1,101	6,072
Amortisation of long-term assets	7,920	4,913	16,156	9,835
Amortisation of intangible assets	656	664	1,320	1,328
Long-term assets written off	75	-	75	-
Finance income	(378)	(130)	(678)	(553)
Finance costs	7,590	11,852	17,028	25,150
Foreign exchange				
- Realised (gain) loss	(4,784)	3,915	(20,116)	19,444
- Unrealised (gain) loss	7,155	112	(7,313)	3,274
Loss on derivatives	23,341	37,177	37,604	14,287

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

18. Tax expense

	<i>3 months ended</i>		<i>Period ended</i>	
	<u>30.06.2016</u>	<u>30.06.2015</u>	<u>30.06.2016</u>	<u>30.06.2015</u>
Current tax expense				
- Current year	26,207	29,997	32,354	34,700
Real Property Gain Tax				
- Current year	-	(1)	-	(1)
Deferred tax (benefit) expense				
- Origination and reversal of temporary differences	(1,019)	2,967	(1,052)	23,793
Income tax expense recognised in profit or loss	25,188	32,963	31,302	58,492

The effective tax rate is 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.

19. Corporate Proposals

There were no corporate proposals.

20. Derivative Financial Instruments

The Company measures fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

There has been no transfer between Level 1 and Level 2 fair values during the year.

As at June 30, 2016, the Company has the following outstanding derivative financial instruments:

<i>Type of derivatives</i>	<i>Fair value hierarchy</i>	<i>Contract/ Notional value</i>	<i>Fair value</i>	
			<i>Assets</i>	<i>Liabilities</i>
Derivatives at fair value through profit or loss				
- Foreign currency forward contracts	Level 2	422,136	9	(4,198)
- Commodity swaps	Level 2	(1,359)	4,181	(3,545)
		420,777	4,190	(7,743)

All the forward contracts and the commodity derivative contracts have maturities of less than one year after the end of the reporting period.

The foreign currency forward contracts and commodity swaps are transacted with accredited banks and traded on over-the-counter (“OTC”) markets. The related accounting policies, cash requirements of the derivatives, risk associated with the derivatives and policies to mitigate those risks are unchanged since the last financial year.

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.

21. 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 30.06.2016</i>	<i>Period ended 30.06.2016</i>	
Foreign currency forward contract	5,912	(3,660)	Level 2 measurement (OTC price)
Commodity swaps	1,523	7,412	Level 2 measurement (OTC price)
	7,435	3,752	

The fair value gains 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.

22. Changes in Material Litigation

There were no significant changes in material litigation since December 31, 2015.

23. Dividend Payable

The Company did not declare any dividends during the three months ended June 30, 2016.

24. Earnings per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<u>30.06.2016</u>	<u>30.06.2015</u>	<u>30.06.2016</u>	<u>30.06.2015</u>
Profit attributable to equity holders of the Company	61,531	73,375	78,145	130,197
Number of ordinary shares in issue ('000)	270,000	270,000	270,000	270,000
Earnings per ordinary share (sen)	22.8	27.2	28.9	48.2

25. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Company's financial statements for the year ended December 31, 2015 was not qualified.

26. Supplementary financial information on the breakdown of realised and unrealised profits or losses

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.

	<i>As at</i>	
	<u>30.06.2016</u>	<u>31.12.2015</u>
Total retained earnings of the Company:		
- realised	917,527	902,036
- unrealised	(54,876)	(63,530)
Total retained earnings	862,651	838,506

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.