



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

The Board of Directors of Petron Malaysia Refining & Marketing Bhd hereby announces the financial results of the Company for the quarter ended September 30, 2016 and for the nine months ended September 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</i> <i>Sep 30, 2016</i>	<i>As at</i> <i>Dec 31, 2015</i>
<b>ASSETS</b>			
Cash and cash equivalents		134,078	159,274
Derivative financial assets		2,983	10,991
Trade and other receivables		269,451	315,910
Inventories		498,383	499,842
Other current assets		176,388	93,560
<b>Total Current Assets</b>		<b>1,081,283</b>	<b>1,079,577</b>
Property, plant and equipment		953,542	977,502
Long-term assets		185,701	209,877
Intangible assets - software		1,851	3,828
<b>Total Non-Current Assets</b>		<b>1,141,094</b>	<b>1,191,207</b>
<b>TOTAL ASSETS</b>		<b>2,222,377</b>	<b>2,270,784</b>
<b>LIABILITIES</b>			
Loans and borrowings	15	270,895	385,696
Trade and other payables		667,010	615,477
Derivative financial liabilities		7,457	11,495
Retirement benefits obligations		5,809	5,809
Taxation		2,144	7,274
<b>Total Current Liabilities</b>		<b>953,315</b>	<b>1,025,751</b>
Loans and borrowings	15	108,520	158,126
Retirement benefits obligations		41,868	41,290
Deferred tax liabilities		66,235	64,111
<b>Total Non-Current Liabilities</b>		<b>216,623</b>	<b>263,527</b>
<b>TOTAL LIABILITIES</b>		<b>1,169,938</b>	<b>1,289,278</b>

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 Sep 30, 2016	As at Dec 31, 2015
<b>EQUITY</b>			
Share capital		135,000	135,000
Reserves	16	8,000	8,000
Retained earnings	16	909,439	838,506
<b>TOTAL EQUITY</b>		<b>1,052,439</b>	<b>981,506</b>
<b>TOTAL EQUITY and LIABILITIES</b>		<b>2,222,377</b>	<b>2,270,784</b>

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	<i>July to September</i>		<i>January to September</i>	
		2016	2015 <i>Restated</i>	2016	2015 <i>Restated</i>
Revenue		1,823,849	2,161,298	5,312,933	6,266,901
Cost of sales		(1,704,135)	(2,031,124)	(4,981,414)	(5,811,048)
Gross profit		119,714	130,174	331,519	455,853
Other operating income		15,704	15,022	49,598	42,982
Other operating expenses		(56,432)	(53,546)	(167,543)	(156,720)
Administrative expenses		(4,476)	(4,971)	(13,761)	(13,286)
Results from operating activities		74,510	86,679	199,813	328,829
Other income		11,261	79,559	27,640	94,773
Other expenses		(17,385)	(46,319)	(33,271)	(90,397)
Finance income		300	245	978	798
Finance cost		(7,916)	(12,687)	(24,944)	(37,837)
Profit before tax	17	60,770	107,477	170,216	296,166
Tax expense	18	(13,981)	(33,318)	(45,283)	(91,810)
<b>Profit for the period</b>		<b>46,789</b>	<b>74,159</b>	<b>124,933</b>	<b>204,356</b>
<b>Total comprehensive income for the period</b>		<b>46,789</b>	<b>74,159</b>	<b>124,933</b>	<b>204,356</b>
Profit attributable to equity holders of the Company		46,789	74,159	124,933	204,356
<b>Total comprehensive income attributable to equity holders of the Company</b>		<b>46,789</b>	<b>74,159</b>	<b>124,933</b>	<b>204,356</b>
Earnings per ordinary share (sen)	24	17.3	27.5	46.3	75.7

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

	<i>Non-Distributable</i>		<i>Distributable</i>	<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	-	-	204,356	204,356
<b>At September 30, 2015</b>	<b>135,000</b>	<b>8,000</b>	<b>821,379</b>	<b>964,379</b>
At January 1, 2016	135,000	8,000	838,506	981,506
Total comprehensive income for the year	-	-	124,933	124,933
Dividends for the year ended December 31, 2015	-	-	(54,000)	(54,000)
<b>At September 30, 2016</b>	<b>135,000</b>	<b>8,000</b>	<b>909,439</b>	<b>1,052,439</b>

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

	<u>January to September</u>	
	2016	2015 <i>Restated</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	170,216	296,166
Adjustments for:		
Amortisation of intangible assets	1,977	1,991
Amortisation of long-term assets	24,024	14,727
Depreciation of property, plant and equipment	44,169	44,903
Finance costs	24,944	37,837
Finance income	(978)	(798)
Property, plant and equipment written off	2,769	4,101
Long-term assets written off	75	-
Retirement benefits costs	3,790	3,790
Unrealised foreign exchange loss	1,661	3,375
Fair value loss (gain) on derivatives	4,473	(7,086)
Operating profit before changes in working capital	277,120	399,006
Change in inventories	1,459	36,970
Change in long-term assets	3,444	(3,891)
Change in trade and other payables and other financial liabilities	28,259	(60,343)
Change in trade and other receivables and other financial assets	(25,043)	(4,967)
Cash generated from operations	285,239	366,775
Interest paid	(14,759)	(29,830)
Interest received	978	798
Real Property Gains Tax/Income tax paid	(48,289)	(345)
Retirement benefits paid	(3,212)	(1,857)
<b>Net cash from operating activities</b>	<b>219,957</b>	<b>335,541</b>

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)

	<u>January to September</u>	
	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(22,986)	(49,104)
Payment for long-term assets	(3,366)	(4,848)
Proceeds from disposals of property, plant and equipment	8	-
<b>Net cash used in investing activities</b>	<b>(26,344)</b>	<b>(53,952)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(164,833)	(464,738)
Dividend paid	(54,000)	-
<b>Net cash used in financing activities</b>	<b>(218,833)</b>	<b>(464,738)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(25,220)</b>	<b>(183,149)</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>24</b>	<b>6,358</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>159,274</b>	<b>354,668</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>134,078</b>	<b>177,877</b>

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, *Statement of Cash Flows - Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*

Standards effective from January 1, 2018

- MFRS 9, *Financial Instruments*
- 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 dividend 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>
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## 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>30.09.2016</u>	<u>30.09.2015</u>	<u>30.09.2016</u>	<u>30.09.2015</u>
Domestic	1,701,755	1,937,205	4,923,468	5,645,378
Foreign	122,094	224,093	389,465	621,523
<b>Total Revenues</b>	<b>1,823,849</b>	<b>2,161,298</b>	<b>5,312,933</b>	<b>6,266,901</b>

For the period ended September 30, 2016 approximately RM1,136,783 (2015: RM1,400,186) 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 September 30, 2016 are as follows:

<b>Property, plant &amp; equipment</b>	
Authorised but not contracted for	117,324
Contracted but not provided for	39,700
<b>Total</b>	<u>157,024</u>

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

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

Petron Malaysia Refining & Marketing Bhd (PMRMB) posted a net income of RM47 million for the third quarter, a drop of RM27 million from RM74 million in the same quarter last year. The drop was mainly due to the narrowing price differentials between finished products and crude oil which continued to affect margins. This brought the Company's net income for the first nine months to a total of RM125 million compared to RM204 million over the same period last year.

The Company's total sales volume for the first nine months grew by 3%, from 23.1 million barrels last year to 23.8 million barrels in 2016. This was driven mainly by strong domestic sales which grew by 7% over the period. Sales remained strong as station volumes continue to grow with ongoing brand differentiation efforts including new product and service offerings. Increased demand from strategic sectors also helped PMRMB grow its commercial business.

Revenues were lower at RM5.3 billion from RM6.3 billion in 2015. The decrease in revenues was due to lower price of Dated Brent averaging at US\$42 per barrel during the first nine months, from US\$55 per barrel in the same period in 2015.

Meanwhile, quarterly performance shows profit before tax being lower by 29% at RM61 million against the RM86 million in the 2<sup>nd</sup> quarter. Margins in the 3<sup>rd</sup> quarter were partly affected by inventory holding loss as Dated Brent was on a declining trend during the quarter which settled to an average of US\$46 per barrel from the US\$48 per barrel level in April.

### 13. Commentary on Prospects

Fluctuations in oil prices, driven by global supply and demand, will continue to affect overall performance of the Company. Amidst the volatility in the global oil market, however, PMRMB is optimistic of its growth prospects in Malaysia.

The Company continues to expand its network. PMRMB, together with sister companies under the Petron Malaysia Group, carries on streaming new stations.

The Petron Malaysia Group continues to bring more innovative products to meet customers' demand. Petron recently introduced its new and improved Turbo Diesel Euro 5.

The Petron Malaysia Group also rolled out another new service, Prepaid Fleetcard, aimed at increasing its market share, and ultimately, grow its presence. To reward its loyal customers and cardholders, Petron continues to improve its Petron Miles Privilege card with programs such 'Hypermarket Sweep', 'Fuel and Fly to London', and partnering with other businesses in providing redeemable items relevant to our customers.

The improved sales volume is proof to the growing customer trust and confidence in our brands which in turn may further drive and sustain PMRMB's growth.

#### 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 September 30, 2016 are as follows:

<b>Current</b>	
Revolving credit - unsecured	205,000
Long-term loan - unsecured	65,895
	<hr/>
	270,895
	<hr/>
<b>Non-current</b>	
Long-term loan - unsecured	108,520
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	379,415
	<hr/>

#### 16. Reserves

	<i>As at</i>	
	<u>30.09.2016</u>	<u>30.09.2015</u>
Non-distributable		
Capital redemption reserve	8,000	8,000
Distributable		
Retained earnings	909,439	821,379
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	917,439	829,379
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#### 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>30.09.2016</u>	<u>30.09.2015</u>	<u>30.09.2016</u>	<u>30.09.2015</u>
Property, plant and equipment				
- Depreciation	14,625	14,871	44,169	44,903
- Written off	1,668	(1,971)	2,769	4,101
Amortisation of long-term assets	7,868	4,892	24,024	14,727
Amortisation of intangible assets	657	663	1,977	1,991
Long-term assets written off	-	-	75	-
Finance income	(300)	(245)	(978)	(798)
Finance costs	7,916	12,687	24,944	37,837
Foreign exchange				
- Realised (gain) loss	(4,823)	46,218	(24,939)	65,663
- Unrealised loss	8,973	101	1,661	3,375
(Gain) Loss on derivatives	(4,686)	(120,281)	32,918	(105,993)
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There are no exceptional items, inventories written off, gain or loss on disposal of quoted or unquoted investments or properties.

## 18. Tax expense

	<u>3 months ended</u>		<u>Period ended</u>	
	<u>30.09.2016</u>	<u>30.09.2015</u>	<u>30.09.2016</u>	<u>30.09.2015</u>
Current tax expense				
- Current year	17,045	32,037	49,399	66,737
- Prior year	(6,241)	-	(6,241)	-
Real Property Gain Tax				
- Current year	-	-	-	(1)
Deferred tax (benefit) expense				
- Origination and reversal of temporary differences	(1,022)	1,281	(2,074)	25,074
- Under provision in prior year	4,199	-	4,199	-
<b>Income tax expense recognised in profit or loss</b>	<b>13,981</b>	<b>33,318</b>	<b>45,283</b>	<b>91,810</b>

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 September 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	364,857	1,704	(69)
- Commodity swaps	Level 2	2,743	1,279	(7,388)
		367,600	2,983	(7,457)

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 30.09.2016</i>	<i>Period ended 30.09.2016</i>	
Foreign currency forward contract	4,129	469	Level 2 measurement (OTC price)
Commodity swaps	(3,843)	3,569	Level 2 measurement (OTC price)
	286	4,038	

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

Following the Court of Appeal's decision made in favour of the Company on December 10, 2015, Konsortium Lord Saberkat Sdn Bhd ("KLSSB") filed a notice of motion for leave to appeal to the Federal Court ("the Motion") on January 6, 2016.

On November 8, 2016, the Federal Court has dismissed the Motion by KLSSB, with an order for costs of RM10,000 in favour of the Company.

## 23. Dividend Payable

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

## 24. Earnings per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<u>30.09.2016</u>	<u>30.09.2015</u>	<u>30.09.2016</u>	<u>30.09.2015</u>
Profit attributable to equity holders of the Company	46,789	74,159	124,933	204,356
Number of ordinary shares in issue ('000)	270,000	270,000	270,000	270,000
Earnings per ordinary share (sen)	17.3	27.5	46.3	75.7

## 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>30.09.2016</u>	<u>31.12.2015</u>
Total retained earnings of the Company:		
- realised	975,700	902,036
- unrealised	(66,261)	(63,530)
<b>Total retained earnings</b>	<b>909,439</b>	<b>838,506</b>

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.