



**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 31 March 2017 and for the three months ended 31 March 2017.

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 STATEMENT OF FINANCIAL POSITION**  
**(Amounts in Thousand Ringgit Malaysia)**

**Unaudited**

	Note	<i>As at</i> 31 Mar 2017	<i>As at</i> 31 Dec 2016
<b>ASSETS</b>			
Cash and cash equivalents		204,839	171,640
Derivative financial assets		5,517	2,958
Trade and other receivables		390,147	486,023
Inventories		602,113	710,081
Other current assets		209,002	139,219
<b>Total Current Assets</b>		<b>1,411,618</b>	<b>1,509,921</b>
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Property, plant and equipment		952,095	956,007
Long-term assets		174,488	179,145
Intangible assets - software		537	1,194
<b>Total Non-Current Assets</b>		<b>1,127,120</b>	<b>1,136,346</b>
<b>TOTAL ASSETS</b>		<b>2,538,738</b>	<b>2,646,267</b>
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<b>LIABILITIES</b>			
Loans and borrowings	15	175,985	215,946
Trade and other payables		836,770	1,001,290
Derivative financial liabilities		7,563	21,702
Retirement benefits obligations		6,145	6,145
Taxation		51,932	39,014
<b>Total Current Liabilities</b>		<b>1,078,395</b>	<b>1,284,097</b>
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Loans and borrowings	15	75,502	92,014
Retirement benefits obligations		43,134	42,431
Deferred tax liabilities		69,273	63,828
<b>Total Non-Current Liabilities</b>		<b>187,909</b>	<b>198,273</b>
<b>TOTAL LIABILITIES</b>		<b>1,266,304</b>	<b>1,482,370</b>

The condensed statement 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 STATEMENT OF FINANCIAL POSITION**  
**(Amounts in Thousand Ringgit Malaysia)**

**Unaudited**  
**(Continued)**

	Note	<i>As at</i> 31 Mar 2017	<i>As at</i> 31 Dec 2016
<b>EQUITY</b>			
Share capital		135,000	135,000
Reserves	16	8,000	8,000
Retained earnings	16	1,129,434	1,020,897
<b>TOTAL EQUITY</b>		<b>1,272,434</b>	<b>1,163,897</b>
<b>TOTAL EQUITY and LIABILITIES</b>		<b>2,538,738</b>	<b>2,646,267</b>

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

The condensed statement 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 STATEMENT OF COMPREHENSIVE INCOME**  
**(Amounts in Thousand Ringgit Malaysia, Except Per Share Amounts)**  
**Unaudited**

	Note	January to March		January to March	
		2017	2016	2017	2016
Revenue		2,556,604	1,658,182	2,556,604	1,658,182
Cost of sales		(2,373,469)	(1,581,996)	(2,373,469)	(1,581,996)
Gross profit		183,135	76,186	183,135	76,186
Other operating income		15,709	15,091	15,709	15,091
Other operating expenses		(57,531)	(55,228)	(57,531)	(55,228)
Administrative expenses		(4,419)	(4,256)	(4,419)	(4,256)
Results from operating activities		136,894	31,793	136,894	31,793
Other income		27,697	30,517	27,697	30,517
Other expenses		(9,791)	(30,445)	(9,791)	(30,445)
Finance income		291	300	291	300
Finance costs		(6,613)	(9,438)	(6,613)	(9,438)
Profit before tax	17	148,478	22,727	148,478	22,727
Tax expense	18	(39,941)	(6,114)	(39,941)	(6,114)
Profit for the period		108,537	16,613	108,537	16,613
Total comprehensive income for the period		108,537	16,613	108,537	16,613
Profit attributable to equity holders of the Company		108,537	16,613	108,537	16,613
Total comprehensive income attributable to equity holders of the Company		108,537	16,613	108,537	16,613
Basic earnings per ordinary share (sen)	24	40.2	6.2	40.2	6.2

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

The condensed statement 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 STATEMENT 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 reserves</i>	<i>Retained earnings</i>	
At 1 January 2016	135,000	8,000	838,506	981,506
Total comprehensive income for the period	-	-	16,613	16,613
At 31 March 2016	135,000	8,000	855,119	998,119
At 1 January 2017	135,000	8,000	1,020,897	1,163,897
Total comprehensive income for the period	-	-	108,537	108,537
At 31 March 2017	135,000	8,000	1,129,434	1,272,434

Certified by:   
MYRNA C. GERONIMO  
Chief Finance Officer

The condensed statement 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 STATEMENT OF CASH FLOWS**  
**(Amounts in Thousand Ringgit Malaysia)**  
**Unaudited**

	<i>January to March</i>	
	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	148,478	22,727
Adjustments for:		
Amortisation of intangible assets	657	664
Amortisation of long-term assets	7,007	8,236
Depreciation of property, plant and equipment	17,008	14,861
Finance costs	6,613	9,438
Finance income	(291)	(300)
Property, plant and equipment write off	-	774
Retirement benefits costs	1,321	1,263
Unrealised foreign exchange gain	(1,575)	(14,467)
Unrealised loss on derivatives	2,046	11,519
Operating profit before changes in working capital	181,264	54,715
Change in inventories	107,968	34,371
Change in long-term assets	(696)	1,539
Change in trade and other payables and other financial liabilities	(187,199)	94,334
Change in trade and other receivables and other financial assets	29,440	23,800
Cash from operations	130,777	208,759
Interest paid	(4,349)	(5,368)
Interest received	291	300
Income tax paid	(21,578)	(24,366)
Retirement benefits paid	(619)	(2,259)
<b>Net cash from operating activities</b>	<b>104,522</b>	<b>177,066</b>

The condensed statement 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 STATEMENT OF CASH FLOWS  
(Amounts in Thousand Ringgit Malaysia)

Unaudited  
(Continued)

	<i>January to March</i>	
	<i>2017</i>	<i>2016</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(13,096)	(8,468)
Payment for long-term assets	(1,654)	(200)
<b>Net cash used in investing activities</b>	<b>(14,750)</b>	<b>(8,668)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(56,583)	(125,000)
<b>Net cash used in financing activities</b>	<b>(56,583)</b>	<b>(125,000)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>33,189</b>	<b>43,398</b>
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	<b>10</b>	<b>(1,722)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>171,640</b>	<b>159,274</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>204,839</b>	<b>200,950</b>

Certified by:   
MYRNA C. GERONIMO  
Chief Finance Officer

The condensed statement 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 2016. The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and the performance of the Company since the financial year ended 31 December 2016.

**2. Significant Accounting Policies**

**a) Changes in Accounting Policies**

The audited financial statements of the Company for the year ended 31 December 2016 were prepared in accordance with MFRS. The accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2016.

On 1 January 2017, the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2017:

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

The new standards, interpretation and amendments applicable to the Company that will be effective but have not been adopted yet by the Company, are as follows:

Standards, interpretation and amendments effective from 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarification to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 128, *Investments in Associate and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

Standard effective from 1 January 2019

- MFRS 16, *Leases*

Amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

The initial application of the standards, interpretation or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Company except as mentioned below:

#### (i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 15.

#### (ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 9.

## **2. Significant Accounting Policies (continued)**

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

#### **(iii) MFRS 16, *Leases***

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 16.

The remaining standards, interpretation and amendments 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**

There has been no dividend paid since 31 December 2016.

## **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.

## 8. Segmental Information (continued)

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>31.03.2017</u>	<u>31.03.2016</u>	<u>31.03.2017</u>	<u>31.03.2016</u>
Domestic	2,308,192	1,511,404	2,308,192	1,511,404
Foreign	248,412	146,778	248,412	146,778
<b>Total Revenues</b>	<b>2,556,604</b>	<b>1,658,182</b>	<b>2,556,604</b>	<b>1,658,182</b>

For the period ended 31 March 2017 approximately RM526,049 (2016: RM378,182) 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 31 December 2016.

## 11. Capital Commitments

Capital commitments not provided for in the Interim Financial Report as at 31 March 2017 are as follows:

<b>Property, plant &amp; equipment</b>	
Authorised but not contracted for	127,031
Contracted but not provided for	39,309
<b>Total</b>	<b>166,340</b>

**12. Review of Performance - Current financial period ended 31 March 2017**

Petron Malaysia Refining & Marketing Bhd (PMRMB) started the year strong with a first quarter net income of RM109 million. This is a substantial improvement compared to RM17 million profit over the same period. This is attributed to the strong growth in domestic sales, better margins and operating efficiencies.

PMRMB's domestic volumes grew by 7% driven by its Retail and Commercial businesses. The launch of its revolutionary fuels namely Blaze 100 Euro 4M and Turbo Diesel Euro 5 and its aggressive network expansion were key to driving growth. The Company's commercial business was bolstered by the increase in volumes of jet fuel, diesel and LPG.

In the first three months of 2017, Dated Brent continued its recovery to average US\$54 per barrel versus US\$34 last year. As oil prices rallied, margins also improved. The margin improvement together with increased sales of higher-margin products brought gross profit up to RM183 million compared to RM76 million over the same period. Operating income for the quarter surged to RM137 million from RM32 million for the same period in 2016.

PMRMB's total sales volumes of 8.3 million barrels in the first quarter of 2017 slightly improved from 8.2 million over the same period last year tempered by lower export sales. The Company exported less by-products namely Low Sulphur Waxy Residue and Naphtha.

Reflecting higher oil prices and increased domestic sales, revenues increased by 54% to RM2.6 billion during the first quarter.

**13. Commentary on Prospects**

The recovery of oil price towards the end of 2016 persisted in the first quarter of 2017. While there are indications that global demand has started to catch up and that the current crude production cuts may be extended, which could help prices to further stabilize, other challenges in the industry and business environment remain.

The Company's strong first quarter performance underscores that it is on the right track on delivering its plans and programs that will continue to build its brand and increase market presence. Together with its sister companies, Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd., the Group is picking up the pace on its service station network expansion. Along with this, the Company will continue to implement its various projects that will result in cost savings and better efficiencies in the areas of crude and product supply sourcing as well as logistics supports and facilities.

#### 14. Profit Forecast or Profit Guarantee

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

#### 15. Loans and Borrowings

The Company's loans and borrowings as at 31 March 2017 are as follows:

<b>Current</b>	
Revolving credit - unsecured	110,000
Long-term loan - unsecured	65,985
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	175,985
<b>Non-current</b>	
Long-term loan - unsecured	75,502
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	251,487

#### 16. Reserves

	<i>As at</i>	
	<u>31.03.2017</u>	<u>31.03.2016</u>
<b>Non-Distributable</b>		
Capital redemption reserves	8,000	8,000
<b>Distributable</b>		
Retained earnings	1,129,434	885,119
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	1,137,434	893,119

#### 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>31.03.2017</u>	<u>31.03.2016</u>	<u>31.03.2017</u>	<u>31.03.2016</u>
Property, plant and equipment				
- Depreciation	17,008	14,861	17,008	14,861
- Write off	-	774	-	774
Amortisation of long-term assets	7,007	8,236	7,007	8,236
Amortisation of intangible assets	657	664	657	664
Finance income	(291)	(300)	(291)	(300)
Finance costs	6,613	9,438	6,613	9,438
Foreign exchange				
- Realised gain	(6,349)	(15,332)	(6,349)	(15,332)
- Unrealised gain	(1,575)	(14,467)	(1,575)	(14,467)
(Gain) Loss on derivatives	(6,776)	14,263	(6,776)	14,263

There are no exceptional items, write off of inventories, 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>31.03.2017</u>	<u>31.03.2016</u>	<u>31.03.2017</u>	<u>31.03.2016</u>
Current tax expense				
- Current year	34,496	6,147	34,496	6,147
Deferred tax expense				
- Origination and reversal of temporary differences	5,445	(33)	5,445	(33)
Income tax expense recognised in profit or loss	39,941	6,114	39,941	6,114

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.

## 20. Derivative Financial Instruments (continued)

As at 31 March 2017, 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				
- Forward exchange contracts	Level 2	132,363	1	(430)
- Commodity swaps	Level 2	54,017	5,516	(7,133)
		186,380	5,517	(7,563)

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

The forward exchange 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</i>	<i>Period ended</i>	
	<i>31.03.2017</i>	<i>31.03.2017</i>	
Foreign exchange contracts	(353)	(353)	Level 2 measurement (OTC price)
Commodity swaps	14,492	14,492	Level 2 measurement (OTC price)
	14,139	14,139	

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 31 December 2016.

## 23. Dividend Payable

The Company did not declare any dividends during the three months ended 31 March 2017.

## 24. Earnings per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<u>31.03.2017</u>	<u>31.03.2016</u>	<u>31.03.2017</u>	<u>31.03.2016</u>
Net profit attributable to equity holders of the Company	108,537	16,613	108,537	16,613
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings per ordinary share (sen)	40.2	6.2	40.2	6.2

## 25. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Company's financial statements for the year ended 31 December 2016 was not qualified.

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

The breakdown of the retained earnings of the Company as at 31 March 2017 into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, is as follows:

	<i>As at</i>	
	<u>31.03.2017</u>	<u>31.12.2016</u>
Total retained earnings of the Company:		
- realised	1,177,746	1,084,857
- unrealised	(48,312)	(63,960)
Total retained earnings	<u>1,129,434</u>	<u>1,020,897</u>

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

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.