



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 30 June 2017 and for the six months ended 30 June 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)

	Note	As at 30 Jun 2017 <u>Unaudited</u>	As at 31 Dec 2016 <u>Audited</u>
ASSETS			
Cash and cash equivalents		156,342	171,640
Derivative financial assets		9,719	2,958
Trade and other receivables		283,578	486,023
Inventories		541,107	710,081
Other current assets		199,675	139,219
Total Current Assets		1,190,421	1,509,921
Property, plant and equipment		946,308	956,007
Long-term assets		169,165	179,145
Intangible assets - software		96	1,194
Total Non-Current Assets		1,115,569	1,136,346
TOTAL ASSETS		2,305,990	2,646,267
LIABILITIES			
Loans and borrowings	15	33,172	215,946
Trade and other payables		740,465	1,001,290
Derivative financial liabilities		12,619	21,702
Retirement benefits obligations		6,145	6,145
Taxation		66,174	39,014
Total Current Liabilities		858,575	1,284,097
Loans and borrowings	15	33,270	92,014
Retirement benefits obligations		42,322	42,431
Deferred tax liabilities		67,790	63,828
Total Non-Current Liabilities		143,382	198,273
TOTAL LIABILITIES		1,001,957	1,482,370

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)
(Continued)

	Note	<i>As at</i> 30 Jun 2017 <u>Unaudited</u>	<i>As at</i> 31 Dec 2016 <u>Audited</u>
EQUITY			
Share capital		135,000	135,000
Reserves	16	8,000	8,000
Retained earnings	16	1,161,033	1,020,897
TOTAL EQUITY		1,304,033	1,163,897
TOTAL EQUITY and LIABILITIES		2,305,990	2,646,267

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	April to June		January to June	
		2017	2016 <i>Restated</i>	2017	2016 <i>Restated</i>
Revenue		2,415,510	1,830,902	4,972,114	3,489,085
Cost of sales		(2,291,531)	(1,695,284)	(4,665,001)	(3,277,279)
Gross profit		123,979	135,618	307,113	211,806
Other operating income		16,546	18,804	32,255	33,894
Other operating expenses		(58,585)	(56,656)	(120,535)	(116,140)
Administrative expenses		(4,419)	(4,256)	(4,419)	(4,256)
Results from operating activities		77,521	93,510	214,414	125,304
Other income		56,973	12,545	81,161	28,809
Other expenses		(15,333)	(12,124)	(21,615)	(28,316)
Finance income		1,196	378	1,487	678
Finance costs		(2,786)	(7,590)	(9,399)	(17,028)
Profit before tax	17	117,571	86,719	266,048	109,447
Tax expense	18	(26,572)	(25,188)	(66,512)	(31,302)
Profit for the period		90,999	61,531	199,536	78,145
Total comprehensive income for the period		90,999	61,531	199,536	78,145
Profit attributable to equity holders of the Company		90,999	61,531	199,536	78,145
Total comprehensive income attributable to equity holders of the Company		90,999	61,531	199,536	78,145
Basic earnings per ordinary share (sen)	24	33.7	22.8	73.9	28.9

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	-	-	78,145	78,145
Dividends paid	-	-	(54,000)	(54,000)
At 30 June 2016	135,000	8,000	862,651	1,005,651
At 1 January 2017	135,000	8,000	1,020,897	1,163,897
Total comprehensive income for the period	-	-	199,536	199,536
Dividends paid	-	-	(59,400)	(59,400)
At 30 June 2017	135,000	8,000	1,161,033	1,304,033

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 CASH FLOWS
(Amounts in Thousand Ringgit Malaysia)

Unaudited

	<i>January to June</i>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	266,048	109,447
Adjustments for:		
Amortisation of intangible assets	1,099	1,320
Amortisation of long-term assets	13,974	16,156
Depreciation of property, plant and equipment	33,581	29,544
Finance costs	9,399	17,028
Finance income	(1,487)	(678)
Reversal of impairment loss on receivables	(13)	-
Gain on disposal of property, plant and equipment	(39,902)	-
Write off of property, plant and equipment	2	1,101
Gain on disposal of long-term assets	(169)	-
Write off of long-term assets written off	-	75
Retirement benefits costs	2,643	2,527
Unrealised foreign exchange (gain)/loss	376	(7,313)
Unrealised (gain)/loss on derivatives	2,900	3,553
Operating profit before changes in working capital	288,451	172,760
Change in inventories	168,974	(3,409)
Change in long-term assets	(664)	2,588
Change in trade and other payables and other financial liabilities	(285,874)	58,970
Change in trade and other receivables and other financial assets	145,235	(28,132)
Cash from operations	316,122	202,777
Interest paid	(6,289)	(10,048)
Interest received	1,487	678
Tax paid	(35,390)	(38,720)
Retirement benefits paid	(2,752)	(2,452)
Net cash from operating activities	273,178	152,235

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 June</i>	
	<i>2017</i>	<i>2016</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(36,716)	(14,267)
Payment for long-term assets	(6,248)	(346)
Proceeds from disposals of property, plant and equipment	52,734	8
Proceeds from disposals of long-term assets	3,087	-
Net cash from/(used in) investing activities	12,857	(14,605)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(241,916)	(133,250)
Dividends paid	(59,400)	(54,000)
Net cash used in financing activities	(301,316)	(187,250)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,281)	(49,620)
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(17)	(538)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	171,640	159,274
CASH AND CASH EQUIVALENTS AT END OF PERIOD	156,342	109,116

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 accounting standards, interpretations and amendments of MFRSs effective for annual periods beginning 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 which 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, interpretations and amendments effective 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)*

Standards, interpretations and amendments effective 1 January 2019

- MFRS 16, *Leases*

Standards, interpretations and 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, interpretations and amendments on their effective dates.

The initial application of the standards, interpretations 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, interpretations 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. Dividends Paid

The amount of dividends paid since 31 December 2016 is as follows:

In respect of the year ended 31 December 2016:

Final dividend per ordinary share, paid on 30 June 2017
= 22 sen per ordinary shares

59,400

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>30.06.2017</u>	<u>30.06.2016</u>	<u>30.06.2017</u>	<u>30.06.2016</u>
Domestic	2,232,822	1,710,308	4,541,013	3,221,714
Foreign	182,688	120,594	431,101	267,371
Total Revenues	2,415,510	1,830,902	4,972,114	3,489,085

For the period ended 30 June 2017 approximately RM1,023,144 (2016: RM768,468) 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 30 June 2017 are as follows:

Property, plant & equipment	
Authorised but not contracted for	105,496
Contracted but not provided for	54,401
Total	159,897

12. Review of Performance - Current financial period ended 30 June 2017

Petron Malaysia Refining & Marketing Bhd (PMRMB) recorded a net income of RM91 million for the second quarter of 2017. This is slightly lower than the results of the first quarter, however, still a 49% increase from the RM61 million in the same period in 2016.

Sales revenue for the period grew by 32% at RM2.4 billion largely due to the increase in average crude prices of 9% and improvement in product cracks. Total sales volume reached 8.5 million barrels, a 9% improvement from 7.8 million of the previous period.

Dated Brent dropped in the second quarter averaging US\$49.8 from the first quarter average of US\$53.8 per barrel. The negative impact on margins was partly cushioned by the favourable price differential between finished products and crude. The Company also recorded non-recurring gains from service station divestments as a result of compulsory acquisitions by the government.

The Company's revenues for the first half of 2017 increased by 43% to RM5 billion from RM3 billion last year driven as well by higher prices and growing sales volume. Net income amounted to RM199 million, higher than last year's RM78 million over the same period, while operating income grew to RM214 million.

13. Commentary on Prospects

Global oil prices remain sensitive to market trends on supply and demand. Recent trends continue to reflect the volatile market conditions that could affect the Company's financial performance.

The Company will keep pursuing its initiatives to counter any possible adverse impact of market uncertainties. The Company has been actively managing these uncertainties through a robust risk management system in place. The Company has also been stepping up its continuing programs on network upgrade and expansion as well as customer service excellence and promotions to secure more market share. The same is being done for Commercial business by expanding and exploring new markets and clients. The Company is pursuing various projects to further improve operational efficiencies, especially in the areas of supply, logistics and facilities to support anticipated growth.

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, net of debt issue costs, as at 30 June 2017 are as follows:

Current	
Long-term loan - unsecured	33,172
Non-current	
Long-term loan - unsecured	33,270
	<hr/>
	66,442

16. Reserves

	<i>As at</i>	
	<u>30.06.2017</u>	<u>30.06.2016</u>
Non-Distributable		
Capital redemption reserves	8,000	8,000
Distributable		
Retained earnings	1,161,033	862,651
	<hr/>	<hr/>
	1,169,033	870,651

17. Profit before Tax

Profit before tax is arrived at after charging (crediting) the following items:

	<i>3 months ended</i>		<i>Period ended</i>	
	<u>30.06.2017</u>	<u>30.06.2016</u>	<u>30.06.2017</u>	<u>30.06.2016</u>
Property, plant and equipment				
- Depreciation	16,573	14,683	33,581	29,544
- Write off	2	327	2	1,101
- Gain on disposal	(39,902)	-	(39,902)	-
Long-term assets				
- Amortisation	6,967	7,920	13,974	16,156
- Write off	-	75	-	75
- Gain on disposal	(169)	-	(169)	-
Amortisation of intangible assets	442	656	1,099	1,320
Finance income	(1,196)	(378)	(1,487)	(678)
Finance costs	2,786	7,590	9,399	17,028
Foreign exchange				
- Realised gain	(11,996)	(4,784)	(18,346)	(20,116)
- Unrealised (gain)/loss	1,951	7,155	376	(7,313)
(Gain)/Loss on derivatives	416	23,341	(6,360)	37,604

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

18. Tax expense

	<i>3 months ended</i>		<i>Period ended</i>	
	<u>30.06.2017</u>	<u>30.06.2016</u>	<u>30.06.2017</u>	<u>30.06.2016</u>
Current tax expense				
- Current year	28,055	26,207	62,550	32,354
Deferred tax expense				
- Origination and reversal of temporary differences	(1,483)	(1,019)	3,962	(1,052)
Income tax expense recognised in profit or loss	26,572	25,188	66,512	31,302

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 30 June 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	144,562	222	-
- Commodity derivative contracts	Level 2	40,871	9,497	(12,619)
		185,433	9,719	(12,619)

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

Forward exchange and commodity derivative contracts are transacted with accredited banks and traded on over-the-counter (“OTC”) markets. The related accounting policies, cash requirements of the derivatives, risks 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 30.06.2017</i>	<i>Period ended 30.06.2017</i>	
Foreign exchange contracts	429	77	Level 2 measurement (OTC price)
Commodity derivative contracts	(5,486)	9,006	Level 2 measurement (OTC price)
	(5,057)	9,083	

The fair value gains and 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.

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 30 June 2017.

24. Earnings per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<u>30.06.2017</u>	<u>30.06.2016</u>	<u>30.06.2017</u>	<u>30.06.2016</u>
Net profit attributable to equity holders of the Company	90,999	61,317	199,536	77,932
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings per ordinary share (sen)	33.7	22.7	73.9	28.9

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 30 June 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>30.06.2017</u>	<u>31.12.2016</u>
Total retained earnings of the Company:		
- realised	1,211,096	1,084,857
- unrealised	(50,063)	(63,960)
Total retained earnings	<u>1,161,033</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.