



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 September 2017 and for the nine months ended 30 September 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	<i>As at</i> <i>30 Sep 2017</i> <i><u>Unaudited</u></i>	<i>As at</i> <i>31 Dec 2016</i> <i><u>Audited</u></i>
ASSETS			
Cash and cash equivalents		113,641	171,640
Derivative financial assets		17,017	2,958
Trade and other receivables		422,019	486,023
Inventories		560,461	710,081
Other current assets		204,218	139,219
Total Current Assets		1,317,356	1,509,921
Property, plant and equipment		950,354	956,007
Long-term assets		166,074	179,145
Intangible assets - software		83	1,194
Total Non-Current Assets		1,116,511	1,136,346
TOTAL ASSETS		2,433,867	2,646,267
LIABILITIES			
Loans and borrowings	15	-	215,946
Trade and other payables		803,071	1,001,290
Derivative financial liabilities		44,683	21,702
Retirement benefits obligations		6,145	6,145
Taxation		65,234	39,014
Total Current Liabilities		919,133	1,284,097
Loans and borrowings	15	-	92,014
Retirement benefits obligations		43,644	42,431
Deferred tax liabilities		60,986	63,828
Total Non-Current Liabilities		104,630	198,273
TOTAL LIABILITIES		1,023,763	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 Sep 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	1,267,104	1,020,897
TOTAL EQUITY		1,410,104	1,163,897
TOTAL EQUITY and LIABILITIES		2,433,867	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	July to September		January to September	
		2017	2016	2017	2016
Revenue		2,560,067	1,823,849	7,532,181	5,312,933
Cost of sales		(2,341,836)	(1,704,135)	(7,006,837)	(4,981,414)
Gross profit		218,231	119,714	525,344	331,519
Other operating income		17,537	15,704	49,792	49,598
Other operating expenses		(64,608)	(56,432)	(180,116)	(167,543)
Administrative expenses		(3,989)	(4,476)	(13,434)	(13,761)
Results from operating activities		167,171	74,510	381,586	199,813
Other income		7,277	11,662	70,402	28,041
Other expenses		(35,162)	(17,786)	(38,742)	(33,672)
Finance income		1,032	300	2,519	978
Finance costs		(2,391)	(7,916)	(11,790)	(24,944)
Profit before tax	17	137,927	60,770	403,975	170,216
Tax expense	18	(31,856)	(13,981)	(98,368)	(45,283)
Profit for the period		106,071	46,789	305,607	124,933
Total comprehensive income for the period		106,071	46,789	305,607	124,933
Profit attributable to equity holders of the Company		106,071	46,789	305,607	124,933
Total comprehensive income attributable to equity holders of the Company		106,071	46,789	305,607	124,933
Basic earnings per ordinary share (sen)	24	39.3	17.3	113.2	46.3

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

	<i>Non-Distributable</i>		<i>Distributable</i>	<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	-	-	124,933	124,933
Dividends paid	-	-	(54,000)	(54,000)
At 30 September 2016	135,000	8,000	909,439	1,052,439
At 1 January 2017	135,000	8,000	1,020,897	1,163,897
Total comprehensive income for the period	-	-	305,607	305,607
Dividends paid	-	-	(59,400)	(59,400)
At 30 September 2017	135,000	8,000	1,267,104	1,410,104

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 September</i>	
	<i>2017</i>	<i>2016</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	403,975	170,216
Adjustments for:		
Amortisation of intangible assets	1,111	1,977
Amortisation of long-term assets	21,093	24,024
Depreciation of property, plant and equipment	49,143	44,169
Finance costs	11,790	24,944
Finance income	(2,519)	(978)
Impairment loss on receivables	248	-
Reversal of impairment loss on receivables	(50)	-
Write off of receivables	(297)	-
Gain on disposal of property, plant and equipment	(40,061)	-
Write off of property, plant and equipment	316	2,769
Gain on disposal of long-term assets	(169)	-
Write off of long-term assets	-	75
Retirement benefits costs	3,964	3,790
Unrealised foreign exchange (gain)/loss	1,365	1,661
Unrealised (gain)/loss on derivatives	27,666	4,473
Operating profit before changes in working capital	477,575	277,120
Change in inventories	149,619	1,459
Change in long-term assets	(858)	3,444
Change in trade and other payables and other financial liabilities	(225,225)	28,259
Change in trade and other receivables and other financial assets	2,142	(25,043)
Cash from operations	403,253	285,239
Interest paid	(7,124)	(14,759)
Interest received	2,519	978
Tax paid	(74,990)	(48,289)
Retirement benefits paid	(2,752)	(3,212)
Net cash from operating activities	320,906	219,957

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)

	<u>January to September</u>	
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(56,856)	(22,986)
Payment for long-term assets	(10,082)	(3,366)
Proceeds from disposals of property, plant and equipment	52,923	8
Proceeds from disposals of long-term assets	3,087	-
Net cash used in investing activities	(10,928)	(26,344)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(308,583)	(164,833)
Dividends paid	(59,400)	(54,000)
Net cash used in financing activities	(367,983)	(218,833)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(58,005)	(25,220)
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	6	24
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	171,640	159,274
CASH AND CASH EQUIVALENTS AT END OF PERIOD	113,641	134,078

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>30.09.2017</u>	<u>30.09.2016</u>	<u>30.09.2017</u>	<u>30.09.2016</u>
Domestic	2,339,207	1,701,755	6,880,220	4,923,468
Foreign	220,860	122,094	651,961	389,465
Total Revenues	2,560,067	1,823,849	7,532,181	5,312,933

For the period ended 30 September 2017 approximately RM1,595,649 (2016: RM1,136,783) 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 September 2017 are as follows:

Property, plant & equipment	
Authorised but not contracted for	103,250
Contracted but not provided for	66,726
Total	169,976

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

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

Petron Malaysia Refining & Marketing Bhd (PMRMB) recorded a net income of RM106 million for the third quarter of 2017, an increase of RM59 million from RM47 million in the same period in 2016. Compared to second quarter, net income also improved by 16% or RM15 million.

Revenue for the quarter grew by 40% to RM2.6 billion from RM1.8 billion last year largely due to higher oil price. With all sectors posting positive growth, total sales volume reached 9.0 million barrels, a 15% improvement from 7.8 million barrels last year.

Dated Brent averaged US\$52 per barrel during the quarter compared to US\$46 per barrel in the same period in 2016. Brent crude reached US\$56/bbl in September this year, up by almost US\$10/bbl or 20% from the June level compared to the range-bound movement during the same period in 2016. As oil prices rose, the price differentials between finished products and crude also widened which further improved the Company's margins. Gross margin for the quarter went up to RM218 million, 82% higher over the same period last year.

The Company's revenue for the first nine months of 2017 increased by 42% to RM7.5 billion from RM5.3 billion last year driven by both higher prices and sales volume growth. Net income for the first three quarters amounted to RM305 million, higher than prior year's RM125 million over the same period, while operating income grew to RM381 million.

Profit before tax for the quarter ending September 30, 2017 is higher at RM138 million versus RM118 million in the preceding quarter.

13. Commentary on Prospects

The production cuts which the OPEC has been implementing saw crude oil prices hitting their highest in more than two years. Despite the recovery, oil prices remain sensitive to global supply and demand. The continued volatility could affect PMRMB's financial performance. The Company has been actively managing these uncertainties through a risk management system in place.

The Company continues to pursue its network upgrade and expansion program amidst the more challenging market and business environment. The Company keeps focused on stronger customer service and effective promotions to secure more market share for both Retail and Commercial businesses. To remain competitive and to support growth, the Company is also implementing various projects to further improve operational efficiencies, especially in the areas of supply and logistics.

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 has settled off its loans and borrowings as at 30 September 2017.

16. Reserves

	<i>As at</i>	
	<u>30.09.2017</u>	<u>30.09.2016</u>
Non-Distributable		
Capital redemption reserves	8,000	8,000
Distributable		
Retained earnings	1,267,104	909,439
	<u>1,275,104</u>	<u>917,439</u>

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>30.09.2017</u>	<u>30.09.2016</u>	<u>30.09.2017</u>	<u>30.09.2016</u>
Property, plant and equipment				
- Depreciation	15,562	14,625	49,143	44,169
- Write off	314	1,668	316	2,769
- Gain on disposal	(159)	-	(40,061)	-
Long-term assets				
- Amortisation	7,119	7,868	21,093	24,024
- Write off	-	-	-	75
- Gain on disposal	-	-	(169)	-
Amortisation of intangible assets	12	657	1,111	1,977
Finance income	(1,032)	(300)	(2,519)	(978)
Finance costs	2,391	7,916	11,790	24,944
Foreign exchange				
- Realised gain	(6,495)	(4,823)	(24,841)	(24,939)
- Unrealised (gain)/loss	989	8,974	1,365	1,661
(Gain)/Loss on derivatives	70,556	(4,686)	64,196	32,918

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>30.09.2017</u>	<u>30.09.2016</u>	<u>30.09.2017</u>	<u>30.09.2016</u>
Current tax expense				
- Current year	39,510	17,045	102,060	49,399
- Prior year	(850)	(6,241)	(850)	(6,241)
Deferred tax expense				
- Origination and reversal of temporary differences	(6,907)	(1,022)	(2,945)	(2,074)
- Under provision in prior year	103	4,199	103	4,199
Income tax expense recognised in profit or loss	<u>31,856</u>	<u>13,981</u>	<u>98,368</u>	<u>45,283</u>

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 September 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	280,629	999	(26)
- Commodity derivative contracts	Level 2	262,600	16,018	(44,657)
		543,229	17,017	(44,683)

Most 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 30.09.2017</i>	<i>Period ended 30.09.2017</i>	
Foreign exchange contracts	(26)	52	Level 2 measurement (OTC price)
Commodity derivative contracts	(32,038)	(23,032)	Level 2 measurement (OTC price)
	(32,064)	(22,980)	

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 September 2017.

24. Earnings per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2017</i>	<i>30.09.2016</i>	<i>30.09.2017</i>	<i>30.09.2016</i>
Net profit attributable to equity holders of the Company	106,071	46,789	305,607	124,933
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings per ordinary share (sen)	39.3	17.3	113.2	46.3

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 September 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>	
	<i>30.09.2017</i>	<i>31.12.2016</i>
Total retained earnings of the Company:		
- realised	1,328,483	1,084,857
- unrealised	(61,379)	(63,960)
Total retained earnings	1,267,104	1,020,897

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.