



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 2018 and for the three months ended 31 March 2018.

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 of Bursa Malaysia Securities Berhad (BMSB).



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

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

	<i>As at</i> <i>31 Mar 2018</i> <i><u>Unaudited</u></i>	<i>As at</i> <i>31 Dec 2017</i> <i><u>Audited</u></i>
ASSETS		
Cash and cash equivalents	147,083	119,614
Derivative financial assets	1,779	3,100
Trade and other receivables	418,985	480,192
Inventories	595,534	678,138
Other current assets	371,140	315,933
Total Current Assets	1,534,521	1,596,977
Property, plant and equipment	976,407	960,186
Long-term assets	159,797	165,980
Intangible assets - software	58	71
Total Non-current Assets	1,136,262	1,126,237
TOTAL ASSETS	2,670,783	2,723,214
LIABILITIES		
Trade and other payables	915,747	1,023,327
Derivative financial liabilities	19,264	33,563
Retirement benefit obligations	7,460	7,460
Tax payable	41,567	47,149
Total Current Liabilities	984,038	1,111,499
Retirement benefit obligations	40,398	40,256
Deferred tax liabilities	63,052	59,482
Total Non-current Liabilities	103,450	99,738
TOTAL LIABILITIES	1,087,488	1,211,237

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
(Company Number 3927-V)

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

(Continued)

		<i>As at</i> <i>31 Mar 2018</i>	<i>As at</i> <i>31 Dec 2017</i>
	Note	<u><i>Unaudited</i></u>	<u><i>Audited</i></u>
EQUITY			
Share capital	18	143,000	143,000
Retained earnings		1,440,295	1,368,977
TOTAL EQUITY		<u>1,583,295</u>	<u>1,511,977</u>
TOTAL EQUITY AND LIABILITIES		<u>2,670,783</u>	<u>2,723,214</u>

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
(Company Number 3927-V)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(Amounts in Thousand Ringgit Malaysia, Except Per Share Data)
Unaudited

	Note	January to March	
		2018	2017
Revenue		2,726,875	2,556,604
Cost of sales		(2,612,130)	(2,373,469)
Gross profit		114,745	183,135
Other operating income		21,320	15,709
Other operating expenses		(57,722)	(57,531)
Administrative expenses		(3,511)	(4,419)
Results from operating activities		74,832	136,894
Other income		36,400	27,697
Other expenses		(14,064)	(9,791)
Finance income		337	291
Finance costs		(1,350)	(6,613)
Profit before tax	19	96,155	148,478
Tax expense	20	(24,031)	(39,941)
Profit for the period		72,124	108,537
Total comprehensive income for the period		72,124	108,537
Profit attributable to equity holders of the Company		72,124	108,537
Total comprehensive income attributable to equity holders of the Company		72,124	108,537
Basic earnings per ordinary share (sen)	24	26.7	40.2

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
(Company Number 3927-V)

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 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
At 31 December 2017, as previously reported	143,000	-	1,368,977	1,511,977
Opening balance adjustments from adoption of MFRS 9	-	-	(806)	(806)
At 1 January 2018, restated	143,000	-	1,368,171	1,511,171
Total comprehensive income for the period	-	-	72,124	72,124
At 31 March 2018	143,000	-	1,440,295	1,583,295

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
(Company Number 3927-V)

CONDENSED STATEMENT OF CASH FLOWS
(Amounts in Thousand Ringgit Malaysia)
Unaudited

	<i>January to March</i>	
	<i>2018</i>	<i>2017</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	96,155	148,478
Adjustments for:		
Amortisation of intangible assets	12	657
Amortisation of long-term assets	7,271	7,007
Depreciation of property, plant and equipment	15,281	17,008
Finance costs	1,350	6,613
Finance income	(337)	(291)
Gain on disposal of property, plant and equipment	(2,174)	-
Retirement benefit costs	1,305	1,321
Reversal of impairment loss on trade receivables	(39)	-
Unrealised foreign exchange gain	(1,395)	(1,575)
Unrealised loss on derivatives	17,485	2,046
Write-off of property, plant and equipment	120	-
Operating profit before changes in working capital	135,034	181,264
Change in inventories	82,604	107,968
Change in long-term assets	3,007	(696)
Change in trade and other payables and other financial liabilities	(141,421)	(187,199)
Change in trade and other receivables and other financial assets	6,193	29,440
Cash from operations	85,417	130,777
Interest paid	(500)	(4,349)
Interest received	310	291
Tax paid	(26,041)	(21,578)
Retirement benefits paid	(1,164)	(619)
Net cash from operating activities	58,022	104,522

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
(Company Number 3927-V)

CONDENSED STATEMENT OF CASH FLOWS
(Amounts in Thousand Ringgit Malaysia)
Unaudited
(Continued)

	<i>January to March</i>	
	<i>2018</i>	<i>2017</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(29,349)	(13,096)
Payment for long-term assets	(4,094)	(1,654)
Proceeds from disposals of property, plant and equipment	2,750	-
Net cash used in investing activities	(30,693)	(14,750)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	-	(56,583)
Net cash used in financing activities	-	(56,583)
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,329	33,189
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	140	10
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	119,614	171,640
CASH AND CASH EQUIVALENTS AT END OF PERIOD	147,083	204,839

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
(Company Number 3927-V)

**Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting
(Amounts in Thousand Ringgit Malaysia, Except Per Share Data)**

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 2017. 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 2017.

2. Significant Accounting Policies

a) Changes in Accounting Policies

The audited financial statements of the Company for the year ended 31 December 2017 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 2017.

On 1 January 2018, the Company adopted the following accounting standards, amendments and interpretations of MFRSs effective for annual periods beginning on or after 1 January 2018:

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

2. Significant Accounting Policies (continued)

b) Standards, amendments and interpretations which are applicable to the Company but not yet effective

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

Standards, amendments and interpretations effective 1 January 2019

- MFRS 16, *Leases*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

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

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

(i) 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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

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

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. Dividends Paid

There has been no dividend paid since 31 December 2017.

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>	
	<i>31.03.2018</i>	<i>31.03.2017</i>	<i>31.03.2018</i>	<i>31.03.2017</i>
Domestic	2,518,115	2,308,192	2,518,115	2,308,192
Foreign	208,760	248,412	208,760	248,412
	<u>2,726,875</u>	<u>2,556,604</u>	<u>2,726,875</u>	<u>2,556,604</u>

For the period ended 31 March 2018 approximately RM583,188 (2017: RM526,049) 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 2017.

11. Capital Commitments

Capital commitments not provided for in the interim financial statements as at 31 March 2018 are as follows:

Property, plant & equipment	
Contracted but not provided for	<u>70,618</u>

12. 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 31 March 2018, 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	148,054	-	(1,171)
- Commodity derivative contracts	Level 2	178,726	1,779	(18,093)
		326,780	1,779	(19,264)

12. Derivative Financial Instruments (continued)

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.

13. 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>31.03.2018</i>	<i>31.03.2018</i>	
Foreign exchange contracts	1,247	1,247	Level 2 measurement (OTC price)
Commodity derivative contracts	13,052	13,052	Level 2 measurement (OTC price)
	14,299	14,299	

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.

Part B – Explanatory Notes Pursuant to Main Market Listing Requirement of Bursa Malaysia Securities Berhad

(Amounts in Thousand Ringgit Malaysia, Except Per Share Data)

14. Review of Performance - Current financial period ended 31 March 2018

Revenue for the quarter rose by 7% to RM2.7 billion from RM2.6 billion last year largely due to growth in sales volume and higher oil prices. Total sales volume reached 8.7 million barrels, a 4% increase from 8.3 million barrels last year driven mostly by the growth in domestic volumes.

Dated Brent averaged US\$67 per barrel during the quarter compared to US\$54 per barrel in the same period in 2017 and up by about 10% or US\$10 per barrel from the US\$61 average in the fourth quarter of 2017. Cost of crude significantly increased resulting in lower refining margins. Gross margin for the quarter settled at RM114.7 million, 37% lower over the same period last year.

The drop in margins was partly cushioned by lower financing charges during the quarter. Net income for the quarter ending 31 March 2018 amounted to RM72 million, lower by RM37 million from RM109 million in the same period in 2017.

Profit before tax is lower at RM96 million compared to RM119 million in the preceding quarter.

15. Commentary on Prospects

Growing global demand and continued production cuts by OPEC and other major oil producing countries resulted in oil prices to settle above US\$65 per barrel in the first quarter of 2018. With the United States pulling out of the Iran nuclear deal, we expect more uncertainty in oil prices going forward. The Company continues to maintain a robust risk management system to mitigate exposures to such uncertainty.

The Company's sustained financial performance proved that the Company's plans and programs have been effective. With the positive outlook on Malaysian economy with stable growth and domestic demand, the Company will continue to enhance promotions of innovative products, strengthen partnerships and explore new opportunities.

16. Profit Forecast or Profit Guarantee

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

17. Loans and Borrowings

The Company has settled all its loans and borrowings as at 31 March 2018.

18. Reserves

	As at	
	31.03.2018	31.03.2017
Non-distributable		
Capital redemption reserves	-	8,000
Distributable		
Retained earnings	1,440,295	1,129,434
	<u>1,440,295</u>	<u>1,137,434</u>

In accordance to Section 618(2) of Companies Act 2016 effective 31 January 2017, any amount outstanding to the credit of the capital redemption reserves has become part of the share capital of the Company. The Company has twenty four months upon commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

19. Profit before Tax

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

	3 months ended		Period ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Amortisation of intangible assets	12	657	12	657
Amortisation of long-term assets	7,271	7,007	7,271	7,007
Finance costs	1,350	6,613	1,350	6,613
Finance income	(337)	(291)	(337)	(291)
Foreign exchange				
- Realised gain	(15,507)	(6,349)	(15,507)	(6,349)
- Unrealised gain	(1,395)	(1,575)	(1,395)	(1,575)
(Gain)/Loss on derivatives	13,141	(6,776)	13,141	(6,776)
Property, plant and equipment				
- Depreciation	15,281	17,008	15,281	17,008
- Write-off	120	-	120	-
- Gain on disposal	(2,174)	-	(2,174)	-
Reversal of impairment loss on trade receivables	(39)	-	(39)	-

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

20. Tax Expense

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.03.2018</i>	<i>31.03.2017</i>	<i>31.03.2018</i>	<i>31.03.2017</i>
Current tax expense				
- Current year	20,467	34,496	20,467	34,496
- Prior year	(7)	-	(7)	-
Deferred tax expense				
- Origination and reversal of temporary differences	3,571	5,445	3,571	5,445
Total income tax expense	24,031	39,941	24,031	39,941

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.

21. Corporate Proposals

There were no corporate proposals.

22. Changes in Material Litigation

There were no significant changes in material litigation since 31 December 2017.

23. Dividend Payable

The Company did not declare any dividends during the three months ended 31 March 2018.

24. Earnings per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.03.2018</i>	<i>31.03.2017</i>	<i>31.03.2018</i>	<i>31.03.2017</i>
Net profit attributable to equity holders of the Company	72,124	108,537	72,124	108,537
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings per ordinary share (sen)	26.7	40.2	26.7	40.2

25. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Company's financial statements for the year ended 31 December 2017 was not qualified.