



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 2018 and for the nine months ended 30 September 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)

	Note	As at 30 Sep 2018 <u>Unaudited</u>	As at 31 Dec 2017 <u>Audited</u>
ASSETS			
Cash and cash equivalents		90,715	119,614
Derivative financial assets		5,563	3,100
Trade and other receivables		797,699	480,192
Inventories		572,586	678,138
Other current assets		385,526	315,933
Total Current Assets		1,852,089	1,596,977
Property, plant and equipment		1,007,770	960,186
Long-term assets		182,719	165,980
Intangible assets - software		35	71
Total Non-current Assets		1,190,524	1,126,237
TOTAL ASSETS		3,042,613	2,723,214
LIABILITIES			
Loans and borrowings	17	370,000	-
Trade and other payables		826,285	1,023,327
Derivative financial liabilities		14,007	33,563
Retirement benefit obligations		7,460	7,460
Tax payable		29,342	47,149
Total Current Liabilities		1,247,094	1,111,499
Retirement benefit obligations		38,221	40,256
Deferred tax liabilities		63,349	59,482
Total Non-current Liabilities		101,570	99,738
TOTAL LIABILITIES		1,348,664	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)

	Note	As at 30 Sep 2018 <u>Unaudited</u>	As at 31 Dec 2017 <u>Audited</u>
EQUITY			
Share capital		143,000	143,000
Retained earnings	18	1,550,949	1,368,977
TOTAL EQUITY		1,693,949	1,511,977
TOTAL EQUITY AND LIABILITIES		3,042,613	2,723,214

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	July to September		January to September	
		2018	2017	2018	2017
Revenue		3,300,151	2,560,067	9,153,549	7,532,181
Cost of sales		(3,114,623)	(2,341,837)	(8,695,293)	(7,006,837)
Gross profit		185,528	218,230	458,256	525,344
Other operating income		15,802	17,537	53,533	49,792
Other operating expenses		(74,599)	(64,608)	(192,004)	(180,116)
Administrative expenses		(4,090)	(3,989)	(12,714)	(13,434)
Results from operating activities		122,641	167,171	307,071	381,586
Other income		15,197	7,277	35,117	70,402
Other expenses		(26,654)	(35,162)	(7,339)	(38,742)
Finance income		847	1,032	1,664	2,519
Finance costs		(4,747)	(2,391)	(7,194)	(11,790)
Profit before tax	19	107,284	137,927	329,319	403,975
Tax expense	20	(21,746)	(31,856)	(79,234)	(98,368)
Profit for the period		85,538	106,071	250,085	305,607
Total comprehensive income for the period		85,538	106,071	250,085	305,607
Profit attributable to equity holders of the Company		85,538	106,071	250,085	305,607
Total comprehensive income attributable to equity holders of the Company		85,538	106,071	250,085	305,607
Basic earnings per ordinary share (sen)	24	31.7	39.3	92.6	113.2

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	-	-	305,607	305,607
Dividends paid	-	-	(59,400)	(59,400)
At 30 September 2017	135,000	8,000	1,267,104	1,410,104
At 31 December 2017, as previously reported	143,000	-	1,368,977	1,511,977
Opening balance adjustments from adoption of MFRS 9	-	-	(613)	(613)
At 1 January 2018, restated	143,000	-	1,368,364	1,511,364
Total comprehensive income for the period	-	-	250,085	250,085
Dividends paid	-	-	(67,500)	(67,500)
At 30 September 2018	143,000	-	1,550,949	1,693,949

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 September</i>	
	<i>2018</i>	<i>2017</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	329,319	403,975
Adjustments for:		
Amortisation of intangible assets	36	1,111
Amortisation of long-term assets	23,103	21,093
Depreciation of property, plant and equipment	49,103	49,143
Finance costs	7,194	11,790
Finance income	(1,664)	(2,519)
Gain on disposal of long-term assets	-	(169)
Gain on disposal of property, plant and equipment	(2,174)	(40,061)
Impairment loss on trade receivables	45	248
Retirement benefit costs	3,915	3,964
Reversal of impairment loss on trade receivables	(84)	(50)
Unrealised foreign exchange (gain)/loss	(675)	1,365
Unrealised loss on derivatives	8,444	27,666
Write-off of property, plant and equipment	223	316
Write-off of trade receivables	-	(297)
Operating profit before changes in working capital	416,785	477,575
Change in inventories	105,552	149,619
Change in long-term assets	1,493	(858)
Change in trade and other payables and other financial liabilities	(233,429)	(225,225)
Change in trade and other receivables and other financial assets	(384,409)	2,142
Cash from/(used in) operations	(94,008)	403,253
Interest paid	(4,300)	(7,124)
Interest received	1,656	2,519
Tax paid	(92,980)	(74,990)
Retirement benefits paid	(5,951)	(2,752)
Net cash from/(used in) operating activities	(195,583)	320,906

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 September</i>	
	<i>2018</i>	<i>2017</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(92,666)	(56,856)
Payment for long-term assets	(46,155)	(10,082)
Proceeds from disposals of property, plant and equipment	2,750	52,923
Proceeds from disposals of long-term assets	-	3,087
Net cash used in investing activities	(136,071)	(10,928)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	370,000	-
Repayment of borrowings	-	(308,583)
Dividends paid	(67,500)	(59,400)
Net cash from/(used in) financing activities	302,500	(367,983)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(29,154)	(58,005)
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	255	6
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	119,614	171,640
CASH AND CASH EQUIVALENTS AT END OF PERIOD	90,715	113,641

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 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 quarter.

5. Changes in Estimates

There were no changes in estimates that have had any material effect in the third quarter results.

6. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayments of debt and equity securities during the quarter.

7. Dividends Paid

The amount of dividends paid since 31 December 2017 is as follows:

In respect of the year ended 31 December 2017:

Final dividend per ordinary share, paid on 27 June 2018	
- 25 sen per ordinary share	<u>67,500</u>

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>30.09.2018</u>	<u>30.09.2017</u>	<u>30.09.2018</u>	<u>30.09.2017</u>
Domestic	3,000,210	2,339,207	8,267,176	6,880,220
Foreign	299,941	220,860	886,373	651,961
	<u>3,300,151</u>	<u>2,560,067</u>	<u>9,153,549</u>	<u>7,532,181</u>

For the period ended 30 September 2018 approximately RM1,991,994 (2017: RM1,595,649) 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 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 30 September 2018 are as follows:

	<i>As at</i>	
	<u>30.09.2018</u>	<u>31.12.2017</u>
Property, plant & equipment		
Contracted but not provided for	341,487	64,793

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 30 September 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	405,683	66	(319)
- Commodity swaps	Level 2	130,070	5,497	(13,688)
		535,753	5,563	(14,007)

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 the derivative transactions are entered into, and are subsequently re-measured at fair values. Gains and losses from changes in fair values 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>30.09.2018</i>	<i>30.09.2018</i>	
Forward exchange contracts	(280)	2,098	Level 2 (OTC price)
Commodity swaps	(6,618)	17,458	Level 2 (OTC price)
	(6,898)	19,556	

The fair value gains and losses on derivative financial liabilities are due to changes in price of underlying commodities and foreign exchange.

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 30 September 2018

Revenues for the quarter rose by 29% to RM3.30 billion from RM2.56 billion last year largely due to higher oil prices and modest growth in sales volume. Total sales volume for the quarter reached 9.1 million barrels, relatively flat compared with the 9.0 million barrels in the same period last year as demand from commercial sector slowed down this year.

Dated Brent crude averaged US\$75 per barrel during the quarter compared to US\$52 per barrel in the same period in 2017. Oil prices continued its upward trend from the previous quarter albeit at a slower pace with Dated Brent averaging US\$79 per barrel in September compared to US\$74 per barrel in June. Last year, Dated Brent crude rose by almost US\$10 per barrel to US\$56 per barrel in September from US\$48 per barrel in June.

Gross profit decreased by 15% to RM186 million from RM218 million over the same period last year because of lower refining margins. The decline in margins resulted in a lower net income for the quarter at RM85 million compared to RM106 million posted in the same period last year.

The Company's revenues for the first nine months of 2018 increased by 22% to RM9.15 billion from RM7.53 billion last year driven by higher prices and sales volume growth. Total sales volume grew by 4% from 25.8 million barrels in 2017 to 26.9 million barrels in 2018. Net income for the period ending 30 September 2018 amounted to RM250 million compared to last year's RM306 million over the same period.

Profit before tax is lower at RM107 million compared to RM126 million in the preceding quarter.

15. Commentary on Prospects

Oil prices have been volatile this year. Management expects the price volatility to continue due to several factors such as geopolitical tensions and trade wars which may affect oil supply and demand. The Company will continue to mitigate these volatilities through its risk management system.

The Company will maintain its service station network expansion program to cater to its growing customer base and upgrade its refinery and distribution facilities to support the increasing requirements.

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's loans and borrowings are as follows:

	<i>As at</i>	
	<u>30.09.2018</u>	<u>31.12.2017</u>
Current		
Revolving credit – unsecured	370,000	-

18. Reserves

	<i>As at</i>	
	<u>30.09.2018</u>	<u>30.09.2017</u>
Non-distributable		
Capital redemption reserves	-	8,000
Distributable		
Retained earnings	1,550,949	1,267,104
	<u>1,550,949</u>	<u>1,275,104</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 included the capital redemption reserves amounting to RM8,000,000 into the share capital and is available to be used in accordance with Section 618 (3) of Companies Act 2016 on or before 31 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

19. Profit before Tax

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

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2018</i>	<i>30.09.2017</i>	<i>30.09.2018</i>	<i>30.09.2017</i>
Amortisation of intangible assets	18	12	36	1,111
Finance costs	4,747	2,391	7,194	11,790
Finance income	(847)	(1,032)	(1,664)	(2,519)
Foreign exchange				
- Realised (gain)/loss	12,041	(6,495)	5,053	(24,841)
- Unrealised (gain)/loss	(3,558)	989	(675)	1,365
Loss on derivatives	25,460	70,556	33,281	64,196
Long-term assets				
- Amortisation	8,717	7,119	23,103	21,093
- Gain on disposal	-	-	-	(169)
Property, plant and equipment				
- Depreciation	18,241	15,562	49,103	49,143
- Write-off	-	314	223	316
- Gain on disposal	-	(159)	(2,174)	(40,061)
Trade receivables				
- Impairment loss	-	248	45	248
- Reversal of impairment loss	-	(37)	(84)	(50)

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>30.09.2018</i>	<i>30.09.2017</i>	<i>30.09.2018</i>	<i>30.09.2017</i>
Current tax expense				
- Current year	30,818	39,510	80,334	102,060
- Prior year	(5,154)	(850)	(5,161)	(850)
Deferred tax expense				
- Origination and reversal of temporary differences	(5,013)	(6,907)	2,966	(2,945)
- Under provision in prior year	1,095	103	1,095	103
Total income tax expense	21,746	31,856	79,234	98,368

The effective tax rate is different 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 30 September 2018.

24. Earnings per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2018</i>	<i>30.09.2017</i>	<i>30.09.2018</i>	<i>30.09.2017</i>
Net profit attributable to equity holders of the Company	85,538	106,071	250,085	305,607
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings per ordinary share (sen)	31.7	39.3	92.6	113.2

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.