



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 2019 and for the three months ended 31 March 2019.

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 31 Mar 2019 <i>Unaudited</i>	As at 31 Dec 2018 <i>Audited</i>
ASSETS			
Cash and cash equivalents		133,893	145,430
Derivative financial assets	12	15,696	32,419
Trade and other receivables		450,169	595,309
Inventories		593,711	648,342
Other current assets		313,619	438,582
Tax recoverable		290	11,408
Total Current Assets		1,507,378	1,871,490
Property, plant and equipment		836,478	690,744
Investment property		509,868	368,571
Right-of-use assets		64,785	-
Long-term assets		49,990	204,392
Intangible assets - software		12	23
Total Non-current Assets		1,461,133	1,263,730
TOTAL ASSETS		2,968,511	3,135,220
LIABILITIES			
Loans and borrowings	17	120,000	390,000
Trade and other payables		982,566	952,059
Lease liabilities		2,372	-
Derivative financial liabilities	12	5,276	5,328
Retirement benefit obligations		4,509	4,509
Total Current Liabilities		1,114,723	1,351,896
Lease liabilities		17,854	-
Retirement benefit obligations		40,854	40,967
Deferred tax liabilities		69,970	73,548
Total Non-current Liabilities		128,678	114,515
TOTAL LIABILITIES		1,243,401	1,466,411

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 2019</i>	<i>As at</i> <i>31 Dec 2018</i>
	Note	<u>Unaudited</u>	<u>Audited</u>
EQUITY			
Share capital		143,000	143,000
Retained earnings	18	1,582,110	1,525,809
TOTAL EQUITY		<u>1,725,110</u>	<u>1,668,809</u>
TOTAL EQUITY AND LIABILITIES		<u>2,968,511</u>	<u>3,135,220</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)

	Note	January to March	
		2019	2018
Revenue		2,747,443	2,726,670
Cost of sales		(2,604,839)	(2,612,130)
Gross profit		142,604	114,540
Other operating income		15,622	21,525
Other operating expenses		(62,422)	(57,722)
Administrative expenses		(3,996)	(3,511)
Results from operating activities		91,808	74,832
Other income		10,922	36,400
Other expenses		(22,873)	(14,064)
Finance income		1,117	337
Finance costs		(4,296)	(1,350)
Profit before tax	19	76,678	96,155
Tax expense	20	(19,157)	(24,031)
Profit for the period		57,521	72,124
Total comprehensive income for the period		57,521	72,124
Profit attributable to equity holders of the Company		57,521	72,124
Total comprehensive income attributable to equity holders of the Company		57,521	72,124
Basic earnings per ordinary share (sen)	24	21.3	26.7

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)

	<i>Non-distributable</i>	<i>Distributable</i>	
	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
At 31 December 2017, as previously reported/1 January 2018	143,000	1,368,977	1,511,977
Opening balance adjustments from adoption of MFRS 9, net of tax	-	(614)	(614)
At 1 January 2018, restated	143,000	1,368,363	1,511,363
Total comprehensive income for the period	-	72,124	72,124
At 31 March 2018	143,000	1,440,487	1,583,487
At 31 December 2018, as previously reported/1 January 2019	143,000	1,525,809	1,668,809
Opening balance adjustments from adoption of MFRS 16, net of tax	-	(1,220)	(1,220)
At 1 January 2019, restated	143,000	1,524,589	1,667,589
Total comprehensive income for the period	-	57,521	57,521
At 31 March 2019	143,000	1,582,110	1,725,110

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)

	<i>January to March</i>	
	<i>2019</i>	<i>2018</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	76,678	96,155
Adjustments for:		
Amortisation of intangible assets	12	12
Amortisation of long-term assets	4,015	7,271
Amortisation of right-of-use assets	396	-
Depreciation of investment property	7,061	-
Depreciation of property, plant and equipment	11,443	15,281
Finance costs	4,296	1,350
Finance income	(1,117)	(337)
Gain on disposal of investment property	(3,426)	-
Gain on disposal of property, plant and equipment	(841)	(2,174)
Retirement benefit costs	1,290	1,305
Reversal of impairment loss on trade receivables	238	(39)
Unrealised foreign exchange gain	(307)	(1,395)
Unrealised (gain)/loss on derivatives	(10,420)	17,485
Write-off of property, plant and equipment	4	120
Operating profit before changes in working capital	89,322	135,034
Change in inventories	54,632	82,604
Change in long-term assets	(943)	3,007
Change in trade and other payables and other financial liabilities	24,466	(141,421)
Change in trade and other receivables and other financial assets	280,060	6,193
Cash from operations	447,537	85,417
Interest paid	(3,145)	(500)
Interest received	1,090	310
Tax paid	(11,617)	(26,041)
Retirement benefits paid	(1,403)	(1,164)
Net cash from operating activities	432,462	58,022

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)
(Continued)

	<i>January to March</i>	
	<i>2019</i>	<i>2018</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment property	(112)	-
Acquisition of property, plant and equipment	(182,250)	(29,349)
Payment for long-term assets	(1,204)	(4,094)
Proceeds from disposal of investment property	8,972	-
Proceeds from disposal of property, plant and equipment	1,956	2,750
Net cash used in investing activities	(172,638)	(30,693)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(270,000)	-
Payment of lease liabilities	(1,636)	-
Net cash used in financing activities	(271,636)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(11,812)	27,329
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	275	140
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	145,430	119,614
CASH AND CASH EQUIVALENTS AT END OF PERIOD	133,893	147,083

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 2018. 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 2018.

2. Significant Accounting Policies

a) Changes in Accounting Policies

The audited financial statements of the Company for the year ended 31 December 2018 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 2018.

On 1 January 2019, the Company adopted the following accounting standards, amendments and interpretations of MFRSs effective for annual periods beginning on or after 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 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*
- 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*

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 2020:

- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

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 current quarter.

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

There has been no dividend paid since 31 December 2018.

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:

8. Segmental Information (continued)

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.03.2019</i>	<i>31.03.2018</i>	<i>31.03.2019</i>	<i>31.03.2018</i>
Domestic	2,398,587	2,517,910	2,398,587	2,517,910
Foreign	348,856	208,760	348,856	208,760
	<u>2,747,443</u>	<u>2,726,670</u>	<u>2,747,443</u>	<u>2,726,670</u>

For the period ended 31 March 2019 approximately RM579,742 (2018: RM583,188) 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 2018.

11. Capital Commitments

Capital commitments not provided for in the interim financial statements as at 31 March 2019 are as follows:

	<i>As at</i>	
	<i>31.03.2019</i>	<i>31.03.2018</i>
Contracted but not provided for	<u>303,784</u>	<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.

12. Derivative Financial Instruments (continued)

As at 31 March 2019, the Company has the following outstanding derivative financial instruments:

<i>Type of derivatives</i>	<i>Fair value hierarchy</i>	<i>Contract/ Nominal value</i>	<i>Fair value</i>	
			<i>Assets</i>	<i>Liabilities</i>
Derivatives held for trading at fair value through profit or loss				
- Forward exchange contracts	Level 2	201,108	159	(148)
- Commodity swaps	Level 2	66,391	15,537	(5,128)
		267,499	15,696	(5,276)

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 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 31.03.2019</i>	<i>Period ended 31.03.2019</i>	
Forward exchange contracts	2,264	2,264	Level 2 (OTC price)
Commodity swaps	(2,212)	(2,212)	Level 2 (OTC price)
	52	52	

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 Requirements of Bursa
Malaysia Securities Berhad
(Amounts in Thousand Ringgit Malaysia, Except Per Share Data)**

14. Review of Performance - Current financial period ended 31 March 2019

The Company posted revenue of RM 2.75 billion for the first quarter ending 31 March 2019, almost flat compared to the same period last year. While total sales volume grew by nearly 6% to 9.1 million barrels, revenue was tempered by the overall drop in product prices.

Dated Brent averaged US\$63 per barrel during the quarter, 6% or US\$4 lower over the same period in 2018. While prices averaged lower, Dated Brent rose from US\$59 per barrel in January to US\$66 per barrel in March. This was in contrast with the downward trend in prices during the same period last year. Despite the depressed regional refining margins, gross profit improved by 24% to RM143 million from higher sales volume.

Net profit for the quarter ended at RM58 million, 19% lower than the RM72 million posted in the same period last year largely due to unrealized commodity loss this year.

With the recovery of prices in the first three months of 2019 from the slump by the end of 2018, the Company reversed its loss before tax in the preceding quarter of RM33 million to RM77 million profit before tax in the current quarter.

15. Commentary on Prospects

While oil prices recovered gradually during the first quarter, the Company remains cautious given the continued volatility in the global oil market as well as separate pressures from the challenges at the domestic front. The outcome of OPEC supply cuts, trade sanctions and US-China trade wars would continue to significantly influence oil price and demand.

Despite these challenges, the Company is committed to continue embarking on various strategic programs such as network expansion, plant and facility improvements and supply chain enhancement to improve sales volume and market presence.

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>31.03.2019</u>	<u>31.03.2018</u>
Current		
Revolving credit – unsecured	120,000	-

18. Retained Earnings

	<i>As at</i>	
	<u>31.03.2019</u>	<u>31.03.2018</u>
Distributable		
Retained earnings	1,582,110	1,440,487

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>	
	<u>31.03.2019</u>	<u>31.03.2018</u>	<u>31.03.2019</u>	<u>31.03.2018</u>
Amortisation of intangible assets	12	12	12	12
Finance costs	4,296	1,350	4,296	1,350
Finance income	(1,117)	(337)	(1,117)	(337)
Foreign exchange				
- Realised gain	(3,603)	(15,507)	(3,603)	(15,507)
- Unrealised gain	(307)	(1,395)	(307)	(1,395)
Loss on derivatives	48,627	13,141	48,627	13,141
Investment property				
- Depreciation	7,061	-	7,061	-
- Gain on disposal	(3,426)	-	(3,426)	-
Long-term assets				
- Amortisation	4,015	7,271	4,015	7,271
Property, plant and equipment				
- Depreciation	11,443	15,281	11,443	15,281
- Write-off	4	120	4	120
- Gain on disposal	(841)	(2,174)	(841)	(2,174)
Trade and other receivables				
- Reversal of impairment loss	238	(39)	238	(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>	
	<u>31.03.2019</u>	<u>31.03.2018</u>	<u>31.03.2019</u>	<u>31.03.2018</u>
Current tax expense				
- Current year	22,735	20,467	22,735	20,467
- Prior year	-	(7)	-	(7)
Deferred tax expense				
- Origination and reversal of temporary differences	(3,578)	3,571	(3,578)	3,571
Total income tax expense	<u>19,157</u>	<u>24,031</u>	<u>19,157</u>	<u>24,031</u>

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 during the Quarter

As disclosed in Note 28 of the Company's 2018 audited financial statements, Konsortium Lord Saberkat Sdn. Bhd. (KLSSB) filed a motion to amend the Order dated 10 December 2015 made by the Court of Appeal for the claim against the Company amounting to approximately RM41,090,000. This was later dismissed by the Court of Appeal on 24 September 2018. KLSSB has since filed an application for leave to appeal to the Federal Court in relation to the dismissal by the Court of Appeal. KLSSB's leave to appeal was heard and was also dismissed on 5 March 2019 by the Federal Court.

23. Dividend Payable

The Company did not declare any dividends during the three months ended 31 March 2019.

24. Earnings per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<u>31.03.2019</u>	<u>31.03.2018</u>	<u>31.03.2019</u>	<u>31.03.2018</u>
Net profit attributable to equity holders of the Company	57,521	72,124	57,521	72,124
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings per ordinary share (sen)	21.3	26.7	21.3	26.7

25. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Company's financial statements for the year ended 31 December 2018 was not qualified.