



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 2019 and for the nine months ended 30 September 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)

		<i>As at</i> <i>30 Sep 2019</i>	<i>As at</i> <i>31 Dec 2018</i>
	Note	<i>Unaudited</i>	<i>Audited</i>
ASSETS			
Cash and cash equivalents		329,003	145,430
Derivative financial assets	12	12,058	32,419
Trade and other receivables		365,999	595,309
Inventories		561,243	648,342
Other current assets		9,545	438,582
Tax recoverable		-	11,408
Total Current Assets		1,277,848	1,871,490
Property, plant and equipment		1,034,216	690,744
Investment property		534,217	368,571
Right-of-use assets		53,723	-
Long-term assets		55,018	204,392
Intangible assets - software		179	23
Total Non-current Assets		1,677,353	1,263,730
TOTAL ASSETS		2,955,201	3,135,220
LIABILITIES			
Loans and borrowings	17	-	390,000
Trade and other payables		1,016,265	952,059
Lease liabilities		7,353	-
Derivative financial liabilities	12	8,282	5,328
Retirement benefit obligations		4,509	4,509
Tax payable		11,399	-
Total Current Liabilities		1,047,808	1,351,896
Lease liabilities		28,061	-
Retirement benefit obligations		42,467	40,967
Deferred tax liabilities		76,113	73,548
Total Non-current Liabilities		146,641	114,515
TOTAL LIABILITIES		1,194,449	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>30 Sep 2019</i>	<i>As at</i> <i>31 Dec 2018</i>
	<i>Unaudited</i>	<i>Audited</i>
EQUITY		
Share capital	143,000	143,000
Retained earnings	1,617,752	1,525,809
TOTAL EQUITY	1,760,752	1,668,809
TOTAL EQUITY AND LIABILITIES	2,955,201	3,135,220

Certified by:


MARK TRISTAN D. CAPARAS
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	<i>July to September</i>		<i>January to September</i>	
		<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Revenue		2,772,117	3,300,151	8,542,230	9,153,549
Cost of sales		(2,673,352)	(3,114,623)	(8,167,283)	(8,695,293)
Gross profit		98,765	185,528	374,947	458,256
Other operating income		17,275	15,802	48,902	53,533
Other operating expenses		(62,970)	(74,599)	(189,408)	(192,004)
Administrative expenses		(4,267)	(4,090)	(12,716)	(12,714)
Results from operating activities		48,803	122,641	221,725	307,071
Other income		2,801	15,197	13,773	35,117
Other expenses		(2,729)	(26,654)	(30,711)	(7,339)
Finance income		804	847	3,190	1,664
Finance costs		(1,876)	(4,747)	(8,300)	(7,194)
Profit before tax	18	47,803	107,284	199,677	329,319
Tax expense	19	(13,379)	(21,746)	(51,517)	(79,234)
Profit for the period		34,424	85,538	148,160	250,085
Total comprehensive income for the period		34,424	85,538	148,160	250,085
Basic earnings per ordinary share (sen)	23	12.7	31.7	54.9	92.6

Certified by:


MARK TRISTAN D. CAPARAS
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 2017/1 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	-	250,085	250,085
Dividends paid	-	(67,500)	(67,500)
At 30 September 2018	143,000	1,550,948	1,693,948
At 31 December 2018/1 January 2019	143,000	1,525,809	1,668,809
Opening balance adjustments from adoption of MFRS 16	-	(2,217)	(2,217)
At 1 January 2019, restated	143,000	1,523,592	1,666,592
Total comprehensive income for the period	-	148,160	148,160
Dividends paid	-	(54,000)	(54,000)
At 30 September 2019	143,000	1,617,752	1,760,752

Certified by:


MARK TRISTAN D. CAPARAS
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 September</i>	
	<i>2019</i>	<i>2018</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	199,677	329,319
Adjustments for:		
Amortisation of intangible assets	88	36
Amortisation of long-term assets	7,289	23,103
Depreciation of investment property	21,363	-
Depreciation of property, plant and equipment	39,016	49,103
Depreciation of right-of-use assets	1,294	-
Finance costs	8,300	7,194
Finance income	(3,190)	(1,664)
Gain on disposal of investment property	(3,509)	-
Gain on disposal of property, plant and equipment	(2,462)	(2,174)
Gain on disposal of right-of-use assets	(45)	-
Impairment loss on trade receivables	-	45
Retirement benefit costs	3,869	3,915
Reversal of impairment loss on trade receivables	(238)	(84)
Unrealised foreign exchange gain	(2,076)	(675)
Unrealised (gain)/loss on derivatives	(3,776)	8,444
Write-off of property, plant and equipment	4	223
Operating profit before changes in working capital	265,604	416,785
Change in inventories	87,099	105,552
Change in long-term assets	63	1,493
Change in trade and other payables and other financial liabilities	22,823	(233,429)
Change in trade and other receivables and other financial assets	629,211	(384,409)
Cash from/(used in) operations	1,004,800	(94,008)
Interest paid	(3,857)	(4,300)
Interest received	3,140	1,656
Tax paid	(46,467)	(92,980)
Tax refund	20,322	-
Retirement benefits paid	(2,370)	(5,951)
Net cash from/(used in) operating activities	975,568	(195,583)

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 September</i>	
	<i>2019</i>	<i>2018</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment property	(1,539)	-
Acquisition of property, plant and equipment	(345,311)	(92,666)
Payment for long-term assets	(10,842)	(46,155)
Proceeds from disposal of investment property	8,972	-
Proceeds from disposal of property, plant and equipment	1,956	2,750
Proceeds from disposal of right-of-use assets	60	-
Net cash used in investing activities	(346,704)	(136,071)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	370,000
Repayment of borrowings	(390,000)	-
Dividends paid	(54,000)	(67,500)
Payment of lease liabilities	(2,513)	-
Net cash from/(used in) financing activities	(446,513)	302,500
NET CHANGE IN CASH AND CASH EQUIVALENTS	182,351	(29,154)
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	1,222	255
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	145,430	119,614
CASH AND CASH EQUIVALENTS AT END OF PERIOD	329,003	90,715

Certified by:



MARK TRISTAN D. CAPARAS
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) MFRSs, 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:

MFRSs, 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

The amount of dividends paid since 31 December 2018 is as follows:

In respect of the year ended 31 December 2018:

Final dividend per ordinary share, paid on 27 June 2019	
- 20 sen per ordinary shares	<u>54,000</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:

8. Segmental Information (continued)

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2019</i>	<i>30.09.2018</i>	<i>30.09.2019</i>	<i>30.09.2018</i>
Domestic	2,597,962	3,000,210	7,757,918	8,267,176
Foreign	174,155	299,941	784,312	886,373
	<u>2,772,117</u>	<u>3,300,151</u>	<u>8,542,230</u>	<u>9,153,549</u>

For the period ended 30 September 2019 approximately RM1,868,830 (2018: RM1,991,994) 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 30 September 2019 are as follows:

	<i>As at</i>	
	<i>30.09.2019</i>	<i>31.12.2018</i>
Contracted but not provided for	264,145	226,601

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 period.

12. Derivative Financial Instruments (continued)

As at 30 September 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	489,865	946	(532)
- Commodity swaps	Level 2	167,030	11,112	(7,750)
		656,895	12,058	(8,282)

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>30.09.2019</i>	<i>30.09.2019</i>	
Forward exchange contracts	508	1,881	Level 2 (OTC price)
Commodity swaps	(1,500)	(4,835)	Level 2 (OTC price)
	(992)	(2,954)	

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 30 September 2019

In the third quarter of 2019, the Company recorded total sales volume at 8.8 million barrels compared to 9.1 million barrels in the same quarter of 2018. While export sales declined from reduced production due to refinery's scheduled maintenance, domestic sales slightly grew year-on-year.

Volatile global oil prices persisted with Dated Brent averaging US\$62 per barrel in the third quarter of 2019, 10% lower compared to the second quarter average of US\$69 per barrel. Dated Brent hit its lowest level during the year in August at US\$59 per barrel resulting in inventory holding loss and lower gross profit during the third quarter. With 18% lower Dated Brent compared to third quarter of 2018 average of US\$75 per barrel, revenue also declined by 16% to RM2.8 billion from RM3.3 billion last year.

Price differentials between finished products and Brent crude also narrowed resulting in gross profit of RM99 million for the third quarter of 2019 compared to RM186 million posted during the same period last year. Cushioned by savings in operating expenses, net income for the quarter settled at RM34 million compared to RM85 million posted last year.

Profit before tax for the quarter is lower at RM48 million compared to RM75 million in the preceding quarter.

The Company sustained sales volume growth to 27.1 million barrels for the first nine months of 2019 from 26.9 million barrels in the same period last year. However, as lower oil prices prevailed and negated the impact of sales volume growth, revenue declined by 7% to RM8.5 billion from RM9.2 billion last year. Consequently, net income decreased to RM148 million compared to RM250 million last year.

15. Commentary on Prospects

Geopolitical tensions in the Middle East and conflicting economic interests among the biggest economies continue to create uncertainties in the global oil market. Volatility in oil prices is expected to persist until a formal US-China trade deal is reached. Concerns on increasing US Shale and non-OPEC oil production further add to the price volatility. While Malaysia's economic outlook remains encouraging, the recent changes in government regulations affecting prices of local petroleum products can potentially alter buying patterns of consumers. Nevertheless, with its risk management system working in place, the Company is confident to continue managing these uncertainties.

Albeit the challenging business environment, the Company remains committed and on track in pursuing its various strategic programs to expand its retail network, upgrade its plant and facilities and enhance efficiencies in its supply chain to support growing sales volume and to continue providing innovative products and better quality services to its customers.

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>30.09.2019</u>	<u>31.12.2018</u>
Current		
Revolving credit – unsecured	-	390,000

18. 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>30.09.2019</u>	<u>30.09.2018</u>	<u>30.09.2019</u>	<u>30.09.2018</u>
Amortisation of intangible assets	65	18	88	36
Finance costs	1,876	4,747	8,300	7,194
Finance income	(804)	(847)	(3,190)	(1,664)
Foreign exchange				
- Realised (gain)/loss	(803)	12,041	4,517	5,053
- Unrealised gain	(1,170)	(3,558)	(2,076)	(675)
Loss on derivatives	3,149	25,460	30,127	33,281
Investment property				
- Depreciation	7,182	-	21,363	-
- Gain on disposal	-	-	(3,509)	-
Amortisation of long-term assets	2,409	8,717	7,289	23,103
Property, plant and equipment				
- Depreciation	13,375	18,241	39,016	49,103
- Write-off	-	-	4	223
- Gain on disposal	-	-	(2,462)	(2,174)
Right-of-use asset				
- Depreciation	389	-	1,294	-
- Gain on disposal	-	-	(45)	-
Trade and other receivables				
- Impairment loss	-	-	-	45
- Reversal of impairment loss	-	-	(238)	(84)

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

19. Tax Expense

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2019</i>	<i>30.09.2018</i>	<i>30.09.2019</i>	<i>30.09.2018</i>
Current tax expense				
- Current year	13,280	30,818	57,865	80,334
- Prior year	(8,913)	(5,154)	(8,913)	(5,161)
Deferred tax expense				
- Origination and reversal of temporary difference	360	(5,013)	(6,087)	2,966
- Prior year	8,652	1,095	8,652	1,095
Total income tax expense	13,379	21,746	51,517	79,234

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.

20. Corporate Proposals

There were no corporate proposals.

21. Changes in Material Litigation

As disclosed in Note 28 of the Company's 2018 audited financial statements, Konsortium Lord Saberkat Sdn. Bhd. (KLSSB) on 3 December 2018 filed a new claim against the Company allegedly over a breach of contract in relation to the same Agreement (the Second Suit). The amount of damages claimed was approximately RM109,183,500.

On 4 April 2019, High Court allowed the Company's application to strike out the Second Suit. Subsequently, on 29 April 2019, KLSSB filed an Appeal against the decision of the High Court to the Court of Appeal, the hearing of which was set for 9 January 2020.

22. Dividend Payable

The Company did not declare any dividends during the three months ended 30 September 2019.

23. Earnings per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2019</i>	<i>30.09.2018</i>	<i>30.09.2019</i>	<i>30.09.2018</i>
Net profit attributable to shareholders	34,424	85,538	148,160	250,085
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings per share (sen)	12.7	31.7	54.9	92.6

24. 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.