



PETRON MALAYSIA REFINING & MARKETING BHD

(Company Number: 196001000260 (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 December 2019 and for the year ended 31 December 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: 196001000260 (3927-V))

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

	Note	<i>As at 31 Dec 2019</i>	<i>As at 31 Dec 2018</i>
		<i>Unaudited</i>	<i>Audited</i>
ASSETS			
Cash and cash equivalents		156,599	145,430
Derivative financial assets	12	8,914	32,419
Trade and other receivables		420,865	595,309
Inventories		706,564	648,342
Other current assets		6,332	438,582
Tax recoverable		-	11,408
Total current assets		1,299,274	1,871,490
Property, plant and equipment		1,163,817	690,744
Investment property		634,333	368,571
Right-of-use assets		32,339	-
Long-term assets		49,790	204,392
Intangible assets - software		167	23
Total non-current assets		1,880,446	1,263,730
TOTAL ASSETS		3,179,720	3,135,220
LIABILITIES			
Loans and borrowings	17	130,000	390,000
Trade and other payables		1,088,355	952,059
Lease liabilities		3,776	-
Derivative financial liabilities	12	9,941	5,328
Retirement benefit obligations		5,951	4,509
Tax payable		3,606	-
Total current liabilities		1,241,629	1,351,896
Retirement benefit obligations		46,944	40,967
Deferred tax liabilities		75,297	73,548
Lease liabilities		29,891	-
Total non-current liabilities		152,132	114,515
TOTAL LIABILITIES		1,393,761	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: 196001000260 (3927-V))

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

	<i>As at</i> <i>31 Dec 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	1,642,959	1,525,809
TOTAL EQUITY	1,785,959	1,668,809
TOTAL EQUITY AND LIABILITIES	3,179,720	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: 196001000260 (3927-V))

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

	Note	October to December		January to December	
		2019	2018	2019	2018
		Unaudited	Unaudited	Unaudited	Audited
Revenue		2,914,599	2,894,220	11,456,829	12,047,037
Cost of sales		(2,817,317)	(2,907,699)	(10,984,600)	(11,602,992)
Gross profit/(loss)		97,282	(13,479)	472,229	444,045
Other operating income		17,065	15,828	65,967	70,093
Other operating expenses		(67,476)	(70,648)	(256,884)	(262,652)
Administrative expenses		(3,709)	(5,897)	(16,425)	(18,611)
Results from operating activities		43,162	(74,196)	264,887	232,875
Other income		6,744	54,472	12,077	87,557
Other expenses		(12,257)	(9,357)	(34,528)	(14,664)
Finance income		541	959	3,731	2,623
Finance costs	18	1,479	(4,852)	(6,821)	(12,046)
Profit/(Loss) before tax	18	39,669	(32,974)	239,346	296,345
Tax (expense)/benefit	19	(10,703)	7,429	(62,220)	(71,805)
Profit/(Loss) for the period		28,966	(25,545)	177,126	224,540
Other comprehensive (loss) income, net of tax		(4,824)	406	(4,824)	406
Total comprehensive income/(loss) for the period		24,142	(25,139)	172,302	224,946
Profit/(Loss) attributable to equity holders of the Company		28,966	(25,545)	177,126	224,540
Total comprehensive income/(loss) attributable to equity holders of the Company		24,142	(25,139)	172,302	224,946
Basic earnings/(loss) per ordinary share (sen)	23	10.7	(9.5)	65.6	83.2

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: 196001000260 (3927-V))

CONDENSED STATEMENT OF CHANGES IN EQUITY
(Amounts in Thousand Ringgit Malaysia)

	<u>Non-distributable</u>	<u>Distributable</u>	
	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
<i>Audited</i>			
At 1 January 2018	143,000	1,368,363	1,511,363
Remeasurement of defined benefit liability	-	406	406
Profit for the year	-	224,540	224,540
Total comprehensive income for the year	-	224,946	224,946
Dividends paid	-	(67,500)	(67,500)
At 31 December 2018	143,000	1,525,809	1,668,809
<i>Unaudited</i>			
At 31 December 2018, as previously reported/ 1 January 2019	143,000	1,525,809	1,668,809
Opening balance adjustment from adoption of MFRS 16, net of tax	-	(1,152)	(1,152)
At 1 January 2019, restated	143,000	1,524,657	1,667,657
Remeasurement of defined benefit liability	-	(4,824)	(4,824)
Profit for the year	-	177,126	177,126
Total comprehensive income for the year	-	172,302	172,302
Dividends paid	-	(54,000)	(54,000)
At 31 December 2019	143,000	1,642,959	1,785,959

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: 196001000260 (3927-V))

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

	<i>January to December</i>	
	<i>2019</i>	<i>2018</i>
	<i>Unaudited</i>	<i>Audited</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	239,346	296,345
Adjustments for:		
Amortisation of intangible assets	100	48
Amortisation of long-term assets	11,157	30,234
Depreciation of investment property	30,916	18,644
Depreciation of property, plant and equipment	51,134	46,377
Depreciation of right-of-use assets	504	-
Finance costs	6,821	12,046
Finance income	(3,731)	(2,623)
Gain on disposal of investment property	(3,729)	-
Gain on disposal of property, plant and equipment	(901)	(2,173)
Gain on disposal of right-of-use assets	(44)	-
Impairment loss on trade and other receivables	328	810
Retirement benefit costs	5,159	5,220
Reversal of impairment loss on slow moving materials and supplies	-	(6,433)
Reversal of impairment loss on trade and other receivables	(786)	(85)
Unrealised foreign exchange gain	(3,450)	(3,336)
Unrealised loss/(gain) on derivatives	1,027	(27,091)
Write-down of inventories to net realisable value	1,545	3,177
Write-off of investment property	426	54
Write-off of property, plant and equipment	635	38
Operating profit before changes in working capital	336,457	371,252
Change in inventories	(59,767)	33,052
Change in long-term assets	792	1,495
Change in trade and other payables and other financial liabilities	69,021	(105,448)
Change in trade and other receivables and other financial assets	570,213	(236,391)
Cash from operations	916,716	63,960
Interest paid	(5,387)	(8,034)
Interest received	3,721	2,604
Tax paid	(63,892)	(116,231)
Tax refund	20,322	-
Retirement benefits paid	(3,810)	(6,926)
Net cash from/(used in) operating activities	867,670	(64,627)

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: 196001000260 (3927-V))

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

	<i>January to December</i>	
	<i>2019</i>	<i>2018</i>
	<i>Unaudited</i>	<i>Audited</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment property	(25,086)	(1,801)
Acquisition of property, plant and equipment	(513,568)	(158,196)
Payment for long-term assets	(11,675)	(74,962)
Proceeds from disposal of investment property	9,164	-
Proceeds from disposal of property, plant and equipment	2,108	2,749
Proceeds from disposal of right-of-use assets	60	-
Net cash used in investing activities	(538,997)	(232,210)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(54,000)	(67,500)
Net (repayment of)/proceeds from borrowings	(260,000)	390,000
Payment of lease liabilities	(3,466)	-
Net cash (used in)/from financing activities	(317,466)	322,500
NET CHANGE IN CASH AND CASH EQUIVALENTS	11,207	25,663
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(38)	153
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	145,430	119,614
CASH AND CASH EQUIVALENTS AT END OF YEAR	156,599	145,430

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 196001000260 (3927-V))

Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting

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:

	<i>In RM'000</i>
Final dividend per ordinary share, paid on 27 June 2019	
- 20 sen per ordinary share	<u>54,000</u>

8. Segmental Information

The Company is organised as one integrated business segment which operates 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>In RM'000</i>	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.12.2019</i>	<i>31.12.2018</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
Domestic	2,644,109	2,741,511	10,402,027	11,007,955
Foreign	270,490	152,709	1,054,802	1,039,082
	2,914,599	2,894,220	11,456,829	12,047,037

For the period ended 31 December 2019 approximately RM2,484,155 thousand (2018: RM2,632,399 thousand) 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 December 2019 are as follows:

<i>In RM'000</i>	<i>As at</i>	
	<i>31.12.2019</i>	<i>31.12.2018</i>
Contracted but not provided for		
Property, plant and equipment	164,168	198,528
Investment properties	74,749	28,073

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.

12. Derivative Financial Instruments (continued)

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.

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

<i>In RM'000</i> <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	181,762	-	(1,732)
- Commodity swaps	Level 2	528,687	8,914	(8,209)
		710,449	8,914	(9,941)

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>In RM'000</i>	<i>Fair Value Gain/(Loss)</i>		<i>Basis for fair value measurement</i>
	<i>3 months ended</i>	<i>Period ended</i>	
	<i>31.12.2019</i>	<i>31.12.2019</i>	
Forward exchange contracts	(1,201)	680	Level 2 (OTC price)
Commodity swaps	(458)	(5,293)	Level 2 (OTC price)
	(1,659)	(4,613)	

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

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

The Company recorded sales volume of 9.2 million barrels in the fourth quarter of 2019 compared to 8.6 million barrels sold in the same period in 2018. The 6% growth in volume was contributed mainly by exports amid flat domestic sales. Revenue for the quarter was sustained at RM2,914,599 thousand as the increase in sales volume was partially negated by the 7% decline in the average benchmark Dated Brent crude price of US\$63 per barrel compared to the previous year.

With crude prices slightly higher compared to the previous quarter, the Company recognized inventory holding gains during the fourth quarter of 2019 and reduction in operating expenses, partly offset by the narrowed price differentials between crude and finished products as well as the significant increase in Tapis premium over Dated Brent. Despite the volatility in the global crude price which affect regional refining margins, the Company still posted a net income of RM28,966 thousand during the quarter, a complete turn-around from the RM25,545 thousand loss incurred in the same period of prior year.

Profit before tax for the quarter is lower at RM39,669 thousand compared to RM47,803 thousand in the preceding quarter.

For the full year 2019, the Company generated operating income of RM264,887 thousand, 14% higher than RM232,875 thousand in 2018, supported by higher sales volume, savings in operating expenses and inventory holding gains. However, the reported mark-to-market valuation on inventory led to unrealized loss, resulting in net income for the year dropping by 21% to RM177,126 thousand compared to RM224,540 thousand in previous year.

15. Commentary on Prospects

The new International Maritime Organization (IMO) regulation which took effect at the start of 2020 imposed a reduction in sulfur content in marine fuels and is expected to impact the supply and demand of crude and finished products. Apart from the continuing geopolitical tensions in the Middle East and the second phase of the US-China trade deal, the coronavirus outbreak which started in early 2020 posed uncertainties in the global economic outlook. A prolonged extent of the pandemic in the region can affect demand for petroleum products as well as refining activities. Likewise, oil producing countries are likely to cut production as a measure to counter softer oil prices. On the local front, Malaysia's gross domestic product (GDP) growth is expected to slow down as the weakening global economy will continue to weigh on Malaysia's export sector.

The Company employs an adequate risk management system to mitigate these uncertainties. Amidst the challenging business environment, the Company remains focus on pursuing its long-term strategic programs such as retail network expansion, operational efficiency, and customer service experience.

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>In RM'000</i>	<i>As at</i>	
	<i>31.12.2019</i>	<i>31.12.2018</i>
Current		
Revolving credit – unsecured	130,000	390,000

18. Profit before Tax

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

<i>In RM'000</i>	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.12.2019</i>	<i>31.12.2018</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
Amortisation of intangible assets	12	12	100	48
Amortisation of long-term assets	3,868	7,131	11,157	30,234
Finance costs	(1,479)	4,852	6,821	12,046
Finance income	(541)	(959)	(3,731)	(2,623)
Foreign exchange				
- Realised (gain)/loss	(3,597)	7,200	920	12,253
- Unrealised gain	(1,374)	(2,661)	(3,450)	(3,336)
Investment property				
- Depreciation	8,612	3,825	30,916	18,644
- Gain on disposal	(220)	-	(3,729)	-
- Write-off	426	54	426	54
Loss/(Gain) on derivatives	24,583	(55,619)	54,710	(22,338)
Property, plant and equipment				
- Depreciation	12,118	12,093	51,134	46,377
- Loss/(Gain) on disposal	1,561	-	(901)	(2,173)
- Write-off	631	-	635	38
Reversal of impairment loss on slow moving materials and supplies	-	(6,433)	-	(6,433)
Right-of-use assets				
- Depreciation	151	-	504	-
- Gain on disposal	-	-	(44)	-
Trade and other receivables				
- Impairment loss	328	765	328	810
- Reversal of impairment loss	(548)	-	(786)	(85)
Write-down of inventories to net realisable value	1,545	3,177	1,545	3,177

18. Profit before Tax (continued)

There are no exceptional items and gain or loss on disposal of quoted or unquoted investments.

Negative finance costs in the fourth quarter of 2019 are due to capitalisation of full year borrowing costs to qualifying assets in accordance with MFRS 123, *Borrowing costs*.

19. Tax Expense

<i>In RM'000</i>	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.12.2019</i>	<i>31.12.2018</i>	<i>31.12.2019</i>	<i>31.12.2018</i>
Current tax expense				
- Current year	9,632	(17,492)	67,497	62,842
- Prior year	-	(7)	(8,913)	(5,168)
Deferred tax expense				
- Origination and reversal of temporary difference	1,117	10,358	(4,970)	13,324
- Prior year	(46)	(288)	8,606	807
Total income tax expense/ (benefit)	10,703	(7,429)	62,220	71,805

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 RM109,184 thousand.

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 Court of Appeal on 9 January 2020 upheld the High Court decision.

On 5 February 2020, KLSSB filed an application for leave to appeal to the Federal Court against the dismissal by the Court of Appeal. The Company has instructed its external counsel to act on its behalf and does not expect any financial or operational impact as a result of KLSSB's application for leave to appeal to the Federal Court.

22. Dividend Payable

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

23. Earnings/(Loss) per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
Net profit/(loss) attributable to shareholders (RM'000)	28,966	(25,545)	177,126	224,540
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings/(loss) per share (sen)	10.7	(9.5)	65.6	83.2

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.