



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 30 September 2020 and for the nine months ended 30 September 2020.

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)

		<i>As at</i> <i>30 Sep 2020</i>	<i>As at</i> <i>31 Dec 2019</i>
	Note	<i>Unaudited</i>	<i>Audited</i>
ASSETS			
Cash and cash equivalents		132,021	156,599
Derivative financial assets	12	61,308	8,914
Trade and other receivables		161,707	420,865
Inventories		458,051	706,564
Other current assets		11,959	6,332
Tax recoverable		12,315	-
Total current assets		837,361	1,299,274
Property, plant and equipment		1,331,244	1,163,817
Investment property		680,722	634,333
Right-of-use assets		31,984	32,339
Long-term assets		49,107	49,790
Intangible assets - software		131	167
Total non-current assets		2,093,188	1,880,446
TOTAL ASSETS		2,930,549	3,179,720
LIABILITIES			
Loans and borrowings	17	370,000	130,000
Trade and other payables		674,311	1,088,355
Lease liabilities		3,054	3,776
Derivative financial liabilities	12	39,882	9,941
Retirement benefit obligations		5,951	5,951
Tax payable		-	3,606
Total current liabilities		1,093,198	1,241,629
Retirement benefit obligations		47,252	46,944
Deferred tax liabilities		54,337	75,297
Lease liabilities		37,535	29,891
Total non-current liabilities		139,124	152,132
TOTAL LIABILITIES		1,232,322	1,393,761

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>30 Sep 2020</i>	<i>As at</i> <i>31 Dec 2019</i>
	<i>Unaudited</i>	<i>Audited</i>
EQUITY		
Share capital	143,000	143,000
Retained earnings	1,555,227	1,642,959
TOTAL EQUITY	1,698,227	1,785,959
TOTAL EQUITY AND LIABILITIES	2,930,549	3,179,720

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	July to September		January to September	
		2020	2019	2020	2019
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue		1,684,365	2,772,117	4,948,838	8,542,230
Cost of sales		(1,532,561)	(2,673,352)	(4,918,039)	(8,167,283)
Gross profit		151,804	98,765	30,799	374,947
Other operating income		16,749	17,275	41,575	48,902
Other operating expenses		(56,205)	(62,970)	(168,082)	(189,408)
Administrative expenses		(3,637)	(4,267)	(11,209)	(12,716)
Results from operating activities		108,711	48,803	(106,917)	221,725
Other income		22,969	2,801	35,302	13,773
Other expenses		(7,459)	(2,729)	(9,429)	(30,711)
Finance income		438	804	1,513	3,190
Finance costs		(470)	(1,876)	(2,442)	(8,300)
Profit/(Loss) before tax	18	124,189	47,803	(81,973)	199,677
Tax (expense)/benefit	19	(26,549)	(13,379)	26,641	(51,517)
Profit/(Loss) for the period		97,640	34,424	(55,332)	148,160
Total comprehensive income/(loss) for the period		97,640	34,424	(55,332)	148,160
Basic earnings/(loss) per ordinary share (sen)	23	36.2	12.7	(20.5)	54.9

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)

	<i>Note</i>	<i>Non- distributable Share capital</i>	<i>Distributable Retained earnings</i>	<i>Total equity</i>
<i>Unaudited</i>				
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		-	(1,152)	(1,152)
At 1 January 2019, restated		143,000	1,524,657	1,667,657
Total comprehensive income for the period		-	148,160	148,160
Dividends paid		-	(54,000)	(54,000)
At 30 September 2019		143,000	1,618,817	1,761,817
<i>Unaudited</i>				
At 1 January 2020		143,000	1,642,959	1,785,959
Total comprehensive loss for the period		-	(55,332)	(55,332)
Dividends paid	7	-	(32,400)	(32,400)
At 30 September 2020		143,000	1,555,227	1,698,227

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 September</i>	
	<i>2020</i>	<i>2019</i>
	<i>Unaudited</i>	<i>Unaudited</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(81,973)	199,677
Adjustments for:		
Amortisation of intangible assets	36	88
Amortisation of long-term assets	8,271	7,289
Depreciation of investment property	25,360	21,363
Depreciation of property, plant and equipment	35,078	39,016
Depreciation of right-of-use assets	360	1,294
Finance costs	2,442	8,300
Finance income	(1,513)	(3,190)
Gain on disposal of investment property	-	(3,509)
Gain on disposal of property, plant and equipment	(4,409)	(2,462)
Gain on disposal of right-of-use assets	-	(45)
Gain on lease modification	(87)	-
Retirement benefit costs	4,405	3,869
Reversal of impairment loss on trade and other receivables	-	(238)
Unrealised foreign exchange loss/(gain)	106	(2,076)
Unrealised gain on derivatives	(21,426)	(3,776)
Write-off of property, plant and equipment	578	4
Operating (loss)/profit before changes in working capital	(32,772)	265,604
Change in inventories	248,513	87,099
Change in long-term assets	(1,483)	63
Change in trade and other payables and other financial liabilities	(379,346)	22,823
Change in trade and other receivables and other financial assets	262,878	629,211
Cash from operations	97,790	1,004,800
Interest paid	(10,672)	(3,857)
Interest received	1,508	3,140
Tax paid	(9,874)	(46,467)
Tax refund	-	20,322
Retirement benefits paid	(4,097)	(2,370)
Net cash from operating activities	74,655	975,568

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 September</i>	
	<i>2020</i>	<i>2019</i>
	<i>Unaudited</i>	<i>Unaudited</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment property	(19,115)	(1,539)
Acquisition of property, plant and equipment	(277,474)	(345,311)
Payment for long-term assets	(8,457)	(10,842)
Proceeds from disposal of investment property	-	8,972
Proceeds from disposal of property, plant and equipment	4,554	1,956
Proceeds from disposal of right-of-use assets	-	60
Net cash used in investing activities	(300,492)	(346,704)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from/(repayment of) borrowings	240,000	(390,000)
Dividends paid	(32,400)	(54,000)
Payment of lease liabilities	(6,141)	(2,513)
Net cash from/(used in) financing activities	201,459	(446,513)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(24,378)	182,351
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(200)	1,222
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	156,599	145,430
CASH AND CASH EQUIVALENTS AT END OF PERIOD	132,021	329,003

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 2019. 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 2019.

2. Significant Accounting Policies

a) Changes in accounting policies

The audited financial statements of the Company for the year ended 31 December 2019 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 2019.

On 1 January 2020, the Company adopted the following accounting standards, amendments and interpretations of MFRSs effective for annual periods beginning on or after 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*

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 June 2020:

- Amendment to MFRS 16 *Leases, Covid-19 - Related Rent Concessions*

MFRSs, amendments and interpretations effective 1 January 2022:

- Amendments to MFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Annual Improvements to MFRS Standards 2018–2020 Cycle)*

2. Significant Accounting Policies (continued)

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

MFRSs, amendments and interpretations effective 1 January 2022 (continued):

- Amendments to MFRS 116, *Property, Plant and Equipment – Property, Plant and Equipment–Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts–Cost of Fulfilling a Contract*

MFRSs, amendments and interpretations effective 1 January 2023:

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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 2019 is as follows:

In respect of the year ended 31 December 2019:

	<i>RM'000</i>
Final dividend per ordinary share, paid on 3 July 2020	
- 12 sen per ordinary share	32,400
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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:

<i>In RM'000</i>	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2020</i>	<i>30.09.2019</i>	<i>30.09.2020</i>	<i>30.09.2019</i>
Domestic	1,533,371	2,597,962	4,437,052	7,757,918
Foreign	150,994	174,155	511,786	784,312
	1,684,365	2,772,117	4,948,838	8,542,230

For the period ended 30 September 2020 approximately RM1,086,002 thousand (2019: RM1,868,830 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 2019.

11. Capital Commitments

Capital commitments not provided for in the interim financial statements as at 30 September 2020 are as follows:

<i>In RM'000</i>	<i>As at</i>	
	<i>30.09.2020</i>	<i>31.12.2019</i>
Contracted but not provided for		
Property, plant and equipment	150,782	164,168
Investment properties	56,007	74,749
	206,789	238,917

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.

As at 30 September 2020, the Company has the following outstanding derivative financial instruments:

<i>In RM'000</i>	<i>Fair value</i>	<i>Contract/</i>	<i>Fair value</i>	
<i>Type of derivatives</i>	<i>hierarchy</i>	<i>Nominal value</i>	<i>Assets</i>	<i>Liabilities</i>
Derivatives held for trading at fair value through profit or loss				
- Forward exchange contracts	Level 2	144,625	257	(179)
- Commodity swaps	Level 2	62,235	61,051	(39,703)
		206,860	61,308	(39,882)

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>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>30.09.2020</i>	<i>30.09.2020</i>	
Forward exchange contracts	(136)	1,554	Level 2 (OTC price)
Commodity swaps	(18,356)	(31,495)	Level 2 (OTC price)
	(18,492)	(29,941)	

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 30 September 2020

The Company sold 7.7 million barrels of petroleum products in the third quarter this year, a 28% recovery compared to the 6.0 million barrels sales volume in the preceding quarter. The growth in volume was supported by the improved domestic demand amid the Recovery Movement Control Order (RMCO) during the third quarter. However, volume still fell short by 13% compared to 8.8 million barrels sold in the same period last year.

Dated Brent crude price recovered by 48% to average US\$43 per barrel in the third quarter from US\$29 per barrel in preceding quarter this year, albeit still lower by 31% compared to US\$62 per barrel last year as the COVID-19 pandemic weighed on the global oil demand this year.

The improvement in the domestic sales volume and recovery of oil prices boosted the Company's third quarter revenue by 64% reaching RM1,684,365 thousand from the RM1,024,298 thousand in the second quarter. However, the third quarter revenue performance was 39% lower against last year's RM2,772,117 thousand as the ongoing pandemic capped both prices and fuel demand this year. Despite the revenue decline, the resulting gross profit of RM151,804 thousand improved by 54% versus RM98,765 thousand last year.

The Company continued cost rationalization measures saved 11% or RM7,395 thousand on operating and administrative expenses (OPEX) against last year. With OPEX savings coupled with higher gross profit, the resulting net income for the quarter of RM97,640 thousand was almost threefold compared to RM34,424 thousand last year. The recovery in the third quarter reduced its RM152,972 thousand net loss in the first half to RM55,332 thousand for the nine-month period.

Profit before tax for the quarter of RM124,189 thousand was a complete turnaround from the RM93,076 thousand loss in the preceding quarter.

15. Commentary on Prospects

Strict compliance on oil production cuts by OPEC+ and its allies during the third quarter kept oil price within rangebound. However, the significant inventory build-up during the first half of the year and uncertainty of a sustained demand recovery due to renewed lockdowns with the persistent rise of COVID-19 infections in major economies around the world continue to pose threats on the global oil market. While the possibility of COVID-19 vaccine becoming available soon is a positive news for the international oil market and the global economy as a whole, the upcoming change in US leadership may trigger a potential shift in geopolitical policy. Overall, these factors will continue to affect oil prices in the near term.

On the domestic front, the Malaysian Government re-imposed the Conditional Movement Control Order (CMCO) in targeted areas in mid-October until early December 2020, following recent spike in COVID-19 cases. Most business activities are allowed although cross-district travelling is prohibited. In addition to the stimulus packages announced early this year, on 6 November, the Malaysian Government tabled its Budget 2021 that offers various initiatives and incentives focusing on healthcare and economic recovery as a response to the pandemic.

Despite the continuing threats of the ongoing pandemic to the oil industry and the Malaysian economy, the Company remains confident that through its prudent resources and risk management measures, business performance will improve along with the country's economic recovery.

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>	
	<u>30.09.2020</u>	<u>31.12.2019</u>
Current		
Revolving credit – unsecured	370,000	130,000

18. Profit/(Loss) before Tax

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

<i>In RM'000</i>	<u>3 months ended</u>		<u>Period ended</u>	
	<u>30.09.2020</u>	<u>30.09.2019</u>	<u>30.09.2020</u>	<u>30.09.2019</u>
-				
Amortisation of intangible assets	11	65	36	88
Amortisation of long-term assets	2,771	2,409	8,271	7,289
Finance costs	470	1,876	2,442	8,300
Finance income	(438)	(804)	(1,513)	(3,190)
Foreign exchange				
- Realised (gain)/loss	(4,188)	(803)	5,691	4,517
- Unrealised (gain)/loss	(43)	(1,170)	106	(2,076)
Gain on lease modification	-	-	(87)	-
(Gain)/Loss on derivatives	(2,827)	3,149	(38,764)	30,127
Investment property				
- Depreciation	8,188	7,182	25,360	21,363
- Gain on disposal	-	-	-	(3,509)
Property, plant and equipment				
- Depreciation	11,689	13,375	35,078	39,016
- Gain on disposal	(4,409)	-	(4,409)	(2,462)
- Write-off	576	-	578	4
Right-of-use asset				
- Depreciation	102	389	360	1,294
- Gain on disposal	-	-	-	(45)
Reversal of impairment loss on trade and other receivables	-	-	-	(238)

18. Profit/(Loss) before Tax (continued)

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/(Benefit)

<i>In RM'000</i>	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2020</i>	<i>30.09.2019</i>	<i>30.09.2020</i>	<i>30.09.2019</i>
Current tax expense				
- Current year	-	13,280	-	57,865
- Prior year	(6,048)	(8,913)	(6,048)	(8,913)
Real property gains tax				
- Current year	367	-	367	-
Deferred tax expense				
- Origination and reversal of temporary difference	32,230	360	(20,960)	(6,087)
- Prior year	-	8,652	-	8,652
Total income tax expense/(benefit)	26,549	13,379	(26,641)	51,517

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 29 of the Company's 2019 audited financial statements, Konsortium Lord Saberkat Sdn. Bhd. (KLSSB) on 5 February 2020 filed an application for leave to appeal to the Federal Court against the dismissal by the Court of Appeal for the Second Suit claim amounting to approximately RM109,184 thousand. At the hearing of the application on 7 October 2020, the Federal Court unanimously dismissed KLSSB's application for leave with costs of RM20 thousand to be paid by KLSSB to Petron.

22. Dividend Payable

The Company did not declare any dividends during the three months ended 30 September 2020.

23. Earnings/(Loss) per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2020</i>	<i>30.09.2019</i>	<i>30.09.2020</i>	<i>30.09.2019</i>
Net profit/(loss) attributable to shareholders (RM'000)	97,640	34,424	(55,332)	148,160
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings/(loss) per share (sen)	36.2	12.7	(20.5)	54.9

24. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Company's financial statements for the year ended 31 December 2019 was not qualified.