



PETRON MALAYSIA REFINING & MARKETING BHD

(Registration No: 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 June 2021 and for the six months ended 30 June 2021.

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
(Registration No: 196001000260 (3927-V))

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

		<i>As at</i> <i>30 Jun 2021</i>	<i>As at</i> <i>31 Dec 2020</i>
	Note	<i>Unaudited</i>	<i>Audited</i>
ASSETS			
Cash and cash equivalents		168,062	139,059
Derivative financial assets	12	16,076	7,838
Trade and other receivables		338,670	221,351
Inventories		679,523	419,834
Other current assets		6,824	7,268
Tax recoverable		-	10,969
Total current assets		1,209,155	806,319
Property, plant and equipment		1,509,764	1,456,122
Investment property		651,777	653,996
Right-of-use assets		34,514	31,856
Long-term assets		21,878	28,071
Intangible assets - software		1,280	1,401
Total non-current assets		2,219,213	2,171,446
TOTAL ASSETS		3,428,368	2,977,765
LIABILITIES			
Loans and borrowings	17	731,443	420,320
Trade and other payables		583,200	634,009
Lease liabilities		1,793	1,576
Derivative financial liabilities	12	24,999	13,560
Retirement benefit obligations		4,273	4,273
Tax payable		9,633	-
Total current liabilities		1,355,341	1,073,738
Retirement benefit obligations		48,603	48,545
Deferred tax liabilities		109,894	73,418
Lease liabilities		41,419	40,467
Total non-current liabilities		199,916	162,430
TOTAL LIABILITIES		1,555,257	1,236,168

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

	Note	As at 30 June 2021 Unaudited	As at 31 Dec 2020 Audited
EQUITY			
Share capital		143,000	143,000
Retained earnings		1,730,111	1,598,597
TOTAL EQUITY		1,873,111	1,741,597
TOTAL EQUITY AND LIABILITIES		3,428,368	2,977,765

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
(Registration No: 196001000260 (3927-V))

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

	Note	April to June		January to June	
		2021	2020	2021	2020
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue		2,028,373	1,024,298	4,029,126	3,264,473
Cost of sales		(1,914,705)	(1,092,084)	(3,732,590)	(3,385,478)
Gross profit/(loss)		113,668	(67,786)	296,536	(121,005)
Other operating income		11,760	9,735	24,969	24,826
Other operating expenses		(55,082)	(50,089)	(110,457)	(111,877)
Administrative expenses		(3,840)	(4,147)	(7,303)	(7,572)
Results from operating activities		66,506	(112,287)	203,745	(215,628)
Other income		2,692	22,179	9,903	21,350
Other expenses		(14,660)	(3,127)	(11,810)	(10,987)
Finance income		599	738	896	1,075
Finance costs		790	(579)	(1,325)	(1,972)
Profit/(Loss) before tax	18	55,927	(93,076)	201,409	(206,162)
Tax (expense)/benefit	19	(13,914)	23,788	(56,395)	53,190
Profit/(Loss) for the period		42,013	(69,288)	145,014	(152,972)
Total comprehensive income/(loss) for the period		42,013	(69,288)	145,014	(152,972)
Basic earnings/(loss) per ordinary share (sen)	23	15.6	(25.7)	53.7	(56.7)

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.



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PETRON MALAYSIA REFINING & MARKETING BHD

(Registration No: 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 1 January 2020		143,000	1,642,959	1,785,959
Total comprehensive loss for the period		-	(152,972)	(152,972)
Dividends payable		-	(32,400)	(32,400)
At 30 June 2020		143,000	1,457,587	1,600,587
<i>Unaudited</i>				
At 1 January 2021		143,000	1,598,597	1,741,597
Total comprehensive income for the period		-	145,014	145,014
Dividends paid	7	-	(3,591)	(3,591)
Dividends payable		-	(9,909)	(9,909)
At 30 June 2021		143,000	1,730,111	1,873,111

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
(Registration No: 196001000260 (3927-V))

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

	<i>January to June</i>	
	<i>2021</i>	<i>2020</i>
	<i>Unaudited</i>	<i>Unaudited</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	201,409	(206,162)
Adjustments for:		
Amortisation of intangible assets	121	25
Amortisation of long-term assets	1,424	5,500
Depreciation of investment property	17,369	17,172
Depreciation of property, plant and equipment	23,704	23,389
Depreciation of right-of-use assets	278	258
Finance costs	1,325	1,972
Finance income	(896)	(1,075)
Gain on disposal of property, plant and equipment	(488)	-
Gain on lease modification	-	(87)
Retirement benefit costs	2,976	2,937
Reversal of impairment loss on trade and other receivables	(1)	-
Unrealised foreign exchange (gain)/loss	(2,122)	149
Unrealised loss/(gain) on derivatives	8,923	(7,290)
Write-off of property, plant and equipment	-	2
Operating profit/(loss) before changes in working capital	254,022	(163,210)
Change in inventories	(259,689)	337,921
Change in long-term assets	(947)	(1,398)
Change in trade and other payables and other financial liabilities	(42,658)	(439,580)
Change in trade and other receivables and other financial assets	(136,495)	205,603
Cash used in operations	(185,767)	(60,664)
Interest paid	(7,572)	(6,627)
Interest received	889	1,064
Tax paid	-	(9,874)
Tax refund	683	-
Retirement benefits paid	(2,918)	(3,264)
Net cash used in operating activities	(194,685)	(79,365)

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
(Registration No: 196001000260 (3927-V))

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

	<i>January to June</i>	
	<i>2021</i>	<i>2020</i>
	<i>Unaudited</i>	<i>Audited</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment property	(3,048)	(12,959)
Acquisition of property, plant and equipment	(73,810)	(170,949)
Payment for long-term assets	(3,759)	(5,387)
Proceeds from disposal of property, plant and equipment	841	-
Net cash used in investing activities	(79,776)	(189,295)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(3,591)	-
Net proceeds from borrowings	311,123	370,000
Payment of lease liabilities	(2,720)	(2,921)
Net cash from financing activities	304,812	367,079
NET CHANGE IN CASH AND CASH EQUIVALENTS	30,351	98,419
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(1,348)	(443)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	139,059	156,599
CASH AND CASH EQUIVALENTS AT END OF PERIOD	168,062	254,575

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.



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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 2020. 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 2020.

2. Significant Accounting Policies

a) Changes in accounting policies

The audited financial statements of the Company for the year ended 31 December 2020 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 2020.

The Company early adopted the following accounting standards, amendments and interpretations of MFRSs effective for annual periods beginning on or after 1 April 2021:

- Amendments to MFRS 16, *Leases – COVID-19 – Related Rent Concessions beyond 30 June 2021*

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 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)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *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*

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 2023:

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Company will apply the above standards, 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 2020 is as follows:

In respect of the year ended 31 December 2020:

Final dividend per ordinary share for minority shareholders,
paid on 30 June 2021
- 5 sen per ordinary share

In RM'000

3,591

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>30.06.2021</i>	<i>30.06.2020</i>	<i>30.06.2021</i>	<i>30.06.2020</i>
Domestic	1,717,452	852,152	3,402,505	2,903,681
Foreign	310,921	172,146	626,621	360,792
	2,028,373	1,024,298	4,029,126	3,264,473

For the period ended 30 June 2021 approximately RM802,453 thousand (2020: RM705,453 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 2020.

11. Capital Commitments

Capital commitments not provided for in the interim financial statements as at 30 June 2021 are as follows:

<i>In RM'000</i>	<i>As at</i>	
	<i>30.06.2021</i>	<i>30.06.2020</i>
Contracted but not provided for		
Plant and equipment	63,219	149,225
Investment property	31,317	57,625
	94,536	206,850

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 June 2021, the Company has the following outstanding derivative financial instruments:

<i>In RM'000</i> <i>Type of derivatives</i>	<i>Fair value</i> <i>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	92,165	179	(559)
- Commodity swaps	Level 2	158,905	15,897	(24,440)
		251,070	16,076	(24,999)

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 Gains/(Losses)</i>		<i>Basis for fair value measurement</i>
	<i>3 months ended</i>	<i>Period ended</i>	
	<i>30.06.2021</i>	<i>30.06.2021</i>	
Forward exchange contracts	(534)	1,113	Level 2 (OTC price)
Commodity swaps	(10,512)	(12,552)	Level 2 (OTC price)
	(11,046)	(11,439)	

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 June 2021

During the second quarter of the year, the government re-imposed tighter lockdown measures under the Full Movement Control Order (FMCO). Despite this limitation, PMRMB's sales volume ended higher at 6.3 million barrels compared to 6.0 million barrels in the same period last year as more essential economic sectors have been allowed to operate this year.

The benchmark Dated Brent crude oil climbed further in the second quarter of 2021 averaging US\$69 per barrel, up by 13% compared with the preceding quarter's average of US\$61 per barrel. The sustained uptrend in oil prices was driven by the continued supply cut by OPEC and allied countries along with the optimistic sentiment on the gradual oil demand recovery in major economies. Dated Brent also doubled compared to US\$29 per barrel average in the same period last year.

The oil price recovery coupled with the sales volume growth doubled PMRMB's second quarter revenue to RM2,028,373 thousand from the RM1,024,298 thousand posted in the second quarter of 2020. The Company generated a gross profit of RM113,668 thousand which reversed the gross loss of RM67,786 thousand last year when oil prices plunged at an unprecedented level. The inventory holding gains from the uptick in prices and gradual recovery in domestic sales largely contributed to the margin improvement.

The Company generated net income of RM42,013 thousand for the quarter, a turn-around from the RM69,288 thousand net loss incurred in the same period last year.

Profit before tax of RM55,927 thousand for the quarter was lower than preceding quarter's RM145,482 thousand.

The first half of 2021 was marked by longer government lockdown measures compared to last year. Consequently, the Company recorded lower sales volume of 13.1 million barrels for the first six months this year compared to 14.1 million barrels for the same period last year. Notwithstanding lower sales volume, revenue increased by 23% to RM4,029,126 thousand from RM3,264,473 thousand in 2020 due to recovering oil prices. The Company posted net income of RM145,014 thousand for the first half of 2021, reversing the net loss of RM152,972 thousand reported during the same period last year.

15. Commentary on Prospects

While several developed countries with good vaccination progress had just relaxed their COVID-19 restrictions, the fast spread of the highly contagious Delta variant poses considerable threat to the global economic recovery, forcing recent re-implementation of lockdown measures around the world. The resurgence of COVID-19 cases, particularly in Asia, constrained demand and added more pressure to the recovery of the global oil market. On the supply side, oil prices could be weighed down by the planned gradual increase in OPEC+ production and prospect of the U.S. lifting its sanctions on Iran. Overall, the foregoing depicts continued uncertainties in the global oil market.

At the domestic front, the resurgence of COVID-19 cases prompted the prolonged restriction to further curb the spike in infections. With daily reported cases reaching all-time high in recent months, the continued lockdown measure dampens the growth momentum of the country. However, with the accelerating pace of the nationwide vaccination roll-out, gradual lifting of business and travel restrictions in the near future is expected to pave the way for a modest recovery.

With the encouraging financial performance during the first half of the year, the Company is committed to continue its volume recovery program, cost rationalisation initiatives and prudent resource and risk management measures to remain resilient and competitive in navigating the challenging business environment.

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>30.06.2021</i>	<i>31.12.2020</i>
Current		
Revolving credit – unsecured		
- Denominated in RM	640,000	340,000
- Denominated in U.S. Dollar (USD)	91,443	80,320
	731,443	420,320

18. Profit/(Loss) before Tax

Profit/(Loss) 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>30.06.2021</i>	<i>30.06.2020</i>	<i>30.06.2021</i>	<i>30.06.2020</i>
Amortisation of intangible assets	61	13	121	25
Amortisation of long-term assets	605	2,915	1,424	5,500
Depreciation of investment property	8,929	8,587	17,369	17,172
Depreciation of right-of-use assets	152	131	278	258
Finance costs	(790)	579	1,325	1,972
Finance income	(599)	(738)	(896)	(1,075)
Foreign exchange				
- Realised loss/(gain)	1,769	(1,628)	6,751	9,879
- Unrealised (gain)/loss	(2,122)	909	(2,122)	149
Gain on lease modification	-	(87)	-	(87)
Loss/(Gain) on derivatives	26,657	19,438	52,394	(35,937)
Property, plant and equipment				
- Depreciation	11,535	11,803	23,704	23,389
- Gain on disposal	-	-	(488)	-
- Write-off	-	2	-	2
Reversal of impairment loss on receivables	-	-	(1)	-

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>30.06.2021</i>	<i>30.06.2020</i>	<i>30.06.2021</i>	<i>30.06.2020</i>
Current tax expense				
- Current year	(8,220)	-	19,919	-
Deferred tax expense/(benefit)				
- Origination and reversal of temporary difference	22,134	(23,788)	36,476	(53,190)
Total income tax expense/(benefit)	13,914	(23,788)	56,395	(53,190)

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

There were no significant changes in material litigation since 31 December 2020.

22. Dividends Proposed

The Company did not declare any dividend for the quarter ended 30 June 2021.

23. Earnings/(Loss) per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.06.2021</i>	<i>30.06.2020</i>	<i>30.06.2021</i>	<i>30.06.2020</i>
Net profit/(loss) attributable to shareholders (RM'000)	42,013	(69,288)	145,014	(152,972)
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings/(loss) per share (sen)	15.6	(25.7)	53.7	(56.7)

24. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Company's financial statements for the year ended 31 December 2020 was not qualified.