



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 September 2021 and for the nine months ended 30 September 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>As at</i>
		<i>30 Sep 2021</i>	<i>31 Dec 2020</i>
	Note	<i>Unaudited</i>	<i>Audited</i>
ASSETS			
Cash and cash equivalents		234,308	139,059
Derivative financial assets	12	10,558	7,838
Trade and other receivables		485,539	221,351
Inventories		677,177	419,834
Other current assets		14,285	7,268
Tax recoverable		-	10,969
Total current assets		1,421,867	806,319
Property, plant and equipment		1,516,297	1,456,122
Investment property		646,010	653,996
Right-of-use assets		34,345	31,856
Long-term assets		21,131	28,071
Intangible assets - software		1,220	1,401
Total non-current assets		2,219,003	2,171,446
TOTAL ASSETS		3,640,870	2,977,765
LIABILITIES			
Loans and borrowings	17	660,000	420,320
Trade and other payables		807,757	634,009
Lease liabilities		2,983	1,576
Derivative financial liabilities	12	45,261	13,560
Retirement benefit obligations		4,273	4,273
Tax payable		1,384	-
Total current liabilities		1,521,658	1,073,738
Retirement benefit obligations		50,064	48,545
Deferred tax liabilities		123,583	73,418
Lease liabilities		39,430	40,467
Other non-current liabilities		98	-
Total non-current liabilities		213,175	162,430
TOTAL LIABILITIES		1,734,833	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	As at
		30 Sep 2021	31 Dec 2020
		<i>Unaudited</i>	<i>Audited</i>
EQUITY			
Share capital		143,000	143,000
Retained earnings		1,763,037	1,598,597
TOTAL EQUITY		1,906,037	1,741,597
TOTAL EQUITY AND LIABILITIES		3,640,870	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	July to September		January to September	
		2021	2020	2021	2020
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue		2,193,094	1,684,365	6,222,220	4,948,838
Cost of sales		(2,076,021)	(1,532,561)	(5,808,611)	(4,918,039)
Gross profit		117,073	151,804	413,609	30,799
Other operating income		12,454	16,749	37,423	41,575
Other operating expenses		(54,418)	(56,205)	(164,875)	(168,082)
Administrative expenses		(3,445)	(3,637)	(10,748)	(11,209)
Results from operating activities		71,664	108,711	275,409	(106,917)
Other income		2,990	22,969	7,833	35,302
Other expenses		(32,192)	(7,459)	(38,942)	(9,429)
Finance income		768	438	1,664	1,513
Finance costs		(6,864)	(470)	(8,189)	(2,442)
Profit/(Loss) before tax	18	36,366	124,189	237,775	(81,973)
Tax (expense)/benefit	19	(3,440)	(26,549)	(59,835)	26,641
Profit/(Loss) for the period		32,926	97,640	177,940	(55,332)
Total comprehensive income/(loss) for the period		32,926	97,640	177,940	(55,332)
Basic earnings/(loss) per ordinary share (sen)	23	12.2	36.2	65.9	(20.5)

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
(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		-	(55,332)	(55,332)
Dividends paid		-	(32,400)	(32,400)
At 30 September 2020		143,000	1,555,227	1,698,227
<i>Unaudited</i>				
At 1 January 2021		143,000	1,598,597	1,741,597
Total comprehensive income for the period		-	177,940	177,940
Dividends paid	7	-	(13,500)	(13,500)
At 30 September 2021		143,000	1,763,037	1,906,037

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 September</i>	
	<i>2021</i>	<i>2020</i>
	<i>Unaudited</i>	<i>Unaudited</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	237,775	(81,973)
Adjustments for:		
Amortisation of intangible assets	181	36
Amortisation of long-term assets	2,124	8,271
Depreciation of investment property	26,022	25,360
Depreciation of property, plant and equipment	39,869	35,078
Depreciation of right-of-use assets	420	360
Finance costs	8,189	2,442
Finance income	(1,664)	(1,513)
Gain on disposal of property, plant and equipment	(604)	(4,409)
Gain on lease modification	-	(87)
Impairment loss on trade and other receivables	1,350	-
Retirement benefit costs	4,463	4,405
Reversal of impairment loss on trade and other receivables	(3)	-
Unrealised foreign exchange loss	331	106
Unrealised loss/(gain) on derivatives	34,703	(21,426)
Write-off of long-term assets	10	-
Write-off of investment property	21	-
Write-off of property, plant and equipment	-	578
Operating profit/(loss) before changes in working capital	353,187	(32,772)
Change in inventories	(257,343)	248,513
Change in long-term assets	(965)	(1,483)
Change in trade and other payables and other financial liabilities	176,003	(379,346)
Change in trade and other receivables and other financial assets	(258,434)	262,878
Cash from operations	12,448	97,790
Interest paid	(13,962)	(10,672)
Interest received	1,657	1,508
Tax paid	-	(9,874)
Tax refund	2,683	-
Retirement benefits paid	(2,944)	(4,097)
Net cash (used in)/from operating activities	(118)	74,655

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 September</i>	
	<i>2021</i>	<i>2020</i>
	<i>Unaudited</i>	<i>Audited</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment property	(5,962)	(19,115)
Acquisition of property, plant and equipment	(118,016)	(277,474)
Payment for long-term assets	(5,055)	(8,457)
Proceeds from disposal of property, plant and equipment	1,184	4,554
Net cash used in investing activities	(127,849)	(300,492)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(13,500)	(32,400)
Net proceeds from borrowings	239,680	240,000
Payment of lease liabilities	(3,343)	(6,141)
Net cash from financing activities	222,837	201,459
NET CHANGE IN CASH AND CASH EQUIVALENTS	94,870	(24,378)
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	379	(200)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	139,059	156,599
CASH AND CASH EQUIVALENTS AT END OF PERIOD	234,308	132,021

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:

	<i>In RM'000</i>
Final dividend per ordinary share, paid on 30 June 2021 and 2 July 2021	
- 5 sen per ordinary share	<u>13,500</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:

<i>In RM'000</i>	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2021</i>	<i>30.09.2020</i>	<i>30.09.2021</i>	<i>30.09.2020</i>
Domestic	1,916,525	1,533,371	5,319,030	4,437,052
Foreign	276,569	150,994	903,190	511,786
	2,193,094	1,684,365	6,222,220	4,948,838

For the period ended 30 September 2021 approximately RM1,321,725 thousand (2020: RM1,086,002 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 September 2021 are as follows:

<i>In RM'000</i>	<i>As at</i>	
	<i>30.09.2021</i>	<i>30.09.2020</i>
Contracted but not provided for		
Plant and equipment	46,231	150,782
Investment property	30,079	56,007
	76,310	206,789

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 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/</i> <i>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	267,007	930	(35)
- Commodity swaps	Level 2	170,264	9,628	(45,226)
		437,271	10,558	(45,261)

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 Gains/(Losses)</i>		<i>Basis for fair value measurement</i>
	<i>3 months ended</i>	<i>Period ended</i>	
	<i>30.09.2021</i>	<i>30.09.2021</i>	
Forward exchange contracts	522	1,635	Level 2 (OTC price)
Commodity swaps	(20,784)	(33,336)	Level 2 (OTC price)
	(20,262)	(31,701)	

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 2021

Amid the weak demand from the prolonged pandemic restrictions under the Full Movement Control Order (FMCO) and National Recovery Plan (NRP) in the third quarter, the Company recorded lower sales volume at 6.1 million barrels compared to the 7.7 million barrels sold during the Recovery Movement Control Order in the same quarter last year when demand for petroleum products was improving.

Meanwhile, the benchmark Dated Brent crude oil increased to average US\$74 per barrel in the third quarter of 2021, from US\$43 per barrel last year as the global oil demand recovery from improving global economy and easing travel restrictions outpaced supply as OPEC and allied countries managed their production increases while hurricanes disrupted U.S. oil supply. Driven by continued price recovery, the Company's third quarter 2021 revenue increased by 30% to RM2,193,094 thousand as compared to RM1,684,365 thousand last year.

However, with the lower sales volume, PMRMB posted gross profit of RM117,073 thousand from RM151,804 thousand last year. Nevertheless, despite the temporary slowdown in the domestic market, the Company generated net income of RM32,926 thousand for the quarter compared to RM97,640 thousand last year.

Profit before tax of RM36,366 thousand for the quarter was lower than preceding quarter's RM55,927 thousand.

The upward trajectory of oil prices in the first nine months of 2021 resulted in 26% higher revenue of RM6,222,220 thousand despite weak demand from prolonged and more restrictive lockdowns this year. Consequently, the Company posted net income of RM177,940 thousand in the first three quarters of 2021, a complete turnaround from the net loss of RM55,332 thousand incurred during the same period last year.

15. Commentary on Prospects

The global economy is regaining momentum with the ramp up in COVID-19 vaccination which is also supporting oil demand. Meanwhile, OPEC and its allies cautiously managed the pace of their production increases which also helped push oil prices higher. While more countries are expected to open up their economies and lift international travel restrictions soon, the demand risk remains due to uncertainties from resurgence of COVID-19 cases especially in Europe which can trigger fresh restrictions. On the other hand, the possibility that the U.S. may release crude oil from its strategic petroleum reserves to curb rising prices can potentially cause supply volatility in the oil market.

With ongoing implementation of the National COVID-19 Immunisation Programme, the daily COVID-19 infections in Malaysia has recently declined and more states have progressively transitioned to Phases 3 and 4 of the NRP. Domestic growth outlook remains positive with the resumption of interstate travel and lifting of restrictions on business sectors. The recent announcement of 2022 Budget is also expected to spur post-COVID recovery.

Despite lingering oil supply and demand uncertainties and challenging business environment, the Company is committed to carry out its prudent resource and risk management measures, sales volume recovery program and cost rationalisation initiatives to sustain its strong financial performance.

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>30.09.2021</i>	<i>31.12.2020</i>
Current		
Revolving credit – unsecured		
- Denominated in RM	660,000	340,000
- Denominated in U.S. Dollar (USD)	-	80,320
	660,000	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>30.09.2021</i>	<i>30.09.2020</i>	<i>30.09.2021</i>	<i>30.09.2020</i>
Amortisation of intangible assets	60	11	181	36
Depreciation of right-of-use assets	142	102	420	360
Finance costs	6,864	470	8,189	2,442
Finance income	(768)	(438)	(1,664)	(1,513)
Foreign exchange				
- Realised loss/(gain)	888	(4,188)	5,517	5,691
- Unrealised loss/(gain)	331	(43)	331	106
Gain on lease modification	-	-	-	(87)
Investment property				
- Depreciation	8,653	8,188	26,022	25,360
- Write-off	21	-	21	-
Long-term assets				
- Amortisation	700	2,771	2,124	8,271
- Write-off	10	-	10	-
Loss/(Gain) on derivatives	33,720	(2,827)	86,114	(38,764)
Property, plant and equipment				
- Depreciation	16,165	11,689	39,869	35,078
- Gain on disposal	(116)	(4,409)	(604)	(4,409)
- Write-off	-	576	-	578
Trade and other receivables				
- Impairment loss	1,350	-	1,350	-
- Reversal of impairment loss	(2)	-	(3)	-

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>30.09.2021</i>	<i>30.09.2020</i>	<i>30.09.2021</i>	<i>30.09.2020</i>
Current tax expense				
- Current year	(10,249)	-	9,670	-
- Prior year	-	(6,048)	-	(6,048)
Real property gains tax				
- Current year	-	367	-	367
Deferred tax expense/(benefit)				
- Origination and reversal of temporary difference	13,689	32,230	50,165	(20,960)
Total income tax expense/(benefit)	3,440	26,549	59,835	(26,641)

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 September 2021.

23. Earnings/(Loss) per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2021</i>	<i>30.09.2020</i>	<i>30.09.2021</i>	<i>30.09.2020</i>
Net profit/(loss) attributable to shareholders (RM'000)	32,926	97,640	177,940	(55,332)
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings/(loss) per share (sen)	12.2	36.2	65.9	(20.5)

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.