



**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 31 March 2023 and for the three months ended 31 March 2023.

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>31 Mar 2023</i>	<i>31 Dec 2022</i>
	Note	<i>Unaudited</i>	<i>Audited</i>
<b>ASSETS</b>			
Cash and cash equivalents		122,340	200,876
Derivative financial assets	12	32,254	22,737
Trade and other receivables		1,066,001	1,270,626
Inventories		1,242,199	1,090,472
Other current assets		8,166	5,972
Tax recoverable		-	1,930
<b>Total current assets</b>		<b>2,470,960</b>	<b>2,592,613</b>
Property, plant and equipment		1,470,236	1,481,409
Investment properties		630,063	634,185
Right-of-use assets		34,103	34,261
Long-term assets		22,997	20,872
Intangible assets - software		858	918
<b>Total non-current assets</b>		<b>2,158,257</b>	<b>2,171,645</b>
<b>TOTAL ASSETS</b>		<b>4,629,217</b>	<b>4,764,258</b>
<b>LIABILITIES</b>			
Loans and borrowings	17	804,110	1,100,000
Trade and other payables		1,251,974	1,218,057
Retirement benefit obligations		1,936	1,936
Lease liabilities		5,619	6,614
Asset retirement obligations		2,127	2,127
Derivative financial liabilities	12	11,105	24,545
Tax payable		33,451	-
<b>Total current liabilities</b>		<b>2,110,322</b>	<b>2,353,279</b>

The condensed statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



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

	Note	As at	As at
		31 Mar 2023	31 Dec 2022
		Unaudited	Audited
<b>LIABILITIES (continued)</b>			
Retirement benefit obligations		18,742	19,218
Deferred tax liabilities		119,775	119,775
Lease liabilities		46,287	46,710
Asset retirement obligations		8,725	8,637
<b>Total non-current liabilities</b>		<b>193,529</b>	<b>194,340</b>
<b>TOTAL LIABILITIES</b>		<b>2,303,851</b>	<b>2,547,619</b>
<b>EQUITY</b>			
Share capital		143,000	143,000
Retained earnings		2,182,366	2,073,639
<b>TOTAL EQUITY</b>		<b>2,325,366</b>	<b>2,216,639</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,629,217</b>	<b>4,764,258</b>

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	January to March	
		2023	2022
		Unaudited	Unaudited
Revenue		3,817,434	3,800,335
Cost of sales		(3,640,771)	(3,561,466)
Gross profit		176,663	238,869
Other operating income		14,048	13,828
Other operating expenses		(64,999)	(39,866)
Administrative expenses		(984)	(23,560)
Results from operating activities		124,728	189,271
Finance income		1,685	1,035
Other income/(expenses)		29,670	(38,049)
Finance costs		(9,245)	(8,504)
Profit before tax	18	146,838	143,753
Tax expense	19	(38,111)	(37,376)
<b>Profit for the period</b>		<b>108,727</b>	<b>106,377</b>
<b>Total comprehensive income for the period</b>		<b>108,727</b>	<b>106,377</b>
<b>Basic earnings per ordinary share (sen)</b>	23	<b>40.3</b>	<b>39.4</b>

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

	<u>Non-distributable</u> <i>Share capital</i>	<u>Distributable</u> <i>Retained earnings</i>	<i>Total equity</i>
<i>Unaudited</i>			
<b>At 1 January 2022</b>	<b>143,000</b>	<b>1,825,522</b>	<b>1,968,522</b>
Total comprehensive income for the period	-	106,377	106,377
<b>At 31 March 2022</b>	<b>143,000</b>	<b>1,931,899</b>	<b>2,074,899</b>
<i>Unaudited</i>			
<b>At 1 January 2023</b>	<b>143,000</b>	<b>2,073,639</b>	<b>2,216,639</b>
Total comprehensive income for the period	-	108,727	108,727
<b>At 31 March 2023</b>	<b>143,000</b>	<b>2,182,366</b>	<b>2,325,366</b>

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 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>Unaudited</i>	<i>Unaudited</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	146,838	143,753
Adjustments for:		
Amortisation of intangible assets	60	61
Amortisation of long-term assets	372	639
Depreciation of investment properties	8,675	9,221
Depreciation of property, plant and equipment	22,133	21,271
Depreciation of right-of-use assets	157	161
Finance costs	9,245	8,504
Finance income	(1,685)	(1,035)
Impairment loss on trade and other receivables	-	117
Retirement benefit costs	644	639
Reversal of impairment loss on trade and other receivables	(69)	(38)
Unrealised foreign exchange (gain)/loss	(3,838)	1,983
Unrealised (gain)/loss on derivatives	(21,148)	52,062
<b>Operating profit before changes in working capital</b>	<b>161,384</b>	<b>237,338</b>
Change in inventories	(151,727)	(247,284)
Change in trade and other payables and other financial liabilities	14,165	469,983
Change in trade and other receivables and other financial assets	225,049	(470,475)
<b>Cash from/(used in) operations</b>	<b>248,871</b>	<b>(10,438)</b>
Interest paid	(8,942)	(4,600)
Interest received	1,685	1,028
Tax paid	(2,730)	(1,275)
Tax refund	-	1,298
Retirement benefits paid	(1,120)	(97)
<b>Net cash from/(used in) operating activities</b>	<b>237,764</b>	<b>(14,084)</b>

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 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>Unaudited</i>	<i>Unaudited</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment properties	(4,552)	(817)
Acquisition of property, plant and equipment	(10,961)	(10,097)
Payment for long-term assets	(3,029)	(292)
<b>Net cash used in investing activities</b>	<b>(18,542)</b>	<b>(11,206)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(295,680)	(95,640)
Payment of lease liabilities	(2,052)	(1,099)
<b>Net cash used in financing activities</b>	<b>(297,732)</b>	<b>(96,739)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(78,510)</b>	<b>(122,029)</b>
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	<b>(26)</b>	<b>(142)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>200,876</b>	<b>254,076</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>122,340</b>	<b>131,905</b>

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 2022. 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 2022.

**2. Significant Accounting Policies**

**a) Changes in accounting policies**

The audited financial statements of the Company for the year ended 31 December 2022 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 2022.

On 1 January 2023, the Company adopted the following accounting standards, amendments and interpretations of MFRSs effective for annual periods beginning on or after 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 – Disclosure of Accounting Policies
- Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction



## **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 2024:

- Amendments to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants*

MFRS, amendments and interpretations effective beginning on or after a date yet to be confirmed:

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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. Dividend paid**

There has been no dividend paid since 31 December 2022.

## 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>31.03.2023</i>	<i>31.03.2022</i>	<i>31.03.2023</i>	<i>31.03.2022</i>
Malaysia	3,476,765	3,342,291	3,476,765	3,342,291
Singapore	340,669	458,044	340,669	458,044
	<b>3,817,434</b>	<b>3,800,335</b>	<b>3,817,434</b>	<b>3,800,335</b>

For the period ended 31 March 2023 approximately RM880,708 thousand (2022: RM885,881 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 2022.

## 11. Capital Commitments

Capital commitments not provided for in the interim financial statements as at 31 March 2023 are as follows:

<i>In RM'000</i>	<i>As at</i>	
	<i>31.03.2023</i>	<i>31.03.2022</i>
Contracted but not provided for		
Plant and equipment	30,032	24,902
Investment properties	21,806	36,716
	<b>51,838</b>	<b>61,618</b>

## 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 31 March 2023, 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	566,796	1,064	(4,215)
- Commodity swaps	Level 2	116,301	31,190	(6,890)
		<b>683,097</b>	<b>32,254</b>	<b>(11,105)</b>

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>31.03.2023</i>	<i>31.03.2023</i>	
<b>Forward exchange contracts</b>	(4,153)	(4,153)	Level 2 (OTC price)
<b>Commodity swaps</b>	17,593	17,593	Level 2 (OTC price)
	13,440	13,440	

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 March 2023**

The Company's total sales volume in the first quarter 2023 of 8.3 million barrels was 8% higher than the 7.7 million barrels sold in the same period last year. At the back of stable demand post-pandemic, domestic sales improved by 13% from a year ago.

With higher sales volume, revenue was sustained at RM3,817,434 thousand despite a 20% fall in prices as benchmark Dated Brent crude averaged US\$81 per barrel in the first quarter compared to US\$101 per barrel in 2022. Oil prices and demand were constrained by the heightened global recession fears from the banking crisis in the U.S. and Europe, partly tempered by positive sentiments on China's expected economic recovery post-pandemic.

While commodity prices softened, regional refining cracks remained strong during the quarter. The stable refining margins partly tempered the impact of the decline in prices as well as expensive freight and other cost of importation. This resulted in a gross profit of RM176,663 thousand and an operating income of RM124,728 thousand, 26% and 34%, respectively, lower compared to last year when margins were supported by the surge in prices due to the geopolitical conflict in Europe. Meanwhile, the marked-to-market valuation on commodity hedges recorded gains compared to losses in prior year ending the first quarter of 2023 with a net profit of RM108,727 thousand, exceeding last year's RM106,377 thousand.

PMRMB recorded profit before tax of RM146,838 thousand in the first quarter, a significant recovery compared to the preceding quarter's pre-tax loss of RM54,408 thousand.

### **15. Commentary on Prospects**

Concerns on global economic slowdown that can dampen oil demand have recently re-emerged due to the potential credit crunch from the banking crisis scare in the US and Europe. The sustained interest rate hikes meant to carve out inflation also caused stress to the banking sector. While there were attempts to balance the oil market with OPEC+ announcing output cuts, the Company still expects market uncertainties to affect oil demand-supply balance that may cause persistent volatility during the year, although in a modest range compared to 2022.

On the domestic front, Malaysia's central bank also raised the overnight policy rate to manage inflationary pressures. While tourism rebound mainly from China's re-opening is expected to spur domestic demand, the country's economy may still be susceptible to the impact of a potential global economic slowdown.

Petron remains vigilant in managing the possible implications of these market uncertainties to the Company's business operations through its comprehensive risk management approach. It will also continue to improve its operational efficiencies, optimise resources and pursue better yielding investments in retail network expansion. At the same time, the Company is committed to pursue initiatives that are geared towards sustainable environment, society and economy.

## 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>31.03.2023</i>	<i>31.12.2022</i>
<b>Current</b>		
Revolving credit – unsecured		
- Denominated in RM	760,000	1,100,000
- Denominated in U.S. Dollar (USD)	44,110	-
	<b>804,110</b>	<b>1,100,000</b>

## 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>31.03.2023</i>	<i>31.03.2022</i>	<i>31.03.2023</i>	<i>31.03.2022</i>
Amortisation of intangible assets	60	61	60	61
Amortisation of long-term assets	372	639	372	639
Depreciation of investment properties	8,675	9,221	8,675	9,221
Depreciation of property, plant and equipment	22,133	21,271	22,133	21,271
Depreciation of right-of-use assets	157	161	157	161
Finance costs	9,245	8,504	9,245	8,504
Finance income	(1,685)	(1,035)	(1,685)	(1,035)
Foreign exchange				
- Realised loss	11,089	230	11,089	230
- Unrealised (gain)/loss	(3,838)	1,983	(3,838)	1,983
(Gain)/Loss on derivatives	(28,298)	230,011	(28,298)	230,011
Trade and other receivables				
- Impairment loss	-	117	-	117
- Reversal of impairment loss	(69)	(38)	(69)	(38)

The (gain)/loss on derivatives, comprised of both realised and marked-to-market, have corresponding losses/gains from the underlying transactions.

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

## 19. Tax Expense

<i>In RM'000</i>	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.03.2023</i>	<i>31.03.2022</i>	<i>31.03.2023</i>	<i>31.03.2022</i>
<b>Current tax expense</b>				
- Current year	38,111	45,432	38,111	45,432
<b>Deferred tax benefit</b>				
- Reversal of temporary difference	-	(8,056)	-	(8,056)
<b>Total income tax expense</b>	<b>38,111</b>	<b>37,376</b>	<b>38,111</b>	<b>37,376</b>

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

On 20 May 2022, Petron Malaysia Refining & Marketing Berhad (PMRMB) was served with a Notice of Arbitration by MTC Engineering Sdn. Bhd. (MESB) in relation to MESB claim for alleged outstanding additional costs arising from execution of a project known as Pipeline End Manifold (PLEM) Fabrication and Marine Equipment Installation for Marine Import Facilities 2 Project at Petron Port Dickson Refinery. The sum claimed is RM50,497,251 including interest, costs, and other reliefs.

On 29 June 2022, MESB registered the claim with the Asian International Arbitration Centre (AIAC). PMRMB's solicitors had written to AIAC to put on record that the preconditions to arbitration have not been fulfilled and PMRMB reserves the right to challenge jurisdiction.

On 30 September 2022, the AIAC has appointed an Arbitrator for this matter. The first procedural hearing was fixed on 19 October 2022, with further procedural hearing scheduled on 23 May 2023. However, the procedural hearing was rescheduled to 14 June 2023. PMRMB will defend the claim as it is of the opinion the claim is without basis or merit, thus, Management believes that no contingent liability provision is necessary.

## 22. Dividends

The Company did not declare any dividend for the quarter ended 31 March 2023.

**23. Earnings per Ordinary Share**

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.03.2023</i>	<i>31.03.2022</i>	<i>31.03.2023</i>	<i>31.03.2022</i>
Net profit attributable to shareholders (RM'000)	108,727	106,377	108,727	106,377
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings per share (sen)	40.3	39.4	40.3	39.4

**24. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the Company's financial statements for the year ended 31 December 2022 was not qualified.