



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 2023 and for the nine months ended 30 September 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>30 Sep 2023</i>	<i>As at</i> <i>31 Dec 2022</i>
	Note	<i>Unaudited</i>	<i>Audited</i>
ASSETS			
Cash and cash equivalents		90,176	200,876
Derivative financial assets	12	74,648	22,737
Trade and other receivables		1,717,152	1,270,626
Inventories		1,132,505	1,090,472
Other current assets		10,502	5,972
Tax recoverable		-	1,930
Total current assets		3,024,983	2,592,613
Property, plant and equipment		1,435,907	1,481,409
Investment properties		621,615	634,185
Right-of-use assets		33,807	34,261
Long-term assets		30,197	20,872
Intangible assets - software		1,408	918
Total non-current assets		2,122,934	2,171,645
TOTAL ASSETS		5,147,917	4,764,258
LIABILITIES			
Loans and borrowings	17	640,000	1,100,000
Trade and other payables		1,718,472	1,218,057
Retirement benefit obligations		1,936	1,936
Lease liabilities		8,068	6,614
Asset retirement obligations		2,127	2,127
Derivative financial liabilities	12	124,527	24,545
Tax payable		21,837	-
Total current liabilities		2,516,967	2,353,279

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 FINANCIAL POSITION
(Amounts in Thousand Ringgit Malaysia)
(Continued)

	Note	As at 30 Sep 2023 <i>Unaudited</i>	As at 31 Dec 2022 <i>Audited</i>
LIABILITIES (continued)			
Retirement benefit obligations		19,390	19,218
Deferred tax liabilities		176,259	119,775
Other non-current liabilities		153	-
Lease liabilities		46,396	46,710
Asset retirement obligations		8,974	8,637
Total non-current liabilities		251,172	194,340
TOTAL LIABILITIES		2,768,139	2,547,619
EQUITY			
Share capital		143,000	143,000
Retained earnings		2,236,778	2,073,639
TOTAL EQUITY		2,379,778	2,216,639
TOTAL EQUITY AND LIABILITIES		5,147,917	4,764,258

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	
		2023	2022	2023	2022
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue		4,851,825	4,684,996	12,723,379	14,081,393
Cost of sales		(4,611,937)	(4,821,552)	(12,191,505)	(13,563,460)
Gross profit/(loss)		239,888	(136,556)	531,874	517,933
Other operating income		17,272	14,724	54,852	43,744
Other operating expenses		(71,026)	(63,754)	(202,745)	(192,005)
Administrative expenses		(2,097)	(1,624)	(4,725)	(5,288)
Results from operating activities		184,037	(187,210)	379,256	364,384
Finance income		1,504	2,010	4,817	4,779
Other (expenses)/income		(58,173)	167,419	(36,197)	19,537
Finance costs		(8,049)	(11,356)	(26,998)	(33,413)
Profit/(Loss) before tax	18	119,319	(29,137)	320,878	355,287
Tax (expense)/benefit	19	(37,415)	61,235	(90,239)	(33,333)
Profit for the period		81,904	32,098	230,639	321,954
Total comprehensive income for the period		81,904	32,098	230,639	321,954
Basic earnings per ordinary share (sen)	23	30.3	11.9	85.4	119.2

Certified by:


MARK TRISTAN D. CAPARAS
 Chief Finance Officer

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



PETRON MALAYSIA REFINING & MARKETING BHD
(Registration No: 196001000260 (3927-V))

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

	<i>Non-distributable Share capital</i>	<i>Distributable Retained earnings</i>	<i>Total equity</i>
<i>Unaudited</i>			
At 1 January 2022	143,000	1,825,522	1,968,522
Total comprehensive income for the period	-	321,954	321,954
Dividends paid	-	(54,000)	(54,000)
At 30 September 2022	143,000	2,093,476	2,236,476
<i>Unaudited</i>			
At 1 January 2023	143,000	2,073,639	2,216,639
Total comprehensive income for the period	-	230,639	230,639
Dividends paid	-	(67,500)	(67,500)
At 30 September 2023	143,000	2,236,778	2,379,778

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>2023</i>	<i>2022</i>
	<i>Unaudited</i>	<i>Unaudited</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	320,878	355,287
Adjustments for:		
Amortisation of intangible assets	1,546	181
Amortisation of long-term assets	1,025	1,956
Depreciation of investment properties	25,660	26,873
Depreciation of property, plant and equipment	64,206	60,504
Depreciation of right-of-use assets	453	474
Finance costs	26,998	33,413
Finance income	(4,817)	(4,779)
Impairment loss on trade and other receivables	-	117
Retirement benefit costs	1,931	1,917
Reversal of impairment loss on trade and other receivables	(91)	(345)
Unrealised foreign exchange loss	1,412	9,543
Unrealised loss/(gain) on derivatives	49,879	(7,588)
Write-off of investment property	-	9
Write-off of property, plant and equipment	-	14
Operating profit before changes in working capital	489,080	477,576
Change in inventories	(42,033)	(405,299)
Change in trade and other payables and other financial liabilities	478,426	510,990
Change in trade and other receivables and other financial assets	(423,148)	(377,275)
Cash from operations	502,325	205,992
Interest paid	(24,373)	(25,509)
Interest received	4,817	4,779
Tax paid	(9,988)	(5,331)
Tax refund	-	1,298
Retirement benefits paid	(1,759)	(1,250)
Net cash from operating activities	471,022	179,979

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>2023</i>	<i>2022</i>
	<i>Unaudited</i>	<i>Unaudited</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment properties	(7,793)	(5,133)
Acquisition of property, plant and equipment	(25,542)	(45,334)
Payment for long-term assets	(15,467)	(4,931)
Net cash used in investing activities	(48,802)	(55,398)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(67,500)	(54,000)
Net repayment of borrowings	(460,000)	(184,826)
Payment of lease liabilities	(5,429)	(1,816)
Net cash used in financing activities	(532,929)	(240,642)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(110,709)	(116,061)
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS	9	120
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	200,876	254,076
CASH AND CASH EQUIVALENTS AT END OF PERIOD	90,176	138,135

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

(Registration No: 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 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

Dividends of RM67,500 thousand in respect of the financial year ended 31 December 2022, approved during the Annual General Meeting on 15 June 2023 were paid on 30 June 2023 and 4 July 2023.

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>30.09.2023</i>	<i>30.09.2022</i>	<i>30.09.2023</i>	<i>30.09.2022</i>
Malaysia	4,224,446	4,268,387	11,292,845	12,693,679
Singapore	627,379	416,609	1,430,534	1,387,714
	4,851,825	4,684,996	12,723,379	14,081,393

For the period ended 30 September 2023, RM3,139,321 thousand (2022: RM3,315,690 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 30 September 2023 are as follows:

<i>In RM'000</i>	<i>As at</i>	
	<i>30.09.2023</i>	<i>30.09.2022</i>
Contracted but not provided for		
Plant and equipment	65,514	20,752
Investment properties	13,304	30,439
	78,818	51,191

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 2023, 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	657,185	2,404	-
- Commodity swaps	Level 2	558,296	72,244	(124,527)
		1,215,481	74,648	(124,527)

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>30.09.2023</i>	<i>30.09.2023</i>	
Forward exchange contracts	-	62	Level 2 (OTC price)
Commodity swaps	(111,145)	(100,044)	Level 2 (OTC price)
	(111,145)	(99,982)	

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 2023

PMRMB's total sales volume in the third quarter of 2023 increased by 14% to 9.8 million barrels from 8.6 million barrels sold in the same period last year, driven by stable domestic demand, volume grab initiatives and higher production at the refinery.

The third quarter saw an uptick in international prices from the preceding quarter. However, price of benchmark Dated Brent crude remained 14% lower at US\$87 per barrel compared with US\$101 per barrel average in the same period last year. Despite this, the Company generated 4% higher revenue at RM4,851,825 thousand during the quarter compared with RM4,684,996 thousand last year at the back of higher sales volume.

The increased refinery production allowed PMRMB to improve operational cost efficiency and group synergy. The strong performance resulted in a gross profit of RM239,888 thousand in the third quarter, a complete turnaround from the gross loss of RM136,556 incurred in the same period last year. This translated to an operating profit of RM184,037 thousand compared with the RM187,210 thousand operating loss incurred during the same period in 2022.

The Company's lower borrowing level this year more than offset the increased interest rates reducing its financing cost. However, this was offset by the marked-to-market loss recorded on the outstanding derivative contracts. The resulting net profit of RM81,904 thousand for the quarter was more than twice of last year's RM32,098 thousand.

The Company recorded profit before tax of RM119,319 thousand in the third quarter, higher than the preceding quarter's profit before tax of RM54,721 thousand.

For the first nine months of 2023, the Company's sales volume grew by 11% to 27.7 million barrels from 25.0 million barrels sold in the same period last year. The growth in volume, however, was countered by the overall drop in commodity prices decreasing revenue to RM12,723,379 thousand from prior year's RM14,081,393 thousand. While revenue registered a 10% year-on-year drop, the year-to-date operating profit of RM379,256 thousand improved by 4%. Meanwhile, the net profit of RM230,639 thousand for the nine-month period ended lower compared with RM321,954 thousand last year due to the absence of tax incentives this year.

15. Commentary on Prospects

After the recovering trend in the third quarter of 2023, prices started to soften at the onset of the fourth quarter due to prevailing bearish sentiments on global demand. The Company expects volatility to persist amid uncertainties in demand from China, EU and Japan, mixed signals on the direction of US interest rates and the ongoing geopolitical conflict in the Middle East. Furthermore, the market is also waiting for the decision of OPEC+ on the extent of their production cuts.

On the domestic front, analysts expect Malaysia's economic growth to moderate in 2023 compared with prior forecast, but with potential upside in 2024. The prevailing uncertainties in global financial markets which continue to soften external demand is expected to remain a challenge, but domestic consumption can provide support. Meanwhile, the Ringgit will remain likely affected by the US monetary policy tightening and oil price volatility.

Despite the uncertainties and challenges, Petron remains committed in pursuing sustainable growth through investments in retail network expansion, supply chain optimization and sustainability initiatives. With proven sound business fundamentals and prudent risk management, the Company remains focused in strategic initiatives to deliver sustainable value to its stakeholders and reduce its carbon footprint to the 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>30.09.2023</i>	<i>31.12.2022</i>
Current		
Revolving credit – unsecured	640,000	1,100,000

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>30.09.2023</i>	<i>30.09.2022</i>	<i>30.09.2023</i>	<i>30.09.2022</i>
Amortisation of intangible assets	1,429	60	1,546	181
Amortisation of long-term assets	259	709	1,025	1,956
Depreciation of right-of-use assets	138	157	453	474
Finance costs	8,048	11,356	26,998	33,413
Finance income	(1,505)	(2,010)	(4,817)	(4,779)
Foreign exchange				
- Realised loss	2,772	18,442	23,050	38,685
- Unrealised (gain)/loss	(6,574)	9,543	1,412	9,543
Loss/(Gain) on derivatives	216,883	(147,545)	118,438	457,127
Investment property				
- Depreciation	8,274	8,778	25,660	26,873
- Write-off	-	-	-	9
Property, plant and equipment				
- Depreciation	23,225	19,426	64,206	60,504
- Write-off	-	-	-	14
Trade and other receivables				
- Impairment loss	-	-	-	117
- Reversal of impairment loss	-	(307)	(91)	(345)

The loss/(gain) on derivatives, comprised of both realised and marked-to-market, have corresponding gains/losses 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>30.09.2023</i>	<i>30.09.2022</i>	<i>30.09.2023</i>	<i>30.09.2022</i>
Current tax expense				
- Current year	16,840	2,760	33,755	122,925
Deferred tax expense/(benefit)				
- Origination/(Reversal) of temporary difference	20,575	(63,995)	56,484	(89,592)
Total income tax expense/(benefit)	37,415	(61,235)	90,239	33,333

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. Arbitration is currently ongoing with the court hearing fixed from 10 to 14 June 2024. 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 interim dividend for the quarter ended 30 September 2023.

23. Earnings per Ordinary Share

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>30.09.2023</i>	<i>30.09.2022</i>	<i>30.09.2023</i>	<i>30.09.2022</i>
Net profit attributable to shareholders (RM'000)	81,904	32,098	230,639	321,954
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic earnings per share (sen)	30.3	11.9	85.4	119.2

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.