



**PETRONAS**

# **PETRONAS Group Interim Financial Report**

**For Third Quarter 2018**

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# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



Cumulative quarter ended		Key Financial and Operational Highlights	30.9.2018	Individual quarter ended	
30.9.2017	30.9.2018			30.6.2018	30.9.2017
161,835	<b>181,072</b>	Revenue (RM mil)	<b>63,913</b>	59,237	53,684
41,013	<b>56,305</b>	Profit Before Taxation (RM mil)	<b>18,872</b>	19,177	14,951
27,307	<b>40,986</b>	Profit After Tax (RM mil)	<b>14,338</b>	13,625	9,956
(1,547)	<b>1,099</b>	Net impairment (losses)/write-back, net of tax (RM mil) <sup>1</sup>	<b>(160)</b>	182	(208)
28,854	<b>39,887</b>	Profit After Tax excluding net impairment (RM mil)	<b>14,498</b>	13,443	10,164
66,693	<b>79,145</b>	EBITDA (RM mil)	<b>26,915</b>	27,193	21,473
57,734	<b>56,233</b>	Cash flows from operating activities (RM mil)	<b>14,554</b>	19,737	17,883
33,808	<b>26,501</b>	Capital investments (RM mil)	<b>6,677</b>	7,861	12,461
1,742	<b>1,624</b>	Crude oil, condensate and natural gas entitlement volume ('000 boe per day)	<b>1,514</b>	1,634	1,671

### Third quarter

- **PETRONAS Group's revenue for the third quarter of 2018 increased by 19%** as compared to the third quarter of 2017 mainly due to the impact of higher average realised prices recorded for key products partially offset by the effect of strengthening of Ringgit against US Dollar exchange rate and the impact of lower sales volume mainly for LNG.
- **The Group recorded Profit Before Taxation ("PBT") of RM18.9 billion and Profit After Tax ("PAT") of RM14.3 billion for the third quarter of 2018, increased by 26% and 43% respectively,** as compared to the third quarter of 2017, primarily due to higher revenue partially offset by higher net product and production costs coupled with higher depreciation and amortisation recorded for the quarter. **Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") increased by 25%** as compared to the third quarter of 2017 in line with higher PBT.
- **Cash flows from operating activities decreased by 19%** as compared to the third quarter of 2017 mainly due to higher working capital and taxes paid partially offset by higher average realised prices.
- **Capital investments for the third quarter of 2018 amounted to RM6.7 billion,** mainly attributed to Upstream projects.
- **Crude oil, condensate and natural gas entitlement volume for the third quarter of 2018 was 1,514 thousand barrels of oil equivalent ("boe") per day** as compared to 1,671 thousand boe per day in the third quarter of 2017. Total production volume was 2,176 thousand boe per day as compared to 2,206 thousand boe per day in the third quarter of 2017.

### Cumulative quarter

- **PETRONAS Group's revenue for the period ended 30 September 2018 increased by 12%** as compared to the same period in 2017 mainly due to the impact of higher average realised prices recorded for key products partially offset by the effect of strengthening of Ringgit against US Dollar exchange rate.
- **The Group recorded PBT of RM56.3 billion and PAT of RM41.0 billion for the period ended 30 September 2018, increased by 37% and 50% respectively,** as compared to the same period in 2017, primarily due to higher revenue, lower net impairment on assets and well costs, lower net foreign exchange losses as well as non-FID costs for Pacific NorthWest LNG project in Canada which was recognised in 2017. These were partially offset by higher net product and production costs, depreciation and amortisation as well as tax expenses. **EBITDA for the period ended 30 September 2018 was RM79.1 billion, increased by 19%** as compared to the same period in 2017 in line with higher PBT.
- **Cash flows from operating activities for the period ended 30 September 2018 decreased by 3%** as compared to the same period in 2017 due to higher working capital and taxes paid partially offset by higher average realised prices.
- **Capital investments for the period ended 30 September 2018 amounted to RM26.5 billion,** mainly attributed to Upstream projects.
- **Crude oil, condensate and natural gas entitlement volume for the period ended 30 September 2018 was 1,624 thousand boe per day** as compared to 1,742 thousand boe per day in the same period in 2017. Total production volume was 2,313 thousand boe per day as compared to 2,296 thousand boe per day in the same period in 2017.

<sup>1</sup> Comprises net impairment (losses)/write-back on property, plant and equipment, receivables, intangible assets and investments in an associate (Note 22).

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The Board of Directors of Petroliaam Nasional Berhad ("PETRONAS" or the "Company") is pleased to announce the following unaudited condensed consolidated financial statements of PETRONAS Group for the third quarter ended 30 September 2018 which should be read in conjunction with the Explanatory Notes on pages 7 to 21.

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In RM Mil	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2018	2017	2018	2017
Revenue	63,913	53,684	181,072	161,835
Cost of revenue	(41,295)	(34,652)	(112,739)	(102,932)
<b>Gross profit</b>	<b>22,618</b>	19,032	<b>68,333</b>	58,903
Selling and distribution expenses	(1,435)	(1,491)	(4,654)	(4,458)
Administration expenses	(2,812)	(1,970)	(8,667)	(7,510)
Net impairment (losses)/write-back	(161)	30	1,098	(1,316)
Other expenses	(319)	(1,125)	(2,252)	(4,636)
Other income	1,760	1,139	4,634	2,739
<b>Operating profit</b>	<b>19,651</b>	15,615	<b>58,492</b>	43,722
Financing costs	(991)	(873)	(2,672)	(2,633)
Share of profit/(loss) after tax and non-controlling interests of equity accounted associates and joint ventures	212	209	485	(76)
<b>Profit before taxation</b>	<b>18,872</b>	14,951	<b>56,305</b>	41,013
Tax expense	(4,534)	(4,995)	(15,319)	(13,706)
<b>PROFIT FOR THE PERIOD</b>	<b>14,338</b>	9,956	<b>40,986</b>	27,307
<b>Other comprehensive income/(expenses)</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net changes of equity investments at fair value through other comprehensive income ("OCI")				
- Changes in fair value	(62)	-	(70)	-
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	3,927	(1,180)	2,002	(6,772)
Available-for-sale financial assets				
- Changes in fair value	-	(47)	-	(865)
- Transfer to profit or loss	-	(4)	-	(43)
Others	3	(389)	105	121
<b>Total other comprehensive income/(expenses) for the period</b>	<b>3,868</b>	(1,620)	<b>2,037</b>	(7,559)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>18,206</b>	8,336	<b>43,023</b>	19,748
<b>Profit attributable to:</b>				
Shareholders of the Company	12,491	7,887	35,455	21,275
Non-controlling interests	1,847	2,069	5,531	6,032
<b>PROFIT FOR THE PERIOD</b>	<b>14,338</b>	9,956	<b>40,986</b>	27,307
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Company	15,908	6,706	37,171	15,122
Non-controlling interests	2,298	1,630	5,852	4,626
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>18,206</b>	8,336	<b>43,023</b>	19,748

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	As at 30.9.2018	As at 31.12.2017
<b>ASSETS</b>		
Property, plant and equipment	292,953	327,458
Investment properties, land held for development and prepaid lease payments	14,059	14,458
Investments in associates and joint ventures	16,417	13,092
Intangible assets	21,411	22,079
Fund and other investments	2,022	544
Other non-current assets	26,867	23,703
<b>TOTAL NON-CURRENT ASSETS</b>	<b>373,729</b>	<b>401,334</b>
Trade and other inventories	17,367	15,379
Trade and other receivables	49,325	44,035
Fund and other investments	5,460	7,754
Cash and cash equivalents	175,312	128,209
Other current assets	1,949	3,139
<b>TOTAL CURRENT ASSETS</b>	<b>249,413</b>	<b>198,516</b>
<b>TOTAL ASSETS</b>	<b>623,142</b>	<b>599,850</b>
<b>EQUITY</b>		
Share capital	100	100
Reserves	402,045	389,694
<b>Total equity attributable to shareholders of the Company</b>	<b>402,145</b>	<b>389,794</b>
Non-controlling interests	44,061	43,041
<b>TOTAL EQUITY</b>	<b>446,206</b>	<b>432,835</b>
<b>LIABILITIES</b>		
Borrowings	45,313	53,751
Deferred tax liabilities	9,258	8,177
Other long term liabilities and provisions	37,315	37,385
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>91,886</b>	<b>99,313</b>
Trade and other payables	49,149	53,291
Borrowings	23,663	10,398
Taxation	5,238	4,013
Dividend payable	7,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>85,050</b>	<b>67,702</b>
<b>TOTAL LIABILITIES</b>	<b>176,936</b>	<b>167,015</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>623,142</b>	<b>599,850</b>

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company				
	Non-distributable				
<i>In RM Mil</i>	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve	Available-for-sale Reserve
<b>Cumulative quarter ended 30 September 2017</b>					
Balance at 1 January 2017	100	13,989	43,232	-	2,792
Net movements from exchange differences	-	-	(5,366)	-	-
Available-for-sale financial assets:					
- Changes in fair value	-	-	-	-	(864)
- Transfer to profit or loss	-	-	-	-	(43)
Other comprehensive income	-	120	-	-	-
Total other comprehensive income/(expenses) for the period	-	120	(5,366)	-	(907)
Profit for the period	-	-	-	-	-
<b>Total comprehensive income/(expenses) for the period</b>	-	120	(5,366)	-	(907)
Additional issuance of shares to non-controlling interests	-	-	-	-	-
Changes in ownership interest in a subsidiary	-	(13)	(67)	-	-
Redemption of redeemable preference shares in subsidiaries	-	28	-	-	-
Dividends	-	-	-	-	-
<b>Total transactions with shareholders</b>	-	15	(67)	-	-
Balance at 30 September 2017	100	14,124	37,799	-	1,885
<b>Cumulative quarter ended 30 September 2018</b>					
Balance at 1 January 2018					
- As previously reported	100	14,425	31,267	-	1,275
- Adjustments on initial application of MFRS 9	-	-	-	75	(1,275)
At 1 January 2018, restated	100	14,425	31,267	75	-
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	-	-	-	(70)	-
Net movements from exchange differences	-	-	1,701	-	-
Other comprehensive income	-	85	-	-	-
Total other comprehensive income/(expenses) for the period	-	85	1,701	(70)	-
Profit for the period	-	-	-	-	-
<b>Total comprehensive income/(expenses) for the period</b>	-	85	1,701	(70)	-
Additional issuance of shares to non-controlling interests	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	-	-	-	-
Disposal of subsidiaries	-	-	(162)	-	-
Redemption of redeemable preference shares in subsidiaries	-	135	-	-	-
Dividends	-	-	-	-	-
<b>Total transactions with shareholders</b>	-	135	(162)	-	-
Balance at 30 September 2018	100	14,645	32,806	5	-

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

In RM Mil	Attributable to shareholders of the Company			Non-controlling Interests	Total Equity
	Distributable		Total		
	General Reserve	Retained Profits			
<b>Cumulative quarter ended 30 September 2017</b>					
Balance at 1 January 2017	12,000	308,328	380,441	43,262	423,703
Net movements from exchange differences	-	-	(5,366)	(1,406)	(6,772)
Available-for-sale financial assets:					
- Changes in fair value	-	-	(864)	(1)	(865)
- Transfer to profit or loss	-	-	(43)	-	(43)
Other comprehensive income	-	-	120	1	121
Total other comprehensive income/(expenses) for the period	-	-	(6,153)	(1,406)	(7,559)
Profit for the period	-	21,275	21,275	6,032	27,307
<b>Total comprehensive income/(expenses) for the period</b>	-	21,275	15,122	4,626	19,748
Additional issuance of shares to non-controlling interests	-	-	-	37	37
Changes in ownership interest in a subsidiary	-	854	774	868	1,642
Redemption of redeemable preference shares in subsidiaries	-	(28)	-	-	-
Dividends	-	(16,000)	(16,000)	(5,263)	(21,263)
<b>Total transactions with shareholders</b>	-	(15,174)	(15,226)	(4,358)	(19,584)
Balance at 30 September 2017	12,000	314,429	380,337	43,530	423,867
<b>Cumulative quarter ended 30 September 2018</b>					
Balance at 1 January 2018					
- As previously reported	12,000	330,727	389,794	43,041	432,835
- Adjustments on initial application of MFRS 9	-	787	(413)	(49)	(462)
At 1 January 2018, restated	12,000	331,514	389,381	42,992	432,373
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	-	-	(70)	-	(70)
Net movements from exchange differences	-	-	1,701	301	2,002
Other comprehensive income	-	-	85	20	105
Total other comprehensive income/(expenses) for the period	-	-	1,716	321	2,037
Profit for the period	-	35,455	35,455	5,531	40,986
<b>Total comprehensive income/(expenses) for the period</b>	-	35,455	37,171	5,852	43,023
Additional issuance of shares to non-controlling interests	-	-	-	14	14
Changes in ownership interest in subsidiaries	-	(245)	(245)	(381)	(626)
Disposal of subsidiaries	-	-	(162)	-	(162)
Redemption of redeemable preference shares in subsidiaries	-	(135)	-	(5)	(5)
Dividends	-	(24,000)	(24,000)	(4,411)	(28,411)
<b>Total transactions with shareholders</b>	-	(24,380)	(24,407)	(4,783)	(29,190)
Balance at 30 September 2018	12,000	342,589	402,145	44,061	446,206

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Cumulative quarter ended	
	2018	30 September 2017
<b>Cash flows from operating activities</b>		
Profit before taxation	56,305	41,013
Adjustments for:		
Depreciation and amortisation	26,812	24,332
Net impairment (write-back)/loss on property, plant and equipment	(759)	1,793
Net impairment loss on intangible assets	-	226
Net impairment/write-off on well costs	421	586
Net impairment write-back on receivables	(343)	(477)
Net impairment loss on other investments	4	-
Net inventories written down to net realisable value	32	-
Share of (profit)/loss after tax and non-controlling interests of equity accounted associates and joint ventures	(485)	76
Property, plant and equipment written off	8	302
Gain on disposal of subsidiaries, an associate, a joint venture, other investments and property, plant and equipment	(1,685)	(651)
Loss on disposal of property, plant and equipment	423	24
Net loss/(gain) on derivatives	27	(15)
Unrealised loss on foreign exchange	445	1,234
Interest income	(4,237)	(3,131)
Interest expenses	2,672	2,633
Operating profit before changes in working capital	<u>79,640</u>	<u>67,945</u>
Net change in working capital	<u>(10,661)</u>	<u>(2,101)</u>
Cash generated from operations	68,979	65,844
Interest income from fund and other investments	2,811	2,253
Interest expenses paid	(2,161)	(2,071)
Taxation paid	<u>(13,396)</u>	<u>(8,292)</u>
<b>Net cash generated from operating activities</b>	<u>56,233</u>	<u>57,734</u>

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	Cumulative quarter ended	
	2018	30 September 2017
<b>Cash flows from investing activities</b>		
Investment in associates and joint ventures	(162)	(380)
Investment in securities and other investments	(2,033)	(1,732)
Proceeds from disposal of:		
- investment in subsidiaries, net of cash disposed	4,044	552
- investment in an associate and a joint venture	-	193
- property, plant and equipment, prepaid lease payments, investment properties, intangible assets, land held for development and assets classified as held for sale	336	193
- securities and other investments	4,329	2,083
Proceeds from capital reduction in an associate	-	12
Purchase of property, plant and equipment, prepaid lease payments, investment properties, intangible assets and land held for development	(26,501)	(33,808)
Dividends received	742	681
Others	155	-
<b>Net cash used in investing activities</b>	<b>(19,090)</b>	<b>(32,206)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(6,688)	(4,441)
Drawdown of borrowings	37,042	6,950
Dividends paid	(17,000)	(14,000)
Dividends paid to non-controlling interests	(4,410)	(5,263)
Proceeds from shares issued to non-controlling interests	14	37
Payment to non-controlling interests on additional equity interests	(626)	-
Proceeds from partial disposal of equity interest to non-controlling interests	-	1,412
<b>Net cash generated from/(used in) financing activities</b>	<b>8,332</b>	<b>(15,305)</b>
Net increase in cash and cash equivalents	45,475	10,223
Increase in deposits restricted	(10)	(50)
Net foreign exchange differences	1,137	(2,486)
Cash and cash equivalents at beginning of the period	127,564	120,791
<b>Cash and cash equivalents at end of the period</b>	<b>174,166</b>	<b>128,478</b>
<b>Cash and cash equivalents</b>		
Cash and bank balances and deposits	175,312	129,173
Bank overdrafts	(512)	(94)
Less: Deposits restricted	(634)	(601)
	<b>174,166</b>	<b>128,478</b>

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### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

#### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. The results for this interim period are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2017.

The explanatory notes attached to these unaudited condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2017.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2018 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2017 except as disclosed below.

At the beginning of the current financial year, the Group and the Company adopted new MFRSs, Amendments to MFRSs and an IC Interpretation (collectively referred to as "pronouncements") that have been issued by the MASB and are applicable as listed below:

##### **Effective for annual periods beginning on or after 1 January 2018**

MFRS 9 *Financial Instruments (2014)*

MFRS 15 *Revenue from Contracts with Customers*

Amendments to MFRS 4 *Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

Amendments to MFRS 15 *Revenue from Contracts with Customers: Clarifications to MFRS 15*

Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*

Amendments to MFRS 140 *Investment Property: Transfers of Investment Property*

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of these pronouncements did not have a significant impact on the Group's reported income and net assets other than as set out below:

##### i. MFRS 9 *Financial Instruments (2014)*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities and impairment of financial assets.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"), and eliminates the existing MFRS 139 categories of held-to-maturity, loans and receivables and available-for-sale.

There was no significant impact on the accounting for long term receivables, fund and other investments that have been designated upon initial recognition at fair value through profit or loss, and trade and other receivables upon initial application of the new reclassification requirements. The effect of adopting MFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

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### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### i. MFRS 9 *Financial Instruments (2014)* (continued)

At 31 December 2017, the Group had equity investments classified as available-for-sale with a fair value of RM3,241,000,000 that are held for long-term strategic purposes and investments in debt securities of RM2,863,000,000. Under MFRS 9, the Group has designated these investments as measured at FVTPL. Consequently, all fair value gains and losses will be reported in profit or loss, and no impairment losses will be recognised in profit or loss.

MFRS 9 replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (“ECL”) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives. Adjustments arising from the initial application of the new impairment model has been recognised in the opening balance of the retained earnings and the carrying amount of the financial assets as at 1 January 2018 as disclosed below:

<i>In RM Mil</i>	<b>Impact of adoption of MFRS 9 to opening balance at 1 January 2018</b>
Decrease in equity	462
Decrease in long term receivables	(65)
Decrease in trade and other receivables	(423)
Increase in fund and other investments	26

##### ii. MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The initial application of MFRS 15 did not have a significant impact on the Group’s financial statements.

#### 3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the annual financial statements for the year ended 31 December 2017.

#### 4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The Group’s operations, on overall, are not significantly affected by seasonal or cyclical fluctuations of the business/industry.

#### 5. EXCEPTIONAL ITEMS

There was no exceptional item during the quarter under review.

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### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)

#### 6. DIVIDENDS

During the financial period:

- i. the Company paid an interim dividend of RM30,000 per ordinary share amounting to RM3 billion declared in January 2018 in respect of financial year ending 31 December 2018. The dividend was paid in instalments between January and March 2018.
- ii. the Company paid a second interim dividend of RM20,000 per ordinary share for financial year ending 31 December 2018 amounting to RM2 billion which was declared in April 2018 and paid in May 2018.
- iii. the Company paid a dividend of RM10 billion, being partial payments of the approved tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM160,000 per ordinary share amounting to RM16 billion in respect of the financial year end 31 December 2017.

The remaining amount of the final dividend amounting to RM6 billion will be paid in instalments in October and November 2018.

- iv. the Company paid a dividend of RM2 billion, being partial payment of the approved special dividend of RM30,000 per ordinary share amounting to RM3 billion in respect of financial year ending 31 December 2018.

The remaining amount of the special dividend amounting to RM1 billion will be paid in October 2018.

The Board had during its meeting held on 24 October 2018, declared an additional special dividend of RM20,000 per ordinary share amounting to RM2 billion in respect of the financial year ending 31 December 2018 which will be payable in instalments in October and November 2018. The financial statements for the current quarter do not reflect this additional special dividend and will be accounted for in equity as an appropriation of retained profits in the quarter ending 31 December 2018.

#### 7. SIGNIFICANT AND SUBSEQUENT EVENTS

##### **Divestment of 50% of equity interests to Aramco Overseas Holdings Coöperatief U.A. ("AOHC")**

PETRONAS, via its subsidiaries, PETRONAS Refinery & Petrochemical Corporation Sdn. Bhd. ("PRPC") and PETRONAS Chemicals Group Berhad ("PCG") signed a Share Purchase Agreement with Saudi Arabian Oil Company ("Saudi Aramco") on 28 February 2017, allowing Saudi Aramco's equity participation in PETRONAS' Refinery & Petrochemical Integrated Development ("RAPID") project in the southern Malaysian state of Johor.

On 28th March 2018, the Group completed the divestments of its 50% equity interests in Pengerang Refining Company Sdn. Bhd. (formerly known as ("fka") PRPC Refinery & Cracker Sdn. Bhd. ("PRPC RC")), a wholly-owned subsidiary of PRPC and Pengerang Petrochemical Company Sdn. Bhd. (fka PRPC Polymers Sdn. Bhd. ("PRPC Polymers")), a wholly-owned subsidiary of PCG respectively to Aramco Overseas Holdings Coöperatief U.A. ("AOHC"), a wholly-owned subsidiary of Saudi Aramco. Pursuant to this, PRPC RC and PRPC Polymers ceased to be subsidiaries of the Group and have been accounted for as a joint venture and a joint operation respectively, in accordance with MFRS 11 *Joint Arrangements*. The net profit contributed by these subsidiaries from 1 January 2018 to the date of divestment is not material in relation to the consolidated net profit of the Group for the period.

##### **Divestment of 100% of equity interest to Khazanah Nasional Berhad**

On 22nd March 2018, PETRONAS, via its wholly-owned subsidiary, PETRONAS Hartabina Sdn. Bhd. signed a Share Sale and Purchase Agreement for the sale of PETRONAS' 100% interest in Prince Court Medical Centre Sdn. Bhd. ("PCMC") to Khazanah Nasional Berhad ("Khazanah") (via its wholly-owned subsidiary, Pulau Memutik Ventures Sdn. Bhd.). The divestment was completed in August 2018. The net profit contributed by these subsidiaries from 1 January 2018 to the date of divestment is not material in relation to the consolidated net profit of the Group for the period.

# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)

#### 7. SIGNIFICANT AND SUBSEQUENT EVENTS (continued)

##### Acquisition of 25% equity in LNG Canada Project

On 24th April 2018, PETRONAS through its wholly-owned entity, North Montney LNG Limited Partnership (“NMLLP”) has entered into a Purchase and Sales Agreement for an equity position in the LNG Canada project (“the Project”) in Kitimat, British Columbia, Canada. The transaction completed on 17th July 2018 after receipt of international regulatory approvals and the completion of other associated agreements, PETRONAS (through NMLLP) owns 25% Participating Interest (“PI”) of the Project, Shell Canada Energy (40% PI), PetroChina Canada Ltd. (15% PI), Diamond LNG Canada Ltd. (15% PI) and Kogas Canada LNG Ltd. (5% PI).

On 1st October 2018, the LNG Canada Joint Venture declares that the LNG Canada Joint Venture Participants have made a positive Final Investment Decision for the LNG Canada Project.

#### 8. CHANGES IN COMPOSITION OF THE GROUP

There was no material change in the composition of the Group.

#### 9. FAIR VALUE INFORMATION

The following table analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The Group recognises transfers between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)

#### 9. FAIR VALUE INFORMATION (continued)

There were no transfers between Level 1 and Level 2 fair value measurements during the current financial period and comparative period.

##### 30 September 2018

*In RM Mil*

	Level 1	Level 2	Total
<b>Financial assets</b>			
Quoted shares	1,501	10	1,511
Quoted securities	45	90	135
Malaysian Government Securities	-	39	39
Corporate Private Debt Securities	-	3,699	3,699
Forward foreign exchange contracts	-	46	46
Forward gas contracts	922	-	922
Forward oil/gas price swaps	203	-	203
Interest rate swaps	-	81	81
	<u>2,671</u>	<u>3,965</u>	<u>6,636</u>
<b>Financial liabilities</b>			
Commodity swaps	-	(94)	(94)
Forward foreign exchange contracts	-	(123)	(123)
Forward gas contracts	(1,022)	-	(1,022)
Forward oil/gas price swaps	(78)	-	(78)
	<u>(1,100)</u>	<u>(217)</u>	<u>(1,317)</u>

##### 31 December 2017

*In RM Mil*

	Level 1	Level 2	Total
<b>Financial assets</b>			
Quoted shares	3,754	41	3,795
Quoted securities	981	162	1,143
Malaysian Government Securities	-	42	42
Corporate Private Debt Securities	-	2,875	2,875
Forward foreign exchange contracts	-	219	219
Forward gas contracts	166	-	166
Forward oil price contracts	64	-	64
Interest rate swaps	-	30	30
	<u>4,965</u>	<u>3,369</u>	<u>8,334</u>
<b>Financial liabilities</b>			
Commodity swaps	-	(51)	(51)
Forward foreign exchange contracts	-	(117)	(117)
Forward gas contracts	(221)	-	(221)
Forward oil/gas price swaps	(95)	-	(95)
	<u>(316)</u>	<u>(168)</u>	<u>(484)</u>

# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)

#### 10. OPERATING SEGMENTS

The Group has two reportable operating segments comprising Upstream and Downstream. Each reportable segment offers different products and services and are managed separately as described in the Group's audited consolidated financial statements for the year ended 31 December 2017. Effective first quarter of 2018, there has been a change in the way certain activities are managed. Accordingly, the Group has restated the operating segment information for the prior periods.

Performance is measured based on segment Profit After Tax ("PAT"), as included in the internal management reports. Segment PAT is used to measure performance as the Group chief operating decision maker, which in this case is the PETRONAS Executive Leadership Team, believes that such information is the most relevant in evaluating the results of the segments.

##### 10.1 Revenue

	2018		2017		Individual quarter ended 30 September	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
<i>In RM Mil</i>	Third Parties		Inter-segment		Gross Total	
Upstream	26,888	23,456	10,296	7,769	37,184	31,225
Downstream	33,228	26,899	1,402	1,190	34,630	28,089
Corporate and Others	3,797	3,329	1,090	1,055	4,887	4,384
<b>Total</b>	<b>63,913</b>	<b>53,684</b>	<b>12,788</b>	<b>10,014</b>	<b>76,701</b>	<b>63,698</b>

	2018		2017		Cumulative quarter ended 30 September	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
<i>In RM Mil</i>	Third Parties		Inter-segment		Gross Total	
Upstream	80,365	73,120	31,387	25,167	111,752	98,287
Downstream	89,821	78,012	4,004	3,440	93,825	81,452
Corporate and Others	10,886	10,703	3,069	3,171	13,955	13,874
<b>Total</b>	<b>181,072</b>	<b>161,835</b>	<b>38,460</b>	<b>31,778</b>	<b>219,532</b>	<b>193,613</b>

##### 10.2 Segment PAT

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2018	2017 Restated	2018	2017 Restated
<i>In RM Mil</i>				
Upstream	8,181	5,611	27,224	15,510
Downstream	2,918	3,437	8,073	8,488
Corporate and Others	2,503	(3)	3,867	(170)
<b>Total PAT for reportable segments</b>	<b>13,602</b>	<b>9,045</b>	<b>39,164</b>	<b>23,828</b>
Elimination of inter-segment transactions	736	911	1,822	3,479
<b>Consolidated PAT</b>	<b>14,338</b>	<b>9,956</b>	<b>40,986</b>	<b>27,307</b>

# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



### PART B – OTHER EXPLANATORY NOTES

#### 11. REVIEW OF GROUP PERFORMANCE

Cumulative quarter ended		<i>In RM Mil</i>	30.9.2018	Individual quarter ended	
30.9.2017	30.9.2018			30.6.2018	30.9.2017
161,835	<b>181,072</b>	Revenue	<b>63,913</b>	59,237	53,684
27,307	<b>40,986</b>	PAT	<b>14,338</b>	13,625	9,956
66,693	<b>79,145</b>	EBITDA <sup>2</sup>	<b>26,915</b>	27,193	21,473
<i>In RM Mil</i>				<b>As at</b>	<b>As at</b>
				<b>30.9.2018</b>	<b>31.12.2017</b>
Total assets				<b>623,142</b>	599,850
Shareholders' equity				<b>402,145</b>	389,794
Gearing ratio <sup>3</sup>				<b>16.1%</b>	16.1%
ROACE <sup>4</sup>				<b>12.6%</b>	9.8%

**Third quarter** PETRONAS Group recorded 19% increase in revenue in the third quarter of 2018 at RM63.9 billion as compared to the third quarter of 2017 of RM53.7 billion. The increase in revenue was mainly driven by the impact of higher average realised prices recorded for key products partially offset by the effect of strengthening of Ringgit against US Dollar exchange rate and the impact of lower sales volume mainly for LNG.

The Group generated a higher profit of RM14.3 billion, increased by 43% as compared to the third quarter of 2017 primarily due to higher revenue partially offset by higher net product and production costs coupled with higher depreciation and amortisation recorded for the quarter. EBITDA for the third quarter of 2018 was RM26.9 billion, an increase of 25% as compared to the third quarter 2017 in line with higher PBT.

**Cumulative quarter** PETRONAS Group recorded 12% increase in revenue for the period ended 30 September 2018 at RM181.1 billion as compared to the same period in 2017 of RM161.8 billion. The increase in revenue was mainly driven by the impact of higher average realised prices recorded for key products partially offset by the effect of strengthening of Ringgit against US Dollar exchange rate.

The Group generated a higher profit of RM41.0 billion, increased by 50% as compared to the same period in 2017 of RM27.3 billion due to higher revenue, lower net impairment on assets and well costs, lower net foreign exchange losses as well as non-FID costs for Pacific NorthWest LNG project in Canada which was recognised in 2017. These were partially offset by higher net product and production costs, depreciation and amortisation as well as tax expenses. EBITDA for the period was RM79.1 billion, an increase of 19% as compared to the same period in 2017 in line with higher PBT.

Total assets increased to RM623.1 billion as at 30 September 2018 as compared to RM599.8 billion as at 31 December 2017. The Group's cash and fund investments stood at RM182.8 billion as at 30 September 2018. After taking into account its restricted cash and capital investments requirements, the Group expects that it will be able to continue serving its commitments.

Shareholders' equity of RM402.1 billion as at 30 September 2018 increased by RM12.3 billion as compared to 31 December 2017 mainly due to profit generated during the period as well as the effect of weakening of Ringgit against US Dollar exchange rate partially offset by approved final dividend of RM16.0 billion in respect of the financial year ended 31 December 2017 coupled with interim dividend of RM5.0 billion and special dividend of RM3.0 billion in respect of the financial year ending 31 December 2018.

Gearing ratio remained unchanged at 16.1% as at 30 September 2018. ROACE increased to 12.6% as at 30 September 2018 from 9.8% as at 31 December 2017 in line with higher profit recorded.

<sup>2</sup> EBITDA consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortisation and net impairment loss on property, plant and equipment and intangible assets, and the exclusion of financing costs and interest income.

<sup>3</sup> Gearing ratio is calculated as adjusted total debt (total debt including provision for decommissioning of assets) divided by total equity and adjusted total debt.

<sup>4</sup> Return on average capital employed (ROACE) is calculated as trailing 12 months profit before interest expense after tax divided by average total equity and long term debt during the period.

# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 12. REVIEW OF PERFORMANCE – UPSTREAM

Cumulative quarter ended		<i>Financial Indicators</i>	30.9.2018	Individual quarter ended	
30.9.2017	30.9.2018			30.6.2018	30.9.2017
Restated		<i>In RM Mil</i>			Restated
		Revenue			
73,120	<b>80,365</b>	Third party	<b>26,888</b>	25,315	23,456
25,167	<b>31,387</b>	Inter-segment	<b>10,296</b>	12,028	7,769
<u>98,287</u>	<u><b>111,752</b></u>		<u><b>37,184</b></u>	<u>37,343</u>	<u>31,225</u>
15,510	<b>27,224</b>	PAT	<b>8,181</b>	8,810	5,611
Cumulative quarter ended		<i>Operational Indicators</i>	30.9.2018	Individual quarter ended	
30.9.2017	30.9.2018			30.6.2018	30.9.2017
		Production <sup>5</sup> ('000 boe <sup>6</sup> per day)			
874	<b>956</b>	Crude oil and condensate	<b>893</b>	982	849
1,422	<b>1,357</b>	Natural gas	<b>1,283</b>	1,323	1,357
<u>2,296</u>	<u><b>2,313</b></u>		<u><b>2,176</b></u>	<u>2,305</u>	<u>2,206</u>
		Oil and gas entitlement <sup>7</sup> ( '000 boe per day)			
589	<b>583</b>	Crude oil and condensate	<b>534</b>	603	568
1,153	<b>1,041</b>	Natural gas	<b>980</b>	1,031	1,103
<u>1,742</u>	<u><b>1,624</b></u>		<u><b>1,514</b></u>	<u>1,634</u>	<u>1,671</u>
		Malaysia average sales gas volume (mmscfd) <sup>8</sup>	<b>2,725</b>	2,771	2,731
2,740	<b>2,767</b>	LNG sales volume (million tonnes)	<b>6.31</b>	6.56	7.22
21.91	<b>20.79</b>				

**Third quarter** Revenue for the third quarter of 2018 was RM37.2 billion as compared to RM31.2 billion in the third quarter of 2017. Higher revenue was mainly contributed by higher average realised prices for all products. The increase was partially offset by the effect of strengthening of Ringgit against US Dollar exchange rate. PAT was higher by RM2.6 billion as compared to the third quarter of 2017, mainly due to higher revenue as explained above partially offset by higher amortisation following additional capitalisation and write-back of Oil & Gas Properties ("OGP") impairment in the fourth quarter of 2017.

Total production volume for the third quarter of 2018 was 2,176 thousand boe per day as compared to 2,206 thousand boe per day in the third quarter of 2017 mainly due to lower gas production resulting from Sabah-Sarawak Gas Pipeline ("SSGP") incident, partially offset by higher liquid production from Iraq.

Total LNG sales volume for the third quarter of 2018 was lower by 0.91 million tonnes as compared to the third quarter of 2017 mainly attributed to lower volume from PETRONAS LNG Complex ("PLC") and Gladstone LNG ("GLNG"), partially offset by higher volume from trading activities.

<sup>5</sup> Represents Malaysia's production (PETRONAS Group and other Operators) and PETRONAS Group's international equity production volume.

<sup>6</sup> boe: barrels of oil equivalent

<sup>7</sup> Represents PETRONAS Group's sales entitlement to Malaysia's production and PETRONAS Group's international sales entitlement volume.

<sup>8</sup> mmscfd: million standard cubic feet per day



# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 12. REVIEW OF PERFORMANCE – UPSTREAM (continued)

**Cumulative quarter** Revenue for the period ended 30 September 2018 was RM111.8 billion as compared to RM98.3 billion in the same period in 2017 due to higher average realised prices for all products. The increase was partially offset by the effect of strengthening of Ringgit against US Dollar exchange rate. PAT was higher by RM11.7 billion as compared to the same period last year mainly due to higher revenue as explained above coupled with lower net impairment on assets, and non-FID costs for Pacific NorthWest LNG project in Canada which was recognised in 2017. This is partially offset by higher tax expense, product cost and amortisation as explained above.

Total production volume for the period ended 30 September 2018 was 2,313 thousand boe per day as compared to 2,296 thousand boe per day in the same period in 2017 mainly due to higher liquid production from Iraq.

Malaysia average sales gas volume was higher by 27 mmscfd as compared to the same period in 2017 mainly due to higher demand.

Total LNG sales volume for the period ended 30 September 2018 was lower by 1.12 million tonnes as compared to the same period in 2017 mainly attributed to lower volume from PLC and GLNG, partially offset by higher volume from PETRONAS Floating LNG 1 Ltd. ("PFLNG1"), Egyptian LNG ("ELNG") and trading activities.

# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 13. REVIEW OF PERFORMANCE – DOWNSTREAM

Cumulative quarter ended		<i>Financial Indicators</i>	30.9.2018	Individual quarter ended	
30.9.2017	30.9.2018			30.6.2018	30.9.2017
Restated		<i>In RM Mil</i>			Restated
		Revenue			
78,012	<b>89,821</b>	Third party	<b>33,228</b>	30,410	26,899
3,440	<b>4,004</b>	Inter-segment	<b>1,402</b>	1,301	1,190
<u>81,452</u>	<u><b>93,825</b></u>		<u><b>34,630</b></u>	<u>31,711</u>	<u>28,089</u>
8,488	<b>8,073</b>	PAT	<b>2,918</b>	3,190	3,437
Cumulative quarter ended		<i>Operational Indicators</i>	30.9.2018	Individual quarter ended	
30.9.2017	30.9.2018			30.6.2018	30.9.2017
		Petroleum products sales volume (in million barrels)			
186.9	<b>187.6</b>	Crude oil sales volume (in million barrels)	<b>65.2</b>	64.1	65.7
104.1	<b>102.3</b>	Petrochemicals sales volume (in million metric tonnes)	<b>35.9</b>	33.1	37.8
6.0	<b>6.3</b>		<b>1.9</b>	2.2	2.0

**Third quarter** Revenue for the third quarter of 2018 was RM34.6 billion as compared to RM28.1 billion in the third quarter of 2017. Higher revenue was mainly driven by higher average realised prices for crude oil, petroleum and petrochemical products. PAT was lower by RM0.5 billion than the third quarter of 2017, as a result of lower refining and crude oil trading margins partially offset by improved petrochemical product spreads.

Petroleum products sales volume was 65.2 million barrels, lower by 0.5 million barrels compared to the third quarter of 2017 mainly due to lower sales from marketing and trading activities. Crude oil sales volume was 35.9 million barrels, lower than the third quarter of 2017 by 1.9 million barrels because of reduction in entitlement from international upstream ventures.

Petrochemical products sales volume dropped by 0.1 million metric tonnes compared to the third quarter of 2017 contributed by lower production volume resulting from higher turnaround activities.

**Cumulative quarter** Revenue for period ended 30 September 2018 was RM93.8 billion as compared to RM81.4 billion in the same period in 2017 mainly due to higher average realised prices for crude oil, petroleum and petrochemical products. PAT was lower by RM0.4 billion compared to the same period in 2017, mainly contributed by higher net foreign exchange losses and lower crude oil trading margins. This was partially offset by better petrochemical product spreads and higher refining margins.

Petroleum products sales volume was higher by 0.7 million barrels compared to the same period in 2017 at 187.6 million barrels driven by higher trading activities. Crude oil sales volume was 102.3 million barrels, lower by 1.8 million barrels compared to the same period in 2017 resulting from lower marketing volumes in the third quarter of 2018.

Petrochemical products sales volume was higher by 0.3 million metric tonnes compared to the same period in 2017 in line with higher production volume.

# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 14. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS

Cumulative quarter ended		Financial Indicators	30.9.2018	Individual quarter ended	
30.9.2017	30.9.2018			30.6.2018	30.9.2017
Restated		In RM Mil		Restated	
		Revenue			
10,703	<b>10,886</b>	Third party	<b>3,797</b>	3,512	3,329
3,171	<b>3,069</b>	Inter-segment	<b>1,090</b>	1,053	1,055
<u>13,874</u>	<u><b>13,955</b></u>		<u><b>4,887</b></u>	<u>4,565</u>	<u>4,384</u>
(170)	<b>3,867</b>	(LAT) <sup>9</sup> /PAT	<b>2,503</b>	1,335	(3)

**Third quarter** Revenue for the third quarter of 2018 was RM4.9 billion, higher by RM0.5 billion or 11% as compared to the third quarter of 2017 mainly due to higher fund investment income coupled with shipping income partially offset by lower sale of land and development properties. The segment recorded PAT of RM2.5 billion in the third quarter of 2018, an increase of more than 100% as compared to the third quarter of 2017 mainly due to movement from net foreign exchange losses to net foreign exchange gain.

**Cumulative quarter** Revenue for the period ended 30 September 2018 was RM14.0 billion, higher by RM0.1 billion as compared to the same period in 2017 due to higher fund investment income and higher sale of land and development properties partially offset by lower shipping income. PAT of RM3.9 billion for the period ended 30 September 2018, an increase of more than 100% as compared to the same period in 2017 mainly due to lower net foreign exchange losses coupled with gain on disposal on the sale of PETRONAS' 100% interest in PCMC to Khazanah.

#### 15. COMPARISON WITH PRECEDING QUARTER'S RESULT

In RM Mil	Individual quarter ended	
	30.9.2018	30.6.2018
Revenue	<b>63,913</b>	59,237
PAT	<b>14,338</b>	13,625
EBITDA	<b>26,915</b>	27,193

PETRONAS Group recorded 8% increase in revenue in the third quarter of 2018 at RM63.9 billion as compared to the second quarter of 2018 of RM59.2 billion. The increase in revenue was mainly driven by the impact of higher average realised prices for LNG and petrochemical products coupled with the effect of weakening of Ringgit against US Dollar exchange rate.

PAT for the third quarter of 2018 increased by RM0.7 billion as compared to the second quarter of 2018 primarily due to higher revenue and lower tax expenses partially offset by higher net product and production costs and net impairment on assets and well costs. EBITDA for the third quarter of 2018 was RM26.9 billion.

#### 16. CURRENT FINANCIAL YEAR PROSPECTS

The Board expects that the Group's performance to show an improvement compared to the previous financial year. Even as the Group contends with more volatile prices, continuous efforts will be pursued to deliver operational excellence.

<sup>9</sup> LAT: Loss After Tax

# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 17. TAXATION

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2018	2017	2018	2017
<b>Current tax expenses</b>				
Malaysia	4,220	3,973	13,602	12,080
Overseas	501	360	1,266	916
<b>Deferred tax expenses</b>				
Origination and reversal of temporary differences	(187)	662	451	710
	<u>4,534</u>	<u>4,995</u>	<u>15,319</u>	<u>13,706</u>

The Group's effective tax rate for the current quarter and period-to-date was 24.0% and 27.2% respectively.

#### 18. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at 30.9.2018	As at 31.12.2017
<b>By Currency</b>		
RM	68.8	69.5
USD	29.4	27.9
Others	1.8	2.6
	<u>100.0</u>	<u>100.0</u>
<b>By Maturity<sup>10</sup></b>		
< 1 year	97.3	96.6
1 to 5 years	1.6	2.1
5 to 10 years	1.1	1.3
	<u>100.0</u>	<u>100.0</u>
<b>By Type</b>		
Money market	96.7	93.9
Corporate bonds	2.2	2.9
Equities	1.1	3.2
	<u>100.0</u>	<u>100.0</u>

There was no material purchase and sale of quoted securities for the current quarter.

<sup>10</sup> Refers to instrument maturity dates; excludes equities.

# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 19. BORROWINGS

The details of the Group borrowings as at 30 September 2018 are as follows:

<i>In RM Mil</i>	<b>As at 30.9.2018</b>	<b>As at 31.12.2017</b>
<b>Non-Current</b>		
<b>Secured</b>		
Term loans	6,835	3,199
Islamic financing facilities	1,617	1,444
<b>Total non-current secured borrowings</b>	<b>8,452</b>	<b>4,643</b>
<b>Unsecured</b>		
Term loans	6,262	6,585
Notes and Bonds	21,583	33,297
Islamic financing facilities	9,016	9,226
<b>Total non-current unsecured borrowings</b>	<b>36,861</b>	<b>49,108</b>
<b>Total non-current borrowings</b>	<b>45,313</b>	<b>53,751</b>
<b>Current</b>		
<b>Secured</b>		
Term loans	416	1,057
Islamic financing facilities	640	696
<b>Total current secured borrowings</b>	<b>1,056</b>	<b>1,753</b>
<b>Unsecured</b>		
Term loans	6,956	6,141
Notes and Bonds	12,432	-
Islamic financing facilities	360	354
Revolving credits	2,347	2,129
Bank overdrafts	512	21
<b>Total current unsecured borrowings</b>	<b>22,607</b>	<b>8,645</b>
<b>Total current borrowings</b>	<b>23,663</b>	<b>10,398</b>
<b>Total borrowings</b>	<b>68,976</b>	<b>64,149</b>

# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 19. BORROWINGS (continued)

<i>In RM Mil</i>	As at 30.9.2018		As at 31.12.2017	
		%		%
<b>By Currency</b>				
USD	58,769	85.2	53,411	83.2
RM	6,975	10.1	7,178	11.2
EUR	2,094	3.0	2,123	3.3
GBP	802	1.2	1,143	1.8
Others	336	0.5	294	0.5
	<b>68,976</b>	<b>100.0</b>	<b>64,149</b>	<b>100.0</b>
<b>By Repayment Schedule</b>				
< 1 year	23,663	34.2	10,398	16.2
1 to 5 years	25,650	37.2	34,743	54.2
5 to 10 years	11,003	16.0	10,804	16.8
> 10 years	8,660	12.6	8,204	12.8
	<b>68,976</b>	<b>100.0</b>	<b>64,149</b>	<b>100.0</b>

#### 20. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 30 September 2018.

#### 21. MATERIAL LITIGATION

The legal suit brought against the Company by the Kelantan State Government in 2010 in respect of payment of petroleum proceeds under the terms of the agreement dated 9 May 1975 entered into between the Kelantan State Government and PETRONAS is still on-going as at the reporting date. PETRONAS has been advised by its solicitors that PETRONAS has a meritorious defence to the claim.

# INTERIM FINANCIAL REPORT

## FOR THIRD QUARTER 2018



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 22. PROFIT FOR THE PERIOD

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2018	2017	2018	2017
<b>Included in profit for the period are the following charges:</b>				
Depreciation and amortisation	9,279	6,914	26,812	24,332
Loss on disposal of:				
- property, plant and equipment	339	8	423	24
Net impairment losses on:				
- property, plant and equipment	-	-	-	1,793
- receivables	173	64	-	-
- intangible assets	-	226	-	226
- other investments	-	-	4	-
Net impairment/write-off on well costs <sup>11</sup>	210	13	421	586
Net loss on derivatives	42	-	27	-
Net loss on foreign exchange	2	927	1,193	3,726
Property, plant and equipment written off	-	39	8	302
<b>and credits:</b>				
Dividend income	45	103	52	153
Gain on disposal of:				
- property, plant and equipment	21	44	32	92
- an associate and a joint venture	-	42	-	70
- other investments	158	14	572	57
- subsidiaries	580	425	1,081	432
- intangible assets	-	7	-	-
Interest income	1,482	1,071	4,237	3,131
Net gain on derivatives	-	24	-	15
Net write-back of impairment losses on:				
- property, plant and equipment	12	94	759	-
- receivables	-	-	343	477

#### 23. DIVIDENDS

As disclosed in Note 6.

#### 24. EXCHANGE RATES

US dollar/RM	Individual quarter ended			Cumulative quarter ended		
	30.9.2018	30.6.2018	30.9.2017	30.9.2018	30.6.2018	31.12.2017
Average rate	4.0930	3.9487	4.2616	3.9888	3.9368	4.3002
Closing rate	4.1445	4.0455	4.2265	4.1445	4.0455	4.0595

#### By order of the Board

Intan Shafinaz (Tuty) Hussain (LS0009774)  
Company Secretary  
Kuala Lumpur  
22 November 2018

<sup>11</sup> Comprises impairment and write-off of exploration expenditure under intangible assets.