



PETRONAS

PETRONAS Group Interim Financial Report

For First Quarter 2015

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INTERIM FINANCIAL REPORT

FOR FIRST QUARTER 2015



Key Financial and Operational Highlights	Quarter ended	
	31.3.2015	31.3.2014
Revenue (RM mil)	66,191	84,049
Profit Before Taxation (RM mil)	16,951	27,207
Profit After Tax (RM mil)	11,400	18,755
EBITDA (RM mil)	21,943	34,631
Cash flows from operating activities (RM mil)	17,278	23,888
Capital investments (RM mil)	12,054	17,334
Crude oil, condensate and natural gas production volume ('000 boe per day)	2,365	2,262

- PETRONAS Group's revenue for the first quarter of 2015 decreased by 21%** compared with the same period in 2014 mainly due to lower average realised prices recorded across all products in line with the downward trend of benchmark crude oil price, Dated Brent, partially offset by higher crude oil, processed gas trading and LNG sales volume, and favourable US Dollar exchange rate movement against the Ringgit.
- Profit Before Taxation ("PBT"), Profit After Tax ("PAT") and Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") decreased by 38%, 39% and 37% respectively** compared with the corresponding quarter last year primarily due to lower revenue recorded for the quarter and higher net loss on foreign exchange.
- Cash flows from operating activities decreased by 28%** as compared with the corresponding quarter last year.
- Capital investments** in the first quarter of 2015 totalled **RM12.1 billion**, mainly attributable to exploration, development and production capital expenditures in Malaysia and Canada, Refinery and Petrochemical Integrated Development (RAPID) project in Johor and LNG Train 9 project in Sarawak.
- Crude oil, condensate and natural gas production volume for the three months ended 31 March 2015 was 2,365 thousand boe per day** compared with 2,262 thousand boe per day in the same period last year mainly contributed by new production stream from Malaysia and higher demand in Turkmenistan.

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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 first quarter ended 31 March 2015 which should be read in conjunction with the Explanatory Notes on pages 6 to 17.

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

<i>In RM Mil</i>	2015	Quarter ended 31 March 2014
Revenue	66,191	84,049
Cost of revenue	(44,185)	(52,787)
Gross profit	22,006	31,262
Selling and distribution expenses	(1,162)	(1,278)
Administration expenses ¹	(2,579)	(3,515)
Other expenses	(1,306)	(245)
Other income	528	1,303
Operating profit	17,487	27,527
Financing costs	(669)	(713)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	133	393
Profit before taxation	16,951	27,207
Tax expense	(5,551)	(8,452)
PROFIT FOR THE PERIOD	11,400	18,755
Other comprehensive income/(expenses)		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net movements from exchange differences	8,218	(2,369)
Available-for-sale financial assets		
- Changes in fair value	22	(298)
- Transfer to profit or loss upon disposal	4	-
Others	-	52
Total other comprehensive income/(expenses) for the period	8,244	(2,615)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19,644	16,140
Profit attributable to:		
Shareholders of the Company	9,314	16,168
Non-controlling interests	2,086	2,587
PROFIT FOR THE PERIOD	11,400	18,755
Total comprehensive income attributable to:		
Shareholders of the Company	16,634	13,695
Non-controlling interests	3,010	2,445
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19,644	16,140

¹ Includes impairment losses on assets (Note 23).

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31.3.2015	As at 31.12.2014
<i>In RM Mil</i>		
ASSETS		
Property, plant and equipment	270,691	261,286
Investment properties, land held for development and prepaid lease payments	13,244	13,368
Investments in associates and joint ventures	13,247	12,466
Intangible assets	30,927	30,127
Fund and other investments	7,828	7,734
Other non-current assets	20,895	20,488
TOTAL NON-CURRENT ASSETS	356,832	345,469
Trade and other inventories	11,828	13,431
Trade and other receivables	41,980	47,838
Fund and other investments	11,043	11,635
Cash and cash equivalents	133,832	116,826
Other current assets	7,621	2,288
TOTAL CURRENT ASSETS	206,304	192,018
TOTAL ASSETS	563,136	537,487
EQUITY		
Share capital	100	100
Reserves	367,202	354,568
Total equity attributable to shareholders of the Company	367,302	354,668
Non-controlling interests	37,388	37,261
TOTAL EQUITY	404,690	391,929
LIABILITIES		
Borrowings	49,349	30,072
Deferred tax liabilities	12,790	12,933
Other long term liabilities and provisions	31,805	31,352
TOTAL NON-CURRENT LIABILITIES	93,944	74,357
Trade and other payables	54,772	60,125
Borrowings	5,452	6,762
Taxation	4,278	4,314
TOTAL CURRENT LIABILITIES	64,502	71,201
TOTAL LIABILITIES	158,446	145,558
TOTAL EQUITY AND LIABILITIES	563,136	537,487

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Non-distributable			Available-for-sale Reserve
	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	
<i>In RM Mil</i>				
Quarter ended 31 March 2014				
At 1 January 2014	100	13,527	7,010	1,456
Net movements from exchange differences	-	-	(2,248)	-
Available-for-sale financial assets:				
- Changes in fair value	-	-	-	(289)
Other comprehensive income/(expenses)	-	64	-	-
Total other comprehensive income/(expenses) for the period	-	64	(2,248)	(289)
Profit for the period	-	-	-	-
Total comprehensive income/(expenses) for the period	-	64	(2,248)	(289)
Dividends	-	-	-	-
Other movements	-	(1)	-	-
Total transactions with shareholders	-	(1)	-	-
Balance at 31 March 2014	100	13,590	4,762	1,167
Quarter ended 31 March 2015				
At 1 January 2015	100	13,622	14,250	(52)
Net movements from exchange differences	-	-	7,307	-
Available-for-sale financial assets:				
- Changes in fair value	-	-	-	22
- Transfer to profit or loss	-	-	-	4
Other comprehensive (expenses)/income	-	(13)	-	-
Total other comprehensive (expenses)/income for the period	-	(13)	7,307	26
Profit for the period	-	-	-	-
Total comprehensive (expenses)/income for the period	-	(13)	7,307	26
Dividends	-	-	-	-
Redemption of preference shares	-	-	-	-
Total transactions with shareholders	-	-	-	-
Balance at 31 March 2015	100	13,609	21,557	(26)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	<i>Attributable to shareholders of the Company</i>				
	<i>Distributable</i>			Non-controlling Interests	Total Equity
<i>In RM Mil</i>	General Reserve	Retained Profits	Total		
Quarter ended 31 March 2014					
At 1 January 2014	12,000	301,710	335,803	36,502	372,305
Net movements from exchange differences	-	-	(2,248)	(121)	(2,369)
Available-for-sale financial assets:					
- Changes in fair value	-	-	(289)	(9)	(298)
Other comprehensive income/(expenses)	-	-	64	(12)	52
Total other comprehensive income/(expenses) for the period	-	-	(2,473)	(142)	(2,615)
Profit for the period	-	16,168	16,168	2,587	18,755
Total comprehensive income/(expenses) for the period	-	16,168	13,695	2,445	16,140
Dividends	-	-	-	(3,196)	(3,196)
Other movements	-	-	(1)	44	43
Total transactions with shareholders	-	-	(1)	(3,152)	(3,153)
Balance at 31 March 2014	12,000	317,878	349,497	35,795	385,292
Quarter ended 31 March 2015					
At 1 January 2015	12,000	314,748	354,668	37,261	391,929
Net movements from exchange differences	-	-	7,307	911	8,218
Available-for-sale financial assets:					
- Changes in fair value	-	-	22	-	22
- Transfer to profit or loss	-	-	4	-	4
Other comprehensive (expenses)/income	-	-	(13)	13	-
Total other comprehensive (expenses)/income for the period	-	-	7,320	924	8,244
Profit for the period	-	9,314	9,314	2,086	11,400
Total comprehensive (expenses)/income for the period	-	9,314	16,634	3,010	19,644
Dividends	-	(4,000)	(4,000)	(2,772)	(6,772)
Redemption of preference shares	-	-	-	(111)	(111)
Total transactions with shareholders	-	(4,000)	(4,000)	(2,883)	(6,883)
Balance at 31 March 2015	12,000	320,062	367,302	37,388	404,690

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	2015	Quarter ended 31 March 2014
<i>In RM Mil</i>		
Cash receipts from customers	65,407	85,072
Cash paid to suppliers and employees	(43,636)	(54,609)
	<u>21,771</u>	<u>30,463</u>
Interest income from fund and other investments	930	677
Interest expenses paid	(489)	(521)
Taxation paid	(4,934)	(6,731)
Cash flows from operating activities	<u>17,278</u>	<u>23,888</u>
Acquisition of interest in a joint operation, net of cash acquired	-	(4,442)
Investment in securities	(510)	(789)
Proceeds from disposal of:		
- property, plant and equipment, investment properties and assets classified as held for sale	263	3,401
- securities and other investment	1,237	1,613
Purchase of property, plant and equipment, investment properties, prepaid lease payments and intangible assets	(12,054)	(12,892)
Investment in associates and joint ventures	(310)	(19)
Others	71	153
Cash flows from investing activities	<u>(11,303)</u>	<u>(12,975)</u>
Repayment of borrowings	(2,109)	(1,712)
Drawdown of borrowings	18,524	596
Dividends paid	(4,000)	(5,000)
Dividends paid to non-controlling interests	(2,766)	(1,986)
Payment to non-controlling interests on redemption of shares	(111)	-
Proceeds from shares issued to non-controlling interests	-	44
Cash flows from financing activities	<u>9,538</u>	<u>(8,058)</u>
Net increase in cash and cash equivalents	15,513	2,855
Increase in deposits restricted	(46)	(4)
Net foreign exchange differences	1,541	(259)
Cash and cash equivalents at beginning of the period	116,727	116,435
Cash and cash equivalents at end of the period	<u>133,735</u>	<u>119,027</u>
Cash and cash equivalents		
Cash and bank balances and deposits	133,832	120,014
Short term marketable securities	400	85
Bank overdrafts	(96)	(685)
Less: Deposits restricted	(401)	(387)
	<u>133,735</u>	<u>119,027</u>

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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 2014.

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 2014.

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 2015 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2014 except as disclosed below.

At the beginning of the current financial year, the Group and the Company adopted the following Amendments to MFRS ("pronouncements") that have been issued by the MASB and are applicable as listed below:

Effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 3 *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8 *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13 *Fair Value Measurement (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 119 *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124 *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140 *Investment Property (Annual Improvement 2011-2013 Cycle)*

The adoption of these pronouncements did not have a significant impact on the Group's reported income and net assets.

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 2014.

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. DEBT AND EQUITY SECURITIES

During the quarter, PETRONAS via its wholly-owned special purpose finance companies, PETRONAS Capital Limited and PETRONAS Global Sukuk Ltd., issued USD3.75 billion of guaranteed notes and USD1.25 billion of Shari'a compliant Wakalah Bi Al-Istithmar Trust Certificates respectively.

7. DIVIDENDS

During the quarter ended 31 March 2015, the Company declared and paid a tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM40,000 per ordinary share amounting to RM4 billion in respect of the financial year ended 31 December 2014.

On 2 April 2015, the shareholders have approved a tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM220,000 per ordinary share amounting to RM22 billion in respect of the financial year ended 31 December 2014, which is payable in eight instalments between April and November 2015. The interim financial report for the current quarter does not reflect this dividend. The dividend will be accounted for in equity as an appropriation of retained profits in the interim financial report for second quarter ending 30 June 2015.

8. SIGNIFICANT AND SUBSEQUENT EVENT

Acquisition of interest in Statoil's Shah Deniz assets

As disclosed in the audited financial statements for 31 December 2014, the Group via its wholly-owned subsidiaries, PETRONAS Azerbaijan Shah Deniz SARL and PETRONAS South Caucasus SARL entered into a Purchase and Sale Agreement with Statoil Shah Deniz A.S and Statoil Azerbaijan A.S to acquire 15.5% participating interest in Shah Deniz Exploration, Development and Production Sharing Agreement and South Caucasus Pipeline Company. The acquisition was completed on 30 April 2015 and the interest acquired will be accounted for as a joint operation.

9. CHANGES IN COMPOSITION OF THE GROUP

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

10. 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.

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

10. 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.

31 March 2015

In RM Mil

	Level 1	Level 2	Total
Financial assets			
Quoted shares	4,284	13	4,297
Short term marketable securities	-	400	400
Quoted securities	27	378	405
Malaysian Government Securities	-	1,024	1,024
Corporate Private Debt Securities	-	4,235	4,235
Commodity swaps	-	47	47
Forward foreign exchange contracts	-	19	19
Forward gas contracts	84	-	84
Forward oil price contracts	60	-	60
	<u>4,455</u>	<u>6,116</u>	<u>10,571</u>
Financial liabilities			
Commodity swaps	-	(14)	(14)
Forward foreign exchange contracts	-	(516)	(516)
Forward gas contracts	(102)	-	(102)
Forward oil price contracts	(133)	-	(133)
	<u>(235)</u>	<u>(530)</u>	<u>(765)</u>

31 December 2014

In RM Mil

	Level 1	Level 2	Total
Financial assets			
Quoted shares	4,105	24	4,129
Short term marketable securities	-	400	400
Quoted securities	27	597	624
Malaysian Government Securities	-	1,194	1,194
Corporate Private Debt Securities	-	4,246	4,246
Commodity swaps	-	197	197
Forward foreign exchange contracts	-	8	8
Forward gas contracts	221	-	221
Forward oil price contracts	63	-	63
	<u>4,416</u>	<u>6,666</u>	<u>11,082</u>
Financial liabilities			
Commodity swaps	-	(4)	(4)
Forward foreign exchange contracts	-	(368)	(368)
Forward gas contracts	(129)	-	(129)
Forward oil price contracts	(207)	-	(207)
	<u>(336)</u>	<u>(372)</u>	<u>(708)</u>

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

11. OPERATING SEGMENTS

The Group has three reportable operating segments comprising Upstream, Downstream, and Corporate and Others. Corporate and Others segment comprises primarily logistic and maritime segment, property segment and central treasury function.

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 Committee, believes that such information is the most relevant in evaluating the results of the segments.

11.1 Revenue

	2015		2014		Quarter ended 31 March	
	2015	2014	2015	2014	2015	2014
<i>In RM Mil</i>	Third Parties		Inter-segment		Gross Total	
Upstream	35,131	43,248	5,854	10,061	40,985	53,309
Downstream	27,524	37,587	1,402	1,755	28,926	39,342
Corporate and Others	3,536	3,214	1,093	916	4,629	4,130
Total	66,191	84,049	8,349	12,732	74,540	96,781

11.2 Segment PAT

<i>In RM Mil</i>	Quarter ended 31 March	
	2015	2014
Upstream	7,871	15,268
Downstream	1,913	1,826
Corporate and Others	877	1,067
Total PAT for reportable segments	10,661	18,161
Elimination of inter-segment transactions	739	594
Consolidated PAT	11,400	18,755

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PART B – OTHER EXPLANATORY NOTES

12. REVIEW OF GROUP PERFORMANCE

<i>In RM Mil</i>	Quarter ended		
	31.3.2015	31.12.2014	31.3.2014
Revenue	66,191	79,367	84,049
Profit/(Loss) for the period	11,400	(7,275)	18,755
EBITDA ²	21,943	26,299	34,631

<i>In RM Mil</i>	As at	As at
	31.3.2015	31.12.2014
Total assets	563,136	537,487
Shareholders' equity	367,302	354,668
Gearing ratio ³	13.0%	9.4%
ROACE ⁴	9.6%	11.9%

PETRONAS Group recorded revenue of RM66.2 billion in the first quarter of 2015, a decrease of 21% compared with RM84.0 billion for the same period in 2014. Similarly, profit for the quarter decreased to RM11.4 billion from RM18.8 billion recorded in the corresponding quarter a year ago.

The decrease in current quarter revenue was driven by lower average realised prices recorded across all products in line with the downward trend of benchmark crude oil price, Dated Brent. Nevertheless, the negative impact of lower average realised prices was partially offset by higher crude oil sales volume mainly contributed by higher production from domestic fields, higher processed gas trading sales volume and higher LNG sales volume coupled with favourable US Dollar exchange rate movement against the Ringgit.

Profit for the quarter decreased by RM7.4 billion as compared to the same period last year primarily due to lower revenue recorded for the quarter and higher net loss on foreign exchange, negated by lower depreciation and amortisation expenses. EBITDA for the quarter was RM21.9 billion, a reduction of 37% compared to the same period in 2014.

Total assets increased to RM563.1 billion as at 31 March 2015 as compared to RM537.5 billion as at 31 December 2014 primarily as a result of profit generated for the quarter and higher cash balance as a result of drawdown of borrowings in March 2015. Shareholders' equity of RM367.3 billion as at 31 March 2015 increased by RM12.6 billion compared to that as at 31 December 2014 mainly due to the net impact of profit for the period attributable to shareholders of the Company and the interim dividend in respect of the financial year ended 31 December 2014 amounting to RM4.0 billion.

Gearing ratio increased to 13.0% as at 31 March 2015 compared to 9.4% as at 31 December 2014 due to higher debt balance following additional borrowings drawdown during the period. ROACE decreased to 9.6% as at 31 March 2015 compared to 11.9% as at 31 December 2014 in line with lower profit for the period as compared to the same period in 2014.

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

³ Gearing ratio is calculated as total debt divided by the total of shareholders' equity and debt as at period/year end.

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

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PART B – OTHER EXPLANATORY NOTES (continued)

13. REVIEW OF PERFORMANCE – UPSTREAM

Financial Indicators

In RM Mil

	31.3.2015	31.12.2014	Quarter ended 31.3.2014
Revenue			
Third party	35,131	38,645	43,248
Inter-segment	5,854	5,498	10,061
	40,985	44,143	53,309
PAT/(LAT) ⁵	7,871	(12,719)	15,268

Operational Indicators

Production⁶ ('000 boe⁷ per day)

	31.3.2015	31.12.2014	Quarter ended 31.3.2014
Crude oil and condensate	967	954	847
Natural gas	1,398	1,405	1,415
	2,365	2,359	2,262
Oil and gas entitlement ⁸ ('000 boe ⁷ per day)			
Crude oil and condensate	678	569	578
Natural gas	994	979	1,247
	1,672	1,548	1,825

Malaysia average sales gas volume (mmscfd)⁹

	31.3.2015	31.12.2014	31.3.2014
LNG sales volume (million tonnes)	8.07	7.77	7.65

Revenue for the quarter was RM41.0 billion compared to RM53.3 billion in the corresponding quarter last year. Lower revenue was mainly contributed by lower crude oil prices and oil and gas entitlement, despite increase in LNG sales volume from PETRONAS LNG Complex ("PLC"). PAT of RM7.9 billion was recorded for the quarter, compared to PAT of RM15.3 billion in the corresponding quarter last year, mainly due to lower revenue as explained above.

Total production volume for the quarter was 2,365 thousand boe per day compared to 2,262 thousand boe per day in the corresponding quarter last year mainly due to new production stream from Malaysia and higher demand in Turkmenistan, negated by natural decline.

Total LNG sales volume for the quarter was higher by 0.42 million tonnes or 5% as compared to the corresponding quarter in 2014 mainly driven by higher third party and PLC sales. Malaysia average sales gas volume was lower by 249 mmscfd compared to the corresponding quarter last year mainly due to lower demand.

⁵ LAT: Loss After Tax

⁶ Represents Malaysia's production and PETRONAS Group's international equity production volume.

⁷ boe: barrels of oil equivalent

⁸ Represents PETRONAS Group's entitlement to Malaysia's production and PETRONAS Group's international entitlement volume.

⁹ mmscfd: million standard cubic feet per day

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PART B – OTHER EXPLANATORY NOTES (continued)

14. REVIEW OF PERFORMANCE – DOWNSTREAM

Financial Indicators

In RM Mil

	<u>31.3.2015</u>	<u>31.12.2014</u>	<u>Quarter ended</u> <u>31.3.2014</u>
Revenue			
Third party	27,524	36,706	37,587
Inter-segment	1,402	1,914	1,755
	<u>28,926</u>	<u>38,620</u>	<u>39,342</u>
PAT	1,913	421	1,826

Operational Indicators

	<u>31.3.2015</u>	<u>31.12.2014</u>	<u>Quarter ended</u> <u>31.3.2014</u>
Petroleum products sales volume (in million barrels)	72.4	75.4	73.3
Crude oil sales volume (in million barrels)	58.3	58.7	45.1
Petrochemicals sales volume (in million metric tonnes)	1.6	1.7	1.4

Revenue for the quarter was RM28.9 billion, RM10.4 billion lower when compared to the corresponding quarter last year. The lower revenue was contributed primarily from the significant downward trend in prices for crude oil, petroleum and petrochemical products. Petroleum product sales volume was also lower by 0.9 million barrels following lower domestic retail sales volume and lower petroleum product trading volume.

Crude oil sales volume was higher than the corresponding quarter last year by 13.2 million barrels mainly due to an increase in marketing and trading activities.

Petrochemical sales volume increased by 0.2 million metric tonnes in line with higher production.

Downstream PAT was RM1.9 billion, higher than the corresponding quarter last year by RM0.1 billion mainly due to higher gross refining margins from domestic and international refineries.

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PART B – OTHER EXPLANATORY NOTES (continued)

15. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS

Financial Indicators

In RM Mil

Revenue

Third party

Inter-segment

PAT

	<u>31.3.2015</u>	<u>31.12.2014</u>	<u>Quarter ended</u> <u>31.3.2014</u>
	3,536	4,016	3,214
	1,093	1,037	916
	4,629	5,053	4,130
	877	3,376	1,067

Revenue for the quarter was RM4.6 billion, higher by RM0.5 billion or 12% as compared to the corresponding quarter last year mainly contributed by higher fund investment income. PAT stood at RM0.9 billion, lower by RM0.2 billion mainly due to higher unrealised foreign exchange loss on borrowings as a result of weakening Ringgit against US Dollar in current quarter.

16. COMPARISON WITH PRECEDING QUARTER'S RESULT

In RM Mil

Revenue

Profit/(Loss) for the period

EBITDA

	<u>31.3.2015</u>	<u>Quarter ended</u> <u>31.12.2014</u>
	66,191	79,367
	11,400	(7,275)
	21,943	26,299

PETRONAS Group's revenue of RM66.2 billion for the quarter was lower by RM13.2 billion or 17% as compared to the preceding quarter. The decrease was primarily driven by lower average realised prices for all major products partially negated by the positive effects of favourable US Dollar exchange rate movement against the Ringgit, higher processed gas trading and crude oil sales volume.

Profit increased by RM18.7 billion as compared to the preceding quarter despite a decrease in revenue primarily due to lower impairment losses and lower depreciation and amortisation expenses recorded in the current quarter. EBITDA for the quarter was RM21.9 billion, a 17% reduction as compared to the preceding quarter.

17. CURRENT FINANCIAL YEAR PROSPECTS

Excess supply on the back of moderate global oil demand continues to put pressure on crude oil prices. The Board expects its 2015 performance to be affected by the sustained low oil price environment.

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PART B – OTHER EXPLANATORY NOTES (continued)

18. TAXATION

<i>In RM Mil</i>	Quarter ended 31 March	
	2015	2014
Current tax expenses		
Malaysia	5,565	8,433
Overseas	176	191
Deferred tax expenses		
Origination and reversal of temporary differences	(190)	(172)
	<u>5,551</u>	<u>8,452</u>
Effective tax rate	32.7%	31.1%

The Group's effective tax rate for the current quarter of 32.7% is higher than the corresponding quarter a year ago of 31.1% mainly due to higher non-deductible expenses recorded in the current quarter.

19. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at 31.3.2015	As at 31.12.2014
By Currency		
RM	66.0	76.7
USD	30.7	19.8
Others	3.3	3.5
	<u>100.0</u>	<u>100.0</u>
By Maturity¹⁰		
< 1 year	98.0	97.1
1 to 5 years	1.3	1.5
5 to 10 years	0.7	1.4
	<u>100.0</u>	<u>100.0</u>
By Type		
Money market	93.1	92.0
Government securities	0.7	0.9
Corporate bonds	3.3	3.9
Equities	2.9	3.2
	<u>100.0</u>	<u>100.0</u>

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

¹⁰ Refers to instrument maturity dates; excludes equities.

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PART B – OTHER EXPLANATORY NOTES (continued)

20. BORROWINGS

The details of the Group borrowings as at 31 March 2015 are as follows:

<i>In RM Mil</i>	As at 31.3.2015	As at 31.12.2014
Non-Current		
Secured		
Term loans	935	918
Islamic financing facilities	1,101	1,495
Total non-current secured borrowings	2,036	2,413
Unsecured		
Term loans	9,450	9,282
Notes and Bonds	30,344	15,673
Islamic financing facilities	7,519	2,704
Total non-current unsecured borrowings	47,313	27,659
Total non-current borrowings	49,349	30,072
Current		
Secured		
Term loans	440	690
Islamic financing facilities	556	145
Revolving credits	-	151
Total current secured borrowings	996	986
Unsecured		
Term loans	730	726
Notes and Bonds	2,317	2,184
Islamic financing facilities	79	543
Revolving credits	1,233	2,179
Bank overdrafts	97	144
Total current unsecured borrowings	4,456	5,776
Total current borrowings	5,452	6,762
Total borrowings	54,801	36,834

INTERIM FINANCIAL REPORT

FOR FIRST QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

20. BORROWINGS (continued)

<i>In RM Mil</i>	As at		As at	
	31.3.2015	%	31.12.2014	%
By Currency				
USD	45,879	83.7	26,585	72.2
RM	5,750	10.5	6,184	16.8
EUR	1,948	3.6	1,882	5.1
GBP	926	1.7	1,618	4.4
Others	298	0.5	565	1.5
	54,801	100.0	36,834	100.0
By Repayment Schedule				
< 1 year	5,452	9.9	6,762	18.4
1 to 5 years	22,009	40.2	21,008	57.0
5 to 10 years	20,019	36.5	7,317	19.9
> 10 years	7,321	13.4	1,747	4.7
	54,801	100.0	36,834	100.0

21. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 31 March 2015.

22. 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 FIRST QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

23. PROFIT FOR THE PERIOD

<i>In RM Mil</i>	Quarter ended	
	2015	31 March 2014
Included in profit for the period are the following charges:		
Bad debt written off	-	122
Depreciation and amortisation	5,796	7,287
Impairment losses on:		
- receivables	244	339
- intangible assets	389	16
- property, plant and equipment	119	511
Net loss on derivatives	327	80
Net loss on foreign exchange	1,042	-
and credits:		
Dividend income	4	7
Gain on disposal of investments and property, plant and equipment	24	489
Interest income	1,387	1,103
Net gain on foreign exchange	-	126
Write back of impairment losses on:		
- intangible assets	594	-

24. DIVIDENDS

As disclosed in Note 7.

25. EXCHANGE RATES

US dollar/RM	Quarter ended		
	31.3.2015	31.12.2014	31.3.2014
Average rate	3.6181	3.3626	3.2977
Closing rate	3.7075	3.4945	3.2605

By order of the Board

Shahnaz Mohd Yusof (LS 0009859)
Company Secretary
Kuala Lumpur
22 May 2015