



PETRONAS

PETRONAS Group

Interim Financial Report

For First Quarter 2019

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INTERIM FINANCIAL REPORT

FOR FIRST QUARTER 2019



Key Financial and Operational Highlights	Quarter ended	
	31.3.2019	31.3.2018
Revenue (RM mil)	61,994	57,922
Profit Before Taxation (RM mil)	18,937	18,256
Profit After Tax (RM mil)	14,248	13,023
Net impairment write-back, net of tax (RM mil) ¹	84	1,077
Profit After Tax excluding net impairment (RM mil)	14,164	11,946
EBITDA (RM mil)	27,801	25,037
Cash flows from operating activities (RM mil)	23,164	21,942
Capital investments (RM mil)	8,289	11,963
Crude oil, condensate and natural gas entitlement volume ('000 boe per day)	1,824	1,728

- PETRONAS Group's revenue for the first quarter of 2019 increased by 7%** as compared to the first quarter of 2018 mainly due to the effect of weakening of Ringgit against US Dollar exchange rate coupled with the impact of higher sales volume mainly for petroleum products and LNG. These were partially offset by the impact of lower average realised prices mainly for petroleum products and crude oil and condensates.
- The Group recorded Profit Before Taxation ("PBT") of RM18.9 billion and Profit After Tax ("PAT") of RM14.2 billion for the first quarter of 2019, increased by 3% and 9% respectively,** as compared to the first quarter of 2018, primarily due to higher revenue recorded. This was partially offset by higher net product and production costs, lower net write-back of impairment on assets as well as higher contribution to National Trust Fund ("NTF"). **Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the period ended 31 March 2019 was RM27.8 billion, increased by 11%** as compared to the same period in 2018 in line with higher PBT.
- Cash flows from operating activities for the first quarter of 2019 increased by 6%** as compared to the first quarter of 2018 due to lower taxes paid.
- Capital investments for the first quarter of 2019** amounted to **RM8.3 billion**, mainly attributed to Upstream projects.
- Crude oil, condensate and natural gas entitlement volume for the first quarter of 2019 was 1,824 thousand boe per day** as compared to 1,728 thousand boe per day in the first quarter of 2018. Total production volume was 2,430 thousand boe per day as compared to 2,461 thousand boe per day in the first quarter of 2018.

¹ Comprises net impairment write-back on property, plant and equipment, receivables and other investments (Note 24)

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The Board of Directors of PetroliaM 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 2019 which should be read in conjunction with the Explanatory Notes on pages 7 to 18.

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

<i>In RM Mil</i>	2019	Quarter ended 31 March 2018
Revenue	61,994	57,922
Cost of revenue	(37,519)	(35,421)
Gross profit	24,475	22,501
Selling and distribution expenses	(1,756)	(1,541)
Administration expenses	(3,420)	(3,027)
Net impairment write-back	84	1,077
Other expenses	(509)	(1,811)
Other income	1,096	1,786
Operating profit	19,970	18,985
Financing costs	(1,233)	(839)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	200	110
Profit before taxation	18,937	18,256
Tax expense	(4,689)	(5,233)
PROFIT FOR THE PERIOD	14,248	13,023
Other comprehensive expenses, net of tax		
<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	-	(6)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net movements from exchange differences	(2,894)	(7,674)
Others	16	94
Total other comprehensive expenses for the period, net of tax	(2,878)	(7,586)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	11,370	5,437
Profit attributable to:		
Shareholders of the Company	12,090	11,402
Non-controlling interests	2,158	1,621
PROFIT FOR THE PERIOD	14,248	13,023
Total comprehensive income attributable to:		
Shareholders of the Company	9,655	4,597
Non-controlling interests	1,715	840
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	11,370	5,437

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	As at 31.3.2019	As at 31.12.2018
ASSETS		
Property, plant and equipment	314,452	310,385
Investment properties, land held for development and prepaid lease payments	11,849	13,094
Investments in associates and joint ventures	15,546	15,548
Intangible assets	22,495	22,513
Fund and other investments	2,730	2,300
Other non-current assets	33,636	31,040
TOTAL NON-CURRENT ASSETS	400,708	394,880
Trade and other inventories	14,428	14,503
Trade and other receivables	43,182	46,205
Fund and other investments	5,182	5,147
Cash and cash equivalents	171,787	173,576
Other current assets	915	2,003
TOTAL CURRENT ASSETS	235,494	241,434
TOTAL ASSETS	636,202	636,314
EQUITY		
Share capital	100	100
Reserves	389,017	380,371
Total equity attributable to shareholders of the Company	389,117	380,471
Non-controlling interests	44,451	44,781
TOTAL EQUITY	433,568	425,252
LIABILITIES		
Borrowings	54,979	45,011
Deferred tax liabilities	9,876	9,986
Other long term liabilities and provisions	44,969	44,135
TOTAL NON-CURRENT LIABILITIES	109,824	99,132
Trade and other payables	48,651	54,571
Borrowings	20,881	23,561
Taxation	5,278	3,798
Dividend payable	18,000	30,000
TOTAL CURRENT LIABILITIES	92,810	111,930
TOTAL LIABILITIES	202,634	211,062
TOTAL EQUITY AND LIABILITIES	636,202	636,314

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Non-distributable			Fair Value through OCI Reserve
	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	
<i>In RM Mil</i>				
Quarter ended 31 March 2018				
Balance at 1 January 2018	100	14,425	31,267	75
Net changes of equity investments at fair value through OCI:				
- Changes in fair value	-	-	-	(6)
Net movements from exchange differences	-	-	(6,886)	-
Others	-	87	-	-
Total other comprehensive income/(expenses) for the period	-	87	(6,886)	(6)
Profit for the period	-	-	-	-
Total comprehensive income/(expenses) for the period	-	87	(6,886)	(6)
Additional issuance of shares to non-controlling interests	-	-	-	-
Changes in ownership interest in subsidiaries	-	-	-	-
Redemption of redeemable preference shares in subsidiaries	-	29	-	-
Dividends	-	-	-	-
Total transactions with shareholders	-	29	-	-
Balance at 31 March 2018	100	14,541	24,381	69
Quarter ended 31 March 2019				
Balance at 1 January 2019				
- As previously reported	100	14,191	31,245	(75)
- Effect of the adoption of MFRS 16	-	-	-	-
At 1 January 2019, restated	100	14,191	31,245	(75)
Net changes of equity investments at fair value through OCI:				
- Changes in fair value	-	-	-	-
Net movements from exchange differences	-	-	(2,439)	-
Others	-	4	-	-
Total other comprehensive income/(expenses) for the period, net of tax	-	4	(2,439)	-
Profit for the period	-	-	-	-
Total comprehensive income/(expenses) for the period	-	4	(2,439)	-
Disposal of subsidiaries	-	-	(258)	-
Redemption of redeemable preference shares in subsidiaries	-	116	-	-
Dividends	-	-	-	-
Total transactions with shareholders	-	116	(258)	-
Balance at 31 March 2019	100	14,311	28,548	(75)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>				
	<i>Distributable</i>			<i>Non-controlling Interests</i>	<i>Total Equity</i>
	<i>General Reserve</i>	<i>Retained Profits</i>	<i>Total</i>		
Quarter ended 31 March 2018					
Balance at 1 January 2018	12,000	331,507	389,374	42,992	432,366
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	-	-	(6)	-	(6)
Net movements from exchange differences	-	-	(6,886)	(788)	(7,674)
Others	-	-	87	7	94
Total other comprehensive income/(expenses) for the period	-	-	(6,805)	(781)	(7,586)
Profit for the period	-	11,402	11,402	1,621	13,023
Total comprehensive income/(expenses) for the period	-	11,402	4,597	840	5,437
Additional issuance of shares to non-controlling interests	-	-	-	7	7
Changes in ownership interest in subsidiaries	-	(245)	(245)	(385)	(630)
Redemption of redeemable preference shares in subsidiaries	-	(29)	-	-	-
Dividends	-	(3,000)	(3,000)	(1,663)	(4,663)
Total transactions with shareholders	-	(3,274)	(3,245)	(2,041)	(5,286)
Balance at 31 March 2018	12,000	339,635	390,726	41,791	432,517
Quarter ended 31 March 2019					
Balance at 1 January 2019					
- As previously reported	12,000	323,010	380,471	44,781	425,252
- Effect of the adoption of MFRS 16	-	(751)	(751)	(65)	(816)
At 1 January 2019, restated	12,000	322,259	379,720	44,716	424,436
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	-	-	-	-	-
Net movements from exchange differences	-	-	(2,439)	(455)	(2,894)
Others	-	-	4	12	16
Total other comprehensive income/(expenses) for the period, net of tax	-	-	(2,435)	(443)	(2,878)
Profit for the period	-	12,090	12,090	2,158	14,248
Total comprehensive income/(expenses) for the period	-	12,090	9,655	1,715	11,370
Disposal of subsidiaries	-	-	(258)	-	(258)
Redemption of redeemable preference shares in subsidiaries	-	(116)	-	(73)	(73)
Dividends	-	-	-	(1,907)	(1,907)
Total transactions with shareholders	-	(116)	(258)	(1,980)	(2,238)
Balance at 31 March 2019	12,000	334,233	389,117	44,451	433,568

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	2019	Quarter ended 31 March 2018
Cash flows from operating activities		
Profit before taxation	18,937	18,256
Adjustments for:		
Depreciation and amortisation	9,439	8,618
Net impairment losses/(write-back) on:		
- Property, plant and equipment	4	(913)
- Receivables	(88)	(168)
- Other investments	-	4
Net impairment/write-off on well costs	177	28
Net inventories written down to net realisable value	22	12
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(200)	(110)
Property, plant and equipment written off	2	2
Gain on disposal of investments in subsidiaries, other investments and property, plant and equipment	(265)	(695)
Loss on disposal of property, plant and equipment and intangible assets	1	5
Bad debts written off	2	-
Net loss/(gain) on derivatives	10	(23)
Unrealised gain on foreign exchange	(542)	(1,437)
Interest income	(1,842)	(1,213)
Interest expenses	1,232	839
Net change in provision	(43)	(347)
Operating profit before changes in working capital	26,846	22,858
Net change in working capital	(540)	3,951
Cash generated from operations	26,306	26,809
Interest income from fund and other investments	1,437	618
Interest expenses paid	(729)	(687)
Taxation paid	(3,850)	(4,798)
Net cash generated from operating activities	23,164	21,942

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	2019	Quarter ended 31 March 2018
Cash flows from investing activities		
Investment in associates and joint ventures	(54)	(81)
Investment in securities and other investments	(685)	(120)
Proceeds from disposal of:		
- Investment in subsidiaries, net of cash disposed	281	4,460
- Property, plant and equipment, prepaid lease payments, investment properties, intangible assets and assets classified as held for sale	-	596
- Securities and other investments	224	924
Purchase of property, plant and equipment, prepaid lease payments, investment properties, intangible assets and land held for development	(8,289)	(11,963)
Dividends received	238	136
Long term receivables and advances to a joint venture	(1,638)	-
Proceeds from redemption of preference shares in a joint venture	-	155
Net cash used in investing activities	(9,923)	(5,893)
Cash flows from financing activities		
Repayment of borrowings	(5,059)	(977)
Drawdown of borrowings	5,327	29,435
Dividends paid	(12,000)	(3,000)
Dividends paid to non-controlling interests	(1,907)	(1,663)
Repayment of lease liabilities	(147)	-
Proceeds from shares issued to non-controlling interests	-	7
Net cash used in financing activities	(13,786)	23,802
Net (decrease)/increase in cash and cash equivalents	(545)	39,851
Decrease in cash and cash equivalents restricted	429	2
Net foreign exchange differences	(1,464)	(3,335)
Cash and cash equivalents at beginning of the year	172,458	127,563
Cash and cash equivalents at end of the period	170,878	164,081
Cash and cash equivalents		
Cash and bank balances and deposits	171,787	164,725
Bank overdrafts	(676)	(21)
Less: Cash and cash equivalents restricted	(233)	(623)
	170,878	164,081

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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 2018.

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 2018.

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 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2018 except as disclosed below.

At the beginning of the current financial year, the Group and the Company adopted a new MFRS, 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 2019

MFRS 16 *Leases*

Amendments to MFRS 3 *Business Combinations (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 11 *Joint Arrangements (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 112 *Income Taxes (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 123 *Borrowing Costs (Annual Improvements 2015-2017 Cycle)*

Amendments to MFRS 128 *Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*

Amendments to MFRS 119 *Employee Benefits: Plan Amendment, Curtailment or Settlement*

IC Interpretation 23 *Uncertainty over Income Tax Treatments*

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 16 *Leases*

MFRS 16 replaces existing leases guidance in MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on balance sheet lease accounting for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases, leases of low-value items and variable lease payments. Lessor accounting remains similar to the current standard which continues to be classified as finance lease or operating lease.

Right-of-use assets and prepaid lease payments are included under property, plant and equipment in the statement of financial position. The lease liabilities are included as borrowings in the statement of financial position.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. MFRS 16 Leases (continued)

As allowed by the transitional provision of MFRS 16, the Group and the Company have elected the modified retrospective approach with no restatement of comparatives. The cumulative adjustments resulting from the initial application of MFRS 16 to be recognised in retained profits and reserves as at 1 January 2019 are as follows:

<i>In RM Mil</i>	Impact of adoption of MFRS 16 to opening balance at 1 January 2019
Increase in assets	6,168
Decrease in equity	816
Increase in borrowings	6,984

For leases where PETRONAS Group is a lessor, there is no significant impact on leases as at 1 January 2019.

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 2018.

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.

6. DIVIDENDS

During the financial period, the Company paid a dividend of RM12 billion, being partial payments of the approved special tax exempt dividend of RM300,000 per ordinary share amounting to RM30 billion declared in November 2018. The remaining amount of the special tax exempt dividend amounting to RM18 billion will be paid in instalments between April 2019 and November 2019.

The Directors propose a final tax exempt dividend of RM240,000 per ordinary share amounting to RM24 billion in respect of the financial year ended 31 December 2018 for shareholders' approval at the forthcoming Annual General Meeting.

The interim report does not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits during the financial year ending 31 December 2019.

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

7. SIGNIFICANT EVENTS

- i. The federal government has established a steering committee to review the implementation of the Malaysia Agreement 1963, with the participation of Sabah and Sarawak state governments. The steering committee is expected to submit its final report by June 2019 and make recommendations to the federal government with respect to the implementation of the rights of Sabah and Sarawak.
- ii. On 1 March 2019, Engen Holdings (Pty) Ltd, a subsidiary of PETRONAS has completed a share sale transaction to dispose its investment in Engen International Holdings (Mauritius) Limited ("EIHL") to Vivo Energy plc's subsidiary, Vivo Energy Investments B.V. for a consideration amount of USD203.9 million comprising of 63.2 million new shares in Vivo Energy plc and USD62.1 million in cash.

8. SUBSEQUENT EVENT

On 12 April 2019, PETRONAS via its wholly-owned subsidiaries, PETRONAS International Power Corporation B.V., entered into a Share Purchase Agreement with ISQ Asia Aggregator Pte. Ltd., a wholly-owned entity of ISQ Asia Aggregator Ltd. for 100% equity interest of Amplus Energy Solutions Pte. Ltd. ("M+"). M+ caters for commercial and industrial customers, specialising in end-to-end solutions for rooftop and ground-mounted solar power projects across India and the Middle East. The Group completed the acquisition on 23 April 2019 upon completion of all closing conditions.

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.

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

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

10. FAIR VALUE INFORMATION (continued)

31 March 2019

In RM Mil

	Level 1	Level 2	Total
Financial assets			
Quoted shares	734	17	751
Quoted securities	549	-	549
Malaysian Government Securities	-	21	21
Corporate Bonds and Sukuk	-	4,340	4,340
Forward foreign exchange contracts	-	29	29
Forward gas contracts	186	69	255
Forward oil/gas price swaps	138	-	138
	<u>1,607</u>	<u>4,476</u>	<u>6,083</u>
Financial liabilities			
Commodity swaps	-	(49)	(49)
Forward foreign exchange contracts	-	(18)	(18)
Forward gas contracts	(228)	(5)	(233)
Forward oil/gas price swaps	(3)	-	(3)
Interest rate swaps	-	(41)	(41)
	<u>(231)</u>	<u>(113)</u>	<u>(344)</u>

31 December 2018

In RM Mil

	Level 1	Level 2	Total
Financial assets			
Quoted shares	790	28	818
Quoted securities	123	-	123
Malaysian Government Securities	-	44	44
Corporate Bonds and Sukuk	-	4,209	4,209
Commodity swaps	-	2	2
Forward foreign exchange contracts	-	28	28
Forward gas contracts	223	83	306
Forward oil/gas price swaps	24	-	24
Interest rate swaps	-	63	63
	<u>1,160</u>	<u>4,457</u>	<u>5,617</u>
Financial liabilities			
Commodity swaps	-	(19)	(19)
Forward foreign exchange contracts	-	(158)	(158)
Forward gas contracts	(281)	(5)	(286)
Forward oil/gas price swaps	(8)	-	(8)
	<u>(289)</u>	<u>(182)</u>	<u>(471)</u>

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

11. REVENUE

The Group's operations and main revenue streams are those described in the latest annual financial statements. The following table includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Quarter ended 31 March 2019			
	Upstream	Downstream	Corporate and Others	Total
Revenue from contract customers	29,660	27,195	605	57,460
Other revenue	1,191	163	3,180	4,534
Total	30,851	27,358	3,785	61,994

	Quarter ended 31 March 2018			
	Upstream	Downstream	Corporate and Others	Total
Revenue from contract customers	27,647	26,021	848	54,516
Other revenue	515	162	2,729	3,406
Total	28,162	26,183	3,577	57,922

12. 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 2018.

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.

12.1 Segment revenue

	Quarter ended 31 March							
	2019		2018		2019		2018	
	Third Parties	Inter-segment	Gross Total					
<i>In RM Mil</i>								
Upstream	30,851	28,162	9,639	9,063	40,490	37,225		
Downstream	27,358	26,183	1,273	1,301	28,631	27,484		
Corporate and Others	3,785	3,577	1,181	926	4,966	4,503		
Total	61,994	57,922	12,093	11,290	74,087	69,212		

12.2 Segment PAT

	Quarter ended 31 March	
	2019	2018
<i>In RM Mil</i>		
Upstream	9,163	10,233
Downstream	1,913	1,965
Corporate and Others	1,631	29
Total PAT for reportable segments	12,707	12,227
Elimination of inter-segment transactions	1,541	796
Consolidated PAT	14,248	13,023

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PART B – OTHER EXPLANATORY NOTES

13. REVIEW OF GROUP PERFORMANCE

<i>In RM Mil</i>	31.3.2019	31.12.2018	Quarter ended 31.3.2018
Revenue	61,994	69,904	57,922
PAT	14,248	14,324	13,023
EBITDA ²	27,801	37,329	25,037

<i>In RM Mil</i>	As at 31.3.2019	As at 31.12.2018
Total assets	636,202	636,314
Shareholders' equity	389,117	380,471
Gearing ratio ³	20.8%	19.7%
ROACE ⁴	12.1%	12.0%

PETRONAS Group recorded 7% increase in revenue for the first quarter of 2019 at RM62.0 billion as compared to the first quarter of 2018 of RM57.9 billion. The increase in revenue was mainly due to the effect of weakening of Ringgit against US Dollar exchange rate coupled with higher sales volume mainly for petroleum products and LNG. These were partially offset by the impact of lower average realised prices mainly for petroleum products and crude oil and condensates.

The Group recorded a higher PAT of RM14.2 billion, increased by 9% as compared to the first quarter of 2018 of RM13.0 billion mainly due to higher revenue recorded. This was partially offset by higher net product and production costs, lower net write-back of impairment on assets as well as higher contribution to NTF. EBITDA for the period was RM27.8 billion, an increase of 11% as compared to the first quarter of 2018 in line with higher PBT.

Total assets decreased slightly to RM636.2 billion as at 31 March 2019 from RM636.3 billion as at 31 December 2018. Shareholders' equity of RM389.1 billion as at 31 March 2019 increased by RM8.6 billion as compared to 31 December 2018 mainly due to profit generated during the period partially offset by the decrease in foreign currency translation reserve due to the effect of strengthening of Ringgit against US Dollar closing exchange rate as well as the impact on the adoption of MFRS 16 *Leases*.

Gearing ratio increased to 20.8% as at 31 March 2019 compared to 19.7% as at 31 December 2018 mainly due to additional lease liabilities arising from the adoption of MFRS 16 *Leases*. ROACE increased to 12.1% as at 31 March 2019 from 12.0% as at 31 December 2018 in line with higher profit recorded.

² 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.

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

⁴ 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.

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PART B – OTHER EXPLANATORY NOTES (continued)

14. REVIEW OF PERFORMANCE – UPSTREAM

Financial Indicators

In RM Mil

Revenue

Third party

Inter-segment

PAT

	31.3.2019	31.12.2018	Quarter ended 31.3.2018
	30,851	33,239	28,162
	9,639	11,604	9,063
	40,490	44,843	37,225
	9,163	14,265	10,233

Operational Indicators

Production⁵ ('000 boe⁶ per day)

Crude oil and condensate

Natural gas

Oil and gas entitlement⁷ ('000 boe per day)

Crude oil and condensate

Natural gas

Malaysia average sales gas volume (mmscfd)⁸

LNG sales volume (million tonnes)

	31.3.2019	31.12.2018	Quarter ended 31.3.2018
	930	933	995
	1,500	1,571	1,466
	2,430	2,504	2,461
	562	625	614
	1,262	1,242	1,114
	1,824	1,867	1,728
	2,962	2,806	2,806
	8.45	8.15	7.92

Revenue for the first quarter of 2019 was RM40.5 billion as compared to RM37.2 billion in the first quarter of 2018. Higher revenue was mainly due to the effect of weakening of Ringgit against US Dollar exchange rate and higher LNG sales volume. PAT was lower by RM1.0 billion as compared to the first quarter of 2018, mainly due to higher product cost and lower net write-back of impairment on assets partially offset by higher revenue recorded.

Total production volume for the first quarter of 2019 was 2,430 thousand boe per day as compared to 2,461 thousand boe per day in the first quarter of 2018 mainly due to lower crude production from Iraq partially offset by higher natural gas production from Turkmenistan.

Malaysia average gas sales volume was higher by 156 mmscfd as compared to the first quarter of 2018 mainly due to higher demand.

Total LNG sales volume for the first quarter of 2019 was higher by 0.53 million tonnes as compared to the first quarter of 2018 mainly attributable to higher volume from PETRONAS LNG Complex ("PLC") and higher trading activities.

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

⁶ boe: barrels of oil equivalent

⁷ Represents PETRONAS Group's sales entitlement to Malaysia's production and PETRONAS Group's international sales entitlement volume.

⁸ mmscfd: million standard cubic feet per day

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PART B – OTHER EXPLANATORY NOTES (continued)

15. REVIEW OF PERFORMANCE – DOWNSTREAM

Financial Indicators

In RM Mil

Revenue

Third party

Inter-segment

PAT

	<u>31.3.2019</u>	<u>31.12.2018</u>	<u>Quarter ended 31.3.2018</u>
	27,358	32,840	26,183
	1,273	1,381	1,301
	28,631	34,221	27,484
	1,913	419	1,965

Operational Indicators

Petroleum products sales volume (in million barrels)

Crude oil sales volume (in million barrels)

Petrochemicals sales volume (in million metric tonnes)

	<u>31.3.2019</u>	<u>31.12.2018</u>	<u>Quarter ended 31.3.2018</u>
	64.3	65.1	58.3
	31.2	39.7	33.3
	1.9	2.1	2.2

Revenue for the first quarter of 2019 was RM28.6 billion as compared to RM27.5 billion in the first quarter of 2018. Higher revenue was mainly driven by higher sales volume for petroleum products as well as the effect of weakening of Ringgit against US Dollar exchange rate partially offset by lower average realised prices for petroleum products, petrochemicals and crude oil.

PAT was slightly lower by RM0.1 billion as compared to the first quarter of 2018 mainly due to lower petrochemical sales volume and spreads partially offset by higher domestic refining margins and the effect of weakening of Ringgit against US Dollar exchange rate.

Petroleum products sales volume was 64.3 million barrels, 6.0 million barrels higher as compared to the first quarter of 2018 following higher trading activities and improved marketing volumes. Crude oil sales volume was 31.2 million barrels, lower than the first quarter of 2018 by 2.1 million barrels due to lower crude oil marketing activities.

Petrochemical products sales volume was 1.9 million metric tonnes, lower by 0.3 million metric tonnes as compared to the first quarter of 2018 due to lower production.

16. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS

Financial Indicators

In RM Mil

Revenue

Third party

Inter-segment

PAT

	<u>31.3.2019</u>	<u>31.12.2018</u>	<u>Quarter ended 31.3.2018</u>
	3,785	3,825	3,577
	1,181	1,422	926
	4,966	5,247	4,503
	1,631	1,999	29

Revenue for the first quarter of 2019 was RM5.0 billion, higher by RM0.5 billion as compared to the first quarter of 2018 due to higher fund investment and shipping income partially offset by lower sales of land and development properties. PAT of RM1.6 billion for the first quarter of 2019, increased more than 100% as compared to the first quarter of 2018 mainly due to lower net foreign exchange losses coupled with higher revenue recorded.

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PART B – OTHER EXPLANATORY NOTES (continued)

17. COMPARISON WITH PRECEDING QUARTER'S RESULT

<i>In RM Mil</i>	Individual quarter ended	
	31.3.2019	31.12.2018
Revenue	61,994	69,904
PAT	14,248	14,324
EBITDA	27,801	37,329

PETRONAS Group recorded 11% decrease in revenue in the first quarter of 2019 at RM62.0 billion as compared to the fourth quarter of 2018 of RM69.9 billion. The decrease in revenue was mainly due to the impact of lower average realised prices recorded for major products, lower sales volume mainly for crude oil and condensates as well as the effect of strengthening of Ringgit against US Dollar exchange rate.

PAT for the first quarter of 2019 decreased by RM0.1 billion as compared to the fourth quarter of 2018 primarily due to the lower revenue recorded for the quarter partially offset by lower net product and production costs as well as petroleum proceeds. EBITDA for the first quarter of 2019 was RM27.8 billion, decreased by 25% in line with lower PBT.

18. CURRENT FINANCIAL YEAR PROSPECTS

The oil and gas industry will continue to operate in a challenging environment arising from market uncertainties and geopolitical risks. The Group will maintain its efforts in instilling strong cost discipline and driving operational excellence in pursuit of its growth strategies. The Board expects the overall year end performance of PETRONAS Group to be affected by the rising volatility of oil price and foreign exchange movement.

19. TAXATION

<i>In RM Mil</i>	Quarter ended	
	2019	31 March 2018
Current tax expenses		
Malaysia	4,952	4,787
Overseas	423	91
Deferred tax expenses		
Origination and reversal of temporary differences	(686)	355
	4,689	5,233

The Group's effective tax rate for the current quarter was 24.9%.

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PART B – OTHER EXPLANATORY NOTES (continued)

20. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at 31.3.2019	As at 31.12.2018
By Currency		
RM	73.3	72.9
USD	24.8	24.7
Others	1.9	2.4
	<u>100.0</u>	<u>100.0</u>
By Maturity⁹		
< 1 year	97.1	97.1
1 to 5 years	1.8	1.8
5 to 10 years	1.1	1.1
	<u>100.0</u>	<u>100.0</u>
By Type		
Money market	96.7	97.0
Corporate bonds	2.7	2.4
Equities	0.6	0.6
	<u>100.0</u>	<u>100.0</u>

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

21. BORROWINGS

The details of the Group borrowings as at 31 March 2019 are as follows:

<i>In RM Mil</i>	As at 31.3.2019	As at 31.12.2018
Non-Current		
Term loans	16,411	13,002
Lease liabilities	6,985	9
Notes and Bonds	21,262	21,598
Islamic financing facilities	10,321	10,402
Total non-current borrowings	<u>54,979</u>	<u>45,011</u>
Current		
Term loans	3,972	7,340
Lease liabilities	805	7
Notes and Bonds	12,233	12,424
Islamic financing facilities	1,272	1,260
Revolving credits	1,923	2,075
Bank overdrafts	676	455
Total current borrowings	<u>20,881</u>	<u>23,561</u>
Total borrowings	<u>75,860</u>	<u>68,572</u>

⁹ Refers to instrument maturity dates; excludes equities.

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FOR FIRST QUARTER 2019



PART B – OTHER EXPLANATORY NOTES (continued)

21. BORROWINGS (continued)

<i>In RM Mil</i>	As at		As at	
	31.3.2019	%	31.12.2018	%
By Currency				
USD	62,294	82.1	58,106	84.7
RM	9,990	13.2	7,249	10.6
EUR	2,004	2.6	2,060	3.0
GBP	709	0.9	849	1.2
Others	863	1.2	308	0.5
	75,860	100.0	68,572	100.0
By Repayment Schedule				
< 1 year	20,881	27.5	23,561	34.4
1 to 5 years	32,393	42.7	25,309	36.9
5 to 10 years	13,472	17.8	11,105	16.2
> 10 years	9,114	12.0	8,597	12.5
	75,860	100.0	68,572	100.0

22. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 31 March 2019.

23. 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 has been withdrawn by the Kelantan State Government without liberty to file afresh.

INTERIM FINANCIAL REPORT

FOR FIRST QUARTER 2019



PART B – OTHER EXPLANATORY NOTES (continued)

24. PROFIT FOR THE PERIOD

<i>In RM Mil</i>	2019	Quarter ended 31 March 2018
Included in profit for the period are the following charges:		
Bad debt written off	2	-
Depreciation and amortisation	9,439	8,618
Loss on disposal of property, plant and equipment	1	5
Net impairment losses on:		
- property, plant and equipment	4	-
- other investments	-	4
Net impairment/write-off on well costs ¹⁰	177	28
Net loss on derivatives	10	-
Net loss on foreign exchange	206	1,278
Property, plant and equipment written off	2	2
and credits:		
Dividend income	132	4
Gain on disposal of:		
- property, plant and equipment	36	9
- other investments	17	185
- subsidiaries	212	501
Interest income	1,842	1,213
Net gain on derivatives	-	23
Net write-back of impairment losses on:		
- property, plant and equipment	-	913
- receivables	88	168
Net change in fair value of contract liabilities	43	-

25. DIVIDENDS

As disclosed in Note 6.

26. EXCHANGE RATES

	31.3.2019	31.12.2018	Quarter ended 31.3.2018
US dollar/RM			
Average rate	4.0905	4.1721	3.9248
Closing rate	4.0795	4.1445	3.8620

By order of the Board

Intan Shafinas (Tuty) Hussain (LS0009774)
Company Secretary
Kuala Lumpur
30 May 2019

¹⁰ Comprises impairment and write-off of exploration expenditure under intangible assets.