



PETRONAS

PETRONAS Group Interim Financial Report

For Third Quarter 2015

© 2015 PETROLIAM NASIONAL BERHAD (PETRONAS)
All rights reserved. No part of this document may be reproduced, stored in a retrieval system or transmitted in any form or by any means (electronic, mechanical, photocopying, recording or otherwise) without the permission of the copyright owner.

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



Cumulative quarter ended		Key Financial and Operational Highlights	Individual quarter ended	
30.9.2014	30.9.2015		30.9.2015	30.9.2014
249,781	187,559	Revenue (RM mil)	60,064	80,373
78,049	35,459	Profit Before Taxation (RM mil)	3,895	22,782
54,888	23,818	Profit After Tax (RM mil)	1,351	15,073
99,034	56,278	EBITDA (RM mil)	14,548	29,208
75,117	51,202	Cash flows from operating activities (RM mil)	16,729	25,720
47,053	49,674	Capital investments (RM mil)	17,862	16,341
2,181	2,278	Crude oil, condensate and natural gas production volume ('000 boe per day)	2,182	2,078

Third quarter 2015

- **PETRONAS Group's revenue for the third quarter of 2015 decreased by 25%** compared to the same period in 2014 mainly due to lower average realised prices recorded across all products following the downward trend of key benchmark prices, Dated Brent and JCC, coupled with the impact of lower trading volume for petroleum product and crude oil and condensate. The decrease was partially offset by the effect of 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 83%, 91% and 50% respectively** compared to the corresponding quarter last year primarily due to lower prices and higher assets impairment losses recorded for the quarter.
- **Cash flows from operating activities decreased by 35%** as compared to the corresponding quarter last year in line with lower revenue recorded in the current quarter.
- **Capital investments** in the third quarter of 2015 totalled **RM17.9 billion**, mainly attributable to domestic upstream capital expenditures, Refinery and Petrochemical Integrated Development ("RAPID") project in Johor and LNG Train 9 project in Sarawak.
- **Crude oil, condensate and natural gas production volume** in the **third quarter of 2015 was 2,182 thousand barrels of oil equivalent ("boe") per day** compared to 2,078 thousand boe per day in the same period last year. The increase was mainly contributed by production enhancement efforts and new production stream from Malaysia coupled with additional natural gas production from Azerbaijan, production optimisation efforts in Malaysia, negated by natural decline rate.

Cumulative quarter ended 30 September 2015

- **PETRONAS Group's revenue for the nine months ended 30 September 2015 decreased by 25%** compared to the same period in 2014 primarily contributed by lower average realised prices recorded across all products in line with the significant downward trend of key benchmark prices, Dated Brent and JCC. This was partially offset by the effect of favourable US Dollar exchange rate movement against the Ringgit coupled with higher processed gas trading, crude oil and condensate and petrochemicals sales volume.
- **PBT, PAT and EBITDA decreased by 55%, 57% and 43% respectively** compared to the corresponding period last year primarily due to lower prices, higher assets impairment losses and higher net foreign exchange loss recorded for the period.
- **Cash flows from operating activities decreased by 32%** as compared to the corresponding period last year.
- **Capital investments** in the nine months ended 30 September 2015 totalled **RM49.7 billion**, mainly attributable to acquisition of Statoil's Shah Deniz assets, domestic upstream capital expenditures and RAPID project in Johor.
- **Crude oil, condensate and natural gas production volume** for the **nine months ended 30 September 2015 was 2,278 thousand boe per day** compared with 2,181 thousand boe per day in the same period last year. The increase was mainly contributed by production enhancement efforts and new production stream from Malaysia, partially offset by lower natural gas production.

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



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 2015 which should be read in conjunction with the Explanatory Notes on pages 6 to 18.

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

	Individual quarter ended		Cumulative quarter ended	
	2015	30 September 2014	2015	30 September 2014
<i>In RM Mil</i>				
Revenue	60,064	80,373	187,559	249,781
Cost of revenue	(41,791)	(52,834)	(128,669)	(159,331)
Gross profit	18,273	27,539	58,890	90,450
Selling and distribution expenses	(1,307)	(1,305)	(3,754)	(3,848)
Administration expenses	(2,564)	(2,111)	(7,273)	(7,734)
Net impairment losses ¹	(5,428)	(513)	(6,288)	(1,878)
Other expenses	(4,638)	(1,317)	(7,042)	(1,647)
Other income	208	863	2,562	3,854
Operating profit	4,544	23,156	37,095	79,197
Financing costs	(1,032)	(666)	(2,438)	(2,178)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	383	292	802	1,030
Profit before taxation	3,895	22,782	35,459	78,049
Tax expense	(2,544)	(7,709)	(11,641)	(23,161)
PROFIT FOR THE PERIOD	1,351	15,073	23,818	54,888
Other comprehensive income/(expenses)				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	33,855	2,533	45,695	(1,184)
Available-for-sale financial assets				
- Changes in fair value	(891)	(670)	(1,058)	(590)
- Transfer to profit or loss	-	(124)	5	(149)
Others	252	(38)	378	39
Total other comprehensive income/(expenses) for the period	33,216	1,701	45,020	(1,884)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	34,567	16,774	68,838	53,004
(Loss)/profit attributable to:				
Shareholders of the Company	(565)	12,414	17,852	46,912
Non-controlling interests	1,916	2,659	5,966	7,976
PROFIT FOR THE PERIOD	1,351	15,073	23,818	54,888
Total comprehensive income attributable to:				
Shareholders of the Company	29,318	14,002	58,328	45,291
Non-controlling interests	5,249	2,772	10,510	7,713
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	34,567	16,774	68,838	53,004

¹ Comprises net impairment losses on property, plant and equipment, receivables and investments in associates (Note 22).

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.9.2015	As at 31.12.2014
<i>In RM Mil</i>		
ASSETS		
Property, plant and equipment	312,374	261,286
Investment properties, land held for development and prepaid lease payments	13,996	13,368
Investments in associates and joint ventures	13,521	12,466
Intangible assets	37,755	30,127
Fund and other investments	8,044	7,734
Other non-current assets	22,218	20,488
TOTAL NON-CURRENT ASSETS	407,908	345,469
Trade and other inventories	13,655	13,431
Trade and other receivables	51,644	47,838
Fund and other investments	7,746	11,635
Cash and cash equivalents	125,260	116,826
Other current assets	6,724	2,288
TOTAL CURRENT ASSETS	205,029	192,018
TOTAL ASSETS	612,937	537,487
EQUITY		
Share capital	100	100
Reserves	391,815	354,568
Total equity attributable to shareholders of the Company	391,915	354,668
Non-controlling interests	41,887	37,261
TOTAL EQUITY	433,802	391,929
LIABILITIES		
Borrowings	59,177	30,072
Deferred tax liabilities	12,630	12,933
Other long term liabilities and provisions	36,303	31,352
TOTAL NON-CURRENT LIABILITIES	108,110	74,357
Trade and other payables	60,008	60,125
Borrowings	3,801	6,762
Taxation	1,216	4,314
Dividend payable	6,000	-
TOTAL CURRENT LIABILITIES	71,025	71,201
TOTAL LIABILITIES	179,135	145,558
TOTAL EQUITY AND LIABILITIES	612,937	537,487

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



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>				
Cumulative quarter ended 30 September 2014				
At 1 January 2014	100	13,527	7,010	1,456
Net movements from exchange differences	-	-	(944)	-
Available-for-sale financial assets:				
- Changes in fair value	-	-	-	(570)
- Transfer to profit or loss	-	-	-	(149)
Other comprehensive income/(expenses)	-	42	-	-
Total other comprehensive income/(expenses) for the period	-	42	(944)	(719)
Profit for the period	-	-	-	-
Total comprehensive income/(expenses) for the period	-	42	(944)	(719)
Dividends	-	-	-	-
Share of reserve of a joint venture	-	299	-	-
Other movements	-	36	-	-
Total transactions with shareholders	-	335	-	-
Balance at 30 September 2014	100	13,904	6,066	737
Cumulative quarter ended 30 September 2015				
At 1 January 2015	100	13,622	14,250	(52)
Net movements from exchange differences	-	-	41,228	-
Available-for-sale financial assets:				
- Changes in fair value	-	-	-	(1,056)
- Transfer to profit or loss	-	-	-	5
Other comprehensive income	-	299	-	-
Total other comprehensive income/(expenses) for the period	-	299	41,228	(1,051)
Profit for the period	-	-	-	-
Total comprehensive income/(expenses) for the period	-	299	41,228	(1,051)
Dividends	-	-	-	-
Redemption of redeemable preference shares in a subsidiary	-	-	-	-
Issuance of shares to non-controlling interest	-	-	-	-
Changes in ownership interest in a subsidiary	-	4	(63)	-
Total transactions with shareholders	-	4	(63)	-
Balance at 30 September 2015	100	13,925	55,415	(1,103)

continue to next page

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



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>		
Cumulative quarter ended 30 September 2014					
At 1 January 2014	12,000	301,710	335,803	36,502	372,305
Net movements from exchange differences	-	-	(944)	(240)	(1,184)
Available-for-sale financial assets:					
- Changes in fair value	-	-	(570)	(20)	(590)
- Transfer to profit or loss	-	-	(149)	-	(149)
Other comprehensive income/(expenses)	-	-	42	(3)	39
Total other comprehensive income/(expenses) for the period	-	-	(1,621)	(263)	(1,884)
Profit for the period	-	46,912	46,912	7,976	54,888
Total comprehensive income/(expenses) for the period	-	46,912	45,291	7,713	53,004
Dividends	-	(24,000)	(24,000)	(9,425)	(33,425)
Share of reserve of a joint venture	-	-	299	178	477
Other movements	-	-	36	181	217
Total transactions with shareholders	-	(24,000)	(23,665)	(9,066)	(32,731)
Balance at 30 September 2014	12,000	324,622	357,429	35,149	392,578
Cumulative quarter ended 30 September 2015					
At 1 January 2015	12,000	314,748	354,668	37,261	391,929
Net movements from exchange differences	-	-	41,228	4,467	45,695
Available-for-sale financial assets:					
- Changes in fair value	-	-	(1,056)	(2)	(1,058)
- Transfer to profit or loss	-	-	5	-	5
Other comprehensive income	-	-	299	79	378
Total other comprehensive income/(expenses) for the period	-	-	40,476	4,544	45,020
Profit for the period	-	17,852	17,852	5,966	23,818
Total comprehensive income/(expenses) for the period	-	17,852	58,328	10,510	68,838
Dividends	-	(26,000)	(26,000)	(5,540)	(31,540)
Redemption of redeemable preference shares in a subsidiary	-	-	-	(111)	(111)
Issuance of shares to non-controlling interest	-	-	-	71	71
Changes in ownership interest in a subsidiary	-	4,978	4,919	(304)	4,615
Total transactions with shareholders	-	(21,022)	(21,081)	(5,884)	(26,965)
Balance at 30 September 2015	12,000	311,578	391,915	41,887	433,802

continued from previous page

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative quarter ended	
	2015	30 September 2014
<i>In RM Mil</i>		
Cash receipts from customers	179,303	247,289
Cash paid to suppliers and employees	(115,900)	(149,362)
	63,403	97,927
Interest income from fund and other investments	3,554	2,411
Interest expenses paid	(1,835)	(1,592)
Taxation paid	(13,920)	(23,629)
Cash flows from operating activities	51,202	75,117
Acquisition of interest in a joint operation, net of cash acquired	-	(4,442)
Investment in securities	(1,202)	(1,978)
Proceeds from disposal of:		
- property, plant and equipment, investment properties, prepaid lease payments, intangible assets, and assets classified as held for sale	726	8,869
- securities and other investment	4,251	4,201
Purchase of property, plant and equipment, investment properties, prepaid lease payments, and intangible assets	(49,674)	(42,611)
Investment in associates and joint ventures	(3,319)	(21)
Others	1,038	1,336
Cash flows from investing activities	(48,180)	(34,646)
Repayment of borrowings	(6,876)	(13,373)
Drawdown of borrowings	21,987	8,809
Dividends paid	(20,000)	(23,000)
Dividends paid to non-controlling interests	(5,540)	(10,955)
Payment to non-controlling interests on redemption of redeemable preference shares	(111)	-
Proceeds from shares issued to non-controlling interests	71	171
Payment to non-controlling interests on additional equity interest	(564)	-
Proceeds from partial disposal of equity interest to non-controlling interests	5,179	-
Cash flows from financing activities	(5,854)	(38,348)
Net (decrease)/increase in cash and cash equivalents	(2,832)	2,123
(Increase)/decrease in deposits restricted	(117)	92
Net foreign exchange differences	10,934	(118)
Cash and cash equivalents at beginning of the period	116,727	116,435
Cash and cash equivalents at end of the period	124,712	118,532
Cash and cash equivalents		
Cash and bank balances and deposits	125,260	119,409
Short term marketable securities	55	495
Bank overdrafts	(131)	(1,082)
Less: Deposits restricted	(472)	(290)
	124,712	118,532

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



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 other than that disclosed in the first quarter report relating to adoption of Amendments to MFRSs effective for annual periods beginning on or after 1 July 2014.

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.

6. DEBT AND EQUITY SECURITIES

During the period ended 30 September 2015, 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.

INTERIM FINANCIAL REPORT FOR THIRD QUARTER 2015



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

7. DIVIDENDS

During the period ended 30 September 2015:

- a) the Company paid a second 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.
- b) the Company paid a dividend of RM16 billion, being first to sixth payment of the approved 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.

The remaining amount of the tax exempt final dividend amounting to RM6 billion will be paid in instalments between October and November 2015.

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 2015



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 2015

In RM Mil

	Level 1	Level 2	Total
Financial assets			
Quoted shares	3,719	37	3,756
Short term marketable securities	-	55	55
Quoted securities	30	349	379
Malaysian Government Securities	-	63	63
Corporate Private Debt Securities	-	3,290	3,290
Commodity swaps	-	71	71
Forward foreign exchange contracts	-	54	54
Forward gas contracts	209	-	209
Forward oil price contracts	68	-	68
	<u>4,026</u>	<u>3,919</u>	<u>7,945</u>
Financial liabilities			
Commodity swaps	-	(1)	(1)
Forward foreign exchange contracts	-	(1,191)	(1,191)
Forward gas contracts	(129)	-	(129)
Forward oil price contracts	(11)	-	(11)
Interest rate swaps	-	(12)	(12)
	<u>(140)</u>	<u>(1,204)</u>	<u>(1,344)</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>

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



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

10. 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.

10.1 Revenue

<i>In RM Mil</i>	Individual quarter ended 30 September							
	2015		2014		2015		2014	
	Third Parties		Inter-segment		Gross Total			
Upstream	28,645	39,643	5,887	8,056	34,532	47,699		
Downstream	28,015	37,916	1,213	1,659	29,228	39,575		
Corporate and Others	3,404	2,814	1,058	1,258	4,462	4,072		
Total	60,064	80,373	8,158	10,973	68,222	91,346		

<i>In RM Mil</i>	Cumulative quarter ended 30 September							
	2015		2014		2015		2014	
	Third Parties		Inter-segment		Gross Total			
Upstream	91,606	126,612	18,668	26,635	110,274	153,247		
Downstream	85,603	113,657	3,863	5,185	89,466	118,842		
Corporate and Others	10,350	9,512	3,343	3,029	13,693	12,541		
Total	187,559	249,781	25,874	34,849	213,433	284,630		

10.2 Segment PAT

<i>In RM Mil</i>	Individual quarter ended 30 September				Cumulative quarter ended 30 September			
	2015		2014		2015		2014	
Upstream	92	12,714	14,124	45,099				
Downstream	2,001	1,539	7,264	5,322				
Corporate and Others	(1,865)	132	218	2,472				
Total PAT for reportable segments	228	14,385	21,606	52,893				
Elimination of inter-segment transactions	1,123	688	2,212	1,995				
Consolidated PAT	1,351	15,073	23,818	54,888				

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



PART B – OTHER EXPLANATORY NOTES

11. REVIEW OF GROUP PERFORMANCE

Cumulative quarter ended			Individual quarter ended		
30.9.2014	30.9.2015	In RM Mil	30.9.2015	30.6.2015	30.9.2014
249,781	187,559	Revenue	60,064	61,304	80,373
54,888	23,818	Profit for the period	1,351	11,067	15,073
99,034	56,278	EBITDA ²	14,548	19,787	29,208
<i>In RM Mil</i>				As at	As at
				30.9.2015	31.12.2014
Total assets				612,937	537,487
Shareholders' equity				391,915	354,668
Gearing ratio ³				16.3%	12.6%
ROACE ⁴				3.9%	11.9%

Third quarter PETRONAS Group recorded revenue of RM60.1 billion, a decrease of 25% compared to RM80.4 billion for the same period in 2014. Similarly, profit for the quarter decreased to RM1.4 billion from RM15.1 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 following the prolonged downward trend of key benchmark prices, Dated Brent and JCC, coupled with the impact of lower trading volume for petroleum product and crude oil and condensate. This decrease was partially offset by the effect of favourable US Dollar exchange rate movement against the Ringgit.

Profit for the quarter decreased by RM13.7 billion as compared to the same quarter last year primarily due to lower prices and higher assets impairment losses recognised for the quarter. EBITDA for the quarter was RM14.5 billion, a reduction of 50% compared to the same period in 2014.

Cumulative quarter PETRONAS Group revenue reflects a 25% reduction for the period ended 30 September 2015 at RM187.6 billion compared to RM249.8 billion a year ago primarily contributed by lower average realised prices recorded across all products in line with the significant downward trend of key benchmark prices, Dated Brent and JCC. This was partially offset by favourable US Dollar exchange rate movement against the Ringgit coupled with higher processed gas trading, crude oil and condensate and petrochemicals sales volume.

Profit decreased by RM31.1 billion as compared to the same period last year primarily due to lower prices, higher assets impairment losses and higher net foreign exchange loss recorded for the period. EBITDA for the period was RM56.3 billion, a reduction of 43% compared to the same period in 2014.

Total assets increased to RM612.9 billion as at 30 September 2015 as compared to RM537.5 billion as at 31 December 2014 primarily attributable to capital investments and higher cash balance as a result of profit generated during the period. Shareholders' equity of RM391.9 billion as at 30 September 2015 increased by RM37.2 billion compared to as at 31 December 2014 mainly due to the net impact of total comprehensive income for the period and approved dividend of RM26 billion in respect of the financial year ended 31 December 2014.

Gearing ratio increased to 16.3% as at 30 September 2015 compared to 12.6% as at 31 December 2014 due to higher borrowings following additional drawdown made during the period. ROACE decreased to 3.9% as at 30 September 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 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 the months' annualised profit before interest expense after tax divided by average total equity and long term debt during the 12 months period.

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

12. REVIEW OF PERFORMANCE – UPSTREAM

Cumulative quarter ended		<i>Financial Indicators</i> <i>In RM Mil</i>	Individual quarter ended		
30.9.2014	30.9.2015		30.9.2015	30.6.2015	30.9.2014
126,612	91,606	Revenue		27,830	39,643
26,635	18,668	Third party	28,645	6,927	8,056
153,247	110,274	Inter-segment	5,887	34,757	47,699
45,099	14,124	PAT	92	6,161	12,714
Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
30.9.2014	30.9.2015		30.9.2015	30.6.2015	30.9.2014
839	938	Production ⁵ ('000 boe ⁶ per day)		948	822
1,342	1,340	Crude oil and condensate	893	1,313	1,256
2,181	2,278	Natural gas	1,289	2,261	2,078
601	637	Oil and gas entitlement ⁷ ('000 boe ⁶ per day)		618	576
1,124	972	Crude oil and condensate	614	1,048	1,119
1,725	1,609	Natural gas	878	1,666	1,695
2,797	2,781	Malaysia average sales gas volume (mmscfd) ⁸	2,764	2,945	2,650
22.36	22.13	LNG sales volume (million tonnes)	7.17	6.92	7.22

Third quarter Revenue for the quarter ended 30 September 2015 was RM34.5 billion compared to RM47.7 billion in the corresponding quarter last year. Lower revenue was mainly contributed by lower crude oil prices coupled with higher gas entitlement in 2014. PAT decreased by RM12.6 billion compared to the corresponding quarter last year mainly due to lower revenue coupled with higher assets impairment losses.

Total production volume for the quarter was 2,182 thousand boe per day compared to 2,078 thousand boe per day in the corresponding quarter last year. Crude oil and condensate production volume was higher mainly due to production enhancement efforts and new production stream from Malaysia. Natural gas production was higher compared to the same quarter last year mainly due to additional production from Azerbaijan, production optimisation efforts in Malaysia, partially offset by natural decline rate.

Malaysia average sales gas volume was higher by 114 mmscfd or 4% compared to the corresponding quarter last year mainly due to higher demand.

⁵ Represents Malaysia's production and PETRONAS Group's international equity production volume.

⁶ boe: barrels of oil equivalent

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

⁸ mmscfd: million standard cubic feet per day

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

12. REVIEW OF PERFORMANCE – UPSTREAM (continued)

Cumulative quarter Revenue for the cumulative quarter ended 30 September 2015 was RM110.3 billion compared to RM153.2 billion in the corresponding period last year. The lower revenue by 28% reflects the decrease in prices for all products and higher gas entitlement in 2014. Similarly, PAT decreased by RM31.0 billion compared to the corresponding period last year mainly due to lower revenue coupled with higher assets impairment losses.

Total production volume for cumulative quarter ended 30 September 2015 was 2,278 thousand boe per day compared to 2,181 thousand boe per day in the corresponding period last year. Crude oil and condensate production volume was higher mainly due to production enhancement efforts and new production stream from Malaysia. Natural gas production was slightly lower compared to the corresponding period last year.

Total LNG sales volume for the period was lower by 0.23 million tonnes or 1% as compared to the corresponding period in 2014 driven by lower production from PETRONAS LNG Complex ("PLC") in Bintulu, Sarawak. Malaysia average sales gas volume was lower by 16 mmscfd or 1% compared to the corresponding period last year mainly due to lower demand.

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

13. REVIEW OF PERFORMANCE – DOWNSTREAM

Cumulative quarter ended		<i>Financial Indicators</i> <i>In RM Mil</i>	30.9.2015	Individual quarter ended	
30.9.2014	30.9.2015			30.6.2015	30.9.2014
113,657	85,603	Revenue		30,064	37,916
5,185	3,863	Third party	28,015	1,248	1,659
118,842	89,466	Inter-segment	1,213	31,312	39,575
5,322	7,264	PAT	2,001	3,350	1,539

Cumulative quarter ended		<i>Operational Indicators</i>	30.9.2015	Individual quarter ended	
30.9.2014	30.9.2015			30.6.2015	30.9.2014
223.6	214.3	Petroleum products sales volume (in million barrels)	70.9	71.0	75.0
150.4	161.6	Crude oil sales volume (in million barrels)	48.2	53.1	51.2
4.3	4.8	Petrochemicals sales volume (in million metric tonnes)	1.6	1.6	1.4

Third quarter Total revenue for the quarter was RM29.2 billion, a decrease of RM10.3 billion when compared to the corresponding quarter last year. The primary contributors to the lower revenue are lower prices for crude oil, petroleum and petrochemical products.

Petroleum products sales volume was 70.9 million barrels, lower than the corresponding quarter last year by 4.1 million barrels mainly due to lower trading volume for the quarter.

Crude oil sales volume was also lower than the corresponding quarter last year by 3.0 million barrels mainly due to lower trading volume for the quarter.

Petrochemical products sales volume was higher by 0.2 million metric tonnes compared to the corresponding quarter last year contributed by improved plant performance leading to higher plant production.

Downstream PAT was RM2.0 billion, higher than the corresponding quarter last year by RM0.5 billion mainly due to higher refining and marketing margins.

Cumulative quarter Total revenue for the period was RM89.5 billion, RM29.4 billion lower than the revenue from the corresponding period last year due to lower prices for crude oil, petroleum and petrochemical products.

Petroleum products sales volume was 214.3 million barrels, lower than the corresponding period last year by 9.3 million barrels mainly due to lower trading volume.

Crude oil sales volume was 161.6 million barrels, higher than the corresponding period last year by 11.2 million barrels contributed by higher trading and entitlement volume.

Petrochemical products sales volume was higher by 0.5 million metric tonnes compared to the corresponding period last year contributed by improved plant performance leading to higher plant production.

Downstream cumulative PAT was RM7.3 billion, RM1.9 billion higher than the corresponding period last year due to higher refining and marketing margins as well as higher petrochemical products sales volume.

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

14. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS

Cumulative quarter ended		Financial Indicators <i>In RM Mil</i>	Individual quarter ended		
30.9.2014	30.9.2015		30.9.2015	30.6.2015	30.9.2014
9,512	10,350	Revenue			
3,029	3,343	Third party	3,404	3,410	2,814
12,541	13,693	Inter-segment	1,058	1,192	1,258
2,472	218	(LAT) ⁹ /PAT	4,462	4,602	4,072
			(1,865)	1,206	132

Third quarter Revenue for the quarter was RM4.5 billion, higher by RM0.4 billion as compared to the corresponding quarter a year ago mainly due to higher income from shipping business. The segment recorded a loss of RM1.9 billion for the current quarter mainly due to higher net foreign exchange loss on USD borrowings as a result of weakening Ringgit against US Dollar.

Cumulative quarter Revenue for the period was RM13.7 billion, higher by RM1.2 billion as compared to the same period last year mainly contributed by higher income from shipping business. PAT decreased by RM2.3 billion to RM0.2 billion in the current period mainly due to higher net foreign exchange loss on USD borrowings as a result of weakening Ringgit against US Dollar.

15. COMPARISON WITH PRECEDING QUARTER'S RESULT

<i>In RM Mil</i>	Individual quarter ended	
	30.9.2015	30.6.2015
Revenue	60,064	61,304
Profit for the period	1,351	11,067
EBITDA	14,548	19,787

PETRONAS Group's revenue of RM60.1 billion for the quarter was lower by RM1.2 billion or 2% as compared to the preceding quarter. The decrease was primarily due to lower crude oil and condensate trading volume, partially offset by higher LNG sales volume and price. The increase in LNG price was in line with the upward trend of JCC benchmark price for the current quarter.

Profit for the period decreased by RM9.7 billion as compared to the preceding quarter primarily due to higher assets impairment losses, coupled with higher net foreign exchange loss. EBITDA for the quarter was RM14.5 billion, a 26% reduction as compared to the preceding quarter.

16. CURRENT FINANCIAL YEAR PROSPECTS

Continuing oversupply and modest economic growth will put a downward pressure on oil prices. The Board does not anticipate any material changes in prices and expects the fourth quarter performance to be similarly affected.

⁹ Loss after tax

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

17. TAXATION

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2015	2014	2015	2014
Current tax expenses				
Malaysia	2,685	7,245	11,677	21,410
Overseas	280	472	758	1,338
Deferred tax expenses				
Origination and reversal of temporary differences	(421)	(8)	(794)	413
	<u>2,544</u>	<u>7,709</u>	<u>11,641</u>	<u>23,161</u>
Effective tax rate	65.3%	33.8%	32.8%	29.7%

The Group's effective tax rate for the current quarter and period-to-date of 65.3% and 32.8% respectively were higher than the corresponding quarter last year and prior year period-to-date, mainly due to higher non-deductible expenses. The adjusted effective tax rate after excluding assets impairment losses were 30.1% for the current quarter and 29.9% for period-to-date, which were comparable to the adjusted effective tax rate for the corresponding period in 2014 of 32.0% and 30.7% respectively.

18. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at 30.9.2015	As at 31.12.2014
By Currency		
RM	65.2	76.7
USD	29.3	19.8
Others	5.5	3.5
	<u>100.0</u>	<u>100.0</u>
By Maturity¹⁰		
< 1 year	97.7	97.1
1 to 5 years	1.5	1.5
5 to 10 years	0.8	1.4
	<u>100.0</u>	<u>100.0</u>
By Type		
Money market	94.4	92.0
Corporate bonds	2.8	3.9
Equities	2.8	3.2
Government securities	-	0.9
	<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.

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

19. BORROWINGS

The details of the Group borrowings as at 30 September 2015 are as follows:

<i>In RM Mil</i>	As at 30.9.2015	As at 31.12.2014
Non-Current		
Secured		
Term loans	2,246	918
Islamic financing facilities	1,124	1,495
Total non-current secured borrowings	3,370	2,413
Unsecured		
Term loans	10,195	9,282
Notes and Bonds	36,418	15,673
Islamic financing facilities	9,194	2,704
Total non-current unsecured borrowings	55,807	27,659
Total non-current borrowings	59,177	30,072
Current		
Secured		
Term loans	213	690
Islamic financing facilities	579	145
Revolving credits	-	151
Total current secured borrowings	792	986
Unsecured		
Term loans	1,054	726
Notes and Bonds	-	2,184
Islamic financing facilities	286	543
Revolving credits	1,538	2,179
Bank overdrafts	131	144
Total current unsecured borrowings	3,009	5,776
Total current borrowings	3,801	6,762
Total borrowings	62,978	36,834

INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

19. BORROWINGS (continued)

<i>In RM Mil</i>	As at		As at	
	30.9.2015	%	31.12.2014	%
By Currency				
USD	52,163	82.8	26,585	72.2
RM	6,303	10.0	6,184	16.8
EUR	2,415	3.8	1,882	5.1
GBP	1,561	2.5	1,618	4.4
Others	536	0.9	565	1.5
	62,978	100.0	36,834	100.0
By Repayment Schedule				
< 1 year	3,801	6.0	6,762	18.4
1 to 5 years	25,934	41.2	21,008	57.0
5 to 10 years	24,463	38.9	7,317	19.9
> 10 years	8,780	13.9	1,747	4.7
	62,978	100.0	36,834	100.0

20. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 30 September 2015.

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 2015



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	
	2015	2014	2015	2014
Included in profit for the period are the following charges:				
Bad debt written off	-	8	-	137
Depreciation and amortisation	5,975	6,416	16,807	20,508
Impairment losses on:				
- receivables	12	145	267	484
- intangible assets	322	5	977	89
- property, plant and equipment	5,994	499	8,808	1,609
- investments in associates	570	-	570	-
Net loss on derivatives	634	-	926	76
Net loss on foreign exchange	3,828	1,365	5,045	1,237
and credits:				
Dividend income	125	208	149	277
Gain on disposal of investments and property, plant and equipment	6	652	57	1,162
Interest income	1,257	1,110	4,003	3,349
Net gain on derivatives	-	83	-	-
Write back of impairment losses on:				
- receivables	13	131	23	215
- intangible assets	277	74	874	74
- property, plant and equipment	1,135	-	3,334	-

23. DIVIDENDS

As disclosed in Note 7.

24. EXCHANGE RATES

US dollar/RM	Individual quarter ended			Cumulative quarter ended		
	30.9.2015	30.6.2015	30.9.2014	30.9.2015	30.9.2014	31.12.2014
Average rate	4.0532	3.6600	3.1935	3.7757	3.2419	3.2721
Closing rate	4.4475	3.7745	3.2765	4.4475	3.2765	3.4945

By order of the Board

Maliki Kamal Mohd Yasin (LS 0005209)
Company Secretary
Kuala Lumpur
11 November 2015