



**PETRONAS**

# **PETRONAS Group** **Financial Results Announcement** Q4 and Year Ended FY2017

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# **PETRONAS Group Financial Results Announcement**

Financial Highlights

**Datuk George Ratilal**

Executive Vice President &  
Group Chief Financial Officer

# FY2017 Key Features

## Performance

- 27% increase in underlying\* net profit of RM46.6 billion for FY2017 compared to RM36.8 billion recorded in FY2016
- 30% increase in FY2017 EBITDA to RM92.0 billion compared to RM70.7 billion in FY2016
- Continued drive for higher productivity and operational excellence

## Operations

- Progress of projects:
  - Pengerang Integrated Complex (PIC) achieved 84% completion as at 31 Dec 2017
  - Commissioning and delivering of LNG from world's first floating LNG facility in April 2017

## Outlook

- PETRONAS is in a stronger position to execute its long term growth strategy
- Subject to sustainability of price recovery, PETRONAS expects to deliver satisfactory performance in the next financial year

\*Excluding net impairment on assets

# Key Indicators

FY2016	FY2017		Q3 FY2017	Q4 FY2017	Q4 FY2016
43.69	<b>54.27</b>	Dated Brent (USD/bbl)	52.08	<b>61.39</b>	49.46
39.13	<b>51.39</b>	JCC single-month (USD/bbl)	53.33	<b>49.62</b>	46.22
4.15	<b>4.30</b>	USD/MYR*	4.26	<b>4.16</b>	4.32
<b>Crude oil, condensate and natural gas (kboe/d)</b>					
2,363	<b>2,320</b>	Production**	2,206	<b>2,389</b>	2,444
1,794	<b>1,760</b>	Entitlement***	1,671	<b>1,813</b>	1,909

\*Average exchange rate

\*\* Represents Malaysia's production [PETRONAS Group and other Petroleum Arrangement Contractors (PACS)] and PETRONAS Group's international equity production

\*\*\* Represents PETRONAS Group's entitlement to Malaysia's production and International's production

# Financial Highlights

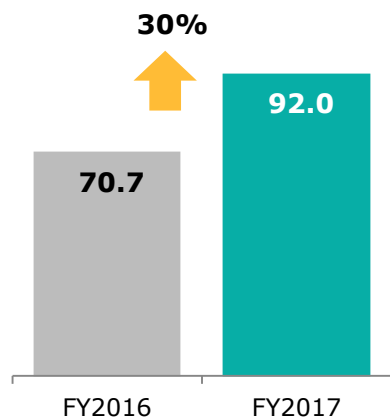
% change	FY2016	FY2017	Key Financial Indicators (RM bil)	Q4 FY2017	Q4 FY2016	% change
14.6	195.1	<b>223.6</b>	Revenue	<b>61.8</b>	54.3	13.8
90.6	33.9	<b>64.6</b>	Profit before tax (PBT)	<b>23.6</b>	15.6	51.3
91.2	23.8	<b>45.5</b>	Profit after tax (PAT)	<b>18.2</b>	11.3	61.1
(91.5)	(13.0)	<b>(1.1)</b>	Identified items*	<b>0.5</b>	(2.4)	>100
26.6	36.8	<b>46.6</b>	PAT excluding identified items (PAT*)	<b>17.7</b>	13.7	29.2
30.1	70.7	<b>92.0</b>	EBITDA	<b>25.3</b>	21.9	15.5
4.9	36.2	<b>41.1</b>	EBITDA Margin (%)	<b>40.9</b>	40.3	0.6
40.7	53.8	<b>75.7</b>	CFFO	<b>17.9</b>	17.7	1.1
(11.7)	50.4	<b>44.5</b>	Capital Investments	<b>10.7</b>	14.4	(25.7)

\*Comprise of net impairment on assets

# FY2017 Group Financial Results

## EBITDA

RM bil



- higher average realised prices
- lower well costs write off

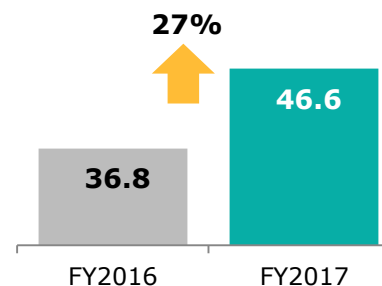
higher:



- net foreign exchange losses
- net product and production costs

## PAT\*

RM bil



- higher average realised prices
- lower well costs write off

higher:



- net foreign exchange losses
- amortisation of Oil & Gas Properties
- net product and production costs

## EBITDA Margin (%)

41.1

FY2016

36.2

↑ 5%

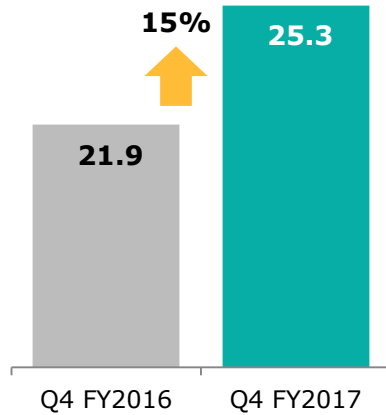
Improved margin due to higher average realised prices and lower well costs write off

\*Excluding net impairment on assets

# Q4 FY2017 Y-o-Y Group Financial Results

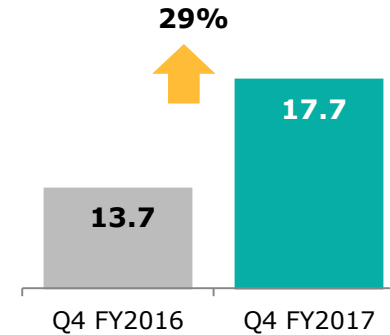
## EBITDA

RM bil



## PAT\*

RM bil



higher average realised prices



higher net foreign exchange losses

**EBITDA Margin (%)** Q4 FY2016

**40.9**

40.3

↑ 1%

Improved margin in line with consistent performance

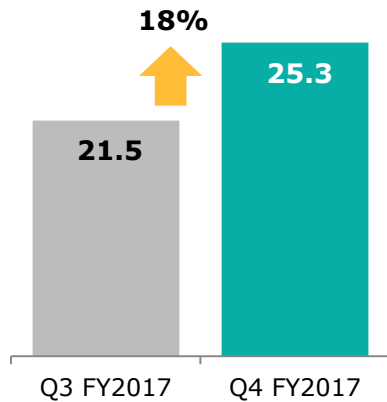
\*Excluding net impairment on assets



# Q4 FY2017 Q-o-Q Group Financial Results

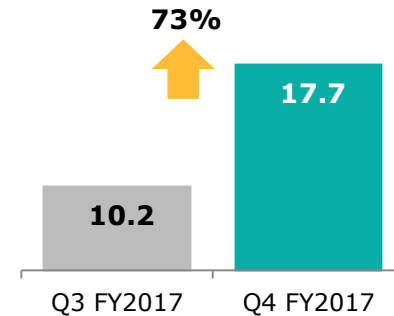
## EBITDA

RM bil



## PAT\*

RM bil



- higher average realised prices
- impact of higher sales volume



- higher net product and production costs

**EBITDA Margin (%)** Q3 FY2017  
**40.9**

**40.0**  
**↑ 1%**

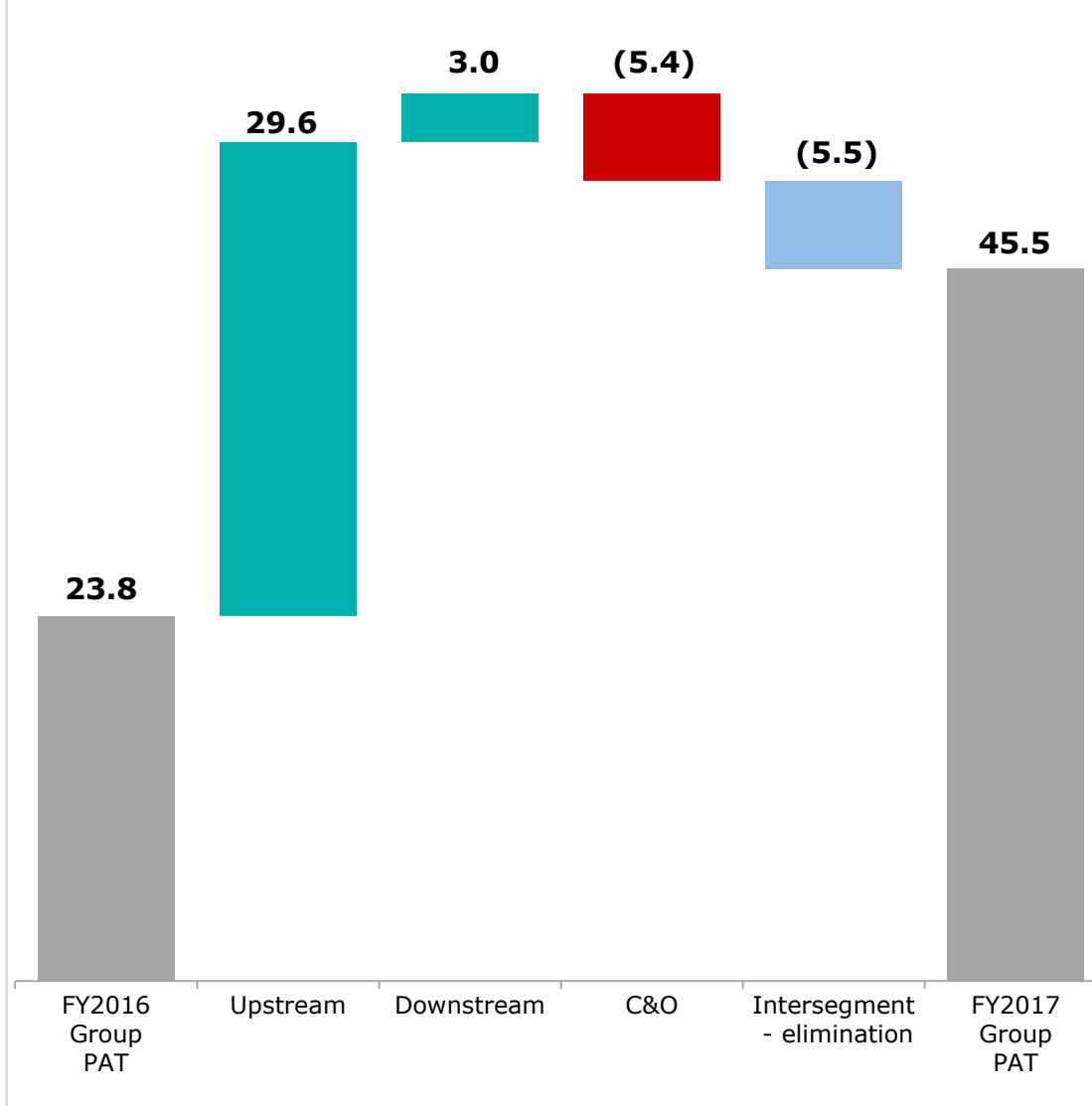
Improved margin in line with consistent performance

\*Excluding net impairment on assets

# Segment Results

In RM bil

## PAT by Business Segments



Higher YTD PAT mainly due to:

### Upstream:

- higher average realised prices
- lower net impairment on assets

### Downstream:

- better petrochemical product spreads
- higher international refining margin
- higher trading and marketing margins

partially offset by:

### Corporate & Others

- higher net foreign exchange losses

# FY2017 Upstream Performance

## Focus Areas

### Operational Excellence

- Delivered highest number of LNG cargoes from PETRONAS LNG Complex (PLC) in PETRONAS history
- Delivered 10,000th cargo from PLC to Japan

### Cost Management

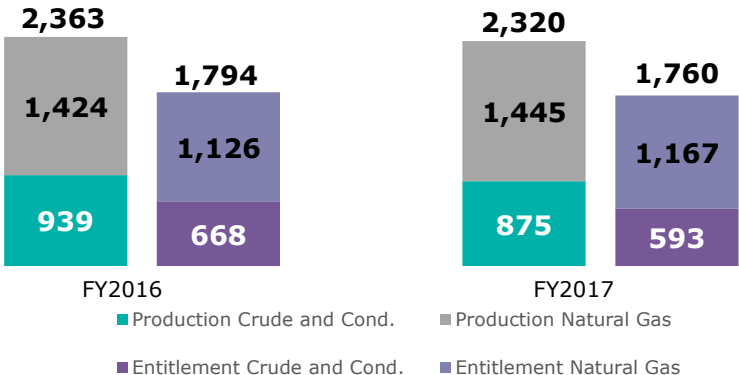
- Continuous efforts in cost optimisation and cash management initiatives

### Portfolio High Grading

- Secured 3 blocks in Mexico
- Signed 6 PSCs in Malaysia, including 3 Ultra-Deepwater Blocks
- Extension of Chad Permit H concession for another 20 years

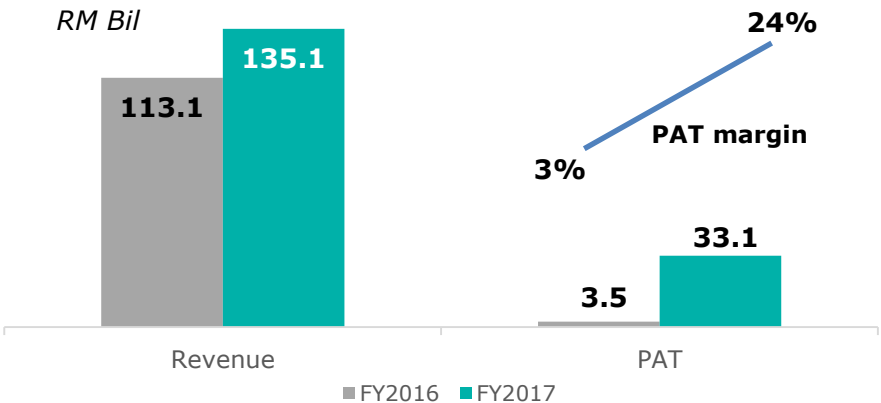
## Operational Performance

### Production and Entitlement (kboe/d)



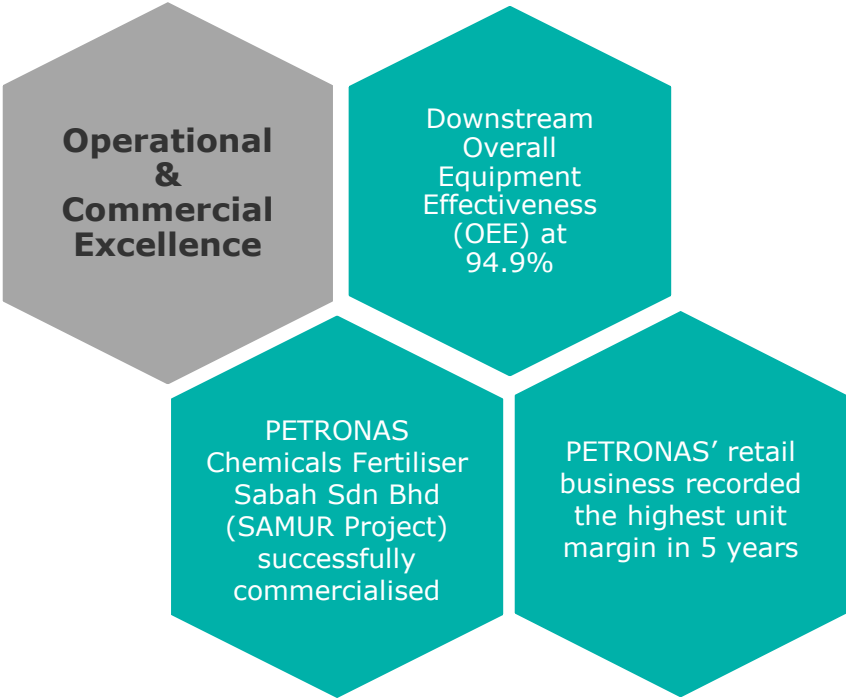
Products	FY2016	FY2017
LNG sales volume (million tonnes)	30.1	30.7
Malaysia average sales gas volume (mmscfd)	2,772	2,691

## YTD Financial Performance



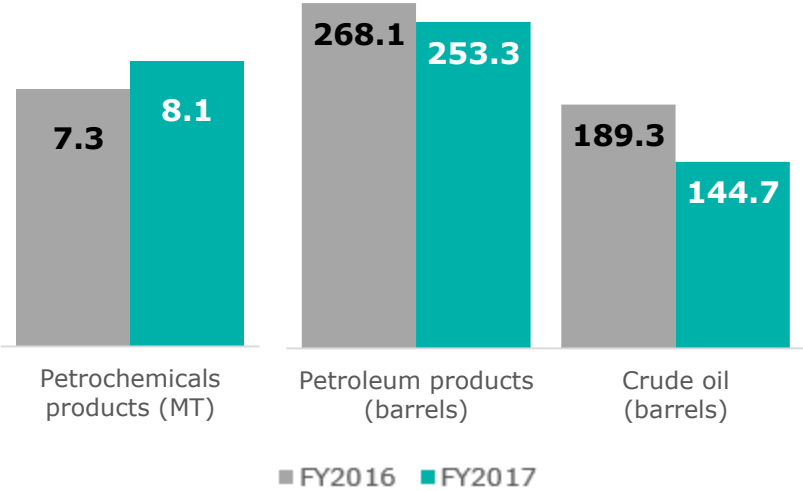
# FY2017 Downstream Performance

## Focus Areas



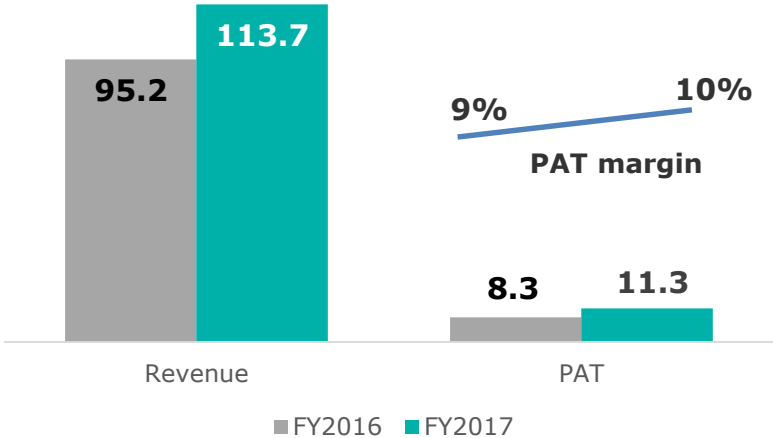
## Operational Performance

Sales Volume (Million)



## Financial Performance

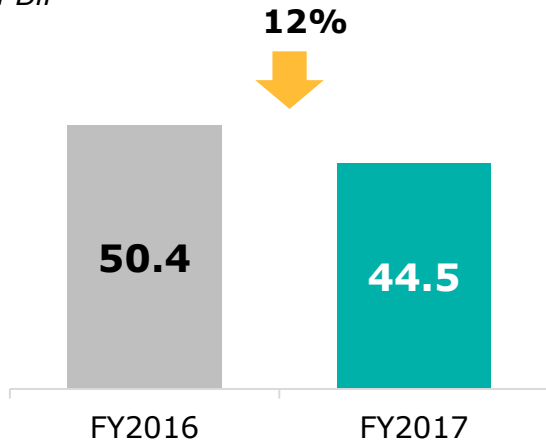
RM Bil



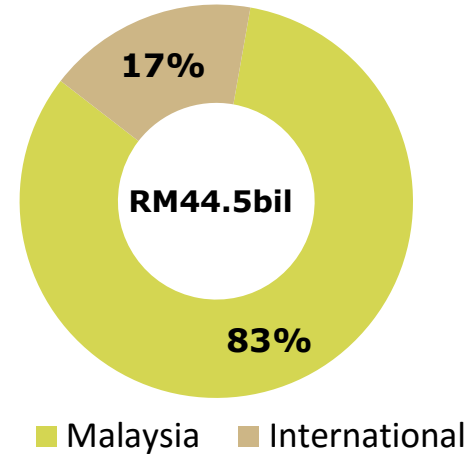
# Capital investments and controllable costs

## Capital investments

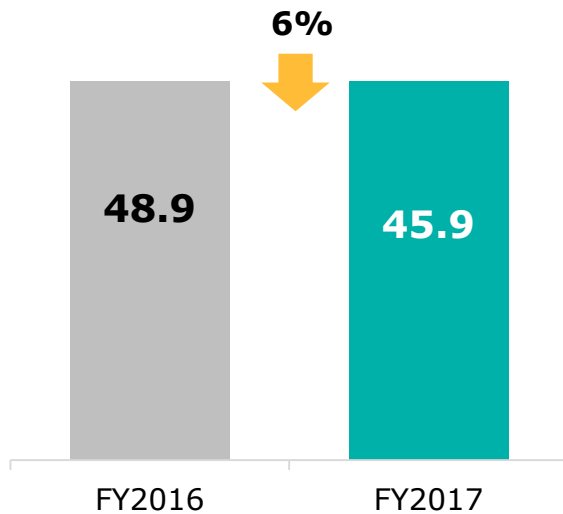
RM Bil



## FY2017 Capital investments



## Controllable Costs\*



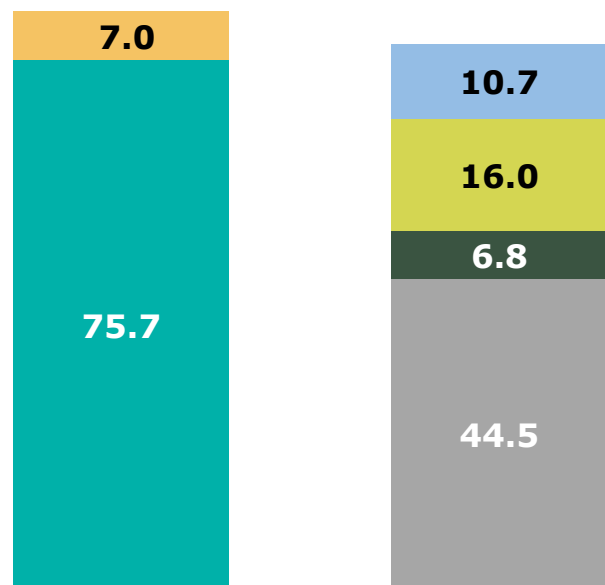
- Reduction in controllable costs of RM3 billion due to continuing Groupwide cost management efforts

\*Controllable costs is defined as recurring costs in running the business operation deemed controllable by the Management

# Other Financial Highlights

## Cash Flows FY2017

RM Bil



### Net Inflows

### Net Outflows

- Cash from operations
- Cash from financing

- Other net cash outflows
- Dividends to Gov.
- Dividends to Non-Controlling Interest
- Capital Investments

Notes:

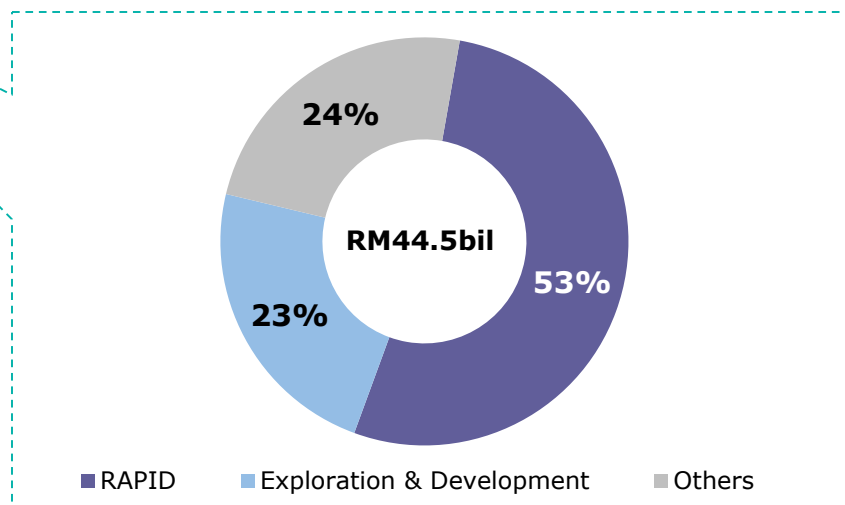
<sup>1</sup>Compared to 31 December 2016

<sup>2</sup>As at 31 December 2016

<sup>3</sup>ROACE is calculated as profit before interest expense after tax divided by average total equity and long term debt during the year

## Significant Items

- Total assets at RM599.8 bil (↓ 0.6%<sup>1</sup>)
- Shareholders' equity at RM389.8 bil
- Cash and fund investments at RM136.5 bil
- Borrowings at RM64.1 bil
- Leverage at 16.1% (↓ from 17.4%<sup>2</sup>)
- ROACE<sup>3</sup> at 9.8% (↑ from 5.4%<sup>2</sup>)



- RAPID
- Exploration & Development
- Others



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# Upstream Business

# Operational Highlights – 2017

## Focused delivery across the value chain



### HSE

- **Zero** Fatality
- **>40%** reduction in Loss Time Injury



### Financials

- **RM 6.5 bil** industry-wide cost optimisation and cash generation via Cost Reduction Alliance (CORAL 2.0) and PAC's initiatives



### Production

- **▼ 2%** than 2016
- **Conformance efforts** to the Joint Declaration of Cooperation between **OPEC and non-OPEC countries**
- Lower volume from **Iraq and Canada**
- **13 projects** achieved 1<sup>st</sup> production



### LNG

- **▲ 2%** LNG sales volume than 2016
- **443 Bce** PLC LNG Loadable, highest in PETRONAS history
- Delivered **10,000<sup>th</sup> cargo** from PLC in Bintulu to Japan
- **5 FLNG SATU cargoes** delivered



### Technology

- Commissioned and delivered LNG from world first floating LNG, **PFLNG Satu**
- Successful deployment of World's first
  - **Offshore Non-metallic pipeline**
  - **Thru Tubing Electric Submersible Pump (ESP) technology**



### Growth

- Secured **3 blocks** in **Mexico**
- Signed **6 PSCs in Malaysia**, including 3 Ultra-Deepwater blocks
- **Extension of Chad Permit H** concession for another 20 years



### Portfolio High-Grading

- Handed over 3 blocks to PetroVietnam
- Exited **Algeria**
- Ceased production in **Mauritania**
- **Non FID** of **PNW LNG** project in Canada



### Gas Advocacy

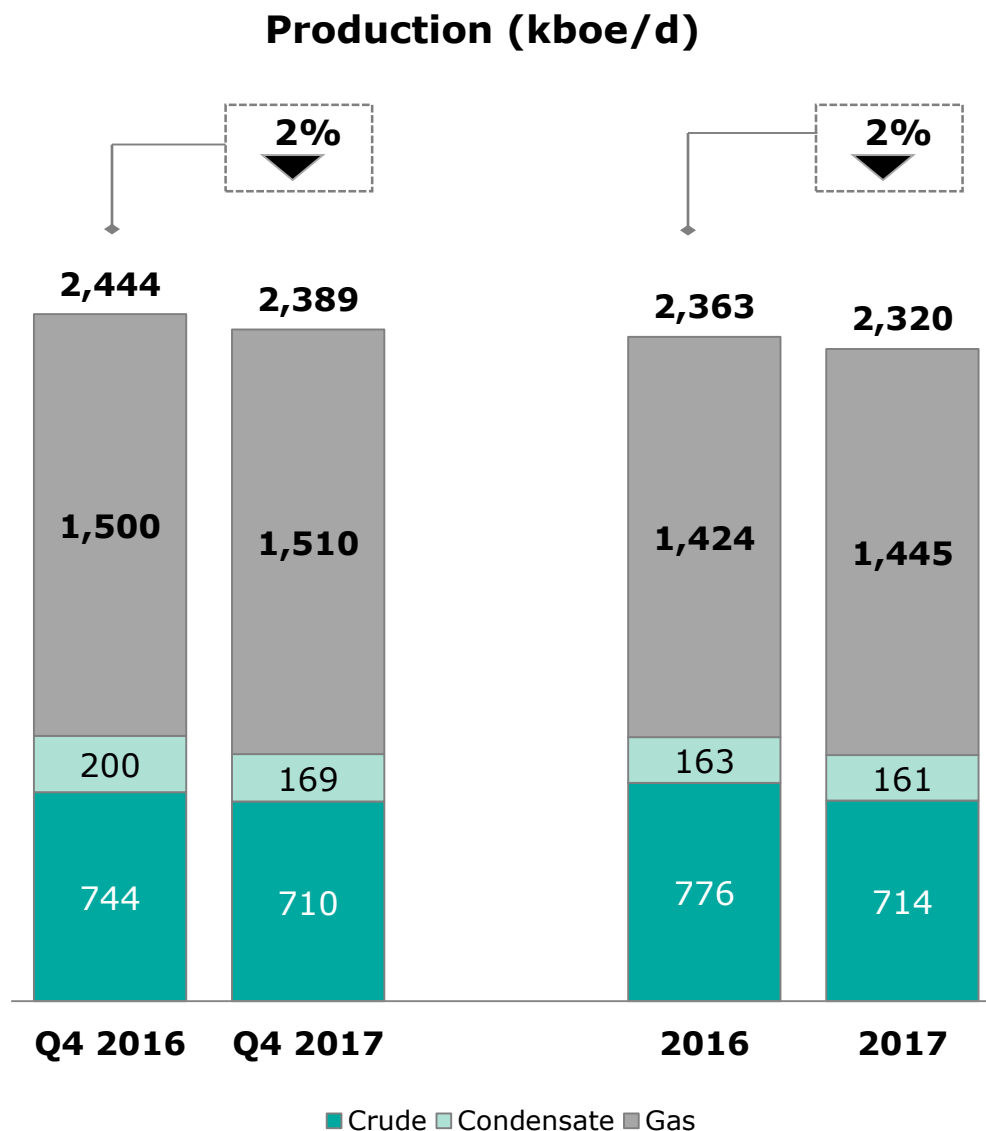
- Cabinet agreed to continue with **automatic price increase** until it reaches market parity
- Cabinet approved minimum **gas offtake commitment of 800 mmscfd** for power sector



# Operational Highlights

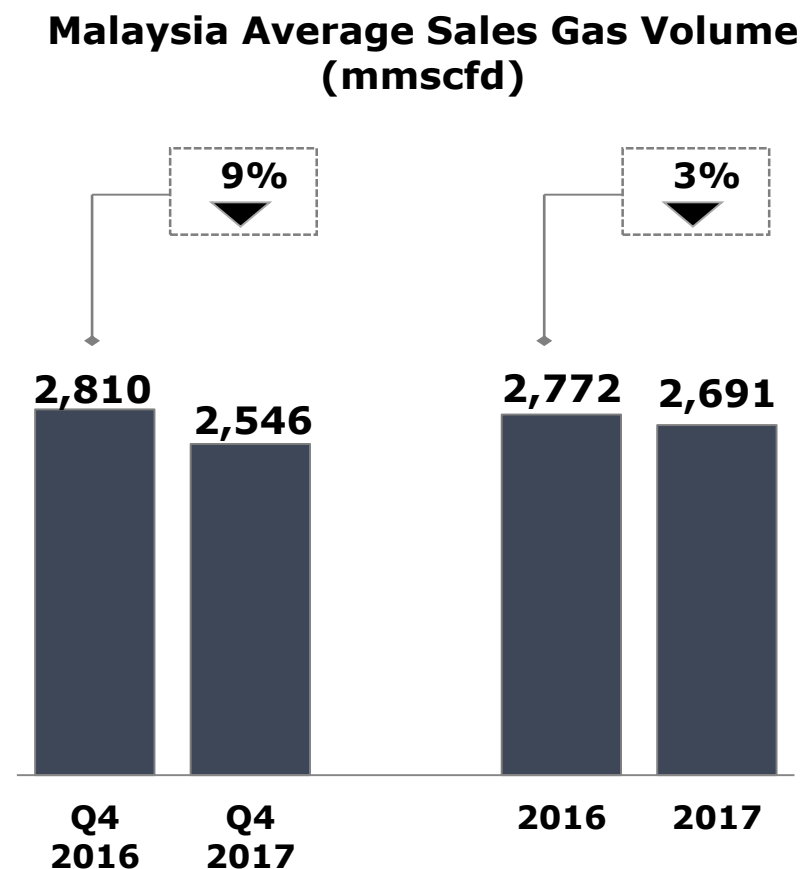
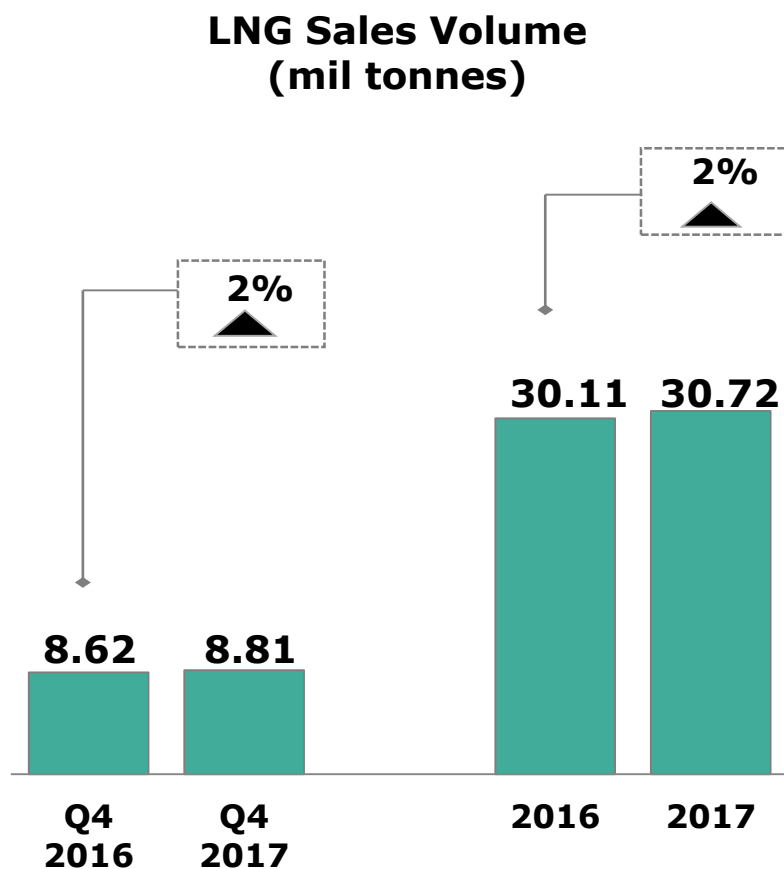
Overall lower 2017 production volume compared to prior year

- Lower than 2016 corresponding period
  - > Q4 2017 (↓ 2%)
  - > FY 2017 (↓ 2%)
- Conformance efforts to the Joint Declaration of Cooperation between OPEC and non-OPEC countries
- Lower Iraq entitlement
- Lower activities in Canada
- Partially offset by higher gas production in Sabah and Sarawak



# Operational Highlights

## Higher LNG sales volume compared to prior year



Higher than 2016 attributable to full period of operations for Gladstone LNG and Train 9 in Bintulu, coupled with higher volume from Egyptian LNG and new volume from PETRONAS Floating LNG 1, partially offset by lower volume from trading activities

Lower Malaysia average sales gas volume compared to 2016 mainly due to lower demand



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# **Downstream Business**

# Downstream Growth Projects

## Progressing well within expectations



### Pengerang Integrated Complex (PIC)

PIC reached peak construction in 2017, making 40% progress during the year alone. Overall progress as at 31 Dec 2017 is 84% and has reached 87% to date. PIC remains on-track for start-up in 2019.

### BPC<sup>1</sup> Projects

#### **Aroma Plant**

Start-up of the new integrated aroma ingredients complex has been initiated in phases.

#### **HR-PIB<sup>2</sup>**

The plant has successfully commissioned in December 2017 and shipped on-specification products in January 2018.



<sup>1</sup>BASF PETRONAS Chemicals Sdn Bhd

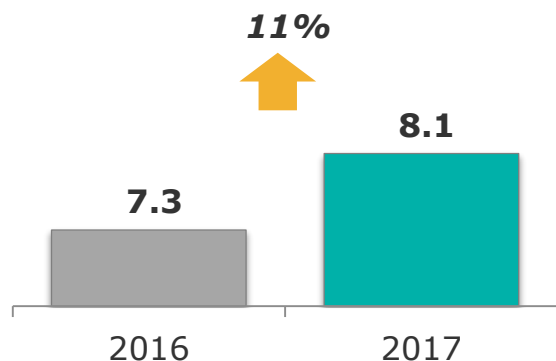
<sup>2</sup>Highly reactive polyisobutene

# Downstream Sales Volume

Higher petrochemical sales and value-focused trading contributed to better profitability

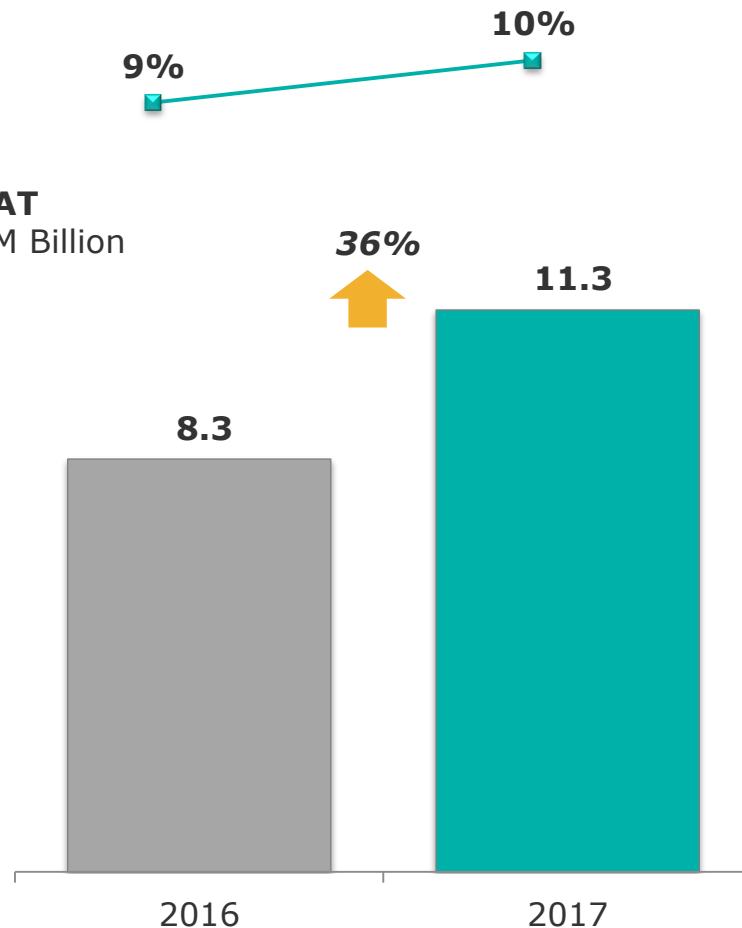
## PETROCHEMICAL PRODUCTS

Mil Metric Tonnes



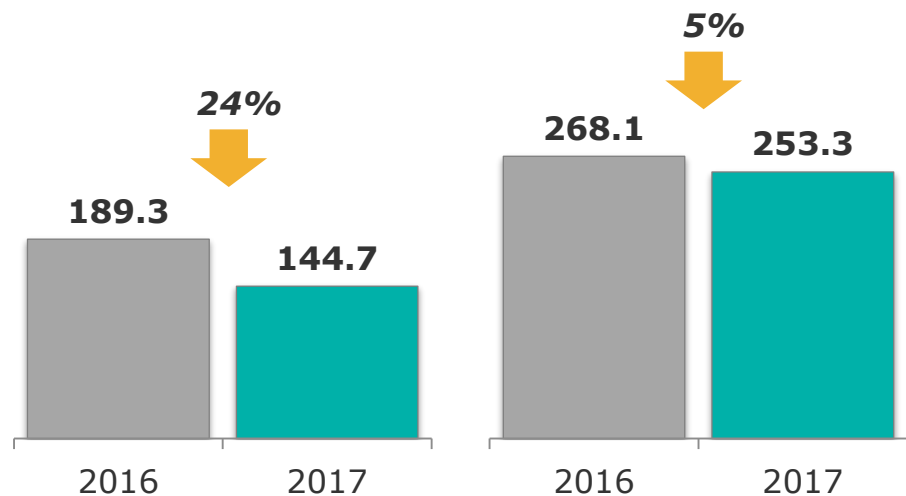
## PAT MARGIN

PAT  
RM Billion



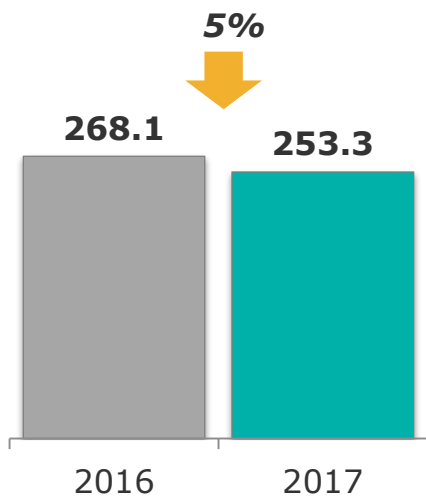
## CRUDE

Mil barrels



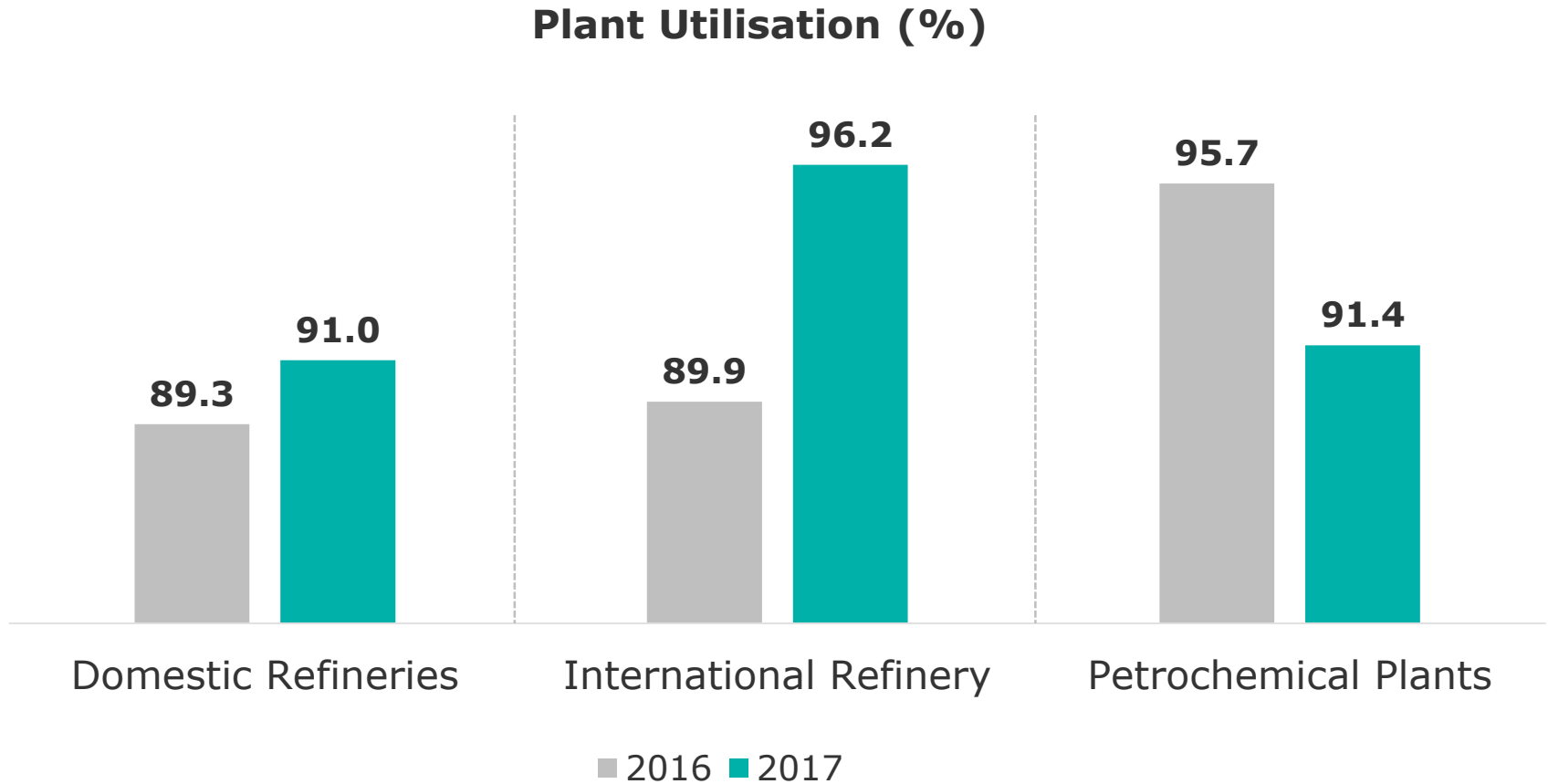
## PETROLEUM PRODUCTS

Mil barrels



# Plant Utilisation

Improved utilisation for refineries whilst petrochemical plants had undertaken higher statutory turnaround activities





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**Thank you**