



PETRONAS

PETRONAS Group

Interim Financial Report

For Third Quarter 2017

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INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2017



Cumulative quarter ended		Key Financial and Operational Highlights	Individual quarter ended		
30.9.2016 Restated	30.9.2017		30.9.2017	30.6.2017	30.9.2016 Restated
140,714	161,835	Revenue (RM mil)	53,684	51,632	47,013
18,292	41,013	Profit Before Taxation (RM mil)	14,951	10,580	8,029
12,490	27,307	Profit After Tax (RM mil)	9,956	7,055	6,090
(12,819)	(2,749)	Identified items* (RM mil)	190	(2,763)	(1,022)
		Profit After Tax excluding identified items (RM mil)	9,766	9,818	7,112
25,309	30,056	EBITDA (RM mil)	21,473	20,604	15,171
48,742	66,693	Cash flows from operating activities (RM mil)	17,883	21,811	10,502
36,132	57,734	Capital investments (RM mil)	12,461	9,419	10,776
35,938	33,808	Crude oil, condensate and natural gas entitlement volume ('000 boe per day)	1,671	1,706	1,802
1,755	1,742				

*mainly comprise net impairment on assets

Third quarter 2017

- **PETRONAS Group's revenue for the third quarter of 2017 increased by 14%** as compared to the corresponding quarter last year mainly due to the impact of higher average realised prices recorded for major products coupled with the effect of weakening of Ringgit against US Dollar. The increase was partially offset by the impact of lower sales volume for crude oil & condensate.
- **The Group recorded Profit Before Taxation ("PBT") of RM15.0 billion and Profit After Tax ("PAT") of RM10.0 billion for the third quarter of 2017, an increase of 86% and 63% respectively**, compared to the corresponding quarter last year, primarily due to higher revenue recorded for the quarter coupled with lower net impairment on assets and well costs. This was partially offset by higher tax expenses, product costs and amortisation of Oil and Gas Properties ("OGP"). **Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") increased by 41%** compared to the corresponding quarter last year in line with higher PBT.
- **Cash flows from operating activities for the third quarter of 2017 increased by 70%** as compared to the corresponding quarter last year due to higher average realised prices.
- **Capital investments for the third quarter of 2017 totalled RM12.5 billion**, mainly attributable to Refinery and Petrochemical Integrated Development ("RAPID") project in Johor.
- **Crude oil, condensate and natural gas entitlement volume for the third quarter of 2017 was 1,671 thousand barrels of oil equivalent ("boe") per day** compared to 1,802 thousand boe per day. The decrease was in line with lower production. Total production volume was 2,206 thousand boe per day compared to 2,227 thousand boe per day in the corresponding quarter last year.

Cumulative quarter ended 30 September 2017

- **PETRONAS Group's revenue for the period ended 30 September 2017 increased by 15%** as compared to the same period in 2016 mainly due to the impact of higher average realised prices recorded across all products following the increase in key benchmark prices (Dated Brent and JCC) coupled with the effect of weakening of Ringgit against US Dollar. This was partially offset by the impact of lower sales volume for crude oil & condensate and petroleum products.
- **The Group recorded PBT of RM41.0 billion and PAT of RM27.3 billion for the period ended 30 September 2017, an increase of more than 100% respectively**, compared to the same period in 2016, primarily due to higher revenue and lower net impairment on assets and well costs. This was partially offset by higher tax expenses, amortisation of OGP, net foreign exchange losses, the non-FID costs for Pacific NorthWest LNG project in Canada, petroleum proceeds and net product & production costs. **EBITDA for the period ended 30 September 2017 was RM66.7 billion, increased by 37%** as compared to the same period in 2016 in line with higher PBT.
- **Cash flows from operating activities for the period ended 30 September 2017 increased by 60%** as compared to the same period in 2016 due to higher average realised prices.
- **Capital investments for the period ended 30 September 2017 totalled RM33.8 billion**, mainly attributable to RAPID project in Johor.
- **Crude oil, condensate and natural gas entitlement volume for the period ended 30 September 2017 was 1,742 thousand boe per day** compared to 1,755 thousand boe per day in the same period in 2016. The decrease was in line with lower production. Total production volume was 2,296 thousand boe per day compared to 2,336 thousand boe per day in the same period in 2016.



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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 third quarter ended 30 September 2017 which should be read in conjunction with the Explanatory Notes on pages 7 to 19.

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

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2017	2016 Restated	2017	2016 Restated
<i>In RM Mil</i>				
Revenue	53,684	47,013	161,835	140,714
Cost of revenue	(34,652)	(35,303)	(102,932)	(103,417)
Gross profit	19,032	11,710	58,903	37,297
Selling and distribution expenses	(1,491)	(1,269)	(4,458)	(3,998)
Administration expenses	(1,970)	(1,748)	(7,510)	(6,331)
Net impairment write back/(losses) ¹	30	(395)	(1,316)	(8,475)
Other expenses	(1,125)	(492)	(4,636)	(1,480)
Other income	1,139	623	2,739	2,897
Operating profit	15,615	8,429	43,722	19,910
Financing costs	(873)	(697)	(2,633)	(2,342)
Share of profit/(loss) after tax and non-controlling interests of equity accounted associates and joint ventures	209	297	(76)	724
Profit before taxation	14,951	8,029	41,013	18,292
Tax expense	(4,995)	(1,939)	(13,706)	(5,802)
PROFIT FOR THE PERIOD	9,956	6,090	27,307	12,490
Other comprehensive (expenses)/income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	(1,180)	5,208	(6,772)	(7,098)
Available-for-sale financial assets				
- Changes in fair value	(47)	359	(865)	1,432
- Transfer to profit or loss	(4)	(1)	(43)	(5)
Others	(389)	178	121	109
Total other comprehensive (expenses)/income for the period	(1,620)	5,744	(7,559)	(5,562)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,336	11,834	19,748	6,928
Profit attributable to:				
Shareholders of the Company	7,887	4,529	21,275	7,768
Non-controlling interests	2,069	1,561	6,032	4,722
PROFIT FOR THE PERIOD	9,956	6,090	27,307	12,490
Total comprehensive income attributable to:				
Shareholders of the Company	6,706	9,628	15,122	2,794
Non-controlling interests	1,630	2,206	4,626	4,134
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,336	11,834	19,748	6,928

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



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.9.2017	As at 31.12.2016 Restated
<i>In RM Mil</i>		
ASSETS		
Property, plant and equipment	329,074	333,977
Investment properties, land held for development and prepaid lease payments	14,492	14,530
Investments in associates and joint ventures	13,350	14,030
Intangible assets	23,814	25,552
Fund and other investments	783	786
Other non-current assets	22,699	23,335
TOTAL NON-CURRENT ASSETS	404,212	412,210
Trade and other inventories	13,428	13,919
Trade and other receivables	45,171	45,990
Fund and other investments	7,950	9,477
Cash and cash equivalents	129,173	121,492
Other current assets	383	359
TOTAL CURRENT ASSETS	196,105	191,237
TOTAL ASSETS	600,317	603,447
EQUITY		
Share capital	100	100
Reserves	380,237	380,341
Total equity attributable to shareholders of the Company	380,337	380,441
Non-controlling interests	43,530	43,262
TOTAL EQUITY	423,867	423,703
LIABILITIES		
Borrowings	57,972	57,659
Deferred tax liabilities	8,869	9,635
Other long term liabilities and provisions	37,493	37,918
TOTAL NON-CURRENT LIABILITIES	104,334	105,212
Trade and other payables	53,968	62,445
Borrowings	9,815	9,954
Taxation	6,333	2,133
Dividend payable	2,000	-
TOTAL CURRENT LIABILITIES	72,116	74,532
TOTAL LIABILITIES	176,450	179,744
TOTAL EQUITY AND LIABILITIES	600,317	603,447



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to shareholders of the Company</i>			
	<i>Non-distributable</i>			
<i>In RM Mil</i>	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Available-for-sale Reserve
Cumulative quarter ended 30 September 2016				
Balance at 1 January 2016				
- As previously reported	100	13,904	41,293	695
- Effect of changes in accounting policy	-	-	-	-
At 1 January 2016, restated	100	13,904	41,293	695
Net movements from exchange differences	-	-	(6,519)	-
Available-for-sale financial assets:				
- Changes in fair value	-	-	-	1,434
- Transfer to profit or loss	-	-	-	(5)
Other comprehensive income/(expenses)	-	116	-	-
Total other comprehensive income/(expenses) for the period	-	116	(6,519)	1,429
Profit for the period	-	-	-	-
Total comprehensive income/(expenses) for the period	-	116	(6,519)	1,429
Additional issuance of shares to non-controlling interests	-	-	-	-
Changes in ownership interest in subsidiaries	-	-	(235)	-
Redemption of redeemable preference shares in a subsidiary	-	-	-	-
Dividends	-	-	-	-
Total transactions with shareholders	-	-	(235)	-
Balance at 30 September 2016	100	14,020	34,539	2,124
Cumulative quarter ended 30 September 2017				
Balance at 1 January 2017				
- As previously reported	100	13,989	43,232	2,792
- Effect of changes in accounting policy	-	-	-	-
At 1 January 2017, restated	100	13,989	43,232	2,792
Net movements from exchange differences	-	-	(5,366)	-
Available-for-sale financial assets:				
- Changes in fair value	-	-	-	(864)
- Transfer to profit or loss	-	-	-	(43)
Other comprehensive income	-	120	-	-
Total other comprehensive income/(expenses) for the period	-	120	(5,366)	(907)
Profit for the period	-	-	-	-
Total comprehensive income/(expenses) for the period	-	120	(5,366)	(907)
Additional issuance of shares to non-controlling interests	-	-	-	-
Changes in ownership interest in subsidiaries	-	(13)	(67)	-
Redemption of redeemable preference shares in subsidiaries	-	28	-	-
Dividends	-	-	-	-
Total transactions with shareholders	-	15	(67)	-
Balance at 30 September 2017	100	14,124	37,799	1,885

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company			Non- controlling Interests	Total Equity
	Distributable				
<i>In RM Mil</i>	General Reserve	Retained Profits	Total		
Cumulative quarter ended 30 September 2016					
Balance at 1 January 2016					
- As previously reported	12,000	306,884	374,876	40,776	415,652
- Effect of changes in accounting policy	-	(99)	(99)	-	(99)
At 1 January 2016, restated	12,000	306,785	374,777	40,776	415,553
Net movements from exchange differences	-	-	(6,519)	(579)	(7,098)
Available-for-sale financial assets:					
- Changes in fair value	-	-	1,434	(2)	1,432
- Transfer to profit or loss	-	-	(5)	-	(5)
Other comprehensive income/(expenses)	-	-	116	(7)	109
Total other comprehensive income/(expenses) for the period	-	-	(4,974)	(588)	(5,562)
Profit for the period	-	7,768	7,768	4,722	12,490
Total comprehensive income/(expenses) for the period	-	7,768	2,794	4,134	6,928
Additional issuance of shares to non-controlling interests	-	-	-	25	25
Changes in ownership interest in subsidiaries	-	471	236	643	879
Redemption of redeemable preference shares in a subsidiary	-	-	-	(25)	(25)
Dividends	-	(16,000)	(16,000)	(4,299)	(20,299)
Total transactions with shareholders	-	(15,529)	(15,764)	(3,656)	(19,420)
Balance at 30 September 2016	12,000	299,024	361,807	41,254	403,061
Cumulative quarter ended 30 September 2017					
Balance at 1 January 2017					
- As previously reported	12,000	308,173	380,286	43,262	423,548
- Effect of changes in accounting policy	-	155	155	-	155
At 1 January 2017, restated	12,000	308,328	380,441	43,262	423,703
Net movements from exchange differences	-	-	(5,366)	(1,406)	(6,772)
Available-for-sale financial assets:					
- Changes in fair value	-	-	(864)	(1)	(865)
- Transfer to profit or loss	-	-	(43)	-	(43)
Other comprehensive income	-	-	120	1	121
Total other comprehensive income/(expenses) for the period	-	-	(6,153)	(1,406)	(7,559)
Profit for the period	-	21,275	21,275	6,032	27,307
Total comprehensive income/(expenses) for the period	-	21,275	15,122	4,626	19,748
Additional issuance of shares to non-controlling interests	-	-	-	37	37
Changes in ownership interest in subsidiaries	-	854	774	868	1,642
Redemption of redeemable preference shares in subsidiaries	-	(28)	-	-	-
Dividends	-	(16,000)	(16,000)	(5,263)	(21,263)
Total transactions with shareholders	-	(15,174)	(15,226)	(4,358)	(19,584)
Balance at 30 September 2017	12,000	314,429	380,337	43,530	423,867

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	2017	Cumulative quarter ended 30 September 2016 Restated
Cash flows from operating activities		
Profit before taxation	41,013	18,292
Adjustments for:		
Depreciation and amortisation	24,332	18,319
Net impairment loss on property, plant and equipment	1,793	8,975
Net impairment loss on intangible assets	226	2,654
Net impairment/write-off on well costs	586	5,507
Net impairment write back on receivables	(477)	(71)
Net impairment write back on investment in an associate	-	(419)
Net impairment write back on other investments	-	(10)
Share of loss/(profit) after tax and non-controlling interests of equity accounted associates and joint ventures	76	(724)
Property, plant and equipment written off	302	270
Gain on disposal of subsidiaries, associates, a joint venture, other investments and property, plant and equipment	(651)	(53)
Loss on disposal of a subsidiary, property, plant and equipment and intangible assets	24	874
Net gain on derivatives	(15)	(111)
Unrealised loss/(gain) on foreign exchange	1,234	(3,084)
Interest income	(3,131)	(3,440)
Interest expenses	2,633	2,342
Operating profit before changes in working capital	67,945	49,321
Net change in working capital	(2,101)	(3,531)
Cash generated from operations	65,844	45,790
Interest income from fund and other investments	2,253	2,651
Interest expenses paid	(2,071)	(1,921)
Taxation paid	(8,292)	(10,388)
Net cash generated from operating activities	57,734	36,132

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	2017	Cumulative quarter ended 30 September 2016 Restated
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	-	(199)
Investments in associates and joint ventures	(380)	(573)
Investments in securities and other investments	(1,732)	(832)
Proceeds from disposal of:		
- investments in subsidiaries, net of cash disposed	552	13
- investments in an associate and a joint venture	193	4
- property, plant and equipment, prepaid lease payments, investment properties, intangible assets, land held for development and assets classified as held for sale	193	1,053
- securities and other investments	2,083	5,083
Proceeds from capital reduction in associates and joint ventures	12	43
Purchase of property, plant and equipment, prepaid lease payments, investment properties, intangible assets and land held for development	(33,808)	(35,938)
Dividends received	681	583
Others	-	(11)
Net cash used in investing activities	(32,206)	(30,774)
Cash flows from financing activities		
Repayment of borrowings	(4,441)	(3,416)
Drawdown of borrowings	6,950	9,316
Dividends paid	(14,000)	(12,000)
Dividends paid to non-controlling interests	(5,263)	(3,815)
Proceeds from shares issued to non-controlling interests	37	25
Payment to non-controlling interests on redemption of redeemable preference shares	-	(25)
Proceeds from partial disposal of equity interest to non-controlling interests	1,412	879
Net cash used in financing activities	(15,305)	(9,036)
Net increase/(decrease) in cash and cash equivalents	10,223	(3,678)
(Increase)/decrease in deposits restricted	(50)	283
Net foreign exchange differences	(2,486)	(2,399)
Cash and cash equivalents at beginning of the period	120,791	120,021
Cash and cash equivalents at end of the period	128,478	114,227
Cash and cash equivalents		
Cash and bank balances and deposits	129,173	114,649
Bank overdrafts	(94)	(143)
Less: Deposits restricted	(601)	(279)
	128,478	114,227

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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 2016.

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 2016.

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 2017 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2016 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 January 2017 and the changes below.

During the period, the Group has changed its accounting policy with respect to revenue reporting and inventory valuation for gas trading activities. Where forward and future sale and purchase contracts for gas have been determined to be for trading purposes, the associated sales and purchases are reported net within sales. Consequently, the associated inventories are stated at fair value less costs to sell and any changes in fair value are recognised in the profit or loss. The changes will provide relevant information about the effects of transactions to the Group's financial position and financial performance. The changes were accounted for retrospectively.

The changes in the accounting policies above did not have a significant impact on the Group's profit or loss and net assets. The impact of the above comparative information are set out in Appendix 1.

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 2016.

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

5. EXCEPTIONAL ITEMS

There was no exceptional item during the quarter under review.



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

6. DIVIDENDS

During the period ended 30 September 2017:

- a) the Company paid a final tax exempt dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM130,000 per ordinary share amounting to RM13 billion in respect of the financial year ended 31 December 2016.
- b) the Company paid an interim dividend of RM1 billion, being the first payment of the approved tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM30,000 per ordinary share amounting to RM3 billion in respect of the financial year ending 31 December 2017.

The remaining amount of the tax exempt interim dividend amounting to RM2 billion will be paid in instalments between October and November 2017.

7. SIGNIFICANT EVENT

There was no significant event during the quarter under review, except as disclosed in the previous quarters.

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.



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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 2017

In RM Mil

	Level 1	Level 2	Total
Financial assets			
Quoted shares	4,460	2	4,462
Quoted securities	36	-	36
Malaysian Government Securities	-	42	42
Corporate Private Debt Securities	-	3,336	3,336
Forward foreign exchange contracts	-	104	104
Forward gas contracts	125	-	125
Forward oil price contracts	1	-	1
Interest rate swaps	-	10	10
	4,622	3,494	8,116

Financial liabilities

Forward foreign exchange contracts	-	(6)	(6)
Forward oil price contracts	(237)	-	(237)
Forward gas contracts	(108)	-	(108)
Commodity swaps	-	(13)	(13)
	(345)	(19)	(364)

31 December 2016

In RM Mil

	Level 1	Level 2	Total
Financial assets			
Quoted shares	5,660	36	5,696
Quoted securities	38	283	321
Malaysian Government Securities	-	47	47
Corporate Private Debt Securities	-	3,514	3,514
Commodity swaps	-	4	4
Forward foreign exchange contracts	-	17	17
Forward gas contracts	285	-	285
	5,983	3,901	9,884

Financial liabilities

Interest rate swaps	-	(1)	(1)
Forward foreign exchange contracts	-	(162)	(162)
Commodity swaps	-	(113)	(113)
Forward oil price contracts	(536)	-	(536)
	(536)	(276)	(812)



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

10. OPERATING SEGMENTS

The Group has two reportable operating segments comprising Upstream and Downstream.

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

10.1 Revenue

	2017		2016		Individual quarter ended 30 September	
	2017	2016 Restated	2017	2016	2017	2016 Restated
<i>In RM Mil</i>						
		Third Parties		Inter-segment		Gross Total
Upstream	23,433	21,693	7,769	5,680	31,202	27,373
Downstream	26,921	21,860	1,190	1,197	28,111	23,057
Corporate and Others	3,330	3,460	1,055	1,115	4,385	4,575
Total	53,684	47,013	10,014	7,992	63,698	55,005

	2017		2016		Cumulative quarter ended 30 September	
	2017	2016 Restated	2017	2016	2017	2016 Restated
<i>In RM Mil</i>						
		Third Parties		Inter-segment		Gross Total
Upstream	73,034	64,239	25,167	16,617	98,201	80,856
Downstream	78,093	65,092	3,440	3,302	81,533	68,394
Corporate and Others	10,708	11,383	3,171	3,131	13,879	14,514
Total	161,835	140,714	31,778	23,050	193,613	163,764

10.2 Segment PAT

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2017	2016 Restated	2017	2016 Restated
<i>In RM Mil</i>				
Upstream	5,949	2,446	17,037	1,253
Downstream	3,460	1,885	8,570	5,427
Corporate and Others	(14)	322	(237)	1,710
Total PAT for reportable segments	9,395	4,653	25,370	8,390
Elimination of inter-segment transactions	561	1,437	1,937	4,100
Consolidated PAT	9,956	6,090	27,307	12,490



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PART B – OTHER EXPLANATORY NOTES

11. REVIEW OF GROUP PERFORMANCE

Cumulative quarter ended			Individual quarter ended	
30.9.201	30.9.201		30.9.201	30.9.201
6	7	<i>In RM Mil</i>	7	6
Restated				Restated
140,714	161,835	Revenue	53,684	47,013
12,490	27,307	Profit for the period	9,956	6,090
48,742	66,693	EBITDA ²	21,473	15,171
			As at	As at
			30.9.201	31.12.2016
<i>In RM Mil</i>			7	Restated
Total assets			600,317	603,447
Shareholders' equity			380,337	380,441
Gearing ratio ³			17.3%	17.4%
ROACE ⁴			8.6%	5.4%

Third quarter PETRONAS Group recorded revenue of RM53.7 billion, an increase of 14% as compared to RM47.0 billion in the corresponding quarter last year. Similarly, profit for the quarter increased to RM10.0 billion from RM6.1 billion recorded in the corresponding quarter last year.

The increase in revenue was mainly driven by the impact of higher average realised prices recorded for major products coupled with the effect of weakening of Ringgit against US Dollar partially offset by the impact of lower sales volume for crude oil & condensate.

The Group recorded a higher profit of RM10.0 billion, an increase of 63% as compared to the corresponding quarter last year primarily due to higher revenue recorded for the quarter coupled with lower net impairment on assets and well costs. This was partially offset by higher tax expenses, product costs and amortisation of OGP arising from the changes in oil and gas reserves estimates for the purpose of amortisation computation for producing OGP, from proved and probable (2P) equity reserves to proved (1P) entitlement reserves. EBITDA for the quarter was RM21.5 billion, an increase of 41% as compared to the corresponding quarter last year in line with higher PBT.

Cumulative quarter PETRONAS Group recorded a 15% increase in revenue for the period ended 30 September 2017 at RM161.8 billion compared to RM140.7 billion mainly due to the impact of higher average realised prices recorded across all products following the increase in key benchmark prices (Dated Brent and JCC) coupled with the effect of weakening of Ringgit against US Dollar. This was partially offset by the impact of lower sales volume for crude oil & condensate and petroleum products.

The Group generated profit of RM27.3 billion, an increase of more than 100% as compared to the same period in 2016 of RM12.5 billion due to higher revenue and lower net impairment on assets and well costs partially offset by higher tax expenses, amortisation of OGP arising from the changes in oil and gas reserves estimates for the purpose of amortisation computation for producing OGP, from proved and probable (2P) equity reserves to proved (1P) entitlement reserves, net foreign exchange losses, the non-FID costs for Pacific NorthWest LNG project in Canada, petroleum proceeds and net product & production costs. EBITDA for the period was RM66.7 billion, an increase of 37% as compared to the same period in 2016 in line with higher PBT.

Total assets decreased to RM600.3 billion as at 30 September 2017 as compared to RM603.4 billion as at 31 December 2016 primarily due to the impact of strengthening of Ringgit against US Dollar exchange rate. Shareholders' equity of RM380.3 billion as at 30 September 2017 decreased by RM0.1 billion compared to 31 December 2016 mainly due to final dividend of RM13.0 billion declared for financial year ended 31 December 2016 and interim dividend of RM3.0 billion for financial year ending 31 December 2017 as well as effect of strengthening of Ringgit against US Dollar exchange rate partially offset by profit generated during the period.

Gearing ratio decreased to 17.3% as at 30 September 2017 compared to 17.4% as at 31 December 2016. ROACE increased to 8.6% as at 30 September 2017 compared to 5.4% as at 31 December 2016 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 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 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)

12. REVIEW OF PERFORMANCE – UPSTREAM

Cumulative quarter ended		<i>Financial Indicators</i>	30.9.2017	Individual quarter ended	
30.9.2016	30.9.2017			30.6.2017	30.9.2016
Restated		<i>In RM Mil</i>		Restated	
		Revenue			
64,239	73,034	Third party	23,433	24,264	21,693
16,617	25,167	Inter-segment	7,769	8,148	5,680
80,856	98,201		31,202	32,412	27,373
1,253	17,037	PAT	5,949	4,775	2,446
Cumulative quarter ended		<i>Operational Indicators</i>	30.9.2017	Individual quarter ended	
30.9.2016	30.9.2017			30.6.2017	30.9.2016
		Production ⁵ ('000 boe ⁶ per day)			
937	874	Crude oil and condensate	849	875	874
1,399	1,422	Natural gas	1,357	1,422	1,353
2,336	2,296		2,206	2,297	2,227
		Oil and gas entitlement ⁷ ('000 boe per day)			
681	589	Crude oil and condensate	568	583	648
1,074	1,153	Natural gas	1,103	1,123	1,154
1,755	1,742		1,671	1,706	1,802
2,759	2,740	Malaysia average sales gas volume (mmscfd) ⁸	2,731	2,745	2,734
21.49	21.91	LNG sales volume (million tonnes)	7.22	7.19	7.12

Third quarter Revenue for the third quarter of 2017 was RM31.2 billion compared to RM27.4 billion in the corresponding quarter last year. Higher revenue was mainly contributed by higher realised prices for all products. PAT increased to RM5.9 billion compared to RM2.4 billion in the corresponding quarter last year, mainly due to higher revenue as explained above coupled with lower net impairment on assets partially offset by higher tax in line with higher PBT.

Total production volume for the quarter was 2,206 thousand boe per day compared to 2,227 thousand boe per day in the corresponding quarter last year mainly due to lower Iraq production entitlement, lower activities in Canada and higher decline rate in Egypt, partially offset by higher gas production in Sabah and Sarawak.

Total LNG sales volume for the quarter was higher by 0.10 million tonnes as compared to the corresponding quarter last year mainly attributable to higher volume from Train 9 in Bintulu, Gladstone LNG ("GLNG") Train 2 and Egyptian LNG ("ELNG"), coupled with new volume from PETRONAS Floating LNG 1 ("PFLNG1").

Malaysia average sales gas volume was marginally lower by 3 mmscfd.

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

⁸ mmscfd: million standard cubic feet per day



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FOR THIRD QUARTER 2017

PART B – OTHER EXPLANATORY NOTES (continued)

12. REVIEW OF PERFORMANCE – UPSTREAM (continued)

Cumulative quarter Revenue for the period ended 30 September 2017 was RM98.2 billion compared to RM80.9 billion in the corresponding period last year due to higher realised prices for all products. PAT was higher by RM15.8 billion compared to the corresponding period last year mainly due to higher revenue as explained above coupled with lower net impairment on assets partially offset by higher amortisation of oil and gas properties following the changes in estimates of the Group's oil and gas reserves base for the purpose of amortisation computation from proved and probable (2P) equity reserves to proved (1P) entitlement reserves effective 1 January 2017 and higher tax in line with higher PBT. PAT is also unfavourably impacted by the non-FID of Pacific NorthWest LNG project in Canada.

Total production volume for the period ended 30 September 2017 was 2,296 thousand boe per day compared to 2,336 thousand boe per day in the corresponding period last year mainly due to lower Iraq production entitlement, lower activities in Canada and higher decline rate in JDA and Egypt partially offset by higher gas production in Sabah and Sarawak.

Total LNG sales volume for the period ended 30 September 2017 was higher by 0.42 million tonnes as compared to the corresponding period in 2016 mainly attributable to the full period of operations for Train 9 in Bintulu and GLNG Train 2, coupled with higher volume from ELNG and new volume from PFLNG1, partially offset by lower volume from trading activities.

Malaysia average sales gas volume was lower by 19 mmscfd compared to the corresponding period last year mainly due to lower demand in Peninsular Malaysia partially offset by higher demand in Sabah.



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PART B – OTHER EXPLANATORY NOTES (continued)

13. REVIEW OF PERFORMANCE – DOWNSTREAM

Cumulative quarter ended		<i>Financial Indicators</i> <i>In RM Mil</i>	30.9.2017	Individual quarter ended	
30.9.2016	30.9.2017			30.6.2017	30.9.2016
65,092	78,093	Revenue			
3,302	3,440	Third party	26,921	24,191	21,860
68,394	81,533	Inter-segment	1,190	1,149	1,197
5,427	8,570	PAT	28,111	25,340	23,057
			3,460	2,253	1,885

Cumulative quarter ended		<i>Operational Indicators</i>	30.9.2017	Individual quarter ended	
30.9.2016	30.9.2017			30.6.2017	30.9.2016
203.3	187.6	Petroleum products sales volume (in million barrels)	66.4	59.7	65.7
146.1	104.2	Crude oil sales volume (in million barrels)	37.9	31.3	43.0
5.5	6.0	Petrochemicals sales volume (in million metric tonnes)	2.0	2.0	2.0

Third quarter Revenue for the third quarter of 2017 was RM28.1 billion, an increase of RM5.1 billion compared to the corresponding quarter last year mainly driven by higher prices for crude, petroleum and petrochemical products.

Petroleum products sales volume was 66.4 million barrels slightly higher than corresponding quarter last year by 0.7 million barrels contributed by higher sales from domestic and international marketing activities.

Crude oil sales volume was 37.9 million barrels lower than corresponding quarter last year by 5.1 million barrels mainly due to lower trading volume following strategy rationalisation towards value focused activities.

Downstream PAT stood at RM3.5 billion, higher than the corresponding quarter last year by RM1.6 billion mainly contributed by better petrochemical product spreads and refining margin from both domestic and international refineries.

Cumulative quarter Revenue for the period ended 30 September 2017 was RM81.5 billion, RM13.1 billion higher than the revenue from the corresponding period last year mainly due to higher prices for crude oil, petroleum and petrochemical products.

Petroleum products and crude oil sales volume were 187.6 million barrels and 104.2 million barrels respectively, lower than the corresponding period last year by 15.7 million barrels and 41.9 million barrels due to reduction in both marketing and trading activities.

Petrochemical products sales volume was higher by 0.5 million metric tonnes compared to the corresponding period last year mainly contributed by additional capacity from the commissioning of PETRONAS Chemical Fertiliser Sabah Sdn. Bhd. ("PCFSSB").

Downstream cumulative PAT stood at RM8.6 billion, RM3.1 billion higher than the corresponding period last year mainly contributed by better petrochemical product spreads as well as higher trading and marketing margins.



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PART B – OTHER EXPLANATORY NOTES (continued)

14. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS

Cumulative quarter ended		<i>Financial Indicators</i> <i>In RM Mil</i>	Individual quarter ended		
30.9.2016	30.9.2017		30.9.2017	30.6.2017	30.9.2016
11,383	10,708	Revenue		3,177	3,460
3,131	3,171	Third party	3,330	1,123	1,115
14,514	13,879	Inter-segment	4,385	4,300	4,575
1,710	(237)	(LAT) ⁹ /PAT	(14)	(970)	322

Third quarter Revenue for the third quarter of 2017 was RM4.4 billion, decreased by RM0.2 billion or 4% as compared to the corresponding quarter last year mainly due to lower income from sale of oil and gas equipment. The segment recorded LAT of RM0.01 billion in the current quarter as compared to PAT of RM0.3 billion in the corresponding quarter last year mainly due to higher net foreign exchange losses.

Cumulative quarter Revenue for the period ended 30 September 2017 was RM13.9 billion, decreased by RM0.6 billion as compared to the same period in 2016 mainly due to lower income from sale of oil and gas equipment. The segment recorded LAT of RM0.2 billion for the period as compared to PAT of RM1.7 billion to the same period in 2016 mainly due to higher net foreign exchange losses.

15. COMPARISON WITH PRECEDING QUARTER'S RESULT

<i>In RM Mil</i>	Individual quarter ended	
	30.9.2017	30.6.2017
Revenue	53,684	51,632
Profit for the period	9,956	7,055
EBITDA	21,473	20,604

PETRONAS Group's revenue of RM53.7 billion for the third quarter of 2017 was higher by RM2.1 billion or 4% as compared to the preceding quarter. The increase was primarily due to the impact of higher sales volume for petroleum products and crude oil & condensate partially offset by the effect of strengthening of Ringgit against US Dollar.

Profit for the third quarter of 2017 increased by RM2.9 billion as compared to the preceding quarter primarily due to higher revenue, the non-FID costs for Pacific NorthWest LNG project in Canada recorded in preceding quarter, lower amortisation of OGP and lower net impairment on assets and well costs. This was partially offset by higher net product & production costs and tax expenses. EBITDA for the third quarter of 2017 was RM21.5 billion, an increase by 4% as compared to the preceding quarter.

16. CURRENT FINANCIAL YEAR PROSPECTS

In the light of modest recovery in oil price and the continued drive for efficiency improvement, the Board expects the overall year end performance of PETRONAS to be better than last year.

⁹ LAT: Loss After Tax



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PART B – OTHER EXPLANATORY NOTES (continued)

17. TAXATION

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	30 September		30 September	
	2017	2016	2017	2016
Current tax expenses				
Malaysia	3,973	2,339	12,080	7,274
Overseas	360	154	916	517
Deferred tax expenses				
Origination and reversal of temporary differences	662	(554)	710	(1,989)
	<u>4,995</u>	<u>1,939</u>	<u>13,706</u>	<u>5,802</u>

The Group's effective tax rate for the current quarter and period-to-date was both at 33.4%.

18. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at	As at
	30.9.2017	31.12.2016
By Currency		
RM	65.8	56.3
USD	28.0	39.0
Others	6.2	4.7
	<u>100.0</u>	<u>100.0</u>
By Maturity¹⁰		
< 1 year	97.4	96.1
1 to 5 years	2.0	2.2
5 to 10 years	0.6	1.7
	<u>100.0</u>	<u>100.0</u>
By Type		
Money market	93.7	92.2
Corporate bonds	2.6	3.0
Equities	3.7	4.8
	<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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FOR THIRD QUARTER 2017

PART B – OTHER EXPLANATORY NOTES (continued)

19. BORROWINGS

The details of the Group borrowings as at 30 September 2017 are as follows:

<i>In RM Mil</i>	As at 30.9.2017	As at 31.12.2016
Non-Current		
Secured		
Term loans	3,396	2,551
Islamic financing facilities	1,435	688
Total non-current secured borrowings	4,831	3,239
Unsecured		
Term loans	9,063	7,452
Notes and Bonds	34,660	36,755
Islamic financing facilities	9,418	10,213
Total non-current unsecured borrowings	53,141	54,420
Total non-current borrowings	57,972	57,659
Current		
Secured		
Term loans	1,099	263
Islamic financing facilities	637	308
Total current secured borrowings	1,736	571
Unsecured		
Term loans	5,002	5,440
Islamic financing facilities	764	447
Revolving credits	2,219	3,345
Bank overdrafts	94	151
Total current unsecured borrowings	8,079	9,383
Total current borrowings	9,815	9,954
Total borrowings	67,787	67,613



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FOR THIRD QUARTER 2017

PART B – OTHER EXPLANATORY NOTES (continued)

19. BORROWINGS (continued)

<i>In RM Mil</i>	As at 30.9.2017		As at 31.12.2016	
		%		%
By Currency				
USD	56,423	83.2	56,901	84.2
RM	7,504	11.1	6,943	10.3
EUR	2,188	3.2	2,080	3.1
GBP	1,290	1.9	1,220	1.8
Others	382	0.6	469	0.6
	67,787	100.0	67,613	100.0
By Repayment Schedule				
< 1 year	9,815	14.5	9,954	14.7
1 to 5 years	38,196	56.3	29,824	44.1
5 to 10 years	13,537	20.0	18,429	27.3
> 10 years	6,239	9.2	9,406	13.9
	67,787	100.0	67,613	100.0

20. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 30 September 2017.

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.



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FOR THIRD QUARTER 2017

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	
	2017	2016	2017	2016
Included in profit for the period are the following charges:				
Depreciation and amortisation	6,914	6,240	24,332	18,319
Loss on disposal of:				
- intangible assets	-	-	-	457
- a subsidiary	-	-	-	417
- property, plant and equipment	8	18	24	-
- other investments	-	4	-	-
Net impairment losses on:				
- receivables	64	-	-	-
- intangible assets	226	-	226	2,654
- property, plant and equipment	-	638	1,793	8,975
- investments in an associate	-	14	-	-
Net impairment/write-off on well costs ¹¹	13	2,073	586	5,507
Net loss on foreign exchange	927	277	3,726	-
Property, plant and equipment written off	39	542	302	816
and credits:				
Dividend income	103	124	153	161
Gain on disposal of:				
- property, plant and equipment	44	-	92	2
- other investments	14	-	57	2
- an associate and a joint venture	42	15	70	15
- subsidiaries	425	2	432	34
- intangible assets	7	24	-	-
Interest income	1,071	1,080	3,131	3,440
Net gain on derivatives	24	13	15	111
Net gain on foreign exchange	-	-	-	527
Net write back of impairment losses on:				
- investment in an associate	-	-	-	419
- intangible assets	-	12	-	-
- property, plant and equipment	94	-	-	-
- receivables	-	257	477	71
- other investments	-	-	-	10

23. DIVIDENDS

As disclosed in Note 6.

24. EXCHANGE RATES

US dollar/RM	Individual quarter ended			Cumulative quarter ended		
	30.9.2017	30.6.2017	30.9.2016	30.9.2017	30.9.2016	31.12.2016
Average rate	4.2616	4.3329	4.0510	4.3472	4.0875	4.1459
Closing rate	4.2265	4.2950	4.1465	4.2265	4.1465	4.4845

By order of the Board

Halimatun Sa'adiah Abd Halim (LS0008494)
Company Secretary
Kuala Lumpur
21 November 2017

¹¹ Comprises impairment and write-off of exploration expenditure under intangible assets.



INTERIM FINANCIAL REPORT FOR THIRD QUARTER 2017

APPENDIX 1 – IMPACT OF THE CHANGES IN ACCOUNTING POLICY

- a) Reconciliation of consolidated statement of profit or loss and other comprehensive income for individual quarter ended 30 September 2016

	As previously reported	Effect of changes in accounting policy	As restated
<i>In RM Mil</i>			
Revenue	48,741	(1,728)	47,013
Cost of revenue	(37,051)	1,748	(35,303)
Gross profit	11,690	20	11,710
Operating profit	8,409	20	8,429
Profit before taxation	8,009	20	8,029
PROFIT FOR THE PERIOD	6,070	20	6,090

- b) Reconciliation of consolidated statement of profit or loss and other comprehensive income for cumulative quarter ended 30 September 2016

	As previously reported	Effect of changes in accounting policy	As restated
<i>In RM Mil</i>			
Revenue	146,307	(5,593)	140,714
Cost of revenue	(109,247)	5,830	(103,417)
Gross profit	37,060	237	37,297
Operating profit	19,673	237	19,910
Profit before taxation	18,055	237	18,292
PROFIT FOR THE PERIOD	12,253	237	12,490



INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2017

APPENDIX 1 – IMPACT OF THE CHANGES IN ACCOUNTING POLICY (continued)

c) Reconciliation of consolidated statement of financial position as at 31 December 2016

	As previously reported	Effect of changes in accounting policy	As restated
<i>In RM Mil</i>			
ASSETS			
TOTAL NON-CURRENT ASSETS	412,210	-	412,210
Trade & Other Inventories	13,764	155	13,919
Other Current Assets	177,318	-	177,318
TOTAL CURRENT ASSETS	191,082	155	191,237
TOTAL ASSETS	603,292	155	603,447
EQUITY			
Share Capital	100	-	100
Retained Earnings	308,173	155	308,328
Other Reserves	115,275	-	115,275
TOTAL EQUITY	423,548	155	423,703
TOTAL LIABILITIES	179,744	-	179,744
TOTAL EQUITY AND LIABILITIES	603,292	155	603,447



INTERIM FINANCIAL REPORT

FOR THIRD QUARTER 2017

APPENDIX 1 – IMPACT OF THE CHANGES IN ACCOUNTING POLICY (continued)

d) Reconciliation of consolidated statement of cash flows as at 30 September 2016

	As previously reported	Effect of changes in accounting policy	As restated
<i>In RM Mil</i>			
Cash flows from operating activities			
Profit before taxation	18,055	237	18,292
Adjustments for non-cash items	31,029	-	31,029
Operating profit before changes in working capital	49,084	237	49,321
Change in trade inventories	583	(237)	346
Other changes in working capital	(3,877)	-	(3,877)
Cash generated from operations	45,790	-	45,790
Net cash generated from operating activities	36,132	-	36,132
Cash flows from investing activities			
Net cash used in investing activities	(30,774)	-	(30,774)
Cash flows from financing activities			
Net cash used in financing activities	(9,036)	-	(9,036)
Net decrease in cash and cash equivalents	(3,678)	-	(3,678)
Decrease in deposit restricted	283	-	283
Net foreign exchange differences	(2,399)	-	(2,399)
Cash and cash equivalents at beginning of the period	120,021	-	120,021
Cash and cash equivalents at end of the period	114,227	-	114,227