



**PETRONAS**

# **PETRONAS Group**

## **Interim Financial Report**

**For Fourth Quarter 2014**

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# INTERIM FINANCIAL REPORT

## FOR FOURTH QUARTER 2014



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 fourth quarter ended 31 December 2014 which should be read in conjunction with the Explanatory Notes on pages 6 to 19.

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

	Individual quarter ended		Cumulative quarter ended	
	2014	31 December 2013	2014	31 December 2013
<i>In RM Mil</i>				
Revenue	79,367	84,807	329,148	317,314
Cost of revenue	(57,093)	(59,414)	(216,424)	(204,781)
<b>Gross profit</b>	<b>22,274</b>	<b>25,393</b>	<b>112,724</b>	<b>112,533</b>
Selling and distribution expenses	(1,298)	(1,215)	(5,146)	(4,918)
Administration expenses <sup>1</sup>	(22,726)	(8,682)	(32,338)	(15,910)
Other expenses	(1,545)	(269)	(3,193)	(1,859)
Other income	2,708	2,666	6,563	5,767
<b>Operating (loss)/profit</b>	<b>(587)</b>	<b>17,893</b>	<b>78,610</b>	<b>95,613</b>
Financing costs	(478)	(597)	(2,656)	(2,752)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	707	271	1,737	1,397
<b>(Loss)/Profit before taxation</b>	<b>(358)</b>	<b>17,567</b>	<b>77,691</b>	<b>94,258</b>
Tax expense	(6,917)	(4,804)	(30,078)	(28,672)
<b>(LOSS)/PROFIT FOR THE PERIOD/YEAR</b>	<b>(7,275)</b>	<b>12,763</b>	<b>47,613</b>	<b>65,586</b>
<b>Other comprehensive income/(expenses)</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	9,214	953	8,030	8,695
Available-for-sale financial assets				
- Changes in fair value	(1,292)	(458)	(1,882)	(907)
- Transfer to profit or loss	476	(66)	327	(196)
Others	70	107	109	18
<b>Total other comprehensive income for the period/year</b>	<b>8,468</b>	<b>536</b>	<b>6,584</b>	<b>7,610</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	<b>1,193</b>	<b>13,299</b>	<b>54,197</b>	<b>73,196</b>
<b>(Loss)/Profit attributable to:</b>				
Shareholders of the Company	(9,874)	9,582	37,038	54,114
Non-controlling interests	2,599	3,181	10,575	11,472
<b>(LOSS)/PROFIT FOR THE PERIOD/YEAR</b>	<b>(7,275)</b>	<b>12,763</b>	<b>47,613</b>	<b>65,586</b>
<b>Total comprehensive (expenses)/income attributable to:</b>				
Shareholders of the Company	(2,460)	9,875	42,831	60,799
Non-controlling interests	3,653	3,424	11,366	12,397
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	<b>1,193</b>	<b>13,299</b>	<b>54,197</b>	<b>73,196</b>

<sup>1</sup> Includes impairment losses on assets (Note 22).

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31.12.2014	As at 31.12.2013
<i>In RM Mil</i>		
<b>ASSETS</b>		
Property, plant and equipment	261,286	243,537
Investment properties, land held for development and prepaid lease payments	13,368	13,598
Investments in associates and joint ventures	12,466	12,075
Intangible assets	30,127	34,364
Fund and other investments	7,734	9,252
Other non-current assets	20,488	17,288
<b>TOTAL NON-CURRENT ASSETS</b>	<b>345,469</b>	<b>330,114</b>
Trade and other inventories	13,431	16,107
Trade and other receivables	47,838	50,425
Fund and other investments	11,635	14,534
Cash and cash equivalents	116,826	117,118
Other current assets	2,288	362
<b>TOTAL CURRENT ASSETS</b>	<b>192,018</b>	<b>198,546</b>
<b>TOTAL ASSETS</b>	<b>537,487</b>	<b>528,660</b>
<b>EQUITY</b>		
Share capital	100	100
Reserves	354,568	335,703
<b>Total equity attributable to shareholders of the Company</b>	<b>354,668</b>	<b>335,803</b>
Non-controlling interests	37,261	36,502
<b>TOTAL EQUITY</b>	<b>391,929</b>	<b>372,305</b>
<b>LIABILITIES</b>		
Borrowings	30,072	29,002
Deferred tax liabilities	12,933	11,483
Other long term liabilities and provisions	31,352	28,506
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>74,357</b>	<b>68,991</b>
Trade and other payables	60,125	64,790
Borrowings	6,762	12,844
Taxation	4,314	4,730
Dividend payable	-	5,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>71,201</b>	<b>87,364</b>
<b>TOTAL LIABILITIES</b>	<b>145,558</b>	<b>156,355</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>537,487</b>	<b>528,660</b>

# INTERIM FINANCIAL REPORT

## FOR FOURTH QUARTER 2014



### 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>				
<b>Cumulative quarter ended 31 December 2013</b>				
At 1 January 2013	100	13,518	(731)	2,521
Net movements from exchange differences	-	-	7,741	-
Available-for-sale financial assets:				
- Changes in fair value	-	-	-	(869)
- Transfer to profit or loss	-	-	-	(196)
Other comprehensive (expenses)/income	-	(29)	-	-
Total other comprehensive (expenses)/income for the year	-	(29)	7,741	(1,065)
Profit for the year	-	-	-	-
<b>Total comprehensive (expenses)/income for the year</b>	-	(29)	7,741	(1,065)
Share of reserve of associates and joint ventures	-	38	-	-
Additional issuance of shares to non-controlling interests	-	-	-	-
Additional equity interest in subsidiaries	-	-	-	-
Dividends	-	-	-	-
<b>Total transactions with shareholders</b>	-	38	-	-
Balance at 31 December 2013	100	13,527	7,010	1,456
<b>Cumulative quarter ended 31 December 2014</b>				
At 1 January 2014	100	13,527	7,010	1,456
Net movements from exchange differences	-	-	7,240	-
Available-for-sale financial assets:				
- Changes in fair value	-	-	-	(1,881)
- Transfer to profit or loss	-	-	-	373
Other comprehensive income/(expenses)	-	61	-	-
Total other comprehensive income/(expenses) for the year	-	61	7,240	(1,508)
Profit for the year	-	-	-	-
<b>Total comprehensive income/(expenses) for the year</b>	-	61	7,240	(1,508)
Additional issuance of shares to non-controlling interests	-	-	-	-
Acquisition of a subsidiary	-	-	-	-
Disposal of subsidiaries	-	34	-	-
Dividends	-	-	-	-
<b>Total transactions with shareholders</b>	-	34	-	-
Balance at 31 December 2014	100	13,622	14,250	(52)

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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		
<b>Cumulative quarter ended 31 December 2013</b>					
At 1 January 2013	12,000	279,563	306,971	32,001	338,972
Net movements from exchange differences	-	-	7,741	954	8,695
Available-for-sale financial assets:					
- Changes in fair value	-	-	(869)	(38)	(907)
- Transfer to profit or loss	-	-	(196)	-	(196)
Other comprehensive (expenses)/income	-	38	9	9	18
Total other comprehensive (expenses)/income for the year	-	38	6,685	925	7,610
Profit for the year	-	54,114	54,114	11,472	65,586
<b>Total comprehensive (expenses)/income for the year</b>	-	54,152	60,799	12,397	73,196
Share of reserve of associates and joint ventures	-	-	38	-	38
Additional issuance of shares to non-controlling interests	-	-	-	62	62
Additional equity interest in subsidiaries	-	(5)	(5)	-	(5)
Dividends	-	(32,000)	(32,000)	(7,958)	(39,958)
<b>Total transactions with shareholders</b>	-	(32,005)	(31,967)	(7,896)	(39,863)
Balance at 31 December 2013	12,000	301,710	335,803	36,502	372,305
<b>Cumulative quarter ended 31 December 2014</b>					
At 1 January 2014	12,000	301,710	335,803	36,502	372,305
Net movements from exchange differences	-	-	7,240	790	8,030
Available-for-sale financial assets:					
- Changes in fair value	-	-	(1,881)	(1)	(1,882)
- Transfer to profit or loss	-	-	373	(46)	327
Other comprehensive income/(expenses)	-	-	61	48	109
Total other comprehensive income/(expenses) for the year	-	-	5,793	791	6,584
Profit for the year	-	37,038	37,038	10,575	47,613
<b>Total comprehensive income/(expenses) for the year</b>	-	37,038	42,831	11,366	54,197
Additional issuance of shares to non-controlling interests	-	-	-	171	171
Acquisition of a subsidiary	-	-	-	36	36
Disposal of subsidiaries	-	-	34	(184)	(150)
Dividends	-	(24,000)	(24,000)	(10,630)	(34,630)
<b>Total transactions with shareholders</b>	-	(24,000)	(23,966)	(10,607)	(34,573)
Balance at 31 December 2014	12,000	314,748	354,668	37,261	391,929

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### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative quarter ended	
	2014	31 December 2013
<i>In RM Mil</i>		
Cash receipts from customers	329,840	308,423
Cash paid to suppliers and employees	(193,826)	(179,393)
	<u>136,014</u>	<u>129,030</u>
Interest income from fund and other investments	3,697	2,895
Interest expenses paid	(1,820)	(2,188)
Taxation paid	(34,292)	(38,772)
<b>Cash flows from operating activities</b>	<u>103,599</u>	<u>90,965</u>
Acquisition of subsidiaries, net of cash acquired	(2,076)	-
Acquisition of interest in a joint operation, net of cash acquired	(4,411)	-
Investment in securities	(4,850)	(3,818)
Proceeds from disposal/partial disposal of:		
- investment in subsidiaries, net of cash disposed	12	-
- property, plant and equipment, prepaid lease payments and intangible assets	8,905	5,055
- securities and other investment	7,793	8,460
Purchase of property, plant and equipment, investment properties, prepaid lease payments and intangible assets	(64,648)	(56,555)
Others	1,694	(1,563)
<b>Cash flows from investing activities</b>	<u>(57,581)</u>	<u>(48,421)</u>
Repayment of borrowings	(15,004)	(13,114)
Drawdown of borrowings	8,447	12,406
Dividends paid	(29,000)	(27,539)
Dividends paid to non-controlling interests	(12,160)	(8,954)
Others	171	62
<b>Cash flows from financing activities</b>	<u>(47,546)</u>	<u>(37,139)</u>
Net (decrease)/increase in cash and cash equivalents	(1,528)	5,405
Decrease in deposits restricted	28	308
Net foreign exchange differences	1,792	2,095
Cash and cash equivalents at beginning of the year	116,435	108,627
<b>Cash and cash equivalents at end of the year</b>	<u>116,727</u>	<u>116,435</u>
<b>Cash and cash equivalents</b>		
Cash and bank balances and deposits	116,826	117,118
Short term marketable securities	400	233
Bank overdrafts	(144)	(533)
Less: Deposits restricted	(355)	(383)
	<u>116,727</u>	<u>116,435</u>

# INTERIM FINANCIAL REPORT FOR FOURTH QUARTER 2014



## 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 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 2013.

### 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 2014 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2013 other than that disclosed in the first quarter report relating to adoption of amendments to MFRS and IC Interpretation as of 1 January 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 2013.

### 4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

### 5. EXCEPTIONAL ITEMS

There was no exceptional item during the quarter under review.

### 6. DIVIDENDS

During the financial year, the Company paid:

- a) a tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM50,000 per ordinary share amounting to RM5 billion in respect of the financial year ended 31 December 2013.
- b) a dividend of RM22 billion out 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 2013.
- c) a first tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM20,000 per ordinary share amounting to RM2 billion in respect of the financial year ended 31 December 2014.

Subsequent to the end of the current financial year, the Company declared 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, of which RM2 billion was paid on 11 February 2015. The remaining of RM2 billion will be paid on 31 March 2015. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2015.

# INTERIM FINANCIAL REPORT FOR FOURTH QUARTER 2014



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

### 6. DIVIDENDS (continued)

The Directors propose a tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM220,000 per ordinary share amounting to RM22 billion in respect of the financial year ended 31 December 2014 for shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2015.

### 7. SIGNIFICANT ACQUISITION

#### *Acquisition of Phillips 66's interest in Malaysian Refining Company*

As disclosed in the previous quarter's report, on 11 November 2014, the Company entered into an agreement with Phillips 66 Asia Limited, a subsidiary of Phillips 66, to acquire its 47% interest in Malaysian Refining Company Sdn. Bhd. ("MRC") for a cash consideration of USD635 million with working capital adjustments at completion. Full control of MRC has been deemed to be obtained on 31 December 2014 and MRC has been accounted for as a subsidiary. Completion adjustments are expected to be finalised in 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 identifiable assets or liabilities.
- Level 2 - Inputs 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 FOURTH QUARTER 2014



### 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 year and comparative year.

##### 31 December 2014

*In RM Mil*

	Level 1	Level 2	Total
<b>Financial assets</b>			
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>
<b>Financial liabilities</b>			
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>

##### 31 December 2013

*In RM Mil*

	Level 1	Level 2	Total
<b>Financial assets</b>			
Quoted shares	5,984	-	5,984
Short term marketable securities	-	233	233
Quoted securities	25	1,061	1,086
Malaysian Government Securities	-	3,232	3,232
Corporate Private Debt Securities	-	4,363	4,363
Forward foreign exchange contracts	-	115	115
Forward gas contracts	60	-	60
Forward oil price contracts	1	-	1
	<u>6,070</u>	<u>9,004</u>	<u>15,074</u>
<b>Financial liabilities</b>			
Commodity swaps	-	(25)	(25)
Interest rate swaps	-	(5)	(5)
Forward foreign exchange contracts	-	(380)	(380)
Forward gas contracts	(13)	-	(13)
Forward oil price contracts	(3)	-	(3)
	<u>(16)</u>	<u>(410)</u>	<u>(426)</u>

# INTERIM FINANCIAL REPORT

## FOR FOURTH QUARTER 2014



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

#### 10. OPERATING SEGMENTS

Effective second quarter of 2014, the reportable operating segments now comprise Upstream, Downstream and Corporate and Others. The change in the reportable operating segments is in line with the change in the way the Group's businesses are managed. The Upstream segment comprises the operations previously under Exploration and Production as described in the Group's audited consolidated financial statements for the year ended 31 December 2013 together with certain operations from the former Gas and Power segment, namely purchase and liquefaction of natural gas, marketing and trading of LNG and sales gas. The Downstream segment's operations remain the same as described in the Group's audited consolidated financial statements for the year ended 31 December 2013 with the addition of gas processing operations and power business, which was previously reported under the Gas and Power segment. Corporate and Others segment comprises primarily maritime and logistics segment, property segment and central treasury function. Accordingly, the Group has restated the operating segment information for the prior periods.

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.

The basis of measurement of segment performance have changed from the Group's audited consolidated financial statements for the year ended 31 December 2013. Previously, segment performance was measured based on segment Net Operating Profit After Tax ("NOPAT") which is derived from net profit after tax excluding financing cost, share of profits of associates and joint ventures and other non-operating income and expenses. Comparative information with regards to segment performance have been restated following the change accordingly.

##### 10.1 Revenue

	2014		2013		Individual quarter ended 31 December	
	2014	2013	2014	2013	2014	2013
<i>In RM Mil</i>	Restated		Restated		Restated	
	Third Parties		Inter-segment		Gross Total	
Upstream	38,645	40,514	5,498	9,111	44,143	49,625
Downstream	36,706	41,410	1,914	1,995	38,620	43,405
Corporate and Others	4,016	2,883	1,037	865	5,053	3,748
Total	79,367	84,807	8,449	11,971	87,816	96,778
					Cumulative quarter ended 31 December	
	2014	2013	2014	2013	2014	2013
<i>In RM Mil</i>	Restated		Restated		Restated	
	Third Parties		Inter-segment		Gross Total	
Upstream	165,257	147,332	32,133	35,945	197,390	183,277
Downstream	150,363	157,256	7,099	6,847	157,462	164,103
Corporate and Others	13,528	12,726	4,066	3,153	17,594	15,879
Total	329,148	317,314	43,298	45,945	372,446	363,259

# INTERIM FINANCIAL REPORT

## FOR FOURTH QUARTER 2014



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

#### 10. OPERATING SEGMENTS (continued)

##### 10.2 Segment PAT

	Individual quarter ended		Cumulative quarter ended	
	2014	31 December 2013 Restated	2014	31 December 2013 Restated
<i>In RM Mil</i>				
Upstream	(12,719)	10,537	32,380	52,166
Downstream	421	1,054	5,743	8,314
Corporate and Others	3,376	398	5,848	2,668
Total (LAT) <sup>2</sup> /PAT for reportable segments	(8,922)	11,989	43,971	63,148
Elimination of inter-segment transactions	1,647	774	3,642	2,438
Consolidated (LAT)/PAT	(7,275)	12,763	47,613	65,586

<sup>2</sup> LAT: Loss After Tax

# INTERIM FINANCIAL REPORT FOR FOURTH QUARTER 2014



## PART B – OTHER EXPLANATORY NOTES

### 11. REVIEW OF GROUP PERFORMANCE

Cumulative quarter ended		<i>In RM Mil</i>	Individual quarter ended		
31.12.2013	31.12.2014		31.12.2014	30.9.2014	31.12.2013
317,314	<b>329,148</b>	Revenue	<b>79,367</b>	80,373	84,807
65,586	<b>47,613</b>	(Loss)/Profit for the period	<b>(7,275)</b>	15,073	12,763
123,435	<b>125,333</b>	EBITDA <sup>3</sup>	<b>26,299</b>	29,208	29,801
<i>In RM Mil</i>			<b>As at</b>	<b>As at</b>	
			<b>31.12.2014</b>	<b>31.12.2013</b>	
Total assets			<b>537,487</b>	528,660	
Shareholders' equity			<b>354,668</b>	335,803	
Gearing ratio <sup>4</sup>			<b>9.4%</b>	11.1%	
ROACE <sup>5</sup>			<b>11.6%</b>	17.0%	

**Fourth quarter** PETRONAS Group recorded revenue of RM79.4 billion, a decrease of 6% compared with RM84.8 billion for the same period in 2013. The decrease in current quarter revenue was primarily due to lower average realised prices for all products in line with the downward trend of benchmark crude oil price, Dated Brent in the current quarter, negated by higher crude oil, LNG and petrochemical products sales volume.

The Group recorded a loss for the current quarter of RM7.3 billion mainly due to significant assets impairment losses recognised as a result of reduced crude oil price forecasts as well as lower revenue generated for the quarter. For the corresponding quarter in 2013, the Group recorded a profit of RM12.8 billion. EBITDA for the quarter was RM26.3 billion, a reduction of 12% compared to the same period in 2013.

**Cumulative quarter** PETRONAS Group recorded a 4% growth in revenue for the year ended 31 December 2014 at RM329.1 billion compared with RM317.3 billion a year ago mainly driven by higher crude oil production volume from Iraq and domestic fields, higher LNG and processed gas sales volume coupled with the effect of favourable US Dollar exchange rate movement against the Ringgit, partially offset by lower average realised prices for most products.

The Group generated profit for the year of RM47.6 billion, a decrease by RM18.0 billion as compared to 2013 primarily due to significantly higher assets impairment losses recognised and higher net depreciation and amortisation expenses in 2014. EBITDA for the year was RM125.3 billion, an increase by RM1.9 billion compared to 2013.

Total assets increased to RM537.5 billion as at 31 December 2014 as compared to RM528.7 billion as at 31 December 2013 primarily as a result of the profit generated for the year. Shareholders' equity of RM354.7 billion as at 31 December 2014 increased by RM18.9 billion compared to as at 31 December 2013 mainly due to the net impact of profit for the year attributable to shareholders of the Company, the approved final dividend in respect of the financial year ended 31 December 2013 and the declared first tax exempt interim dividend in respect of the financial year ended 31 December 2014 amounting to RM22.0 billion and RM2.0 billion respectively.

Gearing ratio decreased to 9.4% as at 31 December 2014 compared to 11.1% as at 31 December 2013 due to lower debt following net repayment of borrowings during the year. ROACE decreased to 11.6% as at 31 December 2014 compared to 17.0% as at 31 December 2013 in line with lower profit for the year as compared to the same period in 2013.

<sup>3</sup> 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.

<sup>4</sup> Gearing ratio is calculated as total debt divided by the total of shareholders' equity and debt as at period/year end.

<sup>5</sup> Return on average capital employed (ROACE) is calculated as the annualised profit divided by average total equity and long term debt during the 12 months period.

# INTERIM FINANCIAL REPORT FOR FOURTH QUARTER 2014



## PART B – OTHER EXPLANATORY NOTES (continued)

### 12. REVIEW OF PERFORMANCE - UPSTREAM

Cumulative quarter ended		<i>Financial Indicators</i>	Individual quarter ended		
31.12.2013 Restated	31.12.2014		31.12.2014	30.9.2014	31.12.2013 Restated
<i>In RM Mil</i>					
Revenue					
147,332	165,257	Third party	38,645	39,643	40,514
35,945	32,133	Inter-segment	5,498	8,056	9,111
183,277	197,390		44,143	47,699	49,625
52,166	32,380	(LAT)/PAT	(12,719)	12,714	10,537
Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
31.12.2013	31.12.2014		31.12.2014	30.9.2014	31.12.2013
Production <sup>6</sup> (‘000 boe <sup>7</sup> per day)					
768	868	Crude oil and condensate	954	822	819
1,359	1,358	Natural gas	1,405	1,256	1,394
2,127	2,226		2,359	2,078	2,213
Oil and gas entitlement <sup>8</sup> (‘000 boe <sup>7</sup> per day)					
551	593	Crude oil and condensate	569	576	592
1,050	1,088	Natural gas	979	1,119	1,152
1,601	1,681		1,548	1,695	1,744
Malaysia average sales gas volume (mmscfd) <sup>9</sup>					
2,716	2,775		2,707	2,650	2,812
LNG sales volume (million tonnes)					
28.85	30.12		7.77	7.22	7.56

**Fourth quarter** Revenue for the quarter was RM44.1 billion compared to RM49.6 billion in the corresponding quarter last year. Lower revenue was mainly contributed by lower crude oil prices and lower oil and gas entitlement, despite increase in LNG sales volume from PETRONAS LNG Complex (“PLC”). LAT of RM12.7 billion was recorded for the quarter, compared to PAT of RM10.5 billion in the corresponding quarter last year, mainly due to higher assets impairment, coupled with lower revenue as explained above.

Total production volume for the quarter was 2,359 thousand boe per day compared to 2,213 thousand boe per day in the corresponding quarter last year mainly due to production enhancement efforts and new production stream from Iraq, Malaysia and Vietnam, coupled with additional production from Canada, negated by natural decline.

Total LNG sales volume for the quarter was higher by 0.21 million tonnes or 3% as compared to the corresponding quarter in 2013 mainly driven by higher sales from PLC in Bintulu, Sarawak and higher trading volume. Malaysia average sales gas volume was lower by 105 mmscfd compared to the corresponding quarter last year mainly due to lower demand.

<sup>6</sup> Represents Malaysia’s production and PETRONAS Group’s international equity production volume.

<sup>7</sup> boe: barrels of oil equivalent

<sup>8</sup> Represents PETRONAS Group’s entitlement to Malaysia’s production and PETRONAS Group’s international entitlement volume.

<sup>9</sup> mmscfd: million standard cubic feet per day

# INTERIM FINANCIAL REPORT FOR FOURTH QUARTER 2014



## PART B – OTHER EXPLANATORY NOTES (continued)

### 12. REVIEW OF PERFORMANCE - UPSTREAM (continued)

**Cumulative quarter** Revenue for the year was RM197.4 billion compared to RM183.3 billion in the corresponding period last year. The higher revenue by 8% reflects the increase in entitlement volume, in line with favourable performance in production. The increase in revenue was also supported by higher LNG sales volume and effect of favourable US Dollar exchange rate movement against the Ringgit. PAT decreased by RM19.8 billion compared to the corresponding period last year in line with higher assets impairment, higher amortisation and higher well costs, despite increase in revenue.

Total production volume for the year was 2,226 thousand boe per day compared to 2,127 thousand boe per day in the corresponding period last year. Crude oil and condensates production volume was higher mainly due to production enhancement efforts and new production stream from Iraq and Malaysia coupled with production resumption in South Sudan. Despite higher natural decline rate in Egypt, natural gas production was marginally lower by one thousand boe per day, mainly supported by new production from Malaysia, higher demand in Turkmenistan and additional production from Canada.

Total LNG sales volume for the year was higher by 4% as compared to the corresponding year in 2013 driven by higher trading volume and higher sales from PLC in Bintulu, Sarawak. Malaysia average sales gas volume was higher by 59 mmscfd compared to the corresponding period last year mainly due to higher demand.

# INTERIM FINANCIAL REPORT FOR FOURTH QUARTER 2014



## PART B – OTHER EXPLANATORY NOTES (continued)

### 13. REVIEW OF PERFORMANCE - DOWNSTREAM

Cumulative quarter ended		<i>Financial Indicators</i>	Individual quarter ended		
31.12.2013 Restated	31.12.2014		31.12.2014	30.9.2014	31.12.2013 Restated
<i>In RM Mil</i>					
Revenue					
157,256	150,363	Third party	36,706	37,916	41,410
6,847	7,099	Inter-segment	1,914	1,659	1,995
164,103	157,462		38,620	39,575	43,405
8,314	5,743	PAT	421	1,539	1,054
Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
31.12.2013	31.12.2014		31.12.2014	30.9.2014	31.12.2013
Petroleum products sales volume (in million barrels)					
299.3	299.0		75.4	75.0	79.8
Crude oil sales volume (in million barrels)					
195.3	209.1		58.7	51.2	51.6
Petrochemicals sales volume (in million metric tonnes)					
6.0	6.0		1.7	1.4	1.2

**Fourth quarter** Revenue for the quarter was RM38.6 billion, a decrease of RM4.8 billion when compared to the corresponding quarter last year. The lower revenue was contributed primarily from the downward trend in prices for crude oil, petroleum and petrochemical products.

Crude oil sales volume was higher than the corresponding quarter last year by 7.1 million barrels mainly due to increased trading activities. Petroleum product sales volume was lower by 4.4 million barrels due to a fall in global demand. Petrochemical sales volume increased by 0.5 million metric tonnes in line with higher production.

Downstream PAT was RM0.4 billion, lower than the corresponding quarter last year by RM0.6 billion mainly due to lower refining, petrochemical and petroleum product margins as a result of downward trend in prices.

**Cumulative quarter** Revenue for the year was RM157.5 billion, RM6.6 billion lower than the revenue from the corresponding period last year mainly due to downward trend in prices for crude oil and petroleum products.

Crude oil sales volume was 13.8 million barrels more as compared to the corresponding period last year, reflective of higher Malaysian Crude Oil ("MCO") production throughout the year. Petroleum products sales volume ended marginally lower by 0.3 million barrels.

Downstream PAT for the year was RM5.7 billion, RM2.6 billion lower than the corresponding period last year mainly due to lower margins from refining and sales of petroleum and petrochemical products.

# INTERIM FINANCIAL REPORT FOR FOURTH QUARTER 2014



## PART B – OTHER EXPLANATORY NOTES (continued)

### 14. REVIEW OF PERFORMANCE - CORPORATE AND OTHERS

Cumulative quarter ended		Financial Indicators	Individual quarter ended		
31.12.2013 Restated	31.12.2014		31.12.2014	30.9.2014	31.12.2013 Restated
		<i>In RM Mil</i>			
		Revenue			
12,726	13,528	Third party	4,016	2,814	2,884
3,153	4,066	Inter-segment	1,037	1,258	865
15,879	17,594		5,053	4,072	3,749
2,668	5,848	PAT	3,376	132	398

**Fourth quarter** Revenue for the quarter was RM5.1 billion, higher by RM1.3 billion or 35% as compared to the corresponding quarter last year mainly contributed by higher income from shipping business. PAT stood at RM3.4 billion, higher by RM3.0 billion in line with increase in revenue and one-off gain from acquisition of 47% interest in MRC recorded in current quarter compared to the corresponding quarter last year.

**Cumulative quarter** Revenue for the year was RM17.6 billion, higher by RM1.7 billion or 11% as compared to the same period last year primarily due to higher income from property business. PAT increased by RM3.2 billion to RM5.8 billion in current year in line with increase in revenue and one-off gain from acquisition of 47% interest in MRC.

### 15. COMPARISON WITH PRECEDING QUARTER'S RESULT

<i>In RM Mil</i>	Individual quarter ended	
	31.12.2014	30.9.2014
Revenue	79,367	80,373
(Loss)/Profit for the period	(7,275)	15,073
EBITDA	26,299	29,208

PETRONAS Group's revenue of RM79.4 billion for the quarter was lower by RM1.0 billion or 1% as compared to the preceding quarter. The decrease was primarily driven by lower average realised prices for most products partially negated by the positive effects of higher LNG and crude oil sales volume and favourable US Dollar exchange rate movement against the Ringgit.

The Group recorded a loss for the current quarter of RM7.3 billion, a decrease by RM22.3 billion as compared to the preceding quarter primarily due to significantly higher assets impairment losses recognised and higher depreciation and amortisation expenses in the current quarter. EBITDA for the quarter was RM26.3 billion, a 10% reduction as compared to the preceding quarter.

### 16. NEXT FINANCIAL YEAR OUTLOOK

Based on the crude oil prices outlook whereby the average prices for 2015 are expected to be significantly lower than that of 2014, PETRONAS expects its 2015 performance to be impacted. In response to the significant drop in crude oil prices, PETRONAS Group is taking steps to reduce its planned capital investments and operating expenditure in order to mitigate the potential adverse effect on its profitability and cash flows.





# INTERIM FINANCIAL REPORT FOR FOURTH QUARTER 2014

## PART B – OTHER EXPLANATORY NOTES (continued)

### 17. TAXATION

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2014	31 December 2013	2014	31 December 2013
<b>Current tax expenses</b>				
Malaysia	6,977	6,333	28,387	29,233
Overseas	339	645	1,677	2,636
<b>Deferred tax expenses</b>				
Origination and reversal of temporary differences	(399)	(2,174)	14	(3,197)
	<b>6,917</b>	<b>4,804</b>	<b>30,078</b>	<b>28,672</b>

The Group's effective tax rate for the year was 38.7% compared with 30.4% in 2013. The effective tax rate for the year was higher than the corresponding year, mainly due to higher non-deductible expenses incurred in the year and under provision of taxation in prior year. The adjusted effective tax rate after excluding impairment losses on property, plant and equipment was 30.6% which was comparable to the corresponding period in 2013 of 29.1%.

### 18. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at 31.12.2014	As at 31.12.2013
<b>By Currency</b>		
RM	76.7	70.4
USD	19.8	24.7
Others	3.5	4.9
	<b>100.0</b>	<b>100.0</b>
<b>By Maturity<sup>10</sup></b>		
< 1 year	97.1	93.9
1 to 5 years	1.5	4.8
5 to 10 years	1.4	1.3
	<b>100.0</b>	<b>100.0</b>
<b>By Type</b>		
Money market	92.0	88.6
Government securities	0.9	2.4
Corporate bonds	3.9	4.7
Equities	3.2	4.3
	<b>100.0</b>	<b>100.0</b>

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

<sup>10</sup> Refers to instrument maturity dates; excludes equities.

# INTERIM FINANCIAL REPORT

## FOR FOURTH QUARTER 2014



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 19. BORROWINGS

The details of the Group borrowings as at 31 December 2014 are as follows:

<i>In RM Mil</i>	<b>As at 31.12.2014</b>	<b>As at 31.12.2013</b>
<b>Non-Current</b>		
<b>Secured</b>		
Term loans	918	1,700
Islamic financing facilities	1,495	1,427
<b>Total non-current secured borrowings</b>	<b>2,413</b>	<b>3,127</b>
<b>Unsecured</b>		
Term loans	9,282	5,988
Notes and Bonds	15,673	16,802
Islamic financing facilities	2,704	3,085
<b>Total non-current unsecured borrowings</b>	<b>27,659</b>	<b>25,875</b>
<b>Total non-current borrowings</b>	<b>30,072</b>	<b>29,002</b>
<b>Current</b>		
<b>Secured</b>		
Term loans	690	988
Islamic financing facilities	145	339
Revolving credits	151	-
<b>Total current secured borrowings</b>	<b>986</b>	<b>1,327</b>
<b>Unsecured</b>		
Term loans	726	291
Notes and Bonds	2,184	2,301
Islamic financing facilities	543	5,816
Revolving credits	2,179	2,576
Bank overdrafts	144	533
<b>Total current unsecured borrowings</b>	<b>5,776</b>	<b>11,517</b>
<b>Total current borrowings</b>	<b>6,762</b>	<b>12,844</b>
<b>Total borrowings</b>	<b>36,834</b>	<b>41,846</b>

# INTERIM FINANCIAL REPORT

## FOR FOURTH QUARTER 2014



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 19. BORROWINGS (continued)

<i>In RM Mil</i>	As at		As at	
	31.12.2014	%	31.12.2013	%
<b>By Currency</b>				
USD	26,585	72.2	28,935	69.1
RM	6,184	16.8	8,191	19.6
EUR	1,882	5.1	2,144	5.1
GBP	1,618	4.4	1,664	4.0
ZAR	76	0.2	663	1.6
Others	489	1.3	249	0.6
	<b>36,834</b>	<b>100.0</b>	<b>41,846</b>	<b>100.0</b>
<b>By Repayment Schedule</b>				
< 1 year	6,762	18.4	12,844	30.7
1 to 5 years	21,008	57.0	12,057	28.8
5 to 10 years	7,317	19.9	15,299	36.6
10 to 20 years	1,747	4.7	1,646	3.9
	<b>36,834</b>	<b>100.0</b>	<b>41,846</b>	<b>100.0</b>

#### 20. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 31 December 2014.

#### 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 FOURTH QUARTER 2014



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 22. (LOSS)/PROFIT FOR THE PERIOD/YEAR

<i>In RM Mil</i>	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2014	2013	2014	2013
<b>Included in (loss)/profit for the period/year are the following charges:</b>				
Bad debt written off	-	-	137	4
Depreciation and amortisation	6,747	8,095	27,255	25,421
Impairment losses on:				
- receivables	91	1,265	441	1,411
- intangible assets	1,834	359	1,923	1,199
- property, plant and equipment	20,251	5,852	21,860	5,962
- investment in associates and joint ventures	1,087	186	1,087	186
Net loss on derivatives	99	-	175	56
Net loss on foreign exchange	605	-	1,842	700
<b>and credits:</b>				
Dividend income	14	13	291	298
Gain on disposal of investments and property, plant and equipment	235	355	1,397	1,327
Interest income	1,478	1,090	4,827	4,378
Net gain on derivatives	-	53	-	-
Net gain on foreign exchange	-	608	-	-
Write back of impairment losses on:				
- receivables	508	-	723	-
- intangible assets	25	-	99	89
- property, plant and equipment	1,161	1,603	1,161	1,673

#### 23. DIVIDENDS

As disclosed in Note 6.

#### 24. EXCHANGE RATES

US dollar/RM	31.12.2014	Individual quarter ended		Cumulative quarter ended		
		30.9.2014	31.12.2013	31.12.2014	30.9.2014	31.12.2013
Average rate	3.3626	3.1935	3.2085	3.2721	3.2419	3.1495
Closing rate	3.4945	3.2765	3.2900	3.4945	3.2765	3.2900

#### By order of the Board

Shahnaz Mohd Yusof (LS 0009859)  
Company Secretary  
Kuala Lumpur  
27 February 2015