



PETRONAS

PETRONAS Group Interim Financial Report

For Second Quarter 2015

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INTERIM FINANCIAL REPORT

FOR SECOND QUARTER 2015



Cumulative quarter ended		Key Financial and Operational Highlights	Individual quarter ended	
30.6.2014	30.6.2015		30.6.2015	30.6.2014
169,408	127,495	Revenue (RM mil)	61,304	85,359
55,267	31,564	Profit Before Taxation (RM mil)	14,613	28,060
39,815	22,467	Profit After Tax (RM mil)	11,067	21,060
69,826	41,730	EBITDA (RM mil)	19,787	35,195
49,397	34,473	Cash flows from operating activities (RM mil)	17,195	25,509
30,712	31,812	Capital investments (RM mil)	19,758	13,378
2,234	2,327	Crude oil, condensate and natural gas production volume ('000 boe per day)	2,288	2,206

Second quarter 2015

- **PETRONAS Group's revenue for the second quarter of 2015 decreased by 28%** compared with the same period in 2014 mainly due to lower average realised prices recorded across all products in line with the significant downward trend of key benchmark prices, Dated Brent and JCC, coupled with the impact of lower crude oil sales volume and LNG sales volume. This decrease was partially offset by the effect of favourable US Dollar exchange rate movement against the Ringgit.
- **Profit Before Taxation ("PBT"), Profit After Tax ("PAT") and Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") decreased by 48%, 47% and 44% respectively** compared with the corresponding quarter last year primarily due to lower revenue recorded for the quarter.
- **Cash flows from operating activities decreased by 33%** as compared with the corresponding quarter last year in line with lower revenue recorded in the current quarter.
- **Capital investments** in second quarter of 2015 totalled **RM19.8 billion**, mainly attributable to the acquisition of Statoil's Shah Deniz assets, domestic upstream capital expenditures, Refinery and Petrochemical Integrated Development ("RAPID") project in Johor and LNG Train 9 project in Sarawak.
- **Crude oil, condensate and natural gas production volume in the second quarter of 2015 was 2,288 thousand barrels of oil equivalent ("boe") per day** compared with 2,206 thousand boe per day in the same period last year mainly contributed by the increase in crude oil and condensate production volume from Malaysia's new production stream, Iraq and Azerbaijan, partially offset by lower natural gas production due to natural decline rate and planned shutdown.

Cumulative quarter ended 30 June 2015

- **PETRONAS Group's revenue for the six months ended 30 June 2015 decreased by 25%** compared with the same period in 2014 mainly due to lower average realised prices recorded across all products in line with the significant downward trend of key benchmark prices, Dated Brent and JCC. This was partially offset by the effect of favourable US Dollar exchange rate movement against the Ringgit coupled with higher processed gas and crude oil trading sales volume.
- **PBT, PAT and EBITDA decreased by 43%, 44% and 40% respectively** compared with the corresponding period last year primarily due to lower revenue recorded for the period and higher net loss on foreign exchange.
- **Cash flows from operating activities decreased by 30%** as compared with the corresponding period last year.
- **Capital investments** in the six months ended 30 June 2015 totalled **RM31.8 billion**, mainly attributable to the acquisition of Statoil's Shah Deniz assets, domestic upstream capital expenditures and RAPID project in Johor.
- **Crude oil, condensate and natural gas production volume for the six months ended 30 June 2015 was 2,327 thousand boe per day** compared with 2,234 thousand boe per day in the same period last year mainly contributed by the increase in crude oil and condensate production volume from Malaysia's new production stream, Iraq and Azerbaijan, partially offset by lower natural gas production due to natural decline rate.

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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 second quarter ended 30 June 2015 which should be read in conjunction with the Explanatory Notes on pages 6 to 18.

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

	Individual quarter ended		Cumulative quarter ended	
	2015	30 June 2014	2015	30 June 2014
<i>In RM Mil</i>				
Revenue	61,304	85,359	127,495	169,408
Cost of revenue	(42,693)	(53,710)	(86,878)	(106,497)
Gross profit	18,611	31,649	40,617	62,911
Selling and distribution expenses	(1,285)	(1,265)	(2,447)	(2,543)
Administration expenses ¹	(2,990)	(3,473)	(5,569)	(6,988)
Other expenses	(1,098)	(200)	(2,404)	(445)
Other income	1,826	1,803	2,354	3,106
Operating profit	15,064	28,514	32,551	56,041
Financing costs	(737)	(799)	(1,406)	(1,512)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	286	345	419	738
Profit before taxation	14,613	28,060	31,564	55,267
Tax expense	(3,546)	(7,000)	(9,097)	(15,452)
PROFIT FOR THE PERIOD	11,067	21,060	22,467	39,815
Other comprehensive income/(expenses)				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	3,622	(1,348)	11,840	(3,717)
Available-for-sale financial assets				
- Changes in fair value	(189)	378	(167)	80
- Transfer to profit or loss	1	(25)	5	(25)
Others	126	25	126	77
Total other comprehensive income/(expenses) for the period	3,560	(970)	11,804	(3,585)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14,627	20,090	34,271	36,230
Profit attributable to:				
Shareholders of the Company	9,103	18,330	18,417	34,498
Non-controlling interests	1,964	2,730	4,050	5,317
PROFIT FOR THE PERIOD	11,067	21,060	22,467	39,815
Total comprehensive income attributable to:				
Shareholders of the Company	12,376	17,594	29,010	31,289
Non-controlling interests	2,251	2,496	5,261	4,941
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14,627	20,090	34,271	36,230

¹ Includes impairment losses on assets (Note 22).

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.6.2015	As at 31.12.2014
<i>In RM Mil</i>		
ASSETS		
Property, plant and equipment	287,580	261,286
Investment properties, land held for development and prepaid lease payments	13,162	13,368
Investments in associates and joint ventures	15,273	12,466
Intangible assets	31,256	30,127
Fund and other investments	7,911	7,734
Other non-current assets	20,963	20,488
TOTAL NON-CURRENT ASSETS	376,145	345,469
Trade and other inventories	12,837	13,431
Trade and other receivables	48,892	47,838
Fund and other investments	8,976	11,635
Cash and cash equivalents	126,881	116,826
Other current assets	2,610	2,288
TOTAL CURRENT ASSETS	200,196	192,018
TOTAL ASSETS	576,341	537,487
EQUITY		
Share capital	100	100
Reserves	362,492	354,568
Total equity attributable to shareholders of the Company	362,592	354,668
Non-controlling interests	37,836	37,261
TOTAL EQUITY	400,428	391,929
LIABILITIES		
Borrowings	50,819	30,072
Deferred tax liabilities	13,060	12,933
Other long term liabilities and provisions	31,206	31,352
TOTAL NON-CURRENT LIABILITIES	95,085	74,357
Trade and other payables	58,892	60,125
Borrowings	5,094	6,762
Taxation	3,842	4,314
Dividend payable	13,000	-
TOTAL CURRENT LIABILITIES	80,828	71,201
TOTAL LIABILITIES	175,913	145,558
TOTAL EQUITY AND LIABILITIES	576,341	537,487

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Non-distributable			Available-for-sale Reserve
	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	
<i>In RM Mil</i>				
Cumulative quarter ended 30 June 2014				
At 1 January 2014	100	13,527	7,010	1,456
Net movements from exchange differences	-	-	(3,373)	-
Available-for-sale financial assets:				
- Changes in fair value	-	-	-	95
- Transfer to profit or loss	-	-	-	(25)
Other comprehensive income/(expenses)	-	94	-	-
Total other comprehensive income/(expenses) for the period	-	94	(3,373)	70
Profit for the period	-	-	-	-
Total comprehensive income/(expenses) for the period	-	94	(3,373)	70
Dividends	-	-	-	-
Other movements	-	21	-	-
Total transactions with shareholders	-	21	-	-
Balance at 30 June 2014	100	13,642	3,637	1,526
Cumulative quarter ended 30 June 2015				
At 1 January 2015	100	13,622	14,250	(52)
Net movements from exchange differences	-	-	10,655	-
Available-for-sale financial assets:				
- Changes in fair value	-	-	-	(167)
- Transfer to profit or loss	-	-	-	5
Other comprehensive income	-	100	-	-
Total other comprehensive income/(expenses) for the period	-	100	10,655	(162)
Profit for the period	-	-	-	-
Total comprehensive income/(expenses) for the period	-	100	10,655	(162)
Dividends	-	-	-	-
Redemption of preference shares	-	-	-	-
Issuance of shares to non-controlling interest	-	-	-	-
Changes in ownership interest in a subsidiary	-	4	(63)	-
Total transactions with shareholders	-	4	(63)	-
Balance at 30 June 2015	100	13,726	24,842	(214)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>				
	<i>Distributable</i>			Non-controlling Interests	Total Equity
	General Reserve	Retained Profits	Total		
Cumulative quarter ended 30 June 2014					
At 1 January 2014	12,000	301,710	335,803	36,502	372,305
Net movements from exchange differences	-	-	(3,373)	(344)	(3,717)
Available-for-sale financial assets:					
- Changes in fair value	-	-	95	(15)	80
- Transfer to profit or loss	-	-	(25)	-	(25)
Other comprehensive income/(expenses)	-	-	94	(17)	77
Total other comprehensive income/(expenses) for the period	-	-	(3,209)	(376)	(3,585)
Profit for the period	-	34,498	34,498	5,317	39,815
Total comprehensive income/(expenses) for the period	-	34,498	31,289	4,941	36,230
Dividends	-	(22,000)	(22,000)	(3,804)	(25,804)
Other movements	-	-	21	6	27
Total transactions with shareholders	-	(22,000)	(21,979)	(3,798)	(25,777)
Balance at 30 June 2014	12,000	314,208	345,113	37,645	382,758
Cumulative quarter ended 30 June 2015					
At 1 January 2015	12,000	314,748	354,668	37,261	391,929
Net movements from exchange differences	-	-	10,655	1,185	11,840
Available-for-sale financial assets:					
- Changes in fair value	-	-	(167)	-	(167)
- Transfer to profit or loss	-	-	5	-	5
Other comprehensive income	-	-	100	26	126
Total other comprehensive income/(expenses) for the period	-	-	10,593	1,211	11,804
Profit for the period	-	18,417	18,417	4,050	22,467
Total comprehensive income/(expenses) for the period	-	18,417	29,010	5,261	34,271
Dividends	-	(26,000)	(26,000)	(4,314)	(30,314)
Redemption of preference shares	-	-	-	(111)	(111)
Issuance of shares to non-controlling interest	-	-	-	37	37
Changes in ownership interest in a subsidiary	-	4,973	4,914	(298)	4,616
Total transactions with shareholders	-	(21,027)	(21,086)	(4,686)	(25,772)
Balance at 30 June 2015	12,000	312,138	362,592	37,836	400,428

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative quarter ended	
	2015	30 June 2014
<i>In RM Mil</i>		
Cash receipts from customers	123,236	164,260
Cash paid to suppliers and employees	(80,350)	(99,899)
	42,886	64,361
Interest income from fund and other investments	1,731	1,554
Interest expenses paid	(1,003)	(1,117)
Taxation paid	(9,141)	(15,401)
Cash flows from operating activities	34,473	49,397
Acquisition of interest in a joint operation, net of cash acquired	-	(4,442)
Investment in securities	(980)	(1,096)
Proceeds from disposal/partial disposal of:		
- investment in subsidiaries, net of cash disposed	-	45
- property, plant and equipment, investment properties, prepaid lease payments, intangible assets and assets classified as held for sale	516	3,765
- securities and other investment	3,188	2,330
Purchase of property, plant and equipment, investment properties, prepaid lease payments and intangible assets	(31,812)	(26,270)
Investment in associates and joint ventures	(1,408)	(20)
Others	103	441
Cash flows from investing activities	(30,393)	(25,247)
Repayment of borrowings	(3,460)	(5,043)
Drawdown of borrowings	19,888	4,683
Dividends paid	(13,000)	(14,000)
Dividends paid to non-controlling interests	(4,314)	(5,334)
Payment to non-controlling interests on redemption of shares	(111)	-
Proceeds from shares issued to non-controlling interests	37	-
Payment to non-controlling interests on additional equity interest	(564)	-
Proceeds from partial disposals of equity interest to non-controlling interests	5,179	-
Cash flows from financing activities	3,655	(19,694)
Net increase in cash and cash equivalents	7,735	4,456
Increase in deposits restricted	(54)	(142)
Net foreign exchange differences	2,025	(688)
Cash and cash equivalents at beginning of the period	116,727	116,435
Cash and cash equivalents at end of the period	126,433	120,061
Cash and cash equivalents		
Cash and bank balances and deposits	126,881	120,849
Short term marketable securities	55	494
Bank overdrafts	(94)	(757)
Less: Deposits restricted	(409)	(525)
	126,433	120,061

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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 2014.

The explanatory notes attached to these unaudited condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2015 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2014 other than that disclosed in the preceding quarter report relating to adoption of Amendments to MFRSs effective for annual periods beginning on or after 1 July 2014.

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the annual financial statements for the year ended 31 December 2014.

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

5. EXCEPTIONAL ITEMS

There was no exceptional item during the quarter under review.

6. DEBT AND EQUITY SECURITIES

During the period ended 30 June 2015, PETRONAS via its wholly-owned special purpose finance companies, PETRONAS Capital Limited and PETRONAS Global Sukuk Ltd., issued USD3.75 billion of guaranteed notes and USD1.25 billion of Shari'a compliant Wakalah Bi Al-Istithmar Trust Certificates respectively.

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

7. DIVIDENDS

During the period ended 30 June 2015:

- a) the Company paid a second tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM40,000 per ordinary share amounting to RM4 billion in respect of the financial year ended 31 December 2014.
- b) the Company paid a dividend of RM9 billion, being first to third payment of the approved tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM220,000 per ordinary share amounting to RM22 billion in respect of the financial year ended 31 December 2014.

The remaining amount of the tax exempt final dividend amounting to RM13 billion will be paid in instalments between July and November 2015.

8. CHANGES IN COMPOSITION OF THE GROUP

There was no material change in the composition of the Group.

9. FAIR VALUE INFORMATION

The following table analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- | | | |
|---------|---|---|
| Level 1 | - | Quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2 | - | Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). |

The Group recognises transfers between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

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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 June 2015

In RM Mil

	Level 1	Level 2	Total
Financial assets			
Quoted shares	4,005	4	4,009
Short term marketable securities	-	54	54
Quoted securities	29	374	403
Malaysian Government Securities	-	494	494
Corporate Private Debt Securities	-	3,640	3,640
Commodity swaps	-	24	24
Forward foreign exchange contracts	-	17	17
Forward gas contracts	97	-	97
Forward oil price contracts	37	-	37
Interest rate swaps	-	4	4
	<u>4,168</u>	<u>4,611</u>	<u>8,779</u>
Financial liabilities			
Commodity swaps	-	(17)	(17)
Forward foreign exchange contracts	-	(480)	(480)
Forward gas contracts	(92)	-	(92)
Forward oil price contracts	(16)	-	(16)
Interest rate swaps	-	(1)	(1)
	<u>(108)</u>	<u>(498)</u>	<u>(606)</u>

31 December 2014

In RM Mil

	Level 1	Level 2	Total
Financial assets			
Quoted shares	4,105	24	4,129
Short term marketable securities	-	400	400
Quoted securities	27	597	624
Malaysian Government Securities	-	1,194	1,194
Corporate Private Debt Securities	-	4,246	4,246
Commodity swaps	-	197	197
Forward foreign exchange contracts	-	8	8
Forward gas contracts	221	-	221
Forward oil price contracts	63	-	63
	<u>4,416</u>	<u>6,666</u>	<u>11,082</u>
Financial liabilities			
Commodity swaps	-	(4)	(4)
Forward foreign exchange contracts	-	(368)	(368)
Forward gas contracts	(129)	-	(129)
Forward oil price contracts	(207)	-	(207)
	<u>(336)</u>	<u>(372)</u>	<u>(708)</u>

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

10. OPERATING SEGMENTS

The Group has three reportable operating segments comprising Upstream, Downstream, and Corporate and Others. Corporate and Others segment comprises primarily logistic and maritime segment, property segment and central treasury function.

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

10.1 Revenue

	2015		2014		Individual quarter ended 30 June	
	2015	2014	2015	2014	2015	2014
<i>In RM Mil</i>	Third Parties		Inter-segment		Gross Total	
Upstream	27,830	43,721	6,927	8,518	34,757	52,239
Downstream	30,064	38,154	1,248	1,771	31,312	39,925
Corporate and Others	3,410	3,484	1,192	855	4,602	4,339
Total	61,304	85,359	9,367	11,144	70,671	96,503

	2015		2014		Cumulative quarter ended 30 June	
	2015	2014	2015	2014	2015	2014
<i>In RM Mil</i>	Third Parties		Inter-segment		Gross Total	
Upstream	62,961	86,969	12,781	18,579	75,742	105,548
Downstream	57,588	75,741	2,650	3,526	60,238	79,267
Corporate and Others	6,946	6,698	2,285	1,771	9,231	8,469
Total	127,495	169,408	17,716	23,876	145,211	193,284

10.2 Segment PAT

	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2015	2014	2015	2014
<i>In RM Mil</i>				
Upstream	6,161	17,117	14,032	32,385
Downstream	3,350	1,957	5,263	3,783
Corporate and Others	1,206	1,273	2,083	2,340
Total PAT for reportable segments	10,717	20,347	21,378	38,508
Elimination of inter-segment transactions	350	713	1,089	1,307
Consolidated PAT	11,067	21,060	22,467	39,815

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PART B – OTHER EXPLANATORY NOTES

11. REVIEW OF GROUP PERFORMANCE

Cumulative quarter ended			Individual quarter ended		
30.6.2014	30.6.2015	<i>In RM Mil</i>	30.6.2015	31.3.2015	30.6.2014
169,408	127,495	Revenue	61,304	66,191	85,359
39,815	22,467	Profit for the period	11,067	11,400	21,060
69,826	41,730	EBITDA ²	19,787	21,943	35,195
<i>In RM Mil</i>				As at	As at
				30.6.2015	31.12.2014
Total assets				576,341	537,487
Shareholders' equity				362,592	354,668
Gearing ratio ³				15.6%	12.6%
ROACE ⁴				7.3%	11.9%

Second quarter PETRONAS Group recorded a decrease in revenue to RM61.3 billion, compared with RM85.4 billion for the same period in 2014. Similarly, profit for the quarter decreased to RM11.1 billion from RM21.1 billion recorded in the corresponding quarter a year ago.

The decrease in current quarter revenue was driven by lower average realised prices recorded across all products in line with the significant downward trend of key benchmark prices, Dated Brent and JCC, coupled with the impact of lower crude oil sales volume in line with lower entitlement and lower LNG sales volume. This decrease was partially offset by the effect of favourable US Dollar exchange rate movement against the Ringgit.

Profit and EBITDA for the quarter decreased by RM10.0 billion and RM15.4 billion respectively as compared to the same quarter last year primarily contributed by lower revenue recorded for the quarter.

Cumulative quarter PETRONAS Group recorded a 25% reduction in revenue for the period ended 30 June 2015 at RM127.5 billion compared to RM169.4 billion a year ago primarily due to lower average realised prices recorded across all products in line with the significant downward trend of key benchmark prices, Dated Brent and JCC. This was partially offset by the effect of favourable US Dollar exchange rate movement against the Ringgit coupled with higher processed gas and crude oil trading sales volume.

Profit and EBITDA for the period decreased by RM17.3 billion and RM28.1 billion respectively as compared to the same period last year primarily due to significant drop in revenue recorded for the period and higher net loss on foreign exchange.

Total assets increased to RM576.3 billion as at 30 June 2015 as compared to RM537.5 billion as at 31 December 2014 primarily attributable to capital investments during the period and higher cash balance as a result of profit generated for the period and drawdown of borrowings in March 2015. Shareholders' equity of RM362.6 billion as at 30 June 2015 increased by RM7.9 billion compared to as at 31 December 2014 mainly due to the net impact of total comprehensive income for the period and approved dividend of RM26 billion in respect of the financial year ended 31 December 2014.

Gearing ratio increased to 15.6% as at 30 June 2015 compared to 12.6% as at 31 December 2014 due to higher debt following additional borrowings drawdown made during the period. ROACE decreased to 7.3% as at 30 June 2015 compared to 11.9% as at 31 December 2014 in line with lower profit for the period as compared to the same period in 2014.

² EBITDA consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortisation and impairment loss on property, plant and equipment and intangible assets, and financing costs, and the exclusion of interest income.

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

⁴ Return on average capital employed (ROACE) is calculated as the months' annualised profit before interest expense after tax divided by average total equity and long term debt during the 12 months period.

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PART B – OTHER EXPLANATORY NOTES (continued)

12. REVIEW OF PERFORMANCE – UPSTREAM

Cumulative quarter ended		<i>Financial Indicators</i> <i>In RM Mil</i>	30.6.2015	Individual quarter ended	
30.6.2014	30.6.2015			31.3.2015	30.6.2014
		Revenue			
86,969	62,961	Third party	27,830	35,131	43,721
18,579	12,781	Inter-segment	6,927	5,854	8,518
<u>105,548</u>	<u>75,742</u>		<u>34,757</u>	<u>40,985</u>	<u>52,239</u>
32,385	14,032	PAT	6,161	7,871	17,117
Cumulative quarter ended		<i>Operational Indicators</i>	30.6.2015	Individual quarter ended	
30.6.2014	30.6.2015			31.3.2015	30.6.2014
		Production ⁵ ('000 boe ⁶ per day)			
849	961	Crude oil and condensate	955	967	851
1,385	1,366	Natural gas	1,333	1,398	1,355
<u>2,234</u>	<u>2,327</u>		<u>2,288</u>	<u>2,365</u>	<u>2,206</u>
		Oil and gas entitlement ⁷ (‘000 boe ⁶ per day)			
620	657	Crude oil and condensate	613	702	638
1,150	1,014	Natural gas	942	1,087	954
<u>1,770</u>	<u>1,671</u>		<u>1,555</u>	<u>1,789</u>	<u>1,592</u>
2,904	2,790	Malaysia average sales gas volume (mmscfd) ⁸	2,945	2,633	2,960
15.15	14.96	LNG sales volume (million tonnes)	6.92	8.04	7.50

Second quarter Revenue for the quarter ended 30 June 2015 was RM34.8 billion compared to RM52.2 billion in the corresponding quarter last year. Lower revenue was mainly contributed by lower crude prices coupled with lower LNG sales price and sales volume. Lower LNG sales volume for the quarter by 0.6 million tonnes or 8% was mainly due to lower production in PETRONAS LNG Complex (“PLC”) in Bintulu, Sarawak. PAT decreased to RM6.2 billion compared to RM17.1 billion in the corresponding quarter last year, mainly due to lower revenue as explained above.

Total production volume for the quarter was 2,288 thousand boe per day compared to 2,206 thousand boe per day in the corresponding quarter last year. Crude oil and condensate production volume was higher mainly due to production enhancement efforts and new production stream from Malaysia, Iraq and additional production from Azerbaijan. Natural gas production was lower compared to the same quarter last year mainly due to natural decline and planned shutdown.

Malaysia average sales gas volume was lower by 15 mmscfd or 0.5% compared to the corresponding quarter last year mainly due to lower demand.

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

⁶ boe: barrels of oil equivalent

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

⁸ mmscfd: million standard cubic feet per day

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PART B – OTHER EXPLANATORY NOTES (continued)

12. REVIEW OF PERFORMANCE – UPSTREAM (continued)

Cumulative quarter Revenue for the cumulative quarter ended 30 June 2015 was RM75.7 billion compared to RM105.5 billion in the corresponding period last year. The lower revenue by 28% reflects the decrease in prices for all products and decrease in gas entitlement, in line with lower gas production during the period. Similarly, PAT decreased by RM18.4 billion compared to the corresponding period last year mainly due to lower revenue as explained above.

Total production volume for cumulative quarter ended 30 June 2015 was 2,327 thousand boe per day compared to 2,234 thousand boe per day in the corresponding period last year. Crude oil and condensate production volume was higher mainly due to production enhancement efforts and new production stream from Malaysia, Iraq and Azerbaijan. Natural gas production was slightly lower compared to the corresponding period last year mainly due to natural decline rate, offset by new production from Azerbaijan.

Total LNG sales volume for the period was lower by 1% as compared to the corresponding period in 2014 driven by lower sales from PLC, negated by higher trading volumes from Dragon LNG. Malaysia average sales gas volume was lower by 114 mmscfd compared to the corresponding period last year mainly due to lower demand.

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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>	Individual quarter ended		
30.6.2014	30.6.2015		30.6.2015	31.3.2015	30.6.2014
		Revenue			
75,741	57,588	Third party	30,064	27,524	38,154
3,526	2,650	Inter-segment	1,248	1,402	1,771
<u>79,267</u>	<u>60,238</u>		<u>31,312</u>	<u>28,926</u>	<u>39,925</u>
3,783	5,263	PAT	3,350	1,913	1,957

Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
30.6.2014	30.6.2015		30.6.2015	31.3.2015	30.6.2014
148.6	143.4	Petroleum products sales volume (in million barrels)	71.0	72.4	75.3
99.2	111.4	Crude oil sales volume (in million barrels)	53.1	58.3	54.1
2.9	3.2	Petrochemicals sales volume (in million metric tonnes)	1.6	1.6	1.5

Second quarter Revenue for the quarter was RM31.3 billion, a decrease of RM8.6 billion when compared to the corresponding quarter last year. The lower revenue was contributed primarily from fall in prices for crude and petroleum products.

Petroleum products sales volume was 71.0 million barrels, lower than the corresponding quarter last year by 4.3 million barrels due to lower trading volume for the quarter.

Crude oil sales volume was slightly lower than the corresponding quarter last year by 1.0 million barrels mainly due to lower marketing volumes partially offset by higher trading volumes.

Petrochemical products sales volume was higher by 0.1 million metric tonnes compared to the corresponding quarter last year due to higher plant production.

Downstream PAT was RM3.4 billion, higher than the corresponding quarter last year by RM1.4 billion mainly due to higher refining margins.

Cumulative quarter Revenue for the period was RM60.2 billion, RM19.1 billion lower than the revenue from the corresponding period last year mainly due to the fall in prices for crude and petroleum products.

Petroleum products sales volume was 143.4 million barrels, lower than the corresponding period last year by 5.2 million barrels mainly due to lower marketing and trading volumes.

Crude oil sales volume was 111.4 million barrels, higher than the corresponding period last year by 12.2 million barrels contributed by higher trading and marketing activities.

Petrochemical products sales volume was slightly higher by 0.3 million metric tonnes compared to the corresponding period last year due to higher plant production.

Downstream cumulative PAT was RM5.3 billion, RM1.5 billion higher than the corresponding period last year mainly due to higher refining margins.

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PART B – OTHER EXPLANATORY NOTES (continued)

14. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS

Cumulative quarter ended		Financial Indicators <i>In RM Mil</i>	Individual quarter ended		
30.6.2014	30.6.2015		30.6.2015	31.3.2015	30.6.2014
6,698	6,946	Revenue		3,536	3,484
1,771	2,285	Third party	3,410	1,093	855
8,469	9,231	Inter-segment	4,602	4,629	4,339
2,340	2,083	PAT	1,206	877	1,273

Second quarter Revenue for the quarter was RM4.6 billion, marginally higher by RM0.3 billion as compared to the corresponding quarter last year mainly due to higher inter-segment sales. PAT stood at RM1.2 billion, marginally lower by RM0.1 billion mainly due to higher unrealised foreign exchange loss recorded in the current quarter.

Cumulative quarter Revenue for the period was RM9.2 billion, higher by RM0.8 billion as compared to the same period last year mainly due to higher fund investment income. PAT decreased by RM0.3 billion to RM2.1 billion mainly due to unrealised foreign exchange loss on USD borrowings as a result of weakening Ringgit against US Dollar.

15. COMPARISON WITH PRECEDING QUARTER'S RESULT

<i>In RM Mil</i>	Individual quarter ended	
	30.6.2015	31.3.2015
Revenue	61,304	66,191
Profit for the period	11,067	11,400
EBITDA	19,787	21,943

PETRONAS Group's revenue of RM61.3 billion for the quarter was lower by RM4.9 billion or 7% as compared to the preceding quarter. The decrease was primarily due to lower LNG price and sales volume and crude oil sales volume in line with lower domestic production, partially offset by higher petroleum product prices. The reduction in LNG price is in line with the downward trend of JCC benchmark price for the current quarter.

Profit for the period slightly decreased by RM0.3 billion as compared to the preceding quarter primarily due to lower revenue in the current quarter and higher net impairment losses. EBITDA for the quarter was RM19.8 billion, 10% reduction as compared to the preceding quarter.

16. CURRENT FINANCIAL YEAR PROSPECTS

Crude oil prices will continue to be pressured given modest global oil demand growth amidst abundant supply from both OPEC and non-OPEC countries. As announced in the previous quarter, the Board expects its 2015 performance to be affected by the prolonged low oil price environment and expected modest global economic growth.

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PART B – OTHER EXPLANATORY NOTES (continued)

17. TAXATION

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2015	30 June 2014	2015	30 June 2014
Current tax expenses				
Malaysia	3,430	5,732	8,994	14,165
Overseas	302	675	477	866
Deferred tax expenses				
Origination and reversal of temporary differences	(186)	593	(374)	421
	<u>3,546</u>	<u>7,000</u>	<u>9,097</u>	<u>15,452</u>
Effective tax rate	24.3%	24.9%	28.8%	28.0%

The Group's effective tax rate for the current quarter of 24.3% is lower than the corresponding quarter last year of 24.9% mainly due to overprovision of prior year tax expense in the corresponding quarter. However, effective tax rate for period-to-date of 28.8% is higher than prior year period-to-date mainly due to higher cumulative non-deductible expenses recorded at period-to-date.

18. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at 30.6.2015	As at 31.12.2014
By Currency		
RM	67.3	76.7
USD	28.9	19.8
Others	3.8	3.5
	<u>100.0</u>	<u>100.0</u>
By Maturity⁹		
< 1 year	97.4	97.1
1 to 5 years	1.9	1.5
5 to 10 years	0.7	1.4
	<u>100.0</u>	<u>100.0</u>
By Type		
Money market	93.7	92.0
Government securities	0.4	0.9
Corporate bonds	3.0	3.9
Equities	2.9	3.2
	<u>100.0</u>	<u>100.0</u>

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

⁹ Refers to instrument maturity dates; excludes equities.

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PART B – OTHER EXPLANATORY NOTES (continued)

19. BORROWINGS

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

<i>In RM Mil</i>	As at 30.6.2015	As at 31.12.2014
Non-Current		
Secured		
Term loans	1,674	918
Islamic financing facilities	1,099	1,495
Total non-current secured borrowings	2,773	2,413
Unsecured		
Term loans	9,544	9,282
Notes and Bonds	30,898	15,673
Islamic financing facilities	7,604	2,704
Total non-current unsecured borrowings	48,046	27,659
Total non-current borrowings	50,819	30,072
Current		
Secured		
Term loans	150	690
Islamic financing facilities	466	145
Revolving credits	-	151
Total current secured borrowings	616	986
Unsecured		
Term loans	876	726
Notes and Bonds	2,359	2,184
Islamic financing facilities	241	543
Revolving credits	908	2,179
Bank overdrafts	94	144
Total current unsecured borrowings	4,478	5,776
Total current borrowings	5,094	6,762
Total borrowings	55,913	36,834

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PART B – OTHER EXPLANATORY NOTES (continued)

19. BORROWINGS (continued)

<i>In RM Mil</i>	As at		As at	
	30.6.2015	%	31.12.2014	%
By Currency				
USD	46,968	84.0	26,585	72.2
RM	5,483	9.8	6,184	16.8
EUR	2,113	3.8	1,882	5.1
GBP	1,010	1.8	1,618	4.4
Others	339	0.6	565	1.5
	55,913	100.0	36,834	100.0
By Repayment Schedule				
< 1 year	5,094	9.1	6,762	18.4
1 to 5 years	22,232	39.8	21,008	57.0
5 to 10 years	21,133	37.8	7,317	19.9
> 10 years	7,454	13.3	1,747	4.7
	55,913	100.0	36,834	100.0

20. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

21. MATERIAL LITIGATION

The legal suit brought against the Company by the Kelantan State Government in 2010 in respect of payment of petroleum proceeds under the terms of the agreement dated 9 May 1975 entered into between the Kelantan State Government and PETRONAS is still on-going as at the reporting date. PETRONAS has been advised by its solicitors that PETRONAS has a meritorious defence to the claim.

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FOR SECOND QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

22. PROFIT FOR THE PERIOD

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2015	30 June 2014	2015	30 June 2014
Included in profit for the period are the following charges:				
Bad debt written off	-	7	-	129
Depreciation and amortisation	5,036	6,805	10,832	14,092
Impairment losses on:				
- receivables	11	-	255	339
- intangible assets	313	68	655	84
- property, plant and equipment	2,695	599	2,814	1,110
Net loss on derivatives	-	79	292	159
Net loss on foreign exchange	175	-	1,217	-
and credits:				
Dividend income	20	62	24	69
Gain on disposal of investments and property, plant and equipment	27	21	51	510
Interest income	1,359	1,136	2,746	2,239
Net gain on derivatives	35	-	-	-
Net gain on foreign exchange	-	2	-	128
Write back of impairment losses on:				
- receivables	10	84	10	84
- intangible assets	50	-	597	-
- property, plant and equipment	2,199	-	2,199	-

23. DIVIDENDS

As disclosed in Note 7.

24. EXCHANGE RATES

US dollar/RM	30.6.2015	Individual quarter ended		30.6.2015	Cumulative quarter ended	
		31.3.2015	30.6.2014		30.6.2014	31.12.2014
Average rate	3.6600	3.6181	3.2345	3.6370	3.2661	3.2721
Closing rate	3.7745	3.7075	3.2115	3.7745	3.2115	3.4945

By order of the Board

Shahnaz Mohd Yusof (LS 0009859)
Company Secretary
Kuala Lumpur
14 August 2015