



PETRONAS

PETRONAS Group Interim Financial Report

For Fourth Quarter 2015

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INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



Cumulative quarter ended		Key Financial and Operational Highlights	Individual quarter ended	
31.12.2014	31.12.2015		31.12.2015	31.12.2014
329,148	247,657	Revenue (RM mil)	60,098	79,367
77,691	36,683	Profit/(Loss) Before Taxation (RM mil)	1,224	(358)
47,613	20,860	Profit/(Loss) After Tax (RM mil)	(2,958)	(7,275)
(21,609)	(18,984)	Identified items* (RM mil)	(12,894)	(19,810)
69,222	39,844	Profit After Tax excluding identified items (RM mil)	9,936	12,535
125,333	75,455	EBITDA (RM mil)	19,177	26,299
103,599	69,641	Cash flows from operating activities (RM mil)	18,439	28,482
71,135	64,658	Capital investments (RM mil)	14,984	24,082
2,226	2,290	Crude oil, condensate and natural gas production volume ('000 boe per day)	2,326	2,359

*mainly comprise net impairment on assets

Fourth quarter 2015

- **PETRONAS Group's revenue for the fourth quarter of 2015 decreased by 24%** compared to the same period in 2014 mainly due to lower average realised prices recorded across all major products following the downward trend of key benchmark prices (Dated Brent and JCC), coupled with the impact of lower petroleum product, crude oil and condensate and processed gas sales volume. The decrease was partially offset by the effect of favourable US Dollar exchange rate movement against the Ringgit.
- **The Group recorded Profit Before Taxation ("PBT") of RM1.2 billion and Profit After Tax ("PAT") excluding identified items of RM9.9 billion for the current quarter** mainly contributed by lower product and production costs and favourable foreign exchange impact partially offset by lower product prices. **Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") however decreased by 27%** compared to the corresponding quarter last year primarily due to lower revenue recorded for the quarter.
- **Cash flows from operating activities decreased by 35%** as compared to the corresponding quarter last year in line with lower revenue recorded in the current quarter.
- **Capital investments** in the fourth quarter of 2015 totalled **RM15.0 billion**, mainly attributable to domestic upstream capital expenditures and Refinery and Petrochemical Integrated Development ("RAPID") project in Johor.
- **Crude oil, condensate and natural gas production volume** in the **fourth quarter of 2015 was 2,326 thousand barrels of oil equivalent ("boe") per day** compared to 2,359 thousand boe per day in the same period last year. The decrease was mainly due to lower production entitlement from Iraq and natural decline, partially offset by new production stream from Malaysia, Azerbaijan and Indonesia; production enhancement efforts in Malaysia and additional production from Canada.

Cumulative quarter ended 31 December 2015

- **PETRONAS Group recorded a 25% decrease in revenue for the year ended 31 December 2015** compared to the same period in 2014 primarily contributed by lower average realised prices recorded across all major products in line with the significant downward trend of key benchmark prices (Dated Brent and JCC), coupled with the impact of lower petroleum product and processed gas sales volume. This was partially offset by the effect of favourable US Dollar exchange rate movement against the Ringgit coupled with higher crude oil and condensate and petrochemical sales volume.
- **PBT, PAT excluding identified items and EBITDA decreased by 53%, 42% and 40% respectively** compared to 2014 primarily due to lower prices recorded for the year.
- **Cash flows from operating activities decreased by 33%** as compared to 2014.
- **Capital investments** for the year ended 31 December 2015 totalled **RM64.7 billion**, mainly attributable to domestic upstream capital expenditures, acquisition of Statoil's Shah Deniz assets and RAPID project in Johor.
- **Crude oil, condensate and natural gas production volume** for the **year ended 31 December 2015 was 2,290 thousand boe per day** compared with 2,226 thousand boe per day in the same period last year. The increase was mainly contributed by production enhancement efforts and new production stream from Malaysia for crude oil and condensate. However, natural gas production was slightly lower due to natural decline which was partially offset by additional production from Azerbaijan and new production stream from Indonesia.

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



The Board of Directors of Petroliaam Nasional Berhad ("PETRONAS" or the "Company") is pleased to announce the following unaudited condensed consolidated financial statements of PETRONAS Group for the fourth quarter ended 31 December 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	31 December 2014	2015	31 December 2014
<i>In RM Mil</i>				
Revenue	60,098	79,367	247,657	329,148
Cost of revenue	(48,011)	(57,093)	(176,680)	(216,424)
Gross profit	12,087	22,274	70,977	112,724
Selling and distribution expenses	(1,598)	(1,298)	(5,352)	(5,146)
Administration expenses	(2,415)	(2,391)	(9,688)	(10,219)
Net impairment losses ¹	(11,594)	(20,335)	(17,882)	(22,119)
Other expenses	(1,622)	(1,545)	(3,618)	(3,193)
Other income	7,019	2,708	4,535	6,563
Operating profit/(loss)	1,877	(587)	38,972	78,610
Financing costs	(889)	(478)	(3,327)	(2,656)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	236	707	1,038	1,737
Profit/(Loss) before taxation	1,224	(358)	36,683	77,691
Tax expense	(4,182)	(6,917)	(15,823)	(30,078)
(LOSS)/PROFIT FOR THE PERIOD/YEAR	(2,958)	(7,275)	20,860	47,613
Other comprehensive (expenses)/income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	(15,318)	9,214	30,377	8,030
Available-for-sale financial assets				
- Changes in fair value	169	(1,292)	(889)	(1,882)
- Transfer to profit or loss	1,632	476	1,637	327
Others	(3)	70	375	109
Total other comprehensive (expenses)/income for the period/year	(13,520)	8,468	31,500	6,584
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD/YEAR	(16,478)	1,193	52,360	54,197
(Loss)/Profit attributable to:				
Shareholders of the Company	(4,694)	(9,874)	13,158	37,038
Non-controlling interests	1,736	2,599	7,702	10,575
(LOSS)/PROFIT FOR THE PERIOD/YEAR	(2,958)	(7,275)	20,860	47,613
Total comprehensive (expenses)/income attributable to:				
Shareholders of the Company	(17,039)	(2,460)	41,289	42,831
Non-controlling interests	561	3,653	11,071	11,366
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD/YEAR	(16,478)	1,193	52,360	54,197

¹ Comprises net impairment losses on property, plant and equipment, receivables, investments in associates and other investments (Note 23).

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31.12.2015	As at 31.12.2014
<i>In RM Mil</i>		
ASSETS		
Property, plant and equipment	310,268	261,286
Investment properties, land held for development and prepaid lease payments	13,869	13,368
Investments in associates and joint ventures	13,018	12,466
Intangible assets	34,304	30,127
Fund and other investments	7,373	7,734
Other non-current assets	25,590	20,488
TOTAL NON-CURRENT ASSETS	404,422	345,469
Trade and other inventories	12,838	13,431
Trade and other receivables	44,979	47,838
Fund and other investments	8,583	11,635
Cash and cash equivalents	120,731	116,826
Other current assets	354	2,288
TOTAL CURRENT ASSETS	187,485	192,018
TOTAL ASSETS	591,907	537,487
EQUITY		
Share capital	100	100
Reserves	374,776	354,568
Total equity attributable to shareholders of the Company	374,876	354,668
Non-controlling interests	40,776	37,261
TOTAL EQUITY	415,652	391,929
LIABILITIES		
Borrowings	53,939	30,072
Deferred tax liabilities	14,526	12,933
Other long term liabilities and provisions	35,125	31,352
TOTAL NON-CURRENT LIABILITIES	103,590	74,357
Trade and other payables	65,219	60,125
Borrowings	3,963	6,762
Taxation	3,483	4,314
TOTAL CURRENT LIABILITIES	72,665	71,201
TOTAL LIABILITIES	176,255	145,558
TOTAL EQUITY AND LIABILITIES	591,907	537,487

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Non-distributable			Available-for-sale Reserve
	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	
<i>In RM Mil</i>				
Cumulative quarter ended 31 December 2014				
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	-	61	-	-
Total other comprehensive income/(expenses) for the year	-	61	7,240	(1,508)
Profit for the year	-	-	-	-
Total comprehensive income/(expenses) for the year	-	61	7,240	(1,508)
Additional issuance of shares to non-controlling interests	-	-	-	-
Acquisition of a subsidiary	-	-	-	-
Disposal of subsidiaries	-	34	-	-
Dividends	-	-	-	-
Total transactions with shareholders	-	34	-	-
Balance at 31 December 2014	100	13,622	14,250	(52)
Cumulative quarter ended 31 December 2015				
At 1 January 2015	100	13,622	14,250	(52)
Net movements from exchange differences	-	-	27,106	-
Available-for-sale financial assets:				
- Changes in fair value	-	-	-	(890)
- Transfer to profit or loss	-	-	-	1,637
Other comprehensive income	-	278	-	-
Total other comprehensive income for the year	-	278	27,106	747
Profit for the year	-	-	-	-
Total comprehensive income for the year	-	278	27,106	747
Additional issuance of shares to non-controlling interests	-	-	-	-
Changes in ownership interest in subsidiaries	-	4	(63)	-
Redemption of redeemable preference shares in a subsidiary	-	-	-	-
Dividends	-	-	-	-
Total transactions with shareholders	-	4	(63)	-
Balance at 31 December 2015	100	13,904	41,293	695

continue to next page

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>				
	<i>Distributable</i>			<i>Non-controlling Interests</i>	<i>Total Equity</i>
	<i>General Reserve</i>	<i>Retained Profits</i>	<i>Total</i>		
Cumulative quarter ended 31 December 2014					
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	-	-	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
Total comprehensive income/(expenses) for the year	-	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)
Total transactions with shareholders	-	(24,000)	(23,966)	(10,607)	(34,573)
Balance at 31 December 2014	12,000	314,748	354,668	37,261	391,929
Cumulative quarter ended 31 December 2015					
At 1 January 2015	12,000	314,748	354,668	37,261	391,929
Net movements from exchange differences	-	-	27,106	3,271	30,377
Available-for-sale financial assets:					
- Changes in fair value	-	-	(890)	1	(889)
- Transfer to profit or loss	-	-	1,637	-	1,637
Other comprehensive income	-	-	278	97	375
Total other comprehensive income for the year	-	-	28,131	3,369	31,500
Profit for the year	-	13,158	13,158	7,702	20,860
Total comprehensive income for the year	-	13,158	41,289	11,071	52,360
Additional issuance of shares to non-controlling interests	-	-	-	103	103
Changes in ownership interest in subsidiaries	-	4,978	4,919	(298)	4,621
Redemption of redeemable preference shares in a subsidiary	-	-	-	(111)	(111)
Dividends	-	(26,000)	(26,000)	(7,250)	(33,250)
Total transactions with shareholders	-	(21,022)	(21,081)	(7,556)	(28,637)
Balance at 31 December 2015	12,000	306,884	374,876	40,776	415,652

continued from previous page

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative quarter ended	
	2015	31 December 2014
<i>In RM Mil</i>		
Cash receipts from customers	243,496	329,840
Cash paid to suppliers and employees	(157,040)	(193,826)
	<u>86,456</u>	<u>136,014</u>
Interest income from fund and other investments	3,399	3,697
Interest expenses paid	(2,473)	(1,820)
Taxation paid	(17,741)	(34,292)
Cash flows from operating activities	<u>69,641</u>	<u>103,599</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 & other investments	(2,267)	(4,850)
Proceeds from disposal of:		
- investment in joint ventures & subsidiaries, net of cash disposed	3,246	12
- property, plant and equipment, investment properties, prepaid lease payments, intangible assets, and assets classified as held for sale	627	8,905
- securities and other investment	4,646	7,793
Purchase of property, plant and equipment, investment properties, prepaid lease payments, and intangible assets	(64,658)	(64,648)
Investment in associates and joint ventures	(4,046)	(294)
Others	1,639	1,988
Cash flows from investing activities	<u>(60,813)</u>	<u>(57,581)</u>
Repayment of borrowings	(10,171)	(15,004)
Drawdown of borrowings	22,560	8,447
Dividends paid	(26,000)	(29,000)
Dividends paid to non-controlling interests	(7,250)	(12,160)
Payment to non-controlling interests on redemption of redeemable preference shares	(111)	-
Proceeds from shares issued to non-controlling interests	103	171
Payment to non-controlling interests on additional equity interest	(564)	-
Proceeds from partial disposal of equity interest to non-controlling interests	5,179	-
Cash flows from financing activities	<u>(16,254)</u>	<u>(47,546)</u>
Net (decrease)/increase in cash and cash equivalents	(7,426)	(1,528)
(Increase)/decrease in deposits restricted	(207)	28
Net foreign exchange differences	10,927	1,792
Cash and cash equivalents at beginning of the year	116,727	116,435
Cash and cash equivalents at end of the year	<u>120,021</u>	<u>116,727</u>
Cash and cash equivalents		
Cash and bank balances and deposits	120,731	116,826
Short term marketable securities	-	400
Bank overdrafts	(148)	(144)
Less: Deposits restricted	(562)	(355)
	<u>120,021</u>	<u>116,727</u>

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. The results for this interim period are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2015.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

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

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

5. EXCEPTIONAL ITEMS

There was no exceptional item during the quarter under review.

6. DEBT AND EQUITY SECURITIES

During the year ended 31 December 2015, PETRONAS via its wholly-owned special purpose finance companies, PETRONAS Capital Limited and PETRONAS Global Sukuk Ltd., issued USD3.75 billion of guaranteed notes and USD1.25 billion of Shari'a compliant Wakalah Bi Al-Istithmar Trust Certificates respectively.

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



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

7. DIVIDENDS

During the financial year, the Company paid:

- a) 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) a final tax exempt 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 Directors propose a tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM160,000 per ordinary share amounting to RM16 billion in respect of the financial year ended 31 December 2015 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 2016.

8. SIGNIFICANT EVENT

In May 2015, the Malaysia LNG Dua Joint Venture Agreement ("JVA") expired and the Company acquired 30% shareholding in MLNG Dua Sdn. Bhd. ("MLNG Dua") from Shell Gas Holdings (Malaysia) Limited and Mitsubishi Corporation ("Mitsubishi"), in accordance with the original JVA terms. Subsequently, the Company sold 10% interest in MLNG Dua to Diamond LNG Malaysia Sdn. Bhd., a wholly owned subsidiary of Mitsubishi. With the completion of the transactions, the Company now holds 80% interest in MLNG Dua.

9. CHANGES IN COMPOSITION OF THE GROUP

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

10. FAIR VALUE INFORMATION

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

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

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

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



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

10. 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 2015

In RM Mil

	Level 1	Level 2	Total
Financial assets			
Quoted shares	3,562	28	3,590
Quoted securities	26	422	448
Malaysian Government Securities	-	3	3
Corporate Private Debt Securities	-	3,158	3,158
Commodity swaps	-	144	144
Forward foreign exchange contracts	-	27	27
Forward gas contracts	289	-	289
Forward oil price contracts	27	-	27
	<u>3,904</u>	<u>3,782</u>	<u>7,686</u>

Financial liabilities

Interest rate swaps	-	(1)	(1)
Forward foreign exchange contracts	-	(761)	(761)
Commodity swaps	-	(18)	(18)
Forward gas contracts	(236)	-	(236)
Forward oil price contracts	(12)	-	(12)
	<u>(248)</u>	<u>(780)</u>	<u>(1,028)</u>

31 December 2014

In RM Mil

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

Financial liabilities

Commodity swaps	-	(4)	(4)
Forward foreign exchange contracts	-	(368)	(368)
Forward gas contracts	(129)	-	(129)
Forward oil price contracts	(207)	-	(207)
	<u>(336)</u>	<u>(372)</u>	<u>(708)</u>

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



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

11. OPERATING SEGMENTS

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

11.1 Revenue

	2015		2014		Individual quarter ended 31 December	
	2015	2014	2015	2014	2015	2014
<i>In RM Mil</i>	Third Parties		Inter-segment		Gross Total	
Upstream	30,316	38,645	5,130	5,498	35,446	44,143
Downstream	25,805	36,706	1,426	1,914	27,231	38,620
Corporate and Others	3,977	4,016	1,013	1,037	4,990	5,053
Total	60,098	79,367	7,569	8,449	67,667	87,816

	2015		2014		Cumulative quarter ended 31 December	
	2015	2014	2015	2014	2015	2014
<i>In RM Mil</i>	Third Parties		Inter-segment		Gross Total	
Upstream	121,922	165,257	23,798	32,133	145,720	197,390
Downstream	111,408	150,363	5,289	7,099	116,697	157,462
Corporate and Others	14,327	13,528	4,356	4,066	18,683	17,594
Total	247,657	329,148	33,443	43,298	281,100	372,446

11.2 Segment PAT

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2015	2014	2015	2014
<i>In RM Mil</i>				
Upstream	(12,515)	(12,719)	1,609	32,380
Downstream	1,645	421	8,909	5,743
Corporate and Others	7,089	3,376	7,307	5,848
Total (LAT)²/PAT for reportable segments	(3,781)	(8,922)	17,825	43,971
Elimination of inter-segment transactions	823	1,647	3,035	3,642
Consolidated (LAT)/PAT	(2,958)	(7,275)	20,860	47,613

² LAT: Loss After Tax

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



PART B – OTHER EXPLANATORY NOTES

12. REVIEW OF GROUP PERFORMANCE

Cumulative quarter ended		<i>In RM Mil</i>	31.12.2015	Individual quarter ended	
31.12.2014	31.12.2015			30.9.2015	31.12.2014
329,148	247,657	Revenue	60,098	60,064	79,367
47,613	20,860	Profit/(Loss) for the period	(2,958)	1,351	(7,275)
125,333	75,455	EBITDA ³	19,177	14,548	26,299
<i>In RM Mil</i>				As at	As at
				31.12.2015	31.12.2014
Total assets				591,907	537,487
Shareholders' equity				374,876	354,668
Gearing ratio ⁴				16.0%	12.6%
ROACE ⁵				5.1%	11.9%

Fourth quarter PETRONAS Group recorded revenue of RM60.1 billion, a decrease of 24% compared to RM79.4 billion for the same period in 2014. Loss for the quarter was recorded at RM3.0 billion compared to RM7.3 billion in the corresponding quarter in 2014.

The decrease in current quarter revenue was driven by lower average realised prices recorded across all major products following the prolonged downward trend of key benchmark prices (Dated Brent and JCC), coupled with the impact of lower petroleum product, crude oil and condensate and processed gas sales volume. This decrease was partially offset by the effect of favourable US Dollar exchange rate movement against the Ringgit.

The Group recorded a lower loss by RM4.3 billion as compared to the same period last year primarily contributed by lower product and production costs, favourable foreign exchange impact and lower net impairment on assets partially offset by lower product prices. EBITDA for the quarter was RM19.2 billion, a reduction of 27% compared to the same period in 2014.

Cumulative quarter PETRONAS Group revenue recorded a 25% reduction for the year ended 31 December 2015 at RM247.7 billion compared to RM329.1 billion a year ago primarily due to lower average realised prices recorded across all major products in line with the significant downward trend of key benchmark prices (Dated Brent and JCC) coupled with the impact of lower petroleum products and processed gas sales volume. This was partially offset by the effect of favourable US Dollar exchange rate movement against the Ringgit coupled with higher crude oil and condensate and petrochemical sales volume.

The Group generated profit for the year of RM20.9 billion, a decrease by RM26.8 billion as compared to 2014 primarily due to lower prices recorded for the year. EBITDA for the year was RM75.5 billion, a reduction of 40% compared to 2014.

Total assets increased to RM591.9 billion as at 31 December 2015 as compared to RM537.5 billion as at 31 December 2014 primarily attributable to additional capital investments during the year and higher cash balance as a result of profit generated during the year. Shareholders' equity of RM374.9 billion as at 31 December 2015 increased by RM20.2 billion compared to as at 31 December 2014 mainly due to the impact of favourable US Dollar exchange rate compared to prior year.

Gearing ratio increased to 16.0% as at 31 December 2015 compared to 12.6% as at 31 December 2014 due to higher borrowings following additional drawdown made during the year. ROACE decreased to 5.1% as at 31 December 2015 compared to 11.9% as at 31 December 2014 in line with lower profit for the year as compared to the same period in 2014.

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

13. REVIEW OF PERFORMANCE – UPSTREAM

Cumulative quarter ended		Financial Indicators <i>In RM Mil</i>	Individual quarter ended		
31.12.2014	31.12.2015		31.12.2015	30.9.2015	31.12.2014
165,257	121,922	Revenue		28,645	38,645
32,133	23,798	Third party	30,316	5,887	5,498
197,390	145,720	Inter-segment	5,130	34,532	44,143
32,380	1,609	(LAT)/PAT	(12,515)	92	(12,719)
Cumulative quarter ended		Operational Indicators	Individual quarter ended		
31.12.2014	31.12.2015		31.12.2015	30.9.2015	31.12.2014
868	937	Production ⁶ ('000 boe ⁷ per day)		893	954
1,358	1,353	Crude oil and condensate	934	1,289	1,405
2,226	2,290	Natural gas	1,392	2,182	2,359
		Oil and gas entitlement ⁸ ('000 boe per day)			
593	636	Crude oil and condensate	637	614	569
1,088	988	Natural gas	1,033	878	979
1,681	1,624		1,670	1,492	1,548
2,775	2,734	Malaysia average sales gas volume (mmscfd) ⁹	2,596	2,764	2,707
30.12	30.17	LNG sales volume (million tonnes)	8.06	7.17	7.77

Fourth quarter Revenue for the quarter was RM35.4 billion compared to RM44.1 billion in the corresponding quarter last year. Lower revenue was mainly contributed by lower prices for all products. Loss after tax of RM12.5 billion was recorded for the quarter compared to the loss after tax of RM12.7 billion in the corresponding quarter last year mainly due to lower net impairment on upstream assets as a result of reduced crude oil price forecast.

Total production volume for the quarter was 2,326 thousand boe per day compared to 2,359 thousand boe per day in the corresponding quarter last year. Crude oil and condensate production volume was lower mainly due to lower Iraq production entitlement and natural decline, negated by new production stream from Malaysia and Indonesia, and production enhancement efforts in Malaysia. Natural gas production was also lower mainly due to lower demand in Malaysia and natural decline, negated by additional production from Canada and new production stream from Azerbaijan and Indonesia.

LNG sales volume for the period was higher by 0.29 million tonnes or 4% as compared to the corresponding quarter in 2014 driven by higher third party sales volume, offset by lower production in PETRONAS LNG Complex ("PLC") in Bintulu, Sarawak. Malaysia average sales gas volume was lower by 4% compared to the corresponding quarter last year.

³ 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.

⁴ Gearing ratio is calculated as adjusted total debt (total debt including provision for decommissioning of assets) divided by total equity and adjusted total debt.

⁵ Return on average capital employed (ROACE) is calculated as the profit before interest expense after tax divided by average total equity and long term debt.

⁶ Represents Malaysia's production and PETRONAS Group's international equity production volume.

⁷ boe: barrels of oil equivalent

⁸ Represents PETRONAS Group's entitlement to Malaysia's production and PETRONAS Group's international entitlement volume.

⁹ mmscfd: million standard cubic feet per day

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

13. REVIEW OF PERFORMANCE – UPSTREAM (continued)

Cumulative quarter Revenue for the year was RM145.7 billion compared to RM197.4 billion in the corresponding period last year. The lower revenue by 26% reflects the decrease in prices for all products and higher gas entitlement in 2014. Similarly, PAT decreased by RM30.8 billion compared to corresponding period last year mainly due to lower revenue and net impairment on upstream assets as explained above.

Total production volume for cumulative quarter ended 31 December 2015 was 2,290 thousand boe per day compared to 2,226 thousand boe per day in the corresponding period last year. Crude oil and condensate production volume was higher mainly due to production enhancement efforts and new production stream from Malaysia. Natural gas production was slightly lower compared to the corresponding period last year due to lower demand and natural decline, negated by additional production from Azerbaijan and new production stream from Indonesia.

Total LNG sales volume for the period was higher by 0.05 million tonnes or 0.2% as compared to the corresponding period in 2014 due to higher third party sales volume, offset by lower production in PLC in Bintulu, Sarawak. Malaysia average sales gas volume was lower by 1.5% compared to the corresponding period last year.

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

14. REVIEW OF PERFORMANCE – DOWNSTREAM

Cumulative quarter ended		Financial Indicators <i>In RM Mil</i>	31.12.2015	Individual quarter ended	
31.12.2014	31.12.2015			30.9.2015	31.12.2014
150,363	111,408	Revenue		28,015	36,706
7,099	5,289	Third party	25,805	1,213	1,914
157,462	116,697	Inter-segment	1,426	29,228	38,620
5,743	8,909	PAT	1,645	2,001	421

Cumulative quarter ended		Operational Indicators	31.12.2015	Individual quarter ended	
31.12.2014	31.12.2015			30.9.2015	31.12.2014
299.0	282.6	Petroleum products sales volume (in million barrels)	68.3	70.9	75.4
209.1	213.9	Crude oil sales volume (in million barrels)	52.3	48.2	58.7
6.0	6.4	Petrochemicals sales volume (in million metric tonnes)	1.6	1.6	1.7

Fourth quarter Total revenue for the quarter was RM27.2 billion, a decrease of RM11.4 billion when compared to the corresponding quarter last year. The primary contributors to the lower revenue are lower prices for crude oil, petroleum and petrochemical products.

Petroleum products sales volume was 68.3 million barrels, lower than the corresponding quarter last year by 7.1 million barrels mainly due to lower trading volume for the quarter.

Crude oil sales volume was 52.3 million barrels, also lower than the corresponding quarter last year by 6.4 million barrels mainly due to lower trading volume for the quarter.

Petrochemical products sales volume was lower by 0.1 million metric tonnes compared to the corresponding quarter last year in line with lower production.

Downstream PAT was RM1.6 billion, higher than the corresponding quarter last year by RM1.2 billion mainly due to higher refining and marketing margins.

Cumulative quarter Total revenue for the period was RM116.7 billion, RM40.8 billion lower than the revenue from the corresponding period last year due to lower prices for crude oil, petroleum and petrochemical products.

Petroleum products sales volume was 282.6 million barrels, lower than the corresponding period last year by 16.4 million barrels mainly due to lower trading volume because profitable trading opportunities were limited.

Crude oil sales volume was 213.9 million barrels, higher than the corresponding period last year by 4.8 million barrels contributed by higher trading and marketing volumes.

Petrochemical products sales volume was higher by 0.4 million metric tonnes compared to the corresponding period last year contributed by improved plant performance leading to higher plant production during previous quarters in FY2015.

Downstream cumulative PAT was RM8.9 billion, RM3.2 billion higher than the corresponding period last year due to higher refining and marketing margins as well as higher petrochemical products sales volume.

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

15. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS

Cumulative quarter ended		Financial Indicators <i>In RM Mil</i>	31.12.2015	Individual quarter ended	
31.12.2014	31.12.2015			30.9.2015	31.12.2014
13,528	14,327	Revenue			
4,066	4,356	Third party	3,977	3,404	4,016
17,594	18,683	Inter-segment	1,013	1,058	1,037
5,848	7,307	PAT/(LAT)	7,089	(1,865)	3,376

Fourth quarter Revenue for the quarter was RM5.0 billion, slightly lower by RM0.1 billion or 1% as compared to the corresponding quarter a year ago mainly due to lower fund investment income. PAT stood at RM7.1 billion, higher by RM3.7 billion mainly contributed by higher net foreign exchange gain on borrowings.

Cumulative quarter Revenue for the year was RM18.7 billion, higher by RM1.1 billion or 6% as compared to the same period last year primarily due to higher income from shipping business. PAT increased by RM1.5 billion to RM7.3 billion in the current year mainly due to higher net foreign exchange gain on USD investments as a result of weakening Ringgit against US Dollar.

16. COMPARISON WITH PRECEDING QUARTER'S RESULT

<i>In RM Mil</i>	Individual quarter ended	
	31.12.2015	30.9.2015
Revenue	60,098	60,064
(Loss)/Profit for the period	(2,958)	1,351
EBITDA	19,177	14,548

PETRONAS Group's revenue of RM60.1 billion for the quarter was slightly higher compared to the preceding quarter. Revenue slightly increased due to favourable US Dollar exchange rate movement against the Ringgit coupled with higher income from other revenue and shipping despite lower prices across all major products.

The Group recorded a loss of RM3.0 billion for the current quarter, a decrease by RM4.3 billion as compared to the preceding quarter primarily due to higher net impairment on assets and lower products prices in the current quarter. EBITDA for the quarter was RM19.2 billion, an increase of 32% as compared to the preceding quarter.

17. NEXT FINANCIAL YEAR OUTLOOK

The industry continues to operate in a challenging environment as prices are impacted by sustained global supply imbalance and tepid demand. The Board expects the financial performance for 2016 to be affected by continuing volatility in price.

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

18. TAXATION

<i>In RM Mil</i>	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2015	2014	2015	2014
Current tax expenses				
Malaysia	6,194	6,977	17,871	28,387
Overseas	336	339	1,094	1,677
Deferred tax expenses				
Origination and reversal of temporary differences	(2,348)	(399)	(3,142)	14
	<u>4,182</u>	<u>6,917</u>	<u>15,823</u>	<u>30,078</u>

The Group's effective tax rate for the year was 43.1% compared with 38.7% in 2014, mainly due to under provision of taxation in the prior year. The adjusted effective tax rate after excluding net impairment on assets was 31.3% which is comparable to the corresponding period in 2014 of 30.6%.

19. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at 31.12.2015	As at 31.12.2014
By Currency		
RM	60.9	76.7
USD	35.1	19.8
Others	4.0	3.5
	<u>100.0</u>	<u>100.0</u>
By Maturity¹⁰		
< 1 year	97.5	97.1
1 to 5 years	1.7	1.5
5 to 10 years	0.8	1.4
	<u>100.0</u>	<u>100.0</u>
By Type		
Money market	94.4	92.0
Corporate bonds	2.9	3.9
Equities	2.7	3.2
Government securities	-	0.9
	<u>100.0</u>	<u>100.0</u>

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

¹⁰ Refers to instrument maturity dates; excludes equities.

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

20. BORROWINGS

The details of the Group borrowings as at 31 December 2015 are as follows:

<i>In RM Mil</i>	As at 31.12.2015	As at 31.12.2014
Non-Current		
Secured		
Term loans	2,134	918
Islamic financing facilities	935	1,495
Total non-current secured borrowings	3,069	2,413
Unsecured		
Term loans	6,558	9,282
Notes and Bonds	35,167	15,673
Islamic financing facilities	9,145	2,704
Total non-current unsecured borrowings	50,870	27,659
Total non-current borrowings	53,939	30,072
Current		
Secured		
Term loans	203	690
Islamic financing facilities	611	145
Revolving credits	-	151
Total current secured borrowings	814	986
Unsecured		
Term loans	1,142	726
Notes and Bonds	-	2,184
Islamic financing facilities	257	543
Revolving credits	1,602	2,179
Bank overdrafts	148	144
Total current unsecured borrowings	3,149	5,776
Total current borrowings	3,963	6,762
Total borrowings	57,902	36,834

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

20. BORROWINGS (continued)

<i>In RM Mil</i>	As at		As at	
	31.12.2015	%	31.12.2014	%
By Currency				
USD	47,263	81.6	26,585	72.2
RM	6,404	11.1	6,184	16.8
EUR	2,068	3.6	1,882	5.1
GBP	1,587	2.7	1,618	4.4
Others	580	1.0	565	1.5
	57,902	100.0	36,834	100.0
By Repayment Schedule				
< 1 year	3,963	6.8	6,762	18.4
1 to 5 years	27,616	47.7	21,008	57.0
5 to 10 years	17,841	30.9	7,317	19.9
> 10 years	8,482	14.6	1,747	4.7
	57,902	100.0	36,834	100.0

21. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 31 December 2015.

22. 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. The Company cannot now estimate with sufficient reliability the ultimate financial obligation, if any, under this litigation, since it has not gone for full trial yet.

INTERIM FINANCIAL REPORT

FOR FOURTH QUARTER 2015



PART B – OTHER EXPLANATORY NOTES (continued)

23. (LOSS)/PROFIT FOR THE PERIOD/YEAR

<i>In RM Mil</i>	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2015	2014	2015	2014
Included in (loss)/profit for the period/year are the following charges:				
Bad debt written off	4	-	4	137
Depreciation and amortisation	7,451	6,747	24,258	27,255
Net impairment losses on:				
- receivables	1,367	-	1,611	40
- intangible assets	3,216	1,809	3,319	1,824
- property, plant and equipment	7,697	19,090	13,171	20,699
- investments in associates and joint ventures	737	1,087	1,307	1,087
- other investments	1,793	575	1,793	575
Net loss on derivatives	-	99	191	175
Net loss on foreign exchange	-	605	-	1,842
and credits:				
Dividend income	31	14	180	291
Gain on disposal of investments and property, plant and equipment	79	229	136	1,391
Interest income	1,318	1,478	5,321	4,827
Net gain on derivatives	735	-	-	-
Net gain on foreign exchange	5,143	-	98	-
Net write back of impairment losses on:				
- receivables	-	417	-	282

24. DIVIDENDS

As disclosed in Note 7.

25. EXCHANGE RATES

US dollar/RM	Individual quarter ended			Cumulative quarter ended		
	31.12.2015	30.9.2015	31.12.2014	31.12.2015	30.9.2015	31.12.2014
Average rate	4.2857	4.0532	3.3626	3.9032	3.7757	3.2721
Closing rate	4.2940	4.4475	3.4945	4.2940	4.4475	3.4945

By order of the Board

Maliki Kamal Mohd Yasin (LS 0005209)
Company Secretary
Kuala Lumpur
29 February 2016