

# PETRONAS Group Financial Results Announcement

Quarter 3 Ended 30 September 2012



**EMBARGO**

The information contained herein may only be released  
after 5.00 p.m. on 29 November 2012

# Cautionary Statement

Forward-looking statements involve inherent risks and uncertainties. Should one or more of these or other uncertainties or risks materialise, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed, and anticipated improvements in capacity, performance or profit levels might not be fully realised. Although PETRONAS believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, you are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they are made. PETRONAS undertakes no obligation to update or revise any of them, whether as a result of new information, future developments or otherwise.

All rights reserved. No part of this document may be reproduced, stored in a retrieval system or transmitted in any form or by any means (electronic, mechanical, photocopying, recording or otherwise) without the permission of the copyright owner. PETRONAS makes no representation or warranty, whether expressed or implied, as to the accuracy or completeness of the facts presented. PETRONAS disclaims responsibility from any liability arising out of reliance on the contents of this publication.

©2012 PETROLIAM NASIONAL BERHAD (PETRONAS)

# PETRONAS Group Financial Results Announcement

Datuk George Ratilal  
Executive Vice President  
Finance



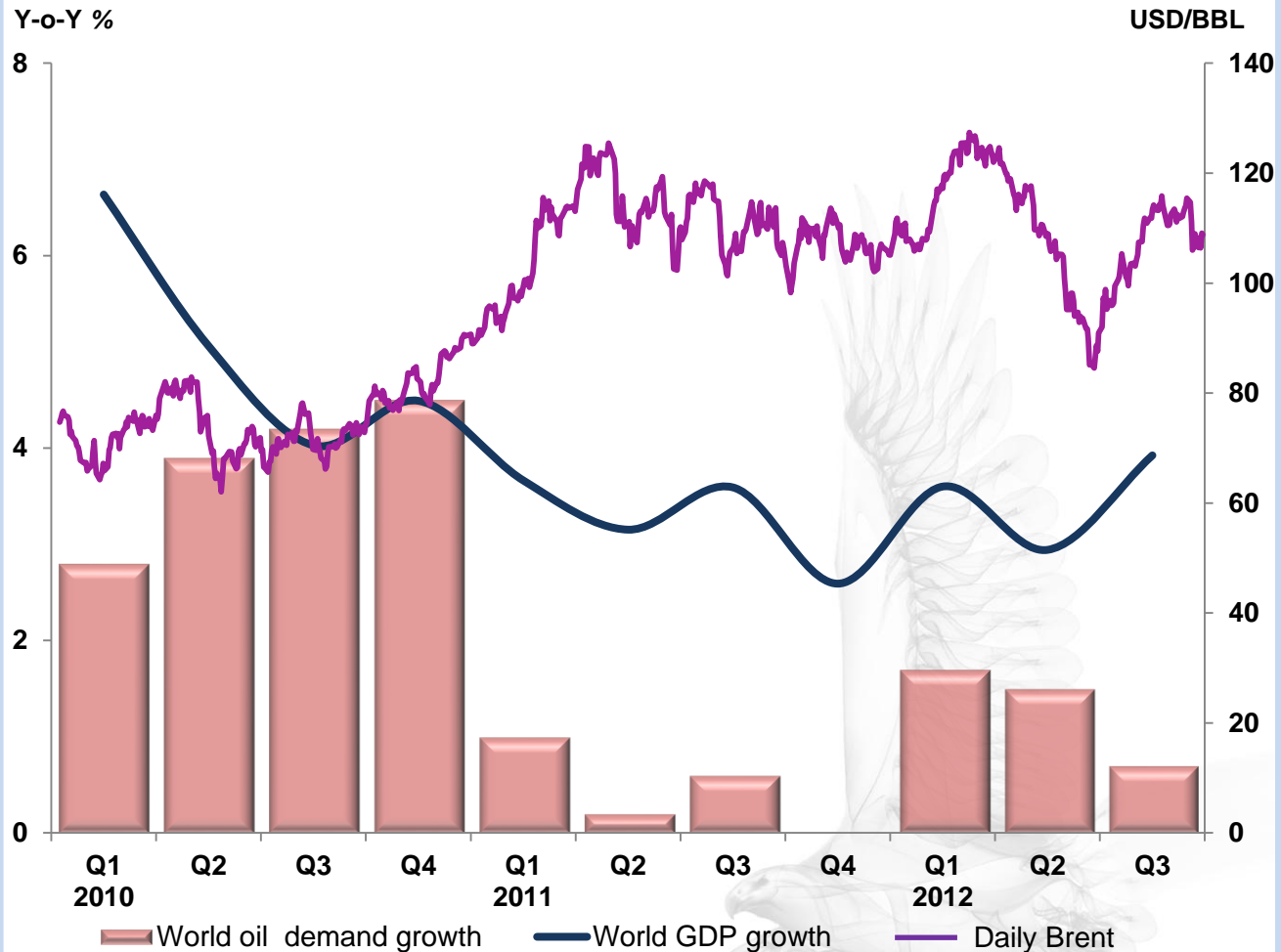
### Global Economy

- Remained volatile in Q3
- Global economy grew by 3.9% with sustained growth in the emerging markets, whilst growth stalled in most advanced economies
- Downgrading of IMF's global GDP forecast for 2012 from 3.5% to 3.3%

### Oil Demand Growth

- Global oil demand growth on a decreasing trend since Q1, with growth of 0.7% year-on-year recorded in Q3

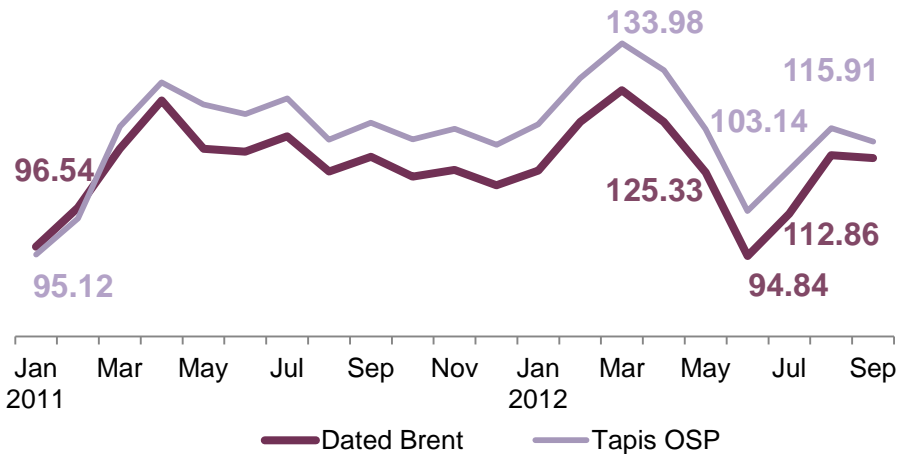
World GDP Growth, World Oil Demand Growth & Daily Brent Prices



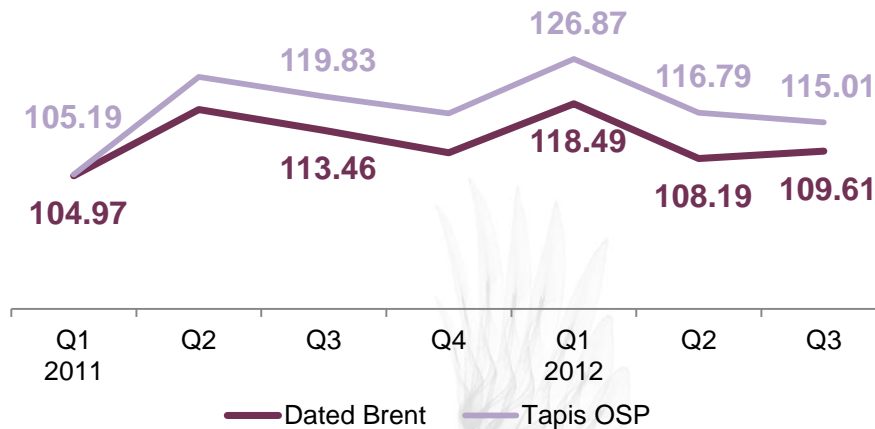
Source: IMF World Economic Outlook, IEA

Average oil prices remain above USD100 per barrel

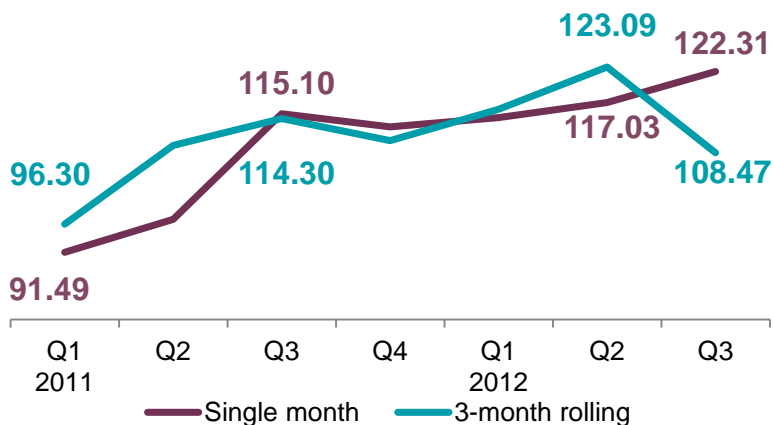
Monthly Average Benchmark Crude oil prices (USD/BBL)



Quarterly Average Benchmark Crude oil prices (USD/BBL)



Quarterly Average JCC prices (USD/BBL)



Quarterly Average Exchange Rate USD/MYR



Note: JCC is Japanese Crude Cocktail

Source: Internal Analysis, Platts, Bloomberg

YTD performance affected by operational challenges

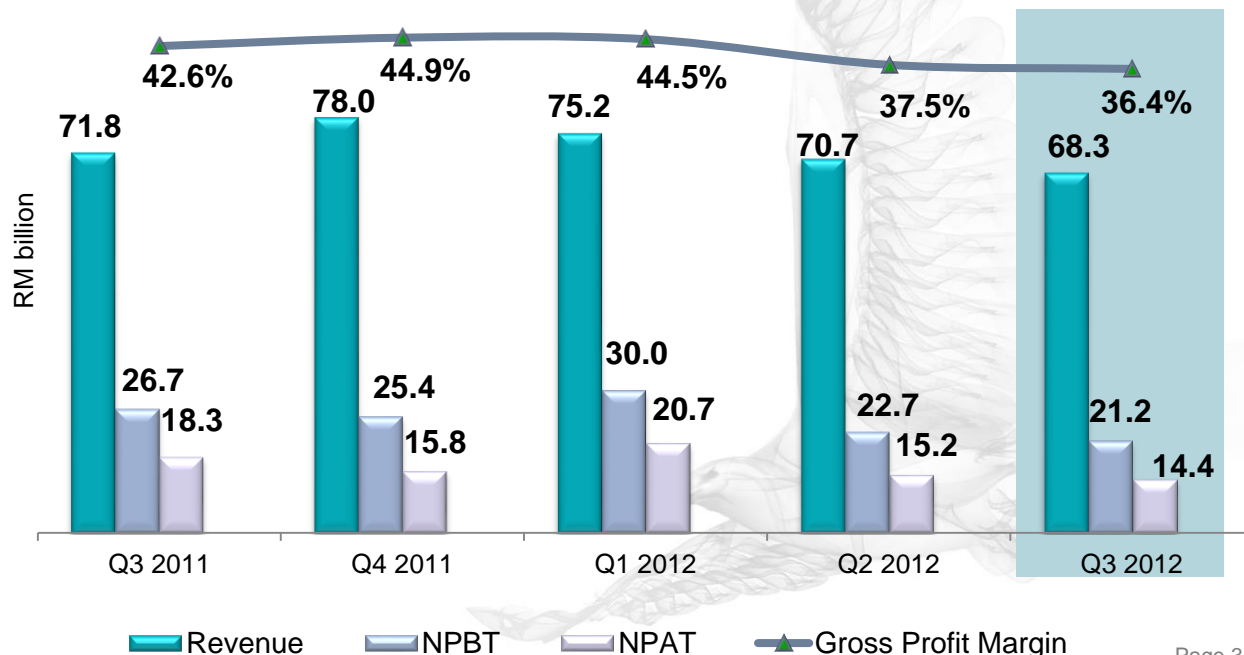
**Revenue YTD ↑ 2%**

- Favourable product prices amidst operational challenges including geopolitical challenges; and
- Favourable exchange rate impact

**NPAT YTD ↓ 5%**

- Lower profits on the back of operational challenges including geopolitical challenges especially Sudan; and
- Lower gain on disposal of investments

Q3			Key Financial Indicators	YTD		
CY 2011	FY 2012	+/- (%)		CY 2011	FY 2012	+/- (%)
71.8	68.3	(4.9)	Revenue	210.4	214.2	1.8
26.7	21.2	(20.6)	Net Profit Before Taxation (NPBT)	78.4	73.9	(5.7)
18.3	14.4	(21.3)	Net Profit After Taxation (NPAT)	52.8	50.3	(4.7)
42.6%	36.4%	n/a	Gross Profit Margin	42.7%	39.6%	n/a
25.5%	21.1%	n/a	NPAT Margin	25.1%	23.5%	n/a



Gross revenue and NOPAT affected by operational challenges

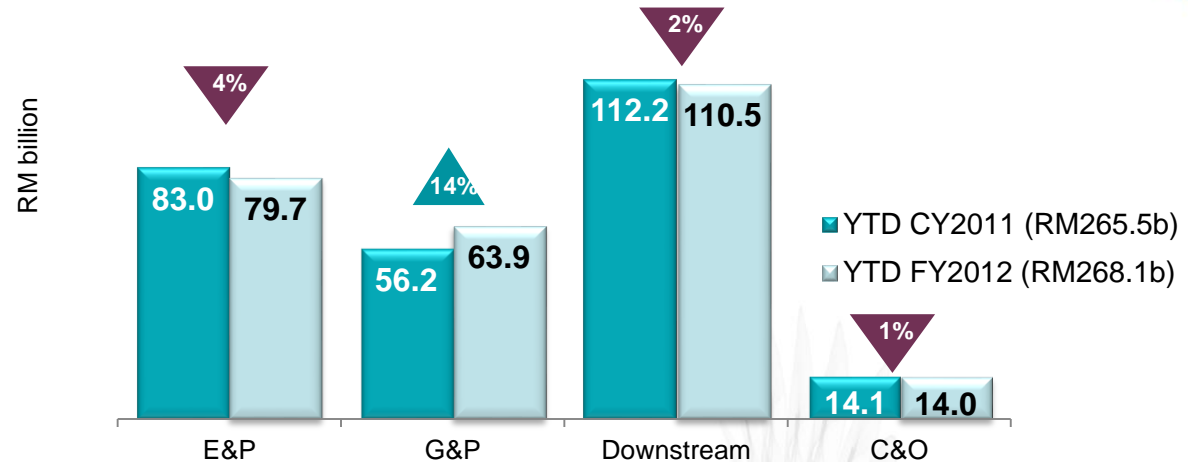
## Gross Revenue YTD ↑ 1%

- Favourable product prices but negated by operational challenges

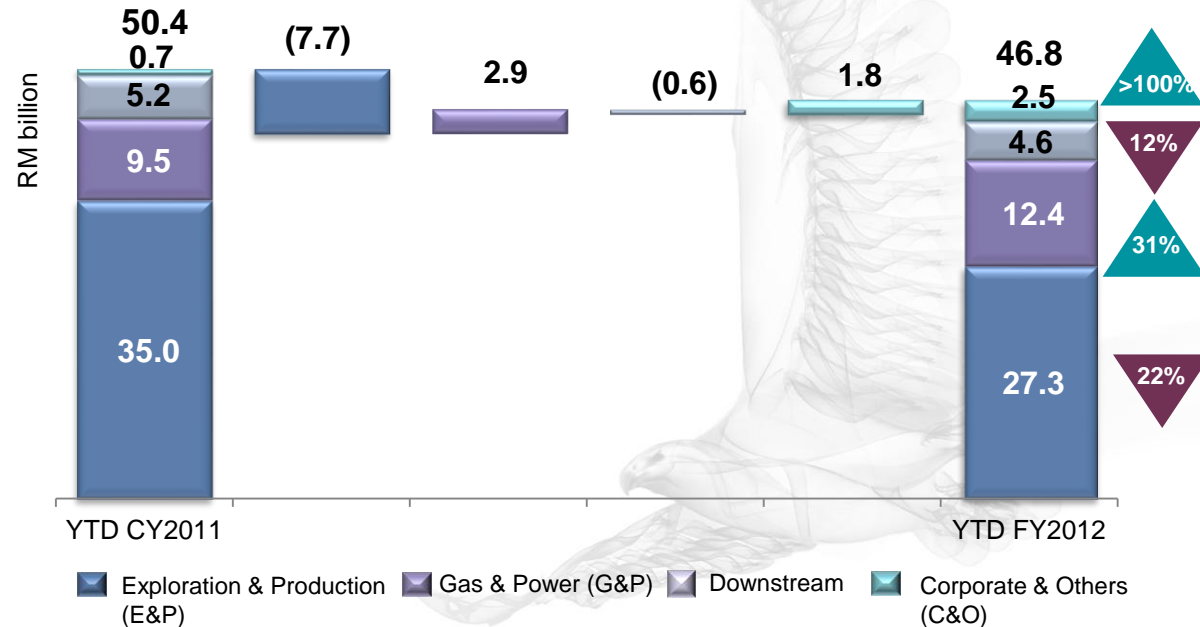
## Gross NOPAT YTD ↓ 7%

- E&P ↓ 22% - operational challenges including stop production instructions for Sudan operation and lower entitlements;
- G&P ↑ 31% - higher realised LNG prices;
- Downstream ↓ 12% - lower inventory gain recorded in current period; and
- C&O ↑ >100% - higher fund investments income

### Gross Revenue by Business Segments



### Gross NOPAT by Business Segments



Notes:

- NOPAT : Net Profit After Tax excluding financing cost, share of profits of associates and jointly controlled entities and other non-operating income and expenses
- Gross Revenue and Gross NOPAT include both third party and inter-segment transactions

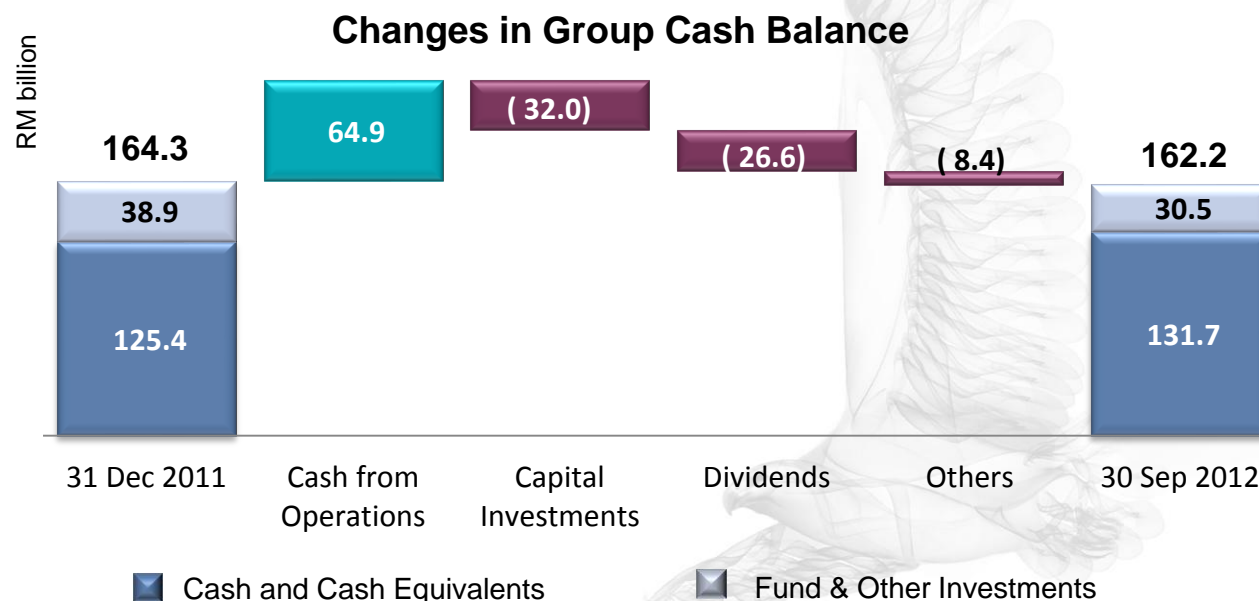
Financial position remains strong

- **Total Assets** ↑ 1.6%.
- **ROTA<sup>1</sup> & ROACE<sup>2</sup>** are at 13.7% and 19.3% respectively.
- **Group Cash Balance** ended lower by RM2.1b at RM162.2b.
- **Capital Investments** of RM32.0b were mainly for E&P.

RM billion

## Financial Position Highlights

	31 Dec 2011	30 Sep 2012	+/- (%)
Property, Plant & Equipment	205.6	217.7	5.9
Total Assets	475.1	482.6	1.6
Shareholders' Funds	286.9	297.6	3.7
Return on Total Assets (ROTA) <sup>1</sup> (%)	14.5%	13.7%	n/a
Return on Average Capital Employed (ROACE) <sup>2</sup> (%)	20.4%	19.3%	n/a
Gearing (%)	15.5%	12.5%	n/a



<sup>1</sup>ROTA is calculated as profit after tax divided by total assets

<sup>2</sup>ROACE is calculated as NOPAT divided by the average shareholders' equity and long term debt during the period/year.

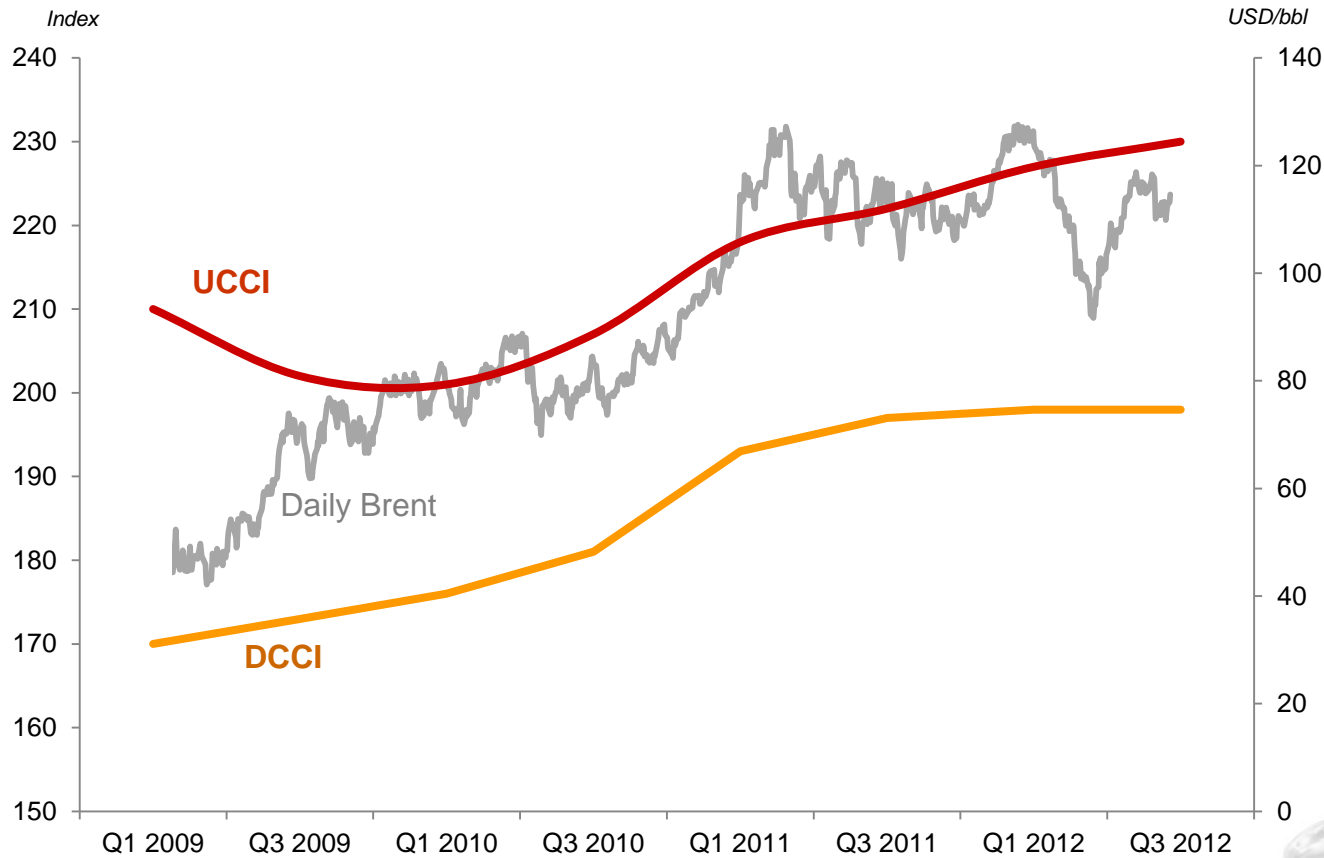


# PETRONAS Group Financial Results Announcement

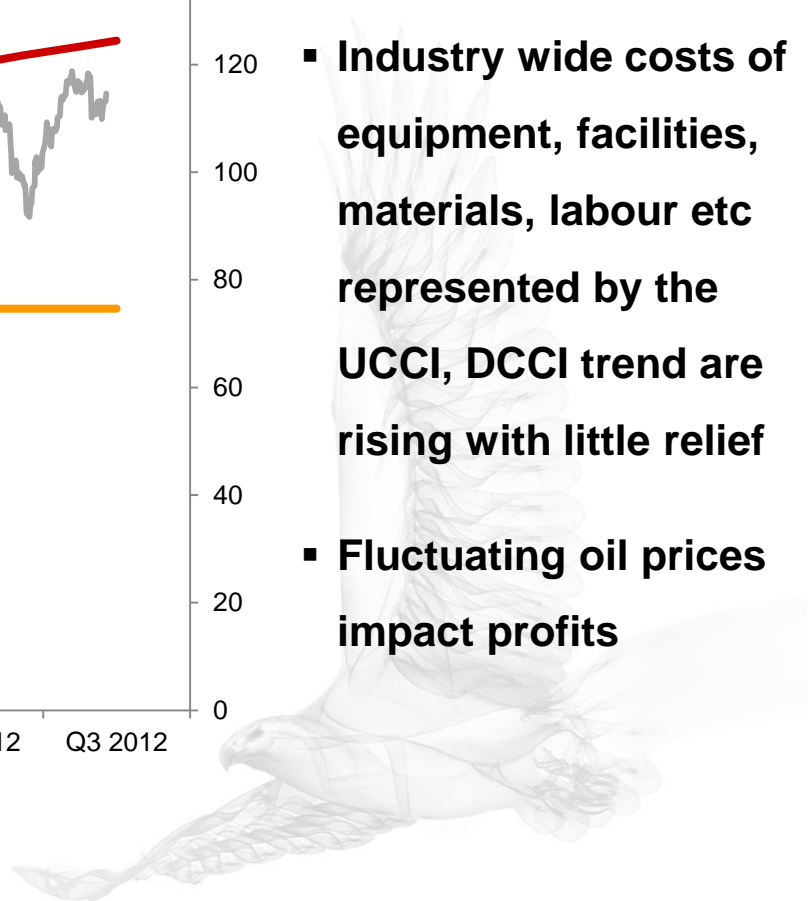
Tan Sri Dato' Shamsul Azhar Abbas  
President & Group CEO  
PETRONAS



## HIGHER COSTS = TIGHTER MARGINS



- Industry wide costs of equipment, facilities, materials, labour etc represented by the UCCI, DCCI trend are rising with little relief
- Fluctuating oil prices impact profits



Our efforts in building the oil & gas industry will be negatively impacted



### **Stemming domestic production decline**

Aggressive exploration, EORs, IORs, Marginal & Stranded fields, Deep water, HPHT, High CO<sub>2</sub>



### **Ensuring energy security of supply for Malaysia**

RGTs, Train 9, FLNGs



### **Value adding to hydrocarbon molecules**

RAPID, SAMUR



### **Ensuring safe & reliable operations**

Asset Integrity, Infrastructure Maintenance & HSE programs



### **Long term replenishment solution for our depleting reserves**

Acquisition of high yielding international oil & gas assets

## **Exponential Multipliers Foregone**

**Long Term Oil & Gas Production**

**Infrastructure Development**

**Global Competitiveness**

**Job Creation**

**GNI, FDI & GDP**

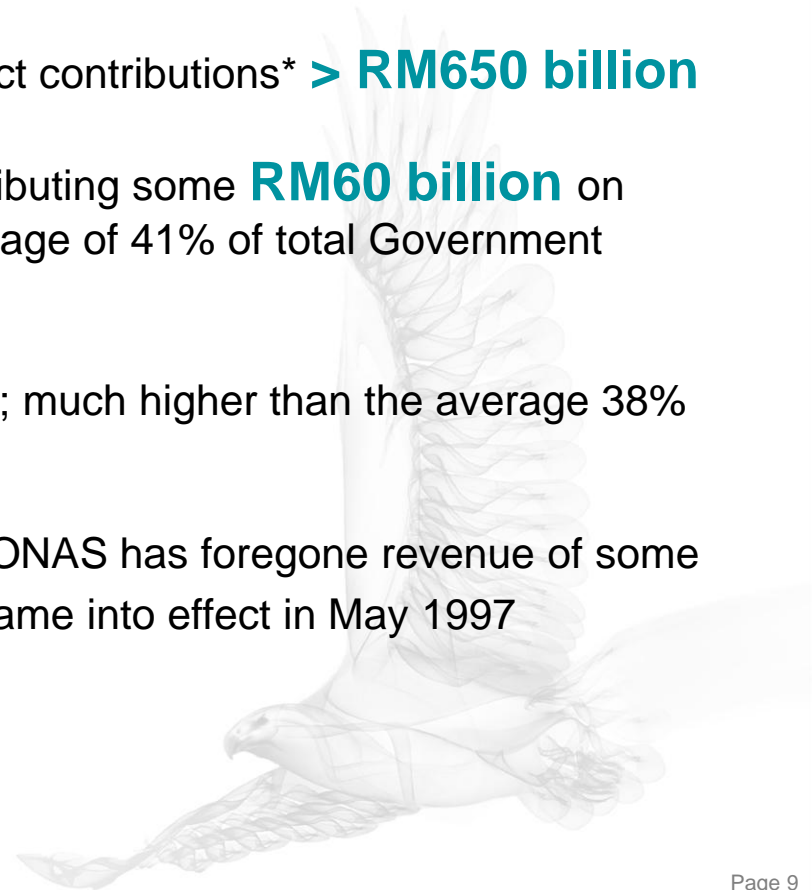
**The Oil, Gas & Energy Industry contribution  
~ 20%\* of GDP (2011)**

**>RM300b CAPEX at risk in the next 5 years**

## Petroleum Development Act 1974

### PETRONAS to Regulate & Add Value to Malaysia's hydrocarbon resources

- ✓ From inception to 31 December 2011, total direct contributions\* **> RM650 billion**
- ✓ In the last 5 years, PETRONAS has been contributing some **RM60 billion** on average a year to Malaysia; constitutes an average of 41% of total Government revenue
- ✓ Our dividends ~ **61%** of our profits for PE2011; much higher than the average 38% paid by other global oil & gas companies
- ✓ Over and above the direct contributions, PETRONAS has foregone revenue of some **RM155 billion** since regulated gas prices came into effect in May 1997




## Key value adding achievement

### *Developing the domestic oil and gas industry*

to create:

- globally competitive companies
- geographic concentrations of interconnected companies
- specialized suppliers
- service providers and
- associated institutions



*Establishing the  
oil & gas industry  
as one of the  
key economic  
components of  
Malaysia's  
future growth  
engine*

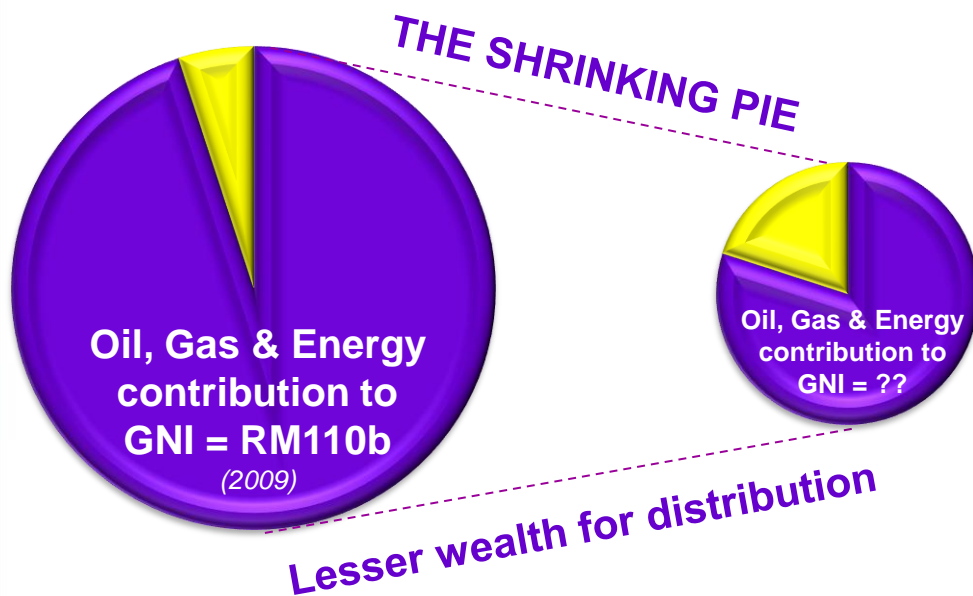
For 38 years, PETRONAS has discharged its duty diligently, earnestly, guarding these assets and adding immense value, for the future generations of Malaysia

SHRINKING PIE = Lesser wealth for distribution

**Demanded State Royalty hike to 20%**

=

**Value Destruction**



**Reduced ability to reinvest**

- >RM300 billion CAPEX is at risk
- Long term oil & gas production
- Energy security of supply

**Domestic Oil & Gas industry stagnates then contracts**

- Service industry, Infrastructure development
- Payments to Federal & State governments including Royalty, taxes, dividends

**Exponential Multipliers Foregone**

- Reduction in FDI, GNI & GDP
- Large scale job creation

**We must focus on enlarging the pie, not scrambling for a bigger piece of a shrinking pie**

# Exploration and Production Business

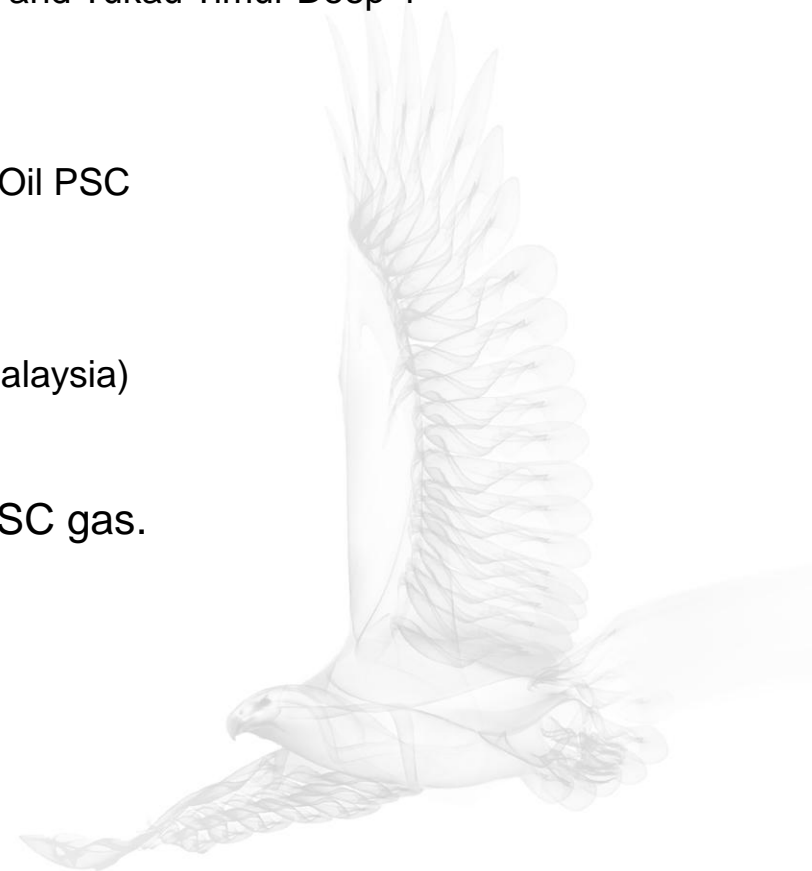


## Q3 FY2012 HIGHLIGHTS



### Exploration & Production

- **7 successful discoveries** in Malaysia  
Bidara, Gambir RDR, Kurma Manis-1, Berangan-1,  
Tembakau-1, Kuang North-2 and Tukai Timur Deep-1  
(YTD: 21)
- **2 PSCs** concluded.  
SK314A and 2012 Kinabalu Oil PSC  
(YTD: 9 PSC + 1 RSC)
- **2 First Oil/Gas** achieved.  
F28 and Gumusut-Kakap (Malaysia)  
(YTD: 13)
- **1<sup>st</sup> Commencement of RSC gas.**  
Berantai Field  
(YTD: 1)



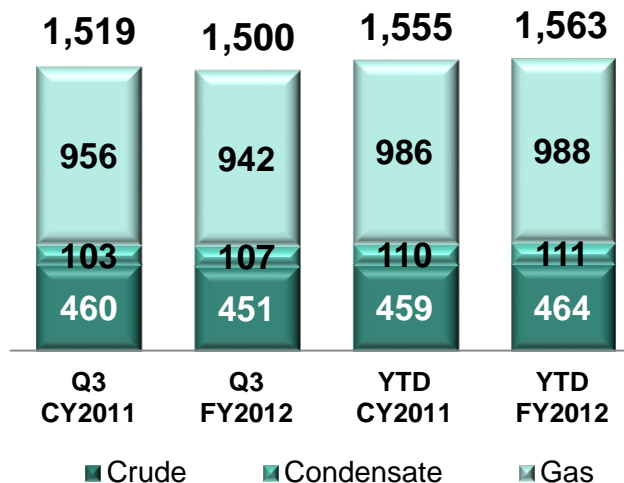


Higher YTD Malaysia production across all products

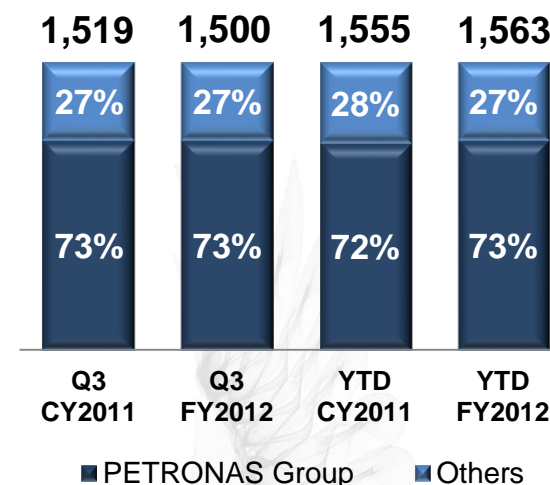
### Crude

- YTD production was higher mainly due to production optimisation initiatives and better well performance in Peninsular Malaysia.
- Q3 production was lower compared to last year mainly due to higher reservoir decline rate in Sarawak.

Malaysia Production by Hydrocarbon Type (kboe/d)



PETRONAS Group Entitlement % (kboe/d)



### Gas and Condensate

- YTD was higher mainly due to inclusion of production from PM2 and PM301 unitisation in Peninsular Malaysia.
- Q3 production was lower compared to last year mainly due to upstream and downstream operational challenges in Sarawak.

Malaysia Production By Region (kboe/d)

	YTD CY2011	YTD FY2012	+/-
Peninsular Malaysia	522	589	12%
Sarawak	864	799	(7%)
Sabah	169	175	4%

Higher gas production hampered by lower crude production due to geopolitical issue

**Crude ↓ 58%**

- Lower crude production due to stop order instructions in Sudan and South Sudan.

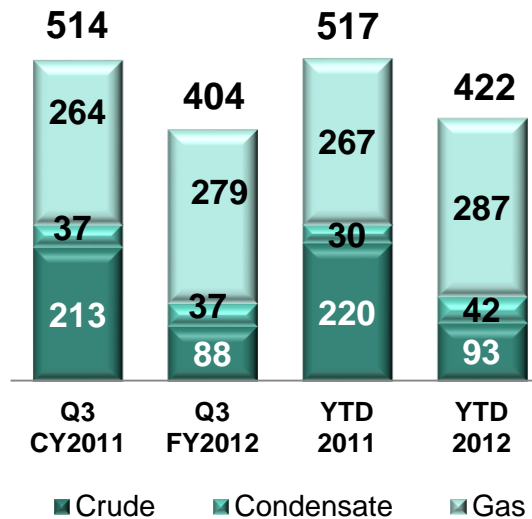
**Gas and Condensate ↑ 11%**

- Higher gas and condensate production mainly due to:
  - new production coming on stream from Turkmenistan, and
  - ramp up production as well as production enhancement activities in Egypt.

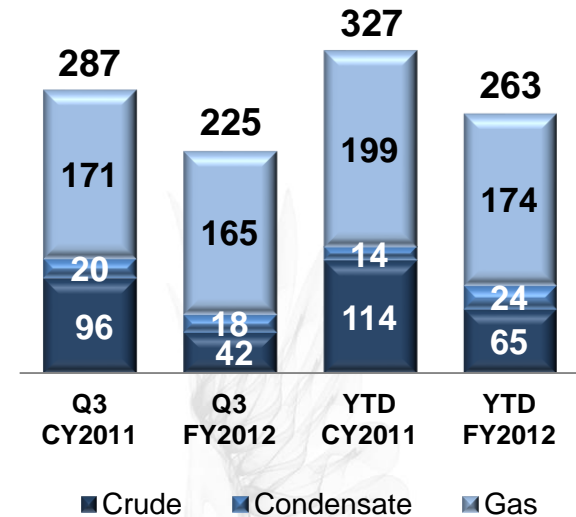
**Entitlement ↓ 19%**

- Lower entitlement mainly due to cessation of Sudan and South Sudan production.

**International Production by Hydrocarbon Type (kboe/d)**



**International Entitlement by Hydrocarbon Type (kboe/d)**



Top Producing Countries/ Area (kboe/d)	YTD CY2011	YTD FY2012	+/-
Egypt	120	124	3%
MTJDA	104	103	(1%)
Turkmenistan	14	43	>100%
Chad	40	36	(10%)
Indonesia	32	33	3%
Sudan	149	25	(83%)

# Gas & Power Business



## Q3 FY2012 HIGHLIGHTS

- **Boil-off gas re-liquefaction** project by MLNG – achieved FID in September 2012 and EPCC awarded to Linde AG in October 2012.

## GROWTH IMPERATIVES

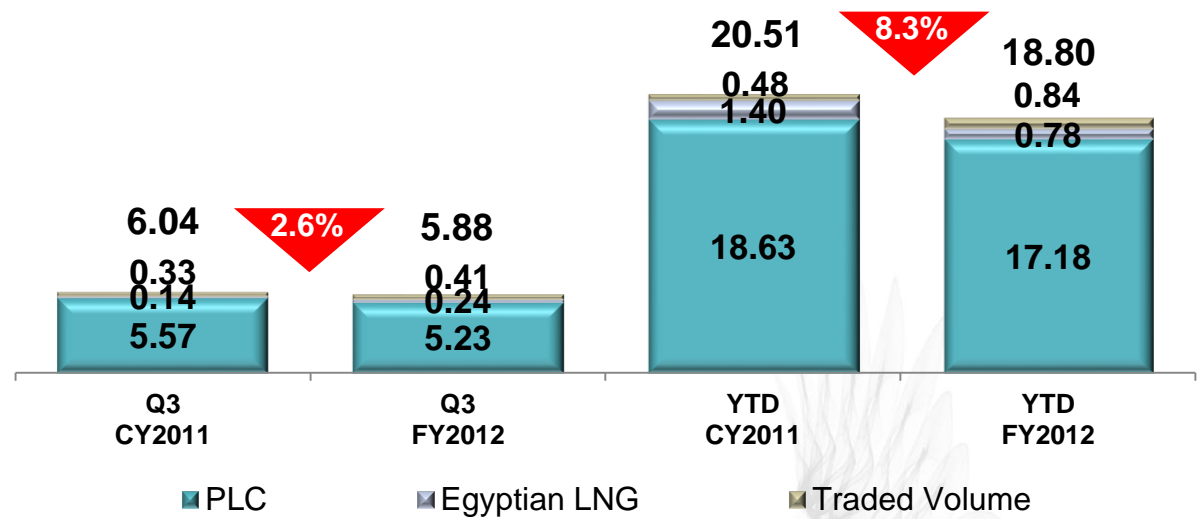


- 
- *Secure supply and maximise value of gas for Malaysia*
  - *Strengthen and grow LNG position in Asia Pacific & Atlantic*
  - *Establish and grow energy trading in Europe*
  - *Pursue and develop Power Business in Malaysia & Emerging Markets*

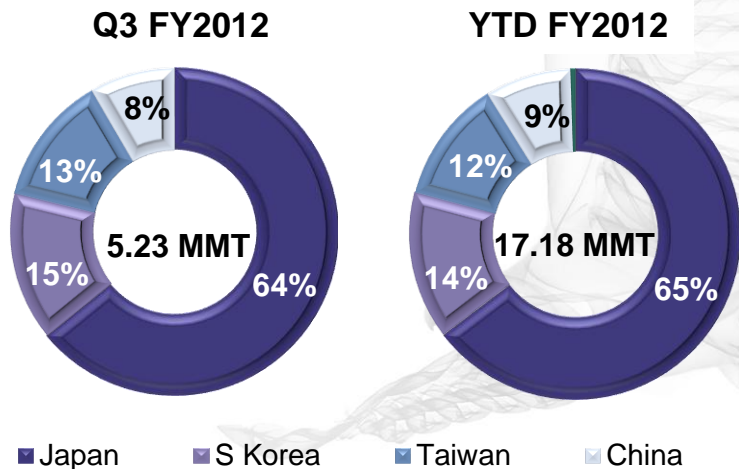
**LNG ↓ 8%**

- Lower LNG sales volume was mainly due to:
  - lower production from the PETRONAS LNG Complex (“PLC”) in Bintulu, Sarawak attributed from upstream interruptions and plant planned shutdown; and
  - lower entitlement from operations in Egypt.
  
- Exports of LNG from PLC were mostly shipped to Japan, South Korea & Taiwan.

**LNG Sales Volume (MMT)**



**PETRONAS LNG Complex (PLC)  
% sales by country**

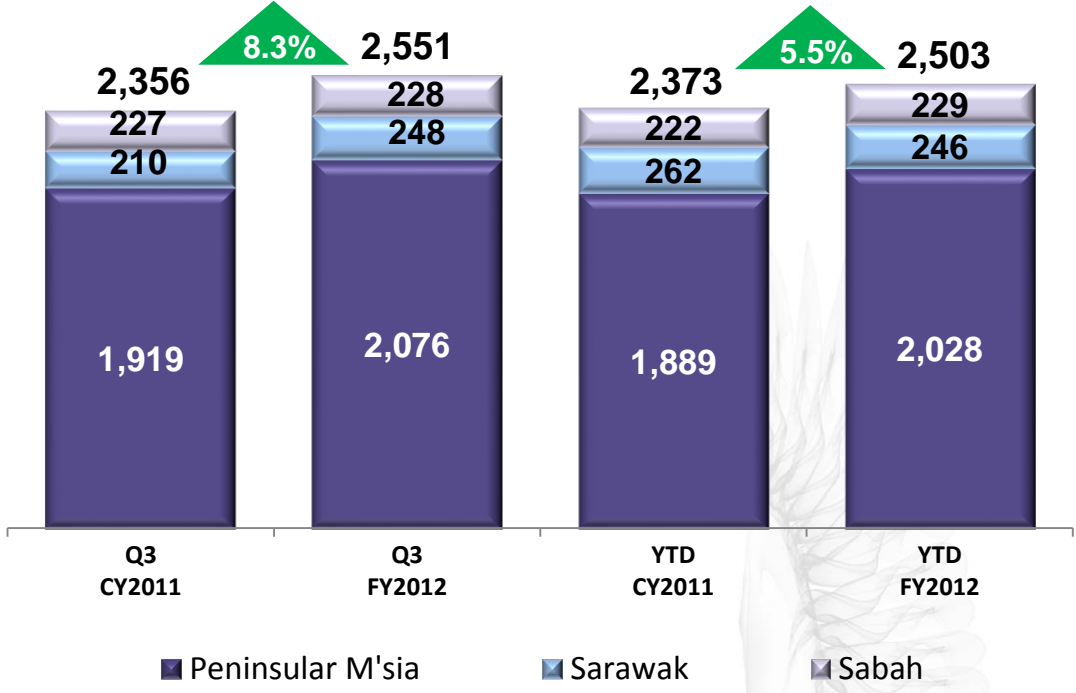


Higher volume for sales gas delivered mainly due to higher feedgas supply

Sales Gas Delivery (mmscfd)

Sales Gas ↑6%

- Higher average sales gas delivery mainly from higher feedgas supply from Sarawak, MT JDA and Kertih Terengganu.
- PETRONAS Gas Berhad continued to maintain world-class reliability levels for its GPP and PGU pipeline.



Reliability Level Attained (%)	Q3		YTD	
	CY2011	FY2012	CY2011	FY2012
GPP	99.00	89.20	99.56	96.40
PGU	99.98	99.99	99.97	99.98

# Downstream Business



## Q3 FY2012 HIGHLIGHTS

**Project RAPID is progressing as planned** with the following achievements in the current period

- **Signed Heads of Agreement with Versalis SpA** on 19<sup>th</sup> July 2012 to jointly own, develop, construct and operate elastomer plants.
- **Phase I of the land acquisition hearing has been concluded.** The site preparation works have been awarded on 4<sup>th</sup> October 2012.
- **Signed Memorandum of Understanding with Ministry of Youth and Sports** on 9<sup>th</sup> August 2012 to train IKBN students the skills in Oil & Gas industry to increase the pool of skilled resources in the country.

## GROWTH IMPERATIVES



- *Strengthen presence and pursue opportunistic growth in selected markets*
- *High grade asset portfolio*
- *Grow refining and petrochemical capacity and product range*
- *Build global trading and marketing portfolio*





Higher YTD petrochemical sales volume recorded due to better plant performance

**Petrochemical Products ↑ 2%**

- YTD volume increased mainly due to better plant performance.

**Crude ↓ 16%**

- YTD volume decreased mainly due to persisting geopolitical issues in Sudan and also lower crude trading activities.

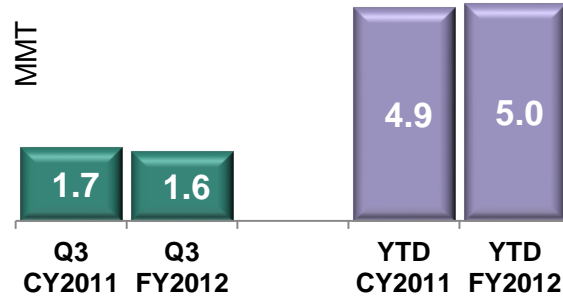
**Petroleum Products ↓ 2%**

- YTD volume decreased mainly due to limited trading opportunities affected by the high price environment.

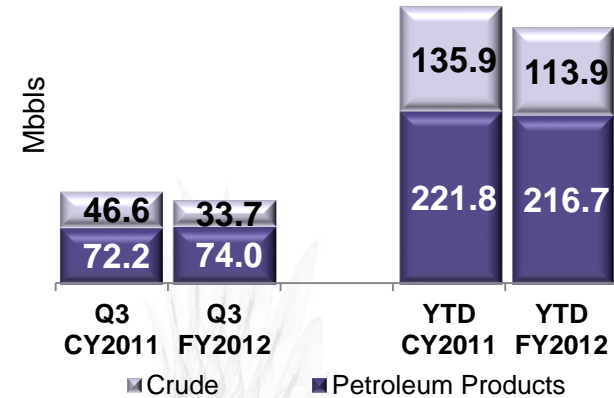
**Domestic refineries and PCG Plants performance**

- Higher plant utilisation on the back of improved plant reliability with lower level of plant issues across the Group.
- Engen refinery utilisation was lower mainly due to equipment issues.

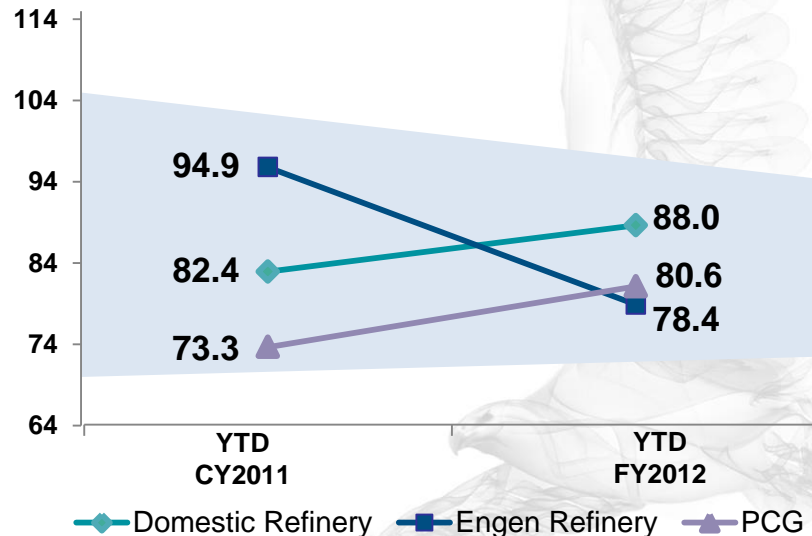
**Petrochemical Products Sales Volume**



**Crude and Petroleum Products Sales Volume**



**Plant Utilisation (%)**



Peer comparison based on Average Asia-Pacific Refinery Utilisation Range (FACTS) Page 22

Thank You

