



**PETRONAS**

# **PETRONAS Group**

## **Financial Report**

For Fourth Quarter and  
Year Ended 31 December 2018

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# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018



Cumulative quarter ended		Key Financial and Operational Highlights	31.12.2018	Individual quarter ended	
31.12.2017	31.12.2018			30.9.2018	31.12.2017
223,622	<b>250,976</b>	Revenue (RM mil)	<b>69,904</b>	63,913	61,787
64,652	<b>76,730</b>	Profit Before Taxation (RM mil)	<b>20,425</b>	18,872	23,639
45,518	<b>55,310</b>	Profit After Tax (RM mil)	<b>14,324</b>	14,338	18,211
(1,086)	<b>4,733</b>	Net impairment (losses)/write-back, net of tax (RM mil) <sup>1</sup>	<b>3,635</b>	(161)	462
46,604	<b>50,577</b>	Profit After Tax excluding net impairment (RM mil)	<b>10,689</b>	14,499	17,749
92,003	<b>116,474</b>	EBITDA (RM mil)	<b>37,329</b>	26,915	25,309
75,661	<b>86,320</b>	Cash flows from operating activities (RM mil)	<b>30,087</b>	14,554	17,927
44,499	<b>46,798</b>	Capital investments (RM mil)	<b>20,297</b>	6,677	10,691
1,760	<b>1,686</b>	Crude oil, condensate and natural gas entitlement volume ('000 boe per day)	<b>1,867</b>	1,514	1,813

### Fourth quarter

- **PETRONAS Group's revenue for the fourth quarter of 2018 increased by 13%** as compared to the fourth quarter of 2017 mainly due to the impact of higher average realised prices recorded for all key products partially offset by the impact of lower sales volume mainly for LNG.
- **The Group recorded Profit Before Taxation ("PBT") of RM20.4 billion and Profit After Tax ("PAT") of RM14.3 billion for the fourth quarter of 2018, decreased by 14% and 21% respectively,** as compared to the fourth quarter of 2017, primarily due to higher product costs, depreciation and amortisation as well as petroleum proceeds. These were partially offset by higher revenue recorded for the quarter. **Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") increased by 47%** as compared to the fourth quarter of 2017 mainly due to higher average realised prices.
- **Cash flows from operating activities increased by 68%** as compared to the fourth quarter of 2017 mainly due to higher average realised prices partially offset by higher taxes paid.
- **Capital investments for the fourth quarter of 2018** amounted to **RM20.3 billion**, mainly attributed to Upstream projects.
- **Crude oil, condensate and natural gas entitlement volume for the fourth quarter of 2018 was 1,867 thousand barrels of oil equivalent ("boe") per day** as compared to 1,813 thousand boe per day in the fourth quarter of 2017. Total production volume was 2,504 thousand boe per day as compared to 2,389 thousand boe per day in the fourth quarter of 2017.

### Cumulative quarter

- **PETRONAS Group's revenue for the year ended 31 December 2018 increased by 12%** as compared to the same period in 2017 mainly due to the impact of higher average realised prices recorded for all key products partially offset by the effect of strengthening of Ringgit against US Dollar exchange rate coupled with the impact of lower sales volume mainly for LNG.
- **The Group recorded PBT of RM76.7 billion and PAT of RM55.3 billion for the year ended 31 December 2018, increased by 19% and 22% respectively,** as compared to the same period in 2017, primarily due to higher revenue and net write-back of impairment on assets. These were partially offset by higher net product and production costs, depreciation and amortisation as well as tax expenses. **EBITDA for the year ended 31 December 2018 was RM116.5 billion, increased by 27%** as compared to the same period in 2017 in line with higher PBT.
- **Cash flows from operating activities for the year ended 31 December 2018 increased by 14%** as compared to the same period in 2017 due to higher average realised prices partially offset by net outflow of working capital and higher taxes paid.
- **Capital investments for the year ended 31 December 2018** amounted to **RM46.8 billion**, mainly attributed to Upstream projects.
- **Crude oil, condensate and natural gas entitlement volume for the year ended 31 December 2018 was 1,686 thousand boe per day** as compared to 1,760 thousand boe per day in the same period in 2017. Total production volume was 2,361 thousand boe per day as compared to 2,320 thousand boe per day in the same period in 2017.

<sup>1</sup> Comprises net impairment (losses)/write-back on property, plant and equipment, receivables, intangible assets and investments in an associate (Note 22).



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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 2018 which should be read in conjunction with the Explanatory Notes on pages 7 to 22.

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

In RM Mil	Individual quarter ended		Cumulative quarter ended	
	2018	31 December 2017	2018	31 December 2017
Revenue	69,904	61,787	250,976	223,622
Cost of revenue	(45,341)	(37,262)	(158,080)	(140,194)
<b>Gross profit</b>	<b>24,563</b>	24,525	<b>92,896</b>	83,428
Selling and distribution expenses	(2,368)	(1,819)	(7,022)	(6,277)
Administration expenses	(3,472)	(3,313)	(12,139)	(10,823)
Net impairment write-back	3,655	1,873	4,753	557
Other expenses	(311)	(714)	(2,563)	(5,350)
Other income	194	3,967	4,828	6,706
<b>Operating profit</b>	<b>22,261</b>	24,519	<b>80,753</b>	68,241
Financing costs	(2,035)	(1,061)	(4,707)	(3,694)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	199	181	684	105
<b>Profit before taxation</b>	<b>20,425</b>	23,639	<b>76,730</b>	64,652
Tax expense	(6,101)	(5,428)	(21,420)	(19,134)
<b>PROFIT FOR THE PERIOD/YEAR</b>	<b>14,324</b>	18,211	<b>55,310</b>	45,518
<b>Other comprehensive expenses, net of tax</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net changes of equity investments at fair value through other comprehensive income ("OCI")				
- Changes in fair value	(70)	-	(140)	-
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	(1,537)	(7,371)	465	(14,143)
Available-for-sale financial assets				
- Changes in fair value	-	(420)	-	(1,285)
- Transfer to profit or loss	-	(189)	-	(232)
Others	(478)	225	(373)	346
<b>Total other comprehensive expenses for the period/year, net of tax</b>	<b>(2,085)</b>	(7,755)	<b>(48)</b>	(15,314)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	<b>12,239</b>	10,456	<b>55,262</b>	30,204
<b>Profit attributable to:</b>				
Shareholders of the Company	12,410	16,385	47,865	37,660
Non-controlling interests	1,914	1,826	7,445	7,858
<b>PROFIT FOR THE PERIOD/YEAR</b>	<b>14,324</b>	18,211	<b>55,310</b>	45,518
<b>Total comprehensive income attributable to:</b>				
Shareholders of the Company	10,375	9,457	47,546	24,579
Non-controlling interests	1,864	999	7,716	5,625
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	<b>12,239</b>	10,456	<b>55,262</b>	30,204



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	As at 31.12.2018	As at 31.12.2017
<b>ASSETS</b>		
Property, plant and equipment	310,385	327,458
Investment properties, land held for development and prepaid lease payments	13,094	14,458
Investments in associates and joint ventures	15,548	13,092
Intangible assets	22,513	22,079
Fund and other investments	2,300	544
Other non-current assets	31,040	23,703
<b>TOTAL NON-CURRENT ASSETS</b>	<b>394,880</b>	<b>401,334</b>
Trade and other inventories	14,503	15,379
Trade and other receivables	46,205	44,035
Fund and other investments	5,147	7,754
Cash and cash equivalents	173,576	128,209
Other current assets	2,003	3,139
<b>TOTAL CURRENT ASSETS</b>	<b>241,434</b>	<b>198,516</b>
<b>TOTAL ASSETS</b>	<b>636,314</b>	<b>599,850</b>
<b>EQUITY</b>		
Share capital	100	100
Reserves	380,371	389,694
<b>Total equity attributable to shareholders of the Company</b>	<b>380,471</b>	<b>389,794</b>
Non-controlling interests	44,781	43,041
<b>TOTAL EQUITY</b>	<b>425,252</b>	<b>432,835</b>
<b>LIABILITIES</b>		
Borrowings	45,011	53,751
Deferred tax liabilities	9,986	8,177
Other long term liabilities and provisions	44,135	37,385
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>99,132</b>	<b>99,313</b>
Trade and other payables	54,571	53,291
Borrowings	23,561	10,398
Taxation	3,798	4,013
Dividend payable	30,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>111,930</b>	<b>67,702</b>
<b>TOTAL LIABILITIES</b>	<b>211,062</b>	<b>167,015</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>636,314</b>	<b>599,850</b>



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to shareholders of the Company</i>				
	<i>Non-distributable</i>				
<i>In RM Mil</i>	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Available- for-sale Reserve	Fair Value through OCI Reserve
<b>Cumulative quarter ended 31 December 2017</b>					
Balance at 1 January 2017	100	13,989	43,232	2,792	-
Net movements from exchange differences	-	-	(11,898)	-	-
Available-for-sale financial assets:					
- Changes in fair value	-	-	-	(1,285)	-
- Transfer to profit or loss	-	-	-	(232)	-
Other comprehensive income	-	334	-	-	-
Total other comprehensive income/(expenses) for the year	-	334	(11,898)	(1,517)	-
Profit for the year	-	-	-	-	-
<b>Total comprehensive income/(expenses) for the year</b>	-	334	(11,898)	(1,517)	-
Additional issuance of shares to non-controlling interests	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	(13)	(67)	-	-
Redemption of redeemable preference shares in a subsidiary	-	115	-	-	-
Dividends	-	-	-	-	-
<b>Total transactions with shareholders</b>	-	102	(67)	-	-
Balance at 31 December 2017	100	14,425	31,267	1,275	-
<b>Cumulative quarter ended 31 December 2018</b>					
Balance at 1 January 2018					
- As previously reported	100	14,425	31,267	1,275	-
- Effect of the adoption of MFRS 9	-	-	-	(1,275)	65
At 1 January 2018, restated	100	14,425	31,267	-	65
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	-	-	-	-	(140)
Net movements from exchange differences	-	-	218	-	-
Other comprehensive (expenses)/income	-	(397)	-	-	-
Total other comprehensive (expenses)/income for the year, net of tax	-	(397)	218	-	(140)
Profit for the year	-	-	-	-	-
<b>Total comprehensive (expenses)/income for the year</b>	-	(397)	218	-	(140)
Additional issuance of shares to non-controlling interests	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	-	(78)	-	-
Disposal of subsidiaries	-	-	(162)	-	-
Redemption of redeemable preference shares in subsidiaries	-	163	-	-	-
Dividends	-	-	-	-	-
<b>Total transactions with shareholders</b>	-	163	(240)	-	-
Balance at 31 December 2018	100	14,191	31,245	-	(75)

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## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

In RM Mil	Attributable to shareholders of the Company				
	Distributable			Non-controlling Interests	Total Equity
	General Reserve	Retained Profits	Total		
<b>Cumulative quarter ended 31 December 2017</b>					
Balance at 1 January 2017	12,000	308,328	380,441	43,262	423,703
Net movements from exchange differences	-	-	(11,898)	(2,245)	(14,143)
Available-for-sale financial assets:					
- Changes in fair value	-	-	(1,285)	-	(1,285)
- Transfer to profit or loss	-	-	(232)	-	(232)
Other comprehensive income	-	-	334	12	346
Total other comprehensive income/(expenses) for the year	-	-	(13,081)	(2,233)	(15,314)
Profit for the year	-	37,660	37,660	7,858	45,518
<b>Total comprehensive income/(expenses) for the year</b>	-	37,660	24,579	5,625	30,204
Additional issuance of shares to non-controlling interests	-	-	-	56	56
Changes in ownership interest in subsidiaries	-	854	774	868	1,642
Redemption of redeemable preference shares in a subsidiary	-	(115)	-	-	-
Dividends	-	(16,000)	(16,000)	(6,770)	(22,770)
<b>Total transactions with shareholders</b>	-	(15,261)	(15,226)	(5,846)	(21,072)
Balance at 31 December 2017	12,000	330,727	389,794	43,041	432,835
<b>Cumulative quarter ended 31 December 2018</b>					
Balance at 1 January 2018					
- As previously reported	12,000	330,727	389,794	43,041	432,835
- Effect of the adoption of MFRS 9	-	769	(441)	(61)	(502)
At 1 January 2018, restated	12,000	331,496	389,353	42,980	432,333
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	-	-	(140)	-	(140)
Net movements from exchange differences	-	-	218	247	465
Other comprehensive (expenses)/income	-	-	(397)	24	(373)
Total other comprehensive (expenses)/income for the year, net of tax	-	-	(319)	271	(48)
Profit for the year	-	47,865	47,865	7,445	55,310
<b>Total comprehensive (expenses)/income for the year</b>	-	47,865	47,546	7,716	55,262
Additional issuance of shares to non-controlling interests	-	-	-	21	21
Changes in ownership interest in subsidiaries	-	(188)	(266)	67	(199)
Disposal of subsidiaries	-	-	(162)	-	(162)
Redemption of redeemable preference shares in subsidiaries	-	(163)	-	(5)	(5)
Dividends	-	(56,000)	(56,000)	(5,998)	(61,998)
<b>Total transactions with shareholders</b>	-	(56,351)	(56,428)	(5,915)	(62,343)
Balance at 31 December 2018	12,000	323,010	380,471	44,781	425,252

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# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Cumulative quarter ended 31 December	
	2018	2017
<b>Cash flows from operating activities</b>		
Profit before taxation	76,730	64,652
Adjustments for:		
Depreciation and amortisation	34,327	30,525
Net impairment (write-back)/losses on:		
- Property, plant and equipment	(3,331)	(347)
- Intangible assets	20	1,745
- Loan and advances to associates and a joint venture	101	88
- Receivables	(1,592)	295
- Investments in associates and a joint venture	65	(601)
- Other investments	4	8
Net impairment/write-off on well costs	653	703
Net inventories written down to net realisable value	108	135
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(684)	(105)
Property, plant and equipment written off	95	375
Gain on disposal of investments in subsidiaries, associates, joint ventures, other investments and property, plant and equipment	(1,918)	(850)
Loss on disposal of other investments and property, plant and equipment	431	33
Bad debts written off	16	26
Net loss/(gain) on derivatives	31	(64)
Unrealised loss/(gain) on foreign exchange	1,082	(834)
Interest income	(6,509)	(4,389)
Financing costs	4,707	3,694
Net change in provision	11,608	(3,656)
Operating profit before changes in working capital	<u>115,944</u>	91,433
Net change in working capital	<u>(7,214)</u>	961
Cash generated from operations	<u>108,730</u>	92,394
Interest income from fund and other investments	3,845	3,095
Interest expenses paid	(2,967)	(2,901)
Taxation paid	<u>(23,288)</u>	(16,927)
<b>Net cash generated from operating activities</b>	<u>86,320</u>	75,661

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# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	Cumulative quarter ended 31 December	
	2018	2017
<b>Cash flows from investing activities</b>		
Investment in associates, joint ventures and unquoted companies	(125)	(503)
Investment in securities and other investments	(4,222)	(2,512)
Proceeds from disposal of:		
- investment in subsidiaries, net of cash disposed	4,044	561
- investment in associates and a joint venture	-	203
- property, plant and equipment, prepaid lease payments, investment properties, intangible assets and assets classified as held for sale	445	350
- securities and other investments	5,594	2,767
Proceeds from capital reduction in joint ventures and an associate	221	12
Purchase of property, plant and equipment, prepaid lease payments, investment properties, intangible assets and land held for development	(46,798)	(44,499)
Proceeds from government grant	240	204
Dividends received	1,120	1,238
Long term receivables and advances to associates and joint ventures	(1,648)	(384)
<b>Net cash used in investing activities</b>	<b>(41,129)</b>	<b>(42,563)</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(7,649)	(4,970)
Drawdown of borrowings	37,663	7,016
Dividends paid	(26,000)	(16,000)
Dividends paid to non-controlling interests	(5,998)	(6,770)
Proceeds from shares issued to non-controlling interests	21	56
Payment to a non-controlling interest on additional equity interest	(634)	-
Proceeds from partial disposal of equity interest to a non-controlling interest	435	1,420
<b>Net cash used in financing activities</b>	<b>(2,162)</b>	<b>(19,248)</b>
Net increase in cash and cash equivalents	43,029	13,850
Increase in cash and cash equivalents restricted	(39)	(74)
Net foreign exchange differences	1,904	(7,003)
Cash and cash equivalents at beginning of the year	127,564	120,791
<b>Cash and cash equivalents at end of the year</b>	<b>172,458</b>	<b>127,564</b>
<b>Cash and cash equivalents</b>		
Cash and bank balances and deposits	173,576	128,209
Bank overdrafts	(455)	(21)
Less: Cash and cash equivalents restricted	(663)	(624)
	<b>172,458</b>	<b>127,564</b>

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# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

### 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 2018.

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 2017.

#### 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 2018 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2017 except as disclosed below.

At the beginning of the current financial year, the Group and the Company adopted new MFRSs, Amendments to MFRSs and an IC Interpretation (collectively referred to as "pronouncements") that have been issued by the MASB and are applicable as listed below:

##### **Effective for annual periods beginning on or after 1 January 2018**

MFRS 9 *Financial Instruments (2014)*

MFRS 15 *Revenue from Contracts with Customers*

Amendments to MFRS 4 *Insurance Contracts: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

Amendments to MFRS 15 *Revenue from Contracts with Customers: Clarifications to MFRS 15*

Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*

Amendments to MFRS 140 *Investment Property: Transfers of Investment Property*

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of these pronouncements did not have a significant impact on the Group's reported income and net assets other than as set out below:

##### i. MFRS 9 *Financial Instruments (2014)*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities and impairment of financial assets.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"), and eliminates the existing MFRS 139 categories of held-to-maturity, loans and receivables and available-for-sale.

There was no significant impact on the accounting for long term receivables, fund and other investments that have been designated upon initial recognition at fair value through profit or loss, and trade and other receivables upon initial application of the new reclassification requirements. The effect of adopting MFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### i. MFRS 9 *Financial Instruments (2014)* (continued)

At 31 December 2017, the Group had equity investments classified as available-for-sale with a fair value of RM3,241,000,000 that are held for long-term strategic purposes and investments in debt securities of RM2,863,000,000. Under MFRS 9, the Group has designated these investments as measured at FVTPL. Consequently, all fair value gains and losses will be reported in profit or loss, and no impairment losses will be recognised in profit or loss.

MFRS 9 replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (“ECL”) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

As allowed by the transitional exemptions of MFRS 9, the Group has not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in equity as at 1 January 2018 as disclosed below:

	<b>Impact of adoption of MFRS 9 to opening balance at 1 January 2018</b>
<i>In RM Mil</i>	
Decrease in long term receivables	(65)
Decrease in trade and other receivables	(463)
Increase in fund and other investments	26
Decrease in equity	502

##### ii. MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The initial application of MFRS 15 did not have any material impact to the financial statements of the Group.

#### 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 2017.

#### 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.



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

#### 6. DIVIDENDS

During the financial year, the amount of dividends paid by the Company were as follows:

- i. a final tax exempt dividend of RM160,000 per ordinary share amounting to RM16 billion declared on 27 February 2018 and paid in instalments between May and November 2018 in respect of financial year ended 31 December 2017 as reported in the Directors' report of that year;
- ii. an interim tax exempt dividend of RM30,000 per ordinary share amounting to RM3 billion declared in January 2018 and paid in instalments between January and March 2018 in respect of financial year ended 31 December 2018;
- iii. a second interim tax exempt dividend of RM20,000 per ordinary share amounting to RM2 billion declared in April 2018 and paid in May 2018 in respect of financial year ended 31 December 2018;
- iv. a special tax exempt dividend of RM30,000 per ordinary share amounting to RM3 billion declared in July 2018 and paid in instalments between July and October 2018 in respect of financial year ended 31 December 2018; and
- v. an additional special tax exempt dividend of RM20,000 per ordinary share amounting to RM2 billion declared in October 2018 and paid in instalments between October and November 2018 in respect of financial year ended 31 December 2018.

The Company declared an additional special tax exempt dividend of RM300,000 per ordinary share amounting to RM30 billion declared in November 2018 which have been and will be paid in instalments between January and November 2019, in respect of financial year ended 31 December 2018.

The Directors propose a final tax exempt dividend of RM240,000 per ordinary share amounting to RM24 billion in respect of the financial year ended 31 December 2018 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 during the financial year ending 31 December 2019.

#### 7. SIGNIFICANT EVENTS

- i. PETRONAS, via its subsidiaries, PETRONAS Refinery & Petrochemical Corporation Sdn. Bhd. ("PRPC") and PETRONAS Chemicals Group Berhad ("PCG") signed a Share Purchase Agreement with Saudi Arabian Oil Company ("Saudi Aramco") on 28 February 2017, allowing Saudi Aramco's equity participation in PETRONAS' Refinery & Petrochemical Integrated Development ("RAPID") project in the southern Malaysian state of Johor. On 28 March 2018, the Group completed the divestments of its 50% equity interests in Pengerang Refining Company Sdn. Bhd. (formerly known as ("fka") PRPC Refinery & Cracker Sdn. Bhd. ("PRPC RC")), a wholly-owned subsidiary of PRPC and Pengerang Petrochemical Company Sdn. Bhd. (fka PRPC Polymers Sdn. Bhd. ("PRPC Polymers")), a wholly-owned subsidiary of PCG respectively to Aramco Overseas Holdings Coöperatief U.A. ("AOHC"), a wholly-owned subsidiary of Saudi Aramco. Pursuant to this, PRPC RC and PRPC Polymers ceased to be subsidiaries of the Group and have been accounted for as a joint venture and a joint operation respectively, in accordance with MFRS 11 *Joint Arrangements*. The net profit contributed by these subsidiaries from 1 January 2018 to the date of divestment is not material in relation to the consolidated net profit of the Group for the year.



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

#### 7. SIGNIFICANT EVENTS (continued)

- ii. On 22 March 2018, PETRONAS, via its wholly-owned subsidiary, PETRONAS Hartabina Sdn. Bhd. signed a Share Sale and Purchase Agreement for the sale of PETRONAS' 100% interest in Prince Court Medical Centre Sdn. Bhd. ("PCMC") to Khazanah Nasional Berhad ("Khazanah") (via its wholly-owned subsidiary, Pulau Memutik Ventures Sdn. Bhd.). The divestment was completed in August 2018. The net profit contributed by this subsidiary from 1 January 2018 to the date of divestment is not material in relation to the consolidated net profit of the Group for the year.
- iii. On 24 April 2018, PETRONAS through its wholly-owned entity, North Montney LNG Limited Partnership ("NMLLP") has entered into a Purchase and Sales Agreement for an equity position in the LNG Canada project ("the Project") in Kitimat, British Columbia, Canada. The transaction completed on 17 July 2018 after receipt of international regulatory approvals and the completion of other associated agreements, PETRONAS (through NMLLP) owns 25% Participating Interest ("PI") of the Project, while the rest are Shell Canada Energy at 40% PI, PetroChina Canada Ltd. at 15% PI, Diamond LNG Canada Ltd. at 15% PI and Kogas Canada LNG Ltd. at 5% PI. On 1 October 2018, the LNG Canada Joint Venture declared that the LNG Canada Joint Venture Participants have made a positive Final Investment Decision for the LNG Canada Project.
- iv. On 2 September 2018, PETRONAS through its wholly-owned subsidiary, PC Oman Ventures Ltd. entered into an Asset Sale and Purchase Agreement with state-owned Oman Oil Company through its subsidiary, Makarim Gas Development LLC to acquire 10% participating interest in Block 61 of the Sultanate of Oman. The Group completed the acquisition on 27 December 2018 upon completion of all Condition Precedent and other closing conditions.
- v. The federal government has established a steering committee to review the implementation of the Malaysia Agreement 1963, with the participation of Sabah and Sarawak state governments. The steering committee is expected to submit its final report by June 2019 and make recommendations to the federal government with respect to the implementation of the rights of Sabah and Sarawak.

#### 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.



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

### 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.

##### 31 December 2018

*In RM Mil*

	Level 1	Level 2	Total
<b>Financial assets</b>			
Quoted shares	790	28	818
Quoted securities	123	-	123
Malaysian Government Securities	-	44	44
Corporate Bonds and Sukuk	-	4,209	4,209
Commodity swaps	-	2	2
Forward foreign exchange contracts	-	28	28
Forward gas contracts	223	83	306
Forward oil/gas price swaps	24	-	24
Interest rate swaps	-	63	63
	<u>1,160</u>	<u>4,457</u>	<u>5,617</u>
<b>Financial liabilities</b>			
Commodity swaps	-	(19)	(19)
Forward foreign exchange contracts	-	(158)	(158)
Forward gas contracts	(281)	(5)	(286)
Forward oil/gas price swaps	(8)	-	(8)
	<u>(289)</u>	<u>(182)</u>	<u>(471)</u>

##### 31 December 2017

*In RM Mil*

	Level 1	Level 2	Total
<b>Financial assets</b>			
Quoted shares	3,754	41	3,795
Quoted securities	981	162	1,143
Malaysian Government Securities	-	42	42
Corporate Bonds and Sukuk	-	2,875	2,875
Forward foreign exchange contracts	-	219	219
Forward gas contracts	166	-	166
Forward oil price contracts	64	-	64
Interest rate swaps	-	30	30
	<u>4,965</u>	<u>3,369</u>	<u>8,334</u>
<b>Financial liabilities</b>			
Commodity swaps	-	(51)	(51)
Forward foreign exchange contracts	-	(117)	(117)
Forward gas contracts	(221)	-	(221)
Forward oil/gas price swaps	(95)	-	(95)
	<u>(316)</u>	<u>(168)</u>	<u>(484)</u>



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

#### 10. OPERATING SEGMENTS

The Group has two reportable operating segments comprising Upstream and Downstream. Each reportable segment offers different products and services and are managed separately as described in the Group's audited consolidated financial statements for the year ended 31 December 2017. Effective first quarter of 2018, there has been a change in the way certain activities are managed. Accordingly, the Group has restated the operating segment information for the prior periods.

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

##### 10.1 Revenue

	2018		2017		Individual quarter ended 31 December	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
<i>In RM Mil</i>						
		<b>Third Parties</b>		<b>Inter-segment</b>		<b>Gross Total</b>
Upstream	33,239	26,898	11,604	10,013	44,843	36,911
Downstream	32,840	30,870	1,381	1,304	34,221	32,174
Corporate and Others	3,825	4,019	1,422	1,148	5,247	5,167
<b>Total</b>	<b>69,904</b>	<b>61,787</b>	<b>14,407</b>	<b>12,465</b>	<b>84,311</b>	<b>74,252</b>

  

	2018		2017		Cumulative quarter ended 31 December	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
<i>In RM Mil</i>						
		<b>Third Parties</b>		<b>Inter-segment</b>		<b>Gross Total</b>
Upstream	113,604	100,018	42,991	35,180	156,595	135,198
Downstream	122,661	108,881	5,385	4,744	128,046	113,625
Corporate and Others	14,711	14,723	4,491	4,318	19,202	19,041
<b>Total</b>	<b>250,976</b>	<b>223,622</b>	<b>52,867</b>	<b>44,242</b>	<b>303,843</b>	<b>267,864</b>

##### 10.2 Segment PAT

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2018	2017 Restated	2018	2017 Restated
<i>In RM Mil</i>				
Upstream	14,265	13,792	41,489	29,302
Downstream	419	2,837	8,492	11,325
Corporate and Others	1,999	2,050	5,866	1,880
<b>Total PAT for reportable segments</b>	<b>16,683</b>	<b>18,679</b>	<b>55,847</b>	<b>42,507</b>
Elimination of inter-segment transactions	(2,359)	(468)	(537)	3,011
<b>Consolidated PAT</b>	<b>14,324</b>	<b>18,211</b>	<b>55,310</b>	<b>45,518</b>



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

### PART B – OTHER EXPLANATORY NOTES

#### 11. REVIEW OF GROUP PERFORMANCE

Cumulative quarter ended		In RM Mil	31.12.2018	Individual quarter ended	
31.12.2017	31.12.2018			30.9.2018	31.12.2017
223,622	250,976	Revenue	69,904	63,913	61,787
45,518	55,310	PAT	14,324	14,338	18,211
92,003	116,474	EBITDA <sup>2</sup>	37,329	26,915	25,309
<i>In RM Mil</i>				<b>As at</b>	<b>As at</b>
Total assets				<b>31.12.2018</b>	<b>31.12.2017</b>
				636,314	599,850
Shareholders' equity				380,471	389,794
Gearing ratio <sup>3</sup>				19.7%	16.1%
ROACE <sup>4</sup>				12.0%	9.8%

**Fourth quarter** PETRONAS Group recorded 13% increase in revenue in the fourth quarter of 2018 at RM69.9 billion as compared to the fourth quarter of 2017 of RM61.8 billion. The increase in revenue was mainly driven by the impact of higher average realised prices recorded for all key products partially offset by the impact of lower sales volume mainly for LNG.

The Group recorded a lower profit of RM14.3 billion, decreased by 21% as compared to the fourth quarter of 2017 primarily due to higher product costs, depreciation and amortisation following additional capitalisation of assets as well as higher petroleum proceeds. These were partially offset by higher revenue generated for the quarter. EBITDA for the fourth quarter of 2018 was RM37.3 billion, an increase of 47% as compared to the fourth quarter of 2017 mainly due to higher average realised prices.

**Cumulative quarter** PETRONAS Group recorded 12% increase in revenue for the year ended 31 December 2018 at RM251.0 billion as compared to the same period in 2017 of RM223.6 billion. The increase in revenue was mainly driven by the impact of higher average realised prices recorded for all key products partially offset by the effect of strengthening of Ringgit against US Dollar exchange rate coupled with the impact of lower sales volume mainly for LNG.

The Group recorded a higher profit of RM55.3 billion, increased by 22% as compared to the same period in 2017 of RM45.5 billion mainly due to higher revenue and net write-back of impairment on assets. These were partially offset by higher net product and production costs, depreciation and amortisation as mentioned above and tax expenses. EBITDA for the year was RM116.5 billion, an increase of 27% as compared to the same period in 2017 in line with higher PBT.

Total assets increased to RM636.3 billion as at 31 December 2018 as compared to RM599.8 billion as at 31 December 2017. The Group's cash and fund investments stood at RM181.0 billion as at 31 December 2018. After taking into account its restricted cash and capital investments requirements, the Group is able to serve its existing commitments.

Shareholders' equity of RM380.5 billion as at 31 December 2018 decreased by RM9.3 billion as compared to 31 December 2017 mainly due to approved final dividend of RM16.0 billion in respect of the financial year ended 31 December 2017 coupled with interim and special dividend of RM40.0 billion in respect of the financial year ended 31 December 2018. These were partially offset by profit generated during the year.

Gearing ratio increased to 19.7% as at 31 December 2018 compared to 16.1% as at 31 December 2017 mainly due to additional provision for decommissioning of assets following revision of estimated abandonment costs for Oil & Gas Properties ("OGP") and higher dividend declared during the year. ROACE increased to 12.0% as at 31 December 2018 from 9.8% as at 31 December 2017 in line with higher profit recorded.

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

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

<sup>4</sup> Return on average capital employed (ROACE) is calculated as profit before interest expense after tax divided by average total equity and long term debt during the year.



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

#### 12. REVIEW OF PERFORMANCE – UPSTREAM

Cumulative quarter ended		<i>Financial Indicators</i>	31.12.2018	Individual quarter ended	
31.12.2017	31.12.2018			30.9.2018	31.12.2017
Restated		<i>In RM Mil</i>			Restated
		Revenue			
100,018	<b>113,604</b>	Third party	<b>33,239</b>	26,888	26,898
35,180	<b>42,991</b>	Inter-segment	<b>11,604</b>	10,296	10,013
<b>135,198</b>	<b>156,595</b>		<b>44,843</b>	<b>37,184</b>	<b>36,911</b>
29,302	<b>41,489</b>	PAT	<b>14,265</b>	8,181	13,792
Cumulative quarter ended		<i>Operational Indicators</i>	31.12.2018	Individual quarter ended	
31.12.2017	31.12.2018			30.9.2018	31.12.2017
		Production <sup>5</sup> ('000 boe <sup>6</sup> per day)			
875	<b>950</b>	Crude oil and condensate	<b>933</b>	893	879
1,445	<b>1,411</b>	Natural gas	<b>1,571</b>	1,283	1,510
<b>2,320</b>	<b>2,361</b>		<b>2,504</b>	<b>2,176</b>	<b>2,389</b>
		Oil and gas entitlement <sup>7</sup> ( '000 boe per day)			
593	<b>594</b>	Crude oil and condensate	<b>625</b>	534	606
1,167	<b>1,092</b>	Natural gas	<b>1,242</b>	980	1,207
<b>1,760</b>	<b>1,686</b>		<b>1,867</b>	<b>1,514</b>	<b>1,813</b>
		Malaysia average sales gas volume (mmscfd) <sup>8</sup>	<b>2,806</b>	2,725	2,546
2,691	<b>2,777</b>	LNG sales volume (million tonnes)	<b>8.15</b>	6.31	8.81
30.72	<b>28.94</b>				

**Fourth quarter** Revenue for the fourth quarter of 2018 was RM44.8 billion as compared to RM36.9 billion in the fourth quarter of 2017. Higher revenue was mainly contributed by higher average realised prices for all products. PAT was slightly higher by RM0.5 billion as compared to the fourth quarter of 2017, mainly due to higher revenue and higher net write-back of impairment on assets, partially offset by higher product cost and higher amortisation following additional capitalisation of assets.

Total production volume for the fourth quarter of 2018 was 2,504 thousand boe per day as compared to 2,389 thousand boe per day in the fourth quarter of 2017 mainly due to higher production from Iraq and Turkmenistan.

Malaysia average gas sales volume was higher by 260 mmscfd as compared to the fourth quarter of 2017 mainly due to higher demand.

Total LNG sales volume for the fourth quarter of 2018 was lower by 0.66 million tonnes as compared to the fourth quarter of 2017 mainly attributable to lower volume from PETRONAS LNG Complex ("PLC") and trading activities.

<sup>5</sup> Represents Malaysia's production (PETRONAS Group and other Operators) and PETRONAS Group's international equity production volume.

<sup>6</sup> boe: barrels of oil equivalent

<sup>7</sup> Represents PETRONAS Group's sales entitlement to Malaysia's production and PETRONAS Group's international sales entitlement volume.

<sup>8</sup> mmscfd: million standard cubic feet per day





# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

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

**Cumulative quarter** Revenue for the year ended 31 December 2018 was RM156.6 billion as compared to RM135.2 billion in the same period in 2017 due to higher average realised prices for all products. The increase was partially offset by the effect of strengthening of Ringgit against US Dollar exchange rate. PAT was higher by RM12.2 billion as compared to the same period last year mainly due to higher revenue as explained above coupled with net write-back of impairment on assets, and non-FID costs for Pacific NorthWest LNG project in Canada which was recognised in 2017. This is partially offset by higher tax expense, product cost and amortisation as explained above.

Total production volume for the year ended 31 December 2018 was 2,361 thousand boe per day as compared to 2,320 thousand boe per day in the same period in 2017 mainly due to higher production from Iraq and Turkmenistan, partially offset by lower gas production from Malaysia resulting from Sabah-Sarawak Gas Pipeline ("SSGP") incident.

Malaysia average sales gas volume was higher by 86 mmscfd as compared to the same period in 2017 mainly due to higher demand.

Total LNG sales volume for the year ended 31 December 2018 was lower by 1.78 million tonnes as compared to the same period in 2017 mainly attributable to lower volume from PLC, partially offset by higher volume from trading activities.



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

#### 13. REVIEW OF PERFORMANCE – DOWNSTREAM

Cumulative quarter ended		<i>Financial Indicators</i>	31.12.2018	Individual quarter ended	
31.12.2017	31.12.2018			30.9.2018	31.12.2017
Restated		<i>In RM Mil</i>			Restated
		Revenue			
108,881	122,661	Third party	32,840	33,228	30,870
4,744	5,385	Inter-segment	1,381	1,402	1,304
113,625	128,046		34,221	34,630	32,174
11,325	8,492	PAT	419	2,918	2,837
Cumulative quarter ended		<i>Operational Indicators</i>	31.12.2018	Individual quarter ended	
31.12.2017	31.12.2018			30.9.2018	31.12.2017
		Petroleum products sales			
253.3	252.7	volume (in million barrels)	65.1	65.2	66.4
		Crude oil sales volume			
144.7	142.0	(in million barrels)	39.7	35.9	40.6
		Petrochemicals sales volume			
8.1	8.4	(in million metric tonnes)	2.1	1.9	2.1

**Fourth quarter** Revenue for the fourth quarter of 2018 was RM34.2 billion as compared to RM32.2 billion in the fourth quarter of 2017. Higher revenue was mainly driven by higher average realised prices for petroleum products, crude oil and petrochemical products. PAT was lower by RM2.4 billion than the fourth quarter of 2017 mainly due to lower refining and marketing margins following the decline in prices towards the end of the fourth quarter of 2018.

Petroleum products sales volume was 65.1 million barrels, 1.3 million barrels lower compared to the fourth quarter of 2017 mainly due to lower trading activities. Crude oil sales volume was 39.7 million barrels, lower than the fourth quarter of 2017 by 0.9 million barrels due to lower trading activities.

Petrochemical products sales volume was comparable to the fourth quarter of 2017 contributed by sustained plant performance.

**Cumulative quarter** Revenue for year ended 31 December 2018 was RM128.0 billion as compared to RM113.6 billion in 2017 mainly due to higher average realised prices for petroleum products, crude oil and petrochemical products. PAT was lower by RM2.8 billion compared to the same period in 2017, mainly contributed by higher operating costs from increase in activities as well as lower refining and marketing margins. This was partially offset by better petrochemical product spreads.

Petroleum products sales volume was lower by 0.6 million barrels at 252.7 million barrels compared to 253.3 million barrels in 2017 due to lower trading activities. Crude oil sales volume was 142.0 million barrels, lower by 2.7 million barrels compared to 2017 resulting from reduction in entitlement from international upstream ventures.

Petrochemical products sales volume was higher by 0.3 million metric tonnes compared to 2017 in line with higher production.



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

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

Cumulative quarter ended		<i>Financial Indicators</i>	31.12.2018	Individual quarter ended	
31.12.2017	31.12.2018			30.9.2018	31.12.2017
Restated		<i>In RM Mil</i>			Restated
		Revenue			
14,723	14,711	Third party	3,825	3,797	4,019
4,318	4,491	Inter-segment	1,422	1,090	1,148
19,041	19,202		5,247	4,887	5,167
1,880	5,866	PAT	1,999	2,503	2,050

**Fourth quarter** Revenue for the fourth quarter of 2018 was RM5.2 billion, higher by RM0.08 billion or 2% as compared to the fourth quarter of 2017 mainly due to higher fund investment income partially offset by lower sale of land and development properties. The segment recorded PAT of RM2.0 billion in the fourth quarter of 2018, a decrease of 2% as compared to the fourth quarter of 2017 mainly due to lower net foreign exchange gain.

**Cumulative quarter** Revenue for the year ended 31 December 2018 was RM19.2 billion, higher by RM0.2 billion as compared to the same period in 2017 due to higher fund investment income partially offset by lower shipping income. PAT of RM5.9 billion for the year ended 31 December 2018, increased more than 100% as compared to the same period in 2017 mainly due to lower net foreign exchange losses coupled with gain on disposal on the sale of PETRONAS' 100% interest in PCMC to Khazanah.

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

<i>In RM Mil</i>	Individual quarter ended	
	31.12.2018	30.9.2018
Revenue	69,904	63,913
PAT	14,324	14,338
EBITDA	37,329	26,915

PETRONAS Group recorded 9% increase in revenue in the fourth quarter of 2018 at RM69.9 billion as compared to the third quarter of 2018 of RM63.9 billion. The increase in revenue was mainly driven by the impact of higher sales volume for LNG and crude oil & condensates coupled with the effect of weakening of Ringgit against US Dollar exchange rate. The increase was partially offset by lower average realised prices recorded for major products.

PAT for the fourth quarter of 2018 was at par with the third quarter of 2018 as the impact of higher product costs and tax expenses partially offset by higher revenue recorded for the quarter. EBITDA for the fourth quarter of 2018 was RM37.3 billion, increased by 39% mainly due to higher revenue recorded for the quarter.

#### 16. NEXT FINANCIAL YEAR OUTLOOK

The oil and gas industry will continue to operate in challenging environment arising from market uncertainties and geopolitical risks. Despite these challenges, the Group will continue to focus on its operational excellence and growth strategies. The Board expects the financial performance for 2019 to be affected by the movements in prices.



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

#### 17. TAXATION

<i>In RM Mil</i>	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2018	2017	2018	2017
<b>Current tax expenses</b>				
Malaysia	9,795	6,405	23,397	18,483
Overseas	(362)	677	904	1,596
<b>Deferred tax expenses</b>				
Origination and reversal of temporary differences	(3,332)	(1,654)	(2,881)	(945)
	<u>6,101</u>	<u>5,428</u>	<u>21,420</u>	<u>19,134</u>

The Group's effective tax rate for the current quarter and year-to-date was 29.9% and 27.9% respectively.

#### 18. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at 31.12.2018	As at 31.12.2017
<b>By Currency</b>		
RM	72.9	69.5
USD	24.7	27.9
Others	2.4	2.6
	<u>100.0</u>	<u>100.0</u>
<b>By Maturity<sup>9</sup></b>		
< 1 year	97.1	96.6
1 to 5 years	1.8	2.1
5 to 10 years	1.1	1.3
	<u>100.0</u>	<u>100.0</u>
<b>By Type</b>		
Money market	97.0	93.9
Corporate bonds	2.4	2.9
Equities	0.6	3.2
	<u>100.0</u>	<u>100.0</u>

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

<sup>9</sup> Refers to instrument maturity dates; excludes equities.



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

#### 19. BORROWINGS

The details of the Group borrowings as at 31 December 2018 are as follows:

<i>In RM Mil</i>	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
<b>Non-Current</b>		
<b>Secured</b>		
Term loans	6,917	3,199
Islamic financing facilities	1,588	1,444
<b>Total non-current secured borrowings</b>	<b>8,505</b>	<b>4,643</b>
<b>Unsecured</b>		
Term loans	6,094	6,585
Notes and Bonds	21,598	33,297
Islamic financing facilities	8,814	9,226
<b>Total non-current unsecured borrowings</b>	<b>36,506</b>	<b>49,108</b>
<b>Total non-current borrowings</b>	<b>45,011</b>	<b>53,751</b>
<b>Current</b>		
<b>Secured</b>		
Term loans	411	1,057
Islamic financing facilities	708	696
<b>Total current secured borrowings</b>	<b>1,119</b>	<b>1,753</b>
<b>Unsecured</b>		
Term loans	6,936	6,141
Notes and Bonds	12,424	-
Islamic financing facilities	552	354
Revolving credits	2,075	2,129
Bank overdrafts	455	21
<b>Total current unsecured borrowings</b>	<b>22,442</b>	<b>8,645</b>
<b>Total current borrowings</b>	<b>23,561</b>	<b>10,398</b>
<b>Total borrowings</b>	<b>68,572</b>	<b>64,149</b>



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

#### 19. BORROWINGS (continued)

<i>In RM Mil</i>	As at		As at	
	31.12.2018	%	31.12.2017	%
<b>By Currency</b>				
USD	58,106	84.7	53,411	83.2
RM	7,249	10.6	7,178	11.2
EUR	2,060	3.0	2,123	3.3
GBP	849	1.2	1,143	1.8
Others	308	0.5	294	0.5
	<b>68,572</b>	<b>100.0</b>	<b>64,149</b>	<b>100.0</b>
<b>By Repayment Schedule</b>				
< 1 year	23,561	34.4	10,398	16.2
1 to 5 years	25,309	36.9	34,743	54.2
5 to 10 years	11,105	16.2	10,804	16.8
> 10 years	8,597	12.5	8,204	12.8
	<b>68,572</b>	<b>100.0</b>	<b>64,149</b>	<b>100.0</b>

#### 20. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 31 December 2018.

#### 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.



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

#### 22. PROFIT FOR THE PERIOD/YEAR

<i>In RM Mil</i>	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2018	2017	2018	2017
<b>Included in profit for the period/year are the following charges:</b>				
Bad debt written off	16	26	16	26
Depreciation and amortisation	7,515	6,193	34,327	30,525
Loss on disposal of:				
- property, plant and equipment	34	4	431	28
- associates and joint ventures	-	7	-	-
- other investments	-	16	-	5
Net impairment losses on:				
- receivables	-	772	-	295
- loan and advances to associates and a joint venture	101	88	101	88
- intangible assets	20	1,519	20	1,745
- investment in an associate	65	-	65	-
- other investments	-	8	4	8
Net impairment/write-off on well costs <sup>10</sup>	232	119	653	703
Net loss on derivatives	4	-	31	-
Net loss on foreign exchange	-	294	1,105	4,020
Property, plant and equipment written off	87	73	95	375
Net changes in fair value of contract liabilities	89	-	89	-
<b>and credits:</b>				
Dividend income	78	79	130	232
Gain on disposal of:				
- property, plant and equipment	-	4	6	96
- an associate and a joint venture	-	-	-	63
- other investments	170	205	742	251
- subsidiaries	89	8	1,170	440
Interest income	2,272	1,258	6,509	4,389
Net gain on derivatives	-	49	-	64
Net gain on foreign exchange	88	-	-	-
Net write-back of impairment losses on:				
- investments in associates and a joint venture	-	601	-	601
- property, plant and equipment	2,572	2,140	3,331	347
- receivables	1,249	-	1,592	-

#### 23. DIVIDENDS

As disclosed in Note 6.

<sup>10</sup> Comprises impairment and write-off of exploration expenditure under intangible assets.



# FINANCIAL REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2018

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

#### 24. EXCHANGE RATES

US dollar/RM	Individual quarter ended			Cumulative quarter ended		
	31.12.2018	30.9.2018	31.12.2017	31.12.2018	30.9.2018	31.12.2017
Average rate	4.1721	4.0930	4.1590	4.0347	3.9888	4.3002
Closing rate	4.1445	4.1445	4.0595	4.1445	4.1445	4.0595

#### By order of the Board

Intan Shafinaz (Tuty) Hussain (LS0009774)  
Company Secretary  
Kuala Lumpur  
28 February 2019