



PETRONAS Group

Financial Report

For Fourth Quarter and
Year Ended 31 December 2019

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Financial Report

For Fourth Quarter And Year Ended 31 December 2019

Cumulative quarter ended		Key Financial and Operational Highlights	Individual quarter ended		
31.12.2018	31.12.2019		31.12.2019	30.9.2019	31.12.2018
250,976	240,263	Revenue (RM mil)	64,036	55,109	69,904
76,730	56,970	Profit Before Taxation (RM mil)	9,838	9,019	20,425
55,310	40,472	Profit After Tax (RM mil)	4,110	7,422	14,324
		Net impairment (losses)/write-back (RM mil) ¹	(5,057)	(2,561)	3,635
4,733	(7,355)	Profit After Tax excluding net impairment (RM mil)	9,167	9,983	10,689
50,577	47,827	EBITDA (RM mil)	22,748	18,795	37,329
116,474	96,273	Cash flows from operating activities (RM mil)	26,209	19,674	30,087
86,320	90,771	Capital investments (RM mil)	18,812	12,039	20,260
46,923	47,813	Crude oil, condensates and natural gas entitlement volume ('000 boe per day)	1,988	1,502	1,867
1,686	1,751				

Fourth quarter

- **PETRONAS Group's** revenue for the fourth quarter of 2019 decreased by 8% as compared to the fourth quarter of 2018 mainly due to the impact of lower average realised prices recorded for major products partially offset by the impact of higher sales volume mainly for petroleum products and crude oil and condensates.
- The Group recorded Profit Before Taxation ("**PBT**") of RM9.8 billion and **Profit After Tax ("**PAT**")** of RM4.1 billion for the fourth quarter of 2019, decreased by 52% and 71% respectively as compared to the fourth quarter of 2018, primarily due to net impairment on assets coupled with lower revenue recorded. This was partially offset by lower tax expenses. **Earnings Before Interest, Tax, Depreciation and Amortisation ("**EBITDA**")** was RM22.7 billion, decreased by 39% as compared to the fourth quarter of 2018 in line with lower PBT.
- Cash flows from operating activities decreased by 13% as compared to the fourth quarter of 2018 mainly due to lower cash operating profit partially offset by positive working capital changes and lower taxes paid.
- Capital investments for the fourth quarter of 2019 amounted to RM18.8 billion, mainly attributable to Upstream projects.
- Crude oil, condensates and natural gas entitlement volume for the fourth quarter of 2019 was 1,988 thousand boe per day as compared to 1,867 thousand boe per day in the fourth quarter of 2018. Total production volume was 2,636 thousand boe per day as compared to 2,504 thousand boe per day in the fourth quarter of 2018.

Cumulative quarter

- **PETRONAS Group's** revenue for the year ended 31 December 2019 decreased by 4% as compared to the same period in 2018 mainly due to the impact of lower average realised prices recorded for major products. This was partially offset by the effect of weakening of Ringgit against US Dollar exchange rate coupled with the impact of higher sales volume mainly for petroleum products and LNG.
- The Group recorded PBT of RM57.0 billion and PAT of RM40.5 billion for the year ended 31 December 2019, decreased by 26% and 27% respectively, as compared to the same period in 2018, primarily due to net impairment on assets coupled with lower revenue recorded. This was partially offset by lower tax expenses. EBITDA for the year ended 31 December 2019 was RM96.3 billion, decreased by 17% as compared to the same period in 2018 in line with lower PBT.
- Cash flows from operating activities for the year ended 31 December 2019 increased by 5% as compared to the same period in 2018 mainly due to positive working capital changes and lower taxes paid. This was partially offset by lower cash operating profit.
- Capital investments for the year ended 31 December 2019 amounted to RM47.8 billion, mainly attributable to Upstream projects.
- Crude oil, condensates and natural gas entitlement volume for the year ended 31 December 2019 was 1,751 thousand boe per day as compared to 1,686 thousand boe per day in the same period in 2018. Total production volume was 2,406 thousand boe per day as compared to 2,361 thousand boe per day in the same period in 2018.

¹ Comprises net impairment (losses)/write-back on property, plant and equipment, receivables, intangible assets, investment in associates and other investments (Note 24).

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

The Board of Directors of PetroliaM 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 2019 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	
	2019	31 December 2018	2019	31 December 2018
Revenue	64,036	69,904	240,263	250,976
Cost of revenue	(43,870)	(45,341)	(155,926)	(158,080)
Gross profit	20,166	24,563	84,337	92,896
Selling and distribution expenses	(2,130)	(2,368)	(7,536)	(7,022)
Administration expenses	(3,432)	(3,472)	(12,862)	(12,139)
Net impairment (losses)/write-back	(4,863)	3,655	(7,151)	4,753
Other expenses	(1,973)	(311)	(2,261)	(2,563)
Other income	2,707	194	5,158	4,828
Operating profit	10,475	22,261	59,685	80,753
Financing costs	(1,239)	(2,035)	(3,734)	(4,707)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	602	199	1,019	684
Profit before taxation	9,838	20,425	56,970	76,730
Tax expense	(5,728)	(6,101)	(16,498)	(21,420)
PROFIT FOR THE PERIOD/YEAR	4,110	14,324	40,472	55,310
Other comprehensive (expenses)/income				
Items that will not be reclassified subsequently to profit or loss				
Net changes in fair value of equity investments at fair value through other comprehensive income ("OCI")	(2)	(70)	(3)	(140)
Items that may be reclassified subsequently to profit or loss				
Net movements from exchange differences	(3,656)	(1,537)	(1,286)	465
Others	300	(478)	(62)	(373)
Total other comprehensive income for the period	(3,358)	(2,085)	(1,351)	(48)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	752	12,239	39,121	55,262
Profit attributable to:				
Shareholders of the Company	2,209	12,410	33,021	47,865
Non-controlling interests	1,901	1,914	7,451	7,445
PROFIT FOR THE PERIOD/YEAR	4,110	14,324	40,472	55,310
Total comprehensive income attributable to:				
Shareholders of the Company	(737)	10,375	32,005	47,546
Non-controlling interests	1,489	1,864	7,116	7,716
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	752	12,239	39,121	55,262

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	As at 31.12.2019	As at 31.12.2018
ASSETS		
Property, plant and equipment	319,204	310,385
Investment properties, land held for development and prepaid lease payments	11,708	13,094
Investments in associates and joint ventures	15,902	15,548
Intangible assets	26,260	22,513
Fund and other investments	1,929	2,300
Other non-current assets	40,956	31,040
TOTAL NON-CURRENT ASSETS	415,959	394,880
Trade and other inventories	14,447	14,503
Trade and other receivables	41,285	46,205
Fund and other investments	8,710	5,147
Cash and cash equivalents	141,622	173,576
Other current assets	398	2,003
TOTAL CURRENT ASSETS	206,462	241,434
TOTAL ASSETS	622,421	636,314
EQUITY		
Share capital	100	100
Reserves	388,996	380,371
Total equity attributable to shareholders of the Company	389,096	380,471
Non-controlling interests	49,819	44,781
TOTAL EQUITY	438,915	425,252
LIABILITIES		
Borrowings	53,422	45,011
Deferred tax liabilities	12,598	9,986
Other long term liabilities and provisions	44,486	44,135
TOTAL NON-CURRENT LIABILITIES	110,506	99,132
Trade and other payables	53,968	54,571
Borrowings	15,316	23,561
Taxation	3,716	3,798
Dividend payable	-	30,000
TOTAL CURRENT LIABILITIES	73,000	111,930
TOTAL LIABILITIES	183,506	211,062
TOTAL EQUITY AND LIABILITIES	622,421	636,314

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In RM Mil	Attributable to shareholders of the Company			
	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve
Cumulative quarter ended 31 December 2018				
Balance at 1 January 2018	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	-
Others	-	(397)	-	-
Total other comprehensive (expenses)/income for the year, net of tax	-	(397)	218	(140)
Profit for the year	-	-	-	-
Total comprehensive (expenses)/income for the year	-	(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	-	-	-	-
Total transactions with shareholders	-	163	(240)	-
Balance at 31 December 2018	100	14,191	31,245	(75)
Cumulative quarter ended 31 December 2019				
Balance at 1 January 2019				
- As previously reported	100	14,191	31,245	(75)
- Effect of the adoption of MFRS 16	-	-	-	-
At 1 January 2019, restated	100	14,191	31,245	(75)
Net changes of equity investments at fair value through OCI:				
- Changes in fair value	-	-	-	(3)
Net movements from exchange differences	-	(5)	(854)	-
Others	-	(154)	-	-
Total other comprehensive (expenses)/income for the year, net of tax	-	(159)	(854)	(3)
Profit for the year	-	-	-	-
Total comprehensive (expenses)/income for the year	-	(159)	(854)	(3)
Changes in ownership interest in subsidiaries	-	-	(117)	-
Disposal of subsidiaries	-	-	(260)	-
Redemption of redeemable preference shares in subsidiaries	-	477	-	-
Dividends	-	-	-	-
Total transactions with shareholders	-	477	(377)	-
Balance at 31 December 2019	100	14,509	30,014	(78)

continue to next page

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

In RM Mil	Attributable to shareholders of the Company			Non- controlling Interests	Total Equity
	Distributable				
	General Reserve	Retained Profits	Total		
Cumulative quarter ended 31 December 2018					
Balance at 1 January 2018	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
Others	-	-	(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
Total comprehensive (expenses)/income for the year	-	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)
Total transactions with shareholders	-	(56,351)	(56,428)	(5,915)	(62,343)
Balance at 31 December 2018	12,000	323,010	380,471	44,781	425,252
Cumulative quarter ended 31 December 2019					
Balance at 1 January 2019					
- As previously reported	12,000	323,010	380,471	44,781	425,252
- Effect of the adoption of MFRS 16	-	(1,542)	(1,542)	(172)	(1,714)
At 1 January 2019, restated	12,000	321,468	378,929	44,609	423,538
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	-	-	(3)	-	(3)
Net movements from exchange differences	-	-	(859)	(427)	(1,286)
Others	-	-	(154)	92	(62)
Total other comprehensive (expenses)/income for the year, net of tax	-	-	(1,016)	(335)	(1,351)
Profit for the year	-	33,021	33,021	7,451	40,472
Total comprehensive (expenses)/income for the year	-	33,021	32,005	7,116	39,121
Changes in ownership interest in subsidiaries	-	2,539	2,422	3,805	6,227
Disposal of subsidiaries	-	-	(260)	-	(260)
Redemption of redeemable preference shares in subsidiaries	-	(477)	-	(73)	(73)
Dividends	-	(24,000)	(24,000)	(5,638)	(29,638)
Total transactions with shareholders	-	(21,938)	(21,838)	(1,906)	(23,744)
Balance at 31 December 2019	12,000	332,551	389,096	49,819	438,915

continued from previous page

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM Mil	2019	Cumulative quarter ended 31 December 2018
Cash flows from operating activities		
Profit before taxation	56,970	76,730
Adjustments for:		
Depreciation and amortisation	38,678	34,327
Net change in contract liabilities	(422)	(89)
Net impairment losses/(write-back) on:		
- property, plant and equipment	6,539	(3,331)
- intangible assets	204	20
- loan and advances to an associate and a joint venture	62	101
- receivables	69	(1,592)
- other investments	251	4
- investment in an associate	230	65
Net impairment/write-off on well costs	1,248	653
Net inventories written down to net realisable value	35	108
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(1,019)	(684)
Property, plant and equipment written off	136	95
Net gain on disposal of investment in subsidiaries, other investments, property, plant and equipment, intangible assets and a joint venture	(393)	(1,487)
Bad debts written off	18	16
Net loss on derivatives	64	31
Unrealised loss on foreign exchange	392	1,082
Interest income	(6,889)	(6,509)
Financing costs	3,734	4,707
Net change in provisions	(1,395)	11,608
Operating profit before changes in working capital	<u>98,512</u>	<u>115,855</u>
Net changes in working capital	8,385	(9,789)
Cash generated from operations	<u>106,897</u>	<u>106,066</u>
Interest income from fund and other investments	6,889	6,509
Interest expenses paid	(2,990)	(2,967)
Taxation paid, net of refund	<u>(20,025)</u>	<u>(23,288)</u>
Net cash generated from operating activities	<u><u>90,771</u></u>	<u><u>86,320</u></u>

continue to next page

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In RM Mil	2019	Cumulative quarter ended 31 December 2018
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(1,763)	-
Investment in associates and joint ventures	(807)	(125)
Investment in securities and other investments	(5,269)	(4,222)
Proceeds from disposal/partial disposal of:		
- investment in subsidiaries, net of cash disposed	187	4,044
- property, plant and equipment	617	445
- securities and other investments	1,295	5,594
- investment in a joint venture	687	-
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(45,243)	(46,798)
Proceeds from government grant	-	240
Dividends received	1,666	1,120
Long term receivables to a joint venture	(3,547)	(1,648)
Proceeds from redemption of preference shares in joint ventures	-	221
Net cash used in investing activities	(52,177)	(41,129)
Cash flows from financing activities		
Repayment of borrowings	(23,677)	(7,649)
Drawdown of borrowings	10,202	37,663
Dividends paid	(54,000)	(26,000)
Dividends paid to non-controlling interests	(5,638)	(5,998)
Payment of lease liabilities	(2,921)	-
Proceeds from shares issued to a non-controlling interest	-	21
Payment to non-controlling interests on redemption of redeemable preference shares	(73)	-
Payment to a non-controlling interest on additional equity interest	-	(634)
Proceeds from partial disposal of equity interest to non-controlling interests	6,227	435
Net cash used in financing activities	(69,880)	(2,162)
Net (decrease)/increase in cash and cash equivalents	(31,286)	43,029
Increase in cash and cash equivalents restricted	(699)	(39)
Net foreign exchange differences	(622)	1,904
Cash and cash equivalents at beginning of the year	172,458	127,564
Cash and cash equivalents at end of the period	139,851	172,458
Cash and cash equivalents		
Cash and bank balances and deposits	141,622	173,576
Bank overdrafts	(409)	(455)
Less: Cash and cash equivalents restricted	(1,362)	(663)
	139,851	172,458

continued from previous page

Financial Report

For Fourth Quarter And

Year Ended 31 December 2019

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 2019.

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 2018.

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 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2018 except as disclosed below.

At the beginning of the current financial year, the Group and the Company adopted a new MFRS, 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 2019

MFRS 16 Leases

Amendments to MFRS 3 Business Combinations (Annual Improvements 2015-2017 Cycle)

Amendments to MFRS 11 Joint Arrangements (Annual Improvements 2015-2017 Cycle)

Amendments to MFRS 112 Income Taxes (Annual Improvements 2015-2017 Cycle)

Amendments to MFRS 123 Borrowing Costs (Annual Improvements 2015-2017 Cycle)

Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement

IC Interpretation 23 Uncertainty over Income Tax Treatments

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 16 Leases

MFRS 16 replaces existing leases guidance in MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on balance sheet lease accounting for lessees. A lessee recognises a-right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. For leases with joint operations, the accounting for MFRS 16 will depend on whether the Group or the Company is the operator or non-operator of the joint operations. There are recognition exemptions for short-term leases, leases of low-value items and variable lease payments. Lessor accounting remains similar to the current standard which continues to be classified as finance lease or operating lease.

Right-of-use assets and prepaid lease payments are included under property, plant and equipment in the statement of financial position. The lease liabilities are included as borrowings in the statement of financial position.

Financial Report For Fourth Quarter And Year Ended 31 December 2019

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. MFRS 16 Leases (continued)

As allowed by the transitional provision of MFRS 16, the Group and the Company have elected the modified retrospective approach with no restatement of comparatives. The cumulative adjustments resulting from the initial application of MFRS 16 to be recognised in retained profits and reserves as at 1 January 2019 are as follows:

In RM Mil	Impact of adoption of MFRS 16 to opening balance as at 1 January 2019
Increase in assets	7,193
Decrease in equity	1,714
Increase in liabilities	8,907

For leases where PETRONAS Group is a lessor, there is no significant impact on leases as at 1 January 2019.

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 2018.

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

5. EXCEPTIONAL ITEMS

There was no exceptional item during the quarter under review.

6. DIVIDENDS

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

- i. a special tax exempt dividend of RM300,000 per ordinary share amounting to RM30 billion declared on 22 November 2018 and paid in instalments between January and November 2019 in respect of financial year ended 31 December 2018;
- ii. a final tax exempt dividend of RM240,000 per ordinary share amounting to RM24 billion declared on 28 February 2019 and approved by the shareholders on 30 May 2019 and paid in instalments between June and November 2019 in respect of financial year ended 31 December 2018 as reported in the Directors' Report of that year.

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 2019 for shareholder's 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 2020.

Financial Report

For Fourth Quarter And

Year Ended 31 December 2019

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

7. SIGNIFICANT EVENTS

- i. On 1 March 2019, Engen Holdings (Pty) Ltd, a subsidiary of PETRONAS has completed a share sale transaction to dispose its 100% equity interest in Engen International Holdings (Mauritius) Limited ("EIHL") to Vivo Energy plc's subsidiary, Vivo Energy Investments B.V. for a consideration amount of USD203.9 million comprising of 63.2 million new shares in Vivo Energy plc and USD62.1 million in cash.
- ii. On 23 April 2019, PETRONAS via its wholly-owned subsidiary, PETRONAS International Power Corporation B.V. ("PIPC BV"), has fulfilled all the conditions of its Share Purchase Agreement signed with ISQ Asia Aggregator Pte. Ltd., a wholly-owned entity of ISQ Asia Aggregator Ltd. for acquisition of 100% equity interest in Amplus Energy Solutions Pte. Ltd. ("M+"). M+ caters for commercial and industrial customers, specialising in end-to-end solutions for rooftop and ground-mounted solar power projects across India and the Middle East. Following this acquisition, M+ has become a wholly-owned subsidiary of PIPC BV.
- iii. On 31 May 2019, PETRONAS disposed 5% of its equity interest in PETRONAS LNG 9 Sdn. Bhd. ("PL9SB") to Sabah International Petroleum Sdn. Bhd.. With the completion of this transaction, the Company now holds 65% interest in PL9SB.
- iv. On 12 September 2019, PETRONAS through its subsidiary, PETRONAS Chemicals Group Berhad ("PCG") has fulfilled all the conditions of its Sale and Purchase Agreement entered on 15 May 2019 to acquire 100% of the shares in Da Vinci Group B.V. ("Da Vinci") from its shareholders including, among others, funds managed by Bencis Capital Partners. Following this acquisition, Da Vinci has become a wholly-owned subsidiary of PCG.
- v. On 9 December 2019, PETRONAS has partially disposed its equity interest in MISC Berhad ("MISC"), PETRONAS Dagangan Berhad ("PDB") and PETRONAS Gas Berhad ("PGB") of 5.1%, 6.0% and 9.6% respectively. With the completion of this transaction, the Company now holds 57.6%, 63.9% and 51.0% interest in MISC, PDB and PGB respectively.
- vi. On 27 December 2019, PETRONAS through its wholly-owned subsidiary PETRONAS Petróleo Brasil Ltda. ("PPBL") completed its transaction to acquire 50% participating interest in the Tartaruga Verde producing field (BM-C-36 concession) and Module III of the Espadarte field (Espadarte Concession), both located in deep water of the Campos Basin, offshore Brazil.

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.

There were no transfers between Level 1 and Level 2 fair value measurements during the current financial period and comparative period.

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

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

9. FAIR VALUE INFORMATION (continued)

31 December 2019 In RM Mil	Level 1	Level 2	Total
Financial assets			
Quoted shares	780	35	815
Quoted securities	135	-	135
Malaysian Government Securities	-	610	610
Corporate Bonds and Sukuk	-	7,198	7,198
Commodity swaps	-	2	2
Forward foreign exchange contracts	-	58	58
Forward gas contracts	427	158	585
Forward oil/gas price swaps	142	-	142
Interest rate swaps	-	2	2
	<u>1,484</u>	<u>8,063</u>	<u>9,547</u>
Financial liabilities			
Commodity swaps	-	(27)	(27)
Forward foreign exchange contracts	-	(74)	(74)
Forward gas contracts	(352)	(7)	(359)
Forward oil/gas price swaps	(14)	-	(14)
Interest rate swaps	-	(160)	(160)
	<u>(366)</u>	<u>(268)</u>	<u>(634)</u>
31 December 2018 In RM Mil	Level 1	Level 2	Total
Financial assets			
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>
Financial liabilities			
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>

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

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

10. REVENUE

The Group's operations and main revenue streams are those described in the latest annual financial statements. The following table includes a reconciliation of the disaggregated revenue with the Group's reportable segments:

In RM Mil	Upstream		Gas and New Energy		Downstream		Corporate and Others		Individual quarter ended 31 December	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Total									
Revenue from contract customers	9,933	8,979	18,124	22,968	30,481	32,442	1,363	828	59,901	65,217
Other revenue	997	1,165	579	449	175	269	2,384	2,804	4,135	4,687
Total	10,930	10,144	18,703	23,417	30,656	32,711	3,747	3,632	64,036	69,904

In RM Mil	Upstream		Gas and New Energy		Downstream		Corporate and Others		Cumulative quarter ended 31 December	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Total									
Revenue from contract customers	35,006	36,621	72,581	74,209	113,576	121,529	5,276	6,276	226,439	238,635
Other revenue	2,760	2,680	2,085	1,071	581	611	8,398	7,979	13,824	12,341
Total	37,766	39,301	74,666	75,280	114,157	122,140	13,674	14,255	240,263	250,976

11. OPERATING SEGMENTS

Effective second quarter of 2019, the reportable operating segments now comprise Upstream, Gas and New Energy, Downstream and Corporate and Others. The change in the reportable operating segment is in line with the change in the way the Group's business is managed. Following this new structure, the key focus of Upstream is to extract, develop and produce oil and gas whereas Gas and New Energy's main focus is the marketing and monetisation of gas. The Downstream segment's operations remain largely the same as described in the Group's audited consolidated financial statements for the year ended 31 December 2018. Accordingly, the Group has restated the operating segment information for the prior period.

For each of the reportable segment, the Group chief operating decision maker, which in this case is the PETRONAS Executive Leadership Team ("ELT"), reviews internal management reports at least on a quarterly basis.

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 PETRONAS ELT believes that such information is the most relevant in evaluating the results of the segments.

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

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

11. OPERATING SEGMENTS (continued)

11.1 Segment revenue

	2019		2018		Individual quarter ended 31 December	
	2019	2018 Restated Third Parties	2019	2018 Restated Inter-segment	2019	2018 Restated Gross Total
In RM Mil						
Upstream	10,930	10,144	15,647	19,901	26,577	30,045
Gas and New Energy	18,703	23,417	2,395	2,383	21,098	25,800
Downstream	30,656	32,711	349	324	31,005	33,035
Corporate and Others	3,747	3,632	774	1,422	4,521	5,054
Total	64,036	69,904	19,165	24,030	83,201	93,934

	2019		2018		Cumulative quarter ended 31 December	
	2019	2018 Restated Third Parties	2019	2018 Restated Inter-segment	2019	2018 Restated Gross Total
In RM Mil						
Upstream	37,766	39,301	64,826	69,190	102,592	108,491
Gas and New Energy	74,666	75,280	8,652	8,037	83,318	83,317
Downstream	114,157	122,140	1,328	1,231	115,485	123,371
Corporate and Others	13,674	14,255	4,211	4,491	17,885	18,746
Total	240,263	250,976	79,017	82,949	319,280	333,925

11.2 Segment PAT

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2019	2018 Restated	2019	2018 Restated
In RM Mil				
Upstream	5,043	6,681	22,199	26,146
Gas and New Energy	(384)	5,899	9,780	17,196
Downstream	381	215	5,166	6,814
Corporate and Others	(283)	2,640	4,675	7,171
Total PAT for reportable segments	4,757	15,435	41,820	57,327
Elimination of inter-segment transactions	(647)	(1,111)	(1,348)	(2,017)
Consolidated PAT	4,110	14,324	40,472	55,310

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

PART B – OTHER EXPLANATORY NOTES

12. REVIEW OF GROUP PERFORMANCE

Cumulative quarter ended		In RM Mil	Individual quarter ended		
31.12.2018	31.12.2019		31.12.2019	30.9.2019	31.12.2018
250,976	240,263	Revenue	64,036	55,109	69,904
55,310	40,472	PAT	4,110	7,422	14,324
116,474	96,273	EBITDA ²	22,748	18,795	37,329
In RM Mil			As at	As at	
			31.12.2019	31.12.2018	
Total assets			622,421	636,314	
Shareholders' equity			389,096	380,471	
Gearing ratio ³			19.4%	19.7%	
ROACE ⁴			8.7%	12.0%	

Fourth quarter PETRONAS Group recorded revenue of RM64.0 billion for the fourth quarter of 2019, lower by 8% as compared to the fourth quarter of 2018. The Group recorded PAT of RM4.1 billion for the fourth quarter of 2019, lower by 71% as compared to the fourth quarter of 2018.

The Group recorded a lower revenue mainly due to the impact of lower average realised prices recorded for major products partially offset by the impact of higher sales volume mainly for petroleum products and crude oil and condensates.

The Group recorded a lower PAT primarily due to net impairment on assets coupled with lower revenue recorded. This was partially offset by lower tax expenses. The Group recorded EBITDA of RM22.7 billion for the fourth quarter of 2019, lower by 39% as compared to the fourth quarter of 2018 in line with lower PBT.

Cumulative quarter PETRONAS Group recorded revenue of RM240.3 billion for the year ended 31 December 2019, lower by 4% as compared to the same period in 2018. The Group recorded PAT of RM40.5 billion for the year ended 31 December 2019, lower by 27% as compared to the same period in 2018.

The Group recorded a lower revenue mainly due to the impact of lower average realised prices recorded for major products. This was partially offset by the effect of weakening of Ringgit against US Dollar exchange rate coupled with the impact of higher sales volume mainly for petroleum products and LNG.

The Group recorded a lower PAT primarily due to net impairment on assets coupled with lower revenue recorded. This was partially offset by lower tax expenses. The Group recorded EBITDA of RM96.3 billion for the period ended 31 December 2019, lower by 17% as compared to the same period in 2018 in line with lower PBT.

Total assets decreased to RM622.4 billion as at 31 December 2019 as compared to RM636.3 billion as at 31 December 2018. Shareholders' equity of RM389.1 billion as at 31 December 2019 increased by RM8.6 billion as compared to 31 December 2018 mainly due to profit generated during the year partially offset by the final dividend of RM24.0 billion in respect of the financial year ended 31 December 2018.

Gearing ratio decreased to 19.4% as at 31 December 2019 from 19.7% as at 31 December 2018 mainly due to lower borrowings following repayment of loans. ROACE decreased to 8.7% as at 31 December 2019 from 12.0% as at 31 December 2018 in line with lower profit recorded.

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

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

⁴ Return on average capital employed ("ROACE") is calculated as 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 2019

PART B – OTHER EXPLANATORY NOTES (continued)

13. REVIEW OF PERFORMANCE – UPSTREAM

Cumulative quarter ended		Financial Indicators	31.12.2019	Individual quarter ended	
31.12.2018	31.12.2019			30.9.2019	31.12.2018
Restated		In RM Mil			Restated
		Revenue			
39,301	37,766	Third party	10,930	6,795	10,144
69,190	64,826	Inter-segment	15,647	17,119	19,901
108,491	102,592		26,577	23,914	30,045
26,146	22,199	PAT	5,043	4,278	6,681
Cumulative quarter ended		Operational Indicators	31.12.2019	Individual quarter ended	
31.12.2018	31.12.2019			30.9.2019	31.12.2018
Restated					Restated
		Production ⁵ ('000 boe ⁶ per day)			
950	961	Crude oil and condensate	1,119	843	933
1,411	1,445	Natural gas	1,517	1,307	1,571
2,361	2,406		2,636	2,150	2,504
		Oil and gas entitlement ⁷ ('000 boe per day)			
594	615	Crude oil and condensate	774	539	625
1,092	1,136	Natural gas	1,214	963	1,242
1,686	1,751		1,988	1,502	1,867

Fourth quarter Revenue for the fourth quarter of 2019 was RM26.6 billion, lower by 12% as compared to the fourth quarter of 2018 mainly due to the impact of lower average realised prices for liquids and gas. PAT for the fourth quarter of 2019 was RM5.0 billion, lower by 25% as compared to the fourth quarter of 2018 mainly due to lower revenue recorded and net impairment on assets. This was partially offset by lower tax and cash payments.

Total production volume for the fourth quarter of 2019 was 2,636 thousand boe per day as compared to 2,504 thousand boe per day in the fourth quarter of 2018 mainly due to higher crude oil production from international operations.

Cumulative quarter Revenue for the year ended 31 December 2019 was RM102.6 billion, lower by 5% as compared to the same period in 2018 mainly due to the impact of lower average realised prices for liquids and gas. This was partially offset by the effect of weakening of Ringgit against US Dollar exchange rate. PAT for the year ended 31 December 2019 was RM22.2 billion, lower by 15% as compared to the same period in 2018 mainly due to lower revenue recorded and net impairment on assets. This was partially offset by lower tax.

Total production volume for the period ended 31 December 2019 was 2,406 thousand boe per day as compared to 2,361 thousand boe per day in the same period in 2018 mainly due to higher crude oil production from international operations and higher natural gas production from Malaysia. This was partially offset by lower crude oil production from Malaysia.

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

⁶ boe: barrels of oil equivalent

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

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

PART B – OTHER EXPLANATORY NOTES (continued)

14. REVIEW OF PERFORMANCE – GAS AND NEW ENERGY

Cumulative quarter ended		Financial Indicators In RM Mil	31.12.2019	Individual quarter ended	
31.12.2018	31.12.2019			30.9.2019	31.12.2018
75,280	74,666	Revenue			
8,037	8,652	Third party	18,703	17,234	23,417
83,317	83,318	Inter-segment	2,395	1,694	2,383
17,196	9,780	PAT/(LAT) ⁸	21,098	18,928	25,800
			(384)	2,904	5,899
Cumulative quarter ended		Operational Indicators	31.12.2019	Individual quarter ended	
31.12.2018	31.12.2019			30.9.2019	31.12.2018
2,777	2,887	Malaysia average sales gas volume (mmscfd) ⁹	2,905	2,789	2,806
28.94	30.64	LNG sales volume (million tonnes)	8.71	6.70	8.15

Fourth quarter Revenue for the fourth quarter of 2019 was RM21.1 billion, lower by 18% as compared to the fourth quarter of 2018 mainly due to the impact of lower average LNG realised prices despite higher sales volume, coupled with the effect of weakening of Ringgit against US Dollar exchange rate. The segment recorded LAT of RM 0.4 billion for the fourth quarter of 2019 as compared to PAT of RM5.9 billion for the fourth quarter of 2018 mainly due to net impairment on assets partially offset by lower product costs and tax expenses.

Malaysia average sales gas volume for the fourth quarter of 2019 was higher by 99 mmscfd as compared to the fourth quarter of 2018 mainly due to higher demand.

LNG sales volume for the fourth quarter of 2019 was higher by 0.56 million tonnes as compared to the fourth quarter of 2018 mainly attributed to higher volume from PETRONAS LNG Complex ("PLC").

Cumulative quarter Revenue for the year ended 31 December 2019 was RM83.3 billion, comparable to the revenue recorded in the same period in 2018. PAT for the year ended 31 December 2019 was RM9.8 billion, lower by 43% as compared to the same period in 2018 mainly due to net impairment on assets and higher product costs. This was partially offset by lower tax expenses.

Malaysia average sales gas volume was higher by 110 mmscfd as compared to the same period in 2018 mainly due to higher demand.

LNG sales volume for the year ended 31 December 2019 was higher by 1.70 million tonnes as compared to the same period in 2018 mainly attributed to higher volume from PLC.

⁸ Loss After Tax

⁹ mmscfd: million standard cubic feet per day

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

PART B – OTHER EXPLANATORY NOTES (continued)

15. REVIEW OF PERFORMANCE – DOWNSTREAM

Cumulative quarter ended		Financial Indicators	31.12.2019	Individual quarter ended	
31.12.2018	31.12.2019			30.9.2019	31.12.2018
Restated		In RM Mil			Restated
		Revenue			
122,140	114,157	Third party	30,656	28,067	32,711
1,231	1,328	Inter-segment	349	366	324
123,371	115,485		31,005	28,433	33,035
6,814	5,166	PAT	381	1,899	215
Cumulative quarter ended		Operational Indicators	31.12.2019	Individual quarter ended	
31.12.2018	31.12.2019			30.9.2019	31.12.2018
Restated					Restated
		Petroleum products sales volume			
252.7	258.8	(in million barrels)	66.7	64.6	65.1
		Crude oil sales volume (in			
142.7	133.7	million barrels)	42.6	24.6	40.2
		Petrochemical products sales			
8.4	8.4	volume (in million metric tonnes)	2.2	2.0	2.1

Fourth quarter Revenue for the fourth quarter of 2019 was RM31.0 billion, lower by 6% as compared to the fourth quarter of 2018 mainly due to the impact of lower average realised prices for petroleum products, petrochemical products and crude oil partially offset by the impact of higher sales volume for petroleum and petrochemical products. PAT for the fourth quarter of 2019 was RM0.4 billion, higher by 77% as compared to the fourth quarter of 2018 mainly due to higher refining margins, partially offset by lower petrochemical product spreads.

Petroleum products sales volume for the fourth quarter of 2019 was 66.7 million barrels, higher by 1.6 million barrels as compared to the fourth quarter of 2018 following higher trading and domestic marketing volume. Crude oil sales volume for the fourth quarter of 2019 was 42.6 million barrels, higher by 2.4 million barrels as compared to the fourth quarter of 2018 due to increased crude oil marketing activities.

Petrochemical products sales volume for the fourth quarter of 2019 was 2.2 million metric tonnes, slightly higher by 0.1 million metric tonnes as compared to the fourth quarter of 2018.

Cumulative quarter Revenue for the year ended 31 December 2019 was RM115.5 billion, lower by 6% as compared to the same period in 2018 mainly due to the impact of lower average realised prices for petroleum products, petrochemical products and crude oil coupled with the impact of lower sales volume for crude oil, partially offset by higher sales volume for petroleum products. PAT for the year ended 31 December 2019 was RM5.2 billion, lower by 24% as compared to the same period in 2018 mainly contributed by lower petrochemical products spreads and lower refining margins. However, lower revenue and PAT were partially offset by the effect of weakening of Ringgit against US Dollar exchange rate.

Petroleum products sales volume for the year ended 31 December 2019 was 258.8 million barrels, higher by 6.1 million barrels as compared to the same period in 2018 following higher trading and domestic marketing volume, partially offset by lower international marketing volume. Crude oil sales volume for the year ended 31 December 2019 was 133.7 million barrels, lower by 9.0 million barrels as compared to the same period in 2018 resulting from lower crude oil trading and marketing activities.

Petrochemical products sales volume for the year ended 31 December 2019 was comparable to the same period in 2018 at 8.4 million metric tonnes.

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

PART B – OTHER EXPLANATORY NOTES (continued)

16. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS

Cumulative quarter ended		Financial Indicators	31.12.2019	Individual quarter ended	
31.12.2018	31.12.2019			30.9.2019	31.12.2018
Restated		In RM Mil			Restated
		Revenue			
14,255	13,674	Third party	3,747	3,013	3,632
4,491	4,211	Inter-segment	774	1,183	1,422
18,746	17,885		4,521	4,196	5,054
7,171	4,675	PAT/(LAT)	(283)	539	2,640

Fourth quarter Revenue for the fourth quarter of 2019 was RM4.5 billion, lower by 11% as compared to the fourth quarter of 2018 mainly due to lower fund investment income. The segment recorded LAT of RM0.3 billion for the fourth quarter of 2019 as compared to PAT of RM2.6 billion in the fourth quarter of 2018 mainly due to higher operating expenses, lower gain on disposal of investments as well as lower revenue recorded.

Cumulative quarter Revenue for the year ended 31 December 2019 was RM17.9 billion, lower by 5% as compared to the same period in 2018 mainly due to lower sales of land and development properties. PAT of RM4.7 billion for the year ended 31 December 2019, lower by 35% as compared to the same period in 2018 mainly due to lower gain on disposal of investments and lower revenue recorded.

17. COMPARISON WITH PRECEDING QUARTER'S RESULT

In RM Mil	Individual quarter ended	
	31.12.2019	30.9.2019
Revenue	64,036	55,109
PAT	4,110	7,422
EBITDA	22,748	18,795

PETRONAS Group recorded revenue of RM64.0 billion for the fourth quarter of 2019, higher by 16% as compared to the third quarter of 2019 mainly due to the impact of higher sales volume for crude oil and condensates and LNG.

The Group recorded PAT of RM4.1 billion for the fourth quarter of 2019, lower by 45% as compared to the third quarter of 2019 primarily due to higher tax expenses, product costs, net impairment on assets as well as depreciation and amortisation. This was partially offset by higher revenue recorded. The Group recorded EBITDA of RM22.7 billion for the fourth quarter of 2019, higher by 21% as compared to the third quarter of 2019 in line with higher PBT.

18. NEXT FINANCIAL YEAR OUTLOOK

The outlook of the oil and gas industry remains bearish, given the ongoing geopolitical uncertainties, prolonged trade tensions and near-term demand disruptions due to COVID-19 outbreak. Notwithstanding these challenges, PETRONAS will continue to deliver operational excellence and growth strategies. The Board expects the financial performance for 2020 to be affected by these factors.

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

PART B – OTHER EXPLANATORY NOTES (continued)

19. TAXATION

In RM Mil	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2019	2018	2019	2018
Current tax expenses				
Malaysia	6,556	9,795	18,873	23,397
Overseas	69	(362)	1,209	904
Deferred tax expenses				
Origination and reversal of temporary differences	(897)	(3,332)	(3,584)	(2,881)
	<u>5,728</u>	<u>6,101</u>	<u>16,498</u>	<u>21,420</u>

The Group's effective tax rate for the current quarter and period to date was 58.2% and 29.0% respectively.

20. CASH, FUND AND OTHER INVESTMENTS

In %	As at 31.12.2019	As at 31.12.2018
By Currency		
RM	72.7	72.9
USD	24.6	24.7
Others	2.7	2.4
	<u>100.0</u>	<u>100.0</u>
By Maturity ¹⁰		
< 1 year	94.0	97.1
1 to 5 years	2.7	1.8
5 to 10 years	3.3	1.1
	<u>100.0</u>	<u>100.0</u>
By Type		
Money market	93.8	97.0
Corporate bonds	5.2	2.4
Equities	1.0	0.6
	<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.

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

PART B – OTHER EXPLANATORY NOTES (continued)

21. BORROWINGS

The details of the Group borrowings as at 31 December 2019 are as follows:

In RM Mil	As at 31.12.2019	As at 31.12.2018
Non-Current		
Term loans	14,561	13,011
Lease liabilities	12,603	-
Notes and Bonds	21,371	21,598
Islamic financing facilities	4,887	10,402
Total non-current borrowings	<u>53,422</u>	<u>45,011</u>
Current		
Term loans	5,750	7,347
Lease liabilities	1,063	-
Notes and Bonds	-	12,424
Islamic financing facilities	6,298	1,260
Revolving credits	1,347	2,075
Bankers' acceptances	449	-
Bank overdrafts	409	455
Total current borrowings	<u>15,316</u>	<u>23,561</u>
Total borrowings	<u>68,738</u>	<u>68,572</u>

In RM Mil	As at 31.12.2019	%	As at 31.12.2018	%
By Currency				
USD	50,384	73.3	58,106	84.7
RM	12,689	18.5	7,249	10.6
EUR	1,997	2.9	2,060	3.0
ZAR	1,530	2.2	19	0.0
CAD	803	1.2	-	0.0
INR	747	1.1	29	0.0
GBP	345	0.5	849	1.2
Others	243	0.3	260	0.5
	<u>68,738</u>	<u>100.0</u>	<u>68,572</u>	<u>100.0</u>

By Repayment Schedule				
< 1 year	15,316	22.3	23,561	34.4
1 to 5 years	26,370	38.3	25,309	36.9
5 to 10 years	14,154	20.6	11,105	16.2
> 10 years	12,898	18.8	8,597	12.5
	<u>68,738</u>	<u>100.0</u>	<u>68,572</u>	<u>100.0</u>

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

PART B – OTHER EXPLANATORY NOTES (continued)

22. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 31 December 2019.

23. CONTINGENCIES

- i. 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 has been withdrawn by the Kelantan State Government without liberty to file afresh.
- ii. In 2019, the State of Sarawak brought a legal suit against PETRONAS in the Kuching High Court, alleging that PETRONAS has failed to make payments of RM1,345 million for the state sales tax imposed on petroleum products including interests and penalties under the Sarawak Sales Tax Ordinance 1998 (as amended in 2018). In response, PETRONAS has filed a judicial review to challenge the jurisdiction of the State of Sarawak over the imposition of sales tax for petroleum products. At the same time, PETRONAS had filed a defence against the civil suit and a stay of proceedings of the civil suit pending the disposal of the judicial review and determination of certain points of law to the Federal Court. Pending the above, the two cases are proceeding in parallel and 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 2019

PART B – OTHER EXPLANATORY NOTES (continued)

24. PROFIT FOR THE PERIOD

In RM Mil	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2019	2018	2019	2018
Included in profit for the period are the following charges:				
Bad debt written off	18	16	18	16
Depreciation and amortisation	11,749	7,515	38,678	34,327
Expenses relating to short-term leases	79	-	226	-
Expenses relating to low-value assets	6	-	18	-
Expenses relating to leases of variable lease payments not included in measurement of lease liabilities	1	-	2	-
Loss on disposal of:				
- property, plant and equipment	19	34	69	431
Net impairment losses on:				
- property, plant and equipment	4,091	-	6,539	-
- investment in an associate	-	65	230	65
- receivables	459	-	69	-
- loan and advances to an associate and a joint venture	62	101	62	101
- intangible assets	194	20	204	20
- other investments	251	-	251	4
Net impairment/write-off on well costs ¹¹	516	232	1,248	653
Net loss on derivatives	-	4	64	31
Net loss on foreign exchange	452	-	235	1,105
Property, plant and equipment written off	131	87	136	95
and credits:				
Dividend income	174	78	557	130
Gain on disposal of:				
- property, plant and equipment	6	-	61	6
- other investments	-	170	19	742
- subsidiaries	105	89	282	1,170
- joint venture	-	-	100	-
Interest income	1,484	2,272	6,889	6,509
Net gain on derivatives	25	-	-	-
Net gain on foreign exchange	-	88	-	-
Net write-back of impairment losses on:				
- property, plant and equipment	-	2,572	-	3,331
- receivables	-	1,249	-	1,592
Net change in contract liabilities	338	89	422	89

¹¹ Comprises impairment and write-off of exploration expenditure under intangible assets.

Financial Report

For Fourth Quarter And Year Ended 31 December 2019

PART B – OTHER EXPLANATORY NOTES (continued)

25. DIVIDENDS

As disclosed in Note 6.

26. EXCHANGE RATES

US Dollar/RM	Individual quarter ended			Cumulative quarter ended		
	31.12.2019	30.9.2019	31.12.2018	31.12.2019	30.9.2019	31.12.2018
Average rate	4.1650	4.1657	4.1721	4.1423	4.1348	4.0347
Closing rate	4.0995	4.1870	4.1445	4.0995	4.1870	4.1445

By order of the Board

Intan Shafinas (Tuty) Hussain (LS0009774)

Company Secretary

Kuala Lumpur

26 February 2020