



PETRONAS Group

Quarterly Report

For Fourth Quarter and
Year Ended 31 December 2021

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

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 2021 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 21.

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

In RM Mil	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2021	2020	2021	2020
Revenue	76,571	44,042	247,962	178,741
Cost of revenue	(48,175)	(36,195)	(158,646)	(134,958)
Gross profit	28,396	7,847	89,316	43,783
Selling and distribution expenses	(2,693)	(2,505)	(9,423)	(8,174)
Administration expenses	(3,939)	(2,425)	(11,536)	(9,675)
Net impairment write-back/(losses) ¹	347	(556)	2,307	(32,681)
Other expenses	(1,977)	(2,261)	(3,136)	(5,871)
Other income	460	1,469	4,904	4,102
Operating profit/(loss)	20,594	1,569	72,432	(8,516)
Financing costs	(1,050)	(1,404)	(5,069)	(4,133)
Share of profit/(loss) after tax and non-controlling interests of equity accounted associates and joint ventures	486	(5)	1,882	328
Profit/(Loss) before taxation	20,030	160	69,245	(12,321)
Tax expense	(6,673)	(1,297)	(20,645)	(8,708)
PROFIT/(LOSS) FOR THE PERIOD/YEAR	13,357	(1,137)	48,600	(21,029)
Other comprehensive income/(loss)				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net changes in fair value of equity investments at fair value through other comprehensive income ("OCI")	654	11	639	13
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	(933)	(5,295)	3,533	(452)
Cash flow hedge	1,551	(358)	(174)	(1,447)
Others	136	(53)	170	28
Total other comprehensive income/(loss) for the period/year	1,408	(5,695)	4,168	(1,858)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR	14,765	(6,832)	52,768	(22,887)
Profit/(Loss) attributable to:				
Shareholders of the Company	11,797	(2,008)	41,792	(23,851)
Non-controlling interests	1,560	871	6,808	2,822
PROFIT/(LOSS) FOR THE PERIOD/YEAR	13,357	(1,137)	48,600	(21,029)
Total comprehensive income/(loss) attributable to:				
Shareholders of the Company	13,357	(7,169)	45,010	(25,019)
Non-controlling interests	1,408	337	7,758	2,132
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR	14,765	(6,832)	52,768	(22,887)

¹ Includes certain amount relating to loss on remeasurement of finance lease receivables and write-off of assets.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	As at 31 December 2021	As at 31 December 2020
ASSETS		
Property, plant and equipment	282,898	291,717
Investment properties and land held for development	13,167	13,454
Investments in associates and joint ventures	9,229	12,599
Intangible assets	19,394	20,044
Long-term receivables	33,751	21,232
Fund and other investments	2,955	1,009
Deferred tax assets	20,983	20,622
TOTAL NON-CURRENT ASSETS	382,377	380,677
Trade and other inventories	14,477	12,491
Trade and other receivables	48,324	40,583
Fund and other investments	10,479	9,779
Cash and cash equivalents	164,556	130,523
	237,836	193,376
Assets classified as held for sale	14,791	18
TOTAL CURRENT ASSETS	252,627	193,394
TOTAL ASSETS	635,004	574,071
EQUITY		
Share capital	100	100
Reserves	350,756	330,521
Total equity attributable to shareholders of the Company	350,856	330,621
Non-controlling interests	53,484	50,413
TOTAL EQUITY	404,340	381,034
LIABILITIES		
Borrowings	86,619	76,808
Deferred tax liabilities	9,543	8,455
Other long-term liabilities and provisions	50,620	51,056
TOTAL NON-CURRENT LIABILITIES	146,782	136,319
Trade and other payables	51,825	43,728
Borrowings	21,212	11,421
Taxation	6,913	1,569
	79,950	56,718
Liabilities classified as held for sale	3,932	—
TOTAL CURRENT LIABILITIES	83,882	56,718
TOTAL LIABILITIES	230,664	193,037
TOTAL EQUITY AND LIABILITIES	635,004	574,071

The unaudited condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company				
	Non-distributable				
	Share Capital	Capital and Other Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve	Hedging Reserve
<i>In RM Mil</i>					
Cumulative quarter ended 31 December 2021					
Balance at 1 January 2021	100	15,685	30,557	(65)	(1,221)
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	—	—	—	639	—
Net movements from exchange differences	—	—	2,813	—	—
Cash flow hedge ²	—	—	—	—	(387)
Others	—	153	—	—	—
Total other comprehensive income/(loss) for the year, net of tax	—	153	2,813	639	(387)
Profit for the year	—	—	—	—	—
Total comprehensive income/(loss) for the year	—	153	2,813	639	(387)
Changes in ownership interests in subsidiaries	—	—	—	—	—
Redemption of redeemable preference shares in a subsidiary	—	—	—	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	—
Balance at 31 December 2021	100	15,838	33,370	574	(1,608)
Cumulative quarter ended 31 December 2020					
Balance at 1 January 2020	100	14,496	30,014	(78)	13
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	—	—	—	13	—
Net movements from exchange differences	—	—	184	—	—
Cash flow hedge	—	—	—	—	(1,234)
Others	—	(131)	—	—	—
Total other comprehensive (loss)/income for the year, net of tax	—	(131)	184	13	(1,234)
(Loss)/Profit for the year	—	—	—	—	—
Total comprehensive (loss)/income for the year	—	(131)	184	13	(1,234)
Changes in ownership interest in subsidiaries	—	—	359	—	—
Acquisition of a subsidiary	—	—	—	—	—
Redemption of redeemable preference shares in subsidiaries	—	1,320	—	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	1,320	359	—	—
Balance at 31 December 2020	100	15,685	30,557	(65)	(1,221)

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² Includes RM126 million relating to cost of hedging reserve.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company				
	Distributable				
In RM Mil	General Reserve	Retained Profits	Total	Non- Controlling Interests	Total Equity
Cumulative quarter ended 31 December 2021					
Balance at 1 January 2021	12,000	273,565	330,621	50,413	381,034
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	—	—	639	—	639
Net movements from exchange differences	—	—	2,813	720	3,533
Cash flow hedge ²	—	—	(387)	213	(174)
Others	—	—	153	17	170
Total other comprehensive income/(loss) for the year, net of tax	—	—	3,218	950	4,168
Profit for the year	—	41,792	41,792	6,808	48,600
Total comprehensive income/(loss) for the year	—	41,792	45,010	7,758	52,768
Changes in ownership interests in subsidiaries	—	225	225	—	225
Redemption of redeemable preference shares in a subsidiary	—	—	—	(4)	(4)
Dividends	—	(25,000)	(25,000)	(4,683)	(29,683)
Total transactions with shareholders	—	(24,775)	(24,775)	(4,687)	(29,462)
Balance at 31 December 2021	12,000	290,582	350,856	53,484	404,340
Cumulative quarter ended 31 December 2020					
Balance at 1 January 2020	12,000	332,551	389,096	49,819	438,915
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	—	—	13	—	13
Net movements from exchange differences	—	—	184	(636)	(452)
Cash flow hedge	—	—	(1,234)	(213)	(1,447)
Others	—	—	(131)	159	28
Total other comprehensive (loss)/income for the year, net of tax	—	—	(1,168)	(690)	(1,858)
(Loss)/Profit for the year	—	(23,851)	(23,851)	2,822	(21,029)
Total comprehensive (loss)/income for the year	—	(23,851)	(25,019)	2,132	(22,887)
Changes in ownership interest in subsidiaries	—	185	544	2,533	3,077
Acquisition of a subsidiary	—	—	—	632	632
Redemption of redeemable preference shares in subsidiaries	—	(1,320)	—	—	—
Dividends	—	(34,000)	(34,000)	(4,703)	(38,703)
Total transactions with shareholders	—	(35,135)	(33,456)	(1,538)	(34,994)
Balance at 31 December 2020	12,000	273,565	330,621	50,413	381,034

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² Includes RM126 million relating to cost of hedging reserve.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Cumulative quarter ended 31 December	
<i>In RM Mil</i>	Note	2021	2020
Cash flows from operating activities			
Profit/(Loss) before taxation		69,245	(12,321)
Adjustments for:			
Depreciation and amortisation		34,417	36,026
Net impairment (write-back)/losses on:			
- intangible assets		(1,310)	5,648
- investment in a joint venture and associates		259	151
- loan and advances to a joint venture		61	71
- property, plant and equipment and investment properties	B11	(3,172)	25,714
- receivables		1,791	(37)
Net impairment/write-off on well costs		1,809	2,246
Net inventories written down to net realisable value/written off		188	37
Bad debts written off		11	65
Intangible assets written off		—	20
Property, plant and equipment/project-in-progress written off		54	234
Write-off of trade receivables and loss on remeasurement of finance lease receivables		—	846
Net gain on disposal of property, plant and equipment, investment in subsidiaries, an associate, joint ventures and other investments		(656)	(388)
Gain on bargain purchase		—	(247)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures		(1,882)	(328)
Net change in contract liabilities		166	(481)
Net change in provisions		392	769
Net unrealised (gain)/loss on derivatives		(670)	275
Net unrealised gain on foreign exchange		(862)	(6)
Interest income		(2,998)	(4,838)
Financing costs		5,069	4,133
Other non-cash items		(12)	(70)
Operating profit before changes in working capital		101,900	57,519
Net changes in working capital		(8,813)	(4,197)
Cash generated from operations		93,087	53,322
Interest expenses paid		(3,584)	(2,689)
Interest income		2,998	4,838
Taxation paid, net of refund		(13,904)	(14,726)
Net cash generated from operating activities		78,597	40,745

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In RM Mil	Cumulative quarter ended 31 December	
	2021	2020
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(1)	(158)
Dividends received	1,456	1,279
Investments in associates and joint ventures	(323)	(82)
Investments in securities and other investments	(4,036)	(4,237)
Long-term receivables to a joint venture	—	(861)
Deposits/proceeds from disposal/partial disposal:		
- investment in subsidiaries, net of cash disposed	—	64
- property, plant and equipment	1,869	584
- securities and other investments	1,581	2,944
- investment in an associate	64	—
- investment in joint ventures	51	—
Proceeds from redemption of preference shares in joint ventures	—	670
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(30,165)	(33,117)
Net cash used in investing activities	(29,504)	(32,914)
Cash flows from financing activities		
Dividends paid	(25,000)	(34,000)
Dividends paid to non-controlling interests	(4,683)	(4,703)
Drawdown of borrowings	34,602	43,084
Payment of lease liabilities	(4,344)	(4,232)
Payment to non-controlling interests on additional equity interests	(13)	—
Payment to non-controlling interests on redemption of redeemable preference shares	(4)	—
Proceeds from partial disposal of equity interest to non-controlling interests	238	3,077
Repayment of borrowings	(16,852)	(20,693)
Net cash used in financing activities	(16,056)	(17,467)
Net increase/(decrease) in cash and cash equivalents	33,037	(9,636)
Decrease/(Increase) in cash and cash equivalents restricted	304	(322)
Net foreign exchange differences	1,692	(1,752)
Cash and cash equivalents at beginning of the year	128,141	139,851
Cash and cash equivalents at end of the year	163,174	128,141
Cash and cash equivalents		
Cash and bank balances and deposits	164,556	130,523
Bank overdrafts	(2)	(698)
Less: Cash and cash equivalents restricted	(1,380)	(1,684)
	163,174	128,141

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. They should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2020.

The explanatory notes attached to these 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 2020.

Within the context of these condensed consolidated financial statements, the Group comprises the Company, its subsidiaries and joint operations, as well as the Group's interest in joint ventures and associates as at and for the year ended 31 December 2021.

A2. 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 2021 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2020 except as disclosed below.

During the financial year, the Group has adopted the following Amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB").

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosures*, MFRS 4 *Insurance Contracts*, MFRS 16 *Leases (Interest Rate Benchmark Reform - Phase 2)*

Effective for annual periods beginning on or after 1 April 2021

Amendment to MFRS 16 *Leases (Covid-19-Related Rent Concessions beyond 30 June 2021)*

The initial application of the above-mentioned pronouncements did not have any material impact to the financial statements of the Group.

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2020 were not subjected to any audit qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A5. EXCEPTIONAL ITEM

There was no exceptional item during the period under review.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

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

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of the Group for the year ended 31 December 2020 that may have material effect in the results of the period under review.

A7. DEBT AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period under review, other than as disclosed in Note A9 and Note B10.

A8. DIVIDENDS PAID

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

- i. a dividend of RM180,000 per ordinary share amounting to RM18 billion was declared to shareholders and paid in instalments between March and November 2021.
- ii. a dividend of RM70,000 per ordinary share amounting to RM7 billion was declared to shareholders and paid in instalments between August and December 2021.

A9. SIGNIFICANT EVENTS

- i. On 17 March 2021, PETRONAS via its indirect wholly-owned subsidiary, PETRONAS Energy Canada Ltd. ("PECL"), successfully priced a US\$600 million single tranche 7-year note. The use of proceeds is to fund PECL's continued development and production activities, debt refinancing and for general corporate purposes. PECL focuses on the development and production of oil and natural gas in Canada.
- ii. On 22 April 2021, PETRONAS via its wholly-owned subsidiary, PETRONAS Capital Limited ("PCL"), successfully priced a US\$3.0 billion dual-tranche senior bond offering, comprising US\$1.25 billion 10.75-year and US\$1.75 billion 40-year conventional notes. The use of proceeds is for debt refinancing and general corporate purposes, thereby further strengthening the balance sheet and extending PETRONAS' debt maturity profile.
- iii. On 6 October 2021, PETRONAS via its wholly-owned subsidiaries, PETRONAS South Caucasus S.à r.l. and PETRONAS Azerbaijan (Shah Deniz) S.à r.l., signed a Sale and Purchase Agreement ("SPA") for the sale of its entire 15.5% stake in the Shah Deniz offshore gas field and its related assets (herein known as "Azerbaijan Assets") to LUKOIL Overseas Shah Deniz Limited and LUKOIL Overseas Shah Deniz Midstream Limited (collectively as "LUKOIL"). On 10 December 2021, in line with the pre-emptive rights exercised by other existing partners, a revised SPA was signed with LUKOIL, whereas new SPAs were signed with BP Exploration (Azerbaijan) Limited, BP Pipeline (SCP) Limited, Azerbaijan (Shah Deniz) Limited and Azerbaijan (South Caucasus Pipeline) Limited, for the Azerbaijan Assets mentioned above.

The divestment was completed in February 2022. The net effect arising from the disposal of Azerbaijan Assets is not material in relation to the consolidated results of the Group.

- iv. On 2 December 2021, PETRONAS via its wholly-owned subsidiary, PETRONAS (E&P) Overseas Venture Sdn. Bhd., signed a Sale and Purchase Agreement ("SPA") for the sale of PETRONAS Carigali Chad Exploration & Production Inc ("PCCEPI") and its subsidiaries (herein known as "Chad entities") to Savannah Energy Chad Limited. The divestment is expected to be completed in 2022 upon fulfilment of the set conditions precedents, which includes waiver of existing partners' pre-emptive rights. The expected net effect arising from the disposal of Chad entities is not material in relation to the consolidated results of the Group.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

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

A10. CAPITAL COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of the reporting year not provided for in the financial statements are:

<i>In RM Mil</i>	As at 31 December 2021	As at 31 December 2020
Capital expenditure		
<i>Approved and contracted for</i>	37,160	32,854
<i>Approved but not contracted for</i>	63,348	76,743
	100,508	109,597
Share of capital expenditure of joint ventures		
<i>Approved and contracted for</i>	15,743	20,163
<i>Approved but not contracted for</i>	25,024	36,276
	40,767	56,439
	141,275	166,036

A11. CONTINGENCIES

There were no material contingent liabilities since the last audited consolidated statement of financial position as at 31 December 2020.

A12. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group for the period under review, other than as disclosed in Note A9.

A13. FAIR VALUE INFORMATION

The following table analyses financial instruments carried at fair value by valuation method. The different levels in a fair value hierarchy based on the input used in the valuation technique 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).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

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, Level 2 and Level 3 fair value measurements during the current financial year and comparative year.