



PETRONAS Group Quarterly Report

For First Quarter 2022

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2022

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 first quarter ended 31 March 2022 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 25.

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

	Individual quarter ended 31 March	
	2022	2021 Restated
<i>In RM Mil</i>		
Revenue	78,750	52,546
Cost of revenue	(41,488)	(33,876)
Gross profit	37,262	18,670
Selling and distribution expenses	(2,076)	(2,098)
Administration expenses	(2,839)	(2,309)
Net (impairment losses)/reversal of impairment ¹	(298)	183
Other expenses	(1,382)	(849)
Other income	1,134	1,704
Operating profit	31,801	15,301
Financing costs	(1,328)	(1,136)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	636	359
Profit before taxation	31,109	14,524
Tax expense	(7,674)	(5,303)
PROFIT FOR THE PERIOD	23,435	9,221
Other comprehensive income		
<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")	(8)	—
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net movements from exchange differences	2,238	4,273
Cash flow hedge	(110)	1,023
Others	73	34
Total other comprehensive income for the period	2,193	5,330
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	25,628	14,551
Profit attributable to:		
Shareholders of the Company	20,887	7,615
Non-controlling interests	2,548	1,606
PROFIT FOR THE PERIOD	23,435	9,221
Total comprehensive income attributable to:		
Shareholders of the Company	22,514	12,035
Non-controlling interests	3,114	2,516
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	25,628	14,551

¹ Includes certain amount relating to write-back and write-off of assets.

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FOR FIRST QUARTER ENDED 31 MARCH 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March 2022	As at 31 December 2021 Restated
<i>In RM Mil</i>		
ASSETS		
Property, plant and equipment	283,735	284,613
Investment properties and land held for development	13,082	13,167
Investments in associates and joint ventures	8,229	7,461
Intangible assets	20,519	19,394
Long-term receivables	35,793	33,751
Fund and other investments	3,124	2,955
Deferred tax assets	21,242	20,983
TOTAL NON-CURRENT ASSETS	385,724	382,324
Trade and other inventories	18,922	14,477
Trade and other receivables	50,019	48,324
Fund and other investments	10,271	10,479
Cash and cash equivalents	183,966	164,556
	263,178	237,836
Assets classified as held for sale	3,406	14,791
TOTAL CURRENT ASSETS	266,584	252,627
TOTAL ASSETS	652,308	634,951
EQUITY		
Share capital	100	100
Reserves	348,291	350,703
Total equity attributable to shareholders of the Company	348,391	350,803
Non-controlling interests	53,896	53,484
TOTAL EQUITY	402,287	404,287
LIABILITIES		
Borrowings	87,903	86,619
Deferred tax liabilities	10,154	9,543
Other long-term liabilities and provisions	51,359	50,620
TOTAL NON-CURRENT LIABILITIES	149,416	146,782
Trade and other payables	50,035	51,825
Borrowings	15,738	21,212
Taxation	10,968	6,913
Dividend payable	22,000	—
	98,741	79,950
Liabilities classified as held for sale	1,864	3,932
TOTAL CURRENT LIABILITIES	100,605	83,882
TOTAL LIABILITIES	250,021	230,664
TOTAL EQUITY AND LIABILITIES	652,308	634,951

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 FIRST QUARTER ENDED 31 MARCH 2022

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>					
Individual quarter ended 31 March 2022					
Balance at 1 January 2022					
- As previously reported	100	15,838	33,370	574	(1,608)
- Effect of Amendments to MFRS 116	—	—	—	—	—
At 1 January 2022, restated	100	15,838	33,370	574	(1,608)
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	—	—	—	(8)	—
Net movements from exchange differences	—	—	1,930	—	—
Cash flow hedge ²	—	—	—	—	(364)
Others	—	69	—	—	—
Total other comprehensive income/(loss) for the period, net of tax	—	69	1,930	(8)	(364)
Profit for the period	—	—	—	—	—
Total comprehensive income/(loss) for the period	—	69	1,930	(8)	(364)
Changes in ownership interests in subsidiaries	—	—	—	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	—
Balance at 31 March 2022	100	15,907	35,300	566	(1,972)
Individual quarter ended 31 March 2021					
Balance at 1 January 2021					
- As previously reported	100	15,685	30,557	(65)	(1,221)
- Effect of Amendments to MFRS 116	—	—	—	—	—
At 1 January 2021, restated	100	15,685	30,557	(65)	(1,221)
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	—	—	—	—	—
Net movements from exchange differences	—	—	3,547	—	—
Cash flow hedge	—	—	—	—	860
Others	—	13	—	—	—
Total other comprehensive income for the period, net of tax	—	13	3,547	—	860
Profit for the period	—	—	—	—	—
Total comprehensive income for the period	—	13	3,547	—	860
Changes in ownership interest in subsidiaries	—	—	—	—	—
Redemption of redeemable preference shares in a subsidiary	—	—	—	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	—
Balance at 31 March 2021	100	15,698	34,104	(65)	(361)

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² Includes RM1,117 million relating to cost of hedging reserve during the period.

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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
Individual quarter ended 31 March 2022					
Balance at 1 January 2022					
- As previously reported	12,000	290,582	350,856	53,484	404,340
- Effect of Amendments to MFRS 116	—	(53)	(53)	—	(53)
At 1 January 2022, restated	12,000	290,529	350,803	53,484	404,287
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	—	—	(8)	—	(8)
Net movements from exchange differences	—	—	1,930	308	2,238
Cash flow hedge ²	—	—	(364)	254	(110)
Others	—	—	69	4	73
Total other comprehensive income/(loss) for the period, net of tax	—	—	1,627	566	2,193
Profit for the period	—	20,887	20,887	2,548	23,435
Total comprehensive income/(loss) for the period	—	20,887	22,514	3,114	25,628
Changes in ownership interests in subsidiaries	—	74	74	(68)	6
Dividends	—	(25,000)	(25,000)	(2,634)	(27,634)
Total transactions with shareholders	—	(24,926)	(24,926)	(2,702)	(27,628)
Balance at 31 March 2022	12,000	286,490	348,391	53,896	402,287
Individual quarter ended 31 March 2021					
Balance at 1 January 2021					
- As previously reported	12,000	273,565	330,621	50,413	381,034
- Effect of Amendments to MFRS 116	—	(2,322)	(2,322)	—	(2,322)
At 1 January 2021, restated	12,000	271,243	328,299	50,413	378,712
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	—	—	—	—	—
Net movements from exchange differences	—	—	3,547	726	4,273
Cash flow hedge	—	—	860	163	1,023
Others	—	—	13	21	34
Total other comprehensive income for the period, net of tax	—	—	4,420	910	5,330
Profit for the period	—	7,615	7,615	1,606	9,221
Total comprehensive income for the period	—	7,615	12,035	2,516	14,551
Changes in ownership interest in subsidiaries	—	—	—	(13)	(13)
Redemption of redeemable preference shares in a subsidiary	—	—	—	(4)	(4)
Dividends	—	(18,000)	(18,000)	(1,218)	(19,218)
Total transactions with shareholders	—	(18,000)	(18,000)	(1,235)	(19,235)
Balance at 31 March 2021	12,000	260,858	322,334	51,694	374,028

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² Includes RM1,117 million relating to cost of hedging reserve during the period.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Individual quarter ended 31 March	
	2022	2021 Restated
<i>In RM Mil</i>		
Cash flows from operating activities		
Profit before taxation	31,109	14,524
Adjustments for:		
Depreciation and amortisation	7,976	8,269
Net impairment losses/(reversal of impairment):		
- intangible assets	18	—
- loan and advances to a joint venture	27	—
- property, plant and equipment	—	(36)
- receivables	(42)	(147)
Net impairment/write-off on well costs	—	349
Net reversal of inventories written down to net realisable value	(12)	(25)
Bad debts written off	1	—
Property, plant and equipment written off	295	1
Net loss/(gain) on disposal of property, plant and equipment, investment in a subsidiary and associates	188	(424)
Loss on remeasurement of assets classified as held for sale	793	—
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(636)	(359)
Net change in contract liabilities	(41)	(104)
Net change in provisions	9	(12)
Net unrealised loss on derivatives	10	43
Net unrealised gain on foreign exchange	(134)	(1,258)
Interest income	(790)	(777)
Financing costs	1,328	1,136
Other non-cash items	(159)	(14)
Operating profit before changes in working capital	39,940	21,166
Net changes in working capital	(8,719)	(4,254)
Cash generated from operations	31,221	16,912
Interest expenses paid	(937)	(780)
Interest income	790	777
Taxation paid, net of refund	(3,192)	(2,616)
Net cash generated from operating activities	27,882	14,293

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Individual quarter ended 31 March	
	2022	2021 Restated
<i>In RM Mil</i>		
Cash flows from investing activities		
Dividends received	205	161
Investments in associates and joint ventures	(386)	(3)
Investments in securities and other investments	(768)	(615)
Proceeds from disposal/partial disposal:		
- investment in a subsidiary, net of cash disposed	217	—
- property, plant and equipment	8,137	681
- securities and other investments	568	296
- investment in associates	829	—
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(6,979)	(6,637)
Net cash generated/(used) in investing activities	1,823	(6,117)
Cash flows from financing activities		
Dividends paid	(3,000)	(2,000)
Dividends paid to non-controlling interests	(2,634)	(1,218)
Drawdown of borrowings	5,730	8,667
Payment of lease liabilities	(907)	(866)
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	6	—
Repayment of borrowings	(11,345)	(5,013)
Net cash used in financing activities	(12,150)	(447)
Net increase in cash and cash equivalents	17,555	7,729
Decrease in cash and cash equivalents restricted	384	390
Net foreign exchange differences	838	838
Cash and cash equivalents at beginning of the year	163,174	128,141
Cash and cash equivalents at end of the period	181,951	137,098
Cash and cash equivalents		
Cash and bank balances and deposits	183,966	138,642
Bank overdrafts	(1,019)	(250)
Less: Cash and cash equivalents restricted	(996)	(1,294)
	181,951	137,098

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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 2021.

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 2021.

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 period ended 31 March 2022.

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 2022 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2021 except as disclosed below.

During the financial period, 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 2022

Amendments to MFRS 9 *Financial Instruments: Derecognition of financial liabilities*, Amendments to MFRS 16 *Leases: Illustrative examples 13*, and Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*

Amendments to MFRS 3 *Business Combinations (reference to conceptual framework)*

Amendments to MFRS 116 *Property, Plant and Equipment: Proceeds Before Intended Use*

Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts - Cost of Fulfilling a Contract)*

The initial application of the above-mentioned pronouncements do not have any material impact to the financial statements of the Group. The principal changes on Amendments to MFRS 116 and their effects are set out below:-

Amendments to MFRS 116 *Property, Plant and Equipment: Proceeds Before Intended Use*

The Amendments to MFRS 116 no longer allow companies to deduct any net proceeds from selling items produced while bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from an item of property, plant and equipment. Instead, the proceeds from selling such items and the costs of producing those items are recognised in the statement of profit or loss.

Accordingly, the Group has restated its comparative financial information arising from the retrospective application of the Amendments to MFRS 116, to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements by adjusting the cumulative effect to the retained earnings as at 1 January 2021 as presented below.

	Impact of adoption of Amendments to MFRS 116 to opening balance at 1 January 2021
<i>In RM Mil</i>	
Decrease in plant, property and equipment	(197)
Decrease in investment in associates and joint ventures	(2,125)
Decrease in equity	(2,322)

The restatement impact on comparative information is disclosed in Appendix 1.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2022

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

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2021 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.

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 2021 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 period, the Company paid a dividend of RM3 billion, being partial payment of the approved dividend of RM250,000 per ordinary share amounting to RM25 billion declared on 28 February 2022.

The remaining amount of the dividend amounting to RM22 billion will be paid in instalments between April 2022 and November 2022.

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

A9. SIGNIFICANT AND SUBSEQUENT EVENTS

- i. 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.

- ii. On 6 April 2022, PETRONAS via its indirect partly-owned subsidiary, MISC Capital Two (Labuan) Limited, issued US\$1.0 billion Global Medium Term Notes. The proceeds will be used for general corporate purposes of MISC Berhad, its subsidiaries and associated companies ("MISC Group"), including but not limited to financing capital expenditure, working capital and refinancing of existing borrowings of any member of MISC Group.
- iii. On 27 April 2022, PETRONAS Petróleo Brasil Ltda ("PPBL"), a wholly-owned subsidiary of PETRONAS, and its consortium partners signed a Production Sharing Contract ("PSC") for the Sépia field, located in the Santos Basin, pursuant to the Second Transfer of Rights Surplus Bidding Round held in Rio De Janeiro on 17 December 2021. Following this, PPBL holds 21% Participating Interests ("PI") alongside the operator, PETRÓLEO BRASILEIRO S.A. ("Petrobras") with 30% PI, TotalEnergies EP Brasil Ltda ("TotalEnergies") with 28% PI and QP Brasil Ltda ("QatarEnergy") with 21% PI.
- iv. On 14 May 2022, PETRONAS, via its partly-owned subsidiary PETRONAS Chemicals International B.V. ("PCIBV"), a wholly-owned subsidiary of PETRONAS Chemicals Group Berhad ("PCG"), signed a Securities Purchase Agreement ("SPA") with Financière Forêt S.à r.l, a company under PAI Partners, a European private equity firm for the acquisition of 100% equity interests in Perstorp Holding AB ("Perstorp"), for a base purchase price of EUR1,538.0 million, subject to the adjustments as stipulated in SPA.

PCIBV is also required to repay all outstanding and unpaid amounts owed by Perstorp and its subsidiaries as of the closing date of the SPA that relates to their existing financing agreements which amounts to EUR851.7 million as at 31 December 2021 and pay earn-out payment not exceeding EUR45.0 million related to Perstorp's new plant in Sayakha, India, subject to meeting certain conditions.

The acquisition is expected to be completed in second half of 2022, where Perstorp will become an indirect wholly-owned subsidiary of PCG upon fulfilment of the set condition precedents.

The net effect arising from this acquisition is expected not to be material in relation to the consolidated net profit of the Group for the period.