



PETRONAS Group Quarterly Report

For Second Quarter Ended 30 June 2021

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QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2021

The Board of Directors of Petrolia Nasional Berhad ("PETRONAS" or the "Company") is pleased to announce the following unaudited condensed consolidated financial statements of PETRONAS Group for the second quarter ended 30 June 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 30 June		Cumulative quarter ended 30 June	
	2021	2020	2021	2020
Revenue	57,072	34,036	109,618	93,629
Cost of revenue	(36,717)	(27,236)	(70,543)	(68,178)
Gross profit	20,355	6,800	39,075	25,451
Selling and distribution expenses	(2,387)	(1,922)	(4,485)	(3,930)
Administration expenses	(2,853)	(2,832)	(5,162)	(5,257)
Net impairment write-back and (losses)/(write-off ¹)	57	(20,778)	240	(26,415)
Other expenses	(277)	(1,739)	(1,126)	(2,953)
Other income	1,740	1,260	3,444	1,926
Operating profit/(loss)	16,635	(19,211)	31,986	(11,178)
Financing costs	(1,440)	(883)	(2,576)	(1,546)
Share of profit/(loss) after tax and non-controlling interests of equity accounted associates and joint ventures	504	(68)	887	53
Profit/(Loss) before taxation	15,699	(20,162)	30,297	(12,671)
Tax expense	(6,063)	(877)	(11,366)	(3,848)
PROFIT/(LOSS) FOR THE PERIOD	9,636	(21,039)	18,931	(16,519)
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")	(18)	21	(18)	(71)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	(24)	(1,330)	4,249	5,846
Cash flow hedge	(1,862)	(88)	(826)	(1,067)
Others	3	154	24	210
Total other comprehensive (loss)/income for the period	(1,901)	(1,243)	3,429	4,918
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	7,735	(22,282)	22,360	(11,601)
Profit/(Loss) attributable to:				
Shareholders of the Company	8,323	(21,467)	16,012	(17,679)
Non-controlling interests	1,313	428	2,919	1,160
PROFIT/(LOSS) FOR THE PERIOD	9,636	(21,039)	18,931	(16,519)
Total comprehensive income/(loss) attributable to:				
Shareholders of the Company	6,412	(22,579)	18,521	(13,614)
Non-controlling interests	1,323	297	3,839	2,013
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	7,735	(22,282)	22,360	(11,601)

¹ Includes certain amount relating to loss on remeasurement of finance lease receivables.

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FOR SECOND QUARTER ENDED 30 JUNE 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	As at 30 June 2021	As at 31 December 2020
ASSETS		
Property, plant and equipment	283,493	291,717
Investment properties and land held for development	13,336	13,454
Investments in associates and joint ventures	13,152	12,599
Intangible assets	20,157	20,044
Long-term receivables	29,042	21,232
Fund and other investments	1,222	1,009
Deferred tax assets	19,986	20,622
TOTAL NON-CURRENT ASSETS	380,388	380,677
Trade and other inventories	15,975	12,491
Trade and other receivables	45,772	40,583
Assets classified as held for sale	808	18
Fund and other investments	10,204	9,779
Cash and cash equivalents	155,956	130,523
TOTAL CURRENT ASSETS	228,715	193,394
TOTAL ASSETS	609,103	574,071
EQUITY		
Share capital	100	100
Reserves	331,042	330,521
Total equity attributable to shareholders of the Company	331,142	330,621
Non-controlling interests	51,910	50,413
TOTAL EQUITY	383,052	381,034
LIABILITIES		
Borrowings	93,952	76,808
Deferred tax liabilities	7,967	8,455
Other long-term liabilities and provisions	47,877	51,056
TOTAL NON-CURRENT LIABILITIES	149,796	136,319
Trade and other payables	46,419	43,728
Borrowings	12,628	11,421
Liabilities classified as held for sale	443	—
Taxation	6,765	1,569
Dividend Payable	10,000	—
TOTAL CURRENT LIABILITIES	76,255	56,718
TOTAL LIABILITIES	226,051	193,037
TOTAL EQUITY AND LIABILITIES	609,103	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 SECOND QUARTER ENDED 30 JUNE 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
<i>In RM Mil</i>				
Cumulative quarter ended 30 June 2021				
Balance at 1 January 2021	100	14,464	30,557	(65)
Net changes of equity investments at fair value through OCI:				
- Changes in fair value	—	—	—	(18)
Net movements from exchange differences	—	—	3,464	—
Cash flow hedge	—	(952)	—	—
Others	—	15	—	—
Total other comprehensive (loss)/income for the period, net of tax	—	(937)	3,464	(18)
Profit for the period	—	—	—	—
Total comprehensive (loss)/income for the period	—	(937)	3,464	(18)
Changes in ownership interest in subsidiaries	—	—	—	—
Redemption of redeemable preference shares in subsidiaries	—	—	—	—
Dividends	—	—	—	—
Total transactions with shareholders	—	—	—	—
Balance at 30 June 2021	100	13,527	34,021	(83)
Cumulative quarter ended 30 June 2020				
Balance at 1 January 2020	100	14,509	30,014	(78)
Net changes of equity investments at fair value through OCI:				
- Changes in fair value	—	—	—	(71)
Net movements from exchange differences	—	—	4,953	—
Cash flow hedge	—	(855)	—	—
Others	—	38	—	—
Total other comprehensive (loss)/income for the period, net of tax	—	(817)	4,953	(71)
(Loss)/Profit for the period	—	—	—	—
Total comprehensive (loss)/income for the period	—	(817)	4,953	(71)
Changes in ownership interest in subsidiaries	—	—	—	—
Acquisition of a subsidiary	—	—	—	—
Redemption of redeemable preference shares in a subsidiary	—	120	—	—
Dividends	—	—	—	—
Total transaction with shareholders	—	120	—	—
Balance at 30 June 2020	100	13,812	34,967	(149)

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FOR SECOND QUARTER ENDED 30 JUNE 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 30 June 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	—	—	(18)	—	(18)
Net movements from exchange differences	—	—	3,464	785	4,249
Cash flow hedge	—	—	(952)	126	(826)
Others	—	—	15	9	24
Total other comprehensive (loss)/income for the period, net of tax	—	—	2,509	920	3,429
Profit for the period	—	16,012	16,012	2,919	18,931
Total comprehensive (loss)/income for the period	—	16,012	18,521	3,839	22,360
Changes in ownership interest in subsidiaries	—	—	—	(5)	(5)
Redemption of redeemable preference shares in subsidiaries	—	—	—	(4)	(4)
Dividends	—	(18,000)	(18,000)	(2,333)	(20,333)
Total transactions with shareholders	—	(18,000)	(18,000)	(2,342)	(20,342)
Balance at 30 June 2021	12,000	271,577	331,142	51,910	383,052
Cumulative quarter ended 30 June 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	—	—	(71)	—	(71)
Net movements from exchange differences	—	—	4,953	893	5,846
Cash flow hedge	—	—	(855)	(212)	(1,067)
Others	—	—	38	172	210
Total other comprehensive (loss)/income for the period, net of tax	—	—	4,065	853	4,918
(Loss)/Profit for the period	—	(17,679)	(17,679)	1,160	(16,519)
Total comprehensive (loss)/income for the period	—	(17,679)	(13,614)	2,013	(11,601)
Changes in ownership interest in subsidiaries	—	—	—	2	2
Acquisition of a subsidiary	—	—	—	656	656
Redemption of redeemable preference shares in a subsidiary	—	(120)	—	—	—
Dividends	—	(24,000)	(24,000)	(2,523)	(26,523)
Total transaction with shareholders	—	(24,120)	(24,000)	(1,865)	(25,865)
Balance at 30 June 2020	12,000	290,752	351,482	49,967	401,449

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FOR SECOND QUARTER ENDED 30 JUNE 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Cumulative quarter ended	
	2021	30 June 2020
Cash flows from operating activities		
Profit/(Loss) before taxation	30,297	(12,671)
Adjustments for:		
Bad debts written off	1	31
Depreciation and amortisation	16,579	17,703
Financing costs	2,576	1,546
Gain on bargain purchase	—	(261)
Interest income	(1,478)	(2,704)
Net change in contract liabilities	(220)	(88)
Net change in provisions	(433)	(23)
Net (gain)/loss on disposal of property, plant and equipment and investment in subsidiaries	(482)	9
Net impairment losses/(write-back) on:		
- intangible assets	—	3,668
- loan and advances to a joint venture	50	49
- property, plant and equipment	157	21,771
- receivables	(458)	(39)
Net impairment/write-off on well costs	399	239
Net inventories written down/(reversal) to net realisable value	8	(1)
Net loss/(gain) on derivatives	325	(125)
Property, plant and equipment written off	10	—
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(887)	(53)
Unrealised (gain)/loss on foreign exchange	(1,561)	561
Other non-cash items	(14)	(25)
Write-off of trade receivables and loss on remeasurement of finance lease receivables	—	935
Operating profit before changes in working capital	44,869	30,522
Net changes in working capital	(5,956)	(205)
Cash generated from operations	38,913	30,317
Interest expenses paid	(1,758)	(1,431)
Interest income from fund and other investments	1,478	2,704
Taxation paid	(5,921)	(5,322)
Net cash generated from operating activities	32,712	26,268

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FOR SECOND QUARTER ENDED 30 JUNE 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	Cumulative quarter ended 30 June	
	2021	2020
Cash flows from investing activities		
Dividends received	588	438
Investment in associates and joint ventures	(145)	(43)
Investment in securities and other investments	(1,887)	(1,311)
Long-term receivables to a joint venture	—	(613)
Proceeds from disposal/partial disposal of:		
- investment in subsidiaries, net of cash disposed	—	54
- property, plant and equipment	1,018	273
- securities and other investments	1,026	1,055
Proceeds from redemption of preference shares in joint ventures	—	511
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(12,604)	(14,707)
Net cash used in investing activities	(12,004)	(14,343)
Cash flows from financing activities		
Dividends paid	(8,000)	(16,000)
Dividends paid to non-controlling interests	(2,333)	(2,523)
Drawdown of borrowings	25,880	34,088
Payment of lease liabilities	(1,710)	(2,187)
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	233	2
Repayment of borrowings	(10,233)	(12,668)
Net cash generated from financing activities	3,820	712
Net increase in cash and cash equivalents	24,528	12,637
Decrease/(Increase) in cash and cash equivalents restricted	377	(343)
Net foreign exchange differences	907	2,384
Cash and cash equivalents at beginning of the year	128,165	139,851
Cash and cash equivalents at end of the period	153,977	154,529
Cash and cash equivalents		
Cash and bank balances and deposits	155,956	156,864
Bank overdrafts	(696)	(630)
Less: Cash and cash equivalents restricted	(1,283)	(1,705)
	153,977	154,529

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FOR SECOND QUARTER ENDED 30 JUNE 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 period ended 30 June 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 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 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 SECOND QUARTER ENDED 30 JUNE 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 period under review, the Company paid a dividend of RM8 billion, being partial payments of the approved dividend of RM180,000 per ordinary share amounting to RM18 billion declared on 25 February 2021.

The remaining amount of the dividend amounting to RM10 billion will be paid in instalments between July 2021 and November 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.

A10. CONTINGENCIES

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

A11. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group for the period under review.

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FOR SECOND QUARTER ENDED 30 JUNE 2021

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

A12. 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).
- 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.

30 June 2021

In RM Mil

	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	1,279	—	—	1,279
Quoted securities	143	—	—	143
Unquoted shares	—	—	359	359
Malaysian Government Securities	—	284	—	284
Corporate Bonds and Sukuk	—	8,499	—	8,499
Commodity options	—	288	—	288
Commodity swaps	—	3	—	3
Forward foreign exchange contracts	—	185	—	185
Forward gas contracts	484	—	—	484
Interest rate swaps	—	59	—	59
	<u>1,906</u>	<u>9,318</u>	<u>359</u>	<u>11,583</u>
Financial liabilities				
Commodity swaps	—	(474)	—	(474)
Forward foreign exchange contracts	—	(87)	—	(87)
Forward oil/gas contracts	(228)	—	—	(228)
Forward oil/gas price swaps	(1,348)	—	—	(1,348)
Interest rate swaps	—	(340)	—	(340)
	<u>(1,576)</u>	<u>(901)</u>	<u>—</u>	<u>(2,477)</u>