

PETRONAS Group

Quarterly Report

For Third Quarter 2021

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QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 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 September		Cumulative quarter ended 30 September	
	2021	2020	2021	2020
Revenue	61,773	41,070	171,391	134,699
Cost of revenue	(39,928)	(30,585)	(110,471)	(98,763)
Gross profit	21,845	10,485	60,920	35,936
Selling and distribution expenses	(2,245)	(1,739)	(6,730)	(5,669)
Administration expenses	(2,435)	(1,993)	(7,597)	(7,250)
Net impairment write-back and (losses)/(write-off) ¹	1,720	(5,710)	1,960	(32,125)
Other expenses	(33)	(657)	(1,159)	(3,610)
Other income	1,000	707	4,444	2,633
Operating profit/(loss)	19,852	1,093	51,838	(10,085)
Financing costs	(1,443)	(1,183)	(4,019)	(2,729)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	509	280	1,396	333
Profit/(Loss) before taxation	18,918	190	49,215	(12,481)
Tax expense	(2,606)	(3,563)	(13,972)	(7,411)
PROFIT/(LOSS) FOR THE PERIOD	16,312	(3,373)	35,243	(19,892)
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")	3	73	(15)	2
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	217	(1,003)	4,466	4,843
Cash flow hedge	(899)	(125)	(1,725)	(1,191)
Others	10	(26)	34	183
Total other comprehensive (loss)/income for the period	(669)	(1,081)	2,760	3,837
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	15,643	(4,454)	38,003	(16,055)
Profit/(Loss) attributable to:				
Shareholders of the Company	13,983	(4,164)	29,995	(21,843)
Non-controlling interests	2,329	791	5,248	1,951
PROFIT/(LOSS) FOR THE PERIOD	16,312	(3,373)	35,243	(19,892)
Total comprehensive income/(loss) attributable to:				
Shareholders of the Company	13,132	(4,236)	31,653	(17,850)
Non-controlling interests	2,511	(218)	6,350	1,795
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	15,643	(4,454)	38,003	(16,055)

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

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	As at 30 September 2021	As at 31 December 2020
ASSETS		
Property, plant and equipment	285,591	291,717
Investment properties and land held for development	13,230	13,454
Investments in associates and joint ventures	13,499	12,599
Intangible assets	20,403	20,044
Long-term receivables	29,884	21,232
Fund and other investments	1,471	1,009
Deferred tax assets	21,966	20,622
TOTAL NON-CURRENT ASSETS	386,044	380,677
Trade and other inventories	16,506	12,491
Trade and other receivables	44,846	40,583
Assets classified as held for sale	463	18
Fund and other investments	11,448	9,779
Cash and cash equivalents	159,566	130,523
TOTAL CURRENT ASSETS	232,829	193,394
TOTAL ASSETS	618,873	574,071
EQUITY		
Share capital	100	100
Reserves	337,399	330,521
Total equity attributable to shareholders of the Company	337,499	330,621
Non-controlling interests	53,019	50,413
TOTAL EQUITY	390,518	381,034
LIABILITIES		
Borrowings	91,777	76,808
Deferred tax liabilities	8,443	8,455
Other long-term liabilities and provisions	48,540	51,056
TOTAL NON-CURRENT LIABILITIES	148,760	136,319
Trade and other payables	46,353	43,728
Borrowings	15,233	11,421
Liabilities classified as held for sale	429	—
Taxation	8,580	1,569
Dividend payable	9,000	—
TOTAL CURRENT LIABILITIES	79,595	56,718
TOTAL LIABILITIES	228,355	193,037
TOTAL EQUITY AND LIABILITIES	618,873	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 THIRD QUARTER ENDED 30 SEPTEMBER 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
In RM Mil				
Cumulative quarter ended 30 September 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	—	—	—	(15)
Net movements from exchange differences	—	—	3,525	—
Cash flow hedge	—	(1,871)	—	—
Others	—	19	—	—
Total other comprehensive (loss)/income for the period, net of tax	—	(1,852)	3,525	(15)
Profit for the period	—	—	—	—
Total comprehensive (loss)/income for the period	—	(1,852)	3,525	(15)
Changes in ownership interests in subsidiaries	—	—	—	—
Redemption of redeemable preference shares in a subsidiary	—	—	—	—
Dividends	—	—	—	—
Total transactions with shareholders	—	—	—	—
Balance at 30 September 2021	100	12,612	34,082	(80)
Cumulative quarter ended 30 September 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	—	—	—	2
Net movements from exchange differences	—	—	4,960	—
Cash flow hedge	—	(990)	—	—
Others	—	21	—	—
Total other comprehensive (loss)/income for the period, net of tax	—	(969)	4,960	2
(Loss)/Profit for the period	—	—	—	—
Total comprehensive (loss)/income for the period	—	(969)	4,960	2
Changes in ownership interest in subsidiaries	—	—	—	—
Acquisition of a subsidiary	—	—	—	—
Redemption of redeemable preference shares in a subsidiary	—	120	—	—
Dividends	—	—	—	—
Total transactions with shareholders	—	120	—	—
Balance at 30 September 2020	100	13,660	34,974	(76)

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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
Cumulative quarter ended 30 September 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	—	—	(15)	—	(15)
Net movements from exchange differences	—	—	3,525	941	4,466
Cash flow hedge	—	—	(1,871)	146	(1,725)
Others	—	—	19	15	34
Total other comprehensive (loss)/income for the period, net of tax	—	—	1,658	1,102	2,760
Profit for the period	—	29,995	29,995	5,248	35,243
Total comprehensive (loss)/income for the period	—	29,995	31,653	6,350	38,003
Changes in ownership interests in subsidiaries	—	225	225	(1)	224
Redemption of redeemable preference shares in a subsidiary	—	—	—	(4)	(4)
Dividends	—	(25,000)	(25,000)	(3,739)	(28,739)
Total transactions with shareholders	—	(24,775)	(24,775)	(3,744)	(28,519)
Balance at 30 September 2021	12,000	278,785	337,499	53,019	390,518
Cumulative quarter ended 30 September 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	—	—	2	—	2
Net movements from exchange differences	—	—	4,960	(117)	4,843
Cash flow hedge	—	—	(990)	(201)	(1,191)
Others	—	—	21	162	183
Total other comprehensive (loss)/income for the period, net of tax	—	—	3,993	(156)	3,837
(Loss)/Profit for the period	—	(21,843)	(21,843)	1,951	(19,892)
Total comprehensive (loss)/income for the period	—	(21,843)	(17,850)	1,795	(16,055)
Changes in ownership interest in subsidiaries	—	—	—	20	20
Acquisition of a subsidiary	—	—	—	656	656
Redemption of redeemable preference shares in a subsidiary	—	(120)	—	—	—
Dividends	—	(34,000)	(34,000)	(3,937)	(37,937)
Total transactions with shareholders	—	(34,120)	(34,000)	(3,261)	(37,261)
Balance at 30 September 2020	12,000	276,588	337,246	48,353	385,599

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM Mil	Cumulative quarter ended 30 September	
	2021	2020
Cash flows from operating activities		
Profit/(Loss) before taxation	49,215	(12,481)
Adjustments for:		
Bad debts written off	3	37
Depreciation and amortisation	24,802	26,282
Financing costs	4,019	2,729
Gain on bargain purchase	—	(261)
Interest income	(2,205)	(3,920)
Net change in contract liabilities	(330)	(131)
Net change in provisions	(481)	(41)
Net gain on disposal of property, plant and equipment, investment in an associate, investments in subsidiaries and other investments	(552)	(104)
Net impairment (write-back)/losses on:		
- intangible assets	(1,357)	3,836
- loan and advances to a joint venture	35	48
- property, plant and equipment	(10)	27,298
- receivables	(645)	(35)
Net impairment/write-off on well costs	805	604
Net inventories written down to net realisable value	20	116
Net unrealised gain on derivatives	(150)	(13)
Property, plant and equipment written off	14	6
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(1,396)	(333)
Net unrealised (gain)/loss on foreign exchange	(1,173)	465
Other non-cash items	(12)	(32)
Write-off of trade receivables and loss on remeasurement of finance lease receivables	—	935
Operating profit before changes in working capital	70,602	45,005
Net changes in working capital	(7,519)	(8,239)
Cash generated from operations	63,083	36,766
Interest expenses paid	(2,655)	(2,245)
Interest income from fund and other investments	2,205	3,920
Taxation paid, net of refund	(8,140)	(5,826)
Net cash generated from operating activities	54,493	32,615

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	Cumulative quarter ended 30 September	
	2021	2020
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	—	(178)
Dividends received	968	751
Investments in associates and joint ventures	(260)	(78)
Investments in securities and other investments	(3,417)	(2,274)
Long-term receivables to a joint venture	—	(613)
Proceeds from disposal/partial disposal, net of cash disposed:		
- interests in subsidiaries	(22)	64
- property, plant and equipment	1,303	580
- securities and other investments	1,298	1,116
- investment in an associate	64	—
Proceeds from redemption of preference shares in a joint venture	—	511
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(20,099)	(22,207)
Net cash used in investing activities	(20,165)	(22,328)
Cash flows from financing activities		
Dividends paid	(16,000)	(26,000)
Dividends paid to non-controlling interests	(3,739)	(3,937)
Drawdown of borrowings	28,276	36,850
Payment of lease liabilities	(3,208)	(3,253)
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	237	20
Repayment of borrowings	(12,071)	(14,875)
Net cash used in financing activities	(6,522)	(11,195)
Net increase/(decrease) in cash and cash equivalents	27,806	(908)
Decrease/(Increase) in cash and cash equivalents restricted	464	(101)
Net foreign exchange differences	1,710	465
Cash and cash equivalents at beginning of the year	128,165	139,851
Cash and cash equivalents at end of the period	158,145	139,307
Cash and cash equivalents		
Cash and bank balances and deposits	159,566	141,433
Bank overdrafts	(225)	(663)
Less: Cash and cash equivalents restricted	(1,196)	(1,463)
	158,145	139,307

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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 THIRD QUARTER ENDED 30 SEPTEMBER 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:

- i. a dividend of RM12 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 RM6 billion will be paid in instalments between October 2021 and November 2021.
- ii. a dividend of RM4 billion, being partial payments of the approved dividend of RM70,000 per ordinary share amounting to RM7 billion declared on 30 July 2021. The remaining amount of the dividend amounting to RM3 billion will be paid in instalments between October 2021 and December 2021.

A9. SIGNIFICANT AND SUBSEQUENT 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 15.5% stake in the Shah Deniz offshore gas field and its related assets to LUKOIL Overseas Shah Deniz Limited and LUKOIL Overseas Shah Deniz Midstream Limited. The divestment is expected to be completed by 2022 upon fulfilment of the set condition precedents.

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, other than as disclosed in Note A9.

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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 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 period and comparative period.

30 September 2021

In RM Mil

	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	1,380	—	—	1,380
Quoted securities	145	—	—	145
Unquoted shares	—	—	543	543
Malaysian Government Securities	—	1,747	—	1,747
Corporate Bonds and Sukuk	—	8,177	—	8,177
Commodity options	—	35	—	35
Commodity swaps	—	1	—	1
Forward foreign exchange contracts	—	156	—	156
Forward gas contracts	7	—	—	7
Interest rate swaps	—	63	—	63
	<u>1,532</u>	<u>10,179</u>	<u>543</u>	<u>12,254</u>
Financial liabilities				
Commodity swaps	—	(25)	—	(25)
Forward foreign exchange contracts	—	(62)	—	(62)
Forward oil/gas contracts	(413)	—	—	(413)
Forward oil/gas price swaps	(2,536)	—	—	(2,536)
Interest rate swaps	—	(307)	—	(307)
	<u>(2,949)</u>	<u>(394)</u>	<u>—</u>	<u>(3,343)</u>