



PETRONAS Group

Quarterly Report

For Second Quarter Ended 30 June 2022

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

The Board of Directors of Petroliaam 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 2022 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 27.

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

	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2022	2021 Restated	2022	2021 Restated
<i>In RM Mil</i>				
Revenue	93,352	57,072	172,102	109,618
Cost of revenue	(51,416)	(36,719)	(92,904)	(70,596)
Gross profit	41,936	20,353	79,198	39,022
Selling and distribution expenses	(1,870)	(2,387)	(3,946)	(4,485)
Administration expenses	(4,858)	(2,853)	(7,697)	(5,162)
Net (impairment losses)/reversal of impairment ¹	(1,902)	57	(2,200)	240
Other expenses	(745)	(277)	(2,127)	(1,126)
Other income	1,588	1,740	2,722	3,444
Operating profit	34,149	16,633	65,950	31,933
Financing costs	(1,409)	(1,440)	(2,737)	(2,576)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	389	476	1,025	835
Profit before taxation	33,129	15,669	64,238	30,192
Tax expense	(10,131)	(6,063)	(17,805)	(11,366)
PROFIT FOR THE PERIOD	22,998	9,606	46,433	18,826
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")	155	(18)	147	(18)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	6,756	(24)	8,994	4,249
Cash flow hedge	1,253	(1,947)	1,143	(924)
Others	63	88	136	122
Total other comprehensive income/(loss) for the period	8,227	(1,901)	10,420	3,429
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	31,225	7,705	56,853	22,255
Profit attributable to:				
Shareholders of the Company	20,603	8,293	41,490	15,907
Non-controlling interests	2,395	1,313	4,943	2,919
PROFIT FOR THE PERIOD	22,998	9,606	46,433	18,826
Total comprehensive income attributable to:				
Shareholders of the Company	27,445	6,382	49,959	18,416
Non-controlling interests	3,780	1,323	6,894	3,839
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	31,225	7,705	56,853	22,255

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

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2022	As at 31 December 2021 Restated
<i>In RM Mil</i>		
ASSETS		
Property, plant and equipment	290,665	284,613
Investment properties and land held for development	13,003	13,167
Investments in associates and joint ventures	8,530	7,461
Intangible assets	23,278	19,394
Long-term receivables	38,324	33,751
Fund and other investments	2,891	2,955
Deferred tax assets	22,384	20,983
TOTAL NON-CURRENT ASSETS	399,075	382,324
Trade and other inventories	20,516	14,477
Trade and other receivables	62,039	48,324
Fund and other investments	10,937	10,479
Cash and cash equivalents	203,967	164,556
	297,459	237,836
Assets classified as held for sale	2,945	14,791
TOTAL CURRENT ASSETS	300,404	252,627
TOTAL ASSETS	699,479	634,951
EQUITY		
Share capital	100	100
Reserves	375,542	350,703
Total equity attributable to shareholders of the Company	375,642	350,803
Non-controlling interests	57,077	53,484
TOTAL EQUITY	432,719	404,287
LIABILITIES		
Borrowings	98,712	86,619
Deferred tax liabilities	10,103	9,543
Other long-term liabilities and provisions	49,490	50,620
TOTAL NON-CURRENT LIABILITIES	158,305	146,782
Trade and other payables	63,162	51,825
Borrowings	12,804	21,212
Taxation	17,767	6,913
Dividend payable	13,000	—
	106,733	79,950
Liabilities classified as held for sale	1,722	3,932
TOTAL CURRENT LIABILITIES	108,455	83,882
TOTAL LIABILITIES	266,760	230,664
TOTAL EQUITY AND LIABILITIES	699,479	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.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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>					
Cumulative quarter ended 30 June 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 in fair value of equity investments at fair value through OCI	—	—	—	147	—
Net movements from exchange differences	—	—	7,427	—	—
Cash flow hedge ²	—	—	—	—	792
Others	—	103	—	—	—
Total other comprehensive income for the period, net of tax	—	103	7,427	147	792
Profit for the period	—	—	—	—	—
Total comprehensive income for the period	—	103	7,427	147	792
Changes in ownership interests in subsidiaries	—	—	(21)	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	—	(21)	—	—
Balance at 30 June 2022	100	15,941	40,776	721	(816)
Cumulative quarter ended 30 June 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 in fair value of equity investments at fair value through OCI	—	—	—	(18)	—
Net movements from exchange differences	—	—	3,464	—	—
Cash flow hedge ²	—	—	—	—	(1,050)
Others	—	113	—	—	—
Total other comprehensive income/(loss) for the period, net of tax	—	113	3,464	(18)	(1,050)
Profit for the period	—	—	—	—	—
Total comprehensive income/(loss) for the period	—	113	3,464	(18)	(1,050)
Changes in ownership interest in subsidiaries	—	—	—	—	—
Redemption of redeemable preference shares in a subsidiary	—	—	—	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	—
Balance at 30 June 2021	100	15,798	34,021	(83)	(2,271)

continue to next page

² Includes RM1,043 million (30 June 2021: RM762 million) relating to cost of hedging reserve during the period.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

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 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 in fair value of equity investments at fair value through OCI	—	—	147	—	147
Net movements from exchange differences	—	—	7,427	1,567	8,994
Cash flow hedge ²	—	—	792	351	1,143
Others	—	—	103	33	136
Total other comprehensive income for the period, net of tax	—	—	8,469	1,951	10,420
Profit for the period	—	41,490	41,490	4,943	46,433
Total comprehensive income for the period	—	41,490	49,959	6,894	56,853
Changes in ownership interests in subsidiaries	—	(99)	(120)	355	235
Dividends	—	(25,000)	(25,000)	(3,656)	(28,656)
Total transactions with shareholders	—	(25,099)	(25,120)	(3,301)	(28,421)
Balance at 30 June 2022	12,000	306,920	375,642	57,077	432,719
Cumulative quarter ended 30 June 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 in fair value of equity investments at fair value through OCI	—	—	(18)	—	(18)
Net movements from exchange differences	—	—	3,464	785	4,249
Cash flow hedge ²	—	—	(1,050)	126	(924)
Others	—	—	113	9	122
Total other comprehensive income/(loss) for the period, net of tax	—	—	2,509	920	3,429
Profit for the period	—	15,907	15,907	2,919	18,826
Total comprehensive income/(loss) for the period	—	15,907	18,416	3,839	22,255
Changes in ownership interest in subsidiaries	—	—	—	(5)	(5)
Redemption of redeemable preference shares in a subsidiary	—	—	—	(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	269,150	328,715	51,910	380,625

continued from previous page

² Includes RM1,043 million (30 June 2021: RM762 million) relating to cost of hedging reserve during the period.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative quarter ended 30 June	
	2022	2021 Restated
<i>In RM Mil</i>		
Cash flows from operating activities		
Profit before taxation	64,238	30,192
Adjustments for:		
Depreciation and amortisation	15,983	16,579
Net impairment losses/(reversal of impairment) on:		
- intangible assets	19	—
- loan and advances to a joint venture	55	50
- property, plant and equipment	1,067	157
- receivables	745	(458)
Net impairment/write-off on well costs	184	399
Net inventories written down to net realisable value/written off	83	8
Bad debts written off	3	1
Property, plant and equipment written off	313	10
Net loss/(gain) on disposal of property, plant and equipment, investment in a subsidiary, associates and a business	611	(482)
Loss on remeasurement of net assets classified as held for sale	989	—
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(1,025)	(835)
Net change in contract liabilities	24	(220)
Net change in provisions	(236)	(433)
Net unrealised loss on derivatives	494	325
Net unrealised loss/(gain) on foreign exchange	2,286	(1,561)
Interest income	(1,893)	(1,478)
Financing costs	2,737	2,576
Other non-cash items	100	(14)
Operating profit before changes in working capital	86,777	44,816
Net changes in working capital	(17,223)	(5,956)
Cash generated from operations	69,554	38,860
Interest expenses paid	(1,927)	(1,758)
Interest income received	1,893	1,478
Taxation paid	(7,078)	(5,921)
Net cash generated from operating activities	62,442	32,659

continue to next page

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Cumulative quarter ended 30 June	
	2022	2021 Restated
<i>In RM Mil</i>		
Cash flows from investing activities		
Dividends received	732	588
Investments in associates and joint ventures	(389)	(145)
Investments in securities and other investments	(2,061)	(1,887)
Proceeds from disposal/partial disposal:		
- investment in a subsidiary/business, net of cash disposed	257	—
- property, plant and equipment	7,920	1,018
- securities and other investments	839	1,026
- investment in associates	829	—
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(18,538)	(12,551)
Net cash used in investing activities	(10,411)	(11,951)
Cash flows from financing activities		
Dividends paid	(12,000)	(8,000)
Dividends paid to non-controlling interests	(3,656)	(2,333)
Drawdown of borrowings	17,699	25,880
Payment of lease liabilities	(1,754)	(1,710)
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	235	233
Repayment of borrowings	(22,000)	(10,233)
Net cash (used in)/generated from financing activities	(21,476)	3,820
Net increase in cash and cash equivalents	30,555	24,528
Decrease in cash and cash equivalents restricted	135	378
Net foreign exchange differences	7,556	907
Cash and cash equivalents at beginning of the year	163,174	128,141
Cash and cash equivalents at end of the period	201,420	153,954
Cash and cash equivalents		
Cash and bank balances and deposits	203,967	155,956
Bank overdrafts	(1,302)	(696)
Less: Cash and cash equivalents restricted	(1,245)	(1,306)
	201,420	153,954

continued from previous page

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

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 interests in joint ventures and associates as at and for the period ended 30 June 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 (Annual Improvements to MFRS Standards 2018-2020)*

Amendments to Illustrative Examples accompanying MFRS 16 *Leases (Annual Improvements to MFRS Standards 2018-2020)*

Amendments to MFRS 3 *Business Combinations (Reference to the Conceptual Framework)*

Amendments to MFRS 116 *Property, Plant and Equipment (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 (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.

In RM Mil

	Impact of adoption of Amendments to MFRS 116 to opening balance at 1 January 2021
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 SECOND QUARTER ENDED 30 JUNE 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 were no exceptional items during the period under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the last audited consolidated financial statements 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 B13.

A8. DIVIDENDS PAID

During the period, the Company paid a dividend of RM12 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 RM13 billion will be paid in instalments between July 2022 and November 2022.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

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 Petr leo Brasil Ltda ("PPBL"), a wholly-owned subsidiary of PETRONAS, and its consortium partners signed a Production Sharing Contract ("PSC") for the S pia 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, PETR LEO 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 Financ re For t S.  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.