



PETRONAS Group

Quarterly Report

For Third Quarter Ended 30 September 2022

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 2022 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 28.

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

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2022	2021 Restated	2022	2021 Restated
<i>In RM Mil</i>				
Revenue	99,224	61,773	271,326	171,391
Cost of revenue	(59,103)	(39,928)	(152,007)	(110,524)
Gross profit	40,121	21,845	119,319	60,867
Selling and distribution expenses	(2,143)	(2,245)	(6,089)	(6,730)
Administration expenses	(2,760)	(2,435)	(10,457)	(7,597)
Net (impairment losses)/reversal of impairment ¹	(620)	1,720	(2,820)	1,960
Other expenses	(302)	(33)	(2,429)	(1,159)
Other income	5,743	1,000	8,465	4,444
Operating profit	40,039	19,852	105,989	51,785
Financing costs	(1,386)	(1,443)	(4,123)	(4,019)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	485	504	1,510	1,339
Profit before taxation	39,138	18,913	103,376	49,105
Tax expense	(8,374)	(2,606)	(26,179)	(13,972)
PROFIT FOR THE PERIOD	30,764	16,307	77,197	35,133
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")	(647)	3	(500)	(15)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	8,371	217	17,365	4,466
Cash flow hedge	767	(899)	1,910	(1,831)
Others	81	10	217	140
Total other comprehensive income/(loss) for the period	8,572	(669)	18,992	2,760
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	39,336	15,638	96,189	37,893
Profit attributable to:				
Shareholders of the Company	28,038	13,978	69,528	29,885
Non-controlling interests	2,726	2,329	7,669	5,248
PROFIT FOR THE PERIOD	30,764	16,307	77,197	35,133
Total comprehensive income attributable to:				
Shareholders of the Company	35,614	13,127	85,573	31,543
Non-controlling interests	3,722	2,511	10,616	6,350
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	39,336	15,638	96,189	37,893

¹ Excludes well costs and includes certain amount relating to write-back and write-off of other assets.

The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2022	As at 31 December 2021 Restated
<i>In RM Mil</i>		
ASSETS		
Property, plant and equipment	299,102	284,613
Investment properties and land held for development	12,737	13,167
Investments in associates and joint ventures	9,112	7,461
Intangible assets	24,165	19,394
Long-term receivables	41,971	33,751
Fund and other investments	2,775	2,955
Deferred tax assets	22,803	20,983
TOTAL NON-CURRENT ASSETS	412,665	382,324
Trade and other inventories	20,481	14,477
Trade and other receivables	69,445	48,324
Fund and other investments	9,487	10,479
Cash and cash equivalents	210,008	164,556
	309,421	237,836
Assets classified as held for sale	3,528	14,791
TOTAL CURRENT ASSETS	312,949	252,627
TOTAL ASSETS	725,614	634,951
EQUITY		
Share capital	100	100
Reserves	386,156	350,703
Total equity attributable to shareholders of the Company	386,256	350,803
Non-controlling interests	59,668	53,484
TOTAL EQUITY	445,924	404,287
LIABILITIES		
Borrowings	104,207	86,619
Deferred tax liabilities	10,620	9,543
Other long-term liabilities and provisions	50,354	50,620
TOTAL NON-CURRENT LIABILITIES	165,181	146,782
Trade and other payables	58,202	51,825
Borrowings	12,350	21,212
Taxation	16,376	6,913
Dividend payable	25,000	—
	111,928	79,950
Liabilities classified as held for sale	2,581	3,932
TOTAL CURRENT LIABILITIES	114,509	83,882
TOTAL LIABILITIES	279,690	230,664
TOTAL EQUITY AND LIABILITIES	725,614	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 THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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	—	—	—	(500)	—
Net movements from exchange differences	—	—	15,007	—	—
Cash flow hedge ²	—	—	—	—	1,392
Others	—	146	—	—	—
Total other comprehensive income/(loss) for the period, net of tax	—	146	15,007	(500)	1,392
Profit for the period	—	—	—	—	—
Total comprehensive income/(loss) for the period	—	146	15,007	(500)	1,392
Changes in ownership interests in subsidiaries	—	—	(21)	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	—	(21)	—	—
Balance at 30 September 2022	100	15,984	48,356	74	(216)
Cumulative quarter ended 30 September 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	—	—	—	(15)	—
Net movements from exchange differences	—	—	3,525	—	—
Cash flow hedge ²	—	—	—	—	(1,977)
Others	—	125	—	—	—
Total other comprehensive income/(loss) for the period, net of tax	—	125	3,525	(15)	(1,977)
Profit for the period	—	—	—	—	—
Total comprehensive income/(loss) for the period	—	125	3,525	(15)	(1,977)
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	15,810	34,082	(80)	(3,198)

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² Includes RM528 million (30 September 2021: RM489 million) cost of hedging reserve movement during the period.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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	—	—	(500)	—	(500)
Net movements from exchange differences	—	—	15,007	2,358	17,365
Cash flow hedge ²	—	—	1,392	518	1,910
Others	—	—	146	71	217
Total other comprehensive income/(loss) for the period, net of tax	—	—	16,045	2,947	18,992
Profit for the period	—	69,528	69,528	7,669	77,197
Total comprehensive income/(loss) for the period	—	69,528	85,573	10,616	96,189
Changes in ownership interests in subsidiaries	—	(99)	(120)	355	235
Dividends	—	(50,000)	(50,000)	(4,787)	(54,787)
Total transactions with shareholders	—	(50,099)	(50,120)	(4,432)	(54,552)
Balance at 30 September 2022	12,000	309,958	386,256	59,668	445,924
Cumulative quarter ended 30 September 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	—	—	(15)	—	(15)
Net movements from exchange differences	—	—	3,525	941	4,466
Cash flow hedge ²	—	—	(1,977)	146	(1,831)
Others	—	—	125	15	140
Total other comprehensive income/(loss) for the period, net of tax	—	—	1,658	1,102	2,760
Profit for the period	—	29,885	29,885	5,248	35,133
Total comprehensive income/(loss) for the period	—	29,885	31,543	6,350	37,893
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	276,353	335,067	53,019	388,086

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² Includes RM528 million (30 September 2021: RM489 million) cost of hedging reserve movement during the period.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative quarter ended 30 September	
	2022	2021 Restated
<i>In RM Mil</i>		
Cash flows from operating activities		
Profit before taxation	103,376	49,105
Adjustments for:		
Depreciation and amortisation	24,371	24,802
Net impairment losses/(reversal of impairment) on:		
- intangible assets	19	(1,357)
- loan and advances to a joint venture	45	35
- property, plant and equipment	1,118	(10)
- receivables	1,300	(645)
Net impairment/write-off on well costs	516	805
Net inventories written down to net realisable value/written off	204	20
Bad debts written off	3	3
Property, plant and equipment written off	337	14
Net loss/(gain) on disposal of investment in a subsidiary, a business, an associate, property, plant and equipment and other investments	588	(552)
Loss on remeasurement of net assets classified as held for sale	1,222	—
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(1,510)	(1,339)
Net change in contract liabilities	36	(330)
Net change in provisions	(354)	(481)
Net unrealised gain on derivatives	(303)	(150)
Net unrealised loss/(gain) on foreign exchange	4,521	(1,173)
Interest income	(3,521)	(2,205)
Financing costs	4,123	4,019
Other non-cash items	100	(12)
Operating profit before changes in working capital	136,191	70,549
Net changes in working capital	(37,099)	(7,519)
Cash generated from operations	99,092	63,030
Interest expenses paid	(2,683)	(2,655)
Interest income received	3,521	2,205
Taxation paid	(16,789)	(8,140)
Net cash generated from operating activities	83,141	54,440

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QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Cumulative quarter ended 30 September	
	2022	2021 Restated
<i>In RM Mil</i>		
Cash flows from investing activities		
Dividends received	854	968
Investments in associates and joint ventures	(402)	(260)
Investments in securities and other investments	(2,689)	(3,417)
Proceeds from disposal/partial disposal:		
- investment in a subsidiary/business, net of cash disposed	257	(22)
- investment in associates	829	64
- property, plant and equipment	8,277	1,303
- securities and other investments	2,748	1,298
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(27,001)	(20,046)
Net cash used in investing activities	(17,127)	(20,112)
Cash flows from financing activities		
Dividends paid	(25,000)	(16,000)
Dividends paid to non-controlling interests	(4,787)	(3,739)
Drawdown of borrowings	21,803	28,276
Payment of lease liabilities	(2,913)	(3,208)
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	237
Repayment of borrowings	(26,684)	(12,071)
Net cash used in financing activities	(37,346)	(6,522)
Net increase in cash and cash equivalents	28,668	27,806
Decrease in cash and cash equivalents restricted	177	465
Net foreign exchange differences	15,714	1,710
Cash and cash equivalents at beginning of the year	163,174	128,141
Cash and cash equivalents at end of the period	207,733	158,122
Cash and cash equivalents		
Cash and bank balances and deposits	210,008	159,566
Bank overdrafts	(1,072)	(225)
Less: Cash and cash equivalents restricted	(1,203)	(1,219)
	207,733	158,122

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QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The condensed consolidated 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 September 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 year ending 31 December 2022 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for year ended 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.

	Impact of adoption of Amendments to MFRS 116 to opening balance at 1 January 2021
<i>In RM Mil</i>	
Decrease in property, plant and equipment	(197)
Decrease in investments 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 THIRD QUARTER ENDED 30 SEPTEMBER 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 ITEMS

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 under review, the Company paid:

- i. a dividend of RM18 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 RM7 billion will be paid in instalments between October 2022 and November 2022; and
- ii. a dividend of RM7 billion, being partial payment of the approved dividend of RM250,000 per ordinary share amounting to RM25 billion declared on 21 August 2022. The remaining amount of the dividend amounting to RM18 billion will be paid in instalments between October 2022 and December 2022.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 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, PET 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.à r.l., a company under PAI Partners, a European private equity firm ("Seller") for the acquisition of 100% equity interests in Perstorp Holding AB ("Perstorp").

On 11 October 2022, PCG has fulfilled all the required conditions precedent and paid purchase price of EUR1,612.8 million to the Seller, satisfied wholly in cash, to complete the acquisition. Following this completion, Perstorp has become an indirect wholly-owned subsidiary of PCG.

PCIBV had repaid 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 EUR895.2 million and paid earn-out payment into an escrow account which amounts to EUR45.0 million related to Perstorp's new plant in Sayakha, India. The amount in the escrow account will be disbursed to the Seller subject to meeting certain conditions as agreed in the SPA.

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.