



PETRONAS Group Interim Financial Report

For First Quarter 2020

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INTERIM FINANCIAL REPORT

FOR FIRST QUARTER 2020

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 2020 which should be read in conjunction with the Explanatory Notes on pages 7 to 19.

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

<i>In RM Mil</i>	2020	Quarter ended 31 March 2019
Revenue	59,593	61,994
Cost of revenue	(40,942)	(37,519)
Gross profit	18,651	24,475
Selling and distribution expenses	(2,008)	(1,756)
Administration expenses	(3,391)	(3,420)
Net impairment (losses)/write-back	(4,671)	84
Other expenses	(1,214)	(509)
Other income	666	1,096
Operating profit	8,033	19,970
Financing costs	(663)	(1,233)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	121	200
Profit before taxation	7,491	18,937
Tax expense	(2,971)	(4,689)
PROFIT FOR THE PERIOD	4,520	14,248
Other comprehensive (expenses)/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")	(92)	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Net movements from exchange differences	7,176	(2,894)
Others	(923)	16
Total other comprehensive income/(expenses) for the period	6,161	(2,878)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	10,681	11,370
Profit attributable to:		
Shareholders of the Company	3,788	12,090
Non-controlling interests	732	2,158
PROFIT FOR THE PERIOD	4,520	14,248
Total comprehensive income attributable to:		
Shareholders of the Company	8,965	9,655
Non-controlling interests	1,716	1,715
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	10,681	11,370

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	As at 31.3.2020	As at 31.12.2019
ASSETS		
Property, plant and equipment	325,079	319,204
Investment properties and land held for development	11,718	11,708
Investments in associates and joint ventures	15,611	15,902
Intangible assets	25,093	26,260
Fund and other investments	1,747	1,929
Other non-current assets	44,038	40,956
TOTAL NON-CURRENT ASSETS	423,286	415,959
Trade and other inventories	13,281	14,447
Trade and other receivables	40,204	41,285
Fund and other investments	8,545	8,710
Cash and cash equivalents	144,267	141,622
Other current assets	367	398
TOTAL CURRENT ASSETS	206,664	206,462
TOTAL ASSETS	629,950	622,421
EQUITY		
Share capital	100	100
Reserves	373,961	388,996
Total equity attributable to shareholders of the Company	374,061	389,096
Non-controlling interests	49,335	49,819
TOTAL EQUITY	423,396	438,915
LIABILITIES		
Borrowings	54,657	53,422
Deferred tax liabilities	12,633	12,598
Other long term liabilities and provisions	46,750	44,486
TOTAL NON-CURRENT LIABILITIES	114,040	110,506
Trade and other payables	50,751	53,968
Borrowings	12,447	15,316
Taxation	5,316	3,716
Dividend payable	24,000	-
TOTAL CURRENT LIABILITIES	92,514	73,000
TOTAL LIABILITIES	206,554	183,506
TOTAL EQUITY AND LIABILITIES	629,950	622,421

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to shareholders of the Company</i>			
	<i>Non-distributable</i>			
<i>In RM Mil</i>	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve
Quarter ended 31 March 2019				
Balance at 1 January 2019				
- As previously reported	100	14,191	31,245	(75)
- Effect of the adoption of MFRS 16	-	-	-	-
At 1 January 2019, restated	100	14,191	31,245	(75)
Net changes of equity investments at fair value through OCI:				
- Changes in fair value	-	-	-	-
Net movements from exchange differences	-	-	(2,439)	-
Others	-	4	-	-
Total other comprehensive income/(expenses) for the period, net of tax	-	4	(2,439)	-
Profit for the period	-	-	-	-
Total comprehensive income/(expenses) for the period	-	4	(2,439)	-
Disposal of subsidiaries	-	-	(258)	-
Redemption of redeemable preference shares in subsidiaries	-	116	-	-
Dividends	-	-	-	-
Total transactions with shareholders	-	116	(258)	-
Balance at 31 March 2019	100	14,311	28,548	(75)
Quarter ended 31 March 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	-	-	-	(92)
Net movements from exchange differences	-	-	6,050	-
Others	-	(781)	-	-
Total other comprehensive (expenses)/income for the period, net of tax	-	(781)	6,050	(92)
Profit for the period	-	-	-	-
Total comprehensive (expenses)/income for the period	-	(781)	6,050	(92)
Changes in ownership interest in subsidiaries	-	-	-	-
Redemption of redeemable preference shares in subsidiaries	-	271	-	-
Dividends	-	-	-	-
Total transactions with shareholders	-	271	-	-
Balance at 31 March 2020	100	13,999	36,064	(170)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company				
	Distributable			Non-controlling Interests	Total Equity
	General Reserve	Retained Profits	Total		
<i>In RM Mil</i>					
Quarter ended 31 March 2019					
Balance at 1 January 2019					
- As previously reported	12,000	323,010	380,471	44,781	425,252
- Effect of the adoption of MFRS 16	-	(751)	(751)	(65)	(816)
At 1 January 2019, restated	12,000	322,259	379,720	44,716	424,436
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	-	-	-	-	-
Net movements from exchange differences	-	-	(2,439)	(455)	(2,894)
Others	-	-	4	12	16
Total other comprehensive income/(expenses) for the period, net of tax	-	-	(2,435)	(443)	(2,878)
Profit for the period	-	12,090	12,090	2,158	14,248
Total comprehensive income/(expenses) for the period	-	12,090	9,655	1,715	11,370
Disposal of subsidiaries	-	-	(258)	-	(258)
Redemption of redeemable preference shares in subsidiaries	-	(116)	-	(73)	(73)
Dividends	-	-	-	(1,907)	(1,907)
Total transactions with shareholders	-	(116)	(258)	(1,980)	(2,238)
Balance at 31 March 2019	12,000	334,233	389,117	44,451	433,568
Quarter ended 31 March 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	-	-	(92)	-	(92)
Net movements from exchange differences	-	-	6,050	1,126	7,176
Others	-	-	(781)	(142)	(923)
Total other comprehensive (expenses)/income for the period, net of tax	-	-	5,177	984	6,161
Profit for the period	-	3,788	3,788	732	4,520
Total comprehensive (expenses)/income for the period	-	3,788	8,965	1,716	10,681
Changes in ownership interest in subsidiaries	-	-	-	1	1
Redemption of redeemable preference shares in subsidiaries	-	(271)	-	-	-
Dividends	-	(24,000)	(24,000)	(2,201)	(26,201)
Total transactions with shareholders	-	(24,271)	(24,000)	(2,200)	(26,200)
Balance at 31 March 2020	12,000	312,068	374,061	49,335	423,396

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	2020	Quarter ended 31 March 2019
Cash flows from operating activities		
Profit before taxation	7,491	18,937
Adjustments for:		
Depreciation and amortisation	8,917	9,439
Net change in contract liabilities	(44)	-
Net impairment losses/(write-back) on:		
- intangible assets	3,185	-
- property, plant and equipment	1,542	4
- receivables	(56)	(88)
Net (write-back)/losses of impairment on assets and write-off on well costs	(31)	177
Write-off of trade receivables and loss on remeasurement of finance lease receivables	935	-
Net inventories written down to net realisable value	995	22
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(121)	(200)
Property, plant and equipment written off	-	2
Net gain on disposal of investment in subsidiaries, other investments and property, plant and equipment	(15)	(264)
Bad debts written off	37	2
Net (gain)/loss on derivatives	(11)	10
Unrealised gain on foreign exchange	(62)	(542)
Interest income	(1,427)	(1,842)
Financing costs	663	1,232
Net change in provisions	(11)	(43)
Operating profit before changes in working capital	21,987	26,846
Net changes in working capital	(1,902)	(540)
Cash generated from operations	20,085	26,306
Interest income from fund and other investments	1,299	1,437
Interest expenses paid	(505)	(729)
Taxation paid, net of refund	(3,240)	(3,850)
Net cash generated from operating activities	17,639	23,164

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	2020	Quarter ended 31 March 2019
Cash flows from investing activities		
Investment in associates and joint ventures	(35)	(54)
Investment in securities and other investments	(1,144)	(685)
Proceeds from disposal/partial disposal of:		
- investment in subsidiaries, net of cash disposed	54	281
- property, plant and equipment	105	-
- securities and other investments	692	224
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(8,486)	(8,289)
Dividends received	129	238
Long term receivables to a joint venture	(613)	(1,638)
Proceeds from redemption of preference shares in joint ventures	511	-
Net cash used in investing activities	(8,787)	(9,923)
Cash flows from financing activities		
Repayment of borrowings	(8,716)	(5,059)
Drawdown of borrowings	3,356	5,327
Dividends paid	-	(12,000)
Dividends paid to non-controlling interests	(2,201)	(1,907)
Payment of lease liabilities	(1,071)	(147)
Proceeds from partial disposal of equity interests to a non-controlling interest	1	-
Net cash used in financing activities	(8,631)	(13,786)
Net increase/(decrease) in cash and cash equivalents	221	(545)
(Increase)/decrease in cash and cash equivalents restricted	(118)	429
Net foreign exchange differences	2,213	(1,464)
Cash and cash equivalents at beginning of the year	139,851	172,458
Cash and cash equivalents at end of the period	142,167	170,878
Cash and cash equivalents		
Cash and bank balances and deposits	144,267	171,787
Bank overdrafts	(620)	(676)
Less: Cash and cash equivalents restricted	(1,480)	(233)
	142,167	170,878

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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. The results for this interim period are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2019.

The explanatory notes attached to these unaudited 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 2019.

2. 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 2020 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2019 except as disclosed below.

At the beginning of the current financial year, the Group and the Company adopted the following Amendments to MFRSs (collectively referred to as "pronouncements") that have been issued by the MASB and are applicable as listed below:

Effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3 *Business Combinations (Definition of a Business)*

Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and*

Measurement and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

Amendments to MFRS 101 *Presentation of Financial Statements (Definition of Material)*

Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)*

The adoption of these pronouncements did not have a significant impact on the Group's reported income and net assets.

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the annual financial statements for the year ended 31 December 2019.

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The Group's operations, on overall, are not significantly affected by seasonal or cyclical fluctuations of the business/industry.

5. EXCEPTIONAL ITEMS

There was no exceptional item during the quarter under review.

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

6. DIVIDENDS

During the financial period, the Company declared on 26 February 2020 a final tax exempt dividend of RM240,000 per ordinary share amounting to RM24 billion in respect of financial year ended 31 December 2019 which was subsequently approved by the shareholders on 26 March 2020. The dividend is payable between April and August 2020. It has been accounted for in equity as an appropriation of retained profits in the interim financial report.

7. SIGNIFICANT AND SUBSEQUENT EVENTS

- i. On 15 March 2020, a fire occurred at PETRONAS' Pengerang Integrated Complex ("PIC"), specifically at the Diesel Hydrotreating (DHT) Unit of Pengerang Refining Company Sdn. Bhd., a joint venture of PETRONAS and Saudi Arabian Oil Company ("ARAMCO"). No other units within PIC were affected. However, total facilities were shut down after the incident to facilitate a detailed investigation.
- ii. The State of Sabah has gazetted the coming into force of the Sabah State Sales Tax on crude oil, condensate, natural gas and liquified natural gas at the rate of 5% effective 1 April 2020. The Group is currently in communication with the state government on this matter.
- iii. On 8 April 2020, the Arbitral Tribunal announced its decision on the arbitration proceedings initiated by Gumusut-Kakap Semi Floating Production System (L) Limited ("GKL"), an indirect partly-owned subsidiary of PETRONAS, against Sabah Shell Petroleum Company Limited ("SSPC"). The outcome of the decision has resulted in an unfavourable impact to the Group.

Following the above, the Group has decided to include a write off of trade receivables and loss on re-measurement of finance lease receivables amounting to RM935 million and provision for litigation claims of RM1,049 million in the current quarter's financial results.

- iv. On 15 April 2020, PETRONAS successfully priced a US\$6 billion multi-tranche senior bond offering, comprising US\$2.25 billion 10-year, US\$2.75 billion 30-year and US\$1 billion 40-year conventional notes. The issuance represents PETRONAS' return to the international US dollar bond markets since its US\$5 billion multi-tranche offering in March 2015 and is part of the on-going prudent capital management efforts which also effectively extend its debt maturity profile. The proceeds will be used by PETRONAS, or its subsidiaries and associated companies, for refinancing, capital expenditures, working capital and general corporate purposes.
- v. In 2019, the State of Sarawak brought a legal suit against PETRONAS in the Kuching High Court, alleging that PETRONAS has failed to make payments of RM1,345 million for the state sales tax ("SST") imposed on petroleum products including interests and penalties under the Sarawak Sales Tax Ordinance 1998 (as amended in 2018). In response, PETRONAS has filed a judicial review to challenge the jurisdiction of the State of Sarawak over the imposition of sales tax for petroleum products. At the same time, PETRONAS had filed a defence against the civil suit and a stay of proceedings of the civil suit pending the disposal of the judicial review and determination of certain points of law to the Federal Court. Pending the above, the two cases are proceeding in parallel and PETRONAS has been advised by its solicitors that PETRONAS has a meritorious defence to the claim.

Notwithstanding its legal position, in order to achieve mutual benefit to PETRONAS and State of Sarawak and to create a stable environment for investment in Sarawak, PETRONAS intends to achieve a holistic commercial resolution with Sarawak State on the SST and other demands raised by Sarawak State. PETRONAS will withdraw its appeal on the judicial review and Sarawak State will also withdraw the civil suit against PETRONAS. Following the withdrawal, PETRONAS via its subsidiaries will pay RM2 billion for 2019 SST. The SST rates for 2020 onwards will be subject to further negotiations with Sarawak. PETRONAS will continue to be recognised as a national oil company with full authority to regulate the entire development of the country's upstream oil and gas industry (including Sarawak) in accordance with the Federal Constitution and the Petroleum Development Act 1974.

8. CHANGES IN COMPOSITION OF THE GROUP

There was no material change in the composition of the Group.

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

9. 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).

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 and Level 2 fair value measurements during the current financial period and comparative period.

31 March 2020

In RM Mil

	Level 1	Level 2	Total
Financial assets			
Quoted shares	511	20	531
Quoted securities	131	-	131
Malaysian Government Securities	-	543	543
Corporate Bonds and Sukuk	-	7,340	7,340
Commodity swaps	-	32	32
Forward foreign exchange contracts	-	771	771
Forward gas contracts	541	200	741
Forward oil/gas price swaps	190	-	190
	<u>1,373</u>	<u>8,906</u>	<u>10,279</u>
Financial liabilities			
Commodity swaps	-	(29)	(575)
Forward foreign exchange contracts	-	(520)	(520)
Forward gas contracts	(725)	(15)	(754)
Forward oil/gas price swaps	(408)	-	(423)
Interest rate swaps	-	(575)	(575)
	<u>(1,133)</u>	<u>(1,139)</u>	<u>(2,272)</u>

31 December 2019

In RM Mil

	Level 1	Level 2	Total
Financial assets			
Quoted shares	780	35	815
Quoted securities	135	-	135
Malaysian Government Securities	-	610	610
Corporate Bonds and Sukuk	-	7,198	7,198
Commodity swaps	-	2	2
Forward foreign exchange contracts	-	58	58
Forward gas contracts	427	158	585
Forward oil/gas price swaps	142	-	142
Interest rate swaps	-	2	2
	<u>1,484</u>	<u>8,063</u>	<u>9,547</u>
Financial liabilities			
Commodity swaps	-	(27)	(27)
Forward foreign exchange contracts	-	(74)	(74)
Forward gas contracts	(352)	(7)	(359)
Forward oil/gas price swaps	(14)	-	(14)
Interest rate swaps	-	(160)	(160)
	<u>(366)</u>	<u>(268)</u>	<u>(634)</u>

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FOR FIRST QUARTER 2020

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

10. REVENUE

The Group's operations and main revenue streams are those described in the latest annual financial statements. The following table includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

<i>In RM Mil</i>	Quarter ended 31 March									
	Upstream		Gas and New Energy		Downstream		Corporate and Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenue from contract customers	9,205	8,431	19,428	21,375	26,574	27,069	1,418	1,413	56,625	58,288
Other revenue	490	696	560	705	139	126	1,779	2,179	2,968	3,706
Total	9,695	9,127	19,988	22,080	26,713	27,195	3,197	3,592	59,593	61,994

11. OPERATING SEGMENTS

The Group's reportable operating segments comprising Upstream, Gas and New Energy and Downstream. Each reportable segment offers different products and services and are managed separately as described in the Group's audited consolidated financial statements for the year ended 31 December 2019.

For each of the reportable segment, the Group chief operating decision maker, which in this case is the PETRONAS Executive Leadership Team ("ELT"), reviews internal management reports at least on a quarterly basis.

Performance is measured based on segment Profit After Tax ("PAT"), as included in the internal management reports. Segment PAT is used to measure performance as the PETRONAS ELT believes that such information is the most relevant in evaluating the results of the segments.

11.1 Segment revenue

<i>In RM Mil</i>	Quarter ended 31 March							
	2020		2019		2020		2019	
	Third Parties		Inter-segment		Gross Total			
Upstream	9,695	9,127	14,780	16,610	24,475	25,737		
Gas and New Energy	19,988	22,080	2,508	2,335	22,496	24,415		
Downstream	26,713	27,195	272	274	26,985	27,469		
Corporate and Others	3,197	3,592	1,084	1,181	4,281	4,773		
Total	59,593	61,994	18,644	20,400	78,237	82,394		

11.2 Segment PAT

<i>In RM Mil</i>	Quarter ended 31 March	
	2020	2019
Upstream	1,925	5,218
Gas and New Energy	2,908	4,769
Downstream	(1,165)	1,426
Corporate and Others	19	2,147
Total PAT for reportable segments	3,687	13,560
Elimination of inter-segment transactions	833	688
Consolidated PAT	4,520	14,248

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PART B – OTHER EXPLANATORY NOTES

12. REVIEW OF GROUP PERFORMANCE

<i>In RM Mil</i>	31.3.2020	31.12.2019	Quarter ended 31.3.2019
Revenue	59,593	64,036	61,994
PAT	4,520	4,110	14,248
EBITDA ¹	20,294	22,748	27,801

<i>In RM Mil</i>	As at 31.3.2020	As at 31.3.2019
Cash flows from operating activities	17,639	23,164
Capital investments	8,521	8,289

<i>In RM Mil</i>	As at 31.3.2020	As at 31.12.2019
Total assets	629,950	622,421
Shareholders' equity	374,061	389,096
Gearing ratio ²	19.9%	19.4%
ROACE ³	6.6%	8.7%

PETRONAS Group recorded 4% decrease in revenue for the first quarter of 2020 at RM59.6 billion as compared to the first quarter of 2019 of RM62.0 billion. The decrease in revenue was mainly due to the impact of lower average realised price for LNG, petroleum products and crude oil & condensates. This was partially offset by the impact of higher sales volume for petroleum products and the effect of weakening of Ringgit against US Dollar exchange rate.

The Group recorded lower PAT of RM4.5 billion, a decrease of 68% as compared to the first quarter of 2019 of RM14.2 billion due to net impairment on assets, lower revenue recorded partially offset by lower tax expenses. EBITDA for the period was RM20.3 billion, decreased by 27% as compared to the first quarter of 2019 in line with lower PBT.

Cash flows from operating activities for the first quarter of 2020 decreased by 24% as compared to the first quarter of 2019 due to lower cash operating profit and net negative working capital changes partially offset by lower taxation paid. Capital investments for the first quarter of 2020 amounted to RM8.5 billion, mainly attributed to Upstream projects.

Total assets increased to RM630.0 billion as at 31 March 2020 from RM622.4 billion as at 31 December 2019 mainly contributed by higher capital expenditure and the effect of weakening of Ringgit against US Dollar exchange rate. Shareholders' equity of RM374.1 billion as at 31 March 2020 decreased by RM15.0 billion as compared to 31 December 2019 mainly due to final dividend of RM24.0 billion in respect of the financial year ended 31 December 2019. This was partially offset by an increase in foreign currency translation reserve due to the effect of weakening of Ringgit against US Dollar exchange rate and profit generated during the period.

Gearing ratio slightly increased to 19.9% as at 31 March 2020 as compared to 19.4% as at 31 December 2019 due to higher borrowings following impact of weakening of Ringgit against US Dollar exchange rate. ROACE decreased to 6.6% as at 31 March 2020 from 8.7% as at 31 December 2019 in line with lower profit recorded.

¹ EBITDA consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortisation and net impairment loss on property, plant and equipment and intangible assets, and the exclusion of financing costs and interest income.

² Gearing ratio is calculated as adjusted total debt (total debt including provision for decommissioning of assets) divided by total equity and adjusted total debt.

³ Return on average capital employed (ROACE) is calculated as trailing 12 months profit before interest expense after tax divided by average total equity and long term debt during the period.

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PART B – OTHER EXPLANATORY NOTES (continued)

13. REVIEW OF PERFORMANCE – UPSTREAM

Financial Indicators

In RM Mil

Revenue

Third party

Inter-segment

PAT

	31.3.2020	31.12.2019	Quarter ended 31.3.2019
	9,695	10,930	9,127
	14,780	15,647	16,610
	24,475	26,577	25,737
	1,925	5,043	5,218

Operational Indicators

Production⁴ ('000 boe⁵ per day)

Crude oil and condensate

Natural gas

Oil and gas entitlement⁶ ('000 boe per day)

Crude oil and condensate

Natural gas

	31.3.2020	31.12.2019	Quarter ended 31.3.2019
	962	1,119	936
	1,502	1,517	1,500
	2,464	2,636	2,436
	611	774	562
	1,230	1,214	1,262
	1,841	1,988	1,824

Revenue for the first quarter of 2020 was RM24.5 billion, lower by 5% as compared to the first quarter of 2019 mainly due to the impact of lower average realised prices for liquids and gas. This was partially offset by higher sales volume for liquids and gas. PAT for the first quarter of 2020 was RM1.9 billion, lower by 63% as compared to the first quarter of 2019, mainly due to higher net impairment on assets. This was partially offset by lower tax expenses.

Total daily production average volume for the first quarter of 2020 was 2,464 thousand boe per day as compared to 2,436 thousand boe per day in the first quarter of 2019 mainly attributable to higher liquid production from Brazil.

⁴ Represents Malaysia's production (PETRONAS Group and other Operators) and PETRONAS Group's international equity production volume.

⁵ boe: barrels of oil equivalent

⁶ Represents PETRONAS Group's sales entitlement to Malaysia's production and PETRONAS Group's international sales entitlement volume.

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PART B – OTHER EXPLANATORY NOTES (continued)

14. REVIEW OF PERFORMANCE – GAS AND NEW ENERGY

Financial Indicators

In RM Mil

	<u>31.3.2020</u>	<u>31.12.2019</u>	<u>Quarter ended</u> <u>31.3.2019</u>
Revenue			
Third party	19,988	18,703	22,080
Inter-segment	2,508	2,395	2,335
	<u>22,496</u>	<u>21,098</u>	<u>24,415</u>
PAT/(LAT) ⁷	2,908	(384)	4,769

Operational Indicators

	<u>31.3.2020</u>	<u>31.12.2019</u>	<u>Quarter ended</u> <u>31.3.2019</u>
Malaysia average sales gas volume (mmscfd) ⁸	2,566	2,905	2,962
Gross LNG sales volume (million tonnes) ⁹	9.99	9.49	9.40

Revenue for the first quarter of 2020 was RM22.5 billion, lower by 8% as compared to the first quarter of 2019 mainly due to the impact of lower average LNG realised prices. This was partially offset by higher sales volume and the effect of weakening of Ringgit against US Dollar exchange rate. PAT for the first quarter of 2020 was RM2.9 billion, lower by 39% as compared to the first quarter of 2019 mainly due to higher cost of revenue and lower revenue.

Malaysia average sales gas volume for the first quarter of 2020 was lower by 396 mmscfd as compared to the first quarter of 2019 mainly driven by lower offtake from power sector in Peninsular Malaysia.

Gross LNG sales volume for the first quarter of 2020 was higher by 0.59 million tonnes as compared to the first quarter of 2019 mainly attributable to higher trading activities as more opportunities arose due to increased liquidity.

⁷ Loss After Tax

⁸ mmscfd: million standard cubic feet per day

⁹ Gross volume refers to all LNG sales inclusive of volume subsequently sold as sales gas

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PART B – OTHER EXPLANATORY NOTES (continued)

15. REVIEW OF PERFORMANCE – DOWNSTREAM

Financial Indicators		Quarter ended	
<i>In RM Mil</i>	31.3.2020	31.12.2019	31.3.2019
Revenue			
Third party	26,713	30,656	27,195
Inter-segment	272	349	274
	26,985	31,005	27,469
(LAT)/PAT	(1,165)	381	1,426
Operational Indicators		Quarter ended	
	31.3.2020	31.12.2019	31.3.2019
Petroleum products sales volume (in million barrels)	73.2	66.7	64.3
Crude oil sales volume (in million barrels)	31.5	42.6	30.6
Petrochemical products sales volume (in million metric tonnes)	2.0	2.2	1.9

Revenue for the first quarter of 2020 was RM27.0 billion, lower by 2% as compared to the first quarter of 2019 due to lower average realised prices for petroleum products, petrochemicals and crude oil. This was partially offset by higher sales volume for petroleum products. LAT for the first quarter of 2020 was RM1.2 billion, mainly impacted by inventory losses as well as lower refining margins and petrochemicals spreads.

Petroleum products sales volume for the first quarter of 2020 was 73.2 million barrels, higher by 8.9 million barrels as compared to the first quarter of 2019 following higher trading activities. Crude oil sales volume for the first quarter of 2020 was 31.5 million barrels, higher by 0.9 million barrels as compared to the first quarter of 2019 due to higher production at upstream international ventures.

Petrochemical products sales volume for the first quarter of 2020 was comparable to the first quarter of 2019 at 2.0 million metric tonnes.

16. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS

Financial Indicators		Quarter ended	
<i>In RM Mil</i>	31.3.2020	31.12.2019	31.3.2019
Revenue			
Third party	3,197	3,747	3,592
Inter-segment	1,084	774	1,181
	4,281	4,521	4,773
PAT/(LAT)	19	(283)	2,147

Revenue for the first quarter of 2020 was RM4.3 billion, lower by 10% as compared to the first quarter of 2019 mainly due to lower fund investment income. PAT for the first quarter of 2020 was RM19 million, lower by 99% as compared to the first quarter of 2019, mainly due to unfavourable arbitration result impact partially offset by lower finance cost.

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PART B – OTHER EXPLANATORY NOTES (continued)

17. COMPARISON WITH PRECEDING QUARTER'S RESULT

<i>In RM Mil</i>	Individual quarter ended	
	31.3.2020	31.12.2019
Revenue	59,593	64,036
PAT	4,520	4,110
EBITDA	20,294	22,748

PETRONAS Group recorded 7% decrease in revenue in the first quarter of 2020 at RM59.6 billion as compared to the fourth quarter of 2019 of RM64.0 billion. The decrease in revenue was mainly driven by the impact of lower average realised prices for major products and lower sales volume for crude oil & condensates.

PAT for the first quarter of 2020 was RM4.5 billion, an increase of 10% as compared to the fourth quarter of 2019 mainly due to the lower depreciation & amortisation and tax expenses. This was partially offset by lower revenue recorded for the quarter. EBITDA for the first quarter of 2020 was RM20.3 billion, a decrease of 11% as compared to the fourth quarter of 2019 in line with lower revenue.

18. CURRENT FINANCIAL YEAR PROSPECTS

PETRONAS is operating in unprecedented market conditions driven by a combination of severe demand destruction due to COVID-19 pandemic and global oil market glut, which are testing the resilience of oil and gas players globally. In mitigating the negative impact on its profitability and liquidity, the Group is taking steps to optimise its planned international capital investments and operating expenditures. While the Group continues to invest domestically, it anticipates that there will be constraints in the supply chain as a result of the pandemic. The Board expects the overall financial year performance will be significantly affected by these factors.

19. TAXATION

<i>In RM Mil</i>	Quarter ended	
	2020	31 March 2019
Current tax expenses		
Malaysia	4,701	4,952
Overseas	206	423
Deferred tax expenses		
Origination and reversal of temporary differences	(1,936)	(686)
	2,971	4,689

The Group's effective tax rate for the current quarter was 39.7%.

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PART B – OTHER EXPLANATORY NOTES (continued)

20. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at 31.3.2020	As at 31.12.2019
By Currency		
RM	74.1	72.7
USD	24.0	24.6
Others	1.9	2.7
	100.0	100.0
By Maturity¹⁰		
< 1 year	93.9	94.0
1 to 5 years	2.8	2.7
5 to 10 years	3.3	3.3
	100.0	100.0
By Type		
Money market	94.1	93.8
Corporate bonds	5.1	5.2
Equities	0.8	1.0
	100.0	100.0

There was no material purchase and sale of quoted securities for the current quarter.

21. BORROWINGS

The details of the Group borrowings as at 31 March 2020 are as follows:

<i>In RM Mil</i>	As at 31.3.2020	As at 31.12.2019
Non-Current		
Term loans	13,968	14,561
Lease liabilities	13,364	12,603
Notes and Bonds	22,594	21,371
Islamic financing facilities	4,731	4,887
Total non-current borrowings	54,657	53,422
Current		
Term loans	7,290	5,750
Lease liabilities	1,327	1,063
Islamic financing facilities	1,335	6,298
Revolving credits	1,178	1,347
Bankers' acceptances	697	449
Bank overdrafts	620	409
Total current borrowings	12,447	15,316
Total borrowings	67,104	68,738

¹⁰ Refers to instrument maturity dates; excludes equities.

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PART B – OTHER EXPLANATORY NOTES (continued)

21. BORROWINGS (continued)

<i>In RM Mil</i>	As at		As at	
	31.3.2020	%	31.12.2019	%
By Currency				
USD	48,207	71.8	50,384	73.3
RM	13,098	19.5	12,689	18.5
EUR	1,996	3.0	1,997	2.9
ZAR	1,513	2.3	1,530	2.2
CAD	1,076	1.6	803	1.2
INR	807	1.2	747	1.1
Others	407	0.6	588	0.8
	67,104	100.0	68,738	100.0
By Repayment Schedule				
< 1 year	12,447	18.5	15,316	22.3
1 to 5 years	28,686	42.8	26,370	38.3
5 to 10 years	16,326	24.3	14,154	20.6
> 10 years	9,645	14.4	12,898	18.8
	67,104	100.0	68,738	100.0

22. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 31 March 2020.

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FOR FIRST QUARTER 2020

PART B – OTHER EXPLANATORY NOTES (continued)

23. PROFIT FOR THE PERIOD

<i>In RM Mil</i>	2020	Quarter ended 31 March 2019
Included in profit for the period are the following charges:		
Bad debt written off	37	2
Depreciation and amortisation	8,917	9,439
Loss on disposal of property, plant and equipment	1	1
Loss on remeasurement of property, plant and equipment	230	-
Write-off of trade receivables and loss on remeasurement of finance lease receivables	935	-
Net inventories written down to net realisable value	995	22
Net impairment losses on:		
- intangible assets	3,185	-
- property, plant and equipment	1,542	4
Net impairment/write-off on well costs ¹¹	-	177
Net loss on derivatives	-	10
Net loss on foreign exchange	-	206
Property, plant and equipment written off	-	2
and credits:		
Dividend income	7	132
Gain on disposal of:		
- property, plant and equipment	27	36
- other investments	-	17
- subsidiaries	218	212
Interest income	1,427	1,842
Net gain on derivatives	11	-
Net gain on foreign exchange	157	-
Net write-back of impairment on well costs ¹¹	31	-
Net write-back of impairment losses on receivables	56	88
Net change in contract liabilities	44	-

24. DIVIDENDS

As disclosed in Note 6.

¹¹ Comprises impairment, impairment write-back and write-off of exploration expenditure under intangible assets.

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PART B – OTHER EXPLANATORY NOTES (continued)

25. EXCHANGE RATES

	31.3.2020	31.12.2019	Quarter ended 31.3.2019
US dollar/RM			
Average rate	4.1795	4.1650	4.0905
Closing rate	4.3275	4.0995	4.0795

By order of the Board

Intan Shafinas (Tuty) Hussain (LS0009774)
 Company Secretary
 Kuala Lumpur
 21 May 2020