

Financial Review and Other Information

An overview of our financial performance and other relevant details.

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Group Financial Results and Position

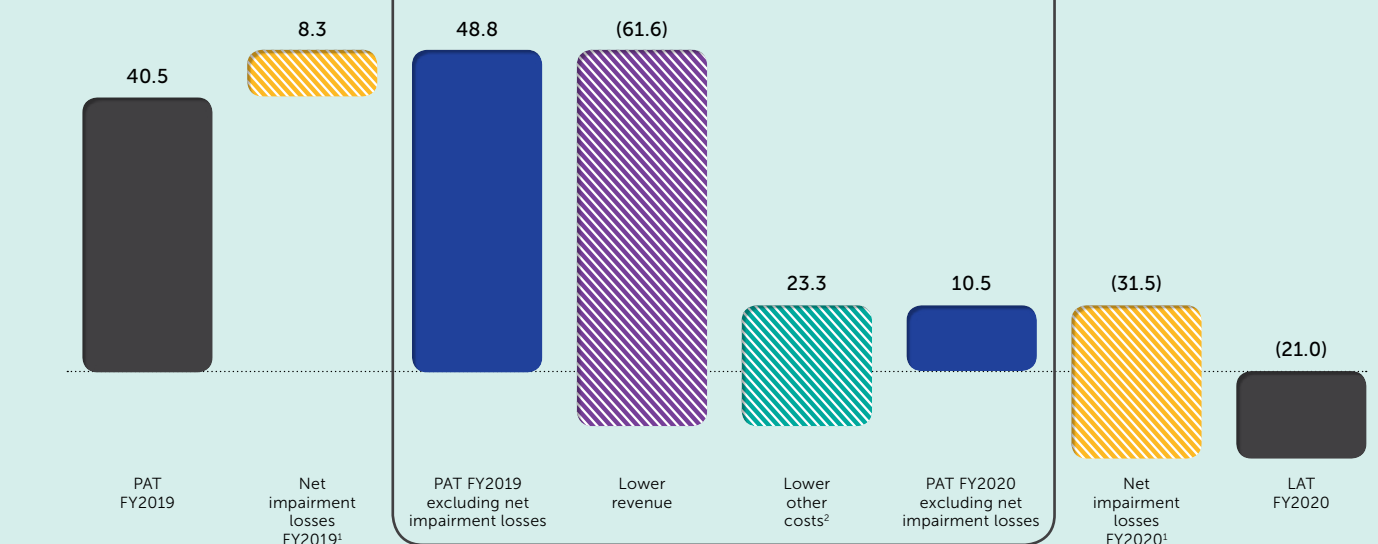
Analysis of Financial Results

Consolidated Statement of Profit or Loss and Other Comprehensive Income

In RM million	FY2020	FY2019
Revenue	178,741	240,263
Cost of revenue	(134,958)	(155,926)
Gross profit	43,783	84,337
Selling and distribution expenses	(8,174)	(7,536)
Administration expenses	(9,675)	(12,862)
Net impairment losses/write-off	(32,681)	(7,151)
Other expenses	(5,871)	(2,261)
Other income	4,102	5,158
Operating (loss)/profit	(8,516)	59,685
Financing costs	(4,133)	(3,734)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	328	1,019
(Loss)/Profit before taxation	(12,321)	56,970
Tax expense	(8,708)	(16,498)
(Loss)/Profit for the year	(21,029)	40,472
(Loss)/Profit attributable to:		
Shareholders of the Company	(23,851)	33,021
Non-controlling interests	2,822	7,451
(Loss)/Profit for the year	(21,029)	40,472

PETRONAS Group Earnings

Profit/(Loss After Tax)
PAT/(LAT)
(RM billion)



¹ Includes write-off of exploration expenditure under intangible assets, loss on remeasurement of finance lease receivables and provision for contracts exposure.

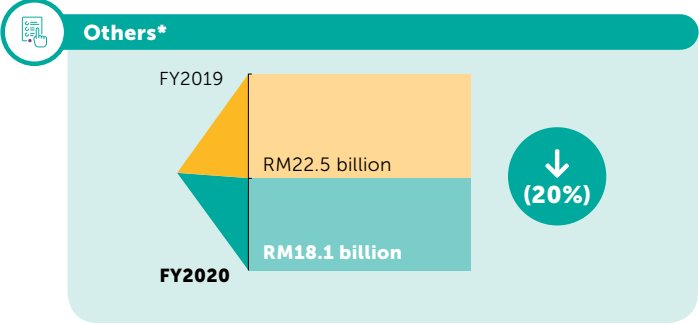
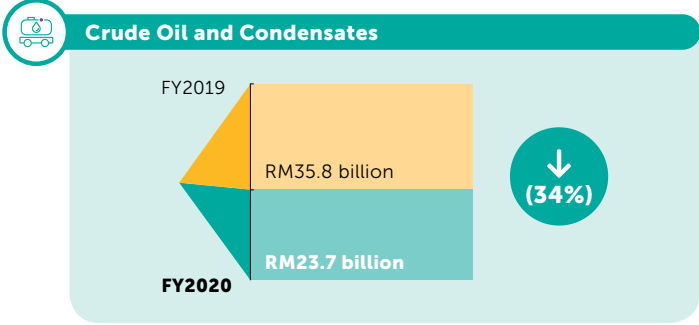
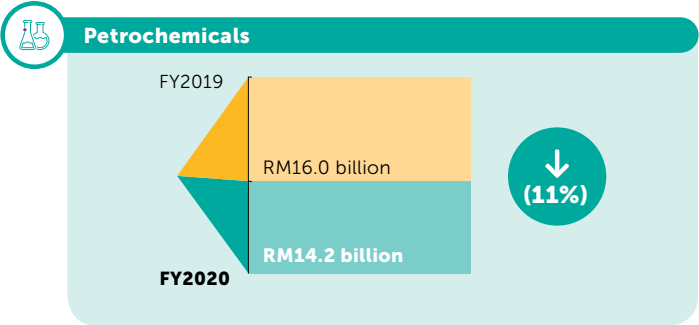
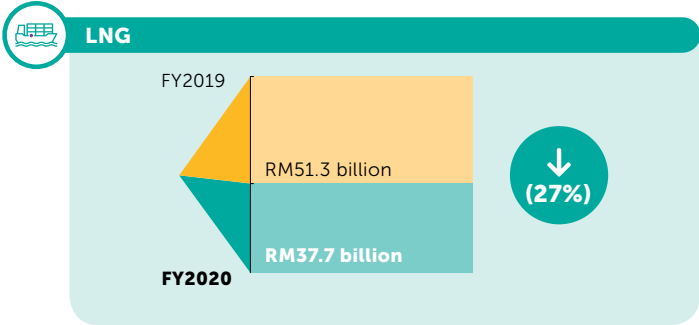
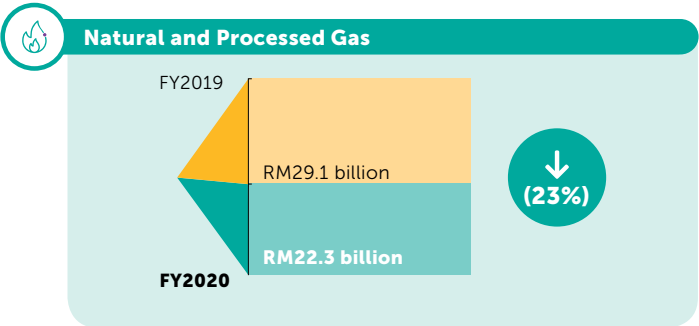
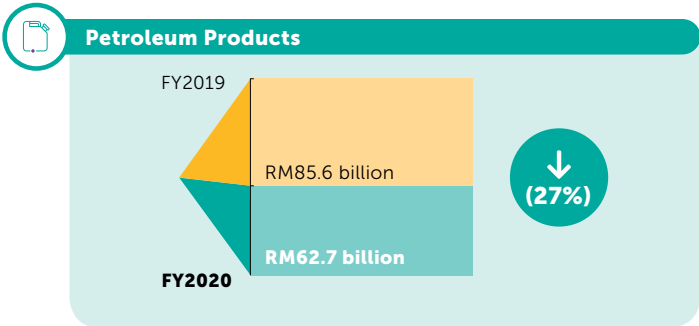
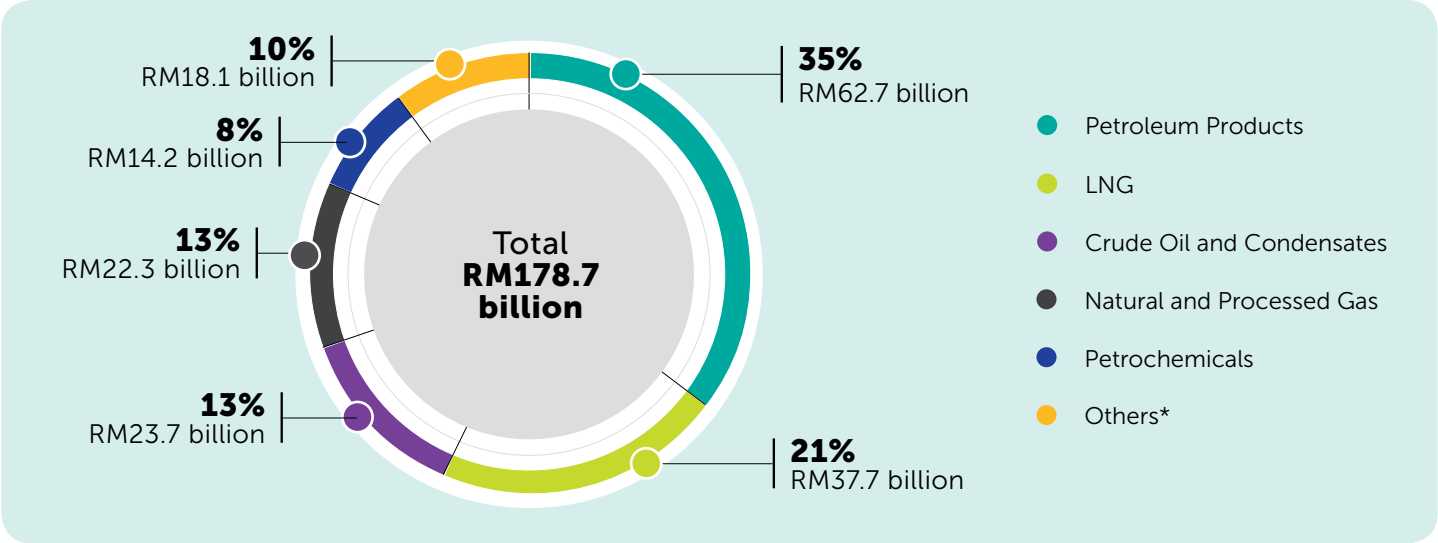
² Other costs mainly comprise lower product costs.

In FY2020, lower Group Costs resulted from cost compression efforts had cushioned the impact of lower revenue realised. This contributed towards PETRONAS Group recording a PAT excluding net impairment losses of RM10.5 billion in FY2020.

Group Financial Results and Position

Revenue By Product

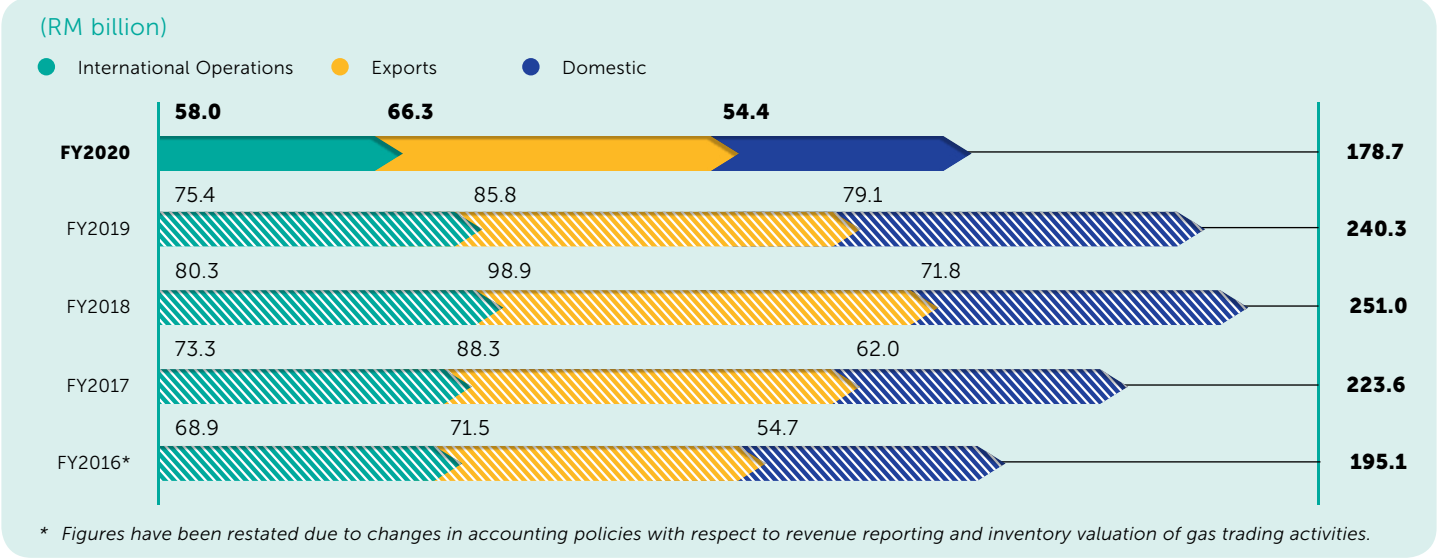
In FY2020, the Group registered total revenue of RM178.7 billion, the bulk of which was contributed by petroleum products and LNG which accounted for 35 per cent and 21 per cent of our revenue respectively.



* Others comprise Property & Others and Maritime & Logistics.

Group Financial Results and Position

Revenue by Geographical Trade



PETRONAS recorded lower revenue for all categories of geographical trade in FY2020 as a result of significantly lower product prices. At RM66.3 billion, revenue from exports remained the major contributor to the Group's revenue, accounting for 37 per cent of total Group revenue. Lower exports revenue was mainly due to the downward trending key benchmark prices for all products coupled with lower sales volumes. Compared to FY2019, revenue from exports was lower by 23 per cent.

The year saw revenue from PETRONAS' domestic operations declining by 31 per cent due to lower sales volume for petroleum products as well as lower processed gas demand from the power and non-power sectors following the implementation of the Movement Control Order (MCO) as a result of the COVID-19 outbreak. This was further compounded by lower product prices.

Our international operations, which accounted for 33 per cent of the Group's total revenue, saw its revenue contribution dropping by 23 per cent as compared to FY2019. This too was the result of lower sales volume following global lockdowns as well as the downward trending of key benchmark prices.

Revenue by Geographical Segment



Group Financial Results and Position

Segment Earnings

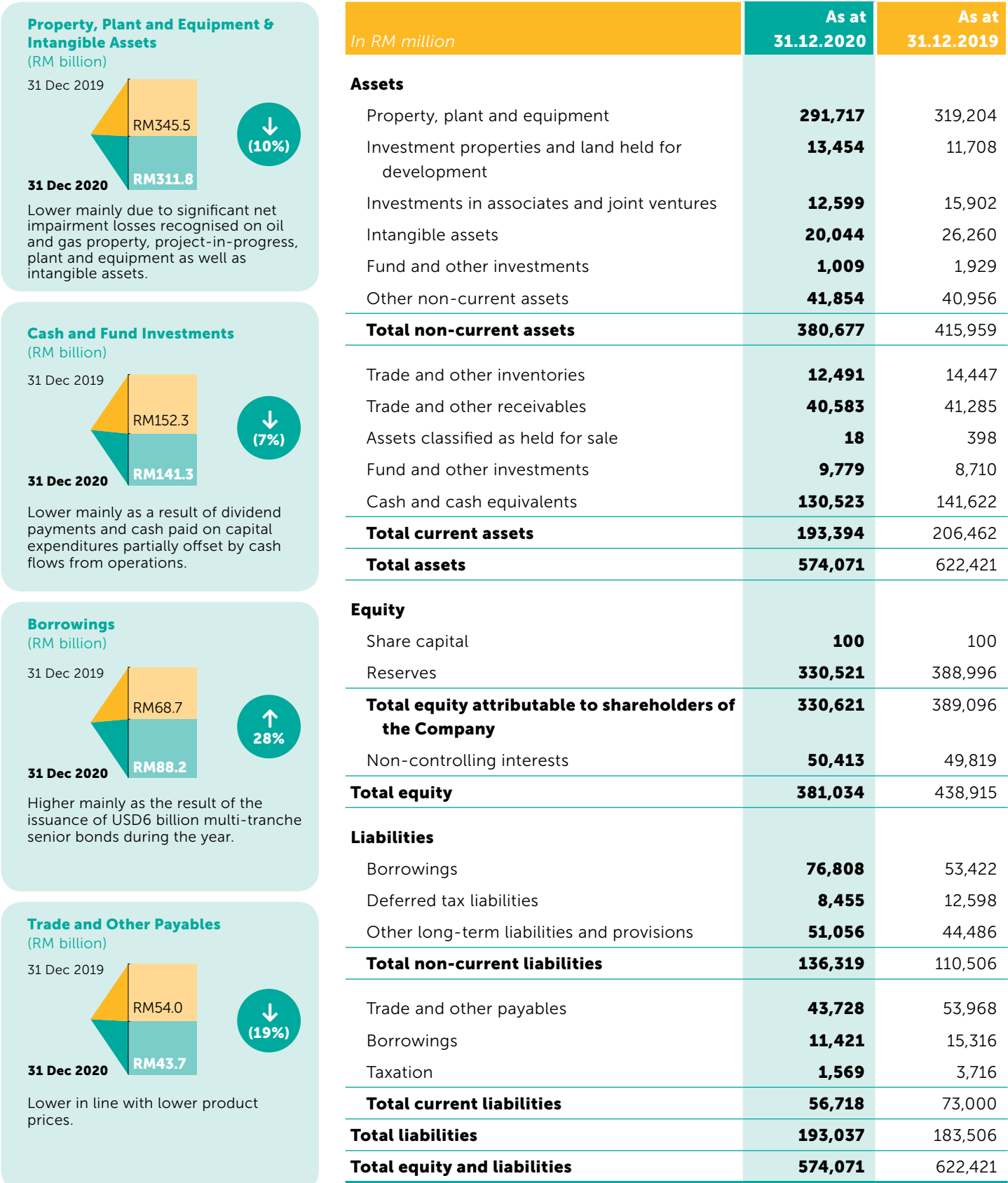
The Group operates three core business segments, namely Upstream, G+NE, as well as Downstream. Corporate and Others, which complements our core businesses, comprises the logistics and maritime segment, property segment as well as the central treasury and Project Delivery and Technology (PD&T) functions.



Group Financial Results and Position

Analysis of Financial Position

Consolidated Statement of Financial Position

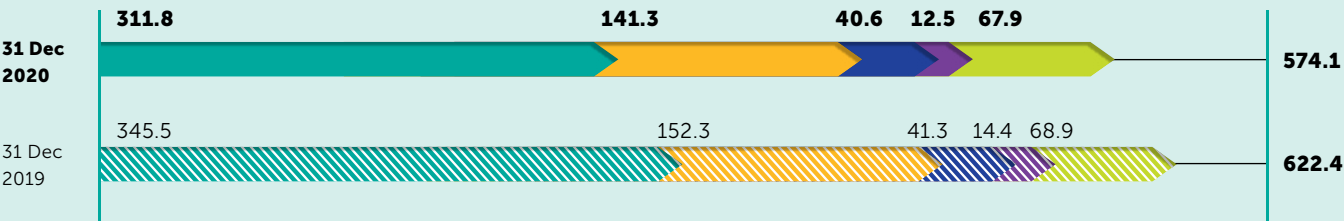


Group Financial Results and Position

Total Assets

(RM billion)

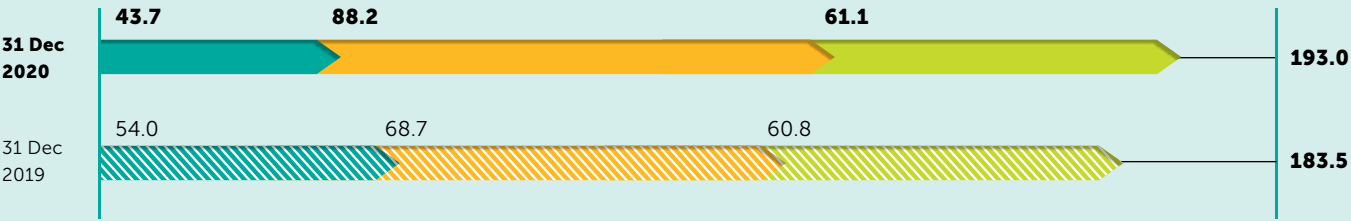
- Property, Plant and Equipment & Intangible Assets Cash and Fund Investments
Trade and Other Receivables Trade and Other Inventories Others



Total Liabilities

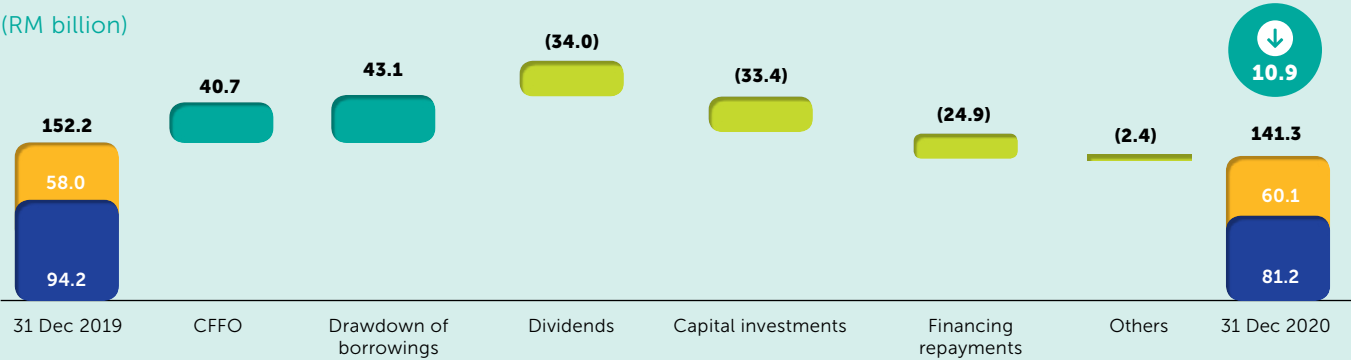
(RM billion)

- Trade and Other Payables Borrowings Others



Movement in Cash and Fund Investments

(RM billion)



- Mainly comprise remaining funds of non-wholly owned subsidiaries and trust funds within the Group
Funds of wholly owned subsidiaries and PETRONAS' portion of non-wholly owned subsidiaries

Net Cash Position

The Group's ability to continue holding a unique Net Cash position of RM52.1 billion demonstrates our disciplined fiscal management approach in fulfilling existing financing commitments while sustaining our momentum for long-term growth.

Group Financial Results and Position

Analysis of Cash Flow

Consolidated Statement of Cash Flows

In RM million

Cash flows from operating activities

(Loss)/Profit before taxation	(12,321)	56,970
Adjustments for non-cash items	69,840	41,542
Net changes in working capital	(4,197)	8,385
Cash generated from operations	53,322	106,897
Interest expenses paid	(2,689)	(2,990)
Interest income from fund and other investments	4,838	6,889
Taxation paid, net of refund	(14,726)	(20,025)

Net cash generated from operating activities

Cash flows from investing activities

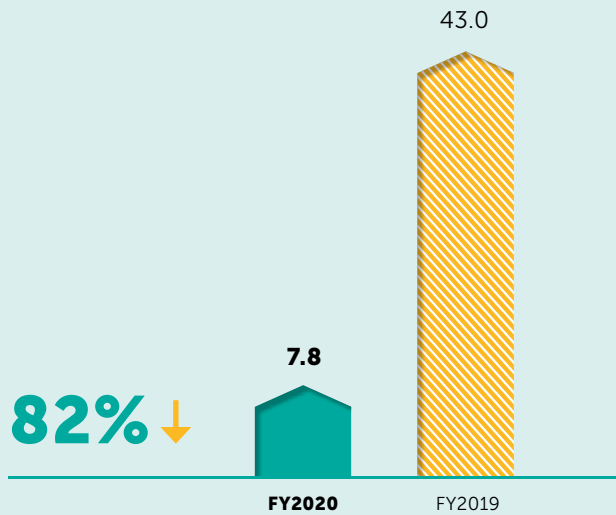
Cash flows from financing activities

Net decrease in cash and cash equivalents	(9,636)	(31,286)
Increase in cash and cash equivalents restricted	(298)	(699)
Net foreign exchange differences	(1,752)	(622)
Cash and cash equivalents at beginning of the year	139,851	172,458
Cash and cash equivalents at end of the year	128,165	139,851

Free Cash Flow Analysis

Free Cash Flow

(RM billion)



PETRONAS Group managed to register a positive free cash flow of RM7.8 billion during the year despite the challenging market environment. However, free cash flow in FY2020 was lower as compared to RM43.0 billion in the preceeding year mainly due to:

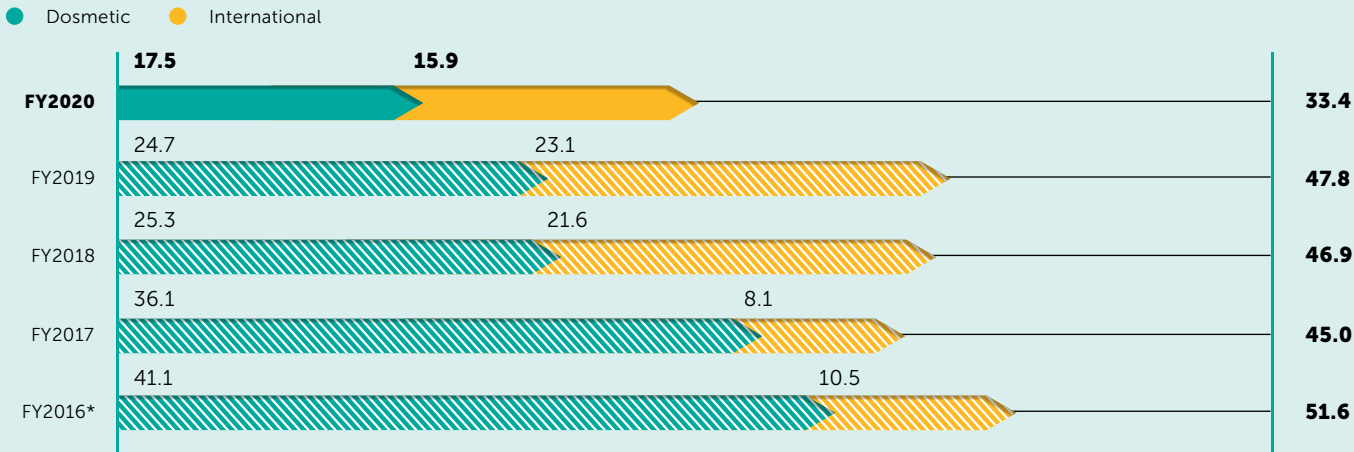
- ➔ Reduced cash generated from operations in line with lower profits which was partially offset by lower taxes paid.
- ➔ Partially offset by lower capital expenditure as a result of strategic reassessment of capital allocation through prioritisation of projects.

Group Financial Results and Position

Capital Investments

For the year in review, the Group's capital investment decreased to RM33.4 billion as compared to RM47.8 billion in the preceding year. The reduction reflects the collective effort by all business segments in optimising their portfolios and reprioritising projects with the aim to safeguard PETRONAS' liquidity. Despite the spending optimisation effort, PETRONAS continued to invest in key projects which are aligned with the Group's long-term Sustainability Agenda.

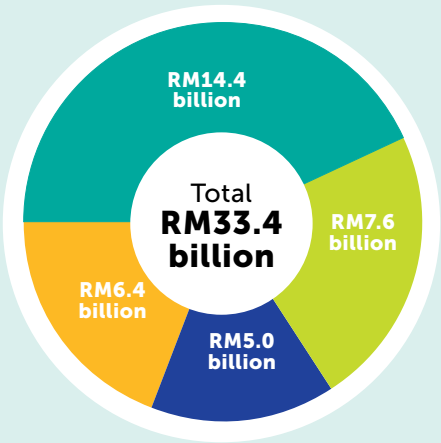
Domestic and International Capital Investments Breakdown
(RM billion)



* The figures has been restated to include cost of acquisition of subsidiaries and investment in associates and joint ventures.

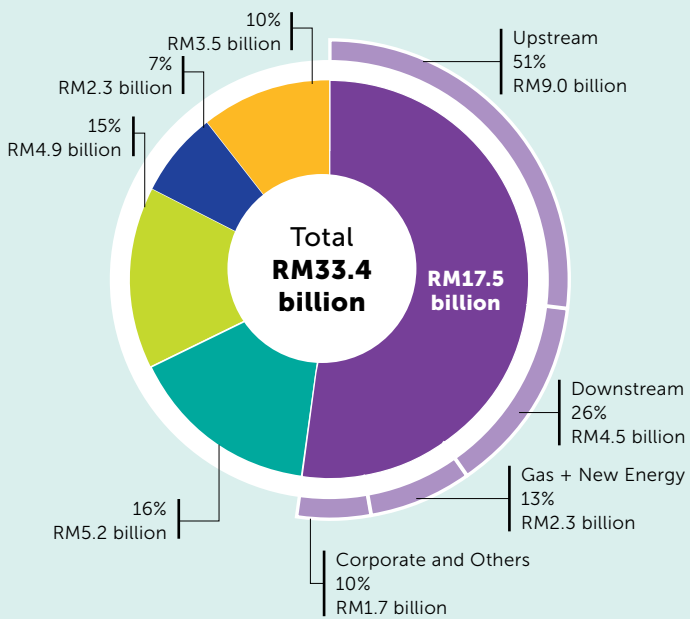
Segment Capital Investments

Capital Investments by Business Segments in FY2020



- Upstream
- Gas + New Energy
- Downstream
- Corporate and Others

Capital Investments by Geographical Segments in FY2020



- Malaysia
- Canada
- USA
- Asia (excluding Malaysia)
- Rest of the World

Group Financial Results and Position

Segment Capital Investments



Upstream continued to dominate the larger percentage of capital investments at RM14.4 billion or 43 per cent of the Group's total capital investment in FY2020. Upstream's capital investments for FY2020 were predominantly spent on exploration, development and production activities aimed at sustaining and growing production in Malaysia and international operations.

Domestically, RM9.0 billion or 62 per cent of Upstream's total capital investment was spent on key projects such as the Kasawari Gas Field Development, Bayan Phase 2, Baram Delta Enhanced Oil Recovery and Pegaga Gas Field Development.

A total of RM5.4 billion was allocated towards international portfolio investments with key countries including Canada, Iraq, Azerbaijan and Mexico. Notable investments include Upstream's first entry into the oil and gas operations in the Gulf of Mexico, USA through a subsidiary, Progress Resources USA LLC (PRUL), for a 30 per cent working interest in the Monument Prospect in early FY2020.



The G+NE business accounted for 23 per cent of the Group's total capital investments and incurred a total spending of RM7.6 billion in FY2020.

The capital investments for FY2020 were predominantly spent on its international ventures particularly for its LNG project in Canada. During the year, the segment also made further investments through the acquisition of solar assets under Acme Solar in India.



The Downstream segment utilised capital investments of RM5.0 billion during the year or 15 per cent of the Group's overall capital investment allocation.

The spending made during the year was mainly allocated towards further investments in the Pengerang Integrated Complex (PIC), which is currently on track with its plan to transition to commercial operations. Other investments were mainly related to operational capital investments as well as turnaround activities.



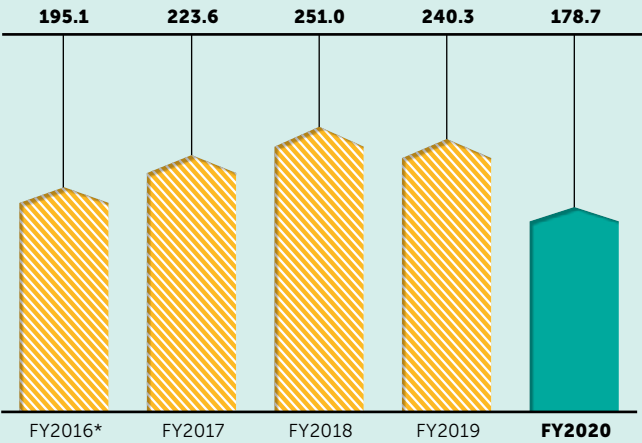
The businesses under Corporate and Others spent RM6.4 billion during the year, higher by RM1.9 billion as compared to 2019 with MISC accounting for 81 per cent of the total spending.

During the year, MISC's significant investments include the milestone payment for six units of Very Large Ethane Carrier (VLEC) and petroleum newbuild vessels.

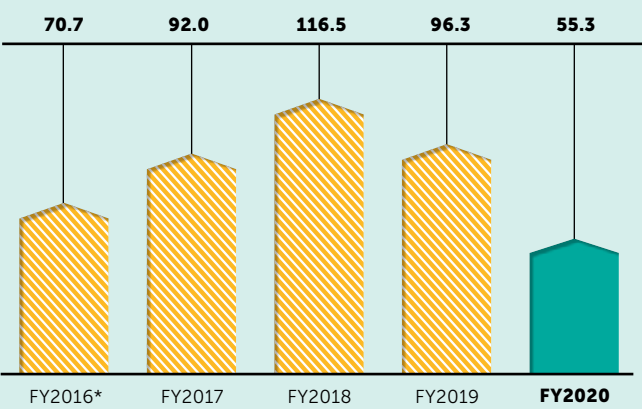
Five-Year Key Financial Indicators

(RM billion)

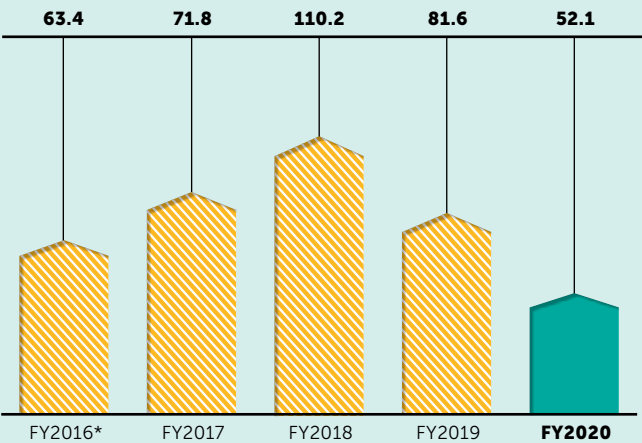
Revenue



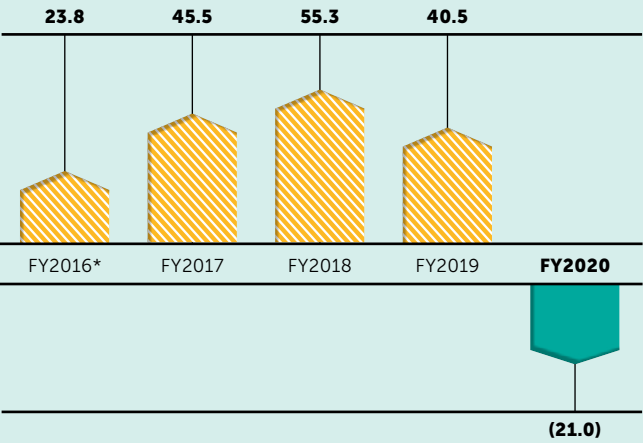
EBITDA



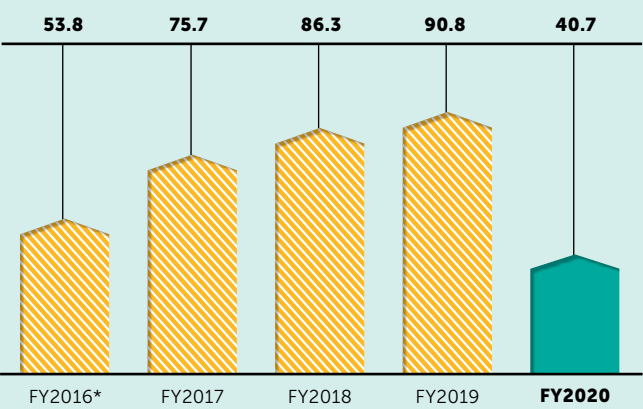
Net Cash Position



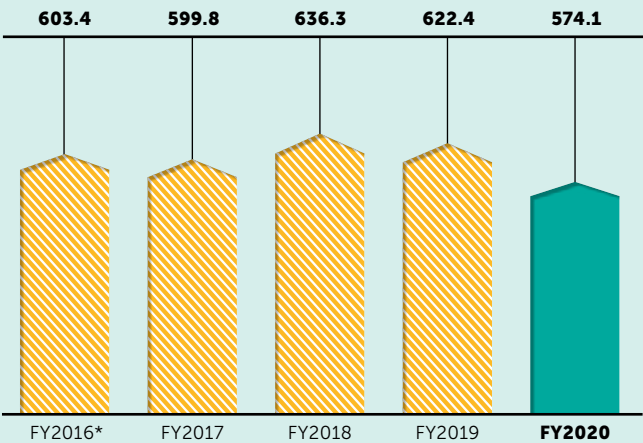
Profit/(Loss After Tax) PAT/(LAT)



CFFO



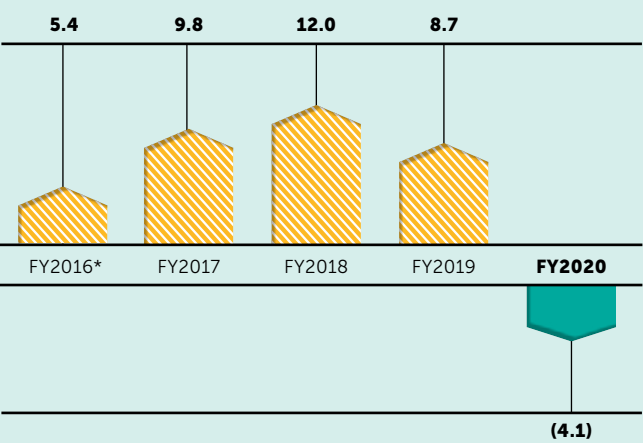
Total Assets



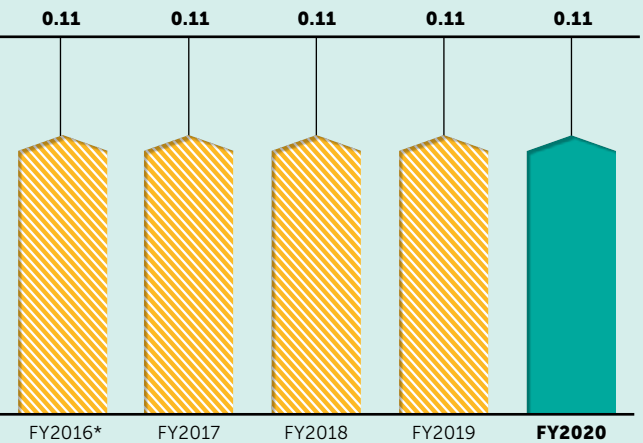
PAT Margin (%)



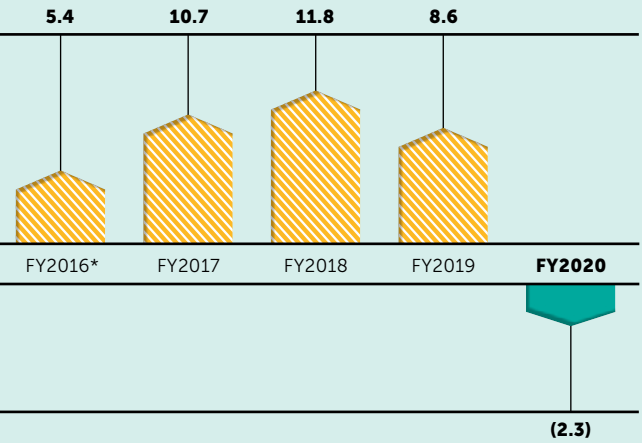
Return on Average Capital Employed (ROACE) (%)



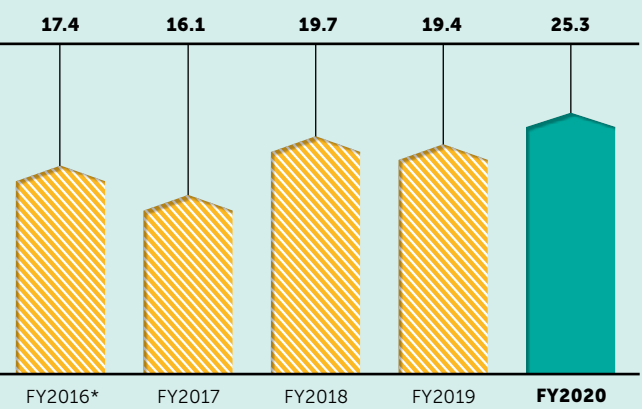
Debt/Assets Ratio (x)



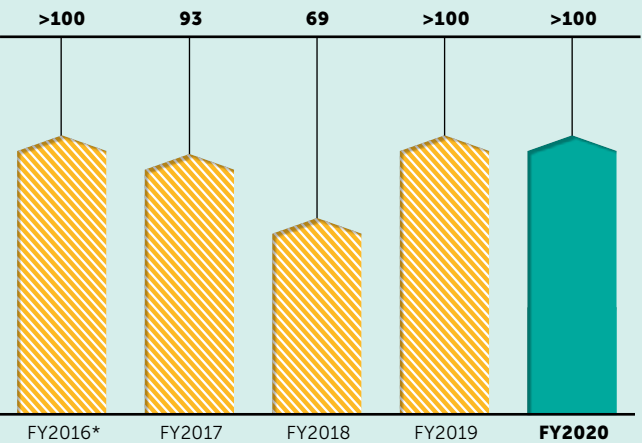
Return on Total Assets (ROTA) (%)



Gearing Ratio (%)



Dividend Payout Ratio (%)



* Certain financial information and their corresponding financial ratios have been restated due to the change in accounting policies with respect to revenue reporting and inventory valuation for gas trading activities.

* The figures have been restated due to the change in accounting policies with respect to revenue reporting and inventory valuation for gas trading activities.

Appendix

Non-Financial Content Index

The results of our Materiality Assessment helped determine the non-financial topics covered in this report. This index includes reference to IPIECA/API/IOGP Sustainability reporting guidance for oil and gas industry as well as the Global Reporting Initiative Standards that correspond to the topics covered in the report. The guidelines are available at ipieca.org and globalreporting.org.

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Glossary of Terms

Abbreviation	Full Term/Definition
2C	Contingent Resources
2P	Petroleum Reserves
3R	Reduce, reuse, recycle
AC	Audit Committee
ABC	Anti-Bribery and Corruption
AI	Artificial Intelligence
ASEAN	Association of Southeast Asian Nations
B40	Bottom 40 per cent of income earners
bbl	Barrel
bboe	Billion barrel of oil equivalent
BCM	Business Continuity Management
BCP	Business Continuity Plan
Board	Board of Directors
boe	Barrel of oil equivalent
C3	Corporate Command Centre
CAPEX	Capital expenditure
CCS	Carbon Capture and Storage
CCUS	Carbon Capture, Utilisation and Storage
CEFS	Centralised Emergency and Fire Services
CFFO	Cash Flows from Operations
CG	Corporate Governance
CIMS	Crisis and Incident Management System
CMT	Crisis Management Team
CO ₂	Carbon dioxide
CO ₂ e	Carbon dioxide (CO ₂) equivalent
CoBE	Code of Conduct and Business Ethics
CoCHR	Contractors Code of Conduct on Human Rights
COVID-19	2019 novel coronavirus (or 2019-nCoV)
CSR	Corporate Social Responsibility
D&I	Diversity and Inclusion
DOE	Department of Environment
DOSH	Department of Occupational Safety and Health
E&P	Exploration and production
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECER	East Coast Economic Region
ELT	Executive Leadership Team
ERE	Emergency Response Exercise
ERM	Enterprise Risk Management
ERP	Enterprise Risk Profile

Abbreviation	Full Term/Definition
ERS	Equipment Reliability Strategy Programme
ESG	Environmental, Social and Governance
FAR	Fatal Accident Rate
FID	Final Investment Decision
FLNG	Floating Liquefied Natural Gas
GCEO	Group Chief Executive Officer
GDP	Gross Domestic Production
GEES	Graduate Employment Enhancement Scheme
GHG	Greenhouse gas
GJ	Gigajoule
G+NE	Gas + New Energy
G&P	Gas and Power
GRI	Global Reporting Initiative
GWh	Gigawatt Hour
HCU	Holding Company Unit
HOTS	Higher Order Thinking Skills
HRM	Human Resource Management
HSE	Health, Safety and Environment
HSSE	Health, Safety, Security and Environment
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
INED	Independent Non-Executive Director
INSTEP	Institut Teknologi Petroleum PETRONAS
IPIECA	International Petroleum Industry Environmental Conservation Association
JTC	Joint Technical Committee
JVs	Joint ventures
kboe	Kilo barrels of oil equivalent
kboed	Kilo barrels of oil equivalent per day
kbpd	kilo barrels per day
kg	Kilogramme
KMt	Kilometric tonnes
kWp	Kilowatt peak
LAT	Loss After Tax
LBV	LNG Bunkering Vessel
LNG	Liquefied Natural Gas
LOPC	Loss of Primary Containment
LTE	Long-term evolution
LTIF	Loss Time Injury Frequency
MEKAR	Memampankan Ekonomi Asas Rakyat
MCF	Mandatory Control Framework

Glossary of Terms

Abbreviation	Full Term/Definition
MCO	Movement Control Order
MFRS	Malaysian Financial Reporting Standards
mmBtu	Million British Thermal Units
MMscfd	Million Standard Cubic Feet Per Day
MMT	Million metric tonnes
MOE	Ministry of Education
MOH	Ministry of Health
MoU	Memorandum of Understanding
mtpa	Metric tonnes per annum
MW	Megawatt
MWh	Megawatt-hour
NADMA	National Disaster Management Agency
NCER	Northern Corridor Economic Region
NCIA	Northern Corridor Implementation Authority
NEDs	Non-Executive Directors
NGOs	Non-governmental organisations
NGV	Natural gas vehicle
NINED	Non-Independent Non-Executive Director
nm ³	Normal cubic meters
NZCE 2050	Net zero carbon emissions by 2050
OE	Operational Excellence
OEE	Overall Equipment Effectiveness
OPEC+	Organisation of the Petroleum Exporting Countries Plus
OPEX	Operating expenditure
OPU	Operating unit
PAT	Profit after tax
PCB	PETRONAS Cultural Beliefs
PCC	PETRONAS Carbon Commitment
PCG	PETRONAS Chemicals Group Berhad
PDB	PETRONAS Dagangan Berhad
PD&T	Project Delivery and Technology
PDR	Product Delivery Reliability
PGB	PETRONAS Gas Berhad
PGU	Peninsular Gas Utilisation
PLC	PETRONAS Leadership Centre
PIC	Pengerang Integrated Complex
PIVOT	PETRONAS Integrated Vision for Operational Excellence Transformation
PPMS	PETRONAS Project Management System
PPRT	Pandemic Preparedness and Response Team
PSC	Production Sharing Contract

Abbreviation	Full Term/Definition
R&D	Research and Development
RC	Risk Committee
RESCISCO	Project to change the paradigm and the approach of developing competencies in PETRONAS through enhancement of capability development philosophy and framework
RFSU	Ready for Start-Up
RGT	Regasification terminal
RM	Ringgit Malaysia
ROVR	An innovative service which allows for a seamless and safe refuelling experience for both the commercial and everyday drivers, beyond conventional petrol stations
SDG	Sustainable Development Goals
SeMS	Security Management System
SME	Small and Medium Enterprise
SME	Subject Matter Expert
STEM	Science, Technology, Engineering and Mathematics
SOP	Standard Operating Procedure
tCO ₂ e	Tonnes (t) of carbon dioxide (CO ₂) equivalent
The Board	Petroleum Nasional Berhad (PETRONAS) Board of Directors
The Group	Petroleum Nasional Berhad (PETRONAS) and its subsidiaries
TPA	Third Party Access
tpa	Tonnes per annum
TRCF	Total Reportable Case Frequency
TROIF	Total Recordable Occupational Illness Frequency
UN	United Nations
UNGP	United Nations Guiding Principles
UN SDGs	United Nations' Sustainability Development Goals
UTP	Universiti Teknologi PETRONAS
UPC	Unit Production Cost
USD	US dollar
VPS	Virtual Pipeline System
WFH	Work from home
WTI	West Texas Intermediate
WTO	World Trade Organisation
ZeTo	Zero Tolerance