The year 2022 was a time of heightened uncertainty and volatility for the oil and gas industry. The ongoing conflict between Russia and Ukraine triggered energy price spikes and supply chain disruptions, bringing with it concerns over energy security. Even as supply concerns emerged, the call for energy transition remains strong with augmented demand for cleaner energy. Investors and financial institutions are putting a high level of scrutiny on oil and gas players to ensure we measure up to what we have committed in terms of climate change, emissions targets and cleaner energy sources.

Amidst the confluence of these seemingly opposing factors, PETRONAS leveraged on our strong integrated value chain, demonstrated agility and resilience to capitalise on the opportunities from the market uptrends. We remain focused on delivering our strategy and Net Zero Carbon Emissions by 2050 (NZCE 2050) Pathway by exercising discipline in capital allocation. As a global energy player with commitments and responsibilities towards uplifting communities and supporting net zero ambitions in Malaysia as well as the countries where we operate, we are future-proofing our portfolio by investing responsibly to preserve our ability to deliver long-term value to provide energy that is secure, affordable and sustainable.

Our Profit After Tax (PAT) for FY2022 was RM101.6 billion, a 100 per cent higher than RM50.9 billion in FY2021. This was driven by the substantial increase in revenue, as well as the effectiveness of our prudent financial management that we continue to practice. Our PAT Margin for FY2022 was
27 per cent, a significant increase from 21 per cent in FY2021, testament to our commercial and operational excellence as well as effective cost control measures. Some examples of such measures include fuel consumption management and vessel optimisation.

Our revenue for FY2022 was RM375.3 billion compared to RM248.0 billion in FY2021, representing a 51 per cent increase. The substantial rise in revenue was driven by higher average realised prices for all products against the backdrop of concerns in relation to energy security, coupled with favourable impact from foreign exchange. More than 70 per cent of PETRONAS’ revenue was contributed by customers outside Malaysia, demonstrating our strong global presence.

Our Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) for FY2022 was RM170.7 billion, a 70 per cent increase in line with the higher profit recorded.

Businesses across the value chain took bold choices and displayed operational resilience and commercial excellence, allowing us to capture market uptrends, resulting in the strong financial performance.

**Strong Financial Position**

The unpredictable energy markets, coupled with the possibility of a global economic slowdown as well as rising inflation has led to increase in operating costs. Despite these challenges, PETRONAS continues to maintain its strong liquidity by exercising effective cost management and delivering solid financial performance.

We recorded robust cash flows from operating activities of RM135.3 billion, a 72 per cent increase from FY2021, enabling us to increase investments required for growth, make higher dividend payments, service our debt obligations and increase contributions to support economic and social development. Additionally, we recorded gearing of 20.3 per cent in FY2022, 2.8 per cent lower than FY2021. This strengthened the Group’s net cash position to RM108.0 billion. Our net cash position compares favourably with that of our peer group comprising international oil majors.

Total assets stood at RM710.6 billion as at 31 December 2022, an increase of 12 per cent against the previous year. This was mainly contributed by the higher cash position as well as higher property, plant and equipment and intangible assets following new acquisitions during the year.

**Capital Allocation**

Amid the continued volatility of the energy market and the increasing call for energy transition, we remain steadfast in strengthening our portfolio through strict capital discipline, ensuring sufficient allocation for our core cash generators, as well as investments in new business and intensify emissions abatement efforts.

As activity started to pick up across the globe, our capital investment spending in FY2022 grew 65 per cent from the previous year to RM50.1 billion. 25 per cent of the capital investment spent in FY2022 was on New Business.
Domestic Capital Expenditure (CAPEX) increased by 24 per cent against the same period last year, contributing to the growth of the Malaysian oil and gas industry.

International CAPEX also increased as investments were channeled mainly to non-traditional businesses such as specialty chemicals. Excluding international acquisitions made during the year, the CAPEX spent was almost equal for Malaysia and international projects.

Capital investment allocation over the next five years i.e. between FY2023 to FY2027 is expected to be 43 per cent higher than the last five years i.e. between FY2018 to FY2022, mainly as a result of scaling up investments in the core business, lowering our emissions as well as investing in new business to future-proof the Group’s portfolio.

**Contributions to the Government**

We contributed RM93.1 billion to the Federal and State Governments of Malaysia in the form of dividends, taxes and cash payments, higher by RM44.8 billion or 93 per cent compared to the previous year. This also includes contributions made to National Trust Fund (NTF) of RM500 million.

To date, our cumulative contributions to the Federal Government of Malaysia, state governments and NTF amounts to RM1.4 trillion.

In FY2022, we paid total dividends to the Federal Government of Malaysia of RM50.0 billion, higher by RM25.0 billion as compared to FY2021, in line with our profitability and affordability.

Additionally, PETRONAS also supported Peninsular Malaysia’s power and non-power sector in respect of the regulated gas pricing mechanism imposed on the supply of sales gas, which resulted in total accumulated revenue forgone from FY1997 until FY2020 amounted to RM261.04 billion. By the end of FY2020, all contracts have reached convergence between the regulated price and contract price.
**Governance and Transparency**

PETRONAS adopts the highest standards of governance and transparency, delivering efficient operations and maximising shareholder’s returns. As a result, PETRONAS’ credit ratings remain strong, with a rating of A2, A- and BBB+ from Moody’s, Standard & Poor’s (S&P) and Fitch respectively. Our standalone credit profile is four notches above PETRONAS’ credit ratings, as assessed by S&P and Fitch. These ratings affirm PETRONAS’ robust financial strength, solid business fundamentals and strong governance practices.

Our financial statements are audited by global accounting firms and comply with Malaysian and International Financial Reporting standards, at par with other Fortune Global 500® companies.

We also adhere to the best principles of corporate governance in line with the Malaysian Code on Corporate Governance:

- Awarded the Platinum Awards in Excellence Awards (Non-Listed Organisation) category in 2021 and 2022 for our annual issuance of Integrated Report by the National Annual Corporate Report Awards (NACRA).
- PETRONAS is progressing towards full adoption of the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) by FY2024.

Additionally, we have further strengthened our commitment towards our NZCE 2050 Pathway by adopting the following:

- Relevant sustainability disclosures in the audited financial statements.
- Allocated funding for decarbonisation and energy transition.

**Looking Forward**

Oil and gas prices could potentially moderate in 2023 as the world anticipates an economic slowdown, while grappling with prolonged market volatility. We will continue to drive operational excellence in our core business while we pursue growth and sustainability targets.

Driven by the urgency of the energy trilemma of security, affordability and environmental sustainability, PETRONAS aims to provide leadership in Southeast Asia’s discourse on efforts to accelerate collaborations in net zero carbon solutions and will continue to support the government’s efforts to ensure an effective and just energy transition.

**Liza Mustapha**

Executive Vice President and Group Chief Financial Officer