



PETRONAS Group Quarterly Report

For First Quarter 2021

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

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 2021 which should be read in conjunction with the accompanying explanatory Notes on pages 7 to 20.

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

| <i>In RM Mil</i> | Individual quarter ended | |
|---|--------------------------|------------------|
| | 2021 | 31 March 2020 |
| Revenue | 52,546 | 59,593 |
| Cost of revenue | (33,826) | (40,942) |
| Gross profit | 18,720 | 18,651 |
| Selling and distribution expenses | (2,098) | (2,008) |
| Administration expenses | (2,309) | (2,419) |
| Net impairment write-back and (losses)/(write-off) ¹ | 183 | (5,643) |
| Other expenses | (849) | (1,214) |
| Other income | 1,704 | 666 |
| Operating profit | 15,351 | 8,033 |
| Financing costs | (1,136) | (663) |
| Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures | 383 | 121 |
| Profit before taxation | 14,598 | 7,491 |
| Tax expense | (5,303) | (2,971) |
| PROFIT FOR THE PERIOD | 9,295 | 4,520 |
| 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") | — | (92) |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| Net movements from exchange differences | 4,273 | 7,176 |
| Others | 1,057 | (923) |
| Total other comprehensive income for the period | 5,330 | 6,161 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 14,625 | 10,681 |
| Profit attributable to: | | |
| Shareholders of the Company | 7,689 | 3,788 |
| Non-controlling interests | 1,606 | 732 |
| PROFIT FOR THE PERIOD | 9,295 | 4,520 |
| Total comprehensive income attributable to: | | |
| Shareholders of the Company | 12,109 | 8,965 |
| Non-controlling interests | 2,516 | 1,716 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 14,625 | 10,681 |

¹ Includes certain amount relating to loss on remeasurement of finance lease receivables.

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FOR FIRST QUARTER ENDED 31 MARCH 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <i>In RM Mil</i> | As at 31 March 2021 | As at 31 December 2020 |
|---|---------------------------|------------------------------|
| ASSETS | | |
| Property, plant and equipment | 289,602 | 291,717 |
| Investment properties and land held for development | 13,375 | 13,454 |
| Investments in associates and joint ventures | 13,337 | 12,599 |
| Intangible assets | 19,718 | 20,044 |
| Fund and other investments | 1,093 | 1,009 |
| Other non-current assets | 49,803 | 41,854 |
| TOTAL NON-CURRENT ASSETS | 386,928 | 380,677 |
| Trade and other inventories | 14,078 | 12,491 |
| Trade and other receivables | 44,245 | 40,583 |
| Assets classified as held for sale | 194 | 18 |
| Fund and other investments | 9,707 | 9,779 |
| Cash and cash equivalents | 138,642 | 130,523 |
| TOTAL CURRENT ASSETS | 206,866 | 193,394 |
| TOTAL ASSETS | 593,794 | 574,071 |
| EQUITY | | |
| Share capital | 100 | 100 |
| Reserves | 324,630 | 330,521 |
| Total equity attributable to shareholders of the Company | 324,730 | 330,621 |
| Non-controlling interests | 51,694 | 50,413 |
| TOTAL EQUITY | 376,424 | 381,034 |
| LIABILITIES | | |
| Borrowings | 80,911 | 76,808 |
| Deferred tax liabilities | 8,243 | 8,455 |
| Other long-term liabilities and provisions | 52,051 | 51,056 |
| TOTAL NON-CURRENT LIABILITIES | 141,205 | 136,319 |
| Trade and other payables | 42,537 | 43,728 |
| Borrowings | 12,411 | 11,421 |
| Taxation | 5,217 | 1,569 |
| Dividend payable | 16,000 | — |
| TOTAL CURRENT LIABILITIES | 76,165 | 56,718 |
| TOTAL LIABILITIES | 217,370 | 193,037 |
| TOTAL EQUITY AND LIABILITIES | 593,794 | 574,071 |

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FOR FIRST QUARTER ENDED 31 MARCH 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | <i>Attributable to shareholders of the Company</i> | | | |
|--|--|--------------------------------------|--------------------------------|-------|
| | Share Capital | <i>Non-distributable</i> | | |
| Capital and Other Reserves | | Foreign Currency Translation Reserve | Fair Value through OCI Reserve | |
| <i>In RM Mil</i> | | | | |
| Individual quarter ended 31 March 2021 | | | | |
| Balance at 1 January 2021 | 100 | 14,464 | 30,557 | (65) |
| Net movements from exchange differences | — | — | 3,547 | — |
| Others | — | 873 | — | — |
| Total other comprehensive income for the period, net of tax | — | 873 | 3,547 | — |
| Profit for the period | — | — | — | — |
| Total comprehensive income for the period | — | 873 | 3,547 | — |
| Changes in ownership interest in subsidiaries | — | — | — | — |
| Redemption of redeemable preference shares in a subsidiary | — | — | — | — |
| Dividends | — | — | — | — |
| Total transactions with shareholders | — | — | — | — |
| Balance at 31 March 2021 | 100 | 15,337 | 34,104 | (65) |
| Individual 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 (loss)/income for the period, net of tax | — | (781) | 6,050 | (92) |
| Profit for the period | — | — | — | — |
| Total other comprehensive (loss)/income for the period | — | (781) | 6,050 | (92) |
| Changes in ownership interest in subsidiaries | — | — | — | — |
| Redemption of redeemable preference shares in a subsidiary | — | 271 | — | — |
| Dividends | — | — | — | — |
| Total transaction with shareholders | — | 271 | — | — |
| Balance at 31 March 2020 | 100 | 13,999 | 36,064 | (170) |

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FOR FIRST QUARTER ENDED 31 MARCH 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

| <i>In RM Mil</i> | <i>Attributable to shareholders of the Company</i> | | | Non- Controlling Interests | Total |
|--|--|-----------------------------|--------------|---|--------------|
| | General Reserve | Retained Profits | Total | | |
| | Distributable | | | | |
| | | | | | |
| Individual quarter ended 31 March 2021 | | | | | |
| Balance at 1 January 2021 | 12,000 | 273,565 | 330,621 | 50,413 | 381,034 |
| Net movements from exchange differences | — | — | 3,547 | 726 | 4,273 |
| Others | — | — | 873 | 184 | 1,057 |
| Total other comprehensive income for the period, net of tax | — | — | 4,420 | 910 | 5,330 |
| Profit for the period | — | 7,689 | 7,689 | 1,606 | 9,295 |
| Total comprehensive income for the period | — | 7,689 | 12,109 | 2,516 | 14,625 |
| Changes in ownership interest in subsidiaries | — | — | — | (13) | (13) |
| Redemption of redeemable preference shares in a subsidiary | — | — | — | (4) | (4) |
| Dividends | — | (18,000) | (18,000) | (1,218) | (19,218) |
| Total transactions with shareholders | — | (18,000) | (18,000) | (1,235) | (19,235) |
| Balance at 31 March 2021 | 12,000 | 263,254 | 324,730 | 51,694 | 376,424 |
| Individual 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 (loss)/income for the period, net of tax | — | — | 5,177 | 984 | 6,161 |
| Profit for the period | — | 3,788 | 3,788 | 732 | 4,520 |
| Total other comprehensive (loss)/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 a subsidiary | — | (271) | — | — | — |
| Dividends | — | (24,000) | (24,000) | (2,201) | (26,201) |
| Total transaction 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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QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| <i>In RM Mil</i> | Individual quarter ended | |
|---|--------------------------|------------------|
| | 2021 | 31 March 2020 |
| Cash flows from operating activities | | |
| Profit before taxation | 14,598 | 7,491 |
| Adjustments for: | | |
| Bad debts written off | — | 37 |
| Depreciation and amortisation | 8,269 | 8,917 |
| Financing costs | 1,136 | 663 |
| Interest income | (777) | (1,427) |
| Net change in contract liabilities | (104) | (44) |
| Net change in provisions | (12) | (11) |
| Net gain on disposal of property, plant and equipment, investment in subsidiaries and other investments | (424) | (15) |
| Net (write-back)/impairment losses on: | | |
| - intangible assets | — | 3,185 |
| - property, plant and equipment | (36) | 1,542 |
| - receivables | (147) | (56) |
| Net losses of impairment/(write-back) and write-off on well costs | 349 | (31) |
| Net inventories (write-back)/written down to net realisable value | (25) | 995 |
| Net loss/(gain) on derivatives | 43 | (11) |
| Property, plant and equipment written off | 1 | — |
| Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures | (383) | (121) |
| Unrealised gain on foreign exchange | (1,258) | (62) |
| Write-off of trade receivables and loss on remeasurement of finance lease receivables | — | 935 |
| Other non-cash items | (14) | — |
| Operating profit before changes in working capital | 21,216 | 21,987 |
| Net changes in working capital | (4,254) | (1,902) |
| Cash generated from operations | 16,962 | 20,085 |
| Interest expenses paid | (780) | (505) |
| Interest income from fund and other investments | 777 | 1,299 |
| Taxation paid, net of refund | (2,616) | (3,240) |
| Net cash generated from operating activities | 14,343 | 17,639 |

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FOR FIRST QUARTER ENDED 31 MARCH 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

| <i>In RM Mil</i> | Individual quarter ended | |
|---|--------------------------|------------------|
| | 2021 | 31 March 2020 |
| Cash flows from investing activities | | |
| Dividends received | 161 | 129 |
| Investment in joint ventures | (3) | (35) |
| Investment in securities and other investments | (615) | (1,144) |
| Long-term receivables to a joint venture | — | (613) |
| Proceeds from disposal/partial disposal of: | | |
| - investment in a subsidiaries, net of cash disposed | — | 54 |
| - property, plant and equipment | 681 | 105 |
| - securities and other investments | 296 | 692 |
| Proceeds from redemption of preference shares in joint ventures | — | 511 |
| Purchase of property, plant and equipment, investment properties, intangible assets and land held for development | (6,687) | (8,486) |
| Net cash used in investing activities | (6,167) | (8,787) |
| Cash flows from financing activities | | |
| Dividends paid | (2,000) | — |
| Dividends paid to non-controlling interests | (1,218) | (2,201) |
| Drawdown of borrowings | 8,667 | 3,356 |
| Payment of lease liabilities | (866) | (1,071) |
| Payment to a non-controlling interest on additional equity interest | (13) | — |
| Payment to a non-controlling interest on redemption of redeemable preference shares | (4) | — |
| Proceeds from partial disposal of equity interest to a non-controlling interest | — | 1 |
| Repayment of borrowings | (5,013) | (8,716) |
| Net cash used in financing activities | (447) | (8,631) |
| Net increase in cash and cash equivalents | 7,729 | 221 |
| Decrease/(increase) in cash and cash equivalents restricted | 366 | (118) |
| Net foreign exchange differences | 838 | 2,213 |
| Cash and cash equivalents at beginning of the year | 128,165 | 139,851 |
| Cash and cash equivalents at end of the period | 137,098 | 142,167 |
| Cash and cash equivalents | | |
| Cash and bank balances and deposits | 138,642 | 144,267 |
| Bank overdrafts | (250) | (620) |
| Less: Cash and cash equivalents restricted | (1,294) | (1,480) |
| | 137,098 | 142,167 |

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QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

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 2020.

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 2020.

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 interest in joint ventures and associates as at and for the period ended 31 March 2021.

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 2021 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2020 except as disclosed below.

As of 1 January 2021, the Group has adopted the following Amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") which are effective for annual periods beginning on or after 1 January 2021.

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts, MFRS 16 Leases (Interest Rate Benchmark Reform - Phase 2).

The initial application of the above-mentioned pronouncements do not have any material impact to the financial statements of the Group.

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2020 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 was no exceptional item during the period under review.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

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

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of the Group for the year ended 31 December 2020 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 B10.

A8. DIVIDEND PAID

During the period under review, the Company paid a dividend of RM2 billion, being partial payment of the approved dividend of RM180,000 per ordinary share amounting to RM18 billion declared on 25 February 2021.

The remaining amount of the dividend amounting to RM16 billion will be paid in instalments between April 2021 and November 2021.

A9. SIGNIFICANT AND SUBSEQUENT EVENTS

- i. On 17 March 2021, PETRONAS via its indirect wholly-owned subsidiary, PETRONAS Energy Canada Ltd. ("PECL"), successfully priced a US\$600 million single tranche 7-year note. The proceeds will be utilised by PECL to fund its continued development and production activities, debt refinancing and for general corporate purposes. PECL focuses on the development and production of oil and natural gas in Canada.
- ii. On 22 April 2021, PETRONAS via its wholly-owned subsidiary, PETRONAS Capital Limited ("PCL"), successfully priced a US\$3.0 billion dual-tranche senior bond offering, comprising US\$1.25 billion 10.75-year and US\$1.75 billion 40-year conventional notes. The proceeds will be used for debt refinancing and general corporate purposes, thereby further strengthening the balance sheet and extending PETRONAS' debt maturity profile.

A10. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last audited consolidated statement of financial position as at 31 December 2020.

A11. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group for the period under review.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

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

A12. 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).
- Level 3 - The fair value of unquoted shares is determined by independent valuer, having appropriate recognised professional qualifications.

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, Level 2 and Level 3 fair value measurements during the current financial period and comparative year.

31 March 2021

In RM Mil

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|--------------|--------------|------------|----------------|
| Financial assets | | | | |
| Quoted shares | 1,274 | — | — | 1,274 |
| Quoted securities | 142 | — | — | 142 |
| Unquoted shares | — | — | 247 | 247 |
| Malaysian Government Securities | — | 275 | — | 275 |
| Corporate Bonds and Sukuk | — | 8,016 | — | 8,016 |
| Commodity swaps | — | 11 | — | 11 |
| Forward foreign exchange contracts | — | 175 | — | 175 |
| Forward gas contracts | 136 | — | — | 136 |
| Forward oil/gas price swaps | 124 | 37 | — | 161 |
| Interest rate swaps | — | 115 | — | 115 |
| | 1,676 | 8,629 | 247 | 10,552 |
| Financial liabilities | | | | |
| Commodity swaps | — | (239) | — | (239) |
| Forward foreign exchange contracts | — | (62) | — | (62) |
| Forward oil/gas contracts | (237) | — | — | (237) |
| Forward oil/gas price swaps | (277) | — | — | (277) |
| Interest rate swaps | — | (315) | — | (315) |
| | (514) | (616) | — | (1,130) |

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FOR FIRST QUARTER ENDED 31 MARCH 2021

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

A12. FAIR VALUE INFORMATION (continued)

31 December 2020

In RM Mil

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------|----------------|--------------|------------|----------------|
| Financial assets | | | | |
| Quoted shares | 1,130 | – | – | 1,130 |
| Quoted securities | 181 | – | – | 181 |
| Unquoted shares | – | – | 250 | 250 |
| Malaysian Government Securities | – | 290 | – | 290 |
| Corporate Bonds and Sukuk | – | 8,219 | – | 8,219 |
| Commodity swaps | – | 11 | – | 11 |
| Forward foreign exchange contracts | – | 146 | – | 146 |
| Forward gas contracts | 327 | – | – | 327 |
| Forward oil/gas price swaps | 34 | – | – | 34 |
| Interest rate swaps | – | 7 | – | 7 |
| | <u>1,672</u> | <u>8,673</u> | <u>250</u> | <u>10,595</u> |
| Financial liabilities | | | | |
| Commodity swaps | – | (12) | – | (12) |
| Forward foreign exchange contracts | – | (53) | – | (53) |
| Forward oil/gas contracts | (651) | – | – | (651) |
| Forward oil/gas price swaps | (933) | – | – | (933) |
| Interest rate swaps | – | (546) | – | (546) |
| | <u>(1,584)</u> | <u>(611)</u> | <u>–</u> | <u>(2,195)</u> |

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

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

A13. OPERATING SEGMENTS

The Group's reportable operating segments comprise 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 2020.

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.

A13.1 Segment revenue

| | 2021 | | 2020 | | Individual quarter ended 31 March | |
|----------------------|---------------|---------------|---------------|---------------|--------------------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| <i>In RM Mil</i> | Third parties | | Inter-segment | | Gross total | |
| Upstream | 9,525 | 9,695 | 14,550 | 14,780 | 24,075 | 24,475 |
| Gas and New Energy | 15,268 | 19,988 | 1,968 | 2,508 | 17,236 | 22,496 |
| Downstream | 25,135 | 26,713 | 913 | 272 | 26,048 | 26,985 |
| Corporate and Others | 2,618 | 3,197 | 1,159 | 1,084 | 3,777 | 4,281 |
| Total | 52,546 | 59,593 | 18,590 | 18,644 | 71,136 | 78,237 |

A13.2 Segment PAT

| | Individual quarter ended 31 March | |
|---|--------------------------------------|--------------|
| | 2021 | 2020 |
| <i>In RM Mil</i> | | |
| Upstream | 6,921 | 1,925 |
| Gas and New Energy | 2,073 | 2,908 |
| Downstream | 207 | (1,165) |
| Corporate and Others | 768 | 19 |
| Total PAT for reportable segments | 9,969 | 3,687 |
| Elimination of inter-segment transactions | (674) | 833 |
| Consolidated PAT | 9,295 | 4,520 |

A14. REVENUE

The following table includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

| | Upstream | | Gas and New Energy | | Downstream | | Corporate and Others | | Individual quarter ended 31 March | |
|---------------------------------|--------------|--------------|-----------------------|---------------|---------------|---------------|-------------------------|--------------|--------------------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | Total | | | | | | | | | |
| <i>In RM Mil</i> | | | | | | | | | | |
| Revenue from contract customers | 8,601 | 9,205 | 14,446 | 19,428 | 25,034 | 26,574 | 1,230 | 1,418 | 49,311 | 56,625 |
| Other revenue | 924 | 490 | 822 | 560 | 101 | 139 | 1,388 | 1,779 | 3,235 | 2,968 |
| Total | 9,525 | 9,695 | 15,268 | 19,988 | 25,135 | 26,713 | 2,618 | 3,197 | 52,546 | 59,593 |

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FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE

| <i>In RM Mil</i> | Individual quarter ended | | |
|--------------------------------------|--------------------------|---------------------------|------------------------------|
| | 31 March 2021 | 31 December 2020 | 31 March 2020 |
| Revenue | 52,546 | 44,042 | 59,593 |
| EBITDA ² | 22,900 | 11,886 | 20,294 |
| PAT/(LAT) | 9,295 | (1,137) | 4,520 |
| <i>In RM Mil</i> | | 31 March 2021 | 31 March 2020 |
| Cash flows from operating activities | | 14,343 | 17,639 |
| Capital investments | | 6,690 | 8,521 |
| <i>In RM Mil</i> | | As at 31 March 2021 | As at 31 December 2020 |
| Total assets | | 593,794 | 574,071 |
| Shareholders' equity | | 324,730 | 330,621 |
| Gearing ratio ³ | | 22.3% | 21.3% |
| ROACE ⁴ | | (3.0)% | (4.1)% |

First quarter PETRONAS Group's revenue of RM52.5 billion for the first quarter of 2021 was lower by RM7.0 billion or 12% as compared to the first quarter of 2020 mainly driven by lower sales volume impact from petroleum products, LNG and natural gas coupled with unfavourable impact of exchange rate.

The Group however recorded higher EBITDA by RM2.6 billion at RM22.9 billion mainly due to lower operating expenditure.

PAT of RM9.3 billion was higher by RM4.8 billion in tandem with higher EBITDA and lower net impairment losses⁵ on assets. Excluding net impairment losses⁵, the Group would record a PAT of RM9.5 billion, higher by RM0.9 billion as compared to PAT excluding net impairment losses⁵ for the first quarter of 2020.

Cash flows from operating activities decreased by RM3.3 billion or 19% mainly due to higher inventory volume and purchase price and lower receipts from customers. Capital investments amounted to RM6.7 billion across the businesses.

Total assets strengthened to RM593.8 billion as at 31 March 2021 from RM574.1 billion as at 31 December 2020 mainly contributed by higher cash and cash equivalents and receivables.

Shareholders' equity of RM324.7 billion decreased by RM5.9 billion mainly due to dividend declared to shareholders amounting to RM18.0 billion. This was offset by profit generated during the period and higher foreign currency translation reserve arising from favourable impact of exchange rate.

Gearing ratio increased to 22% from 21% as at 31 December 2020 mainly due to reduction in equity associated with dividend declared. ROACE stood at negative 3%, improved from negative 4% as at 31 December 2020 in line with profit recorded during the period.

² EBITDA consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets and provision for contracts exposure, and the exclusion of financing costs and interest income.

³ Gearing ratio is calculated as adjusted total debt (total debt including financial guarantees) divided by adjusted total equity (total equity plus deferred tax liabilities and minus capitalised interest) and adjusted total debt. Gearing ratio for corresponding period has been restated to conform with this formula.

⁴ Return on average capital employed ("ROACE") is calculated as profit before interest expense after tax (calculated on 12-month preceding basis) divided by average total equity and long term debt.

⁵ Includes write-off of exploration expenditure under intangible assets and loss on remeasurement of finance lease receivables.

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FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B2. REVIEW OF PERFORMANCE – UPSTREAM

Financial Indicators

| <i>In RM Mil</i> | Individual quarter ended | | |
|------------------|--------------------------|---------------------|------------------|
| | 31 March 2021 | 31 December 2020 | 31 March 2020 |
| Revenue | | | |
| Third party | 9,525 | 7,151 | 9,695 |
| Inter-segment | 14,550 | 9,670 | 14,780 |
| | <u>24,075</u> | <u>16,821</u> | <u>24,475</u> |
| PAT | 6,921 | 1,660 | 1,925 |

Operational Indicators

| | Individual quarter ended | | |
|---|--------------------------|---------------------|------------------|
| | 31 March 2021 | 31 December 2020 | 31 March 2020 |
| Production ⁶ ('000 boe ⁷ per day) | | | |
| Crude oil and condensates | 847 | 829 | 962 |
| Natural gas | 1,539 | 1,436 | 1,502 |
| | <u>2,386</u> | <u>2,265</u> | <u>2,464</u> |
| Entitlement ⁸ ('000 boe per day) | | | |
| Crude oil and condensates | 597 | 582 | 611 |
| Natural gas | 1,135 | 1,072 | 1,230 |
| | <u>1,732</u> | <u>1,654</u> | <u>1,841</u> |

First quarter Revenue for the first quarter of 2021 was RM24.1 billion, lower by RM0.4 billion or 2% as compared to the first quarter of 2020 mainly due to lower sales volume for liquids and gas as well as unfavourable impact of exchange rate. This was cushioned by improved average realised prices for liquids, in line with higher benchmark prices.

PAT for the first quarter of 2021 was RM6.9 billion, higher by RM5.0 billion as compared to the first quarter of 2020 primarily due to lower net impairment losses and operating expenditure.

Total production volume for the first quarter of 2021 was 2,386 thousand boe per day, lower by 78 thousand boe per day mainly driven by lower liquid production from operational setbacks in Malaysia and curtailment in Iraq. However, this was partially offset by higher gas production in Peninsular Malaysia and production ramp up in international countries.

⁶ Represents Malaysia's production (PETRONAS Group and other Operators) and PETRONAS Group's international equity production volume.

⁷ boe: barrels of oil equivalent.

⁸ Represents PETRONAS Group's sales entitlement to Malaysia's production and PETRONAS Group's international sales entitlement volume.

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FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B3. REVIEW OF PERFORMANCE – GAS AND NEW ENERGY

Financial Indicators

| <i>In RM Mil</i> | Individual quarter ended | | |
|------------------|--------------------------|---------------------|------------------|
| | 31 March 2021 | 31 December 2020 | 31 March 2020 |
| Revenue | | | |
| Third party | 15,268 | 12,889 | 19,988 |
| Inter-segment | 1,968 | 1,594 | 2,508 |
| | <u>17,236</u> | <u>14,483</u> | <u>22,496</u> |
| PAT | 2,073 | 1,006 | 2,908 |

Operational Indicators

| | Individual quarter ended | | |
|---|--------------------------|---------------------|------------------|
| | 31 March 2021 | 31 December 2020 | 31 March 2020 |
| Malaysia average sales gas volume (mmscfd) ⁹ | 2,445 | 2,619 | 2,566 |
| Gross LNG sales volume (million tonnes) ¹⁰ | 8.93 | 8.84 | 9.99 |

First quarter Revenue for the first quarter of 2021 was RM17.2 billion, lower by RM5.3 billion or 23% as compared to the first quarter of 2020 primarily driven by the impact of lower average realised prices as a result of lagging effect coupled with lower sales volume for LNG and sales gas.

PAT for the first quarter of 2021 was RM2.1 billion, lower by RM0.8 billion or 29% in line with lower revenue partially offset by lower product costs and tax expenses.

Malaysia average sales gas volume declined by 121 mmscfd following decrease in volume due to lower demand from domestic market.

Gross LNG sales volume reduced by 1.06 million tonnes due to lower production in line with lower demand.

⁹ mmscfd: million standard cubic feet per day.

¹⁰ Gross volume refers to all LNG sales inclusive of volume subsequently sold as sales gas.

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FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B4. REVIEW OF PERFORMANCE – DOWNSTREAM

Financial Indicators

| <i>In RM Mil</i> | Individual quarter ended | | |
|------------------|--------------------------|---------------------|------------------|
| | 31 March 2021 | 31 December 2020 | 31 March 2020 |
| Revenue | | | |
| Third party | 25,135 | 21,624 | 26,713 |
| Inter-segment | 913 | 570 | 272 |
| | <u>26,048</u> | <u>22,194</u> | <u>26,985</u> |
| PAT/(LAT) | 207 | (2,991) | (1,165) |

Operational Indicators

| | Individual quarter ended | | |
|--|--------------------------|---------------------|------------------|
| | 31 March 2021 | 31 December 2020 | 31 March 2020 |
| Petroleum products sales volume (in million barrels) | 59.4 | 67.8 | 73.2 |
| Crude oil sales volume (in million barrels) | 32.9 | 35.6 | 31.5 |
| Petrochemical products sales volume (in million metric tonnes) | 1.9 | 2.1 | 2.0 |

First quarter Revenue for the first quarter of 2021 was RM26.0 billion, lower by RM0.9 billion or 3% as compared to the same quarter in 2020 mainly due to the impact of lower petroleum products sales volume. The impact was negated by higher average realised prices for petrochemicals, petroleum products and crude oil.

PAT was RM0.2 billion as compared to LAT of RM1.2 billion in the first quarter of 2020, higher by RM1.4 billion largely due to improved refining and petrochemicals margins in line with favourable prices.

Petroleum products sales volume was 59.4 million barrels, lower by 13.8 million barrels following decreased trading activities as well as lower marketing volume due to lower demand attributed to COVID-19 pandemic.

Crude oil sales volume was 32.9 million barrels, higher by 1.4 million barrels mainly resulting from increased trading activities.

Petrochemical products sales volume was 1.9 million metric tonnes, lower by 0.1 million metric tonnes as compared to the first quarter of 2020 following lower production.

B5. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS

Financial Indicators

| <i>In RM Mil</i> | Individual quarter ended | | |
|------------------|--------------------------|---------------------|------------------|
| | 31 March 2021 | 31 December 2020 | 31 March 2020 |
| Revenue | | | |
| Third party | 2,618 | 2,378 | 3,197 |
| Inter-segment | 1,159 | 1,668 | 1,084 |
| | <u>3,777</u> | <u>4,046</u> | <u>4,281</u> |
| PAT/(LAT) | 768 | (1,603) | 19 |

First quarter Revenue for the first quarter of 2021 was RM3.8 billion, lower by RM0.5 billion or 12% as compared to the first quarter in 2020 mainly contributed by fund investment income as a result of lower rate of return in tandem with lower Overnight Policy Rate ("OPR").

PAT was RM0.8 billion, higher by RM0.7 billion mainly due to lower impairment losses on assets recognised.

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FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B6. COMPARISON WITH PRECEDING QUARTER'S RESULTS

| <i>In RM Mil</i> | Individual quarter ended | |
|------------------|--------------------------|---------------------|
| | 31 March 2021 | 31 December 2020 |
| Revenue | 52,546 | 44,042 |
| EBITDA | 22,900 | 11,886 |
| PAT/(LAT) | 9,295 | (1,137) |

PETRONAS Group revenue surged by RM8.5 billion or 19% in the first quarter of 2021 at RM52.5 billion as compared to the preceding quarter mainly attributable to improved benchmark prices for major products partially offset by lower sales volume from petroleum products, crude oil and condensates.

EBITDA was RM22.9 billion, increased by RM11.0 billion in line with higher revenue and lower operating expenditure.

PAT was RM9.3 billion as compared to the LAT of RM1.1 billion for the first quarter of 2020 primarily due to higher EBITDA. Excluding net impairment losses and provisions¹¹, the Group would record a PAT of RM9.5 billion for the quarter as compared to PAT of RM0.2 billion for the preceding quarter.

B7. CURRENT FINANCIAL YEAR PROSPECTS

Oil and gas industry demand is expected to improve following the global vaccine roll-out programme but recovery prospects remain uncertain due to risk of COVID-19 resurgence. PETRONAS will continue to drive for commercial and operational excellence on the back of modest oil price recovery whilst preserving healthy levels of liquidity.

B8. TAXATION

| <i>In RM Mil</i> | Individual quarter ended | |
|---|--------------------------|------------------|
| | 2021 | 31 March 2020 |
| Current tax expenses | | |
| Malaysia | 5,941 | 4,701 |
| Overseas | 252 | 206 |
| | 6,193 | 4,907 |
| Deferred tax expenses | | |
| Origination and reversal of temporary differences | (890) | (1,936) |
| | 5,303 | 2,971 |

The Group's effective tax rate for the current quarter was 36% mainly due to the additional tax assessments raised by the Malaysian Inland Revenue Board ("IRB") arising from tax audits conducted in the previous years. Excluding this impact, the adjusted effective tax rate stood at 22% which is reflective of the various tax legislations within which the Group operates, including among others Malaysia Income Tax Act 1967, Petroleum (Income Tax) Act 1967 ("PITA"), Global Incentive for Trading ("GIFT") under Labuan Financial Services and Securities Act 2010, Labuan Business Activity Tax 1990 ("LBATA") and international tax legislations.

¹¹ Includes write-off of exploration expenditure under tangible assets, loss on remeasurement of finance lease receivables and provision for contracts exposure.

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FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B9. CASH, FUND AND OTHER INVESTMENTS

| <i>In %</i> | As at 31 March 2021 | As at 31 December 2020 |
|---------------------------------|---------------------------|------------------------------|
| By Currency | | |
| RM | 59.7 | 60.2 |
| USD | 37.9 | 37.8 |
| Others | 2.4 | 2.0 |
| | 100.0 | 100.0 |
| By Maturity¹² | | |
| < 1 year | 93.5 | 92.9 |
| 1 to 5 years | 2.9 | 3.1 |
| 5 to 10 years | 3.6 | 4.0 |
| | 100.0 | 100.0 |
| By Type | | |
| Money market | 92.9 | 92.5 |
| Corporate bonds | 5.9 | 6.2 |
| Equities | 1.2 | 1.3 |
| | 100.0 | 100.0 |

There was no material purchase and sale of quoted securities during the period under review.

B10. BORROWINGS

The details of the Group borrowings as at 31 March 2021 are as follows:

| <i>In RM Mil</i> | As at 31 March 2021 | As at 31 December 2020 |
|-------------------------------------|---------------------------|------------------------------|
| Non-Current | | |
| Term loans | 15,159 | 14,865 |
| Lease liabilities | 11,111 | 11,324 |
| Notes and Bonds | 48,891 | 45,014 |
| Islamic financing facilities | 5,750 | 5,605 |
| Total non-current borrowings | 80,911 | 76,808 |
| Current | | |
| Term loans | 6,193 | 4,732 |
| Lease liabilities | 1,563 | 1,405 |
| Islamic financing facilities | 1,413 | 1,546 |
| Revolving credits | 2,952 | 1,384 |
| Bankers' acceptances | 40 | 1,656 |
| Bank overdrafts | 250 | 698 |
| Total current borrowings | 12,411 | 11,421 |
| Total borrowings | 93,322 | 88,229 |

¹² Refers to instrument maturity dates; excludes equities.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B10. BORROWINGS (continued)

| <i>In RM Mil</i> | As at 31 March 2021 | | As at 31 December 2020 | |
|------------------------------|---------------------------|--------------|------------------------------|--------------|
| | % | % | % | % |
| By Currency | | | | |
| USD | 74,844 | 80.2 | 70,798 | 80.2 |
| RM | 9,740 | 10.4 | 9,430 | 10.7 |
| EUR | 2,143 | 2.3 | 2,282 | 2.6 |
| ZAR | 2,091 | 2.2 | 2,301 | 2.6 |
| CAD | 2,861 | 3.2 | 2,030 | 2.3 |
| INR | 1,199 | 1.3 | 1,111 | 1.3 |
| GBP | 223 | 0.2 | 64 | 0.1 |
| Others | 221 | 0.2 | 213 | 0.2 |
| | 93,322 | 100.0 | 88,229 | 100.0 |
| By Repayment Schedule | | | | |
| < 1 year | 12,411 | 13.3 | 11,421 | 12.9 |
| 1 to 5 years | 31,592 | 33.9 | 28,060 | 31.8 |
| 5 to 10 years | 23,012 | 24.7 | 9,960 | 11.3 |
| > 10 years | 26,307 | 28.1 | 38,788 | 44.0 |
| | 93,322 | 100.0 | 88,229 | 100.0 |

Drawdown of note by the Group's entity was for development and production activities, debt refinancing and for general corporate purposes as disclosed in Note A9.

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FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B11. PROFIT FOR THE PERIOD

| <i>In RM Mil</i> | Individual quarter ended | |
|---|--------------------------|------------------|
| | 2021 | 31 March 2020 |
| Included in profit for the period are the following charges: | | |
| Bad debts written off | — | 37 |
| Depreciation and amortisation | 8,269 | 8,917 |
| Loss on disposal of property, plant and equipment | 143 | 1 |
| Net impairment losses on: | | |
| - intangible assets | — | 3,185 |
| - property, plant and equipment | — | 1,542 |
| Net impairment losses/write-off on well costs ¹³ | 349 | — |
| Net inventories written down to net realisable value/written off | 29 | 995 |
| Net loss on derivatives | 43 | — |
| Property, plant and equipment written off | 1 | — |
| Write-off of trade receivables and loss on remeasurement of finance lease receivables | — | 935 |
| and credits: | | |
| Bad debts recovered | 1 | 1 |
| Dividend income | 10 | 7 |
| Gain on disposal of: | | |
| - property, plant and equipment | 567 | 28 |
| - investment in subsidiaries | — | 218 |
| Interest income | 777 | 1,427 |
| Net change in contract liabilities | 104 | 44 |
| Net gain on derivatives | — | 11 |
| Net gain on foreign exchange | 514 | 157 |
| Net write-back of impairment losses on: | | |
| - property, plant and equipment | 36 | — |
| - receivables | 147 | 56 |
| Net write-back of impairment on well costs ¹³ | — | 31 |
| Reversal of inventories written down to net realisable value | 54 | — |

¹³ Comprises net impairment losses and write-off of exploration expenditure under intangible assets.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B12. DIVIDEND

As disclosed in Note A8.

B13. EXCHANGE RATES

| | Individual quarter ended | | |
|--------------|--------------------------|---------------------|------------------|
| | 31 March 2021 | 31 December 2020 | 31 March 2020 |
| US dollar/RM | | | |
| Average rate | 4.0647 | 4.1082 | 4.1795 |
| Closing rate | 4.1530 | 4.0285 | 4.3275 |

By order of the Board

Intan Shafinas (Tuty) Hussain (LS0009774)
 Company Secretary
 Kuala Lumpur
 31 May 2021