



PETRONAS Group Quarterly Report

For Fourth Quarter and
Year Ended 31 December 2022

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

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 fourth quarter and year ended 31 December 2022 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 31.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2022	2021 Restated	2022	2021 Restated
<i>In RM Mil</i>				
Continuing operations				
Revenue	94,719	69,049	333,002	223,322
Cost of revenue	(54,167)	(41,637)	(178,502)	(137,831)
Gross profit	40,552	27,412	154,500	85,491
Selling and distribution expenses	(1,958)	(2,368)	(7,324)	(8,334)
Administration expenses	(4,104)	(3,658)	(13,888)	(10,558)
Net impairment reversals/(losses) ¹	1,068	2,743	(1,749)	4,711
Other expenses	(2,897)	(1,677)	(3,312)	(2,759)
Other income	1,531	349	7,723	4,338
Operating profit	34,192	22,801	135,950	72,889
Financing costs	(1,014)	(990)	(4,929)	(4,841)
Share of (loss)/profit after tax and non-controlling interests of equity accounted associates and joint ventures	(544)	484	957	1,818
Profit before taxation	32,634	22,295	131,978	69,866
Tax expense	(8,280)	(6,692)	(34,173)	(20,211)
PROFIT FOR THE PERIOD/YEAR	24,354	15,603	97,805	49,655
Discontinued operations²				
Profit for the period/year from discontinued operations, net of tax	67	132	3,813	1,214
PROFIT FOR THE PERIOD/YEAR	24,421	15,735	101,618	50,869
Profit attributable to:				
Shareholders of the Company	22,785	14,175	92,313	44,061
Non-controlling interests	1,636	1,560	9,305	6,808
PROFIT FOR THE PERIOD/YEAR	24,421	15,735	101,618	50,869

¹ Excludes well costs and includes certain amount relating to write-back and write-off of other assets and loss on derecognition of financial assets measured at amortised cost.

² See Note A16.

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

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2022	2021 Restated	2022	2021 Restated
<i>In RM Mil</i>				
PROFIT FOR THE PERIOD/YEAR	24,421	15,735	101,618	50,869
Other comprehensive (loss)/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")	71	654	(429)	639
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	(8,935)	(933)	8,430	3,533
Cash flow hedge	1,089	1,657	2,999	(174)
Others	(32)	30	185	170
Total other comprehensive (loss)/income for the period/year	(7,807)	1,408	11,185	4,168
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	16,614	17,143	112,803	55,037
Total comprehensive income attributable to:				
Shareholders of the Company	15,353	15,735	100,926	47,279
Non-controlling interests	1,261	1,408	11,877	7,758
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	16,614	17,143	112,803	55,037

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

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	As at 31 December 2022	As at 31 December 2021 Restated
ASSETS		
Property, plant and equipment	301,218	284,613
Investment properties and land held for development	12,658	13,167
Investments in associates and joint ventures	8,114	7,461
Intangible assets	26,260	19,394
Long-term receivables	41,127	33,751
Fund and other investments	1,425	1,444
Deferred tax assets	20,675	20,983
TOTAL NON-CURRENT ASSETS	411,477	380,813
Trade and other inventories	15,612	14,477
Trade and other receivables	53,998	48,324
Fund and other investments	10,945	11,990
Cash and cash equivalents	201,220	164,556
	281,775	239,347
Assets classified as held for sale	17,318	14,791
TOTAL CURRENT ASSETS	299,093	254,138
TOTAL ASSETS	710,570	634,951
EQUITY		
Share capital	100	100
Reserves	401,509	350,703
Total equity attributable to shareholders of the Company	401,609	350,803
Non-controlling interests	58,822	53,484
TOTAL EQUITY	460,431	404,287
LIABILITIES		
Borrowings	96,345	86,619
Deferred tax liabilities	11,829	9,543
Other long-term liabilities and provisions	50,418	50,620
TOTAL NON-CURRENT LIABILITIES	158,592	146,782
Trade and other payables	63,677	51,825
Borrowings	7,812	21,212
Taxation	8,438	6,913
	79,927	79,950
Liabilities classified as held for sale	11,620	3,932
TOTAL CURRENT LIABILITIES	91,547	83,882
TOTAL LIABILITIES	250,139	230,664
TOTAL EQUITY AND LIABILITIES	710,570	634,951

The unaudited condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to shareholders of the Company</i>				
	<i>Non-distributable</i>				
	Share Capital	Capital and Other Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve	Hedging Reserve
<i>In RM Mil</i>					
Year ended 31 December 2022					
Balance at 1 January 2022					
- As previously reported	100	15,838	33,370	574	(1,608)
- Effect of Amendments to MFRS 116	—	—	—	—	—
At 1 January 2022, restated	100	15,838	33,370	574	(1,608)
Net changes in fair value of equity investments at fair value through OCI	—	—	—	(429)	—
Net movements from exchange differences	—	—	6,422	—	—
Cash flow hedge ³	—	—	—	—	2,471
Others	—	149	—	—	—
Total other comprehensive income/(loss) for the year, net of tax	—	149	6,422	(429)	2,471
Profit for the year	—	—	—	—	—
Total comprehensive income/(loss) for the year	—	149	6,422	(429)	2,471
Changes in ownership interests in subsidiaries	—	—	(21)	—	—
Redemption of redeemable preference shares in a subsidiary	—	—	—	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	—	(21)	—	—
Balance at 31 December 2022	100	15,987	39,771	145	863
<i>continue to next page</i>					
Year ended 31 December 2021					
Balance at 1 January 2021					
- As previously reported	100	15,685	30,557	(65)	(1,221)
- Effect of Amendments to MFRS 116	—	—	—	—	—
At 1 January 2021, restated	100	15,685	30,557	(65)	(1,221)
Net changes in fair value of equity investments at fair value through OCI	—	—	—	639	—
Net movements from exchange differences	—	—	2,813	—	—
Cash flow hedge ³	—	—	—	—	(387)
Others	—	153	—	—	—
Total other comprehensive income/(loss) for the year, net of tax	—	153	2,813	639	(387)
Profit for the year	—	—	—	—	—
Total comprehensive income/(loss) for the year	—	153	2,813	639	(387)
Changes in ownership interests in subsidiaries	—	—	—	—	—
Redemption of redeemable preference shares in a subsidiary	—	—	—	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	—
Balance at 31 December 2021	100	15,838	33,370	574	(1,608)
<i>continue to next page</i>					

³Includes RM324 million (31 December 2021: RM126 million) cost of hedging reserve movement during the year.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company			Non- Controlling Interests	Total Equity
	Distributable				
<i>In RM Mil</i>	General Reserve	Retained Profits	Total		
Year ended 31 December 2022					
Balance at 1 January 2022					
- As previously reported	12,000	290,582	350,856	53,484	404,340
- Effect of Amendments to MFRS 116	—	(53)	(53)	—	(53)
At 1 January 2022, restated	12,000	290,529	350,803	53,484	404,287
Net changes in fair value of equity investments at fair value through OCI	—	—	(429)	—	(429)
Net movements from exchange differences	—	—	6,422	2,008	8,430
Cash flow hedge ³	—	—	2,471	528	2,999
Others	—	—	149	36	185
Total other comprehensive income/(loss) for the year, net of tax	—	—	8,613	2,572	11,185
Profit for the year	—	92,313	92,313	9,305	101,618
Total comprehensive income/(loss) for the year	—	92,313	100,926	11,877	112,803
Changes in ownership interests in subsidiaries	—	(99)	(120)	355	235
Redemption of redeemable preference shares in a subsidiary	—	—	—	(855)	(855)
Dividends	—	(50,000)	(50,000)	(6,039)	(56,039)
Total transactions with shareholders	—	(50,099)	(50,120)	(6,539)	(56,659)
Balance at 31 December 2022	12,000	332,743	401,609	58,822	460,431
					<i>continued from previous page</i>
Year ended 31 December 2021					
Balance at 1 January 2021					
- As previously reported	12,000	273,565	330,621	50,413	381,034
- Effect of Amendments to MFRS 116	—	(2,322)	(2,322)	—	(2,322)
At 1 January 2021, restated	12,000	271,243	328,299	50,413	378,712
Net changes in fair value of equity investments at fair value through OCI	—	—	639	—	639
Net movements from exchange differences	—	—	2,813	720	3,533
Cash flow hedge ³	—	—	(387)	213	(174)
Others	—	—	153	17	170
Total other comprehensive income/(loss) for the year, net of tax	—	—	3,218	950	4,168
Profit for the year	—	44,061	44,061	6,808	50,869
Total comprehensive income/(loss) for the year	—	44,061	47,279	7,758	55,037
Changes in ownership interests in subsidiaries	—	225	225	—	225
Redemption of redeemable preference shares in a subsidiary	—	—	—	(4)	(4)
Dividends	—	(25,000)	(25,000)	(4,683)	(29,683)
Total transactions with shareholders	—	(24,775)	(24,775)	(4,687)	(29,462)
Balance at 31 December 2021	12,000	290,529	350,803	53,484	404,287
					<i>continued from previous page</i>

³ Includes RM324 million (31 December 2021: RM126 million) cost of hedging reserve movement during the year.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Cumulative quarter ended 31 December	
	2022	2021 Restated
Cash flows from operating activities		
Profit before taxation from:		
- continuing operations	131,978	69,866
- discontinued operations	3,978	1,648
Profit before taxation	135,956	71,514
Adjustments for:		
Change in contract liabilities	(9)	166
Change in provisions	(1,006)	392
Depreciation and amortisation	33,945	34,417
Financing costs	5,226	5,069
Interest income	(5,677)	(2,998)
Loss on derecognition of financial assets measured at amortised cost	939	—
Loss on remeasurement of net assets classified as held for sale	1,304	—
Net impairment losses/(reversals) on:		
- intangible assets	1,348	(1,310)
- investments in associates	—	(155)
- loans and advances to joint ventures	141	61
- property, plant and equipment and investment properties ⁴	(815)	(5,136)
- trade and other receivables	(230)	1,791
Net impairment/write-off on well costs	1,363	1,809
Net inventories written down to net realisable value/written off	233	188
Net loss/(gain) on disposals of investments in subsidiaries, a business, associates, joint ventures, property, plant and equipment and other investments	610	(656)
Net unrealised gain on derivatives	(33)	(670)
Net unrealised loss/(gain) on foreign exchange	5,277	(862)
Net write-off of:		
- bad debts	42	11
- property, plant and equipment	372	54
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(968)	(1,825)
Other non-cash items	80	(12)
Operating profit before changes in working capital	178,098	101,848
Net changes in working capital	(13,994)	(8,813)
Cash generated from operations	164,104	93,035
Interest income received	5,677	2,998
Interest expenses paid	(3,024)	(3,584)
Taxation paid, net of refund	(31,471)	(13,904)
Net cash generated from operating activities	135,286	78,545

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⁴ See Note B17.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In RM Mil	Cumulative quarter ended 2022	31 December 2021 Restated
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired ⁵	(11,107)	(1)
Dividends received	850	1,456
Investments in:		
- associates and joint ventures	(710)	(323)
- securities and other investments	(3,681)	(4,036)
Proceeds from disposal/partial disposal of:		
- investments in a subsidiary and a business, net of cash disposed	257	—
- investments in associates and joint ventures	829	115
- property, plant and equipment	8,480	1,869
- securities and other investments	3,494	1,581
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(37,843)	(30,113)
Net cash used in investing activities	(39,431)	(29,452)
Cash flows from financing activities		
Dividends paid	(50,000)	(25,000)
Dividends paid to non-controlling interests	(6,039)	(4,683)
Drawdown of borrowings	25,733	34,602
Payment of lease liabilities	(4,024)	(4,344)
Payment to non-controlling interests on additional equity interests	—	(13)
Payment to non-controlling interests on redemption of redeemable preference shares	(855)	(4)
Proceeds from partial disposal of equity interests to non-controlling interests	235	238
Repayment of borrowings	(34,934)	(16,852)
Net cash used in financing activities	(69,884)	(16,056)
Net increase in cash and cash equivalents	25,971	33,037
Decrease in cash and cash equivalents restricted	341	304
Net foreign exchange differences	10,514	2,076
Cash and cash equivalents at beginning of the year	163,558	128,141
Cash and cash equivalents at end of the year	200,384	163,558
Cash and cash equivalents		
Cash and bank balances and deposits	201,220	164,556
Bank overdrafts	—	(2)
Classified as held for sale:		
- Cash and bank balances	1,173	384
- Bank overdrafts	(970)	—
	201,423	164,938
Less: Cash and cash equivalents restricted	(1,039)	(1,380)
	200,384	163,558

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⁵ See Note A9 (iv).

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The condensed consolidated financial statements are unaudited and have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. They should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2021.

The explanatory notes attached to these condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2021.

Within the context of these condensed consolidated financial statements, the Group comprises the Company, its subsidiaries and joint operations, as well as the Group's interests in joint ventures and associates as at and for the year ended 31 December 2022.

A2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for year ended 31 December 2022 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for year ended 31 December 2021 except as disclosed below.

During the financial year, the Group has adopted the following Amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board.

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 9 *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*

Amendments to Illustrative Examples accompanying MFRS 16 *Leases (Annual Improvements to MFRS Standards 2018-2020)*

Amendments to MFRS 3 *Business Combinations (Reference to the Conceptual Framework)*

Amendments to MFRS 116 *Property, Plant and Equipment (Property, Plant and Equipment-Proceeds before Intended Use)*

Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts-Cost of Fulfilling a Contract)*

The initial application of the above-mentioned pronouncements did not have any material impact to the financial statements of the Group. The principal changes on Amendments to MFRS 116 and their effects are set out below:

Amendments to MFRS 116 Property, Plant and Equipment (Property, Plant and Equipment-Proceeds before Intended Use)

The Amendments to MFRS 116 no longer allow companies to deduct any net proceeds from selling items produced while bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from an item of property, plant and equipment. Instead, the proceeds from selling such items and the costs of producing those items are recognised in the statement of profit or loss.

Accordingly, the Group has restated its comparative financial information arising from the retrospective application of the Amendments to MFRS 116, to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements by adjusting the cumulative effect to the retained earnings as at 1 January 2021 as presented below:

<i>In RM Mil</i>	Impact of adoption of Amendments to MFRS 116 to opening balance at 1 January 2021
Decrease in property, plant and equipment	(197)
Decrease in investments in associates and joint ventures	(2,125)
Decrease in equity	(2,322)

The restatement impact on comparative information is disclosed in Appendix 1.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

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

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2021 were not subjected to any audit qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A5. EXCEPTIONAL ITEMS

There were no exceptional items during the year under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the last audited consolidated financial statements for the year ended 31 December 2021 that may have material effect in the results of the year under review.

A7. DEBT AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the year under review, other than as disclosed in Note A9 and Note B13.

A8. DIVIDENDS PAID

During the financial year, the amount of dividends paid by the Company were as follows:

- i. a dividend of RM250,000 per ordinary share amounting to RM25 billion declared to shareholders on 28 February 2022 and paid in instalments between March and November 2022; and
- ii. a dividend of RM250,000 per ordinary share amounting to RM25 billion declared to shareholders on 21 August 2022 and paid in instalments between September and December 2022.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

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

A9. SIGNIFICANT AND SUBSEQUENT EVENTS

- i. On 6 October 2021, PETRONAS via its wholly-owned subsidiaries, PETRONAS South Caucasus S.à r.l. and PETRONAS Azerbaijan (Shah Deniz) S.à r.l., signed a Sale and Purchase Agreement (“SPA”) for the sale of its entire 15.5% stake in the Shah Deniz offshore gas field and its related assets (herein known as “Azerbaijan Assets”) to LUKOIL Overseas Shah Deniz Limited and LUKOIL Overseas Shah Deniz Midstream Limited (collectively as “LUKOIL”). On 10 December 2021, in line with the pre-emptive rights exercised by other existing partners, a revised SPA was signed with LUKOIL, whereas new SPAs were signed with BP Exploration (Azerbaijan) Limited, BP Pipeline (SCP) Limited, Azerbaijan (Shah Deniz) Limited and Azerbaijan (South Caucasus Pipeline) Limited, for the Azerbaijan Assets mentioned above.

The divestment was completed in February 2022. The net effect arising from the disposal of Azerbaijan Assets is not material in relation to the consolidated net profit of the Group for the year.

- ii. On 6 April 2022, PETRONAS via its indirect partly-owned subsidiary, MISC Capital Two (Labuan) Limited, issued US\$1.0 billion Global Medium Term Notes. The proceeds will be used for general corporate purposes of MISC Berhad, its subsidiaries and associated companies (“MISC Group”), including but not limited to financing capital expenditure, working capital and refinancing of existing borrowings of any member of MISC Group.
- iii. On 27 April 2022, PETRONAS Petr leo Brasil Ltda (“PPBL”), a wholly-owned subsidiary of PETRONAS, and its consortium partners signed a Production Sharing Contract for the S pia field, located in the Santos Basin, pursuant to the Second Transfer of Rights Surplus Bidding Round held in Rio De Janeiro on 17 December 2021. Following this, PPBL holds 21% Participating Interests (“PI”) alongside the operator, PETR LEO BRASILEIRO S.A. with 30% PI, TotalEnergies EP Brasil Ltda with 28% PI and QP Brasil Ltda with 21% PI.
- iv. On 14 May 2022, PETRONAS via its partly-owned subsidiary, PETRONAS Chemicals International B.V. (“PCIBV”), a wholly-owned subsidiary of PETRONAS Chemicals Group Berhad (“PCG”), signed a Securities Purchase Agreement (“SePA”) with Financiere For t S.à r.l., a company under PAI Partners, a European private equity firm (“Seller”) for the acquisition of 100% equity interests in Perstorp Holding AB (“Perstorp”).

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

PCIBV had repaid all outstanding and unpaid amounts owed by Perstorp and its subsidiaries as of the closing date of the SePA that relates to their existing financing agreements which amounts to EUR895.2 million and paid earn-out payment into an escrow account which amounts to EUR45.0 million related to Perstorp’s new plant in Sayakha, India. The amount in the escrow account will be disbursed to the Seller subject to meeting certain conditions as agreed in the SePA.

The net effect arising from this acquisition is not material in relation to the consolidated net profit of the Group for the year. Further details are disclosed in Note A15.

- v. On 7 February 2023, PETRONAS via its wholly-owned subsidiary, PETRONAS Marketing International Sdn. Bhd. (“PMISB”), signed an SPA for the sale of its entire 74% equity interests in its subsidiary, namely Engen Limited and its subsidiaries (“Engen Group”) to Vitol Emerald Bidco (Pty) Ltd and Vitol Africa B.V. The divestment is expected to be completed in 2023 upon fulfilment of customary conditions precedent including regulatory approvals.

The business of Engen Group represents the major composition of the Group’s geographical segment for South Africa and has been classified as disposal group held for sale and discontinued operations as at 31 December 2022.

The net effect arising from the disposal of Engen Group is not expected to be material in relation to the consolidated net profit of the Group for the year. Further details are disclosed in Note A16.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

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

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment and investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

A11. COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of the reporting year not provided for in the financial statements are:

<i>In RM Mil</i>	As at 31 December 2022	As at 31 December 2021
Capital expenditure		
<i>Approved and contracted for</i>	46,076	37,160
<i>Approved but not contracted for</i>	88,412	63,348
	134,488	100,508
Share of capital expenditure of joint ventures		
<i>Approved and contracted for</i>	14,390	15,743
<i>Approved but not contracted for</i>	22,689	25,024
	37,079	40,767
	171,567	141,275

A12. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last audited consolidated financial statements for the year ended 31 December 2021.

A13. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group for the year under review, other than as disclosed in Note A9.

A14. FAIR VALUE INFORMATION

The following table analyses financial instruments carried at fair value by valuation method. The different levels in a fair value hierarchy based on the input used in the valuation technique have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs 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 - Inputs for the asset or liability that are not based on observable market data (unobservable input).

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 year and comparative year.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

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

A14. FAIR VALUE INFORMATION (continued)

31 December 2022

In RM Mil

	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	1,453	—	—	1,453
Unquoted shares	—	—	1,241	1,241
Malaysian Government Securities	—	1,814	—	1,814
Corporate Bonds and Sukuk	—	7,862	—	7,862
Forward foreign exchange contracts	—	406	—	406
Commodity derivatives	1,213	1,385	—	2,598
Interest rate swaps	—	917	—	917
	2,666	12,384	1,241	16,291
Financial liabilities				
Forward foreign exchange contracts	—	(184)	—	(184)
Commodity derivatives	(396)	(28)	—	(424)
Interest rate swaps	—	(7)	—	(7)
	(396)	(219)	—	(615)

31 December 2021

In RM Mil

	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	2,219	—	—	2,219
Quoted securities	143	—	—	143
Unquoted shares	—	—	663	663
Malaysian Government Securities	—	1,710	—	1,710
Corporate Bonds and Sukuk	—	8,299	—	8,299
Forward foreign exchange contracts	—	183	—	183
Commodity derivatives	116	1,509	—	1,625
Interest rate swaps	—	110	—	110
	2,478	11,811	663	14,952
Financial liabilities				
Forward foreign exchange contracts	—	(105)	—	(105)
Commodity derivatives	(374)	(1,435)	—	(1,809)
Interest rate swaps	—	(220)	—	(220)
	(374)	(1,760)	—	(2,134)

Derivative financial instruments

As disclosed in the Group's audited consolidated financial statements for the year ended 31 December 2021, the Group is exposed to various risks which may affect the value of the Group's assets, liabilities or expected future cash flows. To mitigate these exposures from a business perspective, the Group enters into various hedging activities and applies hedge accounting on the fair value movement of certain commodity derivatives and interest rate swaps to hedge its exposures. Methods and assumptions used to estimate the fair values as at 31 December 2022 are consistent with those used in the year ended 31 December 2021.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

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

A15. ACQUISITION OF A SUBSIDIARY

The effect of Perstorp acquisition on the cash flow and fair values of assets and liabilities acquired are as follows:

<i>In RM Mil</i>	At fair value
Property, plant and equipment	3,797
Intangible assets	5,833
Deferred tax assets	265
Other non-current assets	133
Trade and other inventories	1,206
Trade and other receivables	670
Tax recoverable	7
Cash and cash equivalents	468
Borrowings	(4,092)
Lease liabilities	(37)
Deferred tax liabilities	(1,694)
Other non-current liabilities	(351)
Trade and other payables	(1,370)
Taxation	(10)
Net identifiable assets and liabilities	4,825
Less: Non-controlling interests	(195)
Add: Goodwill on acquisition	2,885
Purchase consideration	7,515
Add: Settlement of existing loans	4,060
Payment for acquisition	11,575
Less: Cash and cash equivalents acquired	(468)
Payment for acquisition, net of cash acquired	11,107

The fair value of the net identifiable assets and goodwill are based on provisional figures which will be finalised within twelve months after the acquisition date. The goodwill reflects the synergy that Perstorp will contribute to the Group.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

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

A16. DISCONTINUED OPERATIONS

The business of Engen Group represents the major composition of the Group's geographical segment for South Africa and has been classified as disposal group held for sale and discontinued operations as at 31 December 2022.

The results of Engen Group for the year are presented below:

<i>In RM Mil</i>	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2022	2021	2022	2021
Revenue	11,162	7,522	42,265	24,641
Cost of revenue	(10,642)	(6,538)	(36,374)	(20,868)
Gross profit	520	984	5,891	3,773
Selling and distribution expenses	(266)	(325)	(989)	(1,089)
Administration expenses	(320)	(281)	(993)	(978)
Net impairment losses ⁶	(42)	(18)	(45)	(26)
Other expenses	(33)	(300)	(433)	(377)
Other income	174	111	833	566
Operating profit	33	171	4,264	1,869
Financing costs	(89)	(60)	(297)	(228)
Share of profit after tax and non-controlling interest of equity accounted associates and joint ventures	2	2	11	7
(Loss)/Profit before tax from discontinued operations	(54)	113	3,978	1,648
Tax expense	121	19	(165)	(434)
Profit for the period/year from discontinued operations	67	132	3,813	1,214
Other comprehensive income/(loss)				
Net changes in fair value of equity investments at fair value through OCI	(4)	20	(4)	20
Net movements from exchange differences of discontinued operations	19	(162)	2	(200)
Other comprehensive income/(loss) from discontinued operations	82	(10)	3,811	1,034

The net cash flows incurred by Engen Group are as follows:

<i>In RM Mil</i>	Cumulative quarter ended 31 December	
	2022	2021
Net cash generated from operating activities	612	1,908
Net cash used in investing activities	(381)	(462)
Net cash generated from financing activities	135	414
Net increase in cash and cash equivalents	366	1,860

⁶ Includes certain amount relating to write-off of assets.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

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

A17. OPERATING SEGMENTS

Effective first quarter of 2022, New Energy sector has been managed separately from Gas Segment. As a result, Gas and New Energy is now known as Gas Segment and the Group's reportable operating segments comprise Upstream, Gas and Downstream. Accordingly, the Group has restated the operating segment information for the prior periods.

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 2021.

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.

A17.1 Segment revenue

	2022		2021		Individual quarter ended 31 December	
	2022	2021 Restated	2022	2021 Restated	2022	2021 Restated
<i>In RM Mil</i>	Third-parties	Third-parties	Inter-segment	Inter-segment	Gross total	Gross total
Upstream	14,366	11,901	27,360	18,487	41,726	30,388
Gas	35,964	26,886	4,469	3,632	40,433	30,518
Downstream ⁷	50,065	34,543	2,992	1,624	53,057	36,167
Corporate and Others	5,486	3,241	1,175	1,554	6,661	4,795
Total	105,881	76,571	35,996	25,297	141,877	101,868

	2022		2021		Cumulative quarter ended 31 December	
	2022	2021 Restated	2022	2021 Restated	2022	2021 Restated
<i>In RM Mil</i>	Third-parties	Third-parties	Inter-segment	Inter-segment	Gross total	Gross total
Upstream	60,680	40,100	97,503	64,325	158,183	104,425
Gas	122,749	75,410	14,871	10,059	137,620	85,469
Downstream ⁷	174,842	121,091	10,415	3,414	185,257	124,505
Corporate and Others	16,996	11,362	4,489	5,121	21,485	16,483
Total	375,267	247,963	127,278	82,919	502,545	330,882

⁷ Includes revenue from discontinued operations of RM11,162 million (Quarter 4 2021: RM7,522 million) and RM42,265 million (2021: RM24,641 million) for individual and cumulative quarter ended respectively.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

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

A17. OPERATING SEGMENTS (continued)

A17.2 Segment PAT

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
	2022	2021 Restated ⁸	2022	2021 Restated ⁸
<i>In RM Mil</i>				
Upstream	12,072	11,662	51,266	34,452
Gas	15,381	7,766	43,219	15,111
Downstream	(1,840)	(2,344)	7,514	3,034
Corporate and Others	(1,736)	(1,977)	213	(1,466)
Total PAT for reportable segments	23,877	15,107	102,212	51,131
Elimination of inter-segment transactions	544	628	(594)	(262)
Consolidated PAT	24,421	15,735	101,618	50,869

A18. REVENUE⁹

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

	Upstream		Gas		Downstream		Corporate and Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
			Restated				Restated		Restated	
<i>In RM Mil</i>										
Revenue from contract customers	13,229	11,239	33,746	25,838	49,826	34,399	3,020	2,597	99,821	74,073
Other revenue ¹⁰	1,137	662	2,218	1,048	239	144	2,466	644	6,060	2,498
Total	14,366	11,901	35,964	26,886	50,065	34,543	5,486	3,241	105,881	76,571

	Upstream		Gas		Downstream		Corporate and Others		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
			Restated		Restated		Restated		Restated	
<i>In RM Mil</i>										
Revenue from contract customers	55,993	37,534	120,993	73,088	174,009	120,608	9,230	5,500	360,225	236,730
Other revenue ¹⁰	4,687	2,566	1,756	2,322	833	483	7,766	5,862	15,042	11,233
Total	60,680	40,100	122,749	75,410	174,842	121,091	16,996	11,362	375,267	247,963

⁸ Inclusive restatement impact as disclosed in Note A2.

⁹ Comprises continuing and discontinued operations.

¹⁰ Inclusive of net trading (losses)/gain.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE⁹

Cumulative quarter ended			Individual quarter ended		
31 December 2022	31 December 2021		31 December 2022	30 September 2022 ¹¹	31 December 2021
	Restated	In RM Mil			Restated
375,267	247,963	Revenue	105,881	98,949	76,571
170,746	100,360	EBITDA ¹²	40,571	47,500	28,083
101,618	50,869	PAT	24,421	30,764	15,735
<i>In RM Mil</i>					
Cash flows from operating activities				135,286	78,545
Capital investments ¹³				50,128	30,437
<i>In RM Mil</i>					
Total assets				As at 31 December 2022	As at 31 December 2021
Shareholders' equity				710,570	634,951
Gearing ratio ¹⁴				401,609	350,803
ROACE ¹⁵				20.3%	23.1%
				19.9%	11.4%

Fourth quarter PETRONAS Group's revenue of RM105.9 billion for the fourth quarter of 2022 rose by RM29.3 billion or 38% as compared to the fourth quarter of 2021 underpinned by improved average realised prices and volume for major products coupled with favourable impact from foreign exchange.

The Group recorded EBITDA of RM40.6 billion, improved by RM12.5 billion or 44% in line with higher revenue partially offset by higher product costs, cash payments and operating expenditure.

PAT of RM24.4 billion was higher by RM8.7 billion in tandem with improved EBITDA partially negated by higher taxation in line with higher profit. Excluding net impairment losses/write-off¹⁶, the Group would record a PAT of RM23.5 billion, higher by RM7.7 billion as compared to RM15.8 billion in the corresponding quarter.

Cumulative quarter PETRONAS Group's revenue of RM375.3 billion for the year ended 31 December 2022 was higher by RM127.3 billion or 51% as compared to last year largely due to higher average realised prices for all products and favourable impact from foreign exchange.

The Group recorded EBITDA of RM170.7 billion, higher by RM70.4 billion or 70% mainly attributable to higher revenue partially offset by higher product costs, cash payments and operating expenditure.

PAT of RM101.6 billion was higher by RM50.7 billion on the back of higher EBITDA. Nonetheless, it was reduced by higher taxation in line with higher profit and higher net impairment losses/write-off on assets. Excluding net impairment losses/write-off, the Group would record a PAT of RM104.1 billion, higher by RM53.8 billion as compared to RM50.3 billion last year.

⁹ Comprises continuing and discontinued operations.

¹¹ Certain prior period information has been restated to conform with current period presentation.

¹² Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortisation, net impairment losses on property, plant and equipment and intangible assets, provision for onerous contracts, loss/(gain) on remeasurement of net assets held for sale and the exclusion of financing costs and interest income.

¹³ The capital investments are based on cash inclusive cost of acquisition of subsidiaries and investment in associates and joint ventures.

¹⁴ 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.

¹⁵ 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.

¹⁶ Includes net impairment losses/write-off of well costs and other exploration expenditure under intangible assets, loss on derecognition of financial assets measured at amortised cost and provision for onerous contracts, net of tax.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE⁹ (continued)

Cash flows from operating activities grew by RM56.7 billion or 72% in line with higher cash from operations partially offset by higher taxation paid. Capital investments¹³ amounting to RM50.1 billion was higher by RM19.7 billion mainly due to acquisitions as disclosed in Note A9 (iii) and (iv).

Total assets strengthened to RM710.6 billion as at 31 December 2022 against RM635.0 billion as at 31 December 2021 mainly contributed by higher cash and cash equivalents and property, plant and equipment. Shareholders' equity of RM401.6 billion increased by RM50.8 billion mainly attributable to profit recorded during the year partially offset by dividends declared to shareholders amounting to RM50.0 billion.

Gearing ratio¹⁴ decreased to 20.3% as at 31 December 2022 from 23.1% as at 31 December 2021 primarily contributed by higher equity as mentioned above. ROACE¹⁵ improved to 19.9% as at 31 December 2022 from 11.4% as at 31 December 2021 on the back of higher profit recorded during the year.

B2. REVIEW OF PERFORMANCE – UPSTREAM SEGMENT

Cumulative quarter ended		Financial Indicators	Individual quarter ended		
31 December 2022	31 December 2021		31 December 2022	30 September 2022	31 December 2021
	Restated	In RM Mil			
		Revenue			
60,680	40,100	Third party	14,366	15,104	11,901
97,503	64,325	Inter-segment	27,360	24,667	18,487
<u>158,183</u>	<u>104,425</u>		<u>41,726</u>	<u>39,771</u>	<u>30,388</u>
51,266	34,452	PAT	12,072	16,102	11,662
Cumulative quarter ended		Operational Indicators	Individual quarter ended		
31 December 2022	31 December 2021		31 December 2022	30 September 2022	31 December 2021
		Production ¹⁷ ('000 boe ¹⁸ per day)			
859	813	Crude oil and condensates	872	852	797
1,575	1,462	Natural gas	1,614	1,523	1,494
<u>2,434</u>	<u>2,275</u>		<u>2,486</u>	<u>2,375</u>	<u>2,291</u>
		Entitlement ¹⁹ ('000 boe per day)			
533	535	Crude oil and condensates	569	516	521
1,145	1,033	Natural gas	1,186	1,073	956
<u>1,678</u>	<u>1,568</u>		<u>1,755</u>	<u>1,589</u>	<u>1,477</u>

Fourth quarter Revenue for the fourth quarter of 2022 was RM41.7 billion, higher by RM11.3 billion or 37% as compared to the fourth quarter of 2021 mainly contributed by higher natural gas and crude oil and condensates sales volumes coupled with favourable impact from foreign exchange.

⁹ Comprises continuing and discontinued operations.

¹³ The capital investments are based on cash inclusive cost of acquisition of subsidiaries and investment in associates and joint ventures.

¹⁴ 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.

¹⁵ 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.

¹⁷ Represents Malaysia's production (PETRONAS Group and other operators) and PETRONAS Group's international equity production volume.

¹⁸ boe: barrels oil equivalent. Volume of gas has been converted using gas heating values, reflecting PETRONAS gas portfolio.

¹⁹ Represents PETRONAS Group's sales entitlement to Malaysia's production and PETRONAS Group's international sales entitlement volume.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B2. REVIEW OF PERFORMANCE – UPSTREAM SEGMENT (continued)

PAT for the fourth quarter of 2022 was RM12.1 billion, increased by RM0.4 billion primarily driven by higher revenue partially offset by higher net impairment reversal¹⁶ reported in the corresponding quarter. This was further offset by higher product costs as well as cash payments.

Total daily production average for the fourth quarter of 2022 was 2,486 thousand boe per day, higher by 195 thousand boe per day as compared to the corresponding quarter mainly due to increased in production from Malaysia operations, coupled with higher crude oil production from international operations. This was partially offset by lower natural gas production from international operations following disposal of Azerbaijan Assets as disclosed in Note A9 (i).

Cumulative quarter Revenue for the year ended 31 December 2022 was RM158.2 billion, improved by RM53.8 billion or 51% as compared to last year on the back of higher average realised prices for crude oil and condensates and natural gas, favourable impact from foreign exchange as well as higher sales volume.

PAT of RM51.3 billion, grew by RM16.8 billion, in tandem with higher revenue partially offset by higher net impairment reversal reported in prior year. This was further offset by higher taxation, product costs and cash payments.

Total daily production average for the year ended 31 December 2022 was 2,434 thousand boe per day higher by 159 thousand boe per day against 2,275 thousand boe per day last year mainly due to higher production from Malaysia operations, coupled with higher crude oil production from international operations. This was partially offset by lower natural gas production from international operations following disposal of Azerbaijan Assets.

B3. REVIEW OF PERFORMANCE – GAS SEGMENT

Cumulative quarter ended		Financial Indicators	Individual quarter ended		
31 December 2022	31 December 2021		31 December 2022	30 September 2022	31 December 2021
	Restated	In RM Mil			Restated
		Revenue			
122,749	75,410	Third party	35,964	33,183	26,886
14,871	10,059	Inter-segment	4,469	3,642	3,632
137,620	85,469		40,433	36,825	30,518
43,219	15,111	PAT	15,381	10,311	7,766
Cumulative quarter ended		Operational Indicators	Individual quarter ended		
31 December 2022	31 December 2021		31 December 2022	30 September 2022	31 December 2021
		Malaysia average sales gas volume (mmscfd ²⁰)	3,057	3,185	2,681
2,938	2,644	Gross LNG sales volume ²¹ (million tonnes)	8.90	8.51	8.13
34.23	32.74				

Fourth quarter Revenue for the fourth quarter of 2022 was RM40.4 billion, increased by RM9.9 billion or 32% as compared to the same quarter in 2021 in tandem with improved liquefied natural gas ("LNG") and processed gas average realised prices.

PAT was RM15.4 billion against RM7.8 billion in the same quarter in 2021 primarily driven by higher revenue partially offset by higher product costs and taxation as well as reversal of impairment of assets during the quarter.

¹⁶ Includes net impairment losses/write-off of well costs and other exploration expenditure under intangible assets, loss on derecognition of financial assets measured at amortised cost and provision for onerous contracts, net of tax.

²⁰ mmscfd: million standard cubic feet per day.

²¹ Gross volume refers to all LNG sales inclusive of volume subsequently sold as sales gas.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B3. REVIEW OF PERFORMANCE – GAS SEGMENT (continued)

Malaysia average sales gas volume increased by 376 mmscfd²⁰ mainly due to higher offtake from power sector in Peninsular Malaysia.

Gross LNG sales volume increased by 0.77 million tonnes mainly due to higher plant production in line with higher demand.

Cumulative quarter Revenue for the year ended 31 December 2022 was RM137.6 billion, higher by RM52.2 billion or 61% as compared to last year following improved LNG and processed gas average realised prices.

PAT was RM43.2 billion as compared to RM15.1 billion last year mainly contributed by higher revenue partially offset by higher product costs and taxation.

Malaysia average sales gas volume increased by 294 mmscfd in line with higher demand from power sector in Peninsular Malaysia.

Gross LNG sales volume increased by 1.49 million tonnes mainly due to higher plant production in line with demand.

B4. REVIEW OF PERFORMANCE – DOWNSTREAM SEGMENT

Cumulative quarter ended		Financial Indicators	Individual quarter ended		
31 December 2022	31 December 2021		31 December 2022	30 September 2022 ¹¹	31 December 2021
	Restated	In RM Mil			Restated
		Revenue			
174,842	121,091	Third party	50,065	46,197	34,543
10,415	3,414	Inter-segment	2,992	2,302	1,624
185,257	124,505		53,057	48,499	36,167
7,514	3,034	PAT/(LAT) ²²	(1,840)	923	(2,344)
Cumulative quarter ended		Operational Indicators	Individual quarter ended		
31 December 2022	31 December 2021		31 December 2022	30 September 2022	31 December 2021
260.7	262.4	Petroleum products sales volume (in million barrels)	77.2	67.8	67.9
114.3	109.7	Crude oil sales volume (in million barrels)	30.0	25.7	27.2
8.3	8.2	Petrochemical products sales volume (in million metric tonnes)	2.6	2.2	2.1

Fourth quarter Revenue for the fourth quarter of 2022 was RM53.1 billion, higher by RM16.9 billion or 47% as compared to the same quarter in 2021 mainly due to higher volume and average realised prices for petroleum products and crude oil coupled with favourable impact from foreign exchange.

LAT was RM1.8 billion as compared to LAT of RM2.3 billion in the fourth quarter of 2021, lower by RM0.5 billion primarily due to lower net impairment losses/write-off¹⁶ on assets negated by higher operating expenditure.

¹¹ Certain prior period information has been restated to conform with current period presentation.

¹⁶ Includes net impairment losses/write-off of well costs and other exploration expenditure under intangible assets, loss on derecognition of financial assets measured at amortised cost and provision for onerous contracts, net of tax.

²⁰ mmscfd: million standard cubic feet per day.

²² Loss After Tax.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B4. REVIEW OF PERFORMANCE – DOWNSTREAM SEGMENT (continued)

Petroleum products sales volume was 77.2 million barrels, higher by 9.3 million barrels primarily driven by increased in trading activities and higher marketing volume. Crude oil sales volume was 30.0 million barrels, higher by 2.8 million barrels attributable to higher marketing volume. Petrochemical products sales volume was 2.6 million metric tonnes, higher by 0.5 million metric tonnes in line with higher production.

Cumulative quarter Revenue for the year ended 31 December 2022 was RM185.3 billion, higher by RM60.8 billion or 49% as compared to last year mainly due to higher average realised prices coupled with favourable impact from foreign exchange.

PAT surged to RM7.5 billion as compared to RM3.0 billion last year, higher by RM4.5 billion on the back of improved refining and petrochemical margins in line with favourable prices.

Petroleum products sales volume was 260.7 million barrels, lower by 1.7 million barrels following lower trading activities due to statutory turnaround activities at domestic refineries, partially offset by higher marketing volume. Crude oil sales volume was 114.3 million barrels, higher by 4.6 million barrels mainly due to higher marketing volume. Petrochemical products sales volume was 8.3 million metric tonnes, higher by 0.1 million metric tonnes.

B5. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS SEGMENT

Cumulative quarter ended		Financial Indicators	Individual quarter ended		
31 December 2022	31 December 2021		31 December 2022	30 September 2022	31 December 2021
	Restated	In RM Mil			Restated
		Revenue			
16,996	11,362	Third party	5,486	4,465	3,241
4,489	5,121	Inter-segment	1,175	1,125	1,554
21,485	16,483		6,661	5,590	4,795
213	(1,466)	PAT/(LAT) ²²	(1,736)	2,232	(1,977)

Fourth quarter Revenue for the fourth quarter of 2022 was RM6.7 billion, increased by RM1.9 billion or 39% as compared to the same quarter in 2021 mainly contributed by higher revenue recognition from construction of a Floating, Production, Storage and Offloading unit ("FPSO").

LAT was RM1.7 billion as compared to LAT of RM2.0 billion in the same quarter in 2021, lower by RM0.3 billion mainly attributable to higher revenue, partially offset by unfavourable foreign exchange impact from revaluation of net assets.

Cumulative quarter Revenue for the year ended 31 December 2022 was RM21.5 billion, increased by RM5.0 billion or 30% as compared to last year mainly contributed by higher revenue recognition from construction of a FPSO and shipping related income.

PAT was RM0.2 billion as compared to LAT of RM1.5 billion in last year, higher by RM1.7 billion mainly due to higher revenue and favourable impact from foreign exchange, partially offset by higher operating expenditure.

²² Loss After Tax.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B6. COMPARISON WITH PRECEDING QUARTER'S RESULTS⁹

<i>In RM Mil</i>	Individual quarter ended	
	31 December 2022	30 September 2022 ¹¹
Revenue	105,881	98,949
EBITDA ¹²	40,571	47,500
PAT	24,421	30,764

PETRONAS Group's revenue improved by RM6.9 billion or 7% in the fourth quarter of 2022 as compared to the preceding quarter mainly attributable to favourable volume impact partially offset by unfavourable average realised prices for major products.

EBITDA was RM40.6 billion, decreased by RM6.9 billion or 15% mainly due to unfavourable foreign exchange impact from revaluation of net assets, higher product costs, cash payments and operating expenditure.

PAT for the fourth quarter of 2022 was lower by RM6.3 billion or 21% in tandem with lower EBITDA. Excluding net impairment losses/write-off¹⁶, the Group would record a PAT of RM23.5 billion, lower by RM8.2 billion or 26% as compared to RM31.7 billion in the preceding quarter.

B7. COMMENTARY ON PROSPECTS

The oil and gas industry could potentially see prices moderating in 2023 given an anticipated economic slowdown, even as it contends with prolonged market volatility. In this environment, PETRONAS will continue to drive operational excellence in its core business while it pursues its growth and sustainability targets.

B8. PROFIT FORECAST OR PROFIT GUARANTEE

The Group does not publish any profit forecast or profit guarantee.

B9. STATUS OF CORPORATE PROPOSALS

There were no other material corporate proposals announced but not completed since the last audited consolidated financial statements for the year ended 31 December 2021, other than as disclosed in Note A9.

⁹ Comprises continuing and discontinued operations.

¹¹ Certain prior period information has been restated to conform with current period presentation.

¹² Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortisation, net impairment losses on property, plant and equipment and intangible assets, provision for onerous contracts, loss/(gain) on remeasurement of net assets held for sale and the exclusion of financing costs and interest income.

¹⁶ Includes net impairment losses/write-off of well costs and other exploration expenditure under intangible assets, loss on derecognition of financial assets measured at amortised cost and provision for onerous contracts, net of tax.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B10. TAXATION

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	31 December		31 December	
	2022	2021	2022	2021
Tax expenses from continuing operations	8,280	6,692	34,173	20,211
Tax expenses from discontinued operations	(121)	(19)	165	434
Total tax expenses	8,159	6,673	34,338	20,645
<i>Components of tax expenses include:</i>				
Current tax expenses				
Malaysia	5,284	3,146	29,033	17,147
Overseas	1,646	828	4,150	1,921
	6,930	3,974	33,183	19,068
Deferred tax expenses				
Origination and reversal of temporary differences	1,229	2,699	1,155	1,577
	8,159	6,673	34,338	20,645

The Group's effective tax rate for the current quarter and year were 25% respectively, which is reflective of the various tax legislations within which the Group operates, including among others Petroleum (Income Tax) Act 1967 ("PITA"), Malaysia Income Tax Act 1967, Global Incentive for Trading ("GIFT") under Labuan Financial Services and Securities Act 2010, Labuan Business Activity Tax 1990 ("LBATA") and international tax legislations.

B11. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at 31 December 2022	As at 31 December 2021
By Currency		
RM	55.4	52.3
USD	42.8	45.4
Others	1.8	2.3
	100.0	100.0
By Maturity²³		
< 1 year	95.2	94.3
1 to 5 years	1.8	2.0
5 to 10 years	3.0	3.7
	100.0	100.0
By Type		
Money market	94.2	92.5
Corporate bonds	3.7	5.0
Equities	2.1	2.5
	100.0	100.0

There were no material purchase and sale of quoted securities during the year under review, other than as disclosed in Note A14.

²³ Refers to instrument maturity dates; excludes equities.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B12. TRADE RECEIVABLES

The breakdown of trade receivables as at 31 December 2022 are as follows:

<i>In RM Mil</i>	As at 31 December 2022	As at 31 December 2021
Trade receivables		
Third party	33,304	29,880
Amount due from associates and joint arrangements	11,941	7,647
Contract assets	6,859	2,954
	<u>52,104</u>	<u>40,481</u>
Less: Impairment losses	(1,805)	(3,873)
	<u>50,299</u>	<u>36,608</u>

The ageing of trade receivables net of impairment amount as at the reporting date are as follows:

<i>In RM Mil</i>	As at 31 December 2022	As at 31 December 2021
At net		
Not past due	47,142	28,049
Past due 1 to 30 days	226	1,292
Past due 31 to 60 days	228	162
Past due 61 to 90 days	34	139
Past due more than 90 days	2,669	6,966
	<u>50,299</u>	<u>36,608</u>

As at the end of the reporting year, the maximum exposure to credit risk arising from receivables is equal to the carrying amount.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B13. BORROWINGS

The details of the Group borrowings as at 31 December 2022 are as follows:

<i>In RM Mil</i>	As at 31 December 2022	As at 31 December 2021
Non-current		
Term loans	15,759	14,969
Lease liabilities	13,291	11,498
Notes and Bonds	61,917	54,337
Islamic financing facilities	5,378	5,815
Total non-current borrowings	96,345	86,619
Current		
Term loans	4,789	10,952
Lease liabilities	1,782	1,345
Notes and Bonds	—	7,303
Islamic financing facilities	794	857
Revolving credits	154	637
Bankers' acceptances	293	116
Bank overdrafts	—	2
Total current borrowings	7,812	21,212
Total borrowings	104,157	107,831

<i>In RM Mil</i>	As at 31 December 2022		As at 31 December 2021	
	%	%	%	
By Currency				
USD	87,975	84.5	90,748	84.1
RM	11,461	11.0	10,416	9.6
EUR	2,279	2.2	2,646	2.5
ZAR	—	—	1,955	1.8
CAD	385	0.3	357	0.3
INR	1,803	1.7	1,476	1.4
GBP	16	0.1	16	0.1
Others	238	0.2	217	0.2
	104,157	100.0	107,831	100.0
By Repayment Schedule				
< 1 year	7,812	7.5	21,212	19.7
1 to 5 years	33,395	32.1	24,748	23.0
5 to 10 years	25,122	24.1	23,100	21.3
> 10 years	37,828	36.3	38,771	36.0
	104,157	100.0	107,831	100.0

During the year, the Group via its subsidiaries have issued US\$1.0 billion Global Medium Term Notes as disclosed in Note A9 and made repayment of US\$750 million and US\$1.0 billion Notes.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B14. MATERIAL LITIGATION

There were no material litigation since the last audited consolidated financial statements for the year ended 31 December 2021.

B15. DERIVATIVE FINANCIAL INSTRUMENTS

There were no material changes to the Group's derivative financial instruments since the last audited consolidated financial statements for the year ended 31 December 2021, other than as disclosed in Note A14.

B16. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

The Group does not have any financial liabilities that are measured at fair value (other than derivative financial instruments) for the year under review.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B17. PROFIT FOR THE PERIOD/YEAR

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2022	31 December 2021 Restated	2022	31 December 2021 Restated
Included in profit for the period/year are the following charges:				
Depreciation and amortisation	9,574	9,615	33,945	34,417
Loss on derecognition of financial assets measured at amortised cost	939	—	939	—
Loss on remeasurement of net assets classified as held for sale	82	—	1,304	—
Net change in contract liabilities	—	496	—	166
Net impairment losses on:				
- intangible assets	1,329	47	1,348	—
- investment properties	15	3	15	3
- loans and advances to joint ventures	96	26	141	61
- trade and other receivables	—	2,436	—	1,791
Net impairment/write-off on well costs	847	1,004	1,363	1,809
Net inventories written down to net realisable value/written off	29	168	233	188
Net loss on:				
- derivatives	404	1,900	3,454	4,985
- foreign exchange	1,724	20	—	—
Net loss on disposals of:				
- investment in a subsidiary	—	—	—	2
- property, plant and equipment	4	—	844	—
- other investments	33	—	5	—
Net write-off of:				
- bad debts	39	8	42	11
- property, plant and equipment	35	40	372	54
and credits:				
Bad debts recovered	1	1	3	1
Dividend income	17	91	201	137
Interest income	2,156	793	5,677	2,998
Net change in contract liabilities	45	—	9	—
Net gain on disposals of:				
- investment in a business	—	—	88	—
- investments in joint ventures	—	19	—	19
- investments in associates	15	1	15	74
- investments in subsidiaries	—	—	136	—
- property, plant and equipment	—	84	—	560
- other investments	—	—	—	5
Net gain on foreign exchange	—	—	954	895
Net impairment reversals on:				
- intangible assets	—	—	—	1,310
- investments in associates	—	155	—	155
- property, plant and equipment	1,948	5,129	830	5,139
- trade and other receivables	1,530	—	230	—

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B17. PROFIT FOR THE PERIOD/YEAR (continued)

Foreign exchange exposure/hedging policy

The Group is exposed to varying levels of foreign exchange risk when it enters into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date. The main underlying economic currencies of the Group's cash flows are Ringgit Malaysia and US Dollars.

The Group's foreign exchange management policy is to minimise economic and significant transactional exposures arising from currency movements. The Group coordinates the handling of foreign exchange risks centrally typically by matching receipts and payments for the same currency. For major capital projects, the Group performs assessment of potential foreign exchange risk exposure at the investment decision phase to determine the appropriate foreign exchange risk management strategy. Residual net positions are actively managed and monitored against prescribed policies and control procedures. When deemed necessary and appropriate, the Group will enter into derivative financial instruments to hedge and minimise its exposures to the foreign currency movements.

B18. DIVIDENDS

The Directors had on 23 February 2023 declared a dividend of RM350,000 per ordinary share amounting to RM35 billion. The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

B19. EXCHANGE RATES

	Individual quarter ended			Cumulative quarter ended		
	31 December 2022	30 September 2022	31 December 2021	31 December 2022	30 September 2022	31 December 2021
US Dollar/RM						
Average rate	4.5756	4.4820	4.1848	4.4001	4.3416	4.1439
Closing rate	4.4150	4.6375	4.1740	4.4150	4.6375	4.1740

By order of the Board

Intan Shafinas (Tuty) Hussain (LS0009774)
 Company Secretary
 Kuala Lumpur
 27 February 2023

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

APPENDIX 1 – IMPACT OF ADOPTION OF PRONOUNCEMENTS

- a. Reconciliation of condensed consolidated statement of profit or loss for individual quarter ended 31 December 2021.

<i>In RM Mil</i>	As previously reported	Effect of Amendments to MFRS 116	As restated⁹
Revenue ²⁴	76,571	–	76,571
Cost of revenue ²⁴	(48,175)	–	(48,175)
Gross profit	28,396	–	28,396
Net impairment reversals ²⁵	347	2,378	2,725
Other items	(8,149)	–	(8,149)
Operating profit	20,594	2,378	22,972
Financing costs	(1,050)	–	(1,050)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures ²⁴	486	–	486
Profit before taxation	20,030	2,378	22,408
Tax expense	(6,673)	–	(6,673)
PROFIT FOR THE PERIOD	13,357	2,378	15,735

- b. Reconciliation of condensed consolidated statement of profit or loss for year ended 31 December 2021.

<i>In RM Mil</i>	As previously reported	Effect of Amendments to MFRS 116	As restated⁹
Revenue	247,962	1	247,963
Cost of revenue	(158,646)	(53)	(158,699)
Gross profit	89,316	(52)	89,264
Net impairment reversals ²⁵	2,307	2,378	4,685
Other items	(19,191)	–	(19,191)
Operating profit	72,432	2,326	74,758
Financing costs	(5,069)	–	(5,069)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	1,882	(57)	1,825
Profit before taxation	69,245	2,269	71,514
Tax expense	(20,645)	–	(20,645)
PROFIT FOR THE YEAR	48,600	2,269	50,869

⁹ Comprises continuing and discontinued operations.

²⁴ Comprises impact of less than RM1 million.

²⁵ Excludes well costs and includes certain amount relating to write-back and write-off of other assets.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

APPENDIX 1 – IMPACT OF ADOPTION OF PRONOUNCEMENTS (continued)

c. Reconciliation of condensed consolidated statement of financial position as at 31 December 2021.

<i>In RM Mil</i>	As previously reported	Effect of Amendments to MFRS 116	As restated
ASSETS			
Property, plant and equipment	282,898	1,715	284,613
Investments in associates and joint ventures	9,229	(1,768)	7,461
Other assets	90,250	(1,511)	88,739
TOTAL NON-CURRENT ASSETS	382,377	(1,564)	380,813
TOTAL CURRENT ASSETS	252,627	1,511	254,138
TOTAL ASSETS	635,004	(53)	634,951
EQUITY			
Share capital	100	–	100
Reserves	350,756	(53)	350,703
Non-controlling interests	53,484	–	53,484
TOTAL EQUITY	404,340	(53)	404,287
TOTAL LIABILITIES	230,664	–	230,664
TOTAL EQUITY AND LIABILITIES	635,004	(53)	634,951

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2022

APPENDIX 1 – IMPACT OF ADOPTION OF PRONOUNCEMENTS (continued)

d. Reconciliation of condensed consolidated statement of cash flows for year ended 31 December 2021.

<i>In RM Mil</i>	As previously reported	Effect of Amendments to MFRS 116	As restated⁹
Cash flows from operating activities			
Profit before taxation	69,245	2,269	71,514
Adjustments for:			
Net impairment losses/(reversals) on:			
- investments in associates and joint ventures	259	(414)	(155)
- property, plant and equipment and investment properties	(3,172)	(1,964)	(5,136)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(1,882)	57	(1,825)
Other non-cash items	37,450	—	37,450
Operating profit before changes in working capital	101,900	(52)	101,848
Net changes in working capital	(8,813)	—	(8,813)
Cash generated from operations	93,087	(52)	93,035
Interest income received	2,998	—	2,998
Interest expenses paid	(3,584)	—	(3,584)
Taxation paid	(13,904)	—	(13,904)
Net cash generated from operating activities	78,597	(52)	78,545
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(30,165)	52	(30,113)
Others	661	—	661
Net cash used in investing activities	(29,504)	52	(29,452)
Cash flows from financing activities			
Net cash used in financing activities	(16,056)	—	(16,056)
Net increase in cash and cash equivalents	33,037	—	33,037
Decrease in cash and cash equivalents restricted	304	—	304
Net foreign exchange differences	1,692	—	1,692
Cash and cash equivalents at beginning of the year	128,141	—	128,141
Cash and cash equivalents at end of the year	163,174	—	163,174

⁹ Comprises continuing and discontinued operations.