



PETRONAS Group **Quarterly Report**

For Second Quarter Ended 30 June 2022

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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 second quarter ended 30 June 2022 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 27.

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

	Individual quarter ended		Cumulative quarter ended	
	2022	30 June 2021 Restated	2022	30 June 2021 Restated
<i>In RM Mil</i>				
Revenue	93,352	57,072	172,102	109,618
Cost of revenue	(51,416)	(36,719)	(92,904)	(70,596)
Gross profit	41,936	20,353	79,198	39,022
Selling and distribution expenses	(1,870)	(2,387)	(3,946)	(4,485)
Administration expenses	(4,858)	(2,853)	(7,697)	(5,162)
Net (impairment losses)/reversal of impairment ¹	(1,902)	57	(2,200)	240
Other expenses	(745)	(277)	(2,127)	(1,126)
Other income	1,588	1,740	2,722	3,444
Operating profit	34,149	16,633	65,950	31,933
Financing costs	(1,409)	(1,440)	(2,737)	(2,576)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	389	476	1,025	835
Profit before taxation	33,129	15,669	64,238	30,192
Tax expense	(10,131)	(6,063)	(17,805)	(11,366)
PROFIT FOR THE PERIOD	22,998	9,606	46,433	18,826
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")	155	(18)	147	(18)
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	6,756	(24)	8,994	4,249
Cash flow hedge	1,253	(1,947)	1,143	(924)
Others	63	88	136	122
Total other comprehensive income/(loss) for the period	8,227	(1,901)	10,420	3,429
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	31,225	7,705	56,853	22,255
Profit attributable to:				
Shareholders of the Company	20,603	8,293	41,490	15,907
Non-controlling interests	2,395	1,313	4,943	2,919
PROFIT FOR THE PERIOD	22,998	9,606	46,433	18,826
Total comprehensive income attributable to:				
Shareholders of the Company	27,445	6,382	49,959	18,416
Non-controlling interests	3,780	1,323	6,894	3,839
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	31,225	7,705	56,853	22,255

¹ Includes certain amount relating to reversal of impairment and write-off of assets.

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FOR SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	As at 30 June 2022	As at 31 December 2021 Restated
ASSETS		
Property, plant and equipment	290,665	284,613
Investment properties and land held for development	13,003	13,167
Investments in associates and joint ventures	8,530	7,461
Intangible assets	23,278	19,394
Long-term receivables	38,324	33,751
Fund and other investments	2,891	2,955
Deferred tax assets	22,384	20,983
TOTAL NON-CURRENT ASSETS	399,075	382,324
Trade and other inventories	20,516	14,477
Trade and other receivables	62,039	48,324
Fund and other investments	10,937	10,479
Cash and cash equivalents	203,967	164,556
	297,459	237,836
Assets classified as held for sale	2,945	14,791
TOTAL CURRENT ASSETS	300,404	252,627
TOTAL ASSETS	699,479	634,951
EQUITY		
Share capital	100	100
Reserves	375,542	350,703
Total equity attributable to shareholders of the Company	375,642	350,803
Non-controlling interests	57,077	53,484
TOTAL EQUITY	432,719	404,287
LIABILITIES		
Borrowings	98,712	86,619
Deferred tax liabilities	10,103	9,543
Other long-term liabilities and provisions	49,490	50,620
TOTAL NON-CURRENT LIABILITIES	158,305	146,782
Trade and other payables	63,162	51,825
Borrowings	12,804	21,212
Taxation	17,767	6,913
Dividend payable	13,000	—
	106,733	79,950
Liabilities classified as held for sale	1,722	3,932
TOTAL CURRENT LIABILITIES	108,455	83,882
TOTAL LIABILITIES	266,760	230,664
TOTAL EQUITY AND LIABILITIES	699,479	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.

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FOR SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company				
	Non-distributable				
	Share Capital	Capital and Other Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve	Hedging Reserve
<i>In RM Mil</i>					
Cumulative quarter ended 30 June 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	—	—	—	147	—
Net movements from exchange differences	—	—	7,427	—	—
Cash flow hedge ²	—	—	—	—	792
Others	—	103	—	—	—
Total other comprehensive income for the period, net of tax	—	103	7,427	147	792
Profit for the period	—	—	—	—	—
Total comprehensive income for the period	—	103	7,427	147	792
Changes in ownership interests in subsidiaries	—	—	(21)	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	—	(21)	—	—
Balance at 30 June 2022	100	15,941	40,776	721	(816)
Cumulative quarter ended 30 June 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	—	—	—	(18)	—
Net movements from exchange differences	—	—	3,464	—	—
Cash flow hedge ²	—	—	—	—	(1,050)
Others	—	113	—	—	—
Total other comprehensive income/(loss) for the period, net of tax	—	113	3,464	(18)	(1,050)
Profit for the period	—	—	—	—	—
Total comprehensive income/(loss) for the period	—	113	3,464	(18)	(1,050)
Changes in ownership interest in subsidiaries	—	—	—	—	—
Redemption of redeemable preference shares in a subsidiary	—	—	—	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	—
Balance at 30 June 2021	100	15,798	34,021	(83)	(2,271)

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² Includes RM1,043 million (30 June 2021: RM762 million) relating to cost of hedging reserve during the period.

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FOR SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

In RM Mil	Attributable to shareholders of the Company			Non- Controlling Interests	Total Equity
	Distributable				
	General Reserve	Retained Profits	Total		
Cumulative quarter ended 30 June 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	—	—	147	—	147
Net movements from exchange differences	—	—	7,427	1,567	8,994
Cash flow hedge ²	—	—	792	351	1,143
Others	—	—	103	33	136
Total other comprehensive income for the period, net of tax	—	—	8,469	1,951	10,420
Profit for the period	—	41,490	41,490	4,943	46,433
Total comprehensive income for the period	—	41,490	49,959	6,894	56,853
Changes in ownership interests in subsidiaries	—	(99)	(120)	355	235
Dividends	—	(25,000)	(25,000)	(3,656)	(28,656)
Total transactions with shareholders	—	(25,099)	(25,120)	(3,301)	(28,421)
Balance at 30 June 2022	12,000	306,920	375,642	57,077	432,719
Cumulative quarter ended 30 June 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	—	—	(18)	—	(18)
Net movements from exchange differences	—	—	3,464	785	4,249
Cash flow hedge ²	—	—	(1,050)	126	(924)
Others	—	—	113	9	122
Total other comprehensive income/(loss) for the period, net of tax	—	—	2,509	920	3,429
Profit for the period	—	15,907	15,907	2,919	18,826
Total comprehensive income/(loss) for the period	—	15,907	18,416	3,839	22,255
Changes in ownership interest in subsidiaries	—	—	—	(5)	(5)
Redemption of redeemable preference shares in a subsidiary	—	—	—	(4)	(4)
Dividends	—	(18,000)	(18,000)	(2,333)	(20,333)
Total transactions with shareholders	—	(18,000)	(18,000)	(2,342)	(20,342)
Balance at 30 June 2021	12,000	269,150	328,715	51,910	380,625

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² Includes RM1,043 million (30 June 2021: RM762 million) relating to cost of hedging reserve during the period.

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FOR SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Cumulative quarter ended	
	2022	30 June 2021 Restated
Cash flows from operating activities		
Profit before taxation	64,238	30,192
Adjustments for:		
Depreciation and amortisation	15,983	16,579
Net impairment losses/(reversal of impairment) on:		
- intangible assets	19	—
- loan and advances to a joint venture	55	50
- property, plant and equipment	1,067	157
- receivables	745	(458)
Net impairment/write-off on well costs	184	399
Net inventories written down to net realisable value/written off	83	8
Bad debts written off	3	1
Property, plant and equipment written off	313	10
Net loss/(gain) on disposal of property, plant and equipment, investment in a subsidiary, associates and a business	611	(482)
Loss on remeasurement of net assets classified as held for sale	989	—
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(1,025)	(835)
Net change in contract liabilities	24	(220)
Net change in provisions	(236)	(433)
Net unrealised loss on derivatives	494	325
Net unrealised loss/(gain) on foreign exchange	2,286	(1,561)
Interest income	(1,893)	(1,478)
Financing costs	2,737	2,576
Other non-cash items	100	(14)
Operating profit before changes in working capital	86,777	44,816
Net changes in working capital	(17,223)	(5,956)
Cash generated from operations	69,554	38,860
Interest expenses paid	(1,927)	(1,758)
Interest income received	1,893	1,478
Taxation paid	(7,078)	(5,921)
Net cash generated from operating activities	62,442	32,659

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FOR SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	Cumulative quarter ended	
	2022	30 June 2021 Restated
Cash flows from investing activities		
Dividends received	732	588
Investments in associates and joint ventures	(389)	(145)
Investments in securities and other investments	(2,061)	(1,887)
Proceeds from disposal/partial disposal:		
- investment in a subsidiary/business, net of cash disposed	257	—
- property, plant and equipment	7,920	1,018
- securities and other investments	839	1,026
- investment in associates	829	—
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(18,538)	(12,551)
Net cash used in investing activities	(10,411)	(11,951)
Cash flows from financing activities		
Dividends paid	(12,000)	(8,000)
Dividends paid to non-controlling interests	(3,656)	(2,333)
Drawdown of borrowings	17,699	25,880
Payment of lease liabilities	(1,754)	(1,710)
Payment to non-controlling interests on additional equity interests	—	(13)
Payment to non-controlling interests on redemption of redeemable preference shares	—	(4)
Proceeds from partial disposal of equity interest to non-controlling interests	235	233
Repayment of borrowings	(22,000)	(10,233)
Net cash (used in)/generated from financing activities	(21,476)	3,820
Net increase in cash and cash equivalents	30,555	24,528
Decrease in cash and cash equivalents restricted	135	378
Net foreign exchange differences	7,556	907
Cash and cash equivalents at beginning of the year	163,174	128,141
Cash and cash equivalents at end of the period	201,420	153,954
Cash and cash equivalents		
Cash and bank balances and deposits	203,967	155,956
Bank overdrafts	(1,302)	(696)
Less: Cash and cash equivalents restricted	(1,245)	(1,306)
	201,420	153,954

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FOR SECOND QUARTER ENDED 30 JUNE 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The condensed consolidated interim 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 period ended 30 June 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 31 December 2022 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2021 except as disclosed below.

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

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 do 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.

In RM Mil

	Impact of adoption of Amendments to MFRS 116 to opening balance at 1 January 2021
Decrease in plant, property and equipment	(197)
Decrease in investment 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 SECOND QUARTER ENDED 30 JUNE 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 ITEM

There were no exceptional items during the period 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 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 B13.

A8. DIVIDENDS PAID

During the period, the Company paid a dividend of RM12 billion, being partial payment of the approved dividend of RM250,000 per ordinary share amounting to RM25 billion declared on 28 February 2022.

The remaining amount of the dividend amounting to RM13 billion will be paid in instalments between July 2022 and November 2022.

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FOR SECOND QUARTER ENDED 30 JUNE 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 results of the Group.

- 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 Petróleo Brasil Ltda (“PPBL”), a wholly-owned subsidiary of PETRONAS, and its consortium partners signed a Production Sharing Contract (“PSC”) for the Sépia 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, PETRÓLEO BRASILEIRO S.A. (“Petrobras”) with 30% PI, TotalEnergies EP Brasil Ltda (“TotalEnergies”) with 28% PI and QP Brasil Ltda (“QatarEnergy”) 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 (“SPA”) with Financière Forêt S.à r.l., a company under PAI Partners, a European private equity firm for the acquisition of 100% equity interests in Perstorp Holding AB (“Perstorp”), for a base purchase price of EUR1,538.0 million, subject to the adjustments as stipulated in SPA.

PCIBV is also required to repay all outstanding and unpaid amounts owed by Perstorp and its subsidiaries as of the closing date of the SPA that relates to their existing financing agreements which amounts to EUR851.7 million as at 31 December 2021 and pay earn-out payment not exceeding EUR45.0 million related to Perstorp’s new plant in Sayakha, India, subject to meeting certain conditions.

The acquisition is expected to be completed in second half of 2022, where Perstorp will become an indirect wholly-owned subsidiary of PCG upon fulfilment of the set condition precedents.

The net effect arising from this acquisition is expected not to be material in relation to the consolidated net profit of the Group for the period.

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FOR SECOND QUARTER ENDED 30 JUNE 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. CAPITAL COMMITMENTS

There were no material changes to capital commitment of the Group for the period under review, since the last audited consolidated financial statements for the year ended 31 December 2021.

A12. CONTINGENCIES

There were no material contingent liabilities 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 period 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 - 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 - 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 period and comparative year.

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FOR SECOND QUARTER ENDED 30 JUNE 2022

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

A14. FAIR VALUE INFORMATION (continued)

30 June 2022

In RM Mil

	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	2,335	—	—	2,335
Quoted securities	144	—	—	144
Unquoted shares	—	—	1,128	1,128
Malaysian Government Securities	—	1,728	—	1,728
Corporate Bonds and Sukuk	—	8,114	—	8,114
Forward foreign exchange contracts	—	412	—	412
Commodity derivatives	300	649	—	949
Interest rate swaps	—	609	—	609
	<u>2,779</u>	<u>11,512</u>	<u>1,128</u>	<u>15,419</u>
Financial liabilities				
Forward foreign exchange contracts	—	(171)	—	(171)
Commodity derivatives	(1,190)	(385)	—	(1,575)
Interest rate swaps	—	(7)	—	(7)
	<u>(1,190)</u>	<u>(563)</u>	<u>—</u>	<u>(1,753)</u>

31 December 2021

In RM Mil

	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	2,104	—	—	2,104
Quoted securities	143	—	—	143
Unquoted shares	—	—	778	778
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
	<u>2,363</u>	<u>11,811</u>	<u>778</u>	<u>14,952</u>
Financial liabilities				
Forward foreign exchange contracts	—	(105)	—	(105)
Commodity derivatives	(374)	(1,435)	—	(1,809)
Interest rate swaps	—	(220)	—	(220)
	<u>(374)</u>	<u>(1,760)</u>	<u>—</u>	<u>(2,134)</u>

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 financial instruments. The Group applies hedge accounting on the fair value movement of certain commodity derivatives used to hedge its oil and gas sales. Methods and assumptions used to estimate the fair values at 30 June 2022 are consistent with those used in the year ended 31 December 2021.

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FOR SECOND QUARTER ENDED 30 JUNE 2022

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

A15. OPERATING SEGMENTS

Effective first quarter of 2022, New Energy sector has been managed separately from Gas Business. As a result, Gas and New Energy (“G+NE”) is now known as Gas Business 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.

A15.1 Segment revenue

					Individual quarter ended 30 June	
	2022	2021 Restated	2022	2021 Restated	2022	2021 Restated
<i>In RM Mil</i>	Third-parties		Inter-segment		Gross total	
Upstream	17,740	9,442	24,181	15,031	41,921	24,473
Gas	29,246	14,935	3,607	2,379	32,853	17,314
Downstream	42,571	29,946	2,146	428	44,717	30,374
Corporate and Others	3,795	2,749	1,124	1,149	4,919	3,898
Total	93,352	57,072	31,058	18,987	124,410	76,059

					Cumulative quarter ended 30 June	
	2022	2021 Restated	2022	2021 Restated	2022	2021 Restated
<i>In RM Mil</i>	Third-parties		Inter-segment		Gross total	
Upstream	31,210	18,967	45,476	29,581	76,686	48,548
Gas	53,602	30,130	6,760	4,347	60,362	34,477
Downstream	80,245	55,081	5,121	1,341	85,366	56,422
Corporate and Others	7,045	5,440	2,189	2,308	9,234	7,748
Total	172,102	109,618	59,546	37,577	231,648	147,195

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FOR SECOND QUARTER ENDED 30 JUNE 2022

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

A15. OPERATING SEGMENTS (continued)

A15.2 Segment PAT

	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2022	2021 Restated ³	2022	2021 Restated ³
<i>In RM Mil</i>				
Upstream	11,228	6,052	23,092	12,974
Gas	9,083	1,675	17,527	3,713
Downstream	3,375	2,290	8,431	2,473
Corporate and Others	193	(506)	(283)	243
Total PAT for reportable segments	23,879	9,511	48,767	19,403
Elimination of inter-segment transactions	(881)	95	(2,334)	(577)
Consolidated PAT	22,998	9,606	46,433	18,826

A16. REVENUE

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	16,370	8,951	29,463	14,661	42,448	29,817	2,034	359	90,315	53,788
Other revenue ⁴	1,370	491	(217)	274	123	129	1,761	2,390	3,037	3,284
Total	17,740	9,442	29,246	14,935	42,571	29,946	3,795	2,749	93,352	57,072

	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	28,869	17,552	54,275	29,037	79,878	54,851	3,792	1,658	166,814	103,098
Other revenue ⁴	2,341	1,415	(673)	1,093	367	230	3,253	3,782	5,288	6,520
Total	31,210	18,967	53,602	30,130	80,245	55,081	7,045	5,440	172,102	109,618

³ Inclusive restatement impact as disclosed in Note A2.

⁴ Inclusive of net trading (losses)/gain.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE

Cumulative quarter ended			30 June 2022	Individual quarter ended	
30 June 2022	30 June 2021	31 March 2022		30 June 2021	
	Restated	<i>In RM Mil</i>		Restated	
172,102	109,618	Revenue	93,352	57,072	
82,675	46,007	EBITDA ⁵	43,125	23,182	
46,433	18,826	PAT	22,998	9,606	
<i>In RM Mil</i>			Cumulative quarter ended		
Cash flows from operating activities			30 June 2022	30 June 2021	
Capital investments				Restated	
			62,442	32,659	
			18,927	12,696	
<i>In RM Mil</i>			As at 30 June 2022	As at 31 December 2021	
Total assets				Restated	
Shareholders' equity			699,479	634,951	
Gearing ratio ⁶			375,642	350,803	
ROACE ⁷			22.4%	23.1%	
			16.2%	11.4%	

Second quarter PETRONAS Group's revenue of RM93.4 billion for the second quarter of 2022 rose by RM36.3 billion or 64% as compared to the second quarter of 2021 on the back of favourable average realised prices for all products.

The Group recorded EBITDA of RM43.1 billion, improved by RM19.9 billion or 86% in line with higher revenue partially offset by higher product costs, cash payments and production expenses.

PAT of RM23.0 billion was higher by RM13.4 billion in tandem with higher EBITDA partially negated by higher taxation in line with higher profit as well as higher impairment losses/write-off on assets. Excluding impairment losses/write-off⁸, the Group would record a PAT of RM25.1 billion, higher by RM15.4 billion as compared to RM9.7 billion in corresponding quarter.

Cumulative quarter PETRONAS Group's revenue of RM172.1 billion for the first half of 2022 was higher by RM62.5 billion or 57% as compared to the same period in 2021 largely due to favourable average realised prices for all products.

The Group recorded EBITDA of RM82.7 billion, grew by RM36.7 billion or 80% mainly attributable to higher revenue partially offset by higher product costs, cash payments and production expenses.

PAT of RM46.4 billion was higher by RM27.6 billion following higher EBITDA. Nonetheless, it was reduced by higher taxation in line with higher profit and higher impairment losses/write-off on assets. Excluding impairment losses/write-off⁸, the Group would record a PAT of RM48.8 billion, higher by RM29.7 billion as compared to RM19.1 billion for the same period in 2021.

⁵ 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.

⁶ 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.

⁷ 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.

⁸ Includes net impairment losses/write-off of exploration expenditure under intangible assets and provision for onerous contracts, net of tax.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

Cash flows from operating activities grew by RM29.8 billion or 91% in line with higher cash from operations. Capital investments amounted to RM18.9 billion across the businesses.

Total assets strengthened to RM699.5 billion as at 30 June 2022 against RM635.0 billion as at 31 December 2021 mainly contributed by higher cash and cash equivalents and receivables. Shareholders' equity of RM375.6 billion increased by RM24.8 billion mainly attributable to profit recorded during the period and partially offset by dividends declared to shareholders amounting to RM25.0 billion.

Gearing ratio decreased to 22.4% as at 30 June 2022 from 23.1% as at 31 December 2021 primarily contributed by higher equity as mentioned above. ROACE improved to 16.2% as at 30 June 2022 from 11.4% as at 31 December 2021 on the back of higher profit recorded during the period.

B2. REVIEW OF PERFORMANCE – UPSTREAM SEGMENT

Cumulative quarter ended		<i>Financial Indicators</i>	Individual quarter ended		
30 June 2022	30 June 2021		30 June 2022	31 March 2022	30 June 2021
	Restated	<i>In RM Mil</i>			
		Revenue			
		Third party			
31,210	18,967		17,740	13,470	9,442
45,476	29,581	Inter-segment	24,181	21,295	15,031
76,686	48,548		41,921	34,765	24,473
23,092	12,974	PAT	11,228	11,864	6,052
Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
30 June 2022	30 June 2021		30 June 2022	31 March 2022	30 June 2021
		Production ⁹ ('000 boe ¹⁰ per day)			
		Crude oil and condensates			
845	834		855	836	821
1,580	1,511	Natural gas	1,539	1,620	1,481
2,425	2,345		2,394	2,456	2,302
		Entitlement ¹¹ ('000 boe per day)			
		Crude oil and condensates			
521	565		548	492	533
1,163	1,086	Natural gas	1,146	1,181	1,038
1,684	1,651		1,694	1,673	1,571

Second quarter Revenue for the second quarter of 2022 was RM41.9 billion, higher by RM17.4 billion or 71% as compared to the second quarter of 2021 mainly contributed by improved average realised prices for crude oil and condensates and natural gas.

PAT for the second quarter of 2022 was RM11.2 billion, increased by RM5.2 billion primarily due to higher revenue, partially offset by higher taxation as well as cash payments and product costs in line with higher prices.

⁹ Represents Malaysia's production (PETRONAS Group and other Operators) and PETRONAS Group's international equity production volume.

¹⁰ boe: barrels oil equivalent. Volume of gas has been converted using gas heating values, reflecting PETRONAS gas portfolio.

¹¹ Represents PETRONAS Group's sales entitlement to Malaysia's production and PETRONAS Group's international sales entitlement volume.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B2. REVIEW OF PERFORMANCE – UPSTREAM SEGMENT (continued)

Total daily production average for the second quarter of 2022 was 2,394 thousand boe per day, higher by 92 thousand boe per day as compared to corresponding quarter 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.

Cumulative quarter Revenue for the first half of 2022 was RM76.7 billion, improved by RM28.1 billion as compared to the same period in 2021 on the back of higher average realised prices for crude oil and condensates and natural gas.

PAT was RM23.1 billion, grew by RM10.1 billion as compared to the same period in 2021 in tandem with higher revenue partially offset by higher taxation as well as cash payments and product costs in line with higher prices.

Total daily production average for the period ended 30 June 2022 was 2,425 thousand boe per day higher by 80 thousand boe per day against 2,345 thousand boe per day in the same period 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		<i>Financial Indicators</i>	Individual quarter ended		
30 June 2022	30 June 2021		30 June 2022	31 March 2022	30 June 2021
	Restated	<i>In RM Mil</i>			Restated
		Revenue			
53,602	30,130	Third party	29,246	24,356	14,935
6,760	4,347	Inter-segment	3,607	3,153	2,379
60,362	34,477		32,853	27,509	17,314
17,527	3,713	PAT	9,083	8,444	1,675
Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
30 June 2022	30 June 2021		30 June 2022	31 March 2022	30 June 2021
2,752	2,675	Malaysia average sales gas volume (mmscfd) ¹²	2,868	2,632	2,871
16.82	17.03	Gross LNG sales volume (million tonnes) ¹³	8.44	8.38	8.10

Second quarter Revenue for the second quarter of 2022 was RM32.9 billion, increase by RM15.5 billion or 90% as compared to the same quarter in 2021 mainly as a result of improved liquefied natural gas ("LNG") and processed gas average realised prices.

PAT was RM9.1 billion against RM1.7 billion in the same quarter of 2021 primarily driven by higher revenue partially offset by higher product costs and taxation.

Malaysia average sales gas volume is comparable to the same quarter in 2021 with marginal decreased by 3 mmscfd. Gross LNG sales volume increased by 0.34 million tonnes mainly due to higher plant production in line with higher demand.

¹² mmscfd: million standard cubic feet per day.

¹³ Gross volume refers to all LNG sales inclusive of volume subsequently sold as sales gas.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B3. REVIEW OF PERFORMANCE – GAS SEGMENT (continued)

Cumulative quarter Revenue for the first half of 2022 was RM60.4 billion, higher by 75% as compared to the same period in 2021 mainly as a result of improved LNG and processed gas average realised prices.

PAT was RM17.5 billion as compared to RM3.7 billion in the same period of 2021 mainly contributed by higher revenue partially offset by higher product costs and taxation.

Malaysia average sales gas volume marginally increased by 77 mmscfd mainly due to higher offtake from power sector.

Gross LNG sales volume however declined by 0.21 million tonnes mainly due to lesser trading opportunities compared to the same period in 2021.

B4. REVIEW OF PERFORMANCE – DOWNSTREAM SEGMENT

Cumulative quarter ended		<i>Financial Indicators</i>	Individual quarter ended		
30 June 2022	30 June 2021		30 June 2022	31 March 2022	30 June 2021
	Restated	<i>In RM Mil</i>			Restated
		Revenue			
80,245	55,081	Third party	42,571	37,674	29,946
5,121	1,341	Inter-segment	2,146	2,975	428
85,366	56,422		44,717	40,649	30,374
8,431	2,473	PAT	3,375	5,056	2,290

Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
30 June 2022	30 June 2021		30 June 2022	31 March 2022	30 June 2021
121.3	126.6	Petroleum products sales volume (in million barrels)	63.0	58.3	67.2
58.7	61.2	Crude oil sales volume (in million barrels)	28.3	30.4	28.3
3.5	4.1	Petrochemical products sales volume (in million metric tonnes)	1.6	1.9	2.2

Second quarter Revenue for the second quarter of 2022 was RM44.7 billion, higher by RM14.3 billion or 47% as compared to the same quarter in 2021 underpinned by higher average realised prices for petroleum products, petrochemical products and crude oil.

PAT was RM3.4 billion as compared to RM2.3 billion in the second quarter of 2021, higher by RM1.1 billion primarily due to improved refining and petrochemical margins in line with favourable prices.

Petroleum products sales volume was 63.0 million barrels, lower by 4.2 million barrels impacted from statutory turnaround activities at domestic refineries, partially offset by higher marketing volume. Crude oil sales volume was comparable at 28.3 million barrels. Petrochemical products sales volume was 1.6 million metric tonnes, lower by 0.6 million metric tonnes impacted from statutory turnaround and maintenance activities.

Cumulative quarter Revenue for the first half of 2022 was RM85.4 billion, higher by 51% as compared to the same period in 2021 mainly due to the impact of higher average realised prices for petroleum products, petrochemical products and crude oil.

PAT was RM8.4 billion as compared to RM2.5 billion in the same period of 2021, higher by RM5.9 billion primarily due to improved refining and petrochemical margins in line with favourable prices.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B4. REVIEW OF PERFORMANCE – DOWNSTREAM SEGMENT (continued)

Petroleum products sales volume was 121.3 million barrels, lower by 5.3 million barrels impacted from statutory turnaround activities at a domestic refineries, partially offset by higher marketing volume. Crude oil sales volume was 58.7 million barrels, lower by 2.5 million barrels mainly due to lower marketing volume. Petrochemical products sales volume was 3.5 million metric tonnes, lower by 0.6 million metric tonnes impacted from statutory turnaround and maintenance activities.

B5. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS SEGMENT

Cumulative quarter ended		<i>Financial Indicators</i>	Individual quarter ended		
30 June 2022	30 June 2021 Restated		30 June 2022	31 March 2022	30 June 2021 Restated
		<i>In RM Mil</i>			
		Revenue			
7,045	5,440	Third party	3,795	3,250	2,749
2,189	2,308	Inter-segment	1,124	1,065	1,149
9,234	7,748		4,919	4,315	3,898
(283)	243	(LAT) ¹⁴ /PAT	193	(476)	(506)

Second quarter Revenue for the second quarter of 2022 was RM4.9 billion, increased by RM1.0 billion or 26% as compared to the same quarter in 2021 mainly contributed by higher shipping related income.

PAT was RM0.2 billion as compared to LAT of RM0.5 billion in the same quarter last year mainly attributable to favourable impact on foreign exchange coupled with higher revenue as mentioned above. Nonetheless, this was partially offset by higher operating expenditure and impairment losses on assets.

Cumulative quarter Revenue for the first half of 2022 was RM9.2 billion, increased by RM1.5 billion or 19% as compared to the same period in 2021 mainly contributed by higher shipping related income.

LAT was RM0.3 billion as compared to PAT of RM0.2 billion in the same period last year mainly due to higher operating expenditure and impairment losses on assets despite higher revenue and favourable impact on foreign exchange.

¹⁴ Loss After Tax.

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FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B6. COMPARISON WITH PRECEDING QUARTER'S RESULTS

<i>In RM Mil</i>	Individual quarter ended	
	30 June 2022	31 March 2022
Revenue	93,352	78,750
EBITDA	43,125	39,550
PAT	22,998	23,435

PETRONAS Group's revenue improved by RM14.6 billion or 19% in the second quarter of 2022 as compared to the preceding quarter mainly attributable to favourable average realised prices for all products and favourable impact of foreign exchange rate.

EBITDA was RM43.1 billion, increased by RM3.6 billion or 9% in tandem with higher revenue partially offset by higher product costs and operating expenditure.

PAT for the second quarter of 2022 however was marginally lower by RM0.4 billion or 2% as a result of higher taxation in line with higher profit and impairment losses/write-off on assets. Excluding net impairment losses/write-off, the Group would record a PAT of RM25.1 billion, higher by RM1.4 billion or 6% as compared to RM23.7 billion in the preceding quarter.

B7. COMMENTARY ON PROSPECTS

The prolonged geopolitical tensions, energy supplied-demand imbalances and the risk of global slowdown continue to threaten post-pandemic economic recovery. PETRONAS remains steadfast in strengthening its core portfolio whilst pursuing its growth strategy and sustainability agenda at pace and resilience.

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 as at the date of this report other than as disclosed in Note A9 since the last audited consolidated financial statements for the year ended 31 December 2021.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B10. TAXATION

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2022	30 June 2021	2022	30 June 2021
Current tax expenses				
Malaysia	10,020	4,460	16,715	10,401
Overseas	706	412	1,285	664
	<u>10,726</u>	<u>4,872</u>	<u>18,000</u>	<u>11,065</u>
Deferred tax expenses				
Origination and reversal of temporary differences	(595)	1,191	(195)	301
	<u>10,131</u>	<u>6,063</u>	<u>17,805</u>	<u>11,366</u>

The Group's effective tax rate for the current quarter and period to date were 31% and 28% 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 30 June 2022	As at 31 December 2021
By Currency		
RM	54.6	52.3
USD	43.4	45.4
Others	2.0	2.3
	<u>100.0</u>	<u>100.0</u>
By Maturity¹⁵		
< 1 year	95.3	94.3
1 to 5 years	1.7	2.0
5 to 10 years	3.0	3.7
	<u>100.0</u>	<u>100.0</u>
By Type		
Money market	93.7	92.5
Corporate bonds	4.1	5.0
Equities	2.2	2.5
	<u>100.0</u>	<u>100.0</u>

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

¹⁵ Refers to instrument maturity dates; excludes equities.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B12. TRADE RECEIVABLES

The breakdown of trade receivables as at 30 June 2022 are as follows:

<i>In RM Mil</i>	As at 30 June 2022	As at 31 December 2021
Trade receivables		
Third party	34,974	29,880
Amount due from associates and joint arrangements	12,222	10,147
Contract assets	4,671	2,954
	<u>51,867</u>	<u>42,981</u>
Less: Impairment losses	(4,380)	(3,873)
	<u>47,487</u>	<u>39,108</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 30 June 2022	As at 31 December 2021
At net		
Not past due	38,601	30,549
Past due 1 to 30 days	653	1,292
Past due 31 to 60 days	99	162
Past due 61 to 90 days	71	139
Past due more than 90 days	8,063	6,966
	<u>47,487</u>	<u>39,108</u>

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

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B13. BORROWINGS

The details of the Group borrowings as at 30 June 2022 are as follows:

<i>In RM Mil</i>	As at 30 June 2022	As at 31 December 2021
Non-Current		
Term loans	17,371	14,969
Lease liabilities	13,694	11,498
Notes and Bonds	61,741	54,337
Islamic financing facilities	5,906	5,815
Total non-current borrowings	98,712	86,619
Current		
Term loans	5,432	10,952
Lease liabilities	1,927	1,345
Notes and Bonds	—	7,303
Islamic financing facilities	860	857
Revolving credits	3,115	637
Bankers' acceptances	168	116
Bank overdrafts	1,302	2
Total current borrowings	12,804	21,212
Total borrowings	111,516	107,831

<i>In RM Mil</i>	As at 30 June 2022		As at 31 December 2021	
	%	%	%	
By Currency				
USD	91,791	82.4	90,748	84.1
RM	11,533	10.3	10,416	9.6
EUR	2,280	2.0	2,646	2.5
ZAR	3,339	3.0	1,955	1.8
CAD	392	0.4	357	0.3
INR	1,699	1.5	1,476	1.4
GBP	251	0.2	16	0.1
Others	231	0.2	217	0.2
	111,516	100.0	107,831	100.0

By Repayment Schedule				
< 1 year	12,804	11.5	21,212	19.7
1 to 5 years	31,843	28.5	24,748	23.0
5 to 10 years	27,314	24.5	23,100	21.3
> 10 years	39,555	35.5	38,771	36.0
	111,516	100.0	107,831	100.0

During the period, 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 SECOND QUARTER ENDED 30 JUNE 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 period under review.

B17. PROFIT FOR THE PERIOD

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2022	30 June 2021	2022	30 June 2021
Included in profit for the period are the following charges:				
Bad debts written off	2	1	3	1
Depreciation and amortisation	8,007	7,881	15,983	16,579
Loss on remeasurement of net assets classified as held for sale	196	—	989	—
Net change in contract liabilities	65	—	24	—
Net impairment losses on:				
- intangible assets	1	—	19	—
- loan and advances to a joint venture	28	50	55	50
- property, plant and equipment	1,067	193	1,067	157
- receivables	787	—	745	—
Net impairment/write-off on well costs ¹⁶	184	49	184	399
Net inventories written down to net realisable value/written off	95	32	83	8
Net loss on derivatives	1,773	163	3,096	325
Net loss on disposal of property, plant and equipment	511	—	835	75
Property, plant and equipment written off	18	9	313	10
and credits:				
Bad debts recovered	1	—	2	—
Dividend income	—	24	169	34
Interest income	1,103	700	1,893	1,478
Net change in contract liabilities	—	116	—	220
Net gain on disposal of:				
- property, plant and equipment	—	58	—	557
- a business	88	—	88	—
- investment in a subsidiary	—	—	136	—
Net gain on foreign exchange	573	245	1,110	760
Net reversal of impairment losses on receivables	—	311	—	458

¹⁶ Comprises net impairment losses and write-off of exploration expenditure under intangible assets.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B17. PROFIT FOR THE PERIOD (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 21 August 2022 declared a dividend of RM250,000 per ordinary share amounting to RM25 billion. The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

B19. EXCHANGE RATES

US Dollar/RM	Individual quarter ended			Cumulative quarter ended		
	30 June 2022	31 March 2022	30 June 2021	30 June 2022	30 June 2021	31 December 2021
Average rate	4.3502	4.1925	4.1288	4.2713	4.0968	4.1439
Closing rate	4.4035	4.2030	4.1545	4.4035	4.1545	4.1740

By order of the Board

Intan Shafinas (Tuty) Hussain (LS0009774)
Company Secretary
Kuala Lumpur
29 August 2022

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

APPENDIX 1 – IMPACT OF ADOPTION OF PRONOUNCEMENTS

- a. Reconciliation of consolidated statement of profit or loss and other comprehensive income for individual quarter ended 30 June 2021.

<i>In RM Mil</i>	As previously reported	Effect of change in accounting policies	As restated
Revenue ¹⁷	57,072	–	57,072
Cost of revenue	(36,717)	(2)	(36,719)
Gross profit	20,355	(2)	20,353
Operating profit	16,635	(2)	16,633
Financing costs	(1,440)	–	(1,440)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	504	(28)	476
Profit before taxation	15,699	(30)	15,669
PROFIT FOR THE PERIOD	9,636	(30)	9,606

- b. Reconciliation of consolidated statement of profit or loss and other comprehensive income for cumulative quarter ended 30 June 2021.

<i>In RM Mil</i>	As previously reported	Effect of change in accounting policies	As restated
Revenue ¹⁷	109,618	–	109,618
Cost of revenue	(70,543)	(53)	(70,596)
Gross profit	39,075	(53)	39,022
Operating profit	31,986	(53)	31,933
Financing costs	(2,576)	–	(2,576)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	887	(52)	835
Profit before taxation	30,297	(105)	30,192
PROFIT FOR THE PERIOD	18,931	(105)	18,826

¹⁷ Comprises impact of less than RM1 million.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

APPENDIX 1 – IMPACT OF ADOPTION OF PRONOUNCEMENTS (continued)

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

<i>In RM Mil</i>	As previously reported	Effect of change in accounting policies	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	–	90,250
TOTAL NON-CURRENT ASSETS	<u>382,377</u>	<u>(53)</u>	<u>382,324</u>
TOTAL CURRENT ASSETS	252,627	–	252,627
TOTAL ASSETS	<u>635,004</u>	<u>(53)</u>	<u>634,951</u>
EQUITY			
Share capital	100	–	100
Reserves	350,756	(53)	350,703
Non-controlling interests	53,484	–	53,484
TOTAL EQUITY	<u>404,340</u>	<u>(53)</u>	<u>404,287</u>
TOTAL LIABILITIES	230,664	–	230,664
TOTAL EQUITY AND LIABILITIES	<u>635,004</u>	<u>(53)</u>	<u>634,951</u>

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

APPENDIX 1 – IMPACT OF ADOPTION OF PRONOUNCEMENTS (continued)

d. Reconciliation of consolidated statement of cash flows for period ended 30 June 2021.

<i>In RM Mil</i>	As previously reported	Effect of change in accounting policies	As restated
Cash flows from operating activities			
Profit before taxation	30,297	(105)	30,192
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(887)	52	(835)
Other non-cash items	15,459	—	15,459
Operating profit before changes in working capital	44,869	(53)	44,816
Changes in working capital	(5,956)	—	(5,956)
Cash generated from operations	38,913	(53)	38,860
Net cash generated from operating activities	32,712	(53)	32,659
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(12,604)	53	(12,551)
Others	600	—	600
Net cash used in investing activities	(12,004)	53	(11,951)
Cash flows from financing activities			
Net cash generated from financing activities	3,820	—	3,820
Net increase in cash and cash equivalents	24,528	—	24,528
Decrease in cash and cash equivalents restricted	378	—	378
Net foreign exchange differences	907	—	907
Cash and cash equivalents at beginning of the year	128,141	—	128,141
Cash and cash equivalents at end of the period	153,954	—	153,954