



PETRONAS Group Quarterly Report

For Third Quarter 2021

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QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

The Board of Directors of Petroliam Nasional Berhad ("PETRONAS" or the "Company") is pleased to announce the following unaudited condensed consolidated financial statements of PETRONAS Group for the third quarter ended 30 September 2021 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 21.

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

In RM Mil	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2021	2020	2021	2020
Revenue	61,773	41,070	171,391	134,699
Cost of revenue	(39,928)	(30,585)	(110,471)	(98,763)
Gross profit	21,845	10,485	60,920	35,936
Selling and distribution expenses	(2,245)	(1,739)	(6,730)	(5,669)
Administration expenses	(2,435)	(1,993)	(7,597)	(7,250)
Net impairment write-back and (losses)/(write-off) ¹	1,720	(5,710)	1,960	(32,125)
Other expenses	(33)	(657)	(1,159)	(3,610)
Other income	1,000	707	4,444	2,633
Operating profit/(loss)	19,852	1,093	51,838	(10,085)
Financing costs	(1,443)	(1,183)	(4,019)	(2,729)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	509	280	1,396	333
Profit/(Loss) before taxation	18,918	190	49,215	(12,481)
Tax expense	(2,606)	(3,563)	(13,972)	(7,411)
PROFIT/(LOSS) FOR THE PERIOD	16,312	(3,373)	35,243	(19,892)
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")	3	73	(15)	2
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	217	(1,003)	4,466	4,843
Cash flow hedge	(899)	(125)	(1,725)	(1,191)
Others	10	(26)	34	183
Total other comprehensive (loss)/income for the period	(669)	(1,081)	2,760	3,837
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	15,643	(4,454)	38,003	(16,055)
Profit/(Loss) attributable to:				
Shareholders of the Company	13,983	(4,164)	29,995	(21,843)
Non-controlling interests	2,329	791	5,248	1,951
PROFIT/(LOSS) FOR THE PERIOD	16,312	(3,373)	35,243	(19,892)
Total comprehensive income/(loss) attributable to:				
Shareholders of the Company	13,132	(4,236)	31,653	(17,850)
Non-controlling interests	2,511	(218)	6,350	1,795
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	15,643	(4,454)	38,003	(16,055)

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

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	As at 30 September 2021	As at 31 December 2020
ASSETS		
Property, plant and equipment	285,591	291,717
Investment properties and land held for development	13,230	13,454
Investments in associates and joint ventures	13,499	12,599
Intangible assets	20,403	20,044
Long-term receivables	29,884	21,232
Fund and other investments	1,471	1,009
Deferred tax assets	21,966	20,622
TOTAL NON-CURRENT ASSETS	386,044	380,677
Trade and other inventories	16,506	12,491
Trade and other receivables	44,846	40,583
Assets classified as held for sale	463	18
Fund and other investments	11,448	9,779
Cash and cash equivalents	159,566	130,523
TOTAL CURRENT ASSETS	232,829	193,394
TOTAL ASSETS	618,873	574,071
EQUITY		
Share capital	100	100
Reserves	337,399	330,521
Total equity attributable to shareholders of the Company	337,499	330,621
Non-controlling interests	53,019	50,413
TOTAL EQUITY	390,518	381,034
LIABILITIES		
Borrowings	91,777	76,808
Deferred tax liabilities	8,443	8,455
Other long-term liabilities and provisions	48,540	51,056
TOTAL NON-CURRENT LIABILITIES	148,760	136,319
Trade and other payables	46,353	43,728
Borrowings	15,233	11,421
Liabilities classified as held for sale	429	—
Taxation	8,580	1,569
Dividend payable	9,000	—
TOTAL CURRENT LIABILITIES	79,595	56,718
TOTAL LIABILITIES	228,355	193,037
TOTAL EQUITY AND LIABILITIES	618,873	574,071

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 THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to shareholders of the Company</i>			
	Share Capital	<i>Non-distributable</i>		
		Capital and Other Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve
<i>In RM Mil</i>				
Cumulative quarter ended 30 September 2021				
Balance at 1 January 2021	100	14,464	30,557	(65)
Net changes of equity investments at fair value through OCI:				
- Changes in fair value	—	—	—	(15)
Net movements from exchange differences	—	—	3,525	—
Cash flow hedge	—	(1,871)	—	—
Others	—	19	—	—
Total other comprehensive (loss)/income for the period, net of tax	—	(1,852)	3,525	(15)
Profit for the period	—	—	—	—
Total comprehensive (loss)/income for the period	—	(1,852)	3,525	(15)
Changes in ownership interests in subsidiaries	—	—	—	—
Redemption of redeemable preference shares in a subsidiary	—	—	—	—
Dividends	—	—	—	—
Total transactions with shareholders	—	—	—	—
Balance at 30 September 2021	100	12,612	34,082	(80)
Cumulative quarter ended 30 September 2020				
Balance at 1 January 2020	100	14,509	30,014	(78)
Net changes of equity investments at fair value through OCI:				
- Changes in fair value	—	—	—	2
Net movements from exchange differences	—	—	4,960	—
Cash flow hedge	—	(990)	—	—
Others	—	21	—	—
Total other comprehensive (loss)/income for the period, net of tax	—	(969)	4,960	2
(Loss)/Profit for the period	—	—	—	—
Total comprehensive (loss)/income for the period	—	(969)	4,960	2
Changes in ownership interest in subsidiaries	—	—	—	—
Acquisition of a subsidiary	—	—	—	—
Redemption of redeemable preference shares in a subsidiary	—	120	—	—
Dividends	—	—	—	—
Total transactions with shareholders	—	120	—	—
Balance at 30 September 2020	100	13,660	34,974	(76)

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>			Non- Controlling Interests	Total Equity
	General Reserve	Retained Profits	Total Distributable		
Cumulative quarter ended 30 September 2021					
Balance at 1 January 2021	12,000	273,565	330,621	50,413	381,034
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	—	—	(15)	—	(15)
Net movements from exchange differences	—	—	3,525	941	4,466
Cash flow hedge	—	—	(1,871)	146	(1,725)
Others	—	—	19	15	34
Total other comprehensive (loss)/income for the period, net of tax	—	—	1,658	1,102	2,760
Profit for the period	—	29,995	29,995	5,248	35,243
Total comprehensive (loss)/income for the period	—	29,995	31,653	6,350	38,003
Changes in ownership interests in subsidiaries	—	225	225	(1)	224
Redemption of redeemable preference shares in a subsidiary	—	—	—	(4)	(4)
Dividends	—	(25,000)	(25,000)	(3,739)	(28,739)
Total transactions with shareholders	—	(24,775)	(24,775)	(3,744)	(28,519)
Balance at 30 September 2021	12,000	278,785	337,499	53,019	390,518
Cumulative quarter ended 30 September 2020					
Balance at 1 January 2020	12,000	332,551	389,096	49,819	438,915
Net changes of equity investments at fair value through OCI:					
- Changes in fair value	—	—	2	—	2
Net movements from exchange differences	—	—	4,960	(117)	4,843
Cash flow hedge	—	—	(990)	(201)	(1,191)
Others	—	—	21	162	183
Total other comprehensive (loss)/income for the period, net of tax	—	—	3,993	(156)	3,837
(Loss)/Profit for the period	—	(21,843)	(21,843)	1,951	(19,892)
Total comprehensive (loss)/income for the period	—	(21,843)	(17,850)	1,795	(16,055)
Changes in ownership interest in subsidiaries	—	—	—	20	20
Acquisition of a subsidiary	—	—	—	656	656
Redemption of redeemable preference shares in a subsidiary	—	(120)	—	—	—
Dividends	—	(34,000)	(34,000)	(3,937)	(37,937)
Total transactions with shareholders	—	(34,120)	(34,000)	(3,261)	(37,261)
Balance at 30 September 2020	12,000	276,588	337,246	48,353	385,599

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Cumulative quarter ended	
	2021	2020
Cash flows from operating activities		
Profit/(Loss) before taxation	49,215	(12,481)
Adjustments for:		
Bad debts written off	3	37
Depreciation and amortisation	24,802	26,282
Financing costs	4,019	2,729
Gain on bargain purchase	—	(261)
Interest income	(2,205)	(3,920)
Net change in contract liabilities	(330)	(131)
Net change in provisions	(481)	(41)
Net gain on disposal of property, plant and equipment, investment in an associate, investments in subsidiaries and other investments	(552)	(104)
Net impairment (write-back)/losses on:		
- intangible assets	(1,357)	3,836
- loan and advances to a joint venture	35	48
- property, plant and equipment	(10)	27,298
- receivables	(645)	(35)
Net impairment/write-off on well costs	805	604
Net inventories written down to net realisable value	20	116
Net unrealised gain on derivatives	(150)	(13)
Property, plant and equipment written off	14	6
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(1,396)	(333)
Net unrealised (gain)/loss on foreign exchange	(1,173)	465
Other non-cash items	(12)	(32)
Write-off of trade receivables and loss on remeasurement of finance lease receivables	—	935
Operating profit before changes in working capital	70,602	45,005
Net changes in working capital	(7,519)	(8,239)
Cash generated from operations	63,083	36,766
Interest expenses paid	(2,655)	(2,245)
Interest income from fund and other investments	2,205	3,920
Taxation paid, net of refund	(8,140)	(5,826)
Net cash generated from operating activities	54,493	32,615

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	Cumulative quarter ended 30 September	
	2021	2020
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	—	(178)
Dividends received	968	751
Investments in associates and joint ventures	(260)	(78)
Investments in securities and other investments	(3,417)	(2,274)
Long-term receivables to a joint venture	—	(613)
Proceeds from disposal/partial disposal, net of cash disposed:		
- interests in subsidiaries	(22)	64
- property, plant and equipment	1,303	580
- securities and other investments	1,298	1,116
- investment in an associate	64	—
Proceeds from redemption of preference shares in a joint venture	—	511
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(20,099)	(22,207)
Net cash used in investing activities	(20,165)	(22,328)
Cash flows from financing activities		
Dividends paid	(16,000)	(26,000)
Dividends paid to non-controlling interests	(3,739)	(3,937)
Drawdown of borrowings	28,276	36,850
Payment of lease liabilities	(3,208)	(3,253)
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	237	20
Repayment of borrowings	(12,071)	(14,875)
Net cash used in financing activities	(6,522)	(11,195)
Net increase/(decrease) in cash and cash equivalents	27,806	(908)
Decrease/(Increase) in cash and cash equivalents restricted	464	(101)
Net foreign exchange differences	1,710	465
Cash and cash equivalents at beginning of the year	128,165	139,851
Cash and cash equivalents at end of the period	158,145	139,307
Cash and cash equivalents		
Cash and bank balances and deposits	159,566	141,433
Bank overdrafts	(225)	(663)
Less: Cash and cash equivalents restricted	(1,196)	(1,463)
	158,145	139,307

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QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

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 2020.

The explanatory notes attached to these condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2020.

Within the context of these condensed consolidated financial statements, the Group comprises the Company, its subsidiaries and joint operations, as well as the Group's interest in joint ventures and associates as at and for the period ended 30 September 2021.

A2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2021 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2020 except as disclosed below.

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 2021

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

Effective for annual periods beginning on or after 1 April 2021

Amendment to MFRS 16 *Leases (Covid-19-Related Rent Concessions beyond 30 June 2021)*

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

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2020 were not subjected to any audit qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A5. EXCEPTIONAL ITEM

There was no exceptional item during the period under review.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

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

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of the Group for the year ended 31 December 2020 that may have material effect in the results of the period under review.

A7. DEBT AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period under review, other than as disclosed in Note A9 and Note B10.

A8. DIVIDENDS PAID

During the period under review, the Company paid:

- i. a dividend of RM12 billion, being partial payments of the approved dividend of RM180,000 per ordinary share amounting to RM18 billion declared on 25 February 2021. The remaining amount of the dividend amounting to RM6 billion will be paid in instalments between October 2021 and November 2021.
- ii. a dividend of RM4 billion, being partial payments of the approved dividend of RM70,000 per ordinary share amounting to RM7 billion declared on 30 July 2021. The remaining amount of the dividend amounting to RM3 billion will be paid in instalments between October 2021 and December 2021.

A9. SIGNIFICANT AND SUBSEQUENT EVENTS

- i. On 17 March 2021, PETRONAS via its indirect wholly-owned subsidiary, PETRONAS Energy Canada Ltd. ("PECL"), successfully priced a US\$600 million single tranche 7-year note. The use of proceeds is to fund PECL's continued development and production activities, debt refinancing and for general corporate purposes. PECL focuses on the development and production of oil and natural gas in Canada.
- ii. On 22 April 2021, PETRONAS via its wholly-owned subsidiary, PETRONAS Capital Limited ("PCL"), successfully priced a US\$3.0 billion dual-tranche senior bond offering, comprising US\$1.25 billion 10.75-year and US\$1.75 billion 40-year conventional notes. The use of proceeds is for debt refinancing and general corporate purposes, thereby further strengthening the balance sheet and extending PETRONAS' debt maturity profile.
- iii. 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 15.5% stake in the Shah Deniz offshore gas field and its related assets to LUKOIL Overseas Shah Deniz Limited and LUKOIL Overseas Shah Deniz Midstream Limited. The divestment is expected to be completed by 2022 upon fulfilment of the set condition precedents.

A10. CONTINGENCIES

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

A11. CHANGES IN COMPOSITION OF THE GROUP

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

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

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

A12. FAIR VALUE INFORMATION

The following table analyses financial instruments carried at fair value by valuation method. The different levels 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 period.

30 September 2021

In RM Mil

	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	1,380	—	—	1,380
Quoted securities	145	—	—	145
Unquoted shares	—	—	543	543
Malaysian Government Securities	—	1,747	—	1,747
Corporate Bonds and Sukuk	—	8,177	—	8,177
Commodity options	—	35	—	35
Commodity swaps	—	1	—	1
Forward foreign exchange contracts	—	156	—	156
Forward gas contracts	7	—	—	7
Interest rate swaps	—	63	—	63
	<u>1,532</u>	<u>10,179</u>	<u>543</u>	<u>12,254</u>
Financial liabilities				
Commodity swaps	—	(25)	—	(25)
Forward foreign exchange contracts	—	(62)	—	(62)
Forward oil/gas contracts	(413)	—	—	(413)
Forward oil/gas price swaps	(2,536)	—	—	(2,536)
Interest rate swaps	—	(307)	—	(307)
	<u>(2,949)</u>	<u>(394)</u>	<u>—</u>	<u>(3,343)</u>

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

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

A12. FAIR VALUE INFORMATION (continued)

31 December 2020

In RM Mil

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

Derivative financial instruments

As disclosed in the Group's audited consolidated financial statements for the year ended 31 December 2020, 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 September 2021 are consistent with those used in the year ended 31 December 2020.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

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

A13. OPERATING SEGMENTS

The Group's reportable operating segments comprise Upstream, Gas and New Energy and Downstream. Each reportable segment offers different products and services and are managed separately as described in the Group's audited consolidated financial statements for the year ended 31 December 2020.

For each of the reportable segment, the Group chief operating decision maker, which in this case is the PETRONAS Executive Leadership Team ("ELT"), reviews internal management reports at least on a quarterly basis.

Performance is measured based on segment Profit After Tax ("PAT"), as included in the internal management reports. Segment PAT is used to measure performance as the PETRONAS ELT believes that such information is the most relevant in evaluating the results of the segments.

A13.1 Segment revenue

	2021		2020		Individual quarter ended 30 September	
	2021	2020	2021	2020	2021	2020
<i>In RM Mil</i>	Third-parties		Inter-segment		Gross total	
Upstream	9,232	7,610	16,258	10,247	25,490	17,857
Gas and New Energy	18,454	10,139	2,079	1,697	20,533	11,836
Downstream	31,466	20,583	449	169	31,915	20,752
Corporate and Others	2,621	2,738	1,259	1,190	3,880	3,928
Total	61,773	41,070	20,045	13,303	81,818	54,373

	2021		2020		Cumulative quarter ended 30 September	
	2021	2020	2021	2020	2021	2020
<i>In RM Mil</i>	Third-parties		Inter-segment		Gross total	
Upstream	28,199	21,583	45,838	32,362	74,037	53,945
Gas and New Energy	48,751	41,732	6,427	5,972	55,178	47,704
Downstream	86,548	62,559	1,790	624	88,338	63,183
Corporate and Others	7,893	8,825	3,567	3,456	11,460	12,281
Total	171,391	134,699	57,622	42,414	229,013	177,113

A13.2 Segment PAT/(LAT)²

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2021	2020	2021	2020
<i>In RM Mil</i>				
Upstream	9,816	(62)	22,790	(11,878)
Gas and New Energy	3,668	(4,735)	7,352	(10,989)
Downstream	2,910	947	5,435	(467)
Corporate and Others	232	735	566	1,845
Total PAT/(LAT) for reportable segments	16,626	(3,115)	36,143	(21,489)
Elimination of inter-segment transactions	(314)	(258)	(900)	1,597
Consolidated PAT/(LAT)	16,312	(3,373)	35,243	(19,892)

² Loss After Tax.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

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

A14. REVENUE

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

	Upstream		Gas and New Energy		Downstream		Corporate and Others		Individual quarter ended 30 September	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Total									
<i>In RM Mil</i>										
Revenue from contract customers	8,743	7,269	18,294	10,078	31,357	20,528	884	912	59,278	38,787
Other revenue	489	341	160	61	109	55	1,737	1,826	2,495	2,283
Total	9,232	7,610	18,454	10,139	31,466	20,583	2,621	2,738	61,773	41,070

	Upstream		Gas and New Energy		Downstream		Corporate and Others		Cumulative quarter ended 30 September	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	Total									
<i>In RM Mil</i>										
Revenue from contract customers	26,295	20,482	47,493	40,970	86,208	62,276	2,660	3,138	162,656	126,866
Other revenue	1,904	1,101	1,258	762	340	283	5,233	5,687	8,735	7,833
Total	28,199	21,583	48,751	41,732	86,548	62,559	7,893	8,825	171,391	134,699

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE

Cumulative quarter ended			Individual quarter ended		
30 September 2021	30 September 2020	In RM Mil	30 September 2021	30 June 2021	30 September 2020
171,391	134,699	Revenue	61,773	57,072	41,070
72,386	43,435	EBITDA ³	26,274	23,212	14,015
35,243	(19,892)	PAT/(LAT)	16,312	9,636	(3,373)
<i>In RM Mil</i>			Cumulative quarter ended		
Cash flows from operating activities			30 September 2021	30 September 2020	
Capital investments			54,493	32,615	
			20,359	22,463	
<i>In RM Mil</i>			As at	As at	
Total assets			30 September 2021	31 December 2020	
Shareholders' equity			618,873	574,071	
Gearing ratio ⁴			337,499	330,621	
ROACE ⁵			23.7%	21.3%	
			7.8%	(4.1)%	

Third quarter PETRONAS Group's revenue of RM61.8 billion for the third quarter of 2021 was higher by RM20.7 billion or 50% as compared to the third quarter of 2020 mainly driven by favourable average realised prices for major products.

The Group recorded EBITDA of RM26.3 billion, increased by RM12.3 billion in line with higher revenue partially offset by higher product costs.

PAT of RM16.3 billion was higher by RM19.7 billion as compared to the LAT of RM3.4 billion for the third quarter of 2020 in tandem with higher EBITDA and net impairment write-back on assets as compared to net impairment losses reported in prior period. Excluding impairment write-back/(losses)⁶, the Group would record a PAT of RM15.4 billion, higher by RM12.8 billion as compared to PAT excluding impairment losses⁶ for the third quarter of 2020 amounting to RM2.6 billion.

Cumulative quarter PETRONAS Group's revenue of RM171.4 billion for the period ended 30 September 2021 was higher by 27% as compared to the same period in 2020 predominantly due to favourable price impact for major products in line with higher average realised prices. This was partially offset by the effect of weakening of US Dollar against Ringgit.

The Group recorded EBITDA at RM72.4 billion, increased by 67% mainly attributable to higher revenue partially offset by increase in product costs.

PAT was RM35.2 billion as compared to LAT of RM19.9 billion for the same period in 2020 in tandem with higher EBITDA and a shift from net impairment losses in prior period to net impairment write-back in current period following upward trend in prices. Excluding impairment write-back/(losses)⁶, the Group would record a PAT of RM34.5 billion, higher by RM24.2 billion as compared to PAT excluding impairment losses⁶ for the same period in 2020.

Cash flows from operating activities increased by 67% following in line with higher cash from operating profits partially offset by higher tax paid. Capital investments amounted to RM20.4 billion across the businesses.

³ EBITDA consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortisation and net impairment losses on property, plant and equipment and intangible assets and the exclusion of financing costs and interest income.

⁴ Gearing ratio is calculated as adjusted total debt (total debt including financial guarantees) divided by adjusted total equity (total equity plus deferred tax liabilities and minus capitalised interest) and adjusted total debt. Gearing ratio for corresponding period has been restated to conform with this formula.

⁵ 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.

⁶ Includes impairment losses/write-off of exploration expenditure under intangible assets and loss on remeasurement of finance lease receivables.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

Total assets strengthened to RM618.9 billion as at 30 September 2021 as compared to RM574.1 billion as at 31 December 2020 mainly contributed by higher cash and fund investments as well as receivables. Shareholders' equity of RM337.5 billion increased by RM6.9 billion mainly attributable to profit recorded during the period, favourable movement in foreign currency translation reserve and partially offset by dividends declared to shareholders amounting to RM25.0 billion.

Gearing ratio increased to 23.7% as at 30 September 2021 from 21.3% as at 31 December 2020 mainly due to issuance of notes and bonds. ROACE improved significantly to 7.8% as at 30 September 2021 from negative 4.1% as at 31 December 2020 in line with profit recorded during the period.

B2. REVIEW OF PERFORMANCE – UPSTREAM

Cumulative quarter ended		Financial Indicators	Individual quarter ended		
30 September 2021	30 September 2020		30 September 2021	30 June 2021	30 September 2020
		<i>In RM Mil</i>			
		Revenue			
28,199	21,583	Third party	9,232	9,442	7,610
45,838	32,362	Inter-segment	16,258	15,031	10,247
74,037	53,945		25,490	24,473	17,857
22,790	(11,878)	PAT/(LAT)	9,816	6,053	(62)
Cumulative quarter ended		Operational Indicators	Individual quarter ended		
30 September 2021	30 September 2020		30 September 2021	30 June 2021	30 September 2020
		Production ⁷ ('000 boe ⁸ per day)			
818	853	Crude oil and condensates	787	821	815
1,451	1,337	Natural gas	1,333	1,481	1,246
2,269	2,190		2,120	2,302	2,061
		Entitlement ⁹ ('000 boe per day)			
540	587	Crude oil and condensates	490	533	579
1,058	1,028	Natural gas	1,004	1,038	988
1,598	1,615		1,494	1,571	1,567

Third quarter Revenue for the third quarter of 2021 was RM25.5 billion, higher by 43% as compared to the third quarter of 2020 mainly contributed by higher average realised prices for crude oil and condensates and natural gas as well as higher natural gas sales entitlement volume. This was partially offset by lower crude oil and condensates sales entitlement volume.

PAT for the third quarter of 2021 was RM9.8 billion as compared to LAT of RM0.1 billion in the third quarter of 2020 primarily due to higher revenue and net impairment write-back as compared to net impairment losses reported in prior period. This was partially offset by higher tax expense as well as cash payments in line with higher prices.

Total daily production average for the third quarter of 2021 was 2,120 thousand boe per day, higher by 59 thousand boe per day as compared to third quarter of 2020 mainly due to higher crude oil production from international operations coupled with higher natural gas production contributed by higher demand for both Malaysia and international operations. This was partially offset by lower crude oil production for Malaysia.

⁷ Represents Malaysia's production (PETRONAS Group and other Operators) and PETRONAS Group's international equity production volume.

⁸ boe: barrels of oil equivalent.

⁹ Represents PETRONAS Group's sales entitlement to Malaysia's production and PETRONAS Group's international sales entitlement volume.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B2. REVIEW OF PERFORMANCE – UPSTREAM (continued)

Cumulative quarter Revenue for the period ended 30 September 2021 was RM74.0 billion, higher by 37% as compared to the same period in 2020 mainly due to the impact of higher average realised prices for crude oil and condensates and natural gas as well as higher natural gas sales entitlement volume. This was partially offset by lower crude and condensates oil sales entitlement volume.

PAT was RM22.8 billion as compared to LAT of RM11.9 billion for the same period in 2020 primarily due to higher revenue and net impairment write-back as compared to net impairment losses reported in prior period.

Total daily production average for the period ended 30 September 2021 was 2,269 thousand boe per day higher by 79 thousand boe per day as compared to 2,190 thousand boe per day in the same period in 2020 mainly due to higher gas demand in both Malaysia and international operations. This was partially offset by lower crude oil production.

B3. REVIEW OF PERFORMANCE – GAS AND NEW ENERGY

Cumulative quarter ended		Financial Indicators	Individual quarter ended		
30 September 2021	30 September 2020		30 September 2021	30 June 2021	30 September 2020
		<i>In RM Mil</i>			
		Revenue			
48,751	41,732	Third party	18,454	15,029	10,139
6,427	5,972	Inter-segment	2,079	2,379	1,697
55,178	47,704		20,533	17,408	11,836
7,352	(10,989)	PAT/(LAT)	3,668	1,611	(4,735)
Cumulative quarter ended		Operational Indicators	Individual quarter ended		
30 September 2021	30 September 2020		30 September 2021	30 June 2021	30 September 2020
		Malaysia average sales gas volume (mmscfd) ¹⁰	2,548	2,871	2,612
2,632	2,488	Gross LNG sales volume (million tonnes) ¹¹	7.52	8.10	7.58
24.60	24.28				

Third quarter Revenue for the third quarter of 2021 was RM20.5 billion, increased by 73% as compared to the same quarter in 2020 on the back of improved LNG average realised prices.

PAT was RM3.7 billion as compared to LAT of RM4.7 billion in the third quarter of 2020. This was primarily driven by net impairment losses on assets reported in prior period, lower taxation and higher revenue partially offset by higher product costs.

Malaysia average sales gas volume decreased by 64 mmscfd mainly due to stabilisation of demand following reopening of industry in third quarter of 2020. Gross LNG sales volume is comparable against prior period with marginal decrease by 0.06 million tonnes.

Cumulative quarter Revenue for the period ended September 2021 was RM55.2 billion, higher by 16% as compared to the same period in 2020 due to the impact of higher average realised prices and higher LNG and sales gas volume.

PAT was RM7.4 billion as compared to LAT of RM11.0 billion mainly contributed by lower impairment losses on assets and higher revenue. The increase was partially offset by higher product costs.

Malaysia average sales gas volume increased by 144 mmscfd mainly attributable to higher offtake from power sector in Peninsular Malaysia in line with industry's recovery in 2021. Gross LNG sales volume increased by 0.32 million tonnes contributed by higher demand and commissioning of PETRONAS Floating LNG 2 (L) Ltd in March 2021.

¹⁰ mmscfd: million standard cubic feet per day.

¹¹ Gross volume refers to all LNG sales inclusive of volume subsequently sold as sales gas.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B4. REVIEW OF PERFORMANCE – DOWNSTREAM

Cumulative quarter ended		<i>Financial Indicators</i>	30 September 2021	Individual quarter ended	
30 September 2021	30 September 2020			30 June 2021	30 September 2020
		<i>In RM Mil</i>			
		Revenue			
86,548	62,559	Third party	31,466	29,947	20,583
1,790	624	Inter-segment	449	428	169
88,338	63,183		31,915	30,375	20,752
5,435	(467)	PAT/(LAT)	2,910	2,318	947
Cumulative quarter ended		<i>Operational Indicators</i>	30 September 2021	Individual quarter ended	
30 September 2021	30 September 2020			30 June 2021	30 September 2020
194.6	194.0	Petroleum products sales volume (in million barrels)	67.9	67.2	62.9
82.5	101.8	Crude oil sales volume (in million barrels)	21.3	28.3	36.3
6.1	6.1	Petrochemical products sales volume (in million metric tonnes)	2.0	2.2	2.0

Third quarter Revenue for the third quarter of 2021 was RM31.9 billion, higher by 54% as compared to the same quarter in 2020 mainly due to the impact of higher average realised prices for petroleum products, petrochemical products and crude oil.

PAT was RM2.9 billion as compared to RM0.9 billion in the third quarter of 2020, higher by RM2.0 billion primarily due to improved petrochemical and refining margins in line with favourable prices.

Petroleum products sales volume was 67.9 million barrels, higher by 5.0 million barrels following increased trading activities. Crude oil sales volume was 21.3 million barrels, lower by 15.0 million barrels due to lower crude oil marketing and trading volume. Petrochemical products sales volume was comparable at 2.0 million metric tonnes.

Cumulative quarter Revenue for the period ended 30 September 2021 was RM88.3 billion, higher by 40% as compared to the same period in 2020 mainly due to the impact of higher average realised prices for petroleum products, petrochemical products and crude oil.

PAT was RM5.4 billion as compared to LAT of RM0.5 billion in the same period of 2020, higher by RM5.9 billion mainly contributed by improved petrochemical and refining margins as mentioned above.

Petroleum products sales volume was 194.6 million barrels, higher by 0.6 million barrels following increased trading activities. Crude oil sales volume was 82.5 million barrels, lower by 19.3 million barrels mainly due to lower crude oil marketing volume. Petrochemical products sales volume was comparable at 6.1 million metric tonnes.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B5. REVIEW OF PERFORMANCE – CORPORATE AND OTHERS

Cumulative quarter ended		<i>Financial Indicators</i>	30 September 2021	Individual quarter ended	
30 September 2021	30 September 2020			30 June 2021	30 September 2020
		<i>In RM Mil</i>			
		Revenue			
7,893	8,825	Third party	2,621	2,654	2,738
3,567	3,456	Inter-segment	1,259	1,149	1,190
11,460	12,281		3,880	3,803	3,928
566	1,845	PAT/(LAT)	232	(434)	735

Third quarter Revenue for the third quarter of 2021 was RM3.9 billion, slightly reduced by 1% as compared to third quarter in 2020 contributed by fund investment income as a result of lower average rate of return in tandem with lower policy rates and market rates and partially offset by higher shipping related income.

PAT was RM0.2 billion, decreased by RM0.5 billion mainly due to lower revenue coupled with higher operating expenditure. This was partially offset by higher foreign exchange gain due to strengthening of US Dollar against Ringgit.

Cumulative quarter Revenue for the period ended 30 September 2021 was RM11.5 billion, decreased by 7% as compared to the same period in 2020 mainly contributed by fund investment income and partially offset by higher shipping related income as mentioned above.

PAT was RM0.6 billion, decreased by RM1.3 billion in line with lower revenue coupled with higher operating expenditure partially cushioned by lower impairment losses and favourable foreign exchange gain due to strengthening of US Dollar against Ringgit.

B6. COMPARISON WITH PRECEDING QUARTER'S RESULTS

<i>In RM Mil</i>	Individual quarter ended	
	30 September 2021	30 June 2021
Revenue	61,773	57,072
EBITDA	26,274	23,212
PAT	16,312	9,636

PETRONAS Group revenue increased by RM4.7 billion or 8% in the third quarter of 2021 at RM61.8 billion as compared to the preceding quarter mainly attributable to improved average realised prices, partially offset by lower sales volume mainly for crude oil and condensates and LNG.

EBITDA was RM26.3 billion, increased by RM3.1 billion in line with higher revenue partially offset by higher product costs.

PAT for the third quarter of 2021 is higher by RM6.7 billion in line with higher EBITDA and lower taxation as well as net impairment write-back. Excluding impairment write-back/(losses)¹², the Group would record a PAT of RM15.4 billion for the quarter, higher as compared to RM9.7 billion for the preceding quarter.

B7. CURRENT FINANCIAL YEAR PROSPECTS

The current trajectory of the oil and gas industry is expected to continue, given modest recovery in demand underpinned by improvements of economic activities globally. PETRONAS will remain steadfast in driving operational and commercial excellence to improve its liquidity and profitability, in pursuit of its growth strategy.

¹² Includes impairment losses/write-off of exploration expenditure under intangible assets.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B10. BORROWINGS

The details of the Group borrowings as at 30 September 2021 are as follows:

<i>In RM Mil</i>	As at 30 September 2021	As at 31 December 2020
Non-Current		
Term loans	12,567	14,865
Lease liabilities	11,251	11,324
Notes and Bonds	61,864	45,014
Islamic financing facilities	6,095	5,605
Total non-current borrowings	91,777	76,808
Current		
Term loans	11,282	4,732
Lease liabilities	1,674	1,405
Islamic financing facilities	1,015	1,546
Revolving credits	959	1,384
Bankers' acceptances	78	1,656
Bank overdrafts	225	698
Total current borrowings	15,233	11,421
Total borrowings	107,010	88,229

<i>In RM Mil</i>	As at 30 September 2021	%	As at 31 December 2020	%
By Currency				
USD	86,852	81.2	70,798	80.2
RM	10,705	10.0	9,430	10.7
EUR	2,541	2.4	2,282	2.6
ZAR	2,278	2.1	2,301	2.6
CAD	2,868	2.7	2,030	2.3
INR	1,364	1.3	1,111	1.3
GBP	176	0.1	64	0.1
Others	226	0.2	213	0.2
	107,010	100.0	88,229	100.0

By Repayment Schedule				
< 1 year	15,233	14.2	11,421	12.9
1 to 5 years	31,374	29.3	28,060	31.8
5 to 10 years	21,410	20.0	9,960	11.3
> 10 years	38,993	36.5	38,788	44.0
	107,010	100.0	88,229	100.0

Drawdown of notes and bonds by the Group's entities were for development and production activities, debt refinancing and for general corporate purposes as disclosed in Note A9.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B11. PROFIT/(LOSS) FOR THE PERIOD

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2021	2020	2021	2020
Included in profit/(loss) for the period are the following charges:				
Bad debts written off	2	6	3	37
Depreciation and amortisation	8,223	8,579	24,802	26,282
Loss on disposal of:				
- property, plant and equipment	6	3	81	6
- subsidiaries	2	—	2	—
Net impairment losses on:				
- intangible assets	—	168	—	3,836
- loan and advances to a joint venture	—	—	35	48
- property, plant and equipment	—	5,527	—	27,298
- receivables	—	4	—	—
Net impairment loss/write-off on well costs ¹⁴	407	365	805	604
Net inventories written down to net realisable value	12	117	20	116
Net loss on:				
- derivatives	1,472	112	3,085	—
- foreign exchange	—	521	—	378
Property, plant and equipment written off	4	6	14	6
Write-off of trade receivables and loss on remeasurement of finance lease receivables	—	—	—	935
and credits:				
Dividend income	12	40	46	72
Gain on bargain purchase	—	—	—	261
Gain on disposal of:				
- investment in an associate	73	—	73	—
- other investments	—	—	5	—
- property, plant and equipment	—	116	557	169
- subsidiaries	—	—	—	171
Interest income	726	1,216	2,205	3,920
Net change in contract liabilities	110	43	330	131
Net gain on:				
- derivatives	—	—	—	13
- foreign exchange	154	—	916	—
Net write-back of impairment losses on:				
- intangible assets	1,357	—	1,357	—
- loan and advances to a joint venture	15	1	—	—
- property, plant and equipment	167	—	10	—
- receivables	187	—	645	35

¹⁴ Comprises net impairment loss and write-off of exploration expenditure under intangible assets.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

B12. EXCHANGE RATES

US Dollar/RM	30 September	Individual quarter ended		30 September	Cumulative quarter ended	
	2021	30 June 2021	30 September 2020	2021	30 September 2020	31 December 2020
Average rate	4.1971	4.1288	4.2033	4.1302	4.2354	4.2036
Closing rate	4.1890	4.1545	4.1575	4.1890	4.1575	4.0285

By order of the Board

Intan Shafinas (Tuty) Hussain (LS0009774)
 Company Secretary
 Kuala Lumpur
 30 November 2021