



PETRONAS Group **Quarterly Report**

For First Quarter Ended 31 March 2023

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

The Board of Directors of Petroliam Nasional Berhad ("PETRONAS" or the "Company") is pleased to announce the results of PETRONAS Group and its reportable segments for the first quarter ended 31 March 2023 which should be read in conjunction with the unaudited condensed consolidated financial statements and the accompanying explanatory notes on pages 7 to 26.

GROUP PERFORMANCE REVIEW¹

Individual quarter ended 31 December 2022	<i>In RM Mil</i>	31 March 2023	Individual quarter ended 31 March 2022 ²
105,881	Revenue	90,377	78,177
40,571	EBITDA ³	38,563	40,341
24,421	PAT ⁴	23,810	23,435
	<i>In RM Mil</i>	31 March 2023	Individual quarter ended 31 March 2022
	Cash flows from operating activities	25,534	27,882
	Capital investments ⁵	10,490	7,365
	<i>In RM Mil</i>	As at 31 March 2023	As at 31 December 2022
	Total assets	713,617	710,570
	Shareholders' equity	388,737	401,609
	Gearing ratio ⁶	20.9%	20.3%
	ROACE ⁷	20.3%	19.9%

First quarter

Comparison with corresponding quarter

PETRONAS Group's revenue of RM90.4 billion for the first quarter of 2023 rose by RM12.2 billion or 16% as compared to the first quarter of 2022 underpinned by improved sales volume and favourable impact from foreign exchange. This was partially offset by lower average realised prices from major products.

The Group recorded EBITDA of RM38.6 billion, lower by RM1.8 billion or 4% mainly due to higher product costs and operating expenditure partially negated by higher revenue.

PAT of RM23.8 billion was marginally higher by RM0.4 billion mainly due to higher interest income and lower taxation in line with lower profit partially offset by lower EBITDA.

¹ Comprises continuing and discontinued operations.

² Certain prior period information has been restated to conform with current period presentation.

³ Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortisation, net impairment losses on property, plant and equipment and intangible assets, provision for onerous contracts, loss/(gain) on remeasurement of net assets held for sale and the exclusion of financing costs and interest income.

⁴ Profit After Tax.

⁵ Capital investments are based on cash, inclusive of cost of acquisition of subsidiaries and investment in associates and joint ventures.

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.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

GROUP PERFORMANCE REVIEW (continued)

Cash flows from operating activities decreased by RM2.3 billion or 8% in line with lower cash generated from operations and higher taxation paid relating to prior year of assessment partially negated by higher interest income received. Capital investments amounted to RM10.5 billion was higher by RM3.1 billion or 42%, with higher domestic investment by 44%.

Total assets strengthened to RM713.6 billion as at 31 March 2023 against RM710.6 billion as at 31 December 2022 mainly contributed by higher cash and cash equivalents partially offset by lower receivables. Shareholders' equity of RM388.7 billion decreased by RM12.9 billion mainly attributable to dividends declared to shareholders amounting to RM35.0 billion partially offset by profit recorded during the period.

Gearing ratio and ROACE increased to 20.9% and 20.3% respectively as at 31 March 2023 from 20.3% and 19.9% respectively as at 31 December 2022 primarily contributed by lower equity as mentioned above.

Comparison with preceding quarter

PETRONAS Group's revenue of RM90.4 billion for the first quarter of 2023 was lower by RM15.5 billion or 15% as compared to the fourth quarter of 2022 mainly due to unfavourable average realised prices and impact from foreign exchange for major products.

The Group recorded EBITDA of RM38.6 billion, lower by RM2.0 billion or 5% in line with lower revenue partially offset by lower product costs, favourable impact from foreign exchange, lower operating expenditure and cash payments as well as higher share of profit from associates and joint ventures.

PAT of RM23.8 billion was lower by RM0.6 billion in tandem with lower EBITDA and net reversals of impairment losses/write-off on assets⁸ in the preceding quarter partially negated by lower taxation in line with lower profit and depreciation and amortisation. Excluding net impairment losses/write-off on assets, the Group would record a PAT of RM23.9 billion, higher by RM0.4 billion as compared to RM23.5 billion in the preceding quarter.

⁸ Includes net impairment losses/write-off of well costs and other exploration expenditure under intangible assets, loss on derecognition of financial assets measured at amortised cost and provision for onerous contracts, net of tax.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

UPSTREAM PERFORMANCE REVIEW

Individual quarter ended 31 December 2022	<i>Financial Indicators</i>	31 March 2023	Individual quarter ended 31 March 2022
	<i>In RM Mil</i>		
	Revenue		
14,366	Third party	10,331	13,470
27,360	Inter-segment	25,524	21,295
41,726		35,855	34,765
12,072	PAT	12,461	11,864

Individual quarter ended 31 December 2022	<i>Operational Indicators</i>	31 March 2023	Individual quarter ended 31 March 2022
	Production ⁹ ('000 boe ¹⁰ per day)		
872	Crude oil and condensates	857	836
1,614	Natural gas	1,640	1,620
2,486		2,497	2,456
	Entitlement ¹¹ ('000 boe per day)		
569	Crude oil and condensates	536	492
1,186	Natural gas	1,237	1,181
1,755		1,773	1,673

First quarter

Comparison with corresponding quarter

Revenue for the first quarter of 2023 was RM35.9 billion, higher by RM1.1 billion or 3% as compared to the first quarter of 2022 mainly contributed by higher crude oil and condensates and natural gas sales volume coupled with favourable impact from foreign exchange. This was partially offset by lower average realised price for crude oil and condensates.

PAT for the first quarter of 2023 was RM12.5 billion, increased by RM0.6 billion primarily due to higher revenue partially offset by higher product cost.

Total daily production average for the first quarter of 2023 was 2,497 thousand boe per day, higher by 41 thousand boe per day as compared to corresponding quarter mainly due to higher gas production from Malaysia operations, coupled with higher crude oil production from international operations. This was partially offset by lower condensates and natural gas production from international operations.

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 FIRST QUARTER ENDED 31 MARCH 2023

GAS PERFORMANCE REVIEW

Individual quarter ended 31 December 2022	<i>Financial Indicators</i>	31 March 2023	Individual quarter ended 31 March 2022
	<i>In RM Mil</i>		
	Revenue		
35,964	Third party	29,096	24,356
4,469	Inter-segment	4,082	3,153
40,433		33,178	27,509
15,381	PAT	8,759	8,444

Individual quarter ended 31 December 2022	<i>Operational Indicators</i>	31 March 2023	Individual quarter ended 31 March 2022
3,057	Malaysia average sales gas volume (mmscfd ¹²)	2,942	2,632
8.90	Gross LNG sales volume ¹³ (million tonnes)	8.88	8.38

First quarter

Comparison with corresponding quarter

Revenue for the first quarter of 2023 was RM33.2 billion, increased by RM5.7 billion or 21% as compared to the same quarter in 2022 mainly as a result of improved liquefied natural gas ("LNG") and processed gas average realised prices, higher sales volume as well as favourable impact from foreign exchange.

PAT was RM8.8 billion against RM8.4 billion in the same quarter of 2022 primarily driven by higher revenue and partially offset with higher product costs.

Malaysia average sales gas volume increased by 310 mmscfd mainly due to higher offtake from power sector in Peninsular Malaysia.

Gross LNG sales volume increased by 0.50 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 FIRST QUARTER ENDED 31 MARCH 2023

DOWNSTREAM PERFORMANCE REVIEW¹

Individual quarter ended 31 December 2022	<i>Financial Indicators</i>	31 March 2023	Individual quarter ended 31 March 2022 ²
	<i>In RM Mil</i>		
	Revenue		
50,065	Third party	45,874	37,101
2,992	Inter-segment	2,540	2,975
53,057		48,414	40,076
(1,840)	PAT/(LAT) ¹⁴	1,646	5,056

Individual quarter ended 31 December 2022	<i>Operational Indicators</i>	31 March 2023	Individual quarter ended 31 March 2022
77.2	Petroleum products sales volume (in million barrels)	77.2	58.3
30.0	Crude oil sales volume (in million barrels)	27.4	30.4
2.6	Petrochemical products sales volume (in million metric tonnes)	2.4	1.9

First quarter

Comparison with corresponding quarter

Revenue for the first quarter of 2023 was RM48.4 billion, higher by RM8.3 billion or 21% as compared to the same quarter in 2022 underpinned by higher sales volume partially offset by lower average realised prices for petroleum products and petrochemical products.

PAT was RM1.6 billion as compared to RM5.1 billion in the first quarter of 2022, lower by RM3.4 billion primarily due to lower refining and petrochemical margins in line with lower average realised prices.

Petroleum products sales volume was 77.2 million barrels, higher by 18.9 million barrels primarily driven by increased trading activities and higher marketing volume. Crude oil sales volume was 27.4 million barrels, lower by 3.0 million barrels mainly due to lower trading opportunities partially offset by higher marketing volume. Petrochemical products sales volume was 2.4 million metric tonnes, higher by 0.5 million metric tonnes in line with higher production.

¹ Comprises continuing and discontinued operations.

² Certain prior period information has been restated to conform with current period presentation.

¹⁴ Loss After Tax

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

CORPORATE AND OTHERS PERFORMANCE REVIEW

Individual quarter ended 31 December 2022	<i>Financial Indicators</i> <i>In RM Mil</i>	31 March 2023	Individual quarter ended 31 March 2022
5,486	Revenue	5,076	3,250
1,175	Third party	1,166	1,065
6,661	Inter-segment	6,242	4,315
(1,736)	PAT/(LAT)	582	(476)

First quarter

Comparison with corresponding quarter

Revenue for the first quarter of 2023 was RM6.2 billion, higher by RM1.9 billion or 45% as compared to the same quarter in 2022 mainly contributed by higher fund investment income following higher average rate of return in tandem with higher market rates.

PAT was RM0.6 billion as compared to LAT of RM0.5 billion in the same quarter last year, mainly attributable to higher revenue, coupled with favourable impact from foreign exchange. Nonetheless, this was partially offset by higher operating expenditure.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Individual quarter ended 31 December 2022	<i>In RM Mil</i>	31 March 2023	Individual quarter ended 31 March 2022 ²
	Continuing operations		
94,719	Revenue	81,471	70,113
(54,167)	Cost of revenue	(46,128)	(34,939)
40,552	Gross profit	35,343	35,174
(1,958)	Selling and distribution expenses	(2,065)	(1,906)
(4,104)	Administration expenses	(3,969)	(2,620)
1,068	Net impairment reversals/(losses) ¹⁵	(65)	(297)
(2,897)	Other expenses	(23)	(1,269)
1,531	Other income	1,792	912
34,192	Operating profit	31,013	29,994
(1,014)	Financing costs	(1,430)	(1,277)
(544)	Share of profit/(loss) after tax and non-controlling interests of equity accounted associates and joint ventures	209	634
32,634	Profit before taxation	29,792	29,351
(8,280)	Tax expense	(6,637)	(7,429)
24,354	PROFIT FOR THE PERIOD	23,155	21,922
	Discontinued operations¹⁶		
67	Profit for the period from discontinued operations, net of tax	655	1,513
24,421	PROFIT FOR THE PERIOD	23,810	23,435
	Profit attributable to:		
22,785	Shareholders of the Company	21,824	20,887
1,636	Non-controlling interests	1,986	2,548
24,421	PROFIT FOR THE PERIOD	23,810	23,435

² Certain prior period information has been restated to conform with current period presentation.

¹⁵ Excludes well costs and includes certain amount relating to write-back and write-off of other assets and loss on derecognition of financial assets measured at amortised cost.

¹⁶ See Note A15.

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Individual quarter ended 31 December 2022	<i>In RM Mil</i>	31 March 2023	Individual quarter ended 31 March 2022
24,421	PROFIT FOR THE PERIOD	23,810	23,435
	Other comprehensive income/(loss)		
	<i>Items that will not be reclassified subsequently to profit or loss</i>		
71	Net changes in fair value of equity investments at fair value through other comprehensive income ("OCI")	(9)	(8)
	<i>Items that may be reclassified subsequently to profit or loss</i>		
(8,935)	Net movements from exchange differences	(181)	2,238
1,089	Cash flow hedge	747	(110)
(32)	Others	(5)	73
(7,807)	Total other comprehensive income/(loss) for the period	552	2,193
16,614	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	24,362	25,628
	Total comprehensive income attributable to:		
15,353	Shareholders of the Company	22,368	22,514
1,261	Non-controlling interests	1,994	3,114
16,614	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	24,362	25,628

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	As at 31 March 2023	As at 31 December 2022
ASSETS		
Property, plant and equipment	300,999	301,218
Investment properties and land held for development	12,452	12,658
Investments in associates and joint ventures	8,195	8,114
Intangible assets	27,287	26,260
Long-term receivables	41,473	41,127
Fund and other investments	1,322	1,425
Deferred tax assets	19,496	20,675
TOTAL NON-CURRENT ASSETS	411,224	411,477
Trade and other inventories	15,571	15,612
Trade and other receivables	50,825	53,998
Fund and other investments	10,907	10,945
Cash and cash equivalents	208,087	201,220
	285,390	281,775
Assets classified as held for sale	17,003	17,318
TOTAL CURRENT ASSETS	302,393	299,093
TOTAL ASSETS	713,617	710,570
EQUITY		
Share capital	100	100
Reserves	388,637	401,509
Total equity attributable to shareholders of the Company	388,737	401,609
Non-controlling interests	57,275	58,822
TOTAL EQUITY	446,012	460,431
LIABILITIES		
Borrowings	96,166	96,345
Deferred tax liabilities	12,029	11,829
Other long-term liabilities and provisions	49,795	50,418
TOTAL NON-CURRENT LIABILITIES	157,990	158,592
Trade and other payables	50,569	63,677
Borrowings	9,059	7,812
Taxation	7,527	8,438
Dividend payable	31,000	—
	98,155	79,927
Liabilities classified as held for sale	11,460	11,620
TOTAL CURRENT LIABILITIES	109,615	91,547
TOTAL LIABILITIES	267,605	250,139
TOTAL EQUITY AND LIABILITIES	713,617	710,570

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to shareholders of the Company</i>				
	<i>Non-distributable</i>				
<i>In RM Mil</i>	Share Capital	Capital and Other Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve	Hedging Reserve
Individual quarter ended 31 March 2023					
Balance at 1 January 2023	100	15,987	39,771	145	863
Net changes in fair value of equity investments at fair value through OCI	—	—	—	(9)	—
Net movements from exchange differences	—	—	(205)	—	—
Cash flow hedge ¹⁷	—	—	—	—	767
Others	—	(9)	—	—	—
Total other comprehensive income/(loss) for the period, net of tax	—	(9)	(205)	(9)	767
Profit for the period	—	—	—	—	—
Total comprehensive income/(loss) for the period	—	(9)	(205)	(9)	767
Changes in ownership interests in a subsidiary	—	—	120	—	—
Redemption of redeemable preference shares in a subsidiary	—	—	—	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	—	120	—	—
Balance at 31 March 2023	100	15,978	39,686	136	1,630
					<i>continue to next page</i>
Individual quarter ended 31 March 2022					
Balance at 1 January 2022	100	15,838	33,370	574	(1,608)
Net changes in fair value of equity investments at fair value through OCI	—	—	—	(8)	—
Net movements from exchange differences	—	—	1,930	—	—
Cash flow hedge ¹⁷	—	—	—	—	(364)
Others	—	69	—	—	—
Total other comprehensive income/(loss) for the period, net of tax	—	69	1,930	(8)	(364)
Profit for the period	—	—	—	—	—
Total comprehensive income/(loss) for the period	—	69	1,930	(8)	(364)
Changes in ownership interests in subsidiaries	—	—	—	—	—
Dividends	—	—	—	—	—
Total transactions with shareholders	—	—	—	—	—
Balance at 31 March 2022	100	15,907	35,300	566	(1,972)
					<i>continue to next page</i>

¹⁷ Includes RM195 million (31 March 2022: (RM1,117 million)) cost of hedging reserve movement during the period.

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company			Non- Controlling Interests	Total Equity
	Distributable		Total		
<i>In RM Mil</i>	General Reserve	Retained Profits	Total		
Individual quarter ended 31 March 2023					
Balance at 1 January 2023	12,000	332,743	401,609	58,822	460,431
Net changes in fair value of equity investments at fair value through OCI	—	—	(9)	—	(9)
Net movements from exchange differences	—	—	(205)	24	(181)
Cash flow hedge ¹⁷	—	—	767	(20)	747
Others	—	—	(9)	4	(5)
Total other comprehensive income/(loss) for the period, net of tax	—	—	544	8	552
Profit for the period	—	21,824	21,824	1,986	23,810
Total comprehensive income/(loss) for the period	—	21,824	22,368	1,994	24,362
Changes in ownership interests in a subsidiary	—	(360)	(240)	(588)	(828)
Redemption of redeemable preference shares in a subsidiary	—	—	—	(415)	(415)
Dividends	—	(35,000)	(35,000)	(2,538)	(37,538)
Total transactions with shareholders	—	(35,360)	(35,240)	(3,541)	(38,781)
Balance at 31 March 2023	12,000	319,207	388,737	57,275	446,012
					<i>continued from previous page</i>
Individual quarter ended 31 March 2022					
Balance at 1 January 2022	12,000	290,529	350,803	53,484	404,287
Net changes in fair value of equity investments at fair value through OCI	—	—	(8)	—	(8)
Net movements from exchange differences	—	—	1,930	308	2,238
Cash flow hedge ¹⁷	—	—	(364)	254	(110)
Others	—	—	69	4	73
Total other comprehensive income/(loss) for the period, net of tax	—	—	1,627	566	2,193
Profit for the period	—	20,887	20,887	2,548	23,435
Total comprehensive income/(loss) for the period	—	20,887	22,514	3,114	25,628
Changes in ownership interests in subsidiaries	—	74	74	(68)	6
Dividends	—	(25,000)	(25,000)	(2,634)	(27,634)
Total transactions with shareholders	—	(24,926)	(24,926)	(2,702)	(27,628)
Balance at 31 March 2022	12,000	286,490	348,391	53,896	402,287
					<i>continued from previous page</i>

¹⁷ Includes RM195 million (31 March 2022: (RM1,117 million)) cost of hedging reserve movement during the period.

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Individual quarter ended	
	31 March 2023	31 March 2022
Cash flows from operating activities		
Profit before taxation from:		
- continuing operations	29,792	29,351
- discontinued operations	694	1,758
Profit before taxation	30,486	31,109
Adjustments for:		
Change in contract liabilities	(91)	(41)
Change in provisions	(5)	9
Depreciation and amortisation	9,102	7,976
Financing costs	1,505	1,328
Interest income	(2,586)	(790)
Loss on remeasurement of net assets classified as held for sale	—	793
Net (gain)/loss on disposal of investment in a subsidiary and property, plant and equipment	(934)	188
Net impairment losses/(reversals) on:		
- intangible assets	49	18
- loan and advances to a joint venture	30	27
- property, plant and equipment	91	—
- trade and other receivables	(103)	(42)
Net impairment/write-off on well costs	71	—
Net reversal of inventories written down to net realisable value	(47)	(12)
Net unrealised gain on foreign exchange	(907)	(134)
Net unrealised (gain)/loss on derivatives	(65)	10
Net write-off of:		
- bad debts	—	1
- property, plant and equipment	—	295
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	(209)	(636)
Other non-cash items	—	(159)
Operating profit before changes in working capital	36,387	39,940
Net changes in working capital	(4,418)	(8,719)
Cash generated from operations	31,969	31,221
Interest expenses paid	(915)	(937)
Interest income received	2,586	790
Taxation paid	(8,106)	(3,192)
Net cash generated from operating activities	25,534	27,882

continue to next page

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	Individual quarter ended	
	31 March 2023	31 March 2022
Cash flows from investing activities		
Acquisition of a subsidiary, net of cash acquired	(1,380)	—
Dividends received	182	205
Investments in:		
- joint ventures	(88)	(386)
- securities and other investments	(725)	(768)
Proceeds from disposal/partial disposal of:		
- investment in a subsidiary, net of cash disposed	—	217
- investments in associates	—	829
- property, plant and equipment	823	8,137
- securities and other investments	827	568
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	(8,933)	(6,979)
Net cash (used in)/generated from investing activities	(9,294)	1,823
Cash flows from financing activities		
Dividends paid	(4,000)	(3,000)
Dividends paid to non-controlling interests	(2,538)	(2,634)
Drawdown of borrowings	3,828	5,730
Payment of lease liabilities	(1,077)	(907)
Payment to non-controlling interests on additional equity interests	(496)	—
Payment to non-controlling interests on redemption of redeemable preference shares	(415)	—
Proceeds from partial disposal of equity interest to non-controlling interests	—	6
Repayment of borrowings	(3,720)	(11,345)
Net cash used in financing activities	(8,418)	(12,150)
Net increase in cash and cash equivalents	7,822	17,555
Decrease in cash and cash equivalents restricted	51	384
Net foreign exchange differences	(330)	738
Cash and cash equivalents at beginning of the year	200,384	163,558
Cash and cash equivalents at end of the period	207,927	182,235
Cash and cash equivalents		
Cash and bank balances and deposits	208,087	183,966
Bank overdrafts	(28)	(1,019)
Classified as held for sale:		
- Cash and bank balances	989	284
- Bank overdrafts	(133)	—
	208,915	183,231
Less: Cash and cash equivalents restricted	(988)	(996)
	207,927	182,235

continued from previous page

During the period, RM25 billion has been allocated for the purpose of PETRONAS' decarbonisation and clean energy pursuits.

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

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 2022.

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 2022.

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 31 March 2023.

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 2023 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for year ended 31 December 2022 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.

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts

Amendment to MFRS 17 Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)

Amendments to MFRS 101 Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)

Amendments to MFRS 112 Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

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

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2022 were not subjected to any audit qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A5. EXCEPTIONAL ITEMS

There were no exceptional items during the period under review.

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 2022 that may have material effect in the results of the period under review.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

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

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 B7.

A8. DIVIDENDS PAID

During the period, the Company paid a dividend of RM4 billion, being partial payment of the approved dividend of RM350,000 per ordinary share amounting to RM35 billion declared on 23 February 2023.

The remaining amount of the dividend amounting to RM31 billion will be paid in instalments between April 2023 and November 2023.

A9. SIGNIFICANT EVENT

On 29 March 2023, PETRONAS via its partly-owned subsidiary, PETRONAS Dagangan Berhad ("PDB") has announced the establishment of Islamic Commercial Papers Programme and Islamic Medium Term Notes Programme with a combined aggregate limit of up to RM10.0 billion in nominal value based on the Shariah principle of Wakalah Bi Al-Istithmar (collectively, the "Sukuk Wakalah Programmes"). The proceeds will be used to finance PDB and/or its subsidiaries' Shariah-compliant general corporate purposes, which include investments, capital expenditure, working capital requirements and/or refinancing of existing or future financing. As at to date, PDB has not issued nor utilised any amount from the Sukuk Wakalah Programmes.

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

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

A11. COMMITMENTS

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 2022.

A12. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last audited consolidated financial statements for the year ended 31 December 2022.

A13. CHANGES IN COMPOSITION OF THE GROUP

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

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 period.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

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

A14. FAIR VALUE INFORMATION (continued)

31 March 2023

In RM Mil

	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	1,491	—	—	1,491
Unquoted shares	—	—	1,230	1,230
Malaysian Government Securities	—	1,694	—	1,694
Corporate Bonds and Sukuk	—	7,864	—	7,864
Forward foreign exchange contracts	—	246	—	246
Commodity derivatives	545	2,831	—	3,376
Interest rate swaps	—	877	—	877
	2,036	13,512	1,230	16,778
Financial liabilities				
Forward foreign exchange contracts	—	(191)	—	(191)
Commodity derivatives	(374)	(127)	—	(501)
Interest rate swaps	—	(8)	—	(8)
	(374)	(326)	—	(700)

31 December 2022

In RM Mil

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

Derivative financial instruments

As disclosed in the Group's audited consolidated financial statements for the year ended 31 December 2022, the Group is exposed to various risks which may affect the value of the Group's assets, liabilities or expected future cash flows. To mitigate these exposures from a business perspective, the Group enters into various hedging activities and applies hedge accounting on the fair value movement of certain commodity derivatives and interest rate swaps to hedge its exposures. Methods and assumptions used to estimate the fair values as at 31 March 2023 are consistent with those used as at 31 December 2022.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

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

A15. DISCONTINUED OPERATIONS

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

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

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

Individual quarter ended 31 December		31 March	Individual quarter ended 31 March
2022	<i>In RM Mil</i>	2023	2022
11,162	Revenue	8,906	8,064
(10,642)	Cost of revenue	(7,814)	(5,976)
520	Gross profit	1,092	2,088
(266)	Selling and distribution expenses	(195)	(170)
(320)	Administration expenses	(206)	(219)
(42)	Net impairment losses ¹⁸	—	(1)
(33)	Other expenses	(143)	(113)
174	Other income	221	222
33	Operating profit	769	1,807
(89)	Financing costs	(75)	(51)
2	Share of profit after tax and non-controlling interest of equity accounted associates and joint ventures	—	2
(54)	Profit/(Loss) before tax from discontinued operations	694	1,758
121	Tax expense	(39)	(245)
67	Profit for the period from discontinued operations	655	1,513
	Other comprehensive income		
(4)	Net changes in fair value of equity investments at fair value through OCI	2	—
19	Net movements from exchange differences of discontinued operations	(133)	321
82	Other comprehensive income from discontinued operations	524	1,834

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

<i>In RM Mil</i>	Individual quarter ended 31 March	Individual quarter ended 31 March
	2023	2022
Net cash generated from operating activities	846	229
Net cash used in investing activities	(35)	(33)
Net cash used in financing activities	(20)	(208)
Net increase/(decrease) in cash and cash equivalents	791	(12)

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

¹⁸ Includes certain amount relating to write-off of assets.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

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

A16. OPERATING SEGMENTS

The Group's reportable segments comprise Upstream, Gas 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 2022.

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 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.

A16.1 Segment revenue

Individual quarter ended 31 December 2022	<i>In RM Mil</i>	31 March 2023	Individual quarter ended 31 March 2022
	Third-parties		
14,366	Upstream	10,331	13,470
35,964	Gas	29,096	24,356
50,065	Downstream ¹⁹	45,874	37,101
5,486	Corporate and Others	5,076	3,250
<u>105,881</u>	Total third-parties	<u>90,377</u>	<u>78,177</u>
	Inter-segment		
27,360	Upstream	25,524	21,295
4,469	Gas	4,082	3,153
2,992	Downstream	2,540	2,975
1,175	Corporate and Others	1,166	1,065
<u>35,996</u>	Total inter-segment	<u>33,312</u>	<u>28,488</u>
	Gross total		
41,726	Upstream	35,855	34,765
40,433	Gas	33,178	27,509
53,057	Downstream	48,414	40,076
6,661	Corporate and Others	6,242	4,315
<u>141,877</u>	Total	<u>123,689</u>	<u>106,665</u>

¹⁹Includes revenue from discontinued operations of RM8,906 million (Quarter 1 2022: RM8,064 million; Quarter 4 2022: RM11,162 million). Prior period information has been restated to conform with current period presentation.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

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

A16. OPERATING SEGMENTS (continued)

A16.2 Segment PAT

Individual quarter ended 31 December 2022	<i>In RM Mil</i>	31 March 2023	Individual quarter ended 31 March 2022
12,072	Upstream	12,461	11,864
15,381	Gas	8,759	8,444
(1,840)	Downstream	1,646	5,056
(1,736)	Corporate and Others	582	(476)
23,877	Total PAT for reportable segments	23,448	24,888
544	Elimination of inter-segment transactions	362	(1,453)
24,421	Consolidated PAT	23,810	23,435

A17. REVENUE

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

Individual quarter ended 31 December 2022	<i>In RM Mil</i>	31 March 2023	Individual quarter ended 31 March 2022
	Revenue from contract customers		
13,229	Upstream	9,578	12,499
33,746	Gas	29,198	24,812
49,826	Downstream ^{1,2}	45,650	36,853
3,020	Corporate and Others	1,677	1,758
99,821	Total revenue from contract customers	86,103	75,922
	Other revenue		
1,137	Upstream	753	971
2,218	Gas ²⁰	(102)	(456)
239	Downstream ²	224	248
2,466	Corporate and Others	3,399	1,492
6,060	Total other revenue	4,274	2,255
	Total		
14,366	Upstream	10,331	13,470
35,964	Gas	29,096	24,356
50,065	Downstream	45,874	37,101
5,486	Corporate and Others	5,076	3,250
105,881	Total	90,377	78,177

¹ Comprises continuing and discontinued operations.

² Certain prior period information has been restated to conform with current period presentation.

²⁰ Inclusive of net trading gain/(losses).

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES

B1. COMMENTARY ON PROSPECTS

Oil and gas prices are expected to moderate due to continued economic uncertainties, hence lower profitability is anticipated compared to last year. Nevertheless, PETRONAS remains committed to strengthening its business activities, while pursuing its sustainability agenda.

B2. PROFIT FORECAST OR PROFIT GUARANTEE

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

B3. STATUS OF CORPORATE PROPOSALS

There were no other material corporate proposals announced but not completed since the last audited consolidated financial statements for the year ended 31 December 2022, other than as disclosed in Note A15.

B4. TAXATION

Individual quarter ended 31 December 2022	<i>In RM Mil</i>	31 March 2023	Individual quarter ended 31 March 2022
8,280	Tax expenses from continuing operations	6,637	7,429
(121)	Tax expenses from discontinued operations	39	245
<u>8,159</u>	Total tax expenses	<u>6,676</u>	<u>7,674</u>
	<i>Components of tax expenses include:</i>		
	Current tax expenses		
5,284	Malaysia	5,176	6,695
1,646	Overseas	305	579
<u>6,930</u>		<u>5,481</u>	<u>7,274</u>
	Deferred tax expenses		
1,229	Origination and reversal of temporary differences	1,195	400
<u>8,159</u>		<u>6,676</u>	<u>7,674</u>

The Group's effective tax rate for the current quarter was 22%, 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.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

B5. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at 31 March 2023	As at 31 December 2022
By Currency		
RM	54.6	55.4
USD	43.9	42.8
Others	1.5	1.8
	<u>100.0</u>	<u>100.0</u>
By Maturity²¹		
< 1 year	95.4	95.2
1 to 5 years	1.8	1.8
5 to 10 years	2.8	3.0
	<u>100.0</u>	<u>100.0</u>
By Type		
Money market	94.4	94.2
Corporate bonds	3.5	3.7
Equities	2.1	2.1
	<u>100.0</u>	<u>100.0</u>

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

²¹ Refers to instrument maturity dates; excludes equities.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

B6. TRADE RECEIVABLES

The breakdown of trade receivables as at 31 March 2023 are as follows:

<i>In RM Mil</i>	As at 31 March 2023	As at 31 December 2022
Trade receivables		
Third party	28,685	33,304
Amount due from associates and joint arrangements	12,567	11,941
Contract assets	7,367	6,859
	<u>48,619</u>	<u>52,104</u>
Less: Impairment losses	(1,700)	(1,805)
	<u>46,919</u>	<u>50,299</u>

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

<i>In RM Mil</i>	As at 31 March 2023	As at 31 December 2022
At net		
Not past due	43,790	47,142
Past due 1 to 30 days	496	226
Past due 31 to 60 days	81	228
Past due 61 to 90 days	493	34
Past due more than 90 days	2,059	2,669
	<u>46,919</u>	<u>50,299</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 FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

B7. BORROWINGS

The details of the Group borrowings as at 31 March 2023 are as follows:

<i>In RM Mil</i>	As at 31 March 2023	As at 31 December 2022
Non-Current		
Term loans	17,201	15,759
Lease liabilities	12,521	13,291
Notes and Bonds	61,929	61,917
Islamic financing facilities	4,515	5,378
Total non-current borrowings	96,166	96,345
Current		
Term loans	3,833	4,789
Lease liabilities	2,400	1,782
Islamic financing facilities	1,626	794
Revolving credits	817	154
Bankers' acceptances	355	293
Bank overdrafts	28	—
Total current borrowings	9,059	7,812
Total borrowings	105,225	104,157

<i>In RM Mil</i>	As at 31 March 2023		As at 31 December 2022	
	%	%	%	%
By Currency				
USD	88,277	84.0	87,975	84.5
RM	11,104	10.5	11,461	11.0
EUR	2,357	2.2	2,279	2.2
AUD	988	0.9	—	—
CAD	371	0.4	385	0.3
INR	1,886	1.8	1,803	1.7
GBP	10	—	16	0.1
Others	232	0.2	238	0.2
	105,225	100.0	104,157	100.0

By Repayment Schedule				
< 1 year	9,059	8.6	7,812	7.5
1 to 5 years	33,699	32.0	33,395	32.1
5 to 10 years	24,994	23.8	25,122	24.1
> 10 years	37,473	35.6	37,828	36.3
	105,225	100.0	104,157	100.0

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

B8. MATERIAL LITIGATION

There were no material litigation since the last audited consolidated financial statements for the year ended 31 December 2022.

B9. 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 2022, other than as disclosed in Note A14.

B10. 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.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

B11. PROFIT FOR THE PERIOD

Individual quarter ended 31 December 2022	<i>In RM Mil</i>	31 March 2023	Individual quarter ended 31 March 2022
	Included in profit for the period are the following charges:		
9,574	Depreciation and amortisation	9,102	7,976
939	Loss on derecognition of financial assets measured at amortised cost	—	—
82	Loss on remeasurement of net assets classified as held for sale	—	793
	Net impairment losses on:		
1,329	- intangible assets	49	18
15	- investment properties	—	—
96	- loan and advances to joint ventures	30	27
—	- property, plant and equipment	91	—
847	Net impairment/write-off on well costs	71	—
29	Net inventories written down to net realisable value/written off	—	—
	Net loss on:		
404	- derivatives	422	1,323
1,724	- foreign exchange	—	—
	Net loss on disposals of:		
4	- property, plant and equipment	—	324
33	- other investments	—	—
	Net write-off of:		
39	- bad debts	—	1
35	- property, plant and equipment	—	295
	and credits:		
1	Bad debts recovered	2	1
17	Dividend income	42	169
2,156	Interest income	2,586	790
45	Net change in contract liabilities	91	41
	Net gain on disposal of:		
15	- investment in associates	—	—
—	- investment in a subsidiary	—	136
—	- property, plant and equipment	934	—
	Net gain on:		
—	- foreign exchange	14	537
	Net impairment reversals on:		
1,948	- property, plant and equipment	—	—
1,530	- trade and other receivables	103	42
—	Net reversal of inventories written down to net realisable value	47	12

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

B11. 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.

B12. EXCHANGE RATES

Individual quarter ended 31 December 2022	US Dollar/RM	31 March 2023	Individual quarter ended 31 March 2022
4.5756	Average rate	4.3906	4.1925
4.4150	Closing rate	4.4150	4.2030

By order of the Board

Intan Shafinas (Tuty) Hussain (LS0009774)
 Company Secretary
 Kuala Lumpur
 30 May 2023