



Dear Stakeholders,

We take a balanced approach in strengthening our Core Business and capturing new growth opportunities for New Business while responsibly managing our carbon emissions, demonstrating our clear ambition for a just transition.

Liza Mustapha

Executive Vice President and Group Chief Financial Officer

Letter from the Executive Vice President and Group Chief Financial Officer

The Financial Year in Review

PETRONAS faced a volatile operating environment in 2023, marked by persistent interest rate hikes by major central banks as well as the overall weakening economic growth and demand in the global oil markets, primarily in China and Europe. This outweighed the impact of supply tightness from OPEC+ cuts and supply disruption risks due to the ongoing geopolitical tensions, resulting in unfavourable average realised prices for the year.

In response, we continued to exercise strict capital discipline and robust portfolio management, leveraging on our strong integrated value chain as well as operational and commercial excellence. Our commitment to execute the PETRONAS Energy Transition Strategy ensures we take a balanced approach in strengthening our Core Business and capturing new growth opportunities for New Business while responsibly managing our carbon emissions, demonstrating our clear ambition for a just transition. This allowed us to turn challenges into opportunities presented to us during the year.

As a result of these efforts, the Group delivered a resilient financial performance despite the challenges. Our Profit After Tax for FY2023 was RM80.7 billion, a 21 per cent decrease from FY2022 of RM101.6 billion on the back of lower revenue realised.

Revenue

RM343.6
billion

2022: RM372.3 billion*

We recorded revenue of RM343.6 billion in FY2023 against RM372.3 billion in FY2022. The eight per cent decrease is primarily due to the unfavourable average realised prices, partly cushioned by the higher sales volume mainly from petroleum products and foreign exchange impact.

Our Earnings Before Interest, Taxes, Depreciation and Amortisation for FY2023 was RM128.6 billion representing a 25 per cent decrease from RM170.7 billion in FY2022, in line with the lower profit recorded.

Profit After Tax

RM80.7
billion

2022: RM101.6 billion

Resilient Financial Position

We foresee increasing challenges in accessing capital markets especially for energy players, as such it is imperative for PETRONAS to maintain an effective cash management strategy to navigate through the unpredictability of the energy market and rising operating costs compounded by the possibility of a global economic slowdown.

Total Assets

RM773.3
billion

2022: RM710.6 billion

We were thus resilient in delivering positive Cash Flows from Operations (CFFO) of RM114.2 billion this year notwithstanding a 16 per cent decrease from FY2022 in line with lower profit. This was sufficient to cover expenses to enable safe business operations, financial commitments and debt obligations while at the same time support growth investments, payments to our shareholders and community well-being.

Total assets strengthened to RM773.3 billion as at 31 December 2023 against RM710.6 billion as at 31 December 2022 mainly contributed by capital investments during the year as well as higher cash, fund and other investments balances.



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Capital Allocation

Our Core Business remains our biggest cash generator which allows us to fund and pursue our energy transition journey and net zero carbon emissions targets. PETRONAS' priority is to strike the right balance between growth in our Core Business and New Business while managing our emissions responsibly. It is also imperative that we further unlock value and extract resources responsibly to sustain the domestic oil and gas value chain which serves as the backbone to the Malaysian economy.

In FY2023, our overall Capital Expenditure (CAPEX) stood at RM52.8 billion, a RM2.7 billion increase compared to the previous year. This includes significant domestic investments to ensure energy security for Malaysia and PETRONAS' customers.

Domestic CAPEX increased by 41 per cent to RM26.2 billion from RM18.6 billion, making good progress in the development of the Nearshore Floating LNG Facility in Sabah as well as our maiden carbon capture and storage facility in Sarawak. These projects will allow us to further strengthen our Core Business and at the same time step-out into New Business areas.

Although CAPEX was equally split between domestic and international, the allocation for international CAPEX saw a 16 per cent decrease from FY2022 to RM26.6 billion.

*Prior year revenue and group costs have been restated to conform with current year presentation with no impact on Profit After Tax.

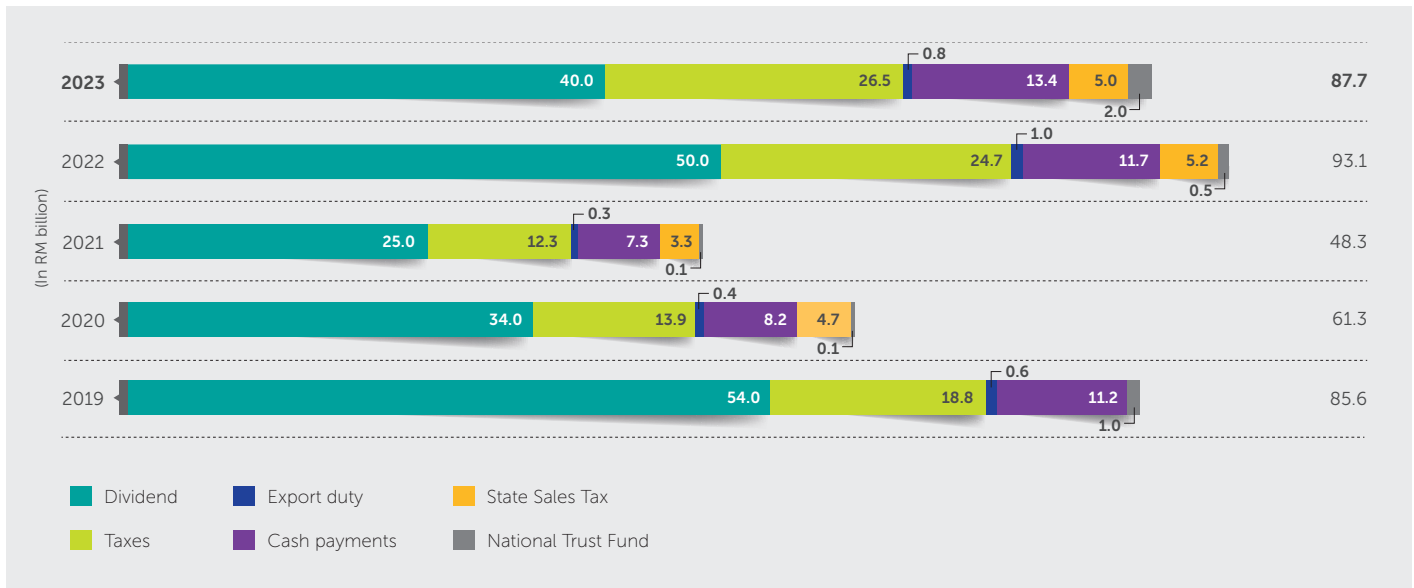
Letter from the Executive Vice President and Group Chief Financial Officer

Capital investment allocation over the next five years (from FY2024 to FY2028) is expected to increase by 43 per cent from the last five years (FY2019 to FY2023). More than 50 per cent of this amount will be allocated to core activities to sustain the delivery of energy security, while the remaining will be spent predominantly on new businesses and net zero carbon emissions efforts.

In supporting the PETRONAS Energy Transition Strategy, we remain committed towards allocating 20 per cent of PETRONAS' total CAPEX over the five years starting from 2022 to 2026 for decarbonisation projects and expansion into cleaner energy solutions. This is in support of our Net Zero Carbon Emissions by 2050 Pathway announced in November 2022. In 2023, 16 per cent was spent for this purpose, of which two-thirds were related to renewables and green mobility. This was an increase from two per cent spent the previous year and includes the undertaking of enterprise decarbonisation initiatives to reduce GHG emissions to the targeted level of 49.5 million tonnes CO₂e for PETRONAS' Malaysia operations. We will continuously monitor and reallocate budget for decarbonisation efforts based on requirement and opportunities.

Contributions to the Government

Our cash contributions to the Federal and State Governments of Malaysia in the form of dividends, taxes and cash payments, including contributions made to the National Trust Fund (*Kumpulan Wang Amanah Negara*) amounted to RM87.7 billion. In FY2023, the Federal Government of Malaysia received total dividends of RM40 billion.



*Contributions to the Federal and State Governments of Malaysia are based on cash paid during the year.

To date, our cumulative contributions to the Federal Government of Malaysia, state governments and National Trust Fund amount to RM1.46 trillion.

Governance and Transparency

Our prudent financial and liquidity management, fiscal discipline, coupled with a conservative balance sheet and strong credit ratings enabled us to maintain access to capital to support our ambition and future-proof our portfolio as well as navigate the energy transition journey.

PETRONAS' credit ratings remain strong with a rating of A2, A- and BBB+ from Moody's, Standard & Poor's (S&P) and Fitch respectively. Our standalone credit profile is four notches above our credit ratings as assessed by S&P and Fitch, which affirms our solid business fundamentals and resilience to weather volatile market conditions.

Our adherence to the best principles of corporate governance in line with the Malaysian Code on Corporate Governance is showcased by the following:

- Our financial statements are audited by global accounting firms and comply with Malaysian and International Financial Reporting standards, at par with other Fortune Global 500® companies.
- We safeguard our profitability by managing our commodity price risk exposures via hedging.
- We were awarded the Platinum Awards in Excellence Awards (Non-Listed Organisation) category for three consecutive years (2021, 2022 and 2023) for our annual issuance of Integrated Report by the National Annual Corporate Report Awards.
- We adopted the Task Force on Climate-related Financial Disclosures framework in the FY2022 Integrated Report for the first time, with readiness for full adoption by FY2024.

We further advanced our commitment towards our Net Zero Carbon Emissions by 2050 Pathway by strengthening and aligning ESG reporting to industry standards:

- Continuing adherence to GHG Protocol on emissions accounting. We obtained independent third party verification to demonstrate credibility of our data.
- Closing the gaps on Global Reporting Initiative Standards.

Our strong commitment towards governance and transparency will facilitate our energy transition journey in alignment with Malaysia's National Energy Transition Roadmap.

Outlook for 2024

We expect to see slower global demand going forward as businesses and consumers become more cautious towards spending and investments following the macroeconomic headwinds which affected the global economy at the end of 2023. Supply risks will be further heightened by the increased geopolitical tensions. At the same time, the shift towards cleaner energy solutions continues.

Our key financial targets for FY2024 will be to maintain our strong financial position, safely delivering commercial and operational excellence, scale up investments in decarbonisation projects and New Business as well as ensuring access to funding. We aim to further intensify efforts to future-proof our portfolio to counter increasing headwinds while remaining focused on pursuing our growth and sustainability agenda, delivering energy security while navigating energy transition in a just and orderly manner.

Liza Mustapha

Executive Vice President and Group Chief Financial Officer