

IMPORTANT NOTICE

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) OR (2) PERSONS OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the offering circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the following offering circular or make an investment decision with respect to the securities, investors must be either (I) qualified institutional buyers ("QIBs") (within the meaning of Rule 144A under the Securities Act) or (II) persons outside of the U.S. (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing the following offering circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) persons outside of the U.S. and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and (2) you consent to the delivery of such offering circular by electronic transmission.

You are reminded that the following offering circular has been delivered to you on the basis that you are a person into whose possession the following offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the following offering circular to any other person. If this is not the case you must return this offering circular to us immediately.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers (as defined below) or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the issuer in such jurisdiction.

The following offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Morgan Stanley & Co. International plc, as Global Coordinator, and CIMB Bank (L) Limited, Citigroup Global Markets Limited and Morgan Stanley & Co. International plc (collectively, the "Managers") nor any person who controls the Managers nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR



PETRONAS Global Sukuk Ltd.

(incorporated in Labuan, Malaysia with limited liability)

US\$1,500,000,000 TRUST CERTIFICATES DUE 2014

PRICE 99.871%

The US\$1,500,000,000 Trust Certificates due 2014 (the "Certificates") will be issued by PETRONAS Global Sukuk Ltd. (the "Issuer") and will be constituted by a declaration of trust (the "Declaration of Trust") dated on or about August 12, 2009 (the "Closing Date") made by the Issuer, the Issuer in its capacity as trustee (the "Trustee"), Petroliaam Nasional Berhad ("PETRONAS") and The Bank of New York Mellon, London Branch (the "Delegate"). Pursuant to the Declaration of Trust, the Issuer will declare that it will hold certain assets (the "Trust Assets"), primarily consisting of the Trustee's right to the Sukuk Assets (as defined below), the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (as defined herein), all monies which may now be, or hereafter from time to time are, standing to the credit of the Transaction Account (as defined herein) and all proceeds of the foregoing, upon trust absolutely for the holders of the Certificates (the "Certificateholders" and each a "Certificateholder") *pro rata* according to the principal amount of the Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the "Conditions"). The Certificates will rank *pari passu* among themselves. The Certificates constitute limited recourse obligations of the Issuer.

On February 12, 2010, and thereafter on each February 12 and August 12 in each year (each a "Periodic Distribution Date") up to and including the Periodic Distribution Date falling on August 12, 2014 (or if such a day is not a Business Day (as defined herein), the following Business Day (unless it would thereby fall into the next calendar month, in which event such day shall be the immediately preceding Business Day)), the Issuer will pay a Periodic Distribution Amount (as defined herein) from proceeds received from and in respect of the Trust Assets to Certificateholders which is calculated on the basis of 4.25% per annum of the outstanding principal amount of the Certificates as at the end of the Periodic Distribution Period (as defined herein) on a 30/360 day basis. The Certificates will not be redeemable in whole or in part prior to August 12, 2014 (the "Scheduled Redemption Date") except upon the occurrence of a Total Loss, a Dissolution Event or a Tax Event, each as further described herein. Certificateholders should note that, through a combination of the Lease Agreement, the Purchase Undertaking and the Servicing Agency Agreement (each as defined herein) the ability of the Issuer to pay the amounts due in respect of the Certificates will ultimately be dependent on PETRONAS.

Investing in the Certificates involves risk. You should read "Risk Factors" beginning on page 20 before investing in the Certificates.

The Certificates have been rated A- by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., and A1 by Moody's Investor Services, Inc. These credit ratings are not a recommendation to purchase, hold or sell the Certificates and may be subject to suspension, change or withdrawal at any time by the assigning rating agencies.

PETRONAS Global Sukuk Ltd. has received approval in-principle for (a) the listing and admission to trading of the Certificates on the Labuan International Financial Exchange (the "Labuan Financial Exchange") and (b) the listing of the Certificates on Bursa Malaysia Securities Berhad ("Bursa Malaysia") under an exempt regime pursuant to which the Certificates will be listed but not quoted for trading ("Bursa Malaysia (Exempt Regime)"). PETRONAS Global Sukuk Ltd. and PETRONAS have also applied to list the Certificates on the Official List of the Luxembourg Stock Exchange and for their admission to trading on the Euro MTF market of the Luxembourg Stock Exchange and such application is pending. The offering and settlement of the Certificates are not conditional on obtaining any of the listings or admissions to trading described above. See "Risk Factors—Risks Relating to the Certificates—A listing of the Certificates on a securities exchange cannot be guaranteed." This Offering Circular constitutes a prospectus for purposes of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities.

The Certificates have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except that the Certificates may be offered and sold outside the United States in reliance on Regulation S and within the United States to qualified institutional buyers (as defined in Rule 144A under the Securities Act ("Rule 144A")) in reliance on Rule 144A. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Certificates may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers and sales of the Certificates and the distribution of this Offering Circular, see "Plan of Distribution" and "Transfer Restrictions."

Morgan Stanley & Co. International plc (the "Global Coordinator"), and CIMB Bank (L) Limited, Citigroup Global Markets Limited and Morgan Stanley & Co. International plc (together, the "Managers") expect to deliver the Certificates in book-entry form only through the facilities of The Depository Trust Company on or about August 12, 2009.

Global Coordinator

Morgan Stanley

Joint Bookrunners

CIMB

Citi

Morgan Stanley

August 5, 2009

TABLE OF CONTENTS

	Page
Notice to Investors	ii
Enforceability of Civil Liabilities	v
Available Information	vi
Presentation of Financial and Other Data	vii
Forward-Looking Statements and Associated Risks	ix
Summary	1
Sharia Advisors	17
Glossary of Oil and Gas Industry Terms	18
Risk Factors	20
Use of Proceeds	28
Capitalization	28
Selected Consolidated Financial Data	29
Management’s Discussion and Analysis of Financial Condition and Results of Operations	32
Business	47
PETRONAS Global Sukuk Ltd.	82
Management	83
Share Ownership	85
Relationship with the Government of Malaysia	85
Terms and Conditions of the Certificates	86
The Global Certificates	108
Summary of Transaction Documents	113
Taxation	121
Plan of Distribution	124
Transfer Restrictions	130
Independent Auditors	134
General Information	135
Summary of Significant Differences Between FRSM and U.S. GAAP	137
Index to Financial Statements	F-1

You should rely only on the information contained in this Offering Circular. PETRONAS and PETRONAS Global Sukuk Ltd. have not authorized anyone to provide you with information that is different. This Offering Circular may only be used where it is legal to sell the Certificates. The information in this document may only be accurate at the date of this Offering Circular.

NOTICE TO INVESTORS

For the sale of the Certificates in the United States, PETRONAS and the Issuer are relying upon an exemption from registration under the Securities Act for an offer and sale of securities that do not involve a public offering. PETRONAS and the Issuer have prepared this Offering Circular solely for distribution to a limited number of qualified institutional buyers in the United States and certain investors outside the United States so they can consider a purchase of the Certificates and for the (i) listing of the Certificates on the Official List of the Luxembourg Stock Exchange and admission to trading on the Euro MTF market of the Luxembourg Stock Exchange, (ii) listing of the Certificates on the Labuan Financial Exchange and admission to trading on the Labuan Financial Exchange and (iii) listing of the Certificates on Bursa Malaysia (Exempt Regime). PETRONAS and the Issuer have not authorized the use of this Offering Circular for any other purpose. You should rely only on the information contained in this Offering Circular.

Neither the U.S. Securities and Exchange Commission (the “SEC”) nor any U.S. state securities commission has approved or disapproved of the Certificates or determined if this Offering Circular is accurate or complete. Any representation to the contrary is a criminal offense. None of PETRONAS, the Issuer or the Managers is making an offer to sell the Certificates in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in your jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Certificates under the laws and regulations in force in your jurisdiction to which you are subject or in which you make such purchase, offer or sale, and none of PETRONAS, the Issuer or the Managers will have any responsibility therefor.

This Offering Circular may be distributed and its contents disclosed only to prospective investors to whom it is provided. This Offering Circular may not be copied or reproduced in whole or in part. By accepting delivery of this Offering Circular and by purchasing the Certificates, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under “Transfer Restrictions.” You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time. In making an investment decision, you must rely on your own examination of PETRONAS, the Issuer and the terms of the offering and the Certificates, including the merits and risks involved.

PETRONAS and the Issuer reserve the right to withdraw this offering of the Certificates at any time, and PETRONAS, the Issuer and the Managers reserve the right to reject any commitment to subscribe for or purchase the Certificates in whole or in part and to allot to any prospective investor less than the full amount of Certificates sought by that investor. The Managers and certain related entities may acquire for their own account a portion of the Certificates.

Having made all reasonable inquiries, PETRONAS and the Issuer confirm that this Offering Circular contains all information with respect to PETRONAS, the Issuer and the Certificates which is material in the context of the issue and the offering of the Certificates, and that such information is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and that PETRONAS and the Issuer are not aware of any facts the omission of which would make any such information or the expression of any such opinions and intentions materially misleading. Accordingly, each of PETRONAS and the Issuer accepts responsibility for the information contained in this Offering Circular. To the best of each of their knowledge and belief (having taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

None of PETRONAS, the Issuer or the Managers has authorized anyone to give any information or to make any representation not contained in this Offering Circular in connection with the offering of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorized by any of

PETRONAS, the Issuer or the Managers or any of their respective affiliates. Neither the delivery of this Offering Circular nor any offer made on the basis hereof shall, under any circumstances, create any implication that the information herein is correct at any time subsequent to the date hereof.

The distribution of this Offering Circular and the offering of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes must inform themselves about and observe any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer and sale of the Certificates in the United States. This Offering Circular does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

Each person purchasing Certificates from a Manager acknowledges that:

- it has been afforded an opportunity to request from PETRONAS and the Issuer, and it has received, all additional information considered by it to be necessary to verify the accuracy of the information herein,
- it has not relied on any of the Managers or any person affiliated with the Managers in connection with its investigation of the accuracy of the information contained in this Offering Circular or its investment decision, and
- no person has been authorized to give any information or to make any representation concerning the Certificates other than those contained in this Offering Circular and, if given or made, such other information or representation should not be relied upon as having been authorized by PETRONAS, the Issuer or the Managers.

All references in this Offering Circular to “PETRONAS” are, unless the context otherwise requires, to Petroliaam Nasional Berhad and its subsidiaries. References to the “Issuer” are to PETRONAS Global Sukuk Ltd.

In connection with the issue and distribution of any of the Certificates, the Managers may, subject to applicable laws, overalot or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail for a limited period after the issue date. There is no obligation on the Managers to do so. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO RESIDENTS OF MALAYSIA

ON JULY 28, 2009, A COPY OF THE PRELIMINARY OFFERING CIRCULAR WAS DEPOSITED WITH THE SECURITIES COMMISSION OF MALAYSIA (“SECURITIES COMMISSION”) IN ACCORDANCE WITH THE CAPITAL MARKETS AND SERVICES ACT 2007 OF MALAYSIA (“CMSA”), THE GUIDELINES ON THE OFFERING OF ISLAMIC SECURITIES ISSUED ON JULY 26, 2004 AND PRACTICE NOTE 1A ISSUED ON MARCH 27, 2007. UPON SUCH DEPOSIT, APPROVAL OF THE SECURITIES COMMISSION FOR THE ISSUE OF, OFFER FOR SUBSCRIPTION OR PURCHASE OF, AND INVITATION TO SUBSCRIBE FOR OR PURCHASE OF THE CERTIFICATES WAS DEEMED GRANTED.

THE CERTIFICATES MAY NOT BE OFFERED FOR SUBSCRIPTION OR PURCHASE AND NO INVITATION TO SUBSCRIBE FOR OR PURCHASE THE CERTIFICATES IN MALAYSIA MAY BE MADE AND THIS OFFERING CIRCULAR OR ANY DOCUMENT OR OTHER MATERIALS IN CONNECTION THEREWITH MAY NOT BE DISTRIBUTED IN MALAYSIA DIRECTLY OR INDIRECTLY FOR THE PURPOSE OF ANY SALE OF THE CERTIFICATES IN MALAYSIA OTHER THAN TO PERSONS OR IN CATEGORIES FALLING WITHIN SCHEDULE 6 OR SECTION 229(1)(B), SCHEDULE 7 OR SECTION 230(1)(B), AND WOULD FALL WITHIN SCHEDULE 8 OR SECTION 257(3) OF THE CMSA.

THE SECURITIES COMMISSION, LABUAN INTERNATIONAL FINANCIAL EXCHANGE INC. AND BURSA MALAYSIA EACH TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS OFFERING CIRCULAR, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON ANY PART OF THE CONTENTS OF THIS OFFERING CIRCULAR. THE APPROVAL OF THE SECURITIES COMMISSION AND THE ADMISSION OF THE CERTIFICATES TO THE OFFICIAL LISTS OF THE LABUAN FINANCIAL EXCHANGE AND BURSA MALAYSIA (EXEMPT REGIME) SHALL NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION, LABUAN INTERNATIONAL FINANCIAL EXCHANGE INC. AND BURSA MALAYSIA RECOMMEND THE SUBSCRIPTION OR PURCHASE OF THE CERTIFICATES OR AS AN INDICATION OF THE MERITS OF THE ISSUER, PETRONAS OR THE CERTIFICATES. INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS OFFERING CIRCULAR BEFORE INVESTING. IF IN DOUBT, AN INVESTOR SHOULD CONSULT HIS OR HER ADVISORS.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

THIS OFFERING CIRCULAR MAY NOT BE DISTRIBUTED IN THE KINGDOM OF SAUDI ARABIA EXCEPT TO SUCH PERSONS AS ARE PERMITTED UNDER THE OFFERS OF SECURITIES REGULATIONS ISSUED BY THE CAPITAL MARKET AUTHORITY OF SAUDI ARABIA (THE “CAPITAL MARKET AUTHORITY”).

THE CAPITAL MARKET AUTHORITY DOES NOT MAKE ANY REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF THIS OFFERING CIRCULAR, AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM, OR INCURRED IN RELIANCE UPON, ANY PART OF THIS OFFERING CIRCULAR. PROSPECTIVE PURCHASERS OF THE CERTIFICATES SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE ACCURACY OF THE INFORMATION RELATING TO THE CERTIFICATES. IF A PROSPECTIVE PURCHASER DOES NOT UNDERSTAND THE CONTENTS OF THIS OFFERING CIRCULAR HE OR SHE SHOULD CONSULT AN AUTHORIZED FINANCIAL ADVISER.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

THIS OFFER IS A PRIVATE PLACEMENT. IT IS NOT SUBJECT TO THE REGULATIONS OF THE CENTRAL BANK OF BAHRAIN THAT APPLY TO PUBLIC OFFERINGS OF SECURITIES AND THE EXTENSIVE DISCLOSURE REQUIREMENTS AND OTHER PROTECTIONS THAT THESE REGULATIONS CONTAIN. THIS OFFERING CIRCULAR IS THEREFORE INTENDED ONLY FOR “ACCREDITED INVESTORS” AS DEFINED BY THE CENTRAL BANK OF BAHRAIN.

THE CERTIFICATES OFFERED PURSUANT TO THIS OFFERING CIRCULAR MAY ONLY BE OFFERED IN MINIMUM SUBSCRIPTIONS OF US\$100,000 (OR ITS EQUIVALENT IN FOREIGN CURRENCIES).

THE CENTRAL BANK OF BAHRAIN ASSUMES NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS OFFERING CIRCULAR AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS OFFERING CIRCULAR.

THE BOARD OF DIRECTORS OF THE ISSUER AND THE BOARD OF DIRECTORS AND THE MANAGEMENT OF PETRONAS ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. TO THE BEST KNOWLEDGE AND BELIEF OF THE BOARD OF DIRECTORS AND THE MANAGEMENT, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE RELIABILITY OF SUCH INFORMATION.

THIS OFFERING CIRCULAR CONTAINS INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE PROPOSALS CONTAINED THEREIN AND THE INVESTORS ARE RECOMMENDED TO TAKE THEIR OWN FINANCIAL ADVICE IN RESPECT OF ANY OF THE TERMS AND CONDITIONS OF THIS OFFERING CIRCULAR.

ENFORCEABILITY OF CIVIL LIABILITIES

PETRONAS is incorporated in Malaysia with limited liability. PETRONAS Global Sukuk Ltd. is incorporated in Labuan, Malaysia with limited liability. Substantially all of the assets of PETRONAS Global Sukuk Ltd. and a substantial part of the assets of PETRONAS are located in Malaysia. In addition, all of the directors and executive officers of PETRONAS and PETRONAS Global Sukuk Ltd. and certain of the experts named herein are located in Malaysia and all or a substantial portion of the assets of such persons are located in Malaysia. As a result, it may not be possible for investors to effect service of process outside of Malaysia upon such persons or to enforce judgments obtained in courts outside of Malaysia, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States, against such persons, PETRONAS or PETRONAS Global Sukuk Ltd. PETRONAS and PETRONAS Global Sukuk Ltd. have been advised by Kadir Andri & Partners, Malaysian counsel to PETRONAS and the Issuer, that there is doubt as to the enforceability in Malaysian courts, in original actions or in actions for the enforcement of judgments of United States courts, of civil liabilities predicated upon the federal securities laws of the United States.

A judgment obtained against PETRONAS and PETRONAS Global Sukuk Ltd. in a court of a reciprocating country (as listed in the Reciprocal Enforcement of Judgments Act 1958 (Revised 1972) of Malaysia (the “Enforcement Act”)) in respect of any sum payable by PETRONAS and PETRONAS Global Sukuk Ltd. under the Certificates or the other Transaction Documents to be entered into among the Issuer, PETRONAS, the Delegate and the Agents (as defined herein) may be recognized and enforced by the courts of Malaysia upon registration of the judgment with the courts of Malaysia under the Enforcement Act within six years after the date

of the judgment, or, where there have been proceedings by way of appeal against the judgment, after the date of the last judgment given in those proceedings, so long as the judgment:

- is not inconsistent with public policy in Malaysia,
- was not given or obtained by fraud or duress or in a manner contrary to natural justice,
- is not directly or indirectly for the payment of taxes or other charges of a like nature or of a fine or other penalty,
- was of a court of competent jurisdiction of such jurisdiction and the judgment debtor being the defendant in the original court received notice of those proceedings in sufficient time to enable it to defend the proceedings,
- has not been wholly satisfied,
- is final and conclusive between the parties,
- could be enforced by execution in the country of that original court,
- is for a fixed sum,
- is not directly or indirectly intended to enforce the penal laws or sanctions imposed by the authorities of such jurisdiction,
- is not preceded by a final and conclusive judgment by a court having jurisdiction in that matter, and
- is vested in the person by whom the application for registration was made.

Under current Malaysian law, any judgment obtained for a fixed sum against PETRONAS and PETRONAS Global Sukuk Ltd. in a court of a foreign jurisdiction with which Malaysia has no arrangement for reciprocal enforcement of judgments, after due service of process, may, at the discretion of the courts of Malaysia be actionable in the courts of Malaysia by way of a suit on a debt if such judgment is final and conclusive. However, such action may be met with defenses, including, but not limited to, those listed above. There is currently no agreement for reciprocal enforcement of judgments between Malaysia and the United States, and as such the United States is not a reciprocating country under the First Schedule of the Enforcement Act and the Enforcement Act does not apply to judgments obtained in the United States. Accordingly, even if a United States court were to rule in an investor's favor, it may be difficult to enforce such judgments in Malaysia, the location of most of PETRONAS' assets. Due to the absence of reciprocal arrangements, judgments obtained in a United States court will only be enforced by courts in Malaysia in accordance with common law principles and fresh proceedings must be instituted by a judgment creditor and upon re-litigation and re-examination of the issues.

AVAILABLE INFORMATION

While any Certificates remain outstanding, PETRONAS will furnish, upon the request of a holder of the Certificates and any prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act, if at the time of such request PETRONAS is neither a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Data

PETRONAS' audited financial statements for the fiscal years ended March 31, 2007, 2008 and 2009 included elsewhere in this Offering Circular have been prepared in accordance with Financial Reporting Standards in Malaysia ("FRSM"). FRSM differ in significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). For a discussion of these differences, see "Summary of Significant Differences Between FRSM and U.S. GAAP." In making an investment decision, investors must rely on their own examination of the Issuer and PETRONAS, the terms of the offering and the financial information contained in this Offering Circular. Potential investors should consult their own professional advisors for an understanding of the differences between FRSM, on the one hand, and U.S. GAAP on the other hand, and how these differences might affect their understanding of the financial information contained herein.

PETRONAS' financial statements are audited and published annually. PETRONAS does not publish complete interim financial statements, but does currently issue selected unaudited summary financial information on a semi-annual basis.

Rounding

Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column.

Non-GAAP Financial Measures

As used in this Offering Circular, a non-GAAP financial measure is one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable FRSM or U.S. GAAP measures. From time to time, reference is made in this Offering Circular to such "non-GAAP financial measures," primarily EBITDA (as defined herein), or earnings before interest, taxes and depreciation and amortization. For more detailed information concerning EBITDA, see "Summary—Summary Consolidated Financial Data" and "Selected Consolidated Financial Data." The non-GAAP financial measures described herein are not a substitute for FRSM or U.S. GAAP measures of earnings.

Oil and Gas Reserves

Oil and gas reserves are key elements in PETRONAS' investment decision-making process. The term "reserves" describes the recoverable quantity of oil and gas volumes that are commercially viable for development given the prevailing economic situation, in particular the prices of crude oil and natural gas, present at the time of estimation. PETRONAS also includes in its reserves estimates of proved and probable volumes which have potential for monetization. Reserves are estimated using either a deterministic method, in which a single best estimate is made based on known geological, engineering and economic data or a probabilistic method, in which known geological, engineering and economic data are used to generate a range of estimates and their associated probabilities. All oil and gas reserves data are estimates, which are revised when additional information becomes available (for example, when additional wells are drilled or when actual production commences). "Proved reserves," or P1, refers to the estimated quantities of crude oil and natural gas that geological and engineering data demonstrate have reasonable certainty of being recovered in future years from known reservoirs under existing economic and operating conditions (that is, prices and costs at the date the estimate is made). "Probable reserves," or P2, refers to the estimated quantities of crude oil and natural gas that geological and engineering data demonstrate have a fair to good probability of being recovered in future years from known reservoirs under existing economic and operating conditions. "Possible reserves," or P3, refers to the

estimated quantities of crude oil and natural gas that geological and engineering data demonstrate have a low degree of certainty of being recoverable in future years from known reservoirs under existing economic and operating conditions.

PETRONAS determines Malaysia's crude oil and natural gas reserve estimates based on field reserve information provided by its production-sharing contractors (each, a "PSC Contractor") as required under the production-sharing contracts. All PSC Contractors in Malaysia are required to adhere to PETRONAS' "Definitions and Guidelines for Classifications of Petroleum Resources" (the "Guidelines") in reporting the petroleum resources within the areas in which they operate. The methods used to estimate these reserves as stipulated in the Guidelines are derived from definitions and classifications developed by internationally recognized organizations such as the Society of Petroleum Engineers, World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers, which serve as guidelines for the oil and gas industry. PETRONAS believes that its international reserves estimates are also based on methods derived from such definitions and classifications.

The Annual Review of Petroleum Resources ("ARPR"), an annual exercise conducted by PETRONAS as required under the respective production-sharing contracts, is a platform for the review of resource changes in the preceding calendar year. The process emphasizes validating key reasons for the resource changes in a particular year. PETRONAS' reserve estimates at January 1 of any year are generally made public in June or July of that year. PETRONAS' reserves are not certified by an independent party except where required for a unitization agreement or prior to entering into or extending a natural gas sales agreement.

Prior to 2006, PETRONAS used an expected value methodology to report its reserves. The "expected value" (that is, the estimated amount of reserves) was derived taking into account proved reserves, and a portion of probable and possible reserves. In 2006, PETRONAS' method of reporting reserves was reviewed and changed. PETRONAS adopted the reserves estimation approach, which aggregates proved and probable reserves. See Note 3 to the financial statements included elsewhere in this Offering Circular. The ARPR conducted at January 1, 2006 was the first to use the revised Guidelines. These revised Guidelines have also been used in years subsequent to 2006. Accordingly, the reserve figures for 2005 included in this Offering Circular are not directly comparable to reserve figures for 2006 through 2009.

Exchange Rate Information

In this Offering Circular, references to "ringgit" or "RM" are to the currency of Malaysia, references to "U.S. dollar," "\$," "US\$" or "USD" are to the currency of the United States of America, references to "euro" or "€" are to the currency of the Eurozone, references to "yen," "¥" or "JPY" are to the currency of Japan, references to "Australian dollar" are to the currency of Australia, references to "GBP" are to the currency of the United Kingdom, references to "BAHT" are to the currency of Thailand, references to "ZAR" are to the currency of South Africa, references to "SR" are to the currency of the Kingdom of Saudi Arabia and references to "S\$" are to the currency of Singapore.

The table below sets forth for the periods indicated certain information regarding the noon middle rates from the Interbank Foreign Exchange Market in Kuala Lumpur as reported by Bank Negara Malaysia, expressed in ringgit per U.S. dollar (the “Noon Middle Rate”). These rates may differ from the actual rates used in the preparation of the financial statements and other financial information appearing in this Offering Circular. From September 2, 1998 to July 21, 2005, the ringgit was pegged to the U.S. dollar at an exchange rate of RM3.80 to US\$1.00.

	Ringgit per U.S. Dollar			Period End
	High	Low	Average	
Fiscal Year ended March 31,				
2005	3.8000	3.8000	3.8000	3.8000
2006	3.8000	3.6860	3.7689	3.6860
2007	3.6970	3.4520	3.6122	3.4560
2008	3.5187	3.1625	3.3727	3.1875
2009	3.7255	3.1315	3.4266	3.6470
Month				
January 2009	3.6240	3.4715	3.5662	3.6085
February 2009	3.6925	3.5925	3.6386	3.6925
March 2009	3.7255	3.6145	3.6730	3.6470
April 2009	3.6490	3.5525	3.6100	3.5610
May 2009	3.5675	3.4875	3.5224	3.5075
June 2009	3.5490	3.4775	3.5182	3.5225
July 2009 (up to July 24, 2009)	3.5880	3.5160	3.5537	3.5375

Fluctuations in the exchange rate between the ringgit and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future.

This Offering Circular contains translations of ringgit amounts into U.S. dollars at the exchange rate of US\$1.00 = RM3.6470 solely for the convenience of the reader. These translations should not be construed as representations that the ringgit amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. See “Risk Factors—Risks Relating to Malaysia—Changes in the exchange rate between the U.S. dollar and the ringgit could have a negative impact on PETRONAS’ results of operations and financial condition.” The Noon Middle Rate was US\$1.00 = RM3.5375 on July 24, 2009.

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

Certain statements in this Offering Circular are not historical facts and are “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. This Offering Circular may contain words such as “believe,” “could,” “may,” “will,” “target,” “estimate,” “project,” “predict,” “forecast,” “guideline,” “should,” “plan,” “expect” and “anticipate” and similar expressions that are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Specifically, all statements under the captions “Summary—PETRONAS,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” relating to the following matters may include forward-looking statements:

- the expected results of exploration, production and refining activities and related capital expenditures and investments,
- the anticipated demand for, and ability to extract, crude oil or natural gas,

- environmental compliance and remediation,
- the anticipated demand for petroleum products and petrochemicals and related capital expenditures and investments,
- projections of capital expenditures in general and other financial items,
- generation of future receivables, and
- sales to customers.

Such statements are subject to certain risks and uncertainties, including, but not limited to:

- changes in global economic and social conditions,
- changes in the world political situation,
- changes in economic and political conditions and increases in regulatory burdens in Malaysia and other countries in which PETRONAS operates, transacts business or has interests,
- accidents and natural disasters,
- changes in PETRONAS' relationship with the Government of Malaysia,
- changes in import controls or import duties, levies or taxes, either in international markets or in Malaysia,
- changes in laws, regulations, taxation or accounting standards or practices,
- changes in prices or demand for products produced by PETRONAS or any of its subsidiaries or affiliates, both in Malaysia and in international markets, as a result of competitive actions or economic factors, such as inflation or exchange rate fluctuations,
- the risks of increased costs in related technologies and the uncertainty of such technologies producing expected results,
- the ability of third parties to perform in accordance with contractual terms and specifications,
- resource nationalization,
- acquisitions or divestitures, and
- PETRONAS' success at managing the risks of the aforementioned factors.

In addition, the expectations of the management of PETRONAS with respect to exploration activities, whether conducted by PETRONAS Carigali Sdn. Bhd. ("PETRONAS Carigali"), any other subsidiary or affiliate of PETRONAS, or any of the PSC Contractors, are subject to risks arising from the inherent difficulty of predicting the presence, yield or quality of oil and gas deposits, as well as unknown or unforeseen difficulties in extracting, transporting or processing any oil and gas found, or doing so on a commercial basis.

Forward-looking statements involve inherent risks and uncertainties. Should one or more of these or other uncertainties or risks materialize, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed, and anticipated improvements in capacity, performance or profit levels might not be fully realized. Although PETRONAS believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, you are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they are made. PETRONAS undertakes no obligation to update or revise any of them, whether as a result of new information, future developments or otherwise.

SUMMARY

You should read the entire Offering Circular carefully, including the sections regarding “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

PETRONAS

Overview

PETRONAS is the national oil and gas company of Malaysia and is wholly owned by the Government of Malaysia. PETRONAS was incorporated in 1974 under the Malaysian Companies Act, 1965 and derives its powers from the Petroleum Development Act of 1974, which vests in PETRONAS the “entire ownership in, and the exclusive rights, powers, liberties and privileges of exploring, exploiting, winning and obtaining petroleum whether onshore or offshore of Malaysia.” At January 1, 2009, Malaysia had reserves estimated at 5.52 billion barrels of crude oil (including condensates) and 87.97 trillion standard cubic feet of natural gas.

PETRONAS, together with its subsidiaries and associated companies, is a fully integrated oil and gas company engaged in a broad spectrum of upstream and downstream oil and gas operations and petrochemical operations. PETRONAS’ upstream operations include the exploration, development and production of crude oil and natural gas in Malaysia and overseas. PETRONAS’ downstream operations include (i) the liquefaction, sale and transportation of LNG, (ii) the processing and transmission of natural gas and the sale of natural gas products, (iii) the refining and marketing of petroleum products, including fuel oil, diesel, gasoline, jet fuel, kerosene, base oil, bunker fuel, LPG and lubricants, (iv) the manufacture and sale of petrochemical products, (v) the trading of crude oil, petroleum products and petrochemical products, and (vi) shipping and related logistics, including the transportation of LNG, crude oil and petroleum products.

For the fiscal years ended March 31, 2007, 2008 and 2009, PETRONAS had consolidated revenues of RM184,053 million, RM223,078 million and RM264,175 million (US\$72,436 million), respectively, and consolidated net profit attributable to shareholders of PETRONAS of RM46,167 million, RM60,964 million and RM52,546 million (US\$14,408 million), respectively.

Upstream Activities—Exploration and Production

Domestic Operations. PETRONAS typically carries out its upstream activities in Malaysia through production-sharing contracts with a number of international oil and gas companies and its wholly-owned exploration and production subsidiary, PETRONAS Carigali. During the exploration phase of these production-sharing contracts, the contractors are required to commit to a minimum expenditure amount to explore the areas covered by the contracts, through the acquisition of new seismic data and the drilling of a specified number of wells. If oil or gas is discovered and commercial production commences, the contractors are entitled to recover specified capital and operating costs out of production and PETRONAS retains a percentage of the total production as its entitlement.

At March 31, 2009, PETRONAS had 71 production-sharing contracts in effect, including with a number of international oil and gas companies such as ExxonMobil, Shell, TOTAL, Nippon Oil, Murphy Oil, Hess, Talisman Energy, Lundin Petroleum, BHP Billiton, Petrofac, Newfield, ConocoPhillips and Kufpec. PETRONAS Carigali has participated in all production-sharing contracts in Malaysia signed after 1985 and its participation as an operator in exploration, development and production activities has increased over the years. At January 1, 2009, PETRONAS Carigali operated 67 oil fields and 81 gas fields in Malaysia, which produced

approximately 24% of Malaysia's total oil production and 23% of Malaysia's total gas production for the fiscal year ended March 31, 2009.

At March 31, 2009, Malaysia had 615,100 square kilometers of land and seabed available for oil and gas exploration, of which 229,564 square kilometers were covered by production-sharing contracts. PETRONAS, together with PETRONAS Carigali, had a share of approximately 71% in Malaysia's total oil production of approximately 248 million barrels of crude oil (including condensates) and a share of approximately 70% in Malaysia's total gas production of approximately 2,147 billion standard cubic feet of natural gas for the fiscal year ended March 31, 2009.

International Operations. PETRONAS has pursued a strategy of globalization, expanding its overseas activities and developing new markets for its oil and gas businesses and its growing petrochemical operations. PETRONAS' globalization strategy is also intended to ensure an adequate supply of crude oil and natural gas in the medium to long term. At January 1, 2009, PETRONAS had accumulated international reserves, based on its equity participation, of approximately 2,202 million barrels of crude oil (including condensates) and 25,701 billion standard cubic feet of natural gas. At March 31, 2009, PETRONAS, through its wholly-owned subsidiaries, participated in 66 international ventures in 22 countries, mainly in Asia, Africa and the Middle East. During the fiscal year ended March 31, 2009, PETRONAS, through its subsidiaries, entered into six new production-sharing contracts, expanding PETRONAS' position in Indonesia, Mozambique and Uzbekistan.

PETRONAS derives revenue from international operations from producing fields located in 11 countries: Indonesia, Thailand (through the Malaysia-Thailand Joint Development Area ("MTJDA")), Myanmar, Vietnam, Chad, Egypt, Sudan, Mauritania, Iran, Pakistan and Turkmenistan. PETRONAS, through its subsidiaries, is the operator in the Chinguetti Field in Mauritania, the Mubarak Block in Pakistan, Block 1 in Turkmenistan and the Ruby Field in Vietnam. It is a joint operator in Blocks 1, 2 and 4, Blocks 3 and 7 and Block 5A in Sudan as well as Block A-18 in the MTJDA.

Downstream Activities

Gas Business. PETRONAS focuses its gas business on downstream operations, which include the liquefaction, sale, transportation, regasification and trading of LNG; the processing, sale and transmission of natural gas; and other gas-related businesses. PETRONAS believes that Malaysia's abundant offshore gas reserves provide an opportunity for it to play an important role in satisfying the growing energy and petrochemical demand of Malaysia and other Asian countries. PETRONAS' strategy is to add value to these natural gas reserves by promoting their use as feedstock for production of natural gas products and petrochemicals, as well as for export sale.

PETRONAS operates one of the world's largest LNG production facilities at a single location in Bintulu, Sarawak, Malaysia. The facilities consist of three plants, MLNG, MLNG Dua and MLNG Tiga, which have eight processing trains with a combined nameplate capacity of 22.7 mmtpa. MLNG, MLNG Dua and MLNG Tiga operated at effective full capacity in the fiscal years ended March 31, 2007, 2008 and 2009, and exported a substantial portion of the production to Japan, Korea and Taiwan pursuant to long-term supply contracts. PETRONAS has a 90% interest in MLNG and a 60% interest in each of MLNG Dua and MLNG Tiga. PETRONAS has also expanded its natural gas liquefaction operations internationally through joint venture projects, primarily in Egypt and Australia, and entered the regasification and LNG trading businesses.

PETRONAS, through its majority-owned subsidiary, PETRONAS Gas Berhad ("PETRONAS Gas"), operates the Peninsular Gas Utilization ("PGU") system involving six processing plants and approximately 2,505 kilometers of pipelines to process and transmit gas to end-users in the power, industrial and commercial sectors in Peninsular Malaysia and Singapore. The PGU system has a total gas processing capacity of approximately 2,060 mmscfd and

an additional 750 mmscfd standby capacity, and transported an average of 2,128 mmscfd, 2,170 mmscfd and 2,146 mmscfd of dry gas in the fiscal years ended March 31, 2007, 2008 and 2009, respectively. The PGU system is the principal catalyst for the development of Peninsular Malaysia's offshore gas fields, the use of natural gas products for power generation and utilities, and the expansion of Malaysia's petrochemical industry through the use of gas derivative products such as ethane, propane, butane and condensate.

PETRONAS has also invested in pipeline operations in certain overseas locations, including Argentina, Australia, Indonesia and the MTJDA (through Thailand), and has engaged in the operation of gas district cooling and gas storage facilities.

Oil Business. PETRONAS operates crude oil refineries in Malaysia and South Africa and markets a wide range of value-added petroleum products, including diesel, lubricants, jet fuel, bunker fuel, LPG, base oil and kerosene, through an expanded marketing and retailing network in the Malaysian as well as selected international markets.

PETRONAS owns and operates three refineries, two in Melaka (collectively, the "Melaka Refinery Complex") and the other in Kertih (the "Kertih Refinery"), with a total nameplate refining capacity of 323,300 bpd, which includes condensate splitting capacity of 99,300 bpd. The first refinery in Melaka is 100% owned by PETRONAS and the second refinery is 53% owned by PETRONAS and 47% owned by ConocoPhillips. PETRONAS also operates a Group III base oil refining (MG3) plant in the Melaka Refinery Complex, which began operation in 2008 and has a capacity of approximately 6,500 bpd.

PETRONAS Dagangan Berhad ("PETRONAS Dagangan"), a majority-owned subsidiary of PETRONAS, is engaged in domestic marketing and retailing activities. PETRONAS Dagangan markets a wide range of petroleum products, including gasoline, LPG, jet fuel, kerosene, diesel, fuel oil, asphalt and lubricants. At March 31, 2009, PETRONAS Dagangan had a network of 912 service stations, eight LPG bottling plants, 17 bulk storage depots, 12 aviation depots and 13 bunkering facilities in Malaysia. PETRONAS Dagangan had an approximately 43% share of the Malaysian retail market for the fiscal year ended March 31, 2009. PETRONAS Dagangan also operated 118 service stations equipped with the facilities for retailing natural gas for vehicles at March 31, 2009, including two dedicated natural gas stations, and plans to expand this network to include another 59 service stations equipped with such facilities.

PETRONAS has an oil refining and marketing presence in Africa through its 80% owned subsidiary, Engen Petroleum Limited ("Engen"), a leading South African refining and marketing company. Engen owns and operates a refinery in Durban, South Africa with a capacity of approximately 125,000 bpd. PETRONAS believes that its interest in Engen furthers its globalization strategy by giving it a long-term refining and marketing presence in the growth markets of Sub-Saharan Africa and the Indian Ocean rim. PETRONAS also has retail operations in certain overseas markets, including Sudan, Indonesia, Thailand, India and the Philippines.

Petrochemicals Business. PETRONAS has expanded its petrochemical business by utilizing its abundant supply of gas as petrochemical feedstock. In addition to its other petrochemical projects in Malaysia, PETRONAS, through joint ventures with multinational petrochemical companies, has developed two integrated petrochemical complexes ("IPCs") at Kertih and Gebeng, along the eastern corridor of Peninsular Malaysia. The concept underlying the IPCs is to achieve a competitive edge through the integration of petrochemical projects using common or related feedstock and common facilities within a self-contained complex. The plants in the Kertih IPC produce ethylene-based petrochemicals while the plants in the Gebeng IPC produce propylene-based petrochemicals. The plants in both of the IPCs are supported by PETRONAS' centralized infrastructure facilities at each of the two complexes, including centralized utility facilities and chemical storage and distribution

terminals. PETRONAS is a major producer of methanol and urea, and is expanding its operations internationally through select partnerships.

Logistics and Maritime Business. At March 31, 2009, PETRONAS owned a 62.4% interest in MISC Berhad (“MISC”), a leading international maritime company with a primary focus on energy transportation and logistics and other energy-related businesses. MISC serves as PETRONAS’ primary LNG transportation provider and its principal logistics solutions provider. MISC’s fleet includes 29 LNG carriers, 45 petroleum tankers, 17 chemical tankers, nine floating facilities for use in offshore oil production and 19 liners. Nineteen of the LNG tankers are on 20-year time charters to Malaysia LNG Sdn. Bhd. (“MLNG”) and three are chartered to ASEAN LNG Trading Co. Ltd., a wholly-owned PETRONAS subsidiary. MISC deploys other vessels in its fleet for the transportation of crude oil, petroleum products, petrochemical products and containers.

MISC’s energy-related shipping is complemented by its offshore business and its heavy engineering business. MISC’s offshore business provides floating production, storage and offloading (“FPSO”) and floating storage and offloading (“FSO”) systems to support oil and gas companies operating offshore in the production, storage and evacuation of oil and gas to an onshore terminal facility. At March 31, 2009, MISC operated a total of four FPSOs and five FSOs. MISC engages in the heavy engineering business to provide ship maintenance and repair services, services to convert ships into FPSOs and FSOs and the construction of oil and gas facilities and related services.

Competitive Strengths

PETRONAS believes that its success is primarily due to the following factors:

- *National oil and gas company in one of Asia’s most significant hydrocarbon regions.* PETRONAS has exclusive rights to all of Malaysia’s oil and gas resources, which amounted to approximately 5.52 billion barrels of crude oil (including condensates) and 87.97 trillion standard cubic feet of natural gas at January 1, 2009. According to the *BP Statistical Review of World Energy 2009*, Malaysia ranked as the country with the 24th and the 16th largest oil and gas reserves in the world, respectively, at December 31, 2008. Malaysia’s production levels for the fiscal year ended March 31, 2009 were approximately 248 million barrels of crude oil (including condensates) and approximately 2,147 billion standard cubic feet of natural gas. PETRONAS exploits Malaysia’s abundant gas reserves through a 2,505 kilometer-long trans-peninsular pipeline system that processes and transmits gas to PETRONAS’ own facilities and other end users in the power, industrial and commercial sectors. In addition, PETRONAS has over 25 years of experience processing gas into LNG through the operation of its LNG complex in Bintulu, Sarawak, one of the largest in the world based on LNG production capacity. Long-term contracts with investment grade-rated customers govern almost all of the LNG produced from this complex.
- *Full integration and operational excellence.* PETRONAS is fully integrated across the value chain from the exploration, development, production, processing, transportation and transmission of hydrocarbons, through to the marketing of a variety of petroleum products and petroleum derivatives. The integrated nature of PETRONAS’ business helps create a diversified revenue base which mitigates cashflow volatility given the cyclical nature of the industry. This, coupled with the scale and reliability of PETRONAS’ operations, enables PETRONAS to realize economies of scale and cost advantages. PETRONAS operates a fully integrated domestic refining and marketing business, while managing a globally coordinated downstream operation designed to optimize product delivery to its customers through its marketing and trading operations. PETRONAS’ operations in LNG span liquefaction, transportation, regasification and trading. In the United Kingdom, in addition to its regasification capacity, PETRONAS has expanded downstream with the acquisition of storage capacity. In order to

further enhance the value of Malaysia's natural gas reserves, PETRONAS has participated in the development and operation of two large gas-based integrated petrochemical complexes, which are integrated with PETRONAS' refining operations. Enabling PETRONAS' integration strategy is its commitment to operational excellence. All of PETRONAS's major processing units have recorded consistently high reliability rates, translating into cost advantages across the value chain.

- *Sustained growth through scale and diversification.* PETRONAS has added scale across the value chain either organically or through selected acquisitions. In exploration and production, PETRONAS is now active in 66 international ventures in 22 countries, with significant positions held in Central Asia and across Africa. In the oil business, PETRONAS has commissioned Malaysia's first base oil plant, producing one of the world's highest quality Group III base oils. PETRONAS has also expanded its lubricants capabilities by acquiring FL Selenia SpA in Italy, providing a platform for lubricants distribution in European and other markets. Marketing, trading and retailing operations have been further built up. PETRONAS' growth in the gas business is even more evident: its activities now span international LNG liquefaction and regasification, and United Kingdom gas storage and trading, underlining PETRONAS' focus on full integration. Significantly, PETRONAS also made its first foray into unconventional hydrocarbons through the integrated coal seam gas-to-LNG project in Gladstone, Australia, providing further scale and long-term sustainability to its LNG operations. In the petrochemical business, PETRONAS has expanded its two integrated petrochemical complexes at Kertih and Gebeng, creating a competitive edge through the integration of petrochemical projects using common or related feedstocks and common facilities within a self-contained complex. In addition, PETRONAS commissioned its Mega Methanol plant in January 2009, with a production capacity of 1.7 million tonnes per annum, thus strengthening its position as a major methanol supplier in Asia. More recently, PETRONAS signed a joint venture agreement with Sasol and Uzbekneftegaz to jointly participate in a gas-to-liquids project in Uzbekistan. The project is currently in the feasibility study phase. Finally, in the logistics and maritime business, PETRONAS' subsidiary, MISC Berhad, is one of the world's leading shipping companies. The majority of MISC's LNG tankers are contracted to PETRONAS.
- *Sound financial position and management.* PETRONAS observes conservative financial policies and maintains significant cash balances so as to be able to implement projects on a timely basis, quickly take advantage of business opportunities, facilitate partnerships with multinational partners and sustain disciplined capital investment through industry price cycles. PETRONAS maintains the highest corporate credit rating in Malaysia, as rated by Standard & Poor's (A-) and Moody's (A1). PETRONAS has a strong balance sheet and had cash and cash equivalents and fund and other investments of RM142,056 million (US\$38,951 million), compared to total debt, excluding derivative assets, of RM43,946 million (US\$12,050 million), at March 31, 2009. PETRONAS generates substantial cash flow from its operations and has strong credit ratios. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Summary Consolidated Financial Data" and "Selected Consolidated Financial Data."

PETRONAS Global Sukuk Ltd.

PETRONAS Global Sukuk Ltd. was incorporated under the laws of Labuan, Malaysia under the Offshore Companies Act, 1990 on July 7, 2009. PETRONAS Global Sukuk Ltd. is a special purpose vehicle established for the issue of the Certificates. It has no other operations.

Summary Consolidated Financial Data

The summary consolidated financial data as of March 31, 2009 and 2008, and for each of the fiscal years ended March 31, 2009, 2008 and 2007 set forth below have been derived from PETRONAS' audited financial statements included elsewhere in this Offering Circular. The summary consolidated financial data set forth below as of March 31, 2007, 2006 and 2005, and for each of the fiscal years ended March 31, 2006 and 2005 have been derived from PETRONAS' audited financial statements that are not included in this Offering Circular. The summary consolidated financial data should be read in conjunction with PETRONAS' audited financial statements and notes thereto as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Offering Circular. PETRONAS' financial statements are prepared in accordance with FRSM, which differ in certain significant respects from U.S. GAAP. See "Summary of Significant Differences Between FRSM and U.S. GAAP."

	Fiscal Year Ended March 31,					
	2005 ⁽¹⁾	2006	2007	2008	2009	2009 ⁽²⁾
	(in millions)					
Income Statement Data:						
Revenue ⁽³⁾	RM137,046	RM167,430	RM184,053	RM223,078	RM264,175	US\$ 72,436
Profit before taxation	57,863	69,399	76,346	95,547	89,139	24,441
Depreciation ⁽⁴⁾	7,667	8,341	9,502	11,058	12,950	3,551
Financing costs	2,419	3,173	2,807	3,274	3,445	945
Net profit attributable to shareholders of PETRONAS	35,556	43,129	46,167	60,964	52,546	14,408

	At March 31,					
	2005 ⁽¹⁾	2006	2007	2008	2009	2009 ⁽²⁾
	(in millions)					
Balance Sheet Data:						
Fund investments	RM 10,501	RM 18,431	RM 17,311	RM 25,290	RM 33,585	US\$ 9,209
Other investments	18,150	23,769	25,492	14,688	17,324	4,750
Cash and cash equivalents	48,231	54,882	67,539	80,654	91,147	24,992
Property, plant and equipment	122,119	126,640	123,792	137,420	169,317	46,426
Total assets	239,077	272,996	294,639	339,273	388,129	106,425
Long-term debt ⁽⁵⁾	45,577	36,326	32,563	29,799	35,108	9,627
Shareholders' equity ⁽⁶⁾	129,383	146,968	171,676	201,690	232,083	63,636

	Fiscal Year Ended March 31,					
	2005	2006	2007	2008	2009	2009 ⁽²⁾
	(in millions, except ratios)					
Other Financial Data:						
Capital expenditure	RM 17,350	RM 18,663	RM 21,632	RM 28,805	RM 43,953	US\$ 12,052
EBITDA ⁽⁷⁾	RM 67,949	RM 81,106	RM 88,898	RM109,879	RM109,571	US\$ 30,044
Ratio of EBITDA to fixed charges ⁽⁸⁾	21.83x	24.75x	32.24x	44.32x	42.72x	—
Ratio of long-term debt to EBITDA	0.67x	0.45x	0.37x	0.27x	0.32x	—
Ratio of long-term debt to long-term debt plus shareholders' equity	0.26x	0.20x	0.16x	0.13x	0.13x	—
ROCE ⁽⁹⁾	37.3%	40.5%	40.8%	45.4%	37.1%	—

(1) PETRONAS began adopting FRSM as of April 1, 2006. The effects of adopting FRSM have been accounted for either retrospectively, by adjusting the prior-year comparative figures, or prospectively, in accordance with specific requirements of the respective standards. No adjustments were made to PETRONAS' 2005 financial statements, which were prepared in accordance with Malaysian Accounting Standard Board's standards ("MASB"), to effect the adoption of FRSM. Accordingly, the 2005 financial information presented above,

which was derived from financial statements prepared in accordance with MASB, is not directly comparable to the financial information for 2006 to 2009, which was derived from financial statements prepared in accordance with FRSM.

- (2) U.S. dollar convenience translations are calculated using an exchange rate of RM3.6470 to US\$1.00.
- (3) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a breakdown of the major sources of PETRONAS' revenue.
- (4) Includes depreciation of property, plant and equipment, properties and investment properties and amortization of prepaid lease payments and intangible assets.
- (5) Consists of loans, notes and bonds, Islamic financing facilities and derivative assets. See Notes 25 and 26 to the financial statements included elsewhere in this Offering Circular.
- (6) Shareholders' equity consists of share capital and reserves.
- (7) EBITDA consists of profit before taxation, minority interests and extraordinary items, with the addition of amounts previously deducted for depreciation, impairment loss on property, plant and equipment and financing costs. EBITDA should not be viewed as an alternative measure of operating results or cash flows from operating activities as determined in accordance with FRSM or U.S. GAAP. EBITDA has been included because it is widely used as a financial measure of the potential capacity of a company to incur and service debt.
- (8) Fixed charges consist of financing costs and financing costs capitalized during construction for the applicable period less unwinding of discount of provision for dismantlement, removal or restoration of property, plant and equipment.
- (9) Return on capital employed is calculated as earnings before interest, taxes and dividends divided by average shareholders' equity and long-term debt during the year.

Summary Reserves And Production Data

The following tables set forth Malaysia's oil and natural gas reserves and PETRONAS' equity interest in international oil and natural gas reserves at January 1 in the years indicated as well as Malaysia's oil and natural gas production volumes, PETRONAS' share of Malaysia's oil and natural gas production, and PETRONAS' share of international oil and gas production for the fiscal years ended March 31 in the years indicated.

	At January 1,				
	2005	2006	2007	2008	2009
Reserves:⁽¹⁾					
Malaysia's reserves:					
Oil (millions of barrels) ⁽²⁾	5,161	5,252	5,357	5,458	5,517
Natural gas (billions of standard cubic feet)	85,202	87,952	88,925	88,010	87,968
Total oil and natural gas (millions of barrels of oil equivalent) ⁽³⁾	19,362	19,912	20,178	20,126	20,178
PETRONAS' equity interest in international reserves: ⁽⁴⁾					
Oil (millions of barrels) ⁽²⁾	2,158	2,347	2,550	2,420	2,202
Natural gas (billions of standard cubic feet) ⁽⁵⁾	22,602	21,562	22,571	22,920	27,838
Total oil and natural gas (millions of barrels of oil equivalent) ⁽³⁾	5,925	5,941	6,312	6,240	6,842
	Fiscal Year Ended March 31,				
	2005	2006	2007	2008	2009
Production:					
Malaysia's production:					
Oil (millions of barrels) ⁽²⁾	269	255	241	253	248
Natural gas (billions of standard cubic feet) ⁽⁶⁾	2,091	2,096	2,081	2,156	2,147
Total oil and natural gas (millions of barrels of oil equivalent) ⁽³⁾	618	604	588	612	606
PETRONAS' share of domestic production: ⁽⁷⁾					
Oil (millions of barrels) ⁽²⁾	204	193	185	182	177
Natural gas (billions of standard cubic feet) ⁽⁶⁾	1,430	1,389	1,361	1,449	1,493
Total oil and natural gas (millions of barrels of oil equivalent) ⁽³⁾	442	425	412	424	426
PETRONAS' share of international oil and gas production (million barrels of oil equivalent) ⁽³⁾					
	141	158	212	225	230
Total of PETRONAS' share of Malaysia's oil and gas production and PETRONAS' share of international oil and gas production (millions of barrels of oil equivalent)					
	583	582	624	649	655

(1) PETRONAS' method of reporting reserves changed in 2006. Accordingly, reserve figures for 2005 are not directly comparable to reserve figures for 2006 through 2009. For a description of PETRONAS' method of calculating reserves, see "Presentation of Financial and Other Data—Oil and Gas Reserves."

(2) Includes condensates.

(3) Conversion of gas reserves to barrels of oil equivalent is at the ratio of 6 billion standard cubic feet of gas to 1 million barrels of crude oil.

(4) Includes PETRONAS' interests under its service contracts in Iran based on the U.S. dollar-equivalent-value of the crude oil (for the Sirri A and E oil fields) and condensates (for the South Pars 2 and 3 gas fields) that PETRONAS is entitled to receive under those service contracts. PETRONAS estimates that it had an equity interest in reserves in Iran amounting to 54.3 mmboe at January 1, 2005; 13.9 mmboe at January 1, 2006; 10.0 mmboe at January 1, 2007; 9.5 mmboe at January 1, 2008 and 4.1 mmboe at January 1, 2009.

(5) Figure for 2009 includes coal seam gas equity reserve.

(6) Net of flared gas.

(7) PETRONAS' share of domestic production includes the share of profit oil to which it is entitled, the cost and profit oil and gas of PETRONAS Carigali and the royalty oil and gas sold by PETRONAS for the Government of Malaysia.

The Offering

Phrases used in the following summary that are not otherwise defined in this summary have the meanings given to them in “Terms and Conditions of the Certificates.”

The following summary of the Certificates and the Sukuk al-Ijara structure does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Offering Circular and the related documents referred to herein. Potential investors should read the entire Offering Circular, especially the risks in investing in the Certificates discussed under Risk Factors.

Certificateholders should note that through a combination of the Lease Agreement, the Purchase Undertaking and the Servicing Agency Agreement, the ability of the Issuer to pay the amounts due in respect of the Certificates will ultimately be dependent on payments made by PETRONAS and the Certificateholders’ recourse is limited to the Trust Assets. See “Limited Recourse” below.

Summary of the Certificates

Issuer PETRONAS Global Sukuk Ltd.

The authorised share capital of the Issuer is US\$50,000,000 divided into 50,000,000 shares of US\$1.00 each, of which 2,000 shares have been issued. The shares are held by two of the directors of the Issuer.

Trustee The Issuer will act as trustee (in such capacity, the “Trustee,” which expression shall include its delegate referred to below) in respect of the Trust Assets (as defined below) for the benefit of Certificateholders in accordance with the Declaration of Trust and the Conditions.

Delegate Under the Declaration of Trust, the Issuer will unconditionally and irrevocably delegate certain powers, duties and authorities to The Bank of New York Mellon, London Branch (the “Delegate”), including the power and authority to enforce or realise the Trust Assets.

Sellers The following PETRONAS subsidiaries: MTBE Malaysia Sdn. Bhd., Polypropylene Malaysia Sdn. Bhd., PETRONAS Fertilizer (Kedah) Sdn. Bhd. and PETRONAS Ammonia Sdn. Bhd. (each, a “Seller”) shall, pursuant to purchase agreements entered into with the Trustee and dated the Closing Date (each, a “Purchase Agreement”), sell to the Issuer the Sukuk Assets (as defined below) more particularly described in the Purchase Agreements.

Lessee PETRONAS (in such capacity, the “Lessee”) will enter into a lease (the “Lease”) of the Sukuk Assets with the Issuer (in such capacity, the “Lessor”), pursuant to a Lease Agreement (as defined below) for a period of five years commencing on the Closing Date.

Servicing Agent Under the terms of the Servicing Agency Agreement (as defined below), PETRONAS (in this capacity, the “Servicing Agent”) will, amongst other things,

be responsible on behalf of the Lessor for the performance of and/or payment in relation to, Major Maintenance and Structural Repair, Proprietorship Taxes and Insurances (each as defined below) in respect of the Sukuk Assets (the “Services”) and as provided in the Servicing Agency Agreement.

Obligor	PETRONAS (in such capacity, the “Obligor”) will execute the Purchase Undertaking (as defined below) in favour of the Issuer, pursuant to which the Obligor will undertake to, in certain circumstances, purchase the Sukuk Assets from the Issuer.
Global Coordinator	Morgan Stanley & Co. International plc. (“Morgan Stanley”).
Managers	CIMB Bank (L) Limited (“CIMB”), Citigroup Global Markets Limited (“Citi”) and Morgan Stanley.
Listing Agent, Luxembourg Paying Agent and Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A.
Principal Paying Agent, Transfer Agent, Replacement Agent and Calculation Agent	The Bank of New York Mellon, London Branch.
Registrar	The Bank of New York Mellon.
Certificates	US\$1,500,000,000 Trust Certificates due 2014.
Rental Rate	4.25% per annum (the “Rental Rate”).
Closing Date	August 12, 2009.
Scheduled Redemption Date	August 12, 2014.
Periodic Distribution Dates	On February 12, 2010, and thereafter on each February 12 and August 12 in each year (each a “Periodic Distribution Date”) up to and including the Periodic Distribution Date falling on August 12, 2014 (or if such a day is not a Business Day (as defined herein), the following Business Day, unless it would thereby fall into the next calendar month, in which event such day shall be the immediately preceding Business Day).
Periodic Distributions	On each Periodic Distribution Date, Certificateholders will receive, from monies received in respect of the Trust Assets, a “Periodic Distribution Amount” which comprises an amount equal to the product of (a) the Rental Rate, (b) the Sukuk Issue Amount (as defined in the Conditions) and (c) the number of days in such Periodic Distribution Period (such number of days being calculated on the basis

of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the actual number of days) divided by 360.

Periodic Distribution

Period The period from and including the Closing Date to but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding the next succeeding Periodic Distribution Date is called a “Periodic Distribution Period.”

Redemption Amount On any Redemption Date, the Certificates shall be redeemed in full by the Issuer in cash for an amount equal to the Redemption Amount as of such date and the Trust shall be dissolved following such payment.

“Redemption Amount” means, as of any Redemption Date, the Sukuk Issue Amount as at the relevant Redemption Date plus all unpaid accrued Periodic Distribution Amounts and all other unpaid accrued amounts (if any) due and payable under the Conditions (including, without limitation, Condition 10 (*Taxation*)) as of such date.

“Redemption Date” means, as the case may be, the Scheduled Redemption Date, the Early Redemption Date, the Tax Redemption Date or the Total Loss Redemption Date (each as defined in the Conditions).

Status Each Certificate evidences an undivided beneficial ownership interest in the Trust Assets and ranks *pari passu*, without any preference, with the other Certificates.

Limited Recourse No payment of any amount whatsoever shall be made in respect of the Certificates by the Issuer or any agents thereof except to the extent that funds are available therefor from the Trust Assets. In addition, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Issuer or PETRONAS (to the extent that each fulfils all of its obligations under the relevant Transaction Documents to which it is a party), or any of the Trustee, or the Delegate or any of their affiliates as a consequence of such shortfall or otherwise.

Priority of Distributions On each Periodic Distribution Date, or on any Redemption Date, the Trustee shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) first, to pay the Delegate and the Agents all amounts owing to them under the Transaction Documents;
- (b) second, only if payment is due on a Periodic Distribution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (c) third, only if such payment is due on a Redemption Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Redemption Amount (to the extent not already paid under paragraph (b) above) due on the Redemption Date;

(d) fourth, to the Servicing Agent in payment of any outstanding Servicing Agency Expenses (as defined in Condition 21); and

(e) fifth, only if such payment is due on a Redemption Date, in payment of the surplus (if any) to the Issuer.

“Transaction Account” is the account of the Trustee into which all payments by PETRONAS to the Trustee under any Transaction Document (as defined below) to which it is a party will be deposited.

Trust Assets The “Trust” is the trust constituted by the Issuer under the Declaration of Trust.

The “Trust Assets” consist of (a) the Sukuk Assets (as defined below), (b) the Trustee’s rights, title, interest and benefit, present and future, in, to and under the Transaction Documents, (c) all monies which may now be, or hereafter from time to time are, standing to the credit of the Transaction Account and (d) all proceeds of the foregoing.

Form and Denomination The Certificates will be issued in denominations of US\$100,000 and integral multiples of US\$1,000 in excess thereof.

Certificates sold in reliance on Rule 144A will initially be represented by one or more permanent restricted global certificates in fully registered form without coupons.

Certificates sold in reliance on Regulation S will initially be represented by one or more permanent unrestricted global certificates in fully registered form without coupons.

Transfer Restrictions The Certificates have not been registered under the Securities Act and are subject to certain restrictions on transfers.

See “Plan of Distribution” and “Transfer Restrictions.”

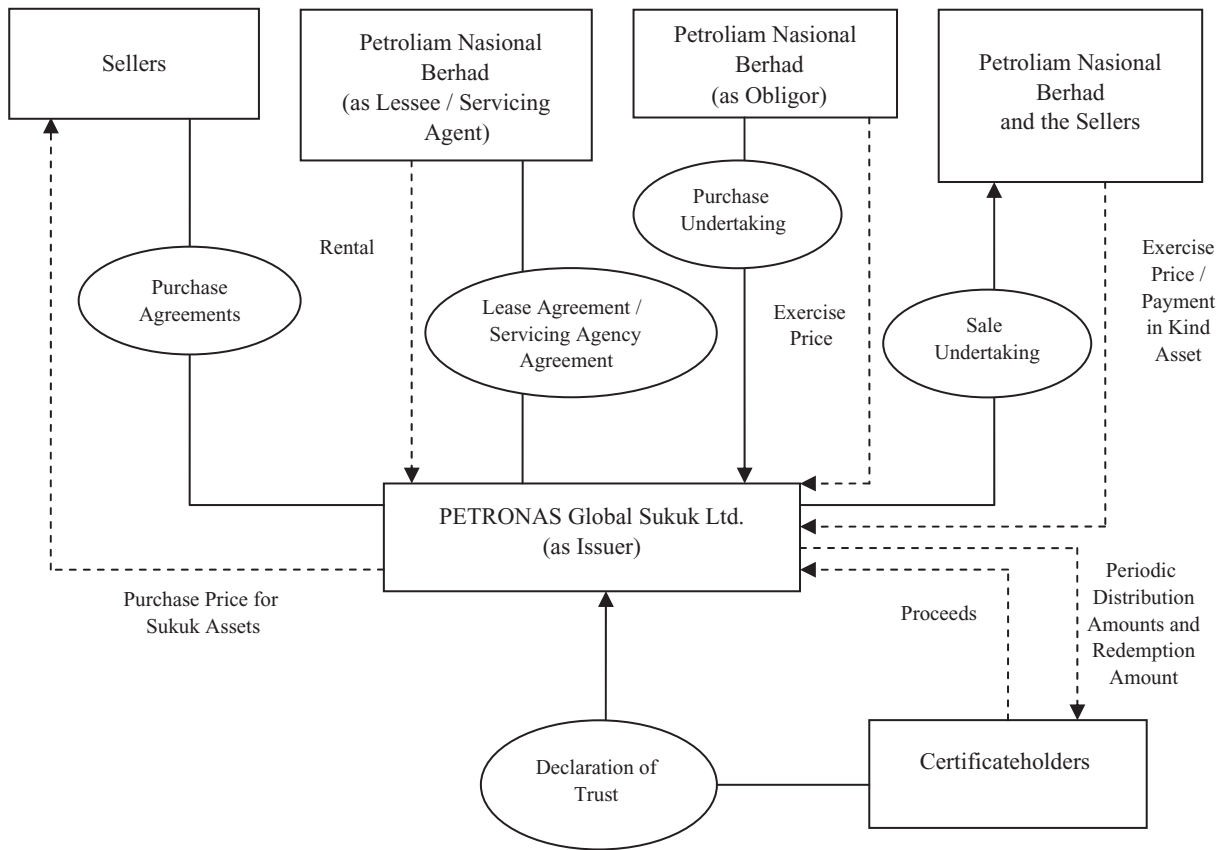
Ratings The Certificates have been rated A- by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., and A1 by Moody’s Investor Services, Inc. These credit ratings are not a recommendation to purchase, hold or sell the Certificates and may be subject to suspension, change or withdrawal at any time by the assigning rating agencies.

Negative Pledge PETRONAS (not including any of its subsidiaries) has covenanted that, subject to certain exceptions and so long as any of the Certificates remain outstanding, it will not create, incur or guarantee any Indebtedness (as defined below) secured by a lien, charge, mortgage, pledge or encumbrance without, in any such case, effectively securing its obligations under the Transaction Documents, equally and ratably with or prior to such Indebtedness.

“Indebtedness” means any obligation for the payment or repayment of money borrowed which has a final maturity of one year or more from its date of incurrence or issuance.

Tax Redemption	<p>PETRONAS Global Sukuk Ltd. may redeem the Certificates, in whole but not in part, upon the occurrence of certain events related to Malaysian or Labuan tax law.</p> <p>See Condition 6.3—“Redemption for Taxation Reasons.”</p>
Listing	<p>PETRONAS Global Sukuk Ltd. has received approval in-principle for (a) the listing and admission to trading of the Certificates on the Labuan Financial Exchange and (b) the listing of the Certificates on Bursa Malaysia (Exempt Regime). PETRONAS Global Sukuk Ltd. and PETRONAS have also applied to list the Certificates on the Official List of the Luxembourg Stock Exchange and for their admission to trading on the Euro MTF market of the Luxembourg Stock Exchange and such application is pending. The offering and settlement of the Certificates are not conditional on obtaining any of the listings or admissions to trading described above.</p> <p>See “Risk Factors—Risks Relating to the Certificates—A listing of the Certificates on a securities exchange cannot be guaranteed.”</p>
Use of Proceeds	<p>PETRONAS Global Sukuk Ltd. will use the gross proceeds from the sale of the Certificates to purchase the Sukuk Assets.</p>
Risk Factors	<p>Investing in the Certificates involves risks. You should carefully consider all information set forth in this Offering Circular. In particular, potential investors should carefully read the section entitled “Risk Factors” before purchasing any of the Certificates.</p>
Transaction Documents . . .	<p>The “Transaction Documents” are the Purchase Agreements, the Lease Agreement, the Servicing Agency Agreement, the Purchase Undertaking, the Sale Undertaking, the Declaration of Trust, the Agency Agreement, the Cost Undertaking, the Certificates and any other agreements and documents designated as such by the Trustee and PETRONAS.</p>
Governing Law and Jurisdiction	<p>The Transaction Documents will be governed by English law and subject to the non-exclusive jurisdiction of the English Courts.</p>

Summary of the underlying al-Ijara structure



Purchase Agreements The Issuer will use the proceeds of the issuance of the Certificates to pay the purchase price payable by the Issuer to the Sellers for the relevant Sukuk Assets (defined below) pursuant to the terms of the Purchase Agreements.

Sukuk Assets The Sukuk Assets comprise the Sellers’ beneficial ownership of those Group Properties as are described in the Purchase Agreements or any substitute assets that the Lessor and the Lessee may agree.

Group Properties Those pieces of industrial land situated in Malaysia, with official plot numbers and locations described below and the plant, machinery, equipment, buildings and civil works located on those properties:

<u>Plot Numbers</u>	<u>Location</u>
1. H.S. (D) 9688, P.T. 4538 and H.S.(D) 9686, P.T. 4536	Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang
2. P.N. 1010, Lot No. 10750	Mukim Gurun, Daerah Kuala Muda, Kedah
3. P.N. 7588, Lot No. 8066	Mukim Kertih, Daerah Kemaman, Negeri Terengganu

Lease Under the terms of the lease agreement to be dated the Closing Date between the Lessor and the Lessee (the “Lease Agreement”), the Lessee will lease the Sukuk Assets for ten consecutive lease periods (the “Lease Periods”) commencing on the Closing Date and ending on the date falling five years thereafter (unless terminated earlier following a Termination Event or Total Loss).

The rental payment for each Lease Period (“Rental”) will be payable in US Dollars in an amount at least equal to the corresponding Periodic Distribution Amount.

Upon the occurrence of a Total Loss (as defined below) the Lease shall be automatically terminated and the liability of the Lessee to pay Rental which otherwise would have been payable shall cease, save for Rental pro rated to, but excluding, the date the Total Loss occurs, which shall become immediately due and payable on the date the Total Loss occurs.

“Total Loss” means the total loss, termination or destruction of, or damage to, the whole of the Sukuk Assets or any event or occurrence that renders the same permanently unfit for any economic use and in each case, the repair, reinstatement, replacement (including by way of substitution) or remedial work in respect thereof is wholly uneconomical and impossible.

If payment of any amount that is due and payable in accordance with the Lease Agreement (the “Outstanding Sum”) is not made to the Lessor in full on its due date for payment, the Lessee irrevocably undertakes to pay the Lessor a late payment in respect of the period from, and including, the due date for settlement to, but excluding, the date of full settlement. Any late payment charges received by the Lessor shall, after deducting any administrative and other costs incurred by the Lessor, be paid (on behalf of the Lessee) to the Red Crescent Society, being the charity of the Lessee’s choice.

Servicing Agency Agreement Under the terms of the Servicing Agency Agreement, the Servicing Agent shall be responsible, on behalf of the Lessor, for Major Maintenance and Structural Repair, Proprietorship Taxes and Insurances (each as defined in the Servicing Agency Agreement) in respect of the Sukuk Assets.

Purchase Undertaking Under the Purchase Undertaking, the Obligor shall undertake that, upon the Trustee exercising its option to oblige the Obligor to purchase all of the Sukuk Assets, the Obligor will buy the same on an “as is” basis from the Issuer at the Exercise Price. The “Exercise Price” payable by the Obligor shall be an amount equal to the Redemption Amount.

The Trustee may exercise its option under the Purchase Undertaking:

- (a) at any time prior to the Scheduled Redemption Date only following the occurrence of a Dissolution Event (as defined in the Conditions); or
- (b) by no later than 30 days prior to the Scheduled Redemption Date regardless of whether or not a Dissolution Event has occurred which is continuing on that date,

in each case, by delivering an Exercise Notice to the Obligor.

If payment of all or part of the Exercise Price (the “Outstanding Exercise Price”) is not paid by PETRONAS on its due date for payment, PETRONAS shall irrevocably and unconditionally (without the necessity for any notice or any other action) continue to take on lease the Sukuk Assets from the Trustee, and act as servicing agent in respect of the Sukuk Assets on the terms and conditions of the Lease Agreement and Servicing Agency Agreement, with effect from (and including) the due date for payment of the Outstanding Exercise Price to the date of settlement. Rental shall continue to accrue on a daily basis on the Outstanding Exercise Price.

Sale Undertaking *Early Redemption following a Tax Event*

On exercise of PETRONAS’ option under, and in accordance with, the Sale Undertaking following the occurrence of a Tax Event (as defined in Condition 6.3), the Trustee shall sell all the Sukuk Assets to PETRONAS on an “as is” basis at the Exercise Price on the terms and subject to the conditions of the Sale Undertaking.

Substitution of Sukuk Assets

If PETRONAS wants to purchase all or a part of the Sukuk Assets then held by the Trustee (an “Original Asset”) by payment in kind with other assets of equal value, the Trustee undertakes pursuant to the Sale Undertaking to sell such Original Asset to PETRONAS (or certain of its named subsidiaries) on an “as is” basis, subject to satisfaction of certain conditions.

Pari Passu Ranking All payment obligations of PETRONAS under the Transaction Documents shall rank at least *pari passu* with the claims of all of PETRONAS’ other unsecured and unsubordinated creditors, save for those which are owed to creditors whose claims are preferred solely by any bankruptcy, insolvency, liquidation or other similar laws of general application.

SHARIA ADVISORS

The Sharia advisors to the Managers have each confirmed that, in their view, the proposed issue of the Certificates and the related structure and mechanism described in the Transaction Documents are in compliance with Sharia principles.

The names of the Sharia advisors are:

- (a) CIMB Islamic Bank Berhad backed by the CIMB Islamic Sharia Committee, consisting of Sheikh Prof. Dr. Mohammad Hashim Kamali, Sheikh Nizam Yaquby (Nedham Yoqoobi), Sheikh Dr. Haji Moh'd Nai'm Bin Haji Mokhtar, Sheikh Dr. Shafaai Bin Musa, Sheikh Dr. Zainudin Jaffar and Sheikh Dr. Yousef bin Abdullah Al Shubaily;
- (b) the Sharia Supervisory Board of Citi Islamic Investment Bank, consisting of Dr. Nizah Hammad Sheikh Nizam Yaquby (Nedham Yoqoobi) and Dr. Mohamed Elgari, and of Citibank Berhad, consisting of Dr. Haji Hashim Mehat, Dr. Abdul Ghafar Ismail and Dr. Norhashimah Mohd Yassin; and
- (c) the Sharia Supervisory Board of Morgan Stanley, consisting of Sheikh Nizam Yaquby (Nedham Yoqoobi), Dr. Mohd Daud Bakar and Dr. Mohamed Elgari.

GLOSSARY OF OIL AND GAS INDUSTRY TERMS

“associated gas”—natural gas commonly known as gas-cap gas and/or solution gas dissolved in crude oil in a reservoir.

“barrel”—approximately 42 U.S. gallons.

“boe”—barrels of oil equivalent. Conversion of gas reserves to barrels of oil equivalent is at the ratio of 6 billion standard cubic feet of gas to 1 million barrels of crude oil.

“bpd”—barrels per day.

“bscf”—billion standard cubic feet.

“coal seam gas”—natural gas contained in coal deposits, whether or not stored in gaseous phase.

“condensate”—liquid hydrocarbon composed primarily of pentanes (C₅) and heavier molecules that are recovered from natural gas and/or oil fields.

“crude oil”—oil including condensate.

“gas”—natural gas.

“gas-cap gas”—free gas that overlies and is in contact with significant quantities of crude oil in a reservoir.

“IPC”—integrated petrochemical complex.

“LNG”—liquefied natural gas.

“LPG”—liquefied petroleum gas.

“mmbbl”—million barrels of oil.

“mmboe”—million barrels of oil equivalent.

“mmBtu”—million British thermal units.

“mmscfd”—million standard cubic feet per day.

“mmt”—million metric tons.

“mmtpa”—million metric tons per annum.

“natural gas”—a mixture of hydrocarbons that originally exist in gaseous phase in natural underground reservoirs and is classified as either associated gas or non-associated gas.

“non-associated gas”—natural gas that is found in a reservoir that does not contain crude oil.

“oil”—crude oil, condensate and natural gas liquids.

“sour crude”—crude oil that has a high level of sulfur content and requires more complex refining processes.

“sweet crude”—crude oil that has a low level of sulfur content and requires less complex refining processes.

“tpa”—metric tons per annum.

“tscf”—trillion standard cubic feet.

RISK FACTORS

Investing in the Certificates offered through this Offering Circular involves risk. You should carefully consider the risks set forth below as well as the other information contained in this Offering Circular before investing in the Certificates.

Risks Relating to PETRONAS' Business

PETRONAS is subject to volatility in the oil and gas industry, which may weaken its profitability and competitiveness.

The global oil and gas industries are highly competitive and volatile and are subject to various risks and uncertainties. They are also subject to regulations and directives of national and local governments with respect to matters such as limitations on production volumes and exports, pricing policies, environmental protection controls and possibly nationalization of assets, expropriation and cancellation of rights. PETRONAS is subject to all these risks as a result of its business activities.

Substantial or extended declines in the prices of crude oil and related oil products may have a material adverse effect on PETRONAS' business, results of operations and financial condition.

PETRONAS' financial results are affected by international oil and natural gas prices, which have fluctuated widely over the last two decades. Many factors influence oil and natural gas prices, including global and regional supply and demand for crude oil, gas and related products; competition from other energy sources; government regulations; weather conditions; global conflicts or acts of terrorism; international economic conditions; inflation outlook; actions of commodity market participants; and other factors over which PETRONAS has no control. As crude oil prices provide a benchmark for gas and petrochemical feedstock prices, changes in crude oil prices may also have an impact on gas and petrochemical prices. Higher oil and natural gas prices generally have a positive effect on PETRONAS' operating profit, while lower prices generally have a corresponding negative effect. The weighted average price per barrel of Malaysian crude oil increased to US\$88.07 during the fiscal year ended March 31, 2009 from US\$86.81 during the fiscal year ended March 31, 2008 and US\$68.50 during the fiscal year ended March 31, 2007. During the fiscal year ended March 31, 2009, the weighted average price per barrel of Malaysian crude oil initially increased to US\$125.45 in the first half of the year before decreasing 59.6% to US\$50.69 in the second half of the year. Substantial or extended declines in international crude oil prices may have a material adverse effect on PETRONAS' business, results of operations and financial condition.

PETRONAS operates internationally and expects to continue to expand its international activities making it increasingly susceptible to legal, regulatory, political and economic conditions outside Malaysia.

PETRONAS derives a significant portion of its revenues from its businesses outside Malaysia. In the fiscal years ended March 31, 2009, 2008 and 2007, PETRONAS' international activities contributed 42.1%, 40.3% and 36.7%, respectively, of its consolidated revenue. PETRONAS' financial condition and results of operations are expected to be increasingly affected by international and local political, economic and operating conditions in or affecting countries where it operates, transacts business or has interests. Investing in certain countries (including Iran, Myanmar, Cuba and Sudan) could also result in adverse consequences to PETRONAS under existing or future trade or investment sanctions. The effect of any such sanctions would depend on their nature, but if sanctions were imposed on PETRONAS, or one of its subsidiaries or associated companies, it could affect the market for the securities of that company or impair PETRONAS' ability to access the U.S. capital markets.

PETRONAS operates under a broad range of laws and governmental regulations, both in Malaysia and elsewhere. These laws and regulations cover virtually all aspects of PETRONAS' operations. PETRONAS

conducts country risk assessments and in-country risk management to ensure that it understands the legal and regulatory operating environment and the political and economic consequences of operating in a particular country, both when initially beginning to work in that country and on an ongoing basis. PETRONAS cannot ensure, however, that local legal, regulatory, political or economic changes in the countries in which it operates will not have a material adverse effect on its business, results of operations or financial condition.

PETRONAS' crude oil and natural gas reserve estimates involve some degree of uncertainty and may prove to be incorrect over time or may not accurately reflect actual reserve levels, or even if accurate, technical limitations may prevent it from retrieving these reserves.

Crude oil and natural gas exploration and production activities are subject to various uncertainties, including those relating to the physical characteristics of crude oil and natural gas fields. These physical characteristics, including the proportion of reserves that can ultimately be produced, the rate of production and the costs of developing the fields, are difficult to estimate and as a result actual production may be materially different from current estimates of reserves. Factors affecting PETRONAS' reserve estimates include: new production or drilling activities; field reviews; the addition of new reserves from discoveries or extensions of existing fields; the application of improved recovery techniques; and changed economic conditions. As is customary among international oil and gas companies, PETRONAS' reserves are estimated by PETRONAS and its PSC Contractors.

The reliability of reserve estimates depends on the quality and quantity of technical and economic data, the production performance of the fields, and consistency in governmental oil and gas policies. The quantities of crude oil and natural gas that are ultimately recovered could be materially different from PETRONAS' reserve estimates, and downward revisions of its estimates could affect its results of operations and business plan. Published reserves estimates may also be subject to correction due to the application of published rules and guidance. PETRONAS can give no assurance that the reserves estimates upon which it has made investment decisions accurately reflect actual reserve levels, or even if accurate, that technical limitations will not prevent it from retrieving these reserves.

PETRONAS' activities may be adversely affected by competition.

As is the case with all international oil and gas companies, PETRONAS faces keen competition in its business activities, both domestically and internationally. PETRONAS competes with other companies, including major oil and gas companies. Some of these companies may have greater financial and other resources than PETRONAS and, as a result, may be in a better position to compete for future business opportunities. PETRONAS also faces significant competition in the development of innovative products and solutions, including the development of new technologies for its core upstream and downstream businesses. In addition, other competitive sources of energy are expected to come into operation in the future. Accordingly, PETRONAS expects competition in the oil and gas and refining industries to increase, which could have a material adverse effect on its business, financial condition and results of operations.

PETRONAS' compliance with environmental regulations in Malaysia and in the countries in which it operates could materially adversely affect its results of operations.

PETRONAS is subject to various environmental laws and regulations concerning land use, air emissions, discharges to waters, waste materials and abandonment of installations in connection with the design and operation of its upstream and downstream oil and gas facilities in Malaysia and other countries in which PETRONAS operates, transacts business or has interests. Numerous government agencies and departments issue environmental rules and regulations, which are often difficult and costly to comply with and which carry substantial penalties for non-compliance. Accordingly, PETRONAS cannot assure you that it will not be subject to stricter enforcement or interpretation of existing environmental laws and regulations, or that such laws and regulations will not become more stringent in the future.

Integrated oil and gas companies around the world are periodically subject to adverse effects from unfavorable market perceptions of the environmental impact of their operations. Given the possibility of unanticipated regulatory or other developments, including more stringent environmental laws and regulations, the amount and timing of future environmental compliance expenditures could vary substantially from their current levels. These changes could limit the availability of PETRONAS' funds for other purposes. PETRONAS cannot predict what additional environmental legislation or regulations will be enacted in the future or the potential effects on its financial position and results of operations. PETRONAS' foreign subsidiaries have incurred and expect to continue to incur capital and operating expenditures to comply with applicable environmental laws and regulations. Changes in foreign environmental laws and regulations, or their interpretation, may require these subsidiaries to incur significant unforeseen expenditures to comply with such requirements, which could have an adverse effect on PETRONAS' business, financial condition and results of operations.

PETRONAS' activities subject it to potential catastrophic events and environmental risks that may expose it to significant costs and liabilities.

PETRONAS engages in the production, storage, transportation, marketing and trading of crude oil, and related products. As a result of these activities, PETRONAS' business exposes it to the risk of unforeseen and catastrophic events, including natural disasters, leaks, spills, explosions, release of toxic substances, fires, accidents on land and at sea, wars, and terrorist attacks that could result in personal injuries, loss of life, property damage and suspension of operations.

Although PETRONAS has attempted to mitigate its pollution and other environmental risks by, among other measures, adopting appropriate policies and procedures for monitoring the quality of petroleum storage facilities and transport vessels and implementing emergency response programs, these actions may not prove adequate to address every contingency. In addition, insurance covering some of these risks may not be available, and the proceeds, if any, from insurance recovery may not be adequate to cover liabilities with respect to particular incidents. As a result, its financial condition and results of operations may be adversely affected by these events.

PETRONAS is exposed to production, equipment and transportation risks, including deliberate acts of terror, that could interrupt its operations and result in substantial potential liability.

PETRONAS is subject to several risks that are common among oil and gas companies. These risks include production risks (fluctuations in production due to operational hazards, natural disasters or weather, accidents, etc.), equipment risks (relating to the adequacy and condition of PETRONAS' facilities and equipment) and transportation risks (relating to the condition and vulnerability of pipelines and other modes of transportation). More specifically, PETRONAS' business is subject to the risks of explosions in pipelines (oil and gas), refineries, plants, drilling wells and other facilities; typhoons and other natural or geological disasters; fires, accidents and mechanical failures; suspension of refinery operations for scheduled and unscheduled maintenance and repairs; oil spills and leaks; unexpected geological formations or pressures resulting in blow-outs (sudden, violent explosions of oil, natural gas or water from a drilling well, followed by an uncontrolled flow from the well) or cratering (the caving in and collapse of the earth's structure around a blow-out well); mechanical failures and collapsed holes, particularly in horizontal well bores. PETRONAS' facilities are also subject to sabotage and terrorism risks.

The occurrence of any of these events or other accidents connected with production, processing and transporting PETRONAS' products could result in personal injuries, loss of life, environmental damage with the resulting containment, clean-up and repair expenses, equipment damage and damage to PETRONAS' facilities. A shutdown of the affected facilities could disrupt PETRONAS' production and significantly increase its production costs.

Although PETRONAS has purchased insurance policies covering some of these risks, these policies may not cover all liabilities, and insurance may not be available for all risks or on commercially reasonable terms. There can be no assurance that accidents or acts of terror will not occur in the future, that insurance will adequately cover the entire scope or extent of PETRONAS' losses or that it may not be found directly liable in connection with claims arising from these and other events.

PETRONAS must make significant capital expenditures to maintain its current extraction and production levels and to maintain or increase its reserve levels. Reductions in PETRONAS' income and inability to obtain financing may limit PETRONAS' ability to make capital investments.

PETRONAS' business is capital intensive. Specifically, the exploration and development of oil and gas reserves, production, processing and refining and the maintenance of machinery and equipment require substantial capital expenditures. PETRONAS must continue to invest capital to maintain the amounts of oil and gas that it produces and processes and to maintain or increase its levels of oil and gas reserves. PETRONAS invests funds to maintain the amount of extractable oil and gas reserves in Malaysia. It also continually invests capital to enhance its recovery ratio and improve the reliability and productivity of its infrastructure.

PETRONAS cannot assure you that it will be able to maintain its production levels or generate sufficient cash flow, or that it will have access to sufficient loans or other financing alternatives, to continue its business activities at or above present levels.

PETRONAS' investment in joint ventures and associated companies may reduce its degree of control as well as its ability to identify and manage risks.

Many of PETRONAS' major projects and operations are conducted through joint ventures or associated companies. In certain cases, PETRONAS may have limited influence over and control of the behavior, performance and cost of operations in which a PETRONAS company holds an equity interest. Additionally, its partners or members of a joint venture or associated company (particularly local partners in developing countries) may not be able to meet their financial or other obligations to the projects, threatening the viability of a given project.

Risks Relating to Malaysia

PETRONAS is wholly owned by the Government of Malaysia, which may intervene in PETRONAS' operations.

The Government of Malaysia is the sole shareholder of PETRONAS. As the sole shareholder, it controls the approval of all corporate matters requiring a shareholder resolution under the Malaysian Companies Act 1965, including, but not limited to, the approval of dividends and the appointment of directors. However, PETRONAS' financing obligations do not constitute obligations of and are not guaranteed by the Government of Malaysia. The Government of Malaysia has the power to intervene directly or indirectly in PETRONAS' commercial and operational affairs. Although the relationship between PETRONAS and the Government of Malaysia to date has generally been commercially oriented, there can be no assurance that the Government of Malaysia will not intervene in the commercial affairs of PETRONAS in a manner that would have a material adverse effect on PETRONAS.

Changes in the exchange rate between the U.S. dollar and the ringgit could have a negative impact on PETRONAS' results of operations and financial condition.

Most of PETRONAS' revenue and costs are denominated in U.S. dollars, although a portion of PETRONAS' revenue and expenses are denominated in ringgit. Accordingly, changes in the U.S. dollar to

ringgit exchange rate could have an adverse impact on PETRONAS' results of operations and financial condition, including as a result of translation adjustments in converting U.S. dollar amounts to ringgit for financial statement purposes. In addition, as a global company doing business in over 30 countries, PETRONAS is also exposed to changes in the value of other currencies.

Risks Related to the Issuer

The Issuer has no operating history and will have no material assets other than the Trust Assets.

The Issuer is a newly formed entity and has no operating history. The Issuer will have no material assets other than the Trust Assets. The Issuer's principal source of funds will be its entitlement to receive Rentals under the Lease Agreement and amounts payable by PETRONAS under the terms of the Purchase Undertaking and the Servicing Agency Agreement.

The Issuer is ultimately dependent on PETRONAS to pay amounts due on the Certificates.

The ability of the Issuer to pay amounts due on the Certificates will ultimately be dependent upon receipt by the Issuer of all amounts due from the Lessee under the Lease Agreement and PETRONAS under the Purchase Undertaking and the Servicing Agency Agreement. In the event that the Issuer is unable, on any Periodic Distribution Date, to pay the Periodic Distribution Amount, or following a Dissolution Event, Tax Event or Total Loss, or on the Scheduled Redemption Date, to pay the Redemption Amount in full for failure of PETRONAS to pay the Exercise Price or the Redemption Amount, as the case may be, the Issuer will not have any other funds available to meet its obligations under the Certificates.

The Issuer's only material assets, which will be held on trust for the Certificateholders, are currently the Trust Assets. Therefore, the Issuer is subject to all the risks to which PETRONAS is subject, to the extent that such risks could affect PETRONAS' ability to satisfy in full and on a timely basis its respective obligations under the Lease Agreement, the Purchase Undertaking and the Servicing Agency Agreement.

Risks Relating to the Certificates

Recourse to the Issuer is limited to the Trust Assets.

Each Certificate represents solely an undivided beneficial ownership interest in the Trust Assets. Recourse to the Issuer is limited to the Trust Assets and the proceeds of the Trust Assets are the sole source of payments on the Certificates. Upon the occurrence of a Dissolution Event, the only remedy available to the Certificateholders will be to require the Trustee or the Delegate, as the case may be, to serve an Exercise Notice and exercise its option under the Purchase Undertaking to require PETRONAS to purchase the Sukuk Assets at the Exercise Price. Certificateholders will otherwise have no recourse to any assets of PETRONAS (in each of its respective capacities under the Transaction Documents, to the extent PETRONAS fulfills all of its obligations under the Transaction Documents to which it is a party), the Issuer, the Trustee, the Delegate, the Managers, the Agents or any affiliate of any of the foregoing entities in respect of any shortfall in any amounts realized from the Trust Assets.

PETRONAS is obliged to make payments under the Transaction Documents to which it is a party directly to the Trustee, and the Trustee or the Delegate, as the case may be, on behalf of the Certificateholders, will have direct recourse against PETRONAS to recover payments due to the Trustee from PETRONAS pursuant to the Transaction Documents to which PETRONAS is a party. There can be no assurance that the net proceeds of the realisation of, or the enforcement with respect to, the Trust Assets will be sufficient to make all payments due in respect of the Certificates. Once the Trust Assets have been realised and applied, each of the Issuer and Trustee

shall have no further obligations to the Certificateholders and any outstanding obligations in respect of the Certificates shall be extinguished.

No Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the bankruptcy, reorganisation, arrangement or liquidation, winding up or receivership of the Issuer or the Trustee. The Delegate will only be obliged to take enforcement action against the Issuer and the Trust Assets if directed to do so by the requisite majority of Certificateholders and indemnified and/or secured against any liabilities it may incur.

The Issuer's and the Trustee's obligations under the Certificates are solely corporate obligations of the Issuer and the Trustee. The Certificateholders shall have no recourse against any shareholder, officer, director or agent of the Issuer or the Trustee for any claim, loss, liability, or expense arising under or with respect to or in connection with the Certificates.

Developments in other markets may adversely affect the market price of the Certificates.

The market price of the Certificates may be adversely affected by declines in the international financial markets and world economic conditions. The market for Malaysian securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including Malaysia. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Certificates could be adversely affected.

The Certificates are a new issue of securities for which there is currently no public market; you may be unable to sell the Certificates if a trading market for the Certificates does not develop or if the Certificates have limited liquidity.

The Certificates are a new issuance of securities with no established trading market. If a trading market does not develop or is not maintained, holders of the Certificates may experience difficulty in reselling the Certificates or may be unable to sell them at all. The liquidity of any market for the Certificates will depend on the number of holders of the Certificates, the interest of securities dealers in making a market in the Certificates and other factors. If the Certificates are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions, PETRONAS' performance and business prospects and other factors. PETRONAS and PETRONAS Global Sukuk Ltd. have been advised by the Managers that they currently intend to make a market in the Certificates as permitted by applicable law. The Managers are not obligated to do so, however, and any such market making may be discontinued at any time in their sole discretion. No assurance can be given as to the development of, liquidity of, or the continuation of a trading market for the Certificates. If an active trading market does not develop, the market price and liquidity of the Certificates may be adversely affected.

There is no assurance that the Certificates will be Sharia compliant.

CIMB Islamic Bank Berhad backed by the CIMB Islamic Sharia Committee, the Sharia Supervisory Board of Citi Islamic Investment Bank and Citibank Berhad, and the Sharia Supervisory Board of Morgan Stanley have each issued a Fatwa in respect of the Certificates and the related structure and mechanism described in the Transaction Documents and their compliance with Sharia principles. However, a Fatwa is only an expression of the view of the respective Sharia Advisors based on its extensive experience in the subject and is not a binding opinion. There can be no assurance as to the Sharia permissibility of the structure of the issue and the trading of the Certificates and none of the Issuer, PETRONAS, the Trustee, the Delegate or the Managers makes any representation as to the same. Investors are reminded that, as with any Sharia views, differences in opinion are

possible. Investors are advised to obtain their own independent Sharia advice as to whether the structure meets their individual standards of compliance and make their own determination as to the future tradeability of the Certificates on any secondary market.

The Certificates will be unsecured obligations, will be structurally subordinated to the claims of creditors of PETRONAS' subsidiaries and will be subordinated to the claims of PETRONAS' secured creditors.

The claims of all existing and future third-party creditors of PETRONAS' subsidiaries as to the cash flows and assets of such companies will have priority over the claims of the shareholders of such subsidiaries, including PETRONAS, and the creditors of such shareholders. At March 31, 2009, PETRONAS had total consolidated debt, excluding derivative assets, of RM43,946 million (US\$12,050 million), of which RM39,268 million (US\$10,767 million) was third-party debt of PETRONAS' subsidiaries. The Transaction Documents do not contain any restrictions on the ability of PETRONAS or its subsidiaries to incur additional indebtedness.

A listing of the Certificates on a securities exchange cannot be guaranteed.

PETRONAS Global Sukuk Ltd. has received approval in-principle for (a) the listing and admission to trading of the Certificates on the Labuan Financial Exchange and (b) the listing of the Certificates on Bursa Malaysia (Exempt Regime). PETRONAS Global Sukuk Ltd. and PETRONAS have also applied to list the Certificates on the Official List of the Luxembourg Stock Exchange and for their admission to trading on the Euro MTF market of the Luxembourg Stock Exchange and such application is pending. The offering and settlement of the Certificates are not conditional on obtaining any of the listings or admissions to trading. Moreover, even if the Certificates are so listed at the time of issuance, PETRONAS may seek an alternative listing for such Certificates on another stock exchange, but there can be no assurance that such alternative listing will be obtained.

The Transaction Documents may be modified without notice to Certificateholders.

The Conditions and the Declaration of Trust contain provisions permitting the Trustee or, as the case may be, the Delegate from time to time and at any time without any consent or sanction of the Certificateholders to make any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Declaration of Trust or of any other Transaction Documents, or determine, without any such consent as aforesaid, that any Dissolution Event shall not be treated as such, if, in the opinion of the Trustee (a) such modification is of a formal, minor or technical nature; (b) such modification is made to correct a manifest error; (c) such modification, waiver, authorisation or determination is not, in the opinion of the Trustee, materially prejudicial to the interests of Certificateholders; or (d) such modification is required to effect cancellation of Certificates in accordance with Condition 6.6(b) or substitution of the Sukuk Assets in certain circumstances. Unless the Trustee or, as the case may be, the Delegate otherwise decides, any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.

Certificateholders may be adversely affected by a Total Loss despite the Issuer's obligation to adequately insure the Sukuk Assets.

Pursuant to the Lease Agreement, the Issuer is required, among other things, to insure the Sukuk Assets. The Issuer has delegated this obligation to PETRONAS, as its servicing agent, and PETRONAS has undertaken in the Servicing Agency Agreement, inter alia, to insure the Sukuk Assets in the name of the Issuer against the occurrence of a Total Loss at their full reinstatement value.

Nevertheless, should such an event occur, unless PETRONAS (in its capacity as Servicing Agent under the Servicing Agency Agreement) procures new properties on the date of occurrence of the Total Loss that will be made subject to the Lease Agreement through substitution, the Lease will be required to be terminated and the

Certificates will be repaid using the proceeds of the insurance received by the Issuer. In connection with such termination, potential investors should be aware that (i) rental payments and the corresponding Periodic Distribution Amounts will be reduced for the term in which the termination takes place and (ii) there may be a delay in the Issuer receiving the proceeds of insurance (or shortfall amounts from the Servicing Agent) and therefore in Certificateholders receiving the full Dissolution Distribution Amount in respect of their Certificates, and no additional Periodic Distribution Amount will be paid in respect of this delay. In connection to this, the Servicing Agency Agreement provides that if sufficient insurance proceeds are not paid into the Transaction Account within 30 days of the occurrence of the Total Loss, PETRONAS, as Servicing Agent, shall have failed in its responsibility to properly insure the Sukuk Assets and accordingly, PETRONAS shall be required to pay any shortfall directly to the Transaction Account within 31 days of the occurrence of the Total Loss. The Delegate will be entitled to enforce this undertaking against PETRONAS on behalf of the Certificateholders.

The Certificates may be subject to restrictions on transfer which may adversely affect the value of the Certificates.

The Certificates have not been registered under the Securities Act or any U.S. state securities laws or under the securities laws of any other jurisdiction and are being issued and sold in reliance upon exemptions from registration provided by such laws. No Certificates may be sold or transferred unless such sale or transfer is exempt from the registration requirements of the Securities Act (for example, in reliance on the exemptions provided by Rule 144A or Regulation S under the Securities Act) and applicable state securities laws. The Certificates and the Agency Agreement will contain provisions that will restrict the Certificates from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exceptions, under the Securities Act. Furthermore, the Issuer has not registered the Certificates under any other country's securities laws. Investors must ensure that their offers and sales of the Certificates within the United States and other countries comply with applicable securities laws. For certain restrictions on resales and transfers, see "Transfer Restrictions."

USE OF PROCEEDS

PETRONAS Global Sukuk Ltd. will use the gross proceeds from the sale of the Certificates of US\$1,498,065,000 to purchase the Sukuk Assets.

CAPITALIZATION

The following table sets forth the consolidated long-term debt and shareholders' equity of PETRONAS at March 31, 2009, and as adjusted to give effect to (i) the issuance and sale of the Certificates offered hereby and (ii) the issuance and sale by PETRONAS Capital Limited of US\$3,000,000,000 5.25% Guaranteed Notes due 2019, which will be unconditionally and irrevocably guaranteed by PETRONAS and which are being offered concurrently with the Certificates, as if such transactions had occurred at March 31, 2009.

	At March 31, 2009 ⁽¹⁾			
	Actual		As Adjusted	
	(in millions)			
Long-term debt:				
Non-current borrowings ⁽²⁾	RM 35,108	US\$ 9,627	RM 35,108	US\$ 9,627
Trust Certificates due 2014	—	—	5,471	1,500
5.25% Guaranteed Notes due 2019 ⁽³⁾	—	—	10,941	3,000
Total long-term debt	35,108	9,627	51,520	14,127
Shareholders' equity:				
Share capital	100	27	100	27
Reserves	231,983	63,609	231,983	63,609
Total shareholders' equity	232,083	63,636	232,083	63,636
Total capitalization ⁽⁴⁾	RM267,191	US\$73,263	RM283,603	US\$77,763

- (1) Except as disclosed herein, there have been no material changes in the consolidated capitalization of PETRONAS since March 31, 2009.
- (2) Consists of loans, notes and bonds, Islamic financing facilities and derivative assets. See Notes 25 and 26 to the financial statements included elsewhere in this Offering Circular.
- (3) Concurrently with the offering of the Certificates, PETRONAS Capital Limited is offering the US\$3,000,000,000 5.25% Guaranteed Notes due 2019 in the notes offering.
- (4) Consists of long-term debt and shareholders' equity.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data as of March 31, 2009 and 2008, and for each of the fiscal years ended March 31, 2009, 2008 and 2007 set forth below have been derived from PETRONAS' audited financial statements included elsewhere in this Offering Circular. The selected consolidated financial data set forth below as of March 31, 2007, 2006 and 2005, and for each of the fiscal years ended March 31, 2006 and 2005 have been derived from PETRONAS' audited financial statements that are not included in this Offering Circular. The selected consolidated financial data should be read in conjunction with PETRONAS' audited financial statements and notes thereto as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Offering Circular. PETRONAS' financial statements are prepared in accordance with FRSM, which differ in certain significant respects from U.S. GAAP. For a discussion of these differences, see "Summary of Significant Differences Between FRSM and U.S. GAAP."

	Fiscal Year Ended March 31,					
	2005 ⁽¹⁾	2006	2007	2008	2009	2009 ⁽²⁾
	(in millions)					
Income Statement Data:						
Revenue ⁽³⁾	RM137,046	RM167,430	RM184,053	RM223,078	RM264,175	US\$72,436
Operating profit	59,226	71,629	77,748	97,357	91,570	25,108
Financing costs	(2,419)	(3,173)	(2,807)	(3,274)	(3,445)	(945)
Share of profits of associates	1,056	943	1,405	1,464	1,014	278
Profit before taxation	57,863	69,399	76,346	95,547	89,139	24,441
Tax expense	(17,314)	(21,462)	(24,473)	(28,248)	(30,075)	(8,246)
Profit after taxation but before minority interest	40,549	47,937	51,873	67,299	59,064	16,195
Minority interests' share of subsidiaries' profit	(4,993)	(4,808)	(5,706)	(6,335)	(6,518)	(1,787)
Net profit attributable to shareholders of PETRONAS	RM 35,556	RM 43,129	RM 46,167	RM 60,964	RM 52,546	US\$14,408
Included in operating profit above:						
Depreciation ⁽⁴⁾	(7,667)	(8,341)	(9,502)	(11,058)	(12,950)	(3,551)
Impairment loss on property, plant and equipment	—	(193)	(243)	—	(4,037)	(1,107)

	At March 31,					
	2005 ⁽¹⁾	2006	2007	2008	2009	2009 ⁽²⁾
	(in millions)					
Balance Sheet Data:						
Current assets	RM103,094	RM120,493	RM129,398	RM151,941	RM163,772	US\$ 44,907
Property, plant, equipment ⁽⁵⁾	122,119	126,640	123,792	137,420	169,317	46,426
Other assets ⁽⁶⁾	13,864	25,863	41,449	49,912	55,040	15,092
Total assets	<u>RM239,077</u>	<u>RM272,996</u>	<u>RM294,639</u>	<u>RM339,273</u>	<u>RM388,129</u>	<u>US\$106,425</u>
Current liabilities	RM 37,795	RM 47,120	RM 47,367	RM 57,840	RM 62,712	US\$ 17,196
Long-term debt ⁽⁷⁾	45,577	36,326	32,563	29,799	35,108	9,627
Deferred tax liabilities	7,322	9,603	8,046	9,748	10,654	2,921
Other long-term liabilities and provisions	1,470	13,632	14,435	17,584	22,566	6,188
Shareholders' equity:						
Share capital	100	100	100	100	100	27
Reserves	129,283	146,868	171,576	201,590	231,983	63,609
Total shareholders' equity	129,383	146,968	171,676	201,690	232,083	63,636
Minority shareholders' interests	17,530	19,347	20,552	22,612	25,006	6,857
Total liabilities and shareholders' equity	<u>RM239,077</u>	<u>RM272,996</u>	<u>RM294,639</u>	<u>RM339,273</u>	<u>RM388,129</u>	<u>US\$106,425</u>

	Fiscal Year Ended March 31,					
	2005	2006	2007	2008	2009	2009 ⁽²⁾
	(in millions, except ratios)					
Other Financial Data:						
Capital expenditure	RM 17,350	RM 18,663	RM 21,632	RM 28,805	RM 43,953	US\$ 12,052
EBITDA ⁽⁸⁾	RM 67,949	RM 81,106	RM 88,898	RM109,879	RM109,571	US\$ 30,044
Ratio of EBITDA to fixed charges ⁽⁹⁾	21.83x	24.75x	32.24x	44.32x	42.72x	—
Ratio of long-term debt to EBITDA	0.67x	0.45x	0.37x	0.27x	0.32x	—
Ratio of long-term debt to long-term debt plus shareholders' equity	0.26x	0.20x	0.16x	0.13x	0.13x	—
ROCE ⁽¹⁰⁾	37.3%	40.5%	40.8%	45.4%	37.1%	—

(1) PETRONAS began adopting FRSM as of April 1, 2006. The effects of adopting FRSM have been accounted for either retrospectively, by adjusting the prior-year comparative figures, or prospectively, in accordance with specific requirements of the respective standards. No adjustments were made to PETRONAS' 2005 financial statements, which were prepared in accordance with MASB, to effect the adoption of FRSM. Accordingly, the 2005 financial information presented above, which was derived from financial statements prepared in accordance with MASB, is not directly comparable to the financial information for 2006 to 2009, which was derived from financial statements prepared in accordance with FRSM.

(2) U.S. dollar convenience translations are calculated using an exchange rate of RM3.6470 to US\$1.00.

(3) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a breakdown of the major sources of PETRONAS' revenue.

- (4) Includes depreciation of property, plant and equipment, properties and investment properties and amortization of prepaid lease payments and intangible assets.
- (5) Includes properties.
- (6) Consists of investment properties, land held for development, prepaid lease payments, investments in associates, investments in jointly controlled entities, intangible assets, long term receivables, non-current fund and other investments, deferred tax assets and non-current cash and cash equivalents.
- (7) Consists of loans, notes and bonds, Islamic financing facilities and derivative assets. See Notes 25 and 26 to the financial statements included elsewhere in this Offering Circular.
- (8) EBITDA consists of profit before taxation, minority interests and extraordinary items, with the addition of amounts previously deducted for depreciation, impairment loss on property, plant and equipment and financing costs. EBITDA should not be viewed as an alternative measure of operating results or cash flows from operating activities as determined in accordance with FRSM or U.S. GAAP. EBITDA has been included because it is widely used as a financial measure of the potential capacity of a company to incur and service debt.
- (9) Fixed charges consist of financing costs and financing costs capitalized during construction for the applicable period less unwinding of discount of provision for dismantlement, removal or restoration of property, plant and equipment.
- (10) Return on capital employed is calculated as earnings before interest, taxes and dividends divided by average shareholders' equity and long-term debt during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the selected consolidated financial data and PETRONAS' audited financial statements and notes thereto included elsewhere in this Offering Circular. PETRONAS' financial statements have been prepared in accordance with FRSM, which differ in certain significant respects from U.S. GAAP. For a discussion of these differences, see "Summary of Significant Differences between FRSM and U.S. GAAP." Unless otherwise indicated, references in this section to years are to PETRONAS' fiscal year ending March 31 in such year.

Overview

PETRONAS derives its revenue primarily from sales of crude oil and natural gas, sales of gas products (including LNG and processed gas), sales of refined petroleum products, sales of petrochemical products and charter hires of LNG tankers and other vessels. The main factors affecting revenue, costs and results of operations are described below.

Factors Affecting Revenue

PETRONAS is a fully integrated global oil and gas company possessing a diversified revenue base. Revenue in any period may be influenced by changing economic, regulatory and political environments globally, regionally, or in the various countries in which PETRONAS operates. The primary factors affecting PETRONAS' revenue generation capability include commodity prices, production and sales volumes, the terms of production-sharing contracts and exchange rates.

Commodity Prices

The primary factors affecting PETRONAS' operating results are the international market prices for crude oil and natural gas, which are denominated in U.S. dollars. Higher prices generally have a positive effect on PETRONAS' operating profit, as PETRONAS' exploration and production business benefits from the increase in prices realized from production. Lower prices generally have a corresponding negative effect. Changes in the price of crude oil also affect the world market prices for certain petrochemical feedstocks, such as naphtha. As a result, the market prices of a number of petrochemical products may vary with crude oil prices. The effect of changes in crude oil and natural gas prices on PETRONAS' refined petroleum products business depends on the rate and extent to which the prices of such products adjust to reflect those changes. See "Risk Factors—Risks Relating to PETRONAS' Business—PETRONAS is subject to volatility in the oil and gas industry, which may weaken its profitability and competitiveness" and "Risk Factors—Risks Relating to PETRONAS' Business—Substantial or extended declines in the prices of crude oil and related oil products may have a material adverse effect on PETRONAS' business, results of operations and financial condition."

Crude Oil. PETRONAS sells its crude oil generally pursuant to contracts in which certain terms are fixed. Like other companies in the oil and gas industry, PETRONAS is exposed to volatility in oil-related revenue throughout the year, as prices can vary on a daily basis depending on a number of factors. During the fiscal year ended March 31, 2009, a sharp contraction in global economic activity led to an erosion in global crude oil demand. According to the International Energy Agency, global crude oil demand decreased from 86.2 mmbpd in the fiscal year ended March 31, 2008 to 85.6 mmbpd in the first half of the fiscal year ended March 31, 2009, decreasing further to 84.4 mmbpd in the second half of the fiscal year ended March 31, 2009. This resulted in a decrease of over 1.2 mmbpd to an average of 85.0 mmbpd for the fiscal year ended March 31, 2009. The reduction in demand exposed a significant supply overhang, which led to successive production cuts by OPEC.

These developments, coupled with uncertainty in the financial and credit markets, resulted in material changes in crude oil prices, which increased significantly in the first half of the fiscal year ended March 31, 2009 before registering a steep decline. Through the quarter ended June 30, 2009, oil prices remained volatile and average crude oil prices were depressed as compared to the quarter ended June 30, 2008.

The following table sets forth, for each of the periods indicated, the weighted average prices for Malaysian crude oil and the average prices for West Texas Intermediate crude oil and Brent crude oil.

Crude Oil Data	Fiscal Year Ended March 31,					Six Months Ended	
	2005	2006	2007	2008	2009	September 30, 2008	March 31, 2009
Malaysian crude oil (weighted average price per barrel)	US\$45.00	US\$61.60	US\$68.50	US\$86.81	US\$88.07	US\$125.45	US\$50.69
West Texas Intermediate crude oil (average price per barrel)	US\$45.05	US\$59.86	US\$64.92	US\$82.24	US\$85.91	US\$120.94	US\$50.89
Brent crude oil (average price per barrel)	US\$42.10	US\$58.01	US\$65.08	US\$82.31	US\$83.97	US\$118.14	US\$49.81

Source: Platts Assessment and New York Mercantile Exchange.

Natural Gas. PETRONAS primarily sells its LNG pursuant to long-term contracts with offtakers in Japan, Korea and Taiwan. The price of LNG is generally established in U.S. dollars. PETRONAS also sells a small portion of its LNG volumes on a spot basis. LNG prices are generally affected by changes in crude oil prices but recent declines in prices of crude oil have had a minimal impact on PETRONAS' average LNG selling price for the fiscal year ended March 31, 2009 as most of PETRONAS' LNG volume is sold pursuant to long-term contracts in which the price of LNG is determined by reference to the Japanese custom-cleared crude oil price.

PETRONAS sells its processed gas generally pursuant to long-term contracts, principally to domestic power generators, such as Tenaga Nasional Berhad and independent power producers in Malaysia. It sells the balance to Senoko Power Ltd. ("Senoko") and Keppel Energy Pte. Ltd. ("Keppel") of Singapore and industrial users such as PETRONAS' petrochemical plants and Gas Malaysia Sdn. Bhd. ("Gas Malaysia"). The price of processed gas sold under long-term contracts is generally established in ringgit by reference to fuel oil prices in Singapore, except for sales to the Malaysian power sector. Between 1997 and 2008, the Government of Malaysia established maximum prices for sales of processed gas to the Malaysian power and non-power sectors. In July 2008, the pricing regime for sales to the Malaysian power and non-power sectors was revised. Such sales continue to be subsidized, but the subsidy will be gradually phased out.

LPG is sold on either a spot basis or under contract, and prices vary with the world market prices for petroleum products.

The following table sets forth, for each of the periods indicated, the weighted average price for PETRONAS' LNG, processed gas and LPG.

Natural Gas Data	Fiscal Year Ended March 31,					Six Months Ended	
	2005	2006	2007	2008	2009	September 30, 2008	March 31, 2009
LNG (weighted average price per metric ton) . . .	US\$ 256.07	US\$ 310.04	US\$ 328.97	US\$ 415.07	US\$ 564.37	US\$598.18	US\$535.29
Processed gas (weighted average price per mmBtu) ⁽¹⁾	RM 6.40	RM 6.40	RM 6.40	RM 6.40	RM 12.03	RM 10.35	RM 14.31
LPG (weighted average price per metric ton)	US\$ 353.62	US\$ 402.79	US\$ 437.49	US\$ 564.36	US\$ 592.05	US\$745.45	US\$412.64

(1) Price for sales to the Malaysian domestic power sector.

Petrochemicals. Virtually all the petrochemical products that PETRONAS produces are commodities; low production cost is therefore the key to the success of these operations. Highly competitive cost positions are achieved through economies of scale and high capacity utilization. By purchasing its required raw materials from other PETRONAS operations within the same complex, the petrochemical operations benefit from efficiencies in logistics and savings in energy, transportation, purchasing and infrastructure costs. The petrochemical industry has experienced volatility in recent years, exacerbated by the recent downturn in the global economy. PETRONAS has adopted a flexible approach to managing production and inventory in response to changes in demand and production costs.

Production and Sales Volumes

The following table sets forth for the periods indicated PETRONAS' share of Malaysia's total production of crude oil and natural gas (including the share of PETRONAS Carigali) and PETRONAS' share of international production of crude oil and natural gas. The table also sets forth the portion of crude oil production that is exported as well as information regarding the end use of PETRONAS' natural gas production.

Crude Oil Data ⁽¹⁾	Fiscal Year Ended March 31,				
	2005	2006	2007	2008	2009
Malaysia production:					
Total domestic production (mmbbl)	269	255	241	253	248
PETRONAS' share of production (mmbbl) ⁽²⁾	204	193	185	182	177
International production:					
PETRONAS' share of production (mmbbl)	72	68	90	105	101
Total of PETRONAS' share of Malaysia's production and PETRONAS' share of international production (mmbbl)	276	261	275	287	278

Natural Gas Data ⁽³⁾	Fiscal Year Ended March 31,				
	2005	2006	2007	2008	2009
Malaysia production:					
Total domestic production (bscf)	2,092	2,096	2,081	2,156	2,147
PETRONAS' share of production (bscf) ⁽²⁾	1,430	1,389	1,362	1,449	1,493
LNG export volume (mmt)	21.5	21.5	21.5	22.5	22.3
International production:					
PETRONAS' share of production (bscf)	414	542	734	721	764
Total of PETRONAS' share of Malaysia's production and PETRONAS' share of international production (bscf)	1,844	1,931	2,096	2,170	2,257
Total of PETRONAS' share of Malaysia's oil and gas production and PETRONAS' share of international oil and gas production (mmboe)	583	582	624	649	655

(1) Includes condensates.

(2) PETRONAS' share of domestic production includes the share of profit oil and gas to which it is entitled, PETRONAS Carigali's cost and profit oil and gas, and the royalty oil and gas sold by PETRONAS on behalf of the Government of Malaysia.

(3) Net of flared gas.

Production volumes of crude oil from Malaysia's domestic crude oil reserves are determined on an annual basis by PETRONAS. Current crude oil production levels from Malaysia's oil reserves are approximately 679,000 bpd (including condensates).

PETRONAS' gas production volumes are driven primarily by customer demand and the need to balance that demand with future sustainability of PETRONAS' gas reserves and future growth of PETRONAS' operations.

While the volume of Malaysia's crude oil and natural gas production has been relatively constant over the past five years, PETRONAS' share of such production has declined during this period as a result of higher development and production costs, which exceeded the general trend of inflation in many parts of the world.

Production-Sharing Contracts. PETRONAS' share of production includes the share of profit oil to which it is entitled under the terms of the production-sharing contracts agreed with the PSC Contractors, including PETRONAS Carigali. PETRONAS' production also includes royalty oil and gas, which PETRONAS sells on behalf of the Government of Malaysia. PETRONAS' share of crude oil and natural gas production and its revenue are affected by the total amount of oil and gas produced and the amount of oil and gas retained by the PSC Contractors for cost recovery as well as their share of the profit oil and gas. Under the terms of the various production-sharing contracts into which PETRONAS has entered, the PSC Contractors bear all costs. The PSC Contractors may recover specified capital and operating costs in barrels of crude oil or gas equivalent in accordance with the terms of their respective production-sharing contracts. A portion of PETRONAS' share of oil production is sold as crude oil and a portion is used as a feedstock for PETRONAS' refineries and sold as refined petroleum products. See "Business—Exploration and Production—Domestic Operations."

In respect of its international operations, PETRONAS also recovers its exploration, development and production costs in accordance with the terms of the production-sharing contracts or such other arrangements to which it is a party. See "Business—Exploration and Production—International Operations."

Factors Affecting Costs

The principal component of PETRONAS' operating expenses is cost of sales, which includes transportation costs, purchases of crude oil, natural gas and petrochemical feedstocks from third parties for operational use and

purchases of various petroleum products for sale in trading operations. PETRONAS is able to enhance the margins of its consolidated business by using some of its crude oil and natural gas production as feedstock for its refineries and petrochemical facilities. Other operating expenses include manpower expenses and selling and distribution expenses.

The decreases in crude oil prices in the second half of the fiscal year ended March 31, 2009 described above under “—Factors Affecting Revenue” were not accompanied by similar reductions in capital and service costs, which tend to lag fundamental price changes. For example, despite an almost 60% decrease in the price of West Texas Intermediate crude oil, the average price of tubular steel increased by 11.0% during the same period, and the daily charter rates of drilling rigs, a significant component of PETRONAS’ upstream costs, increased by 6.2%. The combination of low prices and high costs that persisted during the second half of the year resulted in a number of industry participants scaling back investments and cutting costs. Through the quarter ended June 30, 2009, the industry continued to operate in a high cost environment despite the weaker commodity prices compared to the same quarter in 2008. PETRONAS’ capital expenditures for the fiscal year ended March 31, 2009, amounted to RM44.0 billion, a 52.6% year-on-year increase, which includes an expenditure of RM5.3 billion for the acquisition of a 40% interest in the LNG project in Gladstone, Queensland, Australia.

Other Factors Affecting Results of Operations

Exchange Rate-Related Matters. Although most of PETRONAS’ revenue and costs are denominated in U.S. dollars, a portion of PETRONAS’ revenue and expenses are denominated in ringgit, including, for example, manpower costs in Malaysia. A strengthening of the U.S. dollar against the ringgit generally has a positive effect on PETRONAS’ results of operations, and a weakening of the U.S. dollar against the ringgit generally has a negative effect on PETRONAS’ results of operations. For example, for the fiscal year ended March 31, 2009, the strengthening of the U.S. dollar against the ringgit accounted for RM4.3 billion of the total increase in PETRONAS’ revenue. See “Risk Factors—Risks Relating to Malaysia—Changes in the exchange rate between the U.S. dollar and the ringgit could have a negative impact on PETRONAS’ results of operations and financial condition” and “Presentation of Financial and Other Data—Exchange Rate Information.”

Results of Operations

Operating Revenue

The following table sets forth, for each of the periods indicated, the consolidated revenues of PETRONAS by business category and expresses each as a percentage of PETRONAS' consolidated revenue.

Source of Revenue	Fiscal Year Ended March 31,					
	2007 (in millions)	% of Consolidated Revenue	2008 (in millions)	% of Consolidated Revenue	2009 (in millions)	% of Consolidated Revenue
Exploration and production ⁽¹⁾	RM 39,137	21.3%	RM 45,554	20.4%	RM 39,978	15.1%
Gas business:						
LNG	28,857	15.7	35,125	15.7	48,487	18.4
Processed gas	6,502	3.5	7,313	3.3	10,620	4.0
Total gas business	35,359	19.2	42,438	19.0	59,107	22.4
Oil business	74,360	40.4	97,603	43.8	123,546	46.8
Petrochemicals	13,877	7.5	12,982	5.8	13,078	5.0
Logistics and maritime	8,343	4.5	10,007	4.5	11,204	4.2
Other revenue ⁽²⁾	12,977	7.1	14,494	6.5	17,262	6.5
Consolidated Revenue	<u>RM184,053</u>	<u>100.0%</u>	<u>RM223,078</u>	<u>100.0%</u>	<u>RM264,175</u>	<u>100.0%</u>
Domestic revenue ⁽³⁾	RM 43,054	23.4%	RM 46,236	20.7%	RM 54,654	20.7%
Export revenue ⁽⁴⁾	73,365	39.9	86,835	39.0	98,212	37.2
International revenue ⁽⁵⁾	67,634	36.7	90,007	40.3	111,309	42.1
Consolidated Revenue	<u>RM184,053</u>	<u>100.0%</u>	<u>RM223,078</u>	<u>100.0%</u>	<u>RM264,175</u>	<u>100.0%</u>

(1) Consisting of crude oil and condensate and natural gas sales.

(2) Primarily from supplemental cash payments from PSC Contractors and fund investments.

(3) Domestic revenue is derived from sales of products sourced and sold in Malaysia.

(4) Export revenue is derived from exports from Malaysia.

(5) International revenue is derived from sales of products sourced and sold outside of Malaysia.

PETRONAS' consolidated revenue increased by 18.4% to RM264,175 million (US\$72,436 million) in the fiscal year ended March 31, 2009 from RM223,078 million in the fiscal year ended March 31, 2008, which in turn was an increase of 21.2% from RM184,053 million in the fiscal year ended March 31, 2007. The increase in revenue in 2009 was attributable primarily to higher average LNG prices, which increased by 41.5% compared to the prior year, and the average prices of petroleum products, which increased by 9.7%. Revenue was further boosted by sales volumes of petroleum products, which increased by 6.7%, coupled with a strengthening of the U.S. dollar against the ringgit, with the average exchange rate in 2009 being approximately 1.9% higher compared to 2008. These increases were partially offset by a 6.1% decrease in average crude oil and condensates prices. The increase in revenue in 2008 was attributable primarily to higher average prices for petroleum products, crude oil and condensates, LNG, LPG, processed gas and petrochemical products and a 7.0% increase in sales volumes of petroleum products, offset in part by a weakening of the U.S. dollar against the ringgit by approximately 6.7% during 2008.

PETRONAS' international operations contributed a major portion of PETRONAS' revenue, amounting to 42.1% of consolidated revenue in the fiscal year ended March 31, 2009, compared to 40.3% of consolidated

revenue in the fiscal year ended March 31, 2008 and 36.7% of consolidated revenue in the fiscal year ended March 31, 2007. In the fiscal year ended March 31, 2009, revenue from PETRONAS' international business increased 23.7% to RM111,309 million (US\$30,521 million) from RM90,007 million in the fiscal year ended March 31, 2008, which in turn increased by 33.1% from RM67,634 million in the fiscal year ended March 31, 2007. The increase in revenue from international operations in 2009 was attributable primarily to a 43.4% increase in international sales volumes of crude oil and condensates and an increase in average petroleum product prices accompanied by a 2.9% increase in international sales volumes of petroleum products. Appreciation of the U.S. dollar against the ringgit by 1.9% for 2009 compared to 2008 also contributed to the increase in international revenue. These increases were partially offset by a decrease in average crude oil and condensate prices. The increase in international revenue in 2008 was attributable primarily to increases in the average price of petroleum products and crude oil and condensates, a 13.1% increase in international sales volumes of crude oil and condensates and a 4.7% increase in the international sales volumes of petroleum products. These increases were partially offset by the depreciation of the U.S. dollar against the ringgit during 2008.

PETRONAS' revenue also reflects a steady contribution from its export business. Revenue from exports amounted to RM98,212 million (US\$26,930 million), or 37.2% of consolidated revenue, in the fiscal year ended March 31, 2009, compared to RM86,835 million, or 39.0% of consolidated revenue, in the fiscal year ended March 31, 2008 and RM73,365 million, or 39.9% of consolidated revenue, in the fiscal year ended March 31, 2007. The increase in export revenue in 2009 was attributable primarily to increases in average LNG prices, average crude oil and condensate prices paid by export customers and a 16.5% increase in export sales volumes of petrochemical products. These increases were partially offset by a 12.1% decrease in export sales volumes of crude oil and condensates and a 4.4% decrease in export sales volumes of LNG. The increase in export revenue in 2008 was attributable primarily to increases in the average price of LNG, crude oil and condensates, petroleum products and LPG and a 13.7% increase in export sales volumes of petroleum products. These increases were partially offset by the depreciation of the U.S. dollar against the ringgit during 2008 and a 3.9% decrease in export sales volumes of LNG.

Revenue from domestic sales amounted to RM54,654 million (US\$14,986 million), or 20.7% of consolidated revenue, in the fiscal year ended March 31, 2009, compared to RM46,236 million, or 20.7% of consolidated revenue, in the fiscal year ended March 31, 2008 and RM43,054 million, or 23.4% of consolidated revenue, in the fiscal year ended March 31, 2007. The increase in domestic sales revenue in 2009 was attributable primarily to an increase in the average price of processed gas and a 15.4% increase in domestic sales volumes of petroleum products. These increases were partially offset by a decrease in the average price of petroleum products and a 15.9% decrease in the domestic sales volumes of petrochemical products. The increase in domestic sales revenue in 2008 was attributable primarily to an increase in the average price of petroleum products and a 7.2% increase in the sales volumes of petroleum products. These increases were partially offset by the depreciation of the U.S. dollar against the ringgit during 2008 and a 5.1% decrease in the sales volumes of petrochemical products.

Exploration and Production. PETRONAS' exploration and production revenue is derived primarily from the export of a significant portion of its share of domestic crude oil and condensate production and from the sale of natural gas. Revenue is also derived from the production and sale of crude oil and natural gas outside of Malaysia.

PETRONAS' exploration and production revenue decreased 12.2% to RM39,978 million (US\$10,962 million) in the fiscal year ended March 31, 2009 from RM45,554 million in the fiscal year ended March 31, 2008, which in turn was an increase of 16.4% from RM39,137 million in the fiscal year ended March 31, 2007. The decrease in exploration and production revenue in 2009 was attributable primarily to lower average crude oil and condensate prices and a 13.2% decrease in crude oil and condensate sales volumes. This decrease was partially offset by an increase in average natural gas prices and a 15.8% increase in natural gas sales volumes. The increase in exploration and production revenue in 2008 was attributable primarily to higher average crude oil

and condensate prices, a 9.3% increase in natural gas sales volumes and an increase in natural gas prices. These increases were partially offset by a 4.9% decrease in crude oil and condensate sales volumes.

Gas Business. PETRONAS' total gas and gas products revenue is derived primarily from the sale of LNG and processed gas.

LNG revenue increased 38.0% to RM48,487 million (US\$13,295 million) in 2009 from RM35,125 million in 2008, which in turn was a 21.7% increase from RM28,857 million in 2007. The increase in 2009 was attributable primarily to increases in average LNG prices, offset in part by a 4.2% decrease in LNG sales volumes. The increase in 2008 was attributable primarily to an increase in average LNG prices, offset in part by a 0.2% decrease in LNG sales volumes. Almost all of PETRONAS' LNG is exported to Japan, Korea and Taiwan. See "Business—Gas Business—LNG Business."

Processed gas revenue increased 45.2% to RM10,620 million (US\$2,912 million) in 2009 from RM7,313 million in 2008, which in turn was an increase of 12.5% from RM6,502 million in 2007. The increase in 2009 was attributable primarily to an increase in average processed gas price, partially offset by a 2.8% decrease in sales volumes. The increase in 2008 was attributable primarily to price increases.

Oil Business. Revenue from the oil business includes sales of LPG, sales of petroleum products (such as fuel oil, diesel, gasoline, jet fuel, kerosene and lubricants) and revenue from the trading of crude oil, condensates and petroleum products. Oil business revenue is affected by raw material prices, refinery throughput, the price of refined products and the amount of crude oil and condensate traded.

Oil business revenue increased 26.6% to RM123,546 million (US\$33,876 million) in 2009 from RM97,603 million in 2008, which in turn was a 31.3% increase from RM74,360 million in 2007. The increase in 2009 was attributable primarily to a 96.7% increase in the volume of crude oil and condensate trading by PETRONAS Trading Corporation Sdn. Bhd. ("PETCO"), a 6.7% increase in sales volumes of petroleum products and an increase in the average sales price of petroleum products, which resulted in higher revenues for PETCO, Engen and PETRONAS Dagangan. These increases were partially offset by a decrease in crude oil and condensate trading prices. The increase in 2008 was attributable primarily to an increase in the average sales prices of petroleum products and trading prices of crude oil and condensate, a 7.0% increase in the sales volumes of petroleum products and a 55.6% increase in the trading volumes of crude oil and condensate, all of which resulted in higher revenues at PETCO, Engen and PETRONAS Dagangan.

Petrochemicals. PETRONAS' petrochemical revenue is derived primarily from sales of urea, paraxylene, ethylene, ammonia and propylene.

Petrochemical revenue increased 0.7% to RM13,078 million (US\$3,586 million) in 2009 from RM12,982 million in 2008, which represented a 6.4% decrease from RM13,877 million in 2007. The slight increase in 2009 was attributable primarily to the appreciation of the U.S. dollar against the ringgit, as well as price increases, mainly for urea and ammonia. These increases were offset in part by a 52.0% decrease in the sales volumes of low-density polyethylene and a decrease in the average price of ethylene. The decrease in 2008 was attributable primarily to decreases in sales volumes in certain petrochemicals, including paraxylene and ethylene, which were partially offset by an increase in the average price of urea. See "Business—Petrochemical Business."

Logistics and Maritime. Logistics and maritime revenue is derived primarily from energy-related shipping (such as LNG shipping and petroleum shipping) and other energy-related businesses (such as offshore and heavy engineering).

Logistics and maritime revenue increased 12.0% to RM11,204 million (US\$3,072 million) in 2009 from RM10,007 million in 2008, which in turn represented an increase of 19.9% from RM8,343 million in 2007. The

increase in 2009 was primarily due to additional tonnage with the delivery of three new LNG carriers and increased storage facility following the delivery of one FSO, partially offset by lower utilization rates and weakening charter rates. The increase in 2008 was primarily due to additional tonnage with the delivery of three new LNG carriers, two very large crude carriers and two new Aframax tankers.

Other Revenue. PETRONAS' significant sources of other revenue are supplemental cash payments received from PSC Contractors and income from fund investments. PETRONAS receives supplemental cash payments from PSC contractors under production-sharing agreements that provide for such cash payments to be made to PETRONAS if the price received for oil exceeds a certain base price index. Supplemental cash payments for 2009, 2008 and 2007 as a percentage of other revenue were 32.3%, 24.1% and 19.3%, respectively. Fund investment income for 2009, 2008 and 2007 as a percentage of other revenue was 22.0%, 27.3% and 29.3%, respectively. PETRONAS' other revenue is also derived from the sale of general merchandise and sale and rental of properties.

Other revenue increased 19.1% to RM17,262 million (US\$4,733 million) in 2009 from RM14,494 million in 2008, which in turn represented an increase of 11.7% from RM12,977 million in 2007. The increase in other revenue in 2009 was primarily due to an increase in supplemental cash payments in the first half of the year as a result of higher crude oil prices and an increase in sales of general merchandise. The increase in other revenue in 2008 was also primarily due to an increase in supplemental cash payments. During 2008 and 2009, fund investment income was relatively constant.

Costs and Expenses

The following table sets forth the expenses of PETRONAS for the major cost areas for each of the years indicated, together with financing costs, share of profit of associates, tax expense, minority interests' share of subsidiaries' profit and net profit.

Costs and expenses	Fiscal Year Ended March 31,					
	2007 (in millions)	% of Consolidated Revenue	2008 (in millions)	% of Consolidated Revenue	2009 (in millions)	% of Consolidated Revenue
Operating expenses ⁽¹⁾	RM 90,599	49.2%	RM106,491	47.7%	RM144,323	54.6%
Depreciation ⁽²⁾	9,502	5.2	11,058	5.0	12,950	4.9
Royalties	8,158	4.4	10,463	4.7	11,302	4.3
Impairment loss on property, plant and equipment	243	0.1	—	—	4,037	1.5
Total operating expenses	<u>RM108,502</u>	<u>58.9%</u>	<u>RM128,012</u>	<u>57.4%</u>	<u>RM172,612</u>	<u>65.3%</u>
Financing costs	RM 2,807	1.5%	RM 3,274	1.5%	RM 3,445	1.3%
Share of profit of associates ⁽³⁾	1,405	0.8	1,464	0.7	1,014	0.4
Tax expense ⁽⁴⁾	24,473	13.3	28,248	12.7	30,075	11.4
Minority interests' share of subsidiaries' profit	5,706	3.1	6,335	2.8	6,518	2.5
Net profit	RM 46,167	25.1%	RM 60,964	27.3%	RM 52,546	19.9%

(1) Includes cost of revenue, selling and distribution expenses and general and administrative expenses, but excludes depreciation, royalties and impairment loss on property, plant and equipment.

- (2) Includes depreciation of property, plant and equipment, properties and investment properties and amortization of prepaid lease payments and intangible assets.
- (3) Denotes share of profit after tax and minority interest of equity-accounted associates and jointly controlled entities.
- (4) Consolidated income taxes.

Operating Expenses. Operating expenses increased 35.5% to RM144,323 million (US\$39,573 million) in 2009 from RM106,491 million in 2008, which in turn represented a 17.5% increase from RM90,599 million in 2007. The increase in operating expenses in 2009 was attributable primarily to higher product costs, which increased mainly due to increased product costs incurred by Engen and expansion of Engen's business. In addition, product costs increased due to increased volumes of crude oil and condensates and petroleum products purchased by PETCO in its trading operations and higher prices for LPG and petroleum products purchased by PETCO as well as higher product cost by PETRONAS and PL Italy Group due to the incorporation of full year results. The increase was also due in part to higher production expenses, exploration expenses, royalty expenses and an increase in MISC's cost of shipping due to higher marine engineering operating costs, bunker costs and charter hire expenses. Product costs increased in 2008 primarily due to increased volumes of crude oil and condensates and petroleum products purchased by PETCO in its trading operations and higher average prices for crude oil and condensates and petroleum products purchased by PETCO. In addition, MISC's costs of shipping services increased mainly due to higher bunker fuel costs, cargo costs, crew costs and charter hire expenses.

Depreciation. Depreciation expense increased 17.1% to RM12,950 million (US\$3,551 million) in 2009 from RM11,058 million in 2008, which in turn represented a 16.4% increase from RM9,502 million in 2007. The increase in 2009 was primarily attributable to revisions of oil and gas reserve estimates in Egypt, increased depreciation on shipping vessels following new deliveries and the capitalization of completed projects and additions to oil and gas properties. The increase in 2008 was primarily attributable to revisions to estimated future costs of dismantlement, removal or restoration of property, plant and equipment. See Note 3 (Property, Plant and Equipment) to the financial statements included elsewhere in this Offering Circular.

Impairment. In 2009, PETRONAS recognized impairment losses on certain property, plant and equipment amounting to RM4,037 million. The impairment losses resulted from the impact of the significant decrease in crude oil prices on oil and gas properties of PETRONAS Carigali, PC Mauritania I Pty. Ltd. and PC Mauritania II B.V.

Financing costs. Financing costs increased 5.2% in 2009 to RM3,445 million (US\$945 million) from RM3,274 million in 2008, which in turn represented a 16.6% increase from RM2,807 million in 2007. The increase in 2009 was attributable primarily to higher unwinding of discount of provision for dismantlement, removal or restoration of property, plant and equipment due to revisions to estimated future costs, higher average levels of borrowings, including a term loan for MISC Capital, and higher average interest rates. See Note 27 (Other Long Term Liabilities and Provisions) to the financial statements included elsewhere in this Offering Circular. The increase in 2008 was attributable primarily to higher unwinding of discounts due to revisions to estimates of future costs of dismantlement, removal or restoration of property, plant and equipment and higher average interest rates, which were offset in part by lower borrowings due to scheduled repayments.

Royalties. Under the Petroleum Development Act 1974 and the related agreements between both PETRONAS and the Malaysian federal government and PETRONAS and Malaysian state governments, crude oil and natural gas produced in Malaysia are subject to a combined 10% royalty payable to the federal and state governments. PETRONAS sells the royalty crude oil and gas and remits the sales proceeds as a royalty to the federal and state governments.

Tax Expense. Although PETRONAS is wholly owned by the Government of Malaysia, PETRONAS does not enjoy any special tax benefits and is subject to all taxes generally applicable to companies incorporated under

the Malaysian Companies Act 1965. Under the Petroleum (Income Tax) Act 1967, PETRONAS and PETRONAS Carigali are currently subject to a petroleum statutory tax rate of 38% on taxable income from sales of crude oil and natural gas. Pursuant to Income Tax Act 1967, taxable income from PETRONAS' other activities, including sales of LNG, processed gas, refined petroleum products, petrochemicals and fund investment income, was subject to a corporate statutory income tax rate of 25%, 26% and 27% during the fiscal years ended March 31, 2009, 2008 and 2007 respectively.

Effective tax rate is determined by dividing tax expense by profit before taxation. PETRONAS' effective tax rate on an unconsolidated basis was 28%, 33% and 29% in the fiscal years ended March 31, 2009, 2008 and 2007, respectively. The lower effective tax rate in 2009 despite the higher profit before taxation was primarily due to the reduction in the corporate statutory tax rate and a decrease in non-tax deductible expenses and higher tax-exempt income. The higher effective tax rate in 2008 was primarily attributable to a higher portion of income being taxed at the petroleum statutory tax rate of 38% applicable to sales of crude oil and natural gas instead of the corporate statutory tax rate and lower tax-exempt income.

PETRONAS' effective tax rate on a consolidated basis was 35%, 31% and 31% in the fiscal years ended March 31, 2009, 2008 and 2007, respectively. The higher effective tax rate in 2009, despite the lower profit before taxation, was primarily due to the effect of different tax rates between corporate income tax and petroleum income tax and higher non-tax deductible expenses mainly due to higher impairment loss on property, plant and equipment. During 2007 and 2008, the effective tax rate was relatively constant.

Minority Interests' Share of Subsidiaries' Profit. This amount reflects minority shareholders' proportionate share of profit or loss for subsidiaries of PETRONAS that are not wholly-owned and was attributable primarily to interests in Malaysia LNG Tiga Sdn. Bhd. ("MLNG Tiga"), Malaysia LNG Dua Sdn. Bhd. ("MLNG Dua"), MLNG, PETRONAS Gas and MISC.

Net Profit. Net profit after tax decreased 13.8% to RM52,546 million (US\$14,408 million) in 2009 from RM60,964 million in 2008, which was an increase of 32.1% from RM46,167 million in 2007.

Liquidity and Capital Resources; Capital Expenditures

Liquidity and Capital Resources

PETRONAS financed its total funding requirements during the three fiscal years ended March 31, 2009—including capital expenditures, satisfaction of debt obligations, investments, taxes, other working capital requirements, dividends and other cash outlays—primarily with funds generated from operations. Of PETRONAS' total funding requirements in these years, a significant percentage in each year was satisfied by funds generated from operations. PETRONAS met the balance of its funding requirements primarily through external borrowings.

Cash flows from operating activities increased 36.8% to RM96,954 million (US\$26,585 million) in 2009 from RM70,862 million in 2008, which in turn represented an increase of 23.7% from RM57,279 million in 2007. The increase in 2009 was primarily attributable to higher cash receipts from customers resulting from higher revenue. Such increase was offset in part by an increase in cash paid to suppliers and employees and an increase in taxation paid resulting from higher petroleum income taxes paid. The increase in 2008 was primarily attributable to higher cash receipts from customers resulting from higher revenue, offset in part by an increase in cash paid to suppliers and employees.

At March 31, 2009, PETRONAS' cash and cash equivalents and fund investments totaled approximately RM124,732 million (US\$34,201 million), of which approximately RM86,408 million (US\$23,693 million) were

bank deposits, primarily in ringgit in Malaysian first tier banks. Fund investments consist of investments in Malaysian treasury bills, quoted shares in Malaysia and outside Malaysia, quoted securities outside Malaysia and Government of Malaysia securities. It does not include any long-term securities or unquoted short-term securities, which are likely to be less liquid. At March 31, 2008, total cash, cash equivalents and fund investments stood at RM105,944 million. The increase of RM18,788 million from 2008 to 2009 resulted primarily from increases in PETRONAS' net cash balance and its investments in Malaysian treasury bills and Government of Malaysia securities. At March 31, 2009, PETRONAS' other investments, consisting of long-term quoted and unquoted shares and other unquoted securities and short-term negotiable certificates of deposit, unquoted corporate private debt securities, quoted shares, unquoted corporate commercial paper and other unquoted securities, totaled approximately RM17,324 million (US\$4,750 million), compared to RM14,688 million at March 31, 2008. See Notes 17 and 13 to the financial statements included elsewhere in this Offering Circular for a more detailed breakdown of PETRONAS' cash, cash equivalents, fund investments and other investments.

PETRONAS' total debt, excluding derivative assets, amounted to RM43,946 million (US\$12,050 million), RM37,982 million and RM35,903 million at March 31, 2009, 2008 and 2007, respectively. At March 31, 2009, PETRONAS' total debt represented 11.3% of its total assets. The increase in total debt in 2009 was due primarily to the incurrence of additional debt by MISC Capital. Approximately 59.0% of PETRONAS' total outstanding debt at March 31, 2009 was denominated in U.S. dollars, with the remainder denominated in ringgit (20.9%), Euro (18.0%) and Japanese yen (1.3%). At March 31, 2009, approximately 90.4% of PETRONAS' total debt, excluding derivative assets, was fixed-rate obligations, with the remainder being floating-rate obligations. For a discussion of the various interest rates applicable to each facility, see Note 25 (Borrowings) and Note 26 (Islamic Financing Facilities) to the financial statements included elsewhere in this Offering Circular. More than half of PETRONAS' borrowings will mature within five years.

The following table sets forth information with regard to PETRONAS' total debt maturities, by currency, at March 31, 2009:

Total Debt ⁽¹⁾	Expected maturity in fiscal year ending March 31,						Total
	2010	2011	2012	2013	2014	Thereafter	
	(RM millions)						
US\$	2,112.6	419.2	424.1	7,774.9	4,342.6	10,825.3	25,898.7
Ringgit	2,366.6	1,067.8	1,181.6	509.2	787.8	3,332.5	9,245.5
Euro	3,747.3	848.7	823.6	821.2	821.1	824.4	7,886.3
Yen	0.0	0.0	0.0	0.0	591.4	0.0	591.4
Other	228.4	22.1	28.8	29.5	15.1	0.0	323.9
Total	<u>8,454.9</u>	<u>2,357.8</u>	<u>2,458.1</u>	<u>9,134.8</u>	<u>6,558.0</u>	<u>14,982.2</u>	<u>43,945.8</u>

(1) Total debt is shown before derivative assets.

Restrictions Relating to Funding

PETRONAS' loan agreements and the agreements for its outstanding notes contain a number of covenants that could potentially affect its ability to draw down funds. These covenants are generally similar to covenants contained in loan agreements and debt securities of similarly situated issuers, and include cross-default provisions, negative pledge provisions and limitations on certain sale-and-leaseback transactions. For a more detailed discussion of these covenants, see Note 25 (Borrowings) to the financial statements included elsewhere in this Offering Circular.

Dividends

PETRONAS declared dividends of RM30,000 million during the fiscal year ended March 31, 2009, RM24,000 million during the fiscal year ended March 31, 2008 and RM18,000 million during the fiscal year ended March 31, 2007. The Board of Directors of PETRONAS recommends the level of dividends to its shareholders.

Capital Expenditures

The following table provides historical information regarding capital expenditures.

	Fiscal Year Ended March 31,			% Change	
	2007	2008	2009	2007/2008	2008/2009
	(in millions)				
Capital Expenditures	RM21,632	RM28,805	RM43,953	33.2%	52.6%

PETRONAS' capital expenditures relate mainly to the exploration and production business and logistics and maritime business. The increase in PETRONAS' capital expenditures in 2009 was primarily attributable to increased capital expenditures in the exploration and production business and gas business, particularly for the acquisition of a 40% interest in the LNG project in Gladstone, Queensland, Australia. The increase in 2008 was mainly attributable to exploration activities carried out by PETRONAS Carigali (Overseas) Sdn. Bhd. ("PETRONAS Carigali Overseas") and capital expenditures by other businesses.

PETRONAS has substantial additional capital commitments that have been approved by the Board of Directors. The following table sets forth PETRONAS' outstanding approved capital commitments, including both those that have been approved and contracted for and those that have been approved but not contracted for, at March 31, 2009.

Capital Commitments	At March 31, 2009 (in millions)
Approved and contracted for	RM32,963
Approved but not contracted for	RM55,689
Total	<u>RM88,652</u>

Commitments that have been approved but not contracted for are subject to change as projects are reviewed or contracts are entered into. PETRONAS' outstanding capital commitments at March 31, 2009 primarily include oil and gas field developments by PETRONAS Carigali and its subsidiaries and purchases and upgrades of vessels by MISC. See "Business—Exploration and Production," "—Logistics and Maritime Business" and Note 38 (Commitments) to the financial statements included elsewhere in this Offering Circular.

PETRONAS currently anticipates total budgeted capital expenditures of approximately RM32.1 billion and RM23.8 billion during the years ending March 31, 2010 and ending March 31, 2011, respectively, including those that have been committed to contract and those that have not been committed to contract. Since capital commitments that have been approved but not committed to contract may be subject to change, and because PETRONAS may from time to time determine to undertake additional capital projects, actual capital expenditures in future years may be more or less than the amounts shown. PETRONAS expects to fund its future capital expenditures through funds generated from operations, drawdowns under existing term loans and additional external borrowings, including the funds raised through the offering of the Certificates and the concurrent notes offering described under "Capitalization."

Risk Management

As an integrated oil and gas company, PETRONAS is exposed to various risks that are peculiar to its exploration, production, refining and manufacturing businesses, its trading businesses and its operating environment. PETRONAS' goal in risk management is to ensure that it understands, measures, monitors and mitigates the various risks that arise in connection with its operations. Key risk areas covered by the risk management framework are credit risk, market risk, project risk, country risk, plant and facilities risk, operational risk and health, safety, environmental and other regulatory risk. PETRONAS has established an integrated risk management system through which it endeavors to manage these risks. Policies and guidelines have been developed to identify, analyze, appraise and monitor the changing risks that PETRONAS faces. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

PETRONAS has established a three-tier structure to serve as the focal point for leading and coordinating risk management efforts. At the executive level, there is a risk management committee that reports to the President and Chief Executive Officer. Members of the committee monitor existing and potential international investments in light of PETRONAS' strategic objectives, operating standards and risk profile. At the business level, there is a risk management unit, which coordinates risk management activities and provides a center of risk management expertise. Finally, most of the major operating units have separate risk management units operating at the business level to ensure that risks are constantly monitored and assessed.

Credit Risk. Credit risk includes risks relating to counterparties, the risk that a contractor (including PSC Contractors) will not perform on a contract and the risk of defaults on deposits. PETRONAS has established its PETRONAS Credit Risk Rating System ("PCRRS"), which enables potential counterparties to be evaluated on a standardized basis across the organization. Using PCRRS, every counterparty is given a rating from one to five based on specific criteria. In addition, PETRONAS has developed a "credit value at risk," or "CVaR," risk management tool to measure credit risk. CVaR uses statistical methodologies to estimate probable losses relating to particular transactions.

Market Risk. Market risk is the risk of loss arising from changes in the level or volatility of market prices, which in the case of PETRONAS primarily result from changes in the commodity markets, as well as from changes in interest rates and in foreign exchange markets. PETRONAS uses "value at risk," or "VaR," as its main market risk management tool. VaR is a statistical approach that estimates possible losses for a given portfolio over a certain period at a particular confidence level using past market movement data. Although past market movements are not necessarily a good indicator of future events, PETRONAS believes that VaR analysis is generally appropriate for its purposes in managing its market risk. The Asset Management Unit at PETRONAS is responsible for financial hedging policy and the development of hedging strategies for the PETRONAS group. The hedging strategy undertaken differs from one entity to another, depending on the balance sheet profile of each entity. The hedging strategy includes management of foreign currency and interest rate risk, which are mainly hedged naturally through business transactions, as well as the execution of swaps and forward contracts.

Project Risk. With respect to each new project into which it enters, PETRONAS conducts a Project Risk Assessment, or "PRA," which is designed to review the potential risks that may arise in connection with that transaction. The PRA will be reviewed prior to moving forward. In addition, PETRONAS conducts a Project Independent Review during the course of each project at critical points in the project timeline, which provides a check to validate the business purpose and viability of the project.

Country Risk. PETRONAS conducts country risk assessments and in-country risk management to ensure that it has an understanding of the legal, regulatory and operating environment and the political and economic consequences of operating in a particular country, both when initially beginning to work in a particular country and on an ongoing basis.

Plant and Facilities Risk. PETRONAS identifies, analyzes, quantifies and responds to risks during normal operation of plants and facilities by taking appropriate measures to mitigate these risks. PETRONAS' Plant and Facilities Risk Management project addresses risks to plants and facilities and aims to provide a framework and risk assessment guidelines to promote effective risk management practices at the business level.

Operational Risk. PETRONAS defines operational risk as the risk of unscheduled shutdowns of its operations. PETRONAS has instituted Operational Performance Improvement initiatives that aim to enhance operational performance by, among other things, identifying and classifying operational risks and implementing measures to mitigate these risks. PETRONAS also has in place contingency plans and business continuity plans for certain foreseeable emergencies.

Health, Safety, Environmental and Other Regulatory Risk. PETRONAS has put in place a health, safety environmental and other regulatory risk management system to ensure compliance with laws and regulations, particularly with respect to environmental standards. In addition, there is a comprehensive reporting system to identify, monitor and rectify any inability to meet required standards. PETRONAS monitors lost time, accidents and frequency of incidents in an effort to minimize downtime.

BUSINESS

OVERVIEW

PETRONAS is the national oil and gas company of Malaysia and is wholly owned by the Government of Malaysia. PETRONAS was incorporated in 1974 under the Malaysian Companies Act, 1965 and derives its powers from the Petroleum Development Act of 1974, which vests in PETRONAS the “entire ownership in, and the exclusive rights, powers, liberties and privileges of exploring, exploiting, winning and obtaining petroleum whether onshore or offshore of Malaysia.” At January 1, 2009, Malaysia had reserves estimated at 5.52 billion barrels of crude oil (including condensates) and 87.97 trillion standard cubic feet of natural gas.

PETRONAS, together with its subsidiaries and associated companies, is a fully integrated oil and gas company engaged in a broad spectrum of upstream and downstream oil and gas operations and petrochemical operations. PETRONAS’ upstream operations include the exploration, development and production of crude oil and natural gas in Malaysia and overseas. PETRONAS typically carries out its upstream activities in Malaysia through production-sharing contracts with a number of international oil and gas companies and its wholly-owned subsidiary, PETRONAS Carigali.

PETRONAS’ downstream operations include:

- the liquefaction, sale, transportation and trading of LNG;
- the processing and transmission of natural gas and the sale of natural gas products;
- the refining and marketing of petroleum products, including fuel oil, diesel, gasoline, jet fuel, kerosene and lubricants;
- the manufacture and sale of petrochemical products;
- the trading of crude oil, petroleum products and petrochemical products; and
- shipping and related logistics, including the transportation of crude oil, LNG and petroleum products.

For the fiscal years ended March 31, 2007, 2008 and 2009, PETRONAS had consolidated revenues of RM184,053 million, RM223,078 million and RM264,175 million (US\$72,436 million), respectively, and consolidated net profit attributable to shareholders of PETRONAS of RM46,167 million, RM60,964 million and RM52,546 million (US\$14,408 million), respectively.

EXPLORATION AND PRODUCTION

Oil and Gas Reserves

Domestic

Malaysia’s total oil and gas reserve estimates increased to 20.18 billion barrels of oil equivalent through PETRONAS’ continuing exploration efforts and field expansion activities, resulting in a reserve replacement ratio of 1.1 times at January 1, 2009, based on production and additions to reserves during the 2008 calendar year. A growing proportion of Malaysia’s oil and gas reserves is located in geologically complex areas: approximately 14.7% of oil reserves exist in deepwater blocks and approximately 24.7% of gas reserves have a high carbon dioxide (CO₂) content. Developing frontier acreages to sustain future domestic production is currently technologically more demanding and entails higher costs.

Crude oil and natural gas exploration and production activities are subject to various uncertainties. See “Risk Factors—Risks Relating to PETRONAS’ Business.”

Oil. At January 1, 2009, Malaysia had 5.52 billion barrels of oil reserves (including condensates). Excluding condensates, 44.5% of Malaysia’s oil reserves were proved reserves. PETRONAS estimates that at the current production level, which was approximately 679,000 bpd (including condensates) at March 31, 2009, Malaysia’s current oil and condensate reserves will last for approximately 22 years. PETRONAS continues to explore for oil and to acquire international reserves in an effort to augment Malaysia’s oil reserves.

The following table sets forth Malaysia’s oil reserves at January 1 for each of the years from 2005 through 2009.

Oil Reserves ⁽¹⁾⁽²⁾	At January 1,				
	2005	2006	2007	2008	2009
	(in mmbbl)				
Sabah	1,966	2,128	2,168	2,424	2,348
Sarawak	1,430	1,333	1,382	1,315	1,388
Peninsular Malaysia	1,765	1,791	1,807	1,719	1,781
Total	5,161	5,252	5,357	5,458	5,517

(1) PETRONAS’ method of reporting reserves changed in 2006. Accordingly, reserve figures for 2005 are not directly comparable to reserve figures for 2006 through 2009. For a description of PETRONAS’ method of calculating reserves, see “Presentation of Financial and Other Data—Oil and Gas Reserves.”

(2) Includes condensates.

Natural Gas. At January 1, 2009, Malaysia had 87.97 tscf of natural gas reserves, 50% of which were proved reserves. At the current production level, these reserves will last for approximately 36 years. Malaysia’s production level for the fiscal year ended March 31, 2009 was approximately 2,147 bscf.

The following table sets forth Malaysia’s gas reserves at January 1 for each of the years 2005 through 2009:

Gas Reserves ⁽¹⁾	At January 1,				
	2005	2006	2007	2008	2009
	(in bscf)				
Non-Associated Gas: ⁽²⁾					
Sabah	8,232	8,205	8,461	9,132	8,578
Sarawak	40,544	41,243	40,850	38,974	39,727
Peninsular Malaysia	21,592	23,168	24,028	24,190	24,079
Total non-associated gas	70,368	72,616	73,339	72,296	72,384
Associated Gas:					
Sabah	2,498	2,753	3,137	3,584	3,523
Sarawak	3,133	2,934	3,008	2,861	2,908
Peninsular Malaysia	9,203	9,649	9,442	9,270	9,153
Total associated gas	14,834	15,336	15,586	15,714	15,584
Total	85,202	87,952	88,925	88,010	87,968

(1) PETRONAS’ method of reporting reserves changed in 2006. Accordingly, reserve figures for 2005 are not directly comparable to reserve figures for 2006 through 2009. For a description of PETRONAS’ method of calculating reserves, see “Presentation of Financial and Other Data—Oil and Gas Reserves.”

- (2) Approximately 82% of Malaysia's natural gas reserves are non-associated. Certain non-associated gas fields have been dedicated to supplying existing and future planned gas demand. The timing of the development of these fields is dependent upon demand for gas and the development of related infrastructure and downstream facilities.

PETRONAS believes Malaysia's substantial natural gas reserves enable it to play an important role in satisfying the growing energy demands of Malaysia and other Asian countries. As a result, PETRONAS expects natural gas production to continue to play a significant role in PETRONAS' growth. For a further discussion of PETRONAS' plans to increase utilization and distribution of Malaysia's natural gas resources, see "—Gas Business."

The following table sets forth Malaysia's oil and gas reserves at January 1 for each of the years 2005 through 2009.

Oil and Gas Reserves ⁽¹⁾	At January 1,				
	2005	2006	2007	2008	2009
Oil (mmbbl) ⁽²⁾	5,161	5,252	5,357	5,458	5,517
Gas (bscf)	85,202	87,952	88,925	88,010	87,968
Total oil and gas (mmboe) ⁽³⁾	19,362	19,912	20,178	20,126	20,178

(1) PETRONAS' method of reporting reserves changed in 2006. Accordingly, reserve figures for 2005 are not directly comparable to reserve figures for 2006 through 2009. For a description of PETRONAS' method of calculating reserves, see "Presentation of Financial and Other Data—Oil and Gas Reserves."

(2) Includes condensates.

(3) Conversion of gas reserves to barrels of oil equivalent is at the ratio of 6 bscf of gas to 1 mmbbl.

International

As a result of its targeted and disciplined globalization strategy, at January 1, 2009, PETRONAS had accumulated international reserves, based on its equity participation, of approximately 6.84 billion barrels of oil equivalent, and recorded a reserve replacement ratio of 4.1 times at January 1, 2009, based on production and additions to reserves during the 2008 calendar year. PETRONAS' international reserves include its share of the reserves located in the Malaysia-Thailand Joint Development Area, an economic zone located in the lower Gulf of Thailand for the joint development of natural resources by the Malaysian and Thai governments with each entity holding a 50% interest. For PETRONAS' international operations, data for the reserve estimates are generally obtained from the operator of the production consortium or from the host country. See "—International Operations."

The following table sets forth PETRONAS' equity interest in its international oil and gas reserves at January 1 for each of the years 2005 through 2009.

PETRONAS' Equity Interest in International Reserves ⁽¹⁾⁽²⁾	At January 1,				
	2005	2006	2007	2008	2009
Oil (mmbbl) ⁽³⁾	2,158	2,347	2,550	2,420	2,202
Gas (bscf) ⁽⁴⁾	22,602	21,562	22,571	22,920	27,838
Total oil and gas (mmboe) ⁽⁵⁾	5,925	5,941	6,312	6,240	6,842

(1) PETRONAS' method of reporting reserves changed in 2006. Accordingly, reserve figures for 2005 are not directly comparable to reserve figures for 2006 through 2009. For a description of PETRONAS' method of calculating reserves, see "Presentation of Financial and Other Data—Oil and Gas Reserves."

- (2) Includes PETRONAS' interests under its service contracts in Iran based on the U.S. dollar-equivalent-value of the crude oil (for the Sirri A and E oil fields) and condensates (for the South Pars 2 and 3 gas fields) that PETRONAS is entitled to receive under those service contracts. PETRONAS estimates that it had an equity interest in reserves in Iran amounting to 54.3 mmboe at January 1, 2005; 13.9 mmboe at January 1, 2006; 10.0 mmboe at January 1, 2007; 9.5 mmboe at January 1, 2008 and 4.1 mmboe at January 1, 2009.
- (3) Includes condensates.
- (4) Figure for 2009 includes coal seam gas equity reserve.
- (5) Conversion of gas reserves to barrels of oil equivalent is at the ratio of 6 bscf of gas to 1 mmbbl.

Domestic Operations

PETRONAS is actively engaged in the exploration, development and production of oil and gas in Malaysia. At March 31, 2009, Malaysia had 615,100 square kilometers of land and seabed available for oil and gas exploration, of which 229,564 square kilometers were covered by production-sharing contracts.

Until 1993, oil and gas exploration and production activities in Malaysia took place in the broad continental shelf, which provides favorable conditions for oil and gas exploration. Within this shelf, five major petroleum-bearing sedimentary basins in Malaysia have been identified. The water depth of these areas ranges from 25 to 200 meters. Malaysia's existing oil and gas fields in the continental shelf are located mainly offshore of the states of Terengganu, Sabah and Sarawak. At January 1, 2009, cumulative exploration activities in the continental shelf resulted in discoveries of 167 oil fields and 230 gas fields. Malaysia's deeper offshore areas, measured as those with water depths of 200 meters or more, have been opened to oil and gas exploration beginning in 1995 and, to date, PETRONAS has awarded 20 deepwater production-sharing contracts to a variety of multinational oil and gas companies, including PETRONAS Carigali. Malaysia's first deepwater production, from the Kikeh field, began in the fiscal year ended March 31, 2008, while other deepwater fields, such as Gumusut/Kakap and Kebabangan, are being developed in the same region.

Production-Sharing Contracts

PETRONAS typically carries out its exploration, development and production activities in Malaysia through production-sharing contracts with the PSC Contractors, including a number of international oil and gas companies and its wholly-owned subsidiary, PETRONAS Carigali. Through the production-sharing contracts, PETRONAS is able to insulate itself from the capital costs and risk of failure associated with exploration activities, while maintaining a significant share in any commercial discovery that is produced through its entitlements.

PETRONAS' production-sharing contracts are similar to those in which multinational oil and gas companies enter with other host countries and partners. Each contract obligates the PSC Contractor to provide all the financing and bear all the risk of exploration, development and production activities in exchange for a share of commercial production, except for PETRONAS Carigali, which has a carried interest during the exploration phase in most of the production-sharing contracts signed after 1985. As in most international production-sharing contracts, the PSC Contractor is allowed to recover specified capital and operating costs in the form of produced oil or gas (such oil or gas is referred to as "cost" oil or gas) from total oil and gas produced from the area, after deduction of royalties, up to a maximum recovery limit specified in the production-sharing contract. The remainder of the oil or gas produced ("profit" oil or gas) is shared between the PSC Contractor and PETRONAS on a ratio basis that is dependent upon the volume of oil or gas produced.

PETRONAS further benefits from the production-sharing contracts because it owns all exploration and production data and all the other assets acquired and used by the PSC Contractors in the performance of the production-sharing contracts. Although PETRONAS owns this data and such other assets, the PSC Contractors have the right to use the assets for the duration of the production-sharing contracts. Such value of these assets is not reflected on the balance sheet of PETRONAS.

At March 31, 2009, PETRONAS had 71 production-sharing contracts in effect. A production-sharing contract may be awarded to a single PSC Contractor or a consortium of PSC Contractors, and one PSC Contractor may be party to several production-sharing contracts. On June 3, 2009, PETRONAS signed a new production-sharing contract with ExxonMobil Exploration and Production Malaysia Inc. (“EMEPMI”) and PETRONAS Carigali to develop seven discovered oil fields in offshore Peninsular Malaysia, which replaced an existing production-sharing contract between the parties.

At March 31, 2009, the PSC Contractors exploring for oil and gas in Malaysian waters included EMEPMI, PETRONAS Carigali, Shell Malaysia Exploration and Production (“Shell Malaysia”), Total E&P Malaysia, Nippon Oil Exploration Ltd. (“Nippon Oil”), Murphy Oil Corporation (“Murphy Oil”), Hess Corporation (“Hess”), Talisman Malaysia Limited (“Talisman Malaysia”), Lundin Petroleum AB (“Lundin Petroleum”), BHP Billiton Limited (“BHP”), Petrofac Limited (“Petrofac”), Newfield Exploration Company (“Newfield”), ConocoPhillips and Kuwait Foreign Petroleum Exploration Company (“Kufpec”). The main operators of PETRONAS’ oil and gas producing fields are EMEPMI, Shell Malaysia, PETRONAS Carigali, Talisman Malaysia, Murphy Oil, Petrofac, Newfield and Nippon Oil, as well as joint operating companies formed by two or more PSC Contractors, such as CS Mutiara Petroleum Sdn. Bhd., PCPP Operating Company Sdn. Bhd. and Keabangan Joint Operating Company.

PETRONAS signed its first group of production-sharing contracts in 1976 with EMEPMI (then known as Esso Production Malaysia, Inc.), Sarawak Shell Berhad and Sabah Shell Petroleum Company. Contracts signed between 1976 and 1985 provide for terms similar to the 1976 production-sharing contracts. In 1985, PETRONAS revised the terms of its production-sharing contracts to allow for accelerated cost recovery and improved sharing ratios of profit oil and gas for the PSC Contractors. The improved fiscal regime attracted substantial exploration investment into Malaysia.

To promote exploration in offshore areas with water depths of 200 meters or more, PETRONAS introduced the “deepwater” production-sharing contract in 1993. The terms of the deepwater contract take into account the higher risks and investment involved in oil and gas exploration and production in deepwater areas and incorporate several fiscal and non-fiscal incentives. Fiscal incentives for the PSC Contractor include accelerated cost recovery and improved sharing ratios, while non-fiscal incentives include longer exploration, development and production periods.

Under the terms of all production-sharing contracts in Malaysia signed after 1985, PETRONAS Carigali participates as a PSC Contractor with a minimum interest of 15%. In most of the production-sharing contracts signed after 1985, PETRONAS Carigali’s interest as a PSC Contractor is “carried” from the time the contract is signed until the completion by the other PSC Contractors of specified work commitments or fulfillment of minimum financial and drilling commitments or commercial success (the “carried interest period”). During the carried interest period, all exploration and other costs are borne by the PSC Contractors other than PETRONAS Carigali. Upon the expiration of the carried interest period, PETRONAS Carigali must determine whether to continue its participation in the production-sharing contract or to opt out of the contract. If PETRONAS Carigali exercises its option to retain its interest in the contract after the carried interest period, PETRONAS Carigali bears the costs of future operations in proportion to its participating interest in the production-sharing contract.

The production-sharing contracts are for specified durations. Exploration periods generally last for five years and development periods last for four years for shallow water blocks (water depths up to 200 meters). For deep water blocks (water depths of 200 meters or more), exploration periods generally last for seven years and development periods last for six years. If no commercial discovery is made in a block by the end of the exploration period, a PSC Contractor must relinquish that block, and PETRONAS may then re-award the block under a new production-sharing contract. If a commercial discovery in a field is made, the development period for that field begins to run from the date of that discovery.

During the development period, the PSC Contractor will engage in activities designed to enable the commercial production of hydrocarbons, such as the drilling of wells and the construction of facilities. The production phase of the production-sharing contracts, with respect to each discovered field, generally lasts for a period of 15 years for shallow water blocks and 25 years for deep water blocks, in each case from the first date of commercial production from such field. If a gas field is discovered, the production-sharing contracts provide for an additional holding period of up to five years between the exploration and development phases, and the total contract period may be extended to take into account the holding period.

The following table summarizes the basic terms of PETRONAS' production-sharing contracts through 1997.

Allocations	1985 PSC (Shallow Water Blocks)	Deep Water Blocks 200 to 1,000 meters	Deep Water Blocks over 1,000 meters
Royalties (% of gross production)	10%	10%	10%
Cost oil (% of gross production) (maximum)	50%	70%	75%
Cost gas (% of production available for sale) (maximum)	60%	60%	60%
Profit oil and gas (range depending upon volume of production): ⁽¹⁾			
Oil	50:50 to 70:30	30:70 to 50:50	14:86 to 50:50
Gas	50:50 to 70:30	40:60 to 60:40	40:60 to 60:40

(1) The ratio of x:y represents the proportionate share between PETRONAS and the PSC Contractor.

In 1997, PETRONAS introduced new fiscal terms for new production-sharing contracts relating to shallow water blocks based on the "revenue-over-cost" concept to encourage additional investment in Malaysia's upstream sector. The revenue-over-cost production-sharing contract allows the PSC Contractors to accelerate their cost recovery if they perform within certain cost targets. The underlying principle is to allow a PSC Contractor a higher share of production when the contractor's profitability is low and to increase PETRONAS' share of production when the contractor's profitability improves. The PSC Contractor's profitability at any time is measured by the revenue-over-cost index, which is the ratio of the PSC Contractor's cumulative revenue (calculated as the sum of the PSC Contractor's cost oil and profit oil or cost gas and profit gas, as the case may be, less certain payments to PETRONAS when the value of the crude oil or gas exceeds a certain base price, as determined under the contract) over the PSC Contractor's cumulative costs.

At March 31, 2009, 26 revenue-over-cost production-sharing contracts were in effect with 10 multinational oil and gas companies. The following table summarizes the general terms of the revenue-over-cost production-sharing contracts for both oil and gas fields.

Revenue-Over-Cost Index ⁽²⁾	Total Production Volume Below Threshold ⁽¹⁾			Total Production Volume Above Threshold ⁽¹⁾		
	Total Cost Tranche (%) ⁽³⁾	PSC Contractor's Share of Total Cost Tranche (%) ⁽⁴⁾	PSC Contractor's Share of Total Profit Tranche (%) ⁽⁵⁾	Total Cost Tranche (%) ⁽³⁾	PSC Contractor's Share of Total Cost Tranche (%) ⁽⁴⁾	PSC Contractor's Share of Total Profit Tranche (%) ⁽⁵⁾
0.0 to 1.0	70	—	80	70	—	40
> 1.0 to 1.4	60	80	70	60	40	30
> 1.4 to 2.0	50	70	60	50	40	30
> 2.0 to 2.5	30	60	50	30	40	30
> 2.5 to 3.0	30	50	40	30	40	30
> 3.0	30	40	30	30	20	10

- (1) Threshold production volume means (a) for oil, total production of the field or 30 mmbbl, whichever is lower, and (b) for gas, total production of the field or 0.75 tscf, whichever is lower.
- (2) All contracts are subject to deduction of royalties of 10% from gross revenues before the calculation of sharing ratios.
- (3) The "Total Cost Tranche" is the cost ceiling, expressed as a percentage of total projected revenue for the next quarter to be recovered by the PSC Contractors.
- (4) The "PSC Contractor's Share of Total Cost Tranche" is the percentage that the PSC Contractor is entitled to retain of the amount of projected costs from the next quarter that was not used.
- (5) The "PSC Contractor's Share of Total Profit Tranche" is the percentage of the profit allocated to the PSC Contractor (after deduction of royalties and costs).

Exploration and Development

PETRONAS currently focuses its oil field development activities in Malaysia on the development of Guntong Water Alternate Gas ("WAG") Phase 1, Palas Revisit, Seligi F Infill and Seligi G Infill (2008 PSC), Bunga Kekwa (PM-3 Commercial Arrangement Area ("PM-3 CAA")), Lerek Development (PM323) and Sepat Oil (PETRONAS) in Peninsular Malaysia; D30 and Dana (SK305), Baram WAG (2003 Baram Delta PSC), D21 (D35, D21 & J4 PSC) and D41 (Balingian PSC) in Sarawak; and Samarang WAG and Samarang Further Development (Samarang/A.Paya PSC), Gumusut/Kakap (Block J PSC and Block K PSC), Malikai (Block G PSC) and St. Joseph and Barton Revisit Phase 1 (1996 North Sabah PSC) in Sabah. In addition, further development projects are underway in currently producing fields to increase production.

PETRONAS currently focuses its natural gas development activities in Malaysia on the development of Resak Infill (PM6/12 PSC) and Bergading (PM302 PSC) in Peninsular Malaysia, Keabangan Clusters (Keabangan Clusters PSC) in Sabah, and Golok (SK309 PSC) and PC4 (PC4 PSC) in Sarawak. In addition, further development projects are underway in producing fields to meet projected gas demand.

The following table shows the seismic data and other exploration, development and production activity undertaken by the PSC Contractors in Malaysia for each of the fiscal years in the five-year period ended March 31, 2009.

	Fiscal Year ended March 31,				
	2005	2006	2007	2008	2009
Seismic data acquisition (line km): ⁽¹⁾					
2D	17,623	0	4,056	8,772	18,712
3D	811,725 ⁽²⁾	439,182 ⁽²⁾	254,633 ⁽²⁾	103,506 ⁽²⁾	243,545
Wells: ⁽³⁾					
Exploration	36	41	28	15	26
Appraisal	12	12	11	6	10
Development ⁽⁴⁾	129	81	104	107	187
Exploration, development and production investment (in RM millions) ⁽⁵⁾	12,331	15,904	19,560	23,666	21,797

- (1) Seismic data, which is measured in terms of line kilometers covered, is a key tool used in oil and gas exploration to determine the likely existence of petroleum deposits. Three-dimensional data acquisition has become increasingly important in recent years, as the enhanced detail of this data provides time and cost benefits in the analysis and use of the information obtained.
- (2) In 2005, 3D seismic data acquisition was higher due to seismic survey activities in shallow water in offshore Peninsular Malaysia. In 2006, 3D seismic data acquisition was primarily related to seismic survey activities in shallow water offshore Peninsular Malaysia and Sarawak. In 2007 and 2008, 3D seismic data acquisition was lower because seismic survey activities in disputed areas were suspended.
- (3) Exploration wells are drilled to determine the existence of an oil or gas field. Appraisal wells are drilled to determine the extent of an identified field, and development wells are drilled to extract the oil or gas.
- (4) Inclusive of workover wells.
- (5) Recoverable cost under production-sharing contracts.

Production

Oil. At January 1, 2009, PETRONAS had 66 producing oil fields in Malaysia. These oil fields produce 13 blends of crude oil: Tapis, Labuan, Miri Light, Bintulu, Bunga Kekwa, MASA, Dulang, Kidurong, Penara, South Angsi, Cendor, Abu and Kikeh. All of these blends are of high quality and generally command a premium price over the benchmark Brent crudes in the world market.

In the fiscal year ended March 31, 2009, Malaysia's crude oil and condensates production was approximately 248 mmbbl, a slight decrease from the production of 253 mmbbl in fiscal year 2008. PETRONAS uses its share of crude oil production for export sales to customers, principally in the Asia-Pacific region, and for refining and sale of petroleum products. Of PETRONAS' share of crude oil production in the fiscal year ended March 31, 2009, 92 mmbbl were exported and 90 mmbbl (which includes 5 mmbbl of crude oil that PETRONAS purchased from third parties) were processed at PETRONAS' refineries in Melaka and Kertih.

The following table sets forth Malaysia's crude oil production and PETRONAS' share of such production for each of the fiscal years in the five-year period ended March 31, 2009.

Oil ⁽¹⁾	Fiscal Year Ended March 31,				
	2005	2006	2007	2008	2009
	(in mmbbl, except percentages)				
Total production in Malaysia	269	255	241	253	248
PETRONAS' share of production ⁽²⁾	204	193	185	182	177
PETRONAS' percentage share of production ⁽²⁾	76%	76%	77%	72%	71%

(1) Includes condensates.

(2) PETRONAS' share of production includes the share of profit oil to which it is entitled, PETRONAS Carigali's cost and profit oil and the royalty oil sold by PETRONAS on behalf of the Government of Malaysia.

Natural Gas. At January 1, 2009, PETRONAS had 34 producing gas fields and 38 gas fields under development in Malaysia. In the fiscal year ended March 31, 2009, Malaysia's natural gas production was approximately 2,147 bscf. Natural gas production in Malaysia is projected to increase as a result of the development of PETRONAS' LNG business and the increase in electric power sector demand.

In the fiscal year ended March 31, 2009, 80% of the natural gas produced in Malaysia was sold, either as natural gas or natural gas products, in domestic and international markets. PETRONAS uses its share of gas production in its downstream activities for processing, liquefaction and sale in the domestic market and outside Malaysia. The remaining gas is reinjected or used for production operations, and the balance is flared. PETRONAS also purchases gas produced by the PSC Contractors for such uses.

The following table sets forth Malaysia's annual natural gas production available for sale and PETRONAS' share of such production for each of the fiscal years in the five-year period ended March 31, 2009.

Natural Gas ⁽¹⁾	Fiscal Year Ended March 31,				
	2005	2006	2007	2008	2009
	(in bscf, except percentages)				
Total production in Malaysia	2,091	2,096	2,081	2,156	2,147
PETRONAS' share of production ⁽²⁾	1,430	1,389	1,361	1,449	1,493
PETRONAS' percentage share of production ⁽²⁾	68%	66%	65%	67%	70%

-
- (1) Net of flared gas.
 - (2) PETRONAS' share of production includes the share of profit gas to which it is entitled, PETRONAS Carigali's cost and profit gas and the royalty gas sold by PETRONAS on behalf of the Government of Malaysia.

Tripartite Cooperation Arrangement

In June 2003, PETRONAS signed a production-sharing contract with Perusahaan Pertambangan Minyak Dan Gas Bumi Negara ("Pertamina"), the national oil company of Indonesia, and PetroVietnam Investment and Development Company ("PIDC"), a subsidiary of PetroVietnam, the national oil company of Vietnam, to jointly explore for and develop hydrocarbon resources in Block SK305 off the shore of Sarawak, Malaysia. Block SK305 is located in water with a depth of 150 meters in the Balingian Province offshore Sarawak and covers an area of about 15,164 square kilometers. Under the production-sharing contract, the operators have committed to drilling two exploration wells, with an option to drill a further two wells, and to acquiring and processing new and reprocessing existing seismic data. This agreement was entered into to further the cooperation under the Tripartite Cooperation Arrangement among the three national oil companies. The Tripartite Cooperation Arrangement is intended to facilitate the transfer and exchange of knowledge and technology among the three partners assisting in the enhancement and upgrading of skills and expertise.

International Operations

PETRONAS is seeking to augment its domestic reserves by pursuing exploration, development and production activities outside Malaysia. PETRONAS conducts these activities primarily through PETRONAS Carigali Overseas, a wholly-owned subsidiary of PETRONAS Carigali established in 1990. PETRONAS' international production of crude oil and gas as a share of PETRONAS' total production has increased from 4% in the fiscal year ended March 31, 1999 to 35% in the fiscal year ended March 31, 2009. At March 31, 2009, PETRONAS, through its wholly-owned subsidiaries, participated in 66 international ventures in 22 countries. PETRONAS currently operates in three core international regions, namely Asia, Africa and the Middle East, where PETRONAS believes that it enjoys significant competitive advantages. During the fiscal year ended March 31, 2009, PETRONAS, through its subsidiaries, entered into six new production-sharing contracts, expanding PETRONAS' position in Indonesia, Mozambique and Uzbekistan. The six new international production-sharing contracts are SE Palung Aru, Surumana and Mandar in Indonesia; Block 16/19 and Blocks 3 & 6 in Mozambique; and Urga Fields in Uzbekistan.

In several international production-sharing contracts, PETRONAS, through its subsidiaries, is the sole production-sharing contractor, while in other contracts PETRONAS is a member of a consortium of production-sharing contractors. As in the case of PETRONAS' Malaysian production-sharing contracts, these production-sharing contracts typically provide for the contractors to share the oil or gas production with the host country in varying ratios typically depending on the volume of oil or gas produced. As a result of its focus on international activities, PETRONAS has increased its international oil and gas reserves to approximately 6.84 billion barrels of oil equivalent at January 1, 2009.

Revenue from PETRONAS' international operations is generated from its ventures in 11 countries with current production: Indonesia, Thailand (through MTJDA), Myanmar, Vietnam, Chad, Egypt, Sudan, Mauritania, Iran, Pakistan and Turkmenistan. PETRONAS, through its subsidiaries, is the operator in the Chinguetti Field in Mauritania, the Mubarak Block in Pakistan, Block 1 in Turkmenistan and the Ruby Field in Vietnam. It is a joint operator in Blocks 1, 2 and 4, Blocks 3 and 7 and Block 5A in Sudan as well as Block A-18 in the MTJDA.

The following table lists currently producing oil and gas fields outside Malaysia in which PETRONAS has an interest, either through PETRONAS Carigali Overseas or through other subsidiaries.

	<u>PETRONAS' Participating Interest⁽¹⁾</u>	<u>Date of Commencement of Production</u>	<u>Current equity production average At January 1, 2009 (Oil and condensate in thousand bpd; Gas in mmscfd)</u>
Chad (Permit H Doba Basin)	35%	July 2003	Oil: 44.70
Egypt (WDDM)	50%	April 2003	Gas: 998.35 Condensate: 6.11
Indonesia (Jabung Block)	42.86%	June 2002	Oil: 5.09
(Madura Offshore)	25%	September 2006	Gas: 92.60
(Natuna Sea Block A)	15%	September 2003	Condensate: 10.35 ⁽²⁾
Iran (South Pars 2 & 3)	30% ⁽³⁾	December 2001	Gas: 510.00 Condensate: 23.87
Malaysian-Thailand JDA (Block A-18)	50%	January 2004	Gas: 251.58 Condensate: 2.74
Mauritania (Chinguetti)	47.39%	September 2007 ⁽⁴⁾	Oil: 5.75
Myanmar (Yetagun Blocks M-12, M-13 and M-14)	40.91%	May 2000	Gas: 159.94 Condensate: 4.36
Pakistan (Mubarak Block)	45%	December 2004	Gas: 10.30 Condensate: 0.02
Turkmenistan (Block 1)	100%	May 2006	Oil: 5.73
Sudan (Blocks 1, 2 and 4)	30%	April 1999	Oil: 156.93
(Block 5A)	67.9%	July 2006	
(Block 3&7)	40%	August 2006	
Vietnam (Block 46 Cai Nuoc)	36.85%	April 2001 ⁽⁵⁾	Oil: 13.42
(Ruby Blocks 01 and 02)	85%	October 1998	Gas: 3.21
(Block 46/02 Song Doc)	30%	November 2008	

(1) Reflects PETRONAS' percentage interest in the relevant production-sharing arrangement or service contract.

(2) Condensate production includes 3.2 thousand bpd of LPG.

(3) Represents PETRONAS' 30% equity in the service contract for Iran's South Pars 2 and 3 gas fields, which is a buy-back project. Oil entitlement is only for condensate production. See "—International Exploration and Production—Exploration and Production in the Middle East—Iran" below.

(4) Production date as per farm-in date.

(5) Block 46 Cai Nuoc was already producing when it was acquired by PETRONAS in April 2001.

International Exploration and Production

Exploration and Production in Asia

Indonesia. At January 1, 2009, PETRONAS, through its wholly-owned subsidiary, PETRONAS Carigali Overseas, owned a 100% interest in the Ketapang Block, located at offshore east Java, Indonesia. The Ketapang Block is currently in its five-year development period. PETRONAS obtained regulatory approval for the development of the Bukit Tua oil and gas fields in July 2008 and expects the production of oil and gas to begin in 2012.

In March 2001, PETRONAS and Pertamina entered into a gas sales and purchase agreement pursuant to which Pertamina delivers gas from the West Natuna Sea area to PETRONAS' Duyong Gas Field facilities. Delivery commenced in August 2002.

A subsidiary of PETRONAS holds a 42.86% interest in the Jabung Block, located in the South Sumatra Basin, Indonesia. PetroChina International, the operator of the Jabung Block, has a 42.86% interest and Pertamina has a 14.28% interest. The current production rate is approximately 24,000 bpd.

As part of the Tripartite Cooperation Arrangement described above among PETRONAS, Pertamina and PIDC, the three parties identified a block in Randugunting, Indonesia, in 2007. Under the terms of the production-sharing contract, Pertamina's subsidiary, Pertamina EP Randugunting, operates the block, in which Pertamina holds a 40% interest, PETRONAS Carigali a 30% interest, and PIDC a 30% interest.

PETRONAS, through its wholly-owned subsidiary, PETRONAS International Corporation Ltd. ("PICL"), also holds a 15% interest in the Natuna Sea Block A in Indonesia. Kufpec holds a 33.3% interest, Hess Corporation a 23% interest, and Premier Oil, the operator, a 28.7% interest. The Natuna Sea Block A commenced production in September 2003 and its current equity production is at a rate of approximately 21 mmscf. PICL also holds a 100% interest in the Muriah Block, where its plan of development was approved by the host government in 2005. PICL also holds a 25% interest in the Madura Offshore Block, which has a current equity production rate of approximately 22 mmscf. Santos Ltd. ("Santos") is the operator of the Madura Offshore Block and holds a 75% interest in the block.

PETRONAS Carigali Overseas holds a 100% interest in the Lampung II Block; a 33.3% interest in the Palung Aru Block, with China National Offshore Oil Corporation holding a 66.7% interest; and a 20% interest in the Surumana and Mandar Blocks, with ExxonMobil holding an 80% interest. All these blocks are in the exploration stage.

Malaysia-Thailand Joint Development Area. The MTJDA is an economic zone in the lower Gulf of Thailand that covers approximately 7,250 square kilometers, divided into three blocks. The area is administered by the Malaysia-Thailand Joint Authority. The Malaysian and Thai governments are involved in the Malaysia-Thailand Joint Authority, with each holding a 50% interest. PETRONAS Carigali (JDA) Limited ("PETRONAS Carigali JDA"), a wholly-owned subsidiary of PETRONAS International Corporation Ltd., is one of the PSC Contractors undertaking exploration for the Malaysia-Thailand Joint Authority under two production-sharing contracts signed in 1994. The contract for Block A-18 is held equally by PETRONAS Carigali JDA and Hess Oil Company of Thailand (JDA) Ltd, and the contracts for Block B-17 and Block C-19 are held equally by PETRONAS Carigali JDA and PTTEP International Limited ("PTTEPI"). At January 1, 2009, PETRONAS' share of the gas reserves located in Blocks A-18 and B-17 of the MTJDA was approximately 5.2 tscf.

PETRONAS and the Petroleum Authority of Thailand ("PTT") have concluded a gas sales and purchase agreement for Block A-18, pursuant to which PETRONAS and PTT purchase gas from the Malaysia-Thailand Joint Authority and its production-sharing contractors. The gas from the offshore fields is brought onshore by

pipeline and processed by a gas separation plant near Songkhla, Thailand. The pipeline project, known as the Trans-Thailand-Malaysia Gas Pipeline System, and the gas separation plant are jointly developed and operated by PETRONAS and PTT. The pipeline is extended from Songkhla and connected to the main PGU pipeline at Changlun in Kedah, Malaysia, to deliver gas to end users in the power, industrial, commercial and residential sectors in Malaysia. Phase 1 of Block A-18 was completed in December 2004, yielding an equity production rate of approximately 195 mmscfd. Sales of gas produced from Phase 1 began in the first quarter of 2005 and are delivered through southern Thailand and sold in the Malaysian domestic market. Phase 2 of Block A-18 was completed in November 2008 and is under further development to increase the equity production rate to approximately 292 mmscfd. PTTEPI is the offtaker of the gas delivered to the Bangkok market.

In June 2005, PETRONAS Carigali JDA and PTTEPI entered into a gas sale agreement with PTT Public Company Limited, for sales of gas produced from Blocks B-17, C-19 and B-17-1. The first gas delivery is expected to be on October 1, 2009 at a rate of 270 mmscfd.

Myanmar. In late 1997, PICL acquired part of Texaco Inc.'s interest in the Yetagun Gas Project, which consists of a production area within Blocks M-12, M-13 and M-14 located in the Gulf of Martaban offshore Myanmar, and an associated pipeline to deliver gas from the production area to Thailand. The Yetagun fields had total reserves estimated at 0.9 tscf of gas and 9.51 mmbbl of condensates at January 1, 2009. In early 1997, Myanmar Oil and Gas Enterprise ("MOGE") and the project consortium entered into a 30-year take-or-pay gas sales agreement with PTT. The project came onstream in May 2000 and gas delivery to PTT began on July 1, 2000 at an initial rate of 200 mmscfd. The current equity production rate is approximately 159 mmscfd of gas and 4,350 bpd of condensate.

Pakistan. A subsidiary of PICL, PETRONAS Carigali (Pakistan) Ltd. ("PCPL"), currently holds a 45% interest in the Mubarak Block development and producing area, which is located in the Ghotki district of southeastern Sindh province of Pakistan. Other partners include Eni SpA with a 30% interest and Government Holdings (Pvt) Ltd. with a 25% interest. The Mubarak Block currently has an equity production rate of approximately 10 mmscfd. PCPL has a 100% interest in the Daphro Block, which is located at the Dadu, Nawabshah and Thatta districts of Sindh Province. It also has a 75% interest in the Mehar Block, which is located in the Sindh and Balochistan provinces, with Orient Petroleum Inc. holding a 15% interest, Zaver Petroleum Corporation Ltd. holding a 5% interest and the government of Pakistan holding a 5% interest in the Mehar Block. The Daphro Block is in the exploration stage and the Mehar Block is in the development stage.

Turkmenistan. In July 1996, a subsidiary of PICL, PETRONAS Carigali (Turkmenistan) Sdn. Bhd., entered into a production-sharing contract with the government of Turkmenistan for Block 1 in the Caspian Sea, in which PETRONAS Carigali (Turkmenistan) holds a 100% interest. Oil and gas field discoveries have been made in the block and further exploration and development activities are being undertaken. These fields have reserves estimated at approximately 7.3 tscf of gas and 512 million barrels of oil and condensates. The Turkmenistan venture started producing oil in 2005 and the current oil equity production rate is approximately 5,700 bpd. The Block 1 gas development project is expected to commence its production by the end of 2010 with a plateau equity production rate of 500 mmscfd.

Uzbekistan. In October 2005, PETRONAS Carigali Overseas entered into joint study agreements with the government of Uzbekistan with respect to the Baisun Block, covering an area of 3,150 square kilometers. Subsequently, PETRONAS Carigali Overseas entered into other exploration agreements and production-sharing contracts with the government of Uzbekistan for the Surkhanski and Urga Fields Block areas. The Urga Fields Block, for which a production-sharing agreement was signed in May 2008, is 100% held by PETRONAS Carigali Overseas; this field is currently being developed for gas production. In August 2006, PETRONAS Carigali Overseas entered into a production-sharing contract to explore the Aral Sea Block with Uzbekneftegaz, Lukoil, China National Petroleum Corporation ("CNPC") and Korea National Oil Corporation ("KNOC"), with each holding a 20% interest. The Aral Sea Block covers an area of 18,300 square kilometers and is currently under exploration.

Vietnam. PETRONAS embarked on its first international exploration and production project as an operator in 1991, under a production-sharing contract between PETRONAS Carigali Overseas and PetroVietnam Exploration and Production Company (“PetroVietnam E&P”) for offshore Blocks 01 and 02. Subsidiaries of PICL, including PC Vietnam Ltd. (“PCVL”), hold a 85% interest and subsidiaries of PetroVietnam E&P hold a 15% interest in these blocks. PCVL is the operator of the blocks. Commercial production of oil in the Ruby Field, located within these blocks, commenced in October 1998 at an initial rate of 8,000 bpd. The current equity production rate for offshore Blocks 01 and 02 is approximately 12,000 bpd.

In April 2001, PETRONAS Carigali Overseas acquired a 36.85% interest in the Cai Nuoc Development Area, in offshore Vietnam. Talisman Vietnam Limited (“Talisman Vietnam”), the operator, holds a 33.15% interest and PetroVietnam E&P holds a 30.00% interest in the block. PETRONAS Carigali Overseas transferred its interest in the block to PCVL in April 2003. The reserves in the Cai Nuoc area are located in the PM-3 CAA, at the boundary of the northeast coast of Peninsular Malaysia and the southwest coast of Vietnam and are being jointly explored by PETRONAS and PIDC. The current equity production rate is approximately 1,000 bpd.

In January 2002, PETRONAS Carigali Overseas, PIDC and Pertamina formed Con Son Joint Operating Company (“Con Son”) to explore the southern continental shelf of Vietnam. The three parties were awarded two exploration blocks, Blocks 10 and 11.1, which are located in the Nam Con Son basin, about 210 kilometers southeast of Vung Tau, covering approximately 7,915 square kilometers. Each of PETRONAS Carigali Overseas and PetroVietnam E&P holds a 40% interest, and each of Pertamina and QUAD Energy holds a 10% interest in Con Son.

In January 2003, PETRONAS Carigali Overseas entered into a production-sharing contract with Vietnam National Oil and Gas Group and PetroVietnam E&P covering Blocks 01/97 and 02/97, located 155 kilometers offshore of Vung Tau and adjacent to PETRONAS Carigali Overseas’ Blocks 01 and 02 integrated development area. Lam Son Joint Operating Company (“LSJOC”), in which PETRONAS Carigali Overseas and PetroVietnam E&P each holds a 50% interest, operates the two blocks, which are currently in the development stage.

In December 2002, a production-sharing contract for Block 46/02 Song Doc was signed by Trung Son Joint Operating Company (“Trung Son”), a joint venture in which PETRONAS Carigali Overseas has a 30% interest, PetroVietnam E&P has a 40% interest and Talisman Vietnam has a 30% interest. Trung Son operates the block. Block 46/02 Song Doc commenced production in November 2008 and has a current equity production rate of 600 bpd.

In April 2006, PETRONAS Carigali Overseas entered into a production-sharing contract with Chevron Vietnam Phu Khanh for Block 122, with each holding a 50% interest. Chevron Vietnam Phu Khanh is the operator of the block, which is currently in the exploration stage.

In June 2007, PETRONAS Carigali Overseas entered into a production-sharing contract with PetroVietnam E&P covering Block 103 and 107. PetroVietnam E&P is the operator and owns a 55% interest in the blocks, which are currently in the exploration stage, with the remaining 45% interest owned by PETRONAS Carigali Overseas.

Exploration and Production in Africa

Algeria. In June 2002, PETRONAS Carigali Overseas and Hess Corporation entered into an exploration and production contract for Block 401C. Sonatrach Petroleum Corporation subsequently acquired a 25% interest in the contract, following which PETRONAS Carigali Overseas has a 30% interest and Hess Corporation has a 45% interest. The block is currently in the development phase.

Cameroon. In November 2001, PETRONAS Carigali Overseas entered into a farm-out agreement for Block Nyong II (formerly known as Block PH77) with Phillips Petroleum, with each holding a 50% interest. Subsequently, ConocoPhillips (successor by merger to Phillips Petroleum) transferred its interest in the block to Noble Energy. The project is currently in the exploration stage.

In early July 2009, a consortium consisting of PETRONAS Carigali Overseas and Noble Energy entered into an exploration and production contract with the government of Cameroon. Under the contract, during an initial period of three years, the consortium committed to undertake in the Tilapia block a program of exploration activities, which comprises the acquisition, processing and interpretation of at least 600 kilometers of 2D seismic data and the drilling of two exploration wells. The Tilapia block was part of the former Block PH77 which was relinquished upon the expiry of its exploration period.

Chad. A subsidiary of PETRONAS Carigali, PETRONAS Carigali (Chad EP) Inc., has a 35% interest in a consortium engaged in upstream and downstream activities in the Republic of Chad. ExxonMobil, with a 40% interest, and ChevronTexaco, with a 25% interest, are the other consortium members. The upstream activity involves exploration activities in Permit H, Doba Basin, which covers an area of approximately 10.2 million acres in the south of Chad, from the border with the Central African Republic to the Nigerian border. The downstream activity involves the construction of a 1,070 kilometer, 30-inch diameter oil pipeline from Kome, Chad to Port Kribi, Cameroon; three pump stations and a pressure reducing station; and an offshore floating storage and offloading facility. Production commenced in July 2003. The current equity production rate is approximately 45,000 bpd.

Egypt. PETRONAS Carigali Overseas currently holds a 16% participating interest in the NEMED Deepwater Block, with Shell Egypt Deepwater B.V. holding 51% and ONGC Videsh Limited (“ONGC”) holding the remaining 33%. The block is in the exploration stage. Each of PETRONAS Carigali Overseas and BG Group holds a 50% interest in the concession for the West Delta Deep Marine (“WDDM”) located in offshore Egypt. WDDM commenced production in March 2003. The current production rate is approximately 998 mmscfd. PETRONAS Carigali Overseas also holds a 30% interest in El Burg Block, with BG Group holding a 70% interest, and a 50% interest in North Sidi Kirir Deep Block, with BG Group holding a 50% interest. Both the El Burg and North Sidi Kirir Deep Blocks are in the exploration stage.

Ethiopia. In June 2003, PETRONAS Carigali Overseas entered into a production-sharing contract with the government of Ethiopia for the exploration of oil and gas in the Gambella Block, southwest of Ethiopia, covering an area of approximately 15,350 square kilometers. In July 2005, PETRONAS Carigali Overseas and the government of Ethiopia also entered into petroleum production-sharing contracts for Blocks 3, 4, 12 and 16, which together cover approximately 30,600 square kilometers. In April 2007, the government of Ethiopia also awarded Blocks 11 and 15, covering an additional 30,000 square kilometers of territory, to PETRONAS Carigali Overseas for exploration. All blocks are held 100% by PETRONAS Carigali Overseas and are in the exploration stage.

Mauritania. PETRONAS Australia Pty Ltd, a wholly-owned subsidiary of PETRONAS International Corporation Ltd., acquired Woodside Energy Ltd’s Mauritanian subsidiaries in September 2007. The subsidiaries, renamed PC Mauritania I Pty Ltd and PC Mauritania II B.V., have interests in five oil and gas projects in Mauritania, including offshore production-sharing contract areas A and B, the producing Chinguetti oil field in production-sharing contract area B and offshore Blocks 6 and 7. PETRONAS’ subsidiaries operate all blocks except for Block 7. PETRONAS’ subsidiaries previously also had interests in offshore Block 2 and onshore Blocks Ta11 and Ta12. The offshore Block 2 was relinquished in 2008 and the onshore Blocks Ta11 and Ta12 were relinquished in January 2009.

Mozambique. In June 2002, a subsidiary of PETRONAS Carigali Overseas was awarded an exploration and production contract for the Zambezi Delta Block, in offshore Mozambique. The Zambezi Delta Block covers

an area of 29,054 square kilometers and is located in water up to 1,500 meters deep. The subsidiary of PETRONAS Carigali Overseas holds a 42.5% interest, the Petroleum, Oil and Gas Corporation of South Africa (Pty) Limited holds a 25.5% interest, Petroleo Brasileiro S.A. holds a 17% interest and Empresa Nacional de Hidrocarboneto E.P. (“ENH”), the national oil company of Mozambique, holds a 15% interest. The subsidiary of PETRONAS Carigali Overseas is the operator of the Zambezi Delta Block, which is currently under exploration. In October 2008, PETRONAS Carigali Overseas entered into an exploration and production contract with the government of Mozambique covering Blocks 3 and 6, in which PETRONAS Carigali Overseas has a 90% interest, with the remaining 10% interest held by the government of Mozambique. PETRONAS Carigali Overseas also entered into an exploration and production contract covering Block 16/19, in which PETRONAS Carigali Overseas has a 35% interest, Sasol a 50% interest and ENH a 15% interest. Blocks 3, 6 and 16/19 are all in the exploration stage.

Sudan. In March 1997, a subsidiary of PETRONAS entered into an exploration and production-sharing contract with the government of Sudan for onshore Blocks 1, 2 and 4, located in the Muglad Basin, covering a total area of 48,914 square kilometers. The interests in the consortium are as follows: PETRONAS Carigali Nile Limited (30%), CNPC International (Nile) Ltd. (40%), ONGC (25%) and Sudan National Petroleum Corporation (“SUDAPET”) (5%). Pursuant to an agreement with the government of Sudan, the consortium also owns and operates an approximately 1,500-kilometer export pipeline from the oil fields to Port Sudan on the Red Sea coast. PETRONAS commenced production in Sudan in 1999. The current equity production rate for Blocks 1, 2 and 4 is approximately 60,000 bpd. The Munga field located in Block 1 commenced production in August 2002.

PETRONAS Carigali Nile Ltd. also owns a 67.9% interest in Sudan’s Block 5A, which commenced oil production in 2003. Other partners in Block 5A include ONGC, with a 24.1% interest, and SUDAPET, with an 8.0% interest. Block 5A covers an area of approximately 29,412 square kilometers. The current equity production rate is approximately 15,000 bpd.

In May 2001, PETRONAS Carigali Overseas entered into an exploration and production-sharing agreement for Block 5B, covering an area of 22,119 square kilometers adjacent to Block 5A. PETRONAS Carigali Overseas owns a 39% interest in the venture, with Lundin Sudan Ltd. holding a 24.5% interest, ONGC holding a 23.5% interest and SUDAPET holding a 13% interest. A joint operating company formed by PETRONAS Carigali Overseas and SUDAPET operated Block 5B. The block was relinquished in May 2009.

In September 2002, PETRONAS Carigali Overseas acquired a 40% interest in Blocks 3 and 7 from Ansan Wikfs Investment Limited (“Ansan”) and a subsidiary of PETRONAS became the operator of the blocks. Other partners in the blocks include CNPC (41%), SUDAPET (8%), China Petroleum and Chemical Corporation (6%) and Tri Ocean (5%). The current equity production rate of the blocks is approximately 80,000 bpd.

In August 2003, PETRONAS Carigali Overseas entered into an exploration and production-sharing contract for Block 8 with an equity interest of 77%. SUDAPET holds a 15% interest and High Tech Group holds an 8% interest. The block is jointly operated by PETRONAS and SUDAPET. In August 2005, PETRONAS Carigali Overseas entered into an exploration and production-sharing contract for Block 15 with a 35% interest. CNPC holds a 35% interest, SUDAPET a 15% interest, Express Petroleum & Gas a 10% interest and Hi-Tech Petroleum Group a 5% interest in the block. The block is jointly operated by PETRONAS, CNPC and SUDAPET. Both blocks are currently in the exploration stage.

Exploration and Production in the Middle East

Iran. In July 1995, a wholly-owned subsidiary of TOTAL S.A. (“TOTAL”) entered into a service contract with the National Iranian Oil Company (“NIOC”) to develop the Sirri A and E offshore oil fields, which are located in Iranian waters in the Persian Gulf. In July 1996, PETRONAS acquired from TOTAL a 30% interest in

that service contract, together with an option to acquire up to a further 15%. In January 1999, PETRONAS exercised the option in part and acquired an additional 10% interest. TOTAL continues to hold the remaining 60% interest in the service contract. The service contract provides that the equity interest in the oil fields is to be bought back by NIOC pursuant to a schedule, and such buyback was completed in 2007. Pursuant to the service contract and its joint operating agreement with PETRONAS, TOTAL acts as the operator of the project. TOTAL's role as operator will be transferred to NIOC at a later date. Production at the Sirri A and Sirri E fields began in November 1998 and March 1999, respectively.

In 1997, PETRONAS formed a consortium with TOTAL and OAO Gazprom to develop Iran's South Pars 2 and 3 gas fields pursuant to a service contract. South Pars 2 and 3 are part of the South Pars gas fields, which are one of the world's largest gas reserves. PETRONAS holds a 30% interest, TOTAL holds a 40% interest and OAO Gazprom holds a 30% interest. The current production rate of condensates in the South Pars 2 and 3 gas fields is approximately 79,600 bpd. Pursuant to its joint operating agreement with PETRONAS, TOTAL acts as the operator of the project. While TOTAL's role as operator of the fields will be transferred to NIOC at a later date, the consortium members will remain involved in the project until their agreed investment return is achieved.

The service contract provides that the equity interest in the South Pars 2 and 3 gas fields is to be bought back by NIOC pursuant to a schedule. Under the buy-back arrangement set forth in the service contract for the South Pars 2 and 3 fields, the consortium members were entitled to payment-in-kind in the form of condensates for reimbursement of their development costs. These amounts were to be paid over a five-and-one-half year period that commenced on the contractually agreed date of first production in June 2002. Payment of the remuneration fees was to be made in kind over a seven-year period that commenced on the contractually agreed date of first production. The remuneration fees were calculated to give an agreed return on investment over a specified period. The volumes of condensates payable to TOTAL, PETRONAS and OAO Gazprom pursuant to the contract payment schedules were determined by the prevailing condensate prices agreed by NIOC and in effect at the time of lifting. The buy-back arrangement expired in July 2009. The consortium is seeking an extension in order to secure the full reimbursement of development costs and payment of remuneration fees.

A consortium consisting of CNPC, TOTAL and PETRONAS Carigali Overseas is expected to enter into a service contract with NIOC for the development of Iran's South Pars 11 gas field and the Pars LNG project in Iran. Pursuant to a proposed joint operating agreement, CNPC, TOTAL and PETRONAS Carigali Overseas will have interests of 50%, 30% and 20%, respectively, in the service contract for the South Pars 11 gas field and CNPC will act as the operator of the project. The South Pars 11 gas field is expected to supply natural gas to the Pars LNG project described below under “—Gas Business—LNG Business—International Operations—Iran.”

Oceania/Others

Australia. In April 2008, PETRONAS Carigali Overseas entered into a production-sharing contract with respect to a prospective gas resource held by BHP in the AC/RL8 Argus block. The block is still in the exploration phase, with BHP holding 83.33% and PETRONAS Carigali Overseas holding 16.67%. Also in 2008, PETRONAS Carigali Overseas acquired an interest in the Evans Shoal block. The block is in the exploration phase, with Santos holding a 40% interest, Shell Australia Limited a 25% interest, PETRONAS Carigali Overseas a 25% interest and Osaka Gas a 10% interest.

Cuba. In September 2006, PETRONAS Carigali Overseas was awarded production-sharing contracts in Blocks N44, N45, N50, and N51 offshore northwest Cuba. PETRONAS Carigali Overseas holds a 100% interest in these blocks. Exploration activities are currently ongoing.

Timor Leste. In October 2006, PETRONAS Carigali Overseas and its partners Korea Gas Corporation (“KOGAS”), LG International and Samsung were awarded Block 06/102 offshore Timor Leste. The block is

currently in the exploration phase. PETRONAS Carigali Overseas holds a 50% interest, KOGAS a 30% interest, and LG International and Samsung a 10% interest each.

GAS BUSINESS

PETRONAS focuses its gas business on downstream operations, including the liquefaction, sale, transportation, regasification and trading of LNG; the processing, sale and transmission of natural gas; and other gas-related businesses. PETRONAS operates both in Malaysia and in overseas markets, including Argentina, Australia, Egypt, Indonesia, Ireland, Thailand and United Kingdom. PETRONAS owns and operates one of the world's largest LNG production facilities at a single location in Malaysia and has expanded its LNG business activities internationally through joint venture projects, primarily in Egypt and Australia. In addition to its domestic gas transmission system in Malaysia, PETRONAS operates and has invested in gas pipeline networks in Australia, Argentina, Indonesia and the MTJDA (through Thailand).

LNG Business

Domestic Operations

PETRONAS operates one of the world's largest LNG production facilities at a single location in Bintulu, Sarawak, Malaysia. The facilities consist of three plants owned by three subsidiaries of PETRONAS: MLNG, MLNG Dua and MLNG Tiga. The three plants consist of eight liquefaction trains all operated by MLNG on a total area of approximately 276 hectares. The following table provides certain information regarding PETRONAS' LNG production facilities at March 31, 2009:

<u>Facility</u>	<u>Start-up Year</u>	<u>Number of Trains</u>	<u>Nameplate Capacity (mmtpa)</u>
MLNG	1983	3	8.1
MLNG Dua	1995	3	7.8
MLNG Tiga	2003	2	6.8

The MLNG, MLNG Dua and MLNG Tiga plants source natural gas from the Central Luconia gas fields, in offshore Sarawak.

PETRONAS has a 90% interest in MLNG and a 60% interest in each of MLNG Dua and MLNG Tiga. The other participants in the joint ventures are Shell Gas B.V., Mitsubishi Corporation, the Government of the State of Sarawak and Nippon Oil LNG (Netherlands) B.V.

The MLNG, MLNG Dua and MLNG Tiga plants operated effectively at full capacity in the fiscal years ended March 31, 2007, 2008 and 2009, with an average combined export volume of approximately 22.13 mmtpa in each of these years. In the fiscal year ended March 31, 2009, the reliability rate of the LNG production complex was 96.1%. All of the production from the MLNG Dua plant is exported through MLNG to Japan, Korea and Taiwan pursuant to long-term supply contracts. A total of 13.36 mmtpa of LNG is exported from the MLNG complex to Japan pursuant to long-term contracts ranging from 15 to 20 years. In 2008, MLNG Tiga entered into two 15-year contracts with Osaka Gas Co. Ltd. and Shikoku Electric Power Co. Inc. for the export of up to 1.34 mmtpa of LNG, and a long-term supply contract with Shanghai LNG Company Ltd. for the export of up to 3.03 mmtpa of LNG. With more than 25 years of experience in the LNG business, PETRONAS has established a good reputation with its customers in Japan, Korea and Taiwan.

The following table summarizes aggregated LNG export sales of MLNG, MLNG Dua and MLNG Tiga by country and their share in the respective market for the calendar year 2008.

	<u>Sales</u>	<u>LNG Market Share⁽¹⁾</u>
Japan	60%	19%
Korea	27%	22%
Taiwan	12%	30%
Others (including China)	1%	—

(1) Based on total volume delivered to each country.

Source: MLNG.

International Operations

Australia. Through its wholly-owned subsidiary, PETRONAS Australia Pty Ltd (“PAPL”), PETRONAS acquired a 40% interest in the coal seam gas-to-LNG project on Curtis Island at Gladstone, Queensland, Australia (“GLNG”) in May 2008. Santos, a major Australian oil and gas exploration and production company, holds a 60% interest in GLNG, which will source natural gas from Santos’ coal seam gas fields located in the Surat and Bowen Basins. The GLNG project is currently undergoing the front-end engineering and design stage and is scheduled to include an LNG plant, approximately 450 kilometers of pipelines connecting the gas fields and the LNG plant, and other infrastructure facilities. The first phase of the LNG plant is expected to be completed by 2014 with a capacity of up to 3.5 mmtpa, with output expected to be exported to major global natural gas consumers. In June 2009, PAPL, Santos GLNG Pty Ltd (“Santos II”) and PETRONAS entered into a Heads of Agreement to sell up to 2.0 mmtpa of LNG to PETRONAS, with PAPL and Santos II having the option (until the end of December 2009) to increase sales by up to an additional 1.0 mmtpa LNG. This agreement is conditional on the parties reaching a final investment decision in 2010. PETRONAS’ participation in the GLNG project marks PETRONAS’ first investment in coal seam gas assets and is expected to further strengthen PETRONAS’ position in the global LNG market.

Egypt. Through its wholly-owned subsidiary, PICL (Egypt) Corporation Ltd., PETRONAS has held a 50% effective interest and joint operatorship of the WDDM concession, located in offshore Egypt, since 2003. PETRONAS also has a 35.5% interest in the Egypt LNG Project (“ELNG”). The project consists of two trains with a combined capacity of 7.2 mmtpa, and other facilities, including utilities, storage tanks and marine loading facilities. Train 1 of ELNG commenced production in March 2005 and sells its entire output to GdF-Suez under a 20-year take-or-pay contract. Train 2 commenced production in June 2006 and sells its entire output to BG Gas Marketing under a 20-year take-or-pay contract. The other participants in the ELNG joint venture include BG International Limited, Egyptian Natural Gas Holding Company, Egyptian General Petroleum Corporation and GdF-Suez.

Iran. PETRONAS holds a 10% interest in the Pars LNG project in Iran, with NIOC currently holding 50% and TOTAL holding 40%. The percentage interests held by NIOC and TOTAL may change in the future pending the participation of additional partners, which may include CNPC. The Pars LNG project has a designed capacity of 10.0 mmtpa and is expected to source natural gas from Phase 11 of the South Pars gas field. Further development of the project is pending the resolution of outstanding issues related to the project.

United Kingdom. PETRONAS holds a 30% equity interest in the Dragon LNG project, which consists of a receiving terminal with 4.4 mmtpa of LNG receiving capacity and regasification and ancillary storage facilities in Milford Haven, Wales, United Kingdom. BG Group has a 50% interest and 4Gas B.V. has a 20% interest in the Dragon LNG project. The Dragon LNG project is expected to provide an inlet for LNG import into the United Kingdom and supply gas to the National Transmission System and is expected to become fully operational by

August 2009. PETGAS Trading (UK) Limited, a wholly-owned subsidiary of PETRONAS, is a registered shipper in the United Kingdom and has entered into a 20-year long-term lease to use 50% of the Dragon LNG terminal capacity. In addition, each of PETRONAS and BG Group holds a 50% interest in Milford Energy Limited, the power and hot water supplier to the Dragon LNG project. The construction of the power plant commenced in July 2007 and is scheduled to be completed by the end of 2009 to support the operations of the Dragon LNG project.

LNG Trading

PETRONAS established ASEAN LNG Trading Co. Ltd. (“ALTCO”) to engage in the LNG trading business in the global market in January 2003. ALTCO operates a fleet of three LNG tankers chartered from PETRONAS’ subsidiary, MISC Berhad, to facilitate its LNG trading business. In the fiscal years ended March 31, 2007, 2008 and 2009, ALTCO traded 1.02 mmt, 1.02 mmt and 0.86 mmt of LNG, respectively.

Gas Processing and Transmission

Domestic

PETRONAS Gas, a majority-owned subsidiary of PETRONAS, manages PETRONAS’ natural gas transmission in Peninsular Malaysia and Sarawak and its gas processing businesses in Peninsular Malaysia. PETRONAS Gas was listed on Bursa Malaysia in September 1995. At March 31, 2009, PETRONAS held a 60.63% interest in PETRONAS Gas, which had a market capitalization of approximately RM19.2 billion (US\$5.26 billion).

PETRONAS sources natural gas from the fields offshore Terengganu, Malaysia, and through PETRONAS Gas operates six gas-processing plants, with a combined production capacity of 2,060 mmscfd and an additional 750 mmscfd standby capacity, and approximately 2,505 kilometers of pipelines under the PGU system. PETRONAS Gas also operates 45 kilometers of pipelines in Miri and Bintulu in Sarawak. The PGU system enables PETRONAS Gas to process and transmit gas to end-users in the power, industrial and commercial sectors in Peninsular Malaysia and Singapore. The PGU system is the principal catalyst for the development of Peninsular Malaysia’s offshore gas fields, the use of natural gas products for power generation and utilities, and the expansion of Malaysia’s petrochemical industry through the use of gas derivative products such as ethane, propane, butane and condensate. For a discussion of PETRONAS’ petrochemical business, see “—Petrochemical Business.”

PETRONAS Gas owns, operates and maintains the gas processing, transmission and related facilities and, pursuant to an agreement with PETRONAS, provides dedicated throughput service for the processing of PETRONAS’ gas and transmits gas to PETRONAS’ customers. The throughput fees payable to PETRONAS Gas under its agreement with PETRONAS consist principally of a fixed monthly “reservation charge,” which is payable regardless of the volume of natural gas delivered to PETRONAS Gas, and a “flowrate charge,” which is based on the volume of natural gas processed and transmitted by PETRONAS Gas. In the fiscal year ended March 31, 2009, the reliability rate of the gas processing plants was 99.5%.

The PGU pipelines, which recorded average reliability rates of 99.99% over the three fiscal years ended March 31, 2009, transported an average of 2,128 mmscfd, 2,170 mmscfd and 2,146 mmscfd of dry gas in the fiscal years ended March 31, 2007, 2008 and 2009, respectively. The power sector was the largest consumer of gas transmitted through the PGU pipelines in each of these years, accounting for 1,329 mmscfd, 1,310 mmscfd and 1,280 mmscfd, or 62.5%, 60.4% and 59.6% of the total dry gas delivered in the fiscal years ended March 31, 2007, 2008 and 2009, respectively. Power sector consumers include electric power generators such as Tenaga Nasional Berhad and independent power producers in Malaysia, such as YTL Corporation, Pahlawan Power, Powertek, PD Power, Segari Energy Ventures, Genting Sanyen, GB3 Power, Tenaga Teknologi Perlis, Panglima

Power and Prai Power. The balance of the gas is sold to Senoko and Keppel of Singapore and industrial users such as PETRONAS' petrochemical plants and Gas Malaysia. Contracts for the sale of processed dry gas are entered into between PETRONAS and the respective end-users and are generally long term, ranging from 15 to 20 years.

The PGU system has also facilitated the use of processed gas by smaller industries and residential end-users, which accounted for 665 mmscfd, 703 mmscfd and 732 mmscfd, or 31.3%, 32.4% and, 34.1% of the total dry gas delivered in the fiscal years ended March 31, 2007, 2008 and 2009, respectively.

Overseas Pipelines

Australia. PETRONAS has a 17.23% equity shareholding in APA Group. APA Group engages mainly in gas transmission and distribution, asset management and energy investments and is listed on the Australian Stock Exchange. At March 31, 2009, APA Group has a market capitalization of 1.46 billion Australian dollars. APA Group is comprised of the Australian Pipeline Trust and APT Investment Trust, and is a major gas transportation business, with interests in gas infrastructure across Australia, including 12,000 kilometers of natural gas pipelines, over 2,800 kilometers of gas distribution networks and gas storage facilities. APA Group is the largest transporter of natural gas in Australia, delivering more than half of Australia's annual gas use through its infrastructure.

Argentina. PETRONAS owns, through its subsidiary, PETRONAS Argentina S.A., a 10.33% interest in Transportadora de Gas del Norte S.A. ("TGN") and a 14.63% interest in Transportadora de Gas del Mercosur S.A. ("TGM"), two Argentinean natural gas transportation companies. TGN operates two major lines, the Norte pipeline from the Northwest basin and the Centro-Oeste pipeline from the Neuquen Basin with a total length of 5,716 kilometers and a capacity of approximately 1.7 bcf. TGN serves eight of the nine gas distribution companies in Argentina and several major industrial customers. TGN also serves customers in Chile through the GasAndes pipeline extension. TGM also owns a total of 422 kilometers of pipelines connecting from TGN interconnection in Aldea Brazileira to the Brazilian border near Paso de Los Libres, Uruguiana, Brazil.

Indonesia. PETRONAS owns a 2.96% interest in PT Perusahaan Gas Negara Tbk ("PGN"), the largest natural gas transportation and distribution company in Indonesia.

PETRONAS, through its subsidiary PICL, owns a 35% interest in a joint venture company called Transasia Pipeline Company Pvt. Ltd. ("Transasia"). The other partners in Transasia are ConocoPhillips, Talisman Energy and Singapore Petroleum. Transasia owns a 40% interest in PT Transportasi Gas Indonesia ("Transgasindo"), which owns and operates 1,003 kilometers of onshore and offshore gas pipeline for the transportation of gas produced from the Corridor Block at Grissik and Jabung Block at Jambi, both in South Sumatra, to Duri Sumatra, Indonesia, as well as to Singapore.

Malaysia-Thailand Joint Development Area. PETRONAS owns a 50% interest in each of Trans Thai-Malaysia (Thailand) Limited and Trans Thai-Malaysia (Malaysia) Sdn. Bhd., which operate pipelines, gas separation plants and related facilities over the 7,250 square kilometers of the MTJDA.

Other Gas Business

Domestic

PETRONAS and its wholly-owned subsidiary, Gas District Cooling Holdings Sdn. Bhd., together own a 75% interest in GDC KLIA Sdn. Bhd., which owns the Gas District Cooling plant, a gas-based cogeneration project that supplies electricity as well as chilled water to property owners for their cooling systems. Makhostia Sdn. Bhd. has operated the plant since 2006. The plant sells chilled water to Malaysia Airport (Sepang) Sdn. Bhd. and other customers in the Kuala Lumpur International Airport area.

PETRONAS Gas has entered into a 60:40 joint venture with Yayasan Sabah, a foundation established by the Sabah state government, to undertake the 300-megawatt Kimanis Power Plant project to meet the growing demand for electricity in Sabah.

As part of PETRONAS Gas' efforts to achieve higher utilization rate for its centralized utility facilities ("CUFs"), PETRONAS Gas entered into a 50:50 joint venture agreement with MOX Gases Sdn. Bhd. to form Industrial Gases Solution Sdn. Bhd. for the sale, marketing, distribution and promotion of industrial gases within the Gebeng Industrial Area.

In line with the phased implementation of the PGU system, Gas Malaysia was established in 1992 to distribute gas from the PGU pipeline to individual industrial, commercial and residential locations in Peninsular Malaysia. PETRONAS Gas holds a 20% interest, MMC-Shapadu (Holdings) Sdn. Bhd. holds a 55% interest and Tokyo Gas-Mitsui & Co. Holdings Sdn. Bhd. holds a 25% interest in Gas Malaysia.

PETRONAS' other gas business in Malaysia includes a 7% interest in Shell MDS, which operates the Shell Middle Distillate Synthesis plant. The plant, which commenced operations in 1993 and in which Shell owns 72%, Diamond Gas owns 14% and Sarawak State Government owns 7%, is located in Bintulu and is the first commercial plant in the world using Shell's technology to convert natural gas into high quality synthetic oil products and specialty chemicals. Approximately 100 mmscfd of natural gas can be converted into 470,000 tonnes per annum of middle distillates, including gas oil, kerosene and naphtha, and specialty products, such as detergent, feedstock, solvent feedstock, and various grades of waxes.

International

Ireland. In April 2009, through its subsidiary, PSE Ireland Ltd. ("PSEIL"), PETRONAS acquired a 100% interest in PSE Kinsale Energy Limited ("KEL"), which owns a 100% interest in the Kinsale Head Area, comprising the gas producing Kinsale Head, Southwest Kinsale and Ballycotton gas fields, and an 86.5% interest in the gas producing Seven Heads field in the Celtic Sea, offshore Ireland. With an existing gas storage capacity of approximately 7.0 bscf in the Southwest Kinsale field, this acquisition offers PETRONAS the opportunity to enter Ireland's gas storage industry with the potential of developing additional gas storage facilities utilizing the country's depleting gas fields. In June 2009, PETRONAS granted Eirgas Limited, a wholly-owned subsidiary of Providence Resources, an Irish oil and gas company, an option to acquire a 40% interest in PSEIL.

United Kingdom. PETRONAS currently holds a 100% interest in Star Energy. Star Energy is the second largest onshore oil producer and one of the main developers of underground gas storage using depleted oil and gas reservoirs in the United Kingdom. Star Energy owns and operates 23 oil and two onshore gas fields in the United Kingdom and has an operational gas storage facility with a capacity of 11 bcf at Humbly Grove. Star Energy plans to construct additional gas storage capacity in the United Kingdom and overseas.

In September 2005, PETRONAS acquired an equity interest in Centrica, an integrated gas and power company in the United Kingdom, which has a 40% share in the U.K. energy market and supplies 23% of the total electricity requirements of the U.K. market. Presently, PETRONAS is the third largest investor in Centrica with a 3.9% equity shareholding.

OIL BUSINESS

PETRONAS' oil business plays a strategic role in adding further value to Malaysia's petroleum resources through its integrated operations in refining, marketing, retailing and trading. PETRONAS operates crude oil refineries in Malaysia and South Africa and markets a wide range of value-added petroleum products, including diesel, lubricants, jet fuel, bunker fuel, LPG, base oil and kerosene, through an expanded marketing and retailing network in the Malaysian as well as selected international markets.

Domestic Operations

Refining

PETRONAS, through its subsidiaries, owns and operates three refineries, two in Melaka and the other in Kertih, with a total nameplate refining capacity of 323,300 bpd, which includes condensate splitting capacity of 99,300 bpd. In the fiscal year ended March 31, 2009, the reliability rate of the refineries was 95.3%.

The following table sets forth annual throughput and capacity utilization for PETRONAS' refineries in Malaysia for the fiscal years ended March 31, 2007, 2008 and 2009.

	Fiscal Year Ended March 31,					
	2007		2008		2009	
	Throughput ⁽¹⁾	Capacity utilization ⁽²⁾	Throughput ⁽¹⁾	Capacity utilization ⁽²⁾	Throughput ⁽¹⁾	Capacity utilization ⁽²⁾
Melaka Refinery PSR-1	105.8	105.8%	124.6	124.6%	125.9	125.9%
Melaka Refinery PSR-2	144.4	144.4%	145.4	145.4%	148.1	148.1%
Kertih Refinery	112.3	98.3%	110.3	89.5%	115.2	93.4%

(1) In thousand bpd.

(2) Capacity utilization is the actual throughput divided by the installed rated capacity.

In its refinery operations in Malaysia, PETRONAS produces a wide range of petroleum products for both domestic consumption and export, including LPG, naphtha, gasoline, jet fuel, kerosene, diesel, base oil, low sulfur waxy residue, low sulfur fuel oil and special products.

Melaka Refinery Complex. The Melaka Refinery Complex has two refining trains. The first train ("PSR-1") commenced operations in 1994 and has a nameplate refining capacity of 100,000 bpd of light, sweet crude and condensates. This refinery is undergoing a revamp to increase its capacity to 170,000 bpd, with a target completion date of October 2009. PETRONAS Penapisan (Melaka) Sdn. Bhd. ("PPMSB"), a wholly-owned subsidiary of PETRONAS, owns and operates PSR-1.

The second train ("PSR-2") commenced operations in 1999 and has a refining capacity of 100,000 bpd of sweet and sour crude. PSR-2 possesses the ability to process relatively heavier imported sour crude, providing PETRONAS with flexibility in sourcing crude oil for its refining operations, potentially allowing it to capture the higher margins offered by the more complex refining operations for sour crude. PSR-2, a joint venture 53%-owned by PETRONAS and 47%-owned by ConocoPhillips, is operated by PPMSB.

PPMSB also operates a Group III base oil refining (MG3) plant in the Melaka Refinery Complex. The MG3 plant uses a high waxy feedstock sourced from PSR-1 and Kertih Refinery for producing superior quality Group III base oil as feedstock for lubricants. The MG3 plant is the first Group III base oil facility in Malaysia and serves automotive and industrial lubricant manufacturers in the domestic and international markets, including, in particular, the Asian and European markets. The MG3 plant began operation in November 2008 and currently has a base oil production capacity of approximately 6,500 bpd.

Kertih Refinery. PETRONAS Penapisan (Terengganu) Sdn. Bhd. ("PPTSB"), a wholly-owned subsidiary of PETRONAS, owns and operates the Kertih Refinery. The Kertih Refinery, PETRONAS' first refinery, was commissioned in 1983 and has a refining capacity of 49,000 bpd of Malaysian light, sweet crude. The Kertih Refinery also includes a condensate splitting facility with a rated capacity of 74,300 bpd of condensates. The

naphtha produced at the Kertih Refinery is used as feedstock for the aromatics plant adjacent to the Kertih Refinery. See “—Petrochemical Business—Kertih IPC.”

Bintulu LPG Extraction Facility. PETRONAS owns an LPG extraction facility in Bintulu, Sarawak, located in the vicinity of the company’s LNG plants. The facility is operated by MLNG and is designed to extract 560,000 tpa of LPG from the LNG production process. The facility commenced operation in October 1998. PETRONAS uses a dedicated LPG jetty to export the LPG to Japan, India, Korea, the Philippines, Vietnam and Hong Kong and also sells domestically in East Malaysia.

Domestic Marketing

PETRONAS Dagangan, a 69.86% owned subsidiary of PETRONAS, is the principal domestic marketing arm of PETRONAS. PETRONAS Dagangan was listed on Bursa Malaysia in 1994 and had a market capitalization of approximately RM7.8 billion (US\$2.1 billion) at March 31, 2009. PETRONAS Dagangan markets a wide range of petroleum products, including gasoline, LPG, jet fuel, kerosene, diesel, fuel oil, asphalt and lubricants. At March 31, 2009, in Malaysia, PETRONAS Dagangan had a network of 912 service stations, eight LPG bottling plants, 17 bulk storage depots, 12 aviation depots and 13 bunkering facilities.

PETRONAS Dagangan estimates that it has an approximately 43% share in the Malaysian retail, commercial and LPG market for petroleum products and is the market leader in jet fuel, fuel oil and LPG. PETRONAS Dagangan competes with other oil companies such as Shell, ExxonMobil and Caltex in the marketing and distribution of petroleum products in the Malaysian retail market. These competitors either operate refineries in Malaysia or have access to refining capacity in Singapore. These same companies also compete for sales of fuel to industrial users and government agencies. The Government of Malaysia regulates retail prices of gasoline, diesel and LPG in Malaysia and fixes the price of these products for end-buyers.

PETRONAS Dagangan has a 40% interest in a Multi-Product Pipeline and the Klang Valley Distribution Terminal (“KVDT”), which is located south of Kuala Lumpur. The pipeline is used to transport gasoline, jet fuel and diesel oil from PETRONAS’ Melaka Refinery Complex and Shell’s and ExxonMobil’s refineries in Port Dickson to the KVDT. PETRONAS Dagangan also indirectly owns a 65% interest in a joint venture that operates a jet fuel storage facility and hydrant line system at the Kuala Lumpur International Airport in Sepang.

PETRONAS, through its wholly-owned subsidiary, PETRONAS NGV Sdn. Bhd., actively markets and promotes the use of natural gas as a cleaner fuel for vehicles. At March 31, 2009, PETRONAS Dagangan had 118 service stations equipped with the facilities for retailing natural gas for vehicles, including two dedicated natural gas stations, and plans to expand this network to include another 59 service stations equipped with such facilities.

International Operations

PETRONAS has oil refining and marketing operations in a number of countries other than Malaysia. Its refining capabilities extend to South Africa, where it also has a network of service stations. In addition, it has LPG facilities in selected Asian countries and supplies lubricant, petroleum and other products to retail and commercial customers in Africa and Asia.

China. In May 2004, PETRONAS incorporated its subsidiary, PETRONAS Marketing China Company Ltd. (“PMCCCL”), to develop its sales in the fast growing China market. PMCCCL is based in Shenzhen, China and primarily sells lubricant products in selected target markets in Southern China.

India. Each of PETRONAS and Indian Oil Corporation Ltd. has a 50% interest in Indian Oil PETRONAS Private Limited (“IPPL”), a joint venture that imports and markets LPG in India. IPPL operates an LPG facility

with a capacity of 600,000 tpa at Haldia in West Bengal, which commenced operations in October 2001. PETRONAS also formed PETRONAS Marketing India Private Ltd (“PMIPL”) to market its lubricant products in the Indian market in December 2005. PMIPL has recently entered into supply, technical, collaborative and commercial agreements with Fiat TATA, New Holland and Piaggio for the exclusive supply of lubricants in India.

Indonesia. PETRONAS entered the retail market in Indonesia in 2005 with the opening of the first PETRONAS retail station in Cibubur, Jakarta, through its wholly-owned subsidiary PT PETRONAS Niaga Indonesia (“PTPNI”). In addition to the retail business, PTPNI markets petroleum products to industrial and commercial customers, and manages a network of local distributors for PETRONAS lubricants in Indonesia. At March 31, 2009, PTPNI owned and operated 19 service stations in the Jakarta and Medan markets of Indonesia.

Philippines. PETRONAS indirectly holds an 80% interest in a joint venture company, PETRONAS Energy Philippines Inc., which stores and markets LPG in the Philippines. The company’s terminals are located in Iligan and Davao. Emirates National Oil Co. holds the remaining interests in the joint venture.

Myanmar. PETRONAS, through a wholly-owned subsidiary, PETRONAS Myanmar Ltd., supplies petroleum products to Myanmar Petroleum Enterprise under a yearly contract. The current product being supplied is high speed diesel.

South Africa. PETRONAS has an oil refining and marketing presence in Africa through its 80% owned subsidiary Engen. Engen owns and operates a fully integrated refinery in Durban, South Africa, with approximately 125,000 bpd of installed crude refining capacity. PETRONAS manages the crude sourcing for Engen’s refinery. Refining margins in South Africa are set by the government through price controls, which take into account long-term and spot market prices of refined petroleum products from refineries in the Middle East and Singapore. Engen has the largest retail network in South Africa with 1,199 service stations. Through its international business development unit, Engen also owns 274 service stations in other African countries, including Namibia, Botswana, Burundi, Kenya, Mozambique, Lesotho and Swaziland. Worldwide African Investments (Pty) Ltd. holds the other 20% interest in Engen.

Sudan. PETRONAS acquired Mobil Oil Sudan Limited in March 2003 and renamed it PETRONAS Marketing Sudan Limited (“PMSL”). PMSL is engaged in the marketing and retailing of petroleum products and lubricants in Sudan. PMSL operates four petroleum depots in Sudan, located in Port Sudan, Shagara, Gaili and El-Obeid, and owns and operates 74 service stations. In July 2005, PMSL completed the acquisition of Shell’s Aviation Business in Sudan, enabling it to provide into-plane service at Khartoum International Airport and at El-Obeid International Airport, the main base for the UN World Food Programme’s operations in Sudan. In 2008, PMSL was awarded the fuel contract for the United Nations-African Union Mission peacekeeping force in Darfur and operates refueling stations and depots across the region.

Thailand. In 2005, PETRONAS entered the Thai market by acquiring a 74% interest in Kuwait International Thailand Co. Ltd., which was renamed PETRONAS Retail (Thailand) Co. Ltd. (“PRTCL”). At March 31, 2009, PRTCL owned and operated a network of 116 stations in Thailand. PRTCL also markets lubricant products in Thailand and has expanded into the jet fuel business at Don Muang International Airport in Bangkok. PRTCL also owns an interest in Bangkok Aviation Fuel Services Public Company Limited and Thai Petroleum Pipeline Co., Ltd., through which PRTCL supplies jet fuel to the new Suvarnabhumi International Airport, Bangkok.

Vietnam. PETRONAS entered into the LPG business in Vietnam in 1995, when it formed a joint venture company, Thang Long LPG Company Limited (TLLCL) with PetroVietnam Gas Company. The joint venture

company handles the import, terminaling and marketing of LPG in northern Vietnam. The joint venture, in which PETRONAS now has a 71.2% interest, also owns and operates an LPG terminal and bottling facility in Hai Phong, Vietnam. In August 2005, PETRONAS incorporated a new subsidiary, PETRONAS Vietnam Co. Ltd. (“PVL”), following its acquisition of ExxonMobil’s LPG assets and business in Vietnam. PVL primarily engages in the business of importing, storing, processing and distributing LPG in southern Vietnam. PVL also operates an LPG facility in Dong Nai Province with a bottling capacity of 96,000 tpa.

Trading and Marketing Operations

Crude Oil and Petroleum Products

PETCO, a wholly-owned subsidiary of PETRONAS, was formed to market and trade crude oil and petroleum products. PETCO trades in crude oil and petroleum products produced by its affiliates and third parties in the domestic and international markets, including Asia, Africa and the Indian sub-continent, and also has a trading operation in London and Dubai via its wholly-owned subsidiaries PETCO Trading UK Limited and PETCO Trading DMCC, respectively. For the fiscal year ended March 31, 2009, PETCO’s sales volumes exceeded 140 mmbbl of crude oil and more than 100 mmbbl of petroleum products.

Base Oil

PETRONAS Base Oil (M) Sdn Bhd (“PBOM”), a wholly-owned subsidiary of PETRONAS, was established in 2007 to undertake the marketing of MG3 base oil produced by PPMSB in Malaysia and the Asia Pacific region. In 2008, PBOM also established a marketing arm in the Netherlands, PETRONAS Marketing Netherlands B.V. (“PMN”), to undertake the marketing of MG3 base oil in Europe. PMN made its first delivery in January 2009, and for the fiscal year ended March 31, 2009 PMN had a sales volume of 65.7 thousand bbl and PBOM had a sales volume of 640.6 thousand bbl. PETRONAS markets its base oil products under the brand ETRO™.

Aviation Fuel

PETRONAS Aviation Sdn Bhd (“PAV”), a wholly-owned subsidiary of PETRONAS, was established in 2008 to undertake the marketing of PETRONAS’ aviation fuel in the global market. PAV recently signed new agreements for the supply of aviation fuel to Malaysian Airline System Berhad (taken over from PETRONAS Dagangan) as well as to Shell, Ceylon Petroleum Corporation and Repsol YPF for locations in Hong Kong, Colombo and Buenos Aires.

Lubricants

PETRONAS Lubricants International Sdn Bhd (“PLISB”), a wholly-owned subsidiary of PETRONAS, expanded its international lubricant operations through the acquisition in November 2007 of FL Selenia Group (now renamed as PL Italy Group), the largest independent producer and marketer of automotive lubricants in Europe. Prior to the acquisition, PLISB focused on the marketing and distribution of PETRONAS’ lubricants in Malaysia and the Asia Pacific region through PETRONAS’ marketing subsidiaries. With the acquisition of PL Italy Group, PLISB gained an established manufacturing base and distribution channel to sell its lubricants in the European market, leveraging on PL Italy Group’s strong OEM relationships and world-class research and development capabilities. PLI Italy Group currently has a long term supply, technical, collaborative and commercial agreement expiring in 2020 for the exclusive right to supply lubricants to Fiat Italy.

PLISB currently operates globally in 22 countries and offers lubricants, transmission, anti-freeze and functional fluids for automobiles, trucks, agricultural tractors and earth moving machinery as well as for other

industrial equipment. PLISB also operates several lubricant manufacturing plants in Malaysia, Italy, Spain, Belgium and Brazil.

PETROCHEMICAL BUSINESS

PETRONAS has expanded its petrochemical business by utilizing its abundant supply of gas as petrochemical feedstock. This is consistent with PETRONAS' strategy to further utilize and add value to Malaysia's gas resources. While the production of certain basic petrochemicals has been phased in since the mid-1980s, in more recent years, PETRONAS has embarked on several large-scale petrochemical projects with multinational joint venture partners. In undertaking these types of projects, PETRONAS seeks joint venture partners that possess the appropriate technology, financing capability and marketing and distribution expertise. PETRONAS' joint venture partners include The Dow Chemical Company ("Dow Chemical"), BASF Netherlands B.V. ("BASF"), BP Chemicals, Idemitsu Petrochemical Co. Ltd, Mitsubishi Corporation, and Sasol Polymers International Investments (Pty) Ltd. ("Sasol Polymers"). In the fiscal year ended March 31, 2009, PETRONAS' petrochemical plants achieved a reliability rate of 94.9%.

Through the development of its integrated petrochemical complexes ("IPCs"), PETRONAS seeks to achieve a competitive advantage through the integration of petrochemical projects using common or related feedstock and common facilities within a self-contained complex. The Kertih and Gebeng IPCs are a major step towards establishing Malaysia as a regional petrochemical production hub. The integrated development of Malaysia's petrochemical industry is expected to promote the development of the country's industrial base, especially the plastics and chemical-based component manufacturing industries. PETRONAS' long-term strategy is to promote and participate in downstream development and to support the industrial development of Malaysia.

As part of the development of the IPCs, PETRONAS has constructed infrastructure facilities, including CUFs and chemical storage and distribution terminals. The CUFs, owned and operated by PETRONAS Gas, provide plants within the IPC with utilities such as electricity, steam, oxygen, nitrogen, demineralized water and wastewater treatment. The CUFs in Kertih and Gebeng commenced operations in 1999 and 2000, respectively. PETRONAS also owns, through its subsidiary, PETRONAS Asset Sdn. Bhd., a 76.5-kilometer dedicated railway system connecting the Kertih IPC to Kuantan Port, which is used to transport certain petrochemical products.

Kertih IPC

The Kertih IPC is located on the east coast of Peninsular Malaysia and consists principally of ethylene-based petrochemical projects. The petrochemical projects include two ethylene crackers, a polyethylene plant, an ethylene oxide/ethylene glycol plant, a multi-unit derivatives plant, vinyl chloride monomer ("VCM") and polyvinyl chloride ("PVC") plants, ammonia/synthesis gas plants, an acetic acid plant, an aromatics complex and a low-density polyethylene plant.

The petrochemical projects are fully integrated with the surrounding infrastructure facilities and other process plants in Kertih, including PETRONAS Gas' six gas processing plants ("GPPs") and the Kertih Refinery, which are located within the IPC. A joint venture among PETRONAS (40%), Dialog Equity Group Sdn. Bhd. (30%) and Vopak Terminals Penjuru Pte. Ltd. (30%) owns and operates the storage and distribution terminal, which has a throughput of approximately 2.7 mmtpa. The Kertih marine facilities include six berths that can accommodate chemical tankers up to 40,000 dead-weight metric tons.

Ethylene/Polyethylene Plants

Ethylene Malaysia Sdn. Bhd., a joint venture company in which PETRONAS holds a 72.5% interest, owns and operates the Kertih IPC's ethylene plant. PETRONAS' partners are BP Chemicals Investment Limited

(15%) and Idemitsu Petrochemical Co. Ltd. (12.5%). Polyethylene (Malaysia) Sdn. Bhd., a joint venture company in which PETRONAS holds a 40% interest, owns and operates the polyethylene plant. PETRONAS' joint venture partner is BP Chemicals Investment Limited. Ethylene is one of the basic building blocks for the manufacture of petrochemical products. Polyethylene is an ethylene derivative used extensively in the fabrication of plastic products. The plants have the capacity to produce 400,000 tpa of ethylene, 200,000 tpa of LLDPE/HDPE resins, and 45,000 tpa of pipe-grade polyethylene.

Ethylene Cracker

PETRONAS holds a 64.25% interest in the IPC's ethylene cracker, Optimal Olefins Malaysia Sdn. Bhd. ("Optimal Olefins"), with Dow Chemical (through Union Carbide Corp.) holding a 23.75% interest and Sasol Polymers holding a 12% interest. About half of the ethylene and all of the propylene output from the ethylene cracker is used as feedstock for the IPC's ethylene oxide/ethylene glycol plant and the multi-unit derivatives plant. The balance of the ethylene production is sold to other downstream plants. The plant has the capacity to produce 600,000 tpa of ethylene and 95,000 tpa of propylene.

Ethylene Oxide/Ethylene Glycol Plant

Each of PETRONAS and Dow Chemical (through Union Carbide Corp.) holds a 50% share in the IPC's ethylene oxide/ethylene glycol plant, Optimal Glycols Malaysia Sdn. Bhd. ("Optimal Glycols"). The plant uses Union Carbide's Meteor Process, a leading ethylene oxide/ethylene glycol technology. Ethylene glycol is widely used in the production of polyester fiber resins, antifreeze and thermoplastics. The plant has the capacity to produce 385,000 tpa of ethylene glycols and 140,000 tpa of re-distilled ethylene oxide.

Multi-Unit Derivatives Plant

Each of PETRONAS and Dow Chemical (through Union Carbide Corp.) holds a 50% share in the IPC's multi-unit derivatives plant, Optimal Chemicals Malaysia Sdn. Bhd. ("Optimal Chemicals"). The derivatives plant consists of five separate units, namely butanol, glycol ethers, butyl acetate, ethanolamines and ethoxylates mixing plants, which produce a wide range of petrochemical raw materials that are used in the manufacture of detergents, paints and coatings, cosmetics, textiles and adhesives. The derivatives plant has the capacity to produce 142,000 tpa of butanol, 60,000 tpa of glycol ethers, 50,000 tpa of butyl acetate, 75,000 tpa of ethanolamines, 35,000 tpa of butyl acrylate and 78,000 tpa of other derivatives.

Vinyl Chloride Monomer/Polyvinyl Chloride Plants

PETRONAS holds a 100% interest in Vinyl Chloride Malaysia Sdn. Bhd., which owns and operates a VCM plant and a PVC plant. Both plants have been operational since March 2001. The VCM produced by the VCM plant is supplied to the PVC plant as its raw material and also sold in the domestic market and exported to customers in the Asian region. The plants have the capacity to produce 400,000 tpa of VCM and 150,000 tpa of PVC.

Ammonia/Synthesis Gas Plants

PETRONAS owns a 100% interest in PETRONAS Ammonia Sdn. Bhd., which operates the Kertih IPC's ammonia and synthesis gas plants, which use natural gas from the GPPs as their feedstock. The ammonia, synthesis gas and carbon monoxide produced by these plants are sold in the domestic and international markets, or used for further downstream petrochemical processing in neighboring plants. The plants have the capacity to produce 450,000 tpa of ammonia, 325,000 tpa of synthesis gas and 248,000 tpa of carbon monoxide.

Acetic Acid Plant

PETRONAS holds a 30% interest and BP Holdings International B.V. holds a 70% interest in BP PETRONAS Acetyls Sdn. Bhd., a joint venture that owns and operates an acetic acid plant. The plant began operations in November 2000. The plant uses BP Chemical's Cativa acetic acid technology, which management believes provides significant capital and operational savings compared to standard methanol carbonylation technology. Acetic acid is widely used in the production of end-products such as cosmetics, paints and textiles. Output from the plant is sold in the domestic market and is also exported, primarily to Japan, Taiwan and China. The plant has the capacity to produce 495,000 tpa of acetic acid.

Aromatics Plant

PETRONAS holds a 70% interest and Mitsubishi Corporation and Japan Energy Corporation, through MJPX Company Ltd., hold a 30% interest in Aromatics Malaysia Sdn. Bhd., Malaysia's first aromatics plant. The plant commenced production of paraxylene and benzene in July 2000. Paraxylene is used primarily to produce purified terephthalic acid, which in turn is used to produce polyester fiber or consumer products. A portion of the paraxylene produced in the plant is supplied to BP's purified terephthalic acid plant located in the Gebeng IPC. Benzene produced in the plant is used primarily to produce styrene monomer and a portion of the benzene produced is supplied to the Pasir Gudang styrene monomer plant. See "—Other Petrochemical Operations in Malaysia—Pasir Gudang Ethylbenzene/Styrene Monomer Plant." The plant has the capacity to produce 500,000 tpa of paraxylene and 188,000 tpa of benzene.

Low Density Polyethylene ("LDPE") Plant

PETRONAS owns a 60% interest and Sasol Polymers owns a 40% interest in Petlin Malaysia Sdn Bhd, which operates an LDPE plant in the Kertih IPC. The plant commenced operation in February 2001 with a capacity of 255,000 tpa of LDPE. LDPE is used in the manufacture of agricultural and polyethylene films and in non-film applications such as injection moldings and foam. Substantially all of the output of the LDPE plant is exported to China, the Indian subcontinent and Southeast Asia.

Acquisition of Additional Interests in Petrochemical Subsidiaries

On July 30, 2009, PETRONAS and Dow Chemical jointly announced their agreement for Dow Chemical's subsidiary Union Carbide Corporation to sell its entire ownership interest in the Optimal Group of Companies to PETRONAS. The Optimal Group of Companies consists of Optimal Olefins, Optimal Glycols and Optimal Chemicals. The parties are finalizing documentation for the sale and purchase of shares, which they expect to sign in early August 2009. The parties have agreed that, at closing, PETRONAS will pay US\$660 million in cash for Dow Chemical's interests in these companies. The transaction will be subject to customary conditions and approvals, and PETRONAS expects it to close by the end of the third quarter of 2009. PETRONAS intends to fund this acquisition through internally generated funds.

Upon the closing of the transaction with Dow Chemical, PETRONAS would own 88% of Optimal Olefins, and Optimal Glycols and Optimal Chemicals would be wholly-owned subsidiaries of PETRONAS. Sasol Polymers would continue to own 12% of Optimal Olefins.

As part of the agreement for PETRONAS to purchase Dow Chemical's interest in the Optimal Group of Companies, PETRONAS and Dow Chemical have agreed that prior to the closing of the transaction, they will enter into a commercial supply agreement that will allow the two companies to continue to serve their current customer base with products manufactured by the Optimal Group of Companies.

PETRONAS does not expect the changes in ownership in these companies to have any immediate effect on these companies' operations.

Gebeng IPC

The Gebeng IPC, also located on the east coast of Peninsular Malaysia, is an integrated self-contained petrochemical complex with CUFs. It principally contains propylene-based petrochemical projects. The anchor project at the Gebeng IPC is a joint venture between PETRONAS and BASF that owns and operates an acrylic acid/acrylic esters plant, an oxo-alcohols complex and a butanediol plant. PETRONAS, through its wholly-owned subsidiaries, owns and operates an MTBE/propylene plant, a propane dehydrogenation plant and a polypropylene plant.

The Gebeng IPC is also host to a number of multinational chemical companies, such as BP Chemicals, which owns and operates a purified terephthalic acid plant, and Eastman Chemicals, which owns and operates a copolyester plastic resin plant.

Acrylic Acid/Acrylic Esters, Oxo-Alcohols and Butanediol Plants

PETRONAS holds a 40% interest and BASF holds a 60% interest in a joint venture company that has developed a petrochemical complex based on the “Verbund” concept, or integration and networking. The joint venture company currently operates the following plants:

Acrylic Acid/Acrylic Esters Plant. This plant produces crude acrylic acid, which is processed into butyl acrylate, 2-ethyl hexyl acrylate and glacial acrylic acid. These materials are used primarily for the production of textiles and non-wovens, adhesives, paint and paper coatings, detergents, and plastic modifiers. The plant began operations in September 2000. Most of the acrylic acid that the plant produces is exported. The plant has the capacity to produce 160,000 tpa of crude acrylic acid, 100,000 tpa of butyl acrylate, 60,000 tpa of 2-ethyl hexyl acrylate and 32,000 tpa of glacial acrylic acid.

Oxo-Alcohols Complex. The oxo-alcohols complex has been fully operational since July 2001 and has a capacity to produce 250,000 tpa of oxo-alcohols, 100,000 tpa of plasticizers and 40,000 tpa of phthalic anhydride. The complex supplies its products primarily as feedstock to downstream plants within the complex, which use them to produce various petrochemical products, including paints and coatings, cables and wires as well as floor tiles. These products are, in turn, exported to customers in Asia, including India, China and Japan, and Australia.

Butanediol Plant. The plant was commissioned in January 2004 and has a capacity to produce 100,000 tpa of butanediol. The butanediol plant utilizes the maleic anhydride (“MAH”) that is produced within the complex as feedstock to produce butanediol, which is primarily used to manufacture polyurethanes and polybutylene terephthalates. Derivatives of butanediol are used to produce elastic fibers, lamp components and computer housings.

MTBE/Propylene and Polypropylene Plants

PETRONAS owns MTBE Malaysia Sdn. Bhd. (“MTBE Malaysia”), which operates MTBE/propylene and propane dehydrogenation plants. PETRONAS also owns Polypropylene Malaysia Sdn. Bhd. (“Polypropylene Malaysia”), which operates a polypropylene plant. MTBE is a high-quality additive used to increase the octane level in unleaded gasoline. The propylene produced is used as feedstock for the polypropylene plant. Polypropylene is a base polymer for the manufacture of woven bags, plastics, films, ropes, chairs and other industrial products. Propylene is also used as feedstock in the PETRONAS/BASF acrylic acid/acrylic esters plant and the oxo-alcohols complex. MTBE Malaysia’s production capacity is 300,000 tpa of MTBE and 380,000 tpa of propylene. MTBE Malaysia also owns an n-Butane unit, which was commissioned in June 2005, with a production capacity of 150,000 tpa of n-Butane to be supplied to the butanediol plant as feedstock.

Other Petrochemical Operations in Malaysia

Methanol Plants. In 1992, PETRONAS acquired from the Government of Malaysia a methanol plant located in Labuan, Malaysia, which commenced operations in 1985. PETRONAS Methanol (Labuan) Sdn. Bhd. (“PETRONAS Methanol”), a wholly-owned subsidiary of PETRONAS, owns and operates the plant. The plant utilizes natural gas from offshore Sabah as feedstock and has the capacity to produce 660,000 tpa of methanol. PETRONAS supplies a portion of the methanol produced by the plant to the MTBE/propylene plant in the Gebeng IPC pursuant to a long-term sales contract with the balance exported or sold to customers in Malaysia or East Asia. Methanol is used to produce, among other things, formaldehyde, acetic acid, chloromethanes and methyl methacrylate, which are used in the production of, among other things, resins, adhesives, paints, plastics, flavorings, silicones and plexiglass. PETRONAS Methanol also owns and operates a second methanol plant in Labuan, which was commissioned in January 2009 and produces 99.85% chemical grade AA commercial methanol, the methanol grade with the highest purity, using natural gas from offshore Sabah as feedstock. With a production capacity of 1.7 mmtpa, the project is expected to further strengthen PETRONAS’ position as a major methanol supplier in Asia. PETRONAS plans to market the methanol products domestically and to the growing markets in Southeast Asia, Northeast Asia and India.

Bintulu Urea/Ammonia Complex. PETRONAS, together with government-related companies and government entities from four other ASEAN member countries, has established ASEAN Bintulu Fertilizer Sdn. Bhd. (“ABF”), which owns and operates a fertilizer complex in Bintulu, Sarawak utilizing natural gas from offshore Sarawak as its feedstock. PETRONAS has a 63.5% interest in ABF, while PT Pupuk Sriwidjaja (Persero) Holding Co. of Indonesia owns 13%, the Ministry of Finance of Thailand owns 13%, the National Development Board of the Philippines owns 9.5% and Temasek Holdings (Pte) Ltd. of Singapore owns 1%. The plant, which commenced operations in 1985, has the capacity to produce 821,250 tpa of urea and 492,750 tpa of ammonia. It is one of the largest granular urea plants in Asia. Urea is used as a commercial fertilizer. It can also be used in the manufacture of adhesives, molding powders, varnishes and foams. Ammonia is the base chemical used in the production of fertilizers, and it has other applications, including as a refrigerant in both compression and absorption refrigeration systems.

Gurun Urea/Ammonia Complex. The Gurun Urea/Ammonia Complex is located in Gurun in the state of Kedah, Peninsular Malaysia, and commenced operations in October 1999. The plant has a capacity of 438,000 tpa of ammonia, 766,500 tpa of urea and 66,000 tpa of methanol. PETRONAS’ wholly-owned subsidiary, PETRONAS Fertilizer (Kedah) Sdn. Bhd., owns and operates the plant. The plant sources natural gas from the Kertih GPPs via the PGU pipeline. A portion of the output is sold in Malaysia, and the rest is exported to Thailand, Korea, Japan, Australia and the United States.

Pasir Gudang Ethylbenzene/Styrene Monomer Plant. PETRONAS owns a 30% interest and Idemitsu Petrochemical Co. Ltd. owns a 70% interest in a joint venture that owns and operates an ethylbenzene/styrene monomer plant. The plant commenced operations in 1997 with a capacity of 220,000 tpa of ethylbenzene and 200,000 tpa of styrene monomer. Ethylene and benzene, which are used as feedstock for the plant, are sourced from the ethylene and aromatics plants in the Kertih IPC. Styrene monomer is a raw material used in the production of polystyrene and unsaturated polyester resins. These polymers are used in the manufacture of plastic casings, insulation materials and rubber goods.

Overseas Petrochemical Operations

Uzbekistan. PETRONAS recently signed a joint venture agreement with Sasol and Uzbekneftegaz to jointly participate in a gas-to-liquids project in Uzbekistan. The project is currently in the feasibility study phase.

Vietnam. PETRONAS has a 93.1% interest in Phu My Plastics and Chemicals Co. Ltd, a joint venture with Vung Tau Shipyard Co., which owns and operates a PVC plant in Vung Tau, Vietnam. With a capacity of 100,000 tpa, the PVC plant was commissioned in October 2002 and sources its feedstock from PETRONAS’

VCM plant located in the Kertih IPC. PVC is used mainly for pipe and conduit fittings, automobiles, blow molding and roofing tiles.

Sales and Marketing of Petrochemical Products

While some plants within the PETRONAS' petrochemical business sell their products directly to customers, PETRONAS markets and trades petrochemicals products through its marketing arm Malaysia International Trading Corporation Sdn Bhd ("MITCO") and its marketing entities in Labuan and India. As the main marketing arm for PETRONAS' petrochemical products, MITCO has emerged as a leading marketer of chemicals, fertilizers and polymer products in the Southeast Asia region.

MITCO was established principally to market products manufactured by PETRONAS' petrochemical plants. It leverages on the synergistic advantages of the strategic development of two integrated petrochemical complexes (IPCs) along the east coast of Peninsular Malaysia and the consistent production of large volumes of petrochemicals from these plants.

MITCO Labuan Co Ltd (MLCL) is a wholly-owned subsidiary of PETRONAS. It is involved principally in the trading of chemicals, fertilizers, polymers and general commodities so as to complement MITCO's global business ventures.

MITCO Labuan India Pvt Limited has been set up as a wholly-owned subsidiary of MITCO Labuan Co Ltd to support its trading and related activities in India.

LOGISTICS AND MARITIME BUSINESS

At March 31, 2009, PETRONAS owned a 62.4% interest in MISC, a leading international maritime company with a primary focus on energy transportation and logistics and other energy-related businesses. MISC serves as PETRONAS' primary LNG transportation provider and its principal logistics solutions provider. MISC is listed on the Main Board of Bursa Malaysia with a market capitalization of RM31.1 billion (US\$8.5 billion) at March 31, 2009. MISC's fleet consists of 29 LNG carriers, 45 petroleum tankers, 17 chemical tankers, nine floating facilities for use in offshore oil production and 19 liners at March 31, 2009.

MISC's core business is its energy-related shipping, which includes LNG, petroleum and chemical shipping. MISC is the largest single owner-operator of LNG tankers in the world. Nineteen of its LNG tankers are on 20-year time charters to MLNG for the transport of LNG to MLNG's customers in Japan, Korea and Taiwan and three of the LNG tankers are being chartered to ALTCO for its LNG spot trading business. MISC further strengthened its leading position in the LNG transportation market by taking delivery of three new LNG tankers, Seri Bijaksana, Seri Balhaf and Seri Balqis, in the fiscal year ended March 31, 2009. Seri Bijaksana has been chartered to Methane Services Limited for four years from August 2008, and Seri Balhaf and Seri Balqis have been chartered to Yemen LNG for 20 years commencing September 2009.

MISC deploys other vessels in its fleet for the transportation of crude oil, petroleum products, petrochemical products and containers. As part of its petroleum shipping business, MISC operated one of the largest owned fleet of Aframax oil tankers in the world at March 31, 2009, according to Clarkson Research Service Limited. In the fiscal year ended March 31, 2009, MISC added three Aframax oil tankers and one very large crude carrier to replace four old vessels in its oil tanker fleet. MISC's chemical shipping unit is composed primarily of chemical tanker operations.

MISC's energy-related shipping is complemented by its offshore business and its heavy engineering business. MISC's offshore business provides FPSO and FSO systems to support oil and gas companies operating offshore in the production, storage and evacuation of oil and gas. These types of facilities enable commercial oil production and storage in more remote areas and in deeper water areas. MISC started its offshore floating

facilities business with the conversion of an MISC-owned petroleum tanker into an FPSO in 2003 and, at March 31, 2009, operated a total of five FSOs and four FPSOs, which were leased under long-term contracts. In March 2009, MISC delivered an FSO to be used in the oil production fields located in the Malaysia-Vietnam joint development area and an FPSO to be used in Brazilian offshore deepwater fields. MISC is also expected to deliver an FPSO in September 2009 to service the oil fields located in offshore Vietnam.

MISC entered into a joint venture with Dialog Group Berhad in October 2007 to develop, manage and operate tank terminals at the Port of Tanjung Langsat, Malaysia. Tanjung Langsat Tank Terminal is expected to commence operations in 2010 with a petroleum product storage capacity of 400,000 cbm.

MISC, through its wholly-owned subsidiary, Malaysia Marine and Heavy Engineering Sdn. Bhd. (“MMHE”), engages in the heavy engineering business to provide ship maintenance and repair services, services to convert ships into FPSOs and FSOs and the construction of oil and gas facilities and related services. MISC operates the only shipyard capable of undertaking FPSO/FSO conversions in Malaysia. All of MISC’s floating facilities were converted at its own shipyard. MMHE was awarded the front-end engineering and design contract for the first phase of the Turkmenistan Block 1 gas field development project in January 2005 and has subsequently conducted engineering, design, procurement, construction, installation and commissioning work for this project. In April 2008, as part of its work under this contract, MMHE completed the construction of the Kinyali fabrication yard and deployed the Magtymguly Drilling Platform (MDP-A), which is a permanent offshore drilling platform. MISC is also constructing mobile offshore production units and drilling barges.

MISC also wholly owns and manages a maritime academy that provides in-house maritime education and training for its employees as well as to other maritime industry participants.

OTHER ACTIVITIES

Kuala Lumpur City Centre

PETRONAS owns 100% of KLCC Holdings Sdn. Bhd. (“KLCC Holdings”), a company that develops and manages real estate properties in the Kuala Lumpur City Centre (“KLCC”). In February 2004, KLCC Holdings incorporated a wholly-owned subsidiary, KLCC Property Holdings Berhad (“KLCC Property”), as a public limited company in Malaysia, and transferred its interest in the KLCC to KLCC Property. KLCC Property was listed on the Main Board of the Bursa Malaysia in August 2004. At March 31, 2009, PETRONAS owned 51% of KLCC Property, which had a market capitalization of approximately RM2,802.22 million at such date.

The KLCC development is located on 100 acres of prime land situated in the commercial hub of Kuala Lumpur. Fifty acres of the site has been designated for a public park, with the remaining 50 acres allocated for commercial development over 15 to 20 years. Approximately 25 acres have been commercially developed at March 31, 2009. KLCC is an integrated, multi-functional development, providing approximately 18.3 million square feet of office, convention and exhibition, retail, hotel, residential and recreational facilities within a park setting.

PETRONAS’ corporate headquarters is located in Tower One of the 88-story PETRONAS Twin Towers, which form the most prominent feature of the KLCC development. The PETRONAS Twin Towers were completed in early 1997, and with a height of 451.9 meters, were then the tallest buildings in the world. At March 31, 2009, PETRONAS, through its subsidiaries, had a controlling interest in Midciti Resources Sdn. Bhd. (“Midciti Resources”). Midciti Resources is a 50.5% owned subsidiary of KLCC Property, with the remainder held by KLCC Holdings. Midciti Resources owns the PETRONAS Twin Towers and leases Tower One and Tower Two to PETRONAS.

Other prominent buildings in the KLCC development in which PETRONAS, through its subsidiaries, has an interest include Menara Maxis; Menara ExxonMobil; Suria KLCC, a six-level prime shopping and entertainment

center; Mandarin Oriental Hotel; Traders Hotel Kuala Lumpur; Impiana KLCC Hotel and Spa; the Kuala Lumpur Convention Centre and the Binjai, a deluxe residential unit.

Putrajaya

PETRONAS owns 64.4% of Putrajaya Holdings Sdn Bhd (“PJH”), which was incorporated in October 1995. PJH holds various subsidiaries that engage in the business of construction, property development and property management. Khazanah Nasional Berhad holds a 15.6% interest and Kumpulan Wang Amanah Negara holds a 20% interest in PJH.

As the master-developer for the development of Putrajaya, PJH is expected to formulate, plan, implement and fund the development of the new administrative center for the Government of Malaysia. The Putrajaya development plan covers 20 precincts, which are to be developed in three phases, and two major areas, the core area and the periphery area. The core area consists of five precincts, including the Government precinct and other civic and cultural, commercial, sports and recreational, and mixed development precincts, linked by a boulevard of 4.2 kilometers. The project is located approximately 25 kilometers south of Kuala Lumpur and approximately 20 kilometers north of the Kuala Lumpur International Airport.

PJH also undertakes commercial development, which includes a shopping complex known as Alamanda and a hotel operating under the name Pullman Putrajaya Lakeside. It also has land for commercial development along the 4.2 km boulevard in the core island with two office buildings built for lease known as Menara PJH and 26 Boulevard. An international school owned by PJH is currently operating in Putrajaya in the diplomatic precinct to serve the area.

RESEARCH AND DEVELOPMENT

PETRONAS Research Sdn. Bhd., a wholly-owned subsidiary of PETRONAS, was established to provide research and development support services to PETRONAS, the PSC Contractors and other corporations. It carries out business-driven research and development projects, covering primarily petroleum exploration and production, product development and process technology, and also provides value-added technical consultancy and laboratory services.

The PETRONAS Research and Technology Division (“R&T Division”), established in 2006, was set up to spearhead PETRONAS’ efforts to become a more technology-oriented corporation. Since then, the R&T Division has helped PETRONAS in improving its operational performance and also has been successful in achieving several milestones in the development of new technologies. For example, PETRONAS has made technological advances with the commissioning of the new Melaka Group III base oil refining (MG3) plant in 2008. The MG3 plant, which uses a new catalytic conversion process, will be the first in the world to transform crude residues into top-tier Group III lube base oil without the need for solvents or hydro-cracking processes. PETRONAS is also embarking on research in the field of floating LNG technology, which PETRONAS expects will allow it to monetize small and stranded gas fields in offshore environments.

The R&T Division has also forged strategic technology alliances with leading technology players, including Battelle, Schlumberger and CSIRO, and collaborates with universities in Malaysia and other countries to further boost PETRONAS’ strategic and competitive position in the areas of research and development and technology application. Moving forward, PETRONAS is committed to focusing on renewable energy research, specifically in the areas of solar energy and biomass.

INSURANCE

PETRONAS has comprehensive insurance policies that cover its business, its properties and litigation brought by third parties. PETRONAS employs a risk management policy for purposes of analyzing the risks

faced by its businesses in determining the appropriate insurance policies. PETRONAS' coverage includes property damage, third party liability and group term life assurance. PETRONAS considers its insurance coverage to be in accordance with industry standards.

ENVIRONMENTAL MATTERS

Malaysia has adopted a legislative framework for the control of pollution and the protection of the environment in Malaysia which includes the Environmental Quality Act 1974 and the regulations enacted pursuant thereto and the Petroleum (Safety Measures) Act 1984 and the regulations enacted pursuant thereto. As a fully integrated oil and gas company, PETRONAS and its activities are subject to these laws and regulations. In addition, PETRONAS' overseas activities are subject to the laws of various other jurisdictions. Management believes that PETRONAS is in compliance in all material respects with all applicable environmental laws and regulations. However, some risk of environmental costs and liabilities is inherent in the operations of PETRONAS, as it is with all companies in the oil and gas industry, and there can be no assurance that material costs and liabilities will not be incurred in the future.

PETRONAS, as owner and manager of the oil and gas resources of Malaysia, has established its own detailed environmental requirements that include environmental impact assessment studies, oil spill contingency plans, post-environmental impact assessment monitoring, environmental auditing and inspections, environmental studies and monitoring for all PETRONAS' projects. PETRONAS has established an environmental incident prevention and control program to identify and prevent potential environmental incidents.

HUMAN RESOURCES

At March 31, 2009, PETRONAS and its subsidiaries employed a total of 39,236 people, compared to 36,027 people and 33,832 people at March 31, 2008 and March 31, 2007, respectively. A total of 6,331 of PETRONAS' non-executive employees belong to the four regional branches of its in-house union. PETRONAS' collective bargaining agreements typically have a term of three years. The 2007-2010 collective bargaining agreements were signed in March 2008. Management believes it generally has a good relationship with its employees and with its in-house union.

PETRONAS and its employees contribute to the Employee Provident Fund ("EPF"), a mandatory employee retirement fund administered by a board appointed by the Government of Malaysia. The contribution to the EPF is based on a prescribed percentage of the employee's monthly salary, where the employee and PETRONAS contribute 11% and 12%, respectively.

Prior to October 1, 2008, PETRONAS maintained a non-contributory pension plan for all employees, known as the PETRONAS' Retirement Benefit Scheme ("PRBS"). The PRBS was managed by a Board of Trustees. However, as PETRONAS becomes more global, it strives to have consistent human resources policies and employment terms that are equitable for all its employees and aligned to market practice to attract and retain talent. As part of such efforts, effective from October 1, 2008, the PRBS was dissolved and replaced with a new scheme called the PETRONAS Retirement Contribution Scheme ("PRCS"). The new PRCS scheme provides for additional contributions of 3%, 5% and 7% above the 12% contribution PETRONAS makes to the EPF. The amount of these additional contributions is relative to the employee's length of service with PETRONAS.

EDUCATION

PETRONAS established an Education Division in 1998, specifically to oversee the effective implementation of education and training programs to meet PETRONAS' human resource needs, especially in the petroleum sector.

PETRONAS' presence and contribution in the field of education and training are reflected in the wide spectrum of programs and training facilities provided. These range from the sponsorship of students in primary schools and institutions of higher learning, both local and overseas, to the programs offered by its various educational and training institutions, namely Universiti Teknologi PETRONAS (UTP), Akademi Laut Malaysia (ALAM), PETRONAS Management Training Sdn Bhd (PERMATA), Institut Teknologi Petroleum PETRONAS (INSTEP) and PETROSAINS, a science discovery center.

PERMATA was established in 1992. Its focus is on providing management, leadership and personal development courses catering to PETRONAS management staff as well as employees from other oil and gas companies that operate in Malaysia. Its 50-acre campus in Bangi, Selangor, is equipped with comprehensive training facilities and resources as well as a range of programs for managerial and competency development, leadership, supervisory skills and organizational learning.

INSTEP was established in 1992. Its focus is on providing technical training for employees within PETRONAS as well as other companies in the oil and gas industry. It has a well-equipped technical training facility spread over 130 acres in Kuala Terengganu.

UTP is one of Malaysia's premier science and technology institutions of higher learning, providing students with opportunities for the pursuit of knowledge, expertise and advancement in the fields of engineering, science and technology. Established in 1997, its objective is to produce graduates who are competent in technical knowledge and also possess the creative aptitude and leadership skills needed to take on the challenges of the competitive global marketplace.

ALAM is Malaysia's premier maritime education and training institution. Established in 1977, the academy is a comprehensive one-stop maritime educational and training center. ALAM has been designed as a Branch Campus of the World Maritime University, Malmo, Sweden and established formal alliances with other leading maritime education and training institutions in Australia, Norway, The Netherlands, Singapore and the United States of America.

PETROSAINS is an interactive science discovery center, which opened in 1999. It provides an environment for experiential learning of science and technology, with particular focus on petroleum science. The exhibits are designed especially to inspire young people and stimulate their interest in science, technology, math and engineering.

LITIGATION

In March 2001, the Government of the State of Terengganu, one of the states in Malaysia, filed a lawsuit against the Government of Malaysia and PETRONAS claiming it was entitled to cash payments in respect of petroleum produced since September 2000. The central issue in the case is whether the Government of the State of Terengganu has rights to petroleum produced beyond its territorial waters. The Government of Malaysia and PETRONAS assert that the State of Terengganu does not have such rights.

In August 2002, the High Court disallowed the application by the Government of Malaysia and PETRONAS to determine certain preliminary issues of law based solely on a review of certain legal documents. However, on appeal, the Court of Appeal on August 29, 2003 allowed the application by the Government of Malaysia and PETRONAS.

Pending the hearing of the preliminary issues of the lawsuit, PETRONAS has made the disputed petroleum payments to the Government of Malaysia. The Government of Malaysia is administering the distribution of these payments. In view of this arrangement, PETRONAS does not believe that it would have any further exposure for the amounts claimed by the Government of the State of Terengganu.

PETRONAS GLOBAL SUKUK LTD.

PETRONAS Global Sukuk Ltd. was incorporated in Labuan, Malaysia under the Offshore Companies Act, 1990 on July 7, 2009 and its registration number is LL07148. At the date of this Offering Circular, PETRONAS Global Sukuk Ltd. has an authorized share capital of US\$50,000,000, divided into 50,000,000 shares of US\$1.00 par value each, of which 2,000 shares have been issued. The shares are held by two of the directors of the Issuer.

The Issuer has been established as a special purpose vehicle for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents. It does not have any subsidiaries.

The directors of PETRONAS Global Sukuk Ltd. as of the date of this Offering Circular are:

<u>Name</u>	<u>Position</u>	<u>Year Appointed</u>
Mohd Hassan Marican	Director	2009
Manharlal Ratilal	Director	2009
Halipah Esa	Director	2009
Faridah Haris Hamid	Director	2009
Syed Sheikh Syed Idrus Alhabshi	Director	2009

The registered office of PETRONAS Global Sukuk Ltd. is Unit Level 13(E), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan Federal Territory, Malaysia. The correspondence address of each of the directors of PETRONAS Global Sukuk Ltd. for the purposes of his or her directorship in PETRONAS Global Sukuk Ltd. is Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia.

With the exception of Halipah Esa, who is an independent director, the main outside functions of the other directors of PETRONAS Global Sukuk Ltd. are serving as officers (Mohd Hassan Marican and Manharlal Ratilal) or as employees (Faridah Haris Hamid and Syed Sheikh Syed Idrus Alhabshi) of PETRONAS.

Other than as described herein, the Issuer does not have any loan, capital, borrowings or contingent liabilities and has not changed its equity capital.

Financial Statements

Since the date of its incorporation, no financial statements of PETRONAS Global Sukuk Ltd. have been prepared because PETRONAS Global Sukuk Ltd. is not required to produce financial statements under Malaysian law and management has determined that financial statements would not be material to investors. PETRONAS Global Sukuk Ltd. does not intend to publish financial statements in the future. Except as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of PETRONAS Global Sukuk Ltd. since its date of incorporation.

MANAGEMENT

Directors

The Articles of Association of PETRONAS provide that the Board of Directors shall consist of not less than two and not more than 15 directors. The Board of Directors currently consists of seven individuals, namely four executive members (the President (who is also currently the Acting Chairman) and three Vice Presidents) and three non-executive members. The Chairman is appointed by the Prime Minister of Malaysia. One-third of the non-executive members of the Board are subject to annual retirement by rotation, although they may be reappointed.

The current directors of PETRONAS are as follows:

Name	Current Position/Occupation	Director Since
Mohd Hassan Marican (Acting Chairman)	President and Chief Executive Officer	February 27, 1989
Anuar Ahmad	Vice President, Human Resource Management Division	October 1, 2002
Khalid Ramli	Director General, Implementation Coordination Unit, Prime Minister's Department	July 27, 2004
Nasarudin Md. Idris	Vice President, Corporate Planning and Development Division	April 1, 2005
Dr. Wan Abdul Aziz Wan Abdullah	Secretary General to Treasury, Ministry of Finance	March 27, 2007
Wan Zulkiflee Wan Ariffin	Vice President, Gas Business	August 1, 2007
Abdul Kadir Md. Kassim	Advocate and Solicitor	September 25, 2007
Aziyah Bahauddin (alternate to Dr. Wan Abdul Aziz Wan Abdullah)	Secretary, Tax Analysis Division, Ministry of Finance	May 31, 2007

Management Committee

The Management Committee of PETRONAS is primarily responsible for overseeing PETRONAS' operations. The Management Committee consists of executive members of the Board of Directors and senior management. The current members of the Management Committee are as follows:

<u>Name</u>	<u>Current Position</u>	<u>Date Joined PETRONAS</u>
Mohd Hassan Marican	President and Chief Executive Officer	February 1, 1989
Anuar Ahmad	Vice President, Human Resource Management Division	September 19, 1977
Nasarudin Md. Idris	Vice President, Corporate Planning and Development Division	May 1, 1978
Abdullah Karim	Vice President; Managing Director and CEO, PETRONAS Carigali	February 21, 1977
Manharlal Ratilal	Vice President, Finance	February 1, 2003
Wan Zulkiflee Wan Ariffin	Vice President, Gas Business	April 1, 1983
Ramlan Abdul Malek	Vice President, Exploration and Production Business	September 1, 1979
Kamarudin Zakaria	Vice President, Petrochemical Business	July 3, 1984
Ahmad Nizam Salleh	Vice President, Corporate Services Division	June 1, 1981
Wong Hee Huing	Vice President, Research and Technology Division	July 1, 1980
Juniwati Rahmat Hussin	Vice President, Education Division	September 1, 1981
Md Arif Mahmood	Vice President, Oil Business	October 1, 1984
Amir Hamzah Azizan	President and CEO, MISC	January 1, 2009
Mohammed Azhar Osman Khairuddin	Senior General Manager, Legal and Corporate Affairs Division	June 1, 1979

Compensation

The aggregate compensation paid by PETRONAS to the members of its Management Committee who served in the fiscal year ended March 31, 2009 for services in all capacities was approximately RM24.3 million (US\$6.7 million).

SHARE OWNERSHIP

The shareholders of PETRONAS at the date of this Offering Circular are as follows:

<u>Shareholder</u>	<u>Percent of Ownership</u>
The Minister of Finance (Incorporated) of Malaysia	99.99
The Federal Land Commissioner of Malaysia	0.01

RELATIONSHIP WITH THE GOVERNMENT OF MALAYSIA

PETRONAS was established by the Government of Malaysia in 1974 to own and manage the petroleum resources of Malaysia. PETRONAS' Articles of Association provide that the Government of Malaysia is the only entity entitled to be a shareholder of PETRONAS.

Under the Malaysian Companies Act 1965, as owner of PETRONAS, the Government of Malaysia controls the approval of all corporate matters that require shareholder resolutions, including, but not limited to, approval of dividends and appointment of directors. Various Government of Malaysia officials currently serve on PETRONAS' Board of Directors, including the Secretary General to Treasury, Ministry of Finance and the Director General of the Implementation Coordination Unit of the Prime Minister's Department.

PETRONAS plays an important role in the implementation of the Government of Malaysia's oil and gas policy. In addition to its relationship with the Government of Malaysia as its shareholder, PETRONAS consults informally with the Government of Malaysia on matters relating to energy policy and central planning. Since its incorporation, PETRONAS has played an integral role in helping Malaysia achieve the objectives set forth in each of the Government of Malaysia's five-year economic plans.

Absent a contractual obligation, the Government of Malaysia is not liable for PETRONAS' obligations.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the Terms and Conditions of the Certificates which (subject to completion and amendment) will be endorsed on each Certificate in definitive form (if any are issued) and will be attached and (subject to the provisions thereof) apply to the Global Certificate:

Each of the US\$1,500,000,000 Trust Certificates due 2014 (the “Certificates”) represents an undivided beneficial ownership interest in the Trust Assets held on trust for the holders of such Certificates (the “Certificateholders”) pursuant to a declaration of trust (as amended or supplemented from time to time, the “Declaration of Trust”) dated August 12, 2009 (the “Closing Date”) made between PETRONAS Global Sukuk Ltd. (the “Issuer,” and in its capacity as trustee, the “Trustee”), Petroliam Nasional Berhad (“PETRONAS”) and The Bank of New York Mellon, London Branch (the “Delegate”). The Certificates are constituted by the Declaration of Trust.

Payments relating to the Certificates will be made pursuant to an agency agreement dated August 12, 2009 (the “Agency Agreement”) made between the Issuer, the Trustee, PETRONAS, the Delegate, The Bank of New York Mellon, London Branch, in its capacities as principal paying agent (in such capacity, the “Principal Paying Agent,” which expression shall include any successor, and together with any further or other paying agent, including the Luxembourg Paying and Transfer Agent (defined below), appointed from time to time in respect of the Certificates, the “Paying Agents”), calculation agent (in such capacity, the “Calculation Agent,” which expression shall include any successor), replacement agent (in such capacity, the “Replacement Agent,” which expression shall include any successor), transfer agent in respect of the Certificates (in such capacity, the “Transfer Agent” and, together with any further or other transfer agents, including the Luxembourg Paying and Transfer Agent (defined below), appointed from time to time in respect of the Certificates, the “Transfer Agents” which expression shall in each case include any successor), The Bank of New York Mellon as registrar in respect of the Certificates (in such capacity, the “Registrar,” which expression shall include any successor) and The Bank of New York Mellon (Luxembourg) S.A. as a Paying Agent and as a Transfer Agent (the “Luxembourg Paying and Transfer Agent”) (the Paying Agents, the Calculation Agent, the Replacement Agent, the Transfer Agents and the Registrar together, the “Agents”).

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee to apply the sums paid by such Certificateholders in respect of its Certificates to purchase the Sukuk Assets and to enter into each Transaction Document to which the Trustee is a party or made in its favour, subject to the terms and conditions of the Declaration of Trust and these Conditions.

Under the Declaration of Trust, the Trustee has delegated to the Delegate certain rights and obligations under these Conditions. To the extent of such delegation, any reference in these Conditions to the Trustee shall be interpreted as a reference to the Delegate.

1. FORM, DENOMINATION, TITLE AND DESCRIPTION

1.1 Form and Denomination

The Certificates are issued in registered form in minimum principal amounts of US\$100,000 and integral multiples of US\$1,000 in excess thereof. A certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each certificate will be numbered serially with an identifying number which will be recorded on the relevant certificate and in the register (the “Register”) of Certificateholders which the Issuer will cause to be kept by the Registrar.

Upon issue, the Certificates will be represented by Global Certificates as described in the section entitled “The Global Certificates.” Except in the limited circumstances described in the section entitled “The

Global Certificates,” owners of interests in Certificates represented by a Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Certificates. The Certificates are not issuable in bearer form.

1.2 Title

The Registrar will maintain the Register in respect of the Certificates in accordance with the provisions of the Agency Agreement. Title to the Certificates passes only by registration in the Register. The registered holder of any Certificate will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the certificate issued in respect of it) and no person will be liable for so treating the holder of any Certificate. In these Conditions, “Certificateholder” and (in relation to a Certificate) “holder” have the meaning given thereto in the Declaration of Trust.

2. TRANSFERS OF CERTIFICATES AND ISSUE OF CERTIFICATES

2.1 Transfers

Subject to Conditions 2.4 and 2.5, and the limitations as to transfer of title set out in the Agency Agreement, a Certificate may be transferred by depositing the certificate issued in respect of that Certificate, with the form of transfer duly completed and signed, at the specified office of any of the Transfer Agents.

Transfers of interests in the Certificates represented by the Global Certificate will be effected in accordance with the provisions of the Agency Agreement and the rules of the relevant clearing systems. See “The Global Certificates.”

2.2 Delivery of New Certificates

Each new certificate to be issued upon a transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer provided at the offices of the Transfer Agent, be mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer.

Where some but not all of the principal amount of the Certificates in respect of which a certificate is issued is to be transferred, a new certificate in respect of the principal amount of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original certificate, be mailed by uninsured mail at the risk of the holder of the principal amount of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described in the section entitled “The Global Certificates,” owners of interests in the Certificates will not be entitled to receive physical delivery of Certificates.

For the purposes of this Condition 2.2, “business day” shall mean a day on which banks are open for business in the city in which the specified office of the Registrar and the Transfer Agent with whom a certificate is deposited in connection with a transfer is located.

2.3 Formalities

Registration of transfers of Certificates will be effected without charge by or on behalf of the Issuer or any Transfer Agent but upon payment (or the giving of such indemnity as the Issuer or any Transfer Agent may require) by the transferee in respect of any stamp duty, registration or similar taxes or charges which may be imposed in relation to such transfer.

2.4 Transfers after Transfer Record Date

No Certificateholder may require the transfer of a Certificate to be registered (a) during the period of seven days ending on (and including) any Tax Redemption Date, Total Loss Redemption Date or Early Redemption Date or (b) during the period of seven days ending on (and including) any Periodic Distribution Date or, as the case may be, the Scheduled Redemption Date.

2.5 Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfer of the Certificates scheduled to the Declaration of Trust. The regulations may be changed by the Issuer from time to time with the prior written approval of the Registrar and the Transfer Agent. A copy of the current regulations will be mailed (free of charge or, after notice to the Issuer, at the Issuer's expense) by the Registrar to any Certificateholder who requests in writing a copy of the regulations.

3. STATUS AND LIMITED RECOURSE

3.1 Status

Each Certificate evidences an undivided beneficial ownership interest in the Trust Assets and ranks *pari passu*, without any preference, with the other Certificates.

3.2 Limited Recourse

Notwithstanding anything to the contrary contained herein or in any Transaction Document, no payment of any amount whatsoever shall be made in respect of the Certificates by the Issuer or the Trustee or any agents thereof except to the extent that funds are available therefor from the Trust Assets.

The proceeds of the Trust Assets are the sole source of payments on the Certificates. The Certificates do not represent an interest in any of the Issuer, PETRONAS, the Trustee, the Delegate, the Agents or any of their respective affiliates. Certificateholders by subscribing for or acquiring the Certificates acknowledge that no recourse may be had for the payment of any amount owing in respect of the Certificates against PETRONAS (to the extent that it fulfils all of its obligations under the relevant Transaction Documents to which it is a party), or any of the Issuer, the Trustee, the Delegate, or the Agents to the extent the Trust Assets have been exhausted following which all obligations of the Issuer and the Trustee shall be extinguished.

No recourse under any obligation, covenant or agreement contained in these Conditions shall be had against any shareholder, member, officer, agent or director of the Issuer or the Trustee, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise.

The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments due under the Certificates no Certificateholder will have any claim against PETRONAS (to the extent PETRONAS fulfils all of its obligations under the relevant Transaction Documents to which it is a party) or against any of the Issuer, the Trustee, the Delegate, any of the Agents or any of their respective affiliates or other assets in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of PETRONAS (to the extent PETRONAS fulfils all of its obligations under the

relevant Transaction Documents to which it is a party), or any of the Issuer, the Trustee, the Delegate, any of the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

4. TRUST

4.1 Summary of the Trust

The Issuer will act as trustee for and on behalf of Certificateholders pursuant to the Declaration of Trust.

The Trustee will enter into purchase agreements (each, a “Purchase Agreement”) dated the Closing Date with the following PETRONAS subsidiaries: MTBE Malaysia Sdn. Bhd., Polypropylene Malaysia Sdn. Bhd., PETRONAS Fertilizer (Kedah) Sdn. Bhd. and PETRONAS Ammonia Sdn. Bhd. (each, a “Seller”). A Seller will sell to the Trustee its beneficial ownership of those pieces of industrial land situated in Malaysia, with official plot numbers and locations described below, and the plant, machinery, equipment, buildings and civil works located on those properties (together, the “Group Properties”) described in the relevant Purchase Agreement:

<u>Plot Numbers</u>	<u>Location</u>
1. H.S. (D) 9688, P.T 4538 and H.S.(D) 9686, P.T 4536	Mukim Sungai Karang, Daerah Kuantan, Negeri Pahang
2. P.N. 1010, Lot No. 10750	Mukim Gurun, Daerah Kuala Muda, Kedah
3. P.N. 7588, Lot No. 8066	Mukim Kertih, Daerah Kemaman, Negeri Terengganu

(such assets, the “Sukuk Assets”, which term includes such other substitute assets that PETRONAS (or certain other of its named subsidiaries) provides to the Issuer pursuant to the terms of the Sale Undertaking). The Trustee (in its capacity as lessor, the “Lessor”) will lease the Sukuk Assets to PETRONAS (in such capacity, the “Lessee”) pursuant to a lease agreement (the “Lease Agreement”) dated the Closing Date between the Lessor and the Lessee.

The Issuer shall appoint PETRONAS as servicing agent (in such capacity, the “Servicing Agent”) pursuant to a servicing agency agreement (the “Servicing Agency Agreement”). The Servicing Agent shall provide the services described therein in respect of the Sukuk Assets.

Pursuant to the purchase undertaking (the “Purchase Undertaking”) dated the Closing Date granted by PETRONAS in favour of the Trustee, PETRONAS undertakes to purchase all of the Sukuk Assets at the Exercise Price on the terms and subject to the conditions of the Purchase Undertaking following the issue of a notice (in the form prescribed by the terms of the Purchase Undertaking, the “Exercise Notice”) from the Trustee, which shall be served by or on behalf of the Trustee on PETRONAS either (a) within a prescribed period prior to the Scheduled Redemption Date or (b) following the occurrence of a Dissolution Event, and all of the Sukuk Assets shall be sold to PETRONAS by way of a separate sale agreement.

Pursuant to a sale undertaking (the “Sale Undertaking”) dated the Closing Date granted by the Trustee in favour of PETRONAS and certain of its named subsidiaries, the Trustee undertakes to sell to PETRONAS or to one of such subsidiaries all or a certain portion of the Sukuk Assets selected by PETRONAS, in certain circumstances, for a payment in kind in the form of assets of the same or greater value. In addition, subject to the Trustee being entitled to redeem the Certificates early pursuant to Condition 6.3 (*Redemption for Taxation Reason*), PETRONAS may, by exercising its option under the Sale Undertaking and serving a notice on the Trustee no later than 30 days and no earlier than 60 days prior to the Tax Redemption Date, oblige the Trustee to sell and assign all of the Sukuk Assets at the Exercise Price to PETRONAS for the purpose of tax redemption under Condition 6.3.

Pursuant to the Declaration of Trust, the Issuer will declare a trust in favour of the Certificateholders over (a) the Sukuk Assets, (b) all of its rights, title, interest and benefit, present and future, in, to and under the Transaction Documents, (c) all monies which may now be, or hereafter from time to time are, standing to the credit of the Transaction Account (as defined below), and (d) all proceeds of the foregoing (together, the “Trust Assets”). All payments by PETRONAS to the Trustee under each Transaction Document (as defined below) to which it is party will be deposited into an account of the Trustee maintained, among other things, for such purpose (the “Transaction Account”).

The Purchase Agreements, the Lease Agreement, the Servicing Agency Agreement, the Purchase Undertaking, the Sale Undertaking, the Declaration of Trust, the Agency Agreement, the Costs Undertaking, the Certificates and any other agreements and documents designated as such by the Trustee and PETRONAS are collectively referred to as the “Transaction Documents.”

4.2 Application of Proceeds from Trust Assets

Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets for and on behalf of the Certificateholders. On each Periodic Distribution Date, or on a Redemption Date, the Trustee shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) first, to pay the Delegate and the Agents all amounts owing to them under the Transaction Documents;
- (b) second, only if payment is due on a Periodic Distribution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (c) third, only if such payment is due on a Redemption Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Redemption Amount (to the extent not already paid under paragraph (b) above) due on the Redemption Date;
- (d) fourth, to the Servicing Agent in payment of any outstanding Servicing Agency Expenses; and
- (e) fifth, only if such payment is due on a Redemption Date, in payment of the surplus (if any) to the Issuer.

The Principal Paying Agent shall apply all monies so received towards the payments set forth above.

5. PERIODIC DISTRIBUTION AMOUNTS

5.1 Periodic Distribution Amounts and Periodic Distribution Dates

A distribution amount, representing the return in respect of the Trust Assets derived from payments made to the Trustee under the Lease Agreement, will accrue and be payable on the Certificates and be distributed in accordance with these Conditions.

Subject to Condition 3.2 and Condition 4.2, the Trustee shall instruct the Principal Paying Agent to distribute to each Certificateholder *pro rata* on each Periodic Distribution Date, a distribution amount equal to the Periodic Distribution Amount due and payable on such Periodic Distribution Date.

The Calculation Agent will calculate the amounts payable in respect of any Certificates by multiplying the Periodic Distribution Amount by a fraction of which the numerator is the principal amount of the relevant

Certificateholder's certificates and the denominator of which is the Sukuk Issue Amount at such time and rounding the resultant figure to the nearest US\$ 0.01, US\$ 0.005 being rounded upwards.

Any amount payable on any Periodic Distribution Date and any other additional amounts payable by or on behalf of the Trustee under these Conditions shall be calculated by the Calculation Agent.

For these purposes:

"Periodic Distribution Amount" means, with respect to each Periodic Distribution Period, an amount equal to the product of (a) the Rental Rate; (b) the Sukuk Issue Amount; and (c) the number of days (calculated on the basis of a year of 360 days consisting of 12 30-day months each and, in the case of an incomplete month, the actual number of days) to elapse in the relevant Periodic Distribution Period divided by 360.

"Periodic Distribution Date" means February 12 and August 12 of each year up to and including August 12, 2014 (or if any such day is not a Business Day, the following Business Day unless it would thereby fall into the next calendar month, in which event such day shall be the immediately preceding Business Day), commencing on the Periodic Distribution Date falling on February 12, 2010.

"Periodic Distribution Period" means the period from and including the Closing Date to but excluding the first Periodic Distribution Date and thereafter each successive period from and including a Periodic Distribution Date to but excluding the immediately following Periodic Distribution Date or Redemption Date (if such date is not a Periodic Distribution Date).

6. REDEMPTION

6.1 Scheduled Redemption

Unless previously redeemed, the Certificates shall be redeemed in full by the Issuer on the Scheduled Redemption Date by payment of the Redemption Amount to each Certificateholder *pro rata*, and the Trust will be dissolved following such payment in full.

The Calculation Agent will calculate the amounts payable in respect of any Certificates by multiplying the Redemption Amount by a fraction of which the numerator is the principal amount of the relevant Certificate and the denominator of which is the Sukuk Issue Amount on the Scheduled Redemption Date and rounding the resultant figure to the nearest US\$0.01, US\$0.005 being rounded upwards.

In the event that payment of the Redemption Amount has not been paid in full when due (for whatever reason), additional amounts shall accrue on a daily basis and be calculated as the product of (i) the outstanding Redemption Amount, (ii) the Rental Rate, and (iii) a fraction of which the numerator is the actual number of days (calculated on the basis of a year of 360 days consisting of 12 30-day months each and, in the case of an incomplete month, the actual number of days) from (and including) the due date for payment of the outstanding Redemption Amount to (but excluding) the date of full payment, and the denominator of which is 360.

6.2 Dissolution Event—Early Redemption

Following the occurrence of a Dissolution Event, the Certificates may, subject to Condition 12 (*Dissolution Events*), be redeemed in full by the Issuer on the Early Redemption Date by payment of the Redemption Amount to each Certificateholder *pro rata*, and the Trust will be dissolved following such payment in full.

The Calculation Agent will calculate the amount payable in respect of any Certificate by multiplying the Redemption Amount by a fraction of which the numerator is the principal amount of the relevant Certificate and the denominator is the Sukuk Issue Amount on the Early Redemption Date and rounding the resultant figure to the nearest US\$0.01, US\$0.005 being rounded upwards.

In the event that payment of the Redemption Amount has not been paid in full when due (for whatever reason), additional amounts shall accrue on a daily basis and be calculated as the product of (i) the outstanding Redemption Amount, (ii) the Rental Rate, and (iii) a fraction of which the numerator is the actual number of days (calculated on the basis of a year of 360 days consisting of 12 30-day months each and, in the case of an incomplete month, the actual number of days) from (and including) the due date for payment of the outstanding Redemption Amount to (but excluding) the date of full payment, and the denominator of which is 360.

6.3 Redemption for Taxation Reasons

The Certificates may be redeemed at the option of PETRONAS, in whole but not in part, at any time, upon PETRONAS, pursuant to the Sale Undertaking, providing the Issuer not less than 30 nor more than 60 days' notice prior to the date of redemption (the "Tax Redemption Date") specified in such notice at the Redemption Amount, only if, as a result of the following: (1) any change in or amendment to the laws of Malaysia or Labuan (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in the official interpretation or official application of such laws, regulations or rulings; or (2) any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which Malaysia or Labuan (or such political subdivision or taxing authority) is a party, which change, amendment or treaty becomes effective on or after the date of this Offering Circular:

- (a) the Lessor is, or on the next Periodic Distribution Date would be unable, for reasons outside of its control, to procure payment by the Lessee of any additional amounts as described under Condition 10 pursuant to the terms of the Lease Agreement, and the Issuer is, or on the next Periodic Distribution Date would be, required to pay such additional amounts; or
- (b) the Lessee has, or will become, obligated to pay any additional amounts as described in Condition 10 pursuant to the terms of the Lease Agreement to ensure that the funds available to the Trustee are sufficient to pay the relevant Periodic Distribution Amount,

(each a "Tax Event").

The Lessee must, at the same time as providing the notice referred to above, deliver to the Delegate a certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to such right of redemption have occurred.

Upon receipt by the Issuer of such notice of redemption of the Certificates, the Issuer shall give notice to the Certificateholders that the Certificates shall be redeemed in full on the Tax Redemption Date.

Following satisfaction of the conditions set out above in this Condition 6.3 (*Redemption for Taxation Reasons*) the Certificates shall be redeemed in full by the Issuer on the Tax Redemption Date in cash for an amount equal to the Redemption Amount as of such date, and the Trust shall be dissolved following such payment in full.

The Redemption Amount shall be distributed on the Tax Redemption Date *pro rata* amongst the Certificateholders. The Calculation Agent will calculate the amount payable in respect of any Certificate

by multiplying the Redemption Amount by a fraction of which the numerator is the principal amount of the relevant Certificate and the denominator is the Sukuk Issue Amount on the Tax Redemption Date and rounding the resultant figure to the nearest US\$0.01, US\$0.005 being rounded upwards.

In the event that payment of the Redemption Amount has not been paid in full when due (for whatever reason), additional amounts shall accrue on a daily basis and be calculated as the product of (i) the outstanding Redemption Amount, (ii) the Rental Rate, and (iii) a fraction of which the numerator is the actual number of days (calculated on the basis of a year of 360 days consisting of 12 30-day months each and, in the case of an incomplete month, the actual number of days) from (and including) the due date for payment of the outstanding Redemption Amount to (but excluding) the date of full payment, and the denominator of which is 360.

6.4 Dissolution following a Total Loss

Following the occurrence of a Total Loss, the Certificates may, subject to Condition 12.4, be redeemed by the Issuer on the date falling thirty one (31) days after the occurrence of the Total Loss, and the Trust will be dissolved following such payment.

The Certificates will be redeemed using the proceeds of Insurances and/or the Total Loss Shortfall Amount which are required to be paid into the Transaction Account by no later than the 31st day after the occurrence of the Total Loss.

6.5 Interest in Trust Assets

Upon payment in full of the amounts equal to the Redemption Amount, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof.

6.6 Cancellation

All Certificates which are:

- (a) redeemed will forthwith be cancelled and accordingly may not be held, reissued or sold;
- (b) surrendered for cancellation by PETRONAS on a Periodic Distribution Date may be cancelled by the Trustee following notice of such cancellation to the Principal Paying Agent, the Registrar and any other relevant Agent. The Trustee shall make any necessary or desirable modifications to the Transaction Documents reflecting the reduction in the outstanding principal amount of the Certificates resulting from such cancellation subject to PETRONAS being solely responsible for the payment of all fees, costs and expenses arising from any cancellation of its Certificates or such modifications, including any legal fees for the issuances of legal opinions and assurances required by the Trustee.

7. COVENANTS

The Issuer has covenanted in the Declaration of Trust that, among other things, for so long as any Certificate is outstanding, it shall not, without the consent of the Delegate given in accordance with the provisions of the Declaration of Trust:

- (a) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee or indemnity in respect of any obligation of any person (other than under or pursuant to any of the Transaction Documents) or issue any shares (or rights, warrants or options in respect of shares or

securities convertible into or exchangeable for shares) other than those in issue as at the Closing Date;

- (b) secure any of its present or future indebtedness for borrowed money by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law if any) (other than under or pursuant to any of the Transaction Documents);
- (c) sell, transfer, assign, participate, exchange, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise), any part of its title to any of the Trust Assets or any interest therein except pursuant to any Transaction Document (or permit such to occur or suffer such to exist);
- (d) use the proceeds of the issue of the Certificates for any purpose other than as contemplated in the Transaction Documents;
- (e) subject to Condition 16 (*Meetings of Certificateholders*), amend or agree to any amendment of any of the Transaction Documents to which it is a party or to its constitutional documents;
- (f) exercise its option under the Purchase Undertaking except in its capacity as Trustee;
- (g) act as trustee in respect of any trust other than the Trust, or in respect of any parties other than the Certificateholders and/or act as agent for any trust arrangement other than the Trust;
- (h) have any subsidiaries or employees;
- (i) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;
- (j) put to its directors or shareholders (i) any resolution for or appoint any liquidator for its winding up or (ii) any resolution for the commencement of any other bankruptcy or insolvency proceedings with respect to it; or
- (k) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents and any certificate purchase agreement or ancillary document connected to the issue of the Certificates or as expressly permitted or required thereunder or engage in any business or activity other than:
 - (i) as provided for or permitted in the Transaction Documents;
 - (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
 - (iii) such other matters which are incidental thereto.

8. CALCULATION AGENT

8.1 Appointment

The Issuer shall procure that so long as any of the Certificates remains outstanding there shall at all times be a Calculation Agent to undertake all necessary calculations and/or determinations for the purposes of

calculating the relevant amounts due to be paid on the Certificates provided that the Issuer may terminate the appointment of such Calculation Agent in accordance with the provisions of the Agency Agreement. All such calculations shall be undertaken in respect of each US\$100,000 in principal amount of Certificates. The Calculation Agent may not resign its duties or be removed without a successor having been appointed.

8.2 Determinations binding

Any determination or calculation made by the Calculation Agent shall (in the absence of manifest error) be final and binding on the Issuer, the Trustee, the Delegate, PETRONAS, the Certificateholders and the other Agents. The Calculation Agent may consult on any matter with any legal or other adviser selected by it and it shall not be liable in respect of anything done or omitted to be done relating to that matter in good faith in accordance with that adviser's opinion.

9. PAYMENT

9.1 Payments in Respect of Certificates

Subject to Condition 9.2, payment of any Redemption Amount will be made on the relevant due date for payment by the Principal Paying Agent by wire transfer in same day funds to the registered account of each Certificateholder or by a US dollar cheque drawn on a bank that processes payments in US dollar and mailed to the registered address of the Certificateholder if it does not have a registered account. Payments of any Redemption Amount due will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents.

Subject to Condition 9.2, payment of any Periodic Distribution Amount will be made on the relevant due date for payment by the Principal Paying Agent by wire transfer in same day funds to the Certificateholder shown on the Register at the close of business on the 15th day before the Periodic Distribution Date. Such payment will be made to the registered account of each Certificateholder or by a US dollar cheque drawn on a bank that processes payments in US dollar and mailed to the registered address of the Certificateholder if it does not have a registered account.

For the purposes of this Condition 9, a Certificateholder's "registered account" means the US dollar account maintained by or on behalf of it with a bank that processes payments in US dollar, details of which appear on the Register at the close of business on the second Business Day before the due date for payment and a Certificateholder's "registered address" means its address appearing on the Register at that time.

9.2 Payments subject to applicable laws

Payments of any Periodic Distribution Amount, Redemption Amount and/or any other additional amounts payable by or on behalf of the Issuer under these Conditions (together, the "Sukuk Payments") are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*).

9.3 Payment only on a Business Day

Where payment of any Sukuk Payments is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated and, where payment is to be made by a cheque, the cheque will be mailed in each case by the Principal Paying Agent, on the date for payment or if later and in respect of payments of the Redemption Amount payable by or on behalf of the Issuer under these Conditions on the Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent.

Certificateholders will not be entitled to any Periodic Distribution Amount and/or Redemption Amount or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the relevant Certificateholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

9.4 Agents

The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that it will (i) at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity), (ii) at all times maintain a Paying Agent having its specified office in Luxembourg and (iii) a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Issuer in accordance with Condition 15 (*Notices*).

10. TAXATION

All payments by the Issuer or PETRONAS in respect of the Certificates will be made without withholding or deduction for, or on account of, any Withholding Taxes, unless deduction or withholding of such Withholding Taxes is required by law. In that event, the Issuer will pay such additional amounts as are paid to it by PETRONAS in order that the net amounts received by the Certificateholders after such withholding or deduction, together with such additional amounts, shall equal the respective amounts of principal and profit which would have been receivable in respect of the Certificates in the absence of such Withholding Taxes, except that no such additional amounts shall be payable in respect of any Certificate:

- (i) to or on behalf of a Certificateholder or beneficial owner who is subject to Withholding Taxes by reason of having some connection with Malaysia or Labuan otherwise than by reason only of the holding of, the exercise of any right provided by, the enforcement of any terms of, or the receipt of principal or profit in respect of, any Certificates, or
- (ii) to or on behalf of a Certificateholder or beneficial owner who would not be liable for or subject to such Withholding Taxes by complying with any certification, identification or other reporting requirements whether imposed by statute, treaty, regulation or administrative practice concerning nationality, residence or connection with the Relevant Jurisdiction if such compliance is required as a precondition to relief or exemption from such Withholding Taxes and if, after having been requested to make such certification or identification or comply with such reporting requirements, such Certificateholder or beneficial owner fails to do so, or
- (iii) to or on behalf of a Certificateholder or beneficial owner who presents such Certificate (where presentation is required) for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Certificateholder or beneficial owner thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such 30-day period, or
- (iv) to or on behalf of a Certificateholder or beneficial owner to the extent any withholding is required to be made pursuant to EC Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive, or

- (v) to or on behalf of a Certificateholder or beneficial owner in respect of any tax, duty, assessment or other governmental charge which would not have been imposed but for the presentation for payment of such Certificate by or on behalf of a Certificateholder who would have been able to avoid such withholding or deduction by presenting the relevant Certificate to a Paying Agent in another Member State of the European Union, or
- (vi) any combination of (i), (ii), (iii), (iv) or (v) above.

The obligation to pay such additional amounts shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments on the Certificates; provided that, except as otherwise set forth in the Certificates and the Transaction Documents, the Issuer shall pay all stamp and other duties, if any, which may be imposed by the Relevant Jurisdiction, the United States or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the Transaction Documents or as a consequence of the initial issuance of the Certificates.

If the Issuer is required to pay additional amounts in respect of Withholding Taxes, it will deliver to the Paying Agent at the time of any such payment a statement specifying the amount of taxes so paid. The Paying Agent will make a copy of such documentation available to any Certificateholder or beneficial owner of the Certificates upon request.

As used herein, the “Relevant Date” means the date on which such payment first becomes due, except that, if the amount of the monies payable has not been received by the Paying Agent on or prior to such date, it means the date on which, the full amount of such monies having been so received, notice to that effect shall have been duly given to the Certificateholders.

11. **PRESCRIPTION**

Any monies paid by the Issuer or PETRONAS to the Paying Agents for payments under any Certificates and remaining unclaimed at the end of two years after the Relevant Date shall then be repaid to the Issuer or PETRONAS, and upon such repayment, all liability of the Paying Agents with respect to such monies shall thereupon cease and any Certificateholder representing a claim therefor shall thereafter look only to the Issuer for payment thereof.

12. **DISSOLUTION EVENTS**

12.1 The occurrence of any of the following events shall constitute a Dissolution Event:

- (a) the Issuer fails to pay any Periodic Distribution Amount on its due date for payment and such default continues unremedied for a period of 14 days, or the Redemption Amount on the relevant due date; or
- (b) the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Declaration of Trust, the Agency Agreement or any other Transaction Document to which it is a party and (except in any case where the failure is incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer by the Delegate, has been delivered to the Issuer; or
- (c) a Termination Event occurs under the Lease Agreement and is continuing; or

- (d) at any time it is or will become unlawful for the Issuer to perform or comply with any of its obligations under the Transaction Documents to which it is a party or any of the obligations of the Issuer under the Transaction Documents to which it is a party are not, or cease to be, legal, valid, binding and enforceable; or
- (e) either:
 - (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due;
 - (ii) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made);
 - (iii) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or
 - (iv) the Issuer ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (f) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer; or
- (g) any event occurs which under the laws of Malaysia has an analogous effect to any of the events referred to in paragraphs (e) and (f) above.

12.2 Upon the occurrence of a Dissolution Event, the Issuer shall give notice of the occurrence of such Dissolution Event to the Delegate and the Certificateholders in accordance with Condition 15 (*Notices*) with a request to such Certificateholders to indicate if they wish the Trust to be dissolved.

12.3 Upon the occurrence of a Dissolution Event following the issuance of a notice pursuant to the preceding paragraph, the Delegate in its sole discretion may, and if so requested in writing by the holders of at least 25 per cent. in Sukuk Issue Amount, or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured to its satisfaction against all Liability to which it may render itself liable or which it may incur by so doing) give notice to all the holders of such Certificates in accordance with Condition 15 (*Notices*) that the Certificates are immediately due and payable at the Redemption Amount on the date specified in such notice (the “Early Redemption Date”) and that the Trust is to be dissolved on the day after the last outstanding Certificate has been redeemed in full and all payments and/or deliveries in respect hereof have been satisfied in full, provided, however, that in the case of any of the events described in (c) above, such notice may only be given if the Delegate has certified in writing to the Issuer that such event, in the opinion of the Delegate, is materially prejudicial to the interests of the Certificateholders.

12.4 Upon the occurrence of a Total Loss, the Issuer shall give notice of the occurrence of such Total Loss to the Delegate and the Certificateholders in accordance with Condition 15 (*Notices*) and notify them that the Certificates will become due and payable on the date falling thirty one (31) days after the occurrence of the Total Loss (the “Total Loss Redemption Date”).

Following a Total Loss, the Trustee will have recourse to:

- (a) the Insurances procured by the Servicing Agent under the Servicing Agency Agreement for an amount equal to the Sukuk Issue Amount; and
- (b) the Servicing Agent for an amount equal to the Total Loss Shortfall Amount.

13. ENFORCEMENT AND EXERCISE OF RIGHTS

- 13.1 Upon the occurrence of a Dissolution Event, to the extent that the amounts payable in respect of the Certificates have not been paid in full in accordance with these Conditions, the Delegate shall (acting on behalf of the Certificateholders) take one or more of the following steps:
- (a) take enforcement action against PETRONAS for all amounts due to be paid under the Purchase Undertaking;
 - (b) take enforcement action against the Servicing Agent for all amounts due to be paid under the Servicing Agency Agreement; or
 - (c) take such other steps as the Delegate may consider necessary to recover amounts due to the Certificateholders.
- 13.2 Notwithstanding Condition 13.1, no enforcement action against PETRONAS under the Purchase Undertaking may be taken following the occurrence of a Dissolution Event arising solely as a result of the Servicing Agent's failure to pay the Total Loss Shortfall Amount when due under the Servicing Agency Agreement.
- 13.3 Neither the Delegate nor the Trustee shall be bound in any circumstances including, but not limited to, in accordance with this Condition 13 to take any action in relation to the Trust Assets or any Dissolution Event or to take any proceedings or any other steps under these Conditions or the Transaction Documents unless directed or requested to do so (i) by an Extraordinary Resolution or (ii) in writing by the holders of at least 25 per cent. in Sukuk Issue Amount and in either case, then only if it shall be indemnified and/or secured to its satisfaction against all Liability to which it may render itself liable or which it may incur by so doing.
- 13.4 No Certificateholder shall be entitled to proceed directly against, or to provide instructions to the Trustee to pursue any claim, against the Issuer or PETRONAS arising under the Trust Assets or the Certificates or to enforce the performance of any provisions of any of the Transaction Documents or for any other reason unless (i) the Delegate has resigned its appointment in accordance with the terms of the Declaration of Trust, (ii) no successor or replacement has been appointed in its place (in accordance with the terms of the Declaration of Trust) and (iii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against PETRONAS) holds at least 25 per cent. of the Sukuk Issue Amount. Under no circumstances shall the Trustee, the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Purchase Undertaking, and the only right of the Trustee, the Delegate and Certificateholders against the Issuer and PETRONAS shall be (i) to enforce the obligation of PETRONAS to pay the Exercise Price under the Purchase Undertaking, (ii) to enforce the obligations of the Lessee under the Lease Agreement and (iii) to enforce the obligations of the Servicing Agent under the Servicing Agency Agreement.
- 13.5 Conditions 13.1, 13.2, 13.3, and 13.4 are subject to this Condition 13.5. After enforcing and distributing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 4.2, the obligations of the Issuer, the Trustee and the Delegate in respect of the Certificates shall be satisfied and no Certificateholder may take any steps against the Issuer, the Trustee or the Delegate to recover any sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Issuer, the Delegate or the Trustee, nor shall any of them have any claim in respect of the Trust Assets of any other trust established by the Trustee.

14. REPLACEMENT OF CERTIFICATES

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified offices of the Replacement Agents upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee may require. Mutilated or defaced Certificates must be surrendered or an indemnity given before replacements will be issued.

15. NOTICES

15.1 All notices regarding Certificates will be deemed to be validly given if published in one or more leading English language daily newspapers of general circulation in London (which is expected to be the Financial Times) and, so long as the Certificates are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, published in a daily newspaper in Luxembourg approved by the Trustee (which is expected to be *Luxemburger Wort*), or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), or otherwise in compliance with the listing rules of the Luxembourg Stock Exchange. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Certificates are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

15.2 Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with the relative Certificate or Certificates, with the Principal Paying Agent.

16. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

16.1 The Delegate and/or the Trustee may convene meetings of Certificateholders in accordance with the provisions contained in the Declaration of Trust to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Declaration of Trust or any other Transaction Document. The quorum at any meeting for passing an Extraordinary Resolution will be two or more Certificateholders, proxies or representatives holding or representing more than half in Sukuk Issue Amount, or at any adjourned such meeting two or more Certificateholders, proxies or representatives present whatever the principal amount of the Certificates held or represented by him or them. To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than three quarters of the persons voting on a show of hands or, if a poll is demanded, a majority of not less than three quarters of the votes cast on such poll. An Extraordinary Resolution to approve a Reserved Matter (which must be proposed to all Certificateholders) must be sanctioned by unanimous consent of all Certificateholders at such time. An Extraordinary Resolution duly passed at any meeting of Certificateholders will be binding on all holders of the Certificates, whether or not they are present at the meeting and whether or not voting.

16.2 The Trustee may agree, without the consent or sanction of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Declaration of Trust or of any other Transaction Documents, or determine, without any such consent as aforesaid, that any Dissolution Event shall not be treated as such, if, in the opinion of the Trustee:

- (a) such modification is of a formal, minor or technical nature; or

- (b) such modification is made to correct a manifest error; or
- (c) such modification is required to effect cancellation of Certificates in accordance with Condition 6.6(b); or
- (d) such modification is not materially prejudicial to the interests of the Certificateholders and such modification is required by PETRONAS to substitute the Sukuk Assets during a Lease Period; or
- (e) such modification, waiver, authorisation or determination is not, in the opinion of the Trustee, materially prejudicial to the interests of Certificateholders;

Any such modification, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding upon the Certificateholders and, unless the Trustee otherwise decides, shall as soon as practicable thereafter be notified to Certificateholders in accordance with Condition 15.

- 16.3 In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee or, as the case may be, the Delegate (in each case, acting on behalf of the Certificateholders) shall have regard to the general interests of Certificateholders as a class but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders or groups of Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and neither the Trustee nor the Delegate shall be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, the Delegate or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except to the extent provided in Condition 10 (*Taxation*).
- 16.4 Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on Certificateholders and any modification, abrogation, waiver, authorisation, determination or substitution shall be notified by the Trustee (unless the Delegate otherwise agrees) to Certificateholders as soon as practicable thereafter in accordance with Condition 15 (*Notices*).

17. INDEMNIFICATION AND LIABILITY OF THE TRUSTEE AND THE DELEGATE

- 17.1 The Declaration of Trust contains provisions for the indemnification of the Trustee and Delegate in certain circumstances and for relief from responsibility, including provisions relieving the Trustee and the Delegate from taking action unless indemnified and/or secured to its satisfaction, in particular, in connection with the exercise of any of their respective rights in respect of the Trust Assets.
- 17.2 The Delegate and the Trustee (solely in its capacity as such) make no representation and assume no responsibility for the validity, sufficiency or enforceability of the obligations of any of the Lessee, PETRONAS or the Servicing Agent under any Transaction Document to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payment which should have been made by any of the Lessee, the Servicing Agent or PETRONAS, as the case may be, but is not so made, and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or the Declaration of Trust.
- 17.3 The Delegate and the Trustee shall not be liable in respect of any loss or theft of the Trust Assets or any cash or for failure in any obligation to insure the Trust Assets (except as set out in the Transaction

Documents) or any cash or for any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depository or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of the fraud, wilful default or gross negligence of the Delegate or the Trustee.

18. CURRENCY INDEMNITY

The Issuer agrees to indemnify each Certificateholder against any loss incurred by such holder as a result of any judgment or order being given or made for any amount due under such Certificate and such judgment or order is expressed and paid in a currency (the “Judgment Currency”) other than US dollars and as a result of any variation as between (a) the rate of exchange at which the US dollar is converted into the Judgment Currency for the purpose of such judgment or order and (b) the rate of exchange at which the holder on the date of payment of such judgment or order is able to purchase US dollars with the amount of the Judgment Currency actually received by the holder. This indemnification will constitute a separate and independent obligation of the Issuer and will continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term “rate of exchange” includes any premiums and costs of exchange payable in connection with the purchase of, or conversion into, US dollars.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

- 20.1 The Transaction Documents (including the Certificates), and any non-contractual obligations arising out of or in connection with the Transaction Documents, are governed by, and will be construed in accordance with, English law.
- 20.2 The Issuer has in the Declaration of Trust irrevocably and unconditionally agreed for the benefit of the Trustee and Certificateholders that the courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Declaration of Trust or the Certificates and that accordingly any suit, action or proceedings arising therefrom or in connection therewith (together referred to as “Proceedings”) may be brought in the courts of England.
- 20.3 The Issuer has in the Declaration of Trust irrevocably and unconditionally appointed an agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Delegate may approve as its agent for that purpose. In the event that no such replacement agent for service of process in England has been appointed by the Issuer within 5 days, the Delegate shall have the power to appoint, on behalf of and at the expense of the Issuer, a replacement agent for service of process in England.

21. DEFINITIONS

In these Conditions:

“Agent” means each of the Principal Paying Agent, the Paying Agents, the Registrar, the Replacement Agent, the Calculation Agent and the Transfer Agent appointed by the Issuer pursuant to the Agency Agreement (including, for the avoidance of doubt, the Luxembourg Paying and Transfer Agent).

“Business Day” means a day (other than Saturday and Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Kuala Lumpur, Labuan and New York.

“Capital Stock” means, with respect to any person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) of such person’s equity, including any preferred stock of such person, whether now outstanding or issued after the date hereof, including without limitation, all series and classes of such Capital Stock.

“Certificateholder” shall have the meaning given in Condition 1.2.

“Clearstream, Luxembourg” means Clearstream Banking, Société Anonyme.

“Dissolution Event” shall have the meaning given in Condition 12.

“DTC” means Depository Trust Company.

“Early Redemption Date” shall have the meaning given in Condition 12.3.

“Euroclear” means Euroclear Bank S.A./N.V. as operator of the Euroclear System.

“Exercise Price” shall have the meaning given in the Purchase Undertaking and the Sale Undertaking, as the case may be.

“Extraordinary Resolution” shall have the meaning given in the Declaration of Trust.

“holder” shall have the meaning given in Condition 1.2.

“Insurances” means insurance of the Sukuk Assets against Total Loss from any conventional or takaful insurer.

“Judgment Currency” shall have the meaning given in Condition 18.

“Lease Agreement” shall have the meaning given in Condition 4.1.

“Lessee” means PETRONAS in its capacity as lessee under the Lease Agreement.

“Lessor” means PETRONAS Global Sukuk Ltd. in its capacity as lessor under the Lease Agreement.

“Liability” means any direct loss, actual damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis.

“Periodic Distribution Amount” shall have the meaning given in Condition 5.1:

“Periodic Distribution Date” shall have the meaning given in Condition 5.1.

“Periodic Distribution Period” shall have the meaning given in Condition 5.1.

“person” means any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state, in each case whether or not being a separate legal entity but it does not include the subsidiaries of the Issuer that are wholly or majority owned, directly or indirectly, by it.

“Proceedings” shall have the meaning given in Condition 20.2.

“Purchase Agreement” shall have the meaning given in Condition 4.1.

“Purchase Undertaking” shall have the meaning given in Condition 4.1.

“Redemption Amount” means the aggregate of:

- (a) the Sukuk Issue Amount;
- (b) any accrued Periodic Distribution Amount that is due but unpaid as of the relevant Redemption Date; and
- (c) any other amount that is due (but unpaid) under these Conditions (including, without limitation, Condition 10 (*Taxation*)).

“Redemption Date” means the earlier to occur of the Scheduled Redemption Date, the Early Redemption Date, the Total Loss Redemption Date or the Tax Redemption Date.

“Register” shall have the meaning given in Condition 1.1.

“Relevant Date” means in respect of any payment in relation to a Certificate, the later of (a) the date on which the payment first becomes due, and (b) if the full amount payable has not been received by the Principal Paying Agent on or before the due date, the date on which (the full amount having been so received) notice to that effect has been given to the Certificateholders by the Issuer in accordance with Condition 15 (*Notices*).

“Relevant Jurisdiction” means Malaysia, Labuan and any political subdivision or any authority thereof or therein having power to tax.

“Rental Rate” means 4.25 per cent. per annum.

“Sale Undertaking” shall have the meaning given in Condition 4.1.

“Scheduled Redemption Date” means August 12, 2014.

“Servicing Agency Agreement” shall have the meaning given to such term in Condition 4.1.

“Servicing Agency Expenses” means, in respect of a Lease Period, all payments owed by the Lessor to the Servicing Agent in respect of the services provided under the Servicing Agency Agreement.

“Servicing Agent” means PETRONAS, in its capacity as Servicing Agent under the Servicing Agency Agreement.

“Subsidiary” means, with respect to any person:

- (a) any corporation, association, partnership or other business entity of which more than 50 per cent. of the total voting rights of its Capital Stock is at the time owned or controlled directly by such person, or by such person and one or more Subsidiaries of such person or by one or more Subsidiaries of such person;
- (b) any partnership in which such person or a Subsidiary of such person is, at the time, a general partner; or
- (c) any other person in which such person, one or more Subsidiaries of such person, or such person and one or more Subsidiaries of such person, directly or indirectly, at the date of determination thereof has (x) over a 50 per cent. ownership interest or (y) the power to elect or direct the election of a majority of the directors, members of the Board of Directors or other governing body of such person;

“Sukuk Assets” shall have the meaning given in Condition 4.1.

“Sukuk Issue Amount” means, at any time, the aggregate principal amount of the outstanding Certificates which is US\$1,500,000,000 on the Closing Date.

“Sukuk Payments” shall have the meaning given in Condition 9.2.

“Tax” means any rents in the nature of tax, rates in the nature of tax, tax, assessment, fee, levy, impost, duty or other charge or withholding of whatever nature imposed by Malaysia or by any department, agency or other political subdivision or taxing authority thereof or therein (including any penalty, charge or similar liability payable in connection with any failure to pay or any delay in paying any of the same).

“Tax Event” shall have the meaning given in Condition 6.3.

“Tax Redemption Date” shall have the meaning given in Condition 6.3.

“Termination Event” shall have the meaning given in the Lease Agreement. The occurrence and continuance of the following will constitute Termination Events:

- (a) default in the payment of any Rental amount payable pursuant to the Lease Agreement or any other Transaction Document as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or
- (b) default in the payment of all or any amount payable pursuant to the Purchase Undertaking as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise; or
- (c) failure on the part of the Issuer duly to observe or perform any of the other covenants or agreements on the part of the Issuer contained in any Transaction Document for a period of 60 days after the date on which written notice specifying such failure, stating that such notice is a “Notice of Default” under the Certificate and demanding that the Issuer remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Issuer at the office of the Delegate by the holders of at least 25 per cent. in aggregate principal amount of the Certificate at the time outstanding; or

- (d) failure on the part of PETRONAS duly to observe or perform any other of the covenants or agreements on the part of PETRONAS contained in any Transaction Document for a period of 60 days after the date on which written notice specifying such failure, stating that such notice is a “Notice of Default” hereunder and demanding that PETRONAS remedy the same, shall have been given by registered or certified mail, return receipt requested, to PETRONAS at the office of the Delegate by the holders of at least 25 per cent. in aggregate principal amount of the Certificates at the time outstanding; or
- (e) any indebtedness of the Issuer for borrowed money in the aggregate outstanding principal amount of US\$100,000,000 (or its equivalent in any other currency or currencies) or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Issuer or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Issuer in respect of any indebtedness of any other person in the aggregate outstanding principal amount of US\$100,000,000 (or its equivalent in any other currency or currencies) or more not being honored when, and remaining dishonored after becoming, due and called; provided that, if any such default under any such indebtedness shall be cured or waived, then any default by reason thereof shall be deemed to have been cured and waived; or
- (f) any indebtedness of PETRONAS for borrowed money in the aggregate outstanding principal amount of US\$100,000,000 (or its equivalent in any other currency or currencies) or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by PETRONAS or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by PETRONAS in respect of any indebtedness of any other person in the aggregate outstanding principal amount of US\$100,000,000 (or its equivalent in any other currency or currencies) or more not being honored when, and remaining dishonored after becoming, due and called; provided that, if any such default under any such indebtedness shall be cured or waived, then any default by reason thereof shall be deemed to have been cured and waived; or
- (g) the Government of Malaysia ceasing to own and control (directly or indirectly) at least 51 percent of the issued and outstanding capital stock of PETRONAS; or
- (h) a court or administrative or other governmental agency or body having jurisdiction in the premises shall enter a decree or order for relief in respect of the Issuer or PETRONAS in an involuntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Issuer or PETRONAS or for any substantial part of its property or ordering the winding up, dissolution or liquidation of its affairs, or shall otherwise adjudicate or find the Issuer or PETRONAS to be bankrupt or insolvent, and such decree or order shall remain unstayed and in effect for a period of 120 consecutive days; or
- (i) the Issuer or PETRONAS shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or PETRONAS or for any substantial part of its property, or cease to carry on the whole or substantially the whole of its business or make any general assignment for the benefit of creditors, or enter into any composition with its creditors, or take corporate action in furtherance of any such action.

However, such Certificates shall not be due and payable immediately if, prior to the time when the Lessee receives such notice, all Termination Events provided for herein in respect of such Certificates shall have been cured.

If, at any time after the principal of such Certificates shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered, the Lessee shall pay or deposit with the Lessor a sum sufficient to pay all monies then due with respect to such Certificates (other than amounts due solely because of such declaration) and cures all other Termination Events with respect to such Certificates, then the holders of more than 50 per cent. in aggregate of the outstanding principal amount of the Certificates may waive all defaults and rescind and annul such declaration and its consequences.

For the purposes of paragraphs (e) and (f) above, any indebtedness which is in a currency other than US dollars may be translated into US dollars at the spot rate of the sale of US dollars against the purchase of the relevant currency quoted by any leading bank on any day when a quotation is required for such purposes.

“Total Loss” means the total loss, termination or destruction of, or damage to, the whole of the Sukuk Assets or any event or occurrence that renders the same permanently unfit for any economic use and in each case, the repair, reinstatement, replacement (including by way of substitution) or remedial work in respect thereof is wholly uneconomical and impossible.

“Total Loss Redemption Date” shall have the meaning given in Condition 12.4.

“Total Loss Shortfall Amount” means the amount, if any, by which the aggregate of the Sukuk Issue Amount exceeds the Insurance proceeds which have been credited to the Transaction Account on or before the 30th day after Total Loss has occurred.

“Transaction Account” shall have the meaning given in Condition 4.1.

“Transaction Documents” shall have the meaning given in Condition 4.1.

“Trust” shall have the meaning given in Condition 4.1.

“Trust Assets” shall have the meaning given in Condition 4.1.

“US\$” and “US dollar” means United States dollars, being the legal currency for the time being of the United States of America.

“Withholding Taxes” means any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of a Relevant Jurisdiction, or any authority therein or thereof having power to tax.

THE GLOBAL CERTIFICATES

The Certificates sold outside the United States in offshore transactions (the “Unrestricted Certificates”) in reliance on Regulation S under the Securities Act, subject to certain exceptions, will be represented by one or more global certificates in fully registered form without coupons (collectively, the “Unrestricted Global Certificates”). The Unrestricted Global Certificates will be registered in the name of a nominee of The Depository Trust Company (“DTC”) and deposited with The Bank of New York Mellon as custodian for DTC for the accounts of Euroclear Bank, S.A./N.V., as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme, Luxembourg (“Clearstream”).

Until and including the 40th day after the later of the commencement of the offering of the Certificates and the date of the Declaration of Trust (the “Restricted Date”), any resale or other transfer of such interests to U.S. persons shall not be permitted unless such resale or transfer is made pursuant to Rule 144 A or Regulation S, as applicable, and in accordance with the certification requirements described below.

The Certificates sold in reliance on Rule 144A under the Securities Act (the “Restricted Certificates”), subject to certain exceptions, will be represented by one or more global certificates in fully registered form without coupons (collectively, the “Restricted Global Certificates,” and together with the Unrestricted Global Certificates, the “Global Certificates”). The Restricted Global Certificates will be registered in the name of a nominee of DTC and deposited with The Bank of New York Mellon as custodian for DTC.

The Restricted Global Certificates will be subject to certain restrictions on transfer as described in “Transfer Restrictions.”

On or prior to the Restricted Date, an interest in an Unrestricted Global Certificate may be transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate only upon receipt by the Transfer Agent of (A) instructions from DTC, Euroclear or Clearstream directing the Transfer Agent to effect the exchange or transfer of an interest in an Unrestricted Global Certificate and (B) a written certification (in the form provided for in the Agency Agreement) from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After the Restricted Date, an interest in an Unrestricted Global Certificate may be transferred without any certification.

Interests in a Restricted Global Certificate may be transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Certificate, whether before, on or after the Restricted Date, only upon receipt by the Transfer Agent of, among other things, a written certification (in the form provided for in the Agency Agreement) from the transferor.

Any interest in one Global Certificate, upon transfer and delivery, will cease to be an interest in such Global Certificate and become an interest in the other Global Certificate and, accordingly, will thereafter be subject to all of its transfer restrictions and other procedures for as long as it remains such an interest. Interests in the Certificates represented by such Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream, and their respective direct and indirect participants.

DTC, Euroclear or Clearstream, as the case may be, as registered Certificateholder of such Global Certificate will be considered the sole owner or Certificateholder of the Certificates represented by such Global Certificate for all purposes under such Certificates and the Transaction Documents, unless otherwise provided therein.

Payments in relation to any Global Certificate will be made in accordance with the settlement and clearing procedures of DTC. None of the Issuer, PETRONAS, the Delegate, or any of their respective agents will have any responsibility or liability for any aspect of any participant's records, policies or procedures relating to, or for payments made on account of, beneficial interests in a Global Certificate or for any other aspect of the relationship between DTC, Euroclear or Clearstream, as the case may be, and their participants, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

All payments in relation to the Global Certificates will be made in immediately available funds.

The Issuer expects that DTC, Euroclear, Clearstream, or their respective nominees, upon receipt of any payment in relation to the Global Certificates, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Certificates as shown on the records of DTC, Euroclear or Clearstream, as applicable. The Issuer also expects that the payments by participants to owners of beneficial interests in such Global Certificates held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the account of customers registered in "street names," and will be the responsibility of such participants.

Depository Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. The Issuer, PETRONAS and the Transfer Agent take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

The Issuer understands that DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to DTC is available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Euroclear advises that it was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions among Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including, securities lending and borrowing, and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V. (the "Euroclear Operator"), under contract with Euroclear Clearance Systems S.C., a Belgian cooperative corporation (the "Euroclear Clearance System"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Euroclear Clearance System. The Euroclear Clearance System establishes policies for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Managers. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with Euroclear participants, either directly or indirectly. Euroclear is an indirect participant in DTC. The Euroclear Operator is a Belgian bank. The Belgian Banking Commission and the National Bank of Belgium regulate the Euroclear Operator.

Clearstream advises that it is incorporated under the laws of Luxembourg and licensed as a bank and professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions among its participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. Clearstream has established an electronic bridge with the Euroclear Operator, to facilitate the settlement of trades between Clearstream and Euroclear. As a registered bank in Luxembourg, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector. Clearstream customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. In the United States, Clearstream customers are limited to securities brokers and dealers and banks, and may include the Managers. Other institutions that maintain a custodial relationship with a Clearstream customer may obtain indirect access to Clearstream. Clearstream is an indirect participant in DTC.

Settlement and Clearance

Initial settlement for the Certificates will be made in same-day funds. Transfers between participants in DTC will be effected in accordance with DTC's procedures, which currently provide for settlement in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Ownership of beneficial interests in a Global Certificate will be limited to persons who have accounts with DTC participants or persons who hold interests through participants. Upon the issuance of a Global Certificate, DTC or its custodian will credit, on its internal system, the respective principal amount of the beneficial interests represented by such Global Certificate to the accounts of its participants. Such account initially will be designated by or on behalf of the Managers. Ownership of beneficial interests in a Global Certificate will be shown only on, and the transfer of such ownership interests will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants), or by any such participant (with respect to interests of persons held by such participants on their behalf). Payments, transfers, exchanges and other matters relating to beneficial interests in a Global Certificate may be subject to various policies and procedures adopted by DTC, Euroclear or Clearstream, as the case may be, from time to time.

Subject to compliance with the transfer restrictions applicable to the Certificates described above and under "Transfer Restrictions," cross-market transfers of Certificates between DTC, on the one hand, and Euroclear or Clearstream, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Each of Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Unrestricted Global Certificates in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream accountholders and Euroclear accountholders may not deliver instructions directly to the depositories for Clearstream or Euroclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream accountholder purchasing an interest in the Certificates from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the DTC settlement date, and such credit of any transactions in interests in a Global Certificate settlement during such processing day will be reported to the relevant Euroclear or Clearstream accountholder on such day. Cash

received in Euroclear or Clearstream as a result of sales of interests in a Global Certificate by or through a Euroclear or Clearstream accountholder to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC. Settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The arrangements for transfer of payments must be established separately from the arrangements for transfer of securities, the latter being effected on a free delivery basis. The customary arrangements for delivery versus payment between Euroclear and Clearstream accountholders or between DTC participants are not affected.

Although DTC, Euroclear and Clearstream have agreed to the procedures described above in order to facilitate transfers of interests in the Global Certificates among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. None of the Issuer, PETRONAS, the Delegate or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Notices

So long as all the Certificates are represented by Global Certificates and each Global Certificate is held on behalf of DTC or its nominee, notices to Certificateholders may be given by delivery of the relevant notice to the clearing systems for communication to entitled Certificateholders in substitution for notification as required by the Conditions except that, so long as the Certificates are listed on any securities exchange, notices shall also be published in accordance with the rules of such securities exchange. Any such notice shall be deemed to have been given to the Certificateholders on the day after the day on which such notice is delivered to the relevant clearing systems.

Definitive Certificates

Beneficial interests in any Global Certificate may be exchanged for definitive (i.e., non-global) certificates (collectively, the “Definitive Certificates” and each, a “Definitive Certificate”) in fully registered form without coupons only in the event that (x) DTC notifies the Issuer in writing at any time that DTC is unwilling or unable to continue as depository or ceases to be a “clearing agency” registered under the Exchange Act, and a successor is not appointed by the Issuer within 90 days after the Issuer is notified by DTC or becomes aware of such condition or (y) the Certificates have become immediately due and payable pursuant to the Conditions.

Payment of the principal of any Definitive Certificate shall be made, upon presentation and surrender of such Certificate, by check drawn on a bank in The City of New York at the option of the Holder, either:

- (a) at the office of the Principal Paying Agent (initially as set forth on the inside back cover hereto), or
- (b) subject to any applicable laws or regulations and the right of the Issuer to terminate the appointment of any such Paying Agent, at the office of the Paying Agent and Transfer Agent in Luxembourg (the “Luxembourg Paying and Transfer Agent”) (initially as set forth on the inside back cover hereof) and at the offices of such other paying agents as the Issuer may designate from time to time.

Payments in relation to any Certificate shall be made solely in U.S. dollars by check drawn on a bank in The City of New York, mailed to the address of the person entitled thereto as such address shall appear on the securities register (the “Securities Register”) maintained by the Registrar pursuant to the Agency Agreement. The Issuer, PETRONAS and the Registrar may deem and treat the Certificateholder in whose name a Definitive Certificate is registered at the close of business on the fifteenth day preceding such Periodic Distribution Date as

the absolute owner of the Certificate (notwithstanding any notice of ownership or other writing on such Certificate) for the purposes of receiving payment on such Certificate or on account of such Certificate and for all other purposes.

The Certificateholders of Definitive Certificates shall present directly at the corporate trust office of the Registrar in New York or of any other Transfer Agent (including, for so long as the Certificates are listed on the Luxembourg Stock Exchange, at the offices of the Luxembourg Paying and Transfer Agent), all requests for the registration of any transfer of such Certificates, for the exchange of such Certificates for one or more new Definitive Certificates in the like aggregate principal amount and in authorized denominations and for the replacement of such Certificates in cases of mutilation, destruction, loss or theft. Every certificate representing Definitive Certificates presented or surrendered for registration of transfer or for exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Registrar, duly executed by the Certificateholder thereof or his attorney duly authorized in writing. For so long as the Certificates are listed on the Luxembourg Stock Exchange, a form of written instrument of transfer shall be available at the offices of the Luxembourg Paying and Transfer Agent. The registration of any transfer of Definitive Certificates in the Securities Register is also subject to any reasonable requirements of the Issuer and the Registrar. Except for the expenses of delivery other than by regular mail, no service charge shall be made for any exchange or registration of transfer, but the Issuer may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith. No registrations of transfers or exchanges of Definitive Certificates shall be made of any such Certificates that have been called for redemption.

The Agency Agreement provides that Definitive Certificates will be issued to replace Definitive Certificates which have been mutilated, destroyed, stolen or lost upon payment of certain costs associated with such replacement and on certain terms as to evidence and indemnity. In the case of destroyed, stolen or lost Definitive Certificates, replacement Definitive Certificates will not be issued if either the Issuer or the Registrar has been notified that such Certificates have been acquired by a bona fide purchaser. Mutilated Definitive Certificates must be surrendered before replacements will be issued. In the event any such mutilated, destroyed, stolen or lost Definitive Certificate has become or is about to become due and payable, the Issuer in its discretion may, instead of issuing a new Definitive Certificate, pay or cause to be paid such Certificate.

All Definitive Certificates issued as a result of any partial or whole transfer, exchange or replacement of Certificates will be delivered to the Certificateholder at the corporate trust office or branch office of the Registrar, at the office of the Luxembourg Paying and Transfer Agent or at the office of any such other Transfer Agent as the Issuer may designate from time to time, or (at the risk of the Certificateholder) sent by mail to such address as is specified by the Certificateholder in the Certificateholder's request for transfer, exchange or replacement.

Restrictions on Transfer

The Certificates may not be sold or otherwise transferred except as described above under “—The Global Certificates” and “—Definitive Certificates” and in accordance with the restrictions described under “Transfer Restrictions.”

SUMMARY OF TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the Transaction Documents and is qualified in its entirety by reference to the detailed provisions of those Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent. Phrases used in the following summary that are not otherwise defined in this summary have the meanings given to them in “Terms and Conditions of the Certificates.”

Purchase Agreements

The following PETRONAS subsidiaries: MTBE Malaysia Sdn. Bhd., Polypropylene Malaysia Sdn. Bhd., PETRONAS Fertilizer (Kedah) Sdn. Bhd. and PETRONAS Ammonia Sdn. Bhd. will sell to the Issuer their beneficial ownership of those properties described in Purchase Agreements entered into with the Issuer. The proceeds received by the Issuer from the issuance and sale of the Certificates will be used to pay the purchase price of such assets.

Lease Agreement

Pursuant to the Lease Agreement to be dated the Closing Date between the Issuer as Lessor and PETRONAS as Lessee, the Lessee will lease the Sukuk Assets (as defined in Condition 4.1) (the “Lease”). The Lease will commence on the Closing Date and shall, unless terminated earlier following a Termination Event, Total Loss or exercise of PETRONAS’ option under the Sale Undertaking to redeem the Certificates following a Tax Event, comprise ten consecutive lease periods of 6 months each (each a “Lease Period”). The first Lease Period shall commence on the Closing Date and each of the nine subsequent Lease Periods shall commence on the day immediately following the end of the previous Lease Period.

Under the terms of the Lease Agreement, the Lessee will agree that the Lessor shall not be liable to the Lessee or to any third party for any cost, claim, demand, loss, injury, damage or expense of any kind or nature caused directly or indirectly by, or out of, the use of any part or the whole of the Sukuk Assets. The Lessee will agree to fully reimburse, compensate and save harmless the Lessor and its directors, officers, employees and duly appointed representatives against all and any such costs, claims, demands, losses, damages and expenses.

The rental payments for each Lease Period (the “Rental”) shall in respect of each Lease Period be an amount in US dollars equal to the aggregate of:

- (a) the product of (i) the Sukuk Issue Amount, (ii) the Rental Rate, and (iii) the number of days (calculated on the basis of a year of 360 days consisting of 12 30-day months each and, in the case of an incomplete month, the actual number of days) to elapse in the relevant Lease Period divided by 360; and
- (b) the Servicing Agency Expenses (if any) incurred by the Lessor during the previous Lease Period.

The Lessee shall, at its own cost and expense, be responsible for the performance of all Ordinary Maintenance and Repair (as defined in the Lease Agreement).

If payment of any amount that is due and payable in accordance with the Lease Agreement (the “Outstanding Sum”) is not made to the Lessor in full on its due date for payment, the Lessee irrevocably undertakes to pay the Lessor a late payment in respect of the period from, and including, the due date for payment to, but excluding, the date of full payment (or, if earlier, the due date for payment of the Exercise Price pursuant to the Purchase Undertaking), calculated on a daily basis as the product of (a) the Rental Rate; (b) the Outstanding Sum; and (c) a fraction the numerator of which is the number of days (calculated on the basis of a year of 360 days consisting of 12 30-day months each and, in the case of an incomplete month, the actual number

of days) from (and including) the due date for payment of the Outstanding Sum to (but excluding) the date of full payment, and the denominator of which is 360. The Lessor undertakes, after deducting any reasonable and documented administrative and other costs incurred by the Issuer, to pay such late payment amount (on behalf of the Lessee) to the Red Crescent Society being the charity of the Lessee's choice.

Upon the occurrence of a Total Loss, the Lease Agreement shall be automatically terminated and the Lessor will be entitled to all insurance proceeds payable (if any) as a result of the Total Loss. Save for Rental pro rata to, but excluding, the date Total Loss occurs, which shall become immediately due and payable on the date Total Loss occurs, the liability of the Lessee to pay Rental under the Lease shall cease.

Covenants of the Lessee

- (a) The Lessee shall:
- (i) keep and maintain the Sukuk Assets in accordance with the terms of the Lease Agreement;
 - (ii) ensure that the Sukuk Assets are fit for the purpose they are employed or intended to be employed and comply with all laws and regulations applicable for the purpose the Sukuk Assets are being used for or intended to be used; and
 - (iii) except as permitted by the Transaction Documents, not sell, assign, create any Security Interest over, or part with possession of the Sukuk Assets or any part thereof.
- (b) So long as any Certificates are outstanding, the Lessee (not including any of its subsidiaries) shall not create, incur or have outstanding any mortgage, pledge, lien, charge, encumbrance or any other security interest ("Lien") upon the whole or any part of its property or assets, present or future, to secure for the benefit of the holders of any existing or future Indebtedness (as defined below) of itself or any other person (or to secure for the benefit of the holders thereof any guarantee or indemnity in respect thereof) without, in any such case, effectively providing that any payment obligations owed by it to the Lessor under any Transaction Document shall be secured equally and ratably with or prior to such Indebtedness (or such guarantee or indemnity in respect thereof) unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness (other than Indebtedness secured by Liens described in paragraphs (i) to (v) below) plus Attributable Debt (as defined below) of the Lessee in respect of Sale/Leaseback Transactions (as defined below) described below would not exceed 10 per cent. of Consolidated Net Tangible Assets (as defined below).

The foregoing restriction will not apply to Indebtedness secured by:

- (i) any Lien existing on the date of issue of the Certificates;
- (ii) any Lien existing on any property or asset prior to the acquisition thereof by the Lessee or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;
- (iii) any Lien on any property or asset securing Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Lien attaches to such property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;
- (iv) any Lien securing Indebtedness owing to or held by the Lessee; or

- (v) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses, provided that such Indebtedness is not increased and is not secured by any additional property or assets.
- (c) So long as any Certificates are outstanding, the Lessee (not including any of its subsidiaries) shall not enter into any Sale/Leaseback Transaction, unless either (x) the Attributable Debt of the Lessee in respect of such Sale/Leaseback Transaction and all other Sale/Leaseback Transactions (other than such transactions as are permitted by clause (y) below), plus the aggregate outstanding principal amount of Indebtedness secured by Liens then outstanding (excluding any such Indebtedness secured by Liens described in clauses (i) through (v) of paragraph (c) above), which Liens do not equally and ratably secure the payment obligations owed by it to the Lessor under any Transaction Document, would not exceed 10 per cent. of Consolidated Net Tangible Assets, or (y) the Lessee, within 12 months after such Sale/Leaseback Transaction, applies to the retirement of Indebtedness of the Lessee that is not subordinate to the Certificates, an amount equal to the greater of (A) the net proceeds of the sale or transfer of the property or other assets which are the subject of such Sale/Leaseback Transaction or (B) the fair market value of the property or other assets so leased (in each case as determined by the Lessee). The foregoing restriction shall not apply to any transaction between the Lessee and a subsidiary.
- (d) The Lessee covenants that for so long as any Certificate is a “restricted security” within the meaning of paragraph (a)(3) of Rule 144 under the Securities Act, the Lessee shall, at any time when it is not subject to either the periodic reporting requirements of Section 12 of the Exchange Act or the requirements of Rule 12g3-2(b) thereunder, provide to any Certificateholder or prospective purchaser of such Certificate designated by such Certificateholder, upon the request of such prospective purchaser or Certificateholder, the information required to be provided by Rule 144A(d)(4) under the Securities Act.
- (e) The Lessee will cause each of its wholly-owned subsidiaries to do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory) and franchises; provided, however, that, except in the case of the Lessor, the Lessee shall not be required to preserve the corporate existence, rights (charter and statutory) and franchises of any wholly-owned subsidiary if the board of directors of the Lessee shall determine in good faith that the preservation thereof is no longer desirable in the conduct of the business of the Lessee considered as a whole and that the loss thereof is not disadvantageous in any material respect to the Certificateholders.
- (f) So long as any Certificate is outstanding, the Lessee shall, within 180 days after the end of each fiscal year of the Lessee, file with the Delegate its audited consolidated financial statements for such fiscal year, including the notes thereto.
- (g) The Lessee will cause all properties used or useful in the conduct of its business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Lessee may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided, however, that nothing in this paragraph shall prevent the Lessee from discontinuing the operation or maintenance of any of such properties if such discontinuance is, in the good faith judgment of the Lessee, desirable in the conduct of its business and not disadvantageous in any material respect to the holders.
- (h) For so long as any property is used or useful in the conduct of its business, the Lessee will maintain appropriate insurance, in accordance with industry practice, on such property.

Notwithstanding the early termination of the Lease, and without prejudice to any continuing obligations of the Lessee under the Lease Agreement, the Lessee's liability to the Lessor for the payment of Rental accrued to, but excluding, the date of such termination and for any other moneys payable, accruing or becoming due prior to or upon such termination shall not be affected. If the Lessee fails to make any payment due, the Lessor shall be entitled to enforce any or all of the Transaction Documents for the purpose of settling all arrears and other moneys payable, accruing or becoming due under the Lease Agreement.

For the purpose of the foregoing:

“Attributable Debt” means, with respect to any Sale/Leaseback Transaction, the lesser of (x) the fair market value of the property or other assets subject to such transaction and (y) the present value (discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with Financial Reporting Standards in Malaysia (“FRSM”)) of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges and contingent rents) during the term of the lease.

“Consolidated Net Tangible Assets” means, with respect to the Certificates, the total amount of assets of the Lessee and its consolidated subsidiaries as set forth on the most recent available audited balance sheet of the Lessee and its consolidated subsidiaries and computed in accordance with FRSM, including investments in associated companies but after deducting therefrom (a) all current liabilities, (b) expenditures carried forward, including all goodwill, trade names, trademarks, patents, unamortized debt, discount and expense and other like intangible assets, if any, and (c) all write-ups of fixed assets, net of accumulated depreciation thereon, occurring after the date of the most recent audited balance sheet of the Lessee its consolidated subsidiaries available immediately prior to the date on which the Certificates are issued.

“Indebtedness” means any obligation for the payment or repayment of money borrowed which has a final maturity of one year or more from its date of incurrence or issuance.

“Sale/Leaseback Transaction” means any arrangement with any person that provides for the leasing by the Lessee, for an initial term of three years or more, of any property or other assets, whether owned on the date of issue of the Certificates or thereafter acquired, which are to be sold or transferred by the Lessee after the date of issue of the Certificates to such person for a sale price of US\$1,000,000 (or the equivalent thereof) or more where the rental payments are denominated in a currency other than ringgit.

“Security Interest” means any mortgage, pledge, lien, charge, encumbrance, or any other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

“Servicing Agency Expenses” means, in respect of a Lease Period, all payments owed by the Lessor to the Servicing Agent in respect of the services provided under the Servicing Agency Agreement.

“Total Loss” means the total loss, termination or destruction of, or damage to, the whole of the Sukuk Assets or any event or occurrence that renders the same permanently unfit for any economic use and in each case, the repair, reinstatement, replacement (including by way of substitution) or remedial work in respect thereof is wholly uneconomical and impossible.

Servicing Agency Agreement

Under the terms of the Servicing Agency Agreement to be dated the Closing Date, PETRONAS, in its capacity as Servicing Agent will be responsible, on behalf of the Trustee, for the following in respect of the Sukuk Assets:

- (a) Major Maintenance and Structural Repair: all structural repair and major maintenance (including doing such acts or things and taking such steps to ensure that the Sukuk Assets suffer no damage, loss or diminution in value) whether in whole or in part (excluding all repairs, modifications, replacements, acts, maintenance and upkeep works reasonably required for the general use and operation of the Sukuk Assets or to keep, repair, maintain and preserve the Sukuk Assets in good order, state and condition) without which the Sukuk Assets could not be reasonably and properly used by the Lessee;
- (b) Proprietorship Taxes: payment of all Taxes in relation to the Sukuk Assets by law, regulation or decree imposed, charged or levied against a proprietor, but excluding all Taxes that are by law, regulation or decree imposed, charged or levied against a lessee or a tenant;
- (c) Insurances: insuring the Sukuk Assets against all risks against loss, destruction or damage, including, without limitation, Total Loss, upon the terms and subject to the conditions set out below:
 - (i) ensure that any such insurance:
 - (1) shall be for an insured amount, at all times, at least equal to the full reinstatement value of the Sukuk Assets. The Servicing Agent, having regard to its covenant to maintain the full value of the Sukuk Assets, shall ensure that the full reinstatement value of the Sukuk Assets is not less than the Sukuk Issue Amount at any time; and
 - (2) is provided by a reputable insurer and/or Islamic takaful insurer and one which is at all times in good financial standing (having full regard to paragraph (i)(1) above);
 - (ii) make such enquiries and obtain such assurances as it deems fit to ensure that paragraph (i)(2) above is, and shall at all times be, fully complied with;
 - (iii) ensure that such insurance is otherwise satisfactory to ensure compliance with the Servicing Agent's obligations under the Servicing Agency Agreement;
 - (iv) diligently make and pursue any claim under such insurance;
 - (v) ensure that nothing is done or omitted to be done which is contrary to the terms of any such insurance, or which might result in such insurance being restrained, repudiated, vitiated, cancelled, made void or voidable, or otherwise become prejudiced or impaired; and
 - (vi) ensure that in the event of a Total Loss occurring all such insurance proceeds are paid in US dollars directly into the Transaction Account by no later than the 30th day after Total Loss occurring and the insurer will be directed accordingly. If any such insurance amounts are not paid into the Transaction Account by the 30th day after Total Loss occurring due to any default on the part of the Servicing Agent, the Servicing Agent shall be responsible for such insurance amounts.

The Servicing Agency Agreement provides that the Servicing Agent will be, and shall at all times remain, fully responsible, if the insurer's failure to pay arises as a result of any failure by it to strictly comply with its insurance obligations under the Servicing Agency Agreement. If, following a Total Loss, the Servicing Agency

Agreement is not complied with and as a result the amount credited to the Transaction Account pursuant to paragraph (vi) above (if any) is less than the Sukuk Issue Amount (the difference between the Sukuk Issue Amount and the amount credited to the Transaction Account being the “Total Loss Shortfall Amount”), the Servicing Agent irrevocably and unconditionally undertakes to pay (in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount directly into the Transaction Account by no later than 10:00 am in New York on the 31st day after Total Loss has occurred. Thereafter and subject to the Servicing Agent’s strict compliance with the relevant provisions of the Servicing Agency Agreement, any insurance proceeds received shall be for the Servicing Agent’s sole account, and the Lessor will have no further rights to such insurance proceeds in excess of the Redemption Amount (as defined in Condition 21).

Purchase Undertaking

Under the Purchase Undertaking to be executed by PETRONAS in favour of the Trustee on the Closing Date, PETRONAS undertakes to the Trustee that upon the Trustee exercising its option (in accordance with the terms of the Purchase Undertaking) to oblige PETRONAS to buy all of the Sukuk Assets, PETRONAS will buy the same on an “as is” basis (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) from the Trustee at the Exercise Price (as defined in Condition 21) on the terms and subject to the conditions of the Purchase Undertaking.

The Trustee (or the Delegate on its behalf, as the case may be) may exercise its option under the Purchase Undertaking as follows:

- (a) at any time prior to the Scheduled Redemption Date (as defined in Condition 21) only following the occurrence of a Dissolution Event (as defined in Condition 12) which is continuing, by delivering an exercise notice in the form set out in the Purchase Undertaking to PETRONAS specifying the Early Redemption Date (as defined in Condition 12.3), such Early Redemption Date being a minimum of three Business Days following the delivery of such exercise notice to PETRONAS; or
- (b) by no later than thirty (30) days prior to the Scheduled Redemption Date regardless of whether or not a Dissolution Event has occurred or is continuing on that date, by delivering an exercise notice in the form set out in the Purchase Undertaking to PETRONAS.

Promptly following PETRONAS’ payment of the Exercise Price in accordance with the Purchase Undertaking, the sale of all of the Sukuk Assets shall occur by PETRONAS and the Trustee executing a Sale Agreement.

If PETRONAS fails to pay all or part of the Exercise Price due in accordance with the Purchase Undertaking (the “Outstanding Exercise Price”), PETRONAS shall irrevocably and unconditionally (without the necessity for any notice or any other action) continue to take on lease the Sukuk Assets from the Trustee (and act as servicing agent in respect of the Sukuk Assets) with effect from (and including) the due date for payment of the Outstanding Exercise Price on the terms and conditions, mutatis mutandis, of the Lease Agreement and the Servicing Agency Agreement, but with Rental being due and payable on a daily basis and calculated as the product of (a) the Outstanding Exercise Price; (b) the Rental Rate; and (c) a fraction, the numerator of which is the number of days (calculated on the basis of a year of 360 days consisting of 12 months of 30 days each, and in the case of an incomplete month, the actual number of days elapsed) from (and including) the due date for payment of the Outstanding Exercise Price to (but excluding) the date of full payment, and the denominator of which is 360.

For the purpose of the foregoing:

“Exercise Price” means a US Dollar amount equal to the Redemption Amount, as such term is defined in Condition 21.

Sale Undertaking

Early Redemption following a Tax Event

Under the Sale Undertaking to be dated the Closing Date and issued by the Trustee in favour of PETRONAS and certain of its named subsidiaries, following the occurrence of a Tax Event (as defined in Condition 6.3), PETRONAS may exercise its option to oblige the Trustee to sell all of the Sukuk Assets at the Exercise Price, which shall be payable before 10 am New York time on the Tax Redemption Date (as defined in Condition 6.3), by delivering an Exercise Notice (as defined and set out in the schedule to the Sale Undertaking) to the Trustee no later than 30 days and no earlier than 60 days prior to the Tax Redemption Date. The Trustee undertakes that, upon PETRONAS exercising its option, it will sell to PETRONAS all of the Sukuk Assets on an “as is” basis (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the full extent permitted by law). Such sale shall be completed by the Trustee and PETRONAS executing a sale agreement (as set out in the schedule to the Sale Undertaking). Settlement of the Exercise Price in accordance with the Sale Undertaking shall constitute full discharge of the obligation of PETRONAS to pay the Exercise Price to the Trustee.

Substitution of Sukuk Assets

Under the Sale Undertaking to be dated the Closing Date and issued by the Trustee in favour of PETRONAS and certain of its named subsidiaries, the Trustee irrevocably undertakes to PETRONAS and to those subsidiaries that upon PETRONAS or one of those subsidiaries exercising its option to oblige the Trustee to sell to it that part of the Sukuk Assets as specified by it in the substitution exercise notice (the “Original Sukuk Asset”), the Trustee will sell the same on an “as is” basis (without any warranty express or implied as to condition, fitness for purpose, suitability for use or otherwise and if any warranty is implied by law, it shall be excluded to the full extent permitted by law) to PETRONAS or the relevant subsidiary for the beneficial ownership of a specified asset (the “Payment in Kind Asset”), provided always that:

- (a) no Dissolution Event has occurred and is continuing;
- (b) PETRONAS or one of the named subsidiaries delivers a substitution exercise notice to the Trustee no later than 10 days prior to the date on which the substitution sale agreement to be executed by the Trustee and PETRONAS or the relevant subsidiary substantially in the form set out in the Sale Undertaking is to be executed;
- (c) The value (taking into account realisable profit from the Original Sukuk Asset) of the Original Sukuk Asset must be certified by PETRONAS or the relevant subsidiary (in US dollars) in the substitution exercise notice substantially in the form set out in the Sale Undertaking, and that certified value will be the US dollar purchase consideration (the “Sale Price”) for the Payment in Kind Asset;
- (d) the Sale Price must be paid in kind by PETRONAS or the relevant subsidiary transferring the Payment in Kind Asset subject to the value (taking into account realisable profit from the Payment in Kind Asset) of the Payment in Kind Asset being not less than the Sale Price and certified as such in the substitution exercise notice;
- (e) any costs and expenses for such transfer must be paid in full by PETRONAS.

For the purpose of the foregoing:

“Exercise Price” means a US Dollar amount equal to the Redemption Amount, as such term is defined in Condition 21.

Declaration of Trust

Pursuant to the Declaration of Trust, the Issuer will declare that it will (in its capacities as Issuer and Trustee) hold the Trust Assets upon trust absolutely for the Certificateholders *pro rata* according to the principal amount of Certificates held by each Certificateholder subject to and in accordance with the Declaration of Trust and the Conditions. The Issuer shall cause all income from the Trust Assets to be distributed, and all payments in respect of the Certificates to be made, in accordance with the Conditions.

Agency Agreement

Pursuant to the Agency Agreement to be dated the Closing Date, the Issuer will appoint:

- (a) The Bank of New York Mellon, London Branch as principal paying agent, replacement agent, calculation agent and transfer agent in respect of the Certificates;
- (b) The Bank of New York as registrar in respect of the Certificates; and
- (c) The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg paying and transfer agent.

Costs Undertaking

Pursuant to the Costs Undertaking to be dated the Closing Date and executed by PETRONAS, PETRONAS will agree to pay certain fees and expenses arising in connection with the issue of the Certificates and under the Transaction Documents.

Governing law and jurisdiction

The Transaction Documents will be governed by English law and the courts of England shall have the non-exclusive jurisdiction with respect to each of the Transaction Documents.

TAXATION

Malaysian Tax Considerations

As PETRONAS Global Sukuk Ltd. is incorporated under the Labuan Offshore Companies Act 1990, payments on the Certificates (as well as payments made by PETRONAS under the Lease Agreement, the Servicing Agency Agreement, the Purchase Undertaking and the Sale Undertaking) will be exempt from Malaysian withholding tax, and non-residents of Malaysia will not be required to pay income tax in Malaysia with respect to periodic distributions and other payments received in respect of the Certificates. Under Malaysian law, a company is regarded as a “non-resident” if the management and control of its affairs are not exercised in Malaysia at any time by its directors or other controlling authority. The rules regarding the residency status of individuals are complex but are generally based upon the length of time spent in Malaysia.

In addition, any profit paid or credited to any person (including residents of Malaysia) in respect of the Certificates is exempted from income tax in Malaysia pursuant to Section 33B of the Income Tax Act 1967 of Malaysia on the basis that the Certificates are Islamic securities (not being an exchangeable loan stock) originating in Malaysia and approved by the Securities Commission. “Resident” means in relation to a natural person, a citizen or permanent resident of Malaysia; or in relation to any other person, a person who has established a place of business and is operating in Malaysia and includes a person who is declared to be resident pursuant to Section 43 of the Malaysian Exchange Control Act 1953.

Malaysia has no estate, inheritance or capital transfer tax in respect of the Certificates. In addition, neither the issuance nor transfer of the Certificates outside Malaysia will give rise to any capital gains, stamp duty, registration or similar taxes or duties in Malaysia.

Payments of or in respect of principal and profit on the Certificates, and any capital gains realized on the sale or exchange of the Certificates, are not subject to the payment of any repatriation levy under Malaysia’s exchange control measures.

United States Tax Considerations

The following is a summary of certain U.S. federal income tax considerations with respect to the ownership of Certificates by a beneficial owner of a Certificate that is, for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a domestic corporation or (iii) otherwise subject to U.S. federal income tax on a net basis with respect to income from a Certificate (a “U.S. Holder”). The summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change, possibly on a retroactive basis. This summary deals only with Certificateholders that purchased Certificates in this distribution and that hold Certificates as capital assets. This summary does not purport to deal with persons subject to special rules, such as financial institutions, insurance companies, dealers in securities or foreign currencies, tax-exempt entities, persons holding Certificates as a hedge against, or which are hedged against, currency risks, or persons whose functional currency is not the U.S. dollar.

Investors should consult their own tax advisors regarding the tax consequences of holding Certificates, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of state, local and other national tax laws.

Overview

The Certificates will be analyzed for U.S. tax purposes under the rules applicable to debt instruments. In turn, the United States holders will not be required to take account of income and expenses incurred at the level of the trust.

Taxation of Interest and Additional Amounts

A U.S. Holder will treat the gross amount of profit and additional amounts, if any (i.e., without reduction for Malaysian withholding taxes), as ordinary interest income with respect to the Certificates. Such profit will be treated as foreign source income for purposes of calculating that U.S. Holder's foreign tax credit limitation. The limitation on foreign taxes eligible for foreign tax credit is calculated separately with respect to specific classes of income. For this purpose, such income should generally constitute "passive income" (or, in the case of certain U.S. Holders, "financial services income"). A U.S. Holder may be entitled to deduct or credit any Malaysian withholding taxes, subject to applicable limitations. Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions or in respect of certain arrangements in which a U.S. Holder's expected economic profit, after foreign taxes, is insubstantial. The rules governing the foreign tax credit are complex. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

A U.S. Holder that purchases a Certificate for an amount in excess of its stated principal amount will be considered to have purchased the Certificate with "amortizable bond premium" which the U.S. Holder may elect to amortize over the remaining term of the Certificate on a yield to maturity basis. Amortizable bond premium allocable to an accrual period may be used to offset profit income includible on the Certificate. A U.S. Holder who elects to amortize bond premium must reduce its tax basis by the amount of premium that is used to offset profit. The election, if made, applies to all debt instruments held by the U.S. Holder and may be revoked only with the consent of the United States Internal Revenue Service.

A Certificateholder of Certificates that is, with respect to the United States, a foreign corporation or a nonresident alien individual (a "Non-U.S. Holder") generally will not be subject to U.S. federal income or withholding tax on profit income or additional amounts earned in respect of Certificates, unless such income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States.

Taxation of the Sale, Exchange or Disposition of a Certificate

Upon the sale, exchange or retirement of a Certificate, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued profit, which will be taxable as such) and the U.S. Holder's tax basis in such Certificate. Gain or loss recognized by a U.S. Holder generally will be long-term capital gain or loss if the U.S. Holder has held the Certificate for more than one year at the time of disposition. Long-term capital gain recognized by a non-corporate U.S. Holder generally is subject to taxation at a maximum rate of 15%. The deductibility of capital losses is subject to limitations. Gain or loss realized by a U.S. Holder on the sale, exchange or other disposition of a Certificate generally will be treated as U.S. source gain or loss.

A Non-U.S. Holder of Certificates will not be subject to U.S. federal income or withholding tax on gain realized on the sale or other disposition of Certificates unless (i) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or (ii) in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of sale and certain other conditions are met.

Information Reporting and Backup Withholding

Profit on the Certificates, and payments of the proceeds of a sale of Certificates, that are paid within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Non-U.S. Holders generally are not subject to U.S. information reporting requirements or U.S.

backup withholding. However, a Non-U.S. Holder may be required to certify as to its non-U.S. status in connection with payments received within the United States or through certain U.S.-related financial intermediaries.

European Union Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax or other relevant authorities of another Member State details of payments of interest or other similar income (which may include Sukuk Payments) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg will (unless during such period such Member State elects otherwise) instead apply a withholding system in relation to such payments. Under such withholding system, tax will be deducted unless the recipient of the payment elects instead for an exchange of information procedure. The current rate of withholding is 20% and it will be increased to 35% with effect from July 1, 2011. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On November 13, 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes that, if implemented, would broaden the scope of the requirements described above. The European Parliament approved an amended version of this proposal on April 24, 2009. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment under a Certificate were to be made by or collected through a person in a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to EC Council Directive 2003/48/EC, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts under the terms of such Certificate as a result of the imposition of such withholding tax. The Issuer is, however, required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to such Directive.

United Kingdom Provision of Information Requirements

The comments below are of a general nature and are based on the Issuer's understanding of current law and practice in the United Kingdom relating to a requirement for certain persons to provide information to the United Kingdom HM Revenue & Customs ("HMRC").

Persons in the United Kingdom paying interest or certain other payments (which will include Sukuk Payments) to, or receiving interest or certain other payments on behalf of, another person who is an individual, may be required to provide certain information to HMRC regarding the identity of the payee or person entitled to the interest or other payment and, in certain circumstances, such information may be exchanged with tax authorities in other jurisdictions.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a certificate purchase agreement dated August 5, 2009 (the “Certificate Purchase Agreement”) among the Issuer, PETRONAS and the Managers, the Managers have agreed to purchase, and PETRONAS Global Sukuk Ltd. has agreed to sell to them, the principal amount of the Certificates set forth opposite to their respective names below at a purchase price of 99.871% of the principal amount:

<u>Managers</u>	<u>Principal Amount of Certificates</u>
CIMB Bank (L) Limited	US\$ 500,000,000
Citigroup Global Markets Limited	500,000,000
Morgan Stanley & Co. International plc	500,000,000
Total	<u>US\$1,500,000,000</u>

The Certificate Purchase Agreement provides that the several obligations of the Managers to pay for and accept delivery of the Certificates are subject to approval of certain legal matters by their legal counsel and to certain other conditions. The Certificate Purchase Agreement provides that the Managers are obligated to purchase all of the Certificates if any are purchased. The Certificate Purchase Agreement also provides that if a Manager defaults, the purchase commitments of non-defaulting Managers may be increased or the offering may be terminated.

Separate provision has been made among PETRONAS, PETRONAS Global Sukuk Ltd. and the Managers for payment of management and selling commissions of US\$4,500,000 in respect of the offering and sale of the Certificates.

The Managers propose to offer the Certificates at the offering price on the cover page of this Offering Circular.

PETRONAS Global Sukuk Ltd. and PETRONAS have agreed that they will not offer, sell, contract to sell, announce their intention to sell, pledge or otherwise dispose of, directly or indirectly, any U.S. dollar denominated debt securities issued by PETRONAS Global Sukuk Ltd. or issued or guaranteed by PETRONAS and having a maturity of more than one year from the date of issue without the prior written consent of the Managers for a period of 90 days after the date of this Offering Circular.

PETRONAS Global Sukuk Ltd. and PETRONAS have agreed to indemnify the Managers against certain liabilities or to contribute to payments which they may be required to make in respect thereof. These indemnification and contribution provisions also cover certain U.S.-registered broker-dealer affiliates of the Managers that offer and sell the Certificates in the United States to qualified institutional buyers pursuant to Rule 144A. PETRONAS Global Sukuk Ltd. and PETRONAS have also agreed to reimburse the Managers for certain expenses.

New Issue of Certificates

The Certificates are a new issuance of securities for which there currently is no trading market. PETRONAS Global Sukuk Ltd. and PETRONAS have been advised by the Managers that they intend to make a market in the Certificates as permitted by applicable law. The Managers are not obligated, however, to make a market in the Certificates and any such market making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the continuation or liquidity of any market for the Certificates. See “Risk Factors—Risks Relating to the Certificates—The Certificates are a new issue of securities for which there is

currently no public market; you may be unable to sell the Certificates if a trading market for the Certificates does not develop or if the Certificates have limited liquidity.”

PETRONAS Global Sukuk Ltd. has received approval in-principle for (a) the listing and admission to trading of the Certificates on the Labuan Financial Exchange and (b) the listing of the Certificates on Bursa Malaysia (Exempt Regime). PETRONAS Global Sukuk Ltd. and PETRONAS have also applied to list the Certificates on the Official List of the Luxembourg Stock Exchange and for their admission to trading on the Euro MTF market of the Luxembourg Stock Exchange and such application is pending. The offering and settlement of the Certificates are not conditional on obtaining any of the listings or admissions to trading. See “Risk Factors—Risks Relating to the Certificates—A listing of the Certificates on a securities exchange cannot be guaranteed.”

Certain Terms and Arrangements of the Offering

It is expected that delivery of the Certificates will be made against payment therefor on the Closing Date, which will be on or about the fifth business day following the pricing of the Certificates. Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Certificates on the date hereof or the next succeeding business day will be required, by virtue of the fact that the Certificates initially will settle on or about T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Certificates who wish to trade Certificates on the date hereof or the next succeeding business day should consult their own advisor.

In connection with the offering, the Managers may, to the extent permitted by applicable laws and directives, engage in transactions that stabilize or otherwise affect the market price of the Certificates for a limited period after the issue date. These transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Certificates. If the Managers create a short position in the Certificates in connection with the Offering (i.e., if the Managers sell more Certificates than are set forth on the cover page of this Offering Circular), the Managers may reduce that short position by purchasing Certificates in the open market. In general, purchases of Certificates for the purpose of stabilization or to reduce a short position could cause the price of the Certificates to be higher than it might be in the absence of such purchases. There is no assurance, however, that the Managers will undertake stabilization action.

None of the Issuer, PETRONAS and the Managers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Certificates. In addition, none of the Issuer, PETRONAS and the Managers makes any representation that the Managers will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Other Relationships

In the ordinary course of their business, certain of the Managers and their affiliates have performed, and may in the future perform, investment banking and/or commercial banking services for PETRONAS.

Selling Restrictions

United States

The Certificates may be offered and sold in the United States to qualified institutional buyers pursuant to Rule 144A.

The Certificates have not been and will not be registered under the Securities Act or under any applicable state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. Each of the Managers has agreed that, except as permitted by the Purchase Agreement, it will not offer, sell or deliver the Certificates (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each broker-dealer to which it sells the Certificates in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Certificates are restricted as described under “Transfer Restrictions.”

In addition, until 40 days after the commencement of the offering, an offer or sale of Certificates within the United States by a broker-dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Member State”), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State it has not made and will not make an offer of Certificates to the public in that Member State, except that it may, with effect from and including such date, make an offer of Certificates to the public in that Member State:

- (a) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (A) an average of at least 250 employees during the last financial year; (B) a total balance sheet of more than €43,000,000 and (C) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) at any time in any other circumstances which do not require the publication by PETRONAS Global Sukuk Ltd. of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an “offer of Certificates to the public” in relation to any Certificates in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in that Member State.

United Kingdom

Each of the Managers has agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) in connection with the issue or sale of the Certificates in circumstances in which Section 21(1) of such Act does not apply to the Issuer; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

Malaysia

Selling Restrictions At Issuance. The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made and this Offering Circular or any document or other materials in connection therewith may not be distributed in Malaysia directly or indirectly for the purpose of any sale of the Certificates in Malaysia other than to persons or in categories falling within Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b), and would fall within Schedule 8 or Section 257(3) of the CMSA.

Selling Restrictions After Issuance. The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made and this Offering Circular or any document or other materials in connection therewith may not be distributed in Malaysia directly or indirectly for the purpose of any sale of the Certificates in Malaysia other than to persons or in categories falling within Schedule 6 or Section 229(1)(b), and would fall within Schedule 8 or Section 257(3) of the CMSA.

United Arab Emirates

Each of the Managers has represented and agreed that:

- (a) the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities; and
- (b) the information contained in this Offering Circular does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1986 (as amended)) or otherwise and is not intended to be a public offer and the information contained in this Offering Circular is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

Dubai International Financial Centre

Each of the Managers has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is

- (a) deemed to be an “Exempt Offer” in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the “Rules”); and
- (b) made only to persons of a type specified in the Rules.

Kingdom of Saudi Arabia

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “Saudi Investor”) who acquires Certificates pursuant to an offering should note that the offer of Certificates is a limited offer under Article 11 of the “Offer of Securities Regulations” as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated October 4, 2004 and amended by Board of the Capital Market Authority resolution number 1-28-2008 dated August 18, 2008 (the “KSA Regulations”). Each Manager has represented and agreed that the Certificates will not be directed at more than 60 Saudi Investors (excluding “Sophisticated Investors” (as defined

in Article 10 of the KSA Regulations)) and the minimum amount payable by each Saudi Investor must not be less than SR1 million or an equivalent amount.

The offer of Certificates shall not therefore constitute a “public offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a limited offer may not offer or sell those Certificates to any person unless the offer or sale is made through an authorized person appropriately licensed by the Saudi Arabian Capital Market Authority and (a) the Certificates are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds SR 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

State of Qatar

Each of the Managers has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in Qatar other than in compliance with all applicable laws and regulations of Qatar governing the issue, offering and sale of securities.

Kingdom of Bahrain

Each of the Managers has represented, warranted and agreed that it has not offered and will not offer Certificates to the public (as defined in Articles 142-146 of the Commercial Companies Law (Decree Law No. 21/2001) of Bahrain) in Bahrain.

Kuwait

Each of the Managers has represented and agreed that no marketing or sale of the Certificates may take place in Kuwait unless the same has been duly authorized by the Kuwait Ministry of Commerce and Industry pursuant to the provisions of Law No. 31/1990 and the various ministerial regulations issued thereunder.

Japan

Each of the Managers has agreed that it has not offered or sold and will not offer or sell, directly or indirectly, in Japan to for the account of any resident of Japan any Certificates, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

Hong Kong

Each of the Managers has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in this document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of

Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented and agreed that it has not offered or sold any Certificates or caused the Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell the Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 except:

- (i) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Certificates.

PETRONAS Global Sukuk Ltd. has not registered the Certificates under the Securities Act and the Certificates may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person except to (i) qualified institutional buyers in reliance on Rule 144A and (ii) non-U.S. persons in offshore transactions in reliance on Regulation S. Terms used above and otherwise in this section of the Offering Circular have the meanings given to them by Regulation S and Rule 144A.

Each purchaser of Certificates will be deemed to have represented and agreed as follows:

1. You understand and acknowledge that the Certificates have not been registered under the Securities Act or any other applicable securities laws and that the Certificates are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including resales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (3) below.

You are not an “affiliate” (as defined in Rule 144 under the Securities Act) of PETRONAS Global Sukuk Ltd. or PETRONAS, you are not acting on their behalf and you are either:

- (a) a qualified institutional buyer and are aware that any sale of these Certificates to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another qualified institutional buyer; or
 - (b) not a “U.S. person” as defined in Regulation S or purchasing for the account or benefit of a U.S. person (other than a distributor) and you are purchasing Certificates in an offshore transaction in accordance with Regulation S.
2. You acknowledge that none of PETRONAS Global Sukuk Ltd., PETRONAS, the Managers or any person representing PETRONAS Global Sukuk Ltd., PETRONAS or the Managers has made any representation to you with respect to PETRONAS Global Sukuk Ltd., PETRONAS or the offer or sale of any of the Certificates, other than the information contained in this Offering Circular, which Offering Circular has been delivered to you and upon which you are relying in making your investment decision with respect to the Certificates. You acknowledge that the Managers make no representation or warranty as to the accuracy or completeness of this Offering Circular. You have had access to such financial and other information concerning PETRONAS Global Sukuk Ltd., PETRONAS and the Certificates, including an opportunity to ask questions of, and request information from, PETRONAS Global Sukuk Ltd., PETRONAS and the Managers.
3. You are purchasing Certificates for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Certificates pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Certificates, and each subsequent holder of these Certificates by its

acceptance thereof will agree, to offer, sell or otherwise transfer such Certificates prior to (x) the date which is one year (or such shorter period of time as permitted by Rule 144(d) under the Securities Act or any successor provision thereunder) after the later of the date of the original issue of these Certificates and the last date on which PETRONAS Global Sukuk Ltd., PETRONAS or any of their affiliates were the owner of such Certificates (or any predecessor thereto) or (y) such later date, if any, as may be required by applicable law (the “Resale Restriction Termination Date”) only:

- (a) to PETRONAS Global Sukuk Ltd. or PETRONAS;
- (b) pursuant to a registration statement which has been declared effective under the Securities Act;
- (c) for so long as the Certificates are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a qualified institutional buyer that purchases for its own account or for the account of another qualified institutional buyer to whom you give notice that the transfer is being made in reliance on Rule 144A;
- (d) outside the United States to non-U.S. persons in offshore transactions meeting the requirements of Rule 904 under the Securities Act; or
- (e) pursuant to any other available exemption from the registration requirements of the Securities Act;

subject in each of the foregoing cases to any requirement of law that the disposition of the seller’s property or the property of an investor account or accounts be within the seller or account’s control, and in compliance with any applicable state securities laws.

You acknowledge that PETRONAS Global Sukuk Ltd., PETRONAS and the Registrar reserve the right prior to any offer, sale or other transfer of the Certificates pursuant to clause (e) above prior to the Resale Restriction Termination Date of the Certificates to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to PETRONAS Global Sukuk Ltd., PETRONAS and the Registrar.

4. You acknowledge that each Restricted Certificate will contain a legend substantially in the following form:

“THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A “QIB”) OR (B) IT IS NOT A U.S. PERSON, IS NOT ACQUIRING THIS CERTIFICATE FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON AND IS ACQUIRING THIS CERTIFICATE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144(d) UNDER THE SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS CERTIFICATE, RESELL OR OTHERWISE TRANSFER THIS CERTIFICATE EXCEPT (A) TO PETRONAS GLOBAL SUKUK LTD., PETROLIAM NASIONAL BERHAD OR ANY SUBSIDIARY THEREOF, (B) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR

THE ACCOUNT OF A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS CERTIFICATE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.”

If you purchase Certificates, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Certificates as well as to holders of these Certificates.

5. You acknowledge that the Registrar will not be required to accept for registration of transfer any Definitive Certificates acquired by you, except upon presentation of evidence satisfactory to PETRONAS Global Sukuk Ltd., PETRONAS and the Registrar that the restrictions set forth herein have been complied with.
6. You acknowledge that:
 - (a) PETRONAS Global Sukuk Ltd., PETRONAS, the Managers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein, deemed to have been made by virtue of your purchase of the Certificates, cease to be accurate and complete, you will notify PETRONAS Global Sukuk Ltd., PETRONAS and the Managers promptly in writing; and
 - (b) if you are acquiring any Certificates as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:
 - (i) you have sole investment discretion; and
 - (ii) you have full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.
7. You agree that you will give to each person to whom you transfer these Certificates notice of any restrictions on the transfer of the Certificates.
8. If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the 40-day distribution compliance period, you shall not make any offer or sale of these Certificates to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act, except pursuant to Rule 144A to a qualified institutional buyer taking delivery thereof in the form of a beneficial interest in a Restricted Global Certificate, and that each Unrestricted Global Certificate will contain a legend to substantially the following effect:

“PRIOR TO EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S (“REGULATION S”) UNDER THE U.S. SECURITIES

ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A PERSON REASONABLY BELIEVED TO BE A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND THE AGENCY AGREEMENT REFERRED TO HEREIN.”

9. You understand that no action has been taken in any jurisdiction (including the United States) by PETRONAS Global Sukuk Ltd., PETRONAS or the Managers that would permit a public offering of the Certificates or the possession, circulation or distribution of this Offering Circular or any other material relating to PETRONAS Global Sukuk Ltd., PETRONAS or the Certificates in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Certificates will be subject to the selling restrictions set forth under “Plan of Distribution.”

INDEPENDENT AUDITORS

The financial statements of PETRONAS as of March 31, 2009 and 2008, and for each of the years in the three-year period ended March 31, 2009, included in this Offering Circular have been audited by KPMG Desa Megat & Co., chartered accountants, as stated in their report appearing herein.

GENERAL INFORMATION

1. The Certificates have been accepted for clearance through the facilities of DTC. Certain information about the Certificates is set forth below:

	CUSIP	ISIN	Common Code
Unrestricted Global Certificates	Y68856AG1	USY68856AG17	044391074
Restricted Global Certificates	716743AC3	US716743AC33	—

2. PETRONAS Global Sukuk Ltd. and PETRONAS have applied to list the Certificates on the Official List of the Luxembourg Stock Exchange and for their admission to trading on the Euro MTF market of the Luxembourg Stock Exchange through their listing agent, The Bank of New York Mellon (Luxembourg) S.A., and such application is pending. PETRONAS Global Sukuk Ltd. has received approval in-principle for (a) the listing and admission to trading of the Certificates on the Labuan Financial Exchange and (b) the listing of the Certificates on Bursa Malaysia (Exempt Regime). The Issuer and PETRONAS have agreed to use their best efforts to list the Certificates on these exchanges and to have the Certificates admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange and on the Labuan Financial Exchange. PETRONAS Global Sukuk Ltd. and PETRONAS will maintain a paying and transfer agent in Luxembourg, which initially will be The Bank of New York Mellon (Luxembourg) S.A.

3. Each of PETRONAS Global Sukuk Ltd. and PETRONAS has obtained or will obtain prior to the delivery of the Certificates all necessary consents, approvals and authorizations in connection with the issue and performance of the Certificates except as disclosed in this Offering Circular. The issue of the Certificates was authorized by resolutions adopted by the Board of Directors of PETRONAS Global Sukuk Ltd. on July 22, 2009.

4. Except as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of PETRONAS since March 31, 2009. Except as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of PETRONAS Global Sukuk Ltd. since its date of incorporation.

5. Except as disclosed in this Offering Circular to the knowledge of the management of PETRONAS, as of the date of this Offering Circular neither PETRONAS nor PETRONAS Global Sukuk Ltd. is involved in any litigation or arbitration proceedings, actual or pending, relating to claims or amounts which are material in the context of the issue of the Certificates.

6. PETRONAS is not dependent on any particular patent or license, industrial, commercial or financial contract or new manufacturing process that is of fundamental importance to its business or profitability.

7. Copies of the Articles of Association of PETRONAS Global Sukuk Ltd. and of PETRONAS and copies of the Transaction Documents will, for so long as the Certificates are listed on the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, be available for inspection during usual business hours on any weekday (except public holidays) at the office of the Luxembourg Paying and Transfer Agent. As long as any of the Certificates remain outstanding, copies of PETRONAS' annual report in English containing the audited consolidated financial statements and, for so long as PETRONAS includes them therein, the audited unconsolidated financial statements, will be delivered to and be obtainable from the specified offices of the Luxembourg Paying and Transfer Agent. PETRONAS does not publish full interim financial statements, but does currently issue unaudited summary information regarding its semi-annual fiscal period. For so long as PETRONAS issues such unaudited summary financial information, copies of such statements in English will be delivered to and be obtainable from the specified offices of the Luxembourg Paying and Transfer Agent. Since the date of its incorporation, the Issuer has not prepared any audited or unaudited financial statements. The Issuer does not plan to publish financial statements in the future.

8. The registered office of PETRONAS is Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia and its registration number is 20076-K. The registered office of PETRONAS Global Sukuk Ltd. is Unit Level 13(E), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan Federal Territory, Malaysia and its registration number is LL07148.

9. The auditors of PETRONAS are KPMG Desa Megat & Co., chartered accountants. The registered office of KPMG Desa Megat & Co. is Level 10, KPMG Tower, 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Malaysia. KPMG Desa Megat & Co. have audited PETRONAS' financial statements, without qualification, in accordance with approved standards on auditing in Malaysia for each of the three fiscal years ended March 31, 2009, 2008 and 2007.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN FRSM AND U.S. GAAP

The financial statements of PETRONAS have been prepared in accordance with FRSM, which differ in certain significant respects from U.S. GAAP.

It should be noted that:

- Management has not quantified the effects on the financial information of the differences between FRSM and U.S. GAAP. Had management undertaken such quantification and a reconciliation to U.S. GAAP, other potential significant differences may have come to its attention that are not summarized below.
- This summary should not be taken as exhaustive. There can be no assurance that the differences described below would in all cases be the accounting principles creating the principal differences when comparing PETRONAS' results of operations or financial position under FRSM and U.S. GAAP, nor does this summary represent all of the principal differences between FRSM and U.S. GAAP. No attempt has been made to identify all the disclosure, presentation or classification differences that would affect the manner in which events and transactions are presented in PETRONAS' financial statements or the accompanying notes thereto.
- No attempt has been made to identify all future differences between FRSM and U.S. GAAP as a result of prescribed changes in financial accounting standards that may affect the financial information set out in this Offering Circular, either as a result of transactions or for events that may occur in the future.
- In making an investment decision, prospective investors must rely upon their own examination of PETRONAS, the terms of the offering and other financial information. Prospective investors should consult their own professional advisors for an understanding of the differences between FRSM and U.S. GAAP, and how these differences might affect the financial information contained herein.

Change in Accounting Policies, Errors and Estimates

Under FRSM, changes in accounting policies should be accounted for in accordance with the specific transitional provisions, if any, in a particular accounting standard. In the absence of any transitional provisions, the change in accounting policy should be accounted retrospectively by adjusting the opening balances of retained earnings and restating comparative information except to the extent that it is impracticable to determine the effects of the change. Generally, corrections of errors in prior periods are accounted for retrospectively, unless impracticable. Changes in accounting estimates are treated prospectively.

Under U.S. GAAP, accounting principle and policy changes generally are made by adjusting opening equity and comparatives, unless impracticable. However, errors in prior periods must be restated retrospectively, with no impracticality exemption.

Consolidation

FRSM requires that where consolidated financial statements are prepared, a company is required to consolidate all entities that it controls, and the non-ownership interest is reflected as minority interest. A company is considered a subsidiary if its parent has power to exercise control over its financial and operating policies so as to obtain benefits therefrom. Subsidiaries are deconsolidated from the effective date of any circumstances or events giving rise to the cessation of this control. In determining control, potential voting rights are also taken into consideration.

A special purpose entity (“SPE”) is an entity created to accomplish a narrow and well-defined objective. SPEs are consolidated based on control. The determination of control includes an analysis of the risks and rewards associated with an SPE. All subsidiaries are consolidated. FRSM do not have a concept of variable interest entities (“VIEs”) or qualifying SPEs (“QSPEs”).

Under U.S. GAAP, consolidation is based on a controlling financial interest model, which differs in certain respects from FRSM. For non-variable interest entities, control is the continuing power to govern the financial and operating policies of an entity, like FRSM. However, unlike FRSM, there is no explicit linkage between control and ownership benefits. There is no de facto control model under U.S. GAAP. Potential voting rights are not considered in assessing control for non-variable interest entities. Although U.S. GAAP has the concepts of VIEs and QSPEs, which may meet the definition of an SPE under FRSM, the control model that applies to VIEs and QSPEs differs from the control model that applies to SPEs under FRSM. Additionally, unlike FRSM, entities are evaluated as VIEs based on their equity investment at risk and not on whether they have a narrow and well-defined objective. Generally all subsidiaries are consolidated, like FRSM. However, unlike FRSM, there are limited exceptions in certain specialized industries. A VIE is any entity in which the equity at risk either (1) is insufficient to finance its own operations without additional subordinated financial support; or (2) lacks certain characteristics of a controlling financial interest. A VIE is assessed for consolidation based on an analysis of economic risks and rewards, and is consolidated by the party that absorbs a majority of the expected losses or has the right to receive a majority of its expected residual returns. A QSPE is an entity into which financial assets have been transferred and which meets certain strict criteria. A QSPE is not consolidated by the transferor.

However, changes introduced in Statement of Financial Accounting Standards (“SFAS”) No. 166 *“Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140”* and SFAS No. 167 *“Amendments to FASB Interpretation No. 46(R),”* which are effective for annual reporting periods that begin after November 15, 2009, remove the concept of a QSPE from FASB Statement No. 140 and remove the exception from applying FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities (“Interpretation 46(R)”), to QSPEs. Among the changes are amendments to Interpretation 46(R) to require an enterprise to perform an analysis to determine whether the enterprise’s variable interest or interests give it a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a VIE as the enterprise that has both of the following characteristics:

- the power to direct the activities of a VIE that most significantly impact the entity’s economic performance; and
- the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

Business combinations

Under FRSM, all business combinations are accounted for using purchase accounting, with limited exceptions. A business combination is the bringing together of separate entities or businesses into one reporting entity. A business can be an operation managed for the purpose of providing a return to investors or lower costs. An entity in its development stage can meet the definition of a business. Under U.S. GAAP, a business must be managed for the purpose of providing a return to investors, and there is a rebuttable presumption that a development stage entity does not meet the definition of a business.

Under FRSM, a liability for contingent consideration is recognized as soon as payment becomes probable and the amount can be measured reliably. Under U.S. GAAP, a liability for contingent consideration is recognized only when the contingency is resolved and consideration becomes payable.

Under FRSM, the assets acquired and liabilities and contingent liabilities assumed generally are recognized at fair value. Under U.S. GAAP, liabilities that would be contingent liabilities under FRSM are not recognized.

Under FRSM, while there is general guidance on measuring fair values, there is no detailed guidance on valuation methodologies. Under U.S. GAAP, the general guidance on measuring fair values is supported by some detailed guidance on valuation methodologies.

Under FRSM, any change in the acquirer's deferred tax assets as a result of the business combination is not recognized as part of the purchase accounting. Except in respect of goodwill, deferred tax is recognized on fair value adjustments recognized as part of the purchase accounting. Under U.S. GAAP, any change in the acquirer's deferred tax assets as a result of the business combination is recognized as part of the purchase accounting. No deferred tax is recognized in respect of in-process research and development recognized as part of the purchase accounting.

Under FRSM, if additional deferred tax assets of the acquiree that were not recognized at the date of acquisition are realized subsequently, then the adjustment is recognized in profit or loss, and goodwill is adjusted with a corresponding amount recognized in profit or loss. Under U.S. GAAP, if additional deferred tax assets of the acquiree that were not recognized at the date of acquisition are realized subsequently, then the adjustment is recognized first against goodwill, then against other non-current intangible assets, before being recognized in profit or loss.

Under FRSM, when an acquisition is achieved in successive share purchases, the assets acquired and liabilities and contingent liabilities assumed are recognized at full fair value when control is obtained, i.e., the share of the identifiable assets, liabilities and contingent liabilities acquired in previous transactions is revalued. Each exchange transaction is considered separately in determining goodwill. Under U.S. GAAP, when an acquisition is achieved in successive share purchases, the assets acquired and liabilities assumed are not remeasured to full fair value when control is obtained.

Following the introduction of SFAS No. 141, "*Business Combinations (revised 2007)*" ("SFAS No. 141R"), which is effective for all business combinations that occur on or after December 15, 2008, the differences between FRSM and U.S. GAAP in accounting for business combinations highlighted above have largely been reduced. However, "push down" accounting, whereby fair value adjustments are recognized in the financial statements of the acquiree, is not permitted under FRSM. Under U.S. GAAP, "push down" accounting is still required for SEC registrants in certain circumstances.

Goodwill

Goodwill under both FRSM and U.S. GAAP is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. However, there are substantial differences in approach to impairment measurement under FRSM and U.S. GAAP (described under "Impairment" below).

Under FRSM, if the acquirer's interest in the fair value of the identifiable assets and liabilities and contingent liabilities exceeds the cost of the business combination:

- the identification and measurement of the identifiable assets and liabilities and the cost of the business combination should be reassessed; and
- any excess remaining after the reassessment should be recognized immediately in the income statement.

Under U.S. GAAP, when the acquirer's interest in the fair value of the identifiable assets acquired and liabilities assumed exceeds the cost of the business combination the excess is negative goodwill. Negative goodwill is deducted proportionally from the purchase price allocated to certain acquired non-current assets until their carrying amounts are reduced to zero, and any remaining negative goodwill is recognized as an extraordinary gain in profit or loss. Unlike FRSM, any remaining negative goodwill is not recognized in profit or loss to the extent that contingent consideration based on earnings may become payable. However, this difference has largely been reduced following the introduction of SFAS No. 141R (described under "—Business combinations" above), which is effective for all business combinations that occur on or after December 15, 2008.

Property, plant and equipment

Under FRSM, estimates of useful life and residual value, and the method of depreciation, are reviewed at least at each annual reporting date. Under U.S. GAAP, estimates of useful life and residual value, and the method of depreciation, are reviewed only when events or changes in circumstances indicate that the current estimates or depreciation methods no longer are appropriate.

Under FRSM, when an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is depreciated separately. Under U.S. GAAP, component accounting is permitted but not required.

Under FRSM, property, plant and equipment may be revalued to fair value if fair value can be measured reliably. All items in the same class are revalued at the same time and the revaluations are kept up to date. Under U.S. GAAP, the revaluation of property, plant and equipment is not permitted.

Under FRSM, there is no specific guidance on depreciation of capitalized oil and gas exploration and development costs or capitalized acquisition costs of oil and gas properties. Under U.S. GAAP, SFAS No. 19 "*Financial Accounting and Reporting by Oil and Gas Producing Companies*," addresses the method of calculating amortization for oil and gas properties. Under paragraph 35 of SFAS No. 19, capitalized costs of oil and gas exploratory wells and exploratory-type stratigraphic test wells that have found proved reserves and capitalized development costs shall be depreciated by the unit-of-production method. The unit of production method shall be computed on the basis of the total estimated units of proved developed reserves, rather than on the basis of all proved reserves, which is the basis for amortizing acquisition costs of proved oil and gas properties.

Intangible assets other than goodwill

Under FRSM, internal development expenditure is capitalized if specific criteria are met. These capitalization criteria are applied to all internally developed intangible assets. Advertising and promotional expenditure is expensed as incurred.

Under U.S. GAAP, both internal research and development expenditure is expensed as incurred. Special capitalization criteria apply to direct-response advertising, software developed for internal use, and software developed for sale to third parties, which differ from the general criteria under FRSM. Direct-response advertising expenditure is capitalized if specific criteria are met.

Investment property

Under FRSM, investment property is property held to earn rental income or for capital appreciation or both. Property held by a lessee under an operating lease may be classified as investment property if the definition of investment property otherwise is met and the lessee measures investment property at fair value. A portion of a dual-use property is classified as investment property only if the portion could be sold or leased out under a

finance lease. Otherwise the entire property is classified as property, plant and equipment unless only an “insignificant” portion is held for own use.

Under U.S. GAAP, there is no specific definition of investment property; such property is accounted for as property, plant and equipment unless it meets the criteria to be classified as “held for sale.” Property held by a lessee under an operating lease cannot be recognized in the balance sheet. There is no guidance on how to classify dual-use property. Instead, the entire property is accounted for as property, plant and equipment.

Investment in associate and joint ventures

Under FRSM, a joint venture is an entity, asset or operation that is subject to contractually established joint control. U.S. GAAP does not define a joint venture other than a corporate joint venture.

Under FRSM, when an equity accounted investee incurs losses, the carrying amount of the investor’s interest is reduced to zero. Further losses are recognized by the investor only to the extent that the investor has an obligation to fund losses. However, under U.S. GAAP, further losses are recognized if the investee is expected to return to profitability imminently, or if a subsequent further investment in the investee is, in substance, the funding of such losses.

Financial instruments

Under FRSM, accounting for financial instruments is prescribed under FRS 139, *Financial Instruments: Recognition and Measurement* (“FRS 139”), which is effective from annual period beginning 1 January 2010 (PETRONAS has early adopted FRS 139 for accounting period beginning 1 April 2008). Under FRS 139, a derivative is a financial instrument:

- the value of which changes in response to an underlying variable;
- that has an initial net investment smaller than would be required for other instruments with a similar response to the variable; and
- that will be settled at a future date.

Under U.S. GAAP, a derivative is a financial instrument:

- the value of which changes in response to an underlying variable;
- that has an initial net investment smaller than would be required for other instruments with a similar response to the variable; and
- that, unlike FRSM:
 - requires or permits net settlement;
 - is readily settleable through a market mechanism outside the contract; or
 - provides for delivery of an asset that is readily convertible to cash.

Under FRSM, financial instruments are classified in one of the following categories on initial recognition:

- at fair value through profit or loss;

- held-to-maturity investments;
- loans and receivables;
- available-for-sale financial assets; or
- other liabilities.

Under U.S. GAAP, the classification of financial instruments generally is not specified other than for debt and marketable equity securities, which are classified as:

- trading;
- held-to-maturity; or
- available-for-sale.

Under FRSM, a financial instrument may be designated upon initial recognition at fair value through profit or loss only if certain criteria are met. Under U.S. GAAP, entities have a free choice to designate most financial instruments, on an instrument-by-instrument basis, upon initial recognition at fair value through profit or loss.

Under FRSM, loans and receivables and held-to-maturity investments are measured at amortized cost. All other financial assets are measured at fair value, with limited exceptions. Similar to FRSM, under U.S. GAAP, trading and available-for-sale securities are measured at fair value although, unlike FRSM, this category applies only to investments in securities.

Under FRSM, changes in the fair value of available-for-sale assets are recognized directly in equity, except that foreign exchange gains and losses on available-for-sale monetary items are recognized in profit or loss. Under U.S. GAAP, changes in the fair value of available-for-sale securities are recognized directly in equity; however, unlike FRSM, the amount recognized directly in equity includes foreign exchange gains and losses.

Under FRSM, when there is objective evidence that a financial asset measured at amortized cost, or at fair value with changes recognized in equity, may be impaired, the amount of any impairment loss must be calculated and recognized in profit or loss. Impairment losses on equity instruments cannot be reversed. Impairment on other financial instruments may be reversed subject to certain conditions. Under U.S. GAAP, an impairment loss is recognized only if it is other than temporary even if there is objective evidence that an item may be impaired. Unlike FRSM, all impairments losses cannot be reversed.

Inventories

Under FRSM, inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost includes all direct expenditure to get inventory ready for sale, including attributable overheads. The cost of inventory generally is determined using the FIFO (first-in, first-out) or weighted average cost method. The use of the LIFO (last-in, first-out) method is prohibited. Other cost formulas, such as the standard cost or retail method, may be used if the result approximates actual cost. The same cost formula is applied to all inventories having a similar nature and use to the entity. If the net realizable value of an item that has been written down increases subsequently, then the write-down is reversed.

Under U.S. GAAP, generally inventories are measured at the lower of cost and market. "Market" is replacement cost limited by net realizable value (ceiling) and net realizable value less a normal profit margin

(floor). The cost of inventory can be determined using the LIFO method in addition to the FIFO or weighted average method. Unlike FRSM, the same cost formula need not be applied to all inventories having a similar nature and use to the entity. A write-down of inventory to market is not reversed for subsequent recoveries in value.

Impairment

Under FRSM, goodwill is allocated to cash-generating units (“CGUs”) or groups of CGUs that are expected to benefit from the synergies of the business combination from which it arose. A CGU is the smallest group of assets that generates cash inflows from continuing use that largely are independent of the cash inflows of other assets or groups thereof. Under U.S. GAAP, goodwill is allocated to reporting units (“RUs”) that are expected to benefit from the synergies of the business combination from which it arose. An RU is defined as an operating segment or one level below an operating segment.

Under FRSM, goodwill always is tested for impairment at the level of a CGU or a group of CGUs. Under U.S. GAAP, goodwill always is tested for impairment at the RU level, and RUs may differ from CGUs.

Under FRSM, the carrying amount of goodwill is grossed up for impairment testing if minority interests are present. Under U.S. GAAP, the carrying amount of goodwill is not grossed up for impairment testing if minority interests are present.

Under FRSM, an impairment loss is recognized if an asset’s (CGU’s) carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use, which is based on the net present value of future cash flows (discounted using a pre-tax rate that reflects the market assessment of the risks specific to the asset). Under U.S. GAAP, an impairment loss is recognized for assets other than goodwill and identifiable intangibles with indefinite lives only if the asset’s (asset group’s) carrying amount is less than the undiscounted cash flows of the asset or asset group. The impairment loss is calculated based on the fair value of the asset (asset group). An impairment loss is recognized for goodwill if the fair value of the RU is less than its carrying amount, and for an indefinite lived identifiable intangible asset if its fair value is less than its carrying amount.

Under FRSM, reversals of impairment are recognized, other than in respect of goodwill. Under U.S. GAAP, all reversals of impairments are prohibited.

Income taxes

Under FRSM, deferred tax is not recognized in respect of investments in subsidiaries, associates and joint ventures if certain conditions are met. Under U.S. GAAP, deferred tax always is recognized in respect of investments in equity-method investees (associates), if certain conditions are met.

Under FRSM, income tax relating to items charged or credited directly to equity, in the current or a previous period, is charged or credited directly to equity. Similar to FRSM, under U.S. GAAP, the tax effect of items charged or credited directly to equity during the current reporting period is charged or credited directly to equity. However, unlike FRSM, subsequent changes in tax rates and laws, tax status, and the assessment of the recoverability of deferred tax for items previously recognized in equity are recognized in profit or loss.

Supplementary Oil and Gas Disclosures

Under U.S. GAAP, SFAS No. 69, "*Disclosures about Oil and Gas Producing Activities*," a publicly traded enterprise with significant oil and gas producing activities is required to disclose in the form of supplementary information the following unaudited information:

- (i) proved oil and gas quantities;
- (ii) costs incurred in property acquisition, exploration and development activities;
- (iii) results of operations for oil and gas producing activities; and
- (iv) a standardized measure of discounted future net cash flows relating to proved oil and gas reserves quantities.

Currently, there is no equivalent accounting standard under FRSM.

INDEX TO FINANCIAL STATEMENTS

	<i>Page</i>
Independent Auditors' Report	F-2
Consolidated Balance Sheets at March 31, 2008 and 2009	F-4
Consolidated Income Statements for Each of the Three Years Ended March 31, 2007, 2008 and 2009	F-5
Consolidated Statement of Changes in Equity for Each of the Three Years Ended March 31, 2007, 2008 and 2009	F-6
Consolidated Cash Flow Statements for Each of the Three Years Ended March 31, 2007, 2008 and 2009	F-10
Unconsolidated (Company) Balance Sheets at March 31, 2008 and 2009	F-11
Unconsolidated (Company) Income Statements for Each of the Three Years Ended March 31, 2007, 2008 and 2009	F-12
Unconsolidated (Company) Statement of Changes in Equity for Each of the Three Years Ended March 31, 2007, 2008 and 2009	F-13
Unconsolidated (Company) Cash Flow Statements for Each of the Three Years Ended March 31, 2007, 2008 and 2009	F-14
Notes to the Financial Statements	F-15

References in the following financial statements and notes thereto to the "Group" are to PETRONAS and its consolidated subsidiaries and those references to the "Company" are to PETRONAS only. The consolidated financial statements are expressed in ringgit and, solely for the convenience of the reader, March 31, 2009 numbers have been translated into U.S. dollars at the rate of RM3.6470 per US\$1.00. This translation should not be construed as a representation that any or all of the amounts shown could be converted into U.S. dollars at this or any other rate.

INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report to the members of PETROLIAM NASIONAL BERHAD (PETRONAS)

(Company No. 20076-K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of Petroliam Nasional Berhad ("the Company") and its subsidiaries as of 31 March 2008 and 2009, and the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements for each of the years ended 31 March 2007, 2008 and 2009, and the accompanying unconsolidated (Company) balance sheets as of 31 March 2008 and 2009, and the related unconsolidated (Company) income statements, statements of changes in equity and cash flow statements for each of the years ended 31 March 2007, 2008 and 2009, and a summary of significant accounting policies and other explanatory notes, as set out on pages F-4 to F-111.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the consolidated financial position of Petroliam Nasional Berhad and its subsidiaries as of 31 March 2008 and 2009 and their financial performance and cash flows for each of the years ended 31 March 2007, 2008 and 2009 and

the unconsolidated (Company) financial position as of 31 March 2008 and 2009 and its financial performance and cash flows for each of the years ended 31 March 2007, 2008 and 2009.

The accompanying consolidated balance sheet as of 31 March 2009 and consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year ended as of 31 March 2009 have been translated into United States Dollars solely for the convenience for the reader. We have audited the translation and in our opinion, the consolidated financial statements expressed in Ringgit Malaysia have been translated on the basis set forth in note 1.5 of the notes to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG Desa Megat & Co.

Firm Number: AF 0759

Chartered Accountants

Petaling Jaya, Malaysia

Date: 27 May 2009

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED BALANCE SHEETS AT 31 MARCH 2008 AND 2009
(in millions)

	Note	2008 RM (Restated)	2009 RM	2009 US\$
ASSETS				
Property, plant and equipment	3	130,253	161,948	44,406
Properties	4	7,167	7,369	2,020
Investment properties	5	8,735	8,558	2,347
Land held for development	6	1,761	1,767	485
Prepaid lease payments	7	2,232	2,241	614
Investments in associates	9	5,714	5,912	1,621
Investments in jointly controlled entities	10	1,889	3,716	1,019
Intangible assets	11	15,249	17,012	4,665
Long term receivables	12	3,341	2,428	666
Fund and other investments	13	9,497	10,571	2,898
Deferred tax assets	15	1,284	2,419	663
Cash and cash equivalents	17	210	416	114
TOTAL NON-CURRENT ASSETS		<u>187,332</u>	<u>224,357</u>	<u>61,518</u>
Property development costs	18	744	923	253
Trade and other inventories	19	8,915	6,290	1,725
Trade and other receivables	20	30,856	24,726	6,780
Tax recoverable		312	594	163
Assets classified as held for sale	21	189	170	47
Fund and other investments	13	30,481	40,338	11,061
Cash and cash equivalents	17	80,444	90,731	24,878
TOTAL CURRENT ASSETS		<u>151,941</u>	<u>163,772</u>	<u>44,907</u>
TOTAL ASSETS		<u>339,273</u>	<u>388,129</u>	<u>106,425</u>
EQUITY				
Share capital	22	100	100	27
Reserves	23	201,590	231,983	63,609
Total equity attributable to shareholders of the Company		<u>201,690</u>	<u>232,083</u>	<u>63,636</u>
Minority shareholders' interests	24	22,612	25,006	6,857
TOTAL EQUITY		<u>224,302</u>	<u>257,089</u>	<u>70,493</u>
LIABILITIES				
Borrowings	25	29,799	35,108	9,627
Deferred tax liabilities	15	9,748	10,654	2,921
Other long term liabilities and provisions	27	17,584	22,566	6,188
TOTAL NON-CURRENT LIABILITIES		<u>57,131</u>	<u>68,328</u>	<u>18,736</u>
Trade and other payables	28	24,428	29,344	8,046
Borrowings	25	8,183	7,180	1,969
Taxation		19,229	20,188	5,536
Dividend payable		6,000	6,000	1,645
TOTAL CURRENT LIABILITIES		<u>57,840</u>	<u>62,712</u>	<u>17,196</u>
TOTAL LIABILITIES		<u>114,971</u>	<u>131,040</u>	<u>35,932</u>
TOTAL EQUITY AND LIABILITIES		<u>339,273</u>	<u>388,129</u>	<u>106,425</u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED INCOME STATEMENTS
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2007, 2008 AND 2009
(in millions)

	<u>Note</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>
		<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>US\$</u>
		<u>(Restated)</u>	<u>(Restated)</u>		
Revenue		184,053	223,078	264,175	72,436
Cost of revenue		(99,831)	(119,046)	(157,534)	(43,195)
Gross profit	29	<u>84,222</u>	<u>104,032</u>	<u>106,641</u>	<u>29,241</u>
Selling and distribution expenses		(3,041)	(3,302)	(3,744)	(1,027)
Administration expenses	30	(5,630)	(5,664)	(11,334)	(3,108)
Other expenses		(2,147)	(2,822)	(4,003)	(1,098)
Other income		4,344	5,113	4,010	1,100
Operating profit	30	<u>77,748</u>	<u>97,357</u>	<u>91,570</u>	<u>25,108</u>
Financing costs		(2,807)	(3,274)	(3,445)	(945)
Share of profit after tax and minority interest of equity accounted associates and jointly controlled entities		<u>1,405</u>	<u>1,464</u>	<u>1,014</u>	<u>278</u>
Profit before taxation		<u>76,346</u>	<u>95,547</u>	<u>89,139</u>	<u>24,441</u>
Tax expense	32	(24,473)	(28,248)	(30,075)	(8,246)
PROFIT FOR THE YEAR		<u>51,873</u>	<u>67,299</u>	<u>59,064</u>	<u>16,195</u>
Attributable to:					
Shareholders of the Company		46,167	60,964	52,546	14,408
Minority interest		5,706	6,335	6,518	1,787
PROFIT FOR THE YEAR		<u>51,873</u>	<u>67,299</u>	<u>59,064</u>	<u>16,195</u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2007, 2008 AND 2009
(in millions)

Note	Attributable to shareholders of the Company							
	Non-distributable			Distributable			Minority Interest	Total Equity
	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	General Reserve	Retained Profits	Total		
RM	RM	RM	RM	RM	RM	RM	RM	
Balance at 1 April 2006								
—as previously reported	100	11,996	89	12,000	131,783	155,968	18,689	174,657
—effects of adopting FRS 116	—	—	—	—	(9,890)	(9,890)	(5)	(9,895)
—effects of adopting FRS 121	—	—	951	—	32	983	694	1,677
—effects of adopting FRS 140	—	—	—	—	(93)	(93)	(31)	(124)
—effects of adopting FRS 112	—	—	—	—	1,054	1,054	233	1,287
At 1 April 2006, restated but before opening balance adjustment	100	11,996	1,040	12,000	122,886	148,022	19,580	167,602
—effects of adopting FRS 3	—	—	—	—	799	799	—	799
Balance at 1 April 2006, restated	100	11,996	1,040	12,000	123,685	148,821	19,580	168,401
Net movements from exchange differences representing net expense recognised directly in equity	—	—	(5,086)	—	—	(5,086)	(1,090)	(6,176)
Profit for the year	—	—	—	—	46,167	46,167	5,706	51,873
Total recognised (expense)/income for the year	—	—	(5,086)	—	46,167	41,081	4,616	45,697
Share of reserves of associates and jointly controlled entities	—	(226)	—	—	—	(226)	—	(226)
Transfer to capital reserves	—	1,463	—	—	(1,463)	—	(4)	(4)
Dividends 33	—	—	—	—	(18,000)	(18,000)	(3,640)	(21,640)
Balance at 31 March 2007	<u>100</u>	<u>13,233</u>	<u>(4,046)</u>	<u>12,000</u>	<u>150,389</u>	<u>171,676</u>	<u>20,552</u>	<u>192,228</u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2007, 2008 AND 2009 — (Continued)
(in millions)

Note	Attributable to shareholders of the Company							
	Non-distributable			Distributable		Total	Minority Interest	Total Equity
	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	General Reserve	Retained Profits			
RM	RM	RM	RM	RM	RM	RM	RM	
Balance at 1 April 2007								
—as previously reported	100	13,233	(4,046)	12,000	149,600	170,887	20,332	191,219
—effects of adopting FRS 112	—	—	—	—	789	789	220	1,009
At 1 April 2007, restated	100	13,233	(4,046)	12,000	150,389	171,676	20,552	192,228
Net movements from exchange differences representing net income/(expense) recognised directly in equity	—	84	(6,967)	—	—	(6,883)	(791)	(7,674)
Profit for the year	—	—	—	—	60,964	60,964	6,335	67,299
Total recognised income/(expense) for the year	—	84	(6,967)	—	60,964	54,081	5,544	59,625
Share of reserves of associates and jointly controlled entities	—	(47)	—	—	—	(47)	—	(47)
Transfer to capital reserves	—	61	—	—	(81)	(20)	20	—
Redemption of preference shares	—	1	—	—	(1)	—	(14)	(14)
Dividends	33	—	—	—	(24,000)	(24,000)	(3,490)	(27,490)
Balance at 31 March 2008	100	13,332	(11,013)	12,000	187,271	201,690	22,612	224,302

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2007, 2008 AND 2009 — (Continued)
(in millions)

Note	Attributable to shareholders of the Company								
	Non-distributable				Distributable				
	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Available-for-sale Reserve	General Reserve	Retained Profits	Total	Minority Interest	Total Equity
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 April 2008									
—as previously reported	100	13,332	(11,013)	—	12,000	186,556	200,975	22,404	223,379
—effects of adopting FRS 112	—	—	—	—	—	715	715	208	923
At 1 April 2008, restated but before opening balance adjustment	100	13,332	(11,013)	—	12,000	187,271	201,690	22,612	224,302
—effects of adopting FRS 139	—	—	—	3,753	—	287	4,040	13	4,053
Balance at 1 April 2008, restated	100	13,332	(11,013)	3,753	12,000	187,558	205,730	22,625	228,355
Net movements from exchange differences	—	—	9,517	—	—	—	9,517	1,576	11,093
Changes in fair value of available-for-sale financial assets, net of tax	—	—	—	(5,676)	—	—	(5,676)	29	(5,647)
Net income/(expense) recognised directly in equity	—	—	9,517	(5,676)	—	—	3,841	1,605	5,446
Profit for the year	—	—	—	—	—	52,546	52,546	6,518	59,064
Total recognised income/(expense) for the year	—	—	9,517	(5,676)	—	52,546	56,387	8,123	64,510
Share of reserves of associates and jointly controlled entities	—	(34)	—	—	—	—	(34)	—	(34)
Transfer to capital reserves	—	2	—	—	—	(2)	—	—	—
Acquisition of minority interest	—	—	—	—	—	—	—	(31)	(31)
Dividends	33	—	—	—	—	(30,000)	(30,000)	(5,711)	(35,711)
Balance at 31 March 2009	100	13,300	(1,496)	(1,923)	12,000	210,102	232,083	25,006	257,089

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2007, 2008 AND 2009 — (Continued)
(in millions)

	Attributable to shareholders of the Company								
	Non-distributable				Distributable				
	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Available- for-sale Reserve	General Reserve	Retained Profits	Total	Minority Interest	Total Equity
Note	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 April 2008									
—as previously reported . . .	27	3,656	(3,019)	—	3,290	51,153	55,107	6,143	61,250
—effects of adopting FRS 112	—	—	—	—	—	196	196	57	253
At 1 April 2008, restated but before opening balance adjustment	27	3,656	(3,019)	—	3,290	51,349	55,303	6,200	61,503
—effects of adopting FRS 139	—	—	—	1,029	—	79	1,108	3	1,111
Balance at 1 April 2008, restated	27	3,656	(3,019)	1,029	3,290	51,428	56,411	6,203	62,614
Net movements from exchange differences	—	—	2,609	—	—	—	2,609	433	3,042
Changes in fair value of available-for-sale financial assets, net of tax	—	—	—	(1,556)	—	—	(1,556)	8	(1,548)
Net income/(expense) recognised directly in equity	—	—	2,609	(1,556)	—	—	1,053	441	1,494
Profit for the year	—	—	—	—	—	14,408	14,408	1,787	16,195
Total recognised income/ (expense) for the year . . .	—	—	2,609	(1,556)	—	14,408	15,461	2,228	17,689
Share of reserves of associates and jointly controlled entities	—	(10)	—	—	—	—	(10)	—	(10)
Transfer to capital reserves	—	1	—	—	—	(1)	—	—	—
Acquisition of minority interest	—	—	—	—	—	—	—	(8)	(8)
Dividends	33	—	—	—	—	(8,226)	(8,226)	(1,566)	(9,792)
Balance at 31 March 2009	27	3,647	(410)	(527)	3,290	57,609	63,636	6,857	70,493

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED CASH FLOW STATEMENTS
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2007, 2008 AND 2009
(in millions)

	<u>Note</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>
		RM	RM	RM	US\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		181,069	216,452	265,851	72,896
Cash paid to suppliers and employees		<u>(101,840)</u>	<u>(122,520)</u>	<u>(139,635)</u>	<u>(38,288)</u>
		79,229	93,932	126,216	34,608
Interest income from fund and other investments		4,343	4,273	3,257	893
Interest expenses paid		<u>(3,229)</u>	<u>(2,279)</u>	<u>(2,504)</u>	<u>(686)</u>
Taxation paid		<u>(23,064)</u>	<u>(25,064)</u>	<u>(30,015)</u>	<u>(8,230)</u>
Net cash generated from operating activities		57,279	70,862	96,954	26,585
CASH FLOWS FROM INVESTING ACTIVITIES					
Net cash used in investing activities	34	<u>(22,051)</u>	<u>(44,154)</u>	<u>(48,847)</u>	<u>(13,394)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Net cash used in financing activities	35	<u>(24,961)</u>	<u>(24,598)</u>	<u>(33,982)</u>	<u>(9,318)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS					
DECREASE/(INCREASE) IN DEPOSITS		10,267	2,110	14,125	3,873
RESTRICTED		123	80	(11)	(3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>68,081</u>	<u>78,471</u>	<u>80,661</u>	<u>22,117</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>78,471</u>	<u>80,661</u>	<u>94,775</u>	<u>25,987</u>
CASH AND CASH EQUIVALENTS					
Cash and bank balances and deposits	17	67,539	80,654	91,147	24,992
Negotiable certificate of deposits	13	11,799	805	4,571	1,253
Bank overdrafts	25	<u>(10)</u>	<u>(21)</u>	<u>(155)</u>	<u>(42)</u>
		79,328	81,438	95,563	26,203
Less: Deposits restricted	17	<u>(857)</u>	<u>(777)</u>	<u>(788)</u>	<u>(216)</u>
		<u>78,471</u>	<u>80,661</u>	<u>94,775</u>	<u>25,987</u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

UNCONSOLIDATED (COMPANY) BALANCE SHEETS
AT 31 MARCH 2008 AND 2009
(in millions)

	<u>Note</u>	<u>2008</u>	<u>2009</u>
		RM	RM
ASSETS			
Property, plant and equipment	3	1,915	1,932
Prepaid lease payments	7	70	68
Investments in subsidiaries	8	20,802	28,942
Investments in associates	9	1,042	1,038
Investments in jointly controlled entities	10	1,058	1,904
Long term receivables	12	54,137	67,278
Fund and other investments	13	103	76
Deferred tax assets	15	890	1,416
TOTAL NON-CURRENT ASSETS		<u>80,017</u>	<u>102,654</u>
Trade and other inventories	19	98	34
Trade and other receivables	20	15,213	9,674
Fund and other investments	13	30,727	41,065
Cash and cash equivalents	17	45,479	45,597
TOTAL CURRENT ASSETS		<u>91,517</u>	<u>96,370</u>
TOTAL ASSETS		<u>171,534</u>	<u>199,024</u>
EQUITY			
Share capital	22	100	100
Reserves	23	114,267	137,130
TOTAL EQUITY		<u>114,367</u>	<u>137,230</u>
LIABILITIES			
Borrowings	25	15,689	15,192
Other long term liabilities and provisions	27	16,239	19,468
TOTAL NON-CURRENT LIABILITIES		<u>31,928</u>	<u>34,660</u>
Trade and other payables	28	7,663	4,516
Borrowings	25	549	2,342
Taxation		11,027	14,276
Dividend payable		6,000	6,000
TOTAL CURRENT LIABILITIES		<u>25,239</u>	<u>27,134</u>
TOTAL LIABILITIES		<u>57,167</u>	<u>61,794</u>
TOTAL EQUITY AND LIABILITIES		<u>171,534</u>	<u>199,024</u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

UNCONSOLIDATED (COMPANY) INCOME STATEMENTS
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2007, 2008 AND 2009
(in millions)

	<u>Note</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
		RM	RM	RM
Revenue		87,432	101,703	115,348
Cost of revenue		<u>(36,526)</u>	<u>(43,415)</u>	<u>(48,238)</u>
Gross profit	29	50,906	58,288	67,110
Selling and distribution expenses		(393)	(432)	(392)
Administration expenses		(2,013)	(3,160)	(2,623)
Other expenses		(2,898)	(3,214)	(2,528)
Other income		<u>2,773</u>	<u>2,584</u>	<u>8,777</u>
Operating profit	30	48,375	54,066	70,344
Financing costs		<u>(313)</u>	<u>(967)</u>	<u>(1,325)</u>
Profit before taxation		48,062	53,099	69,019
Tax expense	32	<u>(14,700)</u>	<u>(17,441)</u>	<u>(19,183)</u>
PROFIT FOR THE YEAR		<u><u>33,362</u></u>	<u><u>35,658</u></u>	<u><u>49,836</u></u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

UNCONSOLIDATED (COMPANY) STATEMENT OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2007, 2008 AND 2009
(in millions)

	Note	Non-distributable		Distributable		Total Equity
		Share Capital	Available-for-sale Reserve	General Reserve	Retained Profits	
		RM	RM	RM	RM	RM
Balance at 1 April 2006						
—as previously reported		100	—	12,000	85,126	97,226
—effects of adopting FRS 116		—	—	—	(9,879)	(9,879)
Balance at 1 April 2006, restated		100	—	12,000	75,247	87,347
Profit for the year		—	—	—	33,362	33,362
Dividends	33	—	—	—	(18,000)	(18,000)
Balance at 31 March 2007		<u>100</u>	<u>—</u>	<u>12,000</u>	<u>90,609</u>	<u>102,709</u>
Balance at 1 April 2007		100	—	12,000	90,609	102,709
Profit for the year		—	—	—	35,658	35,658
Dividends	33	—	—	—	(24,000)	(24,000)
Balance at 31 March 2008		<u>100</u>	<u>—</u>	<u>12,000</u>	<u>102,267</u>	<u>114,367</u>
Balance at 1 April 2008						
—as previously reported		100	—	12,000	102,267	114,367
—effects of adopting FRS 139		—	10	—	3,039	3,049
Balance at 1 April 2008, restated		100	10	12,000	105,306	117,416
Changes in fair value of available-for-sale financial assets net of tax, representing net expense recognised directly in equity		—	(22)	—	—	(22)
Profit for the year		—	—	—	49,836	49,836
Total recognised (expense)/income for the year		—	(22)	—	49,836	49,814
Dividends	33	—	—	—	(30,000)	(30,000)
Balance at 31 March 2009		<u>100</u>	<u>(12)</u>	<u>12,000</u>	<u>125,142</u>	<u>137,230</u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

UNCONSOLIDATED (COMPANY) CASH FLOW STATEMENTS
FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2007, 2008 AND 2009
(in millions)

	<u>Note</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
		RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers		65,883	78,852	102,564
Cash paid to suppliers and employees		(39,954)	(48,654)	(47,328)
		<u>25,929</u>	<u>30,198</u>	<u>55,236</u>
Interest income from fund and other investments		3,275	2,978	3,083
Interest expenses paid		(191)	(18)	(30)
Taxation paid		(13,175)	(12,942)	(15,266)
Net cash generated from operating activities		<u>15,838</u>	<u>20,216</u>	<u>43,023</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash generated from/(used in) investing activities	34	15,021	(1,816)	(8,523)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash used in financing activities	35	(20,356)	(24,000)	(30,616)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
		10,503	(5,600)	3,884
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR				
		<u>40,876</u>	<u>51,884</u>	<u>46,284</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR				
		<u>51,379</u>	<u>46,284</u>	<u>50,168</u>
CASH AND CASH EQUIVALENTS				
Cash and bank balances and deposits	17	40,084	45,479	45,597
Negotiable certificate of deposits	13	11,295	805	4,571
		<u>51,379</u>	<u>46,284</u>	<u>50,168</u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs) and generally accepted accounting principles in Malaysia.

As of 1 April 2008, the Group and the Company have adopted the following FRSs:

- (i) FRS 107, *Cash Flow Statements*;
- (ii) FRS 111, *Construction Contracts*;
- (iii) FRS 112, *Income Taxes*;
- (iv) FRS 118, *Revenue*;
- (v) FRS 134, *Interim Financial Reporting*; and
- (vi) FRS 137, *Provisions, Contingent Liabilities and Contingent Assets*.

As of 1 April 2008, the Group and the Company have also early adopted the following FRS and Statements of Interpretation which are effective for annual periods beginning on or after 1 January 2010:

- (i) FRS 139, *Financial Instruments: Recognition and Measurement*;
- (ii) IC Interpretation 9, *Reassessment of Embedded Derivatives*; and
- (iii) IC Interpretation 10, *Interim Financial Reporting and Impairment*.

The adoption of these standards other than FRS 112 and FRS 139, did not have material impact on these financial statements.

The principal changes in accounting policies and their effects resulting from the adoption of FRS 112 and FRS 139 are set out in note 37 and note 46.

In this set of financial statements, the Group and the Company have not chosen to early adopt the following FRSs, Amendments to FRS and Statements of Interpretations which are effective for annual periods beginning on or after 1 January 2010:

- (i) FRS 4, *Insurance Contracts*;
- (ii) FRS 7, *Financial Instruments: Disclosures*;
- (iii) FRS 123, *Borrowing Costs*;

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

- (iv) Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards* and FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*;
- (v) IC Interpretation 13, *Customer Loyalty Programme*; and
- (vi) IC Interpretation 14 FRS 119, *The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction*.

Initial application of these FRSs, Amendments to FRS and Statements of Interpretation for the Group and the Company will be effective from annual period beginning 1 April 2010. By virtue of the exemption in paragraph 41AA of FRS 4 and paragraph 44AB of FRS 7, the impact of applying FRS 4 and FRS 7 respectively on the financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* is not disclosed.

The adoption of other FRS, Amendments to FRS and Statements of Interpretation are not expected to have any material impact on the financial statements of the Group and of the Company in the period of initial application.

The Malaysian Accounting Standards Board has also issued the following FRS, Amendments to FRS and Statement of Interpretation which are effective for annual periods beginning on or after 1 January 2010 (unless otherwise stated), but for which are not relevant to the operations of the Group and the Company and hence, no further disclosure is warranted:

- (i) FRS 8, *Operating Segments* (effective for annual periods beginning on or after 1 July 2009);
- (ii) Amendments to FRS 2, *Share-based Payment; Vesting Conditions and Cancellations*; and
- (iii) IC Interpretation 11 FRS 2, *Group and Treasury Transactions*.

The financial statements were approved and authorised for issue by the Board of Directors on 27 May 2009.

1.2 Basis of measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis except that, as disclosed in the accounting policies below, certain items are measured at fair value.

1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Group and the Company’s financial statements are presented in Ringgit Malaysia, which is also the Company’s functional currency.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

1.4 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- (i) Note 3 : Property, Plant and Equipment;
- (ii) Note 11 : Intangible Assets;
- (iii) Note 15 : Deferred Tax;
- (iv) Note 16 : Retirement Benefits;
- (v) Note 27 : Other Long Term Liabilities and Provisions; and
- (vi) Note 42 : Financial Instruments.

1.5 Basis of translation of financial statements in US dollars

For the convenience of readers, the accompanying US dollar financial statements have been translated from Ringgit at the rate of RM3.6470 to US\$1.00, the exchange rate on 31 March 2009. These translations should not be construed as a representation that Ringgit Malaysia have been or could have been converted into US dollar at that rate.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

2.1 Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from intercompany transactions are also eliminated unless cost cannot be recovered.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

2.2 Associates

Associates are entities in which the Group has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of post-acquisition profits or losses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated balance sheet. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Unrealised profits arising from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially, unless cost cannot be recovered.

2.3 Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, established by contractual agreement and requiring unanimous consent for strategic financial and

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

operating decisions. A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in note 2.2.

2.4 Property, plant and equipment and depreciation

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The net book value of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the income statement accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is reclassified as investment property at cost.

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at cost.

Depreciation for property, plant and equipment other than freehold land, oil and gas properties and projects-in-progress, is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Depreciation of producing oil and gas properties is computed based on the unit of production method using total proved reserves for capitalised acquisition costs and total proved and probable developed reserves for capitalised exploration and development costs.

Lease properties are depreciated over the lease term or the estimated useful lives, whichever is shorter.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

The estimated useful lives of the other property, plant and equipment are as follows:

Buildings	14-50 years
Plant	3-67 years
Expendable capital improvements	3 years
Office equipment, furniture and fittings	5-10 years
Other plant and equipment	3-50 years
Computer software and hardware	5 years
Motor vehicles	3-5 years
Vessels	20 years

Estimates in respect of certain items of property, plant and equipment were revised during the year (refer note 3).

Property, plant and equipment individually costing less than RM5,000 are expensed off in the year of purchase.

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

2.5 Investment properties

Investment properties are properties which are owned either to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Freehold land and land improvements are stated at cost and are not depreciated. Other investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in note 2.4.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of 10 to 50 years for buildings.

2.6 Land held for property development and property development costs

(i) Land held for property development

Land held for property development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses, if any. Cost includes acquisition cost of land and attributable development expenditure.

Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where the Group had previously recorded the land at revalued amount, it continues to retain this amount as its surrogate costs as allowed by FRS 201₂₀₀₄, *Property Development Activities*.

Land held for property development is reclassified as property development costs at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

(ii) Property development costs

Property development costs comprise costs associated with the acquisition of land, all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities and interest expenses incurred during the period of active development.

Property development cost not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

The excess of revenue recognised in the income statement over billings to purchasers is shown as amount due from contract customers under trade and other receivables and the excess of billings to purchasers over revenue recognised in the income statement is shown as amount due to contract customers under trade and other payables.

2.7 Leased assets

(i) Finance lease

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the balance sheet as borrowings.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Contingent lease payments, if any, are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

(ii) Operating lease

All leases that do not transfer substantially to the Group and the Company all the risks and rewards incidental to ownership are classified as operating leases.

Payments made under operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(iii) Prepaid lease payments

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

Leasehold land is classified into long lease and short lease. Long lease is defined as a lease with an unexpired lease period of fifty years or more. Short lease is defined as a lease with an unexpired lease period of less than fifty years.

2.8 Investments

Long term investments in subsidiaries, associates and jointly controlled entities are stated at cost less impairment loss, if any, in the Company's financial statements.

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any (note 2.12(i)).

2.9 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and jointly controlled entities.

Goodwill arising from acquisitions prior to 1 April 2006 represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities of the acquiree.

Goodwill arising from acquisitions beginning 1 April 2006 represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities and contingent liabilities of the acquiree.

When the excess is negative (negative goodwill), it is recognised immediately in the income statement.

Goodwill is initially measured at cost. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is reviewed for impairment when there is objective evidence of impairment.

(ii) Purchased goodwill

Purchased goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets acquired.

Purchased goodwill is initially measured at cost. Following the initial recognition, purchased goodwill is measured at cost less any accumulated impairment losses. Purchased goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(iii) Exploration expenditure

Intangible assets also include expenditure on the exploration for and evaluation of oil and natural gas resources (hereinafter collectively referred to as “exploration expenditure”). The accounting policy for exploration expenditure is described separately in note 2.10.

(iv) Other intangible assets

Intangible assets other than goodwill, purchased goodwill and exploration expenditure are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition.

Following initial recognition, intangible assets with finite lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised in the income statement on a straight line basis over the estimated economic useful lives, other than certain recoverable expenditure which is amortised based on actual costs recovered. The amortisation method and the useful life for intangible assets are reviewed at least at each balance sheet date. Intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. These intangible assets are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2.10 Exploration and development expenditure

The Group follows the successful efforts method of accounting for the exploration and development expenditure.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

(i) Exploration expenditure

Costs directly associated with an exploration well, including license acquisition and drilling costs, are initially capitalised as intangible assets until the results have been evaluated.

If a well does not result in successful discovery of economically recoverable volume of hydrocarbons, such costs are written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity which may include the drilling of further wells, are likely to be capable of commercial development under prevailing economic conditions, the costs continue to be carried as intangible assets. All such carried costs are reviewed at least once a year to determine whether the reserves found or appraised remain economically viable. When this is no longer the case, the costs are written off.

Where development plan is commercially viable and approved by the relevant authorities, the related exploration and evaluation costs are transferred to projects-in-progress in property, plant and equipment.

(ii) Development expenditure

Development expenditure comprises all costs incurred in bringing a field to commercial production and is capitalised as incurred. The amount capitalised includes attributable interests and other financing costs incurred on significant exploration and development before commencement of production.

Upon commencement of production, the exploration and development expenditure initially capitalised as projects-in-progress are transferred to oil and gas properties, and are depreciated as described in the accounting policy for property, plant and equipment (note 2.4).

2.11 Non-current assets held for sale

Non-current assets and disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Immediately before classification as held for sale, the assets (or all the assets and liabilities in a disposal group) are remeasured in accordance with the Group's applicable accounting policies. Thereafter, on initial classification as held for sale, the assets or disposal groups are measured at the lower of carrying amount and fair value less cost to sell. Any differences are charged to the income statement.

Property, plant and equipment and investment properties once classified as held for sale are not depreciated.

2.12 Non-derivative financial instruments

(i) Financial assets

Initial recognition

Financial assets within the scope of FRS 139 are classified as loans and receivables, available-for-sale financial assets, financial assets at fair value through profit or loss, held-to-maturity investments or as derivatives

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determine the classification of financial assets at initial recognition.

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, any directly attributable transaction costs.

Purchases or sales that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

Fair value adjustments on shareholder's loans and advances at initial recognition, if any, are added to the carrying value of investments in the Company's financial statements.

The Group's and the Company's financial assets include cash and cash equivalents, trade and other receivables, loans and advances, investments and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group and the Company, including separated embedded derivatives, unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with gains or losses recognised in the income statement. The methods used to measure fair values are stated in note 2.12(v).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, such financial assets are carried at amortised cost, using the effective interest rate method (note 2.12(vi)), less impairment losses.

Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group and the Company have positive intention and ability to hold the assets to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

effective interest rate method. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

The Group and the Company did not have any held-to-maturity investments during the year ended 31 March 2009.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Subsequent to initial recognition, such financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is recognised in the income statement.

(ii) Financial liabilities

Initial recognition

Financial liabilities within the scope of FRS 139 are classified as loans and borrowings, financial liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group and the Company determine the classification of financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value less, in the case of loans and borrowings, any directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group and the Company that do not meet the hedge accounting criteria as defined by FRS 139.

Financial liabilities at fair value through profit or loss are carried on the balance sheet at fair value with gains or losses recognised in the income statement.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Loans and borrowings

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(iii) Financial guarantee contracts

Financial guarantee contracts issued by the Group and the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount recognised less cumulative amortisation.

Financial guarantee contracts are amortised on a straight-line basis over the contractual period of the debt instrument. Where the guarantee does not have a specific period, the guarantee will only be recognised when the underlying facilities are withdrawn.

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. Where fair value cannot be reliably estimated, assets are carried at cost less impairment.

(vi) Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method. This method uses effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

(vii) Derecognition of financial instruments

Financial assets

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Group and the Company have transferred their rights to receive cash flows from the asset or have assume an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement without retaining control of the asset or substantially all the risks and rewards of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.13 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group and the Company use derivative financial instruments such as interest rate and foreign currency swaps, forward rate contracts, futures and options, to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the income statement.

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be recognised at fair value, with gains and losses taken to the income statement.

Hedge accounting

For the purpose of hedge accounting, hedges are classified as:

- fair values hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging exposure to variability in cash flows to be received or paid relating to a recognised asset or liability or a highly probable forecasted transaction; or
- hedges of a net investment in a foreign operation.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

At the inception of a hedge relationship, the Group and the Company formally designates and documents all relationships between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking hedge transactions. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges meeting the criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity until the hedged transaction occurs, while the ineffective portion is recognised in the income statement.

Where the hedged item is a non-financial asset or liability, the amount taken to equity is transferred to the initial carrying amount of the asset or liability. For other hedged item, the amount in equity is recognised in the income statement when the hedged transaction affects profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement.

Fair value hedges

A change in the fair value of a hedging instrument designated as a fair value hedge, is taken to the income statement, together with the consequential adjustment to the carrying amount of the hedged item.

For fair value hedges relating to items carried at amortised cost, the adjustment to the carrying value of the hedged item is amortised through the income statement over the remaining term to maturity. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

Hedges of a net investment in a foreign operation

For hedges of a net investment in a foreign operation, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement. Amounts taken to equity are transferred to the income statement when the foreign operation is sold or partially disposed.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract. Contracts are assessed for embedded derivatives when the Group or the Company becomes a party to them, including at the date of a business combination.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Embedded derivatives are measured at fair value at each balance sheet date. Any gains or losses arising from changes in fair value are taken directly to the income statement.

2.14 Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Loans and receivables

For loans and receivables carried at amortised cost, individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Available-for-sale financial investments

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount comprising the difference between its cost and its fair value is transferred from equity to the income statement.

If, in a subsequent period, the fair value of an available for sale financial investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed, with the amount of the reversal recognised in income statement.

Impairment losses recognised in income statement for an investment in an equity instrument classified as available for sale is not to be reversed through income statement.

(ii) Non-financial assets

The carrying amounts of assets, other than inventories, property development costs, deferred tax assets and financial assets (financial assets in this context exclude investments in subsidiaries, associates and jointly controlled entities), are reviewed at each balance sheet date to determine whether there is any indication of

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

impairment. For certain classes of assets, the carrying amounts are reviewed more frequently if events or changes in circumstances indicate that the carrying value may be impaired, as described in the respective assets' accounting policies.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

A cash-generating-unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed in a subsequent period. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment loss is also recognised in the income statement.

2.15 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

2.16 Amount due from contract customers

Amount due from contract customers on construction contracts is included in trade and other receivables and is stated at cost plus attributable profits less foreseeable losses and less progress billings. Cost includes all direct construction costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is included in trade and other payables as amount due to contract customers.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of crude oil and condensates includes costs of bringing the inventories to their present location and condition and is determined on a weighted average basis.

Cost of petroleum products includes crude oil costs, export duty, transportation charges and processing costs and is determined on a weighted average basis.

Cost of liquefied natural gas (LNG) and petrochemical products includes raw gas costs and production overheads and is determined on a weighted average basis.

Cost of material stores and spares consists of the invoiced value from suppliers and import duty charges and is determined on a weighted average basis.

Cost of developed properties held for sale consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

2.18 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in note 27.

2.19 Employee benefits

(i) Short term benefits

Wages and salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (“EPF”).

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes and certain other independently-administered funds which are defined contribution plans.

Such contributions are recognised as an expense in the income statement as incurred.

(iii) Defined benefit plans

The Group and the Company, other than foreign subsidiaries, contribute monthly to the PETRONAS Retirement Benefit Fund ("PETRONAS Fund") which is a funded defined benefit plan.

Contributions to the PETRONAS Fund are based on eligible employees' monthly emoluments less statutory contribution, to finance the retirement benefits payable to eligible employees. The monthly maximum tax allowable contribution is paid to the PETRONAS Fund. The excess is paid to a special account in the Company as a provision for retirement benefits.

The assets of the PETRONAS Fund are held separately from the Group and Company. The net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the market yield at the balance sheet date on high quality corporate bonds or government bonds. The calculation is performed by an independent actuary using the Projected Unit Credit Method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

In calculating the obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

As the eligible members of the PETRONAS Fund are mainly contracted to the Company, any shortfall of the Fund will be borne by the Company. The Company as well as its participating subsidiaries have agreed with the Trustees of the Fund to undertake such liability in respect of future contributions to the Fund which may be adjusted by the Trustees to recover such shortfall.

During the financial year ended 31 March 2009, the Trustees commenced dissolution of the PETRONAS Fund and the Group and the Company ceased to contribute to the PETRONAS Fund.

Certain foreign subsidiaries also make contributions to separate retirement benefit plans, which are funded defined benefit plans and are accounted for in accordance with the above accounting policy.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

(iv) Post retirement benefits

Some of the Group's foreign subsidiaries provide certain post retirement medical benefits and after service employment benefits for their eligible retired employees. These post retirement benefit plans are unfunded defined benefit plans. Actuarial valuations are performed annually with the most recent valuations being 31 March 2009.

2.20 Taxation

Tax on the profit and loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

(i) Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances and unused reinvestment allowances, investment tax allowances, tax losses and tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances and unused reinvestment allowances, investment tax allowances, tax losses and tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on statutory tax rates at the balance sheet date.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.21 Foreign currency transactions

In preparing the financial statements of individual entities in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currencies at rates of exchange ruling on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date have been retranslated to the functional currency at rates ruling on the balance sheet date.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value, are retranslated to the functional currency at the foreign exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses on exchange arising from retranslation are recognised in the income statement.

On consolidation, the assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia, are translated into Ringgit Malaysia at the exchange rates approximating those ruling at balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 April 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses are translated at the average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operation, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements only when the loan is denominated in either the functional currency of the Company or the foreign operation. These exchange differences are recognised in the consolidated income statement upon the disposal of the investment.

2.22 Financing costs

Finance costs comprise interest payable on borrowings and profit share margin on Islamic Financing Facilities, as well as any accretion in provision due to the passage of time.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than capitalised in accordance with note 2.6, note 2.10 and note 2.23. The interest component of finance lease payments is accounted for in accordance with the policy set out in note 2.7(i).

2.23 Borrowing costs and foreign currency exchange differences relating to projects-in-progress

Borrowing costs incurred on projects-in-progress which are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use, are capitalised. Capitalisation of borrowing costs will cease when the property, plant and equipment are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings will be capitalised.

Exchange differences arising from foreign currency borrowings, although regarded as an adjustment to interest costs, are not capitalised but instead recognised in the income statement in the year in which they arise.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

2.24 Revenue

Revenue from sale of oil and gas and their related products are recognised in the income statement when the risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement based on actual and estimates of work done in respect of services rendered for long term project management contracts. Work done is measured based on internal certification of project activities. Full provision is made for any foreseeable losses.

Revenue arising from shipping activities are mainly from freight income and charter income. Freight income and the relevant discharged costs of cargoes loaded onto vessels up to the balance sheet date are accrued for in the income statement based on percentage of completion method. Charter income is accrued on time accrual basis.

Revenue from property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to-date, bear to the estimated total property development costs. Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred. Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in the income statement.

Revenue arising from assets yielding interest is recognised on a time proportion basis that takes into account the effective yield on the assets.

Revenue arising from investments yielding dividend are recognised when the shareholders' right to receive payment is established.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

3. PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	<u>At 1.4.2007</u>	<u>Additions</u>	<u>Acquisition of subsidiaries</u>	<u>Disposal/ write offs</u>	<u>Transfers/ reclass</u>	<u>Adjustments</u>	<u>Translation exchange difference</u>	<u>At 31.3.2008</u>
	RM	RM	RM	RM	RM	RM	RM	RM
					(in millions)			
At cost :								
Freehold land	976	21	54	(4)	166	(2)	(19)	1,192
Lease properties	1,220	—	1	(28)	—	(4)	(11)	1,178
Oil and gas properties . . .	59,872	2,576	3,999	(692)	8,013	107	(2,152)	71,723
Buildings	6,157	175	365	(45)	872	53	(140)	7,437
Plant	49,263	137	466	(20)	490	—	(1,841)	48,495
Expendable capital improvements	58	—	—	—	—	—	—	58
Office equipment, furniture and fittings	1,459	68	36	(75)	90	(6)	(24)	1,548
Other plant and equipment	10,583	462	1,871	(91)	848	(17)	(182)	13,474
Computer software and hardware	1,679	103	31	(80)	97	11	(81)	1,760
Motor vehicles	387	33	29	(18)	—	(3)	(23)	405
Vessels	28,115	1,050	—	(855)	3,521	(9)	(2,152)	29,670
Projects-in-progress								
—oil and gas properties	16,962	12,571	88	(3)	(7,849)	2	(326)	21,445
—other projects	8,266	6,549	86	(29)	(6,072)	(46)	(507)	8,247
	<u>184,997</u>	<u>23,745</u>	<u>7,026</u>	<u>(1,940)</u>	<u>176*</u>	<u>86</u>	<u>(7,458)</u>	<u>206,632</u>

* Comprises transfer from intangible assets of RM176,000,000.

The fair value of property, plant and equipment of subsidiaries acquired during the year is presented on a gross basis, where cost is separately presented from accumulated depreciation and impairment losses.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Group Accumulated depreciation and impairment losses:	At 1.4.2007	Charge for the year	Acquisition of subsidiaries	Disposals/ write offs	Transfers/ reclass	Adjustments	Translation exchange difference	At 31.3.2008
	RM	RM	RM	RM	RM	RM	RM	RM
				(in millions)				
At cost :								
Freehold land	22	—	—	—	—	—	—	22
Lease properties	533	49	—	(7)	—	(1)	(5)	569
Oil and gas properties	22,214	5,433	942	(509)	—	(2)	(485)	27,593
Buildings	1,860	203	138	(18)	(1)	6	(54)	2,134
Plant	24,559	2,060	266	(11)	20	(20)	(987)	25,887
Expendable capital improvements	46	6	—	—	—	—	—	52
Office equipment, furniture and fittings	1,189	95	28	(37)	2	—	(15)	1,262
Other plant and equipment	5,086	733	172	(44)	(15)	14	(96)	5,850
Computer software and hardware	1,286	174	25	(50)	(2)	(1)	(65)	1,367
Motor vehicles	204	32	15	(13)	(4)	—	(6)	228
Vessels	11,463	1,346	—	(429)	—	—	(965)	11,415
Projects-in-progress —oil and gas properties . .	—	—	—	—	—	—	—	—
—other projects	—	—	—	—	—	—	—	—
	<u>68,462</u>	<u>10,131</u>	<u>1,586</u>	<u>(1,118)</u>	<u>—</u>	<u>(4)</u>	<u>(2,678)</u>	<u>76,379</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>Group</u>	<u>At 1.4.2008</u>	<u>Additions</u>	<u>Acquisition of</u>	<u>Disposals/</u>	<u>Transfers/</u>	<u>Translation</u>	<u>At 31.3.2009</u>
	RM	RM	RM	RM	RM	RM	RM
				(in millions)			
At cost :							
Freehold land	1,192	40	—	(11)	60	(11)	1,270
Lease properties	1,178	1	—	—	—	2	1,181
Oil and gas properties	71,723	9,722	—	(2,057)	7,477	4,140	91,005
Buildings	7,437	205	89	(21)	430	(58)	8,082
Plant	48,495	263	8	(52)	2,741	2,657	54,112
Expendable capital improvements . . .	58	1	1	—	(1)	1	60
Office equipment, furniture and fittings	1,548	114	25	(33)	126	—	1,780
Other plant and equipment	13,474	786	42	(146)	498	(90)	14,564
Computer software and hardware . . .	1,760	122	5	(14)	145	36	2,054
Motor vehicles	405	58	11	(19)	5	(5)	455
Vessels	29,670	1,722	—	(11)	1,325	4,397	37,103
Projects-in-progress							
—oil and gas properties	21,445	20,232	—	(14)	(6,261)	882	36,284
—other projects	8,247	6,757	9	(53)	(5,382)	564	10,142
	<u>206,632</u>	<u>40,023</u>	<u>190</u>	<u>(2,431)</u>	<u>1,163*</u>	<u>12,515</u>	<u>258,092</u>

* Comprises transfer from intangible assets of RM1,195,000,000 and transfer to prepaid lease payment of (RM32,000,000).

The fair value of property, plant and equipment of subsidiaries acquired during the year is presented on a gross basis, where cost is separately presented from accumulated depreciation and impairment losses.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Group Accumulated depreciation and impairment losses:	At 1.4.2008	Charge for the year	Acquisition of subsidiaries	Impairment	Disposals/ write offs	Transfers/ reclass	Translation exchange difference	At 31.3.2009
	RM	RM	RM	RM	RM	RM	RM	RM
				(in millions)				
At cost :								
Freehold land	22	—	—	—	—	—	—	22
Lease properties	569	53	—	(2)	—	—	(6)	614
Oil and gas properties	27,593	7,007	—	1,995	(676)	—	929	36,848
Buildings	2,134	245	43	12	(12)	3	(15)	2,410
Plant	25,887	2,207	8	12	(49)	(14)	1,528	29,579
Expendable capital improvements	52	5	—	—	—	—	1	58
Office equipment, furniture and fittings	1,262	105	6	—	(29)	5	—	1,349
Other plant and equipment	5,850	787	40	132	(116)	2	9	6,704
Computer software and hardware	1,367	182	4	—	(8)	2	8	1,555
Motor vehicles	228	46	6	3	(13)	2	(1)	271
Vessels	11,415	1,597	—	—	—	—	1,837	14,849
Projects-in-progress								
—oil and gas properties ...	—	—	—	1,818	—	—	—	1,818
—other projects	—	—	—	67	—	—	—	67
	<u>76,379</u>	<u>12,234</u>	<u>107</u>	<u>4,037</u>	<u>(903)</u>	<u>—</u>	<u>4,290</u>	<u>96,144</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>Company</u>	<u>At 1.4.2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>At 31.3.2008</u>
	RM	RM	RM (in millions)	RM	RM
At cost :					
Freehold land	53	—	—	—	53
Lease properties	367	—	—	—	367
Oil and gas properties	4,529	1,507	(691)	—	5,345
Buildings	174	—	—	6	180
Expendable capital improvements	11	—	—	—	11
Office equipment, furniture and fittings	41	5	—	—	46
Other plant and equipment	10	—	—	—	10
Computer software and hardware	243	20	(51)	—	212
Motor vehicles	16	—	(2)	—	14
Projects-in-progress—other projects	87	187	—	(6)	268
	<u>5,531</u>	<u>1,719</u>	<u>(744)</u>	<u>—</u>	<u>6,506</u>
Accumulated depreciation					
	<u>At 1.4.2007</u>	<u>Charge for the year</u>	<u>Disposals</u>	<u>Transfers</u>	<u>At 31.3.2008</u>
	RM	RM	RM (in millions)	RM	RM
At cost :					
Freehold land	—	—	—	—	—
Lease properties	283	10	—	—	293
Oil and gas properties	3,148	1,387	(509)	—	4,026
Buildings	29	3	—	—	32
Expendable capital improvements	11	—	—	—	11
Office equipment, furniture and fittings	26	4	—	—	30
Other plant and equipment	7	1	—	—	8
Computer software and hardware	197	14	(30)	—	181
Motor vehicles	9	2	(1)	—	10
Projects-in-progress—other projects	—	—	—	—	—
	<u>3,710</u>	<u>1,421</u>	<u>(540)</u>	<u>—</u>	<u>4,591</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>Company</u>	<u>At 1.4.2008</u>	<u>Additions</u>	<u>Disposals/ Write off</u>	<u>Transfers</u>	<u>At 31.3.2009</u>
	RM	RM	RM (in millions)	RM	RM
At cost :					
Freehold land	53	—	—	—	53
Lease properties	367	—	—	—	367
Oil and gas properties	5,345	1,353	(885)	—	5,813
Buildings	180	—	—	—	180
Expendable capital improvements	11	—	—	—	11
Office equipment, furniture and fittings	46	3	—	49	98
Other plant and equipment	10	—	—	—	10
Computer software and hardware	212	37	—	57	306
Motor vehicles	14	—	(1)	—	13
Projects-in-progress—other projects	268	118	(74)	(106)	206
	<u>6,506</u>	<u>1,511</u>	<u>(960)</u>	<u>—</u>	<u>7,057</u>
Accumulated depreciation					
	<u>At 1.4.2008</u>	<u>Charge for the year</u>	<u>Disposals/ Write off</u>	<u>Transfers</u>	<u>At 31.3.2009</u>
	RM	RM	RM (in millions)	RM	RM
At cost :					
Freehold land	—	—	—	—	—
Lease properties	293	9	—	—	302
Oil and gas properties	4,026	1,181	(679)	—	4,528
Buildings	32	3	—	—	35
Expendable capital improvements	11	—	—	—	11
Office equipment, furniture and fittings	30	5	—	—	35
Other plant and equipment	8	1	—	—	9
Computer software and hardware	181	13	—	—	194
Motor vehicles	10	2	(1)	—	11
Projects-in-progress—other projects	—	—	—	—	—
	<u>4,591</u>	<u>1,214</u>	<u>(680)</u>	<u>—</u>	<u>5,125</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

	<u>Group</u>		<u>Company</u>	
	<u>Net Book Value</u>		<u>Net Book Value</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	RM	RM	RM	RM
	(in millions)		(in millions)	
At cost :				
Freehold land	1,170	1,248	53	53
Lease properties	609	567	74	65
Oil and gas properties	44,130	54,157	1,319	1,285
Buildings	5,303	5,672	148	145
Plant	22,608	24,533	—	—
Expendable capital improvements	6	2	—	—
Office equipment, furniture and fittings	286	431	16	63
Other plant and equipment	7,624	7,860	2	1
Computer software and hardware	393	499	31	112
Motor vehicles	177	184	4	2
Vessels	18,255	22,254	—	—
Projects-in-progress				
—oil and gas properties	21,445	34,466	—	—
—other projects	8,247	10,075	268	206
	<u>130,253</u>	<u>161,948</u>	<u>1,915</u>	<u>1,932</u>

Security

Property, plant and equipment of certain subsidiaries costing RM5,283,604,000 (2008: RM4,819,841,000) have been pledged as securities for loan facilities as set out in note 25 and note 26 to the financial statements.

Projects-in-progress

Included in additions to projects-in-progress is finance costs capitalised during the year of RM466,763,000 (2008: RM153,322,000).

The interest rate on borrowings capitalised ranges from 5.67% to 5.90% (2008: 4.45% to 7.25%) per annum.

Restriction of land title

The titles to certain freehold land are in the process of being registered in the subsidiaries' name.

Change in estimates

During the year, the Group revised the estimated future cost of dismantlement, removal or restoration of certain property, plant and equipment. The revision was accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year have increased by RM932,000,000 (2008: RM1,124,000,000).

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Group and the Company investment decision-making process. They are also an important element in testing for impairment. The term “reserves” describes the recoverable quantity of oil and gas volumes that are commercially viable for development given the prevailing economic situation present at the time of estimation. While it is crucial to know the quantity of these oil and gas reserves to the exact volume, in all cases, oil and gas reserves are only estimates.

Estimation of oil and gas reserves are normally conducted using industry-recognised method. Sufficient availability of key technical information are critical to ensure reserves estimates are technically sound while recognising the existence of uncertainties present in the oil and gas reservoirs. Reserves estimates are normally presented alongside the range of level of certainties namely the P1 (proved reserves; high level of certainty), P2 (probable reserves; mean level of certainty) and P3 (possible reserves; low level of certainty). Level of certainties are related to the availability and understanding of the geological and reservoir data available at the time of estimation and is normally represented in the form of probability distribution.

The Group adopts the 2P (or P1 + P2) reserves estimation approach for its reporting and investment decision making purposes. This approach is in line with the general industry-wide applications supported by the Society of Petroleum Engineers (SPE), World Petroleum Congress (WPC) and Society of Petroleum Evaluators and Estimators (SPEE).

The reserves are further subdivided into developed and undeveloped category. Developed reserves are reserves expected to be recovered through existing wells and facilities under the operating conditions that have been designed for. Whereas the undeveloped reserves are reserves to be recovered from approved and sanctioned projects and remain so until the wells are drilled and completed and ready for production which would by then be classified as developed.

In the annual reporting, these reserves may be revised based on new data that may become available (e.g. additional wells, actual production) or changes in economic parameters (e.g. cost, oil prices). These changes will eventually affect the financial and accounting measures such as the standardised measure of discounted cash flow, depreciation and amortisation charges and decommissioning provisions. Ultimately, these changes will also affect profit.

Impairment

In 2009, the Group recognised impairment losses on certain property, plant and equipment amounting to RM4,037,000,000 (2008: RMNil).

In assessing whether property, plant and equipment have been impaired, the carrying amount of each cash generating unit is compared with the recoverable amount of the cash generating unit. The recoverable amount is determined from the value in use calculations, using cash flow projections.

The Group uses a range of long term assumptions including prices, volumes, margins and costs based on past performance and management’s expectations of market development. The projected cash flows were discounted using a discount rate which is typically at 10%.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

4. PROPERTIES

<u>Group</u>	<u>At 1.4.2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>At 31.3.2008</u>
	RM	RM	RM	RM	RM	RM
			(in millions)			
At cost :						
Freehold land	1,241	43	(1)	—	—	1,283
Buildings	6,090	18	(3)	13	22	6,140
Projects-in-progress	709	580	—	(632)	(13)	644
	<u>8,040</u>	<u>641</u>	<u>(4)</u>	<u>(619)*</u>	<u>9</u>	<u>8,067</u>

	<u>At 1.4.2007</u>	<u>Charge for</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>At 31.3.2008</u>
	RM	RM	RM	RM	RM	RM
			(in millions)			
Accumulated depreciation :						
Freehold land	—	—	—	—	—	—
Buildings	783	117	—	—	—	900
Projects-in-progress	—	—	—	—	—	—
	<u>783</u>	<u>117</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>900</u>

* Comprises transfers to investment properties (RM461,000,000), assets classified as held for sale (RM151,000,000) and property development cost (RM7,000,000).

	<u>At 1.4.2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfer to</u>	<u>At 31.3.2009</u>
	RM	RM	RM	investment	RM
			(in millions)		
				properties	
				RM	
At cost :					
Freehold land	1,283	—	(10)	—	1,273
Buildings	6,140	68	(5)	—	6,203
Projects-in-progress	644	463	—	(203)	904
	<u>8,067</u>	<u>531</u>	<u>(15)</u>	<u>(203)</u>	<u>8,380</u>

	<u>At 1.4.2008</u>	<u>Charge for</u>	<u>Disposals</u>	<u>Transfers</u>	<u>At 31.3.2009</u>
	RM	RM	RM	RM	RM
			(in millions)		
Accumulated depreciation :					
Freehold land	—	—	—	—	—
Buildings	900	112	(1)	—	1,011
Projects-in-progress	—	—	—	—	—
	<u>900</u>	<u>112</u>	<u>(1)</u>	<u>—</u>	<u>1,011</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>Group</u>	<u>Net Book Value</u>	
	<u>2008</u>	<u>2009</u>
	RM	RM
	(in millions)	
At cost :		
Freehold land	1,283	1,273
Buildings	5,240	5,192
Projects-in-progress	644	904
	<u>7,167</u>	<u>7,369</u>

Certain properties with net book value of RM556,698,000 (2008: RM566,717,000) have been pledged as securities for loan facilities as set out in note 25 and note 26 to the financial statements.

Included in additions to projects-in-progress is finance costs capitalised during the year of RM41,459,000 (2008: RM30,624,000).

The interest rate on borrowings capitalised ranges from 5.67% to 5.90% (2008: 5.73% to 5.78%) per annum.

5. INVESTMENT PROPERTIES

<u>Group</u>	<u>At 1.4.2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfer from properties</u>	<u>Adjustments</u>	<u>Translation exchange difference</u>	<u>At 31.3.2008</u>
	RM	RM	RM	RM (in millions)	RM	RM	RM
At cost :							
Freehold land	931	62	(31)	23	—	(1)	984
Buildings	8,748	1	(49)	438	5	(23)	9,120
Land improvements	222	—	—	—	(1)	—	221
	<u>9,901</u>	<u>63</u>	<u>(80)</u>	<u>461</u>	<u>4</u>	<u>(24)</u>	<u>10,325</u>

	<u>At 1.4.2007</u>	<u>Charge for the year</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>Translation exchange difference</u>	<u>At 31.3.2008</u>
	RM	RM	RM	RM (in millions)	RM	RM	RM
Accumulated depreciation :							
Freehold land	—	—	—	—	—	—	—
Buildings	1,288	340	(31)	—	6	(13)	1,590
Land improvements	—	—	—	—	—	—	—
	<u>1,288</u>	<u>340</u>	<u>(31)</u>	<u>—</u>	<u>6</u>	<u>(13)</u>	<u>1,590</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>Group</u>	<u>At 1.4.2008</u>	<u>Additions</u>	<u>Acquisition of subsidiaries</u>	<u>Disposal of subsidiaries</u>	<u>Transfers/reclass</u>	<u>Translation exchange difference</u>	<u>At 31.3.2009</u>
	RM	RM	RM	RM (in millions)	RM	RM	RM
At cost :							
Freehold land	984	8	2	(78)	141	1	1,058
Buildings	9,120	3	22	—	284	38	9,467
Land improvements	221	—	—	—	(221)	—	—
	<u>10,325</u>	<u>11</u>	<u>24</u>	<u>(78)</u>	<u>204*</u>	<u>39</u>	<u>10,525</u>

	<u>At 1.4.2008</u>	<u>Charge for the year</u>	<u>Acquisition of subsidiaries</u>	<u>Disposal of subsidiaries</u>	<u>Transfers/reclass</u>	<u>Translation exchange difference</u>	<u>At 31.3.2009</u>
	RM	RM	RM	RM (in millions)	RM	RM	RM
Accumulated depreciation :							
Freehold land	—	—	—	—	—	—	—
Buildings	1,590	356	—	—	—	21	1,967
Land improvements	—	—	—	—	—	—	—
	<u>1,590</u>	<u>356</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21</u>	<u>1,967</u>

* Comprises transfers from properties RM203,000,000 and land held for development RM1,000,000.

	<u>Net Book Value</u>	
	<u>2008</u>	<u>2009</u>
	RM	RM
	(in millions)	
Freehold land	984	1,058
Buildings	7,530	7,500
Land improvements	221	—
	<u>8,735</u>	<u>8,558</u>

The Directors have estimated the fair values of investment properties as at 31 March 2009 to be RM17,659,875,000 (2008: RM15,547,012,000). The fair values have been determined by discounting the estimated future cash flows or by reference to market evidence of transaction prices for similar properties.

Certain investment properties with net book value of RM3,417,243,000 (2008: RM3,565,268,000) have been pledged as securities for loan facilities as set out in note 25 and note 26 to the financial statements.

The titles to certain freehold land are in the process of being registered in the subsidiaries' name.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

6. LAND HELD FOR DEVELOPMENT

<u>Group</u>	<u>Opening balance</u> RM	<u>Additions</u> RM	<u>Disposals/ write offs</u> RM (in millions)	<u>Transfers/ reclass</u> RM	<u>Translation exchange difference</u> RM	<u>Closing balance</u> RM
2008						
At cost :						
Freehold land	1,407	11	(52)	(19)	(9)	1,338
Infrastructure development	<u>445</u>	<u>119</u>	<u>(44)</u>	<u>(97)</u>	<u>—</u>	<u>423</u>
	<u>1,852</u>	<u>130</u>	<u>(96)</u>	<u>(116)*</u>	<u>(9)</u>	<u>1,761</u>
2009						
At cost :						
Freehold land	1,338	—	—	(17)	16	1,337
Leasehold land	—	2	—	48	—	50
Infrastructure development	<u>423</u>	<u>39</u>	<u>—</u>	<u>(84)</u>	<u>2</u>	<u>380</u>
	<u>1,761</u>	<u>41</u>	<u>—</u>	<u>(53)**</u>	<u>18</u>	<u>1,767</u>

* Comprises transfers to property development costs (RM97,000,000) and assets held for sale (RM19,000,000).

** Comprises transfers to property development costs (RM16,000,000), investment properties (RM1,000,000) and other receivables (RM36,000,000).

The Group, through a partly-owned subsidiary, has an obligation to the Government of Malaysia (the “Government”) to construct the main infrastructure for Putrajaya in consideration for the Government’s transfer of freehold land to the Group, up to the equivalent value of the residential and commercial land transferred by the Government.

Infrastructure development represents the costs incurred to date on the development of the main infrastructure for Putrajaya. The Group has netted off the infrastructure development costs incurred to date amounting to RM2,086,000,000 (2008: RM2,047,000,000) with the obligation to the Government valued at RM1,462,000,000 (2008: RM1,462,000,000).

Infrastructure costs in excess of the obligation are attributed to the Group’s land held for development as common development costs.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

7. PREPAID LEASE PAYMENTS

<u>Group</u>	<u>At 1.4.2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfer to long term receivables</u>	<u>Adjustments</u>	<u>Translation exchange difference</u>	<u>At 31.3.2008</u>
	RM	RM	RM	RM (in millions)	RM	RM	RM
At cost :							
Leasehold land							
—long lease	1,731	116	(1)	(24)	1	(16)	1,807
—short lease	932	75	(4)	(37)	6	(8)	964
	<u>2,663</u>	<u>191</u>	<u>(5)</u>	<u>(61)</u>	<u>7</u>	<u>(24)</u>	<u>2,771</u>

	<u>At 1.4.2007</u>	<u>Charge for the year</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>Translation exchange difference</u>	<u>At 31.3.2008</u>
	RM	RM	RM	RM (in millions)	RM	RM	RM
Accumulated amortisation :							
Leasehold land							
—long lease	205	23	—	—	17	(6)	239
—short lease	294	29	(3)	—	(14)	(6)	300
	<u>499</u>	<u>52</u>	<u>(3)</u>	<u>—</u>	<u>3</u>	<u>(12)</u>	<u>539</u>

	<u>At 1.4.2008</u>	<u>Additions</u>	<u>Acquisition of subsidiaries</u>	<u>Disposals</u>	<u>Transfers/reclass</u>	<u>Translation exchange difference</u>	<u>At 31.3.2009</u>
	RM	RM	RM	RM (in millions)	RM	RM	RM
At cost :							
Leasehold land							
—long lease	1,807	84	11	(13)	23	21	1,933
—short lease	964	9	—	(1)	(83)	2	891
	<u>2,771</u>	<u>93</u>	<u>11</u>	<u>(14)</u>	<u>(60)*</u>	<u>23</u>	<u>2,824</u>

	<u>At 1.4.2008</u>	<u>Charge for the year</u>	<u>Impairment</u>	<u>Disposals</u>	<u>Transfers/reclass</u>	<u>Translation exchange difference</u>	<u>At 31.3.2009</u>
	RM	RM	RM	RM (in millions)	RM	RM	RM
Accumulated amortisation and impairment losses :							
Leasehold land							
—long lease	239	32	—	(12)	—	11	270
—short lease	300	28	(16)	(1)	—	2	313
	<u>539</u>	<u>60</u>	<u>(16)</u>	<u>(13)</u>	<u>—</u>	<u>13</u>	<u>583</u>

* Comprises transfer from property, plant and equipment RM32,000,000 and transfer to trade and other receivables (RM92,000,000).

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>Company</u>	<u>At 1.4.2007</u>	<u>Additions</u>	<u>At 31.3.2008</u>
	RM	RM (in millions)	RM
At cost :			
Leasehold land			
—long lease	69	—	69
—short lease	30	—	30
	99	—	99
	99	—	99
	<u>At 1.4.2007</u>	<u>Charge for the year</u>	<u>At 31.3.2008</u>
	RM	RM (in millions)	RM
Accumulated amortisation :			
Leasehold land			
—long lease	9	1	10
—short lease	18	1	19
	27	2	29
	27	2	29
	<u>At 1.4.2008</u>	<u>Additions</u>	<u>At 31.3.2009</u>
	RM	RM (in millions)	RM
At cost :			
Leasehold land			
—long lease	69	—	69
—short lease	30	—	30
	99	—	99
	99	—	99
	<u>At 1.4.2008</u>	<u>Charge for the year</u>	<u>At 31.3.2009</u>
	RM	RM (in millions)	RM
Accumulated amortisation :			
Leasehold land			
—long lease	10	1	11
—short lease	19	1	20
	29	2	31
	29	2	31

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

	Group		Company	
	2008	2009	2008	2009
	RM	RM	RM	RM
	(in millions)		(in millions)	
Carrying amount :				
Leasehold land				
—long lease	1,568	1,663	59	58
—short lease	<u>664</u>	<u>578</u>	<u>11</u>	<u>10</u>
	<u>2,232</u>	<u>2,241</u>	<u>70</u>	<u>68</u>

The titles to certain leasehold land are in the process of being registered in the subsidiaries' name. Certain long term leasehold land of the Group cannot be disposed of, charged or sub-leased without the prior consent of the Johor State Government.

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2009
	RM	RM
	(in millions)	
Investments at cost		
—quoted shares		
—in Malaysia	4,116	4,116
—unquoted shares	17,230	18,297
Fair value adjustments on loans and advances and financial guarantee	<u>—</u>	<u>6,958</u>
	21,346	29,371
Less: Impairment losses		
—unquoted shares	<u>(544)</u>	<u>(429)</u>
	<u>20,802</u>	<u>28,942</u>
Market value of quoted shares	39,442	37,052

Details of significant subsidiaries are stated in note 43 to the financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

9. INVESTMENTS IN ASSOCIATES

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	RM	RM	RM	RM
	(in millions)		(in millions)	
Investments at cost				
—quoted shares				
—in Malaysia	256	256	302	302
—unquoted shares	3,097	2,897	740	736
Share of post-acquisition profits and reserves	2,420	2,835	—	—
	<u>5,773</u>	<u>5,988</u>	<u>1,042</u>	<u>1,038</u>
Less: Impairment losses				
—unquoted shares	(59)	(76)	—	—
	<u>5,714</u>	<u>5,912</u>	<u>1,042</u>	<u>1,038</u>
Market value of quoted shares	<u>800</u>	<u>754</u>	<u>800</u>	<u>754</u>
Summary of financial information on associates:				
Total assets (100%)	26,931	30,533	4,266	3,815
Total liabilities (100%)	(15,179)	(16,018)	(810)	(660)
Revenue (100%)	13,994	12,804	4,642	3,594
Profit/(Loss) (100%)	3,483	3,107	548	(3)
Contingent liabilities:				
Guarantees extended to third parties	<u>(4)</u>	<u>(5)</u>	<u>—</u>	<u>—</u>

Details of significant associates are stated in note 44 to the financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

10. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	RM (in millions)	RM (in millions)	RM (in millions)	RM (in millions)
Investments at cost				
—unquoted shares	1,366	1,510	1,142	1,160
Fair value adjustments on loans and advances and financial guarantee	—	1,419	—	837
Share of post-acquisition profits and reserves	523	800	—	—
	<u>1,889</u>	<u>3,729</u>	<u>1,142</u>	<u>1,997</u>
Less: Impairment losses	—	(13)	(84)	(93)
	<u>1,889</u>	<u>3,716</u>	<u>1,058</u>	<u>1,904</u>
<i>Summary of financial information on jointly controlled entities:</i>				
Total assets (100%)	11,903	15,126	8,289	8,425
Total liabilities (100%)	(8,603)	(11,273)	(4,993)	(4,674)
Revenue (100%)	6,492	6,796	6,222	6,404
Profit (100%)	599	244	562	220
Contingent liabilities:				
Guarantees extended to third parties	(1)	—	(1)	—
Claims filed by/disputes with various parties	—	(2)	—	(2)

The Group's share of the current year and cumulative losses of certain jointly controlled entities amounting to RM27,389,000 (2008: RM20,382,000) and RM168,025,000 (2008: RM140,636,000) respectively have not been recognised in the Group's income statement as equity accounting has ceased when the Group's share of losses of these jointly controlled entities exceeded the carrying amount of its investment in these jointly controlled entities. The investments in these jointly controlled entities have been fully impaired for in the income statement.

Details of significant jointly controlled entities are stated in note 45 to the financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

11. INTANGIBLE ASSETS

<u>Group</u>	<u>At 1.4.2007</u>	<u>Additions</u>	<u>Acquisition of subsidiaries</u>	<u>Write-offs</u>	<u>Transfer to property, plant and equipment</u>	<u>Adjustments</u>	<u>Translation exchange difference</u>	<u>At 31.3.2008</u>
	RM	RM	RM	RM	RM	RM	RM	RM
				(in millions)				
At cost :								
Goodwill on consolidation	1,324	4,364	—	—	—	(156)	(35)	5,497
Purchased goodwill	35	—	—	—	—	—	(1)	34
Exploration expenditure	5,505	4,021	242	(813)	(176)	(1)	(329)	8,449
Other intangible assets	3,001	15	1,418	(12)	—	(1)	(162)	4,259
	<u>9,865</u>	<u>8,400</u>	<u>1,660</u>	<u>(825)</u>	<u>(176)</u>	<u>(158)</u>	<u>(527)</u>	<u>18,239</u>

<u>Accumulated amortisation and impairment losses :</u>	<u>At 1.4.2007</u>	<u>Amortisation for the year</u>	<u>Acquisition of subsidiaries</u>	<u>Write-offs</u>	<u>Impairment loss</u>	<u>Adjustments</u>	<u>Translation exchange difference</u>	<u>At 31.3.2008</u>
	RM	RM	RM	RM	RM	RM	RM	RM
				(in millions)				
Goodwill on consolidation	325	—	—	—	—	(164)	(4)	157
Purchased goodwill	6	—	—	—	1	—	—	7
Exploration expenditure	—	—	—	—	21	—	—	21
Other intangible assets	2,004	418	515	(9)	—	—	(123)	2,805
	<u>2,335</u>	<u>418</u>	<u>515</u>	<u>(9)</u>	<u>22</u>	<u>(164)</u>	<u>(127)</u>	<u>2,990</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>Group</u>	<u>At 1.4.2008</u>	<u>Additions</u>	<u>Write-offs</u>	<u>Transfer to property, plant and equipment</u>	<u>Translation exchange difference</u>	<u>At 31.3.2009</u>
	RM	RM	RM (in millions)	RM	RM	RM
At cost :						
Goodwill on consolidation	5,497	40	—	—	(50)	5,487
Purchased goodwill	34	—	—	—	—	34
Exploration expenditure	8,449	4,875	(2,327)	(1,195)	667	10,469
Other intangible assets	4,259	98	(164)	—	(31)	4,162
	<u>18,239</u>	<u>5,013</u>	<u>(2,491)</u>	<u>(1,195)</u>	<u>586</u>	<u>20,152</u>

Accumulated amortisation and impairment losses :	<u>At 1.4.2008</u>	<u>Amortisation for the year</u>	<u>Write-offs</u>	<u>Impairment loss</u>	<u>Translation exchange difference</u>	<u>At 31.3.2009</u>
	RM	RM	RM (in millions)	RM	RM	RM
Goodwill on consolidation	157	—	—	—	(1)	156
Purchased goodwill	7	—	—	2	—	9
Exploration expenditure	21	—	(21)	—	—	—
Other intangible assets	2,805	188	(1)	—	(17)	2,975
	<u>2,990</u>	<u>188</u>	<u>(22)</u>	<u>2</u>	<u>(18)</u>	<u>3,140</u>

<u>Group</u>	<u>Carrying Amounts</u>	
	<u>2008</u>	<u>2009</u>
	RM	RM
	(in millions)	
Goodwill on consolidation	5,340	5,331
Purchased goodwill	27	25
Exploration expenditure	8,428	10,469
Other intangible assets	1,454	1,187
	<u>15,249</u>	<u>17,012</u>

Impairment review of goodwill on consolidation

Included in goodwill on consolidation is an amount of RM3,986,000,000 (2008: RM3,986,000,000) arising from the acquisition of PETRONAS Lubricants Italy S.p.A Group in the previous year. The recoverable amount of this goodwill on consolidation is determined based on a “value in use” calculation. The “value in use” was determined by using the discounted cash flow method based on management’s business plan cash flow projections for 5 financial years from 2010 to 2014, adjusted with an estimated terminal value. The cash flow assumes a long term growth rate of 2.4% and is discounted to present value using discount rate of between 7.7% and 8.5%.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

The “value in use” of other goodwill on consolidation is derived from the respective acquired subsidiaries’ business plan cash flow projections for 5 financial years and extrapolated using long term average growth rate of the respective industries those subsidiaries are engaged in. These cash flows are discounted to present value using discount rate of 10%.

12. LONG TERM RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	RM	RM	RM	RM
	(in millions)		(in millions)	
Term loans and advances:				
Loans and advances due from subsidiaries	—	—	49,453	62,810
Derivative assets (note 14)	—	—	—	418
Derivative liabilities (note 14)	—	—	—	(142)
Term loans due from subsidiaries	—	—	4,768	4,153
Loans and advances due from associates and jointly controlled entities . .	2,200	1,343	151	204
Term loans due from associates and jointly controlled entities	223	205	220	202
	<u>2,423</u>	<u>1,548</u>	<u>54,592</u>	<u>67,645</u>
Retirement benefits (note 16)	147	124	—	—
Other receivables	851	1,197	—	—
	<u>3,421</u>	<u>2,869</u>	<u>54,592</u>	<u>67,645</u>
Less: Impairment losses				
—Term loans and advances	(5)	(14)	(331)	(199)
—Other receivables	—	(315)	—	—
	<u>3,416</u>	<u>2,540</u>	<u>54,261</u>	<u>67,446</u>
Repayable within twelve months (note 20)	75	112	124	168
Repayable after twelve months	3,341	2,428	54,137	67,278
	<u>3,416</u>	<u>2,540</u>	<u>54,261</u>	<u>67,446</u>

Included in the Company’s loans and advances due from subsidiaries is an amount of RM31,419,890,000 (2008: RM25,588,295,000), which bears interest at rates ranging from 2.94% to 8.64% (2008: 4.00% to 8.38%) per annum.

Included in the Company’s loans and advances due from associates and jointly controlled entities is an amount of RM189,744,000 (2008: RM137,852,000), which bears interest at rates ranging from 1.88% to 6.17% (2008: 4.14% to 6.82%) per annum.

Included in the Group’s loans and advances due from associates and jointly controlled entities is an amount of RM1,001,607,000 (2008: RM1,324,176,000), which bears interest at rates ranging from 1.88% to 10.00% (2008: 3.33% to 10.00%) per annum.

Term loans due from subsidiaries, associates and jointly controlled entities were on-lending of term loans obtained by the Company, on terms and conditions similar as those of the principal loan agreements entered into by the Company.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

13. FUND AND OTHER INVESTMENTS

	Group		Company	
	2008	2009	2008	2009
	RM	RM	RM	RM
	(in millions)		(in millions)	
Non current				
Other investments				
<i>Loans and receivables</i>				
Other unquoted securities	468	536	—	—
<i>Available-for-sale</i>				
Quoted shares				
—in Malaysia	200	295	—	—
—outside Malaysia	8,510	9,365	—	—
Unquoted shares	331	375	103	76
	9,041	10,035	103	76
Less: Impairment losses				
Unquoted shares	(12)	—	—	—
	9,029	10,035	103	76
	9,497	10,571	103	76
Current				
Other investments				
<i>Available-for-sale</i>				
Quoted shares				
—in Malaysia	282	171	285	174
Negotiable Certificate of Deposits	320	4,055	320	4,055
Unquoted Corporate Commercial Papers	2,078	102	2,078	102
	2,680	4,328	2,683	4,331
<i>Fair value through profit or loss</i>				
Negotiable Certificate of Deposits	485	516	485	516
Loan Stock	—	26	—	—
Unquoted Corporate Private Debt Securities	1,157	1,368	2,288	2,577
Other unquoted securities	869	515	110	168
	2,511	2,425	2,883	3,261
Balance carried forward	5,191	6,753	5,566	7,592

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	RM (in millions)	RM (in millions)	RM (in millions)	RM (in millions)
Balance brought forward	5,191	6,753	5,566	7,592
Fund investments				
<i>Available-for-sale</i>				
Treasury Bills	20,424	27,223	20,424	27,223
<i>Fair value through profit or loss</i>				
Quoted shares				
—in Malaysia	210	314	210	314
—outside Malaysia	82	53	—	—
Quoted securities				
—outside Malaysia	1,033	1,140	1,021	1,126
Malaysian Government Securities	3,541	4,855	3,506	4,810
	<u>4,866</u>	<u>6,362</u>	<u>4,737</u>	<u>6,250</u>
	<u>25,290</u>	<u>33,585</u>	<u>25,161</u>	<u>33,473</u>
	<u>30,481</u>	<u>40,338</u>	<u>30,727</u>	<u>41,065</u>
Market value of quoted investments:				
Non current other investments				
Quoted shares	12,611	9,660	—	—
Current other investments				
Quoted shares	292	171	294	174
Current fund investments				
Quoted shares	312	367	231	314
Quoted securities	1,036	1,140	1,022	1,126
Malaysian Government Securities	3,550	4,855	3,515	4,810
Treasury Bills	<u>20,424</u>	<u>27,223</u>	<u>20,424</u>	<u>27,223</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

14. DERIVATIVE ASSETS / LIABILITIES

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
		RM	RM	RM	RM
		(in millions)		(in millions)	
Derivative assets					
<i>Derivatives designated as hedging instruments</i>					
Commodity swaps		—	5	—	—
Forward foreign exchange		—	1,677	—	2,078
		<u>—</u>	<u>1,682</u>	<u>—</u>	<u>2,078</u>
Included within:					
Trade and other receivables	20	—	24	—	2
Long term receivables	12	—	—	—	418
Borrowings	25	—	1,658	—	1,658
		<u>—</u>	<u>1,682</u>	<u>—</u>	<u>2,078</u>
Derivative liabilities					
<i>Derivatives designated as hedging instruments</i>					
Commodity swaps		—	(146)	—	—
Interest rate swaps		—	(106)	—	—
Forward foreign exchange		—	(42)	—	(147)
Forward oil price contracts		—	(28)	—	—
		<u>—</u>	<u>(322)</u>	<u>—</u>	<u>(147)</u>
Included within:					
Trade and other payables	28	—	(216)	—	(5)
Long term receivables	12	—	—	—	(142)
Other long term liabilities and provisions	27	—	(106)	—	—
		<u>—</u>	<u>(322)</u>	<u>—</u>	<u>(147)</u>

In the normal course of business, the Group and the Company enter into derivative financial instruments to manage their normal business exposures in relation to commodity prices, foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt, consistent with risk management policies and objectives.

The calculation of fair value for derivative financial instruments depends on the type of instruments. The fair value of derivative interest rate contract (e.g. interest rate swap agreements) are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The fair value of forward foreign currency exchange contracts is based on forward exchange rates.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

An analysis of the maturity period of the Group's and the Company's derivative financial instruments are represented in the following table:

<u>Group</u>	<u>Total</u> RM	<u>Under 1 year</u> RM	<u>1 - 2 years</u> RM	<u>2 - 5 years</u> RM	<u>Over 5 years</u> RM
		(in millions)			
2008: Nil					
2009					
Derivative assets	1,682	1,299	—	383	—
Derivative liabilities	(322)	(216)	—	—	(106)
	<u>1,360</u>	<u>1,083</u>	<u>—</u>	<u>383</u>	<u>(106)</u>
Company					
2008: Nil					
2009					
Derivative assets	2,078	1,277	—	801	—
Derivative liabilities	(147)	(5)	—	(142)	—
	<u>1,931</u>	<u>1,272</u>	<u>—</u>	<u>659</u>	<u>—</u>

15. DEFERRED TAX

<u>Group</u>	<u>At 1.4.2007</u> RM	<u>Charged/ (credited) to income statement</u> RM	<u>Acquisition of subsidiaries</u> RM	<u>Translation exchange differences</u> RM	<u>Adjustments</u> RM	<u>At 31.3.2008</u> RM (Restated)
	(in millions)					
<i>Deferred tax liabilities</i>						
Property, plant and equipment	10,128	724	897	(255)	(38)	11,456
Properties	54	(10)	—	(2)	7	49
Other items	—	102	20	8	(110)	20
	<u>10,182</u>	<u>816</u>	<u>917</u>	<u>(249)</u>	<u>(141)</u>	<u>11,525</u>
<i>Deferred tax assets</i>						
Property, plant and equipment	(448)	(3)	(16)	1	80	(386)
Unused tax losses	(403)	(706)	(11)	2	164	(954)
Unabsorbed capital allowances . . .	(666)	162	—	—	27	(477)
Unused reinvestment allowances	(368)	149	—	—	—	(219)
Unused investment tax allowances	(429)	(63)	—	—	—	(492)
Other items	(347)	4	(103)	27	(114)	(533)
	<u>(2,661)</u>	<u>(457)</u>	<u>(130)</u>	<u>30</u>	<u>157</u>	<u>(3,061)</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

<u>Group</u>	At 1.4.2008			Charged/ (credited) to income statement	Acquisition of subsidiaries	Translation exchange difference	At 31.3.2009
	Opening balance	Effect of adopting FRS 139	Restated				
	RM	RM (in millions)	RM				
<i>Deferred tax liabilities</i>							
Property, plant and equipment	11,456	—	11,456	239	—	239	11,934
Properties	49	—	49	96	—	3	148
Other items	20	87	107	36	16	(108)	51
	<u>11,525</u>	<u>87</u>	<u>11,612</u>	<u>371</u>	<u>16</u>	<u>134</u>	<u>12,133</u>
<i>Deferred tax assets</i>							
Property, plant and equipment	(386)	—	(386)	361	—	—	(25)
Unused tax losses	(954)	—	(954)	(889)	—	19	(1,824)
Unabsorbed capital allowances	(477)	(19)	(496)	(345)	—	—	(841)
Unused reinvestment allowances	(219)	—	(219)	146	—	—	(73)
Unused investment tax allowances	(492)	—	(492)	116	—	—	(376)
Other items	(533)	(24)	(557)	(351)	(1)	150	(759)
	<u>(3,061)</u>	<u>(43)</u>	<u>(3,104)</u>	<u>(962)</u>	<u>(1)</u>	<u>169</u>	<u>(3,898)</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>Company</u>	<u>At 1.4.2007</u>	<u>Charged/ (credited) to income statement</u>	<u>At 31.3.2008</u>
	RM	RM (in millions)	RM
<i>Deferred tax liabilities</i>			
Other items	4	(4)	—
<i>Deferred tax assets</i>			
Property, plant and equipment	(18)	9	(9)
Unused tax losses	—	(777)	(777)
Other provisions	(75)	(22)	(97)
Other items	(29)	22	(7)
	<u>(122)</u>	<u>(768)</u>	<u>(890)</u>
		<u>Charged/ (credited) to income statement</u>	
	<u>At 1.4.2008</u>	<u>RM</u>	<u>At 31.3.2009</u>
	RM	RM (in millions)	RM
<i>Deferred tax assets</i>			
Property, plant and equipment	(9)	21	12
Unused tax losses	(777)	(528)	(1,305)
Other provisions	(97)	(33)	(130)
Other items	(7)	14	7
	<u>(890)</u>	<u>(526)</u>	<u>(1,416)</u>

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting, are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	RM	RM	RM	RM
	(Restated)			
	(in millions)		(in millions)	
<i>Deferred tax assets</i>				
Deferred tax liabilities	17	1,309	—	—
Deferred tax assets	(1,301)	(3,728)	(890)	(1,416)
	<u>(1,284)</u>	<u>(2,419)</u>	<u>(890)</u>	<u>(1,416)</u>
<i>Deferred tax liabilities</i>				
Deferred tax liabilities	11,508	10,824	—	—
Deferred tax assets	(1,760)	(170)	—	—
	<u>9,748</u>	<u>10,654</u>	<u>—</u>	<u>—</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

No deferred tax has been recognised for the following items:

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
	(Restated)			
	(in millions)		(in millions)	
Deductible temporary differences	276	—	—	—
Unabsorbed capital allowances	642	436	—	—
Unused tax losses	1,102	488	—	—
Unused investment tax allowances	—	2	—	—
	<u>2,020</u>	<u>926</u>	<u>—</u>	<u>—</u>

The unabsorbed capital allowances, unused tax losses and unused investment tax allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

The Group and the Company have unused tax losses carried forward of RM7,784,000,000 (2008: RM4,918,000,000) and RM5,220,000,000 (2008: RM3,108,000,000) respectively which give rise to the recognised and unrecognised deferred tax assets above.

The Group also has unused investment tax allowances and unused reinvestment allowances of RM1,506,000,000 (2008: RM1,968,000,000) and RM292,000,000 (2008: RM876,000,000) respectively, which give rise to the recognised and unrecognised deferred tax assets above.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

16. RETIREMENT BENEFITS

The amounts recognised in the balance sheet are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
	(in millions)		(in millions)	
Present value of funded defined benefit obligations				
—defined benefit	2,547	740	1,932	—
Present value of unfunded defined benefit obligations				
—retirement and after service employment benefits	57	52	—	—
—post retirement medical aid	158	152	—	—
Deferred fund	(5)	—	(5)	—
Fair value of plan assets	(2,648)	(963)	(1,484)	—
	<u>109</u>	<u>(19)</u>	<u>443</u>	<u>—</u>
Unrecognised surplus over fair value of plan assets	239	—	—	—
Unrecognised actuarial losses	164	100	—	—
Net liabilities	<u>512</u>	<u>81</u>	<u>443</u>	<u>—</u>
Amounts in the balance sheet:				
Liabilities (note 27)	659	205	443	—
Assets (note 12)	(147)	(124)	—	—
Net liabilities	<u>512</u>	<u>81</u>	<u>443</u>	<u>—</u>

The amounts recognised in the income statement are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
	(in millions)		(in millions)	
Current service cost	127	84	29	16
Interest cost	155	121	26	15
Expected return on plan assets	(207)	(115)	(29)	(2)
Payments shortfall by participating companies/(in excess) of actual obligations	—	—	(2)	10
Net actuarial losses/(gains) recognised in the financial year	173	(407)	165	(388)
Movement of unrecognised surplus over fair value of plan assets	(50)	75	—	—
Total included in employee benefits expense	<u>198</u>	<u>(242)</u>	<u>189</u>	<u>(349)</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Changes in the present value of defined benefit obligations are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	RM (in millions)	RM (in millions)	RM (in millions)	RM (in millions)
Defined benefit obligations as at 1 April	2,614	2,762	1,676	1,932
Service cost	174	84	110	60
Interest cost	155	121	95	57
Benefits paid	(147)	(147)	(81)	(81)
Actuarial losses/(gain)	127	(221)	132	(350)
Settlement	—	(1,618)	—	(1,618)
Translation difference	(161)	(37)	—	—
Defined benefit obligations as at 31 March	<u>2,762</u>	<u>944</u>	<u>1,932</u>	<u>—</u>

Changes in the fair value of plan assets are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	RM (in millions)	RM (in millions)	RM (in millions)	RM (in millions)
Fair value of plan assets at 1 April	2,741	2,653	1,397	1,489
Contributions received	106	99	100	92
Expected return on plan assets	207	115	106	8
Benefits paid	(144)	(131)	(81)	(81)
Actuarial (losses)/gains	(27)	(177)	(33)	38
Realisation	—	(1,546)	—	(1,546)
Translation difference	(230)	(50)	—	—
Fair value of plan assets at 31 March	<u>2,653</u>	<u>963</u>	<u>1,489</u>	<u>—</u>
Actual return on plan assets	<u>180</u>	<u>108</u>	<u>74</u>	<u>8</u>

The major categories of plan assets as a percentage of total plan assets are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	%	%	%	%
Equities	42.2	52.1	25.2	—
Bonds	22.5	9.6	33.3	—
Real estate	1.4	5.3	0.3	—
Cash	26.6	15.0	40.9	—
Others	7.3	18.0	0.3	—
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>—</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

In calculating the defined benefit obligations and the related current service cost and past service cost using the Projected Unit Credit Method for the Group, the following assumptions were used. The assumptions were calculated on a weighted average basis.

	<u>2008</u>	<u>2009</u>
	%	%
Discount rate	6.5	8.8
Expected return on plan assets	7.9	10.0
Expected rate of salary increase	6.9	6.5
Future pension cost increase	4.8	5.3
Inflation rate	3.1	4.8
Medical inflation	<u>7.5</u>	<u>7.3</u>

The effect of a one percentage point increase/(decrease) in medical inflation rate would be to increase/(decrease) the aggregate service cost and interest cost by approximately RM3,400,000/(RM2,700,000) (2008: RM3,000,000/(RMNil)) and the defined benefit obligation by approximately RM28,500,000/(RM23,100,000) (2008: RM30,000,000/ (RM24,000,000)).

The history of (deficit)/surplus and of experience (losses)/gains for the current and previous four financial years are as follows:

<u>Group</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM	RM	RM	RM	RM
	(in millions)				
Defined benefit obligation	(1,888)	(2,229)	(2,614)	(2,762)	(944)
Plan assets	2,392	2,790	2,741	2,653	963
Surplus/(deficit) in the plan	<u>504</u>	<u>561</u>	<u>127</u>	<u>(109)</u>	<u>19</u>
Experience gains/(losses)	<u>109</u>	<u>83</u>	<u>(434)</u>	<u>(173)</u>	<u>407</u>
<u>Company</u>					
Defined benefit obligation	(1,010)	(1,073)	(1,676)	(1,932)	—
Plan assets	1,218	1,333	1,397	1,489	—
Surplus/(deficit) in the plan	<u>208</u>	<u>260</u>	<u>(279)</u>	<u>(443)</u>	<u>—</u>
Experience gains/(losses)	<u>86</u>	<u>81</u>	<u>(569)</u>	<u>(165)</u>	<u>388</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

17. CASH AND CASH EQUIVALENTS

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
	(in millions)		(in millions)	
Non-current				
Deposits placed	210	416	—	—
Current				
Cash and bank balances	5,162	4,739	12	29
Deposits placed	75,282	85,992	45,467	45,568
	<u>80,444</u>	<u>90,731</u>	<u>45,479</u>	<u>45,597</u>
	<u>80,654</u>	<u>91,147</u>	<u>45,479</u>	<u>45,597</u>
Deposits with licensed financial institutions:				
Non-current				
Banks	210	416	—	—
Current				
Banks	70,090	80,427	43,223	41,192
Finance companies	926	242	213	233
Other corporations	4,266	5,323	2,031	4,143
	<u>75,282</u>	<u>85,992</u>	<u>45,467</u>	<u>45,568</u>
	<u>75,492</u>	<u>86,408</u>	<u>45,467</u>	<u>45,568</u>

Included in cash and bank balances of the Group are amounts of RM38,287,000 (2008: RM45,941,000) held pursuant to the requirement of the Housing Development (Housing Development Account) Regulations 2002 and are therefore restricted for certain payments only.

Included in deposits placed with licensed financial institutions of the Group is an amount of RM788,000,000 (2008: RM777,000,000) being deposits held under designated accounts for repayment of term loan and redemption of Islamic Financing Facilities. Amounts restricted or held for certain payments only, for which payments are not due within the next 12 months are presented as non-current.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

20. TRADE AND OTHER RECEIVABLES

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
	(in millions)		(in millions)	
Trade receivables	22,423	16,713	3,364	2,366
Staff housing and vehicle loans	1,025	1,090	1,023	1,088
Other receivables, deposits and prepayments	6,870	6,083	511	684
Derivative assets (note 14)	—	24	—	2
Amount due from:				
—contract customers	985	1,055	—	—
—subsidiaries*	—	—	10,819	6,068
—associates and jointly controlled entities*	478	400	35	31
Term loans due from:				
—subsidiaries (note 12)	—	—	49	56
—associates and jointly controlled entities (note 12)	75	112	75	112
	<u>31,856</u>	<u>25,477</u>	<u>15,876</u>	<u>10,407</u>
Less: Impairment losses				
Trade receivables	(966)	(707)	(449)	(411)
Amount due from subsidiaries	—	—	(187)	(286)
Other receivables, deposits and prepayments	(34)	(44)	(27)	(36)
	<u>30,856</u>	<u>24,726</u>	<u>15,213</u>	<u>9,674</u>

* Amount due from subsidiaries, associates and jointly controlled entities arose in the normal course of business.

Amount due from contract customers:

	<u>Group</u>	
	<u>2008</u>	<u>2009</u>
	<u>RM</u>	<u>RM</u>
	(in millions)	
Aggregate costs incurred to date	4,998	8,008
Add : Attributable profit	611	766
	<u>5,609</u>	<u>8,774</u>
Less : Progress billings	(4,624)	(7,719)
	<u>985</u>	<u>1,055</u>

Included in trade receivables of the Group are rental receivables amounting to RM11,382,000 (2008: RM12,210,000), which have been pledged for loan facilities as set out in note 25 and note 26 to the financial statements.

The staff housing and vehicle loans are given in accordance with the terms and conditions of the staff housing and motor vehicle loan schemes approved by shareholders.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Also included in other receivables of the Group and the Company are loans to Directors of the Company amounting to RM120,000 (2008: RM149,000) relating to housing and motor vehicle loans given to certain executive Directors on terms and conditions as approved by shareholders.

Credit terms of trade receivables of the Group ranges from 8 to 180 days (2008: 8 to 180 days).

21. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2008	2009
	RM	RM
	(in millions)	
Land and building	189	170

The above amount represents carrying values of properties owned by the Group with the intention of disposing of in the immediate future. The carrying amounts of these assets immediately before reclassification are not materially different from their fair values.

22. SHARE CAPITAL

	Company	
	2008	2009
	RM	RM
	(in millions)	
Authorised:		
500,000 ordinary shares of RM1,000 each	500	500
Issued and fully paid:		
100,000 ordinary shares of RM1,000 each	100	100

23. RESERVES

Pursuant to Section 84 of the Petroleum (Income Tax) Act 1967, dividends paid out on income derived from petroleum operations are not chargeable to income tax. Subject to agreement by the Inland Revenue Board, the Company has sufficient income derived from petroleum operations, Section 108 tax credit and tax exempt income to distribute all its distributable reserves at 31 March 2009, if paid out as dividends.

The Financial Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 March 2009 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

Capital Reserves

Capital reserves represent primarily reserves created upon redemption of preference shares and the Group's share of its associate companies' reserves.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from that of the Group's presentation currency.

Available-for-sale Reserve

This reserve records the changes in fair value of available-for-sale investments. On disposal or impairment, the cumulative changes in fair value are transferred to the income statement.

General Reserve

General reserve represents appropriation of retained profits for general purposes rather than for a specific item of future loss or expense. In effect, it is a reserve for unspecified possible events.

24. MINORITY SHAREHOLDERS' INTERESTS

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

25. BORROWINGS

	Note	Group		Company	
		2008	2009	2008	2009
		RM (in millions)	RM (in millions)	RM (in millions)	RM (in millions)
Current					
Secured					
Term loans		782	510	—	—
Islamic financing facilities	26	454	386	—	—
		<u>1,236</u>	<u>896</u>	<u>—</u>	<u>—</u>
Unsecured					
Term loans		4,615	445	—	—
Notes and Bonds		549	5,099	549	3,617
Islamic financing facilities	26	592	1,220	—	—
Revolving credits		878	592	—	—
Bankers' acceptances		292	48	—	—
Bank overdrafts		21	155	—	—
Derivative assets	14	—	(1,275)	—	(1,275)
		<u>6,947</u>	<u>6,284</u>	<u>549</u>	<u>2,342</u>
		<u>8,183</u>	<u>7,180</u>	<u>549</u>	<u>2,342</u>
Non-current					
Secured					
Term loans		3,124	3,243	—	—
Islamic financing facilities	26	1,907	1,481	—	—
		<u>5,031</u>	<u>4,724</u>	<u>—</u>	<u>—</u>
Unsecured					
Term loans		1,705	9,872	—	—
Notes and Bonds		19,134	18,183	15,689	15,575
Islamic financing facilities	26	3,929	2,712	—	—
Derivative assets	14	—	(383)	—	(383)
		<u>24,768</u>	<u>30,384</u>	<u>15,689</u>	<u>15,192</u>
		<u>29,799</u>	<u>35,108</u>	<u>15,689</u>	<u>15,192</u>

The carrying amounts of certain Notes and Bonds and their derivative instruments of the Group and the Company have been presented separately and translated at the closing foreign exchange rate prevailing at the balance sheet date following the adoption of FRS 139.

In the previous year, these Notes and Bonds are translated using contracted foreign exchange rates at the balance sheet date.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Terms and debt repayment schedule

<u>Group</u>	<u>Total</u>	<u>Under</u>	<u>1-2</u>	<u>2-5</u>	<u>Over 5</u>
	RM	1 year	years	years	years
		RM	RM	RM	RM
		(in millions)			
Secured					
Term loans	3,753	510	446	1,476	1,321
Islamic financing facilities	1,867	386	439	754	288
	<u>5,620</u>	<u>896</u>	<u>885</u>	<u>2,230</u>	<u>1,609</u>
Unsecured					
Term loans	10,317	445	1,382	7,461	1,029
Notes and Bonds	23,282	5,099	—	7,856	10,327
Islamic financing facilities	3,932	1,220	90	530	2,092
Revolving credits	592	592	—	—	—
Bankers' acceptances	48	48	—	—	—
Bank overdrafts	155	155	—	—	—
Derivative assets	(1,658)	(1,275)	—	(383)	—
	<u>36,668</u>	<u>6,284</u>	<u>1,472</u>	<u>15,464</u>	<u>13,448</u>
	<u>42,288</u>	<u>7,180</u>	<u>2,357</u>	<u>17,694</u>	<u>15,057</u>

Included in the Group's unsecured term loans is an amount of RM23,038,000 (2008: RM41,485,000) which was obtained from the corporate shareholders of the subsidiaries.

The unsecured revolving credits, bankers' acceptances and bank overdrafts are obtained by the subsidiaries and primarily bear interest at rates ranging from 2.35% to 7.90% (2008: 0.75% to 6.65%) per annum.

Terms and debt repayment schedule

<u>Company</u>	<u>Total</u>	<u>Under</u>	<u>1-2</u>	<u>2-5</u>	<u>Over 5</u>
	RM	1 year	years	years	years
		RM	RM	RM	RM
		(in millions)			
Unsecured					
Notes and Bonds	19,192	3,617	—	7,856	7,719
Derivative assets	(1,658)	(1,275)	—	(383)	—
	<u>17,534</u>	<u>2,342</u>	<u>—</u>	<u>7,473</u>	<u>7,719</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

The unsecured term loans obtained by the subsidiaries comprise:

	<u>2008</u>	<u>2009</u>
USD Term loans	US\$323 million	US\$385 million
RM Term loans	RM2,500 million	RM2,694 million
BAHT Term loans	BAHT1,000 million	BAHT1,000 million
EURO Term loans	€832 million	€904 million

These unsecured term loans bear interest at rates ranging from 2.35% to 13.49% (2008: 3.70% to 11.25%) per annum and are fully repayable at their various due dates from 2009 to 2017.

The unsecured Notes and Bonds comprise:

			<u>2008</u>	<u>2009</u>
USD Notes and Bonds				
5%	Notes*	Due 2009	US\$400 million	US\$400 million
7%	Notes*	Due 2012	US\$2,000 million	US\$2,000 million
6 1/8%	Notes*	Due 2014	US\$700 million	US\$700 million
7 3/4%	Bonds	Due 2015	US\$625 million	US\$625 million
7 7/8%	Notes*	Due 2022	US\$1,000 million	US\$1,000 million
7 5/8%	Bonds	Due 2026	US\$500 million	US\$500 million
Samurai Bonds				
11th	Series 7.20%	Due 2009	¥17 billion	—
6th	Series 3.40%	Due 2013	¥16 billion	¥16 billion
EURO Notes				
6 3/8%	Notes*	Due 2009	€750 million	€750 million

* Obtained by a subsidiary.

The secured term loans comprise:

	<u>In millions</u>		<u>Securities</u>
	<u>2008</u>	<u>2009</u>	
USD Term loans . . .	US\$2,054	US\$1,965	Secured by way of mortgages over certain vessels, property, plant and equipment, together with assignments of earnings, charter agreements and insurance of the relevant vessels, property, plant and equipment of certain subsidiaries.
RM Term loans	RM1,323	RM1,232	Secured by way of a charge over certain vessels, property, plant and equipment and investment properties, together with assignments of earnings, charter agreements and insurance of the relevant vessels, property, plant and equipment of certain subsidiaries.

The secured term loans bear interest at rates ranging from 4.09% to 8.50% (2008: 4.00% to 8.75%) per annum and are fully repayable at their various due dates from 2009 to 2015.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Certain borrowings obtained by the Company are on-lent to subsidiaries, associates and jointly controlled entities. At balance sheet date, the outstanding amounts on-lent to subsidiaries, associates and jointly controlled entities are as follows:

		Company	
		2008	2009
		RM	RM
		(in millions)	
Subsidiaries	—within twelve months	50	56
	—after twelve months	4,718	4,097
		4,768	4,153
Associates and jointly controlled entities	—within twelve months	74	112
	—after twelve months	146	90
		220	202

In connection with the long term borrowing facility agreements, the Group and the Company have agreed on the following significant covenants with the lenders:

- (a) not to allow any material indebtedness (the aggregate amount exceeding US\$30,000,000 or its equivalent in any other currency) for borrowed money of the Company to become due or capable of being declared due before its stated maturity, any material guarantee of the Company is not discharged at maturity or when validly called or the Company goes into default under, or commits a breach of, any instrument or agreement relating to any such indebtedness for borrowed money or guarantee and such default or breach remains unpaid or unremedied for a period of thirty (30) days;
- (b) the Company (not including any of its subsidiaries) not to create, incur or have outstanding any mortgage, pledge, lien, charge, encumbrance or any other lien upon the whole or any part of its property or assets, present or future indebtedness of itself or any other person, unless the aggregate outstanding principal amount of all such secured indebtedness (other than indebtedness secured by the liens already in existence) plus attributable debt of the Company in respect of sales and leaseback transactions would not exceed ten per cent (10%) of the consolidated net tangible assets; and
- (c) the Company (not including any of its subsidiaries) not to enter into any sale and leaseback transaction, unless the attributable debt in respect of such sale and leaseback transaction and all other sale and leaseback transaction plus the aggregate outstanding principal amount of indebtedness for borrowed money secured by security interests (other than permitted security interests) then outstanding which have not equally and rateably secured the total outstandings would not exceed ten per cent (10%) of the Company's tangible net worth provided that, within 12 months after such sale and leaseback transaction, it applies to the retirement of indebtedness for borrowed money the repayment obligations in respect of which are at least pari passu with its repayment obligations hereunder and which are not secured by any security interest, an amount equal to the greater of:
 - (i) the net proceeds of the sale or transfer of the property or other assets which are the subject of such sale and leaseback transaction as determined by the Company; or
 - (ii) the fair market value of the property or other assets so leased as determined by the Company.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

26. ISLAMIC FINANCING FACILITIES

The Malaysian Islamic financing facilities obtained by the subsidiaries comprise:

Secured

	2008	2009
	RM	RM
	(in millions)	
Al Bai'bithaman Ajil long term facilities	3,180	3,135
Bai Al-Dayn Note Issuance Facilities	723	553

The secured Islamic financing facilities bear a yield payable ranging from 3.4% to 8.3% (2008: 4.22% to 8.30%) per annum and are fully repayable at their various due dates from 2009 to 2022.

The Islamic financing facilities are secured by way of a charge over certain property, plant and equipment and investment properties.

Unsecured

	2008	2009
	RM	RM
	(in millions)	
Murabahah Note Issuance Facilities	1,500	1,500
Al Murabahah Medium Term Notes	3,800	3,200

The unsecured Islamic financing facilities bear a yield payable ranging from 3.80% to 6.25% (2008: 3.64% to 6.25%) per annum and are fully repayable at their various due dates from 2009 to 2018.

27. OTHER LONG TERM LIABILITIES AND PROVISIONS

	Group		Company	
	2008	2009	2008	2009
	RM	RM	RM	RM
	(in millions)		(in millions)	
Dismantlement, removal or restoration of property, plant and equipment . . .	15,884	18,649	15,721	18,368
Retirement benefits (note 16)	659	205	443	—
Financial guarantees	—	722	—	1,054
Derivative liabilities (note 14)	—	106	—	—
Others	1,041	2,884	75	46
	17,584	22,566	16,239	19,468

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

The movement of provision for dismantlement, removal or restoration of property, plant and equipment during the financial years are as follows:

	<u>Group</u>	<u>Company</u>
	<u>RM</u>	<u>RM</u>
	(in millions)	
At 1 April 2007	13,412	13,239
Additional provision	2,220	2,207
Provision utilised	(15)	—
Unwinding of discount	288	275
Translation exchange difference	(21)	—
At 31 March 2008	<u>15,884</u>	<u>15,721</u>
	<u>Group</u>	<u>Company</u>
	<u>RM</u>	<u>RM</u>
	(in millions)	
At 1 April 2008	15,884	15,721
Additional provision	2,432	2,309
Provision utilised	(10)	—
Unwinding of discount	357	338
Translation exchange difference	(14)	—
At 31 March 2009	<u>18,649</u>	<u>18,368</u>

Provision for dismantlement, removal or restoration of property, plant and equipment is recognised when there is an obligation to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. The amount recognised is the present value of the estimated future costs determined in accordance with local conditions and requirements.

A corresponding asset of an amount equivalent to the provision is also created. This asset is depreciated in accordance with the policy set out in note 2.4.

The increase in the present value of the provision for the expected costs due to the passage of time, is included within finance costs.

Most of these removal events are many years in the future and the precise requirements that will have to be met when the removal event actually occurs are uncertain. Because actual timing and cash outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, the carrying amounts of provisions, together with the interest rate used in discounting the cash flows, are regularly reviewed and adjusted to take account of such changes. The interest rate used to determine the balance sheet obligation as at 31 March 2009 was 4.42% (2008: 4.33%). Changes in the expected future costs are reflected in both the provision and the asset.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

During the year, the Group and the Company revised estimated future costs of dismantlement, removal or restoration of property, plant and equipment. The revision was accounted for prospectively as a change in accounting estimates resulting in the following increases:

- (i) provisions by RM2,226,000,000 (2008: RM2,207,000,000);
- (ii) net book value of property, plant and equipment by RM337,000,000 (2008: RM387,000,000);
- (iii) depreciation expense by RM932,000,000 (2008: RM1,124,000,000); and
- (iv) finance costs by RM957,000,000 (2008: RM696,000,000).

28. TRADE AND OTHER PAYABLES

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
	<u>(in millions)</u>		<u>(in millions)</u>	
Trade payables	12,382	15,749	1,284	1,089
Other payables	11,736	12,545	5,862	2,553
Derivative liabilities (note 14)	—	216	—	5
Amount due to:				
Subsidiaries*	—	—	508	860
Associates and jointly controlled entities*	310	834	9	9
	<u>24,428</u>	<u>29,344</u>	<u>7,663</u>	<u>4,516</u>

* Amount due to subsidiaries, associates and jointly controlled entities arose in the normal course of business.

Included in other payables of the Group are security deposits of RM62,769,000 (2008: RM49,657,000) mainly held in respect of tenancies of a shopping centre and office buildings. These deposits are refundable upon termination of the respective lease agreements.

Also included in trade payables and amount due to associates of the Group are retention sums on construction contracts amounting to RM162,562,000 (2008: RM136,186,000).

Credit terms of trade payables for the Group ranges from 8 to 60 days (2008: 8 to 60 days).

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

29. GROSS PROFIT

	Group			Company		
	2007	2008	2009	2007	2008	2009
	RM	RM (in millions)	RM	RM	RM (in millions)	RM
Revenue						
—sales of oil and gas	165,379	202,218	241,610	66,129	81,542	95,364
—others	2,819	2,530	3,306	—	—	—
	<u>168,198</u>	<u>204,748</u>	<u>244,916</u>	<u>66,129</u>	<u>81,542</u>	<u>95,364</u>
—rendering of services	2,346	2,777	3,975	33	32	39
—shipping and shipping related services ..	8,343	10,007	11,204	—	—	—
—sale and rental of properties	1,194	1,353	29	—	—	—
	<u>11,883</u>	<u>14,137</u>	<u>15,208</u>	<u>33</u>	<u>32</u>	<u>39</u>
— dividend income						
in Malaysia (Quoted)						
—subsidiaries	—	—	—	1,399	1,596	1,746
—associates	—	—	—	66	65	62
—investments	16	17	18	16	17	18
in Malaysia (Unquoted)						
—subsidiaries	—	—	—	17,251	15,928	15,276
—associates	—	—	—	71	102	62
—investments	3	5	15	3	5	15
outside Malaysia (Quoted)						
—investments	157	214	226	6	6	—
	<u>176</u>	<u>236</u>	<u>259</u>	<u>18,812</u>	<u>17,719</u>	<u>17,179</u>
—interest income	3,796	3,957	3,792	2,458	2,410	2,766
	<u>184,053</u>	<u>223,078</u>	<u>264,175</u>	<u>87,432</u>	<u>101,703</u>	<u>115,348</u>
Cost of revenue						
—cost of sales	(91,019)	(108,931)	(145,431)	(36,526)	(43,415)	(48,238)
—cost of services	(8,812)	(10,115)	(12,103)	—	—	—
	<u>(99,831)</u>	<u>(119,046)</u>	<u>(157,534)</u>	<u>(36,526)</u>	<u>(43,415)</u>	<u>(48,238)</u>
Gross profit	<u>84,222</u>	<u>104,032</u>	<u>106,641</u>	<u>50,906</u>	<u>58,288</u>	<u>67,110</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

30. OPERATING PROFIT

	<u>Group</u>			<u>Company</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM	RM	RM	RM	RM	RM
	(in millions)			(in millions)		
<i>Included in operating profit are the following charges:</i>						
Audit fees	17	20	25	1	1	1
Amortisation of:						
—intangible assets	398	418	188	—	—	—
—prepaid lease payments	29	52	60	2	2	2
Bad debts written off:						
—subsidiaries	—	—	—	408	442	—
—associates and jointly controlled entities	—	8	—	—	—	—
—others	31	5	19	—	—	—
Contribution to retirement benefits	90	106	99	20	26	21
Contribution to Tabung Amanah Negara	100	100	100	100	100	100
Depreciation of property, plant and equipment and investment properties	9,075	10,588	12,702	308	1,421	1,214
Impairment losses on:						
—property, plant and equipment	254	—	4,037	—	—	—
—intangible assets	8	22	2	—	—	—
—trade and other receivables	373	106	66	302	110	—
—loan and advances to associates	—	—	9	—	—	—
—investments in subsidiaries	—	—	—	—	264	—
—investments in associates and jointly controlled entities	18	—	30	—	—	9
Inventories:						
—written down to net realisable value	53	26	151	—	—	—
—written off	65	50	23	1	38	—
—adjustment	—	—	1,547	—	—	—
Loss on disposal of property, plant and equipment	—	10	86	4	1	—
Loss on foreign exchange:						
—realised	858	1,782	1,741	484	1,040	—
—unrealised	208	862	1,624	649	635	—

Included in administration expenses for the year is impairment losses on property, plant and equipment of RM4,037,000,000 (2008: RMNil; 2007: RMNil) and inventory adjustment of RM1,547,000,000 (2008: RMNil; 2007: RMNil). The inventory adjustment for the year represents an adjustment affected by a subsidiary to reflect a fair valuation of its inventory.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

	<u>Group</u>			<u>Company</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM	RM	RM	RM	RM	RM
	(in millions)			(in millions)		
Operating lease rental	399	486	472	383	369	325
Property, plant and equipment:						
—written off	102	26	225	—	—	—
—expensed off	51	44	21	2	2	2
Rental of:						
—land and buildings	302	295	312	26	26	37
—plant, machinery, equipment and motor vehicles	318	447	595	49	48	51
Research and development expenditure	27	60	55	26	48	6
Staff costs	<u>3,822</u>	<u>4,945</u>	<u>5,926</u>	<u>404</u>	<u>551</u>	<u>656</u>
<i>and credits:</i>						
Bad debts recovered	—	3	—	—	—	—
Gain on disposal of:						
—property, plant and equipment	556	258	12	1	—	—
—subsidiaries, associates and jointly controlled entities	11	64	9	—	1	5
—other investments	424	144	2	400	129	—
Gain on foreign exchange:						
—realised	569	780	1,586	—	—	436
—unrealised	1,321	1,746	240	—	—	2,561
Interest income—others	365	198	227	570	638	2,340
Negative goodwill	—	487	—	—	—	—
Reversal of write down of inventories to net realisable value	—	18	43	—	—	—
Rental income on land and buildings	282	468	248	159	316	199
Write back of impairment losses on:						
—property, plant and equipment	11	—	—	—	—	—
—other investments	148	—	—	139	—	—
—loan stocks	—	—	—	15	—	—
—trade and other receivables	—	—	—	—	—	29
—receivables from subsidiaries	—	—	—	703	192	33
—investments in subsidiaries	—	—	—	—	—	115
—prepaid lease payments	—	—	16	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

31. OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases are as follows:

	<u>Group</u>			<u>Company</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM	RM	RM	RM	RM	RM
	(in millions)			(in millions)		
Less than one year	1,163	1,200	2,191	369	320	160
Between one and five years	1,666	2,851	3,961	1,353	1,033	1,048
More than five years	731	1,688	2,683	174	174	—
	<u>3,560</u>	<u>5,739</u>	<u>8,835</u>	<u>1,896</u>	<u>1,527</u>	<u>1,208</u>

32. TAX EXPENSE

	<u>Group</u>			<u>Company</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM (Restated)	RM (Restated)	RM	RM	RM	RM
	(in millions)			(in millions)		
Current tax expenses						
Malaysia						
Current year	20,918	27,642	30,387	13,843	18,213	19,709
Prior year	844	(1,652)	(1,027)	922	—	—
Overseas						
Current year	1,716	1,930	1,338	—	—	—
Prior year	373	(31)	(32)	—	—	—
	<u>23,851</u>	<u>27,889</u>	<u>30,666</u>	<u>14,765</u>	<u>18,213</u>	<u>19,709</u>
Deferred tax expense						
Origination and reversal of temporary differences	672	393	(319)	(65)	(772)	(25)
Over provision in prior year	(50)	(34)	(272)	—	—	(501)
	<u>622</u>	<u>359</u>	<u>(591)</u>	<u>(65)</u>	<u>(772)</u>	<u>(526)</u>
	<u>24,473</u>	<u>28,248</u>	<u>30,075</u>	<u>14,700</u>	<u>17,441</u>	<u>19,183</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

<u>Group</u>		<u>2007</u>		<u>2008</u>		<u>2009</u>
	%	RM (Restated) (in millions)	%	RM (Restated) (in millions)	%	RM (in millions)
Profit before taxation		<u>76,346</u>		<u>95,547</u>		<u>89,139</u>
Taxation at Malaysian statutory tax rate	27	20,613	26	24,842	25	22,285
Effect of different tax rates in foreign jurisdictions	—	104	—	185	—	274
Effect of different tax rates between corporate income tax and petroleum income tax	6	4,876	7	7,032	9	7,902
Effect of changes in tax rates	—	(262)	(1)	(417)	—	(5)
Non deductible expenses, net of non assessable income	2	1,761	2	2,197	7	6,025
Tax exempt income	(4)	(3,034)	(3)	(3,240)	(6)	(5,344)
Tax incentives	—	(379)	—	(166)	—	(28)
Utilisation of deferred tax benefits previously not recognised	—	(271)	—	(226)	—	(274)
Foreign exchange translation difference	—	(102)	—	(242)	—	571
	<u>31</u>	<u>23,306</u>	<u>31</u>	<u>29,965</u>	<u>35</u>	<u>31,406</u>
Under/(Over) provision in prior years		<u>1,167</u>		<u>(1,717)</u>		<u>(1,331)</u>
Tax expense		<u>24,473</u>		<u>28,248</u>		<u>30,075</u>
<u>Company</u>						
Profit before taxation		<u>48,062</u>		<u>53,099</u>		<u>69,019</u>
Taxation at Malaysian statutory tax rate	27	12,976	26	13,806	25	17,255
Effect of different tax rates between corporate income tax and petroleum income tax	8	3,617	10	5,123	9	6,341
Non deductible expenses, net of non assessable income	1	617	2	1,269	—	83
Effect of Group tax relief	—	—	—	—	—	86
Tax exempt income	(7)	(3,432)	(5)	(2,757)	(6)	(4,081)
	<u>29</u>	<u>13,778</u>	<u>33</u>	<u>17,441</u>	<u>28</u>	<u>19,684</u>
Under/(Over) provision in prior years		<u>922</u>		<u>—</u>		<u>(501)</u>
Tax expense		<u>14,700</u>		<u>17,441</u>		<u>19,183</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

33. DIVIDENDS

		<u>Group and Company</u>		
		<u>2007</u>	<u>2008</u>	<u>2009</u>
		RM	RM	RM
		(in millions)		
Ordinary:				
Final:				
2008 ..	—Tax exempt dividend of RM100,000 (2007: RM100,000; 2006: RM80,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	8,000	10,000	10,000
Special:				
2009 ..	—Tax exempt dividend of RM60,000 (2008: RMNil; 2007: RMNil) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	—	—	6,000
Interim:				
2009 ..	—First tax exempt dividend of RM80,000 (2008: RM80,000; 2007: RM40,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	4,000	8,000	8,000
2009 ..	—Second tax exempt dividend of RM60,000 (2008: RM60,000; 2007: RM60,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	6,000	6,000	6,000
		<u>18,000</u>	<u>24,000</u>	<u>30,000</u>
Proposed:				
Final:				
2009 ..	—Tax exempt dividend RM100,000 (2008: RM100,000; 2007: RM100,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>

The proposed tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM100,000 per ordinary share amounting to RM10 billion in respect of the financial year ended 31 March 2009, has not been accounted for in the financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

34. NET CASH USED IN INVESTING ACTIVITIES

The cash used in investing activities comprise:

	<u>Group</u>			<u>Company</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM	RM (in millions)	RM	RM	RM (in millions)	RM
Acquisition of:						
—subsidiaries, net of cash acquired (note 36) . . .	—	(8,431)	(102)	—	—	—
—additional shares in subsidiaries	—	—	—	(87)	(767)	(280)
Dividends received	177	236	259	12,759	12,692	15,985
Investment in:						
—associates, jointly controlled entities and unquoted companies	(262)	(51)	(163)	(146)	(13)	(18)
—securities	(31,161)	(19,804)	(10,340)	(18,644)	(18,040)	(8,931)
Long term receivables and advances (to)/ repaid from:						
—subsidiaries	—	—	—	(1,412)	(5,705)	(18,529)
—associates and jointly controlled entities	(440)	51	905	95	287	(6)
Net cost incurred in property development cost	(197)	(117)	(162)	—	—	—
Other long term receivables	774	161	(257)	—	—	—
Proceeds from disposal of:						
—investment in associates and jointly controlled entities	44	40	5	102	61	9
—property, plant and equipment, prepaid lease payments and intangible assets	2,262	1,221	1,469	1	21	—
—other investments	42	173	—	—	163	—
—securities	34,326	11,105	5,023	22,190	9,520	3,280
—assets held for sale	—	—	19	—	—	—
Purchase of:						
—property, plant and equipment, prepaid lease payments and intangible assets	(21,632)	(28,805)	(43,953)	(105)	(214)	(90)
—other investments	(6,363)	(185)	(1,839)	—	(3)	—
Redemption of preference shares in:						
—subsidiaries	—	—	—	202	150	30
—associates	335	220	262	22	—	—
—investments and loan stocks	44	32	27	44	32	27
	<u>(22,051)</u>	<u>(44,154)</u>	<u>(48,847)</u>	<u>15,021</u>	<u>(1,816)</u>	<u>(8,523)</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

35. NET CASH USED IN FINANCING ACTIVITIES

The cash used in financing activities comprise:

	<u>Group</u>			<u>Company</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM	RM (in millions)	RM	RM	RM (in millions)	RM
Dividends paid	(16,000)	(24,000)	(30,000)	(16,000)	(24,000)	(30,000)
Dividends paid to minority	(3,640)	(3,618)	(5,711)	—	—	—
Drawdown of:						
—Islamic financing facilities	1,307	1,578	—	—	—	—
—term loans, notes and bonds	2,646	4,384	9,290	—	—	—
—revolving credits and bankers' acceptance ..	522	4,972	5,059	—	—	—
Repayment of:						
—Islamic financing facilities	(1,604)	(1,249)	(1,071)	—	—	—
—term loans, notes and bonds	(7,106)	(2,328)	(6,153)	(4,356)	—	(616)
—revolving credits and bankers' acceptance ..	(1,086)	(4,337)	(5,396)	—	—	—
	<u>(24,961)</u>	<u>(24,598)</u>	<u>(33,982)</u>	<u>(20,356)</u>	<u>(24,000)</u>	<u>(30,616)</u>

36. ACQUISITIONS AND DISPOSALS OF ASSETS / SUBSIDIARIES

2009

Acquisition of assets

On 29 May 2008, the Group acquired 40% participating interest in the integrated liquefied natural gas (LNG) project in Gladstone, Australia for a total consideration of approximately US\$2.5 billion via a sale and purchase deed with Santos Limited of Australia. This comprises an initial payment of US\$2 billion and a further payment of up to US\$500 million upon approval of final investment decision for a second LNG train.

Acquisitions and disposals of subsidiaries

During the year, the Group acquired several companies for a total purchase consideration of RM142,000,000. As a result, these companies became subsidiaries of the Group. The net profit contributed by these companies from the date of acquisition to the year ended 31 March 2009 is not material in relation to the consolidated net profit for the year.

During the year, the Group also disposed of several subsidiaries. The net profit contributed by these subsidiaries from 1 April 2008 to the date of disposal is not material in relation to the consolidated net profit of the Group for the year.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

2009

	<u>Carrying amount</u>	<u>Fair value adjustments</u>	<u>Fair value at acquisition date</u>
	RM	RM (in millions)	RM
Property, plant and equipment	83	—	83
Investment properties	(54)	—	(54)
Prepaid lease payments	11	—	11
Other investments	13	5	18
Other assets	216	—	216
Cash and cash equivalents	40	—	40
Deferred taxation	(15)	—	(15)
Other liabilities	(169)	—	(169)
Minority shareholders' interest at the date of acquisitions	(19)	—	(19)
	<u>106</u>	<u>5</u>	<u>111</u>
Less: Interest previously held as jointly controlled entity			(9)
Add: Goodwill on consolidation			<u>40</u>
Purchase consideration			142
Less: Cash and cash equivalents of subsidiaries acquired			<u>(40)</u>
Cash flow on acquisition, net of cash acquired (note 34)			<u><u>102</u></u>

2008

During the year, the Group made the following significant acquisitions of subsidiaries:

(i) **PETRONAS Lubricants Italy S.p.A Group**

On 30 November 2007, the Group acquired 100% interest in Sole Italia S.p.A and its group of companies (“Sole Italia Group”), from Sole Italy S.a.r.l, for a purchase consideration of €446,000,000 (RM2,219,000,000). Sole Italia Group was subsequently restructured and as a result, the Group now directly holds 100% equity interest in FL Selenia S.p.A. FL Selenia S.p.A subsequently changed its name to PETRONAS Lubricants Italy S.p.A (“PL Italy”).

The Group also paid €649,000,000 (RM3,227,000,000) for settlement of external loans of PL Italy as part of the fulfillment of conditions precedent to complete the sale. The net profit of the PL Italy Group from the date of acquisition to the year ended 31 March 2008 is not material in relation to the consolidated net profit for the year.

(ii) **PC Mauritania I Pty. Ltd. and PC Mauritania II B.V.**

On 25 December 2007, the Group acquired 100% equity interests in both Woodside Mauritania Pty. Ltd. (“WMPL”) and WEL Mauritania B.V. (“WMBV”) for a total consideration of US\$449,821,000 (RM1,490,931,000) via a Share Sale and Purchase Agreement with Woodside Energy Ltd. (“WEL”). Subsequent to the acquisition, WMPL and WMBV changed their names to PC Mauritania I Pty. Ltd. (“PCMI”) and PC

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Mauritania II B.V. (“PCMI”) respectively. The net profits contributed by PCMI and PCMI from the date of acquisition to the year ended 31 March 2008 are not material in relation to the consolidated net profit for the year.

(iii) Star Energy Group Plc (“SE Group”)

During the year, the Group acquired an additional 80.51% equity interest in SE Group for a purchase consideration of GBP295,000,000 (RM1,944,000,000). As a result, SE Group became a wholly owned subsidiary of the Group. The net profit contributed by SE Group from the date of acquisition to the year ended 31 March 2008 is not material in relation to the consolidated net profit for the year.

2008

	<u>At initial recognition</u>	<u>Fair value adjustments</u>	<u>At fair value</u>
	RM	RM (in millions)	RM
Property, plant and equipment	3,275	2,165	5,440
Intangible assets	3,999	(2,854)	1,145
Other investments	2	—	2
Other assets	2,087	73	2,160
Cash and cash equivalents	527	—	527
Borrowings	(529)	—	(529)
Deferred taxation	(190)	(597)	(787)
Other liabilities	(5,403)	(411)	(5,814)
Contingent liabilities	—	(56)	(56)
Minority shareholders’ interest at the date of acquisition	(25)	—	(25)
	<u>3,743</u>	<u>(1,680)</u>	<u>2,063</u>
Less :			
Interest previously held as jointly controlled entity/other long term investment			(228)
Negative goodwill on consolidation			(487)
Add:			
Goodwill on consolidation			4,364
Reversal of impairment loss			<u>19</u>
Purchase consideration			5,731
Less:			
Cash and cash equivalents of subsidiaries acquired			(527)
Add:			
Repayment of borrowings			<u>3,227</u>
Cash flow on acquisition, net of cash acquired (note 34)			<u><u>8,431</u></u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

37. CHANGES IN ACCOUNTING POLICIES

2009

As of 1 April 2008, the Group and the Company had adopted/early adopted new and revised Financial Reporting Standards (FRSs) and Amendment to FRS issued by the Malaysian Accounting Standards Board (“MASB”) as disclosed in note 1.1.

The principal changes in accounting policies and their effects resulting from the above are as follows:

(i) Revised FRS 112, Income Taxes

The adoption of revised FRS 112 has resulted in a change in the accounting policy relating to unused reinvestment allowance and unused investment tax allowance (hereinafter collectively referred to as “unused tax incentives”).

Prior to the adoption of the revised FRS 112, no deferred tax has been recognised on these unused tax incentives.

Following the adoption of revised FRS 112, the Group and the Company account for these unused tax incentives by applying the analogy of the accounting treatment for unused tax losses. Deferred tax assets are recognised for any unused tax incentives to the extent that it is probable that future taxable profit will be available against which the unused tax incentives can be utilised.

The effects of adopting the revised FRS 112 had been accounted for retrospectively in accordance with the transitional provisions of the standard. Comparatives have been restated as disclosed in note 46. This change in accounting policy has resulted in an increase of retained profits for the Group as at 1 April 2008 by RM715,000,000.

(ii) FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in a change in the accounting policy relating to the recognition and measurement of financial instruments.

Prior to the adoption of FRS 139, the Group and the Company had previously measured financial assets at the lower of cost and market value. Loans and advances due from subsidiaries, associates and jointly controlled entities (“shareholder’s loans and advances”), are stated at cost in the Company’s financial statements.

Following the adoption of FRS 139, financial assets are generally required to be measured at fair values, except for certain categories of financial assets which are measured at amortised cost. Unrealised gains and losses arising from the change in fair values are recognised in the income statement or equity, depending on the classifications of the financial assets.

Where financial assets are categorised as available-for-sale, unrealised gains and losses arising from changes in fair value are recognised in equity as available-for-sale reserve.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

These gains or losses are only brought to income statement if the asset is derecognised or assessed to be impaired.

The carrying amount of certain shareholder's loans and advances are adjusted to fair values by imputing interest costs. These fair value adjustments are added to the carrying amount of investments. Interest income is recognised in the income statement of the Company progressively over the period of the shareholder's loans and advances.

The effects of adopting FRS 139 had been accounted for prospectively in accordance with the transitional provisions of the standard, by adjusting the opening balance of certain equity items as disclosed below. The Group and the Company have not restated comparative figures and therefore, certain figures are not directly comparable to the comparative figures.

	Group	Company
	RM	RM
	(in millions)	
Available-for-sale reserve		
Opening balance	—	—
Effect of adopting FRS 139	3,753	10
Opening balance, restated	3,753	10
Retained profits		
Opening balance	187,271	102,267
Effect of adopting FRS 139	287	3,039
Opening balance, restated	187,558	105,306
Minority interest		
Opening balance	22,612	—
Effect of adopting FRS 139	13	—
Opening balance, restated	22,625	—

2008

As of 1 April 2007, the Group and the Company had adopted new and revised Financial Reporting Standards (FRSs) and Amendment to FRS issued by the Malaysian Accounting Standards Board ("MASB").

The principal changes in accounting policies and their effects resulting from the above are as follows:

(i) FRS 117, Leases

The adoption of FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Prior to the adoption of FRS 117, the Group and the Company had previously classified leases of land as finance leases and had recognised the amount of payments made on entering into or acquiring the land (prepaid lease payments) as property within its property, plant and equipment. These land were stated at cost less accumulated depreciation and accumulated impairment losses.

On adoption of FRS 117, the Group and the Company treat such leases as operating lease, with the unamortised carrying amount classified as prepaid lease payments. The Group had also previously revalued certain leasehold land and had retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provisions in FRS 117.

The effects of adopting FRS 117 had been accounted for retrospectively in accordance with transitional provisions of the standard, and comparatives have been restated as below.

This change in accounting policy does not have material impact on current year income statement.

(ii) FRS 6, Exploration for and Evaluation of Mineral Resources

The adoption of FRS 6 has resulted in a change in the accounting policy relating to the classification of exploration expenditure. Prior to the adoption of FRS 6, the Group had classified all exploration expenditure as projects-in-progress in property, plant and equipment. These exploration expenditure were stated at cost and were not depreciated.

Following the adoption of FRS 6, exploration expenditure are classified as intangible assets.

The reclassification had been accounted for retrospectively in accordance with the transitional provisions of the standard, and comparatives have been restated as below. This change in accounting policy does not have any impact on current year income statement.

<u>Company</u>	2007	
	As restated	As previously stated
	RM	RM
	(in millions)	
Balance Sheet		
Property, plant and equipment	1,821	1,893
Prepaid lease payments	72	—
	1,893	1,893

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>Group</u>	<u>As restated</u>	<u>As previously stated</u>
	RM	RM
	(in millions)	
Balance Sheet		
Property, plant and equipment	116,535	123,534
Properties	7,257	7,455
Prepaid lease payments	2,164	—
Long term receivables	2,709	3,775
Intangible assets	7,530	1,375
Other long term liabilities and provisions	<u>(14,435)</u>	<u>(14,379)</u>
	<u>121,760</u>	<u>121,760</u>

2007

As of 1 April 2006, the Group and the Company had adopted new and revised Financial Reporting Standards (FRSs) issued by the Malaysian Accounting Standards Board (“MASB”), which are mandatory for annual periods beginning on or after 1 January 2006.

In addition, the Group and the Company has early adopted certain FRS amendment and Statement of Interpretation (IC) that are effective for annual periods beginning on or after 1 July 2007.

The effects of adopting the new/revised FRSs had been accounted for either prospectively or retrospectively in accordance with specific requirements of the respective FRSs, by restating comparatives and adjusting the opening balance of retained earnings as disclosed below and in the Statement of Changes in Equity respectively.

The principal changes in accounting policies and their effects resulting from the adoption of the new and revised FRSs are as follows:

i) FRS 3, Business Combinations, FRS 136, Impairment of Assets and FRS 138, Intangible Assets

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in a change in the accounting policy for goodwill. The change in accounting policy is made in accordance with their transitional provisions.

Before adoption of FRS 3, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised from the date of initial recognition over its estimated useful life of not more than 20 years. Impairment tests on goodwill were performed when there were indications of impairment. Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, was recognised in the income statement over the weighted average useful life of those assets that were depreciable/ amortisable.

Following the adoption of FRS 3, goodwill is measured at cost less accumulated impairment losses and is no longer amortised. Instead, goodwill impairment is tested annually, or when circumstances change, indicating that goodwill might be impaired. Negative goodwill is recognised immediately in the income statement. This has resulted in the derecognition of negative goodwill and an increase of retained earnings for the Group as at 1 April 2006 by RM798,870,000.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

ii) FRS 116, Property, Plant and Equipment

Following the adoption of the revised FRS 116, the cost of an item of property, plant and equipment includes the costs of dismantling and removing the item and restoring the site on which it is located, where such obligation exist. This change has been applied retrospectively. This has resulted in additional recognition of depreciation expenses and a decrease of retained earnings for the Group and the Company as at 1 April 2006 by RM9,894,775,000 and RM9,878,914,000 respectively.

In addition, when significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. This change has been accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for 31 March 2007 have been reduced by RM279,926,000.

iii) FRS 121, The Effects of Changes in Foreign Exchange Rates

Following the adoption of FRS 121, certain subsidiaries within the Group have determined that their functional currency is other than Ringgit Malaysia. Consequently, these subsidiaries have restated all their transactions into the respective functional currencies as if the accounting records have been kept in functional currency since incorporation.

On consolidation, the assets and liabilities of these subsidiaries, are translated into Ringgit Malaysia at the exchange rates approximating those ruling at balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 April 2006 which are reported using the exchange rates at the dates of the acquisitions. The income and expenses are translated at the average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. All resulting exchange differences are taken to the foreign currency translation reserve within equity.

The above has resulted in a net increase of total equity for the Group as at 1 April 2006 by RM1,677,273,000.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

38. COMMITMENTS

Outstanding commitments in respect of capital expenditure at balance sheet date not provided for in the financial statements are:

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
	(in millions)		(in millions)	
Property, plant and equipment				
<i>Approved and contracted for</i>				
Less than one year	18,302	20,832	127	223
Between one and five years	4,358	7,488	202	35
	<u>22,660</u>	<u>28,320</u>	<u>329</u>	<u>258</u>
<i>Approved but not contracted for</i>				
Less than one year	16,550	23,560	—	22
Between one and five years	15,303	17,709	40	59
	<u>31,853</u>	<u>41,269</u>	<u>40</u>	<u>81</u>
	<u>54,513</u>	<u>69,589</u>	<u>369</u>	<u>339</u>
Share of capital expenditure				
<i>Approved and contracted for</i>				
Less than one year	2,405	3,855	—	—
Between one and five years	370	788	—	—
	<u>2,775</u>	<u>4,643</u>	<u>—</u>	<u>—</u>
<i>Approved but not contracted for</i>				
Less than one year	4,571	4,170	—	—
Between one and five years	10,164	10,243	—	—
	<u>14,735</u>	<u>14,413</u>	<u>—</u>	<u>—</u>
	<u>17,510</u>	<u>19,056</u>	<u>—</u>	<u>—</u>
Investment in shares				
<i>Approved but not contracted for</i>				
Less than one year	2	7	—	—
	<u>72,025</u>	<u>88,652</u>	<u>369</u>	<u>339</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

39. CONTINGENT LIABILITIES (UNSECURED)

	<u>Group</u>		<u>Company</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	RM	RM	RM	RM
	(in millions)		(in millions)	
Guarantees for loan facilities given to subsidiaries and associates	1,103	—	1,179	—
Guarantees extended to third parties	673	724	—	—
Claims filed by/disputes with various parties	354	483	—	—
Contingent payments	—	49	—	—
	<u>2,130</u>	<u>1,256</u>	<u>1,179</u>	<u>—</u>

The Terengganu State Government filed a legal suit against the Company in the year 2000 claiming that it was entitled to certain cash payments arising out of the production of crude oil and gas beyond the territorial waters of the State concerned. The amount of the cash payments has been fully accounted for in the financial statements. The legal suit is still on-going as at year end.

40. RELATED PARTY DISCLOSURES

Key management personnel compensation

	<u>Company</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	RM	RM	RM
	(in millions)		
Directors remuneration:			
—Emoluments	5	7	9

The Company also paid fees to certain Directors amounting to RM174,000 (2008: RM176,000).

The estimated monetary value of Directors' benefits-in-kind is RM176,000 (2008: RM344,000).

The Group and the Company incurred legal fees of RM420,476 (2008: RM234,400) and RMNil (2008: RM52,800) which are paid/payable to a firm in which a Director is a partner.

Significant transactions with related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	Company		
	2007	2008	2009
	RM	RM	RM
	(in millions)		
Subsidiaries:			
Sales of crude oil, petroleum products and natural gas	30,589	42,161	53,848
Interest receivable from subsidiaries	489	568	1,297
Purchase of crude oil and natural gas	(15,982)	(20,241)	(20,498)
Gas processing fee payable	(3,840)	(2,275)	(2,109)
Research cess	90	110	124
Supplemental payments	2,621	3,732	4,988
Handling and storage fees	(94)	(31)	(31)
Associate companies:			
Interest receivable from associates	28	13	—
Jointly controlled entities:			
Interest receivable from jointly controlled entities	17	21	19
Gas processing fee payable	<u>(323)</u>	<u>(249)</u>	<u>(323)</u>

Information regarding outstanding balances arising from related party transactions as at 31 March 2009 are disclosed in note 12, note 20 and note 28.

Information regarding impairment losses on receivables and bad debts written off during the financial year are disclosed in note 30.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a commercial basis. The above has been stated at contracted amount.

41. PRODUCTION SHARING CONTRACTS (the “PSC”)

The Petroleum Development Act, 1974 vests the entire ownership, rights, powers, liberties and privileges of exploiting petroleum resources on land and offshore Malaysia in PETRONAS. The exploitation by PETRONAS of petroleum resources is carried out by means of production sharing contracts with international oil and gas companies and with its subsidiaries. Under the terms of the various PSCs that PETRONAS has entered into, the PSC Contractors bear all costs. The PSC Contractors may recover their costs in barrels of crude oil or gas equivalent in accordance with the terms of their respective PSCs.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Certain terms of the PSCs are:

41.1 Research Cess, Supplemental Payments and Crude Oil or Gas Entitlement

The determination of research cess, supplemental payments, and PETRONAS' and the contractors' entitlements to crude oil or gas produced subsequent to 31 December 1992 have been based on the returns submitted by contractors and is dependent on agreement being reached on the method of valuation of crude oil or gas and the quantum of costs incurred and claimed by contractors subject to the maximum rate provided under the production sharing contracts for the year. PETRONAS' entitlements to crude oil and natural gas are taken up as income on the basis of liftings and sales respectively made by the Company.

41.2 Property, plant and equipment

Title to all equipment and other assets purchased or acquired by PSC Contractors exclusively for the purpose of petroleum operations, and which costs are recoverable in barrels of cost oil or gas equivalent, vested with PETRONAS. However, the values of these assets are not taken up in the financial statements of PETRONAS other than:

- i) the property, plant and equipment of a subsidiary which is also a contractor to PETRONAS under certain PSCs; and
- ii) the costs of dismantling and removing the assets and restoring the site on which they are located where there is an obligation to do so.

41.3 Inventories

Title to all crude oil held in inventories by the PSC Contractors lies with PETRONAS and title to the contractors' entitlement passes only upon delivery at point of export. However, the values of these inventories are not taken up in the financial statements of PETRONAS.

42. FINANCIAL INSTRUMENTS

Financial risk management

As an integrated oil and gas company, the Group and the Company are exposed to various risks that are particular to its core business of exploration and production, logistics and maritime, gas, petrochemical and oil business. These risks arise in the normal course of the Group and the Company's business.

The Group has a Group Risk Management Framework and Guideline that sets the foundation for the establishment of effective risk management across the PETRONAS Group.

The Group and the Company's goal in risk management are to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

The main financial risks faced by the Group and the Company through their normal activities are credit risk, interest rate risk, foreign currency risk and liquidity risk.

Credit risk

Credit risk is the potential exposure of the Group and the Company to losses in the event of non-performance by counterparties. The credit risk arising from the Group and the Company's normal operations are controlled by individual operating units within the Group Risk Management Framework and Guideline.

The Group and the Company minimise credit risk by entering into contracts with highly credit rated counterparties and through credit approval, financial limits and on-going monitoring procedures. Counterparties credit evaluation is done systematically using quantitative and qualitative criteria on credit risks specified by individual operating units.

At balance sheet date, there was no significant concentration of credit risk.

The maximum exposure to credit risk for the Group and the Company are represented by the carrying amount of each financial asset.

Interest rate risk

The Group and the Company are exposed to interest rate risk on short and long term floating rate instruments as a result of their investing and financing activities. Consequently, in managing the risks, the Group and the Company manage interest expense through a balanced portfolio of fixed and floating rate instruments. The Group also enters into hedging transactions with respect to interest rate on selected long term borrowings and other debts.

Foreign currency risk

The Group and the Company'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. The Group and the Company mainly rely on the natural hedge generated by the fact that most of their revenue and expenses are currently denominated in US Dollar. In addition, the Group and the Company where applicable, hedge using derivative instruments in respect of current and forecasted transactions.

Liquidity risk

Liquidity risk arises due to inability to liquidate an asset and from the requirement to raise funds for the business on an ongoing basis as a result of existing and future commitments which are not funded from internal resources. The Group manages assets liquidity risk by maintaining sufficient cash and liquid marketable assets. PETRONAS current credit rating enables it to access banking facilities in excess of current and anticipated future requirements of the Group and the Company. The Group's borrowing powers are not limited by its Articles of Association. However, certain covenants included in agreements impose limited restrictions on some of the debt level of PETRONAS' subsidiaries.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Fair value

The Group's and the Company's financial instruments consist of cash and cash equivalents, investments and loans, trade and other receivables, borrowings, trade and other payables and various debt and currency management instruments.

Cash and cash equivalents, trade and other receivables and trade and other payables are carried at amortised costs, which are not materially different from the fair values.

The aggregate fair values of the other financial assets and liabilities carried on the balance sheet as at 31 March 2009 are represented in the following table:

<u>Group</u>	<u>Note</u>	<u>2008</u>		<u>2009</u>	
		<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
		<u>RM</u> (in millions)	<u>RM</u> (in millions)	<u>RM</u> (in millions)	<u>RM</u> (in millions)
Financial assets					
<i>Available-for-sale</i>					
Treasury bills	13	20,424	20,424	27,223	27,223
Quoted shares	13	8,992	12,903	9,831	9,831
Negotiable Certificate of Deposits	13	320	320	4,055	4,055
<i>Fair value through profit or loss</i>					
Malaysian Government Securities	13	3,541	3,550	4,855	4,855
Quoted shares	13	292	312	367	367
Quoted securities	13	1,033	1,036	1,140	1,140
Negotiable Certificate of Deposits	13	485	485	516	516
Loan Stock	13	—	—	26	26
Derivative assets	14	—	—	1,682	1,682
Financial liabilities					
<i>Fair value through profit or loss</i>					
Derivative liabilities	14	—	—	322	322
<i>Loans and borrowings</i>					
Notes and Bonds	25	19,683	22,381	23,282	24,515
Term loans	25	10,226	9,949	14,070	13,649

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>Company</u>	<u>Note</u>	<u>2008</u>		<u>2009</u>	
		<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
		<u>RM</u> (in millions)	<u>RM</u> (in millions)	<u>RM</u> (in millions)	<u>RM</u> (in millions)
Financial assets					
<i>Available-for-sale</i>					
Treasury bills	13	20,424	20,424	27,223	27,223
Quoted shares	13	285	294	174	174
Negotiable Certificate of Deposits	13	320	320	4,055	4,055
<i>Fair value through profit or loss</i>					
Malaysian Government Securities	13	3,506	3,515	4,810	4,810
Quoted shares	13	210	231	314	314
Quoted securities	13	1,021	1,022	1,126	1,126
Negotiable Certificate of Deposits	13	485	485	516	516
Derivative assets	14	—	—	2,078	2,078
Financial liabilities					
<i>Fair value through profit or loss</i>					
Derivative liabilities	14	—	—	147	147
<i>Loans and borrowings</i>					
Notes and Bonds	25	<u>16,238</u>	<u>18,755</u>	<u>19,192</u>	<u>20,459</u>

The fair value of quoted securities is their bid price at the balance sheet date. For other financial instruments listed above, fair values have been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date or, in the case of unquoted securities, based on discounted price earning multiples as compared to the quoted bid prices for similar securities or discounted cash flows or comparative yields. Certain unquoted equity instruments are stated at cost less impairment as the fair value cannot be reliably measured.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

<u>2008</u> <u>Group</u>	Effective interest rates	<u>Total</u>	Within	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4-5 years</u>	More than
	per annum		1 year					5 years
	%	RM	RM	RM	RM	RM	RM	RM
Financial assets								
<i>Available-for-sale</i>								
Negotiable Certificate of								
Deposits	3.39	320	320	—	—	—	—	—
Unquoted Corporate								
Commercial Papers	3.50	2,078	2,078	—	—	—	—	—
Treasury bills	3.40	20,424	20,424	—	—	—	—	—
<i>Fair value through profit or loss</i>								
Negotiable Certificate of								
Deposits	3.85	485	—	—	—	—	—	485
Malaysian Government								
Securities	3.41	3,541	1,732	917	316	72	—	504
Quoted securities	4.20	1,033	215	49	180	63	172	354
Unquoted Corporate Private								
Debt Securities	4.54	1,157	230	85	105	103	283	351
Other unquoted securities	4.25	869	732	76	32	—	—	29
<i>Loans and receivables</i>								
Other unquoted securities	5.54	468	—	—	—	—	—	468
Deposits with licensed financial								
institutions	<u>3.58</u>	<u>75,492</u>	<u>75,492</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

2008 Group	Effective interest rates per annum	Total	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years
	%	RM	RM	RM	RM (in millions)	RM	RM	RM
Financial liabilities								
<i>Loans and borrowings</i>								
Secured Term Loans								
USD fixed rate loan	5.49	2,637	473	376	314	314	314	846
RM fixed rate loan	5.71	746	115	21	27	26	26	531
RM floating rate loan	5.67	158	158	—	—	—	—	—
GBP fixed rate loan	7.80	356	32	32	32	260	—	—
Other fixed rate loans	9.90	9	4	3	2	—	—	—
Unsecured Term Loans								
USD floating rate loan	5.02	239	239	—	—	—	—	—
RM fixed rate loan	5.48	1,861	389	17	330	367	224	534
EURO floating rate loan	7.10	85	85	—	—	—	—	—
EURO fixed rate loan	4.47	4,038	4,038	—	—	—	—	—
BAHT floating rate loan	3.89	97	97	—	—	—	—	—
Unsecured Notes and Bonds								
USD Notes	5.42	13,087	—	1,278	—	—	6,428	5,381
USD Bonds	4.89	3,616	—	—	—	—	—	3,616
EURO Notes	4.68	2,268	—	2,268	—	—	—	—
JPY Bonds	1.46	712	549	—	—	—	—	163
Unsecured revolving credits								
RM revolving credits	4.10	33	33	—	—	—	—	—
USD revolving credits	3.72	51	51	—	—	—	—	—
BAHT revolving credits	4.50	37	37	—	—	—	—	—
EURO revolving credits	4.47	757	757	—	—	—	—	—
Unsecured bankers' acceptances								
USD bankers' acceptances	3.24	196	196	—	—	—	—	—
RM bankers' acceptances	3.95	96	96	—	—	—	—	—
Unsecured bank overdrafts								
ZAR bank overdrafts	7.97	14	14	—	—	—	—	—
EURO bank overdrafts	8.41	7	7	—	—	—	—	—

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>2009</u> <u>Group</u>	<u>Effective</u> <u>interest rates</u> <u>per annum</u> <u>%</u>	<u>Total</u> <u>RM</u>	<u>Within</u> <u>1 year</u> <u>RM</u>	<u>1-2 years</u> <u>RM</u>	<u>2-3 years</u> <u>RM</u> <u>(in millions)</u>	<u>3-4 years</u> <u>RM</u>	<u>4-5 years</u> <u>RM</u>	<u>More than</u> <u>5 years</u> <u>RM</u>
Financial assets								
<i>Available-for-sale</i>								
Negotiable Certificate of Deposits	2.75	4,055	4,055	—	—	—	—	—
Unquoted Corporate Commercial Papers	2.35	102	102	—	—	—	—	—
Treasury Bills	2.24	27,223	27,223	—	—	—	—	—
<i>Fair value through profit or loss</i>								
Negotiable Certificate of Deposits	3.62	516	—	—	—	—	516	—
Malaysian Government Securities	3.03	4,855	1,775	698	1,130	798	452	2
Quoted securities	2.84	1,140	384	60	45	390	—	261
Unquoted Corporate Private Debt Securities	4.01	1,368	564	35	93	312	101	263
Other unquoted securities	5.25	515	475	10	30	—	—	—
<i>Loans and receivables</i>								
Other unquoted securities	2.92	536	—	—	—	—	—	536
Deposits with licensed financial institutions	<u>2.10</u>	<u>86,408</u>	<u>86,408</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>2009</u> <u>Group</u>	<u>Effective</u> <u>interest rates</u> <u>per annum</u> <u>%</u>	<u>Total</u> <u>RM</u>	<u>Within</u> <u>1 year</u> <u>RM</u>	<u>1-2 years</u> <u>RM</u>	<u>2-3 years</u> <u>RM</u> <u>(in millions)</u>	<u>3-4 years</u> <u>RM</u>	<u>4-5 years</u> <u>RM</u>	<u>More than</u> <u>5 years</u> <u>RM</u>
Financial liabilities								
<i>Loans and borrowings</i>								
Secured Term Loans								
USD fixed rate loan	5.23	2,767	472	411	424	437	450	573
RM fixed rate loan	5.25	980	32	35	35	35	95	748
Other fixed rate loan . . .	8.61	6	6	—	—	—	—	—
Unsecured Term Loans								
USD floating rate loan	5.03	4,004	4,004	—	—	—	—	—
RM fixed rate loan	4.75	2,007	269	504	387	235	408	204
EURO floating rate loan	8.31	103	103	—	—	—	—	—
EURO fixed rate loan . .	6.38	4,100	—	820	820	820	820	820
BAHT floating rate loan	3.89	103	103	—	—	—	—	—
Unsecured Notes and Bonds								
USD Notes	6.87	14,987	1,482	—	—	7,265	—	6,240
USD Bonds	6.27	4,087	—	—	—	—	—	4,087
EURO Notes	3.68	3,617	3,617	—	—	—	—	—
JPY Bonds	4.10	591	—	—	—	591	—	—
Unsecured revolving credits								
BAHT revolving credits	4.11	101	101	—	—	—	—	—
USD revolving credits	7.45	79	79	—	—	—	—	—
RM revolving credits . .	2.70	412	412	—	—	—	—	—
Unsecured bankers' acceptances								
RM bankers' acceptances	2.68	48	48	—	—	—	—	—
Unsecured bank overdrafts								
ZAR bank overdrafts . . .	8.31	113	113	—	—	—	—	—
EURO bank overdrafts	<u>8.44</u>	<u>42</u>	<u>42</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>2008</u> <u>Company</u>	<u>Effective</u> <u>interest rates</u> <u>per annum</u> <u>%</u>	<u>Total</u> <u>RM</u>	<u>Within</u> <u>1 year</u> <u>RM</u>	<u>1-2 years</u> <u>RM</u>	<u>2-3 years</u> <u>RM</u> <u>(in millions)</u>	<u>3-4 years</u> <u>RM</u>	<u>4-5 years</u> <u>RM</u>	<u>More than</u> <u>5 years</u> <u>RM</u>
Financial assets								
<i>Available-for-sale</i>								
Negotiable Certificate of Deposits	3.39	320	320	—	—	—	—	—
Unquoted Corporate Commercial Papers	3.50	2,078	2,078	—	—	—	—	—
Treasury bills	3.40	20,424	20,424	—	—	—	—	—
<i>Fair value through profit or loss</i>								
Negotiable Certificate of Deposits	3.85	485	—	—	—	—	—	485
Malaysian Government Securities	3.46	3,506	1,697	917	316	72	—	504
Quoted securities	4.21	1,021	216	49	167	63	172	354
Unquoted Corporate Private Debt Securities . .	4.54	2,288	265	95	145	345	482	956
Other unquoted securities . .	3.61	110	2	76	32	—	—	—
<i>Loans and receivables</i>								
Deposits with licensed financial institutions	3.48	45,467	45,467	—	—	—	—	—
Financial liabilities								
Unsecured Notes and Bonds								
USD Notes	4.32	9,642	—	—	—	—	6,428	3,214
USD Bonds	4.89	3,616	—	—	—	—	—	3,616
EURO Notes	4.68	2,268	—	2,268	—	—	—	—
JPY Bonds	1.46	712	549	—	—	—	—	163

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

<u>2009</u> <u>Company</u>	<u>Effective</u> <u>interest rates</u> <u>per annum</u> <u>%</u>	<u>Total</u> <u>RM</u>	<u>Within</u> <u>1 year</u> <u>RM</u>	<u>1-2 years</u> <u>RM</u>	<u>2-3 years</u> <u>RM</u> <u>(in millions)</u>	<u>3-4 years</u> <u>RM</u>	<u>4-5 years</u> <u>RM</u>	<u>More than</u> <u>5 years</u> <u>RM</u>
Financial assets								
<i>Available-for-sale</i>								
Negotiable Certificate of Deposits	2.75	4,055	4,055	—	—	—	—	—
Unquoted Corporate Commercial Papers	2.35	102	102	—	—	—	—	—
Treasury Bills	2.24	27,223	27,223	—	—	—	—	—
<i>Fair value through profit or loss</i>								
Negotiable Certificate of Deposits	3.62	516	—	—	—	—	516	—
Malaysian Government Securities	3.02	4,810	1,775	698	1,100	783	452	2
Quoted securities	2.86	1,126	370	60	45	390	—	261
Unquoted Corporate Private Debt Securities . .	4.01	2,577	585	75	346	529	779	263
Other unquoted securities . .	9.19	168	138	—	30	—	—	—
<i>Loans and receivables</i>								
Deposits with licensed financial institutions	<u>2.30</u>	<u>45,568</u>	<u>45,568</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Financial liabilities								
Unsecured Notes and Bonds								
USD Notes	5.13	10,897	—	—	—	7,265	—	3,632
USD Bonds	6.27	4,087	—	—	—	—	—	4,087
EURO Notes	3.68	3,617	3,617	—	—	—	—	—
JPY Bonds	<u>4.10</u>	<u>591</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>591</u>	<u>—</u>	<u>—</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

43. SIGNIFICANT SUBSIDIARIES AND ACTIVITIES

The significant subsidiary undertakings of the Company at 31 March 2009 and the Group percentage of share capital are set out below.

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2008	2009		
	%	%		
AET Inc. Limited	62.4	62.4	Bermuda	Ship-owning and operations.
Aromatics Malaysia Sdn. Bhd.*	70.0	70.0	Malaysia	Production and sale of aromatics products.
Asean Bintulu Fertilizer Sdn. Bhd.*	63.5	63.5	Malaysia	Production and sale of urea and ammonia.
Asean LNG Trading Co. Ltd.∞	100.0	100.0	Malaysia	Trading of liquefied natural gas (“LNG”).
Engen Limited	80.0	80.0	South Africa	Refining of crude oil and marketing of refined petroleum products.
Engen Petroleum Ltd.	80.0	80.0	South Africa	Refining and distribution of petroleum products.
Ethylene Malaysia Sdn. Bhd.*	72.5	72.5	Malaysia	Production and sale of ethylene.
Institute of Technology PETRONAS Sdn. Bhd.*	100.0	100.0	Malaysia	Institute of higher learning.
KLCC (Holdings) Sdn. Bhd.*	100.0	100.0	Malaysia	Property investment related activities and property development.
KLCC Property Holdings Berhad* @	51.0	51.0	Malaysia	Property investment, hotel and recreation.
Kuala Lumpur Convention Centre Sdn. Bhd.	100.0	100.0	Malaysia	Property investment related activities and property development.
Malaysia Deepwater Floating Terminal (Kikeh) Limited	31.8	31.8	Malaysia	Floating, production, storage and off-loading (“FPSO”) owner.
Malaysia LNG Sdn. Bhd.*	90.0	90.0	Malaysia	Liquefaction and sale of liquefied natural gas.
Malaysia LNG Dua Sdn. Bhd.*	60.0	60.0	Malaysia	Liquefaction and sale of liquefied natural gas.
Malaysia LNG Tiga Sdn. Bhd.*	60.0	60.0	Malaysia	Liquefaction and sale of liquefied natural gas.
Malaysian International Trading Corporation Sdn. Bhd.*	100.0	100.0	Malaysia	Petrochemicals and general trading.
Malaysian International Trading Corporation (Japan) Sdn. Bhd.	100.0	100.0	Malaysia	Trading and procurement of equipment spares and materials.
Malaysian Refining Company Sdn. Bhd.*	53.0	53.0	Malaysia	Refining of crude oil.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2008	2009		
	%	%		
Midciti Resources Sdn. Bhd.	75.3	75.3	Malaysia	Property investment.
MISC Berhad* @	62.4	62.4	Malaysia	Shipping and shipping related activities.
MITCO Labuan Co. Ltd. ∞	100.0	100.0	Malaysia	Petrochemicals and general merchandise trading.
MSE Holdings Sdn. Bhd.	62.4	62.4	Malaysia	Investment holding.
MTBE Malaysia Sdn. Bhd.*	100.0	100.0	Malaysia	Production and sale of methyl tertiary butyl ether and propylene.
Optimal Olefins (Malaysia) Sdn. Bhd.*	64.3	64.3	Malaysia	Manufacturing and marketing of ethylene, propylene and other hydrocarbon products.
PAPL (Upstream) Pty. Ltd.	—	100.0	Australia	Exploration and production of coal seam gas.
PC JDA Ltd.	100.0	100.0	Republic of Mauritius	Petroleum operations.
PC Mauritania I Pty. Ltd.	100.0	100.0	Australia	Petroleum operations.
PC Myanmar Holdings Ltd.	100.0	100.0	Hong Kong	Investment holding.
PC Vietnam Ltd.	100.0	100.0	Republic of Mauritius	Petroleum operations.
PETLIN (M) Sdn. Bhd.*	60.0	60.0	Malaysia	Production and sale of low-density polyethylene pellets.
PETRONAS Ammonia Sdn. Bhd.* ...	100.0	100.0	Malaysia	Production and sale of ammonia, syngas and carbon monoxide.
PETRONAS Australia Pty. Ltd.	100.0	100.0	Australia	Investment holding.
PETRONAS Carigali Sdn. Bhd.*	100.0	100.0	Malaysia	Exploration and production of oil and gas.
PETRONAS Carigali (Chad EP) Inc.	100.0	100.0	Cayman Islands	Petroleum operations.
PETRONAS Carigali (Jabung) Ltd. ...	100.0	100.0	Bahamas	Petroleum operations.
PETRONAS Carigali Myanmar Inc. ..	100.0	100.0	Liberia	Petroleum and gas operations.
PETRONAS Carigali Myanmar III Inc.	100.0	100.0	Cayman Island	Investment holding.
PETRONAS Carigali Nile Ltd.	100.0	100.0	Republic of Mauritius	Petroleum operations.
PETRONAS Carigali Overseas Sdn. Bhd.	100.0	100.0	Malaysia	Investment holding and petroleum operations.
PETRONAS Carigali (Turkmenistan) Sdn. Bhd.	100.0	100.0	Malaysia	Petroleum operations.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2008	2009		
	%	%		
PETRONAS Dagangan Berhad* [@]	69.9	69.9	Malaysia	Marketing of petroleum products and operation of service stations.
PETRONAS Fertilizer (Kedah) Sdn. Bhd.*	100.0	100.0	Malaysia	Production and sale of urea, ammonia and methanol.
PETRONAS Gas Berhad* [@]	60.6	60.6	Malaysia	Processing and transmission of natural gas.
PETRONAS Hartabina Sdn. Bhd.*	100.0	100.0	Malaysia	Acquisition, development and renting of properties.
PETRONAS International Corporation Ltd.* [∞]	100.0	100.0	Malaysia	Investment holding.
PETRONAS Lubricants Italy S.p.A	100.0	100.0	Italy	Manufacturing and distribution of lubricants and system fluids for motor vehicles and industrial applications.
PETRONAS Lubricants International Sdn. Bhd.*	100.0	100.0	Malaysia	Investment holding.
PETRONAS Marketing Sudan Ltd.	100.0	100.0	Sudan	Marketing of petroleum products.
PETRONAS Methanol (Labuan) Sdn. Bhd.*	100.0	100.0	Malaysia	Production and sale of methanol.
PETRONAS Penapisan (Melaka) Sdn. Bhd.*	100.0	100.0	Malaysia	Refining and condensation of crude oil.
PETRONAS Penapisan (Terengganu) Sdn. Bhd.*	100.0	100.0	Malaysia	Refining and condensation of crude oil.
PETRONAS Tankers Sdn. Bhd.	62.4	62.4	Malaysia	Investment holding and provision of management services.
PETRONAS Trading Corporation Sdn. Bhd.*	100.0	100.0	Malaysia	Trading of crude oil and petroleum products.
PICL (Egypt) Corporation Ltd. [∞]	100.0	100.0	Malaysia	Investment holding, exploration, production and marketing of oil and gas.
Putrajaya Holdings Sdn. Bhd.	64.4	64.4	Malaysia	Property owner and developer.
Star Energy Group Plc	100.0	100.0	United Kingdom	Provision of gas storage facilities, exploration, development and production of crude oil, sale of natural gas and electricity generation.
Suria KLCC Sdn. Bhd.	30.6	30.6	Malaysia	Property investment.

* Subsidiaries held directly by the Company.

[@] The shares of these subsidiaries are quoted on the Main Board of Bursa Malaysia.

[∞] Companies incorporated under the Labuan Offshore Companies Act 1990.

^γ Consolidated based on management financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

44. SIGNIFICANT ASSOCIATES AND ACTIVITIES

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2008	2009		
	%	%		
BASF PETRONAS Chemicals Sdn. Bhd.	40.0	40.0	Malaysia	Own and operate acrylic acid and oxo plants.
Bintulu Port Holdings Berhad	32.8	32.8	Malaysia	Port management.
Cameroon Oil Transportation Company SA	29.8	29.8	Republic of Cameroon	Pipeline projects.
El Behera Natural Gas Liquefaction Company S.A.E.	35.5	35.5	Egypt	Liquefaction and sale of liquefied natural gas (“LNG”).
Gas Malaysia Sdn. Bhd.	20.0	20.0	Malaysia	Selling, marketing, distribution and promotion of natural gas.
IDKU Natural Gas Liquefaction Company S.A.E.	38.0	38.0	Egypt	Manufacturing and production of LNG.
PP Oil & Gas (Indonesia- Jabung) Limited	50.0	50.0	United Kingdom	Exploration and production of oil and gas.
Taninthayi Pipeline Co. LLC	40.9	40.9	Cayman Islands	Construction and development of pipeline and transportation of gas.
Tchad Oil Transportation Company SA	30.2	30.2	Republic of Chad	Pipeline projects.
The Egyptian LNG Company S.A.E. . .	35.5	35.5	Egypt	Owning, managing and developing the land and the common facilities related to the Egyptian LNG facility.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS — (Continued)

45. SIGNIFICANT JOINTLY-CONTROLLED ENTITIES AND ACTIVITIES

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2008	2009		
	%	%		
BP PETRONAS Acetyls Sdn. Bhd.	30.0	30.0	Malaysia	Manufacture, sell and distribute acetic acid.
Dragon LNG Group Ltd.	30.0	30.0	United Kingdom	Construction and future operation of a LNG terminal.
Optimal Chemicals (M) Sdn. Bhd.	50.0	50.0	Malaysia	Manufacture and sell ethylene and propylene derivative products.
Optimal Glycols (M) Sdn. Bhd.	50.0	50.0	Malaysia	Manufacture and sell ethylene oxide, ethylene glycol and other glycols.
Trans Thai-Malaysia (Thailand) Ltd. . .	50.0	50.0	Thailand	Storing, transporting, distributing and selling of natural gas.
Indianoil Petronas Private Limited	50.0	50.0	India	Manufacture and bottling services of LPG.

46. COMPARATIVE FIGURES

Comparative figures of the Group have been restated as a result of changes in accounting policies as stated in note 37.

	As restated	As previously stated
	RM	RM
(in millions)		
Group		
Balance Sheet		
Deferred tax liabilities	9,748	10,671
Income Statement		
Tax expense	28,248	28,162
Minority interest	6,335	6,347

Certain other comparative figures have been restated to conform with current year's presentation.

The Issuer

PETRONAS Global Sukuk Ltd.
Level 13(E), Main Office Tower
Financial Park Labuan, Jalan Merdeka
87000 Labuan Federal Territory, Malaysia

The Obligor

Petroliam Nasional Berhad
Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur, Malaysia

Global Coordinator and Joint Bookrunner

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA, United Kingdom

Joint Bookrunners

CIMB Bank (L) Limited
Level 14(A), Main Office Tower
Financial Park Labuan, Jalan Merdeka
87000 Labuan Federal Territory, Malaysia

Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square, Canary Wharf
London E14 5LB, United Kingdom

**Delegate, Principal Paying Agent, Replacement Agent, Calculation Agent and Transfer Agent
The Bank of New York Mellon, London Branch**

40th Floor
One Canada Square
London E14 5AL, United Kingdom

**Luxembourg Paying and Transfer Agent
and Luxembourg Listing Agent**

The Bank of New York Mellon (Luxembourg) S.A.
Corporate Trust Services—Aerogolf Center
1A, Hoehenhof
L-1736 Senningerberg, Luxembourg

Registrar

The Bank of New York Mellon
101 Barclay Street
New York NY 10286
United States of America

Legal Advisors as to United States Law

To PETRONAS

Cleary Gottlieb Steen & Hamilton LLP
Bank of China Tower
One Garden Road
Hong Kong

To the Managers

Milbank, Tweed, Hadley & McCloy LLP
30 Raffles Place
#14-00 Chevron House
Singapore 048622

Sharia Transaction Counsel and Legal Advisors to the Managers as to English law

Lovells (Middle East) LLP
Level 6, Al Attar Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates

Legal Advisors to the Delegate as to English law

Lovells, Lee & Lee
80 Raffles Place #54-01
UOB Plaza 1
Singapore, 048624

Legal Advisors as to Malaysian Law

To PETRONAS

Kadir Andri & Partners
8th Floor, Menara Safuan
80 Jalan Ampang
50450 Kuala Lumpur, Malaysia

To the Managers

Zul Rafique & Partners
17th Floor, Menara PanGlobal
8 Lorong P. Ramlee
50250 Kuala Lumpur, Malaysia

Auditors of PETRONAS

KPMG Desa Megat & Co.
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya, Malaysia

