

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.

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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. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THIS OFFERING CIRCULAR AND THE FINAL TERMS AND CONDITIONS OF THE RELEVANT SECURITIES THAT WILL BE DISTRIBUTED TO YOU PRIOR TO THE CLOSING DATE, IF ANY. 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 Merrill Lynch (Singapore) Pte. Ltd., CIMB Investment Bank Berhad, Citigroup Global Markets Limited, J.P. Morgan Securities plc or 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)

U.S.\$1,250,000,000 TRUST CERTIFICATES DUE 2020

The U.S.\$1,250,000,000 Trust Certificates due 2020 (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 March 18, 2015 (the “**Closing Date**”) made by the Issuer, the Issuer in its capacity as trustee (the “**Trustee**”), Petroliam Nasional Berhad (PETRONAS) (“**PETRONAS**”) and The Bank of New York Mellon (the “**Delegate**”). Pursuant to the Declaration of Trust, the Issuer will declare that it will hold certain assets (the “**Trust Assets**”), consisting of all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the relevant 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) and 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 March 18 and September 18 of each year (each a “**Periodic Distribution Date**”) up to and including March 18, 2020 (or if any such 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), commencing on the Periodic Distribution Date falling on September 18, 2015, 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 2.707% 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 March 18, 2020 (the “**Scheduled Dissolution Date**”) except upon the occurrence of a Total Loss Event, 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, the Commodity Murabahah Investment Agreement 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 22 before investing in the Certificates.

The Certificates are expected to be 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.

Approval-in-principle has been obtained for (i) listing of the Certificates on, and admission to the Official List of, the Labuan International Financial Exchange, and (ii) listing of the Certificates on, and admission to the Official List of, 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)**”); and application has been made for listing of the Certificates on The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”). Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange, the Labuan International Financial Exchange and Bursa Malaysia take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. Approval-in-principle from, and the listing of the Certificates on, the Hong Kong Stock Exchange, the Labuan International Financial Exchange and Bursa Malaysia are not to be taken 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.

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**.”

Merrill Lynch (Singapore) Pte. Ltd., CIMB Investment Bank Berhad, Citigroup Global Markets Limited, J.P. Morgan Securities plc and Morgan Stanley & Co. International plc, Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, Maybank Investment Bank Berhad, and Mitsubishi UFJ Securities 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 March 18, 2015.

The transaction structure relating to the Certificates (as described in this Offering Circular) has been approved by CIMB Islamic Bank Berhad and the Shariah Board of Citi Islamic Investment Bank E.C. CIMB Islamic Bank Berhad and the Shariah Board of Citi Islamic Investment Bank E.C. do not accept any responsibility for the content of the information included in this Offering Circular, including the accuracy or completeness of such information, nor have they determined whether the Certificates are Shariah compliant. Prospective holders of the Certificate should not rely on the approval referred to above in deciding whether to make an investment in the Certificates and should consult their own Shariah advisers as to whether the proposed transaction described in the approval referred to above is in compliance with Shariah principles. CIMB Islamic Bank Berhad and the Shariah Board of Citi Islamic Investment Bank E.C. have not assessed the suitability of the Certificates to which this Offering Circular relates to any particular investor or type of investor. If you do not understand the contents of this Offering Circular or are unsure whether the Certificates to which this Offering Circular relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

Active Joint Bookrunners

BofA Merrill Lynch

CIMB

Citigroup

J.P. Morgan

Morgan Stanley

Passive Joint Bookrunners

Deutsche Bank

HSBC

Maybank

MUFG

Co-Managers

Dubai Islamic Bank PJSC

Hong Leong Islamic Bank Berhad

National Bank of Abu Dhabi PJSC

Offering Circular dated March 11, 2015

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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 Hong Kong Stock Exchange, (ii) listing of the Certificates on the Labuan International 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, the Managers, the Delegate or the Agents (as defined herein) 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, the Managers, the Delegate or the Agents 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, the Delegate, the Agents 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, the Managers, the Delegate or any of the Agents 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, the Managers, the Delegate, any of the Agents 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, the Delegate, the Agents or any person affiliated with the Managers, the Delegate or the Agents 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, the Managers, the Delegate or the Agents.

All references in this Offering Circular to “**PETRONAS**” are, unless the context otherwise requires, to Petroliam 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, overallocate 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

THE AUTHORIZATION OF THE SECURITIES COMMISSION MALAYSIA FOR THE ISSUANCE OF THE CERTIFICATES WAS OBTAINED ON FEBRUARY 27 2015. THE AUTHORIZATION OF THE SECURITIES COMMISSION MALAYSIA SHALL NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION MALAYSIA RECOMMENDS THE SUBSCRIPTION OR PURCHASE OF THE CERTIFICATES.

THIS OFFERING CIRCULAR HAS NOT BEEN REGISTERED AS A PROSPECTUS WITH THE SECURITIES COMMISSION MALAYSIA UNDER THE CAPITAL MARKETS AND SERVICES ACT 2007 OF MALAYSIA AND ACCORDINGLY, THE CERTIFICATES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, NOR MAY ANY DOCUMENT OR OTHER MATERIAL IN CONNECTION THEREWITH BE DISTRIBUTED IN MALAYSIA, OTHER THAN TO PERSONS FALLING WITHIN ANY ONE OF THE CATEGORIES OF PERSONS SPECIFIED UNDER SCHEDULE 6 (OR SECTION 229(1)(B)), SCHEDULE 7 (OR SECTION 230(1)(B)), AND SCHEDULE 8 (OR SECTION 257(3)), READ TOGETHER WITH SCHEDULE 9 (OR SECTION 257(3)) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 OF MALAYSIA, SUBJECT TO ANY LAW, ORDER, REGULATION OR OFFICIAL DIRECTIVE OF CENTRAL BANK OF MALAYSIA, SECURITIES COMMISSION MALAYSIA AND/OR ANY OTHER REGULATORY AUTHORITY FROM TIME TO TIME.

IN ADDITION, RESIDENTS OF MALAYSIA MAY BE REQUIRED TO OBTAIN RELEVANT REGULATORY APPROVALS, INCLUDING APPROVAL FROM THE CONTROLLER OF FOREIGN EXCHANGE TO PURCHASE THE CERTIFICATES. THE ONUS IS ON THE MALAYSIAN RESIDENTS CONCERNED TO OBTAIN SUCH REGULATORY APPROVALS AND NONE OF THE MANAGERS, THE DELEGATE OR THE AGENTS IS RESPONSIBLE FOR ANY INVITATION, OFFER, SALE OR PURCHASE OF THE CERTIFICATES AS AFORESAID WITHOUT THE NECESSARY APPROVALS BEING IN PLACE.

AN INVITATION TO SUBSCRIBE FOR, OR AN OFFER TO PURCHASE THE CERTIFICATES MAY ONLY BE MADE INTO LABUAN IF SUCH CERTIFICATES ARE OFFERED FOR SUBSCRIPTION OR SALE, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF, DIRECTLY OR INDIRECTLY TO A PERSON FALLING, OR IF SUCH OFFER OR INVITATION FALLS, WITHIN SECTION 13(5) OF THE LABUAN ISLAMIC FINANCIAL SERVICES AND SECURITIES ACT 2010.

IN ACCORDANCE WITH THE CAPITAL MARKETS AND SERVICES ACT, 2007 OF MALAYSIA, A COPY OF THIS OFFERING CIRCULAR WILL BE DEPOSITED WITH THE SECURITIES COMMISSION MALAYSIA. THE SECURITIES COMMISSION MALAYSIA SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE ISSUER OR PETRONAS AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS OFFERING CIRCULAR. THE ISSUE, OFFER OR INVITATION OF THE CERTIFICATES OR OTHERWISE ARE SUBJECT TO THE FULFILMENT OF VARIOUS CONDITIONS PRECEDENT, INCLUDING, WITHOUT LIMITATION, THE AUTHORIZATION FROM THE SECURITIES COMMISSION MALAYSIA. EACH RECIPIENT OF THIS OFFERING CIRCULAR ACKNOWLEDGES AND AGREES THAT THE AUTHORIZATION OF THE SECURITIES COMMISSION MALAYSIA SHALL NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION MALAYSIA RECOMMENDS THE SUBSCRIPTION OR PURCHASE OF THE CERTIFICATES.

THE LABUAN INTERNATIONAL FINANCIAL EXCHANGE AND BURSA MALAYSIA SECURITIES BERHAD 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 AND THE ADMISSION OF THE CERTIFICATES TO THE OFFICIAL LISTS OF THE LABUAN INTERNATIONAL FINANCIAL EXCHANGE AND BURSA MALAYSIA (EXEMPT REGIME) SHALL NOT BE TAKEN TO INDICATE THAT THE LABUAN INTERNATIONAL FINANCIAL EXCHANGE AND BURSA SECURITIES 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.

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 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.

There is currently an agreement for reciprocal enforcement of judgments between Malaysia and the United Kingdom as the United Kingdom is a reciprocating country under the Enforcement Act. 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. 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 INFORMATION AND OTHER DATA

Financial Data

PETRONAS' audited financial statements for the fiscal years ended December 31, 2012, 2013 and 2014 included elsewhere in this Offering Circular are presented in accordance with Malaysian Financial Reporting Standards ("MFRS") issued by the Malaysian Accounting Standards Board. MFRS differ in significant respects from accounting principles generally accepted in the United States of America ("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 MFRS, 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 certain unaudited summary financial information on a quarterly 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 MFRS 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 Information*" and "*Selected Consolidated Financial Data.*" The non-GAAP financial measures described herein are not a substitute for MFRS or U.S. GAAP measures of earnings or cash flows.

Currency References

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 "CAD" are to the currency of Canada, 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 "pounds sterling" or "GBP" are to the currency of the United Kingdom, references to "Renminbi" are to the currency of the People's Republic of China and references to "ZAR" are to the currency of South Africa.

Oil and Gas Reserves

Petroleum resources are key elements in PETRONAS' investment decision-making process. Accordingly, PETRONAS has developed — and maintains through regular updates — its "*Definitions and Guidelines for Classifications of Petroleum Resources*" (the "**Guidelines**").

"Petroleum resources" is defined in the Guidelines as consisting of both discovered and undiscovered resources. Discovered resources are further classified into reserves and contingent resources. The term "reserves" describes the recoverable quantity of petroleum resources 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. The term “contingent resources” describes the recoverable quantity of petroleum resources that are not currently considered to be commercially recoverable. The reason for non-commerciality could be due to economic, political, environmental or technological reasons. Undiscovered resources are classified as prospective resources. The term “prospective resources” describes those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

The range of uncertainty of the recoverable and/or potentially recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. Reserves and contingent resources are estimated using either deterministic or probabilistic method, whereas prospective resources are estimated using probabilistic method. The deterministic method is a single best estimate made based on known geological, engineering and economic data, while in the probabilistic method known geological, engineering and economic data are used to generate a range of estimates and their associated probabilities.

Range of uncertainties are represented by low/best/high estimates. For reserves, the general cumulative terms low/best/high estimates are denoted as 1P/2P/3P, respectively. The associated incremental quantities are termed “proved,” “probable” and “possible.” “Proved reserves,” or 1P, refers to the estimated quantities of oil and natural gas that geological and engineering data demonstrate have reasonable certainty of being recovered in future years from known reservoirs under current economic conditions, operating methods, and government regulations. “Probable reserves,” or 2P, refers to the estimated quantities of oil and natural gas that geological and engineering data suggests are more likely than not to be recoverable but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as proved. “Possible reserves,” or 3P, refers to the estimated quantities of oil and natural gas that geological and engineering data suggest are less likely to be recoverable than probable reserves but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as probable or proved. The equivalent categories for contingent resources are 1C, 2C and 3C.

PETRONAS estimates Malaysia’s petroleum resources based on estimates submitted by the contractors under its production-sharing contracts (“**PSC Contractors**”) and risk-service contracts (“**RSC Contractors**”), that is, within the area in which they operate as well as resource estimates from PETRONAS’ own appraisals and discoveries. These petroleum resources are estimated in accordance with the Guidelines. Similarly, PETRONAS also estimates its international petroleum resources in accordance with the Guidelines. The last revision of the Guidelines in 2012 was completed with a view to aligning PETRONAS’ resource estimation practices more closely with the Society of Petroleum Engineers’ Petroleum Resources Management System guidelines issued in 2007.

All petroleum resources data are estimates, which are revised when additional information becomes available (for example, when additional wells are drilled or when actual production commences). In Malaysia, all changes in petroleum resources data undergo technical assurance validation and endorsement via appropriate engagement by PSC Contractors and RSC Contractors with the relevant technical department in PETRONAS. PETRONAS conducts its Annual Review of Petroleum Resources to review all petroleum resources changes prior to submission by PSC and RSC Contractors to PETRONAS. PETRONAS’ own appraisals undergo similar technical assurance validation and endorsement. This annual exercise focuses on the validation of key reasons for resources changes as well as compliance with the Guidelines. It is also an avenue to consolidate petroleum resources estimates for PETRONAS.

PETRONAS’ discovered resources are not certified by an independent party except where and when required for a definitive transaction or prior to entering into or extending a natural gas sales agreement. However, PETRONAS does engage independent third parties to perform reviews and audits of its petroleum resource management system, that is, the processes, workflow and estimation methods, as well as audits on selected fields.

EXCHANGE RATES

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 “CAD” are to the currency of Canada, 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 “pounds sterling” or “GBP” are to the currency of the United Kingdom, references to “Renminbi” are to the currency of the People’s Republic of China and references to “ZAR” are to the currency of South Africa.

The table below sets forth, for the periods and dates indicated, information concerning 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 differ from the actual rates 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			
	High	Low	Average	Period End
Year ended December 31,				
2010	3.4415	3.0833	3.2182	3.0835
2011	3.2115	2.9385	3.0594	3.1770
2012	3.1980	2.9978	3.0898	3.0583
2013	3.3350	2.9645	3.1511	3.2815
2014	3.5040	3.1480	3.2736	3.4950
Month				
August 2014	3.2170	3.1480	3.1784	3.1570
September 2014	3.2735	3.1690	3.2182	3.2715
October 2014	3.2900	3.2375	3.2688	3.2835
November 2014	3.3685	3.3120	3.3441	3.3685
December 2014	3.5040	3.4230	3.4803	3.4950
January 2015	3.6340	3.5100	3.5835	3.6235
February 2015	3.6410	3.5525	3.5926	3.6113
March 2015 (up to March 3, 2015)	3.6275	3.6270	3.6273	3.6275

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 = RM3.4945 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 Malaysian ringgit could have a negative impact on PETRONAS’ results of operations and financial condition.*” The Noon Middle Rate was US\$1.00 = RM3.6275 on March 3, 2015.

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.

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SUMMARY

This summary highlights certain information contained elsewhere in this Offering Circular. 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 a leading multinational oil and gas company with operations in over 65 countries. Established in 1974 under the Malaysian Companies Act, 1965, PETRONAS is wholly-owned by the Government of Malaysia; its powers are derived 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.*” As at January 1, 2015, Malaysia had discovered resources of approximately 23.2 bboe comprising 6.0 billion barrels of crude oil (including condensates) and 103.9 trillion standard cubic feet of natural gas.

PETRONAS is a fully integrated oil and gas company engaged in a broad spectrum of upstream and downstream oil and gas, LNG and petrochemical operations. PETRONAS conducts its operations directly and through its subsidiaries and associated companies. In April 2014, it completed its Corporate Enhancement Program (the “**CEP**”), which involved a reorganization of PETRONAS’ businesses resulting in (i) the demarcation of its international and regional upstream operations; (ii) a realignment of its upstream and downstream businesses through the integration of its exploration and production operations and its sales of natural gas products and LNG — formerly within its downstream gas and power business — into a single upstream business unit; and (iii) the streamlining and optimization of corporate functions and reporting lines.

- *Upstream business.* PETRONAS’ upstream business includes the exploration, development and production of crude oil and natural gas in Malaysia and overseas (including unconventional resources), the liquefaction, sale and trading of LNG domestically and internationally and the sale of natural gas products in Malaysia and selected international markets.
- *Downstream business.* PETRONAS’ downstream business includes refining and marketing petroleum products, manufacturing and selling petrochemical products, and trading crude oil, petroleum products and petrochemical products. The downstream segment also includes infrastructure such as that used in the processing and transmission of natural gas and LNG regasification, power production and other utilities and technical and engineering services for PETRONAS’ own operations.
- *Logistics and maritime business.* PETRONAS’ corporate and other business primarily consists of its interest in MISC Berhad (“**MISC**”), a leading international maritime company in Malaysia with a primary focus on energy transportation and logistics including that used in the transportation of LNG, crude oil, petroleum products and petrochemical products in support of PETRONAS’ own marketing and trading activities.

For the years ended December 31, 2012, 2013 and 2014, PETRONAS had consolidated revenues of RM291,226 million, RM317,314 million and RM329,148 million, respectively, and consolidated net profit attributable to shareholders of PETRONAS of RM49,922 million, RM54,114 million and RM37,038 million, respectively.

Competitive Strengths

Since its establishment in 1974 as the steward of Malaysia's oil and gas industry, PETRONAS has grown into a multinational major oil and gas company with operations in over 65 countries. PETRONAS is a world-class fully-integrated oil and gas company with global scale and diversification, deep technical and operating experience, a strong financial position and commitment to corporate governance. PETRONAS believes that its success is primarily due to the following factors:

- *Strategic presence in one of Asia's most attractive hydrocarbon destinations.* PETRONAS' success is attributable in a large part to its strategic presence in Malaysia, one of Asia's most significant and developed hydrocarbon regions. Malaysia is PETRONAS' principal area of operations and the foundation of its long term success, as well as being the initial proving ground for PETRONAS' extensive operating capabilities.

Malaysia is a highly prospective hydrocarbon destination and according to the *BP Statistical Review of World Energy 2014*, as at December 31, 2013, Malaysia ranked as the 22nd largest country in the world by gas reserves and the 28th largest country in the world by oil reserves (as well as being the 2nd largest country in Southeast Asia by both oil and gas reserves).

In recognition of its strategic importance and progressive energy policies, the Malaysian oil and gas industry continues to attract significant interest from a wide range of international oil and gas companies including ExxonMobil, Royal Dutch Shell, Murphy Oil and Hess Corporation, many of whom have been investing in the Malaysian industry for several decades. Malaysia was one of the first countries to implement PSCs to encourage foreign investment in the oil and gas sector and the Malaysian PSC framework has continued to evolve in order to maintain the competitiveness of the industry. The Malaysian oil and gas sector also continues to attract significant interest in PSC and RSC bidding rounds. Furthermore, adding to Malaysia's attractiveness as a hydrocarbon destination, Malaysia has maintained an investment grade sovereign credit rating from international credit rating agencies for the past decade.

PETRONAS is well positioned to benefit from its strategic presence and exclusive rights to all of Malaysia's oil and gas resources. PETRONAS is also the largest oil and gas producer in Malaysia, and PETRONAS' share of oil and gas production accounted for more than 73.5% of the total Malaysian production in 2014.

In addition, PETRONAS also enjoys a unique position in the Malaysian PSC system with certain PSC terms enabling PETRONAS to reduce its risk during the exploration stages by having other contractors carry PETRONAS' share of costs, whilst other terms also give PETRONAS the flexibility to opt out of the contract at the end of such carry period. For further information about the Malaysian PSC system, see "*Business—Upstream Business—Exploration and Production—Domestic E&P Operations—Production-Sharing Contracts (PSCs).*"

PETRONAS' strategic presence in Malaysia extends beyond its upstream oil and gas presence through to a leading position in the downstream oil business, with three oil refinery complexes having a total current installed capacity of 434.7 kbbl/d and an overall 41% market share in retail gasoline, diesel and LPG as well as commercial markets. On the petrochemical front, PETRONAS also has two large-scale integrated petrochemical complexes in Malaysia with multinational joint venture partners such as BASF and Mitsubishi Corporation. PETRONAS is also the operator of the backbone of energy infrastructure in Malaysia — the Peninsular Gas Utilization ("PGU") system comprising 2,500 km of pipeline and gas processing infrastructure, and also operates the PETRONAS LNG complex, one of the world's largest LNG production facilities with a total nameplate production capacity of 25.7 mmtpa.

- *Large scale and diversified international operations.* PETRONAS has leveraged the extensive operational capabilities it has developed in Malaysia to expand internationally — starting in the early 1990s — to add scale and profitability to its business. As a multinational major oil company, PETRONAS has expanded its global footprint — either organically or through selected acquisitions — and now has large scale and diversified operations in many countries spanning upstream exploration and production, LNG, downstream refining, petrochemicals, lubricants as well as international marketing trading activities for crude oil, refined petroleum products, LNG and petrochemical products. PETRONAS’ operations are not only diversified by geography, but also by business and revenue stream (for example, the upstream business is diversified across conventional, unconventional and also LNG projects).

PETRONAS has a large international discovered resource base of 10.0 billion boe as at January 1, 2015, accounting for 30.1% of PETRONAS’ total discovered resources. In 2014, PETRONAS’ international upstream assets produced over 568 kboe/d of equity share of production, accounting for 31.8% of PETRONAS’ share of Malaysian and international equity production.

Furthermore, PETRONAS has a worldwide lubricants distribution network in over 80 countries and is a major refined petroleum products refiner and retailer in South Africa.

PETRONAS has achieved this international expansion by applying robust evaluation criteria (including strategic fit, capacity to deliver value, potential for integration, synergies and economic return parameters amongst others) to investment opportunities and leveraging its extensive operational capabilities. PETRONAS’ international investments have also been de-risked through partnerships with reputable international energy companies, established local players and host governments. Major recent investments include:

- the joint venture with and subsequent acquisition of Progress Energy Resources Corp. (now Progress Energy Canada Ltd., “**Progress**”) in Canada, PETRONAS’ first foray into unconventional shale gas, followed by the proposed development of the Pacific NorthWest LNG project in Canada to leverage on PETRONAS’ core competency in LNG; and
- the announced acquisition of a 15.5% interest in the Shah Deniz gas and condensate project in Azerbaijan, which expands PETRONAS’ existing footprint in the Caspian region and also gives PETRONAS a strategic foothold for gas supply into Europe.
- *Industry leader in global LNG.* PETRONAS is a leading global LNG player with an integrated portfolio across the LNG value-chain from production, shipping to marketing and trading. In 2013, PETRONAS’ LNG sales volume was 28.9 mmt, while global LNG trade was 240.7 mmt according to *BP Statistical Review of World Energy 2014*. In Malaysia, PETRONAS owns and operates one of the world’s largest LNG production facilities at a single location with 25.7 mmtpa nameplate production capacity at Bintulu, Sarawak, and it has expanded its LNG and related gas business activities internationally through joint venture projects, including in Egypt and United Kingdom. Several projects are in the pipeline to ensure a significant presence in the fast-expanding LNG market. This includes the on-going growth initiatives to add the ninth LNG train at its LNG facility in Bintulu, Sarawak, development of two FLNG facilities offshore Sabah and Sarawak, the two-train coal seam gas-to-LNG project in Australia, that is, the GLNG project, and potentially a two-train LNG facility in British Columbia, Canada, the Pacific NorthWest LNG (“**PNW LNG**”) project. PETRONAS’ subsidiary, MISC, is one of the world’s leading LNG shipping companies. The majority of MISC’s LNG tankers are contracted to PETRONAS.

PETRONAS operates one of the world's largest single-site LNG complexes at Bintulu, Malaysia and which is also currently undergoing further expansion. This LNG complex has an enviable operational record of 98.6% reliability for 2014.

PETRONAS has established a strong reputation as a stable and reliable supplier of LNG and over the last three decades has delivered over 9,000 LNG cargoes. PETRONAS sells LNG to its customers from the major LNG consuming countries — Japan, Korea, Taiwan and China (where it has established long-standing personal and organizational relationships) — under long-term sales contracts of up to 20 years. PETRONAS has also established a reputation for flexibility in its LNG supply as demonstrated during its increased supply into Japan during the aftermath of the 2011 tsunami. PETRONAS' LNG business is large scale and accounted for 22.7% of its total revenue in the year ended December 31, 2014.

In order to profitably increase the scale of its LNG business and preserve its leading position in the global LNG market, PETRONAS has optimized its existing operations, pioneered new technologies, established new core areas of operations and exploited new sources of gas. PETRONAS is at the forefront of both geographic and resource diversification (with existing LNG projects in Malaysia and Australia and another proposed in Canada) as well as conventional and unconventional gas supply sources.

In Malaysia, PETRONAS has had a recent track record of exploration success, which will assist to supply the LNG complex. PETRONAS is also finalizing a new onshore receiving facilities to optimize reliability and the flows of natural gas supplying all the trains at the LNG complex.

PETRONAS is also at the forefront of deploying floating liquefied natural gas (“FLNG”) systems, using some of the most advanced FLNG technology. PETRONAS currently has two FLNG facilities in the development phase; the first is expected to be commissioned by the end of 2015, targeted to be the first FLNG facility in the world, while the second is expected to be commissioned in 2018. PETRONAS is also a key partner in one of the world's first integrated coal seam gas-to-LNG projects in Curtis Island, Australia which is targeted to commission in the second half of 2015.

Furthermore, PETRONAS is a major project sponsor in one of the most well progressed unconventional shale gas-to-LNG projects — the proposed PNW LNG project in Canada. PETRONAS acquired unconventional shale gas resources and subsequently proposed an integrated LNG project in Canada by leveraging the experience from its Malaysian and Australian LNG projects. PETRONAS has also secured reputable partners out of Japan, Brunei, India and China, both as equity investors and LNG offtakers to derisk this project prior to its Final Investment Decision (“FID”). The project has already successfully achieved key milestones including the completion of Front-End Engineering and Design as well as receiving several government approvals including the LNG export license.

- *Full integration across the entire value chain.* One of PETRONAS' core strategies is to maximize the value of its resources through integration across the entire value chain. PETRONAS participates in upstream exploration, development and production through to gas processing, transmission and liquefaction, the refining of crude oil, the production of petrochemical products and marketing of petroleum products, crude oil, LNG and petrochemicals, as well as the trading and transportation of hydrocarbon products.

For example, in Malaysia, a portion of the crude oil that PETRONAS produces is supplied to its refining complexes to produce higher-value refined petroleum products that are then marketed and distributed to end-users by its marketing and trading arms. Similarly, a portion of the natural gas produced is supplied to PETRONAS' chemical complex which

converts gas into a variety of petrochemical products and derivatives which are then also distributed and sold via the PETRONAS marketing network. Another example of adding value through integration is the PETRONAS' LNG business, which spans upstream gas production, liquefaction, transportation, regasification and trading activities.

The integrated nature of PETRONAS' business helps create a diversified revenue base that mitigates cashflow volatility across the commodity price cycle. This integration, coupled with the scale and reliability of PETRONAS' operations, enables PETRONAS to realize economies of scale, cost advantages and operational synergies whilst also enhancing the value of its resources through improved margins and profitability.

PETRONAS continues to pursue further integration across the value chain by leveraging its operating capabilities. An example is the ongoing development of the Refinery and Petrochemical Integrated Development (“**RAPID**”) project within the Pengerang Integrated Complex (“**PIC**”). PIC, the largest integrated refinery and petrochemical greenfield development in Malaysia occupying an area of over 6,000 acres in Pengerang, Malaysia, will (through RAPID) utilize naphtha to produce basic chemical intermediates that will then be converted into more specialized premium chemical products. PETRONAS is also set to benefit from further integration through its proposed PNW LNG project in Canada, in which shale gas is to be produced and liquefied and then marketed and distributed to end-users in Asia.

PETRONAS also utilizes its technological capabilities to further augment integration and enhance value at each part of the value chain. This includes the deployment of enhanced oil recovery and improved oil recovery technologies; the establishment of its subsidiary Vestigo Petroleum Sdn. Bhd. with a unique skillset to accelerate the development of small, marginal and mature fields in Malaysia and abroad; and various research and development initiatives, such as its co-operation with Mercedes-Benz in the development of its lubricants business.

Enabling PETRONAS' integration strategy is its commitment to be a prudent, safe and efficient operator throughout the value chain. PETRONAS has over 40 years of operating experience in the upstream and downstream sectors in Malaysia. PETRONAS has achieved consistently high reliability rates for its operating assets (such as 99.9% for the PGU pipeline network and over 98.6% for the domestic refining business) and is also committed to a high standard of health safety and environmental (“**HSE**”) compliance. HSE policies are implemented via a dedicated HSE management system and the Mandatory Control Framework (the “**MCF**”).

- *Multinational management culture and corporate governance.* PETRONAS operates as a commercial enterprise and is committed to a multinational major oil and gas company culture and corporate governance ethic. PETRONAS has implemented a number of initiatives to enhance transparency and corporate governance in-line with best industry practices including the CEP, which was initiated in 2010 and completed in 2014. The CEP included initiatives to enhance the corporate governance and transparency of PETRONAS such as the implementation of a series of improvements to the structure of the Board of Directors, including increasing the number of independent directors, ensuring the same individual does not perform the role of Chief Executive Officer and Chairman and establishing an Executive Committee and board supervisory committees for corporate governance and risk, as well as the voluntary publication of regular financial reports and operational updates. PETRONAS has also enforced a strict employee code of conduct and business ethics including a zero tolerance policy on corruption and bribery and a policy on no gifts. The second phase of the CEP also restructured the reporting lines of several businesses in order to create a clear line of sight to profitability — most notably realignment along the lines of the upstream and downstream.

An important aspect of cultivating this organizational ethos is PETRONAS' focus on hiring the most talented professionals, whether by developing junior talent internally through its comprehensive training programs, by recruiting senior talent externally from other multinational oil and gas companies or by leveraging the talent from its international acquisitions. The senior management team at PETRONAS consists of both management who have been with PETRONAS for more than 30 years as well as professionals with management experience at other multinational oil and gas companies such as Royal Dutch Shell and Talisman Energy. At the senior management level, the succession planning process run by the Executive Committee to identify future candidates for the role of Chief Executive Officer is of paramount importance, as demonstrated by the recent appointment of new Chief Executive Officer and President, Datuk Wan Zulkiflee Wan Ariffin, who has been with PETRONAS since 1983 and is currently its Chief Operating Officer. His appointment will take effect from April 1, 2015.

- *Track record of strong financial performance and prudent financial management.* According to the 2014 Global 500 list published by Fortune magazine, PETRONAS ranked 69th by revenue (the highest of all companies in Southeast Asia) and 22nd in terms of profitability. PETRONAS also has the highest corporate credit rating in Malaysia, as rated by Standard & Poor's (A-) and Moody's (A1), and has maintained these ratings for more than a decade.

PETRONAS' net profit margin was 20.4%, 20.7% and 14.5% in 2012, 2013 and 2014 respectively. PETRONAS also generates substantial cash flow from its operations — RM78,069 million, RM90,965 million and RM103,599 million in 2012, 2013 and 2014, respectively.

In terms of its financial management practices, 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 has a strong balance sheet and had cash and cash equivalents and other investments RM124,755 million, compared to total debt, excluding derivative assets, of RM36,834 million, as at December 31, 2014. PETRONAS, we believe, has a comparably low leverage ratio within the global oil and gas sector.

PETRONAS also seeks to improve its overall financial performance through portfolio optimization, that is, the divestment of non-core assets and the monetization of non-core investments, the de-risking of projects through farm-out arrangements and business partnerships as well as ensuring it has flexibility to manage the phasing of capital expenditures.

PETRONAS Global Sukuk Ltd.

PETRONAS Global Sukuk Ltd. was incorporated under the laws of Labuan, Malaysia under the Labuan Companies Act, 1990 on July 7, 2009. PETRONAS Global Sukuk Ltd. is a financing vehicle for PETRONAS. It has no other operations. PETRONAS Global Sukuk Ltd. will use the proceeds from the issuance of the Certificates to purchase: (a) the Leased Assets from PETRONAS and/or its subsidiaries; and (b) the Commodities. PETRONAS and/or its subsidiaries will use the proceeds it receives to finance capital expenditures and for general corporate purposes which are Shariah-compliant.

Summary Consolidated Financial Information

The summary consolidated financial information as at December 31, 2013 and 2014, and for each of the years ended December 31, 2012, 2013 and 2014 set forth below have been derived from PETRONAS' audited consolidated financial statements included elsewhere in this Offering Circular. The summary consolidated statement of financial position information as at December 31, 2012 set forth below has been derived from PETRONAS' audited consolidated financial statements not included in this Offering Circular. The summary consolidated financial information 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.

	Year Ended December 31,			
	2012	2013	2014	2014 ⁽¹⁾
	(in millions)			
Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income Information:				
Revenue ⁽²⁾	RM291,226	RM317,314	RM329,148	US\$94,190
Operating profit	91,069	95,613	78,610	22,495
Financing costs	(2,904)	(2,752)	(2,656)	(760)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	1,576	1,397	1,737	497
Profit before taxation	89,741	94,258	77,691	22,232
Tax expense	(30,217)	(28,672)	(30,078)	(8,607)
Profit after taxation but before non-controlling interests	59,524	65,586	47,613	13,625
Non-controlling interests' share of subsidiaries' profit	(9,602)	(11,472)	(10,575)	(3,026)
Net profit attributable to shareholders of PETRONAS	<u>RM49,922</u>	<u>RM54,114</u>	<u>RM37,038</u>	<u>US\$10,599</u>
Included in operating profit above:				
Depreciation ⁽³⁾	22,413	25,421	27,255	7,799
Impairment loss on property, plant and equipment	7,512	4,289	20,699	5,923

	As at December 31,			
	2012	2013	2014	2014 ⁽¹⁾
	(in millions)			
Summary Consolidated Statements of Financial Position Information:				
Current assets	RM188,309	RM198,546	RM192,018	US\$54,948
Property, plant, equipment	224,518	243,537	261,286	74,771
Other assets ⁽⁴⁾	76,326	86,577	84,183	24,090
Total assets	<u>RM489,153</u>	<u>RM528,660</u>	<u>RM537,487</u>	<u>US\$153,809</u>
Current liabilities	RM78,619	RM87,364	RM71,201	US\$20,375
Long-term debt ⁽⁵⁾	30,773	29,002	30,072	8,605
Deferred tax liabilities	14,331	11,483	12,933	3,701
Other long-term liabilities and provisions	26,458	28,506	31,352	8,972
Shareholders' equity:				
Share capital	100	100	100	29
Reserves	306,871	335,703	354,568	101,464
Total shareholders' equity	306,971	335,803	354,668	101,493
Non-controlling interests	32,001	36,502	37,261	10,663
Total equity and liabilities	<u>RM489,153</u>	<u>RM528,660</u>	<u>RM537,487</u>	<u>US\$153,809</u>

	Year Ended December 31,			
	2012	2013	2014	2014 ⁽¹⁾
	(in millions)			
Other Financial Information:				
Capital expenditure	RM44,991	RM56,555	RM64,648	US\$18,500
EBITDA ⁽⁶⁾	RM120,386	RM123,435	RM125,333	US\$35,866
Ratio of EBITDA to fixed charges ⁽⁷⁾ . . .	52.73:1	57.15:1	70.14:1	—
Ratio of long-term debt to EBITDA . . .	0.26:1	0.24:1	0.24:1	—
Ratio of long-term debt to long-term debt plus shareholders' equity	0.09:1	0.08:1	0.08:1	—
ROACE ⁽⁸⁾	16.3%	17.0%	11.6%	—

- (1) U.S. dollar translations are calculated using an exchange rate of RM3.4945 to US\$1.00.
- (2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a breakdown of the major sources of PETRONAS' revenue.
- (3) Includes depreciation of property, plant and equipment, properties and investment properties and amortization of prepaid lease payments and intangible assets.
- (4) Consists of investment properties, land held for development, prepaid lease payments, investments in associates, investments in joint ventures, intangible assets, long term receivables, non-current fund and other investments and deferred tax assets.
- (5) Consists of loans, notes and bonds and Islamic financing facilities. See notes 22 and 23 to the financial statements included elsewhere in this Offering Circular.
- (6) EBITDA consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortization and impairment loss on property, plant and equipment and intangible assets, and financing costs, and the exclusion of interest income. EBITDA should not be viewed as an alternative measure of operating results or cash flows from operating activities as determined in accordance with MFRS 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.
- (7) Fixed charges consist of interest expense and interest capitalized during construction for the applicable period less unwinding of discount of provision for dismantlement, removal or restoration of property, plant and equipment.
- (8) Return on average capital employed is calculated as profit divided by average total 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 as 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 December 31 in the years indicated.

PETRONAS' Discovered Resources (bboe)⁽¹⁾		As at January 1,			
		2012	2013	2014	2015
Domestic ⁽²⁾	Reserves (2P)	10.5	10.3	10.4	10.8
	Contingent Resources (2C)	<u>10.8</u>	<u>11.9</u>	<u>12.2</u>	<u>12.4</u>
	Total	21.3	22.2	22.6	23.2
International ⁽³⁾	Reserves (2P)	2.9	3.2	3.4	3.9
	Contingent Resources (2C)	<u>4.1</u>	<u>7.2</u>	<u>6.8</u>	<u>6.1</u>
	Total	7.0	10.4	10.2	10.0
Total		<u>28.3</u>	<u>32.6</u>	<u>32.8</u>	<u>33.2</u>
	Reserves (2P)	13.4	13.5	13.8	14.7
	Contingent Resources (2C)	14.9	19.1	19.0	18.5
Malaysia's Discovered Resources (bboe)		As at January 1,			
		2012	2013	2014	2015
Crude Oil and					
Condensate	Reserves (2P)	3.7	3.7	3.8	3.6
	Contingent Resources (2C)	<u>2.2</u>	<u>2.1</u>	<u>2.0</u>	<u>2.4</u>
	Total	5.9	5.8	5.8	6.0
Natural Gas	Reserves (2P)	6.8	6.6	6.6	7.2
	Contingent Resources (2C)	<u>8.6</u>	<u>9.8</u>	<u>10.2</u>	<u>10.0</u>
	Total	15.4	16.4	16.8	17.2
Total		<u>21.3</u>	<u>22.2</u>	<u>22.6</u>	<u>23.2</u>
	Reserves (2P)	10.5	10.3	10.4	10.8
	Contingent Resources (2C)	10.8	11.9	12.2	12.4

Natural Gas Discovered Resources (tscf)		As at January 1,			
		2012	2013	2014	2015
<i>Non-associated Gas</i>					
Sabah	Reserves (2P)	4.5	4.5	4.6	5.7
	Contingent Resources (2C)	5.3	4.9	5.5	4.8
Sarawak	Reserves (2P)	17.3	15.9	15.1	19.3
	Contingent Resources (2C)	22.6	30.9	33.8	33.8
Peninsular					
Malaysia	Reserves (2P)	9.9	10.3	11.1	10.1
	Contingent Resources (2C)	16.2	15.4	14.1	13.7
Total Non-associated Gas		75.8	81.9	84.2	87.4
<i>Associated Gas</i>					
Sabah	Reserves (2P)	0.4	0.7	0.6	0.2
	Contingent Resources (2C)	3.1	3.1	3.2	3.4
Sarawak	Reserves (2P)	1.2	0.9	1.1	1.2
	Contingent Resources (2C)	2.0	2.4	1.9	2.2
Peninsular					
Malaysia	Reserves (2P)	7.5	7.4	7.4	7.1
	Contingent Resources (2C)	2.1	2.0	2.3	2.4
Total Associated Gas		16.3	16.5	16.5	16.5
Total		92.1	98.4	100.7	103.9
	Reserves (2P)	40.8	39.7	39.9	43.6
	Contingent Resources (2C)	51.3	58.7	60.8	60.3
Crude Oil and Condensate Discovered Resources (bstb)					
		2012	2013	2014	2015
Sabah	Reserves (2P)	1.3	1.3	1.2	1.1
	Contingent Resources (2C)	0.6	0.7	0.7	0.8
Sarawak	Reserves (2P)	0.8	0.8	1.0	1.0
	Contingent Resources (2C)	0.8	0.7	0.6	0.7
Peninsular					
Malaysia	Reserves (2P)	1.6	1.6	1.6	1.5
	Contingent Resources (2C)	0.8	0.7	0.7	0.9
Total		5.9	5.8	5.8	6.0
	Reserves (2P)	3.7	3.7	3.8	3.6
	Contingent Resources (2C)	2.2	2.1	2.0	2.4

PETRONAS' International Discovered Resources (bboe)	As at January 1,				
	2012 ⁽¹⁾	2013	2014	2015	
Crude Oil and					
Condensate Reserves (2P)	1.1	1.3	0.7	0.6	
Contingent Resources (2C)	1.7	1.2	1.1	0.9	
Natural Gas Reserves (2P)	1.6	1.2	1.2	0.9	
Contingent Resources (2C)	2.3	2.3	2.0	2.1	
Unconventional . . . Reserves (2P)	0.2	0.7	1.5	2.4	
Contingent Resources (2C)	0.1	3.7	3.7	3.1	
Total	7.0	10.4	10.2	10.0	
	Reserves (2P)	2.9	3.2	3.4	3.9
	Contingent Resources (2C)	4.1	7.2	6.8	6.1

- (1) PETRONAS' method of reporting reserves and resources changed in 2011. For a description of PETRONAS' method of calculating reserves and resources, see "*Presentation of Financial Information and Other Data—Oil and Gas Reserves.*"
- (2) Total Malaysian discovered resources.
- (3) Reflects PETRONAS' equity interest in international discovered resources.

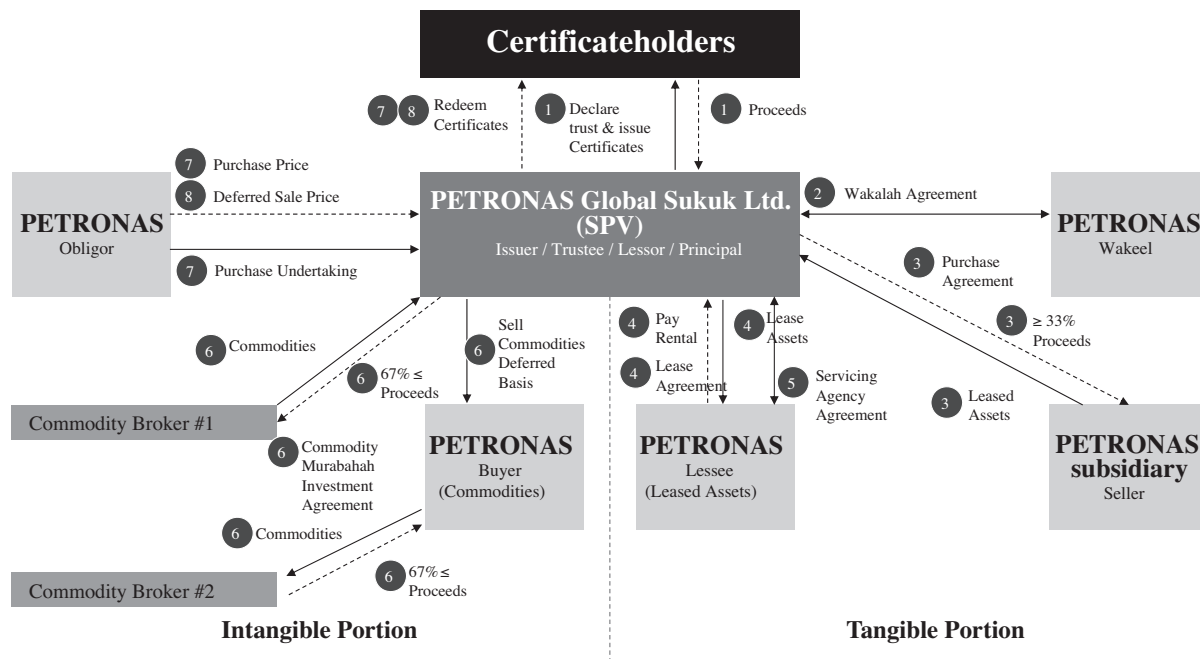
Crude Oil Data ⁽¹⁾	Year Ended December 31,		
	2012	2013	2014
Malaysia production:			
PETRONAS' share of production (mmbbl) ⁽²⁾	154	147	151
International production:			
PETRONAS' equity share of production (mmbbl)	49	70	97
Total of PETRONAS' share of Malaysia's production and PETRONAS' equity share of international production (mmbbl)	203	217	248

Natural Gas Data ⁽³⁾	Year Ended December 31,		
	2012	2013	2014
Malaysia production:			
PETRONAS' share of production (bscf) ⁽²⁾	1,620	1,739	1,763
International production:			
PETRONAS' equity share of production (bscf)	646	694	664
Total of PETRONAS' share of Malaysia's production and PETRONAS' equity share of international production (bscf)	2,266	2,433	2,427
Total of PETRONAS' share of Malaysia's oil and gas production and PETRONAS' equity share of international oil and gas production (mmboe)	581	623	652

- (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 oil and gas sold by PETRONAS on behalf of the Government of Malaysia.
- (3) Net of gas used in flaring, venting and re-injection.

STRUCTURE DIAGRAM AND PRINCIPAL CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the transaction. Potential investors are referred to the terms and conditions of the Certificates and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Offering Circular for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalized terms used below.



Principal Cashflows

Payments by the Certificateholders and the Trustee. On the Closing Date, the Certificateholders will pay the issue price (the “**Sukuk Issue Amount**”) in respect of the Certificates to the Trustee, and the Trustee will:

- (a) apply no more than 67 per cent. of the Sukuk Issue Amount to purchase Commodities and sell such Commodities to PETRONAS (the “**Buyer**”) pursuant to the Commodity Murabahah Investment Agreement. In return for purchasing the Commodities, PETRONAS will pay the Aggregate Deferred Sale Price one Business Day prior to the relevant Dissolution Date on the terms of the Commodity Murabahah Investment Agreement; and
- (b) apply no less than 33 per cent. of the Sukuk Issue Amount as the purchase price to acquire the relevant assets from PETRONAS Penapsian (Melaka) Sdn. Bhd. (the “**Seller**”) pursuant to the Purchase Agreement, and lease such assets (the “**Leased Assets**”) to PETRONAS pursuant to the Lease Agreement,

and the above Sukuk Assets will form part of the Wakalah Portfolio.

Periodic Distribution Amount Payments by the Trustee. Rentals due in respect of the Leased Assets under the Lease Agreement (which would be equal to the Periodic Distribution Amount due for the relevant Periodic Distribution Period) would be paid by the Lessee to the Lessor on each semi-annual Rental Payment Date.

On each Periodic Distribution Date, the Trustee will use such Rentals to pay the Periodic Distribution Amounts payable by the Trustee under the Certificates and shall be applied by the Trustee for that purpose.

Dissolution Distribution Payment by PETRONAS. By no later than 30 days prior to the Scheduled Dissolution Date, the Trustee will have the right under the Purchase Undertaking (as defined herein) to require PETRONAS to purchase and accept the transfer and conveyance of all of its interests, rights, benefits and entitlements in and to Leased Assets for the Exercise Price equal to the Lease Dissolution Distribution Amount. The Lease Dissolution Distribution Amount, together with the Aggregate Deferred Sale Price payable by PETRONAS to the Trustee under the Commodity Murabahah Investment Agreement will be used to fund the Dissolution Distribution Amount payable by the Trustee under the Certificates.

The Trust may, in accordance with the Conditions, be dissolved prior to the Scheduled Dissolution Date by reason of: (i) redemption where a Dissolution Event (as defined in Condition 12 (*Dissolution Events*)) has occurred and is continuing, (ii) redemption following the occurrence of certain Tax Events (as defined in Condition 6.3 (*Early Dissolution for Taxation Reasons*)), or (iii) redemption following a Total Loss Event in the circumstances described in Condition 6.4 (*Early Dissolution following a Total Loss Event*).

In such case, the amounts payable by the Trustee on the relevant Dissolution Distribution Date will be funded by PETRONAS: (i) purchasing the Trustee’s interest, rights, benefits and entitlements in and to the Leased Assets for the Lease Dissolution Distribution Amount pursuant to the Purchase Undertaking; and (ii) paying the Aggregate Deferred Sale Price payable by PETRONAS one Business Day prior to the relevant Dissolution Distribution Date in respect of the Commodities purchased pursuant to the Commodity Murabahah Investment Agreement.

THE OFFERING

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

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.”

Certificateholders should note that through a combination of the Lease Agreement, the Purchase Undertaking, the Commodity Murabahah Investment Agreement 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.

Parties

Trustee, Issuer, Purchaser and
Lessor

PETRONAS Global Sukuk Ltd., as:

- (a) 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 the Certificateholders in accordance with the Declaration of Trust and the Conditions;
- (b) as issuer (in such capacity, the “**Issuer**”) of the Certificates;
- (c) as purchaser (in such capacity, the “**Purchaser**”) under the Purchase Agreement; and
- (d) as lessor (in such capacity, the “**Lessor**”) under the Lease Agreement.

PETRONAS Global Sukuk Ltd., a company incorporated on 7 July 2009 in accordance with the laws of, and formed and registered in Labuan, Malaysia with registered number LL07148 with its registered office at Unit Level 13(A), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan Federal Territory, Malaysia, shall participate in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.

Ownership of the Trustee:

The issued and paid-up share capital of the Trustee is US\$2,000 comprising 2,000 ordinary shares. The shares are held by two of the directors of the Trustee.

Obligor, Buyer, Wakeel, Lessee and Servicing Agent	Petroliaam Nasional Berhad (PETRONAS) (“ PETRONAS ”).
Seller	PETRONAS Penapisan (Melaka) Sdn. Bhd. (the “ Seller ”) shall, pursuant to a purchase agreement entered into with the Trustee and dated the Closing Date (each, a “ Purchase Agreement ”), sell to the Issuer the Leased Assets (as defined below) more particularly described in the Purchase Agreement.
Active Joint Bookrunners	Merrill Lynch (Singapore) Pte. Ltd. CIMB Investment Bank Berhad Citigroup Global Markets Limited J.P. Morgan Securities plc Morgan Stanley & Co. International plc
Passive Joint Bookrunners	Deutsche Bank AG, Singapore Branch The Hongkong and Shanghai Banking Corporation Limited Maybank Investment Bank Berhad Mitsubishi UFJ Securities International plc
Co-Managers	Dubai Islamic Bank PJSC Hong Leong Islamic Bank Berhad National Bank of Abu Dhabi PJSC
Facility Agent	CIMB Islamic Bank Berhad
Delegate	The Bank of New York Mellon (the “ Delegate ”). In accordance with the Declaration of Trust, the Trustee will, <i>inter alia</i> , unconditionally and irrevocably appoint the Delegate to be its attorney and to exercise certain present and future duties, powers, authorities and discretions vested in the Trustee by certain provisions in the Declaration of Trust in accordance with the terms of the Declaration of Trust. In addition, pursuant to the Declaration of Trust, certain powers will be vested solely in the Delegate.
Principal Paying Agent, Replacement Agent, Account Bank, Calculation Agent, Registrar and Transfer Agent . . .	The Bank of New York Mellon
Summary of the Trust Certificates	
Trust Certificates	U.S.\$1,250,000,000 Trust Certificates due 2020.
Periodic Distribution Rate	2.707% per annum.
Closing Date	March 18, 2015.
Scheduled Dissolution Date	March 18, 2020.
Periodic Distribution Dates	On September 18, 2015 and thereafter on each March 18 and September 18 in each year (each a “ Periodic Distribution Date ”) up to and including the Periodic Distribution Date falling on March 18, 2020 (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 Distribution Amounts . . .	Subject to Condition 3 (<i>Status and Limited Recourse</i>), from monies received in respect of the Trust Assets, the Certificateholders will be entitled to receive from the Issuer, on each Periodic Distribution Date, Periodic Distribution Amounts pro rata according to the principal amount of the Certificates held by each Certificateholder, for an amount equal to the product of: (a) the Periodic Distribution Rate; (b) the Dissolution Distribution Amount; 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 months and 30 days and, in the case of an incomplete month, the actual number of days) divided by 360, provided that US\$1,000,000 (the “ Reduction Amount ”) shall be deducted from the Periodic Distribution Amount due on the final Periodic Distribution Date.
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. ”
Issue Price	100% of the principal amount of the Certificates.
Status	Each Certificate: (a) evidences an undivided beneficial ownership interest in the Trust Assets (as defined below); (b) will be direct, unconditional, unsecured and unsubordinated general obligations of the Issuer; and (c) will at all times rank <i>pari passu</i> among themselves, without any preference of one over the other by reason of priority of date of issue or otherwise, and equally with all other outstanding unsecured and unsubordinated general obligations of the Trustee.
Trust Assets	<p>Pursuant to the Declaration of Trust, the Trustee will declare that it will hold, for the Certificateholders, certain assets (the “Trust Assets”), consisting of:</p> <ul style="list-style-type: none"> (a) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Assets; (b) the right, title, interest and benefit, present and future, of the Trustee in, to and under the Transaction Documents; and (c) all monies standing to the credit of the relevant Transaction Account (as defined in Condition 4.1 (<i>Summary of the Trust</i>)), <p>and all proceeds of the foregoing upon trust absolutely for the Certificateholders <i>pro rata</i> according to the principal amount of the Certificates held by each holder.</p>
Sukuk Assets	The Sukuk Assets will include:

- (a) the leased assets (the “**Leased Assets**”) to be leased by the Lessor to the Lessee pursuant to a Shariah-compliant Lease Agreement; and
- (b) any commodities to be purchased by the Trustee (or by the Facility Agent on its behalf) to be sold to PETRONAS pursuant to the Commodity Murabahah Investment Agreement.

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

“**Dissolution Distribution Amount**” means, as of any Dissolution Date the aggregate of:

- (a) the Aggregate Deferred Sale Price; and
- (b) the Lease Dissolution Distribution Amount.

“**Aggregate Deferred Sale Price**” means the aggregate of the Aggregate Commodity Purchase Price and the Mark-Up Amount.

“**Lease Dissolution Distribution Amount**” means, as of any Dissolution Date, the aggregate of:

- (a) 36.16 per cent. of the Sukuk Issue Amount;
- (b) any accrued Periodic Distribution Amount that is due but unpaid as of the relevant Dissolution Date, less the Reduction Amount (without double counting); and
- (c) any other amount that is due (but unpaid) under these Conditions (including, without limitation, Condition 10 (*Taxation*)) as of such date.

“**Dissolution Date**” means, as the case may be, the Scheduled Dissolution Date, an Early Dissolution Date, a Tax Dissolution Date or a Total Loss Dissolution Date.

Early Dissolution of the Trust . . . The Trust may only be dissolved prior to the Scheduled Dissolution Date upon:

- (a) the occurrence of a Dissolution Event;
- (b) the occurrence of a Tax Event (as defined in Condition 6.3 (*Early Dissolution for Taxation Reasons*)); or
- (c) such other events as may be agreed in the Transaction Documents.

Dissolution Events	Upon the occurrence of any Dissolution Event and following delivery of a Dissolution Notice in accordance with Condition 12 (<i>Dissolution Events</i>), the Certificates shall be redeemed in full at the Dissolution Distribution Amount and the Trust shall be dissolved by the Trustee on the Early Dissolution Date. See Condition 12 (<i>Dissolution Events</i>).
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 or its subsidiaries (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. See Condition 3.2 (<i>Limited Recourse</i>).
Form and Denomination	The Certificates will be issued in denominations of US\$200,000 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.
Leased Asset Substitution	PETRONAS or any of its wholly-owned subsidiaries may substitute Leased Assets in accordance with the relevant provisions of the Substitution Undertaking, provided that the aggregate value of any new assets is equal to or greater than the aggregate value of the substituted assets.
Issuer Covenants	The Issuer has agreed to certain restrictive covenants as set out in Condition 7 (<i>Covenants</i>).
Listing	Approval-in-principle has been obtained for: (a) listing of the Certificates on, and admission to the Official List of, the Labuan International Financial Exchange, and (b) the listing of the Certificates on, and admission to the Official List of, Bursa Malaysia under the Bursa Malaysia (Exempt Regime); and application has been made for listing of the Certificates on the Hong Kong Stock Exchange.
Ratings	The ratings of the Certificates are expected to be rated A- by Standard & Poor's Rating Services (" S&P ") and A1 by Moody's Investor Services, Inc. (" Moody's "). PETRONAS is currently rated A- by S&P, A1 by Moody's and A by Fitch Ratings. 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.

Use of Proceeds	PETRONAS Global Sukuk Ltd. will use the proceeds from the issuance of the Certificates to purchase: (a) the Leased Assets from PETRONAS and/or its subsidiaries; and (b) the Commodities. PETRONAS and/or its subsidiaries will use the proceeds it receives to finance capital expenditures and for general corporate purposes which are Shariah-compliant.
Taxation	All payments in respect of the Certificates will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 10 (<i>Taxation</i>), unless otherwise required by applicable law. In the event that any such deduction is made, the Issuer or, as the case may be, PETRONAS will, save in certain limited circumstances provided in Condition 10 (<i>Taxation</i>), be required to pay additional amounts as would have been paid had no such deduction or withholding been required.
Governing Law	Each of the Declaration of Trust, the Agency Agreement, the Wakalah Agreement, the Purchase Undertaking, the Sale Undertaking, the Substitution Undertaking, each Global Certificate, the Costs Undertaking, the Servicing Agency Agreement, the Commodity Murabahah Investment Agreement and any non-contractual obligations arising out of or in connection with the same will be governed by and construed in accordance with English law. Each of the Lease Agreement and the Purchase Agreement will be governed by and construed in accordance with, the laws of Malaysia.
Transaction Documents	The “ Transaction Documents ” are the Declaration of Trust, the Agency Agreement, the Commodity Murabahah Investment Agreement, the Wakalah Agreement, the Purchase Undertaking, the Sale Undertaking, the Substitution Undertaking, each Global Certificate, the Costs Undertaking, the Lease Agreement, the Purchase Agreement, the Servicing Agency Agreement and any other agreements and documents designated as such by the Trustee and PETRONAS.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of the Certificates and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, Malaysia, the Republic of Singapore, Hong Kong, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, State of Qatar, Kingdom of Bahrain, Kuwait and other restrictions as may apply in connection with the offering and sale of the Certificates, see “ <i>Plan of Distribution—Selling Restrictions.</i> ”
Transfer Restrictions	The Certificates will not be registered under the Securities Act and are subject to certain restrictions on transfers. See “ <i>Transfer Restrictions.</i> ”
Risk Factors	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 “ <i>Risk Factors</i> ” before purchasing any of the Certificates.

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.

“base oil” — an oil to which other oils or additives are added to produce a lubricant. This includes Group III base oil that has been subjected to the highest level of refining of the base oil groups, offering very high viscosity index to produce premium quality lubricants.

“bboe” — billion barrels of oil equivalent.

“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.

“coal bed methane” — A form of natural gas extracted from coal beds, as opposed to the conventional natural gas found in reservoirs.

“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.

“Enhanced Oil Recovery” or “EOR” — any method(s) applied to productive reservoirs in order to increase production rates and to improve the overall recovery factor.

“FLNG” — “floating liquefied natural gas” and consists of either a ship or barge that can be sailed or towed to offshore gas fields, extract gas, freeze it to Liquefied Natural Gas (LNG) and offload the LNG to tankers for shipping.

“FPSO” — a “floating, production, storage and offloading unit” and consists of a converted or custom-built ship-like structure, with modular facilities to process oil and gas and for temporary storage of oil prior to transfer to tankers.

“FSO” — a “floating, storage and offloading unit” and consists of a converted or custom-built ship-like structure for temporary storage of oil prior to transfer to tankers.

“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.

“Improved Gas Recovery” or “IGR”— refers to the recovery of gas by injection of fluids beyond the normal recovery through conventional methods. In recent times, carbon dioxide has been used as a lubricant fluid to recover additional gas from the reservoir and thereby provides an avenue for storing the captured carbon dioxide.

“Improved Oil Recovery” or “IOR” — refers to any process, or combination of processes, that may be applied to economically increase the cumulative volume of oil that is ultimately recovered from the reservoir at an accelerated rate. IOR may include chemical, mechanical, physical, or procedural processes.

“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.

“processed gas” — natural gas that has been processed for sale to end-customers; also referred to as “sale gas.”

“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.

“unconventional resources” — those oil and gas resources other than conventional oil and gas that occur in sandstone and carbonate rocks including gas hydrate resources, shale oil and gas, and oil sand.

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

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; political instability; 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. Decreases in oil, gas or product prices are likely to have an adverse effect on revenue margins and profitability. Prolonged periods of low oil and gas prices could result in projects being delayed, deferred or cancelled, impairment of certain assets and the viability of projects may be affected. 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 decreased significantly since the second half 2014. For a discussion on Malaysian crude oil prices movements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Revenue — Commodity Prices." 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 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.

PETRONAS operates internationally in countries that have differing degrees of political, legal and fiscal stability. This exposes PETRONAS to a wide range of economic conditions and political developments as well as changes in applicable laws and regulations.

PETRONAS engages in significant operations outside Malaysia. As at January 1, 2015, 30.1% of PETRONAS' discovered resources were outside Malaysia. 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, such as Sudan.

PETRONAS also 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. The wide range of political and economic developments could result in changes to laws and regulations that can affect our operations. PETRONAS cannot ensure, however, that 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 must make significant capital expenditures to maintain, among other things, 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. The exploration and development of oil and gas reserves, production, liquefaction, processing, refining and petrochemical manufacturing require substantial capital expenditures. PETRONAS must continue to invest significant 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, both in Malaysia and internationally. PETRONAS also needs to fund the maintenance of its existing plants, machinery and equipment. Further major investments in its downstream business are also planned with targeted construction of new refinery and petrochemical facilities in Malaysia.

PETRONAS cannot assure you that it will be able to maintain or increase its current levels of production and downstream business activities. Its inability to generate sufficient operating cash flow and raise sufficient external financing to fund its capital expenditure program may limit its ability to make the capital investments required to continue its business activities at or above present levels.

PETRONAS' business plans depend upon the successful execution of major projects in a timely manner, and failure to deliver major projects successfully could adversely affect PETRONAS' financial performance.

The success of PETRONAS' upstream and downstream businesses depends on complex, long-term, capital intensive projects. Successful execution of these projects in turn requires a high degree of project management expertise and skilled manpower to maximize efficiency. Specific factors that can affect the performance of major projects include the ability to negotiate successfully with joint ventures, partners, governments, suppliers, customers, or others; optimize reservoir performance; develop markets for products; manage changes in operating conditions and costs, and respond effectively to unforeseen technical difficulties that could delay project startup or cause unscheduled project downtime; and influence the performance of project operations where PETRONAS does not perform that role. A failure by PETRONAS to manage these and other factors and to deliver major projects successfully could have a material adverse effect on its business, financial condition and results of operations.

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

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 discovered resources 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 discovered resources. Factors affecting PETRONAS' discovered resource estimates include: new production or drilling activities; field reviews; the addition of new discovered resources 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' discovered resources in Malaysia are estimated by PETRONAS and its PSC Contractors. Failure to replace or maintain discovered resources levels could result in lower future productions, cash flows and income.

The reliability of discovered resource 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' discovered resource estimates, and downward revisions of its estimates could affect its results of operations and business plan. Published discovered resources estimates may also be subject to revision due to the application of published rules and guidance.

In recent years, PETRONAS has invested significant amounts in the development of coal seam gas, shale gas and other unconventional resources. Shale gas, shale oil, tight-sand and coal bed methane projects become viable at relatively high oil and gas prices and as more advanced technology is developed to reduce the capital investment. Commercially, oil and gas price risks are the critical factors affecting a project's viability. In addition, significant amounts of capital are required on drilling and completion programs, and rigs rates and prices of associated materials are also volatile depending on the market conditions. Technical risks surrounding the discovered resources estimation and production forecasts for all types of unconventional resources are very high due to geologic uncertainty, reservoir properties and limitations of current technology. De-risking efforts are undertaken by drilling many wells to acquire more data to have better control, applying new technology as and when it becomes available, in addition to engaging third parties to evaluate and certify the discovered resource valuation.

PETRONAS can give no assurance that the discovered resources estimates upon which it has made investment decisions accurately reflect actual discovered resource levels, or even if accurate, that technical limitations will not prevent it from retrieving these discovered resources.

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' competitors, including major oil and gas 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, and the rapid development of unconventional resources and alternative energy sources also creates competition for the conventional energy industry. Accordingly, PETRONAS expects competition in the oil, gas, petrochemical and refining industries to increase, which could have a material adverse effect on its business, financial condition and results of operations.

PETRONAS is subject to critical laws and regulations such as international sanctions, antitrust, anti-bribery, anti-corruption and data protection laws that carry significant fines and expose PETRONAS and/or its employees to criminal sanctions and civil suits.

Investing in certain countries (including Myanmar and Sudan) and engaging in dealings with or involving certain countries, entities and individuals could 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. In addition, antitrust, anti-bribery, anti-corruption and data protection laws apply to PETRONAS and its joint ventures and associates in the vast majority of countries in which they operate. Failure to comply with these laws could expose PETRONAS to regulatory investigations which may result in fines and penalties. Violation of these laws is also a criminal offence in certain countries, and individuals may either be imprisoned or fined. Furthermore, any violation by PETRONAS of applicable and relevant international sanctions, anti-bribery and anti-corruption legislation could have a material adverse effect on its reputation, 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.

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 relating to, for example, climate change and extraction methods used for unconventional assets 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 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' 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 Malaysian 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 many countries, PETRONAS is also exposed to changes in the value of other currencies.

Risks Related to the Issuer

The Issuer is a financing vehicle with no other operations and will have no material assets other than the Trust Assets.

PETRONAS Global Sukuk Ltd. is a financing vehicle for PETRONAS and has no other operations. 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, the Aggregate Deferred Sale Price under the Commodity Murabahah Investment 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, the Buyer under the Commodity Murabahah Investment 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 Event, or on the Scheduled Dissolution Date, to pay the Dissolution Distribution Amount in full for failure of PETRONAS to pay the Exercise Price or the Dissolution Distribution 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 Commodity Murabahah Investment 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 Leased 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 fulfils 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 realization 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 realized 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, reorganization, 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 and/or pre-funded to its satisfaction 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 the international 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 the Issuer have been advised by the Managers that they may 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 Shariah compliant.

CIMB Islamic Bank Berhad and the Shariah Board of Citi Islamic Investment Bank E.C. 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 Shariah principles. However, a Fatwa is only an expression of the view of CIMB Islamic Bank Berhad and the Shariah Board of Citi Islamic Investment Bank E.C. based on their extensive experience in the subject and is not a binding opinion. There can be no assurance as to the Shariah 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 Shariah views, differences in opinion are possible. Investors are advised to obtain their own independent Shariah 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 December 31, 2014, PETRONAS had total consolidated debt, excluding derivative assets, of RM36,834 million, of which RM18,977 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.

Approval-in-principle has been obtained for the listing of the Certificates on the Labuan International Financial Exchange and Bursa Malaysia (Exempt Regime), and application has been made for the listing of the Certificates on the Hong Kong Stock Exchange. The offering and settlement of the Certificates are not conditional on obtaining any of these listings. 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.

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

Pursuant to the Lease Agreement, the Issuer is required, among other things, to insure the Leased 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 Leased Assets against the occurrence of a Total Loss Event 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 assets on the date of occurrence of the Total Loss Event 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 Event, PETRONAS, as Servicing Agent, shall have failed in its responsibility to properly insure the Leased 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 Event. The Delegate will be entitled to enforce this undertaking against PETRONAS on behalf of the Certificateholders.

The Transaction Documents may be modified without notice to Certificateholders.

The Conditions and the Declaration of Trust contain provisions permitting 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 authorization 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 Delegate (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, authorization or determination is not, in the opinion of the Delegate, materially prejudicial to the interests of Certificateholders; (d) such modification is required to effect cancellation of Certificates in accordance with Condition 6.6(b); or (e) such modification is not materially prejudicial to the interests of the Certificateholders and such modification is required by PETRONAS to substitute the Leased Assets in certain circumstances. Unless the Delegate otherwise decides, any such modification, waiver, authorization or determination shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon 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*."

Certificateholders will have a beneficial ownership interests in the Leased Assets and no investigation or enquiry will be made and no due diligence will be conducted in respect of the Leased Assets

In order to comply with the requirements of Shariah, an interest in the Leased Assets will pass to the Issuer (in its capacity as trustee) under the relevant Purchase Agreement. The Issuer will declare a trust in respect of its ownership interest in such Leased Assets and the other relevant Trust Assets in favor of the Certificateholders pursuant to the Declaration of Trust. Accordingly, Certificateholders will have beneficial ownership interests in the Leased Assets unless transfer of the Leased Assets is prohibited by, or ineffective under, any applicable law. See "*—There may be restrictions on the transfer of the Leased Assets*".

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Leased Assets. Only limited representations will be obtained from PETRONAS in respect of the Leased Assets. In particular, the precise terms of such Leased Assets or the nature of the assets sold or held will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by PETRONAS to give effect to the transfer of the ownership interest in the Leased Assets). No steps will be taken to perfect the legal transfer of any ownership interest in any Leased Assets or otherwise give notice to any obligor in respect thereof. The obligors in respect of such Leased Assets may have rights of set off or counterclaim against PETRONAS in respect of such Leased Assets.

In addition, if and to the extent that a third party is able to establish a direct claim against the Trustee and the Delegate on the basis of legal or beneficial ownership of any Leased Assets, PETRONAS has agreed in the Declaration of Trust to indemnify the Trustee and the Delegate against any such liabilities. If PETRONAS is unable to meet any such claims, then the relevant Certificateholders may suffer losses in excess of the original principal amount invested.

There may be restrictions on the transfer of the Leased Assets

No investigation has been or will be made as to whether any interest in any Leased Assets may be transferred as a matter of the law governing the contracts, the law of the jurisdiction where such assets are located or any other relevant law. No investigation will be made to determine if any Purchase Agreement will have the effect of transferring an ownership interest in the Leased Assets. The Purchase Agreement will be, governed by Malaysian law and, to the extent that such laws are applied in relation to any dispute, there are doubts whether an ownership interest in certain assets (in particular assets such as ijara or receivables under murabahah contracts) can be effectively transferred without notice of the transfer being given to the relevant obligor. Accordingly, no assurance is given that any ownership interest in any Leased Assets will be transferred to the Issuer.

PETRONAS has agreed in the Purchase Undertaking to indemnify the Issuer for the purposes of redemption in full of the outstanding Certificates in the event that any transfer of an ownership interest in any Leased Assets is found to be ineffective.

In the event that the Leased Assets are not purchased by PETRONAS for any reason, the Delegate is authorized to seek to enforce the above provisions of the Purchase Undertaking. To the extent that it obtains an English judgment in its favor, it may, subject to being indemnified and/or secured and/or pre-funded to its satisfaction, seek to enforce that judgment or award in a Malaysian court.

The value of the Certificates could be adversely affected by a change in English law or administrative practice

The conditions of the Certificates are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Certificates affected by it.

USE OF PROCEEDS

PETRONAS Global Sukuk Ltd. will use the proceeds from the issuance of the Certificates to purchase: (a) the Leased Assets from PETRONAS and/or its subsidiaries; and (b) the Commodities. PETRONAS and/or its subsidiaries will use the proceeds it receives to finance capital expenditures and for general corporate purposes which are Shariah-compliant.

CAPITALIZATION

The following table sets forth the historical consolidated long-term debt and shareholders' equity of PETRONAS at December 31, 2014, 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 notes, 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 December 31, 2014.

	At December 31, 2014 ⁽¹⁾			
	Actual		As Adjusted	
	(in millions)			
Long-term debt:				
Non-current borrowings ⁽²⁾	RM30,072	US\$8,605 ⁽⁵⁾	RM30,072	US\$8,605 ⁽⁵⁾
3.125% Guaranteed Notes due 2022 ⁽³⁾	—	—	2,621	750
3.500% Guaranteed Notes due 2025 ⁽³⁾	—	—	5,242	1,500
4.500% Guaranteed Notes due 2045 ⁽³⁾	—	—	5,242	1,500
Trust Certificates due 2020	—	—	4,368	1,250
Total long-term debt	30,072	8,605	47,545	13,605
Shareholders' equity:				
Share capital	100	29	100	29
Reserves	354,568	101,464	354,568	101,464
Total shareholders' equity	354,668	101,493	354,668	101,493
Total capitalization ⁽⁴⁾	RM384,740	US\$110,098	RM402,213	US\$115,098

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- (1) Except as disclosed herein, there have been no material changes in the consolidated capitalization of PETRONAS since December 31, 2014.
- (2) Consists of loans, notes and bonds and Islamic financing facilities. See notes 22 and 23 to the financial statements included elsewhere in this Offering Circular.
- (3) Concurrently with the offering of the Certificates, PETRONAS Capital Limited is offering notes which will be guaranteed by PETRONAS.
- (4) Consists of consolidated long-term debt and shareholders' equity.
- (5) U.S. dollar translations are calculated using an exchange rate of RM3.4945 to U.S.\$1.00.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data as of December 31, 2013 and 2014, and for each of the years ended December 31, 2012, 2013 and 2014 set forth below have been derived from PETRONAS' audited consolidated financial statements included elsewhere in this Offering Circular. The selected consolidated statement of financial position data as of December 31, 2012 set forth below has been derived from PETRONAS' audited consolidated financial statements 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.

	Year Ended December 31,			
	2012	2013	2014	2014 ⁽¹⁾
	(in millions)			
Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income Data:				
Revenue ⁽²⁾	RM291,226	RM317,314	RM329,148	US\$94,190
Operating profit	91,069	95,613	78,610	22,495
Financing costs	(2,904)	(2,752)	(2,656)	(760)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	1,576	1,397	1,737	497
Profit before taxation	89,741	94,258	77,691	22,232
Tax expense	(30,217)	(28,672)	(30,078)	(8,607)
Profit after taxation but before non-controlling interests	59,524	65,586	47,613	13,625
Non-controlling interests' share of subsidiaries' profit	(9,602)	(11,472)	(10,575)	(3,026)
Net profit attributable to shareholders of PETRONAS	<u>RM49,922</u>	<u>RM54,114</u>	<u>RM37,038</u>	<u>US\$10,599</u>
Included in operating profit above:				
Depreciation ⁽³⁾	22,413	25,421	27,255	7,799
Impairment loss on property, plant and equipment	7,512	4,289	20,699	5,923

	As at December 31,			
	2012	2013	2014	2014 ⁽¹⁾
	(in millions)			
Selected Consolidated Statements of Financial Position Data:				
Current assets	RM188,309	RM198,546	RM192,018	US\$54,948
Property, plant, equipment	224,518	243,537	261,286	74,771
Other assets ⁽⁴⁾	76,326	86,577	84,183	24,090
Total assets	<u>RM489,153</u>	<u>RM528,660</u>	<u>RM537,487</u>	<u>US\$153,809</u>
Current liabilities	RM78,619	RM87,364	RM71,201	US\$20,375
Long-term debt ⁽⁵⁾	30,773	29,002	30,072	8,605
Deferred tax liabilities	14,331	11,483	12,933	3,701
Other long-term liabilities and provisions	26,458	28,506	31,352	8,972
Shareholders' equity:				
Share capital	100	100	100	29
Reserves	306,871	335,703	354,568	101,464
Total shareholders' equity	306,971	335,803	354,668	101,493
Non-controlling interests	32,001	36,502	37,261	10,663
Total equity and liabilities	<u>RM489,153</u>	<u>RM528,660</u>	<u>RM537,487</u>	<u>US\$153,809</u>

	Year Ended December 31,			
	2012	2013	2014	2014 ⁽¹⁾
	(in millions)			
Other Financial Data:				
Capital expenditure	RM44,991	RM56,555	RM64,648	US\$18,500
EBITDA ⁽⁶⁾	RM120,386	RM123,435	RM125,333	US\$35,866
Ratio of EBITDA to fixed charges ⁽⁷⁾ . . .	52.73:1	57.15:1	70.14:1	—
Ratio of long-term debt to EBITDA . . .	0.26:1	0.24:1	0.24:1	—
Ratio of long-term debt to long-term debt plus shareholders' equity	0.09:1	0.08:1	0.08:1	—
ROACE ⁽⁸⁾	16.3%	17.0%	11.6%	—

- (1) U.S. dollar translations are calculated using an exchange rate of RM3.4945 to US\$1.00.
- (2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a breakdown of the major sources of PETRONAS' revenue.
- (3) Includes depreciation of property, plant and equipment, properties and investment properties and amortization of prepaid lease payments and intangible assets.
- (4) Consists of investment properties, land held for development, prepaid lease payments, investments in associates, investments in joint ventures, intangible assets, long term receivables, non-current fund and other investments and deferred tax assets.
- (5) Consists of loans, notes and bonds and Islamic financing facilities. See notes 22 and 23 to the financial statements included elsewhere in this Offering Circular.
- (6) EBITDA consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortization and impairment loss on property, plant and equipment and intangible assets, and financing costs, and the exclusion of interest income. EBITDA should not be viewed as an alternative measure of operating results or cash flows from operating activities as determined in accordance with MFRS 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.
- (7) Fixed charges consist of interest expense and interest capitalized during construction for the applicable period less unwinding of discount of provision for dismantlement, removal or restoration of property, plant and equipment.
- (8) Return on average capital employed is calculated as profit divided by average total 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 MFRS and IFRS.

Overview

PETRONAS derives its revenue primarily from sales of crude oil and condensates, petroleum products, LNG, processed gas and petrochemical products and from providing shipping services. The main factors affecting 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' upstream 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 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 generally sells its crude oil pursuant to contracts in which certain terms are fixed, but prices are determined by reference to market benchmarks. 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, including global supply and demand.

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	Year Ended December 31,		
	2012	2013	2014
Malaysian crude oil ⁽¹⁾ (weighted average price per barrel)	US\$117.72	US\$116.50	US\$105.76
West Texas Intermediate crude oil (average price per barrel)	US\$ 94.16	US\$ 97.91	US\$ 93.17
Brent crude oil (average price per barrel)	US\$111.58	US\$108.66	US\$ 98.99

Source: Platts Assessment, New York Mercantile Exchange and PETCO.

(1) Malaysian crude oil refers to a basket of Malaysian crude, namely Labuan, Miri and Kikeh.

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, which are determined by reference to the Japanese custom-cleared crude oil price, are generally affected by changes in crude oil prices. The recent decline in crude oil prices has had a minimal impact on PETRONAS' average LNG selling price for 2014 because of the lag in contracted LNG sales prices adjusting to the changes in the crude oil prices. However, given recent declines in crude oil prices, PETRONAS' average LNG selling prices are expected to decline in the first quarter of 2015.

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 Berhad ("**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 and non-power sectors and to Gas Malaysia.

From 1997, the Government of Malaysia established maximum prices for sales of processed gas to the Malaysian power and non-power sectors. These sales continue to be subsidized, but the subsidy is being phased out. In January 2014, the price for processed gas sales to the Malaysian power sector increased from RM13.70/mmbtu to RM15.20/mmbtu. The price for sales to the Malaysian non-power sector increased from RM18.35/mmbtu to RM19.85/mmbtu in May 2014 and subsequently to RM21.35/mmbtu in November 2014.

In addition, following the commencement of the LNG regasification terminal operations in May 2013, the Government approved a two-tiered pricing mechanism for PETRONAS' new customers and for additional demand from existing customers. The prices are based on the ex-Bintulu LNG weighted average price free-on-board ("**FOB**"). The FOB LNG price ex-Bintulu was selected as the appropriate price reference to determine the domestic gas market price as it reflects the value of internationally-traded Malaysian gas.

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

Natural Gas Data	Year Ended December 31,		
	2012	2013	2014
LNG			
(weighted average price per metric ton)	US\$788.47	US\$796.03	US\$803.37
Processed gas			
(weighted average price per mmbtu) ⁽¹⁾	RM13.70	RM13.70	RM15.20

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

Petrochemicals. PETRONAS' petrochemicals business was consolidated under its subsidiary, PETRONAS Chemicals Group, whose shares were listed on Bursa Malaysia in November 2010. Virtually all of 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 challenges in recent years due to uneven economic growth in the United States and Europe, and the slowdown in growth in China in recent years after recording significant growth. These developments had the effect of reducing demand in the petrochemicals industry. 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 each of the periods indicated, PETRONAS' share of Malaysia's total production of crude oil and natural gas (including the share of PETRONAS Carigali) and PETRONAS' equity share of international production of crude oil and natural gas.

Crude Oil Data ⁽¹⁾	Year Ended December 31,		
	2012	2013	2014
Malaysia production:			
Total domestic production (mmbbl).	214	210	220
PETRONAS' share of production (mmbbl) ⁽²⁾	154	147	151
International production:			
PETRONAS' equity share of production (mmbbl)	49	70	97
Total of PETRONAS' share of Malaysia's production and PETRONAS' equity share of international production (mmbbl)	203	217	248

(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 oil and gas sold by PETRONAS on behalf of the Government of Malaysia.

Natural Gas Data ⁽¹⁾	Year Ended December 31,		
	2012	2013	2014
Malaysia production:			
Total domestic production (bscf)	2,198	2,289	2,311
PETRONAS' share of production (bscf) ⁽²⁾	1,620	1,739	1,763
LNG sales volume (mmt)	26.09	28.85	30.12
International production:			
PETRONAS' equity share of production (bscf)	646	694	664
Total of PETRONAS' share of Malaysia's production and PETRONAS' equity share of international production (bscf)	2,266	2,433	2,427
Total of PETRONAS' share of Malaysia's oil and gas production and PETRONAS' equity share of international oil and gas production (bscf)	581	623	652

(1) Net of gas used in flaring, venting and re-injection.

(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 oil and gas sold by PETRONAS on behalf of the Government of Malaysia.

Production volumes of crude oil from Malaysia's domestic crude oil reserves are determined on an annual basis by PETRONAS. Crude oil production levels from Malaysia's oil reserves were approximately 603,000 bpd in 2014 (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.

In Malaysia, production has been on an increasing trend since 2012, with domestic production rising by 1.9% and 2.3% in 2013 and 2014, respectively. The higher domestic production was attributed primarily to rigorous reservoir management, which included intensified production enhancements and improved oil recovery activities at maturing fields.

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. Production sharing contracts have evolved to include favorable fiscal terms and incentives to encourage PSC Contractors to take on additional risks and explore deepwater and marginal field areas. See "*Business—Upstream Business—Domestic E&P Operations.*"

PETRONAS also introduced risk sharing contracts in Malaysia in 2011, which strike a balance in sharing of risks with fair returns for the development and production of already discovered marginal small fields. In this arrangement, PETRONAS remains the project owner while contractors are the

service providers and are responsible for field development and operation. Upfront capital investment is contributed by the contractors who receive payment commencing from first production and throughout the duration of the contract. See “*Business—Upstream Business—Domestic E&P Operations.*”

In respect of its international operations, PETRONAS’ share of international crude oil and natural gas production increased significantly since 2012, with an increase in production of 18.8% in 2013 and 11.4% in 2014. The increase was attributed to both existing and new production, mainly from the resumption of production in the Republic of South Sudan, new producing fields in Iraq, namely the Halfaya field in 2012 as well as the Garraf and Majnoon fields in 2013, and production from unconventional assets in Canada.

PETRONAS recovers its exploration, development and production costs in its international operations in accordance with the terms of the production sharing contracts or such other arrangements to which it is a party. See “*Business—Upstream Business—International E&P Operations.*”

Factors Affecting Costs

The principal component of PETRONAS’ operating expenses is cost of revenue, which includes costs of exploring, developing and producing crude oil and natural gas, and costs of purchasing some of the crude oil and natural gas used as feedstock for PETRONAS’ refineries and gas processing, petrochemical and LNG plants and for 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, selling and distribution expenses and depreciation.

The decrease in crude oil prices toward the end of 2014 were not accompanied by similar reductions in capital and service costs, which tend to lag fundamental crude oil price changes. For example, while the average price per barrel of Brent crude oil decreased by 8.9% in 2014 compared to 2013, the Upstream Capital Cost Index, published by IHS Inc., has not shown a similar decrease. The lower crude oil prices resulted in a number of industry participants announcing toward the end of 2014 a scaling back of investments and plans to cut costs.

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. In addition, borrowings in currencies other than ringgit are translated into ringgit at each reporting date, and these translations may positively or negatively affect PETRONAS’ results of operations for that period. 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, in 2014, the ringgit depreciated against the U.S. dollar exchange, and this exchange rate movement positively affected PETRONAS’ revenue. See “*Risk Factors—Risks Relating to Malaysia—Changes in the exchange rate between the U.S. dollar and the Malaysian ringgit could have a negative impact on PETRONAS’ results of operations and financial condition*” and “*Exchange Rates.*”

Significant Accounting Policies

The preparation of PETRONAS' financial statements requires PETRONAS' management to select and apply significant accounting policies and to make estimates and judgments that affect PETRONAS' reported financial condition and results of operations. See note 1.4 (use of estimates and judgments) and note 2 (Significant Accounting Policies) to the financial statements for the years ended December 31, 2012, 2013 and 2014, included elsewhere in this Offering Circular, for a summary of PETRONAS' significant accounting policies that are critical to the portrayal of PETRONAS' financial condition.

Results of Operations

2014 Compared to 2013

The following table presents a summary of PETRONAS' statement of profit or loss and other comprehensive income information and changes therein for 2014 and 2013.

	Year Ended December 31,		Changes	
	2013	2014	Amount	%
	(in millions, except percentages)			
Revenue	RM317,314	RM329,148	RM11,834	3.7
Cost of revenue	(204,781)	(216,424)	11,643	5.7
Gross Profit	112,533	112,724	191	0.2
Selling and distribution expenses	(4,918)	(5,146)	228	4.6
Administration expenses ⁽¹⁾	(15,910)	(32,338)	16,428	103.3
Other expenses	(1,859)	(3,193)	1,334	71.8
Other income	5,767	6,563	796	13.8
Operating profit	95,613	78,610	(17,003)	(17.8)
Financing costs	(2,752)	(2,656)	(96)	(3.5)
Share of profits after-tax and non-controlling interests of equity accounted associates and joint ventures	1,397	1,737	340	24.3
Profit before taxation	94,258	77,691	(16,567)	(17.6)
Tax expense	(28,672)	(30,078)	1,406	4.9
Profit for the year	<u>RM65,586</u>	<u>RM47,613</u>	<u>RM(17,973)</u>	<u>(27.4)</u>

(1) Includes impairment losses for property, plant and equipment of RM20,699 million in 2014 and RM4,289 million in 2013.

Revenue. The following table sets forth, for 2013 and 2014, the consolidated revenues of PETRONAS by operating segment and by products and services, and geographical bases, and expresses each as a percentage of PETRONAS' consolidated revenue and changes therein for 2014 and 2013.

Source of Revenue	2013 (in millions)	% of Consolidated		% of Consolidated		Changes	
		Revenue	2014 (in millions)	Revenue	Revenue	Amount (in millions)	%
Operating Segments:							
Upstream	RM147,332	46.4	RM165,257	50.2	RM17,925	12.2	
Downstream	157,256	49.6	150,363	45.7	(6,893)	(4.4)	
Corporate and others	12,726	4.0	13,528	4.1	802	6.3	
Consolidated Revenue	<u>RM317,314</u>	<u>100.0</u>	<u>RM329,148</u>	<u>100.0</u>	<u>RM11,834</u>	<u>3.7</u>	
Products and Services:							
Petroleum products	110,471	34.8	109,495	33.3	(976)	(0.9)	
Crude oil and condensates	66,137	20.8	66,180	20.1	43	0.1	
LNG	67,794	21.4	74,777	22.7	6,983	10.3	
Sales and natural gas	35,014	11.1	38,866	11.8	3,852	11.0	
Petrochemicals	15,299	4.8	14,400	4.4	(899)	(5.9)	
Shipping services	6,147	1.9	6,402	1.9	255	4.1	
Investment income	4,005	1.3	4,275	1.3	270	6.7	
Others	12,447	3.9	14,753	4.5	2,306	18.5	
Consolidated Revenue	<u>RM317,314</u>	<u>100.0</u>	<u>RM329,148</u>	<u>100.0</u>	<u>RM11,834</u>	<u>3.7</u>	
Geographical Basis:⁽¹⁾							
Rest of Asia	107,850	34.0	109,246	33.2	1,396	1.3	
Malaysia	75,615	23.8	78,117	23.7	2,502	3.3	
Japan	50,094	15.8	52,669	16.0	2,575	5.1	
South Africa	29,705	9.4	28,257	8.6	(1,448)	(4.9)	
Rest of the World	54,050	17.0	60,859	18.5	6,809	12.6	
Consolidated Revenue	<u>RM317,314</u>	<u>100.0</u>	<u>RM329,148</u>	<u>100.0</u>	<u>RM11,834</u>	<u>3.7</u>	

(1) Geographical revenue is determined by the geographical location of customers.

Revenue — Overview.

PETRONAS' total revenue in 2014 increased by RM11,834 million to RM329,148 million, a 3.7% increase from RM317,314 million in 2013. The increase was primarily attributable to higher crude oil production volume from Iraq and domestic fields and higher LNG and processed gas sales volume, coupled with the effect of a favorable U.S. dollar exchange rate against the ringgit. In 2014, the U.S. dollar averaged approximately RM3.27, compared with an average of approximately RM3.15 in 2013.

The growth in PETRONAS' revenue in 2014 was offset in part by decreases in benchmark crude oil prices. Benchmark Brent crude oil's average price was approximately 8.9% lower in 2014 compared to 2013.

Revenue — Geographical Basis.

PETRONAS' geographical revenue is determined by the geographical location of its customers, and is presented for Malaysia, Japan, Rest of Asia, South Africa and Rest of the World. Revenue from the Rest of Asia made the largest contribution to revenue, followed by revenue from Malaysia and Japan. In 2014, Rest of Asia mainly comprised customers in China, Singapore, Taiwan and Korea.

The 3.7% increase in total revenue reported by PETRONAS was mainly attributable to higher revenue from the Rest of the World, Japan and Malaysia. Revenue from the Rest of the World increased by 12.6% to RM60,859 million from RM54,050 million in 2013 mainly due to higher revenue derived from production in Iraq. Revenue from Japan increased by 5.1% in 2014 to RM52,669 million from RM50,094 million in 2013 mainly due to higher LNG sales volume. Revenue from Malaysia increased by 3.3% in 2014 to RM78,117 million from RM75,615 million in 2013 primarily due to the increase in the regulated processed gas price to the domestic power sector from RM13.70/mmBtu to RM15.20/mmBtu effective January 1, 2014. This price increase was coupled with higher processed gas sales volume due to higher availability of processed gas with the full-year operation of the LNG regasification terminal in Melaka, which commenced operations in May 2013.

Revenue — Operating segments.

Revenue for the upstream segment increased in 2014 by RM17,925 million to RM165,257 million, a 12.2% increase over the RM147,332 million reported in 2013. The increase in revenue was driven by an increase in production and an increase in PETRONAS' share of profit oil and gas to which it is entitled. The Garraf and Majnoon fields in Iraq were in full production in 2014, and there was higher production from unconventional assets in Canada, including from those assets acquired from Talisman Energy, Inc. The increase in the upstream segment's revenue was also supported by higher revenue from LNG sales, which rose by 10.3% from RM67,794 million in 2013 to RM74,777 million in 2014, primarily as a result of higher sales volume, as well as by higher revenues from processed gas and natural gas sales. Revenue in the upstream segment also benefitted from the effect of favorable U.S. dollar exchange rate movements against the ringgit.

Revenue in the downstream segment decreased by RM6,893 million in 2014 to RM150,363 million, a 4.4% decrease over the RM157,256 million reported in 2013. The decrease was primarily due to the downward trends in prices for crude oil and petroleum and petrochemical products, as well as lower revenue from trading activities.

The corporate and others segment's revenue increased by RM802 million in 2014 to RM13,528 million, a 6.3% increase over the RM12,726 million reported in 2013.

Cost of revenue.

Cost of revenue increased by RM11,643 million in 2014 to RM216,424 million, a 5.7% increase over the RM204,781 million incurred in 2013. The increase was due primarily to higher production expenses for both domestic and international upstream operations and increased amortization expenses, which rose by RM3,974 million to RM6,470 million from RM2,496 million in 2013 and which were mainly due to increased amortization of assets and contractual rights under development and production services contracts in Iraq. The increase in cost of revenue in 2014 was also due to higher impairment on exploration expenditure, which increased by RM577 million to RM1,687 million from RM1,110 million in 2013, as well as write-offs of exploration wells.

Gross profit and gross profit margin.

PETRONAS' gross profit increased by RM191 million in 2014 to RM112,724 million, a 0.2% increase over the RM112,533 million reported in 2013. Gross profit margin in 2014 was lower at 34.2%, compared to 35.5% in 2013, primarily because the decrease in crude oil prices toward the end of 2014 were not accompanied by similar reductions in capital and service costs, which tend to lag fundamental crude oil price changes.

Selling and distribution expenses.

Selling and distribution expenses increased by RM228 million in 2014 to RM5,146 million, a 4.6% increase over the RM4,918 million incurred in 2013. The increase was largely due to higher transportation and freight expenses in line with higher sales volumes.

Administration expenses.

PETRONAS' administration expenses increased by RM16,428 million in 2014 to RM32,338 million from RM15,910 million in 2013. The significant increase was mainly due to higher impairment losses in 2014. Similar to other international oil companies and national oil companies, as a result of the significant decrease in benchmark crude oil prices from the second half of 2014 and forecasts for lower crude oil prices, PETRONAS recognized significant impairment losses on property, plant and equipment in 2014 amounting to RM20,699 million, as compared with RM4,289 million in 2013, primarily for its assets in Turkmenistan, Malaysia, Egypt, the Republic of Sudan and the Republic of South Sudan.

Other expenses.

Other expenses increased by RM1,334 million in 2014 to RM3,193 million, a significant increase over the RM1,859 million incurred in 2013. This increase was mainly due to higher foreign exchange losses on translation of U.S. dollar borrowings arising from the strengthening of the U.S. dollar against the ringgit. Net foreign exchange losses were RM1,842 million in 2014 compared to RM700 million in 2013.

Other income.

Other income increased by RM796 million in 2014 to RM6,563 million, a 13.8% increase from the RM5,767 million reported in 2013. Other income primarily comprises write-back of provisions for dismantlement, removal or restoration of property, plant and equipment amounting to RM1,776 million in 2014 as compared to RM1,925 million in 2013; gain on disposal of property, plant and equipment, other investments, associates and subsidiaries amounting to RM1,391 million in 2014, as compared to RM1,327 million in 2013; interest income of RM552 million in 2014 as compared to RM373 million in 2013; and rental income on land and buildings of RM483 million in 2014 as compared to RM447 million in 2013.

Operating profit.

As a result of the factors discussed above, PETRONAS' operating profit in 2014 decreased by RM17,003 million to RM78,610 million, a 17.8% decrease over the RM95,613 million reported in 2013.

Financing costs.

Financing costs decreased by RM96 million to RM2,656 million in 2014, a 3.5% decrease from the RM2,752 million incurred in financing costs in 2013, due mainly to lower interest expenses as a result of repayments of borrowings in 2014.

Share of profits after-tax and non-controlling interests of equity accounted associates and joint ventures.

In 2014 share of profits after-tax and non-controlling interests of equity accounted associates and joint ventures increased by RM340 million to RM1,737 million, a 24.3% increase from the RM1,397 million reported in 2013. The increase was largely due to contribution from PETRONAS Gas Berhad's associated company, Kimanis Power Sdn. Bhd., which commenced operations in 2014, amounting to RM264 million.

Profit before taxation.

PETRONAS' profit before taxation decreased by RM16,567 million in 2014 to RM77,691 million, a 17.6% decrease from the RM94,258 million reported in 2013 primarily due to the impairment losses discussed above.

Tax expense.

Although PETRONAS is wholly owned by the Government of Malaysia, it does not enjoy any special tax benefits and is subject to all taxes generally applicable to companies incorporated under the Malaysian Companies Act 1965. In addition, under the Petroleum (Income Tax) Act 1967, PETRONAS and PETRONAS Carigali are subject to a petroleum income tax rate of 38% on taxable income from sales of crude oil and natural gas. Pursuant to the Income Tax Act 1967, taxable income from PETRONAS' other activities, including sales of LNG, processed gas, refined petroleum products, and petrochemicals, is subject to the statutory corporate income tax rate of 25%.

In 2014, PETRONAS' tax expense increased by RM1,406 million to RM30,078 million, a 4.9% increase from the RM28,672 million incurred in 2013. PETRONAS had an effective tax rate of 38.7% in 2014, higher than the Malaysian statutory rate of 25.0% primarily attributable to higher non-deductible expenses, mainly impairment losses, the under-provision of taxation in the prior year and the effect of the petroleum income tax. In 2013, PETRONAS had an effective tax rate of 30.4%. The higher effective tax rate in 2014 as compared with the prior year was mainly due to higher non-deductible expenses and lower tax exempt income coupled with under-provision of taxation in the prior year.

Profit for the year.

PETRONAS' profit for the year decreased by RM17,973 million in 2014 to RM47,613 million, a 27.4% decrease over the RM65,586 million reported in 2013.

Profit for the year — Operating Segments.

Profit for the year by operating segments includes the inter-segment profit arising from transactions between the operating segments, which is adjusted and eliminated in deriving PETRONAS' consolidated profit for the year discussed above.

Profit for the year for the upstream segment decreased by RM19,786 million in 2014 to RM32,380 million, a 37.9% decrease over the RM52,166 million reported in 2013. The decrease was mainly due to impairment losses on upstream assets increasing by RM16,961 million to RM22,264 million in 2014 compared to RM5,303 million in the previous year and lower gross profit. The lower gross profit in 2014 was mainly due to higher depreciation and amortization expenses of RM21,510 million in 2014, RM1,186 million higher than the RM20,324 million incurred in 2013.

Profit for the year for the downstream segment decreased by RM2,571 million in 2014 to RM5,743 million, a 30.9% decrease from the RM8,314 million reported in 2013. The decrease was mainly due to the lower refining, petrochemical and petroleum product margins experienced as a result of downward price trends for the relevant products.

Profit for the year for the corporate and others segment increased significantly by RM3,180 million in 2014 to RM5,848 million as compared to RM2,668 million in 2013, mainly due to tax expenses in 2014 being RM991 million lower than in the prior year as a result of higher non-assessable income and revenue from the sale and rental of properties and shipping services being RM707 million higher than that reported in 2013.

Total consolidation adjustments and eliminations were RM3,642 million and RM2,438 million in 2014 and 2013, respectively.

2013 Compared to 2012

The following table presents a summary of PETRONAS' statement of profit or loss and other comprehensive income information and changes therein for 2013 and 2012.

	Year Ended December 31,		Changes	
	2012	2013	Amount	%
(in millions, except percentages)				
Revenue	RM291,226	RM317,314	RM26,088	9.0
Cost of revenue	(183,347)	(204,781)	21,434	11.7
Gross Profit	107,879	112,533	4,654	4.3
Selling and distribution expenses	(4,455)	(4,918)	463	10.4
Administration expenses ⁽¹⁾	(19,137)	(15,910)	(3,227)	(16.9)
Other expenses	(2,553)	(1,859)	(694)	(27.2)
Other income	9,335	5,767	(3,568)	(38.2)
Operating profit	91,069	95,613	4,544	5.0
Financing costs	(2,904)	(2,752)	(152)	(5.2)
Share of profits after-tax and non-controlling interests of equity accounted associates and joint ventures	1,576	1,397	(179)	(11.4)
Profit before taxation	89,741	94,258	4,517	5.0
Tax expense	(30,217)	(28,672)	(1,545)	(5.1)
Profit for the year	<u>RM59,524</u>	<u>RM65,586</u>	<u>RM6,062</u>	<u>10.2</u>

(1) Includes impairment losses for property, plant and equipment of RM4,289 million in 2013 and RM7,512 million in 2012.

Revenue.

The following table sets forth, for 2013 and 2012, the consolidated revenues of PETRONAS by operating segment and by products and services, and geographical bases and expresses each as a percentage of PETRONAS' consolidated revenue and changes therein for 2012 and 2013.

Sources of Revenue	Year Ended December 31,				Changes	
	% of Consolidated		% of Consolidated		Amount	%
	2012	Revenue	2013	Revenue		
	(in millions)		(in millions)		(in millions)	
Operating Segments:						
Upstream	RM128,195	44.0	RM147,332	46.4	RM19,137	14.9
Downstream	150,256	51.6	157,256	49.6	7,000	4.7
Corporate and others	12,775	4.4	12,726	4.0	(49)	(0.4)
Consolidated Revenue	<u>RM291,226</u>	<u>100.0</u>	<u>RM317,314</u>	<u>100.0</u>	<u>RM26,088</u>	<u>9.0</u>
Products and Services:						
Petroleum products	111,655	38.3	110,471	34.8	(1,184)	(1.1)
Crude oil and condensates	54,975	18.9	66,137	20.8	11,162	20.3
LNG	62,468	21.5	67,794	21.4	5,326	8.5
Sales and natural gas	24,604	8.4	35,014	11.1	10,410	42.3
Petrochemicals	16,162	5.5	15,299	4.8	(863)	(5.3)
Shipping services	6,118	2.1	6,147	1.9	29	0.5
Investment income	3,981	1.4	4,005	1.3	24	0.6
Others	11,263	3.9	12,447	3.9	1,184	10.5
Consolidated Revenue	<u>RM291,226</u>	<u>100.0</u>	<u>RM317,314</u>	<u>100.0</u>	<u>RM26,088</u>	<u>9.0</u>
Geographical Basis:⁽¹⁾						
Rest of Asia	94,401	32.4	107,850	34.0	13,449	14.2
Malaysia	69,234	23.8	75,615	23.8	6,381	9.2
Japan	50,855	17.5	50,094	15.8	(761)	(1.5)
South Africa	31,312	10.7	29,705	9.4	(1,607)	(5.1)
Rest of the World	45,424	15.6	54,050	17.0	8,626	19.0
Consolidated Revenue	<u>RM291,226</u>	<u>100.0</u>	<u>RM317,314</u>	<u>100.0</u>	<u>RM26,088</u>	<u>9.0</u>

(1) Geographical revenue is determined by the geographical location of customers.

Revenue — Overview.

PETRONAS' total revenue in 2013 increased by RM26,088 million to RM317,314 million, a 9.0% increase from RM291,226 million in 2012. The increase was primarily attributable to higher sales volume of PETRONAS' major product groups as a result of higher production and trading activities. The growth in revenue was further supported by a favorable U.S. dollar exchange rate against the ringgit. In 2013, the U.S. dollar averaged approximately RM3.15 against the ringgit, compared with an average of approximately RM3.09 in 2012.

Extending the trend of the previous year, the price of benchmark Brent crude oil remained above US\$100/bbl in 2013. In 2013, the price of Brent crude remained flat for most of the year before finally averaging lower when compared with 2012. PETRONAS' revenue growth was partially offset by the decrease in the benchmark price.

PETRONAS' revenue growth in 2013 was driven in part by improved operational performance. Total upstream production of crude oil and gas increased by 5.5% in 2013. A significant contributor to the increase came from international operations, including notably higher production from the Republic of South Sudan and Iraq, and higher production from unconventional assets in Canada. Domestically, higher natural gas production volume was mainly a result of enhancement programs in existing fields and new fields offshore Sarawak. In addition, LNG sales volume increased by 10.6% to 29 million MT.

Revenue — Geographical Basis.

The 9.0% increase in total revenue reported by PETRONAS in 2013 reflects mainly higher revenue from the Rest of Asia, Rest of the World and Malaysia. In 2013, Rest of Asia mainly comprised customers from China, Singapore, Korea and Taiwan. Revenue from the Rest of Asia increased by 14.2% in 2013 to RM107,850 million from RM94,401 million mainly due to higher crude oil and petroleum products sales to customers in China.

Revenue from the Rest of the World increased by 19.0% to RM54,050 million from RM45,424 million in 2012 mainly due to increased trading activities by PETRONAS' subsidiary in the United Kingdom as a result of an increase in gas storage capacity, the resumption of production in PETRONAS' Republic of South Sudan operations, as well as higher production from Iraq operations, with the full-year operations of the Halfaya field and first production achieved by the Garraf and Majnoon fields in 2013.

Revenue from Malaysia increased by 9.2% in 2013 to RM75,615 million from RM69,234 million in 2012 primarily due to higher sales of petroleum products by the PETRONAS' publicly listed subsidiary, PETRONAS Dagangan Berhad, in the commercial and retail businesses, coupled with higher processed gas sales volume, due to higher availability of processed gas with the commencement of operations of the LNG regasification terminal in Melaka in May 2013.

Revenue — Operating segments.

Revenue in the upstream segment increased in 2013 by RM19,137 million to RM147,332 million, a 14.9% increase over the RM128,195 million reported in 2012. The increase in revenue was mainly driven by an increase in oil and gas production and higher LNG sales volume compared to the previous year. In 2013, the upstream segment delivered its first hydrocarbons from 21 greenfield projects, nine of which were located overseas. Production volumes were further improved by the inclusion of production from unconventional assets in Canada, the earlier than expected resumption of production in the Republic of South Sudan and intensified production enhancement efforts both in Malaysia and internationally. Total LNG sales volume for the year was higher by 2.8 million MT, or 10.6% higher as compared to 2012, on the back of higher production volume from PLC in Bintulu, Sarawak, which reported its highest ever production of LNG in a single year at 26 million MT. Revenue from LNG sales increased by RM5,326 million to RM67,794 million in 2013, 8.5% higher than the RM62,468 million reported in 2012.

Revenue in the downstream segment increased by RM7,000 million in 2013 to RM157,256 million, a 4.7% increase over the RM150,256 million reported in 2012. The increase was primarily driven by higher crude oil and petroleum products sales volume due to stronger demand and higher level of trading activity.

The corporate and others segment's revenue decreased by RM49 million in 2013 to RM12,726 million, compared to RM12,775 million reported in 2012.

Cost of revenue.

Cost of revenue increased by RM21,434 million in 2013 to RM204,781 million, an 11.7% increase over the RM183,347 million incurred in 2012. The increase in cost of revenue is due to higher product purchase and production cost driven by higher sales and production volume as discussed above. In addition, in 2013 PETRONAS incurred higher amortization expense, which increased by RM1,464 million to RM2,496 million from RM1,032 million in the prior year, mainly from its Iraq operations; and higher depreciation, which increased by RM1,540 million to RM22,880 million in 2013, 7.2% higher than the RM21,340 million incurred in the prior year, in line with higher capital expenditures.

Gross profit and gross profit margin.

PETRONAS' gross profit increased by RM4,654 million in 2013 to RM112,533 million, a 4.3% increase over the RM107,879 million reported in 2012. Gross profit margin in 2013 was lower at 35.5%, compared to 37.0% in 2012, primarily because lower average Brent crude oil prices in 2013 were not matched by similar declines in the capital and service costs.

Selling and distribution expenses.

Selling and distribution expenses increased by RM463 million in 2013 to RM4,918 million, a 10.4% increase over the RM4,455 million incurred in 2012. The increase was largely in line with the increase in PETRONAS' oil and gas trading activities, which resulted in higher transportation expenses.

Administration expenses.

PETRONAS' administration expenses decreased by RM3,227 million in 2013 to RM15,910 million, a 16.9% decrease from the RM19,137 million incurred in 2012. The decrease was due mainly to lower net impairment losses on property, plant and equipment, which decreased by RM3,223 million to RM4,289 million in 2013 from RM7,512 million in 2012, when there were significant impairment losses on our assets in Egypt.

Other expenses.

Other expenses in 2013 decreased by RM694 million to RM1,859 million, a 27.2% decrease over the RM2,553 million incurred in 2012. In 2012, we recognized provisions for the decommissioning of one of our petrochemical plants amounting to RM375 million.

Other income.

Other income decreased by RM3,568 million in 2013 to RM5,767 million, a 38.2% decrease from the RM9,335 million recognized in 2012. The decrease was mainly due to lower write-back of provisions for dismantlement, removal or restoration of property, plant and equipment in 2013 compared to 2012. In addition, in 2012 there were gains from the disposal of investments of RM1,580 million, primarily in Australia and the U.K. as compared to RM288 million reported in 2013.

Other components included in other income in 2013 mainly comprise gain on disposal of property, plant and equipment and associates of RM1,039 million in 2013 as compared to RM286 million in 2012; interest income of RM373 million in 2013 as compared to RM470 million in 2012; rental income on land and buildings of RM447 million in 2013 as compared to RM292 million in 2012. In 2013 other income did not include any net gain on foreign exchange while in 2012 this amounted to RM107 million.

Operating profit.

As a result of the factors discussed above, PETRONAS' operating profit in 2013 increased by RM4,544 million to RM95,613 million, a 5.0% increase over the RM91,069 million reported in 2012.

Financing costs.

Financing costs in 2013 decreased by RM152 million to RM2,752 million in 2013, a 5.2% decrease from the RM2,904 million incurred in 2012.

Share of profits after-tax and non-controlling interests of equity accounted associates and joint ventures.

In 2013 share of profits after-tax and non-controlling interests of equity accounted associates and joint ventures decreased by RM179 million to RM1,397 million, 11.4% lower than the RM1,576 million reported in 2012, mainly due to lower petrochemical product margins as a result of softening market demand and lower income from upstream associates as a result of lower oil and gas production.

Profit before taxation.

PETRONAS' profit before taxation increased by RM4,517 million in 2013 to RM94,258 million, a 5.0% increase over the RM89,741 million reported in 2012.

Tax expense.

In 2013, PETRONAS' tax expense decreased by RM1,545 million to RM28,672 million, a 5.1% decrease from the RM30,217 million incurred in 2012. PETRONAS had an effective tax rate of 30.4% in 2013, higher than the Malaysian statutory rate of 25.0% partially attributable to the effect of the petroleum income tax and non-deductible expenses, while these factors were offset in part by the effects of tax-exempt income and tax incentives. In 2012, PETRONAS had an effective tax rate of 33.7%. The lower effective tax rate in 2013 was mainly due to lower chargeable petroleum income in 2013 and higher non-deductible expenses incurred in 2012.

Profit for the year.

PETRONAS' profit for the year increased by RM6,062 million in 2013 to RM65,586 million, a 10.2% increase over the RM59,524 million recorded in 2012.

Profit for the year — Operating Segments.

Profit for the year by operating segments included the inter-segment profit arising from transactions between the operating segments, which was adjusted and eliminated in deriving PETRONAS' consolidated profit for the year discussed above.

Profit for the year for the upstream segment increased by RM8,070 million in 2013 to RM52,166 million, an 18.3% increase over the RM44,096 million reported in 2012, mainly due to higher revenue as described above. In addition, the upstream segment reported lower net impairment losses on property, plant and equipment on upstream assets, which declined by RM4,936 million to RM5,303 million in 2013 compared to RM10,239 million in the prior year.

Profit for the year for the downstream segment increased slightly by RM53 million in 2013 to RM8,314 million, 0.6% higher than the RM8,261 million reported in 2012, despite a 4.7% increase in revenue as described above because of lower margins for refining, petroleum products trading and petrochemical product sales.

Profit for the year for the corporate and others segment decreased by RM2,245 million in 2013 to RM2,668 million, a 45.7% decrease from the RM4,913 million reported in 2012. The decrease was mainly due to a net foreign exchange loss in 2013 of RM1,015 million compared to a net foreign exchange gain of RM221 million in 2012, due mainly to a loss on translation of borrowings in currencies other than ringgit.

Total consolidation adjustments and eliminations were RM2,438 million and RM2,254 million in 2013 and 2012, respectively.

Liquidity and Capital Resources

PETRONAS financed its total funding requirements during the three years ended December 31, 2014—including capital expenditures, satisfaction of debt obligations, investments, taxes, other working capital requirements, dividends and other cash outlays—primarily with funds generated from operations. PETRONAS met the balance of its funding requirements primarily through external borrowings.

Cash flows from operating activities increased 13.9% to RM103,599 million in 2014 from RM90,965 million in 2013, which in turn represented an increase of 16.5% from RM78,069 million in 2012. The increase in 2014 was primarily attributable to higher cash receipts from customers of RM329,840 million in 2014, compared with RM308,423 million in the prior year, in line with higher revenue, as well as a decrease in taxes paid to RM34,292 million in 2014, compared with RM38,772 million in the prior year, due to lower petroleum income in 2014 as compared with the prior year. This increase was offset in part by an increase in cash paid to suppliers and employees to RM193,826 million in 2014, compared with RM179,393 million in the prior year. The increase in 2013 was primarily attributable to higher cash receipts from customers of RM308,423 million in 2013, compared with RM282,568 million in the prior year, in line with higher revenues as well as a decrease in taxes paid to RM38,772 million in 2013 compared with RM41,164 million in the prior year due to higher petroleum income as compared to the prior year and the change in PETRONAS' financial year-end from March 31 to December 31 effective from 2011. This change in financial year-end resulted in a 21-month basis period for PETRONAS' 2012 year of assessment (April 1, 2011 to December 31, 2012) compared to a 12-month basis period for the 2013 year of assessment (January 1, 2013 to December 31, 2013).

At December 31, 2014, PETRONAS' cash and cash equivalents and fund investments totaled RM124,755 million, of which RM108,262 million were bank deposits, primarily in ringgit in first-tier banks in Malaysia. Fund investments consist of investments in quoted shares and securities inside and outside Malaysia and Malaysian Government Securities. They do not include long-term quoted shares, long-term securities or unquoted short-term securities, which are likely to be less liquid. At December 31, 2013, total cash and cash equivalents and fund investments stood at RM129,714 million. The decrease of RM4,959 million from 2013 to 2014 resulted primarily from net cash utilized to meet capital investment requirements.

At December 31, 2014, PETRONAS' other investments, consisting of long-term quoted and unquoted shares, other unquoted securities, corporate private debt securities and short-term marketable securities, totaled RM11,440 million, compared to RM11,190 million at December 31, 2013. See notes 15 (Cash and Cash Equivalents) and 12 (Fund and Other Investments) 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 debts amounted to RM36,834 million, RM41,846 million and RM40,737 million at December 31, 2014, 2013 and 2012, respectively. At December 31, 2014, PETRONAS' total debt represented 6.9% of its total assets. The decrease in total debt in 2014 was due primarily to the settlement of U.S. dollar-denominated sukuk securities by PETRONAS and ringgit-denominated sukuk securities of its subsidiary KLCC Holdings. 72.2% of PETRONAS' total outstanding debt at December 31, 2014 was denominated in U.S. dollars, with the remainder denominated in ringgit (16.8%), euro (5.1%), pounds sterling (4.4%) and other currencies (1.5%). At December 31, 2014, 88.1% of PETRONAS' total debt were fixed-rate obligations, with the remainder being floating-rate obligations. For a discussion of the various interest rates applicable to each facility, see note 22 (Borrowings), note 23 (Islamic Financing Facilities) and note 41 (Financial Instruments) to the financial statements included elsewhere in this Offering Circular. As at December 31, 2014, more than half of PETRONAS' borrowings are scheduled to mature within five years.

The following table sets forth information with regard to PETRONAS' total contractual cash flows from debt obligations, by currency, at December 31, 2014:

Total Contractual Cash Flows

From Debt Obligations⁽¹⁾	2015	2016	2017 - 2019	Thereafter	Total
	(RM millions)				
USD.....	4,393	1,967	18,691	8,481	33,532
RM	2,147	1,033	1,967	2,088	7,235
Euro.....	64	27	1,888	1	1,980
GBP.....	1,299	10	—	334	1,643
ZAR.....	76	5	10	10	101
CAD	157	—	—	—	157
Other.....	258	36	56	1	351
Total	<u>8,394</u>	<u>3,078</u>	<u>22,612</u>	<u>10,915</u>	<u>44,999</u>

(1) Includes contractual principal and interest payments.

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 borrow additional funds, enter into loan agreements or issue new debt securities. 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 22 (Borrowings) to the financial statements included elsewhere in this Offering Circular.

Dividends

PETRONAS declared dividends of RM27,000 million in respect of the year ended December 31, 2012, RM27,000 million in respect of the year ended December 31, 2013 and RM28,000 million in respect of the year ended December 31, 2014, out of which RM2,000 million was paid in 2014. The Board of Directors of PETRONAS recommends the level of dividends to its shareholders.

Contractual Obligations

The following table summarizes our contractual obligations as at December 31, 2014.

Contractual Obligations⁽¹⁾	Less than 1 year	Between 1 to 5 years	More than 5 years	Total
	(RM millions)			
Capital Commitments ⁽²⁾	47,582	51,540	703	99,825
Long-Term Debt Obligations	8,394	25,690	10,915	44,999
Operating Lease Obligations	1,525	3,334	609	5,468
Other Long-Term Liabilities.....	269	1,077	1,615	2,961
Total	<u>57,770</u>	<u>81,641</u>	<u>13,842</u>	<u>153,253</u>

(1) Includes related contractual interest obligations.

(2) Represents capital commitments that have been approved and contracted for.

Capital Expenditures

The following table provides historical information regarding capital expenditures.

	Year Ended December 31,			% Change	
	2012	2013	2014	2012/2013	2013/2014
	(in millions)				
Capital Expenditures	RM44,991	RM56,555	RM64,648	25.7%	14.3%

PETRONAS' capital expenditures relate mainly to its upstream and downstream business. The increase in PETRONAS' capital expenditures in 2014 was primarily attributable to expenditures related to the RAPID project and two FLNG projects. The increase in 2013 was mainly attributable to upstream investments, particularly in Canada and Turkmenistan, and the ninth LNG train project at Bintulu, Sarawak and downstream investments in an ammonia and urea project in Sabah.

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 December 31, 2014.

Capital Commitments	As at December 31, 2014
	(in millions)
Approved and contracted for	RM99,825
Approved but not contracted for	<u>RM71,248</u>
Total	<u><u>RM171,073</u></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 December 31, 2014 primarily include oil and gas field developments by the upstream business and purchases for the RAPID project and for two FLNG projects. See "*Business—Upstream Business*," "*—Downstream Business*" and Note 36 (Commitments) to the financial statements included elsewhere in this Offering Circular.

PETRONAS has total approved capital expenditures of RM69,925 million for 2015, including those that have been committed and contracted for and those that have not been committed and contracted for. 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 concurrent offering of notes guaranteed by PETRONAS.

Risk Management

As an integrated oil and gas company, PETRONAS is exposed to various risks that are particular to its upstream and downstream businesses and its operating environment. PETRONAS has in place an ongoing process for managing significant risks affecting the achievement of its business objectives which includes identifying, evaluating, managing and monitoring these risks.

Risk management and its ongoing improvement in strengthening the quantification, review and monitoring of all significant risk areas (including credit, market, project, country, plant and facilities, operations, health, safety, environment and information and communication technology) remain a key focus of the Board of Directors in building a successful and sustainable business.

The Board Governance and Risk Committee (“**BGRC**”) has been established in PETRONAS to provide, among others, oversight and in-depth discussion on risk management matters at the board level. BGRC reviews policies, practices and principal risks and oversees the adequacy and effectiveness of the risk management system to monitor and manage risks in PETRONAS. A Risk Management Committee (“**RMC**”) is in place to serve as a central platform to assist the management in identifying principal risks at the enterprise level and providing assurance on the effective implementation of risk management practices with guidance and directions from the PETRONAS Executive Committee and BGRC. The RMC also promotes sound risk management practices through sharing of information and best practices to enhance the risk culture across PETRONAS.

Enterprise risks are managed on an integrated basis and their evaluation is incorporated into the PETRONAS decision-making process, such as strategic planning and project feasibility studies. Separate risk management units or functions also exist within PETRONAS at various operating unit levels, particularly for its listed subsidiaries, to assess and evaluate the risk management processes for reporting to their respective board and management levels.

PETRONAS adopts hedging as a risk management strategy to provide greater predictability of financial results and to mitigate downside risk or the negative impact of movements in financial risk factors to the entity’s key financial performance, such as operational cash flow, revenue, margin and profitability. Hedging strategy is considered for underlying exposures (such as foreign exchange risk, interest rate risk or price risk) that are firm and committed, as well as underlying exposures that are highly probable or anticipated. Decisions to hedge may differ from entity to entity based on each entity’s strategic objectives and risk appetite toward the underlying exposures. PETRONAS relies on natural hedges arising through its business transactions and on the use of approved financial derivatives, namely forwards and swap contracts. PETRONAS ensures that adequate internal governance and operational risk controls are in place for the proper authorization, execution, monitoring and reporting of the hedging strategy and the use of derivatives by entities within PETRONAS, in addition to compliance with pertinent governing regulations and laws. PETRONAS does not engage in speculative derivative activities or derivative trading activities.

Counterparty Credit Risk. Counterparty credit risk includes risks relating to counterparties (including financial institutions, corporates, customers and contractors, including PSC Contractors) failing to perform contractual or financial obligations and risks of defaults on deposits, due to circumstances such as bankruptcy, financial constraints or political restrictions. PETRONAS has established the PETRONAS Credit Risk Rating System (“**PCRRS**”), which enables the review of existing counterparties’ risk and an assessment of the riskiness of potential counterparties, using a standardized basis and approach across the organization. Using PCRRS, every counterparty is given a risk rating 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 results from changes in the commodity markets, as well as from changes in interest rates and in foreign exchange markets. PETRONAS VaR as one of its main market risk measurement tools. 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.

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 is 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 has established the Country Risk Management Framework and Guideline as the foundation for the establishment of a country risk management approach across the organization. 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 before and after entering a country and for preparedness during a crisis.

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 (“**PFRM**”) addresses risks to plants and facilities operations and aims to provide a framework and risk assessment guidelines to promote effective risk management practices and stewardship at the plants and facilities and also at the business level. The PFRM system compliance is conducted through the Integrated Plant Operations Capability System self-assessments and verifications.

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 & Environment Risk. HSE governance for PETRONAS is guided by the group HSE Policy and supported by the PETRONAS HSE MCF. The MCF includes clear requirements on operational safety, environment and health for consistent and effective group-wide implementation. A risk-based group HSE assurance program is carried out to provide independent assurance on the adequacy and effectiveness of HSE controls and compliance to HSE regulatory requirements, wherever we operate.

Group HSE Assurance reports are presented to the Audit Committee of PETRONAS’ Board on a regular basis. Group HSE and sustainable development performance is monitored and reported to the PETRONAS Board for oversight.

Information and Communication Technology (“ICT”) Risk. Information security for PETRONAS is governed by the PETRONAS Information Security Policies and Baselines, which is supplemented by the Enforce Information Security initiative to protect PETRONAS’ digital information. For external threats, group ICT continuously monitors external cyber security threats and incidents and has appropriate mitigation plans in place. Scheduled drills and exercises are conducted annually to ensure readiness in the event of activation of business continuity plans.

Group ICT also has in place a Disaster Recovery Plan (“**DRP**”) for identified critical business applications located at the primary data center. The DRP is reviewed periodically to include newly identified critical business applications and tested annually to ensure its readiness and reliability.

BUSINESS

OVERVIEW

PETRONAS is a leading multinational oil and gas company with operations in over 65 countries. Established in 1974 under the Malaysian Companies Act, 1965, PETRONAS is wholly-owned by the Government of Malaysia; its powers are derived 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.*” As at January 1, 2015, Malaysia had discovered resources of approximately 23.2 bboe comprising 6.0 billion barrels of crude oil (including condensates) and 103.9 trillion standard cubic feet of natural gas.

PETRONAS is a fully integrated oil and gas company engaged in a broad spectrum of upstream and downstream oil and gas, LNG and petrochemical operations. PETRONAS conducts its operations directly and through its subsidiaries and associated companies. In April 2014, it completed its CEP, which involved a reorganization of PETRONAS’ businesses resulting in (i) the demarcation of its international and regional upstream operations; (ii) a realignment of its upstream and downstream businesses through the integration of its exploration and production operations and its sales of natural gas products and LNG — formerly within its downstream gas and power business — into a single upstream business unit; and (iii) the streamlining and optimization of corporate functions and reporting lines.

- *Upstream business.* PETRONAS’ upstream business includes the exploration, development and production of crude oil and natural gas in Malaysia and overseas (including unconventional resources), the liquefaction, sale and trading of LNG domestically and internationally and the sale of natural gas products in Malaysia and selected international markets.
- *Downstream business.* PETRONAS’ downstream business includes refining and marketing petroleum products, manufacturing and selling petrochemical products, and trading crude oil, petroleum products and petrochemical products. The downstream segment also includes infrastructure such as that used in the processing and transmission of natural gas and LNG regasification, power production and other utilities and technical and engineering services for PETRONAS’ own operations.
- *Logistics and maritime business.* PETRONAS’ corporate and other business primarily consists of its interest in MISC, a leading international maritime company in Malaysia with a primary focus on energy transportation and logistics including that used in the transportation of LNG, crude oil, petroleum products and petrochemical products in support of PETRONAS’ own marketing and trading activities.

For the years ended December 31, 2012, 2013 and 2014, PETRONAS had consolidated revenues of RM291,226 million, RM317,314 million and RM329,148 million, respectively, and consolidated net profit attributable to shareholders of PETRONAS of RM49,922 million, RM54,114 million and RM37,038 million, respectively.

UPSTREAM BUSINESS

EXPLORATION AND PRODUCTION

Discovered Resources

As at January 1, 2015, PETRONAS had 33.2 billion barrels of oil equivalent (bboe) of discovered resources with a three-year average overall resources replenishment ratio of 3.12 times. At

2014 production levels, PETRONAS estimates that these discovered resources will last approximately 42 years. PETRONAS' discovered resources consist of both domestic and international discovered resources. For information relating to how PETRONAS calculates its domestic and international reserves, see "*Presentation of Financial Information and Other Data.*"

The following table sets forth PETRONAS' domestic and international discovered resources as at January 1 for each of the years from 2012 through 2015:

PETRONAS' Discovered Resources (bboe)	As at January 1,			
	2012 ⁽¹⁾	2013	2014	2015
Domestic ⁽²⁾ Reserves (2P)	10.5	10.3	10.4	10.8
Contingent Resources (2C)	10.8	11.9	12.2	12.4
Total	21.3	22.2	22.6	23.2
International ⁽³⁾ Reserves (2P)	2.9	3.2	3.4	3.9
Contingent Resources (2C)	4.1	7.2	6.8	6.1
Total	7.0	10.4	10.2	10.0
Total	28.3	32.6	32.8	33.2
Reserves (2P)	13.4	13.5	13.8	14.7
Contingent Resources (2C)	14.9	19.1	19.0	18.5

- (1) PETRONAS' method of reporting reserves and resources changed in 2011. For a description of PETRONAS' method of calculating reserves and resources, see "*Presentation of Financial Information and Other Data—Oil and Gas Reserves.*"
- (2) Total Malaysian discovered resources.
- (3) Reflects PETRONAS' equity interest in international discovered resources.

Domestic

As at January 1, 2015, Malaysia had 23.2 bboe of discovered resources with a three-year average overall resources replenishment ratio of 2.07 times. At 2014 production levels, PETRONAS estimates that these discovered resources will last approximately 38 years.

The following table sets forth Malaysia's discovered resources as at January 1 for each of the years from 2012 through 2015:

Malaysia's Discovered Resources (bboe)	As at January 1,			
	2012	2013	2014	2015
Natural Gas Reserves (2P)	6.8	6.6	6.6	7.2
Contingent Resources (2C)	8.6	9.8	10.2	10.0
Total	15.4	16.4	16.8	17.2
Crude Oil and Condensate Reserves (2P)	3.7	3.7	3.8	3.6
Contingent Resources (2C)	2.2	2.1	2.0	2.4
Total	5.9	5.8	5.8	6.0
Total	21.3	22.2	22.6	23.2
Reserves (2P)	10.5	10.3	10.4	10.8
Contingent Resources (2C)	10.8	11.9	12.2	12.4

The following table sets forth Malaysia's crude oil and condensate discovered resources as at January 1 for each of the years from 2012 through 2015:

Crude Oil and Condensate Discovered Resources (bstb)	As at January 1,			
	2012	2013	2014	2015
Sabah Reserves (2P)	1.3	1.3	1.2	1.1
Contingent Resources (2C)	0.6	0.7	0.7	0.8
Sarawak Reserves (2P)	0.8	0.8	1.0	1.0
Contingent Resources (2C)	0.8	0.7	0.6	0.7
Peninsular				
Malaysia Reserves (2P)	1.6	1.6	1.6	1.5
Contingent Resources (2C)	0.8	0.7	0.7	0.9
Total	5.9	5.8	5.8	6.0
Reserves (2P)	3.7	3.7	3.8	3.6
Contingent Resources (2C)	2.2	2.1	2.0	2.4

International

As a result of its targeted and disciplined international expansion strategy, as at January 1, 2015, PETRONAS had estimated international discovered resources of 10.0 bboe. PETRONAS estimates that at the 2014 production level of approximately 568 thousand barrels of oil equivalent per day (kboed), these discovered resources will last for approximately 48 years. PETRONAS' international resources includes its share of the resources 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 country holding a 50% interest. For PETRONAS' international operations, data for the discovered resources estimates are generally obtained from the operator of the production consortium or from the host country. See "*—Exploration and Production—International E&P Operations.*"

The following table sets forth PETRONAS' working interest in international discovered resources as at January 1 for each of the years from 2012 through 2015:

PETRONAS' International Discovered Resources (bboe)	As at January 1,			
	2012	2013	2014	2015
Crude Oil and				
Condensate Reserves (2P)	1.1	1.3	0.7	0.6
Contingent Resources (2C)	1.7	1.2	1.1	0.9
Natural Gas Reserves (2P)	1.6	1.2	1.2	0.9
Contingent Resources (2C)	2.3	2.3	2.0	2.1
Unconventional . . . Reserves (2P)	0.2	0.7	1.5	2.4
Contingent Resources (2C)	0.1	3.7	3.7	3.1
Total	7.0	10.4	10.2	10.0
Reserves (2P)	2.9	3.2	3.4	3.9
Contingent Resources (2C)	4.1	7.2	6.8	6.1

Domestic E&P Operations

PETRONAS is actively engaged in the exploration, development and production of oil and gas in Malaysia. As at December 31, 2014, Malaysia had 614,584 square kilometers of land and seabed available for oil and gas exploration, of which 332,815 square kilometers were covered by production-sharing and risk service contracts. PETRONAS has over 100 active production-sharing contracts in Malaysia, and has awarded a total of 27 new production-sharing contracts from 2012 to 2014 in support of its continued focus on domestic exploration. During this period, PETRONAS made more than 50 discoveries within Malaysian waters, including major discoveries offshore Sarawak, which have resulted in additional resources of 3.72 billion boe.

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 Peninsular Malaysia, Sabah and Sarawak. As at December 31, 2014, cumulative exploration activities in the continental shelf had resulted in discovery of 178 oil fields and 299 gas fields.

As production from existing fields continues to mature, PETRONAS has become increasingly focused on sustaining future national production by developing Malaysia's oil and gas resources located in geologically more complex, riskier and higher-cost acreages including deepwater blocks, high pressure high temperature (HPHT) formations and acreages with high CO₂. Malaysia's deeper offshore areas, defined as those with water depths of 200 meters or more, have been opened to oil and gas exploration beginning in 1995 and, as at December 31, 2014, PETRONAS had awarded 25 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 2008, followed by the Gumusut-Kakap field in 2012 and most recently the Keabangan field in 2014.

In addition, PETRONAS is pioneering innovative solutions such as Enhanced Oil Recovery (EOR), Improved Gas Recovery (IGR) and Improved Oil Recovery (IOR), small field development and intensified exploration activities. As at December 31, 2014, PETRONAS had awarded two EOR production-sharing contracts and in 2014 sanctioned 22 EOR, IOR and IGR projects with major oil and gas operators such as Shell, Talisman, Murphy, SapuraKencana, ExxonMobil and PETRONAS Carigali.

Production-Sharing Contracts (PSCs)

PETRONAS typically carries out its exploration, development and production activities in Malaysia through production-sharing contracts with PSC Contractors, including a number of international oil and gas companies and its wholly-owned subsidiary, PETRONAS Carigali. By using 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 under these arrangements.

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 relevant 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. One exception to this structure is for contracts with PETRONAS Carigali, which has a carried interest during the exploration phase in most of its production-sharing contracts signed with PETRONAS after 1985, as further described below. As in most international production-sharing contracts, PETRONAS' PSC Contractors are 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 contracted area, after

deduction of cash payments to governments, 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 their 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. The value of those assets is not reflected on the balance sheet of PETRONAS.

As at December 31, 2014, PETRONAS had 101 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. The PSC Contractors exploring for oil and gas in Malaysian waters include ExxonMobil Exploration and Production Malaysia Inc. (“**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, BHP Billiton Limited, Petrofac Limited (“**Petrofac**”), SapuraKencana Energy Inc. (previously known as Newfield Inc.) (“**SKE**”), 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, SKE and Nippon Oil, as well as joint operating companies formed by two or more PSC Contractors, such as PCPP Operating Company Sdn. Bhd. and Kebangsaan Petroleum Operating Company Sdn. Bhd.

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 under these contracts 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 and its wholly-owned subsidiary participate 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 three 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 four 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 up to 20 years for shallow water blocks and up to 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.

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 made 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. As at December 31, 2014, 59 revenue-over-cost production-sharing contracts were in effect with 17 oil and gas operators.

To spur further growth in its brown field resources, PETRONAS developed and implemented the concept of progressive volume base production-sharing contract in 2012. This type of production-sharing contract addresses the current challenges of developing brown field resources, which include maturing oil resources, declining levels of oil production, higher costs and higher subsurface risks. This production-sharing contract also adopts a progressive profit sharing model based on cumulative volume to incentivize PSC Contractors to pursue further upsides in matured fields. Under this type of production-sharing contract, no threshold limit is set by PETRONAS for oil exploration and production, enabling PSC Contractors to earn higher profits as the hydrocarbon production increases. As at December 31, 2014, two progressive volume base production-sharing contracts were in effect with two oil and gas operators.

The following table summarizes the evolution of the basic terms of PETRONAS' production-sharing contracts:

Allocations ⁽¹⁾	1985 PSC (Shallow Water Blocks)	Deep Water Blocks ⁽²⁾	Revenue Over Cost (R/C) ⁽³⁾ and Progressive Volume Based ⁽⁴⁾
Cash payment (% of gross production)	10%	10%	10%
Cost oil (% of gross production)	50%	70% to 75%	Maximum 80%
Cost gas (% of production available for sale)	60%	60%	Maximum 80%
Profit oil and gas (range depending upon volume of production):			
Oil	Maximum 50%	Maximum 86%	Maximum 90%
Gas	Maximum 50%	Maximum 60%	Maximum 90%

- (1) Allocation percentage refers to PSC Contractor's entitlement of cost oil and gas and profit oil and gas.
(2) Applicable for deepwater areas with water depth of 200 meters and above.
(3) Includes "High Temperature High Pressure" production contract for operationally challenging conditions of extreme pressure and high temperature deep reservoirs. Contractor profitability is based on revenue-over-cost index.
(4) Contractor's profit share progressively increases based on cumulative volume.

Small Field Risk Service Contracts

PETRONAS also carries out the exploitation of petroleum resources using small field risk service contracts. These contracts were introduced by PETRONAS in 2011 to attract cost effective technical solutions from niche small field players with the capability and technology to unlock the potential of PETRONAS' small field resources. The small field risk service contract model shares commercial and technical risks, with PETRONAS assuming the role of project owner and contractors operating as service providers with an equity stake in the small field risk service contract. These contractors incur all upfront costs and are then reimbursed upon first commercial production and throughout the duration of the contract. Contractors under small field risk service contracts are also entitled to remuneration fees commensurate with their performance under the contract. This new type of contractual arrangement has facilitated direct participation of Malaysian companies in the country's upstream oil and gas activities, which has enabled PETRONAS to leverage its existing capacity while at the same time fast-tracking its capability in development and production in a structured manner.

PETRONAS further benefits from the small field risk service contract model because it owns all exploration and production data and all the other assets acquired and used by the contractors in the performance of the risk service contracts. Although PETRONAS owns this data and such other assets, the small field RSC Contractors have the right to use the assets for the duration of the risk service contracts.

As at December 31, 2014, PETRONAS had awarded a total of six small field risk service contracts. The first of these contracts was awarded in 2011 in relation to the development and production of the Berantai field, offshore Peninsular Malaysia. The field is operated by Petrofac Energy Developments Sdn. Bhd., which has a 50% interest, supported by two local partners, Kencana Energy Sdn. Bhd. and Sapura Energy Ventures Sdn. Bhd., who own the remaining 50% interest in equal proportions. Other small field risk service contracts awarded by PETRONAS as at December 31, 2014 included the contract awarded to BC Petroleum Sdn. Bhd., a joint venture company comprising of ROC Oil Malaysia (Holdings) Sdn. Bhd., Dialog Group Bhd. and PETRONAS Carigali Sdn. Bhd., in 2011 in relation to the Balai-Bentara cluster offshore Sarawak; the contract awarded to Coastal Energy KBM Sdn. Bhd. in 2012 in relation to the Kapal, Banang and Meranti cluster; the contract awarded to Vestigo Petroleum Sdn. Bhd. in 2014 in relation to the Tembikai-Chenang cluster; the contract awarded to EQ Petroleum Developments Malaysia Sdn. Bhd. and Uzma Energy Venture

(Sarawak) Sdn. Bhd. in 2014 in relation to the Tanjung Baram field; and the contract awarded to Ophir Production Sdn. Bhd., a joint venture company between Octanex Pte Ltd, Scomi D&P Sdn. Bhd., and Vestigo Petroleum Sdn. Bhd., also in 2014 in relation to the Ophir field. Vestigo Petroleum Sdn. Bhd. is a subsidiary of PETRONAS established in 2013 for the purposes of accelerating the development of small, marginal and mature fields in Malaysia and abroad.

Exploration and Development

PETRONAS currently focuses its natural gas development activities in Malaysia on the development of North Malay Basin and Damar in Peninsular Malaysia and NC3, F14 and Laila in Sarawak. In addition, PETRONAS is constructing major gas facilities such as the Dalak Pipeline in Sabah and the Evacuation North Malay Basin Integrated Gas Delivery pipeline in Peninsular Malaysia, and commissioning is in progress for projects such as the Sabah-Sarawak Gas Pipeline and the Terengganu Gas Terminal.

PETRONAS currently focuses its oil field development activities in Malaysia on the development of Tapis EOR and Cendor Phase 2 in Peninsular Malaysia; Greater D18 in Sarawak; Malikai and Siakap North - Petai, Tembungo EMP, Samarang Redev Phase 2 Infill, Sumandak Tepi Infill and Zuhai East and Gumusut-Kakap in Sabah.

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 years in the three-year period ended December 31, 2014:

	Year ended December 31,		
	2012	2013	2014
Seismic data acquisition (line km): ⁽¹⁾			
2D	6,735	5,618	12,329
3D	908,554	1,856,044	524,826
Wells: ⁽²⁾			
Exploration	29	27	34
Appraisal	12	10	8
Development ⁽³⁾	122	76	83
Exploration, development and production investment (in RM millions) ⁽⁴⁾	40,482	38,894	51,041

- (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) 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.
- (3) Inclusive of workover wells.
- (4) For the year ended December 31, 2014, the figure is based on PSC accrual accounts.

Production

Natural Gas. As at December 31, 2014, PETRONAS had 66 producing gas fields. In the year ended December 31, 2014, Malaysia's natural gas production was approximately 2,311 bscf (net of flaring, venting and reinjection). PETRONAS expects natural gas production in Malaysia to increase as a result of the development of PETRONAS' LNG business and the increase in electric power sector demand.

In the year ended December 31, 2014, 96% of the natural gas produced in Malaysia was sold in domestic and international markets. PETRONAS uses its share of gas production for processing, liquefaction and sale in the domestic market and overseas. The remaining gas is re-injected or used for production operations, and the balance is flared. PETRONAS also purchases gas produced by the PSC Contractors for these 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 years in the three-year period ended December 31, 2014:

Natural Gas ⁽¹⁾	Year Ended December 31,		
	2012	2013	2014
	(in bscf, except percentages)		
Total production in Malaysia	2,198	2,289	2,311
PETRONAS' share of production ⁽²⁾	1,620	1,739	1,763
PETRONAS' percentage share of production ⁽²⁾	74%	76%	76%

(1) Deemed as feed gas sales, i.e., net of flaring, venting and reinjection.

(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 cash payment for gas sold by PETRONAS on behalf of the Government of Malaysia.

Oil. As at December 31, 2014, PETRONAS had 90 producing oil fields in Malaysia. These oil fields produce 20 blends of crude oil: Abu, Angsi, Anjung, Asam Paya, Balai, Berantai, Bintulu, Bunga Kekwa, Bunga Orkid, Cendor, Dulang, Kapal, Kidurong, Kikeh, Kimanis, Labuan, Miri Light, Penara, Sepat and Tapis. All of these blends are of high quality and generally command a premium price over the benchmark Brent crudes in the global oil market.

In the year ended December 31, 2014, Malaysia's crude oil and condensates production was approximately 220 mmbbl, a slight increase from the production of 210 mmbbl in the year ended December 31, 2013. 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 year ended December 31, 2014, 61 mmbbl were exported and 87 mmbbl were processed at PETRONAS' refineries in Melaka and Kertih and the remainder was held in inventory.

The following table sets forth Malaysia's crude oil production and PETRONAS' share of such production for each of the years in the three-year period ended December 31, 2014:

Oil ⁽¹⁾	Year Ended December 31,		
	2012	2013	2014
	(in mmbbl, except percentages)		
Total production in Malaysia	214	210	220
PETRONAS' share of production ⁽²⁾	154	147	151
PETRONAS' percentage share of production ⁽²⁾	72%	70%	69%

(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 oil 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 this 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 E&P Operations

PETRONAS has leveraged upon the extensive operational capabilities it has developed in Malaysia to expand internationally starting in the early 1990s and now augments its domestic reserves through its exploration, development and production activities outside Malaysia. PETRONAS conducts these activities primarily through PETRONAS Carigali Overseas Sdn. Bhd. (“**PCOSB**”), a wholly-owned subsidiary of PETRONAS Carigali, as well as through PETRONAS International Corporation Ltd (“**PICL**”), a wholly-owned subsidiary of PETRONAS. PETRONAS’ international discovered resources of crude oil and gas as a share of PETRONAS’ total discovered resources increased from 24.7% as at January 1, 2012 to 30.1% as at January 1, 2015. As at December 31, 2014, PETRONAS, through its wholly-owned subsidiaries, participated in 53 international ventures in 24 countries.

In several international production-sharing contracts or concessions, PETRONAS, through its subsidiaries, is the sole contractor, while in other contracts PETRONAS, through its subsidiaries, is a member of a consortium of the 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.

The following table sets forth PETRONAS’ equity share of international natural gas and crude oil production (excluding Malaysia) for each of the years in the three-year period ended December 31, 2014:

	<u>Year Ended December 31,</u>		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Natural Gas (in bscf)			
PETRONAS’ equity share of production	645.6	694.2	663.6
Crude Oil (in mmbbl)			
PETRONAS’ equity share of production	49.0	70.4	96.7

Principal and Strategic Areas of E&P Operations. PETRONAS derives substantial benefit from the breadth and scale of its international operations and considers several areas to be of strategic importance to its E&P business. PETRONAS currently has conventional E&P operations in several principal regions where it believes that it enjoys significant competitive advantages, namely Asia (in Indonesia, Myanmar and MTJDA), Sudan, South Sudan and Turkmenistan. The Caspian region in Central Asia has become an increasingly important component of PETRONAS’ E&P activities in recent years through its exploration, development and production activities in Turkmenistan and its pending acquisition of a 15.5% interest in the Shah Deniz gas and condensate project in Azerbaijan.

PETRONAS is committed to continuing to leverage on existing synergies and to realize further potential in a number of additional strategic regions of E&P operations, both in conventional and unconventional oil and gas, including in Africa, the Middle East and Latin America. Within the unconventional space, through activities in Canada, Australia and China, PETRONAS is accelerating exploration, development and production in shale oil and gas, tight reservoirs and other unconventional resources. Unconventional resources such as gas shale, and oil sand, as well as resources such as geothermal and uranium resources are now increasing targets of exploration and development, and are rapidly becoming important energy resources that will continue to be developed in the future. For example, PETRONAS' joint venture with and subsequent acquisition of Progress in December 2012 has provided significant long-term strategic gas resources in a geopolitically stable region, while strengthening its unconventional resource strategy and also reinforcing PETRONAS' position as a major global LNG player (through establishing a potential new supply base for LNG exports into Asia).

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

Country	Block/License Name	PETRONAS' Interest (%) ⁽¹⁾	Date of Commencement of Production	Current Monthly Equity Production Average Rate as at December 31, 2014 (Oil and condensate in thousand bpd; Gas in mmscfd)
Australia	ATP526P	20.92	July 2008 ⁽²⁾	Gas : 15.49
Azerbaijan ⁽³⁾	Block Shah Deniz	15.50	N/A	—
Canada	Gold Creek, Karr, Copton, Wapiti, Alberta	100.00	December 2012 ⁽²⁾	Oil and Condensate: 5.10 Gas: 36.50
	Altares, Cameron, Caribou East, Caribou North, Caribou South, Green, Julienne, Lily, Tommy Lake, Beg East, Blueberry, Jedney, Kobes, Nig, Town, Town North, South BC, Milo	62.00	December 2012 ⁽²⁾	Oil and Condensate: 4.60 Gas : 296.80
	Cypress A, Ferrell Creek	50.00	March 2014	Oil and Condensate: 0.30 Gas: 53.80
Chad	Permit H	35.00	July 2003	Oil: 27.02
Egypt	WDDM	50.00	April 2003	Condensate: 3.58 Gas: 451.05
Indonesia	Jabung	42.86	June 2002	Oil: 2.56 Condensate: 3.75 LPG Production: 7.54 Gas: 52.19
	Madura Offshore	22.50	September 2006	Gas: 16.81
	Natuna Sea Block A	15.00	September 2003	Oil: 0.24 Gas: 32.19
Iraq	Badra	15.00	August 2014	Oil: 0.70
	Garraf	45.00	August 2013	Oil: 26.93
	Halfaya	22.50	June 2012	Oil: 12.31
	Majnoon	30.00	September 2013	Oil: 37.53
Ireland	48/20, 48/25, 49/16 & 49/21	100.00	April 2009 ⁽²⁾	Gas: 14.53
	48/23(p), 48/24(p), 48/29(p) & 48/30(p)		April 2009 ⁽²⁾	

Country	Block/License Name	PETRONAS' Interest (%) ⁽¹⁾	Date of Commencement of Production	Current Monthly Equity Production Average Rate as at December 31, 2014 (Oil and condensate in thousand bpd; Gas in mmscf)
Malaysia-Thailand Joint Development Area	A-18	50.00	January 2004	Condensate: 3.44 Gas: 353.62
	B-17 & C-19	50.00	February 2010	Condensate: 4.21 Gas: 165.84
Mauritania	Chinguetti	47.38	September 2007 ⁽²⁾	Oil: 2.64
Myanmar	Blocks M-12/13/14	40.91	May 2000	Condensate: 3.24 Gas: 140.42
South Sudan	Blocks 3D, 3E & 7E	40.00	August 2006	Oil: 62.00
Sudan	Blocks 2A, 2B, 4A & 4N	30.00	April 1999	Oil: 16.70
Turkmenistan	Block 1	100.00	May 2006	Oil: 4.44 Condensate: 18.84 Gas: 175.43
Vietnam	Blocks 01& 02	85.00	October 1998	Oil: 15.39

- (1) Reflects PETRONAS' percentage interest in the relevant production-sharing arrangement/concession/service contract taking into account any acquisitions or disposals with an effective date on or before December 31, 2014.
- (2) Production date as per farm-in date or effective date of the agreement.
- (3) Agreements were signed on October 13, 2014 pending conditions precedent with effective date January 1, 2014.

Exploration and Production in Asia Pacific

Australia. PETRONAS, through its wholly-owned subsidiary, PETRONAS Australia Pty Ltd (“**PAPL**”) Group, holds a 27.5% interest in the GLNG Project, an integrated unconventional coal seam gas to liquefied natural gas (“**LNG**”) project on Curtis Island in Gladstone, Queensland, Australia, in partnership with Santos (being the project operator holding 30% interest). The other partners are Total and Korea Gas Corporation (“**KOGAS**”), which hold 27.5% and 15% interests, respectively. The project achieved FID in January 2011 and involves the development of upstream coal seam gas in the Fairview, Roma, Arcadia and Scotia fields, the construction of a 420 kilometer gas transmission pipeline and a two-train 7.8 million ton per annum LNG liquefaction facility on Curtis Island, which will be one of the first facilities in the world to process coal seam gas into LNG for export to global markets. The project is currently in the development stage with the first LNG cargo planned for 2015.

In 2008, PETRONAS, through its wholly-owned subsidiary, PETRONAS Carigali (Australia) Pty Ltd (“**PCAPL**”) acquired an interest in the Evans Shoal block. This block is in the exploration phase, with ENI Australia Ltd holding a 32.5% interest, Shell Australia Limited holding a 32.5% interest, PCAPL holding a 25% interest and Osaka Gas Pty Ltd holding a 10% interest.

In July 2007, Total E&P Australia (“**Total Australia**”) was awarded two exploration permits by the Australian Government to conduct exploration activities in areas designated as WA-402-P and WA-403-P, Offshore Western Australia. A farm-in agreement was entered in April 2010 between Total Australia and PCAPL whereby PCAPL acquired a 40% interest in the exploration permits of WA-402-P and WA-403-P. In July 2014, PCAPL relinquished the WA-402-P permit upon its expiry. The WA-403-P block is currently in the exploration stage.

Brunei. In 2010, PETRONAS, through its wholly-owned subsidiary PCOSB, signed a production-sharing agreement with Brunei National Petroleum Company Sendirian Berhad to acquire a 5% interest in Block CA1 Brunei Darussalam, and in 2010, PETRONAS through its wholly owned subsidiary, PETRONAS Carigali Brunei Ltd. (“**PCBL**”), signed a production-sharing agreement with Brunei National Petroleum Company Sendirian Berhad to acquire a 45% interest in Block CA2 Brunei Darussalam. Total E&P Deep Offshore Borneo is the operator of Block CA1 (with a 54% interest), while PCBL is the operator of Block CA2. In December 2013, PCBL acquired a 50% interest in Block N Brunei Darussalam and Block Q Brunei Darussalam in partnership with Shell Deepwater Borneo Limited (“**SDBL**”), which holds the remaining 50% interest. PCBL is the operator of Block N, while SDBL is the operator of Block Q. Block CA1, Block N and Block Q are currently in the exploration phase, while Block CA2 has moved into the pre-development phase.

China. In March 2014, PETRONAS, through its wholly-owned subsidiary PETRONAS China Energy Ltd (“**PCEL**”), signed a farm-in agreement with Hess China Oil and Gas Ltd. (“**Hess China**”) for the Malang Block in Santanghu basin and a joint study and bidding agreement for the Junggar and Sichuan basins. These basins have been identified as having sizeable unconventional resource potential. PCEL initially held a 30% participating interest in the Malang Block (with Hess China holding the remaining 70% interest), but this was relinquished by PCEL later in 2014 due to the expiration of its exploration permit. PCEL will have a 30% interest in any blocks awarded pursuant to the joint study and bidding agreement.

Indonesia. PETRONAS’ exploration and production activities in Indonesia began in 2000 with its first signed production-sharing contract in relation to the Pasemah Block. However, this venture was brought to an end in 2001 due to unsuccessful exploration results. PETRONAS has, however, continued to acquire several other blocks and interests in several production-sharing contracts operated by other oil and gas operators. As at December 31, 2014, PETRONAS has interests in seven production-sharing contracts, three operated by PETRONAS wholly-owned entities and four in which PETRONAS participates in partnership with other oil and gas operators.

As at December 31, 2014, PETRONAS’ upstream entity, PETRONAS Carigali Sdn. Bhd. (“**PCSB**”), through its wholly-owned subsidiary, PETRONAS Carigali (Ketapang) Ltd., holds an 80% interest in Ketapang Block (with the remaining 20% interest held by Saka Ketapang Perdana). The Ketapang Block, located at offshore East Java, Indonesia, is currently in the third year of a five-year development period that began with FID being achieved in respect of the Bukit Tua field in 2012 and is expected to start producing oil and gas in March 2015.

PETRONAS, through its wholly-owned subsidiary, PETRONAS Carigali (Muriah) Ltd, operates and holds an 80% interest in the Muriah Block, while Saka Energi Exploration Production BV holds the remaining 20% interest. The block is currently in the development phase and PETRONAS expects it to achieve its first production in 2016.

PETRONAS, through one of its subsidiaries, also holds a 42.85% interest in the Jabung Block, located in the South Sumatra Basin, Indonesia. PetroChina International (Jabung) Ltd, the operator of the Jabung Block, holds a 42.85% interest and PERTAMINA holds a 14.3% interest. The current equity production rate is approximately 22,560 boepd.

In addition, PETRONAS, through one of its subsidiaries, holds a 15% interest in the Natuna Sea Block A in Indonesia. Kuwait Foreign Petroleum Exploration Company holds a 33.3% interest, Natuna 2 BV holds a 23% interest and Premier Oil Natuna Sea BV, the operator, holds a 28.7% interest. Natuna Sea Block A commenced production in September 2003 and the current equity production rate is approximately 5,600 boepd.

Another producing block in which PETRONAS has an interest is the Madura Offshore Block. PETRONAS, through its wholly-owned subsidiary, PETRONAS Carigali (Madura) Ltd, holds a 22.5% interest, while PT Wirajatim holds a 10% interest and Santos (Madura Offshore) Pty Ltd, as the operator, holds a 67.5% interest. The current equity production rate is approximately 16.81 mmscfd.

PETRONAS is in the process of relinquishing its 20% interest in the Surunama Block, as well as its 60% interest in the West Glagah Kambuna Block and 30% interest in Randugunting Block.

Malaysia-Thailand Joint Development Area (“MTJDA”). 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 PICL, is one of the PSC Contractors undertaking exploration for the Malaysia-Thailand Joint Authority under three production-sharing contracts, with two contracts signed in April 1994 and another signed in September 2004. 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, Block C-19 and Block B-17-1 are held equally by PETRONAS Carigali JDA and PTTEP International Limited (“**PTTEPI**”). As at January 1, 2015, PETRONAS’ share of the gas reserves located in Blocks A-18, B-17, C-19 and B-17-1 of the MTJDA was approximately 2.3 tscf of gas and 38.9 mmbbl of condensates.

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 in 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 with gas sold into the Thailand domestic market. PTTEPI is the offtaker of the gas delivered to the Bangkok market. Block A-18 has a current equity production rate as at December 31, 2014 of approximately 354 mmscfd for gas and 3,440 bpd for condensate.

In June 2005, PETRONAS Carigali JDA and PTTEPI entered into a gas sales agreement with PTT Public Company Limited for sales of gas produced from Blocks B-17, C-19 and B-17-1. Carigali-PTTEPI Operating Company Sdn. Bhd. (“**CPOC**”) successfully delivered its first commercial gas from Phase 1 of Blocks B-17 and C-19 in February 2010. Phase 2 of Blocks B-17 and C-19 was completed in 2012, and the current equity production rate is approximately 166 mmscfd for gas and 4,210 bpd for condensate. CPOC is currently undertaking the development phase for Block B-17-1, with the first gas expected to be achieved in November 2015.

Myanmar. In late 1997, PETRONAS through its wholly-owned subsidiaries, PETRONAS Carigali Myanmar Inc. (“**PCMI**”) and PETRONAS Carigali Myanmar (Hong Kong) Ltd. (“**PCMHKL**”) 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. PETRONAS, through PCMI and PCMHKL, holds a 40.90%, while Nippon Oil holds 19.32%, PTT Exploration & Production holds 19.32% and Myanmar Oil and Gas Enterprise (“**MOGE**”) holds the remaining 20.46%. The Yetagun fields had total reserves estimated at 0.4 tscf of gas and 8.9 mmbbl of condensates as at January 1, 2015. In early 1997, MOGE and the project consortium entered into a 30-year take-or-pay gas sales agreement with PTT Public Company Limited (“**PTTPCL**”). The Taninthayi Pipeline project came onstream in May 2000 and gas delivery to PTTPCL began on July 1, 2000 at an initial rate of 200 mmscfd. The current equity production rate is approximately 140 mmscfd of gas and 3,240 bpd of condensate.

PCMI also undertakes or plans to undertake exploration activities in Blocks EP-1, IOR-5, IOR-7, RSF-2 and RSF-3. In September 2014, PCMI entered into a production-sharing contract with MOGE to acquire a 87.25% interest in each of IOR-5 and IOR-7 in partnership with UNOG Pte Ltd., holder of the remaining 12.75% interest. In December 2014, PCMI entered into a farm-out agreement with Brunei National Petroleum Company Sdn. Bhd. (“**PB**”) transferring 20% of its interest in IOR-5 effective September 16, 2014 pending fulfillment of certain conditions precedent. PCMI and PB are also currently finalizing an agreement pursuant to which PCMI would farm-out 5% of its interest in IOR-7 to PB. PCMI holds its 43.625% interest in Block EP-1 through a farm-in agreement entered into with PB in December 2014 which has an effective date of September 16, 2014 pending fulfillment of certain conditions precedent. PB has retained a 43.625% interest in Block EP-1, while IGE Ltd. holds the remaining 12.75% interest. Finally, PCMI holds an 87.25% interest in Blocks RSF-2 and RSF-3 pursuant to production-sharing contracts entered into with MOGE on April 4, 2012. UNOG Pte Ltd holds the remaining 12.75% interest in both of these blocks.

Vietnam. PETRONAS embarked on its first international exploration and production project as an operator in 1991, under a production-sharing contract between PCOSB and PetroVietnam Exploration and Production Company (“**PetroVietnam E&P**”) for offshore Blocks 01 and 02. PC Vietnam Ltd. (“**PCVL**”), a subsidiary of PICL, to whom PCOSB’s interest was transferred, holds an 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. At present, there are four oil production fields, namely Ruby, Pearl, Topaz and Diamond. The current equity production rate for offshore Blocks 01 and 02 is approximately 15,390 bpd.

In January 2003, PCOSB also acquired a 50% interest in Block 102/106 from ATI Petroleum (“**ATIP**”) and assumed the role as operator of the block. The remaining partners in the block are PetroVietnam E&P, which acquired a 20% interest, and ATIP and Singapore Petroleum Corporation (“**SPC**”), which acquired 10% and 20% interests, respectively. PCVL currently holds a 57.14% interest in the block, while PetroVietnam E&P and SPC hold 20% and 22.86% interests, respectively. Gas development activities are underway at the block, which is expected to achieve its first gas production by the end of June 2015.

In April 2001, PCOSB acquired a 36.85% interest in the Cai Nuoc Development Area in offshore Vietnam. PCOSB transferred its interest in the block, known as Block 46-Cai Nuoc, to PCVL in April 2003. In January 2002, PCOSB, PIDC and Pertamina Hulu Energy were awarded two exploration blocks in the Nam Con Son basin covering approximately 7,915 square kilometers, Blocks 10 and 11-1. PCOSB acquired a 40% interest in these blocks. In January 2003, PCOSB 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. PCOSB’s 50% interest in these blocks was transferred to PCVL in 2009. In November 2014, PCVL and PCOSB entered into a sale and purchase agreement with certain subsidiaries of SapuraKencana Petroleum Berhad for the sale of its entire interest in Block 46 Cai Nuoc, Blocks 10 and 11-1 and Blocks 01/97 and 02/97. The effective date of the transaction is January 1, 2014, pending completion of conditions precedent.

Exploration and Production in Central Asia

Azerbaijan. In October 2014, PETRONAS, through its wholly-owned subsidiaries, PETRONAS Azerbaijan Shah Deniz S.a.r.l. (“**PASD**”) and PETRONAS South Caucasus S.a.r.l. (“**PSCS**”), entered into a sale and purchase agreement with Statoil Shah Deniz A.S and Statoil Azerbaijan A.S for the acquisition by PASD of a 15.5% interest in the Shah Deniz Exploration, Development and Production Sharing Agreement (“**Shah Deniz EDPSA**”) and a 12.4% interest in Azerbaijan Gas Supply Company Limited, as well as the acquisition by PSCS of a 15.5% interest in South Caucasus Pipeline Company and a 15.5% interest in South Caucasus Pipeline Holding Company Limited, the completion of which

is subject to relevant approvals and is expected to occur in the first half of 2015 with an effective date of January 1, 2014. PETRONAS' acquisition of this interest in the Shah Deniz gas and condensate project expands its existing footprint in the Caspian region and also gives PETRONAS a strategic foothold for gas supply into Europe.

The other partners in the Shah Deniz EDPSA are BP Exploration (Azerbaijan) Limited, as the operator, with a 28.8% interest, Türkiye Petrolleri Anonim Ortaklığı with a 19% interest, The State Oil Company of Azerbaijan Republic with a 16.7% interest, Lukoil International Ltd with a 10% interest and Naftiran Intertrade Co. with the remaining 10% interest.

Turkmenistan. In July 1996, a wholly-owned subsidiary of PETRONAS, PETRONAS Carigali (Turkmenistan) Sdn. Bhd. (“**PCTSB**”), entered into a production-sharing contract with the government of Turkmenistan for Block 1 in the Caspian Sea. PCTSB is the operator of the block with a 100% interest. Oil and gas field discoveries have been made in the block with oil production starting in 2006, and commercial gas and condensate production in 2011. PCTSB continues to undertake further exploration and development activities in the block. As at January 1, 2015, Block 1 reserves are estimated at approximately 1.3 tscf of gas and 169 mmbbl of oil, and the average oil and condensate sales and gas sales in the year ended December 31, 2014 were approximately 23,280 bpd and 175.43 mmscfd, respectively.

Exploration and Production in Africa

Algeria. In April 2000, Hess (Rhourde el Rouni) Ltd (“**Hess RER**”) entered into an exploration and exploitation contract for Block 401C with Société Nationale de Transport et de Commercialisation des Hydrocarbures (“**Sonatrach**”). Hess RER held a 75% interest and Sonatrach held the remaining 25% interest. In June 2002, PETRONAS, through its wholly-owned subsidiary, PC Algeria Ltd, acquired a 30% interest in the block from Hess RER through a farm-out agreement, which took effect from the contract effective date of October 21, 2000. The block is currently in the development phase and the first oil is expected by the end of the second quarter of 2015.

Angola. In June 2014, PETRONAS, through its wholly-owned subsidiary, PETRONAS Angola E&P Ltd, acquired a 10% interest in Block 40 from Total E&P Angola Block 40 SAS (“**Total Angola**”). Total Angola, as the operator, holds a 40% interest following the acquisition, while SONANGOL Pesquisa & Producao, S.A. holds a 30% interest and STATOIL Angola Block 40 AS holds a 20% interest. The block is currently in the exploration phase.

Cameroon. In November 2001, PCOSB entered into a farm-out agreement for Block Yoyo (formerly known as Block Nyong II and Block PH77) with Phillips Petroleum Co (“**Phillips**”), with each holding a 50% interest and Phillips appointed as operator. Subsequently, in June 2006, ConocoPhillips (successor by merger to Phillips Petroleum) transferred its interest in the block and also the operatorship to Noble Energy Cameroon Ltd. The project is currently in the pre-development stage.

Chad. PETRONAS, through its wholly-owned subsidiary, PETRONAS Carigali (Chad EP) Inc., has a 35% interest in a consortium engaged in upstream activities in the Republic of Chad. Esso Exploration & Production Chad Inc., with a 40% interest, and Société des Hydrocarbures du Tchad (Chadian National Oil Company), 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 facilities are owned by Cameroon Oil Transportation Company - S.A. and Tchad Oil Transportation Company - S.A., in which PETRONAS holds 29.77% and 30.16% interests, respectively. The downstream activities comprise of a 1,070 kilometers and 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 27,020 bpd.

Egypt. PETRONAS, through its wholly-owned subsidiary, PICL (Egypt) Corporation Ltd, and BG International Limited each 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 equity production rate is approximately 451 mmscfd for gas and 3,580 bpd for condensate. PETRONAS’ operations in the offshore WDDM concession supply feedstock to the Egypt LNG Project in which PETRONAS has a 35.5% interest — see “—LNG Business—International Operations—Egypt.”

Gabon. In August 2014, PETRONAS through its wholly-owned subsidiary, PETRONAS Carigali International E&P B.V., signed a production-sharing contract with the Republic of Gabon for LIKOUALE n°G4-248, otherwise known as Block F14, an offshore deepwater block located in southern Gabon. The block covers approximately 2,500 square kilometers and its depth ranges from 2,000 to 3,000 meters. PETRONAS is currently the operator of the block with a 100% interest. However, once production commences, its holding will be reduced to 80% and the government of Gabon will hold the remaining 20% interest. The project is currently in the exploration stage.

Mauritania. PETRONAS, through its wholly-owned subsidiary, PAPL, acquired Woodside Energy Ltd.’s Mauritanian subsidiaries in September 2007. The subsidiaries, renamed PC Mauritania I Pty Ltd (“PCMPL”) and PC Mauritania II B.V. (“PCMBV”), initially held 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 C6 and C7. PCMPL and PCMBV subsequently relinquished their interests in blocks in areas A and B, as well as those in Blocks C6 and C7. PCMPL remains the operator of the Chinguetti oil field with a 47.38% interest, while Tullow Oil Plc holds a 22.27% interest, KUFPEC holds a 10.23% interest, Premier Oil Exploration (Mauritania) Ltd holds an 8.12% interest, and Societe Mauritanienne des Hydrocarbures holds the remaining 12% interest. The current equity production rate of the Chinguetti field is approximately 2,640 bpd.

Mozambique. In October 2008, PETRONAS, through its wholly-owned subsidiary, PC Mozambique (Rovuma Basin) Ltd (“PCMRB”), entered into an exploration and production contract with the government of Mozambique covering Blocks 3 and 6, in which PCMRB initially held a 90% interest, with the remaining 10% interest held by the government of Mozambique. In July 2012, however, PCMRB entered into a farm-out arrangement with Total E&P Mozambique B.V. to divest 40% of its interest in these blocks. The transaction completed in March 2013, following which PCMRB’s interest in the blocks has been reduced to 50%. The blocks are currently in the exploration phase.

Sudan and South 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. In July 2011, South Sudan seceded from the Republic of Sudan, and the Republic of South Sudan was declared to be an independent nation and exercised exclusive sovereignty over all its territory and all subsurface natural resources including crude oil and natural gas lying below its territory.

Following the secession of South Sudan, the northern part of the contract area (i.e., Blocks 2A, 2B, 4A and 4N) has remained within the Republic of Sudan, while the southern part of the contract area (i.e., Blocks 1A, 1B and 4S) now lies within the Republic of South Sudan. The interests in the consortium for the whole contract area are as follows: PETRONAS Carigali Nile Limited (“PCNL”) (30%), CNPC International (Nile) Ltd. (40%), ONGC (25%), Sudan National Petroleum Corporation (“SUDAPET”) (5%) in respect of the Sudanese territory and Nile Petroleum Corporation (Nilepet) Ltd. (“NILEPET”) (5%) in respect of the South Sudanese territory. The current equity production rate of the northern part of the contract area is approximately 16,700 bpd, while there has been no crude production from the southern part since the civil war began in South Sudan in mid-December 2013. Prior to the secession of South Sudan, the same consortium also owned and operated an approximately 1,500-kilometer export pipelines system from the oil fields to Port Sudan on the Red Sea coast, but ownership was transferred to the government of Sudan in September 2014.

In September 2002, PCNL acquired a 40% interest in Blocks 3 and 7 from Ansan Wikfs Investment Limited and a subsidiary of PETRONAS became the operator of the blocks. The blocks commenced oil production in July 2006. Following the secession of South Sudan, a small portion of the contract area in the north has remained within the Republic of Sudan, while the majority of the contract area in the south (that is, Blocks 3D, 3E & 7E) now lies within the Republic of South Sudan. The interests in the consortium for the whole contract area are as follows: CNPC International (DAR) Ltd. (“**CIDL**”) (41%), PCNL (40%), SUDAPET (8%) in respect of the Sudanese territory and NILEPET (8%) in respect of the South Sudanese territory, Sinopec International Exploration and Production Corporation (“**SINOPEC**”) (6%) and Tri Ocean (5%). While there is currently no production in the northern part of the contract area in Sudan, the current equity production rate of the contract area located in South Sudan is approximately 62,000 bpd.

In addition, PETRONAS, through PCNL, has an interest in an export pipelines system for Blocks 3 and 7 constructed in June 2004 and in respect of which a memorandum of understanding was signed in June 2014 between the government of Sudan and contractor parties. The interests in the consortium are currently as follows: government of Sudan (60%), CIDL (16.4%), PCNL (16%), SUDAPET (3.2%), SINOPEC (2.4%) and Tri Ocean (2%). After January 1, 2018, the government of Sudan’s interest will increase to 95% and PCNL’s interest will be reduced to 2%, with the remaining 3% shared among the other existing contractor parties.

PCNL also owns a 67.875% interest in Block 5A in South Sudan, which commenced oil production in June 2006. Other partners in Block 5A are ONGC (24.125%) and NILEPET (8%). Block 5A covers an area of approximately 29,412 square kilometers. Prior to the secession of South Sudan, the block was operated by PETRONAS and SUDAPET. However, after the secession, it became (and remains) jointly operated by PCNL, ONGC and NILEPET. There has been no crude production from this contract area since the civil war began in South Sudan in mid-December 2013.

Exploration and Production in Middle East and South Asia

Iraq. In January 2010, PETRONAS entered into development and production arrangements with the government of Iraq in respect of four contract areas in Iraq, namely Garraf, Majnoon, Halfaya and Badra.

PETRONAS Carigali, through its wholly-owned subsidiary, PETRONAS Carigali Iraq Holding B.V. (“**PCIHBV**”) is the operator of the Garraf contract area and holds a 45% interest, while Japex Garraf Ltd holds a 30% interest and North Oil Company holds a 25% interest. The Garraf contract area commenced production in August 2013 and its current equity production is approximately 26,930 bpd.

PCIHBV holds a 30% interest in the Majnoon contract area, which commenced production in September 2013 and currently has an equity production rate of approximately 37,530 bpd. Shell Iraq Petroleum Development BV, as the operator, holds a 45% interest, while Missan Oil Company holds a 25% interest.

PCIHBV holds a 22.5% interest in the Halfaya contract area, while PetroChina International Iraq FZE (“**PChina**”), as the operator, holds a 45% interest, Total EP Iraq SA a 22.5% interest and South Oil Company a 10% interest. The Halfaya contract area commenced production in June 2012 and its current equity production is approximately 12,310 bpd.

PCIHBV holds a 15% interest in the Badra contract area, while Gazprom Neft Badra B.V, as the operator, holds a 30% interest, KOGAS Badra B.V. a 22.5% interest, TP Badra Ltd a 7.5% interest and Oil Exploration Company a 25% interest. The Badra contract area commenced production in August 2014 and its current equity production is approximately 700 bpd.

Pakistan. PCOSB has a 100% interest in the Daphro Block, which is located at the Dadu, Nawabshah and Thatta districts of Sindh province of Pakistan. PCOSB is in the process of relinquishing this block due to non-accessibility to the contract area.

Exploration and Production in North America

Canada. Progress is a wholly owned subsidiary of PETRONAS, and is the part-owner and operator of the North Montney Joint Venture (“**NMJV**”) shale gas assets in British Columbia, Canada. Following the introduction of joint venture partners in 2013 and 2014, namely Sinopec-China Huadian (15%), Japan Petroleum Corporation Ltd. (10%), Indian Oil Corporation Ltd (10%) and PetroleumBRUNEI (3%), Progress currently holds a 62% interest in NMJV. The contract area has a current equity production rate of approximately 296.8 mmscfd for gas and 4,600 bpd for oil and condensate.

In December 2012, PETRONAS, through Progress, acquired a 100% interest in the Alberta Deep Basin production-sharing contract. The current equity production rate of the contract area is approximately 5,100 bpd for oil and condensate and 36.5 mmscfd for gas.

In March 2014, PETRONAS acquired a 50% interest in the Talisman Sasol Montney Partnership, which was then renamed Progress Sasol Montney Partnership (“**PSMP**”), as well as a 50% interest in related processing facilities. Sasol Limited owns the remaining 50% interest. At present, further exploration is being undertaken in PSMP’s Cypress area, while its Farrell Creek area has already reached the production stage, with a current equity production rate of approximately 300 bpd for oil and condensate and 53.8 mmscfd for gas. The total net reserves of oil, gas and condensate is 2,183 mboe. Progress also entered into a second partnership, the BC Shale Partnership, in March 2014, in relation to the Montney assets in British Columbia.

Subject to FID with respect to the proposed PNW LNG project, PETRONAS plans to further develop these shale gas assets. For further information regarding the PNW LNG project, see “—LNG Business—International Operations—Canada.”

Exploration and Production in Latin America

Argentina. In December 2014, a subsidiary of PETRONAS, PETRONAS E&P Argentina SA, entered into an agreement to acquire a 50% interest in the La Amarga Chica block, which is located in the Vaca Muerta formation in the Neuquén basin and covers an area of 187 square kilometers. The completion of the acquisition is pending fulfillment of certain conditions precedent. The remaining 50% interest is to be held by the Argentine energy company Yacimientos Petrolíferos Fiscales, who will operate the block.

Suriname. In April 2013, PETRONAS, through its wholly-owned subsidiary, PETRONAS Suriname E&P B.V. (“**PSEPBV**”) signed a production-sharing agreement with Staatsolie Maatchappij Suriname N.V., Suriname’s state oil company, in respect of a contract area offshore Suriname that is currently in the exploration phase.

In June 2013, PSEPBV signed a farm-in agreement with RWE DEA Suriname GmbH (“**RWE**”) in respect of Block 52, a block located in the Guyana-Suriname Basin covering 4,743 square kilometers. PSEPBV, as the operator, holds a 60% interest, while RWE holds the remaining 40% interest. This block is currently in the exploration phase.

In February 2014, a farm-in agreement was signed between Murphy Suriname Company Ltd (“**Murphy**”) and PSEPBV, whereby PSEPBV acquired a 50% interest from Murphy in the production-sharing contract in respect of Block 48, a block located offshore Suriname covering an area of 3,215 square kilometers. This block was initially operated by Murphy, but Murphy withdrew from the block in January 2015 and transferred its remaining 50% interest, as well as the operatorship, to PSEPBV.

In April 2014, a farm-in agreement was entered into between Apache Suriname Corporation LDC (“**Apache**”) and PSEP BV in respect of Block 53, offshore Suriname. PSEP BV acquired a 30% interest from Apache in the production-sharing contract. Apache operates the block, in which it holds a 45% interest. CEPSA Suriname S.L (CEPSA) holds the remaining 25% interest. This block is currently in the exploration phase.

Exploration and Production in Europe

Ireland. In April 2009, PETRONAS, through its wholly owned subsidiary, PSE Ireland Ltd, acquired PSE Kinsale Energy Limited (“**PSEKEL**”) and PSEKEL’s wholly owned subsidiary, PSE Seven Heads Limited (“**PSESHL**”). PSEKEL has a concession agreement with the Irish government known as Offshore Petroleum Lease No. 1 for Blocks 48/20, 48/25, 49/16 & 49/21 under which PSEKEL is the operator and has a 100% interest in the Kinsale and Ballycotton gas fields. PSESHL also has a concession agreement with the Irish government called Seven Heads Petroleum Lease for Blocks 48/23(p), 48/24(p), 48/29(p) & 48/30(p) under which PSESHL is the operator and holds a 86.5% interest in the Seven Heads gas field, while Island (Seven Heads) Ltd holds a 12.5% interest and Sunningdale Oils (Ireland) Ltd hold the remaining 1% interest. In addition, PSEKEL operates the Southwest Kinsale gas store, which has a gas storage capacity of approximately 8 bcf. The current gas production for the combined contract area in Ireland under these concession agreements is approximately 14.53 mmscfd. In November 2014, PSESHL entered into a farm-out agreement to acquire an 80% interest and operatorship in the exploration concession license SEL04/07 for Blocks 49/11(p), 49/12(p), 49/17(p) and 49/18(p) (containing the Midleton gas prospect) in the North Celtic Sea Basin. Lansdowne Oil & Gas Limited holds the remaining 20% interest.

International Asset Rationalization

During the period 2010-2014, PETRONAS relinquished blocks in Cuba, Equatorial Guinea, Ethiopia, Indonesia, Mauritania, Mozambique, Oman, Pakistan, Sierra Leone, Sudan, Timor Leste, Uzbekistan and Venezuela as part of our international asset rationalization.

LNG BUSINESS

PETRONAS is a leading global LNG player with an integrated portfolio across the LNG value-chain from production, shipping to marketing and trading. In 2013, PETRONAS’ LNG sales volume was 28.9 mmt, while global LNG trade was 240.7 mmt according to *BP Statistical Review of World Energy 2014*. In Malaysia, PETRONAS owns and operates one of the world’s largest LNG production facilities at a single location with 25.7 mmta production capacity at Bintulu, Sarawak, and it has expanded its LNG and related gas business activities internationally through joint venture projects, including in Egypt and United Kingdom.

Several projects are in the pipeline to ensure a significant presence in the fast-expanding LNG market. This includes the on-going growth initiatives to add the ninth LNG train at its LNG facility in Bintulu, Sarawak, development of two FLNG facilities offshore Sabah and Sarawak, the two-train coal seam gas-to-LNG project in Australia, that is, the GLNG project, and potentially a two-train LNG facility in British Columbia, Canada, in the PNW LNG project.

With more than 30 years of experience in the LNG business, PETRONAS has established a solid reputation as a reliable and flexible supplier of LNG to its customers in Japan, Korea, Taiwan, China, and other markets. As at December 31, 2014, PETRONAS had delivered in excess of 9,000 LNG cargoes to its buyers. In 2014, PETRONAS Group achieved total LNG sales volume of 30.12 mmt.

Domestic Operations

In Malaysia, PETRONAS operates one of the world’s largest LNG production facilities at a single location. The facilities in Bintulu, Sarawak consist of three plants owned by three subsidiaries of PETRONAS at the PETRONAS LNG Complex (“**PLC**”): Malaysia LNG Sdn. Bhd. (“**MLNG**”), MLNG Dua Sdn. Bhd. (“**MLNG 2**”) and MLNG Tiga Sdn. Bhd. (“**MLNG 3**”). 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 PLC's production facilities as at December 31, 2014:

Facility	Start-up Year	Number of Trains	Nameplate Capacity (mmtpa)	Ownership
MLNG	1983	3	8.4	PETRONAS (90%) Govt. of Sarawak (5%) Mitsubishi Corp. (5%)
MLNG Dua	1995	3	9.6	PETRONAS (60%) Shell Gas B.V. (15%) Mitsubishi Corp. (15%) Govt. of Sarawak (10%)
MLNG Tiga	2003	2	7.7	PETRONAS (60%) Shell Gas B.V. (15%) Nippon Oil LNG Netherlands (10%) Govt. of Sarawak (10%) Diamond Gas Netherlands B.V. (5%)

The PLC plants source natural gas from the Central Luconia gas fields, in offshore Sarawak and other gas fields in Sabah.

In 2014, PLC achieved its highest ever production, at 26.03 mmt, while maintaining 98.6% reliability. These volumes were sold to established LNG markets, including Japan, Korea, Taiwan, China, and others as shown in the table below:

	Sales	LNG Market Share ⁽¹⁾
Japan	58.7%	17%
Korea	14.3%	9%
Taiwan	10.8%	23%
Others (including China)	16.2%	15%

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

Several projects in the Malaysian LNG business are being developed, including the ninth LNG train project under PETRONAS LNG 9 Sdn. Bhd. (“**PL9SB**”) at Bintulu, Sarawak and the two floating LNG facilities, that is, “FLNG1” and “FLNG2” under PETRONAS Floating LNG 1 (Labuan) Ltd. (“**PFLNG1**”) and PETRONAS Floating LNG 2 (Labuan) Ltd. (“**PFLNG2**”) respectively.

FLNG, a solution to monetize stranded offshore gas reserves employs on-ship technologies designed to enable the development of offshore natural gas resources, with integrated facilities including production, liquefaction, storage and transfer of LNG (and potentially condensate) at sea before it is transported to market by LNG carriers. PETRONAS is targeting deployment of FLNG1 by the end of 2015, at which time PETRONAS expects it to be the first floating LNG facility in the world, whilst the FLNG2 is expected to be in operation by 2018.

Ninth LNG Train. The ninth LNG train at Bintulu, Sarawak will be managed and executed by PL9SB, a wholly-owned subsidiary of PETRONAS. The new LNG train will add another 3.6 mmtpa to the existing 25.7 mmtpa nameplate production capacity of the PETRONAS LNG Complex (“**PLC**”).

The ninth LNG train will also utilize the same liquefaction process technology as the existing eight trains. On February 26, 2013, PETRONAS approved the FID for the project with targeted completion by the fourth quarter of 2015 and first cargo by the first quarter of 2016. This project’s scope also covers the execution of an additional LNG tank, pipeline and associated facilities and a new LNG jetty.

FLNG1. PETRONAS’ first floating LNG project is being developed as a solution to monetize stranded offshore Sarawak gas reserves. The 1.2 mmtpa nameplate capacity facility is targeted for deployment at the end of 2015. FLNG1 will be developed and managed by PFLNG 1, a wholly-owned subsidiary of PETRONAS incorporated in June 2012.

FLNG2. PETRONAS’ planned second floating LNG project is being developed as a solution to monetize stranded offshore Sabah gas reserves. The 1.5 mmtpa nameplate capacity facility is scheduled to be in operation in 2018. FLNG2 is developed by PFLNG2, a wholly-owned subsidiary of PETRONAS incorporated in March 2014 and will be managed and operated by PFLNG1.

International Operations

Australia. PETRONAS, through its wholly-owned subsidiary, PETRONAS Australia Pty Ltd (“**PAPL**”) Group, acquired a 40% interest in the GLNG Project, an integrated unconventional coal seam gas (“**CSG**”)-to-LNG project in Queensland, Australia, from Santos, an ASX-listed Australian oil and gas exploration and production company in May 2008. In 2010, PAPL and Santos sold down 12.5% and 30% of their respective 40% and 60% interests to two other partners, namely Total and KOGAS, resulting in Santos currently holding a 30% interest, PAPL and Total each holding a 27.5% interest and KOGAS holding the remaining 15% interest in the GLNG Project.

The project involves the development of upstream CSG fields in the Fairview, Roma, Arcadia and Scotia areas, the construction of a 420 kilometers Gas Transmission Pipeline (“**GTP**”) and a two-train 7.8 mmtpa LNG liquefaction facility on Curtis Island. As at December 2014, the project is more than 90% complete, with the first LNG cargo from train 1 expected in the second half of 2015.

PETRONAS has committed to buy 1.5 mmtpa of LNG from train 1 and a further 1.5 mmtpa from train 2, with call options for a further 0.67 mmtpa across the two trains. Similarly, KOGAS has committed to take 1.5 mmtpa from each train and has call options for a further 0.5 mmtpa across the two trains. Total volume linked to PETRONAS and KOGAS is 7.17 mmtpa, with an annual contract quantity (“**ACQ**”) of 6 mmtpa and 1.17 mmtpa of call volume. The sellers of the LNG are the 4 GLNG Project participants: Santos, PAPL, Total and KOGAS, each in their respective project ownership percentages. PAPL’s 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.

Canada. PETRONAS via its wholly-owned subsidiary, Progress, operates and owns the North Montney Joint Venture (“**NMJV**”) shale gas assets in British Columbia, Canada. Subject to FID, the plan is to develop the shale gas assets and pipe it to the proposed LNG plant near Prince Rupert, British Columbia for export as LNG.

This integrated PNW LNG project plans to build a two-train LNG facility with a minimum total capacity of 12 mmtpa. PETRONAS participates with four partners in this project.

The interest of all partners are shared across the integrated PNW LNG project value-chain with proportionate equity interest in upstream NMJV assets, PNW LNG plant and JV marketing company. As part of the arrangement, the project partners are committed to bringing their proportionate share of the LNG produced from PNW LNG to their own market. For PETRONAS, the LNG volume from PNW LNG will be part of its LNG portfolio supply, as it continues to enhance its position as a reliable global LNG supplier.

Egypt. PETRONAS has a 35.5% interest in the Egypt LNG Project (the “**ELNG Project**”), a joint venture between PETRONAS and partners Egyptian General Petroleum Corporation, Egyptian Natural Gas Holding Company, BG Group, and Gaz de France. The ELNG Project includes the development and operation of an LNG liquefaction plant and related infrastructure at Idku, approximately 50 kilometers east of Alexandria, Egypt, including 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 ELNG Project receives its feedstock from PETRONAS’ operations in the offshore West Delta Deep Marine concession, in which it has a 50% interest — see “—*Exploration and Production—International E&P Operations—Exploration and Production in Africa—Egypt.*”

United Kingdom. PETRONAS Energy Trading Limited (“**PETL**”), a wholly-owned subsidiary of PETRONAS, is a registered shipper in the United Kingdom that has entered into a 20-year long-term lease to use 50% of the terminal capacity of the Dragon LNG in Milford Haven, Wales, United Kingdom. In addition, each of PETRONAS and BG Group holds a 50% interest in Milford Energy Limited (“**MEL**”), the power and hot water supplier to the Dragon LNG Ltd (UK) (“**Dragon LNG**”). The construction of the power plant was completed in 2009 and generates up to 49MW of electricity and 73MW of heat to support the operations of the Dragon LNG, as well as other on-site companies.

PETL’s principal activities are to monetize and add value to the natural gas positions of the PETRONAS Group in the UK, Ireland and Northwest Europe through optimization of its gas supply, marketing, transportation and capacity positions. PETL is also responsible for monetizing its capacity at Dragon LNG’s import, ancillary storage and regasification terminal in Milford Haven, Wales, United Kingdom, and its gas storage capacity of 11 bcf at Humbly Grove in Alton, Hampshire, United Kingdom.

As part of PETRONAS’ strategy to add value to its existing natural gas portfolio, PETL owns a combined 2.1GW power assets for power generation and trading via a minority stake of 14.1% in an investment vehicle, MPF Holdings, together with a consortium of investors (the “**MPF Consortium**”) led by Macquarie Group Ltd. The MPF Consortium owns three UK gas-fired power stations; the 489MW Baglan Bay gas-fired Power Station in Wales, the 819MW gas-fired Sutton Bridge Power Station in Lincolnshire, and the 832MW gas-fired Severn Power Station in Newport, Wales.

PETRONAS holds a 50% 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. BG Group holds the other 50% interest in the Dragon LNG project. The Dragon LNG project became fully operational in August 2009 and provides an inlet for LNG import into the United Kingdom and the supply of gas to the UK’s National Transmission System.

LNG Marketing

PETRONAS has established its reputation as a reliable and flexible supplier of LNG to its customers in established LNG markets such as Japan, Korea, Taiwan, and other markets such as China, with over 30 years of solid reputation; reliably delivering over 9,000 cargoes as at the year ended December 31, 2014. In 2011, PETRONAS incorporated PETRONAS LNG Sdn. Bhd. (“**PLSB**”), its LNG marketing arm, to manage its long-term LNG contracts.

LNG Trading

PETRONAS established the predecessor of PETRONAS LNG Ltd (“**PLL**”) in January 2003 to be the Group’s LNG system balancer and to engage in the LNG trading business in the global market. PLL operates a fleet of three LNG tankers chartered from PETRONAS’ subsidiary, MISC, to facilitate its LNG trading business. In the years ended December 31, 2012, 2013 and 2014, PLL traded 1.65 mmt, 3.31 mmt and 5.66 mmt, respectively.

PETRONAS LNG (UK) Ltd, which is a wholly-owned subsidiary of PETRONAS, trades LNG globally with a particular focus on the Atlantic market, including sourcing LNG for delivery to Dragon LNG’s import storage and regasification terminal in the United Kingdom.

PROCESSED GAS

PETRONAS’ upstream operations following the completion of CEP include other gas-related businesses in Malaysia and overseas. Domestically, PETRONAS adds value to Malaysia’s natural gas reserves by fulfilling growing energy needs of the country’s power sector, feedstock for production of natural gas products and petrochemicals, as well as export sales to Singapore. In addition to its domestic gas transmission system in system Malaysia, PETRONAS operates and has invested in gas pipeline networks in Australia, Argentina, Indonesia, and Thailand (through the MTJDA).

In June 2013, PETRONAS completed its first LNG regasification terminal, located offshore Sungai Udang, Melaka with a capacity of 3.8 mtpa, to ensure reliable and adequate future supply of natural gas through the importation of LNG into Peninsula Malaysia.

The development of the Melaka LNG regasification terminal marked a significant milestone in the opening up of Malaysia’s gas market, effectively introducing LNG-based pricing into the market. The Government of Malaysia has also approved an increase in regulated gas prices to the power sector by RM1.50 per mmbtu to RM15.20 effective January 1, 2014.

DOWNSTREAM BUSINESS

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 and trading of crude oil and petroleum products. PETRONAS operates crude oil refineries in Malaysia and South Africa and markets a wide range of value-added petroleum products, including gasoline, diesel, lubricants, jet fuel, bunker fuel, LPG, base oil and kerosene, through an expanded marketing and retailing network in the domestic and international markets. As at December 31, 2014, PETRONAS had a total domestic and international refining capacity of approximately 534,659 bpd, which is expected to increase by approximately 300,000 bpd with the completion of the oil refinery within RAPID in 2019. For further information regarding RAPID, see “—*Pengerang Integrated Complex*” below.

Refining

Domestic Operations

PETRONAS owns and operates three refineries in Malaysia, two in Melaka (collectively known as the Melaka Refinery Complex) and another in Kertih (the Kertih Refinery). PETRONAS has successfully grown its domestic nameplate capacity by 111,359 bpd in recent years through the implementation of efficiency programs, resulting in a total current installed refining capacity as at December 31, 2014 of 434,659 bpd, which includes condensate splitting capacity. In the year ended December 31, 2014, the reliability rate of the refineries was 98.6%.

The following table sets forth annual throughput and capacity utilization for PETRONAS' refineries in Malaysia for the years ended December 31, 2012, 2013 and 2014:

	Design capacity ⁽¹⁾	Current capacity ⁽¹⁾⁽³⁾	Year Ended December 31,		
			2012	2013	2014
			Refinery utilization ⁽²⁾	Refinery utilization ⁽²⁾	Refinery utilization ⁽²⁾
Melaka Refinery PSR-1	100,000	130,000	89.1%	86.7%	86.2%
Melaka Refinery PSR-2	100,000	180,000	86.1%	75.8%	80.1%
Kertih Refinery	123,300	124,659	81.5%	90.7%	89.8%

(1) In bpd.

(2) Refinery utilization is calculated based on the Solomon Methodology.

(3) The current capacity is derived using the Solomon Benchmarking Guideline.

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, fuel oil and special products.

Melaka Refinery Complex. The Melaka Refinery Complex has two refining trains. PETRONAS Penapisan (Melaka) Sdn. Bhd. (“**PP(M)SB**”), a wholly-owned subsidiary of PETRONAS, owns and operates the first train (“**PSR-1**”), which commenced operations in 1994 and has a current refining capacity of 130,000 bpd of light sweet crude. It also includes a condensate splitting facility.

Malaysian Refining Company Sdn. Bhd. (“**MRC**”), a wholly-owned subsidiary of PETRONAS since January 1, 2015, owns the second train (“**PSR-2**”), which commenced operations in 1999 and is also operated by PP(M)SB. PSR-2, which has a current refining capacity of 180,000 bpd, possesses the ability to process relatively heavier imported sour crude. This range of process capability provides PETRONAS with flexibility in sourcing crude oil for its refining operations, allowing it the opportunity to capture the higher margins offered by the complex refining operations for sour crude. PETRONAS completed its acquisition of Phillips66 Asia Ltd.'s 47% interest in MRC on December 31, 2014, giving it full control of the Melaka Refinery Complex, potentially enabling PETRONAS to achieve improvements in operational efficiency and related synergies.

PP(M)SB 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 the Kertih Refinery to produce superior quality Group III base oil to be used as feedstock for lubricants. The MG3 plant was the first Group III base oil facility in Malaysia and serves automotive and industrial lubricant manufacturers in the domestic and international markets, with particular focus on the Asian and European markets. The MG3 plant began operation in November 2008 and has a base oil production capacity of approximately 6,500 bpd.

Kertih Refinery. PETRONAS Penapisan (Terengganu) Sdn. Bhd., 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 current refining capacity of 124,659 bpd of Malaysian light sweet crude. The Kertih Refinery also includes a condensate splitting facility. 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 PETRONAS' LNG plants to dovetail with PETRONAS' LNG production process. 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 LPG domestically in East Malaysia.

International Operations

South Africa. PETRONAS has an oil refining presence in Africa through its 80% owned subsidiary Engen. Engen owns and operates a fully integrated refinery in Durban, South Africa, with approximately 100,000 bpd of current crude refining capacity. PETRONAS manages the crude sourcing for Engen's refinery. Pembani (formerly Worldwide African Investments (Pty) Ltd.) indirectly holds the other 20% interest in Engen.

Marketing

Domestic Operations

PETRONAS Dagangan Berhad (“**PDB**”), a 69.86% owned subsidiary of PETRONAS, is the principal domestic marketing arm of PETRONAS. PDB was listed on Bursa Malaysia in 1994 and had a market capitalization of approximately RM17.1 billion as at December 31, 2014. PDB markets a wide range of petroleum products, including gasoline, LPG, jet fuel, kerosene, diesel, fuel oil, asphalt and lubricants. PDB had a network of 1,057 service stations, 8 LPG bottling plants, 17 bulk storage depots, 13 aviation depots and 14 bunkering facilities in Malaysia as at December 31, 2014.

In the year ended December 31, 2014, PDB had a market-leading position in Malaysia with an estimated 41% share in the Malaysian retail, commercial and LPG market for petroleum products. PDB competes with other oil companies such as Shell, Petron, Caltex and BHPetrol 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, although in November 2014 the Government announced changes to its fuel price regulations that have resulted in more market-based prices for end-users.

PDB and Shell each own a 50% interest in PS Pipeline Sdn. Bhd., which operates a Multi-Product Pipeline and the Klang Valley Distribution Terminal (“**MPP-KVDT**”) 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 Petron's refineries in Port Dickson to the MPP-KVDT.

PDB also indirectly owns a 65% interest in Kuala Lumpur Aviation Fuelling System Sdn. Bhd., a joint venture that operates a jet fuel storage facility and hydrant line system at the Kuala Lumpur International Airport in Sepang.

International Operations

PETRONAS has a focused and disciplined strategy to marketing its products internationally. It seeks to maintain a strategic foothold in neighboring markets in South and Southeast Asia, primarily

through the marketing operations of PDB's subsidiaries, in order to optimize distribution channels and maximize sales of its products in the region. PETRONAS also has marketing operations in South Africa and other parts of Africa, where it has an oil refining presence, and in Sudan and South Sudan, where its upstream business is involved in exploration and production; in each case, PETRONAS' marketing activities dovetail with its business operations.

South and Southeast Asia. PETRONAS actively markets its products in several countries in South and Southeast Asia. In Indonesia, it markets petroleum products such as bitumen, sulfur, petroleum coke and LPG to industrial and commercial customers through a wholly-owned subsidiary using reputable local partners with strategically located assets. In Vietnam, it primarily engages in wholesale buying, selling, storing, distributing and marketing LPG through a wholly-owned subsidiary of PDB. PDB also stores and markets LPG in the Philippines, and markets lubricants in Thailand, in each case through a wholly-owned subsidiary. Finally, PETRONAS has a marketing presence in India through a 50:50 joint venture that imports, stores, bottles and markets LPG in the country through two LPG terminals, one in West Bengal with a storage capacity of 31,500 metric tons and another in Tamil Nadu with a storage capacity of 33,200 metric tons.

South Africa. PETRONAS has a marketing presence in Africa through its 80% owned subsidiary Engen, which also owns and operates an oil refinery. Engen is the leading retailer and marketer of petroleum products in South Africa with more than 1,000 service stations. Engen's primary focus is the production and marketing of fuels and oils for industrial and automotive applications. Engen also owns more than 400 service stations in other African countries, including Namibia, Botswana, Burundi, Kenya, Mozambique, Lesotho and Swaziland. Marketing 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. Pembani (formerly Worldwide African Investments (Pty) Ltd.) indirectly holds the other 20% interest in Engen.

Sudan and South Sudan. Through a wholly-owned subsidiary, PETRONAS is engaged in the marketing and retailing of petroleum products and lubricants in Sudan. It operates four petroleum depots in Sudan, located in Port Sudan, Shagara, Gaili and El-Obeid, and owns and operates 86 service stations in Sudan. Since its acquisition of Shell's aviation business in Sudan in July 2005, PETRONAS has provided 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 and again in 2012, PETRONAS, through its wholly-owned subsidiary, 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. Following the secession of South Sudan from the Republic of Sudan in July 2011, PETRONAS incorporated a new subsidiary to engage in the marketing and retailing of petroleum products and lubricants in South Sudan. In 2012, this subsidiary acquired a 60% interest in PETRONAS Petal Limited, a joint venture with local partner T-Alpha who holds the remaining 40% interest.

International Trading and Marketing Operations

Crude Oil and Petroleum Products

PETRONAS Trading Corporation Sdn. Bhd. ("PETCO"), a wholly-owned subsidiary of PETRONAS, markets and trades 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 those in Asia, Africa and the Indian sub-continent. It operates from offices in Labuan, London and Dubai via its wholly-owned subsidiaries PETCO Trading Labuan Co. Limited, PETCO Trading UK Limited and PETCO Trading DMCC, respectively. For the year ended December 31, 2014, PETCO Group handled 454 mmbbl of crude oil and 120 mmbbl of petroleum products. In

addition, PETCO sources crude oil supply for PETRONAS' own refineries and petroleum products for PETRONAS' marketing operations (described above). Through its trading activities, PETCO also engages in a price discovery process, which allows it to have visibility in the marketplace and to price its purchases and sales accordingly.

Base Oil

PETRONAS Base Oil (M) Sdn. Bhd. (“**PBOM**”), a wholly-owned subsidiary of PETRONAS, markets the MG3 base oil produced by PP(M)SB in Malaysia and the Asia Pacific region. PBOM also has a marketing arm in the Netherlands, PETRONAS Marketing Netherlands B.V. (“**PMN**”), that markets MG3 base oil in Europe. In the year ended December 31, 2014, PMN had a sales volume of 53.3 million liters and PBOM had a sales volume of 88.6 million liters. PETRONAS markets its base oil products under the brand ETRO. PETRONAS Lubricants International Sdn. Bhd. (“**PLI**”), a wholly-owned subsidiary of PETRONAS, took over the entire equity interest of PBOM, including PMN, from PETRONAS on May 7, 2012.

Aviation Fuel

PETRONAS embarked on aviation fuel operations in 1978 to add value to and further strengthen integration of its oil business. Through its wholly-owned subsidiary, PETRONAS Aviation Sdn. Bhd., it markets and distributes high-quality commercial and military grade jet fuels and provides a range of technical and operational aviation-related services to airports and aviation operators around the world. On September 5, 2012, PDB acquired PETRONAS Aviation Sdn. Bhd. from PETRONAS to enhance the overall technical capabilities and further strengthen the global aviation foothold.

LUBRICANTS BUSINESS

PLI is the global lubricants manufacturing and marketing arm of PETRONAS. PLI is headquartered in Kuala Lumpur, Malaysia and has regional offices in Europe, Africa, Asia, North America and South America. PETRONAS' lubricants business is significant in its strategic importance, providing a platform from which PETRONAS is able to strengthen its brand recognition and technological capabilities.

PLI manufactures a wide range of lubricants, transmission, anti-freeze and functional fluids for automobiles, trucks, agricultural tractors and earth moving machinery and other industrial equipment, as well as a range of car care products. PLI owns and operates 8 blending facilities worldwide, with a combined production capacity of 479,100 metric tons per year as at December 31, 2014.

PLI markets and distributes its lubricants in over 80 countries worldwide and has built valuable business partnerships across the globe with established manufacturers such as Fiat-Chrysler Automobiles, Mercedes Benz, Cherry, BMW, Toyota, Honda, Yamaha, Denso, Yuchai, IVECO Motors, Getrag, Carraro and other notable partners. In addition to supplying lubricants to these partners, PLI is committed to delivering value directly to customers through quality products that exceed their performance expectations.

PETRONAS is also the title sponsor and technical partner to the MERCEDES AMG PETRONAS Formula One team. In this role, PLI provides technical expertise in designing, developing and delivering high-performance fluid technology solutions (fuel, lubricants and transmission oil) that power the team's Formula One racing cars. PETRONAS' technical engineers also support the team during races, testing and ensuring the consistency of these fluid technology solutions.

PETROCHEMICAL BUSINESS

In September 2010, PETRONAS consolidated its petrochemical business under PETRONAS Chemicals Group Berhad (“**PCG**”) in order to strengthen its integration and improve economies of scale. PCG, in which PETRONAS has a 64.35% interest, is the holding company for all of PETRONAS’ petrochemical production, marketing and trading subsidiaries. It has established itself as the leading integrated petrochemicals producer in Malaysia and one of the largest in Southeast Asia. PCG was listed on Bursa Malaysia in 2010 and had a market capitalization of approximately RM43.6 billion as at December 31, 2014. PCG currently has a production capacity of over 11 million mtpa at its integrated chemical complexes in eastern Peninsular Malaysia (Kertih and Gebeng), as well as its manufacturing complexes in Gurun, Bintulu and Labuan. PCG operates several large-scale petrochemical products with multinational joint venture partners such as BASF Netherlands B.V. (“**BASF**”), BP Chemicals, Idemitsu Petrochemical Co. Ltd, and Mitsubishi Corporation.

PCG’s products portfolio is divided into two segments, olefins and derivatives (“**O&D**”) and fertilizers and methanol (“**F&M**”). The O&D segment manufactures and sells a wide range of olefin and polymer products ranging from ethylene and propylene, which are used as a basic feedstock for other products, to intermediate products such as ethylene oxide, ethylene glycol, butanol chemicals, as well as various ethylene oxide derivatives. PCG’s F&M segment produces and sells methanol, carbon monoxide, oxogas and a range of nitrogen, phosphate and compounded fertilizers, including urea and ammonia. In addition, PCG’s joint ventures and associates produce and sell a range of other petrochemicals, including acrylics, oxo-alcohols, butanediol, styrene monomer and acetic acid.

Through the development of its integrated petrochemical complexes (“**IPCs**”), PETRONAS seeks to achieve a competitive advantage through the consolidation of petrochemical projects using common or related feedstock and common facilities within a single self-contained complex. The Kertih and Gebeng IPCs are a major step towards establishing Malaysia as a leading petrochemical production hub in Asia. The integrated development of Malaysia’s petrochemical industry is expected to advance 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 expansion and to support the industrial development of Malaysia.

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, 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 six gas processing plants and the Kertih Refinery, which are located within the IPC.

Gebeng IPC

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

Other Petrochemical Operations in Malaysia

In addition to the Kertih and Gebeng IPCs, PCG's other operations in Malaysia include methanol plants located in Labuan, a fertilizer complex in Bintulu, Sarawak, which is owned together with government-related companies and government entities from four other ASEAN member countries, and a urea/ammonia complex in Gurun, Kedah.

Sales and Marketing of Petrochemical Products

PCG markets and trades petrochemicals products through its marketing arm, PETRONAS Chemicals Marketing Sdn. Bhd. ("**PCM**"), as well as its marketing entities in Labuan and India. As the main marketing arm for PCG petrochemical products, PCM has emerged as a leading marketer of chemicals, fertilizers and polymer products in the Southeast Asia region.

INFRASTRUCTURE AND UTILITIES BUSINESS

PETRONAS' infrastructure and utilities ("**I&U**") business includes two major operations that serve a dual strategic purpose in facilitating PETRONAS' projects and operations and providing I&U support to customers: PETRONAS Gas Berhad ("**PGB**"), which focuses on ensuring the long-term security of gas supply to the Malaysian gas market through the provision of gas infrastructure for gas processing, transmission, storage and LNG regasification; and PETRONAS' power business, which participates in power generation and the provision of essential feedstock and utilities — power, steam, industrial gases, demineralized water and waste water management services — to customers and PETRONAS projects and operations, adding synergistic value in the integrated gas value chain.

Gas Processing, Transmission and LNG Regasification Terminal

Domestic Operations

PGB, a subsidiary of PETRONAS, manages natural gas transmission in Peninsular Malaysia and Sarawak and gas processing businesses in Peninsular Malaysia. PGB was listed on Bursa Malaysia in September 1995. As at December 31, 2014, PETRONAS held a 60.63% interest in PGB and had a market capitalization of approximately RM43.8 billion.

PETRONAS sources natural gas from the fields offshore Terengganu, Malaysia, and through PGB operates six gas-processing plants located in two gas processing complexes in Santung and Kertih, Terengganu, with a combined production capacity of 2,060 mmscfd and an additional 750 mmscfd standby capacity, and approximately 2,500 kilometers of main gas transmission pipelines under the PGU system. PGB also operates 45 kilometers of gas transmission pipelines in Miri and Bintulu in Sarawak. The gas processing plants and PGU system enable PGB 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.

PGB owns, operates and maintains the gas processing facilities, gas transmission pipeline and related facilities. Pursuant to an agreement with PETRONAS, PGB provides throughput service for the processing of PETRONAS' gas and transmits gas to PETRONAS' customers.

The PGU pipelines, which recorded average reliability rates of 99.9% in the year ended December 31, 2014, transported 2,283 mmscfd in 2014. The power sector was the largest consumer of gas transmitted through the PGU pipelines, accounting for 1,283 mmscfd, or 56% of the total dry gas delivered during the year. Power sector consumers include electric power generators such as

Tenaga Nasional Berhad and independent power producers in Malaysia. The balance of the gas is sold to Senoko and Keppel of Singapore and industrial users such as PETRONAS' petrochemical plants and Gas Malaysia Sdn. Bhd. ("**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 882 mmscfd in the year ended December 31, 2014. The sales and distribution of natural gas to smaller industries and residential end-users is undertaken by Gas Malaysia, which was established in 1992. Gas Malaysia distributes gas from the PGU pipeline to individual industrial, commercial and residential locations in Peninsular Malaysia. PGB 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.

PGB also completed its first LNG regasification terminal in Sungai Udang, Melaka in 2013, a 3.8 MTPA facility, to receive LNG imported by PETRONAS for the domestic Peninsular Malaysia market. The LNG regasification terminal has diversified PETRONAS' sources of natural gas supply, that is, LNG in addition to piped natural gas from offshore of Terengganu. The terminal also enhances the security of gas supply by PETRONAS to its customers in Peninsular Malaysia. PETRONAS has recently undertaken a project in connection with this regasification terminal in order to maximize the pipe gas supply and reduce the LNG send-out rate through the elimination of boil-off gas flaring during turn downs of the terminal, which could result in potentially significant cost savings for PETRONAS. PETRONAS is targeting completion of this project in the final quarter of 2016.

Overseas Pipelines

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 together operate a 425 mmscfd gas processing plant in Songkhla, Thailand, 330 kilometers of offshore pipeline and 98 kilometers of onshore pipeline to process and transmit natural gas from the Malaysia-Thailand Joint Development Area to Thailand and Malaysia. The companies also own and operate 240 kilometers of LPG pipeline to transport LPG from its gas processing plant to PETRONAS' LPG depot in Prai, Penang.

Indonesia. PETRONAS, through its subsidiary PICL, owns a 35% interest in Transasia Pipeline Company Pvt. Ltd. ("**Transasia**"), a joint venture with ConocoPhillips, Talisman Energy and Singapore Petroleum. Transasia owns a 40% interest in PT Transportasi Gas Indonesia, which owns and operates 467 kilometers of onshore pipeline and offshore gas transmission pipeline and 536 kilometers of onshore gas transmission 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, and Singapore.

Power and Utilities

As at December 31, 2014, PETRONAS' I&U business had approximately 815MW of power generation capacity in its portfolio. The centralized utility facilities ("**CUFs**") that are owned and operated by PGB generate a significant proportion of this capacity — approximately 264MW — for the purpose of servicing PETRONAS' petrochemicals complexes and industrial utilities in Kertih and Gebeng. In 2012, Kimanis Power Sdn. Bhd, a joint venture company between PGB (60%) and Sabah state (40%) was established to develop a 300 MW gas-fired power plant in Kimanis, Sabah. The Kimanis Power Plant was completed and started to supply power to its customer in Sabah in November 2014. PETRONAS, through PETRONAS Power Sdn. Bhd ("**PPSB**"), also owns a 30% interest in PacificLight Power Pte Ltd, which owns and operates a 800MW gas-fired power plant in Jurong Island, Singapore that sells power to the Singapore market. PPSB also owns and operates a solar farm in Gebeng, Pahang, through its joint venture company, Voltage Renewables Sdn. Bhd., to supply approximately 10MW power to Tenaga Nasional Berhad.

In terms of utilities, the CUFs provide water treatment services and produce steam, demineralized water and industrial gases (oxygen and nitrogen) for sale to PETRONAS petrochemicals complexes in Kertih and Gebeng. PGB also markets and sells industrial gases produced by CUFs within the Gebeng Industrial Area through a 50:50 joint venture with MOX Gases Sdn. Bhd., Industrial Gases Solution Sdn. Bhd. For the year ended December 31, 2014, the CUFs produced and supplied 422 million Nm³ of nitrogen, 204 Nm³ of oxygen and 4.2 million MT of steam to their customers.

TECHNICAL AND ENGINEERING DIVISION

PETRONAS' Technology and Engineering Division (the "**T&E Division**") was established in May 2010 and integrated into the downstream business, replacing the Research and Technology Division ("**R&T Division**") formed in 2006 as a support function that operated outside of the downstream business. Accordingly, the T&E Division integrated and centralized PETRONAS' project management, category management, engineering and technology functions and established a single internal technical service provider servicing both the upstream and downstream businesses. Much like its predecessor, the T&E Division utilizes a combination of its research and engineering expertise to help PETRONAS improve its operational performance and achieve key milestones in the development of new technologies.

The T&E Division includes the following four departments:

Project management. PETRONAS' Project Management and Delivery Department ("**PMDD**") leads the Integrated Project Management Team ("**iPMT**"), which includes project management, engineering and procurement personnel, as well as representatives from the upstream and downstream businesses. Working together, the PMDD and iPMT focus on the management of various upstream and downstream business projects and ventures.

Category management. PETRONAS' Project Procurement Management Department and PrimeSourcing International Sdn. Bhd. lead the management of and strategic sourcing for key equipment and material, focusing on product standardisation, achieving cost savings, improving supplier support, as well as developing local capabilities in Malaysia for sustainable operation support for key equipment and material.

Technical services and solutions. PETRONAS' Group Technical Solutions Department ("**GTSD**") provides engineering capabilities in executing Basic Engineering Design (BED), Front End Engineering Design (FEED) and Detailed Engineering Design (DED) works for PETRONAS projects. In addition, the GTSD delivers value-adding services and solutions to PETRONAS projects, with a focus on asset integrity management and operational optimization services and solutions aimed at improving the reliability, safety and operational performance of PETRONAS' plants and facilities. Finally, the GTSD also has significant involvement in the de-risking and up-scaling of PETRONAS' new technologies, as well as in the deployment of these technologies in PETRONAS' plants and operations.

Technology development and commercialization. PETRONAS' Technology Management Department manages the technology research and development ("**R&D**") program for PETRONAS' businesses. PETRONAS' R&D program currently focuses on seven key areas: seismic imaging, enhanced oil recovery, carbon dioxide management, contaminants removal, advanced materials, sustainability and flow assurance.

PETRONAS Research Sdn. Bhd. a wholly-owned subsidiary of PETRONAS, undertakes R&D support services for its upstream and downstream businesses, as well as the PSC Contractors and other corporations. It carries out business-driven R&D projects, covering primarily petroleum exploration and production, product development and process technology, and also provides value-added technical consultancy and laboratory services.

The Group Technology Commercialization Management team, supported by PETRONAS Technology Ventures Sdn. Bhd., is responsible for the management and protection of PETRONAS' intellectual property rights and technology commercialization once a particular technology moves beyond the R&D stage and is ready to enter the market.

The R&T Division, and now the T&E Division, have also forged strategic alliances with leading technology players and collaborate with universities in Malaysia and other countries to further boost PETRONAS' strategic and competitive position in the areas of R&D and technology application.

PENGERANG INTEGRATED COMPLEX

PETRONAS achieved FID in April 2014 with respect to the Pengerang Integrated Complex (“PIC”), the largest integrated refinery and petrochemical greenfield development in Malaysia, occupying an area of over 6,000 acres in Pengerang. This state-of-the-art project, which is one part of Johor State's planned Pengerang Integrated Petroleum Complex, includes RAPID and a number of major associated facilities including, among others, a regasification terminal, a cogeneration plant, an air separation unit and a liquid bulk terminal.

The RAPID project involves the construction of an integrated refinery and petrochemicals complex for the production of various petroleum and petrochemical products, including premium differentiated and specialty petrochemicals using naphtha as feedstock. When complete, it will be PETRONAS' largest IPC, bigger in scale than its existing IPCs at Kertih and Gebeng and the Melaka Refinery Complex combined. Its production is expected to be marketed to customers in Malaysia, Southeast Asia and Asia Pacific.

The first stage of RAPID, a crude oil refinery with a processing capacity of 300,000 bpd for the production of petroleum products such as gasoline, jet fuel, diesel and fuel oil, is expected to be commissioned in 2019. In addition to related infrastructure such as pipelines, tankages and other logistics and warehousing facilities, RAPID will also include:

- a naphtha cracker with a combined annual production capacity of approximately 3 million tons of ethylene, propylene, C4 and C5 olefins;
- a petrochemicals and polymer complex for differentiated and highly-specialized products, namely propylene and ethylene oxide derivatives, phenol and bisphenol A, differentiated polypropylene and polyethylene, surfactants and additives for lubricants; and
- C4 (butane) and C5 (pentanes) derivatives complexes focusing on various grades of synthetic rubbers.

In light of the potential for sustainable growth, we believe that PIC will give PETRONAS the opportunity to position itself as a leader in Asia's chemical products market, where PETRONAS sees increasing demand for high-end specialty chemicals, and to establish PETRONAS' presence in the rapidly developing automotive, pharmaceutical and consumer products sectors.

Specifically, PIC has several key competitive advantages:

- *Enhanced integration and supply chain optimization.* Through RAPID and the overall PIC facility, PETRONAS aims to leverage its operating capabilities to create synergistic value within its downstream business through significantly enhanced integration and supply chain optimization. For example, the large-scale convergence of PETRONAS' refinery and petrochemicals operations is expected to minimize processing costs and optimize product distribution, and the configuration of the refinery and naphtha cracker has been designed specifically to optimize petrochemical feedstock supply availability within PIC.

- *State-of-the art and energy-efficient technologies.* The optimization of the supply chain, which facilitates competitive pricing, is expected to be further enhanced by the deployment of state-of-the-art technologies in the refinery, cracker and petrochemical complexes, as well as energy-efficient technologies such as cogeneration. The deployment of energy-efficient technologies, we believe, positions PETRONAS for future developments in the industry, including the possible introduction of legislation implementing the Euro 4M Diesel and Mogas specification in the context of the Malaysian government's Energy Efficient Vehicles program and broader commitment to the Kyoto Protocol.
- *Synergistic partnerships.* As the PIC project continues through its development phase, PETRONAS intends to evaluate possible strategic partnerships from time to time. As and when PETRONAS enters into such arrangements, it expects to benefit from certain synergies including access to additional international markets and technology and production know-how, as well as enhanced operational efficiencies and project de-risking through cost sharing. Meanwhile, our partners will benefit from access to attractively priced feedstock, integrated production facilities and close proximity to key Asian markets.
- *Strategically located.* The PIC project is strategically located in an area of over 6,000 acres in Pengerang with a natural deep water harbor in a safe and sheltered location, access to major existing shipping lanes, availability of significant areas of land for development and close proximity to target markets within Asia, such as Indonesia.
- *Robust products marketing strategy.* The development of PIC is supported by a robust and detailed products marketing strategy involving the supply of products to meet PIC's captive requirements, as well as demand in Malaysia and other Asia Pacific markets. The vast majority of the refinery's petroleum products will service PIC's captive requirements and the domestic market, while its chemical products will be used to meet both domestic demand and international demand, from China and other Southeast Asian markets.
- *Special tax incentives.* As a result of its scale and pioneering status, PIC is expected to benefit from special tax incentives that will improve the overall financial performance of the project. For example, it is anticipated that the project will qualify for, among other things, income tax allowances, deductions for pre-commencement expenses and exemptions for withholding tax, stamp duty and customs duty.

CORPORATE AND OTHER BUSINESSES

LOGISTICS AND MARITIME BUSINESS

PETRONAS' corporate and other business division primarily consists of its 62.67% interest in MISC, a leading international maritime company in Malaysia with a primary focus on energy transportation and logistics and other energy-related businesses. MISC is listed on the Main Board of Bursa Malaysia and had a market capitalization of RM32.2 billion as at December 31, 2014. MISC serves as PETRONAS' primary LNG transportation provider and its principal logistics solutions provider, both for customers and also in support of PETRONAS' own marketing and trading activities. MISC's fleet consists of 27 LNG carriers, 2 floating storage units, 75 petroleum tankers, 14 chemical tankers and 14 floating facilities for use in offshore oil production as at December 31, 2014.

MISC's core business is its energy-related shipping, which includes LNG, petroleum and chemical shipping. MISC is the second 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. Another four of its LNG tankers are being chartered to PETRONAS LNG Ltd. for its LNG spot trading business, while two have recently been converted into floating storage units for use at PETRONAS' regasification plant in Malacca. The remaining two LNG carriers are currently chartered to third parties.

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 units ("FPSOs") and floating storage offloading units ("FSOs") systems to support oil and gas companies operating offshore in the production, storage and evacuation of oil and gas. These types of facilities, which include both wholly-owned and jointly owned units, 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, as at December 31, 2014, operated a total of four FSOs, five FPSOs, two mobile offshore production units and one semi-submersible floating production system.

MISC's petroleum arm, AET Tanker Holdings, serves international oil companies, refiners and traders in the transportation of crude oil and petroleum products, as well as specialist sectors such as dynamic positioning shuttle tankers and marine well containment logistics. MISC operated one of the largest owned fleet of Aframax oil tankers in the world as at December 31, 2014.

MISC entered into the tank terminal business in 2007 via a joint venture with Dialog Group Berhad to develop and operate the Tanjung Langsat terminals, which currently have a total capacity of 647,000 cubic meters. Later, in April 2014, MISC expanded its tank terminals portfolio through a partnership with energy trader, Vitol Holding B.V., the general partner of VTTI Energy Partners LP ("VTTI"). Today, VTTI is one of the world's fastest growing energy storage businesses. The terminals are strategically located at key hub and spoke locations around the world. MISC's total terminal capacity is approximately 8.3 million cubic meters. Vitol Holding B.V. recently listed part of its portfolio comprising of 6 storage terminals with 396 tanks, located in Europe, the Middle East and North Africa, in a Master Limited Partnership in the U.S. The total capacity of these terminals is 35.5 million barrels of refined petroleum product and crude oil. VTTI listed on the New York Stock Exchange in August 2014 and had a market capitalization of approximately US\$1.0 billion as at December 31, 2014.

MISC, through its subsidiary, Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB"), provides a wide range of oil and gas production facilities and services in offshore construction, offshore conversion and marine repair. MHB reached a milestone when Gumusut-Kakap semi-submersible floating production system, Asia Pacific's largest floating production system was completed in 2013. MHB was listed on the Main Board of the Bursa Malaysia in 2010 and had a market capitalization of approximately RM2.9 billion as at December 31, 2014.

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

REAL ESTATE

In addition to its core logistics and maritime business, PETRONAS' corporate and other business division also holds certain interests in real estate located in Malaysia.

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 Property Holdings Berhad ("KLCC Property"), was incorporated as a public limited company in Malaysia. In May 2004, KLCC Property acquired KLCC Holdings' interests in the KLCC real estate, that is, PETRONAS Twin Towers, Suria KLCC Shopping Mall, The Mandarin Oriental Kuala Lumpur, Menara ExxonMobil and Menara Maxis, as well as two vacant lots. KLCC Property was listed on the Main Board of the Bursa Malaysia in August 2004 and had a market capitalization of RM12.1 billion as at December 31, 2014. In 2013, KLCC Property undertook a corporate restructuring exercise involving the restructuring of the KLCC Property group into a stapled structure known as "KLCC Stapled Group" resulting in an offering of units in an islamic real estate investment

trust (the “**KLCC REIT**”) being stapled together with the ordinary shares of KLCC Property (“**KLCCP Stapled Securities**”). In May 2013, KLCCP Stapled Securities were listed under the “REITS” sector of the Main Market of Bursa Malaysia. As at December 31, 2014, each of KLCC Holdings and PETRONAS owned 64.68% and 10.80% of the listed issuers, KLCC Property and KLCC Stapled Securities, respectively.

The KLCC development is located on 100 acres of prime land situated in the commercial hub of Kuala Lumpur. Sixty acres of the site has been designated for a public park and open spaces, with the remaining forty acres allocated for commercial development over 15 to 20 years. Dewan Bandaraya Kuala Lumpur approved the 1995 KLCC Masterplan with 18.3 million square feet gross floor area which was revised upwards to 25.7 million square feet gross floor area in 2012. As at December 31, 2014, more than 26.7 acres had been commercially developed. KLCC is an integrated and mixed commercial development with 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. Upon completion of the corporate restructuring exercise of KLCC Property described above, the real estate held by the subsidiaries of KLCC Property, namely PETRONAS Twin Towers, Menara ExxonMobil and Menara 3 PETRONAS, were transferred to the KLCC REIT.

KLCC Holdings, in partnership with Qatari Diar Real Estate Investment Co, the investment arm of the Qatari Investment Authority, is currently developing two new tower blocks in KLCC. These new tower blocks will contain office space with additional capacity for a hotel and retail stores. KLCC Holdings is also developing a third tower block in KLCC in partnership with Sapura Resources Berhad. This third tower will contain office space and an exhibition podium. All three tower blocks are expected to be completed in 2019.

Putrajaya

PETRONAS, through KLCC Holdings, holds a 64.4% interest in Putrajaya Holdings Sdn. Bhd. (“**PJH**”). 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.

PJH is the master-developer for the development of Putrajaya, the new federal administrative city of Malaysia, which has been under development since the early 1990s. PJH is expected to formulate, plan, implement and fund the continuing development of Putrajaya for the Government of Malaysia. The Putrajaya development plan covers 20 precincts, which are being 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 4.2 kilometer boulevard. The project is located approximately 25 kilometers south of Kuala Lumpur and approximately 20 kilometers north of the Kuala Lumpur International Airport.

EDUCATION

PETRONAS’ presence and contribution in the field of education and training are reflected in the wide spectrum of its programs and training facilities. These range from the sponsorship of students in secondary 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**”), Institut Teknologi Petroleum PETRONAS (“**INSTEP**”), Akademi Laut Malaysia (“**ALAM**”), PETRONAS Leadership Center (“**PLC**”) and PETROSAINS, a science discovery center.

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 in Tronoh Perak, 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.

INSTEP was established in 1981. Its focus is on providing technical training for employees within PETRONAS as well as other companies in the oil and gas industry. Over time, it has grown to become the world's first integrated oil and gas training center, with a well-equipped technical training facility spread over 200 acres in Batu Rakit, Kuala Terengganu including an upstream and downstream training plant which allows the simulation of a real working environment.

ALAM is Malaysia's premier maritime education and training institution for the development of seafaring professionals. Established in 1977, the academy is a comprehensive one-stop maritime educational and training center located in a well-developed 74 acres campus located in Kuala Linggi, Melaka. Working in collaboration with companies and institutions in the maritime industry, ALAM has helped over 12,000 seafarers prepare for the demanding career challenges of the maritime profession.

PLC as started as an internal training department in 1979 before it became known as PERMATA in 1992. With over 30 years of experience, PLC has quickly established itself as a top corporate learning hub for industry leaders including PETRONAS management. PLC provides a wide range of learning consultancy and advisory services and innovative learning solutions for transformational learning experiences covering all aspects of management and leadership. In 2012, it was awarded the national Pembangunan Sumber Manusia Award 2012 for best training provider.

PETROSAINS is an interactive science discovery center in KLCC, 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.

INSURANCE

PETRONAS has comprehensive insurance policies that cover its business and 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 and the adequacy of the insurance coverage. 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

PETRONAS has established a HSE Mandatory Control Framework that contains, among other things, its own detailed environmental requirements applicable to all of PETRONAS' activities, including environmental impact assessment studies, oil spill contingency plans, post-environmental impact assessment monitoring, environmental auditing and inspections, environmental studies and monitoring of all PETRONAS' projects. These internal requirements seek to address, among other things, the environmental laws and regulations which PETRONAS is subject to both in Malaysia and other countries in which it operates. 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.

HUMAN RESOURCES

As at December 31, 2014, PETRONAS and its subsidiaries employed a total of 50,949 people, compared to 49,193 people and 46,145 people as at December 31, 2013 and December 31, 2012, respectively. A total of 8,766 of PETRONAS' non-executive employees belong to six of its in-house union in Malaysia. Four of which signed the Collective Agreement directly with PETRONAS and the other two with respective subsidiaries. PETRONAS' collective bargaining agreements typically have a term of three years. 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. PETRONAS also provides additional contributions of 3%, 5% and 7% above the 12% statutory contribution. The amount of these additional contributions is relative to the employee's length of service with PETRONAS.

LEGAL PROCEEDINGS

In 2010, the Kelantan State Government brought a legal suit against PETRONAS in the High Court of Malaysia alleging that PETRONAS has failed to make payments of petroleum proceeds under the terms of the agreement entered into in 1975 between the Kelantan State Government and PETRONAS. In response, PETRONAS applied for an order that the suit brought by the Kelantan State Government cannot proceed without determination of certain points of law, the primary point being the Kelantan State Government's rights to petroleum produced offshore its coast. The Kelantan State Government has challenged PETRONAS' application for the order. The High Court decided in favor of PETRONAS regarding its application and the Kelantan State Government appealed to the Court of Appeals. The appeal was dismissed and the Kelantan State Government subsequently further appealed to the Federal Court, and in July 2014, the Federal Court upheld the decisions of the High Court and the Court of Appeal. In light of the above, the legal suit will now proceed on the merits on the case at a future date. PETRONAS has been advised by its solicitors that PETRONAS has a meritorious defense to the claim.

In addition, in the ordinary course of their businesses, PETRONAS and its subsidiaries are parties to legal proceedings and potential disputes with, among others, their customers, suppliers and contractual counterparties.

PETRONAS GLOBAL SUKUK LTD.

PETRONAS Global Sukuk Ltd. was incorporated in Labuan, Malaysia under the Labuan 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 issued and paid-up share capital of U.S.\$2,000, comprising 2,000 ordinary shares. The shares are held by two of the directors of the Issuer.

The Issuer is a financing vehicle for PETRONAS. It has no other operations, nor does it have any subsidiaries. The Issuer will use the proceeds from the issuance of the Certificates to purchase: (a) the Leased Assets from PETRONAS and/or its subsidiaries; and (b) the Commodities. PETRONAS and/or its subsidiaries will use the proceeds it receives to finance capital expenditures and for general corporate purposes which are Shariah-compliant. See “*Use of Proceeds.*”

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

Name	Position	Year Appointed
Datuk Manharlal Ratilal	Director	2009
Dato’ Halipah Binti Esa	Director	2009
Nuraini Binti Ismail	Director	2010
Izwan Bin Ismail	Director	2013
Shahnaz Bin Mohd Yusof	Director	2014

The registered office of PETRONAS Global Sukuk Ltd. is Unit Level 13(A), 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 Dato’ Halipah Binti Esa, who is an independent director, the main outside functions of the directors of PETRONAS Global Sukuk Ltd. are serving as officers (Datuk Manharlal Ratilal and Nuraini Binti Ismail) or as employees (Izwan Bin Ismail and Shahnaz Bin Mohd Yusof) of PETRONAS.

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 twelve individuals, namely the Non-Independent Non-Executive Chairman, the President and Group Chief Executive Officer, two Executive Directors and eight Non-Executive Directors (six of whom are Independent Directors). There are also two individuals performing the role of Company Secretary. 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 and company secretaries of PETRONAS are as follows:

Name	Current Position/Occupation	Director/Company Secretary Since
Tan Sri Mohd Sidek Hassan . . .	Non-Independent Non-Executive Chairman	July 1, 2012
Tan Sri Dato' Seri Shamsul Azhar Abbas	President and Group Chief Executive Officer	February 10, 2010
Tan Sri Dr. Mohd Irwan Serigar Abdullah ⁽¹⁾	Non-Independent Non-Executive Director	November 28, 2012
Datuk Muhammad Ibrahim ⁽¹⁾⁽²⁾	Non-Independent Non-Executive Director	April 28, 2010
Tan Sri Amirsham A Aziz ⁽²⁾ . . .	Independent Non-Executive Director	October 21, 2011
Dato' Mohamad Idris Mansor ⁽¹⁾⁽³⁾	Independent Non-Executive Director	April 28, 2010
Tan Sri Dato' Seri Hj Megat Najmuddin Datuk Seri Dr Hj Megat Khas ⁽²⁾	Independent Non-Executive Director	April 28, 2010
Krishnan CK Menon ⁽¹⁾⁽²⁾	Independent Non-Executive Director	April 28, 2010
Datin Yap Siew Bee ⁽³⁾	Independent Non-Executive Director	April 28, 2010
Datuk Mohd Omar Mustapha ⁽³⁾	Independent Non-Executive Director	September 15, 2009
Datuk Wan Zulkiflee Wan Ariffin	Executive Director and Chief Operating Officer	August 1, 2007
Dato' Wee Yiau Hin	Executive Director	May 1, 2010
Shahnaz Mohd Yusof	Company Secretary	January 29, 2015
Abdul Rahman Musa@Onn . . .	Company Secretary (Joint)	July 5, 2012

(1) Member of the Board Audit Committee described below.

(2) Member of the Board Governance and Risk Committee described below.

(3) Member of the Board Remuneration Committee described below.

Executive Committee

The Executive Committee assists the President and Group Chief Executive Officer in his management of the business and affairs of PETRONAS, particularly in relation to strategic business development, high impact and high value investments and cross-business issues. It also serves as a platform for the structured succession planning for the role of President and Group Chief Executive Officer.

The current members of PETRONAS' Executive Committee are as follows:

<u>Name</u>	<u>Current Position/Occupation</u>	<u>Date Joined PETRONAS</u>
Tan Sri Dato' Seri Shamsul Azhar Abbas	President and Group Chief Executive Officer	August 15, 1975
Datuk Wan Zulkiflee Wan Ariffin	Chief Operating Officer, Executive Vice President and Chief Executive Officer, Downstream Business	April 1, 1983
Dato' Wee Yiau Hin	Executive Vice President and Chief Executive Officer, Upstream Business	May 1, 2010
Datuk Manharlal Ratilal	Executive Vice President and Group Chief Financial Officer	February 1, 2003
Md Arif Mahmood	Senior Vice President, Corporate Strategy and Risk Division	October 1, 1984
Raiha Azni Abd Rahman	Senior Vice President, Group Human Resource Management Division	September 3, 1984
Mohamad Rauff Nabi Bax	Senior Vice President and Group General Counsel	November 1, 1990
Dr. Colin Wong Hee Huing	Senior Vice President, Technology and Engineering Division	July 1, 1980
Datuk Mohd Anuar Taib	Senior Vice President, Upstream Malaysia Business	July 1, 2012
Abdul Rahman Musa@Onn	Secretary to the Executive Committee	November 16, 1981

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>
Tan Sri Dato' Seri Shamsul Azhar Abbas	President and Group Chief Executive Officer	August 15, 1975
Datuk Wan Zulkiflee Wan Ariffin	Chief Operating Officer, Executive Vice President and Chief Executive Officer, Downstream Business	April 1, 1963
Dato' Wee Yiau Hin	Executive Vice President and Chief Executive Officer, Upstream Business	May 1, 2010
Datuk Manharlal Ratilal	Executive Vice President and Group Chief Financial Officer	February 1, 2003
Md Arif Mahmood	Senior Vice President, Corporate Strategy and Risk Division	October 1, 1984
Raiha Azni Abd Rahman	Senior Vice President, Group Human Resource Management Division	September 3, 1984
Mohamad Rauff Nabi Bax	Senior Vice President and Group General Counsel	November 1, 1990

<u>Name</u>	<u>Current Position</u>	<u>Date Joined PETRONAS</u>
Dr. Colin Wong Hee Huing . . .	Senior Vice President, Technology and Engineering Division	July 1, 1980
Adif Zulkifli	Vice President, Malaysia Petroleum Management	May 3, 1993
Yee Yang Chien	President and Chief Executive Officer, MISC Berhad	April 1, 2008
Norliza Kamaruddin	Senior General Manager, Group Strategic Communications Division	November 18, 2013
Datuk Mohd Anuar Taib	Senior Vice President, Upstream Malaysia Business	July 1, 2012
Sharbini Suhaili	Vice President, Upstream International Business	September 1, 2009
Mohd Rashid Mohd Yusof	Vice President, Supply Chain Management Division	April 16, 1980
Hazleena Hamzah	Secretary of the Management Committee	May 2, 2001

For information regarding the directors' remuneration, see note 38 (Related Party Disclosure) to the financial statements included elsewhere in this Offering Circular.

Board Committees

There are three Board Committees made up primarily of Non-Executive Directors, namely the Audit Committee, the Governance and Risk Committee and the Remuneration Committee.

Board Audit Committee. The Board Audit Committee assists the Board in fulfilling its oversight functions in relation to internal controls, risk management and financial reporting of PETRONAS. The Committee provides the Board with the assurance of the quality and reliability of financial information issued by PETRONAS whilst ensuring the integrity of its assets.

Board Governance and Risk Committee. The Board Governance and Risk Committee provides, among other things, oversight and in depth discussion on risk management matters at Board level. The Committee reviews policies, practices, principal risks and oversees the adequacy and effectiveness of risk management systems to monitor and manage risks in PETRONAS' operations. It is also responsible for reviewing management succession planning, identifying, nominating and orientating new Directors, as well as reviewing and recommending to the Board the appropriate governance policies and procedures in accordance with international governance standards and best practices.

Board Remuneration Committee. The Board Remuneration Committee assists the Board in discharging its responsibilities in the determination of the remuneration and compensation of the President and Group Chief Executive Officer, the Executive Directors and certain members of senior management.

SHARE OWNERSHIP

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

Shareholder	Percent of Ownership
Minister of Finance (Incorporated)	99.99
The Federal Land Commissioner (Incorporated)	0.01

RELATIONSHIP WITH THE GOVERNMENT OF MALAYSIA

PETRONAS was established by the Government of Malaysia pursuant to the Malaysia Petroleum Development Act, 1974 to own and manage the petroleum resources of Malaysia and was incorporated under the Malaysia Companies Act, 1965 on August 17, 1974. 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, the appointment of the Chairman of PETRONAS and any change of auditor. Currently, two Government of Malaysia officials serve on PETRONAS' Board of Directors, namely the Secretary General of Treasury, Ministry of Finance and the Deputy Governor of Bank Negara Malaysia.

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 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\$1,250,000,000 Trust Certificates due 2020 (the “**Certificates**”) represents an undivided beneficial ownership interest in the Trust Assets (as defined below) 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 on or about March 18, 2015 (the “**Closing Date**”) made between PETRONAS Global Sukuk Ltd. (the “**Issuer**”, and in its capacity as trustee, the “**Trustee**”), Petroliam Nasional Berhad (PETRONAS) (“**PETRONAS**”) and The Bank of New York Mellon (the “**Delegate**”). The Certificates are constituted by the Declaration of Trust.

Payments relating to the Certificates will be made pursuant to an agency agreement to be dated the Closing Date (the “**Agency Agreement**”) made between the Issuer, the Trustee, PETRONAS, the Delegate, The Bank of New York Mellon, 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, appointed from time to time in respect of the Certificates, the “**Paying Agents**”), as replacement agent in respect of the Certificates (in such capacity, the “**Replacement Agent**”, which expression shall include any successor), as registrar in respect of the Certificates (in such capacity, the “**Registrar**”, which expression shall include any successor), as transfer agent in respect of the Certificates (in such capacity, the “**Transfer Agent**” and, together with any further or other transfer agents, appointed from time to time in respect of the Certificates, the “**Transfer Agents**”, which expression shall in each case include any successor), as calculation agent in respect of the Certificates (in such capacity, the “**Calculation Agent**”, which expression shall include any successor) and as account bank (in such capacity, the “**Account Bank**”, which expression shall include any successor) (the Principal Paying Agent, the Paying Agents, the Calculation Agent, the Replacement Agent, the Transfer Agents, the Account Bank 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\$200,000 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 Dissolution Date, Total Loss Event Dissolution Date or Early Dissolution 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 Dissolution 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 Delegate, 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: (a) evidences an undivided beneficial ownership interest in the Trust Assets; (b) will be direct, unconditional unsubordinated and (subject to the Transaction Documents) unsecured general obligations of the Issuer; and (c) will, subject to the Transaction Documents, at all times rank *pari passu*, without any preference among themselves and equally with all other outstanding unsecured and unsubordinated general obligations of the Issuer.

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, the Trustee or the Delegate 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, the Trustee or the Delegate 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

Pursuant to the Declaration of Trust, the Trustee agrees to hold the Trust Assets upon trust absolutely for the Certificateholders as beneficiaries in accordance with the Declaration of Trust.

Under the Wakalah Agreement, the Trustee will appoint PETRONAS as the Trustee's agent (in such capacity, the "**Wakeel**") to perform the duties set out in the Wakalah Agreement and the Wakalah Contracts, and the Issuer agrees to apply the Sukuk Issue Amount to acquire:

- (a) the Leased Assets to be leased by the Trustee (as Lessor) to the Lessee pursuant to the Lease Agreement; and
- (b) the Commodities to be purchased by the Trustee (or by the Facility Agent on its behalf) to be sold to the Buyer pursuant to the Commodity Murabahah Investment Agreement,

(together the "**Sukuk Assets**", and which will form part of the "**Wakalah Portfolio**").

The Trustee will enter into a purchase agreement (the "**Purchase Agreement**") dated the Closing Date with PETRONAS Penapisan (Melaka) Sdn. Bhd. (the "**Seller**"). The Seller will sell to the Trustee its beneficial ownership of those assets situated in Malaysia, described in the Purchase Agreement (such assets, the "**Assets**", which term includes such other substitute assets that PETRONAS (or its wholly-owned subsidiaries who may enter into a purchase agreement with the Trustee in connection with the Certificates) provides to the Issuer pursuant to the terms of the Substitution Undertaking). The Trustee (in its capacity as lessor, the "**Lessor**") will lease the Assets (the "**Leased 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 Leased Assets.

The Issuer shall enter into a commodity murabahah investment agreement (the "**Commodity Murabahah Investment Agreement**") with PETRONAS (as the "**Buyer**") pursuant to which the Issuer shall purchase Commodities on the Closing Date on behalf of the Buyer at the Aggregate Commodity Purchase Price in consideration of the Aggregate Deferred Sale Price to be paid by the Buyer to the Issuer in accordance with the Commodity Murabahah Investment Agreement on the relevant Dissolution Date.

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 Leased 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 Dissolution Date; or (b) following the occurrence of a Dissolution Event, and all of the Leased 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 subsidiaries, subject to the Trustee being entitled to redeem the Certificates early pursuant to Condition 6.3 (*Dissolution 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 Dissolution Date, oblige the Trustee to sell and assign all of the Leased Assets at the Exercise Price to PETRONAS or its relevant subsidiary for the purpose of tax Dissolution under Condition 6.3.

Pursuant to the Declaration of Trust, the Trustee will declare a trust in favour of the Certificateholders over:

- (a) all of its rights, title, interest and benefit, present and future, in, to and under the relevant 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 all proceeds of the foregoing upon trust absolutely for the Certificateholders pro rata according to the principal amount of the Certificates held by each holder (together, the “**Trust Assets**”).

Subject to the Wakalah Agreement, all payments by PETRONAS to the Trustee under each Transaction Document (as defined below) to which it is party will be deposited into a non-interest bearing account of the Trustee maintained, among other things, for such purpose with the Account Bank pursuant to an account bank agreement dated the Closing Date between the Account Bank, PETRONAS, the Delegate and the Issuer (the “**Transaction Account**”).

The Purchase Agreement, the Lease Agreement, the Servicing Agency Agreement, the Purchase Undertaking, the Sale Undertaking, the Substitution Undertaking, the Commodity Murabahah Investment Agreement, the Servicing Agency Agreement, the Wakalah Agreement, 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 Dissolution 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 Dissolution Date, to the Principal Paying Agent for application in or towards payment pari passu and rateably of the Dissolution Distribution Amount (to the extent not already paid under paragraph (b) above) due on the Dissolution 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 Dissolution Date in accordance with the Wakalah Agreement, in payment of the surplus (if any) to the Wakeel as an incentive amount for its performance.

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 Periodic Distribution 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 months of 30 days 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, provided that the Reduction Amount shall be deducted from the Periodic Distribution Amount due on the final Periodic Distribution Date.

"Periodic Distribution Date" means March 18 and September 18 each year up to and including March 18, 2020 (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 September 18, 2015.

"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 Dissolution Date (if such date is not a Periodic Distribution Date).

6. DISSOLUTION

6.1 Scheduled Dissolution

Unless previously redeemed, the Certificates shall be redeemed in full by the Issuer on the Scheduled Dissolution Date by payment of the Dissolution Distribution 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 Dissolution Distribution 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 Dissolution 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 Dissolution Distribution 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 Dissolution Distribution Amount, (ii) the Periodic Distribution 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 months of 30 days 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 Dissolution Distribution Amount to (but excluding) the date of full payment, and the denominator of which is 360.

6.2 Early Dissolution—Dissolution Event

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 Dissolution Date by payment of the Dissolution Distribution 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 Dissolution Distribution 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 Dissolution 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 Dissolution Distribution 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 Dissolution Distribution Amount, (ii) the Periodic Distribution 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 months of 30 days 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 Dissolution Distribution Amount to (but excluding) the date of full payment, and the denominator of which is 360.

6.3 Early Dissolution 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 Dissolution Date**") specified in such notice at the Dissolution Distribution 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 the Offering Circular:

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

(each a “**Tax Event**”).

PETRONAS 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 Dissolution Date.

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

The Dissolution Distribution Amount shall be distributed on the Tax Dissolution Date pro rata amongst the Certificateholders. The Calculation Agent will calculate the amount payable in respect of any Certificate by multiplying the Dissolution Distribution 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 Dissolution 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 Dissolution Distribution 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 Dissolution Distribution Amount, (ii) the Periodic Distribution 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 months of 30 days 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 Dissolution Distribution Amount to (but excluding) the date of full payment, and the denominator of which is 360.

6.4 Early Dissolution following a Total Loss Event

Following the occurrence of a Total Loss Event, 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 Event, 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 Event.

6.5 Interest in Trust Assets

Upon payment in full of the amounts equal to the Dissolution Distribution 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\$200,000 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 Dissolution 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 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 Dissolution Distribution 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, Dissolution Distribution 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 Dissolution Distribution 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 Dissolution Distribution 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), and (ii) 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:

- (a) 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
- (b) 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 the Principal Paying Agent has been notified in writing by the Issuer or PETRONAS of such requirement (such notice to be provided by the Principal Paying Agent to the relevant clearing organization); or
- (c) 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
- (d) for any Withholding Taxes imposed pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, or any successor or amended version of these provisions, any agreement with the U.S. Treasury entered into with respect thereto, any U.S. Treasury regulation issued thereunder or any other official interpretations or guidance issued with respect thereto; any intergovernmental agreement entered into with respect thereto, and any law, regulation, or other official interpretation or guidance promulgated pursuant to such intergovernmental agreement; or
- (e) 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
- (f) 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
- (g) where the Certificateholder or any other person who holds an interest in the Certificate is a fiduciary, a partnership or any person other than the sole beneficial owner of such payment, in respect of Withholding Taxes that would not have been imposed had the beneficiary or settlor with respect to such fiduciary, member of such partnership or beneficial owner of such payment been the actual holder of the Certificate; or
- (h) any combination of (a) to (g) (inclusive) 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 30 days, or the Dissolution Distribution 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 and/or prefunded 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 Dissolution Distribution Amount on the date specified in such notice (the “**Early Dissolution 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 Event, the Issuer shall give notice of the occurrence of such Total Loss Event 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 Event (the “**Total Loss Dissolution Date**”).

Following a Total Loss Event, 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 or any other Transaction Document;

- (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. of the Sukuk Issue Amount and in either case, then only if it shall be indemnified and/or secured and/or prefunded 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; (iii) to enforce the obligations of the Servicing Agent under the Servicing Agency Agreement; and (iv) enforce the obligations of the Buyer under the Commodity Murabahah Investment 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 Agent 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 Stock Exchange of Hong Kong Limited, on the website of The Stock Exchange of Hong Kong Limited (*www.hkex.com.hk*), or otherwise in compliance with the listing rules of The Stock Exchange of Hong Kong Limited. 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 Issuer, the Delegate, PETRONAS and/or the Trustee may, and the Delegate shall upon a requisition in writing signed by the holders of not less than 25 per cent. of the principal amount of the Certificates for the time being outstanding, 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 (other than in the case of a Reserved Matter) will be one or more Certificateholders, proxies or representatives present holding or representing not less than 50 per cent. of the principal amount of the Certificates for the time being outstanding, or at any adjourned such meeting one or more Certificateholders, proxies or representatives present whatever the principal amount of the Certificates held or represented by him or them. For an Extraordinary Resolution to approve a Reserved Matter (which must be proposed to all Certificateholders), the quorum shall be one or more Certificateholders, proxies or representatives holding or representing not less than 75 per cent. of the principal amount of the Certificates, or at any adjourned such meeting one or more Certificateholders, proxies or representatives present holding or representing not less than 25 per cent. of the principal amount of the Certificates for the time being outstanding. 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 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 Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of (other than in the case of a Reserved Matter), 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 Delegate:
- (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 Leased Assets during a Lease Period; or
- (e) such modification, waiver, authorisation or determination is not, in the opinion of the Delegate, 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 Delegate may determine, shall be binding upon the Certificateholders and, unless the Delegate 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 and 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 and/or pre-funded 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 depositary 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 Declaration of Trust and the Certificates, and any non-contractual obligations arising out of or in connection with the same, 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, the Transfer Agent and the Account Bank appointed by the Issuer pursuant to the Agency Agreement.

“**Aggregate Commodity Purchase Price**” means US\$798,000,000;

“**Aggregate Deferred Sale Price**” means the aggregate of the Aggregate Commodity Purchase Price and the Mark-Up Amount.

“**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, New York and London.

“**Buyer**” shall have the meaning given to such term in Condition 4.1.

“**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*.

“**Commodity Murabahah Investment Agreement**” has the meaning given to such term in Condition 4.1.

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

“**Dissolution Distribution Amount**” means the aggregate of:

- (a) the Aggregate Deferred Sale Price; and
- (b) the Lease Dissolution Distribution Amount.

“**Dissolution Event**” shall have the meaning given in Condition 12.1.

“**DTC**” means Depositary Trust Company.

“**Early Dissolution 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 Notice**” shall have the meaning given to such term in Condition 4.1.

“**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.

“**Facility Agent**” means CIMB Islamic Bank Berhad acting as Facility Agent in respect of the Commodity Murabahah Investment Agreement.

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

“**Insurances**” means insurance of the Leased Assets against Total Loss Event 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.

“**Lease Dissolution Distribution Amount**” means, as of any Dissolution Date, the aggregate of:

- (a) 36.16 per cent. of the Sukuk Issue Amount;
- (b) any accrued Periodic Distribution Amount that is due but unpaid as of the relevant Dissolution Date, less the Reduction Amount (without double counting); and
- (c) any other amount that is due (but unpaid) under these Conditions (including, without limitation, Condition 10 (*Taxation*)) as of such date.

“**Lease Period**” means the 10 consecutive lease periods of 6 months each commencing on the Closing Date.

“**Leased Assets**” shall have the meaning given to such term 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.

“**Mark-Up Amount**” means US\$1,000,000.

“**Offering Circular**” means the Offering Circular dated March 11, 2015 prepared by the Issuer and PETRONAS in connection with the offering of the Certificates.

“**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.

“**Periodic Distribution Rate**” means 2.707% per cent. per annum.

“**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.

“**Reduction Amount**” means US\$1,000,000.

“**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**” means the rental payments under the Lease Agreement for each Lease Period.

“**Reserved Matter**” shall have the meaning given in the Declaration of Trust.

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

“**Scheduled Dissolution Date**” means March 18, 2020.

“**Servicing Agency Agreement**” shall have the meaning given 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\$1,250,000,000 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 Dissolution 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 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 or any other amount payable by PETRONAS (in any capacity) pursuant to any other Transaction Document 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 to duly 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 10 per cent. in aggregate principal amount of the Certificate at the time outstanding; or
- (d) failure on the part of PETRONAS to duly 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 its specified office with a copy to the Delegate at its specified office by the holders of at least 10 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\$200,000,000 (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\$200,000,000 (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\$200,000,000 (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\$200,000,000 (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.

If a Termination Event with respect to the Certificates occurs, the holders of not less than 25 per cent. in aggregate principal amount of the Certificates then outstanding, by written demand to the Issuer and PETRONAS at their specified offices, with a copy to the Delegate at its specified office, may declare monies then due with respect to such Certificates immediately due and payable.

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 Event” means the total loss, termination or destruction of, or damage to, the whole of the Leased 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 Dissolution 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 Event 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.

“**Wakeel**” shall have the meaning given to such term in Condition 4.1.

“**Wakalah Contracts**” mean the Purchase Agreement, the Lease Agreement and the Commodity Murabahah Investment Agreement, and any ancillary contracts in relation thereto entered into from time to time, including but not limited to, the Purchase Undertaking, the Sale Undertaking, the Substitution Undertaking, the Servicing Agency Agreement or substitution agreements entered into pursuant to such undertakings.

“**Wakalah Portfolio**” shall have the meaning given to such term in Condition 4.1.

“**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. (“**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 144A 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 Registrar 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 Declaration of Trust) 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 Declaration of Trust) 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.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Global Notes, Cede & Co., 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 depositaries 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 which processes payments in U.S. dollars at the option of the Holder, at the office of the Principal Paying Agent (initially as set forth on the inside back cover hereto).

Payments in relation to any Certificate shall be made solely in U.S. dollars by check drawn on a bank which processes payments in U.S. dollars, 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, 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. 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, defaced, 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 or defaced 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 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 Agreement

PETRONAS Penapisan (Melaka) Sdn. Bhd. will sell to the Issuer its beneficial ownership interest in the assets described in the Purchase Agreement 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 Leased 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 Event or exercise of PETRONAS’ option under the Sale Undertaking to redeem the Certificates following a Tax Event, comprise 10 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 9 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 Leased 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 Periodic Distribution Rate, and (iii) 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) 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,

save that the Rental for the final Lease Period shall be less the Reduction Amount.

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 Periodic Distribution 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 months of 30 days 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 Event, 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 Event. Save for Rental pro rata to, but excluding, the date Total Loss Event occurs, which shall become immediately due and payable on the date Total Loss Event 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 Leased Assets in accordance with the terms of the Lease Agreement;
 - (ii) ensure that the Leased 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 Leased 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 Leased 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 15 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;

- (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;
 - (vi) any Lien arising in the ordinary course of business;
 - (vii) any Lien arising by operation of law; or
 - (viii) any Lien arising from set-off arrangements or hedging transactions.
- (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 15 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.

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 arrear 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\$10,000,000 (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 Event” means the total loss, termination or destruction of, or damage to, the whole of the Leased 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 Leased 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 Leased 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 Leased Assets or to keep, repair, maintain and preserve the Leased Assets in good order, state and condition) without which the Leased Assets could not be reasonably and properly used by the Lessee;
- (b) Proprietorship Taxes: payment of all Taxes in relation to the Leased 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 Leased Assets against all risks against loss, destruction or damage, including, without limitation, Total Loss Event, 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 Leased Assets. The Servicing Agent, having regard to its covenant to maintain the full value of the Leased Assets, shall ensure that the full reinstatement value of the Leased Assets is not less than the Lease Dissolution Distribution Amount; 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 Event occurring all such insurance proceeds, up to the Lease Dissolution Distribution Amount, are paid in US dollars directly into the Transaction Account by no later than the 30th day after Total Loss Event 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 Event 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 Event, the Servicing Agency Agreement is not complied with, the Servicing Agent acknowledges that it will have failed with its obligation to procure such insurances, and if as a result the amount credited to the Transaction Account pursuant to paragraph (vi) above (if any) is less than the Lease Dissolution Distribution Amount (the difference between the Lease Dissolution Distribution 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 Event 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 Lease Dissolution Distribution Amount.

Wakalah Agreement

Under the Wakalah Agreement to be dated the Closing Date, the Issuer, as Trustee, shall appoint PETRONAS, as its agent (as Wakeel), to perform certain duties set out in the Wakalah Agreement and the Wakalah Contracts, and the Issuer agrees to apply the Sukuk Issue Amount for the purposes of acquiring the Sukuk Assets which will form part of the wakalah portfolio (the "**Wakalah Portfolio**").

Pursuant to the Wakalah Agreement, the Issuer will invest the Sukuk Issue Amount for and on behalf of the Certificateholders in:

- (i) the Leased Assets to be leased by the Issuer (as Lessor) to the Wakeel (as the Lessee) pursuant to the Lease Agreement; and
- (ii) the Commodities to be purchased by the Issuer (or by the Wakeel on its behalf) to be sold to the Wakeel (as Buyer) pursuant to the Commodity Murabahah Investment Agreement.

The Wakeel, acting as agent of the Issuer, in relation to the Wakalah Portfolio, is granted, complete discretion, authority, power and right to manage, administer, perform and discharge its obligations relating to the Wakalah Portfolio. Notwithstanding the foregoing, in managing, administering, performing and discharging its obligations relating to the Wakalah Portfolio, the Wakeel must:

- (i) properly monitor and timely enforce the performance of each counterparty under the Wakalah Contracts;
- (ii) ensure that each Wakalah Contract remains in full force and effect whilst any Certificates remain outstanding;
- (iii) ensure that at least 33 per cent. of the Sukuk Issue Amount is applied to acquire the Leased Assets on the Closing Date pursuant to the Purchase Agreement;
- (iv) ensure that at all times during the term of the Certificates the aggregate value of the Leased Assets comprised in the Wakalah Portfolio is at least equal to 33% of the value of the Wakalah Portfolio as a whole, all as valued in accordance with the Valuation Principles;
- (v) ensure that no more than 67 per cent. of the Sukuk Issue Amount, is applied to acquire the Commodities in respect of the Commodity Murabahah Investment on the Closing Date; and
- (vi) not waive or forgive the obligation of any counterparty under any such Wakalah Contract and not enter into any arrangement to dispose at a discount of any rights under any such Wakalah Contract.

For the purposes of the foregoing:

“**Wakalah Contracts**” mean the Purchase Agreement, the Lease Agreement and the Commodity Murabahah Investment Agreement, and any ancillary contracts in relation thereto entered into from time to time, including but not limited to the, the Purchase Undertaking, the Sale Undertaking, the Substitution Undertaking, the Servicing Agency Agreement or substitution agreements entered into pursuant to such undertakings.

Commodity Murabahah Investment Agreement

Under the Commodity Murabahah Investment Agreement to be dated the Closing Date, the Issuer undertakes that, on receipt of a purchase order from PETRONAS, as Buyer, it shall procure that the Facility Agent purchases the Commodities on a spot basis at the Aggregate Commodity Purchase Price on behalf of the Issuer. The Issuer will fund the Aggregate Commodity Purchase Price from the proceeds from the sale of the Certificates.

Following the purchase of the Commodities by the Facility Agent on behalf of the Issuer, the Issuer shall deliver on the Closing Date a Letter of Acceptance and Offer to the Buyer indicating the Issuer’s acceptance of the terms of the purchase order made by the Buyer and detailing the terms of

the offer for the sale of the Commodities to the Buyer from the Issuer no later than the Closing Date. On acceptance of the Letter of Acceptance and Offer the Issuer shall sell and the Buyer shall buy the Commodities and ownership of and all risks in and to the relevant Commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto.

Pursuant to the Commodity Murabahah Investment Agreement, the Aggregate Deferred Sale Price shall become immediately due and payable one Business Day before the relevant Dissolution Date. The Buyer shall pay the Aggregate Deferred Sale Price as follows:

- (i) to the Wakeel one Business Day before the relevant Dissolution Date which amount shall be dealt with in accordance with clause 4.1 of the Wakalah Agreement; or
- (ii) to the Issuer's account by no later than 11.00 am (local time in the city of the Issuer's specified office) the day falling one Business Day before the date specified in the relevant notice provided by the Trustee to the Issuer and the Obligor upon the occurrence of a Dissolution Event pursuant to Condition 12; or
- (iii) to the Principal Paying Agent's account by no later than 11.00 am (local time in the city of the Principal Paying Agent's specified office) the day falling one Business Day before the relevant Dissolution Date,

as applicable.

For the purposes of the foregoing:

"Aggregate Commodity Purchase Price" means US\$798,000,000;

"Aggregate Deferred Sale Price" means the aggregate of the Aggregate Commodity Purchase Price and the Mark-Up Amount;

"Commodities" means shari'ah-compliant commodities capable of being purchased at the spot price on the Closing Date in consideration for the Aggregate Commodity Purchase Price. For the avoidance of doubt, "Commodities" shall exclude commodities such as gold and silver that are used as a medium of exchange;

"Letter of Acceptance and Offer" means the letter to be issued by the Issuer to the Buyer substantially in the form set out in the Commodity Murabahah Investment Agreement; and

"Mark-Up Amount" means US\$1,000,000.

Purchase Undertaking

Under the Purchase Undertaking to be executed by PETRONAS in favor 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 Leased 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 Dissolution 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 Dissolution Date (as defined in Condition 12.3), such Early Dissolution 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 Dissolution 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 Leased 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 Leased Assets from the Trustee (and act as servicing agent in respect of the Leased 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 Periodic Distribution 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 Lease Dissolution Distribution Amount, as such term is defined in Condition 21.

Sale Undertaking

Under the Sale Undertaking to be dated the Closing Date and issued by the Trustee in favor of PETRONAS and certain of its 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 Leased Assets at the Exercise Price, which shall be payable before 10 am New York time on the Tax Dissolution 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 Dissolution Date. The Trustee undertakes that, upon PETRONAS exercising its option, it will sell to PETRONAS or the relevant subsidiary all of the relevant Leased 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 (or the relevant subsidiary) 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.

For the purpose of the foregoing:

“**Exercise Price**” means a US Dollar amount equal to the Lease Dissolution Distribution Amount, as such term is defined in Condition 21.

Substitution Undertaking

Pursuant to the Substitution Undertaking, the Trustee will grant to PETRONAS and certain of its subsidiaries the right to require, from time to time at PETRONAS’ sole discretion, the Trustee to sell, transfer and convey all of the Trustee’s interests, rights, title, benefits and entitlements, present and future, in, to and under any or all of the Leased Assets (the “**Substituted Leased Assets**”) to PETRONAS or the relevant subsidiary in exchange for certain new assets (the “**New Leased Assets**”) on the condition that the New Leased Assets are capable of being leased and are of a value which is equal to or greater than the value of the Substituted Leased Assets as certified by PETRONAS or the relevant subsidiary. The substitution of the Substituted Leased Assets with the New Leased Assets will become effective on the date specified in the substitution notice to be delivered by PETRONAS or the relevant subsidiary in accordance with the Substitution Undertaking, by the Trustee and PETRONAS (or the relevant subsidiary) entering into a sale agreement.

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 The Bank of New York Mellon as principal paying agent, replacement agent, transfer agent, calculation agent, account bank and registrar in respect of the Certificates.

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, other than the Purchase Agreement and the Lease Agreement, will be governed by English law and the courts of England shall have non-exclusive jurisdiction with respect to each such Transaction Document.

The Purchase Agreement and the Lease Agreement will be governed by Malaysian law and the courts of Malaysia shall have non-exclusive jurisdiction with respect to each such Transaction Document.

TAXATION

Malaysian Tax Considerations

As PETRONAS Global Sukuk Ltd. is incorporated under the Labuan 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 Paragraph 33B of Schedule 6 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 214 of the Financial Services Act 2013 of Malaysia.

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, entities taxed as partnerships and partners therein, 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. Further, this summary does not address the alternative minimum tax, the Medicare tax on net investment income, or other aspects of U.S. federal income or state and local taxation that may be relevant to a U.S. Holder in light of such Holder’s particular circumstances.

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 periodic distributions and additional amounts, if any (i.e., without reduction for Malaysian withholding taxes), as ordinary interest income with respect to the Certificates. In the event that the Certificates are issued with more than de minimis original issue discount ("OID") for U.S. federal income tax purposes, a U.S. Holder will be required to include OID in income on a constant-yield basis over the life of the Certificates, regardless of its method of accounting. Such periodic distributions 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 periodic distributions 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 periodic distributions. 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 that is not a U.S. Holder (a "**Non-U.S. Holder**") generally will not be subject to U.S. federal income or withholding tax on periodic distributions or additional amounts earned in respect of Certificates.

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 periodic distributions, which will be taxable as described above) 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 certain non-corporate U.S. Holders may be eligible for preferential rates. 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.

Information Reporting and Backup Withholding

Periodic distributions 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 an exempt recipient that, if required, demonstrates its exemption 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 Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”), each Member State of the European Union is required to provide to the tax authorities of another such Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, that other Member State. However, for a transitional period, Austria will (unless during such period it elects otherwise) instead operate a withholding system in relation to such payments. The rate of withholding is 35%. However, the beneficial owner of the interest (or similar income) payment may elect that certain provision of information procedures should be applied instead of withholding, provided that certain conditions are met. 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 to the Savings Directive.

The Council of the European Union has adopted a Directive amending the Savings Directive (the “**Amending Directive**”) which, when implemented, will broaden the Savings Directive’s scope. The Member States will have until January 1, 2016 to adopt national legislation necessary to comply with the Amending Directive, which legislation must apply from January 1, 2017. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, or secured for, certain other entities and legal arrangements (including certain trusts and partnerships), where certain conditions are satisfied. They also broaden the definition of “interest payment” to cover certain additional types of income. Investors who are in any doubt as to their position should consult their professional advisors.

The Savings Directive may, however, be repealed in due course in order to avoid overlap with the amended Council Directive 2011/16/EU on administrative cooperation in the field of taxation, pursuant to which Member States other than Austria will be required to apply other new measures on mandatory automatic exchange of information from January 1, 2016. Austria has an additional year before being required to implement the new measures but it has announced that it will nevertheless begin to exchange information automatically in accordance with the timetable applicable to the other Member States.

If a payment under a Certificate were to be made and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such Directive, neither the Issuer, nor the Guarantor, 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 required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive (as amended from time to time).

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 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 March 11, 2015 (the “**Certificate Purchase Agreement**”) among the Issuer, PETRONAS and the Managers, the Managers have agreed to purchase, and the Issuer 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 100% of the principal amount:

Managers	Principal Amount of Certificates
Merrill Lynch (Singapore) Pte. Ltd.	U.S.\$312,500,000
CIMB Investment Bank Berhad	203,125,000
Citigroup Global Markets Limited	203,125,000
J.P. Morgan Securities plc	203,125,000
Morgan Stanley & Co. International plc.	203,125,000
Deutsche Bank AG, Singapore Branch	31,250,000
The Hongkong and Shanghai Banking Corporation Limited	31,250,000
Maybank Investment Bank Berhad	31,250,000
Mitsubishi UFJ Securities International plc	<u>31,250,000</u>
Total	<u><u>U.S.\$1,250,000,000</u></u>

The Certificate Purchase Agreement provides that the several, not joint, 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, the Issuer and the Managers for payment of management and selling commissions of U.S.\$2,500,000 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.

The Issuer 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 the Issuer 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.

The Issuer 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. The Issuer 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. The Issuer and PETRONAS have been advised by the Managers that they may 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.”*

Approval-in-principle has been obtained for: (i) the listing of the Certificates on, and admission to the Official List of, the Labuan International Financial Exchange, and (ii) the listing of the Certificates on, and the admission to the Official List of, the Bursa Malaysia (Exempt Regime); and application has been made for the listing of the Certificates on the Hong Kong Stock Exchange. The offering and settlement of the Certificates are not conditional on obtaining any of these listings. 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 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 “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), each Manager has not made and will not make an offer of Certificates which are the subject of the offering contemplated by the Offering Circular to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Certificates to the public in that Relevant Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Managers nominated by the Issuer and the Guarantor for any such offer; or
- (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Certificates referred to above shall require the Issuer, the Obligor or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 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 Relevant 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, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom

Each of the Managers has agreed that it has only communicated or caused to be communicated and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it 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 or PETRONAS and it has complied and will comply with all applicable provisions of such Act with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

Malaysia

This Offering Circular has not been registered as a prospectus with the Securities Commission Malaysia under the Capital Markets and Services Act 2007 of Malaysia and accordingly, the Certificates may not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)), read together with Schedule 9 (or Section 257(3)) of the Capital Markets and Services Act 2007 of Malaysia, subject to any law, order, regulation or official directive of Central Bank of Malaysia, Securities Commission Malaysia and/or any other regulatory authority from time to time.

In addition, residents of Malaysia may be required to obtain relevant regulatory approvals, including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

An invitation to subscribe for, or an offer to purchase the Certificates may only be made into Labuan if such Certificates are offered for subscription or sale, sold, transferred or otherwise disposed of, directly or indirectly to a person falling, or if such offer or invitation falls, within section 13(5) of the Labuan Islamic Financial Services and Securities Act 2010.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the “**FIEA**”). Accordingly, each Manager has represented and agreed that it will not offer or sell any Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each of the Managers has represented and agreed that:

- (i) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”), by means of any document, any Certificates other than (a) to “professional investors” as defined in the Securities and Futures Ordinance 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 (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (ii) 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 of Hong Kong and any rules made under that Ordinance.

Singapore

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, each Manager represents, warrants and agrees 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 any person in Singapore other than (i) to an institutional investor under Section 274 of 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,

securities (as defined in Section 239(1) of the SFA) 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 or to a relevant person (defined in Section 275(2) of the SFA) or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

United Arab Emirates (excluding the Dubai International Finance Centre)

Each Manager has represented and agreed that 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.

Dubai International Financial Centre

Each Manager 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) an “Exempt Offer” for the purposes of the Markets Rules 2012 of the Dubai Financial Services Authority (“**DFSA**”); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business.

State of Qatar

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Certificates in the State of Qatar (“**Qatar**”), except (a) in compliance with all applicable laws and regulations of Qatar and (b) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

Kingdom of Bahrain

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an “accredited investor” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organization, central bank or other national monetary authority or a state organization whose main activity is to invest in financial instruments (such as a state pension fund).

Kuwait

Each Manager has represented and agreed that no Certificates have been licensed for offering in Kuwait by the Kuwait Capital Markets Authority. The offering of the Certificates in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 “Establishing of the Capital Markets Authority and the organization of securities activity”, its Executive Regulations and the various Resolutions and Announcements issued pursuant thereto or in connection therewith. No private or public offering of the Certificates is being made in Kuwait, and no agreement relating to the sale of the Certificates will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Certificates in Kuwait.

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.

The Issuer 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 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 the Issuer 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 the Issuer, PETRONAS, the Managers or any person representing the Issuer, PETRONAS or the Managers has made any representation to you with respect to the Issuer, 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 the Issuer, PETRONAS and the Certificates, including an opportunity to ask questions of, and request information from, the Issuer, 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 the Issuer, 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 the Issuer 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 the Issuer, 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 the Issuer, 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 the Issuer, PETRONAS and the Registrar that the restrictions set forth herein have been complied with.
6. You acknowledge that:
 - (a) the Issuer, 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 the Issuer, 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 the Issuer, 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 the Issuer, 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 consolidated and unconsolidated financial statements of PETRONAS as of December 31, 2014 and 2013, and for each of the years in the three-year period ended December 31, 2014, included in this Offering Circular have been audited by KPMG, independent auditors, 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	Y68868 AA9	USY68868AA92	120083686
Restricted Global Certificates	71675A AA0	US71675AAA07	120079603

2. Approval-in-principle has been obtained for (i) listing of the Certificates on, and admission to the Official List of, the Labuan International Financial Exchange, and (ii) listing of the Certificates on, and admission to the Official List of, Bursa Malaysia (Exempt Regime); and application has been made for listing of the Certificates on the Hong Kong Stock Exchange. The offering and settlement of the Certificates are not conditional on obtaining any of these listings. 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. See *“Risk Factors—Risks Relating to the Certificates—A listing of the Certificates on a securities exchange cannot be guaranteed.”* Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange, the Labuan International Financial Exchange and Bursa Malaysia take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. Approval-in-principle from, and the listing of the Certificates on, the Hong Kong Stock Exchange, Labuan International Financial Exchange and/or Bursa Malaysia is not to be taken 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.
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 February 26, 2015.
4. Except as disclosed in this Offering Circular, there has been no material adverse change in the financial position or prospects of PETRONAS since December 31, 2014. 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. 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 Hong Kong Stock Exchange, the Labuan International Financial Exchange and/or the Bursa Malaysia, be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) at the specified office of the Paying 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 office of the Paying Agent. PETRONAS does not publish full interim financial statements, but does currently issue unaudited summary information regarding its quarter-annual fiscal period.

6. 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(A), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan Federal Territory, Malaysia and its registration number is LL07148.
7. The auditors of PETRONAS are KPMG , chartered accountants. The registered office of KPMG is Level 10, KPMG Tower, 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Malaysia. KPMG have audited PETRONAS' financial statements, without qualification, in accordance with approved standards on auditing in Malaysia for each of the three fiscal years ended December 31, 2012, 2013 and 2014.

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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.



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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PETROLIAM NASIONAL BERHAD**
(Company No. 20076-K)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Petroliam Nasional Berhad ("the Company") and its subsidiaries as at 31 December 2013 and 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the years ended 31 December 2012, 2013 and 2014, and the accompanying unconsolidated (Company) statements of financial position as at 31 December 2013 and 2014, and the related unconsolidated (Company) statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the years ended 31 December 2012, 2013 and 2014, and a summary of significant accounting policies and other explanatory notes, as set out on pages F-4 to F-142.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 entity's preparation of financial statements that give a true and fair view 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 entity'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.



Company No. 20076-K

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 give a true and fair view of the consolidated financial position of Petroliam Nasional Berhad and its subsidiaries as of 31 December 2013 and 2014 and of their financial performance and cash flows for each of the years ended 31 December 2012, 2013 and 2014 and the unconsolidated (Company) financial position as of 31 December 2013 and 2014 and of its financial performance and cash flows for each of the years ended 31 December 2012, 2013 and 2014, in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

KPMG

Firm Number: AF 0758
Chartered Accountants

Petaling Jaya, Malaysia

Date: 26 February 2015

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013 AND 2014

<i>In RM Mil</i>	Note	2013	2014
ASSETS			
Property, plant and equipment	3	243,537	261,286
Investment properties	4	10,674	10,539
Land held for development	5	1,907	1,792
Prepaid lease payments	6	1,017	1,037
Investments in associates	8	3,768	3,207
Investments in joint ventures	9	8,307	9,259
Intangible assets	10	34,364	30,127
Long term receivables	11	10,677	12,663
Fund and other investments	12	9,252	7,734
Deferred tax assets	14	6,611	7,825
TOTAL NON-CURRENT ASSETS		<u>330,114</u>	<u>345,469</u>
Trade and other inventories	16	16,107	13,431
Trade and other receivables	17	50,425	47,838
Assets classified as held for sale	18	362	2,288
Fund and other investments	12	14,534	11,635
Cash and cash equivalents	15	117,118	116,826
TOTAL CURRENT ASSETS		<u>198,546</u>	<u>192,018</u>
TOTAL ASSETS		<u>528,660</u>	<u>537,487</u>
EQUITY			
Share capital	19	100	100
Reserves	20	335,703	354,568
Total equity attributable to shareholders of the Company		<u>335,803</u>	<u>354,668</u>
Non-controlling interests	21	36,502	37,261
TOTAL EQUITY		<u>372,305</u>	<u>391,929</u>
LIABILITIES			
Borrowings	22	29,002	30,072
Deferred tax liabilities	14	11,483	12,933
Other long term liabilities and provisions	24	28,506	31,352
TOTAL NON-CURRENT LIABILITIES		<u>68,991</u>	<u>74,357</u>
Trade and other payables	25	64,790	60,125
Borrowings	22	12,844	6,762
Taxation		4,730	4,314
Dividend payable		5,000	-
TOTAL CURRENT LIABILITIES		<u>87,364</u>	<u>71,201</u>
TOTAL LIABILITIES		<u>156,355</u>	<u>145,558</u>
TOTAL EQUITY AND LIABILITIES		<u>528,660</u>	<u>537,487</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR EACH OF THE
THREE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014**

<i>In RM Mil</i>	Note	2012 Restated	2013	2014
Revenue		291,226	317,314	329,148
Cost of revenue		<u>(183,347)</u>	<u>(204,781)</u>	<u>(216,424)</u>
Gross profit	26	107,879	112,533	112,724
Selling and distribution expenses		(4,455)	(4,918)	(5,146)
Administration expenses		(19,137)	(15,910)	(32,338)
Other expenses		(2,553)	(1,859)	(3,193)
Other income		<u>9,335</u>	<u>5,767</u>	<u>6,563</u>
Operating profit	27	91,069	95,613	78,610
Financing costs		(2,904)	(2,752)	(2,656)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures		<u>1,576</u>	<u>1,397</u>	<u>1,737</u>
Profit before taxation		89,741	94,258	77,691
Tax expense	28	<u>(30,217)</u>	<u>(28,672)</u>	<u>(30,078)</u>
Profit for the year		<u>59,524</u>	<u>65,586</u>	<u>47,613</u>
Other comprehensive (expenses)/income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences		(5,525)	8,695	8,030
Available-for-sale financial assets				
- Changes in fair value		1,896	(907)	(1,882)
- Transfer to profit or loss		(1,326)	(196)	327
Others		<u>150</u>	<u>18</u>	<u>109</u>
Total other comprehensive (expenses)/income for the year		<u>(4,805)</u>	<u>7,610</u>	<u>6,584</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>54,719</u>	<u>73,196</u>	<u>54,197</u>
Profit attributable to:				
Shareholders of the Company		49,922	54,114	37,038
Non-controlling interests		<u>9,602</u>	<u>11,472</u>	<u>10,575</u>
PROFIT FOR THE YEAR		<u>59,524</u>	<u>65,586</u>	<u>47,613</u>
Total comprehensive income attributable to:				
Shareholders of the Company		45,607	60,799	42,831
Non-controlling interests		<u>9,112</u>	<u>12,397</u>	<u>11,366</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>54,719</u>	<u>73,196</u>	<u>54,197</u>

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED
31 DECEMBER 2012, 2013 AND 2014
(continued)

<i>In RM Mil</i>	Note	<i>Attributable to shareholders of the Company</i>			Non- controlling Interests	Total Equity
		<i>Distributable</i>	General Reserve	Retained Profits		
Balance at 1 January 2012						
- As previously reported		12,000	255,113	286,897	32,079	318,976
- Effect of the adoption of pronouncements		-	2,775	2,730	(338)	2,392
At 1 January 2012, restated		12,000	257,888	289,627	31,741	321,368
Net movements from exchange differences		-	-	(4,991)	(534)	(5,525)
Available-for-sale financial assets:						
- Changes in fair value		-	-	1,873	23	1,896
- Transfer to profit or loss		-	-	(1,326)	-	(1,326)
Other comprehensive income/ (expenses)		-	-	129	21	150
Total other comprehensive income/ (expenses) for the year		-	-	(4,315)	(490)	(4,805)
Profit for the year		-	49,922	49,922	9,602	59,524
Total comprehensive income/ (expenses) for the year		-	49,922	45,607	9,112	54,719
Share of reserves of associates and joint ventures		-	-	(22)	-	(22)
Redemption of preference shares		-	(6)	-	(54)	(54)
Additional issuance of shares to non-controlling interests		-	33	33	(13)	20
Additional equity interest in subsidiaries		-	(274)	(274)	260	(14)
Dividends	29	-	(28,000)	(28,000)	(9,045)	(37,045)
Total transactions with shareholders		-	(28,247)	(28,263)	(8,852)	(37,115)
Balance at 31 December 2012		12,000	279,563	306,971	32,001	338,972

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The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED
31 DECEMBER 2012, 2013 AND 2014
(continued)

		<i>Attributable to shareholders of the Company</i>			
		<i>Non-distributable</i>			
<i>In RM Mil</i>	Note	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Available- for-sale Reserve
Balance at 1 January 2013		100	13,518	(731)	2,521
Net movements from exchange differences		-	-	7,741	-
Available-for-sale financial assets:					
- Changes in fair value		-	-	-	(869)
- Transfer to profit or loss		-	-	-	(196)
Other comprehensive income/ (expenses)		-	(29)	-	-
Total other comprehensive income/ (expenses) for the year		-	(29)	7,741	(1,065)
Profit for the year		-	-	-	-
Total comprehensive income/ (expenses) for the year		-	(29)	7,741	(1,065)
Share of reserves of associates and joint ventures		-	38	-	-
Additional issuance of shares to non-controlling interests		-	-	-	-
Additional equity interest in subsidiaries		-	-	-	-
Dividends	29	-	-	-	-
Total transactions with shareholders		-	38	-	-
Balance at 31 December 2013		100	13,527	7,010	1,456

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The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED
31 DECEMBER 2012, 2013 AND 2014
(continued)

<i>In RM Mil</i>	Note	<i>Attributable to shareholders of the Company</i>		Total	Non- controlling Interests	Total Equity
		General Reserve	Retained Profits			
Balance at 1 January 2013		12,000	279,563	306,971	32,001	338,972
Net movements from exchange differences		-	-	7,741	954	8,695
Available-for-sale financial assets:						
- Changes in fair value		-	-	(869)	(38)	(907)
- Transfer to profit or loss		-	-	(196)	-	(196)
Other comprehensive income/ (expenses)		-	38	9	9	18
Total other comprehensive income/ (expenses) for the year		-	38	6,685	925	7,610
Profit for the year		-	54,114	54,114	11,472	65,586
Total comprehensive income/ (expenses) for the year		-	54,152	60,799	12,397	73,196
Share of reserves of associates and joint ventures		-	-	38	-	38
Additional issuance of shares to non-controlling interests		-	-	-	62	62
Additional equity interest in subsidiaries		-	(5)	(5)	-	(5)
Dividends	29	-	(32,000)	(32,000)	(7,958)	(39,958)
Total transactions with shareholders		-	(32,005)	(31,967)	(7,896)	(39,863)
Balance at 31 December 2013		12,000	301,710	335,803	36,502	372,305

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The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED
31 DECEMBER 2012, 2013 AND 2014
(continued)

		<i>Attributable to shareholders of the Company</i>			
		<i>Non-distributable</i>			
<i>In RM Mil</i>	Note	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Available- for-sale Reserve
Balance at 1 January 2014		100	13,527	7,010	1,456
Net movements from exchange differences		-	-	7,240	-
Available-for-sale financial assets:					
- Changes in fair value		-	-	-	(1,881)
- Transfer to profit or loss		-	-	-	373
Other comprehensive income/ (expenses)		-	61	-	-
Total other comprehensive income/ (expenses) for the year		-	61	7,240	(1,508)
Profit for the year		-	-	-	-
Total comprehensive income/ (expenses) for the year		-	61	7,240	(1,508)
Additional issuance of shares to non-controlling interests		-	-	-	-
Acquisition of a subsidiary		-	-	-	-
Disposal of subsidiaries		-	34	-	-
Dividends	29	-	-	-	-
Total transactions with shareholders		-	34	-	-
Balance at 31 December 2014		100	13,622	14,250	(52)

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The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED
31 DECEMBER 2012, 2013 AND 2014
(continued)

<i>In RM Mil</i>	Note	<i>Attributable to shareholders of the Company</i>				
		<i>Distributable</i>	General Reserve	Retained Profits	Total	Non- controlling Interests
Balance at 1 January 2014		12,000	301,710	335,803	36,502	372,305
Net movements from exchange differences		-	-	7,240	790	8,030
Available-for-sale financial assets:						
- Changes in fair value		-	-	(1,881)	(1)	(1,882)
- Transfer to profit or loss		-	-	373	(46)	327
Other comprehensive income/ (expenses)		-	-	61	48	109
Total other comprehensive income/ (expenses) for the year		-	-	5,793	791	6,584
Profit for the year		-	37,038	37,038	10,575	47,613
Total comprehensive income/ (expenses) for the year		-	37,038	42,831	11,366	54,197
Additional issuance of shares to non-controlling interests		-	-	-	171	171
Acquisition of a subsidiary		-	-	-	36	36
Disposal of subsidiaries		-	-	34	(184)	(150)
Dividends	29	-	(24,000)	(24,000)	(10,630)	(34,630)
Total transactions with shareholders		-	(24,000)	(23,966)	(10,607)	(34,573)
Balance at 31 December 2014		12,000	314,748	354,668	37,261	391,929

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The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR EACH OF THE
THREE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014**

<i>In RM Mil</i>	Note	2012 Restated	2013	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers		282,568	308,423	329,840
Cash paid to suppliers and employees		<u>(165,056)</u>	<u>(179,393)</u>	<u>(193,826)</u>
		117,512	129,030	136,014
Interest income from fund and other investments		3,966	2,895	3,697
Interest expenses paid		(2,245)	(2,188)	(1,820)
Taxation paid		<u>(41,164)</u>	<u>(38,772)</u>	<u>(34,292)</u>
Net cash generated from operating activities		78,069	90,965	103,599
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash used in investing activities	30	(50,534)	(48,421)	(57,581)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash used in financing activities	31	<u>(43,925)</u>	<u>(37,139)</u>	<u>(47,546)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(16,390)	5,405	(1,528)
DECREASE IN DEPOSITS RESTRICTED		79	308	28
NET FOREIGN EXCHANGE DIFFERENCES		(786)	2,095	1,792
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>125,724</u>	<u>108,627</u>	<u>116,435</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>108,627</u>	<u>116,435</u>	<u>116,727</u>
CASH AND CASH EQUIVALENTS				
Cash and bank balances and deposits	15	108,638	117,118	116,826
Short term marketable securities	12	1,793	233	400
Bank overdrafts	22	<u>(1,113)</u>	<u>(533)</u>	<u>(144)</u>
		109,318	116,818	117,082
Less: Deposits restricted	15	<u>(691)</u>	<u>(383)</u>	<u>(355)</u>
		<u>108,627</u>	<u>116,435</u>	<u>116,727</u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

**UNCONSOLIDATED (COMPANY) STATEMENTS OF FINANCIAL
POSITION AS AT 31 DECEMBER 2013 AND 2014**

<i>In RM Mil</i>	Note	2013	2014
ASSETS			
Property, plant and equipment	3	12,507	12,338
Investments in subsidiaries	7	54,265	63,368
Investments in associates	8	302	302
Investments in joint ventures	9	1,460	1,460
Long term receivables	11	85,756	124,372
Fund and other investments	12	9,112	7,523
Deferred tax assets	14	4,850	5,730
TOTAL NON-CURRENT ASSETS		168,252	215,093
Trade and other inventories	16	279	469
Trade and other receivables	17	59,942	23,196
Assets classified as held for sale	18	-	17
Fund and other investments	12	9,004	7,502
Cash and cash equivalents	15	46,874	55,443
TOTAL CURRENT ASSETS		116,099	86,627
TOTAL ASSETS		284,351	301,720
EQUITY			
Share capital	19	100	100
Reserves	20	204,992	235,078
TOTAL EQUITY		205,092	235,178
LIABILITIES			
Borrowings	22	16,802	15,673
Other long term liabilities and provisions	24	23,623	25,648
TOTAL NON-CURRENT LIABILITIES		40,425	41,321
Trade and other payables	25	27,010	21,278
Borrowings	22	4,931	2,184
Taxation		1,893	1,759
Dividend payable		5,000	-
TOTAL CURRENT LIABILITIES		38,834	25,221
TOTAL LIABILITIES		79,259	66,542
TOTAL EQUITY AND LIABILITIES		284,351	301,720

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

**UNCONSOLIDATED (COMPANY) STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR EACH OF THE THREE
YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014**

<i>In RM Mil</i>	Note	2012	2013	2014
Revenue		125,340	128,665	136,015
Cost of revenue		<u>(62,473)</u>	<u>(68,341)</u>	<u>(71,432)</u>
Gross profit	26	62,867	60,324	64,583
Selling and distribution expenses		(372)	(498)	(385)
Administration expenses		(5,405)	(6,304)	(4,664)
Other expenses		(2,334)	(312)	(93)
Other income		<u>7,561</u>	<u>8,835</u>	<u>10,155</u>
Operating profit	27	62,317	62,045	69,596
Financing costs		<u>(1,678)</u>	<u>(1,736)</u>	<u>(1,789)</u>
Profit before taxation		60,639	60,309	67,807
Tax expense	28	<u>(14,332)</u>	<u>(14,731)</u>	<u>(13,774)</u>
Profit for the year		<u>46,307</u>	<u>45,578</u>	<u>54,033</u>
Other comprehensive income/(expenses)				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Changes in fair value of available-for-sale financial assets		<u>(117)</u>	<u>98</u>	<u>53</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>46,190</u>	<u>45,676</u>	<u>54,086</u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

**UNCONSOLIDATED (COMPANY) STATEMENTS OF CHANGES IN
EQUITY FOR EACH OF THE THREE YEARS ENDED
31 DECEMBER 2012, 2013 AND 2014**

<i>In RM Mil</i>	Note	<u>Non-distributable</u>		<u>Distributable</u>		Total Equity
		Share Capital	Available- for-sale Reserve	General Reserve	Retained Profits	
Balance at 1 January 2012		100	149	12,000	160,977	173,226
Changes in fair value of available- for-sale financial assets representing other comprehensive expenses for the year		-	(117)	-	-	(117)
Profit for the year		-	-	-	46,307	46,307
Total comprehensive (expenses)/ income for the year		-	(117)	-	46,307	46,190
Dividends representing transaction with shareholders of the Company	29	-	-	-	(28,000)	(28,000)
Balance at 31 December 2012		100	32	12,000	179,284	191,416
Balance at 1 January 2013		100	32	12,000	179,284	191,416
Changes in fair value of available- for-sale financial assets representing other comprehensive income for the year		-	98	-	-	98
Profit for the year		-	-	-	45,578	45,578
Total comprehensive income for the year		-	98	-	45,578	45,676
Dividends representing transaction with shareholders of the Company	29	-	-	-	(32,000)	(32,000)
Balance at 31 December 2013		100	130	12,000	192,862	205,092
Balance at 1 January 2014		100	130	12,000	192,862	205,092
Changes in fair value of available- for-sale financial assets representing other comprehensive income for the year		-	53	-	-	53
Profit for the year		-	-	-	54,033	54,033
Total comprehensive income for the year		-	53	-	54,033	54,086
Dividends representing transaction with shareholders of the Company	29	-	-	-	(24,000)	(24,000)
Balance at 31 December 2014		100	183	12,000	222,895	235,178

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

UNCONSOLIDATED (COMPANY) STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS
ENDED 31 DECEMBER 2012, 2013 AND 2014

<i>In RM Mil</i>	Note	2012	2013	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers		106,280	101,508	112,861
Cash paid to suppliers and employees		<u>(69,564)</u>	<u>(73,175)</u>	<u>(85,042)</u>
		36,716	28,333	27,819
Interest income from fund and other investments		2,361	2,779	3,436
Interest expenses paid		(1,302)	(1,097)	(1,134)
Taxation paid		<u>(21,277)</u>	<u>(18,956)</u>	<u>(15,942)</u>
Net cash generated from operating activities		16,498	11,059	14,179
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash (used in)/generated from investing activities	30	(3,612)	9,359	27,837
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash used in financing activities	31	<u>(35,060)</u>	<u>(28,051)</u>	<u>(33,746)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(22,174)	(7,633)	8,270
NET FOREIGN EXCHANGE DIFFERENCES		(140)	932	416
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>76,122</u>	<u>53,808</u>	<u>47,107</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>53,808</u>	<u>47,107</u>	<u>55,793</u>
CASH AND CASH EQUIVALENTS				
Cash and bank balances and deposits	15	52,015	46,874	55,443
Short term marketable securities	12	<u>1,793</u>	<u>233</u>	<u>350</u>
		<u>53,808</u>	<u>47,107</u>	<u>55,793</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 Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards.

At the beginning of the current financial year, the Group and the Company had adopted amendments to MFRS and IC Interpretation (collectively referred to as “pronouncements”) that have been issued by the Malaysian Accounting Standards Board (“MASB”) as described fully in note 43.

The Group and the Company have early adopted Amendments to MFRS 132 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* in the financial year ended 31 December 2013.

MASB has also issued new and revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been adopted for in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in note 44. New and revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in note 45.

The financial statements were approved and authorised for issue by the Board of Directors on 26 February 2015.

1.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared on 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 the Company’s functional currency.

1.4 Use of estimates and judgments

The preparation of financial statements in conformity with MFRS 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.

1. BASIS OF PREPARATION (continued)

1.4 Use of estimates and judgments (continued)

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 10 : Intangible Assets;
- iii. Note 14 : Deferred Tax;
- iv. Note 24 : Other Long Term Liabilities and Provisions; and
- v. Note 41 : Financial Instruments.

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 the Group entities, unless otherwise stated.

2.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

Business combinations (continued)

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

The Group measures goodwill as the excess of the cost of an acquisition as defined above and the fair value of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill arising from business combinations prior to 1 October 2009 is stated at the previous carrying amount less subsequent impairments, pursuant to the adoption of MFRS framework by the Group in the financial year ended 31 December 2012.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Non-controlling interests

Non-controlling interests at the end of the reporting period, 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 statement of financial position and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between the non-controlling interests and shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Loss of control

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The consolidated financial statements include the Group's share of post-acquisition profits or losses and other comprehensive income 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 statement of financial position. 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 associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with the resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

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 Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group has rights only to the net assets of the arrangement. The Group accounts for its interest in the joint venture using the equity method as described in note 2.2.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses 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 assets and 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. The cost of self-constructed assets also includes the cost of material and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at cost.

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 a component 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 component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation for property, plant and equipment other than freehold land, oil and gas properties and projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Amortisation of producing oil and gas properties is computed based on the unit of production method using total proved and probable 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. Leasehold land is depreciated over the lease term.

The estimated useful lives of the other property, plant and equipment are as follows:

Buildings	14 - 50 years
Plant and equipment	3 - 67 years
Office equipment, furniture and fittings	5 - 10 years
Computer software and hardware	5 years
Motor vehicles	3 - 5 years
Vessels	25 - 40 years

Estimates in respect of certain items of property, plant and equipment were revised during the year (refer note 3).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation (continued)

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 profit or loss.

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 projects-in-progress are stated at cost and are not depreciated. Other investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in note 2.4.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

Depreciation is recognised in the profit or loss on a straight-line basis over their estimated useful lives ranging between 10 and 50 years for buildings.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2.6 Land held for development

Land held for 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 normal operating cycle. Such land is classified as non-current asset and is stated at the lower of cost and net realisable value consistent with the accounting policy for inventories as stated in note 2.16.

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. Development expenditure includes the cost for development of main infrastructure works.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Land held for development (continued)

Land held for development is reclassified as properties under development 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. Properties under development is, in turn, reclassified as developed properties held for sale upon completion of the development activities.

Properties under development and developed properties held for sale are recognised as trade and other inventories in current assets. The accounting policy is described separately in note 2.16.

2.7 Leased assets

A lease arrangement is accounted for as finance or operating lease in accordance with the accounting policy as stated below. When the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, it is accounted for as a lease in accordance with the accounting policy below although the arrangement does not take the legal form of a lease.

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. 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 statement of financial position 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 profit or loss and allocated 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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

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 and, the leased assets are not recognised on the Group's and the Company's statement of financial position.

Payments made under operating leases are recognised as an expense in the profit or loss 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. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leased assets (continued)

Prepaid lease payments

Prepaid rental and leasehold land which in substance is an operating lease are classified as prepaid lease payments. The payments made on entering into a lease arrangement or acquiring a leasehold land are 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 50 years or more. Short lease is defined as a lease with an unexpired lease period of less than 50 years.

2.8 Investments

Long term investments in subsidiaries, associates and joint ventures are stated at cost less impairment loss, if any, in the Company's financial statements unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

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

Goodwill

Goodwill arising from business combinations is initially measured at cost as described in note 2.1. 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.

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.

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.

Other intangible assets

Intangible assets other than 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 useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Intangible assets (continued)

Other intangible assets (continued)

Amortisation for intangible assets with finite useful lives is recognised in the profit or loss on a straight-line basis over the estimated economic useful lives, other than certain recoverable expenditure incurred under a service contract which is amortised based on unit of production method. The amortisation method and the useful life for intangible assets are reviewed at least at each reporting 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.

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 well. 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.

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 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit or loss.

Intangible assets, property, plant and equipment and investment properties once classified as held for sale are not amortised nor depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

2.12 Financial instruments

A financial instrument is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Initial recognition

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, 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 under a contract whose terms require delivery of financial assets within a timeframe established by regulation or convention in the marketplace concerned ("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 financial 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss. The methods used to measure fair value are stated in note 2.25.

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market. Subsequent to initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest rate method (note 2.12(vi)).

Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has 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 effective interest rate method (note 2.12(vi)).

Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised directly in other comprehensive income and accumulated under available-for-sale reserve 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 reclassified to the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2.13(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(ii) Financial liabilities

Initial recognition

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings (i.e. financial liabilities measured at amortised cost), 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.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

Loans and borrowings

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method (note 2.12(vi)).

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make 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. 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 in the profit or loss upon discharge of the guarantee.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as provision.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(iv) Derivative financial instruments

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.

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 are recognised in the profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

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 recognised in the profit or loss.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(vii) Derecognition of financial instruments

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 assumed 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. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

2.13 Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, investments in associates and investments in joint ventures) are assessed at each reporting date to determine whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset’s recoverable amount is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the 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.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset’s acquisition cost (net of any principal repayment and amortisation) and the asset’s current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets, other than inventories, amount due from contract customers, deferred tax assets and non-current assets or disposal groups classified as held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment.

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 profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use 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 profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 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 statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

2.15 Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of trade and other payables in the statement of financial position.

2.16 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 the estimated costs necessary to make the sale.

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 and properties under development consists of costs associated with the acquisition of land, all costs that are directly attributable to development activities, appropriate proportions of common costs attributable to developing the properties, and interest expenses incurred during the period of active development.

2.17 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 net 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Provisions (continued)

The amount recognised as a provision is the best estimate of the net expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in note 24.

2.18 Employee benefits

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.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund (“EPF”).

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 profit or loss as incurred.

2.19 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting 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, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused 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, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Taxation (continued)

Deferred tax (continued)

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss.

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 the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that future taxable profit will be available against which the related tax benefit can be realised.

2.20 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 reporting date have been retranslated to the functional currency at rates ruling on the reporting date.

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 foreign currency are not retranslated.

Gains and losses on exchange arising from retranslation are recognised in the profit or loss, except for differences arising on retranslation of available-for-sale equity instruments, which are recognised in equity.

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 the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 April 2011 which are treated as assets and liabilities of the acquirer company pursuant to the adoption of MFRS framework.

The income and expenses are translated at the average exchange rates for the year, which approximates the exchange rates at the date of the transactions. All resulting exchange differences are taken to the foreign currency translation reserve within equity.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to the Group's foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are reclassified to other comprehensive income and accumulated under foreign currency translation reserve in equity. Upon disposal of the investment, the cumulative exchange differences previously recorded in equity are reclassified to the consolidated profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Borrowing costs and foreign currency exchange differences relating to projects-in-progress

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

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 qualifying asset, 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 borrowing costs, are not capitalised but instead recognised in the profit or loss in the period in which they arise.

2.22 Revenue

Revenue from sale of oil and gas and their related products are recognised in the profit or loss when the risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the profit or loss 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 reporting date are accrued for in the profit or loss based on percentage of completion method. Charter income is accrued on time accrual basis.

Revenue from sale of properties is recognised in the profit or loss when the significant risks and rewards of ownership of the properties have been transferred to the buyer.

Revenue arising from rental income of investment properties is recognised on a straight-line basis over the term of the lease under the lease arrangement per note 35.

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 is recognised when the shareholders' right to receive payment is established.

2.23 Financing costs

Financing costs comprise interest payable on borrowings and profit sharing margin on Islamic Financing Facilities, as well as accretion in provision due to the passage of time.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Financing costs (continued)

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than that capitalised in accordance with the accounting policy stated in note 2.21. The interest component of finance lease payments is accounted for in accordance with the policy set out in note 2.7.

2.24 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the PETRONAS Executive Committee, to make decision about resources to be allocated to the segment and to assess its performance.

2.25 Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business at the end of reporting 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.

(ii) Non-financial assets

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input).

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

**Group
2013**

In RM Mil

At cost:

	At 1.1.2013	Additions	Disposals/ write-offs
Freehold land	2,528	62	(13)
Leasehold land	2,350	12	(14)
Lease properties	1,217	1	-
Oil and gas properties	165,171	2,783	(2,699)
Buildings	16,230	314	(26)
Plant and equipment	75,973	1,065	(280)
Office equipment, furniture and fittings	2,160	163	(43)
Computer software and hardware	2,440	160	(65)
Motor vehicles	531	57	(23)
Vessels	34,622	569	(1,247)
Projects-in-progress			
- oil and gas properties	52,602	23,505	(661)
- other projects	23,229	14,993	(28)
	<u>379,053</u>	<u>43,684</u>	<u>(5,099)</u>

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**Accumulated depreciation
and impairment losses:**

	At 1.1.2013	Charge for the year	Disposals/ write-offs
Freehold land	-	-	-
Leasehold land	531	30	(1)
Lease properties	827	45	-
Oil and gas properties	78,925	16,786	(627)
Buildings	4,994	450	(9)
Plant and equipment	46,925	3,630	(256)
Office equipment, furniture and fittings	1,702	147	(37)
Computer software and hardware	1,977	194	(58)
Motor vehicles	357	44	(20)
Vessels	14,809	1,091	(940)
Projects-in-progress			
- oil and gas properties	3,452	-	-
- other projects	36	-	(1)
	<u>154,535</u>	<u>22,417</u>	<u>(1,949)</u>

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2013 <i>In RM Mil</i>	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2013
At cost:			
Freehold land	61	4	2,642
Leasehold land	185	(4)	2,529
Lease properties	(186)	12	1,044
Oil and gas properties	22,691	5,677	193,623
Buildings	656	(6)	17,168
Plant and equipment	5,347	1,216	83,321
Office equipment, furniture and fittings	248	21	2,549
Computer software and hardware	278	2	2,815
Motor vehicles	(8)	(14)	543
Vessels	(4,967)	2,233	31,210
Projects-in-progress			
- oil and gas properties	(16,190)	418	59,674
- other projects	(9,008)	802	29,988
	^{a,b} (893)	10,361	427,106

continued from previous page

Accumulated depreciation and impairment losses:	Impairment loss/ (write-back)	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2013
Freehold land	-	-	-	-
Leasehold land	-	20	(4)	576
Lease properties	-	(20)	(1)	851
Oil and gas properties	4,803	999	2,780	103,666
Buildings	66	190	(20)	5,671
Plant and equipment	3	(71)	844	51,075
Office equipment, furniture and fittings	-	34	6	1,852
Computer software and hardware	1	(23)	5	2,096
Motor vehicles	-	(9)	1	373
Vessels	25	(410)	1,081	15,656
Projects-in-progress				
- oil and gas properties	(615)	(1,134)	11	1,714
- other projects	6	(2)	-	39
	4,289	^c (426)	4,703	183,569

continued from previous page

^a Includes revision to future cost of decommissioning of oil and gas properties amounting to RM2,235 million.

^b Includes net transfers of (RM3,128 million) comprising transfers from intangible assets of RM3,732 million and prepaid lease payments of RM1 million and transfers to long term receivables of (RM6,255 million), assets held for sale of (RM576 million) and investment properties of (RM30 million).

^c Includes net transfers to assets held for sale of (RM426 million).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2014	At		Acquisition/ (disposals) of subsidiaries and an interest in a joint operation	Disposals/ write-offs
<i>In RM Mil</i>	1.1.2014	Additions		
At cost:				
Freehold land	2,642	2	-	(4)
Leasehold land	2,529	25	39	(7)
Lease properties	1,044	-	-	(3)
Oil and gas properties	193,623	4,654	2,043	(4,220)
Buildings	17,168	176	7	(36)
Plant and equipment	83,321	2,189	3,707	(2,495)
Office equipment, furniture and fittings	2,549	87	7	(41)
Computer software and hardware	2,815	248	34	(71)
Motor vehicles	543	48	2	(32)
Vessels	31,210	492	-	(1,099)
Projects-in-progress				
- oil and gas properties	59,674	26,088	-	(184)
- other projects	29,988	20,970	(442)	(99)
	427,106	54,979	5,397	(8,291)

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Accumulated depreciation and impairment losses:	At	Charge for the year	Acquisition/ (disposals) of subsidiaries and an interest in a joint operation	Disposals/ write-offs
	1.1.2014			
Freehold land	-	-	-	-
Leasehold land	576	50	7	-
Lease properties	851	28	-	(3)
Oil and gas properties	103,666	14,193	-	(36)
Buildings	5,671	468	1	(23)
Plant and equipment	51,075	3,912	1,894	(1,668)
Office equipment, furniture and fittings	1,852	162	5	(36)
Computer software and hardware	2,096	289	32	(71)
Motor vehicles	373	42	2	(31)
Vessels	15,656	1,124	-	(548)
Projects-in-progress				
- oil and gas properties	1,714	-	-	-
- other projects	39	-	-	-
	183,569	20,268	1,941	(2,416)

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2014 <i>In RM Mil</i>	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2014
At cost:			
Freehold land	38	(10)	2,668
Leasehold land	(22)	10	2,574
Lease properties	(1)	5	1,045
Oil and gas properties	35,185	4,546	235,831
Buildings	208	(59)	17,464
Plant and equipment	3,231	1,181	91,134
Office equipment, furniture and fittings	(43)	18	2,577
Computer software and hardware	289	3	3,318
Motor vehicles	8	(1)	568
Vessels	(552)	2,031	32,082
Projects-in-progress			
- oil and gas properties	(31,375)	1,161	55,364
- other projects	(5,842)	1,024	45,599
	^{a,b} 1,124	9,909	490,224

continued from previous page

Accumulated depreciation and impairment losses:	Impairment loss/ (write-back)	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2014
Freehold land	-	-	-	-
Leasehold land	-	(44)	7	596
Lease properties	-	(1)	5	880
Oil and gas properties	20,163	700	3,313	141,999
Buildings	(4)	(30)	(18)	6,065
Plant and equipment	71	(79)	951	56,156
Office equipment, furniture and fittings	-	(44)	3	1,942
Computer software and hardware	-	(5)	1	2,342
Motor vehicles	-	-	(1)	385
Vessels	235	132	1,008	17,607
Projects-in-progress				
- oil and gas properties	225	(1,029)	23	933
- other projects	9	(16)	1	33
	20,699	^c (416)	5,293	228,938

continued from previous page

^a Includes revision to future cost of decommissioning of oil and gas properties amounting to (RM286 million).

^b Includes net transfers of RM1,410 million comprising transfer from intangible assets of RM5,545 million and transfers to assets held for sale of (RM2,335 million), long term receivables of (RM1,747 million), other receivables of (RM47 million) and prepaid lease payments of (RM6 million).

^c Includes transfers of (RM416 million) comprising transfer to assets held for sale of (RM406 million) and intangible assets of (RM11 million) and transfer from investment properties of RM1 million.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2013 <i>In RM Mil</i>	At 1.1.2013	Additions	Disposals/ write-offs	Transfers/ reclass/ adjustments	At 31.12.2013
At cost:					
Freehold land	6	-	-	-	6
Leasehold land	125	-	-	-	125
Lease properties	367	-	-	1	368
Oil and gas properties	12,212	386	(1,609)	3,509	14,498
Buildings	253	-	-	24	277
Plant and equipment	13	-	-	(2)	11
Office equipment, furniture and fittings	106	1	(9)	-	98
Computer software and hardware	376	5	(141)	-	240
Motor vehicles	24	-	-	-	24
Projects-in-progress					
- oil and gas properties	1,201	235	(418)	(496)	522
- other projects	3,314	2,166	(266)	(1,371)	3,843
	17,997	2,793	(2,443)	^{a,b} 1,665	20,012
Accumulated depreciation and impairment losses:					
	At 1.1.2013	Charge for the year	Disposals/ write-offs	Impairment loss	At 31.12.2013
Freehold land	-	-	-	-	-
Leasehold land	38	1	-	-	39
Lease properties	332	3	-	-	335
Oil and gas properties	5,789	1,396	(627)	-	6,558
Buildings	56	2	-	-	58
Plant and equipment	10	1	-	-	11
Office equipment, furniture and fittings	73	11	(6)	-	78
Computer software and hardware	241	55	(123)	-	173
Motor vehicles	17	3	-	-	20
Projects-in-progress					
- oil and gas properties	-	-	-	233	233
- other projects	-	-	-	-	-
	6,556	1,472	(756)	233	7,505

^a Includes revision to future cost of decommissioning of oil and gas properties amounting to RM2,692 million.

^b Includes net transfers to amount due from subsidiaries of (RM1,027 million).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2014	At		Disposals/ write-offs
<i>In RM Mil</i>	1.1.2014	Additions	
At cost:			
Freehold land	6	-	-
Leasehold land	125	-	(11)
Lease properties	368	-	-
Oil and gas properties	14,498	878	-
Buildings	277	-	-
Plant and equipment	11	972	-
Office equipment, furniture and fittings	98	1	(1)
Computer software and hardware	240	6	(23)
Motor vehicles	24	1	(5)
Projects-in-progress			
- oil and gas properties	522	1,101	(145)
- other projects	3,843	1,623	(187)
	20,012	4,582	(372)

continue to next page

Accumulated depreciation and impairment losses:	At	Charge for	Disposals/ write-offs
	1.1.2014	the year	
Freehold land	-	-	-
Leasehold land	39	1	(2)
Lease properties	335	3	-
Oil and gas properties	6,558	2,139	-
Buildings	58	2	-
Plant and equipment	11	198	-
Office equipment, furniture and fittings	78	9	(1)
Computer software and hardware	173	61	(15)
Motor vehicles	20	2	(4)
Projects-in-progress			
- oil and gas properties	233	-	-
- other projects	-	-	-
	7,505	2,415	(22)

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2014 <i>In RM Mil</i>	Transfers/ reclass/ adjustments	At 31.12.2014
At cost:		
Freehold land	-	6
Leasehold land	(16)	98
Lease properties	(224)	144
Oil and gas properties	391	15,767
Buildings	12	289
Plant and equipment	2	985
Office equipment, furniture and fittings	-	98
Computer software and hardware	145	368
Motor vehicles	-	20
Projects-in-progress		
- oil and gas properties	(995)	483
- other projects	(601)	4,678
	^{a,b} (1,286)	22,936

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Accumulated depreciation and impairment losses:	Impairment loss	Transfers/ reclass/ adjustments	At 31.12.2014
Freehold land	-	-	-
Leasehold land	-	(3)	35
Lease properties	-	(220)	118
Oil and gas properties	923	-	9,620
Buildings	-	-	60
Plant and equipment	-	-	209
Office equipment, furniture and fittings	-	-	86
Computer software and hardware	-	-	219
Motor vehicles	-	-	18
Projects-in-progress			
- oil and gas properties	-	-	233
- other projects	-	-	-
	923	^c (223)	10,598

continued from previous page

^a Includes revision to future cost of decommissioning of oil and gas properties amounting to (RM604 million).

^b Includes net transfers to amount due from subsidiaries of (RM442 million) and assets held for sale of (RM240 million).

^c Includes net transfers to assets held for sale of (RM223 million).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In RM Mil</i>	Group		Company	
	Carrying amount		Carrying amount	
	2013	2014	2013	2014
Freehold land	2,642	2,668	6	6
Leasehold land	1,953	1,978	86	63
Lease properties	193	165	33	26
Oil and gas properties	89,957	93,832	7,940	6,147
Buildings	11,497	11,399	219	229
Plant and equipment	32,246	34,978	-	776
Office equipment, furniture and fittings	697	635	20	12
Computer software and hardware	719	976	67	149
Motor vehicles	170	183	4	2
Vessels	15,554	14,475	-	-
Projects-in-progress				
- oil and gas properties	57,960	54,431	289	250
- other projects	29,949	45,566	3,843	4,678
	243,537	261,286	12,507	12,338

Security

Property, plant and equipment of certain subsidiaries costing RM7,229,797,000 (2013: RM4,505,502,000) have been pledged as security for loan facilities as set out in note 22 and note 23 to the financial statements.

Projects-in-progress

Included in additions to projects-in-progress of the Group is finance cost capitalised during the year of RM1,550,000 (2013: RM8,256,000). The interest rate on borrowings capitalised ranges from 3.85% to 4.10% (2013: 2.42% to 5.59%) per annum.

Restriction of land title

The titles to certain freehold and leasehold land are in the process of being registered in the subsidiaries' name.

Change in estimates

During the year, the Company revised the estimated future cost of decommissioning of oil and gas properties. The revision was accounted for prospectively as a change in accounting estimates resulting in a decrease in cost of oil and gas properties by RM604,000,000 (refer note 24).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Group's and the Company's investment decision-making process. Estimation of oil and gas reserves are conducted using industry recognised method.

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.

Reserves estimates are normally presented alongside the range of level of certainties namely P1 (proved reserves; high level of certainty), P2 (probable reserves; mean level of certainty) and P3 (possible reserves; low level of certainty). The level of certainties depends on 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 reserves are further subdivided into developed and undeveloped categories. Developed reserves are reserves expected to be recovered through existing wells and facilities under the operating conditions that have been designed for. Undeveloped reserves are reserves to be recovered from approved and sanctioned projects and remain so until the wells are drilled, completed and production commences which would by then be classified as developed.

Estimation of reserves are reviewed annually. These estimates are inherently imprecise, require the application of judgements and are subject to regular revision, either upward or downward, based on new information available such as new geological information gathered from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans.

Such revisions will impact the Group's and the Company's reported financial position and results which include:

- i) carrying value of oil and gas properties and their corresponding amortisation charges;
- ii) carrying value of projects-in-progress;
- iii) provisions for decommissioning and restoration; and
- iv) carrying value of deferred tax assets/liabilities.

Impairment

As at 31 December 2014, the Group and the Company recognised net impairment losses on certain property, plant and equipment amounting to RM20,699,000,000 (2013: RM4,289,000,000) and RM923,000,000 (2013: RM233,000,000) respectively. In arriving at the impairment loss amounts, the carrying amount of each impaired cash-generating unit is compared with the recoverable amount of the cash-generating unit.

The Group's and the Company's recoverable amount for impaired cash-generating unit of RM185,524,000,000 (2013: RM38,050,000,000) and RM218,100,000 (2013: RM Nil) respectively were determined from the value in use calculations, using cash flow projections.

The Group and the Company 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 discount rates ranging between 5.7% and 9.0% (2013: 7.5% and 10.0%).

4. INVESTMENT PROPERTIES

Group

2013

In RM Mil

At cost:

	At 1.1.2013	Additions	Disposals
Freehold land	1,172	95	-
Buildings	11,846	17	(5)
Projects-in-progress	1,122	248	-
	<u>14,140</u>	<u>360</u>	<u>(5)</u>

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Accumulated depreciation:

	At 1.1.2013	Charge for the year	Disposals
Freehold land	-	-	-
Buildings	3,387	463	(1)
Projects-in-progress	-	-	-
	<u>3,387</u>	<u>463</u>	<u>(1)</u>

continue to next page

2014

In RM Mil

At cost:

	At 1.1.2014	Additions	Disposal of a subsidiary	Adjustments/ disposals
Freehold land	1,232	2	(67)	-
Buildings	12,850	12	-	(15)
Projects-in-progress	453	304	-	(1)
	<u>14,535</u>	<u>318</u>	<u>(67)</u>	<u>(16)</u>

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Accumulated depreciation:

	At 1.1.2014	Charge for the year	Disposal of a subsidiary	Adjustments/ disposals
Freehold land	-	-	-	-
Buildings	3,861	474	-	-
Projects-in-progress	-	-	-	-
	<u>3,861</u>	<u>474</u>	<u>-</u>	<u>-</u>

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4. INVESTMENT PROPERTIES (continued)

Group		Translation	
2013	Transfers/	exchange	At
<i>In RM Mil</i>	reclass	difference	31.12.2013
At cost:			
Freehold land	(35)	-	1,232
Buildings	978	14	12,850
Projects-in-progress	(917)	-	453
	^a 26	14	14,535

continued from previous page

	Transfers/	Translation	At
Accumulated depreciation:	reclass	exchange	31.12.2013
		difference	
Freehold land	-	-	-
Buildings	-	12	3,861
Projects-in-progress	-	-	-
	-	12	3,861

continued from previous page

2014	Transfers/	Translation	At
<i>In RM Mil</i>	reclass	exchange	31.12.2014
At cost:			
Freehold land	211	-	1,378
Buildings	475	19	13,341
Projects-in-progress	(590)	-	166
	^b 96	19	14,885

continued from previous page

	Transfers/	Translation	At
Accumulated depreciation:	reclass	exchange	31.12.2014
		difference	
Freehold land	-	-	-
Buildings	(1)	12	4,346
Projects-in-progress	-	-	-
	^c (1)	12	4,346

continued from previous page

^a Comprises transfer from property, plant and equipment of RM30 million and transfer to intangible assets of (RM4 million).

^b Comprises transfer from land held for development of RM114 million and transfer to assets held for sale of (RM18 million).

^c Comprises transfer to property, plant and equipment of (RM1 million).

4. INVESTMENT PROPERTIES (continued)

Group <i>In RM Mil</i>	Carrying amount	
	2013	2014
Freehold land	1,232	1,378
Buildings	8,989	8,995
Projects-in-progress	453	166
	<u>10,674</u>	<u>10,539</u>

Certain investment properties with carrying amount of RM Nil (2013: RM2,353,165,000) have been pledged as securities for loan facilities as set out in note 22 and note 23 to the financial statements.

Fair value information

The Directors have estimated the fair values of investment properties as at 31 December 2014 to be RM20,562,000,000 (2013: RM19,036,000,000).

The fair value of investment properties are categorised as follows:

Group <i>In RM Mil</i>	Level 3	
	2013	2014
Freehold land	2,564	3,290
Buildings	16,472	17,272
	<u>19,036</u>	<u>20,562</u>

The Group uses various valuation techniques in determining the fair values of its investment properties. Such techniques include discounted cash flows method, investment method and market comparable method.

5. LAND HELD FOR DEVELOPMENT

Included in land held for development is freehold land amounting to RM1,684,000,000 (2013: RM1,277,000,000).

6. PREPAID LEASE PAYMENTS

Group 2013	At				Translation	At
<i>In RM Mil</i>	1.1.2013	Additions	Disposals	Transfers	exchange	31.12.2013
					difference	
At cost:						
Leasehold land						
- long lease	147	14	-	(1)	2	162
- short lease	51	3	(1)	-	-	53
Prepaid rental	1,076	89	(29)	(11)	16	1,141
	1,274	106	(30)	^a (12)	18	1,356

Accumulated amortisation:	At	Charge for			Translation	At
	1.1.2013	the year	Disposals	Transfers	exchange	31.12.2013
					difference	
Leasehold land						
- long lease	11	1	-	-	-	12
- short lease	29	2	(1)	-	-	30
Prepaid rental	274	42	(21)	(2)	4	297
	314	45	(22)	^b (2)	4	339

Group 2014	At				Translation	At
<i>In RM Mil</i>	1.1.2014	Additions	Disposals	Transfers	exchange	31.12.2014
					difference	
At cost:						
Leasehold land						
- long lease	162	-	-	-	-	162
- short lease	53	1	(1)	-	-	53
Prepaid rental	1,141	52	(3)	9	1	1,200
	1,356	53	(4)	^c 9	1	1,415

Accumulated amortisation:	At	Charge for			Translation	At
	1.1.2014	the year	Disposals	Transfers	exchange	31.12.2014
					difference	
Leasehold land						
- long lease	12	3	-	-	-	15
- short lease	30	2	(1)	-	-	31
Prepaid rental	297	38	(3)	-	-	332
	339	43	(4)	-	-	378

^a Comprises transfers to other receivables of (RM6 million), assets held for sale of (RM5 million) and property, plant and equipment of (RM1 million).

^b Comprises transfer to assets held for sale of (RM2 million).

^c Comprises transfers from property, plant & equipment of RM6 million and other receivables of RM3 million

6. PREPAID LEASE PAYMENTS (continued)

Group <i>In RM Mil</i>	Carrying amount	
	2013	2014
Leasehold land		
- long lease	150	147
- short lease	23	22
Prepaid rental	844	868
	<u>1,017</u>	<u>1,037</u>

Restrictions of land title

The title to certain leasehold land is in the process of being registered in the subsidiary's name. Certain long term leasehold land of the Group cannot be disposed of, charged or sub-leased without the prior consent of the relevant authority.

7. INVESTMENTS IN SUBSIDIARIES

<i>In RM Mil</i>	Company	
	2013	2014
Investments at cost in Malaysia		
- quoted shares	17,064	17,064
- unquoted shares	33,291	39,086
Fair value adjustments on loans and advances and financial guarantee	5,806	9,261
	<u>56,161</u>	<u>65,411</u>
Less: Impairment losses		
- unquoted shares	(1,896)	(2,043)
	<u>54,265</u>	<u>63,368</u>
Market value of quoted shares	104,799	89,337

Details of key subsidiaries are stated in note 46 to the financial statements.

8. INVESTMENTS IN ASSOCIATES

<i>In RM Mil</i>	2013	Group 2014	2013	Company 2014
Investments at cost				
- quoted shares in Malaysia	263	263	302	302
- unquoted shares	2,666	3,282	-	-
Share of post-acquisition profits and reserves	1,902	1,815	-	-
	<u>4,831</u>	<u>5,360</u>	<u>302</u>	<u>302</u>
Less: Impairment losses				
- unquoted shares	(1,063)	(2,153)	-	-
	<u>3,768</u>	<u>3,207</u>	<u>302</u>	<u>302</u>
Market value of quoted shares	<u>1,719</u>	<u>1,533</u>	<u>984</u>	<u>921</u>
<i>Contingent liabilities:</i>				
Guarantees extended to third parties	<u>(2,350)</u>	<u>(1,851)</u>	<u>-</u>	<u>-</u>

Details of key associates are stated in note 47 to the financial statements.

9. INVESTMENTS IN JOINT VENTURES

<i>In RM Mil</i>	2013	Group 2014	2013	Company 2014
Investments at cost				
- unquoted shares	5,137	6,587	752	752
Fair value adjustments on loans and advances and financial guarantee	1,289	619	717	717
Share of post-acquisition profits and reserves	2,126	2,300	-	-
	<u>8,552</u>	<u>9,506</u>	<u>1,469</u>	<u>1,469</u>
Less: Impairment losses	(245)	(247)	(9)	(9)
	<u>8,307</u>	<u>9,259</u>	<u>1,460</u>	<u>1,460</u>
<i>Contingent liabilities:</i>				
Guarantees extended to third parties	(2)	(2)	(2)	(2)
Claims filed by/disputes with various parties	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>

Details of key joint ventures are stated in note 48 to the financial statements.

10. INTANGIBLE ASSETS

**Group
2013**

In RM Mil

At cost:

	At 1.1.2013	Additions	Disposals/ write-offs
Goodwill	5,538	-	-
Exploration expenditure	26,740	7,877	(3,808)
Other intangible assets	7,499	3,683	-
	39,777	11,560	(3,808)

continue to next page

**Accumulated amortisation
and impairment losses:**

	At 1.1.2013	Charge for the year	Disposals/ write-offs
Goodwill	212	-	-
Exploration expenditure	3,903	-	-
Other intangible assets	2,322	2,496	-
	6,437	2,496	-

continue to next page

2014

In RM Mil

At cost:

	At 1.1.2014	Additions	Acquisition of a subsidiary and an interest in a joint operation	Disposals/ write-offs
Goodwill	5,612	-	12	-
Exploration expenditure	27,444	7,632	3,653	(6,602)
Other intangible assets	11,628	3,413	-	(76)
	44,684	11,045	3,665	(6,678)

continue to next page

**Accumulated amortisation
and impairment losses:**

	At 1.1.2014	Charge for the year	Acquisition of a subsidiary and an interest in a joint operation	Disposals/ write-offs
Goodwill	207	-	-	-
Exploration expenditure	5,177	-	-	(1,582)
Other intangible assets	4,936	6,470	-	-
	10,320	6,470	-	(1,582)

continue to next page

10. INTANGIBLE ASSETS (continued)

Group		Translation	At
2013		exchange	31.12.2013
<i>In RM Mil</i>	Transfers	difference	
At cost:			
Goodwill	-	74	5,612
Exploration expenditure	(3,632)	267	27,444
Other intangible assets	33	413	11,628
	^a (3,599)	754	44,684

continued from previous page

Accumulated amortisation	Impairment		Translation	At
and impairment losses:	loss	Transfers	exchange	31.12.2013
			difference	
Goodwill	-	-	(5)	207
Exploration expenditure	1,110	-	164	5,177
Other intangible assets	-	(2)	120	4,936
	1,110	^b (2)	279	10,320

continued from previous page

2014		Translation	At
<i>In RM Mil</i>		exchange	31.12.2014
	Transfers	difference	
At cost:			
Goodwill	-	40	5,664
Exploration expenditure	(5,903)	(53)	26,171
Other intangible assets	9	860	15,834
	^c (5,894)	847	47,669

continued from previous page

Accumulated amortisation	Impairment		Translation	At
and impairment losses:	loss	Transfers	exchange	31.12.2014
			difference	
Goodwill	137	-	(2)	342
Exploration expenditure	1,687	(301)	92	5,073
Other intangible assets	-	-	721	12,127
	1,824	^d (301)	811	17,542

continued from previous page

^a Comprises transfers to property, plant and equipment of (RM3,732 million), assets held for sale of (RM2 million) and transfer from trade and other inventories of RM131 million and investment properties of RM4 million.

^b Comprises transfers to assets held for sale of (RM2 million).

^c Comprises net transfers to property, plant and equipment of (RM5,545 million) and assets held for sale of (RM349 million).

^d Comprises net transfers to assets held for sale of (RM312 million) and transfer from property, plant and equipment of RM11 million.

10. INTANGIBLE ASSETS (continued)

Group <i>In RM Mil</i>	Carrying amount	
	2013	2014
Goodwill	5,405	5,322
Exploration expenditure	22,267	21,098
Other intangible assets	6,692	3,707
	34,364	30,127

Impairment review of goodwill

For the purpose of impairment testing, goodwill is allocated to groups of cash-generating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

In assessing whether goodwill has been impaired, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the cash-generating unit. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash-generating unit, the value in use is deemed to be the recoverable amount.

Included in goodwill is an amount of RM3,986,000,000 (2013: RM3,986,000,000) arising from the acquisition of PETRONAS Lubricants Italy S.p.A Group (“PLI Group”). The recoverable amount of PLI Group unit was based on its value in use and was determined with the assistance of independent valuers. 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 2015 to 2019, adjusted with an estimated terminal value. The cash flow assumes a long term growth rate of 3.0% (2013: 3.1%) and is discounted to present value using discount rate of between 7.5% and 10.1% (2013: 8.4% and 8.7%).

Based on the above, the recoverable amount of the unit of RM4,168,000,000 (2013: RM4,182,000,000) was determined to be higher than its carrying amount of RM3,773,000,000 (2013: RM3,629,000,000) and therefore, no impairment loss was recognised.

The above estimates are sensitive in the following areas:

- (i) A decrease of 0.5 percentage point in long term growth rate used would have reduced the recoverable amount by approximately RM202,000,000.
- (ii) An increase of 1.0 percentage point in discount rate used would have reduced the recoverable amount by approximately RM498,000,000.

The value in use of other goodwill is derived from the respective cash-generating units’ business plan cash flow projections for 5 financial years and extrapolated using long term average growth rate of the respective industries those units are engaged in. These cash flows are discounted to present value using discount rate of between 7.8% and 9.0% (2013: 7.4% and 9.0%).

Based on the above, the carrying amount of other goodwill of certain units were determined to be higher than their recoverable amount and the impairment loss of RM137,000,000 (2013: RM Nil) was recognised in administrative expenses. The recoverable amount for the impaired goodwill was RM45,000,000.

11. LONG TERM RECEIVABLES

<i>In RM Mil</i>	Group		Company	
	2013	2014	2013	2014
Term loans and advances:				
Loans and advances due from subsidiaries	-	-	85,616	123,845
Loans and advances due from associates and joint ventures	1,600	1,307	-	-
	1,600	1,307	85,616	123,845
Finance lease receivables	6,545	9,679	-	-
Other receivables and prepayments	3,105	1,972	250	631
Derivative assets (note 13)	1	-	-	-
	11,251	12,958	85,866	124,476
Less: Impairment losses				
- Term loans and advances	(170)	(224)	(110)	(104)
- Other receivables and prepayments	(404)	(71)	-	-
	10,677	12,663	85,756	124,372

Included in the Company's loans and advances due from subsidiaries is an amount of RM112,764,000,000 (2013: RM84,440,000,000), which bears interest at rates ranging from 1.46% to 7.88% (2013: 1.45% to 7.88%) per annum.

Included in the Group's loans and advances due from associates and joint ventures is an amount of RM1,306,943,000 (2013: RM1,116,788,000), which bears interest at rates ranging from 1.92% to 10.00% (2013: 1.91% to 10.00%) per annum.

Finance lease receivables

Finance lease receivables represent lease rental and interest receivable due from customers in relation to the lease of offshore floating assets by the Group:

<i>In RM Mil</i>	2013	Group 2014
Minimum lease receivables:		
Not later than 1 year	1,101	1,398
Later than 1 year and not later than 2 years	809	1,356
Later than 2 years and not later than 5 years	2,430	3,849
Later than 5 years	7,217	8,087
	11,557	14,690
Less: Future finance income	(4,029)	(4,246)
Present value of finance lease assets	7,528	10,444

11. LONG TERM RECEIVABLES (continued)*Finance lease receivables (continued)*

<i>In RM Mil</i>	2013	Group 2014
Present value of finance lease assets:		
Not later than 1 year	983	765
Later than 1 year and not later than 2 years	670	755
Later than 2 years and not later than 5 years	1,842	2,428
Later than 5 years	4,033	6,496
	<u>7,528</u>	<u>10,444</u>
Analysed as:		
Due within 12 months (note 17)	983	765
Due after 12 months	6,545	9,679
	<u>7,528</u>	<u>10,444</u>

The effective interest rate of the Group's finance lease receivables is between 5.96% to 16.37% (2013: 5.99% to 16.37%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM166,000,000 (2013: RM75,660,000).

12. FUND AND OTHER INVESTMENTS

<i>In RM Mil</i>	2013	Group 2014	2013	Company 2014
Non-current				
Loans and receivables				
Unquoted securities	742	719	-	-
Held-to-maturity				
Malaysian Government Securities	2,658	1,983	2,638	1,963
Corporate Private Debt Securities	5,031	4,459	6,398	5,484
	<u>7,689</u>	<u>6,442</u>	<u>9,036</u>	<u>7,447</u>
Available-for-sale				
Quoted shares				
- in Malaysia	339	74	-	-
Quoted securities	25	27	-	-
Unquoted shares	460	480	76	76
	824	581	76	76
Less: Impairment losses				
Unquoted shares	(3)	(8)	-	-
	<u>821</u>	<u>573</u>	<u>76</u>	<u>76</u>
Total non-current investments	<u>9,252</u>	<u>7,734</u>	<u>9,112</u>	<u>7,523</u>

12. FUND AND OTHER INVESTMENTS (continued)

<i>In RM Mil</i>	Group		Company	
	2013	2014	2013	2014
Current				
Available-for-sale				
Quoted shares				
- in Malaysia	247	300	247	300
- outside Malaysia	5,075	3,262	-	-
Short term marketable securities	233	400	233	350
	<u>5,555</u>	<u>3,962</u>	<u>480</u>	<u>650</u>
Fair value through profit or loss				
- Designated upon initial recognition				
Quoted shares				
- in Malaysia	323	493	-	-
Quoted securities				
- in Malaysia	874	396	-	-
- outside Malaysia	187	201	187	201
Malaysian Government Securities	3,232	1,194	3,225	1,194
Corporate Private Debt Securities	4,363	4,246	5,112	4,314
	<u>8,979</u>	<u>6,530</u>	<u>8,524</u>	<u>5,709</u>
Held-to-maturity				
Malaysian Government Securities	-	100	-	100
Corporate Private Debt Securities	-	1,043	-	1,043
	<u>-</u>	<u>1,143</u>	<u>-</u>	<u>1,143</u>
Total current investments	<u>14,534</u>	<u>11,635</u>	<u>9,004</u>	<u>7,502</u>
Total fund and other investments	<u>23,786</u>	<u>19,369</u>	<u>18,116</u>	<u>15,025</u>
Representing items:				
At amortised cost	8,913	8,803	9,112	8,666
At fair value	14,873	10,566	9,004	6,359
	<u>23,786</u>	<u>19,369</u>	<u>18,116</u>	<u>15,025</u>

Included in corporate private debt securities of the Company are securities issued by subsidiaries amounting to RM2,171,000,000 (2013: RM2,496,000,000).

13. DERIVATIVE ASSETS/LIABILITIES

<i>In RM Mil</i>	Group		Company	
	2013	2014	2013	2014
Derivative assets				
Non-current				
Forward foreign exchange contracts	1	-	-	-
Current				
Commodity swaps	-	197	-	-
Forward gas contracts	60	221	-	-
Forward foreign exchange contracts	114	8	83	33
Forward oil price contracts	1	63	-	-
	<u>175</u>	<u>489</u>	<u>83</u>	<u>33</u>

13. DERIVATIVE ASSETS/LIABILITIES (continued)

<i>In RM Mil</i>	Note	2013	Group 2014	2013	Company 2014
Derivative assets (continued)					
Included within:					
Long term receivables	11	1	-	-	-
Trade and other receivables	17	175	489	83	33
		<u>176</u>	<u>489</u>	<u>83</u>	<u>33</u>
Derivative liabilities					
Non-current					
Interest rate swaps		(4)	-	-	-
Current					
Commodity swaps		(25)	(4)	-	-
Interest rate swaps		(1)	-	-	-
Forward gas contracts		(13)	(129)	-	-
Forward foreign exchange contracts		(380)	(368)	(217)	(21)
Forward oil price contracts		(3)	(207)	-	-
		<u>(422)</u>	<u>(708)</u>	<u>(217)</u>	<u>(21)</u>
Included within:					
Other long term liabilities and provisions	24	(4)	-	-	-
Trade and other payables	25	(422)	(708)	(217)	(21)
		<u>(426)</u>	<u>(708)</u>	<u>(217)</u>	<u>(21)</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.

Certain subsidiaries of the Group adopt hedge accounting whereby hedges meeting the criteria for hedge accounting are classified as cash flow hedges. The effective portion of the gain or loss on the hedging instruments is recognised directly in equity until the hedged transaction occurs, while the ineffective portion is recognised in the profit or loss. As at 31 December 2014, the balance recognised under capital reserves in equity amounts to RM249,000,000 (2013: RM161,000,000) while the ineffective portion recognised in profit or loss amounts to RM Nil (2013: loss of RM15,000,000). As these amounts are not material to the Group, no full disclosure of hedge accounting is presented in the Group's financial statements.

14. DEFERRED TAX

The components and movements of deferred tax liabilities and assets during the year prior to offsetting are as follows:

Group 2013	At 1.1.2013	Charged/ (credited) to profit or loss	Equity	Translation exchange difference	At 31.12.2013	
<i>In RM Mil</i>						
Deferred tax liabilities						
Property, plant and equipment	16,232	(3,652)	-	227	12,807	
Others	117	286	(47)	22	378	
	<u>16,349</u>	<u>(3,366)</u>	<u>(47)</u>	<u>249</u>	<u>13,185</u>	
Deferred tax assets						
Property, plant and equipment	293	(98)	-	(12)	183	
Unused tax losses	(5,388)	531	4	(48)	(4,901)	
Unabsorbed capital allowances	(283)	33	2	-	(248)	
Unused reinvestment allowances	(258)	23	-	-	(235)	
Unused investment tax allowances	(1,406)	(793)	-	-	(2,199)	
Others	(1,421)	473	17	18	(913)	
	<u>(8,463)</u>	<u>169</u>	<u>23</u>	<u>(42)</u>	<u>(8,313)</u>	
Group 2014	At 1.1.2014	Charged/ (credited) to profit or loss	Acquisition of a subsidiary and an interest in a joint operation	Equity	Translation exchange difference	At 31.12.2014
<i>In RM Mil</i>						
Deferred tax liabilities						
Property, plant and equipment	12,807	1,387	1,145	-	73	15,412
Others	378	(473)	-	(217)	13	(299)
	<u>13,185</u>	<u>914</u>	<u>1,145</u>	<u>(217)</u>	<u>86</u>	<u>15,113</u>
Deferred tax assets						
Property, plant and equipment	183	251	251	-	(11)	674
Unused tax losses	(4,901)	(1,021)	(163)	(3)	(90)	(6,178)
Unabsorbed capital allowances	(248)	(206)	(456)	-	-	(910)
Unused reinvestment allowances	(235)	(18)	(223)	-	1	(475)
Unused investment tax allowances	(2,199)	103	9	-	-	(2,087)
Others	(913)	(9)	-	22	(129)	(1,029)
	<u>(8,313)</u>	<u>(900)</u>	<u>(582)</u>	<u>19</u>	<u>(229)</u>	<u>(10,005)</u>

14. DEFERRED TAX (continued)

Company		Charged/ (credited)	
2013	Opening	to profit	Closing
<i>In RM Mil</i>	balance	or loss	balance
Deferred tax liabilities			
Property, plant and equipment	172	(160)	12
Others	11	(11)	-
	<u>183</u>	<u>(171)</u>	<u>12</u>
Deferred tax assets			
Unused tax losses	(4,614)	442	(4,172)
Others	(501)	(189)	(690)
	<u>(5,115)</u>	<u>253</u>	<u>(4,862)</u>
2014			
Deferred tax liabilities			
Property, plant and equipment	12	(12)	-
Deferred tax assets			
Unused tax losses	(4,172)	(1,189)	(5,361)
Property, plant and equipment	-	(176)	(176)
Others	(690)	497	(193)
	<u>(4,862)</u>	<u>(868)</u>	<u>(5,730)</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 amounts determined after appropriate offsetting are as follows:

<i>In RM Mil</i>	2013	Group 2014	2013	Company 2014
Deferred tax assets				
Deferred tax liabilities	1,248	1,534	12	-
Deferred tax assets	(7,859)	(9,359)	(4,862)	(5,730)
	<u>(6,611)</u>	<u>(7,825)</u>	<u>(4,850)</u>	<u>(5,730)</u>
Deferred tax liabilities				
Deferred tax liabilities	11,937	13,579	-	-
Deferred tax assets	(454)	(646)	-	-
	<u>11,483</u>	<u>12,933</u>	<u>-</u>	<u>-</u>

14. DEFERRED TAX (continued)

No deferred tax has been recognised for the following items:

<i>In RM Mil</i>	2013	Group 2014
Deductible temporary differences	63	42
Unabsorbed capital allowances	1,306	564
Unused tax losses	13,745	21,380
Unused investment tax allowances	77	73
	<u>15,191</u>	<u>22,059</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 approximately RM47,122,000,000 (2013: RM34,166,000,000) and RM22,338,000,000 (2013: RM17,383,000,000) 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 approximately RM8,769,000,000 (2013: RM9,239,000,000) and RM1,979,000,000 (2013: RM979,000,000) respectively, which give rise to the recognised and unrecognised deferred tax assets above.

15. CASH AND CASH EQUIVALENTS

<i>In RM Mil</i>	2013	Group 2014	2013	Company 2014
Cash and bank balances	8,632	8,527	1,685	1,830
Deposits placed:				
Banks	108,486	108,262	79,830	92,673
Finance companies	-	37	-	-
	<u>117,118</u>	<u>116,826</u>	<u>81,515</u>	<u>94,503</u>
Less: Subsidiaries' cash with PETRONAS				
Integrated Financial Shared Service Centre	-	-	(34,641)	(39,060)
	<u>117,118</u>	<u>116,826</u>	<u>46,874</u>	<u>55,443</u>

The Company also manages the cash and cash equivalents on behalf of certain subsidiaries through its Integrated Financial Shared Service Centre in order to allow for more efficient management of cash. The cash and cash equivalents reported in the Company's financial statements do not include the amounts managed on behalf of the subsidiaries.

Included in cash and bank balances of the Group are interest-bearing balances amounting to RM8,374,199,000 (2013: RM8,424,967,000).

Included in cash and bank balances of the Group is an amount of RM Nil (2013: RM1,667,000,000) being fund raised during Initial Public Offering of a subsidiary for the purpose of capital expenditure.

Included in cash and bank balances of the Group are amounts of RM45,212,000 (2013: RM66,957,000) held pursuant to the requirement of the Housing Development (Control and Licensing) Regulations 2002 and are therefore restricted from use in other operations.

15. CASH AND CASH EQUIVALENTS (continued)

Included in deposits placed with banks of the Group is an amount of RM324,393,000 (2013: RM315,850,000) being deposits held under designated accounts for redemption of Islamic Financing Facilities.

Included in deposits placed with banks of the Group is an amount of RM31,068,000 (2013: RM34,466,000) which are restricted for certain payments under the requirements of the borrowing facilities agreement.

16. TRADE AND OTHER INVENTORIES

<i>In RM Mil</i>	Group		Company	
	2013	2014	2013	2014
Crude oil and condensate	4,126	3,252	-	297
Petroleum products	6,506	4,759	25	21
Petrochemical products	560	491	-	-
Liquefied natural gas	1,781	1,785	254	151
Stores, spares and others	1,970	2,041	-	-
Developed properties held for sale	322	256	-	-
Properties under development	842	847	-	-
	16,107	13,431	279	469

17. TRADE AND OTHER RECEIVABLES

<i>In RM Mil</i>	Group		Company	
	2013	2014	2013	2014
Trade receivables	35,804	30,299	6,276	3,557
Other receivables, deposits and prepayments	12,910	11,921	2,672	2,746
Amount due from:				
- contract customers	1,411	274	-	-
- subsidiaries*	-	-	52,456	16,366
- associates and joint ventures	1,220	827	74	31
Tax recoverable	2,069	5,881	-	1,154
Finance lease receivables (note 11)	983	765	-	-
Derivative assets (note 13)	175	489	83	33
	54,572	50,456	61,561	23,887
Less: Impairment losses				
Trade receivables	(4,067)	(2,185)	(1,225)	(301)
Amount due from subsidiaries	-	-	(379)	(375)
Other receivables, deposits and prepayments	(80)	(433)	(15)	(15)
	50,425	47,838	59,942	23,196

* The comparative figure has been reclassified to be consistent with current year presentation.

17. TRADE AND OTHER RECEIVABLES (continued)

Amount due from subsidiaries, associates and joint ventures arose in the normal course of business.

Tax recoverable is subject to the agreement with the relevant tax authorities.

Amount due from contract customers:

<i>In RM Mil</i>	2013	Group 2014
Aggregate costs incurred to date	12,770	12,911
Less: Progress billings	(11,359)	(12,637)
	1,411	274

18. ASSETS CLASSIFIED AS HELD FOR SALE

<i>In RM Mil</i>	2013	Group 2014	2013	Company 2014
Vessels	218	773	-	-
Land and building	23	33	-	17
Oil and gas properties	-	1,227	-	-
Plant and equipment	106	3	-	-
Intangible assets	4	37	-	-
Other assets	11	215	-	-
	362	2,288	-	17

The above amount represents carrying values of assets owned by the Group and the Company with the intention of disposal in the immediate future.

Fair value information

In accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, some of the assets classified as held for sale were written down to their fair value less costs to sell of RM2,279,000,000 (2013: RM240,569,000).

Fair value of assets classified as held for sale are categorised as follows:

Group <i>In RM Mil</i>	2013	Level 3 2014
Vessels	218	773
Land and building	23	33
Oil and gas properties	-	1,227
Intangible assets	-	37
Other assets	-	209
	241	2,279

18. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Fair value information (continued)

The assets classified as held for sale are stated at fair value determined based on the following:

Vessels

The fair value of the vessels and containers are determined based on external industry valuation report and price of the latest transacted sale of comparable vessels or containers in the market or by the Group.

Land and building

The fair value of land and building is determined based on property valuation report by external valuer and latest transacted sale of similar property.

Oil and gas properties, intangible assets and other assets

The fair value of oil and gas properties, intangible assets and other assets are determined based on the contracted price agreed with the purchaser.

19. SHARE CAPITAL

<i>In RM Mil</i>	2013	Company 2014
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

20. RESERVES

Pursuant to Section 84 of the Petroleum (Income Tax) Act 1967, dividends paid out of income derived from petroleum operations are not chargeable to tax. The Company has sufficient retained earnings as at 31 December 2014 to distribute dividends out of its petroleum operations, as single tier or exempt dividends.

Capital Reserves

Capital reserves represent primarily reserves created upon issuance of bonus shares and redemption of preference shares by subsidiaries and the Group's share of its associate companies' reserves.

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 Company's functional currency as well as foreign currency differences arising from the translation of monetary items that are considered to form part of a net investment in a foreign operation.

20. RESERVES (continued)

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 profit or loss.

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.

21. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of share capital and reserves of partly-owned subsidiaries.

22. BORROWINGS

<i>In RM Mil</i>	Group		Company	
	2013	2014	2013	2014
Non-current				
Secured				
Term loans	1,700	918	-	-
Islamic financing facilities	1,427	1,495	-	-
Total non-current secured borrowings	<u>3,127</u>	<u>2,413</u>	<u>-</u>	<u>-</u>
Unsecured				
Term loans	5,988	9,282	-	-
Notes and Bonds	16,802	15,673	16,802	15,673
Islamic financing facilities	3,085	2,704	-	-
Total non-current unsecured borrowings	<u>25,875</u>	<u>27,659</u>	<u>16,802</u>	<u>15,673</u>
Total non-current borrowings	<u>29,002</u>	<u>30,072</u>	<u>16,802</u>	<u>15,673</u>
Current				
Secured				
Term loans	988	690	-	-
Islamic financing facilities	339	145	-	-
Revolving credits	-	151	-	-
Total current secured borrowings	<u>1,327</u>	<u>986</u>	<u>-</u>	<u>-</u>
Unsecured				
Term loans	291	726	-	-
Notes and Bonds	2,301	2,184	-	2,184
Islamic financing facilities	5,816	543	4,931	-
Revolving credits	2,576	2,179	-	-
Bank overdrafts	533	144	-	-
Total current unsecured borrowings	<u>11,517</u>	<u>5,776</u>	<u>4,931</u>	<u>2,184</u>
Total current borrowings	<u>12,844</u>	<u>6,762</u>	<u>4,931</u>	<u>2,184</u>
Total borrowings	<u>41,846</u>	<u>36,834</u>	<u>21,733</u>	<u>17,857</u>

22. BORROWINGS (continued)*Terms and debt repayment schedule*

Group <i>In RM Mil</i>	Total	Under 1 year	1-2 years	2-5 years	Over 5 years
Secured					
Term loans	1,608	690	164	465	289
Islamic financing facilities	1,640	145	418	980	97
Revolving credits	151	151	-	-	-
	3,399	986	582	1,445	386
Unsecured					
Term loans	10,008	726	790	6,760	1,732
Notes and Bonds	17,857	2,184	-	10,431	5,242
Islamic financing facilities	3,247	543	387	613	1,704
Revolving credits	2,179	2,179	-	-	-
Bank overdrafts	144	144	-	-	-
	33,435	5,776	1,177	17,804	8,678
	36,834	6,762	1,759	19,249	9,064
Company					
Unsecured					
Notes and Bonds	17,857	2,184	-	10,431	5,242

Islamic financing facilities

Details of Islamic financing facilities are included in note 23.

Unsecured term loans

The unsecured term loans obtained by the subsidiaries primarily comprise:

<i>In Mil</i>	2013	2014
USD Term loans	US\$1,048	US\$2,599
RM Term loans	RM504	-
EURO Term loans	€442	€441

These unsecured term loans bear interest at rates ranging from 1.00% to 2.08% (2013: 1.00% to 5.20%) per annum and are fully repayable at their various due dates from 2015 to 2024.

22. BORROWINGS (continued)*Unsecured Notes and Bonds*

The unsecured Notes and Bonds comprise:

<i>In Mil</i>	2013	2014
USD Notes and Bonds:		
6 1/8% Notes due 2014*	US\$700	-
7 3/4% Bonds due 2015 #	US\$625	US\$625
5 1/4% Guaranteed Notes due 2019^	US\$3,000	US\$3,000
7 7/8% Notes due 2022^	US\$1,000	US\$1,000
7 5/8% Bonds due 2026 #	US\$500	US\$500

* Obtained by a subsidiary.

Obtained by the Company.

^ Obtained by the Company via a subsidiary.

Secured term loans

The secured term loans obtained by the subsidiaries primarily comprise:

<i>In Mil</i>	Securities	2013	2014
USD Term loans	Secured by way of a charge over certain vessels and property, plant and equipment, together with assignments of earnings, charter agreements and insurance of the relevant vessels, property, plant and equipment of certain subsidiaries.	US\$1,017	US\$773
RM Term loans	Secured by way of a charge over certain property, plant and equipment and investment properties, together with assignments of earnings and insurance of the relevant property, plant and equipment of certain subsidiaries.	RM1,685	RM1,373

The secured term loans bear interest at rates ranging from 1.34% to 5.00% (2013: 1.83% to 8.00%) per annum and are fully repayable at their various due dates from 2015 to 2022.

Unsecured revolving credits, bankers' acceptances and bank overdrafts

The unsecured revolving credits, bankers' acceptances and bank overdrafts are obtained by the subsidiaries and primarily bear interest at rates ranging from 0.34% to 8.00% (2013: 0.40% to 8.00%) per annum.

22. BORROWINGS (continued)

In connection with the long term borrowing facility agreements, the Group and the Company have agreed on the following significant covenants with the lenders:

- i. not to allow any material indebtedness (the minimum 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 30 days;
- ii. 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 10% of the consolidated net tangible assets; and
- iii. 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 outstanding would not exceed 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:
 - 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
 - the fair market value of the property or other assets so leased as determined by the Company.

23. ISLAMIC FINANCING FACILITIES

Secured Islamic Financing Facilities

The secured Islamic financing facilities obtained by the subsidiaries comprise:

<i>In RM Mil</i>	2013	2014
Al Bai'bithaman Ajil Facilities	300	300
Bai' Al-Dayn Note Issuance Facilities	85	85
Murabahah Medium Term Notes	2,200	2,510

23. ISLAMIC FINANCING FACILITIES (continued)***Secured Islamic Financing Facilities (continued)***

The secured Islamic financing facilities bear a yield payable ranging from 4.41% to 6.72% (2013: 4.00% to 6.72%) per annum and are fully repayable at their various due dates from 2015 to 2022.

The Islamic financing facilities are secured by way of a charge over certain property, plant and equipment and investment properties.

Unsecured Islamic Financing Facilities

The unsecured Islamic financing facilities obtained by the subsidiaries comprise:

<i>In Mil</i>	2013	2014
Murabahah Note Issuance Facilities	RM2,800	RM321
Sukuk Musyarakah	RM3,982	RM5,100
Ijarah Muntahiyah Bit Tamleek	RM660	-
Bai' Al-Dayn Note Issuance Facilities	RM83	RM122
Trust Certificates [^]	US\$1,500	-

[^] Obtained by the Company via a subsidiary.

The unsecured Islamic financing facilities bear a yield payable ranging from 3.53% to 7.35% (2013: 3.48% to 6.72%) per annum and are fully repayable at their various due dates from 2015 to 2023.

In the prior years, the Company has obtained the above Trust Certificates financing via a subsidiary of the Group (referred to as special purpose vehicle or "SPV"). In relation to this financing arrangement, certain subsidiaries sold their beneficial ownership of property, plant and equipment ("sukuk assets") with a carrying amount of RM Nil (2013: RM2,063,000,000) to the SPV to hold in trust for and on behalf of the Trust Certificate holders. The SPV then leased this beneficial ownership of the sukuk assets to the Company in accordance with Syariah Principles. The Company has fully paid the Trust Certificates upon its maturity in August 2014.

24. OTHER LONG TERM LIABILITIES AND PROVISIONS

<i>In RM Mil</i>	2013	Group 2014	2013	Company 2014
Provision for decommissioning of:				
- oil and gas properties	19,758	19,578	16,780	16,002
- other property, plant and equipment	306	319	-	-
Financial guarantees	454	452	526	504
Derivative liabilities (note 13)	4	-	-	-
Others	7,984	11,003	6,317	9,142
	28,506	31,352	23,623	25,648

Provision for decommissioning of oil and gas properties and other property, plant and equipment is recognised when there is an obligation to decommission 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.

24. OTHER LONG TERM LIABILITIES AND PROVISIONS (continued)

The provision recognised is the present value of the estimated future costs determined in accordance with local conditions and requirements net of, in the case of oil and gas properties, amounts received and estimated future funds receivable from contractors pursuant to the terms of the various production sharing contracts that the Company has entered into.

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 events actually occur are uncertain. Because actual timing and net 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 and inflation rate, are regularly reviewed and adjusted to take into account of such changes. The interest rate and inflation rate used to determine the obligation as at 31 December 2014 was 4.29% (2013: 4.32%) per annum and 2.90% (2013: 3.30%) per annum respectively. Changes in the expected future costs are reflected in both the provision and the asset.

The movement of provision for decommissioning during the financial years are as follows:

<i>In RM Mil</i>	Group	Company
At 1 January 2013	19,431	16,148
Net changes in provision	(118)	28
Provision utilised	(1)	-
Unwinding of discount	600	604
Translation exchange difference	152	-
At 31 December 2013	<u>20,064</u>	<u>16,780</u>
<i>In RM Mil</i>	Group	Company
At 1 January 2014	20,064	16,780
Net changes in provision	(1,107)	(1,502)
Provision utilised	(3)	-
Unwinding of discount	871	724
Translation exchange difference	72	-
At 31 December 2014	<u>19,897</u>	<u>16,002</u>

Net changes in provision include foreign exchange gains or losses arising from retranslation of the provision and are adjusted against the carrying amount of the corresponding asset accordingly.

During the year, the Company revised its estimated future costs of decommissioning of oil and gas properties resulting from changes in estimated cash flows. The revision was accounted for prospectively as a change in accounting estimates resulting in the following:

- i. decrease in other long term liabilities and provisions by RM2,380,000,000 (2013: RM358,000,000);
- ii. decrease in cost of property, plant and equipment by RM604,000,000 (2013: RM1,567,000,000); and
- iii. increase in net profits by RM1,776,000,000 (2013: RM1,925,000,000).

25. TRADE AND OTHER PAYABLES

<i>In RM Mil</i>	Group		Company	
	2013	2014	2013	2014
Trade payables	29,102	24,843	2,493	891
Other payables	34,223	33,388	13,383	11,739
Amount due to:				
- Subsidiaries*	-	-	10,875	8,592
- Associates and joint ventures	1,043	1,186	42	35
Derivative liabilities (note 13)	422	708	217	21
	<u>64,790</u>	<u>60,125</u>	<u>27,010</u>	<u>21,278</u>

* The comparative figure has been reclassified to be consistent with current year presentation.

Included in other payables of the Group are security deposits of RM130,230,000 (2013: RM103,689,000) 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 of the Group are retention sums on construction contracts amounting to RM154,202,000 (2013: RM159,431,000).

Amount due to subsidiaries, associates and joint ventures arose in the normal course of business.

26. GROSS PROFIT

<i>In RM Mil</i>	Group			Company		
	2012	2013	2014	2012	2013	2014
	Restated					
Revenue						
- sales of oil and gas	269,864	294,715	303,718	89,949	92,228	97,222
- others	5,984	5,990	5,070	11,977	12,313	10,282
	<u>275,848</u>	<u>300,705</u>	<u>308,788</u>	<u>101,926</u>	<u>104,541</u>	<u>107,504</u>
- rendering of services	3,073	3,829	6,614	54	68	15
- shipping and shipping related services	6,118	6,147	6,402	-	-	-
- sale and rental of properties	2,090	2,358	2,810	-	-	-
	<u>11,281</u>	<u>12,334</u>	<u>15,826</u>	<u>54</u>	<u>68</u>	<u>15</u>
- dividend income						
in Malaysia (Quoted)						
- subsidiaries	-	-	-	2,048	3,289	2,692
- associates	-	-	-	49	40	33
- investments	16	5	6	5	5	6
in Malaysia (Unquoted)						
- subsidiaries	-	-	-	17,863	17,814	22,994
- investments	28	21	21	28	21	21
outside Malaysia (Quoted)						
- investments	72	244	232	-	-	-
outside Malaysia (Unquoted)						
- joint ventures	-	-	-	143	73	30
	<u>116</u>	<u>270</u>	<u>259</u>	<u>20,136</u>	<u>21,242</u>	<u>25,776</u>
- interest income	3,981	4,005	4,275	3,224	2,814	2,720
	<u>291,226</u>	<u>317,314</u>	<u>329,148</u>	<u>125,340</u>	<u>128,665</u>	<u>136,015</u>
Cost of revenue						
- cost of sales	(173,036)	(194,646)	(206,469)	(62,473)	(68,341)	(71,432)
- cost of services	(10,311)	(10,135)	(9,955)	-	-	-
	<u>(183,347)</u>	<u>(204,781)</u>	<u>(216,424)</u>	<u>(62,473)</u>	<u>(68,341)</u>	<u>(71,432)</u>
Gross profit	<u>107,879</u>	<u>112,533</u>	<u>112,724</u>	<u>62,867</u>	<u>60,324</u>	<u>64,583</u>

27. OPERATING PROFIT

<i>In RM Mil</i>	2012	2013	Group	2012	2013	Company
	Restated		2014			2014
<i>Included in operating profit are the following charges:</i>						
Audit fees	29	30	32	2	2	2
Amortisation of:						
- intangible assets	1,032	2,496	6,470	-	-	-
- prepaid lease payments	41	45	43	-	-	-
Bad debts written-off:						
- trade and other receivables	-	4	137	-	-	120
- receivables from subsidiaries	-	-	-	-	-	4
Contribution to Tabung Amanah Negara	2,000	2,000	1,000	2,000	2,000	1,000
Depreciation of property, plant and equipment and investment properties	21,340	22,880	20,742	318	1,472	2,415
Impairment losses on:						
- property, plant and equipment	7,765	5,962	21,860	-	233	923
- intangible assets	2,469	1,199	1,923	-	-	-
- investments in associates and joint ventures	808	186	1,087	-	-	-
- trade and other receivables	509	1,411	441	-	1,180	-
- loan and advances to associates, joint ventures and subsidiaries	156	-	40	-	-	-
- investments in subsidiaries	-	-	-	579	536	147
- receivables from subsidiaries	-	-	-	58	-	-
- other investments	-	-	575	-	-	-
Loss on disposal of subsidiaries	65	-	-	8	-	-
Inventories written down to net realisable value	210	27	476	-	-	-
Net loss on foreign exchange	-	700	1,842	1,387	-	-
Operating lease rental	782	1,467	1,497	612	563	627
Property, plant and equipment written off	97	449	217	-	418	145
Rental of:						
- plant, machinery, equipment and motor vehicles	564	549	568	33	10	16
- land and buildings	473	480	457	32	19	29

27. OPERATING PROFIT (continued)

<i>In RM Mil</i>	2012	2013	Group 2014	2012	2013	Company 2014
	Restated					
<i>Included in operating profit are the following charges (continued):</i>						
Research and development expenditure	82	94	24	77	-	2
Staff costs:						
- wages, salaries and others	7,381	7,946	8,666	830	1,097	1,273
- contributions to Employee's Provident Fund	754	798	920	173	182	204
<i>and credits:</i>						
Gain on bargain purchase	-	-	974	-	-	-
Gain on disposal/partial disposal of:						
- other investment	1,580	288	240	169	-	-
- property, plant and equipment	186	947	976	-	62	-
- associates	100	92	-	-	-	-
- subsidiaries	-	-	175	120	-	-
Interest income - others	470	373	552	2,626	3,415	4,488
Rental income on land and buildings	292	447	483	202	306	314
Write back of impairment losses on:						
- property, plant and equipment	253	1,673	1,161	-	-	-
- intangible assets	197	89	99	-	-	-
- trade and other receivables	45	-	723	45	12	-
- investments in subsidiaries	-	-	-	16	159	-
- loan and advances to subsidiaries	-	-	-	-	345	6
Net gain on foreign exchange	107	-	-	-	2,289	3,469

28. TAX EXPENSE

<i>In RM Mil</i>	2012	2013	Group	2012	2013	Company
	Restated		2014			2014
Current tax expenses						
Malaysia						
Current year	32,201	30,234	29,475	16,706	15,187	14,846
Prior year	208	(1,001)	(1,088)	-	(538)	(192)
Overseas						
Current year	2,856	2,662	1,705	-	-	-
Prior year	(63)	(26)	(28)	-	-	-
Total current tax expenses	35,202	31,869	30,064	16,706	14,649	14,654
Deferred tax expenses						
Origination and reversal of temporary differences	(4,819)	(3,748)	(2,038)	(2,374)	(824)	(500)
(Over)/under provision in prior year	(166)	551	2,052	-	906	(380)
Total deferred tax expenses	(4,985)	(3,197)	14	(2,374)	82	(880)
Total tax expenses	30,217	28,672	30,078	14,332	14,731	13,774

28. TAX EXPENSE (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:

<i>In RM Mil</i>	%	2012	%	2013	%	2014
		<u>Restated</u>				
Group						
Profit before taxation		<u>89,741</u>		<u>94,258</u>		<u>77,691</u>
Taxation at Malaysian statutory tax rate	25	22,435	25	23,565	25	19,423
Effect of different tax rates in foreign jurisdictions	1	612	-	(100)	1	690
Effect of different tax rates between corporate income tax and petroleum income tax	8	7,496	7	6,420	6	4,538
Effect of changes in tax rates	-	(13)	-	268	1	418
Non deductible expenses, net of non assessable income	3	2,645	2	1,589	3	2,729
Tax exempt income	(3)	(2,357)	(2)	(1,991)	-	(295)
Tax incentives	(1)	(556)	(1)	(976)	-	(167)
Effect of deferred tax assets not recognised	-	(5)	-	70	2	1,648
Foreign exchange translation difference	-	(19)	-	303	-	158
	<u>33</u>	<u>30,238</u>	<u>31</u>	<u>29,148</u>	<u>38</u>	<u>29,142</u>
(Over)/under provision in prior years		<u>(21)</u>		<u>(476)</u>		<u>936</u>
Tax expense		<u>30,217</u>		<u>28,672</u>		<u>30,078</u>
Company						
Profit before taxation		<u>60,639</u>		<u>60,309</u>		<u>67,807</u>
Taxation at Malaysian statutory tax rate	25	15,160	25	15,077	25	16,952
Effect of different tax rates between corporate income tax and petroleum income tax	10	5,909	8	5,055	7	4,845
Effect of changes in tax rates	-	-	-	172	-	54
Non assessable income, net of non deductible expenses	(3)	(1,881)	(1)	(780)	(2)	(1,061)
Tax exempt income	(8)	(4,856)	(9)	(5,161)	(10)	(6,444)
	<u>24</u>	<u>14,332</u>	<u>23</u>	<u>14,363</u>	<u>20</u>	<u>14,346</u>
Under/(over) provision in prior years		<u>-</u>		<u>368</u>		<u>(572)</u>
Tax expense		<u>14,332</u>		<u>14,731</u>		<u>13,774</u>

29. DIVIDENDS

<i>In RM Mil</i>	2012	2013	Company 2014
Ordinary:			
Final:			
Tax exempt dividend of RM220,000 (2013: RM270,000; 2012: RM280,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967 in respect of financial year 31 December 2013 (2013: 31 December 2012; 2012: 31 December 2011)	28,000	27,000	22,000
Interim:			
First tax exempt dividend of RM20,000 (2013: RM50,000; 2012: Nil) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967 in respect of financial year 31 December 2014 (2013: 31 December 2013; 2012: 31 December 2012)	-	5,000	2,000
	<u>28,000</u>	<u>32,000</u>	<u>24,000</u>
Interim:			
Second tax exempt dividend of RM40,000 (2013: Nil; 2012: Nil) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967 in respect of financial year 31 December 2014	-	-	4,000
	<u>-</u>	<u>-</u>	<u>4,000</u>
<p>The second tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM40,000 per ordinary share amounting to RM4 billion in respect of the financial year ended 31 December 2014, has not been accounted for in the financial statements.</p>			
Proposed:			
Final:			
Tax exempt dividend of RM220,000 (2013: RM220,000; 2012: RM270,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967 in respect of financial year 31 December 2014 (2013: 31 December 2013; 2012: 31 December 2012)	27,000	22,000	22,000
	<u>27,000</u>	<u>22,000</u>	<u>22,000</u>

The proposed tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM220,000 per ordinary share amounting to RM22 billion in respect of the financial year ended 31 December 2014, has not been accounted for in the financial statements.

30. NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES

The cash (used in)/generated from investing activities comprise:

<i>In RM Mil</i>	2012	2013	Group 2014	2012	2013	Company 2014
	Restated					
Acquisition of:						
- subsidiaries, net of cash acquired (note 32)	(17,751)	-	(2,076)	-	-	(1,999)
- interest in a joint operation, net of cash acquired (note 32)	-	-	(4,411)	-	-	-
- additional shares in subsidiaries	-	-	-	(290)	(6,201)	(414)
Dividends received	105	271	1,928	20,136	20,462	29,946
Investment in:						
- associates, joint ventures and unquoted companies	(424)	(644)	(294)	-	(75)	-
- securities	(14,372)	(3,818)	(4,850)	(13,821)	(3,451)	(4,112)
Long term receivables and advances (to)/repaid from:						
- subsidiaries	-	-	-	(29,214)	(5,058)	(1,459)
- associates and joint ventures	323	(317)	45	-	-	-
Other long term receivables	(170)	(882)	15	-	-	-
Proceeds from disposal/partial disposal of:						
- investment in subsidiaries, net of cash disposed (note 33)	145	-	12	157	-	-
- investment in associates	144	9	-	-	-	-
- property, plant and equipment, prepaid lease payments and intangible assets	963	5,055	8,905	-	110	1
- securities and other investment	25,494	8,460	7,793	21,978	5,437	7,465
Purchase of property, plant and equipment, investment properties, prepaid lease payments and intangible assets	(44,991)	(56,555)	(64,648)	(2,574)	(1,865)	(1,631)
Redemption of preference shares in subsidiaries	-	-	-	16	-	40
	(50,534)	(48,421)	(57,581)	(3,612)	9,359	27,837

31. NET CASH USED IN FINANCING ACTIVITIES

The cash used in financing activities comprise:

<i>In RM Mil</i>	2012	2013	Group	2012	2013	Company
	Restated		2014			2014
Dividends paid	(27,461)	(27,539)	(29,000)	(27,461)	(27,539)	(29,000)
Dividends paid to non-controlling interests	(6,525)	(8,954)	(12,160)	-	-	-
Drawdown of:						
- Islamic financing facilities	1,305	822	937	-	-	-
- term loans, notes and bonds	402	6,532	5,175	-	-	-
- revolving credits and bankers' acceptances	2,483	5,052	2,335	-	-	-
Repayment of:						
- Islamic financing facilities	(1,621)	(554)	(6,833)	-	-	-
- term loans, notes and bonds	(8,688)	(8,616)	(5,200)	(7,599)	(512)	(4,746)
- revolving credits and bankers' acceptances	(3,774)	(3,944)	(2,971)	-	-	-
Payment to non-controlling interests on redemption of shares	(54)	-	-	-	-	-
Payment to non-controlling interests on additional equity interest	(8)	-	-	-	-	-
Proceeds from shares issued to non-controlling interests	16	62	171	-	-	-
	<u>(43,925)</u>	<u>(37,139)</u>	<u>(47,546)</u>	<u>(35,060)</u>	<u>(28,051)</u>	<u>(33,746)</u>

32. ACQUISITION OF INTEREST IN JOINT OPERATION & SUBSIDIARIES

2014

Acquisition of interest in Talisman Sasol Montney Partnership

On 12 March 2014, the Group via its wholly-owned subsidiary, Progress Energy Canada Ltd. ("PECL"), acquired a 50% interest in assets and facilities in Talisman Sasol Montney Partnership, as well as a 100% interest in Montney assets in the Foothills of British Columbia for a total purchase consideration of CAD1,495 million (approximately RM4,411 million). Subsequently, the Talisman Sasol Montney Partnership was renamed as Progress Sasol Montney Partnership ("PSMP") and has been accounted for as a joint operation. The net profit contributed by PSMP from the date of acquisition to 31 December 2014 is not material in relation to the Group's consolidated net profit for the year.

The effect of acquisition of Talisman Sasol Montney Partnership on the cash flows and fair values of assets and liabilities acquired at date of acquisition are as follows:

<i>In RM Mil</i>	Carrying amount representing fair value at acquisition date
Property, plant and equipment	2,043
Intangible assets	3,653
Other assets	11
Deferred tax liabilities	(1,145)
Other liabilities	(151)
	<hr style="border-top: 1px solid black;"/>
	4,411
	<hr style="border-top: 3px double black;"/>
Purchase consideration, representing cash flow on acquisition of interest in joint operation (note 30)	4,411
	<hr style="border-top: 3px double black;"/>

32. ACQUISITION OF INTEREST IN JOINT OPERATION & SUBSIDIARIES (continued)**2014 (continued)***Acquisition of Phillips 66's interest in Malaysian Refining Company*

On 11 November 2014, the Company entered into an agreement with Phillips 66 Asia Limited, a subsidiary of Phillips 66, to acquire its 47% interest in Malaysian Refining Company Sdn. Bhd. ("MRC") for a cash consideration of USD635 million with working capital adjustments at completion. Full control of MRC has been deemed to be obtained on 31 December 2014 and MRC has been accounted for as a subsidiary. Completion adjustments are expected to be finalised in 2015.

Acquisition of other subsidiaries

During the financial year, the Group also acquired several other companies for a total purchase consideration of RM102 million. As a result, these companies became subsidiaries of the Group. The net profits contributed by these subsidiaries from the date of acquisition to 31 December 2014 is not material in relation to the consolidated net profit for the year.

The net effect of acquisitions of subsidiaries on the cash flows and fair values of assets and liabilities acquired are as follows:

<i>In RM Mil</i>	Carrying amount representing fair value at acquisition date
Property, plant and equipment	2,005
Cash and cash equivalents	28
Borrowings	(287)
Other assets	1,373
Deferred tax assets	582
Other liabilities	(625)
	<hr/> 3,076
Less: Interest previously held as investment in joint venture	(10)
Gain on bargain purchase	(974)
Add: Goodwill on consolidation	12
Purchase consideration	<hr/> 2,104
Less: Cash and cash equivalents of subsidiaries acquired	(28)
Cash flow on acquisition of subsidiaries, net of cash acquired (note 30)	<hr/> <hr/> 2,076

32. ACQUISITION OF INTEREST IN JOINT OPERATION & SUBSIDIARIES (continued)**2012*****Acquisition of Progress Energy Resources Corporation***

On 12 December 2012, the Group via its wholly-owned subsidiary, PETRONAS Carigali Canada Ltd. (“PCCL”), acquired 100% interest in Progress Energy Resources Corporation (“Progress Energy”) and its group of companies (“Progress Energy Group”), a Canada-based energy corporation focused on natural gas exploration, development and production in northeast British Columbia and northwest Alberta, for a total purchase consideration of CAD5,804 million (approximately RM17,859 million). PCCL and Progress Energy were subsequently amalgamated after which the amalgamated corporation is named Progress Energy Canada Ltd. The net profit contributed by Progress Energy Group from the date of acquisition to 31 December 2012 is not material in relation to the Group’s consolidated net profit for the year.

The effect of acquisition of Progress Energy Group on the cash flows and fair values of assets and liabilities acquired at date of acquisition are as follows:

<i>In RM Mil</i>	At initial recognition	Fair value adjustment	At fair value
Property, plant and equipment	7,077	(890)	6,187
Intangible assets	857	13,623	14,480
Cash and cash equivalents	108	-	108
Other assets	1,510	-	1,510
Borrowings	(431)	-	(431)
Deferred tax liability	(135)	(3,598)	(3,733)
Other liabilities	(262)	-	(262)
	<u>8,724</u>	<u>9,135</u>	<u>17,859</u>
Purchase consideration			17,859
Less: Cash and cash equivalents of subsidiaries acquired			<u>(108)</u>
Cash flow on acquisition, net of cash acquired (note 30)			<u>17,751</u>

33. DISPOSAL OF SUBSIDIARIES**2014**

During the financial year, the Group also disposed several subsidiaries for a total consideration of RM153 million. The net profit contributed by these subsidiaries from 1 January 2014 to the date of disposal is not material in relation to the consolidated net profit of the Group for the period.

The net effect of the above disposals of subsidiaries on the cash flows and carrying amount of net assets and liabilities disposed are as follows:

33. DISPOSAL OF SUBSIDIARIES (continued)**2014 (continued)**

<i>In RM Mil</i>	Carrying amount at disposal date
Property, plant and equipment	592
Investment properties	67
Cash and cash equivalents	141
Assets classified as held for sale	13
Other assets	6
Minority shareholders interest at the date of acquisitions	(184)
Other liabilities	(137)
	<hr/> 498
Less: Interest held as investment in joint venture and associate	(520)
Add: Gain on disposals of subsidiaries	175
Proceeds from disposal of subsidiaries	153
Less: Cash and cash equivalents of subsidiary	(141)
Cash flow on disposal of subsidiaries, net of cash disposed (note 30)	<hr/> <hr/> 12

2012

During the financial year ended 31 December 2012, the Group disposed of several subsidiaries for a total consideration of RM157 million. The net profit contributed by these subsidiaries from 1 January 2012 to the date of disposal is not material in relation to the consolidated net profit of the Group for the year.

The net effect of the above disposals of subsidiaries on the Group's cash flows is RM145 million.

34. SIGNIFICANT EVENTS**2014*****Sale of interests in Canadian assets***

On 25 March 2014 and 17 July 2014, the Group via its wholly-owned subsidiary PECL, sold an additional 10% and 15% interest in North Montney Joint Venture ("NMJV") British Columbia assets and in the proposed Pacific NorthWest LNG ("PNWLNG") export facility to subsidiaries of Indian Oil Corporation Ltd and China Petrochemical Corporation ("SINOPEC") respectively.

As part of the transaction, the purchasers have agreed to offtake future liquefied natural gas production equivalent to their pro-rata interest in the partnership for a period of 20 years. With the completion of the above sales, the Group now holds 62% interest in NMJV British Columbia assets and PNWLNG export facility.

Acquisition of interest in Statoil's Shah Deniz assets

On 13 October 2014, the Group via its wholly-owned subsidiaries, PETRONAS Azerbaijan Shah Deniz SARL and PETRONAS South Caucasus SARL entered into a Purchase and Sale Agreement with Statoil Shah Deniz A.S and Statoil Azerbaijan A.S to acquire 15.5% participating interest in Shah Deniz Exploration, Development and Production Sharing Agreement and South Caucasus Pipeline Company, which is subject to relevant approvals. The transaction is expected to be completed in 2015.

34. SIGNIFICANT EVENTS (continued)

2013

Sale of interests in Canadian assets

On 26 April 2013 and 18 December 2013, the Group via its wholly-owned subsidiary PECL, sold a 10% and 3% interest in PECL's natural gas assets in northeast British Columbia to JAPEX Montney Ltd. ("JAPEX") and PetroleumBRUNEI Montney Holdings Limited ("PetroleumBRUNEI") respectively.

Concurrently, in regard to the proposed Pacific NorthWest LNG export facility, the Group also sold a 10% and 3% interest in Pacific NorthWest LNG Limited to JAPEX Canada LNG Ltd. and PetroleumBRUNEI Canada Limited respectively. A 10% and 3% interest in Pacific NorthWest LNG Limited Partnership was also sold to JAPEX and PetroleumBRUNEI respectively. As part of the transaction, JAPEX and PetroleumBRUNEI have agreed to buy the liquefied natural gas facility's production according to their partnership units for a period of 20 years.

35. OPERATING LEASES

Leases as lessor

The Group via its subsidiary has entered into non-cancellable operating lease agreements for Government Office Buildings ("GOB") in accordance with the Concession Agreement ("CA") with the Government of Malaysia. Under the CA, the Group will construct various parcels of GOB on land belonging to the Government. Upon completion of each parcel, the Government will execute a 25-year lease agreement over the land of the said parcel to the Group. Simultaneously, the Group will sub-lease over the same land and buildings to the Government for the same period in return for lease rentals based on predetermined rates per square foot per month.

These leases have remaining period of non-cancellable lease terms between 10 and 23 years.

The future minimum lease receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables are as follows:

<i>In RM Mil</i>	2012	2013	Group 2014
Less than one year	1,231	2,044	2,580
Between one and five years	4,918	6,422	8,653
More than five years	15,272	17,082	15,464
	<u>21,421</u>	<u>25,548</u>	<u>26,697</u>

Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are as follows:

<i>In RM Mil</i>	Group			Company		
	2012	2013	2014	2012	2013	2014
Less than one year	853	959	1,525	596	436	483
Between one and five years	2,893	2,656	3,334	2,358	1,805	1,991
More than five years	3,353	1,647	609	5,361	4,189	3,750
	<u>7,099</u>	<u>5,262</u>	<u>5,468</u>	<u>8,315</u>	<u>6,430</u>	<u>6,224</u>

36. COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of the reporting year not provided for in the financial statements are:

<i>In RM Mil</i>	Group		Company	
	2013	2014	2013	2014
Property, plant and equipment				
<i>Approved and contracted for</i>				
Less than one year	28,514	39,826	6,459	2,382
Between one and five years	41,241	50,641	18,808	10,874
	<u>69,755</u>	<u>90,467</u>	<u>25,267</u>	<u>13,256</u>
<i>Approved but not contracted for</i>				
Less than one year	10,678	17,924	599	19
Between one and five years	30,472	30,111	-	-
More than five years	213	-	-	-
	<u>41,363</u>	<u>48,035</u>	<u>599</u>	<u>19</u>
	<u>111,118</u>	<u>138,502</u>	<u>25,866</u>	<u>13,275</u>
Share of capital expenditure of joint venture				
<i>Approved and contracted for</i>				
Less than one year	11,152	7,756	-	-
Between one and five years	1,011	899	-	-
More than five years	699	703	-	-
	<u>12,862</u>	<u>9,358</u>	<u>-</u>	<u>-</u>
<i>Approved but not contracted for</i>				
Less than one year	5,064	4,419	-	-
Between one and five years	24,479	18,624	-	-
More than five years	549	170	-	-
	<u>30,092</u>	<u>23,213</u>	<u>-</u>	<u>-</u>
	<u>42,954</u>	<u>32,571</u>	<u>-</u>	<u>-</u>
Total commitments	<u>154,072</u>	<u>171,073</u>	<u>25,866</u>	<u>13,275</u>

37. CONTINGENT LIABILITIES

<i>In RM Mil</i>	Group		Company	
	2013	2014	2013	2014
Secured				
Guarantees extended to third parties	53	53	-	-
Unsecured				
Guarantees extended to third parties	480	388	-	-
Claims filed by/disputes with various parties	29	84	-	53
Contingent payments	92	82	-	-
	<u>601</u>	<u>554</u>	<u>-</u>	<u>53</u>

37. CONTINGENT LIABILITIES (continued)***Material litigation***

The legal suit brought against the Company by the Kelantan State Government in 2010 in respect of payment of petroleum proceeds under the terms of the agreement dated 9 May 1975 entered into between the Kelantan State Government and PETRONAS is still on-going as at the reporting date. PETRONAS has been advised by its solicitors that PETRONAS has a meritorious defence to the claim. The Company cannot now estimate with sufficient reliability the ultimate financial obligation, if any, under this litigation, since it has not gone for full trial yet.

In 2012, certain individuals (“plaintiffs”) filed a legal suit against PETRONAS and the State Government of Sabah wherein the plaintiffs are seeking a declaration that the agreement dated 14 June 1976 entered into between the State Government of Sabah and PETRONAS is ultra vires and null and void; and a declaration that the Petroleum Development Act of 1974 is also ultra vires and null and void. On 15 January 2014, the High Court of Sabah and Sarawak at Kota Kinabalu struck out the plaintiffs’ suit with costs. The plaintiffs have not filed an appeal to the Court of Appeal, thus bringing the suit to an end.

Other guarantees

Other than those disclosed elsewhere in the financial statements, the Group and the Company had entered into agreements which may include agreements to provide guarantees to third parties for the benefit of subsidiaries, associates and joint ventures (“Guaranteed Entities”). Such unsecured guarantees are normally provided in support of the Guaranteed Entities’ normal and on-going business requirements, consistent with generally acceptable and recognised industry practices. The liability of the Group and the Company is therefore contingent and would only trigger upon the default of the Guaranteed Entities’ obligation under the guarantee.

38. RELATED PARTY DISCLOSURES

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.

The Company’s related parties include key management personnel, subsidiaries, associates, joint ventures as well as the Government of Malaysia and its related entities as the Company is wholly-owned by the Government of Malaysia.

Key management personnel compensation

<i>In RM Mil</i>	Group and Company		
	2012	2013	2014
Directors remuneration:			
- Fees	4	4	4
- Emoluments	23	29	34

The estimated monetary value of Directors’ benefits-in-kind is RM167,000 (2013: RM204,000; 2012: RM171,000).

38. RELATED PARTY DISCLOSURES (continued)*Significant transactions with related parties*

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

Group <i>In RM Mil</i>	2012	2013	2014
Federal and State Governments of Malaysia:			
Petroleum proceeds	12,286	12,089	12,003
Lease income receivable	1,269	1,264	1,329
Sales of petroleum products	347	388	400
Government of Malaysia's related entities:			
Sales of petroleum products, processed gas and utilities	6,335	8,740	11,329
Associate companies:			
Sales of petrochemical products, processed gas and utilities	3,696	3,975	4,567
Purchase of petrochemical products, processed gas and utilities	(65)	(104)	(102)
Lease and rental expenses	(284)	(302)	(275)
Joint ventures:			
Sales of petrochemical products, processed gas, petroleum products and general merchandise	593	407	40
Interest receivable from joint ventures	74	26	57
Gas processing fee payable	(383)	(165)	(174)
Other expenses	(184)	(197)	(232)
Other income	682	603	307
Company			
Federal and State Governments of Malaysia:			
Petroleum proceeds	12,286	12,089	12,003
Government of Malaysia's related entities:			
Sales of processed gas	2,056	4,362	6,809
Subsidiaries:			
Sales of crude oil, petroleum products, processed gas and natural gas	57,010	57,437	57,279
Interest receivable from subsidiaries	2,587	3,397	4,179
Purchase of crude oil, natural gas and liquefied natural gas	(32,697)	(37,003)	(36,754)
Gas processing fee payable	(2,182)	(3,084)	(3,365)
Research cess	128	170	184
Supplemental payments	5,655	6,049	4,977
Contribution to fund	243	150	144
Associate companies:			
Sales of processed gas	1,798	1,952	2,281
Joint ventures:			
Gas processing fee payable	(383)	(165)	(174)

Information regarding outstanding balances arising from related party transactions as at 31 December 2014 are disclosed in note 11, note 17 and note 25.

38. RELATED PARTY DISCLOSURES (continued)

Significant transactions with related parties (continued)

Information regarding impairment losses on receivables and bad debts written off during the financial year are disclosed in note 27.

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.

39. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION

Effective 2014, the reportable operating segments now comprise Upstream, Downstream, and Corporate and others. The change in the reportable operating segments is in line with the change in the way the Group's businesses are managed. Accordingly, the Group has restated the operating segment information for the prior years. The Group's reportable segments, as described below, offer different products and services and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- Upstream - activities include operations previously under Exploration and Production i.e. oil and natural gas exploration, development and production, together with related pipeline and transportation activities. Beginning 2014, this segment now includes purchase and liquefaction of natural gas, marketing and trading of liquefied natural gas ("LNG") and sales gas.
- Downstream - activities include the supply and trading, refining, manufacturing, marketing and transportation of crude oil, petroleum and petrochemical products. Beginning 2014, this segment now includes gas processing operations and power business.
- Corporate and Others - remains unchanged, comprise primarily logistic and maritime segment, property segment and central treasury function.

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

There are varying levels of integration between Upstream segment, Downstream Segment and Corporate and Others Segment. This integration includes transfers of products and services between segments. Inter-segment pricing is established on a commercial basis.

Performance is measured based on segment profit after tax ("PAT"), as included in the internal management reports. Segment PAT is used to measure performance as the Executive Committee believes that such information is the most relevant in evaluating the results of the segments.

The basis of measurement of segment performance have changed from Group's audited consolidated financial statements for the year ended 31 December 2013 and 31 December 2012. Previously, segment performance was measured based on segment Net Operating Profit After Tax ("NOPAT") which is derived from net profit after excluding financing cost, share of profits of associates and joint ventures, and other non-operating income and expenses. Comparative information with regards to segment performance have been restated following the change accordingly.

Segment assets are measured based on total assets (including goodwill) of a segment, as included in the internal management reports and are used to measure the return of assets of each segment.

39. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Executive Committee. Hence, no disclosure is made on the segment liability.

Segment capital expenditure is the total cost incurred during the financial year to acquire non-current assets other than financial instruments and deferred tax assets.

Group 2012 (Restated) <i>In RM Mil</i>			Corporate and Others	Consolidation adjustments and eliminations	Total
	Upstream	Downstream			
Revenue					
Third parties	128,195	150,256	12,775	-	291,226
Inter-segment	37,134	5,582	3,266	^a (45,982)	-
Total revenue	165,329	155,838	16,041	(45,982)	291,226
Reportable segment profit	44,096	8,261	4,913	^b 2,254	59,524
Included in the measure of segment profit are:					
Depreciation and amortisation	(17,406)	(2,974)	(2,033)	-	(22,413)
Impairment losses	(10,239)	(215)	(445)	-	(10,899)
Interest income	276	725	3,489	(39)	4,451
Interest expense	(3,034)	(373)	(1,839)	2,342	(2,904)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	882	402	292	-	1,576
Tax expense	(27,982)	(2,015)	36	(256)	(30,217)

^a Inter-segment revenue includes sales of crude oil and condensates, petroleum products, sales gas, and shipping services between business segments. These transactions are eliminated on consolidation.

^b Comprise consolidation adjustments in relation to unrealised gains and losses on inventory, intercompany borrowing costs capitalised as part of the cost of a qualifying asset, and reclassification of foreign exchange gains and losses to other comprehensive income arising from intercompany receivables that are considered to form part of the net investment in foreign operations (note 2.20).

39. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)

Group 2013 (Restated) <i>In RM Mil</i>	Upstream	Downstream	Corporate and Others	Consolidation adjustments and eliminations	Total
Revenue					
Third parties	147,332	157,256	12,726	-	317,314
Inter-segment	35,945	6,847	3,153	^a (45,945)	-
Total revenue	183,277	164,103	15,879	(45,945)	317,314
Reportable segment profit	52,166	8,314	2,668	^b 2,438	65,586
Included in the measure of segment profit are:					
Depreciation and amortisation	(20,324)	(2,976)	(2,121)	-	(25,421)
Impairment losses	(5,303)	(8)	(88)	-	(5,399)
Interest income	628	650	3,119	(19)	4,378
Interest expense	(3,047)	(284)	(1,914)	2,493	(2,752)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	725	334	338	-	1,397
Tax expense	(25,477)	(1,637)	(1,294)	(264)	(28,672)

^a Inter-segment revenue includes sales of crude oil and condensates, petroleum products, sales gas, and shipping services between business segments. These transactions are eliminated on consolidation.

^b Comprise consolidation adjustments in relation to unrealised gains and losses on inventory, intercompany borrowing costs capitalised as part of the cost of a qualifying asset, and reclassification of foreign exchange gains and losses to other comprehensive income arising from intercompany receivables that are considered to form part of the net investment in foreign operations (note 2.20).

39. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)

Group 2014	Corporate and Others			Consolidation adjustments and eliminations	Total
<i>In RM Mil</i>	Upstream	Downstream			
Revenue					
Third parties	165,257	150,363	13,528	-	329,148
Inter-segment	32,133	7,099	4,066	^a (43,298)	-
Total revenue	197,390	157,462	17,594	(43,298)	329,148
Reportable segment profit	32,380	5,743	5,848	^b 3,642	47,613
Included in the measure of segment profit are:					
Depreciation and amortisation	(21,510)	(3,426)	(2,319)	-	(27,255)
Impairment losses	(22,264)	(19)	(240)	-	(22,523)
Interest income	1,187	743	3,103	(206)	4,827
Interest expense	(3,671)	(304)	(1,686)	3,005	(2,656)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	636	575	526	-	1,737
Tax expense	(27,668)	(1,646)	(303)	(461)	(30,078)

^a Inter-segment revenue includes sales of crude oil and condensates, petroleum products, sales gas, and shipping services between business segments. These transactions are eliminated on consolidation.

^b Comprise consolidation adjustments in relation to unrealised gains and losses on inventory, intercompany borrowing costs capitalised as part of the cost of a qualifying asset, and reclassification of foreign exchange gains and losses to other comprehensive income arising from intercompany receivables that are considered to form part of the net investment in foreign operations (note 2.20).

39. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)

Group 2013 (Restated) <i>In RM Mil</i>	Upstream	Downstream	Corporate and Others	Consolidation adjustments and eliminations	Total
Segment assets	305,981	99,785	144,059	^a (21,165)	528,660
Included in the measure of segment assets are:					
Investments in associates and joint ventures	4,939	1,917	5,219	-	12,075
Additions to non-current assets other than financial instruments and deferred tax assets	45,454	7,101	3,638	-	56,193
2014					
Segment assets	314,502	104,934	155,769	^a (37,718)	537,487
Included in the measure of segment assets are:					
Investments in associates and joint ventures	4,056	2,372	6,038	-	12,466
Additions to non-current assets other than financial instruments and deferred tax assets	53,423	9,665	3,379	-	66,467

^a Comprise consolidation adjustments/elimination of intercompany receivables and intercompany borrowing costs capitalised as part of the cost of a qualifying asset (note 2.21).

39. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)

Products and services information

The following are revenue from external customers by products and services:

Group <i>In RM Mil</i>	2012 Restated	2013	2014
Petroleum products	111,655	110,471	109,495
Crude oil and condensates	54,975	66,137	66,180
Liquefied natural gas	62,468	67,794	74,777
Sales and natural gas	24,604	35,014	38,866
Petrochemicals	16,162	15,299	14,400
Shipping services	6,118	6,147	6,402
Investment income	3,981	4,005	4,275
Others	11,263	12,447	14,753
	291,226	317,314	329,148

Geographical information

Geographical revenue is determined based on geographical location of customers. The amounts of presented in non-current assets do not include financial instruments (including investment in associates and joint ventures) and deferred tax assets, and are based on the physical location of the assets.

Group <i>In RM Mil</i>	2012 Restated	2013	Revenue 2014
Asia	94,401	107,850	109,246
Malaysia	69,234	75,615	78,117
Japan	50,855	50,094	52,669
South Africa	31,312	29,705	28,257
Rest of the world	45,424	54,050	60,859
	291,226	317,314	329,148

Group <i>In RM Mil</i>	Non-current assets	
	2013	2014
Malaysia	203,464	214,454
Asia	27,826	21,192
Rest of the world	60,209	69,135
	291,499	304,781

Major customers

As at 31 December 2014, 31 December 2013 and 31 December 2012, there are no major customers that contribute to more than 10 percent of Group revenue.

40. PETROLEUM ARRANGEMENTS

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 primarily by means of production sharing contracts ("PSCs") between PETRONAS subsidiaries and other oil and gas companies. Under the terms of the various PSCs that PETRONAS has entered into, the PSC Contractors bear all the 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.

Certain terms of the PSCs are:

i. 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.

ii. 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, is vested with PETRONAS. However, the values of these assets are not taken up in the financial statements of PETRONAS other than:

- the property, plant and equipment of a subsidiary which is also a contractor to PETRONAS under certain PSCs; and
- the estimated costs of decommissioning and removing the assets and restoring the site on which they are located where there is an obligation to do so.

iii. 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.

40. PETROLEUM ARRANGEMENTS (continued)

The exploitation of petroleum resources is also carried out by means of risk service contracts (“RSCs”). Under the terms of the RSCs, RSC Contractors provide services for the development and production of oil and gas resources on behalf of PETRONAS.

Certain terms of the RSCs are:

i. Cost reimbursement and remuneration fees

RSC Contractors incur all upfront costs and will be reimbursed upon first commercial production. Under the terms of the RSCs, PETRONAS owns the title to all equipment and other assets purchased or acquired by the RSC Contractors for the purpose of petroleum operations. The values of these assets are taken up in the financial statements of PETRONAS upon incurrence, together with the estimated costs of decommissioning the assets where there is an obligation to do so.

Contractors are also entitled to remuneration fees which commensurate with their performance under the contract. All payments of remuneration fees are recognised as expenditures in PETRONAS’ financial statements.

ii. Production

All barrels of crude oil and gas produced belongs to PETRONAS and inventories, if any, are taken up in the financial statements of PETRONAS.

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- i. Loans and receivables (“L&R”)
- ii. Fair value through profit or loss (“FVTPL”)
 - Designated upon initial recognition (“DUIR”)
 - Held for trading (“HFT”)
- iii. Available-for-sale financial assets (“AFS”)
- iv. Loans and borrowings (“L&B”)
- v. Held-to-maturity investments (“HTM”)

41. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Group 2013 <i>In RM Mil</i>	Note	L&R/ (L&B)	FVTPL - DUIR	FVTPL - HFT	AFS	HTM	Total carrying amount
Financial assets							
Long term receivables	*	10,081	-	1	-	-	10,082
Fund and other investments	12	742	8,979	-	6,376	7,689	23,786
Trade and other receivables	*	47,072	-	175	-	-	47,247
Cash and cash equivalents	15	117,118	-	-	-	-	117,118
		<u>175,013</u>	<u>8,979</u>	<u>176</u>	<u>6,376</u>	<u>7,689</u>	<u>198,233</u>
Financial liabilities							
Borrowings	22	(41,846)	-	-	-	-	(41,846)
Other long term liabilities	*	(454)	-	(4)	-	-	(458)
Trade and other payables	*	(59,881)	-	(422)	-	-	(60,303)
Dividend payable		(5,000)	-	-	-	-	(5,000)
		<u>(107,181)</u>	<u>-</u>	<u>(426)</u>	<u>-</u>	<u>-</u>	<u>(107,607)</u>
2014							
Financial assets							
Long term receivables	*	12,377	-	-	-	-	12,377
Fund and other investments	12	719	6,530	-	4,535	7,585	19,369
Trade and other receivables	*	39,635	-	489	-	-	40,124
Cash and cash equivalents	15	116,826	-	-	-	-	116,826
		<u>169,557</u>	<u>6,530</u>	<u>489</u>	<u>4,535</u>	<u>7,585</u>	<u>188,696</u>
Financial liabilities							
Borrowings	22	(36,834)	-	-	-	-	(36,834)
Other long term liabilities	*	(1,527)	-	-	-	-	(1,527)
Trade and other payables	*	(44,818)	-	(708)	-	-	(45,526)
		<u>(83,179)</u>	<u>-</u>	<u>(708)</u>	<u>-</u>	<u>-</u>	<u>(83,887)</u>

* These balances exclude non-financial instruments balances.

Certain fund and other investments have been designated upon initial recognition as at fair value through profit or loss as management internally monitors these investments on fair value basis.

41. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Company 2013 <i>In RM Mil</i>	Note	L&R/ (L&B)	FVTPL - DUIR	FVTPL - HFT	AFS	HTM	Total carrying amount
Financial assets							
Long term receivables	11	85,756	-	-	-	-	85,756
Fund and other investments	12	-	8,524	-	556	9,036	18,116
Trade and other receivables	* @	59,859	-	83	-	-	59,942
Cash and cash equivalents	15	46,874	-	-	-	-	46,874
		<u>192,489</u>	<u>8,524</u>	<u>83</u>	<u>556</u>	<u>9,036</u>	<u>210,688</u>
Financial liabilities							
Borrowings	22	(21,733)	-	-	-	-	(21,733)
Other long term liabilities	*	(526)	-	-	-	-	(526)
Trade and other payables	* @	(26,793)	-	(217)	-	-	(27,010)
Dividend payable		(5,000)	-	-	-	-	(5,000)
		<u>(54,052)</u>	<u>-</u>	<u>(217)</u>	<u>-</u>	<u>-</u>	<u>(54,269)</u>
2014							
Financial assets							
Long term receivables	*	123,741	-	-	-	-	123,741
Fund and other investments	12	-	5,709	-	726	8,590	15,025
Trade and other receivables	*	21,794	-	33	-	-	21,827
Cash and cash equivalents	15	55,443	-	-	-	-	55,443
		<u>200,978</u>	<u>5,709</u>	<u>33</u>	<u>726</u>	<u>8,590</u>	<u>216,036</u>
Financial liabilities							
Borrowings	22	(17,857)	-	-	-	-	(17,857)
Other long term liabilities	*	(1,579)	-	-	-	-	(1,579)
Trade and other payables	*	(21,232)	-	(21)	-	-	(21,253)
		<u>(40,668)</u>	<u>-</u>	<u>(21)</u>	<u>-</u>	<u>-</u>	<u>(40,689)</u>

* These balances exclude non-financial instruments balances.

@ The comparative figures have been reclassified to be consistent with current year presentation.

Certain fund and other investments have been designated upon initial recognition as at fair value through profit or loss as management internally monitors these investments on fair value basis.

41. FINANCIAL INSTRUMENTS (continued)

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 upstream and downstream operations. These risks, which arise in the normal course of the Group's and of the Company's business, comprise credit risk, liquidity risk and market risk relating to interest rates, foreign currency exchange rates, equity prices and commodity prices.

The Group has policies and guidelines in place that sets the foundation for a consistent approach towards establishing an effective financial 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.

Credit risk

Credit risk is the potential exposure of the Group and of the Company to losses in the event of non-performance by counterparties. The Group and the Company's exposures to credit risk arise principally from their receivables from customers, fund and other investments and financial guarantees given to financial institutions for credit facilities granted to subsidiaries, joint ventures and associates. Credit risks are controlled by individual operating units in line with PETRONAS' policies and guidelines.

Receivables

The Group and the Company minimise credit risk by entering into contracts with highly credit rated counterparties. Potential counterparties are subject to credit assessment and approval prior to any transaction being concluded and existing counterparties are subject to regular reviews, including re-appraisal and approval of granted limits. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information. Reports are prepared and presented to the management that cover the Group's overall credit exposure against limits and securities, exposure by segment and overall quality of the portfolio.

Depending on the types of transactions and counterparty creditworthiness, the Group and the Company further mitigate and limit risks related to credit by requiring collateral or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions. The Group's principal customers with which it conducts business are located globally and there is no significant concentration of credit risk at reporting date.

41. FINANCIAL INSTRUMENTS (continued)***Receivables (continued)***

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment amount as at the end of the reporting period is analysed below:

<i>In RM Mil</i>	Group		Company	
	2013	2014	2013	2014
At net				
Current	29,248	24,713	4,221	2,765
Past due 1 to 30 days	974	1,585	329	320
Past due 31 to 60 days	560	315	121	42
Past due 61 to 90 days	416	196	295	8
Past due more than 90 days	539	1,305	85	121
	<u>31,737</u>	<u>28,114</u>	<u>5,051</u>	<u>3,256</u>
Representing:				
Trade receivables (note 17)	35,804	30,299	6,276	3,557
Less: Impairment losses (note 17)	(4,067)	(2,185)	(1,225)	(301)
	<u>31,737</u>	<u>28,114</u>	<u>5,051</u>	<u>3,256</u>

With respect to the Group's and the Company's trade receivables, there are no indications as of the reporting date that the debtors will not meet their payment obligations except for impairment losses recognised below.

The movements in the allowance for impairment losses of trade receivables during the year are as follows:

<i>In RM Mil</i>	Group		Company	
	2013	2014	2013	2014
Opening balance	2,533	4,067	45	1,225
Impairment loss/(reversal) recognised	1,327	(642)	1,180	-
Impairment written off/adjustments	(11)	(1,344)	-	(924)
Translation exchange difference	218	104	-	-
Closing balance	<u>4,067</u>	<u>2,185</u>	<u>1,225</u>	<u>301</u>

41. FINANCIAL INSTRUMENTS (continued)

Fund and other investments

The Group and the Company are also exposed to counterparty credit risk from financial institutions, government and corporate counterparties through fund and other investment activities comprising primarily money market placement and investments in bonds, and equities. These exposures are managed in accordance with existing policies and guidelines that define the parameters within which the investment activities shall be undertaken in order to achieve the Group's investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters.

Investments are only made with approved counterparties who met the appropriate rating and other relevant criteria, and within approved credit limits, as stipulated in the policies and guidelines. The treasury function is governed by a counterparty credit risk management framework.

As at the reporting date, the Group and the Company have invested 94% (2013: 95%) and 99% (2013: 99%) of the investments in domestic securities respectively.

The fund and other investments are unsecured, however, in view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligation.

Financial guarantees

The Group and the Company provide unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries, associates and joint ventures ("Group entities"). The Group and the Company monitor on an ongoing basis, the results of the Group entities and repayments made by the Group entities.

The maximum exposure to credit risk for the Group and the Company amounted to RM455,378,000 (2013: RM736,960,000) and RM2,291,941,000 (2013: RM2,712,000,000) respectively, which represents the outstanding banking facilities of the Group entities as at reporting date. As at reporting date, there was no indication that any Group entities would default on repayment. The fair value of the financial guarantee recognised is disclosed in note 24.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group's business activities may not be available. In managing its liquidity risk, the Group maintains sufficient cash and liquid marketable assets. The Company's current credit rating enables it to access banking facilities in excess of current and immediate future requirements of the Group and of the Company. The Group's borrowing power is 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.

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Group 2013 <i>In RM Mil</i>	Carrying amount	Contractual interest/ profit rates per annum %	Contractual cash flows	Within 1 year
Loans and borrowings				
Secured Term Loans				
USD fixed rate loan	420	5.00	453	197
USD floating rate loan	953	2.09	1,041	134
RM fixed rate loan	506	6.48	543	495
RM floating rate loan	549	4.05	601	59
Other fixed rate loan	56	4.79	71	2
Other floating rate loan	204	7.93	213	201
Unsecured Term Loans				
USD floating rate loan	3,275	1.31	3,550	66
RM floating rate loan	176	4.40	183	81
EURO floating rate loan	2,099	1.32	2,133	83
Other fixed rate loan	318	3.00	323	80
Other floating rate loan	411	3.34	422	46
Unsecured Notes and Bonds				
USD Notes	5,591	7.16	7,864	2,631
USD Guaranteed Notes	9,811	5.25	12,781	518
USD Bonds	3,701	7.69	5,564	285
Unsecured revolving credits				
RM revolving credits	1,224	3.65	1,269	1,269
GBP revolving credits	1,243	1.91	1,266	1,266
Other revolving credits	109	5.10	115	115
Unsecured bank overdrafts				
EURO bank overdrafts	33	0.52	33	33
ZAR bank overdrafts	442	6.00	468	468
Other bank overdrafts	58	15.04	67	67
Secured Islamic financing facilities				
RM Islamic financing facilities	1,766	5.52	2,048	427
Unsecured Islamic financing facilities				
USD Islamic financing facilities	4,931	4.25	5,064	5,064
RM Islamic financing facilities	3,970	4.32	5,008	1,127
Trade and other payables	59,881	-	59,881	59,881
Dividend payable	5,000	-	5,000	5,000
Fair value through profit or loss – held for trading				
Derivative liabilities	426	-	426	422
	<u>107,153</u>		<u>116,387</u>	<u>80,017</u>

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41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Group 2013 <i>In RM Mil</i>	1-2 years	2-5 years	More than 5 years
Loans and borrowings			
Secured Term Loans			
USD fixed rate loan	152	104	-
USD floating rate loan	186	444	277
RM fixed rate loan	13	35	-
RM floating rate loan	367	89	86
Other fixed rate loan	24	32	13
Other floating rate loan	5	2	5
Unsecured Term Loans			
USD floating rate loan	54	3,430	-
RM floating rate loan	102	-	-
EURO floating rate loan	3	2,047	-
Other fixed rate loan	64	176	3
Other floating rate loan	23	13	340
Unsecured Notes and Bonds			
USD Notes	259	777	4,197
USD Guaranteed Notes	518	1,555	10,190
USD Bonds	2,281	376	2,622
Unsecured revolving credits			
RM revolving credits	-	-	-
GBP revolving credits	-	-	-
Other revolving credits	-	-	-
Unsecured bank overdrafts			
EURO bank overdrafts	-	-	-
ZAR bank overdrafts	-	-	-
Other bank overdrafts	-	-	-
Secured Islamic financing facilities			
RM Islamic financing facilities	168	1,351	102
Unsecured Islamic financing facilities			
USD Islamic financing facilities	-	-	-
RM Islamic financing facilities	213	2,060	1,608
Trade and other payables	-	-	-
Dividend payable	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	4	-	-
	4,436	12,491	19,443

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41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Group 2014 <i>In RM Mil</i>	Carrying amount	Contractual interest/ profit rates per annum %	Contractual cash flows	Within 1 year
Loans and borrowings				
Secured Term Loans				
USD fixed rate loan	257	5.00	258	258
USD floating rate loan	738	1.34	833	71
RM fixed rate loan	371	4.44	385	351
RM floating rate loan	181	4.46	212	33
Other fixed rate loan	55	4.81	61	9
Other floating rate loan	6	7.00	6	1
Unsecured Term Loans				
USD floating rate loan	7,610	1.37	8,151	687
GBP floating rate loan	333	2.08	334	-
EURO floating rate loan	1,871	1.34	1,970	54
Other fixed rate loan	69	4.35	70	51
Other floating rate loan	125	8.94	140	87
Unsecured Notes and Bonds				
USD Notes	3,495	7.88	5,529	275
USD Guaranteed Notes	10,431	5.25	13,024	550
USD Bonds	3,931	7.69	5,608	2,423
Secured revolving credits				
CAD revolving credits	151	4.15	157	157
Unsecured revolving credits				
RM revolving credits	744	3.84	836	836
GBP revolving credits	1,235	2.00	1,260	1,260
Other revolving credits	200	3.85	208	208
Unsecured bank overdrafts				
EURO bank overdrafts	10	0.60	10	10
ZAR bank overdrafts	67	6.00	70	70
Other bank overdrafts	67	11.04	75	75
Secured Islamic financing facilities				
RM Islamic financing facilities	1,640	5.47	1,867	240
Unsecured Islamic financing facilities				
RM Islamic financing facilities	3,247	4.14	3,935	688
Other long term liabilities	1,075	-	2,961	269
Trade and other payables	44,818	-	44,818	44,818
Fair value through profit or loss – held for trading				
Derivative liabilities	708	-	708	708
	83,435		93,486	54,189

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41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Group 2014 <i>In RM Mil</i>	1-2 years	2-5 years	More than 5 years
Loans and borrowings			
Secured Term Loans			
USD fixed rate loan	-	-	-
USD floating rate loan	127	382	253
RM fixed rate loan	13	21	-
RM floating rate loan	32	88	59
Other fixed rate loan	10	32	10
Other floating rate loan	5	-	-
Unsecured Term Loans			
USD floating rate loan	882	5,158	1,424
GBP floating rate loan	-	-	334
EURO floating rate loan	27	1,888	1
Other fixed rate loan	16	3	-
Other floating rate loan	20	32	1
Unsecured Notes and Bonds			
USD Notes	275	826	4,153
USD Guaranteed Notes	550	11,924	-
USD Bonds	133	400	2,652
Secured revolving credits			
CAD revolving credits	-	-	-
Unsecured revolving credits			
RM revolving credits	-	-	-
GBP revolving credits	-	-	-
Other revolving credits	-	-	-
Unsecured bank overdrafts			
EURO bank overdrafts	-	-	-
ZAR bank overdrafts	-	-	-
Other bank overdrafts	-	-	-
Secured Islamic financing facilities			
RM Islamic financing facilities	477	1,043	107
Unsecured Islamic financing facilities			
RM Islamic financing facilities	511	815	1,921
Other long term liabilities	269	808	1,615
Trade and other payables	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	-	-	-
	3,347	23,420	12,530

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41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Company 2013 <i>In RM Mil</i>	Carrying amount	Contractual interest/ profit rates per annum %	Contractual cash flows	Within 1 year
Loans and borrowings				
Unsecured Notes and Bonds				
USD Notes	3,290	7.88	5,464	259
USD Guaranteed Notes	9,811	5.25	12,781	518
USD Bonds	3,701	7.69	5,564	285
Unsecured Islamic financing facilities				
USD Islamic financing facilities	4,931	4.25	5,064	5,064
Trade and other payables	26,793	-	26,793	26,793
Dividend payable	5,000	-	5,000	5,000
Fair value through profit or loss – held for trading				
Derivative liabilities	217	-	217	217
	53,743		60,883	38,136
			<i>continue to next page</i>	
2014				
Loans and borrowings				
Unsecured Notes and Bonds				
USD Notes	3,495	7.88	5,529	275
USD Guaranteed Notes	10,431	5.25	13,024	550
USD Bonds	3,931	7.69	5,608	2,423
Other long term liabilities	1,075	-	2,961	269
Trade and other payables	21,232	-	21,232	21,232
Fair value through profit or loss – held for trading				
Derivative liabilities	21	-	21	21
	40,185		48,375	24,770
			<i>continue to next page</i>	

41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Company 2013 <i>In RM Mil</i>	1-2 years	2-5 years	More than 5 years
Loans and borrowings			
Unsecured Notes and Bonds			
USD Notes	259	777	4,169
USD Guaranteed Notes	518	1,555	10,190
USD Bonds	2,281	376	2,622
Unsecured Islamic financing facilities			
USD Islamic financing facilities	-	-	-
Trade and other payables	-	-	-
Dividend payable	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	-	-	-
	3,058	2,708	16,981
	<i>continued from previous page</i>		

2014

Loans and borrowings			
Unsecured Notes and Bonds			
USD Notes	275	826	4,153
USD Guaranteed Notes	550	11,924	-
USD Bonds	133	400	2,652
Other long term liabilities	269	808	1,615
Trade and other payables	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	-	-	-
	1,227	13,958	8,420
	<i>continued from previous page</i>		

Market risk

Market risk is the risk or uncertainty arising from change in market prices and their impact on the performance of the business. The market price changes that the Group and the Company is exposed to, includes interest rates, foreign currency exchange rates, commodity prices, equity prices and other indices that could adversely affect the value of the Group's and the Company's financial assets, liabilities or expected future cash flows.

41. FINANCIAL INSTRUMENTS (continued)***Interest rate risk***

The Group's and the Company's investments in fixed rate debt securities and fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

All interest rate exposures are monitored and managed proactively in line with PETRONAS' policies and guidelines. The Group enters into hedging transactions with respect to interest rate on certain long term borrowings and other debts where necessary and appropriate, in accordance with policies and guidelines.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on carrying amount as at reporting date is as follows:

<i>In RM Mil</i>	Group		Company	
	2013	2014	2013	2014
Fixed rate instruments				
Financial assets	133,620	130,598	117,677	156,873
Financial liabilities	(36,475)	(32,456)	(21,733)	(18,958)
	<u>97,145</u>	<u>98,142</u>	<u>95,944</u>	<u>137,915</u>
Floating rate instruments				
Financial assets	1,753	2,150	31,430	25,983
Financial liabilities	(5,376)	(4,378)	-	-
	<u>(3,623)</u>	<u>(2,228)</u>	<u>31,430</u>	<u>25,983</u>

Since most of the Group's and the Company's financial assets and liabilities are fixed rate instruments measured at amortised cost, a change in interest rate is not expected to have material impact on the Group's and the Company's profit or loss.

Foreign exchange risk

The Group and the Company are exposed to varying levels of foreign exchange risk when they enter into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date. The main underlying economic currencies of the Group's cash flows are Ringgit Malaysia and US Dollars.

The Group and the Company's foreign exchange management policy are to minimise economic and significant transactional exposures arising from currency movements. The Group coordinates the handling of foreign exchange risks centrally typically by matching receipts and payments for the same currency. For major capital projects, the Group performs assessment of potential foreign exchange risk exposure at the investment decision phase to determine the appropriate foreign exchange risk management strategy. Residual net positions are actively managed and monitored against prescribed policies and control procedures. When deemed necessary and appropriate, the Group will enter into derivative financial instruments to hedge and minimise its exposures to the foreign currency movements.

41. FINANCIAL INSTRUMENTS (continued)*Foreign exchange risk (continued)*

The Group's and the Company's significant exposure to foreign currency risk, based on carrying amounts as at the reporting date is as follows:

Group	2013	2014
<i>In RM Mil</i>	<hr/>	<hr/>
Denominated in USD		
Financial assets		
Loan and advances to subsidiaries	53,356	23,330
Cash and cash equivalents	8,692	10,877
Trade and other receivables	12,551	17,535
Long term receivables	299	43
Fund and other investments	243	261
Other financial assets	91	11
	<hr/>	<hr/>
	75,232	52,057
Financial liabilities		
Loan and advances from holding company	(33,892)	(1,457)
Borrowings	(22,012)	(19,603)
Trade and other payables	(10,633)	(8,432)
Other financial liabilities	(21,170)	(24,664)
	<hr/>	<hr/>
	(87,707)	(54,156)
Net exposure	<hr/>	<hr/>
	(12,475)	(2,099)
Denominated in MYR		
Financial assets		
Cash and cash equivalents	5,222	997
Trade and other receivables	1,136	941
	<hr/>	<hr/>
	6,358	1,938
Financial liabilities		
Trade and other payables	(7,536)	(2,943)
Net exposure	<hr/>	<hr/>
	(1,178)	(1,005)

41. FINANCIAL INSTRUMENTS (continued)*Foreign exchange risk (continued)***Group***In RM Mil*

	2013	2014
Denominated in AUD		
Financial assets		
Cash and cash equivalents	437	336
Trade and other receivables	10	11
Fund and other investments	133	75
	<u>580</u>	<u>422</u>
Financial liabilities		
Trade and other payables	(297)	(304)
Other financial liabilities	(188)	(110)
	<u>(485)</u>	<u>(414)</u>
Net exposure	<u>95</u>	<u>8</u>

Company**Denominated in USD****Financial assets**

Loan and advances to subsidiaries	48,941	84,698
Cash and cash equivalents	8,106	10,200
Trade and other receivables	32,930	6,311
Fund and other investments	187	201
	<u>90,164</u>	<u>101,410</u>

Financial liabilities

Cash and cash equivalents- Subsidiaries' cash with PETRONAS Integrated Financial Shared Service Centre	(20,700)	(23,028)
Borrowings	(21,733)	(17,857)
Trade and other payables	(5,784)	(5,271)
Other financial liabilities	(454)	(1,527)
	<u>(48,671)</u>	<u>(47,683)</u>

Net exposure41,493 53,727

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2014 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2014 and been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss and equity to the next annual reporting date. Reasonably possible changes in market variables used in the sensitivity analysis are based on implied volatilities, where available, or historical data for equity and commodity prices and foreign exchange rates. Reasonably possible changes in interest rates are based on management judgment and historical experience.

41. FINANCIAL INSTRUMENTS (continued)***Foreign exchange risk (continued)***

The sensitivity analysis is hypothetical and should not be considered to be predictive of future performance because the Group's actual exposure to market prices is constantly changing with changes in the Group's portfolio of among others, commodity, debt and foreign currency contracts. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a given market variable is calculated independently of any change in another assumption and mitigating actions that would be taken by the Group. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following currency exchange rates:

2013 <i>In RM Mil</i>	Appreciation in foreign currency rate %	Group		Company	
		Reserve	Profit or loss	Reserve	Profit or loss
USD	5	1,856	(2,881)	-	2,075
MYR	5	-	(59)	-	-
AUD	5	-	14	-	-
2014					
USD	5	3,273	(3,580)	-	2,686
MYR	5	-	(56)	-	-

A depreciation in foreign currency rate above would have had equal but opposite effect, on the basis that all other variables remain constant.

Equity price risk

Equity price risk arises from the Group's and the Company's investments in equity securities. The Group and the Company have Investment Guidelines in place to minimise their exposures on price risk. Permitted investment in terms of allowable financial instruments, minimum credit rating and markets are stipulated in the Investment Guidelines. The Group and the Company monitors the equity investments on a portfolio basis and a performance benchmark is established for each investment portfolio giving consideration to portfolio objectives and return expectation. All buy and sell decisions are monitored by the Group Treasury Division.

The Group and the Company also hold equity investment for strategic purposes, that are classified as available-for-sale financial assets. Reports on the equity portfolio performance are submitted to the Group's and the Company's senior management on a regular basis.

41. FINANCIAL INSTRUMENTS (continued)***Equity price risk (continued)***

The Group's and the Company's exposure to equity price risk based on carrying amounts as at the reporting date is as follows:

<i>In RM Mil</i>	2013	Group 2014	2013	Company 2014
Local equities	909	867	247	300
Foreign equities	5,075	3,262	-	-
	<u>5,984</u>	<u>4,129</u>	<u>247</u>	<u>300</u>

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following equities:

2013 <i>In RM Mil</i>	Increase in price based on average change in index rate %	Group Reserve	Profit or loss	Company Reserve	Profit or loss
Local equities	15	88	48	37	-
Foreign equities	15 to 20	766	-	-	-
2014					
Local equities	15	56	74	45	-
Foreign equities	15 to 20	489	-	-	-

A decrease in price based on average change in index rate above would have had equal but opposite effect, on the basis that all other variables remain constant.

Commodity price risk

The Group is exposed to changes in crude oil and petroleum products prices which may affect the value of the Group's assets, liabilities or expected future cash flows. To mitigate these exposures from a business perspective, the Group enters into various financial instruments. In effecting these transactions, the Group operates within policies and procedures designed to ensure that risks are minimised. All financial instruments positions are marked-to-market by independent risk management department and reported to management for performance monitoring and risk management purposes on a daily basis.

Since the Group undertakes hedging using commodity derivatives for the majority of its transactions, a change in commodity price is not likely to result in a significant impact on the Group's and the Company's profit or loss and equity.

41. FINANCIAL INSTRUMENTS (continued)**Fair value information**

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group 2013 <i>In RM Mil</i>	Fair value of financial instruments carried at fair value		
	Level 1	Level 2	Total
Financial Assets			
Quoted shares	5,984	-	5,984
Short term marketable securities	-	233	233
Quoted securities	25	1,061	1,086
Malaysian Government Securities	-	3,232	3,232
Corporate Private Debt Securities	-	4,363	4,363
Forward foreign exchange contracts	-	115	115
Forward gas contracts	60	-	60
Forward oil price contracts	1	-	1
	6,070	9,004	15,074
Financial Liabilities			
Interest rate swaps	-	(5)	(5)
Forward foreign exchange contracts	-	(380)	(380)
Commodity swaps	-	(25)	(25)
Forward gas contracts	(13)	-	(13)
Forward oil price contracts	(3)	-	(3)
	(16)	(410)	(426)

41. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Group 2013 <i>In RM Mil</i>	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Unquoted securities	-	742	742	742
Corporate Private Debt Securities	4,987	-	4,987	5,031
Unquoted shares	-	457	457	457
Malaysian Government Securities	2,599	-	2,599	2,658
Long term receivables	-	2,952	2,952	3,536
Finance lease receivables	-	6,545	6,545	6,545
	<u>7,586</u>	<u>10,696</u>	<u>18,282</u>	<u>18,969</u>
Financial liabilities				
Notes and Bonds	(21,692)	-	(21,692)	(19,103)
Term loans	-	(8,979)	(8,979)	(8,967)
Islamic financing facilities	(5,036)	(5,873)	(10,909)	(10,667)
Other long term liabilities	-	(273)	(273)	(454)
	<u>(26,728)</u>	<u>(15,125)</u>	<u>(41,853)</u>	<u>(39,191)</u>

Group 2014 <i>In RM Mil</i>	Fair value of financial instruments carried at fair value		
	Level 1	Level 2	Total
Financial Assets			
Quoted shares	4,105	24	4,129
Short term marketable securities	-	400	400
Quoted securities	27	597	624
Malaysian Government Securities	-	1,194	1,194
Corporate Private Debt Securities	-	4,246	4,246
Commodity swaps	-	197	197
Forward foreign exchange contracts	-	8	8
Forward gas contracts	221	-	221
Forward oil price contracts	63	-	63
	<u>4,416</u>	<u>6,666</u>	<u>11,082</u>
Financial Liabilities			
Forward foreign exchange contracts	-	(368)	(368)
Commodity swaps	-	(4)	(4)
Forward gas contracts	(129)	-	(129)
Forward oil price contracts	(207)	-	(207)
	<u>(336)</u>	<u>(372)</u>	<u>(708)</u>

41. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Group 2014 <i>In RM Mil</i>	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Unquoted securities	-	719	719	719
Corporate Private Debt Securities	7,573	-	7,573	5,502
Unquoted shares	-	472	472	472
Malaysian Government Securities	2,031	-	2,031	2,083
Long term receivables	-	2,458	2,458	2,698
Finance lease receivables	-	9,679	9,679	9,679
	<u>9,604</u>	<u>13,328</u>	<u>22,932</u>	<u>21,153</u>
Financial liabilities				
Notes and Bonds	(20,766)	-	(20,766)	(17,857)
Term loans	-	(11,846)	(11,846)	(11,616)
Islamic financing facilities	-	(4,778)	(4,778)	(4,887)
Other long term liabilities	-	(1,199)	(1,199)	(1,527)
	<u>(20,766)</u>	<u>(17,823)</u>	<u>(38,589)</u>	<u>(35,887)</u>
Company 2013 <i>In RM Mil</i>	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Total	
Financial assets				
Quoted shares	247	-	247	
Short term marketable securities	-	233	233	
Quoted securities	-	187	187	
Malaysian Government Securities	-	3,225	3,225	
Corporate Private Debt Securities	-	5,112	5,112	
Forward foreign exchange contracts	-	83	83	
	<u>247</u>	<u>8,840</u>	<u>9,087</u>	
Financial liabilities				
Forward foreign exchange contracts	-	(217)	(217)	

41. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Company 2013 <i>In RM Mil</i>	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Unquoted shares	-	76	76	76
Malaysian Government Securities	2,579	-	2,579	2,638
Corporate Private Debt Securities	6,353	-	6,353	6,398
Long term receivables	-	86,732	86,732	85,756
	8,932	86,808	95,740	94,868
Financial liabilities				
Notes and Bonds	(19,439)	-	(19,439)	(16,802)
Islamic financing facilities	(5,036)	-	(5,036)	(4,931)
Other long term liabilities	-	(273)	(273)	(526)
	(24,475)	(273)	(24,748)	(22,259)
Company 2014 <i>In RM Mil</i>	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Total	
Financial assets				
Quoted shares	300	-	300	
Short term marketable securities	-	350	350	
Quoted securities	-	201	201	
Malaysian Government Securities	-	1,194	1,194	
Corporate Private Debt Securities	-	4,314	4,314	
Forward foreign exchange contracts	-	33	33	
	300	6,092	6,392	
Financial liabilities				
Forward foreign exchange contracts	-	(21)	(21)	

41. FINANCIAL INSTRUMENTS (continued)**Fair value information (continued)**

Company 2014 <i>In RM Mil</i>	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Unquoted shares	-	76	76	76
Malaysian Government Securities	2,011	-	2,011	2,063
Corporate Private Debt Securities	6,495	-	6,495	6,527
Long term receivables	-	127,996	127,996	123,741
	<u>8,506</u>	<u>128,072</u>	<u>136,578</u>	<u>132,407</u>
Financial liabilities				
Notes and Bonds	(20,766)	-	(20,766)	(17,857)
Other long term liabilities	-	(1,199)	(1,199)	(1,579)
	<u>(20,766)</u>	<u>(1,199)</u>	<u>(21,965)</u>	<u>(19,436)</u>

Derivatives

The calculation of fair value for derivative financial instruments depends on the type of instruments. The fair value of 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 the fair value difference between forward exchange rates and the contracted rate. The fair value of commodity swap and commodity forward contracts is based on the fair value difference between market price at the date of measurement and the contracted price.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

41. FINANCIAL INSTRUMENTS (continued)

Income/(expense), net gains and losses arising from financial instruments

Group 2012 (restated) <i>In RM Mil</i>	Interest income	Interest expense	Impairment loss	Others	Total
Financial instruments at fair value through profit or loss					
- Held for trading	-	-	-	(28)	(28)
- Designated upon initial recognition	692	-	-	35	727
Held-to-maturity	136	-	-	5	141
Available-for-sale					
- recognised in profit or loss	-	-	-	1,721	1,721
- recognised in equity	-	-	-	570	570
Loans and receivables					
- recognised in profit or loss	3,623	-	(620)	(460)	2,543
- recognised in equity	-	-	-	(1,528)	(1,528)
Financial liabilities at amortised cost	-	(2,131)	-	521	(1,610)
Total	4,451	(2,131)	(620)	836	2,536
2013					
Financial instruments at fair value through profit or loss					
- Held for trading	-	-	-	(3)	(3)
- Designated upon initial recognition	283	-	-	(64)	219
Held-to-maturity	416	-	-	-	416
Available-for-sale					
- recognised in profit or loss	-	-	-	475	475
- recognised in equity	-	-	-	(1,103)	(1,103)
Loans and receivables					
- recognised in profit or loss	3,679	-	(1,411)	1,075	3,343
- recognised in equity	-	-	-	3,828	3,828
Financial liabilities at amortised cost	-	(2,152)	-	(1,490)	(3,642)
Total	4,378	(2,152)	(1,411)	2,718	3,533

41. FINANCIAL INSTRUMENTS (continued)

Income/(expense), net gains and losses arising from financial instruments (continued)

Group 2014 <i>In RM Mil</i>	Interest income	Interest expense	Impairment loss	Others	Total
Financial instruments at fair value through profit or loss					
- Held for trading	-	-	-	2	2
- Designated upon initial recognition	356	-	-	(7)	349
Held-to-maturity	409	-	-	-	409
Available-for-sale					
- recognised in profit or loss	-	-	(575)	563	(12)
- recognised in equity	-	-	575	(2,130)	(1,555)
Loans and receivables					
- recognised in profit or loss	4,062	-	242	(519)	3,785
- recognised in equity	-	-	-	4,549	4,549
Financial liabilities at amortised cost	-	(2,138)	-	(1,333)	(3,471)
Total	4,827	(2,138)	242	1,125	4,056

Company
2012

Financial instruments at fair value through profit or loss					
- Held for trading	-	-	-	(95)	(95)
- Designated upon initial recognition	655	-	-	(14)	641
Held-to-maturity	122	-	-	-	122
Available-for-sale					
- recognised in profit or loss	-	-	-	197	197
- recognised in equity	-	-	-	(117)	(117)
Loans and receivables	5,073	-	(13)	(2,241)	2,819
Financial liabilities at amortised cost	-	(994)	-	872	(122)
Total	5,850	(994)	(13)	(1,398)	3,445

41. FINANCIAL INSTRUMENTS (continued)**Income/(expense), net gains and losses arising from financial instruments (continued)**

Company					
2013	Interest	Interest	Impairment		
<i>In RM Mil</i>	income	expense	loss	Others	Total
Financial instruments at fair value through profit or loss					
- Held for trading	-	-	-	59	59
- Designated upon initial recognition	227	-	-	20	247
Held-to-maturity	405	-	-	-	405
Available-for-sale					
- recognised in profit or loss	-	-	-	21	21
- recognised in equity	-	-	-	98	98
Loans and receivables	5,597	-	(1,180)	4,374	8,791
Financial liabilities at amortised cost	-	(1,142)	-	(1,619)	(2,761)
Total	6,229	(1,142)	(1,180)	2,953	6,860
2014					
Financial instruments at fair value through profit or loss					
- Designated upon initial recognition	279	-	-	11	290
Held-to-maturity	367	-	-	-	367
Available-for-sale					
- recognised in profit or loss	-	-	-	27	27
- recognised in equity	-	-	-	53	53
Loans and receivables	6,562	-	-	4,419	10,981
Financial liabilities at amortised cost	-	(1,418)	-	(965)	(2,383)
Total	7,208	(1,418)	-	3,545	9,335

Others relate to gains and losses arising from financial instruments other than interest income, interest expense and impairment loss such as realised and unrealised foreign exchange gains or losses, dividend income and fair value gains or losses.

42. CAPITAL MANAGEMENT

The Group, as an essential part of its capital management strategy, is committed to a policy of financial prudence as outlined in the PETRONAS Group Corporate Financial Policy. The Group's capital structure consists of consolidated equity plus debt, defined as the current and long term portions of the Group's debt.

The objective of the Group's capital management is to maintain an optimal capital structure and ensure availability of funds in order to meet financial obligations, support business growth and maximise shareholders' value. The Group monitors and maintains a prudent level of total debt to total assets ratio so as to enable compliance with all covenants.

There were no changes in the Group's approach to capital management during the year.

43. ADOPTION OF PRONOUNCEMENTS

2014

As of 1 January 2014, the Group and the Company adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 136 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to MFRS 139 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
IC Interpretation 21 *Levies*

The initial adoption of the abovementioned pronouncements do not have any material impact to the financial statements of the Group and the Company.

2013

On 1 January 2013, the Group adopted the following pronouncements that have been issued by the MASB and that are applicable to the Group:

Effective for annual periods beginning on or after 1 January 2013

MFRS 10 *Consolidated Financial Statements*
MFRS 11 *Joint Arrangements*
MFRS 12 *Disclosure of Interests in Other Entities*
MFRS 13 *Fair Value Measurement*
MFRS 119 *Employee Benefits (revised)*
MFRS 127 *Separate Financial Statements*
MFRS 128 *Investments in Associates and Joint Ventures*
Amendments to MFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 10 *Consolidated Financial Statements: Transition Guidance*
Amendments to MFRS 11 *Joint Arrangements: Transition Guidance*
Amendments to MFRS 12 *Disclosure of Interests in Other Entities: Transition Guidance*
Amendment to MFRS 101 *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
Amendment to MFRS 116 *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
Amendment to MFRS 132 *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
Amendment to MFRS 134 *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*

The principal changes in accounting policies and their effects are set out below:

i. MFRS 10 *Consolidated Financial Statements*

MFRS 10 introduces a new single control model to determine which investees should be consolidated. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. MFRS 10 replaces the guidance on control and consolidation in MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation – Special Purpose Entities*.

43. ADOPTION OF PRONOUNCEMENTS (continued)

2013 (continued)

i. MFRS 10 *Consolidated Financial Statements (continued)*

Upon adoption of MFRS 10, the Group has consolidated certain existing investees under the new control model while certain subsidiaries have been deconsolidated from the results of the Group and accounted for in accordance with other applicable accounting standards.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The impact of adoption of MFRS 10 is disclosed below.

ii. MFRS 11 *Joint Arrangements*

MFRS 11 establishes the principles for classification and accounting for joint arrangements and supersedes MFRS 131 *Interests in Joint Ventures*. Under MFRS 11, a joint arrangement may be classified as joint venture or joint operation. Joint venture arise when the joint venturer has rights to the net assets of the arrangements, while joint operation arise when a joint operator has rights to the assets and liabilities relating to the arrangement. Interest in joint venture is accounted for using the equity method whilst interest in joint operation is accounted for using the applicable standards relating to the underlying assets, liabilities, income and expense items arising from the joint operations.

Upon adoption of MFRS 11, certain of the Group's previously equity-accounted jointly controlled entities are now classified as joint operations or joint ventures. Hence, the Group now accounts directly its share of the assets, liabilities, revenue and expenses relating to these joint operations, using applicable MFRSs or equity method.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The impact of adoption of MFRS 11 is disclosed below.

iii. MFRS 12 *Disclosure of Interests in Other Entities*

MFRS 12 establishes improvement to the disclosure of a reporting entity's interest in other entities. Upon adoption of MFRS 12, the Group discloses information about the nature and risks of interests in subsidiaries, associates, joint arrangements and structured entities and the effects of those interests on financial position, performance and cash flows.

Since the change only affects disclosure aspects, there is no impact on the Group's and the Company's reported income or net assets.

iv. MFRS 13 *Fair Value Measurement*

MFRS 13 replaces and expands the disclosure requirements about fair value measurements in other MFRSs, including MFRS 7 *Financial Instruments: Disclosures*. MFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other MFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Upon adoption of MFRS 13, the Group and the Company had included additional disclosures about fair value measurement.

43. ADOPTION OF PRONOUNCEMENTS (continued)

2013 (continued)

iv. MFRS 13 *Fair Value Measurement (continued)*

In accordance with the transitional provisions of MFRS 13, the Group and the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

v. Amendment to MFRS 116 *Property, Plant and Equipment (Annual Improvements 2009–2011)*

Arising from the adoption of Amendment to MFRS 116, certain spare parts and servicing equipment which meet the definition of property, plant and equipment are reclassified to property, plant and equipment and accordingly measured as per the Group's and the Company's accounting policy on property, plant and equipment.

Prior to 1 January 2013, stores, spares and others which are not major spare parts or stand-by equipment are classified as inventories. These items were measured at the lower of cost and net realisable value and charged to profit or loss upon consumption. Major spare parts and stand-by equipment have been classified as property, plant and equipment and are measured as per the Group's and the Company's accounting policy on property, plant and equipment.

The adoption of the amendment does not have significant impact on the Group's reported income or net assets.

vi. Early adoption of amendments to MFRS 132 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRS 132 clarify on the requirement for offsetting financial assets and liabilities. The application guidance clarifies that the phrase 'currently has a legal enforceable right of set-off' means that right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties.

Upon adoption of amendments to MFRS 132, the Group has reclassified retrospectively its financial assets and liabilities according to the new requirements.

The adoption of the amendments to MFRS 132 does not have impact on the Group's reported net assets other than as disclosed below.

The following tables summarise the impacts of the adoption of new and revised pronouncements, as stated above on the Group's and the Company's financial position, performance and cash flows.

43. ADOPTION OF PRONOUNCEMENTS (continued)

2013 (continued)

a) Reconciliation of statements of financial position as at 1 January 2012

Group <i>In RM Mil</i>	As previously reported	Effect of the adoption of pronouncements	As restated
ASSETS			
Property, plant and equipment	205,555	(899)	204,656
Investment properties	11,024	-	11,024
Land held for development	1,601	-	1,601
Prepaid lease payments	625	-	625
Investments in associates	5,381	(954)	4,427
Investments in joint ventures	6,942	455	7,397
Intangible assets	20,614	71	20,685
Long term receivables	4,084	-	4,084
Fund and other investments	3,495	-	3,495
Deferred tax assets	3,887	-	3,887
Cash and cash equivalents	89	-	89
TOTAL NON-CURRENT ASSETS	263,297	(1,327)	261,970
Trade and other inventories	12,366	-	12,366
Trade and other receivables	38,111	107	38,218
Assets classified as held for sale	631	-	631
Fund and other investments	35,383	995	36,378
Cash and cash equivalents	125,358	1,441	126,799
TOTAL CURRENT ASSETS	211,849	2,543	214,392
TOTAL ASSETS	475,146	1,216	476,362
EQUITY			
Share capital	100	-	100
Reserves	286,797	2,730	289,527
Total equity attributable to shareholders of the Company	286,897	2,730	289,627
Non-controlling interests	32,079	(338)	31,741
TOTAL EQUITY	318,976	2,392	321,368
LIABILITIES			
Borrowings	39,674	(744)	38,930
Deferred tax liabilities	13,267	141	13,408
Other long term liabilities and provisions	23,977	(39)	23,938
TOTAL NON-CURRENT LIABILITIES	76,918	(642)	76,276
Trade and other payables	50,408	(336)	50,072
Borrowings	12,849	(198)	12,651
Taxation	15,995	-	15,995
TOTAL CURRENT LIABILITIES	79,252	(534)	78,718
TOTAL LIABILITIES	156,170	(1,176)	154,994
TOTAL EQUITY AND LIABILITIES	475,146	1,216	476,362

43. ADOPTION OF PRONOUNCEMENTS (continued)

2013 (continued)

a) Reconciliation of statements of financial position as at 1 January 2012 (continued)

Company <i>In RM Mil</i>	As previously reported	Effect of the adoption of pronouncements	As restated
ASSETS			
Property, plant and equipment	3,225	-	3,225
Investments in subsidiaries	46,479	-	46,479
Investments in associates	302	-	302
Investments in joint ventures	1,385	-	1,385
Long term receivables	69,716	-	69,716
Fund and other investments	2,570	-	2,570
Deferred tax assets	2,558	-	2,558
TOTAL NON-CURRENT ASSETS	126,235	-	126,235
Trade and other inventories	24	-	24
Trade and other receivables	15,096	35,594	50,690
Assets classified as held for sale	-	-	-
Fund and other investments	28,356	-	28,356
Cash and cash equivalents	75,608	-	75,608
TOTAL CURRENT ASSETS	119,084	35,594	154,678
TOTAL ASSETS	245,319	35,594	280,913
EQUITY			
Share capital	100	-	100
Reserves	173,126	-	173,126
TOTAL EQUITY	173,226	-	173,226
LIABILITIES			
Borrowings	21,612	-	21,612
Other long term liabilities and provisions	18,743	-	18,743
TOTAL NON-CURRENT LIABILITIES	40,355	-	40,355
Trade and other payables	14,284	35,594	49,878
Borrowings	6,357	-	6,357
Taxation	11,097	-	11,097
Dividend payable	-	-	-
TOTAL CURRENT LIABILITIES	31,738	35,594	67,332
TOTAL LIABILITIES	72,093	35,594	107,687
TOTAL EQUITY AND LIABILITIES	245,319	35,594	280,913

43. ADOPTION OF PRONOUNCEMENTS (continued)

2013 (continued)

b) Reconciliation of statements of financial position as at 31 December 2012

Group <i>In RM Mil</i>	As previously reported	Effect of the adoption of pronouncements	As restated
ASSETS			
Property, plant and equipment	226,059	(1,541)	224,518
Investment properties	10,753	-	10,753
Land held for development	1,579	-	1,579
Prepaid lease payments	960	-	960
Investments in associates	4,445	(971)	3,474
Investments in joint ventures	7,225	559	7,784
Intangible assets	33,256	84	33,340
Long term receivables	3,539	79	3,618
Fund and other investments	8,053	156	8,209
Deferred tax assets	6,445	-	6,445
Cash and cash equivalents	164	-	164
TOTAL NON-CURRENT ASSETS	302,478	(1,634)	300,844
Trade and other inventories	14,187	-	14,187
Trade and other receivables	42,279	295	42,574
Assets classified as held for sale	755	-	755
Fund and other investments	20,874	1,445	22,319
Cash and cash equivalents	107,735	739	108,474
TOTAL CURRENT ASSETS	185,830	2,479	188,309
TOTAL ASSETS	488,308	845	489,153
EQUITY			
Share capital	100	-	100
Reserves	303,689	3,182	306,871
Total equity attributable to shareholders of the Company	303,789	3,182	306,971
Non-controlling interests	32,423	(422)	32,001
TOTAL EQUITY	336,212	2,760	338,972
LIABILITIES			
Borrowings	32,051	(1,278)	30,773
Deferred tax liabilities	14,195	136	14,331
Other long term liabilities and provisions	26,574	(116)	26,458
TOTAL NON-CURRENT LIABILITIES	72,820	(1,258)	71,562
Trade and other payables	58,820	(455)	58,365
Borrowings	10,166	(202)	9,964
Taxation	9,751	-	9,751
Dividend payable	539	-	539
TOTAL CURRENT LIABILITIES	79,276	(657)	78,619
TOTAL LIABILITIES	152,096	(1,915)	150,181
TOTAL EQUITY AND LIABILITIES	488,308	845	489,153

43. ADOPTION OF PRONOUNCEMENTS (continued)

2013 (continued)

b) Reconciliation of statements of financial position as at 31 December 2012 (continued)

Company <i>In RM Mil</i>	As previously reported	Effect of the adoption of pronouncements	As restated
ASSETS			
Property, plant and equipment	11,441	-	11,441
Investments in subsidiaries	47,008	-	47,008
Investments in associates	302	-	302
Investments in joint ventures	1,385	-	1,385
Long term receivables	75,411	-	75,411
Fund and other investments	8,348	-	8,348
Deferred tax assets	4,932	-	4,932
TOTAL NON-CURRENT ASSETS	148,827	-	148,827
Trade and other inventories	45	-	45
Trade and other receivables	39,731	38,792	78,523
Assets classified as held for sale	47	-	47
Fund and other investments	15,934	-	15,934
Cash and cash equivalents	52,015	-	52,015
TOTAL CURRENT ASSETS	107,772	38,792	146,564
TOTAL ASSETS	256,599	38,792	295,391
EQUITY			
Share capital	100	-	100
Reserves	191,316	-	191,316
TOTAL EQUITY	191,416	-	191,416
LIABILITIES			
Borrowings	20,151	-	20,151
Other long term liabilities and provisions	21,327	-	21,327
TOTAL NON-CURRENT LIABILITIES	41,478	-	41,478
Trade and other payables	16,252	38,792	55,044
Borrowings	566	-	566
Taxation	6,348	-	6,348
Dividend payable	539	-	539
TOTAL CURRENT LIABILITIES	23,705	38,792	62,497
TOTAL LIABILITIES	65,183	38,792	103,975
TOTAL EQUITY AND LIABILITIES	256,599	38,792	295,391

43. ADOPTION OF PRONOUNCEMENTS (continued)

2013 (continued)

c) Reconciliation of statement of profit or loss and other comprehensive income for the year ended 31 December 2012

Group <i>In RM Mil</i>	As previously reported	Effect of the adoption of pronouncements	As restated
Revenue	290,976	250	291,226
Cost of revenue	(183,461)	114	(183,347)
Gross profit	107,515	364	107,879
Selling and distribution expenses	(4,455)	-	(4,455)
Administration expenses	(19,428)	291	(19,137)
Other expenses	(2,575)	22	(2,553)
Other income	9,439	(104)	9,335
Operating profit	90,496	573	91,069
Financing costs	(2,935)	31	(2,904)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	1,518	58	1,576
Profit before taxation	89,079	662	89,741
Tax expense	(30,017)	(200)	(30,217)
Profit for the year	59,062	462	59,524
Other comprehensive (expenses)/ income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movements from exchange differences	(5,489)	(36)	(5,525)
Available-for-sale financial assets			
- Changes in fair value	1,896	-	1,896
- Transfer to profit or loss upon disposal	(1,326)	-	(1,326)
Others	162	(12)	150
	(4,757)	(48)	(4,805)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	54,305	414	54,719
Profit attributable to:			
Shareholders of the Company	49,388	534	49,922
Non-controlling interests	9,674	(72)	9,602
PROFIT FOR THE YEAR	59,062	462	59,524
Total comprehensive income attributable to:			
Shareholders of the Company	45,125	482	45,607
Non-controlling interests	9,180	(68)	9,112
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	54,305	414	54,719

43. ADOPTION OF PRONOUNCEMENTS (continued)

2013 (continued)

d) Reconciliation of statement of cash flows for the year ended 31 December 2012

Group <i>In RM Mil</i>	As previously reported	Effect of the adoption of pronouncements	As restated
Cash receipts from customers	282,683	(115)	282,568
Cash paid to suppliers and employees	(165,230)	174	(165,056)
	117,453	59	117,512
Interest income from fund and other investments	3,888	78	3,966
Interest expenses paid	(2,273)	28	(2,245)
Taxation paid	(41,000)	(164)	(41,164)
Cash flows from operating activities	78,068	1	78,069
Acquisition of subsidiaries, net of cash acquired	(17,751)	-	(17,751)
Investment in securities	(13,305)	(1,067)	(14,372)
Proceeds from disposal of:			
- investment in subsidiaries, net of cash disposed	145	-	145
- property, plant and equipment, prepaid lease payments and intangible assets	963	-	963
- securities and other investment	24,999	495	25,494
Purchase of property, plant and equipment, prepaid lease payments and intangible assets	(45,623)	632	(44,991)
Others	144	(166)	(22)
Cash flows from investing activities	(50,428)	(106)	(50,534)
Repayment of borrowings	(14,276)	193	(14,083)
Drawdown of borrowings	4,945	(755)	4,190
Dividends paid	(27,461)	-	(27,461)
Dividends paid to non-controlling interests	(6,545)	20	(6,525)
Others	10	(56)	(46)
Cash flows from financing activities	(43,327)	(598)	(43,925)
Net increase in cash and cash equivalents	(15,687)	(703)	(16,390)
Decrease in deposits restricted	79	-	79
Net foreign exchange differences	(787)	1	(786)
Cash and cash equivalents at beginning of the year	124,283	1,441	125,724
Cash and cash equivalents at end of the year	107,888	739	108,627
Cash and cash equivalents			
Cash and bank balances and deposits	107,899	739	108,638
Negotiable certificate of deposits	1,793	-	1,793
Bank overdrafts	(1,113)	-	(1,113)
Less: Deposits restricted	(691)	-	(691)
	107,888	739	108,627

43. ADOPTION OF PRONOUNCEMENTS (continued)**2012**

The financial statements for 31 December 2012 represent the Group and the Company's first application of MFRS and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied.

The general principle that should be applied on first-time adoption of MFRS is that accounting standards in force at the first annual reporting date should be applied retrospectively. However, MFRS 1 contains a number of exemptions which first-time adopters are permitted to apply. The Group and the Company have elected:

- i. to adopt MFRS 3 *Business Combinations* retrospectively from 1 October 2009;
- ii. to measure certain items of property, plant and equipment at their fair values at 1 April 2011 and use that fair values as their deemed costs at that date;
- iii. to deem cumulative currency translation differences to be zero at 1 April 2011; and
- iv. to adopt MFRS 121 *The Effects of Changes in Foreign Exchange Rates* to goodwill and fair value adjustments arising in business combinations prospectively from 1 April 2011.

The impact of the above election of MFRS 1 transitional exemptions are set out below:

i. Retrospective application of MFRS 3 *Business Combinations*

MFRS 1 provides the option to apply MFRS 3 prospectively from the date of transition or retrospectively from a designated date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition. Where MFRS 3 is applied retrospectively from a designated date, MFRS 127 *Consolidated and Separate Financial Statements* shall be applied from the same date.

The Group has elected to apply MFRS 3 retrospectively from 1 October 2009. As such, all business combinations on or after 1 October 2009 are accounted for in compliance with MFRS 3 and MFRS 127 which include among others, the following requirements applicable to the Group:

- increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity and therefore previously-recognised goodwill, if any, shall be taken to retained profits.
- when a business combination is achieved in stages (i.e. step acquisition), the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss; and

The impact from electing the above transitional exemption is summarised as follows:

<i>Consolidated statement of profit or loss and other comprehensive income</i> <i>In RM Mil</i>	1.4.2011	to	31.12.2011
Decrease in amortisation of intangible assets			127
Increase in deferred tax expense			(32)
			<hr/>
<i>Consolidated statement of financial position</i> <i>In RM Mil</i>	1.4.2011	31.12.2011	
Decrease in intangible assets	(2,117)	(1,990)	
Decrease in deferred tax liabilities	(373)	(341)	
Decrease in non-controlling interests	(622)	(589)	
Decrease in retained profits	(1,122)	(1,060)	
	<hr/>	<hr/>	

43. ADOPTION OF PRONOUNCEMENTS (continued)**2012 (continued)****ii. Fair value of property, plant and equipment as deemed cost**

The Group has elected to measure certain items of property, plant and equipment at 1 April 2011 at their fair value and use that fair value as deemed cost at that date. These property, plant and equipment will continue to be measured using the cost model subsequent to 1 April 2011. The Group recognises the fair value adjustments directly in retained profits.

The aggregate fair value of these property, plant and equipment was determined to be RM1,068,000,000 compared to their carrying amount of RM1,694,000,000 at 1 April 2011. The detailed impact is summarised as follows:

<i>Consolidated statement of profit or loss and other comprehensive income</i> <i>In RM Mil</i>	1.4.2011 to 31.12.2011
Decrease in depreciation of property, plant and equipment	<u>73</u>

<i>Consolidated statement of financial position</i> <i>In RM Mil</i>	1.4.2011	31.12.2011
Decrease in property, plant and equipment	(626)	(562)
Decrease in deferred tax liabilities	(20)	(20)
Decrease in non-controlling interests	(217)	(194)
Decrease in retained profits	<u>(389)</u>	<u>(348)</u>

iii. Cumulative currency translation differences deemed as zero

The Group has elected to apply the transition exemption to deem the amount of “foreign currency translation reserve” to be zero at 1 April 2011, other than reserve amount recorded by entities within the Group which had already adopted the International Financial Reporting Standards prior to 1 January 2012.

The gain or loss on subsequent disposal of any foreign operations of the Group shall exclude translation differences that arose before 1 April 2011 and shall include translation differences subsequent to 1 April 2011.

The impact from electing the above transitional exemption is summarised as follows:

<i>Consolidated statement of profit or loss and other comprehensive income</i> <i>In RM Mil</i>	1.4.2011 to 31.12.2011
Increase in other income	170
Decrease in net movement from exchange differences	<u>(170)</u>

<i>Consolidated statement of financial position</i> <i>In RM Mil</i>	1.4.2011	31.12.2011
Increase in foreign currency translation reserve	13,403	13,233
Decrease in retained profits	<u>(13,403)</u>	<u>(13,233)</u>

43. ADOPTION OF PRONOUNCEMENTS (continued)**2012 (continued)****iv. Prospective application of MFRS 121 *The Effects of Changes in Foreign Exchange Rates to goodwill and fair value adjustments arising in business combinations***

MFRS 121 requires any goodwill and fair value adjustments to carrying amounts of assets and liabilities arising from an acquisition of a foreign operation, to be treated as assets and liabilities of the foreign operation and therefore shall need to be translated using the closing rate at the end of each reporting period.

MFRS 1 provides the option to apply MFRS 121 to such goodwill and fair value adjustments prospectively from the date of transition. As such, the carrying amounts of goodwill and fair value adjustments arising from acquisitions of foreign operations are stated at the previously-translated carrying amounts and are not subsequently re-translated in the Group's financial statements.

There is no financial impact to the Group's statement of financial position and retained profits as a result of electing the above transitional exemption.

v. Others

In addition to the above impact resulting from electing certain transitional exemptions under MFRS 1, other adjustments and reclassifications to the Group's statement of financial position and retained profits are summarised below. These adjustments arose mainly due to changes in revenue recognition for property development activities from stage of completion to full completion method for certain subsidiaries within the Group.

<i>Consolidated statement of profit or loss and other comprehensive income</i>	1.4.2011	
<i>In RM Mil</i>	to	
	31.12.2011	
Increase in property development revenue		34
Increase in property development cost		(49)
Decrease in income tax expense		3
		<hr/>
<i>Consolidated statement of financial position</i>	1.4.2011	31.12.2011
<i>In RM Mil</i>		
Increase in deferred tax assets	4	7
Increase in trade and other inventories	574	601
Decrease in trade and other receivables	(63)	(15)
Decrease in property development costs	(441)	(507)
Increase in trade and other payables	83	98
Decrease in non-controlling interests	(4)	(7)
Decrease in retained profits	(5)	(5)
		<hr/>

44. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and the Company in these financial statements:

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 3 *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

Amendments to MFRS 8 *Operating Segments (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 13 *Fair Value Measurement (Annual Improvements 2011-2013 Cycle)*

Amendments to MFRS 116 *Property, Plant And Equipment (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 119 *Employee Benefits – Defined Benefit Plans: Employee Contributions*

Amendments to MFRS 124 *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 138 *Intangible Assets (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 140 *Investment Property (Annual Improvement 2011-2013 Cycle)*

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*

Amendments to MFRS 7 *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*

Amendments to MFRS 10 *Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to MFRS 11 *Joint Arrangement: Accounting For Acquisition of Interests in Joint Operations*

Amendments to MFRS 101 *Presentation of Financial Statements: Disclosure Initiative*

Amendments to MFRS 116 *Property, Plant And Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 119 *Employee Benefits (Annual Improvements 2012-2014 Cycle)*

Amendments to MFRS 127 *Separate Financial Statements: Equity Method in Separate Financial Statements*

Amendments to MFRS 128 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to MFRS 134 *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

Amendments to MFRS 138 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*

Effective for annual periods beginning on or after 1 January 2017

MFRS 15 *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2018

MFRS 9 *Financial Instruments (2014)*

44. PRONOUNCEMENTS YET IN EFFECT (continued)

The Group and the Company are expected to adopt the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impact to the financial statements of the Group and the Company except as mentioned below:

i. **MFRS 15 Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

ii. **MFRS 9 Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

45. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued pronouncements which are not yet effective, but for which are not relevant to the operations of the Group and the Company and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*

Amendments to MFRS 2 *Share-based Payment (Annual Improvements 2010-2012 Cycle)*

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 10 *Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception*

Amendments to MFRS 12 *Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception*

MFRS 14 *Regulatory Deferral Accounts*

Amendments to MFRS 116 *Property, Plant and Equipment – Agriculture: Bearer Plants*

Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*

Amendments to MFRS 141 *Agriculture – Agriculture: Bearer Plants*

46. KEY SUBSIDIARIES AND ACTIVITIES

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013 %	2014 %		
* PETRONAS Carigali Sdn. Bhd.	100	100	Malaysia	Petroleum exploration, development and production
PETRONAS Carigali Chad Exploration & Production Inc.	100	100	Cayman Islands	Investment holding
PETRONAS Carigali (Chad EP) Inc.	100	100	Cayman Islands	Petroleum operations
PETRONAS Chad Marketing Inc.	100	100	Cayman Islands	Trading of petroleum products
PETRONAS Carigali Overseas Sdn. Bhd.	100	100	Malaysia	Investment holding and petroleum operations
PETRONAS Carigali Iraq Holding B.V.	100	100	Netherlands	Petroleum operations
∞* PETRONAS International Corporation Ltd.	100	100	Malaysia	Investment holding
PC JDA Limited	100	100	Republic of Mauritius	Petroleum operations
PC Vietnam Limited	100	100	Republic of Mauritius	Petroleum operations
PETRONAS Australia Pty Limited	100	100	Australia	Investment holding
PAPL (Upstream) Pty Limited	100	100	Australia	Exploration and production of coal seam gas
PAPL (Downstream) Pty Limited	100	100	Australia	Production and transportation of liquefied natural gas for export
PETRONAS Carigali (Jabung) Ltd.	100	100	Bahamas	Petroleum operations
PETRONAS Carigali Myanmar Inc.	100	100	Liberia	Petroleum operations
PETRONAS Carigali Nile Ltd.	100	100	Republic of Mauritius	Petroleum operations

46. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013 %	2014 %		
PETRONAS (E&P) Overseas Ventures Sdn. Bhd.	100	100	Malaysia	Investment holding
PETRONAS Carigali Canada B.V.	100	100	Netherlands	Investment holding
Progress Energy Canada Ltd.	100	100	Canada	Petroleum and gas exploration, development and production
PETRONAS Carigali (Turkmenistan) Sdn. Bhd.	100	100	Malaysia	Petroleum operations
∞ PICL (Egypt) Corporation Ltd.	100	100	Malaysia	Investment holding, exploration and production of oil and gas
∞ PETRONAS LNG Ltd.	100	100	Malaysia	Trading of natural gas and LNG
PETRONAS Energy Trading Limited	100	100	United Kingdom	Trading of natural gas and LNG
PETRONAS LNG (UK) Limited	100	100	United Kingdom	Trading of natural gas and LNG
* Malaysia LNG Sdn. Bhd.	90	90	Malaysia	Liquefaction and sale of LNG
* Malaysia LNG Dua Sdn. Bhd.	60	60	Malaysia	Liquefaction and sale of LNG
* Malaysia LNG Tiga Sdn. Bhd.	60	60	Malaysia	Liquefaction and sale of LNG
* PETRONAS LNG 9 Sdn. Bhd.	100	100	Malaysia	Selling, marketing and distribution of LNG
∞* PETRONAS Floating LNG 1 (L) Ltd	100	100	Malaysia	Developing, constructing, owning, operating and maintaining an integrated floating natural gas liquefaction, storage and off loading facility

46. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013	2014		
	%	%		
∞* PETRONAS Floating LNG 2 (L) Ltd	-	100	Malaysia	Developing, constructing, owning, operating and maintaining an integrated floating natural gas liquefaction, storage and off loading facility
Engen Limited	80	80	South Africa	Refining of crude oil and marketing of refined petroleum products
Engen Petroleum Limited	80	80	South Africa	Refining and distribution of petroleum products
Engen International Holdings (Mauritius) Ltd.	80	80	Mauritius	Investment holding
Engen DRC SARL	48	48	Congo	Marketing and distribution of petroleum products
Engen Namibia (Pty) Ltd	80	80	Namibia	Market and distribute petroleum products
PETRONAS Marketing Sudan Limited	100	100	Sudan	Marketing of petroleum products
∞ MITCO Labuan Co. Limited	100	100	Malaysia	General merchandise trading
@* PETRONAS Gas Berhad	60.6	60.6	Malaysia	Processing and transmission of natural gas
Regas Terminal (Sg. Udang) Sdn. Bhd.	60.6	60.6	Malaysia	Manage and operate LNG regasification terminal
* PETRONAS Penapisan (Melaka) Sdn. Bhd.	100	100	Malaysia	Refining and condensation of crude oil
* Malaysian Refining Company Sdn. Bhd.	53	100	Malaysia	Refining and condensation of crude oil

46. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013 %	2014 %		
* PETRONAS Penapisan (Terengganu) Sdn. Bhd.	100	100	Malaysia	Refining and condensation of crude oil
* PETRONAS Trading Corporation Sdn. Bhd.	100	100	Malaysia	Trading of crude oil and petroleum products
∞ PETCO Trading Labuan Company Ltd.	100	100	Malaysia	Marketing of crude oil and trading in crude oil and petroleum products
PETCO Trading (UK) Limited	100	100	United Kingdom	Marketing of crude oil and trading in crude oil and petroleum products
PETCO Trading DMCC	100	100	United Arab Emirates	Trading of petroleum products
@* PETRONAS Chemicals Group Berhad	64.3	64.3	Malaysia	Investment holding
PETRONAS Chemicals Aromatics Sdn. Bhd.	45	45	Malaysia	Production and sale of aromatics products
PETRONAS Chemicals Ammonia Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of ammonia, syngas and carbon monoxide
PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of urea, ammonia and methanol
PETRONAS Chemicals Glycols Sdn. Bhd.	64.3	64.3	Malaysia	Manufacturing and selling ethylene oxide, ethylene glycol and other glycols
PETRONAS Chemicals Marketing Sdn. Bhd.	64.3	64.3	Malaysia	Petrochemicals and general trading
PETRONAS Chemicals Methanol Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of methanol
PETRONAS Chemicals MTBE Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of methyl tertiary butyl ether and propylene

46. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013 %	2014 %		
PETRONAS Chemicals Olefins Sdn. Bhd.	56.6	56.6	Malaysia	Manufacturing and marketing of ethylene, propylene and other hydrocarbon products
Asean Bintulu Fertilizer Sdn. Bhd.	40.9	40.9	Malaysia	Production and sale of urea and ammonia
PETRONAS Chemicals Derivatives Sdn. Bhd.	64.3	64.3	Malaysia	Manufacturing and selling ethylene and propylene derivative products
PETRONAS Chemicals Polyethylene Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of polypropylene and its derivatives
PETRONAS Chemicals Ethylene Sdn. Bhd.	56.3	56.3	Malaysia	Production and sale of ethylene
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.	64.3	64.3	Malaysia	Manufacturing and marketing of ammonia, urea and any component or derivative substances
PETRONAS Chemicals LDPE Sdn. Bhd.	38.6	38.6	Malaysia	Production and sale of low-density polyethylene pellets (LDPE)
* PrimeSourcing International Sdn. Bhd.	100	100	Malaysia	Trading and procurement of equipment, spares and materials
* PETRONAS Lubricants International Sdn. Bhd.	100	100	Malaysia	Investment holding, manufacturing and trading of lubricant products
PLI (Netherlands) B.V.	100	100	Netherlands	Investment holding
PETRONAS Lubricants Italy S.p.A	100	100	Italy	Manufacturing and marketing of lubricant products
@* MISC Berhad	62.6	62.6	Malaysia	Shipping and shipping related activities

46. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013 %	2014 %		
AET Inc. Limited	62.6	62.6	Bermuda	Ship-owning and operations
@ Malaysia Marine and Heavy Engineering Holdings Berhad	41.6	41.6	Malaysia	Investment holding
∞ Gas Asia Terminal (L) Pte. Ltd.	62.6	62.6	Malaysia	Development and ownership of LNG floating storage units
∞ MISC Capital (L) Ltd.	62.6	62.6	Malaysia	Special purpose vehicle for US Dollar financing arrangement
∞ MISC Offshore Floating Terminals Dua (L) Ltd.	62.6	62.6	Malaysia	Offshore floating terminals ownership
∞ Gumusut-Kakap Semi-Floating Production System (L) Limited	81.3	81.3	Malaysia	Leasing of semi floating production storage
MISC Tankers Sdn. Bhd.	62.6	62.6	Malaysia	Investment holding and provision of management services
* KLCC (Holdings) Sdn. Bhd.	100	100	Malaysia	Property investment related activities and property development
Kuala Lumpur Convention Centre Sdn. Bhd.	100	100	Malaysia	Property investment
Putrajaya Holdings Sdn. Bhd.	64.4	64.4	Malaysia	Property owner and developer
@ KLCC Property Holdings Berhad	75.5	75.5	Malaysia	Investment holding and property investment
Midciti Resources Sdn. Bhd.	75.5	75.5	Malaysia	Property investment
Suria KLCC Sdn. Bhd.	45.5	45.5	Malaysia	Property investment
Arena Merdu Sdn. Bhd.	75.5	75.5	Malaysia	Property investment
* Institute of Technology PETRONAS Sdn. Bhd.	100	100	Malaysia	Institute of higher learning

46. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013	2014		
	%	%		
∞* Energas Insurance (L) Limited	100	100	Malaysia	Offshore captive insurance business
∞* PETRONAS Capital Limited	100	100	Malaysia	Investment holding
∞ PETRONAS Global Sukuk Limited	100	100	Malaysia	Investment holding
Petroleum Research Fund	-	-	Malaysia	Providing financial contributions to research activities relating to petroleum and other energy sources industry

The Group does not hold any ownership interest in Petroleum Research Fund (“PRF”). However, the Group has the rights to appoint and remove members of Board of Trustees of PRF, which is the decision making body of the fund and has the absolute discretion to determine the manner in which balance of the fund should be distributed upon dissolution of PRF. Consequently, PRF is regarded as subsidiary of the Group.

* Subsidiaries held directly by the Company.

@ The shares of these subsidiaries are quoted on the Main Market of Bursa Malaysia Securities Berhad.

∞ Companies incorporated under the Labuan Companies Act 1990.

47. KEY ASSOCIATES AND ACTIVITIES

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013	2014		
	%	%		
BASF PETRONAS Chemicals Sdn. Bhd.	25.7	25.7	Malaysia	Own and operate acrylic acid and oxo plants
Bintulu Port Holdings Berhad	28.5	28.5	Malaysia	Port management
Cameroon Oil Transportation Company- S.A.	29.8	29.8	Republic of Cameroon	Pipeline operations
El Behera Natural Gas Liquefaction Company S.A.E.	35.5	35.5	Egypt	Manufacturing and production of LNG for the purpose of export
Gas Malaysia Berhad	9.0	9.0	Malaysia	Selling, marketing, distribution and promotion of natural gas

47. KEY ASSOCIATES AND ACTIVITIES (continued)

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013 %	2014 %		
Guangxi Nanning Yuchai Lube Co., Ltd.	38.4	38.4	China	Marketing of lubricants
Guangxi Beihai Yuchai High Quality Lube Co., Ltd.	38.4	38.4	China	Marketing of lubricants
IDKU Natural Gas Liquefaction Company S.A.E.	38.0	38.0	Egypt	Manufacturing and production of LNG for the purpose of export
Pacific NorthWest LNG Ltd	87.0	62.0	Canada	Overall management and control of the business and affairs of LNG Partnership
Pacificlight Power Pte Ltd	30.0	30.0	Singapore	Construct and operate a power plant and electricity trading
Tchad Oil Transportation Company-S.A.	30.2	30.2	Republic of Chad	Pipeline operations
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

Although the Group has less than 20% of the ownership in the equity interest of Gas Malaysia Berhad, the Group has determined that it has significant influence over the financial and operating policy of the associate through representation on the said associate's board of directors.

Although the Group has 62% of the ownership in the equity interest of Pacific NorthWest LNG Ltd, the governing agreements and constitutive documents for this entity do not allow the Group to control this entity as voting requires unanimous approval of the shareholders or their representatives.

48. KEY JOINT VENTURES AND ACTIVITIES

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013 %	2014 %		
BP PETRONAS Acetyls Sdn. Bhd.	19.3	19.3	Malaysia	Manufacture, sell and distribute acetic acid
Dragon LNG Group Limited	50.0	50.0	United Kingdom	Operate LNG import and storage terminal
Trans Thai-Malaysia (Thailand) Ltd.	50.0	50.0	Thailand	Gas pipeline transportation and gas separation services
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.	50.0	50.0	Malaysia	Transporting and delivering gas products
Indianoil PETRONAS Private Limited	50.0	50.0	India	Manufacture and bottling services of Liquid Petroleum Gas (“LPG”)
VTTI B.V.	31.3	31.3	Netherlands	Owning, operating and managing a network of oil product storage terminals and refineries
Kimanis Power Sdn. Bhd.	36.4	36.4	Malaysia	Generation and sale of electricity
Taninthayi Pipeline Co. LLC	40.9	40.9	Cayman Islands	Transportation of gas
Malaysia Deepwater Floating Terminal (Kikeh) Ltd.	31.8	31.8	Malaysia	Floating production storage and off-loading (“FPSO”) owner

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