IMPORTANT NOTICE

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

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

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

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. 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 Dealers (as defined below) or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers 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, Morgan Stanley & Co. International plc, Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, Maybank Investment Bank Berhad or Mitsubishi UFJ Securities International plc (collectively, the "**Dealers**") nor any person who controls the Dealers 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 Dealers.

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 Capital Limited

(incorporated in Labuan, Malaysia with limited liability)

U.S.$15,000,000,000

Global Medium Term Note Program

unconditionally and irrevocably guaranteed by

Petroliam Nasional Berhad (PETRONAS)

(incorporated in Malaysia with limited liability)

Under this U.S.$15,000,000,000 Global Medium Term Note Program (the "**Program**"), PETRONAS Capital Limited ("**PETRONAS Capital Limited**" or the "**Company**") or any subsidiary of Petroliam Nasional Berhad (PETRONAS) ("**PETRONAS**" or the "**Guarantor**") which accedes to the Program by executing an accession agreement pursuant to the terms of the Agency Agreement (as defined below) (each such subsidiary, together with the Company, an "**Issuer**" in relation to the Notes issued by it), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the Relevant Dealer (as defined below) other than Malaysian ringgit. The Notes will be issued on a senior basis and may be issued in bearer or registered form ("**Bearer Notes**" and "**Registered Notes**", respectively).

Notes issued by the Issuer will be unconditionally and irrevocably guaranteed by PETRONAS on a senior basis. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed U.S.$15,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Program" and any additional Dealer appointed under the Program from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**Relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

With respect to any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be listed, application has been made for (i) listing of such Notes on The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**"), (ii) listing of such Notes on, and admission to the Official List of, the Labuan International Financial Exchange and (iii) listing of such Notes on, and admission to the Official List of, Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") under an exempt regime pursuant to which the Notes will be listed but not quoted for trading ("**Bursa Malaysia (Exempt Regime)**"). 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 Notes 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 or the Guarantor, the Program or the Notes. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, an investor should consult his or her advisors.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**"). The Program provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the Relevant Dealer(s). The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Investing in the Notes involves risk. You should read "Risk Factors" beginning on page 75 before investing in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued only outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S under the Securities Act ("Regulation S") and Registered Notes may be issued both outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S and within the United States or to U.S. persons in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act ("QIBs") or (ii) to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions ("Institutional Accredited Investors") who agree to purchase the Notes for their own account and not with a view to the distribution thereof. Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold, or in the case of Bearer Notes delivered, in the United States or its possessions or to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act or, in the case of Bearer Notes, the U.S. Internal Revenue Code of 1986, as amended). See "*Form of the Notes*" for more description of the manner in which Notes will be issued. Notes are subject to certain restrictions on transfer. See "*Subscription and Sale and Transfer and Selling Restrictions.*"

Arrangers

BofA Merrill Lynch

CIMB **Citigroup** **J.P. Morgan** **Morgan Stanley**

Dealers

BofA Merrill Lynch **CIMB** **Citigroup** **Deutsche Bank** **HSBC**

J.P. Morgan **Maybank** **Morgan Stanley** **MUFG**

Offering Circular dated March 4, 2015

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This Offering Circular includes risk factors, PETRONAS' audited consolidated and unconsolidated financial statements and disclosure concerning PETRONAS' business and financial condition and results of operations, as well as other matters. You should carefully review the entire Offering Circular before making an investment decision.

You should rely only on the information contained in this Offering Circular or to which PETRONAS or the Company have referred you. Neither PETRONAS nor the Company have authorized anyone to provide you with information that is different. This Offering Circular may only be used where it is legal to sell the Notes. You should not assume that the information in this Offering Circular is accurate as of any date other than the date at the front of this Offering Circular. This Offering Circular is confidential. You are authorized to use this Offering Circular solely for the purpose of considering the purchase of the Notes described in this Offering Circular. You may not reproduce or distribute this Offering Circular in whole or in part, and you may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering a purchase of the Notes. You agree to the foregoing by accepting delivery of this Offering Circular.

IN CONNECTION WITH THE ISSUE AND DISTRIBUTION OF ANY TRANCHE OF NOTES, THE DEALER(S) (IF ANY) NAMED AS THE STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY, SUBJECT TO ALL APPLICABLE LAWS AND REGULATIONS, OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES OF A SERIES (AS DEFINED BELOW) OF WHICH SUCH TRANCHE FORMS A PART AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZING ACTION. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND, IF BEGUN, MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. ANY STABILIZING ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO INVESTORS

The Company and the Guarantor, having made all reasonable enquiries, confirm that this Offering Circular contains or incorporates all information material in the context of the issuance and offering of the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts, the omission of which would, in the context of the issue and offering of the Notes, make this Offering Circular as a whole or any information or the expression of any opinions or intentions expressed in this Offering Circular misleading in any material respect. The Company and the Guarantor accept responsibility accordingly. Information provided in this Offering Circular with respect to Malaysia, its political status and economy has been derived from information published by the Malaysian government and other public sources, and the Company and the Guarantor accept responsibility only for the accurate extraction of information from such sources.

This Offering Circular is based on the information provided by the Company and the Guarantor. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Company or the Guarantor in connection with the Program.

No person is or has been authorized by the Company or the Guarantor to give any information or to make any representation other than as contained in this Offering Circular or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by any of the Company, the Guarantor or the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Program or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by any of the Company, the Guarantor or the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Company and the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of any of the Company, the Guarantor or the Dealers to any person to subscribe for or to purchase any Notes. The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice. An investor should bear the economic risk of an investment in the Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Company and the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Company, the Guarantor and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction,

or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Company, the Guarantor or the Dealers that would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States of America, the European Economic Area (the "**EEA**"), the United Kingdom, Malaysia, Japan, Singapore, Hong Kong, United Arab Emirates (excluding the Dubai International Finance Centre), Dubai International Financed Centre, State of Qatar, Kingdom of Bahrain and Kuwait. See "*Subscription and Sale and Transfer and Selling Restrictions.*"

All references in this Offering Circular to the "**Guarantor**" are to Petroliam Nasional Berhad (PETRONAS), and all references in this Offering Circular to "**PETRONAS**" are, unless the context otherwise requires, to Petroliam Nasional Berhad (PETRONAS) and its subsidiaries. References to the "**Company**" are to PETRONAS Capital Limited, while references to the "**Issuer**" are to PETRONAS Capital Limited and any additional issuers that may be appointed under the Program in accordance with the Program Agreement entered into between PETRONAS Capital Limited, Petroliam Nasional Berhad (PETRONAS) and the Arrangers and Dealers named therein on or about the date of this Offering Circular.

U.S. INFORMATION

This Offering Circular is being provided on a confidential basis in the United States to a limited number of QIBs or Institutional Accredited Investors (each as defined under "*Form of the Notes*") for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of the Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act ("**Rule 144A**").

Purchasers of the Definitive IAI Registered Notes (as defined in the Program Agreement) will be required to execute and deliver an IAI Investment Letter (each as defined under "*Terms and Conditions of the Notes*"). Each purchaser or holder of the Definitive IAI Registered Notes, the Notes represented by a Rule 144A Global Note (as defined below) or any Notes issued in registered form in exchange or substitution therefor (together "**Legended Notes**") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale and Transfer and Selling Restrictions*." Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*."

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury regulations promulgated thereunder.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421-B 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 OF NEW HAMPSHIRE 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 OF NEW HAMPSHIRE 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 FIRST ISSUANCE UNDER THE PROGRAM 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 NOTES UNDER THE PROGRAM.

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 NOTES 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 NOTES. THE ONUS IS ON THE MALAYSIAN RESIDENTS CONCERNED TO OBTAIN SUCH REGULATORY APPROVALS AND NONE OF THE DEALERS IS RESPONSIBLE FOR ANY INVITATION, OFFER, SALE OR PURCHASE OF THE NOTES AS AFORESAID WITHOUT THE NECESSARY APPROVALS BEING IN PLACE.

AN INVITATION TO SUBSCRIBE FOR, OR AN OFFER TO PURCHASE THE NOTES MAY ONLY BE MADE INTO LABUAN IF SUCH NOTES 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 8(5) OF THE LABUAN 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 IN RELATION TO THE PROGRAM OR THE ISSUANCE OF THE NOTES THEREUNDER OR OTHERWISE ARE SUBJECT TO THE FULFILMENT OF VARIOUS CONDITIONS PRECEDENT, INCLUDING, WITHOUT LIMITATION, AUTHORIZATION FROM THE SECURITIES COMMISSION MALAYSIA. EACH RECIPIENT OF THIS OFFERING CIRCULAR ACKNOWLEDGES AND AGREES THAT AUTHORIZATION OF THE SECURITIES COMMISSION MALAYSIA SHALL NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION MALAYSIA RECOMMENDS THE SUBSCRIPTION OR PURCHASE OF THE NOTES UNDER THE PROGRAM.

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 NOTES 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 MALAYSIA RECOMMEND THE SUBSCRIPTION OR PURCHASE OF THE NOTES OR AS AN INDICATION OF THE MERITS OF THE ISSUER, PETRONAS OR THE NOTES. 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 Capital Limited is incorporated in Labuan, Malaysia with limited liability. Substantially all of the assets of PETRONAS Capital Limited 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 Capital Limited 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 Capital Limited. PETRONAS and PETRONAS Capital Limited have been advised by Kadir Andri & Partners, Malaysian counsel to PETRONAS and PETRONAS Capital Limited, 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 or PETRONAS Capital Limited in a court of a reciprocating country (as listed in the Reciprocal Enforcement of Judgments Act 1958 (Revised 1972) of Malaysia (the "**Enforcement Act**")) in respect of any sum payable by PETRONAS or PETRONAS Capital Limited under the Notes, the Guarantee or the Agency Agreement (the "**Agency Agreement**") to be entered into among the Company, PETRONAS, The Bank of New York Mellon, London Branch as the Principal Paying Agent and Transfer Agent, The Bank of New York Mellon as the Paying Agent, Transfer Agent, Exchange Agent and DTC Registrar, and The Bank of New York Mellon (Luxembourg) S.A. as the Euroclear/Clearstream Registrar on or about the date of this Offering Circular, may be recognized and enforced by the courts of Malaysia upon registration of the judgment with the courts of Malaysia under the Enforcement Act within six years after the date of the judgment, or, where there have been proceedings by way of appeal against the judgment, after the date of the last judgment given in those proceedings, so long as the judgment:

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

Under current Malaysian law, any judgment obtained for a fixed sum against PETRONAS or PETRONAS Capital Limited 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 in Malaysia in accordance with the common law principles and fresh proceedings must be instituted by the judgment creditor and upon re-litigation and re-examination of the issues.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with sales of the Notes, each of the Issuer and the Guarantor will be required to furnish, upon request, to a Noteholder (as defined in "*Terms and Conditions of the Notes*") and a prospective investor designated by such Noteholder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act unless at the time of the request the Issuer is a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or is exempt from the registration requirements of Section 12(g) of the Exchange Act (and therefore is required to publish on its website, in English, certain information pursuant to Rule 12g3-2(b) under the Exchange Act).

PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA

Financial Data

PETRONAS' audited financial statements for the 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, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. MFRS differs 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.

SUPPLEMENTAL OFFERING CIRCULAR

The Issuer and the Guarantor have given an undertaking to the Dealers that if the Issuer and the Guarantor have notified the Arrangers or the Dealers that the Issuer intends to issue Notes under the Program for the time being, and if a significant new factor, material mistake or material inaccuracy arises or is noted relating to the information included in this Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and/or the Guarantor and/or the rights attaching to the Notes, the Issuer and the Guarantor shall prepare and publish an amendment or supplement to or replacement of this Offering Circular.

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 in Malaysia and other countries in which PETRONAS operates, transacts business or has interests;
- increases in regulatory burdens in Malaysia and such countries;
- 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 an economic 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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GENERAL DESCRIPTION OF THE PROGRAM

Under the Program, the Issuer may, with the consent of the Guarantor, from time to time issue Notes denominated in any currency (other than the Malaysian ringgit), subject as set out herein. A summary of the terms and conditions of the Program and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer, the Guarantor and the Relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*."

This Offering Circular and any supplement will only be valid for Notes issued under the Program in an aggregate principal amount which, when added to the aggregate principal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed U.S.$15,000,000,000 or its equivalent in other currencies. From time to time PETRONAS may increase the aggregate principal amount of Notes that may be issued under the Program, subject to certain conditions set out in the Program Agreement.

Each Series of Notes may be listed on the Hong Kong Stock Exchange, the Labuan International Financial Exchange, Bursa Malaysia and/or any other stock exchange, as may be agreed upon among the Issuer, the Guarantor and the Relevant Dealer(s) and specified in the applicable Pricing Supplement, or may be unlisted. Further, Notes that are initially listed on an exchange may subsequently be de-listed under limited circumstances.

SUMMARY OF THE PROGRAM

The following summary 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 and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement.

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 Notes."

Issuer	PETRONAS Capital Limited or any New Issuer(s) that accedes to the Program in accordance with the terms of the Program Agreement and the Agency Agreement.
Guarantor	Petroliam Nasional Berhad (PETRONAS).
Arrangers	Merrill Lynch (Singapore) Pte. Ltd., CIMB Investment Bank Berhad, Citigroup Global Markets Limited, J.P. Morgan Securities plc and Morgan Stanley & Co. International plc.
Dealers	Merrill Lynch (Singapore) Pte. Ltd., CIMB Investment Bank Berhad, Citigroup Global Markets Limited, J.P. Morgan Securities plc, 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 and any other Dealer(s) appointed from time to time by the Issuer and PETRONAS in accordance with the terms of the Program Agreement. References in this Offering Circular to the "**Relevant Dealer(s)**" shall, in relation to the issue of any Note, be references to the Dealer or Dealers with whom the Issuer and the Guarantor have concluded or are negotiating an agreement for the issue of such Note.
Description	Multi-currency Global Medium Term Note Program.
Program Limit	U.S.$15,000,000,000 (or its equivalent in other currencies) outstanding at any time. PETRONAS may increase the Program Limit in accordance with the terms of the Program Agreement.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
DTC Registrar, Paying Agent, Exchange Agent and Transfer Agent	The Bank of New York Mellon.
Euroclear/Clearstream Registrar and Transfer Agent	The Bank of New York Mellon (Luxembourg) S.A.
Currency	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency (other than the Malaysian ringgit) agreed between the Issuer, PETRONAS and the Relevant Dealer(s). Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies (other than the Malaysian ringgit) other than the currency in which such Notes are denominated.

Method of Issuance	The Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the Issue Date, the Interest Commencement Date (if applicable) and/or the Issue Price (if applicable) may be different in respect of different Tranches. The Notes of each Tranche will be subject to identical terms in all respects.
Maturities	The Notes will have such maturities as may be agreed between the Issuer, PETRONAS and the Relevant Dealer(s), subject to compliance with all relevant laws and regulations.
Issue Price	The Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par (as specified in the applicable Pricing Supplement). The price and amount of Notes to be issued will be determined by the Issuer, PETRONAS and the Relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Form and Denomination	The Notes will be issued in bearer or registered form as described in "*Form of the Notes.*" Registered Notes will not be exchangeable for Bearer Notes and vice versa. Notes offered in the United States or to, or for the account or benefit of, U.S. persons will only be issued in registered form. Notes sold to Institutional Accredited Investors will be represented by definitive Notes in certificated form. The Notes will be issued in such denominations as may be agreed between the Issuer, PETRONAS and the Relevant Dealer(s) and as specified in the applicable Pricing Supplement, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Unless otherwise stated in the applicable Pricing Supplement, Notes sold to Institutional Accredited Investors and QIBs will be in minimum denominations of U.S.$500,000 (or its foreign currency equivalent) or U.S.$200,000 (or its foreign currency equivalent), respectively.
Ranking	The Notes and any Receipts and Coupons relating thereto under the Program will be direct, unconditional, unsubordinated and (subject to Condition 4 *(Certain Covenants)*) unsecured general obligations of the Issuer and will, subject to the Conditions of the Notes, 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. See Condition 3 *(Status of the Notes; Guarantee)*.

Guarantee	PETRONAS will unconditionally and irrevocably guarantee the payment of the principal of and premium, if any, and interest, if any, on the Notes issued under the Program and the related Receipts and Coupons, when and as the same shall become due and payable, whether on the relevant Maturity Date, upon acceleration, by call for redemption or otherwise. The Guarantee will be a direct, unconditional, unsubordinated and (subject to Condition 4 *(Certain Covenants)*) unsecured obligation of PETRONAS and will, subject to the Conditions of the Notes, at all times rank *pari passu* and equally with all other outstanding unsecured and unsubordinated general obligations of PETRONAS. See Condition 3 *(Status of the Notes; Guarantee)*.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the Relevant Dealer(s) (as specified in the applicable Pricing Supplement) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, PETRONAS and the Relevant Dealer(s) (as specified in the applicable Pricing Supplement).
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer, PETRONAS and the Relevant Dealer(s) (as specified in the applicable Pricing Supplement). The margin (if any) relating to such floating rate will be agreed between the Issuer, PETRONAS and the Relevant Dealer(s) for each Series of Floating Rate Notes (as specified in the applicable Pricing Supplement).
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as agreed between the Issuer, PETRONAS and the Relevant Dealer(s) (as specified in the applicable Pricing Supplement).

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes.	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer, PETRONAS and the Relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer, PETRONAS and the Relevant Dealer(s).
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as agreed between the Issuer, PETRONAS and the Relevant Dealer(s) (as specified in the applicable Pricing Supplement).
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Ratings	The rating of certain Series of the Notes to be issued under the Program may be specified in the applicable Pricing Supplement. Credit ratings are not a recommendation to purchase, hold or sell Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agencies.
Negative Pledge.	PETRONAS (not including any of its subsidiaries) has covenanted that, subject to certain exceptions and so long as any of the Notes issued under the Program remain outstanding, it will not create, incur or have outstanding any mortgage, pledge, lien, charge, encumbrance or any other security interest 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 the obligations of PETRONAS as guarantor under the Notes shall be secured equally and ratably with or prior to such Indebtedness (or such guarantee or indemnity in respect thereof). "**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.

Redemption	The Issuer may redeem Notes, in whole but not in part, upon the occurrence of certain events related to tax laws and regulations of a Tax Jurisdiction as provided in Condition 9 *(Taxation)*. In addition, the applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified installments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer, PETRONAS and the Relevant Dealer(s). See Condition 8 (*Redemption and Purchase*). The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Pricing Supplement.
Listing	Application has been made for (a) the listing of Notes issued under the Program on the Labuan International Financial Exchange, (b) the listing of Notes issued under the Program on Bursa Malaysia (Exempt Regime) and (c) the listing of Notes issued under the Program on the Hong Kong Stock Exchange. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer, the Guarantor and the Relevant Dealer(s) in relation to the Series of Notes. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
Use of Proceeds	The net proceeds from each issue of Notes will be provided by the Issuer to PETRONAS or its subsidiaries and associated companies. PETRONAS or its subsidiaries and associated companies will, in turn, use the proceeds for general corporate purposes.
Taxation	All payments of principal and interest in respect of the Notes, Receipts and Coupons or under the Guarantee will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction as provided in Condition 9 (*Taxation*), unless otherwise required by applicable law. In the event that any such withholding or deduction is made, the Issuer or, as the case may be, PETRONAS will, save in certain limited circumstances provided in Condition 9 (*Taxation*), be required to pay additional amounts as would have been paid had no such withholding or deduction been required.

Governing Law	New York.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of the Notes 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, Dubai International Financial Centre, Qatar, Bahrain and Kuwait and other restrictions as may apply in connection with the offering and sale of a particular Series of Notes, see "*Subscription and Sale and Transfer and Selling Restrictions.*"
Transfer Restrictions	The Notes will not be registered under the Securities Act and are subject to certain restrictions on transfers. See "*Subscription and Sale and Transfer and Selling Restrictions.*"
Risk Factors.	Investing in the Notes issued under the Program involves risks. You should carefully consider all information set forth in this Offering Circular. In particular, potential investors should carefully read the section entitled "*Risk Factors*" before purchasing any of the Notes.

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, 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 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 facilities 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% plant 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 Intergrated 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 Capital Limited

PETRONAS Capital Limited is a wholly-owned subsidiary of PETRONAS and was incorporated under the laws of Labuan, Malaysia under the Labuan Companies Act, 1990 on April 17, 2002. PETRONAS Capital Limited is a financing vehicle for PETRONAS. It has no other operations. PETRONAS Capital Limited intends to provide substantially all proceeds of its borrowings to PETRONAS or its subsidiaries and associated companies.

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	RM49,922	RM54,114	RM37,038	US$10,599
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	RM489,153	RM528,660	RM537,487	US$153,809
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	RM489,153	RM528,660	RM537,487	US$153,809

	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)	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

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)	2.2	2.1	2.0	2.4
	Total	**5.9**	**5.8**	**5.8**	**6.0**
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**
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

Natural Gas Discovered Resources (tscf)		As at January 1,			
		2012	2013	2014	2015
Non-associated Gas					
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**
Associated Gas					
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)		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

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.

	Year Ended December 31,		
Crude Oil Data[1]	**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

	Year Ended December 31,		
Natural Gas Data[3]	**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.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Section 4(a)(2) of the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary global note (a "**Temporary Bearer Global Note**") or a permanent global note (a "**Permanent Bearer Global Note**") as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**").

Bearer Notes will only be delivered outside the United States and its possessions.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will only be made (against presentation of the Temporary Bearer Global Note) outside the United States and its possessions and only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury Regulations, has been received by Euroclear and/or Clearstream and Euroclear and/or Clearstream, as applicable, has given a similar certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the "**Exchange Date**") which is forty days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for: (i) interests in a Permanent Bearer Global Note of the same Series; or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement and provided that no definitive Bearer Note will be delivered to an address in the U.S. or its possessions), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made only outside the United States and its possessions through Euroclear and/or Clearstream (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note) without any requirement for certification if such Note is being issued in accordance with TEFRA C or if certification has already been given (as described in the preceding paragraph).

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either: (a) not less than sixty days' written notice from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein; or (b) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) an Event of Default (as defined in Condition 11 (*Events of Default*) of the Terms and

Conditions of the Notes) has occurred and is continuing; (ii) the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of fourteen days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or (iii) the Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (*Notices*) of the Terms and Conditions of the Notes if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than forty-five days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on the face of all Bearer Notes which have an original maturity of more than 365 days (including unilateral roll overs and extensions) and on all receipts, interest coupons or talons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to in the legend above provide that United States holders (as defined in "*Taxation — Certain U.S. Federal Income Tax Considerations*"), with certain limited exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (*Transfers of Registered Notes*) of the Terms and Conditions of the Notes contained herein, and may not be held otherwise than through Euroclear or Clearstream and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions: (i) to QIBs; or (ii) to Institutional Accredited Investors who agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a "**Rule 144A Global Note**" and, together with a Regulation S Global Note, the "**Registered Global Notes**").

Registered Global Notes will either: (i) be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company ("**DTC**") for the accounts of its participants, including Euroclear and Clearstream; or (ii) be deposited with a common depositary for, and registered

in the name of a common nominee of, Euroclear and Clearstream, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof ("**Definitive IAI Registered Notes**"). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale and Transfer and Selling Restrictions — Transfer Restrictions*." The Rule 144A Global Notes and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4 (*Payments — Payments in respect of Registered Notes*) of the Terms and Conditions of the Notes) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4 (*Payments — Payments in respect of Registered Notes*) of the Terms and Conditions of the Notes) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) an Event of Default has occurred and is continuing; (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer and the Guarantor that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available, or DTC has ceased to constitute a clearing agency registered under the United States Securities Exchange Act of 1934 (as amended) ("**Exchange Act**") and no alternative clearing system is available; (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of fourteen days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available; or (iv) the Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by this Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (Notices) of the Terms and Conditions of the Notes if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, in each case to the extent applicable.

Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See "Subscription and Sale and Transfer and Selling Restrictions."

General

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned security number(s) (including, but not limited to, CUSIP number, CINS number, common code and ISIN) which are different from the security number(s) assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, PETRONAS and the Principal Paying Agent or as applicable, the Registrar.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 11 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note, then holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

Form of Applicable Pricing Supplement

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Program.

[Date]

[Name of Issuer]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

guaranteed by Petroliam Nasional Berhad (PETRONAS)

under its U.S.$15,000,000,000
Multi-currency Global Medium Term Note Program

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Offering Circular dated March 4, 2015 (the "**Offering Circular**"). This Pricing Supplement contains the final terms of the Notes and is supplemental to, and must be read in conjunction with, such Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and is supplemental to, and must be read in conjunction with, the Offering Circular dated [current date] (the "**Offering Circular**"), except in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.]

1.	(i)	Issuer:	[Name of Issuer]
	(ii)	Guarantor:	Petroliam Nasional Berhad (PETRONAS)
2.	(a)	Series Number:	[●]
	(b)	Tranche Number:	[●] *(If fungible with an existing Series, details of such Series, including the date on which the Notes become fungible)*
	(c)	Re-opening:	[Yes/No] *[Specify terms of initial or eventual fungibility]*
3.		Specified Currency or Currencies:	[●]
4.		Aggregate Nominal Amount:	
	(a)	Series:	[●]
	(b)	Tranche:	[●] *(If fungible with an existing Series, details of such Series, including the date on which the Notes become fungible)*
5.	(a)	Issue Price of Tranche:	[●]% of the Aggregate Principal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
	(b)	Net Proceeds: *(required only for listed issues)*	[●]
	(c)	Use of Proceeds:	[●] *(as described in the Offering Circular/describe)*
6.	(a)	Specified Denominations:	[●] *(N.B. In the case of Registered Notes, this means the minimum integral amount in which transfers can be made. For Registered Global Notes, consider including language substantially to the following effect (however, appropriate amendments should be made for different currencies) "€100,000 and integral multiples of €1,000 in excess thereof")*

			(N.B. For Bearer Notes with a Specified Denomination and higher integral multiples above the minimum denomination, consider including language substantially to the following effect. However, appropriate amendments should be made for different currencies.) ("[U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof, up to and including [U.S.$399,000] and, for so long as the Notes are represented by a Global Note (as defined below) and Euroclear and Clearstream so permit, the Notes shall be tradable only in the minimum authorized denomination of [U.S.$200,000] and higher integral multiples of [U.S.$1,000], notwithstanding that no definitive notes will be issued with a denomination above [U.S.$399,000].") *(N.B. It should be noted that such Specified Denomination will not be permitted in relation to any issue of Notes which are to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*
	(b)	Calculation Amount: *(applicable to Notes in definitive form)*	[●] *(If only one Specified Denomination, insert the Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.)*
7.	(a)	Issue Date:	[●]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8.		Maturity Date:	[*Fixed rate — specify date/Floating rate* — Interest Payment Date falling in or nearest to [*specify month and year*]]
9.		Interest Basis:	[[●]% Fixed Rate] [[LIBOR/EURIBOR/HIBOR/CNH HIBOR/Other reference rate] +/- [●]% Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.		Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Installment] [*specify other*]

11.	Change of Interest Basis or Redemption/Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12.	Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	Listing:	[[*name of Stock Exchange*]/None]
14.	(a) Status of the Notes:	Senior Guaranteed Notes
	(b) Status of the Guarantee:	Senior
	(c) Date of the Issuer's Board approval for the issuance of Notes obtained	[[●]/None required]
	(d) Date of the Guarantor's Board approval for the making of the Guarantee obtained	[[●]/None required] (*N.B. Only relevant where Board (or similar) authorization is required for the particular Tranche of Notes or related Guarantee*)
15.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Rate(s) of Interest:	[●]% per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear] *(If not "per annum", consider amending Condition 5 (Interest))*
	(b) Interest Payment Date(s):	[●] in each year up to and including the Maturity Date] [adjusted in accordance with *[specify Business Day Convention and any applicable Additional Business Center(s) for the definition of "Business Day"]*/not adjusted]/[*specify other*] *(N.B. This will need to be amended in the case of long or short coupons)*
	(c) Fixed Coupon Amount(s): *(applicable to Notes in definitive form)*	[●] per Calculation Amount
	(d) Broken Amount(s): *(applicable to Notes in definitive form)*	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*]
	(e) Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or [*specify other*]]

	(f) Determination Date(s):	[●] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration. N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
	(g) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
17.	Floating Rate Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(b) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
	(c) Additional Business Center(s):	[●] *(Insert New York City for U.S. dollar denominated Notes to be held through DTC and for non-US dollar denominated Notes where exchange into U.S. dollars is contemplated for DTC participants holding through Euroclear and Clearstream)*
	(d) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
	(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[●]
	(f) Screen Rate Determination:	
	• Reference Rate:	[●] *(Either LIBOR, EURIBOR, HIBOR, CNH HIBOR or other, although additional information is required if other — including fallback provisions in the Agency Agreement)*
	• Interest Determination Date(s):	[●] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Hong Kong dollar, Renminbi or Euro LIBOR), first day of each Interest Period if Sterling, Hong Kong dollar or Renminbi LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR)*

	• Relevant Screen Page:	[●] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(g)	ISDA Determination:	
	• Floating Rate Option:	[●] (*If not on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, the Issuer shall describe the basis here)*
	• Designated Maturity:	[●]
	• Reset Date:	[●]
(h)	Margin(s):	[+/-] [●]% per annum
(i)	Minimum Rate of Interest:	[●]% per annum
(j)	Maximum Rate of Interest:	[●]% per annum
(k)	Day Count Fraction:	[Actual/Actual (ISDA) or Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360, 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)] [*Other*] *(See Condition 5 (Interest) for alternatives)*
(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(a)	Accrual Yield:	[●]% per annum
(b)	Reference Price:	[●]
(c)	Any other formula/basis of determining amount payable:	[●]
(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Conditions 8.6 (*Redemption and Purchase — Early Redemption Amounts*) and 8.11 (*Redemption and Purchase — Late payment on Zero Coupon Notes) apply/specify other*] *(Consider applicable day count fraction if not U.S. dollar denominated)*

19.	Index Linked Interest Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Index/Formula:	[*Give or annex details*]
	(b) Calculation Agent:	[*give name*]
	(c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent):	[●]
	(d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(e) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(f) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(g) Additional Business Center(s):	[●]
	(h) Minimum Rate of Interest:	[●]% per annum
	(i) Maximum Rate of Interest:	[●]% per annum
	(j) Day Count Fraction:	[Actual/Actual (ISDA) or Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360, 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)] [*Other*] *(See Condition 5 (Interest) for alternatives)*
20.	Dual Currency Interest Note Provisions:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Rate of Exchange/method of calculating Rate of Exchange:	[*Give or annex details*]
	(b) Party, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent):	[●]

(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(d)	Person at whose option Specified Currency(ies) is/are payable:	[●]
(e)	Day Count Fraction:	[Actual/Actual (ISDA) or Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360, 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)] [*Other*] *(See Condition 5 (Interest) for alternatives)*

PROVISIONS RELATING TO REDEMPTION

21.	Issuer Call:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(a)	Optional Redemption Date(s):	[●]
(b)	Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*]
(c)	If redeemable in part:	
(i)	Minimum Redemption Amount:	[●] per Calculation Amount
(ii)	Maximum Redemption Amount:	[●] per Calculation Amount
(d)	Notice period (if other than as set out in the Conditions):	[●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer and the Guarantor are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer, the Guarantor and the Principal Paying Agent)*
22.	Investor Put:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(a)	Optional Redemption Date(s):	[●]

	(b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/*specify other*]
	(c) Notice period (if other than as set out in the Conditions):	[●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer and the Guarantor are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer, the Guarantor and the Principal Paying Agent)*
23.	Final Redemption Amount:	[[●] per Calculation Amount/*specify other*/see Appendix]
24.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8.6 *(Redemption and Purchase — Early Redemption Amounts)*):	[[●] per Calculation Amount/*specify other*/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	[Bearer Notes: Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]] [Bearer Notes: Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Bearer Notes: Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]] [Registered Notes: Regulation S Global Note (U.S.$[●] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream]/Rule 144A Global Note (U.S.$[●] principal amount registered in the name of a nominee for [DTC]/Definitive IAI Registered Notes (*specify principal amounts*]

(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options for Bearer Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof, up to and including [U.S.$399,000]." *Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

("[U.S.$200,000] and integral multiples of [U.S.$1,000] in excess thereof, up to and including [U.S.$399,000] and, for so long as the Notes are represented by a Global Note (as defined below) and Euroclear and Clearstream so permit, the Notes shall be tradable only in the minimum authorized denomination of [U.S.$200,000] and higher integral multiples of [U.S.$1,000], notwithstanding that no definitive notes will be issued with a denomination above [U.S.$399,000].")

26.	Additional Financial Center(s) or other special provisions relating to Payment Days:	[Not Applicable/*give details*] *(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 17(c) and 19(g) relate)*
27.	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*] *(N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues)*
29.	Details relating to Installment Notes:	
	(a) Installment Amount(s):	[Not Applicable/*give details*]
	(b) Installment Date(s):	[Not Applicable/*give details*]
30.	Other terms:	[Not Applicable/*give details*]

Distribution

31.	(a) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(b) Stabilizing Manager(s) (if any):	[Not Applicable/*give name*]
32.	If non-syndicated, name of Relevant Dealer:	[Not Applicable/*give name*]
33.	U.S. Selling Restrictions:	[Regulation S Category] [TEFRA D/TEFRA C/ TEFRA not applicable *(for Bearer Notes with a maturity of one year or less (including unilateral rollovers and extensions) or Registered Notes)*] [Notes may be offered and sold to QIBs/QIBs and Institutional Accredited Investors]
34.	Additional selling restrictions:	[Not Applicable/*give details*]

Operational Information

35.	Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
36.	Delivery:	Delivery [against/free of] payment
37.	Additional Paying Agent(s) (if any):	[●]

ISIN:	[●]
Common Code:	[●]
CUSIP: *(insert here any other relevant codes such as CINS)*	[Not Applicable/*specify*]

LISTING AND ADMISSION TO TRADING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list the issue of Notes described herein pursuant to the U.S.$15,000,000,000 Multi-currency Global Medium Term Note Program of the Issuer and the Guarantor.

[The [name of Stock Exchange] (the "[●] Stock Exchange") assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Pricing Supplement. Approval in-principle from, admission of the Notes to [the Official List] of, and the listing and quotation of the Notes on, the [●] Stock Exchange is not to be taken as an indication of the merits of the Issuer or the Guarantor, the Program or the Notes.][1]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: _____

Duly authorized

Signed on behalf of the Guarantor:

By: _____

Duly authorized

[1] Subject to change depending on requirement of the Stock Exchange for listing the Notes.

TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the "**Conditions**") of the Notes (as defined below) which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Notes (except that terms of all Tranches constituting a Series of Notes will be identical in all respects except for their respective Issue Dates, Interest Commencement Dates (if applicable) and/or Issue Prices (if applicable)). The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of the Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by PETRONAS Capital Limited or any additional issuer which is a Wholly-Owned Subsidiary of Petroliam Nasional Berhad (PETRONAS) (as defined below) and has acceded to the Program by executing an accession agreement pursuant to the terms of the Agency Agreement (as defined below) (each of PETRONAS Capital Limited and such additional issuers, in relation to the Notes issued by it, the "**Issuer**"). The Notes will be guaranteed by Petroliam Nasional Berhad (PETRONAS) (in such capacity, the "**Guarantor**") pursuant to the terms of the Agency Agreement.

References herein to the "**Notes**" shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of the lowest Specified Denomination in the Specified Currency (as defined below);

(b) any Global Note;

(c) any definitive Notes in bearer form ("**Bearer Notes**"), issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form ("**Registered Notes**") (whether or not issued in exchange for a Global Note in registered form).

The Notes, and in the case of the Bearer Notes, the Receipts (as defined below) and the Coupons (as defined below), are issued pursuant to, and have the benefit of, an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated March 4, 2015, and made among the Issuer, the Guarantor, The Bank of New York Mellon, London Branch, as principal paying agent (the "**Principal Paying Agent**", which term includes any successor thereto appointed pursuant to the terms of the Agency Agreement, and collectively (and together with the Paying Agents and Exchange Agents (both as defined below), the DTC Registrar and the Euroclear/Clearstream Registrar (each as defined below and a "**Registrar**"), the "**Agents**"), The Bank of New York Mellon, as paying agent (a "**Paying Agent**", which term includes any successor thereto or additional paying agent appointed pursuant to the terms of the Agency Agreement), exchange agent (an "**Exchange Agent**", which term includes any successor thereto or additional exchange agent appointed pursuant to the terms of the Agency Agreement), transfer agent (a "**Transfer Agent**", which term includes any successor thereto or additional transfer agent appointed pursuant to the terms of the Agency Agreement) and DTC registrar (the "**DTC Registrar**", which term includes any successor thereto), and The Bank of New York Mellon (Luxembourg) S.A., as the Euroclear/Clearstream registrar (the "**Euroclear/Clearstream Registrar**", which term includes any successor thereto) and Transfer Agent.

Interest-bearing definitive Bearer Notes have (unless otherwise indicated in the applicable Pricing Supplement) interest coupons ("**Coupons**") and, if indicated in the applicable Pricing Supplement, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in installments have receipts ("**Receipts**") for the payment of the installments of principal (other than the final installment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Conditions, and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the "**applicable Pricing Supplement**" are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to "**Noteholders**" or "**holders**" in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts, and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means Notes which are identical in all respects (including as to listing and admission to trading), and "**Series**" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates (if applicable) and/or Issue Prices (if applicable).

Copies of the Agency Agreement are available for inspection between 10:00 a.m. and 4:00 p.m., Monday to Friday (except on public holidays) at the specified office of each of the Paying Agents. Copies of the applicable Pricing Supplement are available for inspection during normal business hours at the specified office of each of the Paying Agents except that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be available for inspection by a Noteholder holding one or more unlisted Notes of such Series and such Noteholder must produce evidence satisfactory to the relevant Paying Agent as to its holding of such Notes and its identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings when used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, or between these Conditions and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be issued in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, will be serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination, and Bearer Notes may not be exchanged for Registered Notes and vice versa. Registered Notes are represented by registered certificates and, except as provided in Condition 2.3, each such certificate shall represent the entire holding of Registered Notes by the same holder.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Installment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement. This Note may also be a Limited Recourse Note, as indicated in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached and (if applicable) Receipts and Talons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to Bearer Notes, Receipts and Coupons will pass by delivery and title to Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph, and no person shall be liable for so treating the holder.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear system ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream**"), each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or Clearstream as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Agents as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such principal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such principal amount of such Notes in accordance with and subject to the terms of the relevant Global Note. For so long as The Depository Trust Company ("**DTC**") or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants. In each of the cases referred to above, the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, as the case may be. References to DTC, Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

2.1 *Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all

applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorized denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

2.2 ***Transfers of Registered Notes in definitive form***

Subject as provided in Conditions 2.5 (Transfers of Registered Notes—Transfers of interests in Regulation S Global Notes), 2.6 (Transfers of Registered Notes—Transfers of interests in Legended Notes) and 2.7 (Transfers of Registered Notes—Exchanges and transfers of Registered Notes generally), upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part in the authorized denominations set out in the applicable Pricing Supplement. In order to effect any such transfer (i) the holder or holders must (A) surrender the Registered Note for registration of the transfer of the Registered Note, or the relevant part of the Registered Note, at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorized in writing, and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent, and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Guarantor and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and make available for collection at the specified office of the Transfer Agent, or deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate principal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 ***Registration of transfer upon partial redemption***

In the event of a partial redemption of Notes under Condition 8 (Redemption and Purchase), the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 ***Costs of registration***

Neither the Agents nor the Noteholders will be required to bear the costs and expenses of effecting any registration of transfer as provided above, except that Noteholders shall bear any costs or expenses of delivery other than by regular uninsured mail and the Issuer (or the Guarantor) may require the payment by the Noteholders of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 ***Transfers of interests in Regulation S Global Notes***

Prior to expiry of the applicable Distribution Compliance Period (as defined below), transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note (as defined below) to a transferee in the United States or who is a U.S. person will only be made:

(a) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

(i) to a person whom the transferor reasonably believes is a QIB (as defined below) in a transaction meeting the requirements of Rule 144A (as defined below); or

(ii) to a person who is an Institutional Accredited Investor, in which case the Transfer Certificate must be accompanied by a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 3 of the Agency Agreement (an "**IAI Investment Letter**"); or

(b) otherwise pursuant to the Securities Act (as defined below) or an exemption therefrom, subject to receipt by the Issuer and the Guarantor of such satisfactory evidence as the Issuer and the Guarantor may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the case of (i) above, such transferee may take delivery through a Legended Note (as defined below) in global or definitive form, and, in the case of (ii) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period, (a) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC, and (b) such certification requirements will no longer apply to such transfers.

2.6 ***Transfers of interests in Legended Notes***

Transfers of Legended Notes or beneficial interests therein may be made:

(a) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S (as defined below) and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or

(b) to a transferee who takes delivery of such interest through a Legended Note:

(i) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(ii) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or

(c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer and the Guarantor of such satisfactory evidence as the Issuer and the Guarantor may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer and the Guarantor such satisfactory evidence as may reasonably be required by the Issuer and the Guarantor, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

2.7 ***Exchanges and transfers of Registered Notes generally***

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type, subject to compliance with applicable legal and regulatory restrictions and upon the terms and conditions set forth in the Agency Agreement.

2.8 ***Closed Periods***

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for any redemption, payment of principal or interest or other payment on such Note, (ii) during the 15 days before any dates on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 8.3 (Redemption and Purchase—Redemption at the option of the Issuer ("Issuer Call")), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined below).

2.9 ***Definitions***

In this Condition, the following expressions shall have the following meanings:

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer(s) (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

"**Institutional Accredited Investor**" means "**accredited investors**" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions;

"**Legended Note**" means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

"**QIB**" means a "**qualified institutional buyer**" within the meaning of Rule 144A;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Note**" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"**Rule 144A**" means Rule 144A under the Securities Act; and

"**Securities Act**" means the United States Securities Act of 1933, as amended.

3. STATUS OF THE NOTES; GUARANTEE

3.1 ***Notes***

The Notes and any Receipts and Coupons relating thereto are direct, unconditional, unsubordinated and (subject to Condition 4 (Certain Covenants)) unsecured general obligations of the relevant Issuer and shall at all times rank pari passu, without any preference among themselves and equally with all other unsecured and unsubordinated general obligations of the Issuer, from time to time outstanding. It is understood that this provision shall not be construed so as to require the Issuer to make payments under the Notes, Receipts and Coupons ratably with payments being made under any other indebtedness of the Issuer.

The Notes and any Receipts and Coupons relating thereto are guaranteed as to payment of principal and interest by the Guarantor as set forth in Condition 3.2 below.

3.2 ***Guarantee***

The Guarantor unconditionally and irrevocably guarantees to each holder of the Notes and any Receipts and Coupons relating thereto the payment of the principal of and premium, if any, and interest, if any, on the Notes and the related Receipts and Coupons, when and as the same shall become due and payable, subject to any applicable grace period, whether at maturity, by acceleration, redemption or otherwise. The Guarantor's obligations in that respect with respect to each Tranche shall be contained in a guarantee (the "**Guarantee**") to be dated as at the Issue Date in respect of the relevant Tranche to be issued by the Guarantor.

The Guarantee is a guarantee of payment and not a guarantee of collection.

The Guarantee is a direct, unconditional, unsubordinated and (subject to Condition 4 (Certain Covenants)) unsecured general obligation of the Guarantor and shall at all times rank pari passu and equally with all other unsecured and unsubordinated general obligations of the Guarantor, from time to time outstanding. It is understood that this provision shall not be construed so as to require the Guarantor to make payments under the Guarantee ratably with payments being made under any other indebtedness of the Guarantor.

The Guarantor has agreed that its obligations under the Guarantee will be as if it were principal debtor and not merely surety, and will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes. In addition, the Guarantor has expressly waived any right to require any holder of the Notes to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Guarantee. The Guarantee will not be discharged with respect to any Note except by complete performance of the Guarantor's obligations to the holders of the Notes contained in the Notes. Moreover, if at any time any payment of principal of, or interest on, any Note is restored or otherwise returned, whether as required by any court or otherwise, the Guarantee will be reinstated with respect to such payments as though such payments had not been made.

4. CERTAIN COVENANTS

4.1 *Negative Pledge*

So long as any of the Notes of this Series are outstanding, the Guarantor (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 the Guarantee relating to the Notes of this Series 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 clauses (i) through (viii) below) plus Attributable Debt (as defined below) of the Guarantor in respect of Sale/Leaseback Transactions (as defined below) described under Condition 4.2(x) below would not exceed 15 percent 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 first issue of this Series of Notes;

(ii) any Lien existing on any property or asset prior to the acquisition thereof by the Guarantor 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 Guarantor;

(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 that are not overdue for a period of more than 30 days or that are contested in good faith through appropriate proceedings;

(vii) any Lien arising by operation of law that is promptly discharged or that is contested in good faith through appropriate proceedings; or

(viii) any Lien on cash, cash equivalents or marketable securities created to secure set-off arrangements or hedging transactions.

4.2 *Limitation Upon Sale and Leaseback Transactions*

So long as any of the Notes of this Series are outstanding, the Guarantor (not including any of its subsidiaries) shall not enter into any Sale/Leaseback Transaction, unless either (x) the Attributable Debt of the Guarantor 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 (viii) of Condition 4.1 above), which Liens do not equally and ratably secure the Guarantee relating to such Notes, would not exceed 15

percent of Consolidated Net Tangible Assets, or (y) the Guarantor, within 12 months after such Sale/Leaseback Transaction, applies to the retirement of Indebtedness of the Guarantor that is not subordinate to any of the Notes of this Series, 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 Guarantor). The foregoing restriction shall not apply to any transaction between the Guarantor and a subsidiary.

4.3 ***Certain Definitions***

In these Conditions, the following expressions have the following meanings:

"**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 the total amount of assets of the Guarantor and its consolidated subsidiaries as set forth on the most recent available audited balance sheet of the Guarantor 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 Guarantor and its consolidated subsidiaries available immediately prior to the date on which the Notes of this Series is first 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 Guarantor, for an initial term of three years or more, of any property or other assets, whether owned on the date of first issue of this Series of Notes or thereafter acquired, which are to be sold or transferred by the Guarantor after the date of first issue of this Series of Notes 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 Malaysia.

4.4 ***Merger or Consolidation***

(a) *Issue Merger or Consolidation*

Nothing contained in the Agency Agreement or in the Notes of any Series shall prevent any consolidation of the Issuer with, or merger of the Issuer into, any other corporation or corporations (whether or not affiliated with the Issuer), or successive consolidations or mergers to which the Issuer or its successor or successors shall be a party or parties, or shall prevent any sale, transfer, lease or conveyance of the property of the Issuer as an entirety or substantially as an entirety; provided that:

(i) in case the Issuer shall consolidate with or merge into another corporation, or sell, transfer, lease or convey its property as an entirety or substantially as an entirety to any corporation, the corporation formed by such consolidation or into which the Issuer is merged or the corporation which acquires by sale, transfer, lease or conveyance the property of the Issuer as an entirety or substantially as an entirety shall be a corporation organized under the laws of Malaysia and shall expressly assume, by an agreement supplemental hereto executed and delivered to, and in form reasonably satisfactory to, the Principal Paying Agent, the due and

punctual payment of the principal and premium, if any, of and interest on the Notes of any Series then outstanding, and any additional amounts, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Agency Agreement, and the Notes of any Series then outstanding on the part of the Issuer to be performed or observed;

(ii) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Issuer as a result of such transaction as having been incurred by the Issuer at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(iii) the Issuer has delivered to the Principal Paying Agent an officer's certificate and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement comply with the Agency Agreement and the Notes of all Series then outstanding and that all conditions precedent herein provided for relating to such transaction have been complied with.

(b) *Guarantor Merger or Consolidation*

Nothing contained in the Agency Agreement or in the Notes of any Series shall prevent any consolidation of the Guarantor with, or merger of the Guarantor into, any other corporation or corporations (whether or not affiliated with the Guarantor), or successive consolidations or mergers to which the Guarantor or its successor or successors shall be a party or parties, or shall prevent any sale, transfer, lease or conveyance of the property of the Guarantor as an entirety or substantially as an entirety; provided that:

(i) in case the Guarantor shall consolidate with or merge into another corporation, or sell, transfer, lease or convey its property as an entirety or substantially as an entirety to any corporation, the corporation formed by such consolidation or into which the Guarantor is merged or the corporation which acquires by sale, transfer, lease or conveyance the property of the Guarantor as an entirety or substantially as an entirety shall be a corporation organized under the laws of Malaysia and shall expressly assume, by an agreement supplemental hereto executed and delivered to, and in form reasonably satisfactory to, the Principal Paying Agent, the due and punctual payment of the principal and premium, if any, of and interest on the Notes of any Series then outstanding, and any additional amounts, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Agency Agreement, the notes of any Series and the Guarantee then outstanding on the part of the Guarantor to be performed or observed;

(ii) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Guarantor as a result of such transaction as having been incurred by the Guarantor at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing;

(iii) if, as a result of any such consolidation or merger or such sale, transfer, lease or conveyance, properties or assets of the Guarantor would become subject to a Lien which would not be permitted by the Notes of any Series or the Guarantee then outstanding, the Guarantor or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Guarantee (together with, if the Guarantor shall so determine, any other indebtedness of the Guarantor then existing or thereafter created which is not subordinate to the Guarantee) equally and ratably with (or prior to) all indebtedness secured thereby; and

(iv) the Guarantor has delivered to the Principal Paying Agent an officer's certificate and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement comply with the Agency Agreement and the Guarantee and that all conditions precedent herein provided for relating to such transaction have been complied with.

4.5 ***Provision of Information to Noteholders***

The Guarantor covenants that for so long as any of the Notes are "restricted securities" within the meaning of Rule 144 under the Securities Act, it will, at any time when it is not subject to either the periodic reporting requirements of Section 13 or Section 15(d) of the Exchange Act or the requirements of Rule 12g3-2(b) thereunder, provide to any Noteholder or prospective purchaser of Notes designated by such Noteholder, upon the request of such Noteholder or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

4.6 ***Ownership and Operations of the Issuer***

The Guarantor will cause the Issuer to at all times during which any Note of this Series is outstanding remain a Wholly-Owned Subsidiary of the Guarantor. The Issuer shall not carry on any business activity other than acting as a finance subsidiary for the Guarantor. For the purposes of these Conditions, "**Wholly-Owned Subsidiary of the Guarantor**" means a subsidiary of the Guarantor 100% of the outstanding capital stock or other ownership interests of which (other than directors' qualifying shares or such minimum number of shares of capital stock owned by another person that is necessary to meet the shareholder requirements under applicable law) shall at the time be owned by the Guarantor or by one or more Wholly-Owned Subsidiaries of the Guarantor.

5. INTEREST

5.1 ***Interest on Fixed Rate Notes***

Each Fixed Rate Note bears interest on its outstanding principal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding principal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the

Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

In these Conditions:

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest, in accordance with this Condition 5.1:

(a) if "**Actual/Actual (ICMA)**" is specified in the applicable Pricing Supplement:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period (as defined below) and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(b) if "**30/360**" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

"**Determination Period**" means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

"**Fixed Interest Period**" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

"**sub-unit**" means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, one cent.

5.2 ***Interest on Floating Rate Notes and Index Linked Interest Notes***

(a) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding principal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2 (Interest—Interest on Floating Rate Notes and Index Linked Interest Notes—(a)(ii)) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day, and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, "**Business Day**" means a day which is both:

(x) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, New York and any Additional Business Center specified in the applicable Pricing Supplement; and

(y) either (i) in relation to any sum payable in a Specified Currency other than Euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than London, New York and any Additional Business Center and which, if the Specified Currency is Canadian dollars, Australian dollars or New Zealand dollars, shall be Toronto, Melbourne or Wellington, respectively); or (ii) in relation to any sum payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the "**TARGET2 System**") is open; or (iii) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets in Hong Kong are open for general business and settlement of payments in Renminbi.

(b) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement, which may be "ISDA Determination," or "Screen Rate Determination", as described below.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of this Series (the "**ISDA Definitions**") and under which:

(1) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**"), the Euro-zone inter-bank offered rate ("**EURIBOR**") or the Hong Kong inter-bank offered rate ("**HIBOR**"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Notes

(A) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR, or Hong Kong time, in the case of HIBOR), or at 11:15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2:30 p.m. (Hong Kong time), then at 2:30 p.m. (in the case of CNH Hong Kong inter-bank offered rate, or "**CNH HIBOR**") (such time, the "**Specified Time**") on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(B) If the Relevant Screen Page is not available as at the Specified Time or, if in the case of Condition 5.2(b)(ii)(A)(1) above, no such offered quotation appears or, in the case of Condition 5.2(b)(ii)(A)(2) above, fewer than three such offered quotations appear, in each case as at the Specified Time, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent. "**Reference Banks**" means, in the case of Condition 5.2(b)(ii)(A)(1) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of Condition 5.2(b)(ii)(A)(2) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared; and shall be (in the case of a determination of LIBOR) the principal London office of four major banks in the London inter-bank market, (in the case of a determination of EURIBOR) the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, (in the case of a determination of HIBOR) the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, and (in the case of a determination of CNH HIBOR) the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, in each case selected by the Calculation Agent in agreement with the Issuer and the Guarantor or as specified in the applicable Pricing Supplement.

(C) If on any Interest Determination Date fewer than two Reference Banks provide the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Hong Kong inter-bank market (if the Reference Rate is HIBOR or CNH HIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which

would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer and the Guarantor suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Hong Kong inter-bank market (if the Reference Rate is HIBOR or CNH HIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period).

(D) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR, EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(c) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Calculation Agent, in the case of certain Floating Rate Notes and in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period, subject to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement. The Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the "**Interest Amount**") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding principal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit

being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(1) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(2) if "**Actual/365 (Fixed)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(3) if "**Actual/365 (Sterling)**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365, or in the case of an Interest Payment Date falling in a leap year, 366;

(4) if "**Actual/360**" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(5) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(6) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

(7) if "**30E/360 (ISDA)**" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D2 will be 30.

(e) *Notification of Rate of Interest and Interest Amounts*

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and, except where the relevant Notes are unlisted and are in global form and held in their entirety on behalf of DTC, Euroclear or Clearstream, in which event there may be substituted for such publication the delivery of such notice to DTC, Euroclear or Clearstream, for communication to the holders of the Notes, notice thereof to be published in accordance with Condition 15 (Notices) as soon as practicable after their determination but in no event later than the fourth London Business Day (as defined below) thereafter, provided that such notification details are provided by the Issuer to the Agent, or in accordance with Annex D of the Procedures Memorandum. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer and each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15 (Notices). For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of willful misconduct, fraud or gross negligence) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 ***Zero Coupon Notes***

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount (as defined below) of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such Note shall be a rate per annum (expressed as a percentage) equal to the Accrual Yield (as described in paragraph (c) of Condition 8.6).

5.4 ***Interest on Dual Currency Interest Notes***

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

5.5 ***Interest on Partly Paid Notes***

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

5.6 ***Accrual of Interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15 (Notices).

6. LIMITED RECOURSE

The amounts payable in respect of the Limited Recourse Notes shall be determined in the manner specified in the applicable Pricing Supplement.

7. PAYMENTS

7.1 ***Method of payment***

Subject as provided below:

(a) payments in a Specified Currency other than Euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a check in such Specified Currency drawn on, a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Canadian dollars, Australian dollars or New Zealand dollars, shall be Toronto, Melbourne or Wellington, respectively);

(b) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro check; and

(c) payments in Renminbi will be made by a transfer to a Renminbi account maintained by or on behalf of the payee with a bank in Hong Kong.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (Taxation). References to "**Specified Currency**" will include any successor currency under applicable law and exclude the Malaysian Ringgit.

7.2 ***Presentation of definitive Bearer Notes, Receipts and Coupons***

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 (Payments—Method of payment) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) and in each case payments will not be made by a transfer of funds to an account maintained by the payee in the United States or mailed to an address in the United States.

Payments of installments of principal (if any) in respect of definitive Bearer Notes, other than the final installment, will (subject as provided below) be made in the manner provided in Condition 7.1 (Payments—Method of payment) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final installment will be made in the manner provided in Condition 7.1 (Payments—Method of payment) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant installment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9 (Taxation)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10 (Prescription)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose principal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the principal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

7.3 ***Payments in respect of Bearer Global Notes***

Payments of principal and interest (if any) in respect of any Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the relevant Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

7.4 ***Payments in respect of Registered Notes***

Payments of principal (other than installments of principal prior to the final installment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the "**Register**"), (i) where the Notes are in global form, at the close of the business day (being for this purpose, a day on which Euroclear, Clearstream or DTC, as the case may be, are open for business in respect of Notes cleared through Euroclear, Clearstream or DTC, as the case may be) before the relevant due date and (ii) where the Notes are in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than U.S.$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a check in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, "**Designated Account**" means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and, in the case of payment in Renminbi, means a Renminbi account maintained by or on behalf of the payee with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth Hong Kong business day before the due date for payment) maintained by a holder with a Designated Bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than Euro and Renminbi) a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Canadian dollars, Australian dollars or New Zealand dollars, shall be Toronto, Melbourne or Wellington, respectively), (in the case of a payment in Euro) any bank which processes payments in Euro, and (in the case of a payment in Renminbi) a bank in Hong Kong that settles payments in Renminbi.

Payments of interest and payments of installments of principal (other than the final installment) in respect of each Registered Note (whether or not in global form) will be made (A) in the case of payments of interest in a Specified Currency other than Renminbi, by a check in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the relevant Register, or (B) in the case of payments of interest in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the payee with a bank in Hong Kong, in each case (i) where the Notes are in global form, at the close of business day (being for this purpose, a day on which Euroclear, Clearstream or DTC, as the case may be, are open for business in respect of Notes cleared through Euroclear, Clearstream or DTC, as the case may be) before the relevant due date and (ii) where the Notes are in definitive form, at the close of business on the fifth Hong Kong business day (in the case of Renminbi) or on the fifteenth day (in the case of a Specified Currency other than Renminbi, whether or not such day is a business day) before the relevant due date (the "**Record Date**") at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest or an installment of principal (other than the final installment) in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and installments of principal (other than the final installment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a check posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Guarantor or any of the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 ***General provisions applicable to payments***

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer (and the Guarantor) will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, as the beneficial holder of a particular principal amount of Notes represented by such Global Note must look solely to DTC, Euroclear or Clearstream, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer and the Guarantor have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

7.6 ***Payment Day***

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "**Payment Day**" means any day which (subject to Condition 10 (Prescription) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Notes in definitive form only, the relevant place of presentation;

(ii) London and New York; and

(iii) any Additional Financial Center specified in the applicable Pricing Supplement;

(b) either (1) in relation to any sum payable in a Specified Currency other than Euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (which if the Specified Currency is Canadian dollars, Australian dollars or New Zealand dollars shall be Toronto, Melbourne or Wellington, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET2 System is open; or (3) in relation to any sum payable in Renminbi, a day on which commercial banks and foreign exchange markets in Hong Kong are open for general business and settlement of payments in Renminbi; and

(c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorized or required by law or regulation to be closed in New York City.

7.7 ***Interpretation of principal and interest***

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 9 (Taxation);

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in installments, the Installment Amounts;

(f) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 8.6 (Redemption and Purchase—Early Redemption Amounts)); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 (Taxation).

7.8 ***Currency of Payment:***

If any payment in respect of this Note is payable in a Specified Currency other than U.S. dollars that is no longer used by the government of the country issuing such currency for the payment of public and private debts or used for settlement of transactions by public institutions in such country or within the international banking community, or in a Specified Currency that is not expected to be available, when any payment on this Note is due as a result of circumstances beyond the control of the Issuer and the Guarantor, the Issuer and the Guarantor shall be entitled to satisfy their obligations in respect of such payment by making such payment in U.S. dollars on the basis of the noon buying rate in U.S. dollars in New York City for wire transfers for such Specified Currency as published by the Federal Reserve Bank of New York on the second Business Day prior to such payment or, if such rate is not available on such second Business Day or is not so published, on the basis of the rate most recently available to the Calculation Agent on or prior to such second Business Day. Any payment made by the Issuer or the Guarantor under such circumstances in such other currency or U.S. dollars will constitute valid payment, and will not constitute a default in respect of this Note. For the purpose of this Condition 7.8, "Business Day" means a day on which the Federal Reserve Bank of New York is open for business in New York City.

8. REDEMPTION AND PURCHASE

8.1 ***Redemption at maturity***

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

8.2 ***Redemption for tax reasons***

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the applicable Agent and, in accordance with Condition 15 (Notices), the Noteholders (which notice shall be irrevocable), if:

(a) the Issuer or (if the Guarantor is required to make payments under the Guarantee) the Guarantor has or will become obligated to pay the additional amounts as provided or referred to in Condition 9 (Taxation) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9 (Taxation)) or any regulations or rulings promulgated thereunder, or any change in the official application or official interpretation of such laws or regulations or rulings, or any change in the official application or official interpretation of, or any execution of or amendment to, any treaty or treaties affecting in taxation to which the Tax Jurisdiction is a party, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes of the relevant Series; and

(b) such obligation cannot be avoided by the Issuer or the Guarantor, taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obligated to pay such additional amounts were a payment in respect of the Notes (or the Guarantee), then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer or the Guarantor shall deliver to the Principal Paying Agent a certificate signed by an authorized officer of the Issuer or the Guarantor, stating that the Issuer or the Guarantor is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer or the Guarantor so to redeem have occurred.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.6 (Redemption and Purchase—Early Redemption Amounts) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

8.3 ***Redemption at the option of the Issuer ("Issuer Call")***

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

(a) not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (Notices); and

(b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a principal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of DTC, Euroclear and/or Clearstream, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 (Notices) not less than 15 days prior to the date fixed for redemption. The aggregate principal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate principal amount of all Redeemed Notes as the aggregate principal amount of definitive Notes outstanding bears to the aggregate principal amount of the Notes outstanding, in each case on the Selection Date, provided that, such first mentioned principal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate principal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 (Notices) at least five days prior to the Selection Date.

8.4 ***Redemption at the option of the Noteholders ("Investor Put")***

If Investor Put is specified in the applicable Pricing Supplement, then, if and to the extent specified in the applicable Pricing Supplement, upon the holder of any Note, giving to the Issuer, in accordance with Condition 15 (Notices), not less than 15 nor more than 30 days' notice (or such other notice period as is specified in the applicable Pricing Supplement) (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement in whole (but not in part), such Note on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Pricing Supplement, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date. It may be that before an Investor

Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions relating to such conditions and circumstances will be set out in the applicable Pricing Supplement. Registered Notes may be redeemed under this Condition 8.4 in any multiple of their lowest Specified Denomination.

While any Bearer Note that was issued in accordance with TEFRA D is held in the form of a Temporary Bearer Global Note, the right described in this Condition 8.4 will be available only to the extent that non-U.S. beneficial ownership certification has been received by the relevant Issuer or its agent pursuant to TEFRA D.

8.5 ***Put Notices***

To exercise the right to require redemption of this Note pursuant to Condition 8.4 (Redemption and Purchase—Redemption at the option of the Noteholders ("Investor Put")), the Noteholder must deliver, at the specified office of the relevant Paying Agent (in the case of Bearer Notes) or the relevant Registrar (in the case of Registered Notes), at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, the Note (except for a Global Note) together with a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of the Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by check, an address) to which payment is to be made under this Condition or evidence satisfactory to the Paying Agent concerned or, as the case may be, the Registrar that the Note will, following delivery of the Put Notice, be held to its order or under its control and, in the case of Registered Notes, the principal amount thereof to be redeemed and, if less than the full principal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2 (Transfers of Registered Notes—Transfers of Registered Notes in definitive form). If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the relevant Paying Agent concerned that this Note will, following delivery of the Put Notices, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through DTC, Euroclear or Clearstream, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Paying Agent of such exercise in accordance with the standard procedures of DTC, Euroclear and/or Clearstream (as the case may be) (which may include notice being given on his instruction by DTC, Euroclear and/or Clearstream or any common depositary for them to the relevant Paying Agent by electronic means) in a form acceptable to DTC, Euroclear and/or Clearstream (as the case may be) from time to time and at the same time present or procure the presentation of the relevant Global Note to the Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of DTC, Euroclear and/or Clearstream given by a holder of any Note pursuant to Condition 8.4 (Redemption and Purchase—Redemption at the option of the Noteholders ("Investor Put")) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event, such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to Condition 8.4 (Redemption and Purchase—Redemption at the option of the Noteholders ("Investor Put")) and instead to declare such Note forthwith due and payable pursuant to Condition 11 (Events of Default).

8.6 ***Early Redemption Amounts***

For the purpose of Condition 8.2 (Redemption and Purchase—Redemption for tax reasons) above and Condition 11 (Events of Default), each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Installment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its principal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the "**Amortized Face Amount**") calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1+AY)^{y}$

where:

"**RP**" means the Reference Price;

"**AY**" means the Accrual Yield expressed as a decimal; and

"**y**" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes of the relevant Series to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360, or on such other calculation basis as may be specified in the applicable Pricing Supplement.

8.7 ***Installments***

Installment Notes will be redeemed in the Installment Amounts and on the Installment Dates. The outstanding principal amount of each such Note shall be reduced by the Installment Amount (or, if such Installment Amount is calculated by reference to a proportion of the principal amount of such Note, such proportion) for all purposes with effect from the related Installment Date, unless payment of the Installment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date (as defined in Condition 9 (Taxation)) relating to such Installment Amount. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.6 (Redemption and Purchase—Early Redemption Amounts) above.

8.8 ***Partly Paid Notes***

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

8.9 ***Purchases***

The Issuer, the Guarantor and any of their respective subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) by tender (available to all Noteholders alike) or in the open market at any price. If the Issuer, the Guarantor or any of their respective subsidiaries shall acquire any Notes, such acquisition shall not operate as or be deemed for any purpose to be a

satisfaction of the indebtedness represented by such Notes unless and until such Notes are delivered to the relevant Paying Agent and/or the Registrar for cancellation and are cancelled and retired by such Paying Agent and/or the Registrar. Notes purchased or otherwise acquired or held by or on behalf of the Issuer, the Guarantor or any of their respective subsidiaries may be held, reissued, resold or, at their discretion, surrendered to any Paying Agent and/or the Registrar for cancellation. Notes purchased or otherwise acquired or held by or on behalf of the Issuer, the Guarantor or any of their respective subsidiaries shall not have voting rights at meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders.

8.10 ***Cancellation***

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 8.9 (Redemption and Purchase—Purchases) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and cannot be reissued or resold.

8.11 ***Late payment on Zero Coupon Notes***

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1 (Redemption and Purchase—Redemption at maturity), 8.2 (Redemption and Purchase—Redemption for tax reasons), 8.3 (Redemption and Purchase—Redemption at the option of the Issuer ("Issuer Call"), or 8.4 (Redemption and Purchase—Redemption at the option of the Noteholders ("Investor Put") above or upon its becoming due and repayable as provided in Condition 11 (Events of Default) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (c) of Condition 8.6 (Redemption and Purchase—Early Redemption Amounts) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(b) the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or, in the case of Registered Notes, the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 15 (Notices).

8.12 ***Obligation to redeem***

Upon the expiry of any notice as is referred to in Condition 8.2 (Redemption and Purchase—Redemption for tax reasons), 8.3 (Redemption and Purchase—Redemption at the option of the Issuer ("Issuer Call")), or 8.4 (Redemption and Purchase—Redemption at the option of the Noteholders ("Investor Put")) above, the Issuer, failing whom, the Guarantor, shall be bound to redeem the Notes to which the notice referred at the relevant redemption price applicable at the date of such redemption together with, if appropriate, interest accrued to (but excluding) the relevant redemption date.

9. **TAXATION**

All payments of principal and interest in respect of the Notes, Receipts and Coupons or under the Guarantee by or on behalf of the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the relevant Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer (or the Guarantor) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) where such withholding or deduction is imposed on a payment to a holder or beneficial owner of such Note, Receipt or Coupon by reason of such holder or beneficial owner being or having been connected with the relevant Tax Jurisdiction (or any political subdivision thereof) other than merely by holding such Note, Receipt or Coupon or receiving principal or interest or other payments in respect thereof; or

(b) where the holder or any other person who holds an interest in the Note, Receipt or Coupon is a fiduciary, a partnership or any person other than the sole beneficial owner of such payment, and such withholding or deduction 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 Note, Receipt or Coupon; or

(c) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6 (Payments—Payment Day)); or

(d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) where such withholding or deduction is imposed pursuant to FATCA; or

(f) presented for payment (where presentation is required) by or on behalf of a holder or any other person if such holder or other person would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a member state of the European Union; or

(g) where such withholding or deduction is imposed on a payment to a holder or beneficial owner or any other person who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if the Principal Paying Agent has been notified in writing by the Issuer (or the Guarantor) of the opportunity to make such a declaration or claim (such notice to be provided by the Principal Paying Agent to the relevant clearing organization); or

(h) any combination of paragraphs (a), (b), (c), (d), (e), (f) or (g) above.

As used herein:

(i) "**Tax Jurisdiction**" means, with respect to the Issuer and the Guarantor, Malaysia or any political subdivision or any authority thereof or therein (including Labuan) having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor becomes subject in respect of payments made by it of principal and interest on the Notes, Receipts or Coupons or under the Guarantee, as the case may be, through such jurisdiction;

(ii) the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the relevant Agent or the relevant Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15 (Notices); and

(iii) "**FATCA**" means 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.

The obligation to pay 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 of principal of, or interest or premium on, the Notes, Receipts or Coupons; provided that, except as otherwise set forth in these Conditions and in the Agency Agreement, the Issuer (or the Guarantor, as applicable) shall pay all stamp and other duties, if any, which may be imposed by Malaysia, Labuan, the United States or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the Agency Agreement or as a consequence of the issuance of the first Tranche of the Notes of the relevant Series.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note, Receipt or Coupon, such mention shall be deemed to include payment of additional amounts to the extent that, in such context, additional amounts are, were or would be payable in respect thereof.

10. PRESCRIPTION

Any monies paid by the Issuer or the Guarantor to the Paying Agents for the payment of the principal of or interest on any Notes and remaining unclaimed at the end of two years after such principal or interest shall have become due and payable shall then be repaid to the Issuer or the Guarantor, and upon such repayment, all liability of the Paying Agent with respect to such monies shall thereupon cease and any Holder representing a claim therefor shall thereafter look only to the Issuer or the Guarantor for payment thereof.

Under New York law, any legal action upon the Notes must be commenced within six years after the payment thereof is due. Thereafter, the Notes will generally become unenforceable.

11. EVENTS OF DEFAULT

The occurrence and continuance of the following will constitute events of default with respect to the Notes ("**Events of Default**"):

(a) default in the payment of any installment of interest upon any of the Notes 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 part of the principal of any of the Notes as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise; or

(c) failure on the part of the Issuer duly to observe or perform any of the other covenants or agreements on the part of the Issuer contained in the Notes of the relevant Series or in the Agency Agreement 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 Notes of the relevant Series 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 Principal Paying Agent by the holders of at least 10 percent in aggregate principal amount of the Notes of the relevant Series at the time outstanding; or

(d) failure on the part of the Guarantor to duly observe or perform any other of the covenants or agreements on the part of the Guarantor contained in the Guarantee or the Agency Agreement 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 the Guarantor remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Guarantor at its specified office with a copy to the Principal Paying Agent at its specified office by the holders of at least 10 percent in aggregate principal amount of the Notes of the relevant Series 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 the Guarantor 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 Guarantor 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 Guarantor 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 the Guarantor; 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 the Guarantor 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 the Guarantor 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 the Guarantor 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 the Guarantor 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 the Guarantor 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 an Event of Default with respect to the Notes of a given Series at the time outstanding occurs, the holders of not less than 25 percent in aggregate principal amount of the Notes of such Series then outstanding, by written demand to the Issuer and the Guarantor at their specified offices with a copy to the Principal Paying Agent at its specified address, may declare the principal (or, if the Notes of such Series are Original Issue Discount Notes (as defined below), such portion of the principal amount as may be specified in the terms of such Notes) of all the Notes of such Series and the interest accrued thereon immediately due and payable.

However, the Notes of such Series shall not be due and payable immediately if, prior to the time when the Issuer and the Guarantor receives such notice, all Events of Default provided for herein in respect of the Notes of such Series shall have been cured. Upon such declaration, the Principal Paying Agent shall give notice thereof to the Issuer or the Guarantor and to the holders of the Notes of such Series, by mail and publication as provided herein. If, at any time after any such declaration and before any judgment or decree for the payment of the monies due shall have been obtained or entered, the Issuer or the Guarantor pays or deposits with the Principal Paying Agent all amounts then due with respect to the Notes of such Series (other than amounts due solely because of such declaration) and cures all other Events of Default with respect to the Notes of such Series, such defaults may be waived and such declaration may be annulled and rescinded by the holders of more than 50 percent in aggregate outstanding principal amount of the Notes of such Series by written notice thereof to the Issuer or the Guarantor at their specified offices with a copy to the Principal Paying Agent at its specified office.

For the purpose of this Condition 11, "**Original Issue Discount Notes**" mean any Notes of a Series that provide for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof.

For the purposes of Conditions 11(e) and (f) above, any indebtedness which is in a currency other than U.S. dollars may be translated into U.S. dollars at the spot rate of the sale of U.S. dollars against the purchase of the relevant currency quoted by any leading bank on any day when a quotation is required for such purposes.

The Principal Paying Agent need not do anything to ascertain whether any Event of Default has occurred or is continuing and will not be responsible to the Issuer, the Guarantor, the Noteholders or any other person for any loss arising from any failure by it to do so, and, unless and until the Principal Paying Agent otherwise has received notice in writing to the contrary, the Principal Paying Agent may assume that no such event has occurred and that the Issuer is performing all its obligations under the Conditions.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the relevant Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Agents may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any Stock Exchange or admitted to trading by any other relevant authority, there will at all times be (in the case of Bearer Notes) a Paying Agent, which may be the Principal Paying Agent, and (in the case of Registered Notes) a Transfer Agent, which may be the Registrar, with a specified office in such place as may be required by the rules and regulations of the relevant Stock Exchange or any other relevant authority (and in the case of Bearer Notes, outside the United States);

(c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York, London or Hong Kong; and

(d) there will be at all times a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the Issuer and the Guarantor shall immediately appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5 (Payments—General provisions applicable to payments). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 15 (Notices).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10 (Prescription). Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

15. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published by the Issuer or the Guarantor in a leading English language daily newspaper of general circulation in London (which is expected to be the Financial Times) and in a leading English language daily newspaper of general circulation in (which is expected to be the Wall Street Journal), or if publication in either such newspaper is not practicable, notice shall be given in such other English language newspaper of general circulation in Europe or in the United States, as the case may be, as the Principal Paying Agent may approve. The Issuer or the Guarantor, shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Bearer Notes 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.

All notices regarding the Registered Notes will be deemed to be validly given if (a) sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing, and (b) in addition, if and for so long as the Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of DTC, Euroclear and/or Clearstream, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to DTC, Euroclear and/or Clearstream for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or any other relevant authority so require, such notice will be published in a manner specified by those rules. Any such notice shall be deemed to have been given to the holders of the Notes one day after the day on which the said notice was given to DTC, Euroclear and/or Clearstream.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). So long as any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through DTC, Euroclear and/or Clearstream, as the case may be, in such manner as the Principal Paying Agent, the Registrar and DTC, Euroclear and/or Clearstream, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this condition.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

16.1 ***Meetings of Noteholders***

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and the Guarantor or upon a requisition in writing of Noteholders holding not less than 25% in principal amount of the Notes of the applicable Series for the time being outstanding after such Notes shall have become due and payable due to an Event of Default. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50% in principal amount of the Notes of the applicable Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes of the applicable Series so held or represented. However, at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the due date for payment of principal, premium, redemption amount or interest thereof, reducing the amount of principal, premium or redemption amount or the rate of interest payable in respect of the Notes, varying the method of or basis for calculating redemption amount, altering the currency of payment of the principal, premium, redemption amount or interest of the Notes, Receipts or Coupons, modifying or cancelling the Guarantee, modifying the majority required to pass an Extraordinary Resolution, or sanctioning any scheme or proposal for the exchange or sale of the Notes), the quorum shall be one or more persons holding or representing not less than 75% in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than 25%, in principal amount of the Notes for the time being outstanding. Any resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting and whether or not they are voting, and on all Receiptholders and Couponholders.

16.2 ***Modifications and Waivers***

The Principal Paying Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons, the Conditions, the Agency Agreement or the Guarantee which is not materially prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Receipts, the Coupons, the Conditions, the Agency Agreement or the Guarantee which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 (Notices) as soon as practicable thereafter.

17. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders, create and issue further notes with the same terms and conditions as the Notes in all respects except for the amount and date of the first payment of interest thereon so that such further issue shall be consolidated and form a single Series with the outstanding Notes; provided that, in the case of Bearer Notes initially represented by interests in a Temporary Bearer Global Note exchangeable for interests in a Permanent Bearer Global Note or definitive Bearer Notes, such

consolidation will occur only upon certification of non-U.S. beneficial ownership and exchange of interests in the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note or definitive Bearer Notes; provided further that, further notes must be fungible with the outstanding Notes for United States federal income tax purposes.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 ***Governing law***

The Agency Agreement, the Notes, the Guarantee, the Receipts and the Coupons are governed by, and shall be construed in accordance with, the law of the State of New York.

18.2 ***Submission to jurisdiction; Waiver of immunity; Appointment of Agent***

Each of the Issuer and the Guarantor (a) agrees that any legal suit, action or proceeding arising out of or based upon the Notes, the Guarantee, the Receipts/or the Coupons may be instituted in any state or federal court in the State and County of New York, United States of America, (b) irrevocably waives, to the fullest extent permitted by law, any objection which it may have now or hereafter to the laying of the venue of any such suit, action or proceeding and any claim of inconvenient forum, and (c) irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. To the extent that the Issuer or the Guarantor has or hereafter may acquire any immunity from any jurisdiction of any court or from any legal process with respect to itself or its property, each of the Issuer and the Guarantor hereby irrevocably waives such immunity in respect of its obligations under the Noes, the Guarantee, the Receipts and/or the Coupons and, without limiting the generality of the foregoing, agrees that such immunities are waived to the fullest extent permitted under the Foreign Sovereign Immunities Act of 1976 of the United States of America and that such waivers are intended to be irrevocable for purposes of such Act. Each of the Issuer and the Guarantor hereby designates National Corporate Research, Ltd. as its authorized agent to accept and acknowledge on its behalf service of any and all process which may be served in any such suit, action or proceeding in any such court and agrees that service of process upon said agent at its office at 10 East 40th Street, 10th Floor, New York, New York 10016, United States of America (or at such other address in the Borough of Manhattan, New York City, as such agent may designate by written notice to the Issuer, the Guarantor and the Principal Paying Agent), and written notice of said service to the Issuer or the Guarantor, mailed or delivered to it, at the addresses provided above, shall be deemed in every respect effective service of process upon the Issuer or the Guarantor in any such suit, action or proceeding and shall be taken and held to be valid personal service upon the Issuer or the Guarantor, whether or not the Issuer or the Guarantor shall then be doing, or at any time shall have done, business within the State of New York, and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and requirements of such service in such State, and waives all claim of error by reason of any such service. Neither such appointment nor acceptance of jurisdiction shall be interpreted to include actions brought under the United States federal securities laws.

18.3 ***Other documents***

In the Agency Agreement the Issuer and the Guarantor submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be provided by the Issuer to PETRONAS or its subsidiaries and associated companies. PETRONAS or its subsidiaries and associated companies will, in turn, use the proceeds for general corporate purposes.

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.

	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.

"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.

Investing in the Notes 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 Notes.

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.

Risk Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Program. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain of such features.

The Notes may be subject to optional redemption by the Issuer.

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Issuer may issue Index Linked Notes and Dual Currency Notes.

The Issuer may issue Notes with principal or interest determined by reference to an index and/or formula, to changes in the prices of securities or commodities or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one, or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Interest Notes or Index Linked Redemption Notes. Accordingly, each potential investor should consult its own financial, tax and legal advisors about the risks entailed by an investment in any Index Linked Interest Notes or Index Linked Redemption Notes and the suitability of such Notes in light of its particular circumstances.

The Issuer may issue Partly Paid Notes.

The Issuer may issue Notes where the issue price is payable in more than one installment. Failure to pay any subsequent installment could result in an investor losing all of its investment.

The Issuer may issue variable rate Notes with a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of these Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes.

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favorable than prevailing spreads on comparable floating rate notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes may be issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks Relating to the Notes

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

The market price of the Notes 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 global financial 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 Notes could be adversely affected.

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

The Notes 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 Notes may experience difficulty in reselling the Notes or may be unable to sell them at all. The liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. If the Notes 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. No assurance can be given as to the development of, liquidity of, or the continuation of a trading market for the Notes. If an active trading market does not develop, the market price and liquidity of the Notes may be adversely affected.

The Notes will be unsecured obligations, will be structurally subordinated to the claims of creditors of PETRONAS' other 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 (other than PETRONAS Capital Limited) 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 (such as holders of the Notes seeking to enforce the Guarantee). As 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 (including PETRONAS Capital Limited). The terms and conditions of the Notes do not contain any restrictions on the ability of PETRONAS Capital Limited, PETRONAS or its subsidiaries to incur additional indebtedness.

The Notes are subject to restrictions on resales and transfers.

The Notes 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 Notes 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. For certain restrictions on resales and transfers, see "*Subscription and Sale and Transfer and Selling Restrictions — Transfer Restrictions.*"

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

With respect to any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be listed, application has been made for (i) listing of such Notes on the Hong Kong Stock Exchange, (ii) listing of such Notes on the Labuan International Financial Exchange and (iii) listing of such Notes on Bursa Malaysia (Exempt Regime). PETRONAS Capital Limited and PETRONAS cannot guarantee that the applications for listing will be approved and that the Notes will be so listed. The offering and settlement of the Notes are not conditional on obtaining any of these listings. Moreover, even if the Notes are so listed at the time of issuance, PETRONAS may seek an alternative listing for such Notes on another stock exchange, but there can be no assurance that such alternative listing will be obtained.

Bearer Notes where denominations involve integral multiples; definitive Bearer Notes.

In relation to any issue of Bearer Notes which have denominations consisting of a minimum specified denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum specified denomination. In such a case, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum specified denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should definitive Bearer Notes be printed), and would need to purchase a principal amount of Notes such that its holding amounts to a specified denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

Risks relating to Notes Denominated in Renminbi

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC.

Renminbi is not freely convertible at present. The government of the PRC (meaning the People's Republic of China, which for purposes of this Offering Circular only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) continues to regulate conversion between Renminbi and foreign currencies, despite its significant reduction over the years of control over routine foreign exchange transactions under current accounts. Participating banks in over a dozen international and regional financial centers including Hong Kong, Singapore and London ("**Renminbi Clearing Centers**") have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. However, the current size of Renminbi and Renminbi denominated financial assets outside China is limited, and its growth is subject to many constraints which are directly affected by PRC laws and regulations on foreign exchange and may adversely affect the liquidity of the Notes.

On October 13, 2011, the People's Bank of China (the "**PBOC**") promulgated the "Administrative Rules on Settlement of RMB Denominated Foreign Direct Investment" (the "**PBOC FDI Measures**") to implement the PBOC's detailed foreign direct investment ("**FDI**") accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On June 14, 2012, the PBOC further issued the implementing rules for the PBOC FDI Measures. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary. On December 3, 2013, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the "Circular on Issues Concerning Cross-border RMB Direct Investment" (the "**MOFCOM Circular**"), which became effective on January 1, 2014. The MOFCOM Circular replaced the "Notice on Issues Concerning Cross-border Direct Investment in RMB" promulgated by MOFCOM on October 12, 2011. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. The MOFCOM Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

There is no assurance that the PRC Government will continue to gradually liberalize the control over cross-border Renminbi remittances in the future, or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. To the extent the Issuer or the Guarantor is required to source Renminbi in the offshore market to service the Notes, there is no assurance that the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, or at all.

Payments in respect of the Notes will only be made in accordance with prevailing rules and regulations in the manner specified in the Notes.

Except in limited circumstances, all payments of Renminbi under the Notes to an investor will be made solely by transfer to a Renminbi bank account maintained in Hong Kong by such investor in accordance with the prevailing rules and regulations and in accordance with the terms and conditions of the Notes. The Issuer and the Guarantor cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC). If access to Renminbi deliverable in Hong Kong becomes unavailable, the terms of the Notes allow the Issuer and the Guarantor to make payments in U.S. dollars at the prevailing spot rate

of exchange, all as provided for in more detail in "*Terms and Conditions of the Notes—Condition 7.8 (Payments—Currency of Payment).*" As a result, the value of these Renminbi payments in the U.S. dollar may vary with the prevailing exchange rates in the market place. If the value of Renminbi depreciates against the U.S. dollar, the value of the investment in the U.S. dollars will decline.

Investment in the Notes is subject to exchange rate risks.

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC, international political and economic conditions and by several other factors. As a result, the value of payments under the Notes may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a Noteholder's investment in the U.S. dollar or other applicable foreign currency terms will decline.

The investment in the Notes is subject to interest rate risks.

The PRC government has gradually liberalized the regulation of interest rates in recent years. Further liberalization may increase interest rate volatility. The Notes may carry a fixed interest rate. Consequently, the trading price of such Notes would vary with fluctuations in Renminbi interest rates. If a Noteholder tries to sell such Notes before their maturity, the Noteholder may receive an offer that is less than the original investment.

CAPITALIZATION

The following table sets forth the consolidated long-term debt and shareholders' equity of PETRONAS as at December 31, 2014. This table should be read in conjunction with PETRONAS' consolidated financial statements and the accompanying notes included elsewhere in this Offering Circular.

	As at December 31, 2014[1]	
	(in millions)	
Long-term debt:		
Non-current borrowings[2]	RM30,072	US$8,605[4]
Shareholders' equity:		
Share capital	100	29
Reserves	354,568	101,464
Total shareholders' equity	354,668	101,493
Total capitalization[3]	RM384,740	US$110,098

(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) Consists of consolidated long-term debt and shareholders' equity.

(4) 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 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 selected consolidated statement of financial position data as at 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	RM49,922	RM54,114	RM37,038	US$10,599
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	RM489,153	RM528,660	RM537,487	US$153,809
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	RM489,153	RM528,660	RM537,487	US$153,809

	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, andfinancing 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.

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.

	Year Ended December 31,		
Crude Oil Data	**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.

	Year Ended December 31,		
Natural Gas Data	**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.

	Year Ended December 31,		
Crude Oil Data[1]	**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' equity 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	RM65,586	RM47,613	RM(17,973)	(27.4)

(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	% of Consolidated Revenue	2014	% of Consolidated Revenue	Changes	
					Amount	%
	(in millions)		(in millions)		(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	RM317,314	100.0	RM329,148	100.0	RM11,834	3.7
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	RM317,314	100.0	RM329,148	100.0	RM11,834	3.7
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	RM317,314	100.0	RM329,148	100.0	RM11,834	3.7

(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	RM59,524	RM65,586	RM6,062	10.2

(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.

	Year Ended December 31,				Changes	
Sources of Revenue	**2012**	**% of Consolidated Revenue**	**2013**	**% of Consolidated Revenue**	**Amount**	**%**
	(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	RM291,226	100.0	RM317,314	100.0	RM26,088	9.0
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	RM291,226	100.0	RM317,314	100.0	RM26,088	9.0
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	RM291,226	100.0	RM317,314	100.0	RM26,088	9.0

(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 reported 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 lower 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	8,394	3,078	22,612	10,915	44,999

(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	**57,770**	**81,641**	**13,842**	**153,253**

(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, as at December 31, 2014.

Capital Commitments	As at December 31, 2014
	(in millions)
Approved and contracted for	RM99,825
Approved but not contracted for	RM71,248
Total	RM171,073

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 offering of notes under the Program.

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.

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

Natural Gas. As at January 1, 2015, Malaysia had 103.9 trillion standard cubic feet (tscf) of natural gas discovered resources. Natural gas discovered resources are comprised of associated gas and non-associated gas. PETRONAS estimates that, at the 2014 natural gas production levels of approximately 6,509 million standard cubic feet per day (mmscfd), these discovered resources will last for approximately 44 years.

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

Natural Gas Discovered Resources (tscf)		**As at January 1,**			
		2012	**2013**	**2014**	**2015**
Non-associated Gas					
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**
Associated Gas					
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. As at January 1, 2015, Malaysia had 6.0 billion stock tank barrels (bstb) of crude oil and condensates discovered resources. PETRONAS estimates that, at the 2014 crude oil and condensate production level of approximately 603 thousand barrels per day (kbd), these discovered resources will last for approximately 27 years.

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 CO_2. 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 Kebabangan 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 Kebabangan 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 metres 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 Zuhal 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:

	Year Ended December 31,		
Natural Gas[1]	**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:

	Year Ended December 31,		
Oil[1]	**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:

	Year Ended December 31,		
	2012	2013	2014
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 increasingly 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 mmscfd)
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 ("**Shaz 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 nºG4-248, 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 metres. 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 mmboe. 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 PSEPBV in respect of Block 53, offshore Suriname. PSEPBV 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, Equitorial 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 mmtpa 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 facilities 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, 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, 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 Sawarak 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 kilometres 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 facilities 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:

			Year Ended December 31,		
			2012	2013	2014
	Design capacity[1]	Current capacity[1][3]	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 litres and PBOM had a sales volume of 88.6 million litres. 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 fertilisers 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 fertilisers, 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, demineralised 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 maximise 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 Nm^3 of nitrogen, 204 Nm^3 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 optimisation 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-specialised 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.

- S*trategically 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 CAPITAL LIMITED

PETRONAS Capital Limited is a wholly-owned subsidiary of PETRONAS and was incorporated in Labuan, Malaysia under the Labuan Companies Act, 1990 on April 17, 2002. At the date of this Offering Circular, PETRONAS Capital Limited has an issued and paid-up share capital of U.S.$2,000 comprising 2,000 ordinary shares.

PETRONAS Capital Limited is a financing vehicle for PETRONAS. It has no other operations nor any subsidiaries. PETRONAS Capital Limited will provide substantially all proceeds of its borrowings to PETRONAS or its subsidiaries and associated companies. See "*Use of Proceeds.*"

The directors of PETRONAS Capital Limited at the date of this Offering Circular are:

Name	Position	Year Appointed
Datuk Manharlal Ratilal	Director	2003
Nuraini Binti Ismail	Director	2010
Izwan Bin Ismail	Director	2013
Shahnaz Bin Mohd Yusof	Director	2014

The registered office of PETRONAS Capital Limited 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 Capital Limited for the purposes of his or her directorship in PETRONAS Capital Limited is Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia.

The main outside functions of the directors of PETRONAS Capital Limited are serving as officers (Datuk Manharlal Ratilal and Nuraini Binti Ismail) or as employees (Izwan Bin Ismail and Shahnaz Bin Mohd Yusof) of PETRONAS.

Capitalization

The following table sets forth the capitalization of PETRONAS Capital Limited at the date of this Offering Circular.

	Actual
Long-term debt:	
5.25% Guaranteed Notes due 2019	US$3,000,000,000
7.875% Guaranteed Notes due 2022[(1)]	US$1,000,000,000
Total long-term debt	US$4,000,000,000
Shareholders' equity:	
Share capital (Issued and paid-up—2,000 ordinary shares)	US$2,000
Total Capitalization[(2)]	US$4,000,002,000

(1) Issued by PETRONAS Capital Limited and guaranteed by PETRONAS.

(2) Capitalization is the sum of total long-term debt and shareholder's equity.

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 Yiaw 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:

Name	Current Position/Occupation	Date Joined PETRONAS
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 Yiaw 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:

Name	Current Position	Date Joined PETRONAS
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 Yiaw 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
Adif Zulkifli	Vice President, Malaysia Petroleum Management	May 3, 1993

Name	Current Position	Date Joined PETRONAS
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.

TAXATION

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder of a Note that is a citizen or resident of the United States or a domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of the Note (a "**United States holder**"). This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with United States holders that will hold Notes as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold Notes as a position in a "straddle" or conversion transaction, or as part of a "synthetic security" or other integrated financial transaction or persons that have a "functional currency" other than 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 holder in light of such holder's particular circumstances. Any special U.S. federal income tax considerations relevant to a particular issue of Notes, including any Floating Rate Notes, Index Linked Notes, Dual Currency Notes, or Zero Coupon Notes will be provided in the applicable Pricing Supplement.

Investors should consult their own tax advisors in determining the tax consequences to them of holding Notes, including the application to their particular situation of the U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Payments of Interest

Payments of "**qualified stated interest**" (as defined below under "*—Original Issue Discount*") on a Note will be taxable to a United States holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the United States holder's method of tax accounting). If such payments of interest are made with respect to a Note denominated in a foreign currency (a "**Foreign Currency Note**"), the amount of interest income realized by a United States holder that uses the cash method of tax accounting will be the U.S. dollar value of the relevant foreign currency payment based on the exchange rate in effect on the date of receipt regardless of whether the payment in fact is converted into U.S. dollars. A United States holder that uses the accrual method of accounting for tax purposes will accrue interest income on the Note in the relevant foreign currency and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the United States holder's taxable year), or, at the accrual basis United States holder's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A United States holder that makes such election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service (the "**IRS**"). A United States holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Foreign Currency Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. This foreign currency gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on the Note.

Purchase, Sale and Retirement of Notes

A United States holder's tax basis in a Note generally will equal the cost of such Note to such holder, increased by any amounts includible in income by the holder as original issue discount and market discount and reduced by any amortized premium (each as described below) and any payments

other than payments of qualified stated interest made on such Note. In the case of a Foreign Currency Note, the cost of such Note to a United States holder will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis United States holder (and, if it so elects, an accrual basis United States holder) will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to a United States holder's tax basis in a Note in respect of original issue discount, market discount and premium denominated in a foreign currency will be determined in the manner described under "—Original Issue Discount" and "—Premium and Market Discount" below. The conversion of U.S. dollars to the relevant foreign currency and the immediate use of the foreign currency to purchase a Foreign Currency Note generally will not result in taxable gain or loss for a United States holder.

Upon the sale, exchange or retirement of a Note, a United States holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as such) and the United States holder's tax basis in such Note. If a United States holder receives a currency other than the U.S. dollar in respect of the sale, exchange or retirement of a Note, the amount realized will be the U.S. dollar value of the foreign currency received calculated at the exchange rate in effect on the date the instrument is disposed of or retired. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis United States holder, and if it so elects, an accrual basis United States holder will determine the U.S. dollar value of the amount realized by translating such amount at the spot rate on the settlement date of the sale. The election available to accrual basis United States holders in respect of the purchase and sale of Foreign Currency Notes traded on an established securities market, discussed above, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as described below with respect to market discount, Short-Term Notes (as defined below) and foreign currency gain or loss, gain or loss recognized by a United States holder generally will be long-term capital gain or loss if the United States holder has held the Note for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income.

Gain or loss recognized by a United States holder on the sale, exchange or retirement of a Foreign Currency Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the holder held such Note. This foreign currency gain or loss will not be treated as an adjustment to interest income received on the Notes.

Original Issue Discount

If an Issuer issues Notes at a discount from their stated redemption price at maturity, and the discount is equal to or more than the product of one-fourth of one percent (0.25%) of the stated redemption price at maturity of the Notes multiplied by the number of full years to their maturity, the Notes will be "**Original Issue Discount Notes**." The difference between the issue price and the stated redemption price at maturity of the Notes will be the "original issue discount." The "issue price" of the Notes will be the first price at which a substantial amount of the Notes are sold to the public (i.e., excluding sales of Notes to underwriters, placement agents, wholesalers, or similar persons). The "stated redemption price at maturity" will include all payments under the Notes other than payments of "qualified stated interest" (as determined below).

United States holders of Original Issue Discount Notes generally will be subject to the special tax accounting rules for obligations issued with original issue discount ("**OID**") provided by the

Internal Revenue Code of 1986, as amended, and certain regulations promulgated thereunder (the "OID Regulations"). United States holders of such Notes should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

In general, each United States holder of an Original Issue Discount Note, whether such holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the "daily portions" of OID on the Note for all days during the taxable year that the United States holder owns the Note. The daily portions of OID on an Original Issue Discount Note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of an Original Issue Discount Note, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. In the case of an initial holder, the amount of OID on an Original Issue Discount Note allocable to each accrual period is determined by (a) multiplying the "adjusted issue price" (as defined below) of the Original Issue Discount Note at the beginning of the accrual period by the yield to maturity of such Original Issue Discount Note (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that product the amount (if any) of qualified stated interest (as defined below) allocable to that accrual period. The yield to maturity of a Note is the discount rate that causes the present value of all payments on the Note as of its original issue date to equal the issue price of such Note. The "adjusted issue price" of an Original Issue Discount Note at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to such Note in all prior accrual periods. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually during the entire term of an Original Issue Discount Note at a single fixed rate of interest or, subject to certain conditions, based on one or more interest indices. In the case of an Original Issue Discount Note that is a Floating Rate Note, both the "yield to maturity" and "qualified stated interest" will generally be determined for these purposes as though the Original Issue Discount Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield that is reasonably expected for the Note. (Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index.) As a result of this "constant yield" method of including OID in income, the amounts includible in income by a United States holder in respect of an Original Issue Discount Note denominated in U.S. dollars generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

A United States holder generally may make an irrevocable election to include in its income its entire return on a Note (i.e., the excess of all remaining payments to be received on the Note, including payments of qualified stated interest, over the amount paid by such United States holder for such Note) under the constant-yield method described above. For Notes purchased at a premium or bearing market discount in the hands of the United Sates holder, the United States holder making such election will also be deemed to have made the election (discussed below in "—Premium and Market Discount") to amortize premium or to accrue market discount in income currently on a constant-yield basis.

In the case of an Original Issue Discount Note that is also a Foreign Currency Note, a United States holder should determine the U.S. dollar amount includible in income as OID for each accrual period by (a) calculating the amount of OID allocable to each accrual period in the foreign currency using the constant-yield method described above, and (b) translating the amount of the foreign currency so derived at the average exchange rate in effect during that accrual period (or portion thereof within a United States holder's taxable year) or, at the United States holder's election (as described above under "—Payments of Interest"), at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. Because exchange rates may fluctuate, a

United States holder of an Original Issue Discount Note that is also a Foreign Currency Note may recognize a different amount of OID income in each accrual period than would the holder of an otherwise similar Original Issue Discount Note denominated in U.S. dollars. All payments on an Original Issue Discount Note (other than payments of qualified stated interest) will generally be viewed first as payments of previously-accrued OID (to the extent thereof), with payments attributed first to the earliest-accrued OID, and then as payments of principal. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the Original Issue Discount Note), a United States holder will recognize ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Original Issue Discount Note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

A subsequent United States holder of an Original Issue Discount Note that purchases the Note at a cost less than its remaining redemption amount (as defined below), or an initial United States holder that purchases an Original Issue Discount Note at a price other than the Note's issue price, also generally will be required to include in gross income the daily portions of OID, calculated as described above. However, if the United States holder acquires the Original Issue Discount Note at a price greater than its adjusted issue price, such holder is required to reduce its periodic inclusions of OID income to reflect the premium paid over the adjusted issue price. The "remaining redemption amount" for a Note is the total of all future payments to be made on the Note other than payments of qualified stated interest.

Floating Rate Notes generally will be treated as "variable rate debt instruments" under the OID Regulations. Accordingly, the stated interest on a Floating Rate Note generally will be treated as "qualified stated interest" and such a Note will not have OID solely as a result of the fact that it provides for interest at a variable rate. If a Floating Rate Note does not qualify as a "variable rate debt instrument," such Note will be subject to special rules (the "**Contingent Payment Regulations**") that govern the tax treatment of debt obligations that provide for contingent payments ("**Contingent Debt Obligations**"). A detailed description of the tax considerations relevant to United States holders of any such Notes will be provided in the applicable Pricing Supplement.

Certain of the Notes may be subject to special redemption, repayment or interest rate reset features, as indicated in the applicable Pricing Supplement. Notes containing such features, in particular Original Issue Discount Notes, may be subject to special rules that differ from the general rules discussed above. Purchasers of Notes with such features should carefully examine the applicable Pricing Supplement and should consult their own tax advisors with respect to such Notes since the tax consequences with respect to such features, and especially with respect to OID, will depend, in part, on the particular terms of the purchased Notes.

Premium and Market Discount

A United States holder of a Note that purchases the Note at a cost greater than its remaining redemption amount (as defined in the third preceding paragraph) generally will be considered to have purchased the Note at a premium, and may elect to amortize such premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Note. Such election, once made, generally applies to all bonds held or subsequently acquired by the United States holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A United States holder that elects to amortize such premium must reduce its tax basis in a Note by the amount of the premium amortized during its holding period. Original Issue Discount Notes purchased at a premium will not be subject to the OID rules described above. In the case of premium in respect of a Foreign Currency Note, a United States holder should calculate the amortization of such premium in the foreign currency. Amortization deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the exchange rate used by the United States holder for such interest payments. Exchange gain or loss will be realized with respect to amortized bond premium on such a Note based on the difference between

the exchange rate on the date or dates such premium is recovered through interest payments on the Note and the exchange rate on the date on which the United States holder acquired the Note. With respect to a United States holder that does not elect to amortize bond premium, the amount of bond premium will be included in the United States holder's tax basis when the Note matures or is disposed of by the United States holder. Therefore, a United States holder that does not elect to amortize such premium and that holds the Note to maturity generally will be required to treat the premium as capital loss when the Note matures.

If a United States holder of a Note purchases the Note at a price that is lower than its remaining redemption amount, or in the case of an Original Issue Discount Note, its adjusted issue price, by at least 0.25% of its remaining redemption amount multiplied by the number of remaining whole years to maturity, the Note will be considered to have "market discount" in the hands of such United States holder. In such case, gain realized by the United States holder on the disposition of the Note generally will be treated as ordinary income to the extent of the market discount that accrued on the Note while held by such United States holder. In addition, the United States holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry the Note. In general terms, market discount on a Note will be treated as accruing ratably over the term of such Note, or, at the election of the holder, under a constant-yield method. Market discount on a Foreign Currency Note will be accrued by a United States holder in the specified currency. The amount includible in income by a United States holder in respect of such accrued market discount will be the U.S. dollar value of the amount accrued, generally calculated at the exchange rate in effect on the date that the Note is disposed of by the United States holder.

A United States holder may elect to include market discount in income on a current basis as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realized on a sale of a Note as ordinary income. If a United States holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any accrued market discount on a Foreign Currency Note that is currently includible in income will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the United States holder's taxable year). Any such election, if made, applies to all market discount bonds acquired by the taxpayer on or after the first day of the first taxable year to which such election applies and is revocable only with the consent of the IRS.

Short-Term Notes

The rules set forth above will also generally apply to Notes having maturities of not more than one year ("Short-Term Notes"), but with certain modifications.

First, the OID Regulations treat none of the interest on a Short-Term Note as qualified stated interest. Thus, all Short-Term Notes will be Original Issue Discount Notes. OID will be treated as accruing on a Short-Term Note ratably, or at the election of a United States holder, under a constant yield method.

Second, a United States holder of a Short-Term Note that uses the cash method of tax accounting and is not a bank, securities dealer, regulated investment company or common trust fund, and does not identify the Short-Term Note as part of a hedging transaction, will generally not be required to include OID in income on a current basis. Such a United States holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the maturity of the Note or its earlier disposition in a taxable transaction. In addition, such a United States holder will be required to treat any gain realized on a sale, exchange or retirement of the Note as ordinary income to the extent such gain does not exceed the OID accrued with respect to the Note during the period the United States holder held the Note. Notwithstanding the foregoing, a cash-basis United States holder of a Short-Term Note may elect to accrue OID into income on a current basis or to accrue the "acquisition discount" on the Note under the rules described below. If the United States holder elects to accrue OID or acquisition discount, the limitation on the deductibility of interest described above will not apply.

A United States holder using the accrual method of tax accounting and certain cash-basis United States holders (including banks, securities dealers, regulated investment companies and common trust funds) generally will be required to include original issue discount on a Short-Term Note in income on a current basis. Alternatively, a United States holder of a Short-Term Note can elect to accrue the "acquisition discount," if any, with respect to the Note on a current basis. If such an election is made, the OID rules will not apply to the Note. Acquisition discount is the excess of the Short-Term Note's stated redemption price at maturity (i.e., all amounts payable on the Short-Term Note) over the purchase price. Acquisition discount will be treated as accruing ratably or, at the election of the United States holder, under a constant-yield method based on daily compounding.

Finally, the market discount rules will not apply to a Short-Term Note.

Index Linked Notes and Other Notes Providing for Contingent Payments

The Contingent Payment Regulations, which govern the tax treatment of Contingent Debt Obligations, generally require accrual of interest income on a constant-yield basis in respect of such obligations at a yield determined at the time of their issuance, and may require adjustments to such accruals when any contingent payments are made. A detailed description of the tax considerations relevant to United States holders of any contingent debt obligations will be provided in the applicable Pricing Supplement.

Information Reporting and Backup Withholding

Information returns may need to be filed with the IRS with respect to payments made to certain United States holders of Notes. In addition, certain United States holders may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers and certify that they are not subject to backup withholding or otherwise establish an exemption from backup withholding. Persons holding Notes who are not United States holders may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against a United States holder's United States federal income tax liability, if any, or as a refund, provided the required information is timely furnished to the IRS.

Information with Respect to Foreign Financial Assets

Individual United States holders that own "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-United States financial institution, as well as securities issued by a non-United States issuer (which would include the Notes) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations have been proposed that would extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. United States holders who fail to report the required information could be subject to substantial penalties. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in Notes, including the application of the rules to their particular circumstances.

Reportable Transactions

A United States taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. Under the relevant rules, if the debt securities are denominated in a foreign currency, a United States holder may be required to treat a foreign currency exchange loss from the debt securities as a reportable transaction if this loss exceeds the relevant threshold in the regulations ($50,000 in a single taxable year, if the United States holder is an individual or trust, or

higher amounts for other non-individual United States holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of $10,000 in the case of a natural person and $50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisors regarding the application of these rules.

Malaysian Tax Considerations

Under present Malaysian law, all interest payable by a Labuan Company (as defined in the Labuan Business Activity Tax Act 1990) to non-residents is exempted from withholding tax. However, there is no assurance that this present position will continue and in the event that such exemption is revoked, modified or rendered otherwise inapplicable, such interest shall be subject to withholding tax at the then prevailing withholding tax rate. However, notwithstanding the foregoing, the Issuer shall be obliged pursuant to the terms of the Notes, in the event of any such withholding, to pay such additional amounts to the investors so as to ensure that the investors receive the full amount which they would have received had no such withholding been imposed.

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 Note 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 Note 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).

INDEPENDENT AUDITORS

The consolidated and unconsolidated financial statements of PETRONAS as at 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.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a program agreement (the "**Program Agreement**") dated March 4, 2015, agreed with the Issuer and PETRONAS a basis upon which they or any of them may from time to time agree to purchase, or procure purchasers of, Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*." The Issuer will pay the Relevant Dealer(s) a commission as agreed between them in respect of Notes issued under the Program.

In accordance with the terms of the Program Agreement, the Issuer (failing which, PETRONAS) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Program and the issue of Notes under the Program and the Issuer and PETRONAS have agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The Dealers and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the Dealers and/or their respective affiliates have, in the past, performed investment banking and advisory services for PETRONAS for which they have received customary fees and expenses. Each of the Dealers and/or their respective affiliates may, from time to time, engage in further transactions with, and perform services for, PETRONAS in the ordinary course of their respective businesses. In addition, in the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account or for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Issuer or PETRONAS. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients tha they acquire, long and/or short positions in such securities and instruments.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) will be deemed to have acknowledged, represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(i) that either: (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A; or (b) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter; or (c) it is outside the United States and is not a U.S. person;

(ii) that the Notes and the Guarantee are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act and that the Notes have not been and will not be registered under the Securities Act or any other applicable 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 except as set forth below;

(iii) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last

date on which the Issuer, the Guarantor or their respective affiliates was the owner of such Notes, only: (a) to the Issuer, the Guarantor or their respective affiliates; (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A or, if the applicable Pricing Supplement so permit, to an Institutional Accredited Investor that has delivered a duly executed IAI Investment Letter in a private transaction exempt from the registration requirements of the Securities Act; (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act; (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;

(iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;

(v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(vi) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer and the Guarantor:

"THIS NOTE AND THE RELATED GUARANTEE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD 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, THE HOLDER (A) REPRESENTS THAT (1) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "INSTITUTIONAL ACCREDITED INVESTOR"); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE NOTE EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE AFFILIATES WAS THE OWNER OF SUCH NOTE, OTHER THAN (1) TO THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE AFFILIATES, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS NOTE, THE RELATED GUARANTEE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).";

(vii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as forty days after the completion of the distribution of all the Notes in a particular Tranche), it will do so only: (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or (ii) to a QIB in compliance with Rule 144A; and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer and the Guarantor:

"THIS NOTE AND THE RELATED GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART.";

(viii) that the Issuer, the Guarantor and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

(ix) the Notes, when registered in the name of a nominee of DTC, will bear a legend to the following effect unless otherwise agreed by the Issuer and the Guarantor;

"UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED NOTE ISSUED IN EXCHANGE FOR THIS GLOBAL NOTE OR ANY PORTION HEREOF IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED

REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON OTHER THAN DTC OR A NOMINEE THEREOF IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS GLOBAL NOTE MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A SECURITY REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL NOTE, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL NOTE MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THIS LEGEND."

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form. See "Form of the Notes."

The IAI Investment Letter will state, among other things, the following:

(i) that the Institutional Accredited Investor has received a copy of this Offering Circular and such other information as it deems necessary in order to make its investment decision;

(ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in this Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;

(iii) that the Institutional Accredited Investor understands that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes may not be offered or sold except as permitted in the following sentence. The Institutional Accredited Investor agrees, on its own behalf and on behalf of any accounts for which it is acting, not to offer, sell or otherwise transfer such Notes except (A) to the Issuer and the Guarantor or any affiliate thereof, (B) inside the United States to a person whom it reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer in a transaction which meets the requirements of Rule 144A, (C) to an Institutional Accredited Investor that, prior to such transfer, furnishes to the Issuer and the Guarantor a signed letter IAI Investment Letter, (D) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (E) pursuant to an effective registration statement under the Securities Act or (F) pursuant to any other available exemption from the registration requirements of the Securities Act, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(iv) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

(v) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 50l (a)(l), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time; and

(vi) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction.

No sale of the Legended Notes in the United States to any one purchaser will be for less than (in the case of an Institutional Accredited Investor) U.S.$500,000 (or its foreign currency equivalent) principal amount and (in the case of a QIB) U.S.$200,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount of the Registered Notes.

Selling Restrictions

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this section have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") and the U.S. Treasury regulations and administrative guidance promulgated thereunder, including TEFRA D, TEFRA C, and Notice 2012-20. For purposes of this Offering Circular, "**TEFRA D**" and "**TEFRA C**" mean rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) and §1.163-5(c)(2)(i)(C), respectively, for purposes of Section 4701 of the Code.

If the relevant Pricing Supplement relating to any Tranche of Bearer Notes specifies that the applicable TEFRA exemption is "TEFRA D," each Relevant Dealer will be required to represent, undertake and agree that:

(i) except to the extent permitted under TEFRA D, (a) it has not offered or sold, and during the restricted period will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person and (b) it has not delivered and will not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;

(ii) it has, and throughout the restricted period it will have in effect, procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by TEFRA D;

(iii) if it is a United States person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the applicable requirements of TEFRA D;

(iv) with respect to each affiliate that acquires Bearer Notes from it for the purpose of offering or selling such Bearer Notes during the restricted period, it either: (a) repeats and confirms the representations and agreements contained in subparagraphs (i), (ii) and (iii) above on such affiliate's behalf; or (b) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in subparagraphs (i), (ii) and (iii) above; and

(v) it shall obtain for the benefit of the Issuer the representations, undertakings and agreements contained in subparagraphs (i), (ii), (iii), and (iv) of this paragraph from any person other than its affiliate with whom it enters into a written contract, (a "distributor" as defined in TEFRA D), for the offer or sale during the restricted period of the Notes; and

(vi) if it will be a holder of the Notes on the earlier of the date of the first actual payment of interest by the Issuer on such Notes or the date of delivery by the Issuer of the definitive Notes, it will deliver to the Issuer and the Guarantor a duly executed certification as required by TEFRA D in the form set forth in Annex A to the Selling Restrictions attached to the Program Agreement and such certification is a condition precedent to the Issuer's delivery of such Notes.

If the relevant Pricing Supplement relating to any Tranche of Bearer Notes specifies that the applicable TEFRA exemption is "TEFRA C," such Bearer Notes must, in connection with their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Relevant Dealer will be required to represent, warrant and undertake that, in connection with the original issuance of the Bearer Notes:

(i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Bearer Notes within the United States or its possessions in connection with their original issuance of such Notes;

(ii) it has not negotiated or communicated, and will not negotiate or communicate, directly or indirectly, with a prospective purchaser if it or such prospective purchaser is within the United States or its possessions and will not otherwise involve its United States office in the offer and sale of Bearer Notes;

(iii) it has not and will not advertise or otherwise promote such Bearer Notes in the United States or its possessions; and

(iv) it has not and will not significantly engage in "interstate commerce" with respect to the issuance of such Bearer Notes within the meaning of TEFRA C.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S ("**Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes: (i) as part of their distribution at any time; or (ii) otherwise until forty days after the completion of the distribution, as determined and certified by the Relevant Dealer(s) or, in the case of an issue of Notes on a syndicated basis, the relevant Lead Manager(s), of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Program will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes 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 under the Securities Act.

Until forty days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of Notes to QIBs pursuant to Rule l44A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.$200,000 (or the approximate equivalent thereof in any other currency). To the extent that the PETRONAS is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the PETRONAS has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

Dealers may also arrange for the sale of Notes to Institutional Accredited Investors in private transactions exempt from the registration requirements of the Securities Act. Each Institutional Accredited Investor will be required to deliver a duly executed IAI Investment Letter. The minimum aggregate principal amount of Notes which may be purchased by an Institutional Accredited Investor is U.S.$500,000.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the Relevant Dealer(s) may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

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**"), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto 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 Notes to the public in that Relevant Member State:

(i) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(iii) 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 Relevant Dealer or Dealers nominated by the Issuer and the Guarantor for any such offer; or

(iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer, the Guarantor or any Relevant Dealer 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 this provision, the expression an "offer of Notes to the public" in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, 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.

Hong Kong

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree, 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 Notes 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 the 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 Notes, 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 Notes 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.

Japan

The Notes 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 Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered or sold and will not offer or sell any Notes, 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.

Malaysia

The Notes 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, SC 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 notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the dealers is responsible for any invitation, offer, sale or purchase of the notes as aforesaid without the necessary approvals being in place.

An invitation to subscribe for, or an offer to purchase the notes may only be made into Labuan if such notes 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 8(5) of the Labuan Financial Services and Securities Act 2010.

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 Dealer represents, warrants and agrees and each further Dealer appointed under the Program will be required to represent, warrant and agee that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes 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 Notes, 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 Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) 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

(ii) 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 Notes, as the case may be, pursuant to an offer made under Section 275 of the SFA except:

(a) 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;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(ii) 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or PETRONAS; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

United Arab Emirates (excluding the Dubai International Finance Centre)

Each Dealer has represented and agreed that the Notes 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 Dealer has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(i) an "Exempt Offer" for the purposes of the Markets Rules 2012 of the Dubai Financial Services Authority ("**DFSA**"); and

(ii) 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 Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes 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 Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors."

For this purpose, an "accredited investor" means:

(i) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more;

(ii) 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

(iii) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Kuwait

Each Dealer has represented and agreed that no Notes have been licensed for offering in Kuwait by the Kuwait Capital Markets Authority. The offering of the Notes 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 Notes is being made in Kuwait, and no agreement relating to the sale of the Notes will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in Kuwait.

General

Each Dealer has agreed, and each further Dealer appointed under the Program will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, PETRONAS nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, PETRONAS and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exe1nption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the Relevant Dealer(s) will be required to comply with such other restrictions as the Issuer, PETRONAS and the Relevant Dealer(s) shall agree and as shall be set out in the applicable Pricing Supplement.

BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream (each a "**Clearing System**" and together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and PETRONAS believe to be reliable, but none of the Issuer, PETRONAS or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, PETRONAS, the Arranger, any Dealer or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The applicable Pricing Supplement will specify the Clearing System(s) applicable for each Series.*

Book-entry Systems

DTC

DTC has advised the Issuer and PETRONAS that it 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 Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system ("**DTC Notes**") as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in

the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer and PETRONAS as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer, PETRONAS or the Principal Paying Agent on the due date for payment in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or PETRONAS, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer (and failing whom, PETRONAS), disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*."

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer and PETRONAS may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Relevant Dealer(s). Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer and PETRONAS expect DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer and PETRONAS also expect that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar, the Issuer or PETRONAS. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer (and failing whom, PETRONAS).

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability

to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("**Custodian**") with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, PETRONAS, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

GENERAL INFORMATION

1. **Listing of the Notes:**

With respect to any Notes that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be listed, application has been made for (i) listing of such Notes on the Hong Kong Stock Exchange, (ii) listing of such Notes on, and admission to the Official List of, the Labuan International Financial Exchange and (iii) listing of such Notes on, and admission to the Official List of, Bursa Malaysia (Exempt Regime). PETRONAS Capital Limited and PETRONAS cannot guarantee that the applications for listing will be approved and that the Notes will be so listed. See "*Risk Factors—Risks Relating to the Notes—A listing of the Notes on a securities exchange cannot be guaranteed.*" The offering and settlement of the Notes are not conditional on obtaining any of these listings. Moreover, even if the Notes are so listed at the time of issuance, PETRONAS may seek an alternative listing for such Notes on another stock exchange, but there can be no assurance that such alternative listing will be obtained. 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. Approval in-principle from, admission of the Notes to, and the listing and quotation of the Notes 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 or the Guarantor, the Program or the Notes. 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.

2. **Responsibility Statement:**

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.

3. **Authorizations:**

The establishment of the Program was authorized by resolutions of the board of directors of PETRONAS dated February 26, 2015, and by resolutions of the shareholder and board of directors of PETRONAS Capital Limited dated February 26, 2015. The establishment of the Program and the giving of the Guarantee were authorized by resolutions of the board of directors of PETRONAS dated February 26, 2015. Each of PETRONAS and PETRONAS Capital Limited has obtained or has agreed to obtain from time to time all necessary consents, approvals and authorizations in connection with the issue of Notes and the giving of the Guarantee under the Program and entry into the relevant transaction documents.

4. **No Material Adverse Change:**

Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of PETRONAS since December 31, 2014. Except as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of PETRONAS Capital Limited since its date of incorporation.

5. **Litigation:**

Except as disclosed in this offering memorandum, the Issuer is not involved in any legal, arbitration, administrative or other proceedings relating to claims which are material in the context of the issue of the Notes and, so far as the Issuer is aware, no such proceedings are pending or being threatened.

6. **Available Documents:**

As long as any Note is outstanding, copies of the following documents will be available for inspection, and in the case of the document referred to in paragraph (b) below, copies may be obtained, during normal business hours at the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being, that is, 40th Floor, One Canada Square, London, E14 SAL, United Kingdom:

(a) the Program Agreement, the Agency Agreement, the Guarantee, and forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(b) a copy of this Offering Circular;

(c) any future offering memoranda, prospectuses, information memoranda and supplements (including Pricing Supplements save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer, PETRONAS and the Principal Paying Agent as to the identity of such holder) to this Offering Circular and the documents incorporated therein by reference; and

(d) in the case of a syndicated issue of listed Notes, the Subscription Agreement or Purchase Agreement (or equivalent document).

7. **Consent of Independent Auditors:**

KPMG has given and not withdrawn their written consent to the reproduction of their audit report dated February 26, 2015 on the published consolidated and unconsolidated financial statements of PETRONAS for the years ended December 31, 2012, 2013 and 2014 included in this Offering Circular and with references to KPMG in the form and context in which they appear herein. A written consent made under Section 212(5) of the Capital Markets and Services Act 2007 of Malaysia and paragraph 13.03 of the Guidelines on Private Debt Securities issued by the Securities Commission, Malaysia is different from a consent filed with the US Securities and Exchange Commission under Section 7 of the Securities Act, which is applicable only to transactions involving securities registered under the Securities Act. As the offering of our securities in this Global Medium Term Note Program will not be registered under the Securities Act, KPMG has not filed a consent under Section 7 of the Securities Act.

8. **Clearing Systems**

The Issuer may make applications to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers (if any) for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

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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.

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Telephone +60 (3) 7721 3388
Fax +60 (3) 7721 3399
Internet www.kpmg.com.my

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.

KPMG, a partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Petaling Jaya, Malaysia

Date: 26 February 2015

Company No. 20076-K

PETROLIAM NASIONAL BERHAD
(Incorporated in Malaysia)

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

In RM Mil	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		330,114	345,469
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		198,546	192,018
TOTAL ASSETS		528,660	537,487
EQUITY			
Share capital	19	100	100
Reserves	20	335,703	354,568
Total equity attributable to shareholders of the Company		335,803	354,668
Non-controlling interests	21	36,502	37,261
TOTAL EQUITY		372,305	391,929
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		68,991	74,357
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		87,364	71,201
TOTAL LIABILITIES		156,355	145,558
TOTAL EQUITY AND LIABILITIES		528,660	537,487

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

In RM Mil	Note	2012 Restated	2013	2014
Revenue		291,226	317,314	329,148
Cost of revenue		(183,347)	(204,781)	(216,424)
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		9,335	5,767	6,563
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		1,576	1,397	1,737
Profit before taxation		89,741	94,258	77,691
Tax expense	28	(30,217)	(28,672)	(30,078)
Profit for the year		59,524	65,586	47,613
Other comprehensive (expenses)/income				
Items that may be reclassified subsequently to profit or loss				
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		150	18	109
Total other comprehensive (expenses)/income for the year		(4,805)	7,610	6,584
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		54,719	73,196	54,197
Profit attributable to:				
Shareholders of the Company		49,922	54,114	37,038
Non-controlling interests		9,602	11,472	10,575
PROFIT FOR THE YEAR		59,524	65,586	47,613
Total comprehensive income attributable to:				
Shareholders of the Company		45,607	60,799	42,831
Non-controlling interests		9,112	12,397	11,366
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		54,719	73,196	54,197

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

In RM Mil	Note	*Attributable to shareholders of the Company*			
		Non-distributable			
		Share Capital	**Capital Reserves**	**Foreign Currency Translation Reserve**	**Available-for-sale Reserve**
Balance at 1 January 2012					
- As previously reported		100	13,405	4,305	1,974
- Effect of the adoption of pronouncements		-	-	(45)	-
At 1 January 2012, restated		100	13,405	4,260	1,974
Net movements from exchange differences		-	-	(4,991)	-
Available-for-sale financial assets:					
- Changes in fair value		-	-	-	1,873
- Transfer to profit or loss		-	-	-	(1,326)
Other comprehensive income/ (expenses)		-	129	-	-
Total other comprehensive income/ (expenses) for the year		-	129	(4,991)	547
Profit for the year		-	-	-	-
Total comprehensive income/ (expenses) for the year		-	129	(4,991)	547
Share of reserves of associates and joint ventures		-	(22)	-	-
Redemption of preference shares		-	6	-	-
Additional issuance of shares to non-controlling interests		-	-	-	-
Additional equity interest in subsidiaries		-	-	-	-
Dividends	29	-	-	-	-
Total transactions with shareholders		-	(16)	-	-
Balance at 31 December 2012		100	13,518	(731)	2,521

continue to next page

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)

		Attributable to shareholders of the Company				
		Distributable				
In RM Mil	**Note**	**General Reserve**	**Retained Profits**	**Total**	**Non-controlling Interests**	**Total Equity**
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

continued from previous page

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)

		Attributable to shareholders of the Company			
		Non-distributable			
In RM Mil	**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)

		Attributable to shareholders of the Company				
		Distributable				
In RM Mil	**Note**	**General Reserve**	**Retained Profits**	**Total**	**Non-controlling Interests**	**Total Equity**
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)

		Attributable to shareholders of the Company			
		Non-distributable			
In RM Mil	**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)

		Attributable to shareholders of the Company				
		Distributable				
In RM Mil	**Note**	**General Reserve**	**Retained Profits**	**Total**	**Non-controlling Interests**	**Total Equity**
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

In RM Mil	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		(165,056)	(179,393)	(193,826)
		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		(41,164)	(38,772)	(34,292)
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	(43,925)	(37,139)	(47,546)
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		125,724	108,627	116,435
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		108,627	116,435	116,727
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	(1,113)	(533)	(144)
		109,318	116,818	117,082
Less: Deposits restricted	15	(691)	(383)	(355)
		108,627	116,435	116,727

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

In RM Mil	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

In RM Mil	**Note**	**2012**	**2013**	**2014**
Revenue		125,340	128,665	136,015
Cost of revenue		(62,473)	(68,341)	(71,432)
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		7,561	8,835	10,155
Operating profit	27	62,317	62,045	69,596
Financing costs		(1,678)	(1,736)	(1,789)
Profit before taxation		60,639	60,309	67,807
Tax expense	28	(14,332)	(14,731)	(13,774)
Profit for the year		46,307	45,578	54,033
Other comprehensive income/(expenses)				
Items that may be reclassified subsequently to profit or loss				
Changes in fair value of available-for-sale financial assets		(117)	98	53
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		46,190	45,676	54,086

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

		Non-distributable		*Distributable*		
In RM Mil	**Note**	**Share Capital**	**Available-for-sale Reserve**	**General Reserve**	**Retained Profits**	**Total Equity**
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

In RM Mil	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		(69,564)	(73,175)	(85,042)
		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		(21,277)	(18,956)	(15,942)
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	(35,060)	(28,051)	(33,746)
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		76,122	53,808	47,107
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		53,808	47,107	55,793
CASH AND CASH EQUIVALENTS				
Cash and bank balances and deposits	15	52,015	46,874	55,443
Short term marketable securities	12	1,793	233	350
		53,808	47,107	55,793

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 1.1.2013**	**Additions**	**Disposals/ write-offs**
At cost:			
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)
	379,053	43,684	(5,099)

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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)
	154,535	22,417	(1,949)

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2013 *In RM Mil*	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

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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** *In RM Mil*	**At 1.1.2014**	**Additions**	**Acquisition/ (disposals) of subsidiaries and an interest in a joint operation**	**Disposals/ write-offs**
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 1.1.2014**	**Charge for the year**	**Acquisition/ (disposals) of subsidiaries and an interest in a joint operation**	**Disposals/ write-offs**
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** *In RM Mil*	**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 *In RM Mil*	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** *In RM Mil*	**At 1.1.2014**	**Additions**	**Disposals/ write-offs**
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)

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Accumulated depreciation and impairment losses:	**At 1.1.2014**	**Charge for the year**	**Disposals/ write-offs**
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** *In RM Mil*	**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)

	Group Carrying amount		Company Carrying amount	
In RM Mil	**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 1.1.2013**	**Additions**	**Disposals**
At cost:			
Freehold land	1,172	95	-
Buildings	11,846	17	(5)
Projects-in-progress	1,122	248	-
	14,140	360	(5)

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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	-	-	-
	3,387	463	(1)

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2014 *In RM Mil*	**At 1.1.2014**	**Additions**	**Disposal of a subsidiary**	**Adjustments/ disposals**
At cost:				
Freehold land	1,232	2	(67)	-
Buildings	12,850	12	-	(15)
Projects-in-progress	453	304	-	(1)
	14,535	318	(67)	(16)

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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	-	-	-	-
	3,861	474	-	-

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4. INVESTMENT PROPERTIES (continued)

Group 2013 *In RM Mil*	Transfers/ reclass	Translation exchange difference	At 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

Accumulated depreciation:	Transfers/ reclass	Translation exchange difference	At 31.12.2013
Freehold land	-	-	-
Buildings	-	12	3,861
Projects-in-progress	-	-	-
	-	12	3,861

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2014 *In RM Mil*	Transfers/ reclass	Translation exchange difference	At 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

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Accumulated depreciation:	Transfers/ reclass	Translation exchange difference	At 31.12.2014
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 *In RM Mil*	Carrying amount 2013	 2014
Freehold land	1,232	1,378
Buildings	8,989	8,995
Projects-in-progress	453	166
	10,674	10,539

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 *In RM Mil*	 2013	Level 3 2014
Freehold land	2,564	3,290
Buildings	16,472	17,272
	19,036	20,562

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 *In RM Mil*	At 1.1.2013	Additions	Disposals	Transfers	Translation exchange difference	At 31.12.2013
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 1.1.2013	Charge for the year	Disposals	Transfers	Translation exchange difference	At 31.12.2013
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 *In RM Mil*	At 1.1.2014	Additions	Disposals	Transfers	Translation exchange difference	At 31.12.2014
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 1.1.2014	Charge for the year	Disposals	Transfers	Translation exchange difference	At 31.12.2014
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	Carrying amount	
In RM Mil	**2013**	**2014**
Leasehold land		
- long lease	150	147
- short lease	23	22
Prepaid rental	844	868
	1,017	1,037

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

	Company	
In RM Mil	**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
	56,161	65,411
Less: Impairment losses		
- unquoted shares	(1,896)	(2,043)
	54,265	63,368
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

	Group		Company	
In RM Mil	**2013**	**2014**	**2013**	**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	-	-
	4,831	5,360	302	302
Less: Impairment losses				
- unquoted shares	(1,063)	(2,153)	-	-
	3,768	3,207	302	302
Market value of quoted shares	1,719	1,533	984	921
Contingent liabilities:				
Guarantees extended to third parties	(2,350)	(1,851)	-	-

Details of key associates are stated in note 47 to the financial statements.

9. INVESTMENTS IN JOINT VENTURES

	Group		Company	
In RM Mil	**2013**	**2014**	**2013**	**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	-	-
	8,552	9,506	1,469	1,469
Less: Impairment losses	(245)	(247)	(9)	(9)
	8,307	9,259	1,460	1,460
Contingent liabilities:				
Guarantees extended to third parties	(2)	(2)	(2)	(2)
Claims filed by/disputes with various parties	(1)	(1)	(1)	(1)

Details of key joint ventures are stated in note 48 to the financial statements.

10. INTANGIBLE ASSETS

Group

2013 *In RM Mil*	**At 1.1.2013**	**Additions**	**Disposals/ write-offs**
At cost:			
Goodwill	5,538	-	-
Exploration expenditure	26,740	7,877	(3,808)
Other intangible assets	7,499	3,683	-
	39,777	11,560	(3,808)

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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	-

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2014 *In RM Mil*	**At 1.1.2014**	**Additions**	**Acquisition of a subsidiary and an interest in a joint operation**	**Disposals/ write-offs**
At cost:				
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)

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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)

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10. INTANGIBLE ASSETS (continued)

Group **2013** *In RM Mil*	**Transfers**	**Translation exchange difference**	**At 31.12.2013**
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

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Accumulated amortisation and impairment losses:	**Impairment loss**	**Transfers**	**Translation exchange difference**	**At 31.12.2013**
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 *In RM Mil*	**Transfers**	**Translation exchange difference**	**At 31.12.2014**
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

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Accumulated amortisation and impairment losses:	**Impairment loss**	**Transfers**	**Translation exchange difference**	**At 31.12.2014**
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	**Carrying amount**	
In RM Mil	**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

In RM Mil	Group 2013	Group 2014	Company 2013	Company 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:

In RM Mil	Group 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)

In RM Mil	Group 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
	7,528	10,444
Analysed as:		
Due within 12 months (note 17)	983	765
Due after 12 months	6,545	9,679
	7,528	10,444

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

In RM Mil	Group 2013	Group 2014	Company 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
	7,689	6,442	9,036	7,447
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)	-	-
	821	573	76	76
Total non-current investments	9,252	7,734	9,112	7,523

12. FUND AND OTHER INVESTMENTS (continued)

In RM Mil	Group 2013	Group 2014	Company 2013	Company 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
	5,555	3,962	480	650
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
	8,979	6,530	8,524	5,709
Held-to-maturity				
Malaysian Government Securities	-	100	-	100
Corporate Private Debt Securities	-	1,043	-	1,043
	-	1,143	-	1,143
Total current investments	14,534	11,635	9,004	7,502
Total fund and other investments	23,786	19,369	18,116	15,025
Representing items:				
At amortised cost	8,913	8,803	9,112	8,666
At fair value	14,873	10,566	9,004	6,359
	23,786	19,369	18,116	15,025

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

In RM Mil	Group 2013	Group 2014	Company 2013	Company 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	-	-
	175	489	83	33

13. DERIVATIVE ASSETS/LIABILITIES (continued)

In RM Mil	Note	Group 2013	Group 2014	Company 2013	Company 2014
Derivative assets (continued)					
Included within:					
Long term receivables	11	1	-	-	-
Trade and other receivables	17	175	489	83	33
		176	489	83	33
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)	-	-
		(422)	(708)	(217)	(21)
Included within:					
Other long term liabilities and provisions	24	(4)	-	-	-
Trade and other payables	25	(422)	(708)	(217)	(21)
		(426)	(708)	(217)	(21)

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 *In RM Mil*	At 1.1.2013	Charged/ (credited) to profit or loss	Equity	Translation exchange difference	At 31.12.2013
Deferred tax liabilities					
Property, plant and equipment	16,232	(3,652)	-	227	12,807
Others	117	286	(47)	22	378
	16,349	(3,366)	(47)	249	13,185
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)
	(8,463)	169	23	(42)	(8,313)

Group 2014 *In RM Mil*	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
Deferred tax liabilities						
Property, plant and equipment	12,807	1,387	1,145	-	73	15,412
Others	378	(473)	-	(217)	13	(299)
	13,185	914	1,145	(217)	86	15,113
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)
	(8,313)	(900)	(582)	19	(229)	(10,005)

14. DEFERRED TAX (continued)

Company 2013 *In RM Mil*	Opening balance	Charged/ (credited) to profit or loss	Closing balance
Deferred tax liabilities			
Property, plant and equipment	172	(160)	12
Others	11	(11)	-
	183	(171)	12
Deferred tax assets			
Unused tax losses	(4,614)	442	(4,172)
Others	(501)	(189)	(690)
	(5,115)	253	(4,862)
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)
	(4,862)	(868)	(5,730)

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:

	Group		Company	
In RM Mil	2013	2014	2013	2014
Deferred tax assets				
Deferred tax liabilities	1,248	1,534	12	-
Deferred tax assets	(7,859)	(9,359)	(4,862)	(5,730)
	(6,611)	(7,825)	(4,850)	(5,730)
Deferred tax liabilities				
Deferred tax liabilities	11,937	13,579	-	-
Deferred tax assets	(454)	(646)	-	-
	11,483	12,933	-	-

14. DEFERRED TAX (continued)

No deferred tax has been recognised for the following items:

In RM Mil	Group 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
	15,191	22,059

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

In RM Mil	Group 2013	Group 2014	Company 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	-	-
	117,118	116,826	81,515	94,503
Less: Subsidiaries' cash with PETRONAS Integrated Financial Shared Service Centre	-	-	(34,641)	(39,060)
	117,118	116,826	46,874	55,443

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

	Group		Company	
In RM Mil	**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

	Group		Company	
In RM Mil	**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:

	Group	
In RM Mil	**2013**	**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

	Group		Company	
In RM Mil	**2013**	**2014**	**2013**	**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	Level 3	
In RM Mil	**2013**	**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

	Company	
In RM Mil	**2013**	**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

	Group		Company	
In RM Mil	**2013**	**2014**	**2013**	**2014**
Non-current				
Secured				
Term loans	1,700	918	-	-
Islamic financing facilities	1,427	1,495	-	-
Total non-current secured borrowings	3,127	2,413	-	-
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	25,875	27,659	16,802	15,673
Total non-current borrowings	29,002	30,072	16,802	15,673
Current				
Secured				
Term loans	988	690	-	-
Islamic financing facilities	339	145	-	-
Revolving credits	-	151	-	-
Total current secured borrowings	1,327	986	-	-
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	11,517	5,776	4,931	2,184
Total current borrowings	12,844	6,762	4,931	2,184
Total borrowings	41,846	36,834	21,733	17,857

22. BORROWINGS (continued)

Terms and debt repayment schedule

Group *In RM Mil*	**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:

In Mil	**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:

In Mil	**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:

In Mil	**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:

In RM Mil	**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:

In Mil	**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

	Group		**Company**	
In RM Mil	**2013**	**2014**	**2013**	**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:

In RM Mil	**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	20,064	16,780

In RM Mil	**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	19,897	16,002

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

	Group		Company	
In RM Mil	**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
	64,790	60,125	27,010	21,278

* 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

In RM Mil	Group 2012 Restated	2013	2014	Company 2012	2013	2014
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
	275,848	300,705	308,788	101,926	104,541	107,504
- 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	-	-	-
	11,281	12,334	15,826	54	68	15
- 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
	116	270	259	20,136	21,242	25,776
- interest income	3,981	4,005	4,275	3,224	2,814	2,720
	291,226	317,314	329,148	125,340	128,665	136,015
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)	-	-	-
	(183,347)	(204,781)	(216,424)	(62,473)	(68,341)	(71,432)
Gross profit	107,879	112,533	112,724	62,867	60,324	64,583

27. OPERATING PROFIT

In RM Mil	Group 2012 Restated	Group 2013	Group 2014	Company 2012	Company 2013	Company 2014
Included in operating profit are the following charges:						
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)

In RM Mil	Group 2012 Restated	2013	2014	Company 2012	2013	2014
Included in operating profit are the following charges (continued):						
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
and credits:						
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

In RM Mil	Group 2012 Restated	Group 2013	Group 2014	Company 2012	Company 2013	Company 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:

In RM Mil	%	2012 Restated	%	2013	%	2014
Group						
Profit before taxation		89,741		94,258		77,691
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
	33	30,238	31	29,148	38	29,142
(Over)/under provision in prior years		(21)		(476)		936
Tax expense		30,217		28,672		30,078
Company						
Profit before taxation		60,639		60,309		67,807
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)
	24	14,332	23	14,363	20	14,346
Under/(over) provision in prior years		-		368		(572)
Tax expense		14,332		14,731		13,774

29. DIVIDENDS

In RM Mil	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
	28,000	32,000	24,000
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

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.

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

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:

	Group			Company		
In RM Mil	**2012 Restated**	**2013**	**2014**	**2012**	**2013**	**2014**
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:

	Group			Company		
In RM Mil	**2012 Restated**	**2013**	**2014**	**2012**	**2013**	**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	-	-	-
	(43,925)	(37,139)	(47,546)	(35,060)	(28,051)	(33,746)

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:

In RM Mil	**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)
	4,411
Purchase consideration, representing cash flow on acquisition of interest in joint operation (note 30)	4,411

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:

In RM Mil	**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)
	3,076
Less: Interest previously held as investment in joint venture	(10)
Gain on bargain purchase	(974)
Add: Goodwill on consolidation	12
Purchase consideration	2,104
Less: Cash and cash equivalents of subsidiaries acquired	(28)
Cash flow on acquisition of subsidiaries, net of cash acquired (note 30)	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:

In RM Mil	**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)
	8,724	9,135	17,859
Purchase consideration			17,859
Less: Cash and cash equivalents of subsidiaries acquired			(108)
Cash flow on acquisition, net of cash acquired (note 30)			17,751

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)

In RM Mil	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)
	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)	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:

			Group
In RM Mil	**2012**	**2013**	**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
	21,421	25,548	26,697

Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are as follows:

			Group			Company
In *RM Mil*	**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
	7,099	5,262	5,468	8,315	6,430	6,224

36. COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of the reporting year not provided for in the financial statements are:

	Group		Company	
In RM Mil	**2013**	**2014**	**2013**	**2014**
Property, plant and equipment				
Approved and contracted for				
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
	69,755	90,467	25,267	13,256
Approved but not contracted for				
Less than one year	10,678	17,924	599	19
Between one and five years	30,472	30,111	-	-
More than five years	213	-	-	-
	41,363	48,035	599	19
	111,118	138,502	25,866	13,275
Share of capital expenditure of joint venture				
Approved and contracted for				
Less than one year	11,152	7,756	-	-
Between one and five years	1,011	899	-	-
More than five years	699	703	-	-
	12,862	9,358	-	-
Approved but not contracted for				
Less than one year	5,064	4,419	-	-
Between one and five years	24,479	18,624	-	-
More than five years	549	170	-	-
	30,092	23,213	-	-
	42,954	32,571	-	-
Total commitments	154,072	171,073	25,866	13,275

37. CONTINGENT LIABILITIES

	Group		Company	
In RM Mil	**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	-	-
	601	554	-	53

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

	Group and Company		
In RM Mil	**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 *In RM Mil*	**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) *In RM Mil*	**Upstream**	**Downstream**	**Corporate and Others**	**Consolidation adjustments and eliminations**	**Total**
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) *In RM Mil*	**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 *In RM Mil*	Upstream	Downstream	Corporate and Others	Consolidation adjustments and eliminations	Total
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)** *In RM Mil*	**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 *In RM Mil*	**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 *In RM Mil*	**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 *In RM Mil*	**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 *In RM Mil*	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
		175,013	8,979	176	6,376	7,689	198,233
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)
		(107,181)	-	(426)	-	-	(107,607)
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
		169,557	6,530	489	4,535	7,585	188,696
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)
		(83,179)	-	(708)	-	-	(83,887)

* 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 *In RM Mil*	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
		192,489	8,524	83	556	9,036	210,688
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)
		(54,052)	-	(217)	-	-	(54,269)
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
		200,978	5,709	33	726	8,590	216,036
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)
		(40,668)	-	(21)	-	-	(40,689)

* 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:

	Group		Company	
In RM Mil	**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
	31,737	28,114	5,051	3,256
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)
	31,737	28,114	5,051	3,256

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:

	Group		Company	
In RM Mil	**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	4,067	2,185	1,225	301

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 *In RM Mil*	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
	107,153		116,387	80,017

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41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Group **2013** *In RM Mil*	**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 *In RM Mil*	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** *In RM Mil*	**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 *In RM Mil*	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

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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

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41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Company

2013 *In RM Mil*	**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

continued from previous page

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

continued from previous page

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:

	Group		Company	
In RM Mil	**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)
	97,145	98,142	95,944	137,915
Floating rate instruments				
Financial assets	1,753	2,150	31,430	25,983
Financial liabilities	(5,376)	(4,378)	-	-
	(3,623)	(2,228)	31,430	25,983

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 *In RM Mil*	**2013**	**2014**
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
	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)
	(87,707)	(54,156)
Net exposure	(12,475)	(2,099)
Denominated in MYR		
Financial assets		
Cash and cash equivalents	5,222	997
Trade and other receivables	1,136	941
	6,358	1,938
Financial liabilities		
Trade and other payables	(7,536)	(2,943)
Net exposure	(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
	580	422
Financial liabilities		
Trade and other payables	(297)	(304)
Other financial liabilities	(188)	(110)
	(485)	(414)
Net exposure	95	8
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
	90,164	101,410
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)
	(48,671)	(47,683)
Net exposure	41,493	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:

	Appreciation in foreign currency				
2013	**rate**		**Group**		**Company**
In RM Mil	**%**	**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:

	Group		Company	
In RM Mil	**2013**	**2014**	**2013**	**2014**
Local equities	909	867	247	300
Foreign equities	5,075	3,262	-	-
	5,984	4,129	247	300

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	**Increase in price based on average change in index rate**	**Group**		**Company**	
In RM Mil	**%**	**Reserve**	**Profit or loss**	**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** *In RM Mil*	**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 *In RM Mil*	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
	7,586	10,696	18,282	18,969
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)
	(26,728)	(15,125)	(41,853)	(39,191)

Group 2014 *In RM Mil*	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
	4,416	6,666	11,082
Financial Liabilities			
Forward foreign exchange contracts	-	(368)	(368)
Commodity swaps	-	(4)	(4)
Forward gas contracts	(129)	-	(129)
Forward oil price contracts	(207)	-	(207)
	(336)	(372)	(708)

41. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Group 2014 *In RM Mil*	Fair value of financial instruments not carried at fair value Level 2	 Level 3	 Total	Carrying amount
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
	9,604	13,328	22,932	21,153
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)
	(20,766)	(17,823)	(38,589)	(35,887)

Company 2013 *In RM Mil*	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
	247	8,840	9,087
Financial liabilities			
Forward foreign exchange contracts	-	(217)	(217)

41. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Company 2013 *In RM Mil*	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 *In RM Mil*	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 *In RM Mil*	Fair value of financial instruments not carried at fair value Level 2	 Level 3	 Total	Carrying amount
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
	8,506	128,072	136,578	132,407
Financial liabilities				
Notes and Bonds	(20,766)	-	(20,766)	(17,857)
Other long term liabilities	-	(1,199)	(1,199)	(1,579)
	(20,766)	(1,199)	(21,965)	(19,436)

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)** *In RM Mil*	**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 *In RM Mil*	**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 *In RM Mil*	**Interest income**	**Interest expense**	**Impairment 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 *In RM Mil*	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 *In RM Mil*	**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 *In RM Mil*	**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 *In RM Mil*	**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 *In RM Mil*	**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			
Items that may be reclassified subsequently to profit or loss			
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 *In RM Mil*	**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:

Consolidated statement of profit or loss and other comprehensive income *In RM Mil*	**1.4.2011 to 31.12.2011**
Decrease in amortisation of intangible assets	127
Increase in deferred tax expense	(32)

Consolidated statement of financial position *In RM Mil*	**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)

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:

Consolidated statement of profit or loss and other comprehensive income *In RM Mil*	**1.4.2011 to 31.12.2011**
Decrease in depreciation of property, plant and equipment	73

Consolidated statement of financial position *In RM Mil*	**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	(389)	(348)

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:

Consolidated statement of profit or loss and other comprehensive income *In RM Mil*	**1.4.2011 to 31.12.2011**
Increase in other income	170
Decrease in net movement from exchange differences	(170)

Consolidated statement of financial position *In RM Mil*	**1.4.2011**	**31.12.2011**
Increase in foreign currency translation reserve	13,403	13,233
Decrease in retained profits	(13,403)	(13,233)

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.

Consolidated statement of profit or loss and other comprehensive income *In RM Mil*	**1.4.2011 to 31.12.2011**
Increase in property development revenue	34
Increase in property development cost	(49)
Decrease in income tax expense	3

Consolidated statement of financial position *In RM Mil*	**1.4.2011**	**31.12.2011**
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)

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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THE ISSUER

PETRONAS Capital Limited
Level 13(A), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Labuan Federal Territory
Malaysia

THE GUARANTOR

Petroliam Nasional Berhad (PETRONAS)
Tower 1, PETRONAS Twin Towers
Kuala Lumpur City Centre
50088 Kuala Lumpur
Malaysia

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon, London Branch
40th Floor, One Canada Square
London, E14 5AL
United Kingdom

PAYING AGENT, EXCHANGE AGENT AND TRANSFER AGENT

The Bank of New York Mellon
101 Barclay Street, Floor 4E
New York, NY 10286
United States of America

DTC REGISTRAR

The Bank of New York Mellon
101 Barclay Street, Floor 4E
New York, NY 10286
United States of America

EURO REGISTRAR

The Bank of New York Mellon (Luxembourg) S.A.
Corporate Trust Services—Aerogolf Centre
1A, Hoehenhof
L-1736 Senningerberg, Luxembourg

ARRANGERS

Merrill Lynch (Singapore) Pte. Ltd.
50 Collyer Quay #14-01 OUE Bayfront
Singapore 049321

CIMB Investment Bank Berhad
Level 13, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA

DEALERS

Merrill Lynch (Singapore) Pte. Ltd.
50 Collyer Quay #14-01
OUE Bayfront
Singapore 049321

CIMB Investment Bank Berhad
Level 13, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, Singapore Branch
One Raffles Quay #17-00
South Tower
Singapore 048583

The Hongkong and Shanghai Banking Corporation Limited
Level 17, HSBC Main Building
1 Queen's Road Central
Hong Kong

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Maybank Investment Bank Berhad
32nd Floor
Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA

Mitsubishi UFJ Securities International plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

LEGAL ADVISORS TO THE ISSUER AND THE GUARANTOR

As to New York law

Cleary Gottlieb Steen & Hamilton (Hong Kong)
Hysan Place, 37th Floor
500 Hennessy Road
Causeway Bay, Hong Kong

As to Malaysian law

Kadir Andri & Partners
Level 10, Menara BRDB
285, Jalan Maarof, Bukit Bandaraya
59000 Kuala Lumpur
Malaysia

LEGAL ADVISORS TO THE ARRANGERS AND THE DEALERS

As to New York law

Milbank, Tweed, Hadley & McCloy LLP
12 Marina Boulevard
Marina Bay Financial Centre
#36-03 Tower 3
Singapore 018982

As to Malaysian law

Adnan Sundra & Low
Level 11 Menara Olympia
No.8 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

LISTING AGENTS

Hong Kong Stock Exchange

Cleary Gottlieb Steen & Hamilton (Hong Kong)
Hysan Place, 37th Floor
500 Hennessy Road
Causeway Bay, Hong Kong

Bursa Malaysia

CIMB Investment Bank Berhad
Level 13, Menara CIMB
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Malaysia

Labuan International Financial Exchange

CIMB Bank (L) Limited
Level 14(A), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Labuan Federal Territory
Malaysia

INDEPENDENT AUDITORS OF THE GUARANTOR

KPMG
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Malaysia

PETRONAS
CAPITAL