



PETROLIAM NASIONAL BERHAD
(20076-K)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR SECOND QUARTER 2012

The Board of Directors of Petroliam Nasional Berhad ("PETRONAS" or the "Company") is pleased to announce the following unaudited condensed consolidated financial statements of PETRONAS Group for the second quarter ended 30 June 2012 which should be read in conjunction with the Explanatory Notes on pages 6 to 20 and Appendix 1 on pages 21 to 26.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual quarter ended		Cumulative quarter ended	
	2012	30 June 2011	2012	30 June 2011
<i>In RM Mil</i>				
Revenue	70,697	72,942	145,870	138,584
Cost of revenue	(44,212)	(41,996)	(85,925)	(79,276)
Gross profit	<u>26,485</u>	<u>30,946</u>	<u>59,945</u>	<u>59,308</u>
Selling and distribution expenses	(976)	(1,121)	(2,212)	(2,370)
Administration expenses	(3,386)	(2,376)	(6,048)	(8,780)
Other expenses	(860)	(457)	(984)	(1,509)
Other income	1,767	4,195	2,835	5,595
Operating profit	<u>23,030</u>	<u>31,187</u>	<u>53,536</u>	<u>52,244</u>
Financing costs	(646)	(838)	(1,469)	(1,731)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entities	287	565	642	1,151
Profit before taxation	<u>22,671</u>	<u>30,914</u>	<u>52,709</u>	<u>51,664</u>
Tax expense	(7,451)	(9,206)	(16,745)	(17,188)
PROFIT FOR THE PERIOD	<u>15,220</u>	<u>21,708</u>	<u>35,964</u>	<u>34,476</u>
Other comprehensive income/ (expenses)				
Net movements from exchange differences	5,103	542	642	(798)
Available-for-sale financial assets				
- Changes in fair value	(406)	(404)	407	945
- Transfer to profit or loss upon disposal	(858)	(3,068)	(1,326)	(3,068)
Other comprehensive income	76	40	121	123
	<u>3,915</u>	<u>(2,890)</u>	<u>(156)</u>	<u>(2,798)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>19,135</u>	<u>18,818</u>	<u>35,808</u>	<u>31,678</u>
Profit attributable to:				
Shareholders of the Company	12,767	19,388	30,979	29,942
Non-controlling interests	2,453	2,320	4,985	4,534
PROFIT FOR THE PERIOD	<u>15,220</u>	<u>21,708</u>	<u>35,964</u>	<u>34,476</u>
Total comprehensive income attributable to:				
Shareholders of the Company	16,164	16,477	30,701	27,486
Non-controlling interests	2,971	2,341	5,107	4,192
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>19,135</u>	<u>18,818</u>	<u>35,808</u>	<u>31,678</u>



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.6.2012	As at 31.12.2011	As at 1.4.2011
<i>In RM Mil</i>			
ASSETS			
Property, plant and equipment	216,819	205,555	190,949
Investment properties, land held for development and prepaid lease payments	13,246	13,250	12,753
Investments in associates and jointly controlled entities	12,395	12,323	11,561
Intangible assets	19,177	20,614	13,272
Fund and other investments	6,032	3,495	11,824
Cash and cash equivalents	116	89	108
Other non-current assets	7,822	7,971	7,268
TOTAL NON-CURRENT ASSETS	<u>275,607</u>	<u>263,297</u>	<u>247,735</u>
Trade and other inventories	13,311	12,366	10,274
Trade and other receivables	36,595	37,349	33,099
Fund and other investments	28,724	35,383	37,869
Cash and cash equivalents	137,645	125,358	106,556
Other current assets	1,434	1,393	792
TOTAL CURRENT ASSETS	<u>217,709</u>	<u>211,849</u>	<u>188,590</u>
TOTAL ASSETS	<u>493,316</u>	<u>475,146</u>	<u>436,325</u>
EQUITY			
Share capital	100	100	100
Reserves	289,490	286,797	262,172
Total equity attributable to shareholders of the Company	<u>289,590</u>	<u>286,897</u>	<u>262,272</u>
Non-controlling interests	32,716	32,079	31,283
TOTAL EQUITY	<u>322,306</u>	<u>318,976</u>	<u>293,555</u>
LIABILITIES			
Borrowings	39,411	39,674	44,354
Deferred tax liabilities	12,001	13,267	12,865
Other long term liabilities and provisions	26,347	23,977	24,544
TOTAL NON-CURRENT LIABILITIES	<u>77,759</u>	<u>76,918</u>	<u>81,763</u>
Trade and other payables	53,281	50,408	38,122
Borrowings	5,167	12,849	3,457
Taxation	17,803	15,995	13,428
Dividend payable	17,000	-	6,000
TOTAL CURRENT LIABILITIES	<u>93,251</u>	<u>79,252</u>	<u>61,007</u>
TOTAL LIABILITIES	<u>171,010</u>	<u>156,170</u>	<u>142,770</u>
TOTAL EQUITY AND LIABILITIES	<u>493,316</u>	<u>475,146</u>	<u>436,325</u>



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>			
	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Available- for-sale Reserve
Quarter ended 30 June 2011				
Balance at 1 January 2011	100	13,110	(12,666)	5,583
Net movements from exchange differences	-	-	(386)	-
Available-for-sale financial assets				
- Changes in fair value	-	-	-	918
- Transfer to profit or loss upon disposal	-	-	-	(3,068)
Other comprehensive income	-	80	-	-
Total other comprehensive income/(expenses) for the period	-	80	(386)	(2,150)
Profit for the period	-	-	-	-
Total comprehensive income/ (expenses) for the period	-	80	(386)	(2,150)
Additional issuance of shares to non-controlling interests	-	-	-	-
Additional equity interest in a subsidiary	-	-	-	-
Dividends	-	-	-	-
Other movements	-	309	-	-
Total contribution from/ (distribution to) shareholders	-	309	-	-
	100	13,499	(13,052)	3,433
Effect of transition to MFRS	-	-	13,403	-
Balance at 30 June 2011	100	13,499	351	3,433
Quarter ended 30 June 2012				
Balance at 1 January 2012	100	13,405	4,305	1,974
Net movements from exchange differences	-	-	570	-
Available-for-sale financial assets				
- Changes in fair value	-	-	-	386
- Transfer to profit or loss upon disposal	-	-	-	(1,326)
Other comprehensive income	-	92	-	-
Total other comprehensive income/(expenses) for the period	-	92	570	(940)
Profit for the period	-	-	-	-
Total comprehensive income/ (expenses) for the period	-	92	570	(940)
Dividends	-	-	-	-
Other movements	-	(2)	-	-
Total distribution to shareholders	-	(2)	-	-
Balance at 30 June 2012	100	13,495	4,875	1,034

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>			Non- controlling Interests	Total Equity
	<i>Distributable</i>				
	General Reserve	Retained Profits	Total		
Quarter ended 30 June 2011					
Balance at 1 January 2011	12,000	240,620	258,747	32,372	291,119
Net movements from exchange differences	-	-	(386)	(412)	(798)
Available-for-sale financial assets					
- Changes in fair value	-	-	918	27	945
- Transfer to profit or loss upon disposal	-	-	(3,068)	-	(3,068)
Other comprehensive income	-	-	80	43	123
Total other comprehensive income/(expenses) for the period	-	-	(2,456)	(342)	(2,798)
Profit for the period	-	29,942	29,942	4,534	34,476
Total comprehensive income/ (expenses) for the period	-	29,942	27,486	4,192	31,678
Additional issuance of shares to non-controlling interests	-	-	-	66	66
Additional equity interest in a subsidiary	-	-	-	(18)	(18)
Dividends	-	(30,000)	(30,000)	(3,386)	(33,386)
Other movements	-	(278)	31	(34)	(3)
Total contribution from/ (distribution to) shareholders	-	(30,278)	(29,969)	(3,372)	(33,341)
	12,000	240,284	256,264	33,192	289,456
Effect of transition to MFRS	-	(14,919)	(1,516)	(843)	(2,359)
Balance at 30 June 2011	12,000	225,365	254,748	32,349	287,097
Quarter ended 30 June 2012					
Balance at 1 January 2012	12,000	255,113	286,897	32,079	318,976
Net movements from exchange differences	-	-	570	72	642
Available-for-sale financial assets					
- Changes in fair value	-	-	386	21	407
- Transfer to profit or loss upon disposal	-	-	(1,326)	-	(1,326)
Other comprehensive income	-	-	92	29	121
Total other comprehensive income/(expenses) for the period	-	-	(278)	122	(156)
Profit for the period	-	30,979	30,979	4,985	35,964
Total comprehensive income/ (expenses) for the period	-	30,979	30,701	5,107	35,808
Dividends	-	(28,000)	(28,000)	(4,454)	(32,454)
Other movements	-	(6)	(8)	(16)	(24)
Total distribution to shareholders	-	(28,006)	(28,008)	(4,470)	(32,478)
Balance at 30 June 2012	12,000	258,086	289,590	32,716	322,306

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Cumulative quarter ended	
	2012	30 June 2011
Cash receipts from customers	142,743	132,880
Cash paid to suppliers and employees	<u>(77,888)</u>	<u>(74,384)</u>
	64,855	58,496
Interest income from fund and other investments	2,111	1,563
Interest expenses paid	(1,510)	(1,536)
Taxation paid	<u>(16,238)</u>	<u>(18,065)</u>
Cash flows from operating activities	<u>49,218</u>	<u>40,458</u>
Acquisition of/additional interest in subsidiaries, net of cash acquired	-	(34)
Investment in securities	(10,224)	(6,271)
Proceeds from disposal of:		
- property, plant and equipment, prepaid lease payments and intangible assets	653	1,977
- securities and other investment	14,011	9,060
Purchase of property, plant and equipment, prepaid lease payments and intangible assets	(20,380)	(19,992)
Others	<u>1,135</u>	<u>(557)</u>
Cash flows from investing activities	<u>(14,805)</u>	<u>(15,817)</u>
Repayment of borrowings	(8,997)	(2,345)
Drawdown of borrowings	757	3,423
Dividends paid	(11,000)	(12,000)
Dividends paid to non-controlling interests	(2,524)	(3,386)
Others	<u>(16)</u>	<u>(35)</u>
Cash flows from financing activities	<u>(21,780)</u>	<u>(14,343)</u>
Net increase in cash and cash equivalents	12,633	10,298
Decrease in deposits restricted	24	22
Net foreign exchange differences	180	(569)
Cash and cash equivalents at beginning of the period	<u>124,283</u>	<u>102,327</u>
Cash and cash equivalents at end of the period	<u>137,120</u>	<u>112,078</u>
Cash and cash equivalents		
Cash and bank balances and deposits	137,761	112,711
Negotiable certificate of deposits	1,158	489
Bank overdrafts	(1,053)	(215)
Less: Deposits restricted	<u>(746)</u>	<u>(907)</u>
	<u>137,120</u>	<u>112,078</u>



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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements has been prepared in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* other than the presentation of comparative information as described in the preceding quarter report. The results for this interim period are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the period ended 31 December 2011.

The explanatory notes attached to these condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the period ended 31 December 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2012 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2011 other than that disclosed in the preceding quarter report relating to first time adoption of MFRS and its impact as of 1 April 2011. The impact of the election of MFRS 1 transitional exemptions as disclosed in the preceding quarter report for 30 June 2011 are set out in Appendix 1.

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the annual financial statements for the period ended 31 December 2011.

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

5. EXCEPTIONAL ITEMS

There was no exceptional item during the quarter under review.

6. DIVIDENDS

During the period ended 30 June 2012, the Company paid a dividend of RM11.0 billion, being first to third payment of the approved tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM280,000 per ordinary share amounting to RM28.0 billion in respect of the financial period ended 31 December 2011.

The remaining amount of the tax exempt final dividend amounting to RM17.0 billion will be paid in installments between July and November 2012.



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

7. SIGNIFICANT AND SUBSEQUENT EVENT

The Group's productions in the Republic of South Sudan, as disclosed in previous quarters' report, have yet to resume.

8. CHANGES IN COMPOSITION OF THE GROUP

There was no material change in the composition of the Group.

9. SIGNIFICANT RELATED PARTY TRANSACTIONS

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 subsidiaries, associates, jointly controlled entities as well as the Government of Malaysia and its related entities as the Company is wholly-owned by the Government of Malaysia.

In addition to related party transactions disclosed in the Group's annual consolidated financial statements for 31 December 2011, the Group had the following significant transactions with the Government of Malaysia and its related entities during the quarter under review:

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2012	30 June 2011	2012	30 June 2011
Federal and State Governments of Malaysia				
Petroleum proceeds	3,057	2,856	6,329	5,300
Sale of petroleum products	130	124	238	190
Government of Malaysia's related entities				
Sales of petroleum products, processed gas and utilities	1,628	1,480	2,932	2,771

The above transactions have been entered into in the normal course of business and have been established on a commercial basis. Items which are statutory in nature including among others, taxation and export duties, are not considered related party transactions for the purpose of MFRS 124 *Related Party Disclosures* and therefore not included in the above disclosure.



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

10. OPERATING SEGMENTS

The Group has four reportable operating segments comprising Exploration and Production, Gas and Power, Downstream and Corporate and Others. Corporate and Others segment comprises primarily maritime and logistics segment, property segment and central treasury function.

Performance is measured based on segment net operating profit after tax (“NOPAT”), which is derived from net profit after tax excluding financing cost, share of profits of associates and jointly controlled entities and other non-operating income and expenses, as included in the internal management reports. Segment NOPAT is used to measure performance as the Group chief operating decision maker, which in this case is the PETRONAS Executive Committee, believes that such information is the most relevant in evaluating the results of the segments.

10.1 Revenue

<i>In RM Mil</i>	Individual quarter ended 30 June					
	2012	2011	2012	2011	2012	2011
	Third Parties		Inter-segment		Gross Total	
Exploration and Production ¹	11,581	14,691	14,591	13,236	26,172	27,927
Gas and Power	19,323	16,853	1,674	1,983	20,997	18,836
Downstream	36,180	38,067	451	188	36,631	38,255
Corporate and Others	3,613	3,331	979	1,465	4,592	4,796
Total	70,697	72,942	17,695	16,872	88,392	89,814

<i>In RM Mil</i>	Cumulative quarter ended 30 June					
	2012	2011	2012	2011	2012	2011
	Third Parties		Inter-segment		Gross Total	
Exploration and Production ¹	25,465	27,398	30,685	27,725	56,150	55,123
Gas and Power	40,712	32,886	3,510	3,854	44,222	36,740
Downstream	72,443	72,237	947	613	73,390	72,850
Corporate and Others	7,250	6,063	1,856	3,315	9,106	9,378
Total	145,870	138,584	36,998	35,507	182,868	174,091

¹ Inter-segment includes deemed sales between Exploration and Production and Gas and Power segments



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

10. OPERATING SEGMENTS (continued)

10.2 NOPAT

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2012	30 June 2011	2012	30 June 2011
Exploration and Production	7,986	12,258	19,224	22,693
Gas and Power	4,503	4,142	9,633	5,191
Downstream	615	1,336	2,720	3,414
Corporate and Others	905	157	1,571	49
Total NOPAT for reportable segments	14,009	17,893	33,148	31,347
Elimination of inter-segment transactions	1,167	542	1,351	(504)
Consolidated NOPAT	15,176	18,435	34,499	30,843

10.3 Reconciliation of reportable segment NOPAT

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2012	30 June 2011	2012	30 June 2011
Consolidated NOPAT	15,176	18,435	34,499	30,843
Financing cost, net of tax	(435)	(588)	(1,003)	(1,148)
Share of profits of associates and jointly controlled entities, net of tax	287	565	642	1,151
Unrealised foreign exchange (losses)/gains	(1,117)	258	(93)	590
Other non-operating income, net of tax	1,309	3,038	1,919	3,040
Profit for the period	15,220	21,708	35,964	34,476



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PART B – OTHER EXPLANATORY NOTES

11. REVIEW OF GROUP PERFORMANCE

Cumulative quarter ended		<i>In RM Mil</i>	Individual quarter ended		
30.6.2011	30.6.2012		30.6.2012	31.3.2012	30.6.2011
138,584	145,870	Revenue	70,697	75,173	72,942
34,476	35,964	Profit for the period	15,220	20,744	21,708
30,843	34,499	NOPAT	15,176	19,323	18,435
61,340	62,525	EBITDA ²	27,441	35,084	34,084

<i>In RM Mil</i>	As at 30.6.2012	As at 31.12.2011
Total assets	493,316	475,146
Shareholders' equity	289,590	286,897
Total debt to total assets	0.09x	0.11x
ROACE ³	20.0%	20.4%

Second quarter PETRONAS Group recorded a decline in revenue of RM70.7 billion compared with RM72.9 billion in the corresponding quarter a year ago. Profit for the quarter was RM15.2 billion compared with RM21.7 billion in the corresponding quarter a year ago.

Second quarter 2012 revenue declined on the back of lower prices of crude oil and other energy products. The decrease in crude oil prices was affected by the bearish economic sentiment surrounding Europe and the USA as well as slowdown in China. This was also contributed by higher global inventory due to ample global oil supplies from the USA and Canada and an increase in the OPEC supplies. Benchmark crude oil prices registered a downward trend with Dated Brent and Tapis OSP declining by 8% and 5% respectively. The weakening oil prices was mirrored in other energy products prices, particularly petroleum products and petrochemical products. The Group revenue was also affected by lower volume sold for petroleum products, crude oil and condensates and LNG on the back of limited trading opportunities, upstream operational challenges and scheduled plant turnaround.

Profit, NOPAT and EBITDA for the quarter decreased by RM6.5 billion, RM3.3 billion and RM6.6 billion respectively as compared to the same quarter last year which were primarily contributed by lower revenue and lower margins.

Cumulative quarter PETRONAS Group recorded a 5.3% growth in revenue for the six-month period ended 30 June 2012 at RM145.9 billion compared to RM138.6 billion a year ago on the back of higher realised prices of LNG, processed gas and crude oil and condensate, albeit partially negated by lower volume sold for crude oil and condensates, petroleum products and LNG.

² EBITDA consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortisation and impairment loss on property, plant and equipment and intangible assets and financing costs, and the exclusion of interest income.

³ Return on average capital employed (ROACE) is calculated as NOPAT divided by average shareholders' equity and long term debt during the period/year.



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PART B – OTHER EXPLANATORY NOTES (continued)

11. REVIEW OF GROUP PERFORMANCE (continued)

Profit, NOPAT and EBITDA for the period increased by RM1.5 billion, RM3.7 billion and RM1.2 billion respectively as compared to the same period last year on the back of higher revenue. During the financial period, the Group disposed of its entire investment in Centrica Plc, APA Group, Proton and certain portion of its investment in Gas Malaysia Berhad resulting in a total gain of RM1.5 billion. Similarly, included in last period's profit is a net gain of RM2.6 billion from disposal of Cairn India Ltd. Excluding these gains, profit and EBITDA increased by RM2.5 billion and RM2.2 billion respectively in line with higher revenue.

Total assets increased to RM493.3 billion as at 30 June 2012 compared to RM475.1 billion as at 31 December 2011 primarily on the back of profits recorded during the period. Shareholders' equity of RM289.6 billion as at 30 June 2012 showed a slight increase of RM2.7 billion compared to 31 December 2011 due to the combined impact of equity increase from profits generated during the period and equity reduction from approved final dividend amounting to RM28.0 billion in respect of financial period ended 31 December 2011.

Total debt to total assets ratio decreased to 0.09x as at 30 June 2012 compared to 0.11x as at 31 December 2011 due to lower debt from repayment of bond during the financial period against higher total assets. ROACE decreased to 20.0% as at 30 June 2012 compared to 20.4% as at 31 December 2011 in line with lower NOPAT.



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PART B – OTHER EXPLANATORY NOTES (continued)

12. REVIEW OF PERFORMANCE - EXPLORATION AND PRODUCTION SEGMENT

Cumulative quarter ended		<i>Financial Indicators</i> <i>In RM Mil</i>	Individual quarter ended		
30.6.2011	30.6.2012		30.6.2012	31.3.2012	30.6.2011
		Revenue			
27,398	25,465	Third party	11,581	13,884	14,691
27,725	30,685	Inter-segment	14,591	16,094	13,236
55,123	56,150		26,172	29,978	27,927
22,693	19,224	NOPAT	7,986	11,238	12,258

Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
30.6.2011	30.6.2012		30.6.2012	31.3.2012	30.6.2011
		Production ('000 boe ⁴ per day)			
824	721	Crude oil and condensates	665	773	777
1,272	1,259	Natural gas	1,185	1,338	1,230
2,096	1,980		1,850	2,111	2,007
		Oil and gas entitlement ('000 boe ⁴ per day)			
556	517	Crude oil and condensates	475	531	503
899	881	Natural gas	832	868	890
1,455	1,398		1,307	1,399	1,393

Second quarter Revenue for the quarter ended 30 June 2012 was RM26.2 billion compared to RM27.9 billion in the corresponding period a year ago. The lower revenue is mainly attributed to lower entitlements of crude oil, condensates and gas following geopolitical challenges in some international operations. NOPAT decreased to RM8.0 billion compared to RM12.3 billion in the corresponding quarter last year on the back of lower revenue from international operations as explained above.

Total production for the quarter was 1,850 thousand boe per day compared to 2,007 thousand boe per day in the corresponding quarter a year ago. Crude oil and condensates production was lower by 112 thousand boe per day mainly due to natural field depletion and operational challenges including geopolitical challenges. Natural gas production was also lower by 3.7% compared to the same quarter last year mainly due to Malaysia operations challenges whilst the international gas production is higher.

Cumulative quarter Revenue for the quarter ended 30 June 2012 was RM56.2 billion compared to RM55.1 billion in the corresponding quarter a year ago. The higher revenue reflected the impact of higher realised prices for gas. However, NOPAT decreased by RM3.5 billion or 15.3% compared to the corresponding quarter a year ago mainly due to stop production instructions in Sudan operations.

Total production for the quarter was 1,980 thousand boe per day compared to 2,096 thousand boe per day in the corresponding quarter last year. Crude oil and condensates production was lower by 12.5% mainly due to natural field depletion, lower reservoir performance and operational challenges including geopolitical challenges in some international operations. Natural gas production was lower by 1.0% compared to the same quarter a year ago mainly due to Malaysia operations challenges.

⁴ boe: barrels of oil equivalent



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PART B – OTHER EXPLANATORY NOTES (continued)

13. REVIEW OF PERFORMANCE - GAS AND POWER SEGMENT

Cumulative quarter ended		<i>Financial Indicators</i> <i>In RM Mil</i>	Individual quarter ended		
30.6.2011	30.6.2012		30.6.2012	31.3.2012	30.6.2011
32,886	40,712	Revenue			
3,854	3,510	Third party	19,323	21,389	16,853
36,740	44,222	Inter-segment	1,674	1,836	1,983
5,191	9,633	NOPAT	20,997	23,225	18,836
			4,503	5,130	4,142

Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
30.6.2011	30.6.2012		30.6.2012	31.3.2012	30.6.2011
2,381	2,461	Malaysia average sales gas volume (mmscfd) ⁵	2,449	2,507	2,275
14.47	12.92	LNG sales volume (million tonnes)	5.87	7.05	7.18

Second quarter Gas and Power segment registered RM21.0 billion revenue for the quarter ended 30 June 2012, an increase of RM2.2 billion or 11.5% compared to the corresponding quarter in 2011 on the back of higher realised LNG prices.

Total LNG sales volume in the quarter was however lower by 1.31 million tonnes or 18.2% as compared to the previous year mainly due to lower production from the PETRONAS LNG Complex in Bintulu, Sarawak attributed to scheduled plant turnaround as well as lower entitlement volume from operations in Egypt.

Average sales gas volume was higher by 174 mmscfd or 7.6% compared to the same quarter last year mainly from higher domestic supply from Kertih, Terengganu.

The segment registered higher NOPAT of RM4.5 billion for the quarter, an increase of RM0.4 billion or 8.7% compared to the corresponding quarter a year ago, in line with the increase in revenue.

Cumulative quarter Gas and Power segment registered RM44.2 billion revenue for the period ended 30 June 2012, an increase of RM7.5 billion or 20.4% compared to the corresponding period a year ago on the back of higher realised LNG prices.

Total LNG sales volume in the period was however lower by 1.55 million tonnes or 10.7% as compared to the previous year due to lower production from the PETRONAS LNG Complex in Bintulu, Sarawak attributed to scheduled plant turnaround as well as lower entitlement volume from operations in Egypt.

Average sales gas volume was higher by 80 mmscfd or 3.4% compared to the same period last year due to higher domestic supply from Kertih, Terengganu coupled with higher supply from Malaysia-Thailand Joint Development Area ("MTJDA").

The segment registered higher NOPAT of RM9.6 billion for the period, an increase of RM4.4 billion compared to the corresponding period a year ago, in line with the increase in revenue.

⁵ mmscfd: million standard cubic feet per day



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PART B – OTHER EXPLANATORY NOTES (continued)

14. REVIEW OF PERFORMANCE – DOWNSTREAM SEGMENT

Cumulative quarter ended		<i>Financial Indicators</i> <i>In RM Mil</i>	Individual quarter ended		
30.6.2011	30.6.2012		30.6.2012	31.3.2012	30.6.2011
72,237	72,443	Revenue			
613	947	Third party	36,180	36,263	38,067
72,850	73,390	Inter-segment	451	496	188
3,414	2,720	NOPAT	36,631	36,759	38,255
			615	2,105	1,336

Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
30.6.2011	30.6.2012		30.6.2012	31.3.2012	30.6.2011
149.6	142.7	Petroleum products sales volume (in million barrels)	72.3	70.4	78.6
89.3	80.2	Crude oil sales volume (in million barrels)	36.9	43.3	46.8
3.2	3.4	Petrochemical sales volume (in million metric tonnes)	1.6	1.8	1.4

Second quarter Revenue for the quarter was RM36.6 billion, a decrease of RM1.6 billion compared to the corresponding quarter a year ago. The lower revenue was mainly due to lower realised prices of crude oil and petroleum products.

Petroleum products sales volume was 72.3 million barrels, lower than the corresponding quarter a year ago by 6.3 million barrels mainly due to limited trading opportunities affected by the high price environment.

Crude oil sales volume decreased by 9.9 million barrels compared to the corresponding quarter last year mainly contributed by the persisting geopolitical issues in Sudan and also limited trading opportunities for crude oil.

Downstream's NOPAT was RM0.6 billion, lower by RM0.7 billion than the corresponding quarter a year ago mainly due to high inventory losses resulted from declining trend of crude oil and petroleum product prices.

Cumulative quarter Revenue for the YTD quarter was RM73.4 billion, slightly higher than the corresponding quarter a year ago by RM0.5 billion mainly due to higher realised prices of crude oil and petroleum products.

Petroleum products sales volume was 142.7 million barrels, lower than the corresponding quarter a year ago by 6.9 million barrels mainly due to limited trading opportunities affected by the high price environment.

Crude oil sales volume decreased by 9.1 million barrels compared to the corresponding cumulative quarter last year mainly contributed by limited trading opportunities for crude oil.

Downstream's NOPAT was RM2.7 billion, slightly lower by RM0.7 billion compared to corresponding quarter a year ago mainly due to declining trend of crude oil and petroleum product prices.



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PART B – OTHER EXPLANATORY NOTES (continued)

15. REVIEW OF PERFORMANCE - CORPORATE AND OTHERS SEGMENT

Cumulative quarter ended		<i>Financial Indicators</i> <i>In RM Mil</i>	Individual quarter ended		
30.6.2011	30.6.2012		30.6.2012	31.3.2012	30.6.2011
		Revenue			
6,063	7,250	Third party	3,613	3,637	3,331
3,315	1,856	Inter-segment	979	877	1,465
<u>9,378</u>	<u>9,106</u>		<u>4,592</u>	<u>4,514</u>	<u>4,796</u>
49	1,571	NOPAT	905	666	157

Second quarter Revenue for the quarter was RM4.6 billion, lower by RM0.2 billion or 4.3% as compared to the corresponding quarter a year ago mainly due to lower inter-segment revenue arising from completion of maritime and logistics project, partially negated by increase in fund investment income. Despite lower revenue, NOPAT increased by RM0.7 billion primarily attributable by higher fund investment income coupled with higher revenue from maritime and logistics' heavy engineering business.

Cumulative quarter Revenue was RM9.1 billion compared to RM9.4 billion for the financial period ended 30 June 2011. The revenue was lower by RM0.3 billion or 2.9% contributed by lower maritime and logistics' revenue. The segment recorded a higher NOPAT of RM1.6 billion, compared to RM49 million for the period ended 30 June 2011 in line with higher fund investment income.

16. COMPARISON WITH PRECEDING QUARTER'S RESULT

<i>In RM Mil</i>	Individual quarter ended	
	30.6.2012	31.3.2012
Revenue	70,697	75,173
Profit for the period	15,220	20,744
NOPAT	15,176	19,323
EBITDA	27,441	35,084

The Group registered revenue of RM70.7 billion, RM4.5 billion or 6.0% lower compared to the preceding quarter, on the back of lower volume sold for LNG, crude oil and condensates and petrochemical products. The impact of lower volume is partially offset by the strengthening of US Dollar against the RM and higher LNG realised prices. Most crude oil prices decreased from the preceding quarter including Tapis OSP by 7.9% (from USD126.87 per barrel to USD116.79 per barrel) and Dated Brent by 8.7% (from USD118.49 per barrel to USD108.19 per barrel).

Profit, NOPAT and EBITDA decreased by RM5.5 billion, RM4.1 billion and RM7.6 billion respectively, mainly resulting from the aforesaid lower volume sold and lower margins. Included in the current and the preceding quarter profits were RM1.1 billion and RM0.5 billion net gain on disposal of investments. Excluding the impact of net gain on disposal of investments, profit and EBITDA decreased by RM6.1 billion and RM8.2 billion respectively.



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PART B – OTHER EXPLANATORY NOTES (continued)

17. CURRENT FINANCIAL YEAR PROSPECTS

Slowing global economic growth and geopolitical uncertainties continue to heighten risks for the oil and gas business. Amidst these challenges and the continued high cost environment, the Board expects current year prospects of PETRONAS Group to be lower than performance for last year.

18. TAXATION

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	30 June		30 June	
	2012	2011	2012	2011
Current tax expenses				
Malaysia	7,935	8,582	16,725	15,139
Overseas	605	878	1,429	1,881
Deferred tax expenses				
Origination and reversal of temporary differences	(1,089)	(254)	(1,409)	168
	<u>7,451</u>	<u>9,206</u>	<u>16,745</u>	<u>17,188</u>
Effective tax rate	32.9%	29.8%	31.8%	33.3%

The Group's effective tax rates for the current quarter and period-to-date are 32.9% and 31.8% respectively. The current quarter effective tax rate is slightly higher than the corresponding quarter in 2011 of 29.8% mainly due to higher non-assessable income recorded in the corresponding quarter. Excluding the significant non-recurring gains from both periods, the effective tax rate for the cumulative quarter is 32.7%, lower than the corresponding period in 2011 of 35.0%, mainly due to higher non-deductible expenses incurred a year ago.



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PART B – OTHER EXPLANATORY NOTES (continued)

19. CASH, FUND AND OTHER INVESTMENTS

In %	As at 30.6.2012	As at 31.12.2011
By Currency		
RM	73.1	78.6
USD	24.1	16.5
Others	2.8	4.9
	100.0	100.0
By Maturity⁶		
< 1 year	93.6	95.7
1 to 5 years	4.9	4.0
5 to 10 years	1.5	0.3
	100.0	100.0
By Type		
Money market	83.7	78.3
Government securities	10.0	13.7
Corporate bonds	3.3	2.0
Equities	3.0	6.0
	100.0	100.0

There was no material purchase and sale of quoted securities for the current quarter.

⁶ Refers to instrument maturity dates; exclude equities.



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PART B – OTHER EXPLANATORY NOTES (continued)

20. BORROWINGS

The details of the Group borrowings as at 30 June 2012 are as follows:

<i>In RM Mil</i>	As at 30.6.2012	As at 31.12.2011
Non-Current		
Secured		
Term loans	3,124	3,380
Islamic financing facilities	1,914	1,863
Total non-current secured borrowings	5,038	5,243
Unsecured		
Term loans	7,575	7,672
Notes and Bonds	19,188	19,039
Islamic financing facilities	7,610	7,720
Total non-current unsecured borrowings	34,373	34,431
Total non-current borrowings	39,411	39,674
Current		
Secured		
Term loans	629	743
Islamic financing facilities	445	300
Total current secured borrowings	1,074	1,043
Unsecured		
Term loans	305	675
Notes and Bonds	-	6,357
Islamic financing facilities	1,092	1,137
Revolving credits	1,643	2,729
Bank overdrafts	1,053	908
Total current unsecured borrowings	4,093	11,806
Total current borrowings	5,167	12,849
Total borrowings	44,578	52,523



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PART B – OTHER EXPLANATORY NOTES (continued)

20. BORROWINGS (continued)

<i>In RM Mil</i>	As at		As at	
By Currency	30.6.2012	%	31.12.2011	%
USD	30,238	67.8	36,575	69.6
RM	8,554	19.2	9,824	18.7
EUR	3,556	8.0	3,678	7.0
JPY	645	1.4	653	1.2
ZAR	1,114	2.5	1,019	1.9
Others	471	1.1	774	1.6
	44,578	100.0	52,523	100.0
By Repayment Schedule				
< 1 year	5,167	11.6	12,849	24.5
1 to 5 years	23,074	51.8	24,129	45.9
5 to 10 years	14,725	33.0	11,539	22.0
10 to 20 years	1,612	3.6	4,006	7.6
	44,578	100.0	52,523	100.0

21. STATUS OF CORPORATE PROPOSALS

As announced on 28 June 2012, PETRONAS Carigali Canada Ltd., a wholly-owned subsidiary of PETRONAS, entered into an agreement to acquire Progress Energy Resources Corporation ("Progress"), a Canada-based energy company focused on natural gas exploration, development and production in northeast British Columbia and northwest Alberta. The transaction is valued at approximately C\$5.8 billion. The securityholders of Progress have approved the acquisition on 28 August 2012. The acquisition remains subject to the Canadian regulatory approvals.

22. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 30 June 2012.

23. MATERIAL LITIGATION

There has been no material litigation filed for and against the Company in the current quarter. The legal suit brought against the Company by the Kelantan State Government in 2010 in respect of payment of petroleum proceeds as disclosed in the previous interim reports, is still on-going as at quarter end.



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PART B – OTHER EXPLANATORY NOTES (continued)

24. PROFIT FOR THE PERIOD

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2012	30 June 2011	2012	30 June 2011
Included in profit for the period are the following charges:				
Bad debt written off	-	-	13	146
Depreciation and amortisation	4,067	3,041	8,808	6,247
Impairment losses on:				
- receivables	240	132	873	311
- intangible assets	1,145	77	1,703	441
- property, plant and equipment	25	117	164	3,874
Loss on derivatives	-	1	154	41
Net loss on foreign exchange	560	366	-	969
and credits:				
Dividend income	63	-	63	93
Gain on disposal of investments and properties	1,192	2,560	1,672	2,751
Interest income	1,105	1,115	2,320	1,881
Gain on derivatives	3	-	3	-
Net gain on foreign exchange	-	-	122	-
Write back of impairment losses on:				
- receivables	45	-	61	458
- intangible assets	7	-	7	-
- property, plant and equipment	-	-	-	146

25. DIVIDENDS

As disclosed in Note 6.

26. EXCHANGE RATES

	Individual quarter ended			Cumulative period ended		
	30.6.2012	31.3.2012	30.6.2011	30.6.2012	30.6.2011	31.12.2011
US dollar/RM						
Average rate	3.1138	3.0607	3.0179	3.0873	3.0326	3.0634
Closing rate	3.1965	3.0685	3.0242	3.1965	3.0242	3.1715

By order of the Board

Faridah Haris Hamid (LS 0008785)
Company Secretary
Kuala Lumpur
7 September 2012



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APPENDIX 1 – EXPLANATION OF TRANSITION TO MFRS

a) Effect of first time adoption of MFRS

The impact of the selection of MFRS 1 transitional exemptions for 30 June 2011 are set out below:

i. Retrospective application of MFRS 3 *Business Combinations*

<i>Consolidated statement of profit or loss and other comprehensive income</i>	As at
<i>In RM Mil</i>	30.6.2011
Decrease in amortisation of intangible assets	42
Increase in deferred tax expense	(11)

<i>Consolidated statement of financial position</i>	As at
<i>In RM Mil</i>	30.6.2011
Decrease in intangible assets	(2,075)
Decrease in deferred tax liabilities	(362)
Decrease in non-controlling interests	(611)
Decrease in retained profits	(1,102)

ii. Fair value of property, plant and equipment as deemed cost

<i>Consolidated statement of profit or loss and other comprehensive income</i>	As at
<i>In RM Mil</i>	30.6.2011
Decrease in depreciation of property, plant and equipment	23

<i>Consolidated statement of financial position</i>	As at
<i>In RM Mil</i>	30.6.2011
Decrease in property, plant and equipment	(603)
Decrease in deferred tax liabilities	(20)
Decrease in non-controlling interests	(211)
Decrease in retained profits	(372)

iii. Cumulative currency translation differences deemed as zero

<i>Consolidated statement of financial position</i>	As at
<i>In RM Mil</i>	30.6.2011
Increase in foreign currency translation reserve	13,403
Decrease in retained profits	(13,403)



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APPENDIX 1 – EXPLANATION OF TRANSITION TO MFRS (continued)

a) Effect of first time adoption of MFRS (continued)

iv. Others

Consolidated statement of profit or loss and other comprehensive income	As at
<i>In RM Mil</i>	30.6.2011
Decrease in property development revenue	(27)
Decrease in property development cost	22
Decrease in income tax expense	2

Consolidated statement of financial position	As at
<i>In RM Mil</i>	30.6.2011
Increase in other non-current assets	5
Increase in trade and other inventories	602
Decrease in trade and other receivables	(45)
Decrease in other current assets	(446)
Increase in trade and other payables	128
Decrease in non-controlling interests	(4)
Decrease in retained profits	(8)



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APPENDIX 1 – EXPLANATION OF TRANSITION TO MFRS (continued)

b) Reconciliation adjustments to the statement of financial position

<i>In RM Mil</i>	Note	FRS	Effect of transition to MFRS 30 June 2011	MFRS
ASSETS				
Property, plant and equipment	(a)(ii)	196,202	(603)	195,599
Investment properties, land held for development and prepaid lease payments		12,939	-	12,939
Investments in associates and jointly controlled entities		11,683	-	11,683
Intangible assets	(a)(i)	16,728	(2,075)	14,653
Fund and other investments		11,549	-	11,549
Cash and cash equivalents		82	-	82
Other non-current assets	(a)(iv)	7,765	5	7,770
TOTAL NON-CURRENT ASSETS		256,948	(2,673)	254,275
Trade and other inventories	(a)(iv)	11,561	602	12,163
Trade and other receivables	(a)(iv)	35,134	(45)	35,089
Fund and other investments		31,660	-	31,660
Cash and cash equivalents		112,629	-	112,629
Other current assets	(a)(iv)	1,306	(446)	860
TOTAL CURRENT ASSETS		192,290	111	192,401
TOTAL ASSETS		449,238	(2,562)	446,676
EQUITY				
Share capital		100	-	100
Other reserves	(a)(iii)	15,880	13,403	29,283
Retained profits	(f)(i)	240,250	(14,885)	225,365
Total equity attributable to shareholders of the Company		256,230	(1,482)	254,748
Non-controlling interests	(f)(ii)	33,175	(826)	32,349
TOTAL EQUITY		289,405	(2,308)	287,097
LIABILITIES				
Borrowings		39,605	-	39,605
Deferred tax liabilities	(a)(i),(a)(ii)	13,284	(382)	12,902
Other long term liabilities and provisions		23,610	-	23,610
TOTAL NON-CURRENT LIABILITIES		76,499	(382)	76,117
Trade and other payables	(a)(iv)	41,554	128	41,682
Borrowings		9,580	-	9,580
Taxation		14,200	-	14,200
Dividend payable		18,000	-	18,000
TOTAL CURRENT LIABILITIES		83,334	128	83,462
TOTAL LIABILITIES		159,833	(254)	159,579
TOTAL EQUITY AND LIABILITIES		449,238	(2,562)	446,676



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APPENDIX 1 – EXPLANATION OF TRANSITION TO MFRS (continued)

c) Reconciliation adjustments to the statement of comprehensive income

	Note	FRS	Effect of transition to MFRS 1.4.2011 to 30.6.2011	MFRS
<i>In RM Mil</i>				
Revenue	(a)(iv)	72,969	(27)	72,942
Cost of revenue	(a)(ii),(a)(iv)	(42,041)	45	(41,996)
Gross profit		30,928	18	30,946
Selling and distribution expenses		(1,121)	-	(1,121)
Administration expenses	(a)(i)	(2,418)	42	(2,376)
Other expenses		(457)	-	(457)
Other income		4,195	-	4,195
Operating profit		31,127	60	31,187
Financing costs		(838)	-	(838)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entities		565	-	565
Profit before taxation		30,854	60	30,914
Tax expense	(a)(i),(a)(iv)	(9,197)	(9)	(9,206)
PROFIT FOR THE PERIOD		21,657	51	21,708
Other comprehensive income/ (expenses)				
Net movements from exchange differences		542	-	542
Available-for-sale financial assets				
- Changes in fair value		(404)	-	(404)
- Transfer to profit or loss upon disposal		(3,068)	-	(3,068)
Other comprehensive income		40	-	40
		(2,890)	-	(2,890)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		18,767	51	18,818
Profit attributable to:				
Shareholders of the Company	(d)	19,354	34	19,388
Non-controlling interests	(d)	2,303	17	2,320
PROFIT FOR THE PERIOD		21,657	51	21,708
Total comprehensive income attributable to:				
Shareholders of the Company	(d)	16,443	34	16,477
Non-controlling interests	(d)	2,324	17	2,341
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		18,767	51	18,818



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APPENDIX 1 – EXPLANATION OF TRANSITION TO MFRS (continued)

c) Reconciliation adjustments to the statement of comprehensive income (continued)

	Note	FRS	Effect of transition to MFRS 1.1.2011 to 30.6.2011	MFRS
<i>In RM Mil</i>				
Revenue	(a)(iv)	138,611	(27)	138,584
Cost of revenue	(a)(ii),(a)(iv)	(79,321)	45	(79,276)
Gross profit		59,290	18	59,308
Selling and distribution expenses		(2,370)	-	(2,370)
Administration expenses	(a)(i)	(8,822)	42	(8,780)
Other expenses		(1,509)	-	(1,509)
Other income		5,595	-	5,595
Operating profit		52,184	60	52,244
Financing costs		(1,731)	-	(1,731)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entities		1,151	-	1,151
Profit before taxation		51,604	60	51,664
Tax expense	(a)(i),(a)(iv)	(17,179)	(9)	(17,188)
PROFIT FOR THE PERIOD		34,425	51	34,476
Other comprehensive (expenses)/ income				
Net movements from exchange differences		(798)	-	(798)
Available-for-sale financial assets				
- Changes in fair value		945	-	945
- Transfer to profit or loss upon disposal		(3,068)	-	(3,068)
Other comprehensive income		123	-	123
		(2,798)	-	(2,798)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		31,627	51	31,678
Profit attributable to:				
Shareholders of the Company	(d)	29,908	34	29,942
Non-controlling interests	(d)	4,517	17	4,534
PROFIT FOR THE PERIOD		34,425	51	34,476
Total comprehensive income attributable to:				
Shareholders of the Company	(d)	27,452	34	27,486
Non-controlling interests	(d)	4,175	17	4,192
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		31,627	51	31,678



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APPENDIX 1 – EXPLANATION OF TRANSITION TO MFRS (continued)

d) Reconciliation adjustments to the statement of changes in equity

The effect of the selection of MFRS 1 transitional exemptions from 1 April 2011 to 30 June 2011 can be reconciled as follows:

<i>In RM Mil</i>	Note	Retained profits	Non-controlling interests
Impact as at 1 April 2011		(14,919)	(843)
Increase in profit during the period	(c)	34	17
Impact as at 30 June 2011	(b)	(14,885)	(826)

e) Reconciliation adjustments to the statement of cash flows

The adoption of MFRS does not result in material differences to the Group's statement of cash flows.

f) Notes to reconciliations

i. Retained profits

The changes that affected retained profits are as follows:

<i>In RM Mil</i>	Note	As at 30.6.2011
Retrospective application of MFRS 3 and MFRS 127	(a)(i)	1,102
Fair value of property, plant and equipment as deemed cost	(a)(ii)	372
Cumulative currency translation differences deemed as zero	(a)(iii)	13,403
Others	(a)(iv)	8
Decrease in retained profits		14,885

ii. Non-controlling interests

The changes that affected non-controlling interests are as follows:

<i>In RM Mil</i>	Note	As at 30.6.2011
Retrospective application of MFRS 3 and MFRS 127	(a)(i)	611
Fair value of property, plant and equipment as deemed cost	(a)(ii)	211
Others	(a)(iv)	4
Decrease in non-controlling interests		826