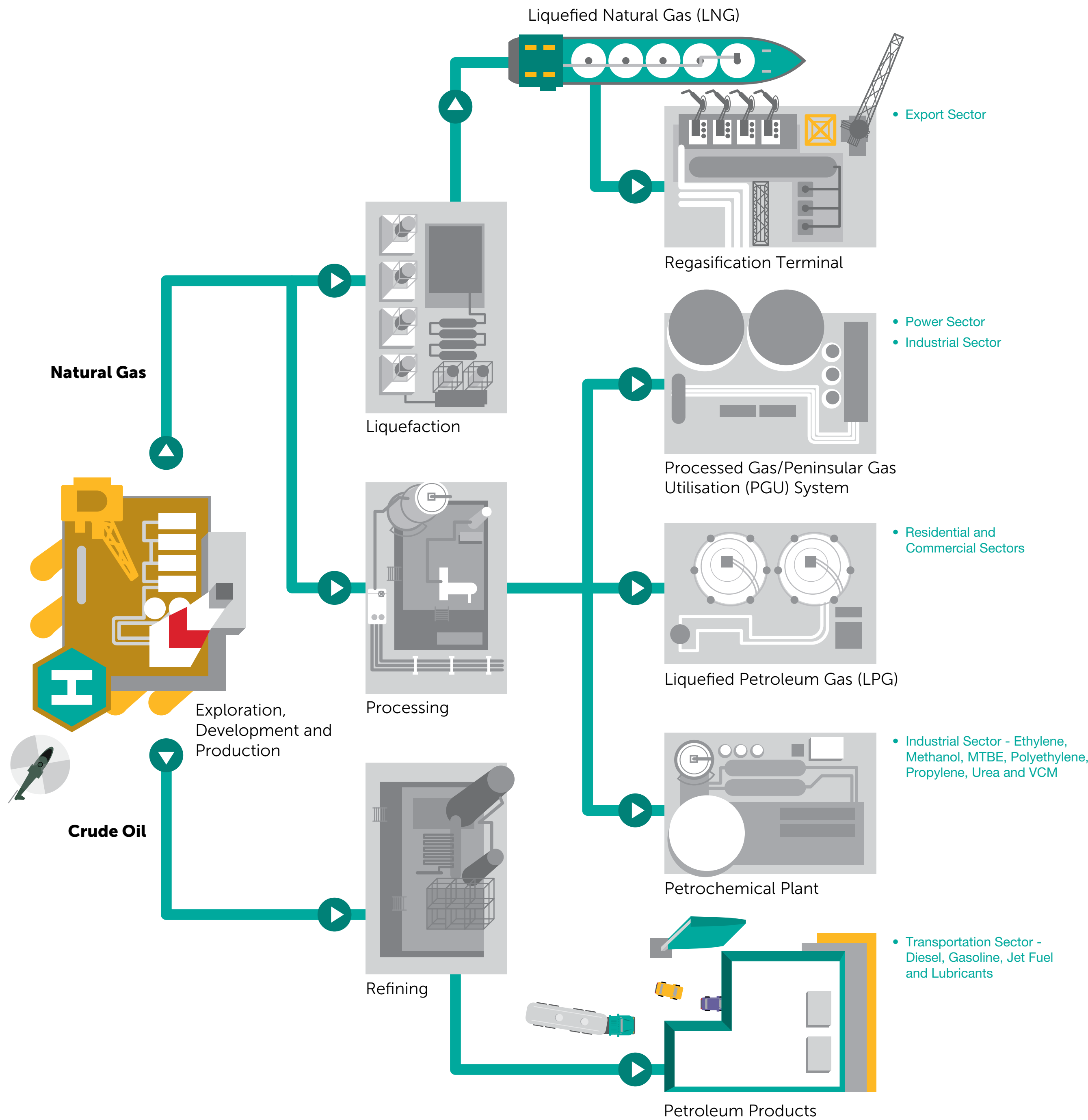
PETRONAS

ANNUAL REPORT 2013
reimagining energy ™

Our Business



Our Presence

Exploration & Production (E&P)

Africa
- **Algeria** – Development
- **Cameroon** – Development
- **Chad** – Development & Production
- **Egypt** – Exploration, Development & Production
- **Mauritania** – Exploration, Development & Production
- **Mozambique** – Exploration
- **Republic of South Sudan** – Exploration, Development & Production
- **Republic of Sudan** – Exploration, Development & Production

Asia Pacific
- **Australia** – Exploration, Development & Production
- **Brunei** – Exploration
- **Indonesia** – Exploration, Development & Production
- **Malaysia** – Exploration, Development & Production
- **Malaysia-Thailand Joint Development Area** – Development & Production
- **Myanmar** – Exploration, Development & Production
- **Vietnam** – Exploration, Development & Production

Central Asia
- **Turkmenistan** – Exploration, Development & Production
- **Uzbekistan** – Production

Latin America
- **Suriname** – Exploration

Middle East
- **Iraq** – Development & Production

North America
- **Canada** – Development & Production

Gas & Power

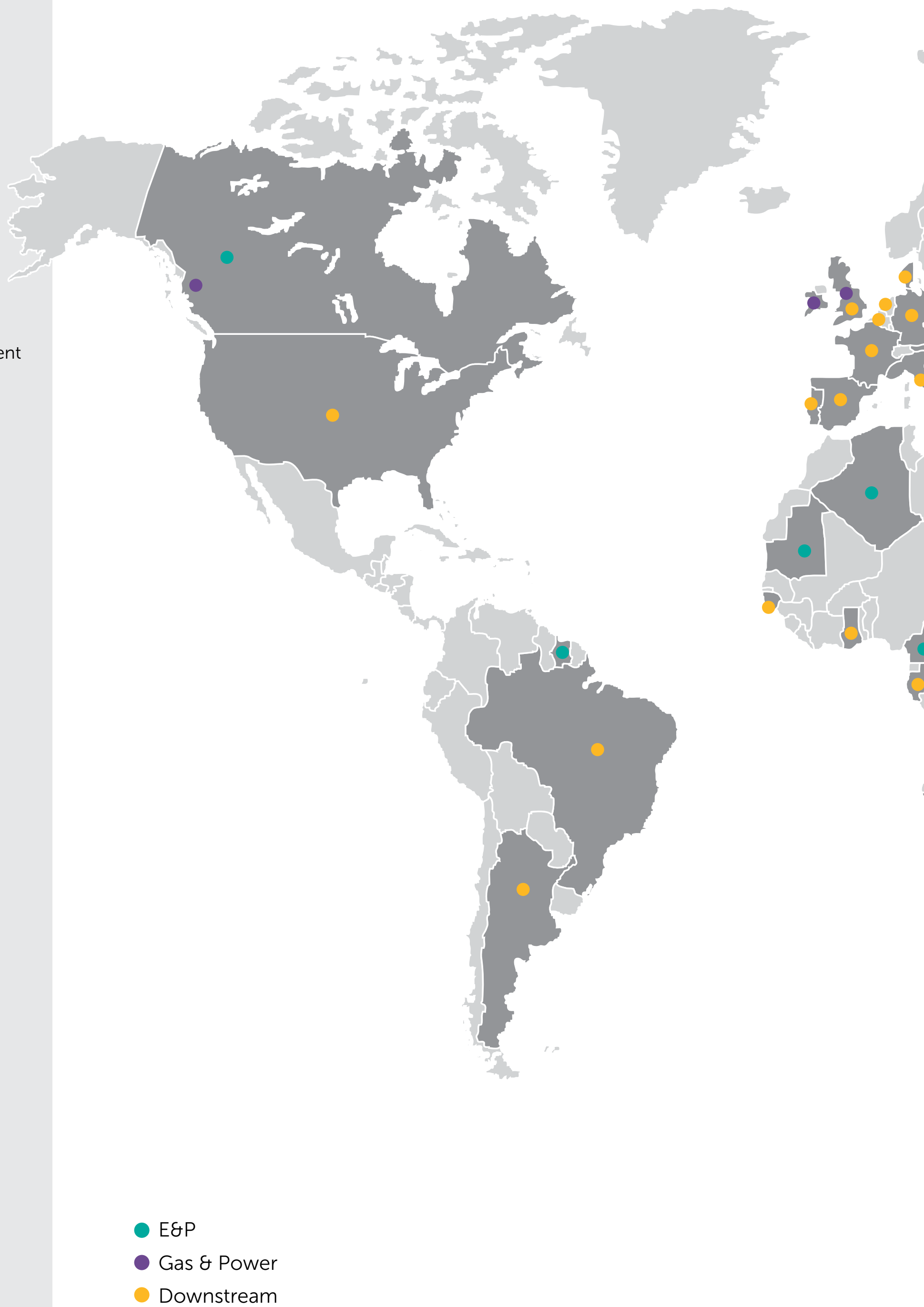
Africa
- **Egypt** – LNG

Asia Pacific
- **Australia** – LNG & Infrastructure
- **Indonesia** – Infrastructure
- **Malaysia** – LNG, Infrastructure, Utilities & Power, Trading
- **Singapore** – Power
- **Thailand** – Infrastructure

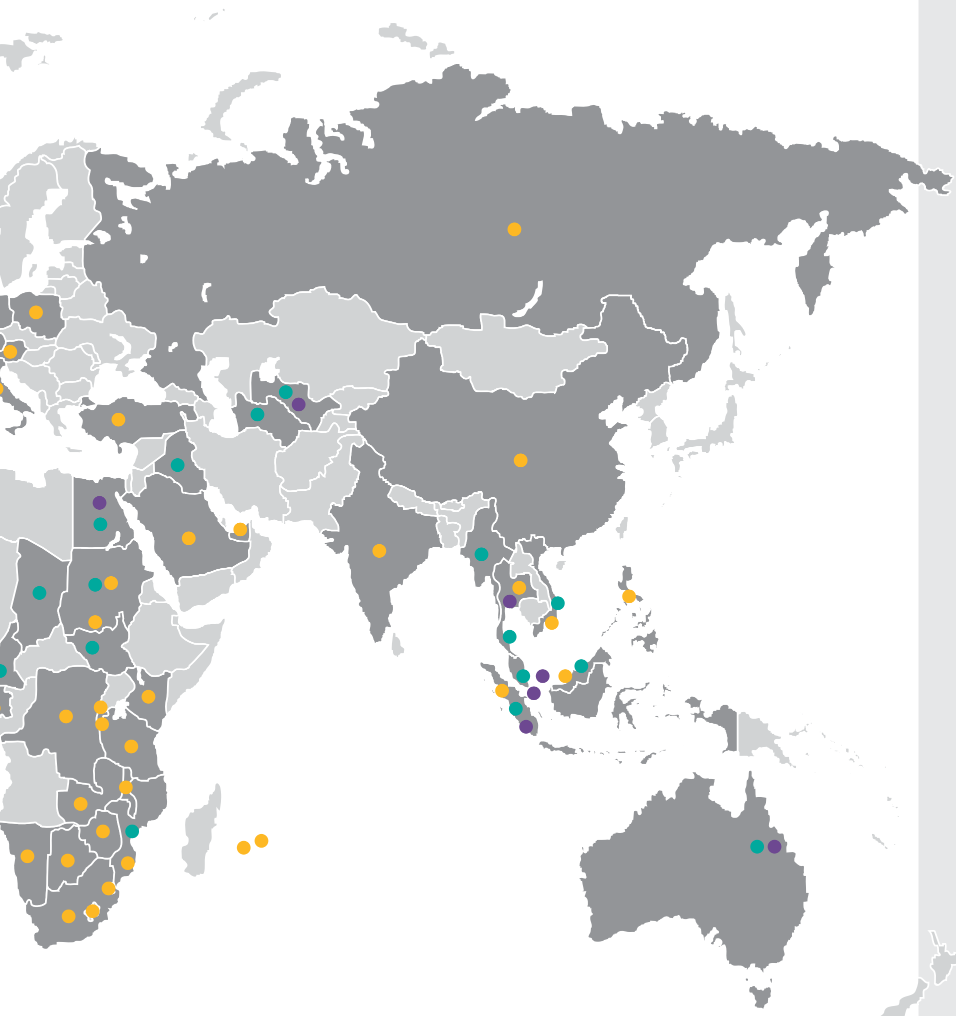
Central Asia
- **Uzbekistan** – Gas-to-Liquid

Europe
- **Ireland** – Infrastructure
- **United Kingdom** – Infrastructure, Utilities & Trading

North America
- **Canada** – LNG



Includes Engen subsidiaries and marketing and trading offices.



Downstream*

Africa
- Botswana – Oil Business
- Burundi – Oil Business
- Democratic Republic of the Congo – Oil Business
- Gabon – Oil Business
- Ghana – Oil Business
- Guinea Bissau – Oil Business
- Kenya – Oil Business
- Lesotho – Oil Business
- Malawi – Oil Business
- Mauritius – Oil Business
- Mozambique – Oil Business
- Namibia – Oil Business
- Réunion – Oil Business
- Rwanda – Oil Business
- Swaziland – Oil Business
- South Africa – Lubricants & Oil Business
- Republic of South Sudan – Lubricants & Oil Business
- Republic of Sudan – Lubricants & Oil Business
- Tanzania – Oil Business
- Zambia – Oil Business
- Zimbabwe – Oil Business

Asia Pacific
- China – Lubricants & Petrochemical Business
- India – Lubricants & Petrochemical Business
- Indonesia – Lubricants, Oil & Petrochemical Businesses
- Malaysia – Lubricants, Oil & Petrochemical Businesses
- Philippines – Lubricants, Oil & Petrochemical Businesses
- Thailand – Lubricants, Oil & Petrochemical Businesses
- Vietnam – Lubricants, Oil & Petrochemical Businesses

Europe
- Austria – Lubricants
- Belgium – Lubricants
- Denmark – Lubricants
- France – Lubricants
- Germany – Lubricants
- Italy – Lubricants
- Netherlands – Lubricants
- Poland – Lubricants
- Portugal – Lubricants
- Russia – Lubricants
- Spain – Lubricants
- Turkey – Lubricants
- United Kingdom – Lubricants & Oil Business

Latin America
- Argentina – Lubricants
- Brazil – Lubricants

Middle East
- Saudi Arabia – Oil Business
- UAE – Oil Business

North America
- United States of America – Lubricants

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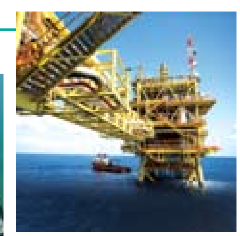

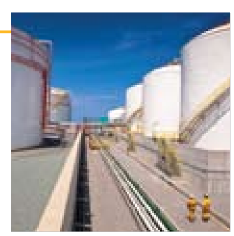

Vision

TO BE A LEADING OIL AND GAS MULTINATIONAL OF CHOICE

Mission

We are a business entity

Petroleum is our core business

Our primary responsibility is to develop and add value to this national resource

Our objective is to contribute to the well-being of the people and the nation

Shared Values

Loyalty

Loyal to the nation and corporation

Integrity

Honest and upright

Professionalism

Committed, innovative and proactive and always striving for excellence

Cohesiveness

United in purpose and fellowship

Company Profile

Petroliam Nasional Berhad is Malaysia's National Petroleum Corporation wholly-owned by the Malaysian Government. Established in 1974, PETRONAS is now ranked among the largest companies in the world with a proven track record in integrated oil and gas operations spanning the entire hydrocarbon value chain.

PETRONAS' business activities include (i) the exploration, development and production of crude oil and natural gas in Malaysia and overseas; (ii) the liquefaction, sale and transportation of Liquefied Natural Gas (LNG); (iii) the processing and transmission of natural gas, and the sale of natural gas products; (iv) the refining and marketing of petroleum products; (v) the manufacturing and selling of petrochemical products; (vi) the trading of crude oil, petroleum, gas and LNG products and petrochemical products; and (vii) shipping and logistics relating to LNG, crude oil and petroleum products. Committed to ensuring business sustainability, PETRONAS also strives to responsibly manage natural resources in a way that contributes holistically to the well-being of the people and nations wherever it operates.

Exploration & Production

PETRONAS' Exploration & Production (E&P) vision is to be a distinctive domestic resource owner and major global E&P player across the exploration, development and production value chain.

The Petroleum Management Unit of PETRONAS manages domestic oil and gas assets, by pioneering innovative solutions to drive business growth in the Malaysian oil and gas industry. This includes Enhanced Oil Recovery, small field development and intensified exploration activities.

Its E&P subsidiary, PETRONAS Carigali Sdn Bhd (PCSB) is a hands-on operator with an established track record of successful oil and gas developments. Actively strengthening its upstream portfolio resource base and production, PCSB works alongside a number of petroleum multinational companies to explore, develop and produce oil and gas in Malaysia and abroad.

PETRONAS has been growing its international E&P portfolio, securing new acreages while undertaking various development projects. These include deepwater and unconventional resources.

In its vision to become a major global E&P player, PETRONAS continues to harness and implement new technologies to reap the benefits of every hydrocarbon molecule recovered.

Company Profile

Gas & Power

PETRONAS is positioning itself to be a leading natural gas, Liquefied Natural Gas (LNG) and power player through two major portfolios under its Gas & Power business: Global LNG business and Infrastructure & Utilities business.

PETRONAS' Global LNG business commands a significant international market share; owing to three decades of experience and proven capability along the LNG value chain. PETRONAS is committed to continue strengthening its market position and preserving its reputation as a preferred LNG supplier distinctive for its quality and reliability through strategic expansion projects; venturing into unconventional plays in Australia and Canada; as well as growing its international LNG trading portfolio.

The Infrastructure & Utilities business is focused on ensuring long-term security, sustainability, and utilisation of natural gas in Malaysia while continuing to expand its portfolio in Infrastructure & Power in various international markets.

This encompasses gas processing, transportation, regasification as well as equity participation in power generation.

Since the 1980s, the Peninsular Gas Utilisation (PGU) pipeline system has been delivering gas to the power and non-power sectors in Peninsular Malaysia as well as to the power industry in Singapore. In addition, gas processing has also spurred Malaysia's petrochemical industry.

PETRONAS is committed to continue growing its Infrastructure & Power business including the renewables power business.

Downstream Business

PETRONAS' Downstream Business plays a strategic role in enhancing the value of Malaysia's oil and gas resources through its integrated operations in refining, trading and marketing of crude oil and petroleum products locally and internationally, as well as through manufacturing and marketing of petrochemical products.

The Oil Business segment comprises refining, trading and marketing of crude and petroleum products.

PETRONAS owns and operates three refineries in Malaysia. Two of the Malaysian refineries are located in Melaka; PETRONAS Penapisan (Melaka) Sdn Bhd (PP(M)SB) is wholly-owned by PETRONAS whilst the Malaysian Refining Company Sdn Bhd (MRC) is a joint venture refinery with Phillips66. The third refinery, PETRONAS Penapisan (Terengganu) Sdn Bhd (PP(T)SB) is located in Kertih on the East Coast of Malaysia. PETRONAS also owns a refinery in Durban, South Africa through its majority shareholding in Engen Petroleum Limited (Engen).

Oil Business also includes the marketing and trading of crude and petroleum products globally by the wholly-owned subsidiaries of PETRONAS Trading Corporation Sdn Bhd (PETCO) namely, PETCO Trading Labuan Company Limited (PTLCL), PETCO Trading UK Limited and PETCO Trading DMCC.

Company Profile

In the Malaysia market, PETRONAS Dagangan Berhad (PDB) manages all domestic marketing and retailing activities of a wide range of petroleum products. Whilst PDB acts as the retail arm for PETRONAS in Malaysia, PDB subsidiaries, namely PETRONAS Energy Philippines Inc (PEPI), PETRONAS International Marketing (Thailand) Co Ltd (PIMTC) and PETRONAS Vietnam Co Ltd (PVL) carries out similar operations in the Philippines, Thailand and Vietnam respectively. PETRONAS also operates service stations in South Africa and Sudan. It is the leading retailer and marketer of petroleum products in South Africa through Engen.

PETRONAS Chemicals Group Berhad (PCG) leads the growth of PETRONAS' Petrochemical Business. PCG is the leading petrochemicals producer in Malaysia and one of the largest producers in South East Asia. It primarily manufactures, markets and sells a diversified range of petrochemical products which include olefins, polymers, fertilisers, methanol and other basic chemicals and derivative products. PCG has over 25 years of combined experience in the petrochemicals industry.

PETRONAS Lubricants International Sdn Bhd (PLI), a wholly-owned subsidiary of PETRONAS, is the lubricants manufacturing and marketing arm of PETRONAS, with presence in more than 60 countries over five continents. PLI formulates, manufactures and markets a wide range of lubricants and functional fluids for the automotive, industrial and marine, and agriculture industries globally. PETRONAS' portfolio of lubricant brands includes Selenia, Syntium and Urania, whereas the functional fluids brands include Akros, Paraflu and Tutela.

Board of Directors

Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas
Independent Non-Executive Director, Chairman of the PETRONAS Board Governance & Risk Committee

Tan Sri Dr Mohd Irwan Siregar Abdullah
Non-Independent Non-Executive Director

Datuk Mohd Omar Mustapha
Independent Non-Executive Director

Datuk Manharlal Ratilal
Executive Director

Tan Sri Amirsham A Aziz
Independent Non-Executive Director

Tan Sri Mohd Sidek Hassan
Chairman of the PETRONAS Board

Datin Yap Siew Bee
Independent Non-Executive Director, Chairperson of the PETRONAS Remuneration Committee

Tan Sri Dato' Shamsul Azhar Abbas
President & Group Chief Executive Officer

Dato' Wee Yiaw Hin
Executive Director

Datuk Muhammad Ibrahim
Non-Independent Non-Executive Director

Datuk Anuar Ahmad
Executive Director

Krishnan CK Menon, FCA
Independent Non-Executive Director, Chairman of the PETRONAS Board Audit Committee

Faridah Haris Hamid
Company Secretary

Abdul Rahman Musa @ Onn
Joint Company Secretary

Datuk Wan Zulkiflee Wan Ariffin
Executive Director & Chief Operating Officer

Dato' Mohamad Idris Mansor
Independent Non-Executive Director

Board of Directors

Tan Sri Mohd Sidek Hassan

Chairman of the PETRONAS Board

Tan Sri Mohd Sidek Hassan was appointed to the PETRONAS Board on 1 July 2012. Prior to joining PETRONAS, he served in the Administrative and Diplomatic Service of the Malaysian Civil Service for 38 years, holding various positions including as Malaysia's Assistant Trade Commissioner in Tokyo, Trade Commissioner in Sydney, Minister Counselor of Economic Affairs in Washington D.C. as well as Deputy Secretary General (Trade) and Secretary General of the Ministry of International Trade and Industry. He was appointed as Chief Secretary to the Government of Malaysia in 2006, a position he held until June 2012.

Tan Sri Dato' Shamsul Azhar Abbas

President & Group Chief Executive Officer

Tan Sri Dato' Shamsul Azhar Abbas was appointed to the PETRONAS Board on 10 February 2010, and is currently the President & Group Chief Executive Officer of PETRONAS. He began his career with PETRONAS in 1975 and prior to his current appointment, held numerous senior management positions within the Group. Tan Sri Dato' Shamsul is also Chairman of the Board of PETRONAS Carigali Sdn Bhd, the Group's wholly-owned exploration and production arm. He also serves as Chairman of the National Trust Fund of Malaysia.

Tan Sri Dr Mohd Irwan Serigar Abdullah

Non-Independent Non-Executive Director

Tan Sri Dr Mohd Irwan Serigar Abdullah was appointed to the PETRONAS Board in November 2012. He is currently the Secretary General of Treasury at the Ministry of Finance Malaysia. His tenure at the Ministry of Finance has seen him hold key positions in its Economic Division, Economic Analysis and International Division and as the Deputy Secretary General (Policy). Tan Sri Dr Mohd Irwan also serves as a Board member in several agencies and government bodies such as Malaysia Airline System, Malaysia Deposit Insurance Corporation (PIDM), Lembaga Kemajuan Tanah (FELDA), Bank Negara Malaysia, Wakala Global Sukuk Berhad, Mass Rapid Transit Corporation Sdn Bhd (MRT), Razak School of Government, Johor Petroleum Development Corporation Berhad and Malaysia Global Innovation & Creativity Centre Berhad. He is also the Chairman of Kumpulan Wang Persaraan (Diperbadankan), Lembaga Hasil Dalam Negeri and Cyberview Sdn Bhd.

Datuk Muhammad Ibrahim

Non-Independent Non-Executive Director,
Member of the PETRONAS Board Audit Committee and Board Governance & Risk Committee

Datuk Muhammad Ibrahim was appointed to the PETRONAS Board in April 2010. He is currently Deputy Governor of Bank Negara Malaysia and sits on its Monetary Policy and Financial Stability Committees. His areas of expertise include financial markets, foreign exchange, banking and insurance. He also serves as Chairman of the Finance Accreditation Agency; Board member of the Retirement Fund Incorporated; member of the Malaysian Institute of Accountants; panel member of the National Trust Fund; Senate Chair of the International Centre for Education in Islamic Finance; Chairman of the Irving Fisher Committee on Central Bank Statistics in the Bank for International Settlement; trustee of the Tun Ismail Ali Chair Council; and Fellow of the Institute of Bankers Malaysia. On 2 June 2012, he was conferred the Darjah Panglima Jasa Negara (PJN) which carries the title Datuk by His Majesty the Yang Di-Pertuan Agong.

Board of Directors

Tan Sri Amirsham A Aziz

Independent Non-Executive Director, Member of the PETRONAS Board Governance & Risk Committee

Tan Sri Amirsham A Aziz was appointed to the PETRONAS Board in October 2011. Prior to this, he joined the Maybank Group in 1977 where he held various senior positions. He served as President and Chief Executive Officer of Maybank for a period of 14 years from 1994 to 2008. From 2008 to 2009, he was Chairman of the National Economic Advisory Council and served as the Minister in the Prime Minister's Department in charge of the Economic Planning Unit and the Department of Statistics. He is a member of the Malaysian Institute of Certified Public Accountants and is a Non-Executive Director on the Boards of international companies such as Lingui Developments Berhad, Samling Global Limited, and CapitaMall Asia Limited.

Dato' Mohamad Idris Mansor

Independent Non-Executive Director, Member of the PETRONAS Board Audit Committee and the PETRONAS Remuneration Committee

Dato' Mohamad Idris Mansor was appointed to the PETRONAS Board in April 2010. He has extensive experience in the oil and gas industry, having held various senior management positions within the Group including as Senior Vice President, Exploration & Production Business. He also served as the International Business Advisor to PTT Exploration and Production Company of Thailand prior to his current appointment. He is currently a Board member of PETRONAS Carigali Sdn Bhd.

Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas

Independent Non-Executive Director, Chairman of the PETRONAS Board Governance & Risk Committee

Tan Sri Dato' Seri Haji Megat Najmuddin was appointed to the PETRONAS Board in April 2010. He is currently the President of both the Federation of Public Listed Companies Berhad and the Malaysian Institute of Corporate Governance. He currently serves as the Non-Executive Chairman of several public listed companies and is active in various non-governmental organisations (NGOs).

Krishnan CK Menon, FCA

Independent Non-Executive Director, Chairman of the PETRONAS Board Audit Committee and Member of the PETRONAS Board Governance & Risk Committee

Krishnan CK Menon was appointed to the PETRONAS Board in April 2010. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He is currently Chairman of SCICOM (MSC) Berhad, KLCC Property Holdings Berhad, KLCC (Holdings) Sdn Bhd and Econpile Holdings Berhad respectively. He is a Non-Executive Director of MISC Berhad and is also the Chairman of the MISC Board Audit Committee.

Board of Directors

Datuk Mohd Omar Mustapha

Independent Non-Executive Director, Member of the PETRONAS Remuneration Committee

Datuk Mohd Omar Mustapha was appointed to the PETRONAS Board in September 2009 and is the Chairman of the PETRONAS Leadership Centre (PLC). He is the Founder and Chairman of Ethos & Company, a leading Malaysian-based management consulting firm and a General Partner of Ethos Capital, a regional private equity fund. He holds independent directorships in Air Asia Berhad and Symphony House Berhad, and was nominated a 2008 Eisenhower Fellow, a 2009 Young Global Leader of the World Economic Forum in Davos and an Advisory Council member of the Institute for Democracy and Economics Affairs.

Datin Yap Siew Bee

Independent Non-Executive Director, Chairperson of the PETRONAS Remuneration Committee

Datin Yap Siew Bee was appointed to the PETRONAS Board in April 2010. She is currently Consultant to the firm of Mah-Kamariyah & Phillip Koh. She has advised as legal counsel on significant oil and petrochemical projects in Malaysia and has extensive oil and gas advisory experience including negotiation of international oil and gas ventures on behalf of PETRONAS. Her areas of expertise include mergers and acquisitions, corporate finance, corporate restructuring and commercial ventures.

Datuk Wan Zulkiflee Wan Ariffin

Executive Director & Chief Operating Officer

Datuk Wan Zulkiflee Wan Ariffin is a member of the PETRONAS Board, Executive Committee and Management Committee. He serves on various Boards of several Joint Ventures and subsidiary companies in the PETRONAS Group. He is currently the Chief Operating Officer and Executive Vice President of Downstream Business. He is also Chairman of PETRONAS Chemicals Group Berhad and PETRONAS Dagangan Berhad. He currently serves as a Board Member of Johor Petroleum Development Corporation Berhad.

Datuk Anuar Ahmad

Executive Director

Datuk Anuar Ahmad is a member of the PETRONAS Board, Executive Committee and Management Committee. He is the Executive Vice President of Gas & Power Business. Prior to this, he has served as Vice President of Human Resource Management Division and Vice President of Oil Business. He also sits on the Board of several companies within the PETRONAS Group.

Board of Directors

Datuk Manharlal Ratilal

Executive Director

Datuk Manharlal Ratilal is a member of the PETRONAS Board, Executive Committee and Management Committee. He joined PETRONAS in 2003. He is the Executive Vice President of Finance. He also sits on the Board of several subsidiaries of PETRONAS. Previously, he was Managing Director of an investment bank involved in corporate finance, mergers and acquisitions, and the capital markets.

Dato' Wee Yiaw Hin

Executive Director

Dato' Wee Yiaw Hin was appointed to the PETRONAS Board in May 2010. He is the Executive Vice President of Exploration & Production Business. He is also a member of the Executive Committee, Management Committee and serves on various Boards of subsidiary companies in the PETRONAS Group. Previously, he worked in Talisman and Shell where he held various senior management positions.

Faridah Haris Hamid

Company Secretary

Faridah Haris Hamid is the Company Secretary to the Board of Directors of PETRONAS and Joint Secretary to the Executive Committee of PETRONAS. She is also the Head of Corporate Governance & Finance (Legal) PETRONAS. She holds a Law Degree from the University of London and Postgraduate Diploma in Shipping Law from the University College, London University. She spent 10 years in banking at Bank Pembangunan before she joined PETRONAS in 1992. In March 1993, she was transferred to Corporate Finance Department. She rejoined the Legal Fraternity in 1997. Her area of legal expertise is corporate and project financing, capital markets and corporate governance and international compliances.

Abdul Rahman Musa @ Onn

Joint Company Secretary

Abdul Rahman Musa @ Onn is the Joint Secretary to the PETRONAS Board of Directors and is also the Secretary to the Executive Committee of PETRONAS. He is currently the Head of Corporate Secretariat & Compliance, Legal Division. He joined PETRONAS in 1981 and has been with the Company for over 30 years. His areas of legal expertise include corporate law, company secretarialship and corporate governance and compliance.

Executive Committee

Datuk Wan Zulkiflee Wan Ariffin
Chief Operating Officer & Executive Vice President

Tan Sri Dato' Shamsul Azhar Abbas
President & Group Chief Executive Officer

Abdul Rahman Musa
Joint Company Secretary

Faridah Haris Hamid
Company Secretary

Dato' Wee Yiaw Hin
Executive Vice President Exploration & Production

Datuk Manharlal Ratilal
Executive Vice President Finance

Datuk Anuar Ahmad
Executive Vice President Gas & Power

Management Committee

Tan Sri Dato' Shamsul Azhar Abbas
President & Group Chief Executive Officer

Datuk Wan Zulkiflee Wan Ariffin
Chief Operating Officer & Executive Vice President Downstream Business

Datuk Anuar Ahmad
Executive Vice President Gas & Power Business

Dato' Wee Yiaw Hin
Executive Vice President Exploration & Production Business

Datuk Manharlal Ratilal
Executive Vice President Finance

Ramlan Abdul Malek
Vice President Petroleum Management

Dr Colin Wong Hee Huing
Vice President Technology & Engineering

Md Arif Mahmood
Vice President Corporate Strategic Planning

Mohamad Rauff Nabi Bax
Vice President Legal

Raiha Azni Abd Rahman
Vice President Human Resource Management

Datuk Nasarudin Md Idris
President/CEO MISC Berhad

Norliza Kamaruddin
Senior General Manager Group Strategic Communications

Hazleena Hamzah
Secretary

Vice Presidents

Effendy Cheng Abdullah
Vice President &
Chief Executive Officer
PETRONAS Exploration

Datuk Abdullah Karim
Vice President
LNG Projects-Domestic

Ramlan Abdul Malek
Vice President
Petroleum Management

Adnan Zainol Abidin
Vice President
Global LNG

Pramod Kumar Karunakaran
Vice President
Infrastructure & Utilities

Amir Hamzah Azizan
Vice President
Downstream Marketing

Juniwati Rahmat Hussin
Vice President &
Venture Director of Pengerang
Integrated Complex

M Farid Adnan
Vice President
Refining & Trading

Ir Kamarudin Zakaria
Vice President
Downstream Operations

Datuk M Anuar Taib
Vice President &
Chief Executive Officer of
PETRONAS Development &
Production

Nuraini Ismail
Vice President
Treasury

M Rashid Yusof
Vice President
Supply Chain & Risk
Management

Dr Colin Wong Hee Huing
Vice President
Technology & Engineering

Raiha Azni Abd Rahman
Vice President
Human Resource Management

Md Arif Mahmood
Vice President
Corporate Strategic Planning

Mohamad Rauff Nabi Bax
Vice President
Legal

President & Group CEO

TAN SRI DATO' SHAMSUL AZHAR ABBAS
President & Group CEO

Driven by the strength of our portfolio, long-term strategy as well as internal transformations that took place throughout the organisation over the last few years, it is our pleasure to report that PETRONAS concluded the financial year 2013 remarkably well.

▲ 9%

PETRONAS Group recorded a 9% increase (RM26.1 billion) in Revenue from RM291.2 billion in 2012 to RM317.3 billion in 2013.

This performance was achieved against global growth rate which plateaued at 3% (3.1% in 2012) and translated into a marginal increase in oil demand of 91.4 million barrels per day (90.1 million barrels per day in 2012). Similarly, Brent price declined to average at USD109 per barrel as opposed to USD111 per barrel the year before.

Despite the moderate global setting, the PETRONAS Group recorded a 9% increase (RM26.1 billion) in Revenue from RM291.2 billion in 2012 to RM317.3 billion in 2013. For the same period, Profit before Tax rose by 5% (RM4.6 billion) from RM89.7 billion to RM94.3 billion, and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) recorded at RM123.4 billion, one of PETRONAS' best yet. As a result, Total Assets grew by 8% (RM39.5 billion) from RM489.2 billion to RM528.7 billion.

Accordingly, the strong performance resulted in a 9% increase (RM28.8 billion) in total equity attributable to shareholders to RM335.8 billion. Overall, our Return on Average Capital Employed (ROACE) of 19.0% was yet another high point against the 17.2% recorded in 2012; outperforming our industry peers.

Exploration & Production Business performed commendably and recorded a 10% increase in Revenue from 2012. This was mainly achieved on the back of solid production centred on enhancement initiatives implemented over the past few years. Surpassing our own growth of 3% in 2012, total production in 2013 increased by 5.8%; mainly contributed by better well performance as well as production which resumed in the Republic of South Sudan (in April).

Additionally, we achieved first hydrocarbon from 21 greenfield projects - 12 domestically and 9 internationally; including first production from two domestic Risk Service Contract (RSC) fields namely Balai (in November) and Kapal (in December), as well as from Garraf (in August) and Majnoon fields (in October) from our Iraq operations.

PETRONAS had also made 15 discoveries in 2013 - 10 domestically and 5 internationally; contributing to a healthy 3.1x Overall Resource Replenishment Ratio (ORRR) and Reserve Replacement Ratio (RRR) of 1.3x.

Higher gas production from domestic fields was further capitalised when the PETRONAS LNG Complex in Bintulu, Sarawak successfully recorded its highest ever annual LNG production of 25.96 million metric tonnes (MT), equivalent to 422 big cargoes. This was made possible due to higher reliability and improved operational efficiency therefore reaffirming PETRONAS' position as one of the world's leading and reliable LNG supplier. As a result, Gas & Power Business registered a 16% increase in Revenue from 2012.

In 2013, Downstream Business continue to contribute about 50% of the Group's gross revenue. Significant maintenance activities including statutory turnarounds at major plants and mixed market conditions somewhat offset stronger performance achieved in the first half of 2013.

We achieved first hydrocarbon from 21 greenfield projects - 12 domestically and 9 internationally; including first production from two domestic Risk Service Contract (RSC) fields namely Balai (in November) and Kapal (in December), as well as from Garraf (in August) and Majnoon fields (in October) from our Iraq operations.

With energy, we cannot afford to think only in the short term. The lead-time for change is long and the strategies we implement today carry repercussions that go far into the future. Over and above these results, it is just as important for us to achieve significant milestones in our key projects throughout the year.

Whilst the plan to develop and add value to the shale gas resources in our acreage in northeast British Columbia, Canada, is taking shape, PETRONAS also welcomed new partners into the Pacific NorthWest LNG venture. These partners are Japan Petroleum Exploration Co Ltd (JAPEX) at 10% and PetroleumBRUNEI at 3% in 2013. Under the establishment of a Buyers Consortium, the equity secured in the project is on an integrated basis from upstream, midstream and LNG plants. In addition to security of supply, this arrangement also enables partners to uplift LNG cargoes in proportion to their equity at cost as they are also owners of the molecules. Discussions with other potential partners are currently taking place and we look forward to welcoming more partners into this consortium in the coming years.

Our two floating LNG projects – PFLNG1 and PFLNG2 – are making headway as planned. PFLNG1, which will be located at the Kanowit field offshore Sarawak, began construction in June and is on schedule to be commissioned on a fast-track commitment in Quarter 4, 2015. By a similar benchmark, PFLNG2 completed its dual Front End Engineering Design (FEED) in June, and the winning consortium will be awarded in Quarter 1, 2014. The expansion of Train 9 in our existing PETRONAS LNG Complex in Bintulu, Sarawak witnessed the award of Engineering, Procurement, Construction and Commissioning (EPCC) to the Japanese-Italian consortium of JGC Corp, Chiyoda Corp and Saipem S.p.A. All these projects are set to progress as planned, reaffirming our position as an innovative and secure energy supplier.

During the year, site preparation for the Refinery and Petrochemical Integrated Development Project (RAPID) in Southern Johor continued to progress. This not only involved relocation of affected villagers, but also required upgrades on related infrastructure and surrounding roads as well as water facilities. Concurrently, project due diligence encompassing all aspects of the project's economics, viable growth projection, and infrastructure readiness, and social and national impact is ongoing, targeted to reach Final Investment Decision (FID) stage within the next few months. This is by far PETRONAS' largest greenfield undertaking in the downstream sector in Malaysia, and we remain committed to turn RAPID into a reality.

Against the backdrop of our performance for the year, PETRONAS contributed RM73.4 billion in total to the Federal and State Governments of Malaysia (RM80.0 billion in 2012); comprising RM27 billion of dividend (RM28 billion in 2012), RM33.3 billion in taxes (RM38.3 billion), RM12 billion of Cash Payments (RM12.5 billion) and RM1.1 billion of Export Duty (RM1.2 billion previously). This brings PETRONAS' total contribution to the government since inception to RM806 billion.

At the same time, revenue foregone as a result of a regulated gas pricing mechanism also reflected a downward trend at RM24.9 billion for the year (RM27.9 billion in 2012); as the country's first Regasification Terminal (RGT) in Melaka commenced operations in May. This thereafter activated a discounted LNG-based market price on gas consumptions above 1,000 million standard cubic feet per day (mmscfd).

PFLNG1, which will be located at the Kanowit field offshore Sarawak, began construction in June and is on schedule to be commissioned on fast-track commitment in Quarter 4, 2015. By a similar benchmark, PFLNG2 completed its dual Front End Engineering Design (FEED) in June, and the winning consortium will be awarded in Quarter 1, 2014.

Total revenue foregone since 1997 is RM207.7 billion, a sum of wealth that we believe could have been better utilised through other means. Nevertheless, we are encouraged by the Government's efforts to rationalise energy subsidy implementation.

While our contribution to the Government's coffers this year may appear to have lessened in absolute term, our commitment in upholding the responsibility of safeguarding and adding value to the nation's hydrocarbon resources remain paramount. In this light, PETRONAS continued to contribute RM2 billion to the National Trust Fund (NTF) in 2013, unchanged from our commitment in 2012; thus bringing PETRONAS' cumulative contribution into the fund to RM8 billion. The fund was created in 1988, with the aim of ensuring that revenue from dwindling natural resources, including but not limited to oil & gas, continues to generate wealth for the benefit of future generations. To date, PETRONAS remains the sole contributing organisation to the fund.

We regard ourselves to be the experts of the industry. Whilst we do not claim to have all the answers, we have time and again, proven our ability to be bold in our commitments and remain steadfast in our measure. Our standing today is a collective effort of 39 years of existence; of our courageous undertakings of the unfamiliar; our endurance from every defeat; and relentless pursuit to layer one success above another. We shoulder the trust bestowed; rooted by the Shared Values that define PETRONAS whilst striving to embody the essence of reimagining energy™ that we believe to be the path ahead.

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As pleased as we are with the results achieved this year, this is not the finishing line. We carry every intention to ensure that our operations remain safe and reliable; that our projects are delivered flawlessly, timely and conscientiously; and that our business conduct and internal procedures are at par with international standards of excellence.

TAN SRI DATO' SHAMSUL AZHAR ABBAS
President & Group CEO

Statement of Corporate Governance

CORPORATE GOVERNANCE & TRANSPARENCY

PETRONAS remains steadfast in its commitment to maintain the highest standards of integrity and ethical conduct in its business dealings, including compliance with all applicable anti-bribery and corruption laws across the multiple jurisdictions wherever the Group has operations. As part of its ongoing efforts to combat bribery and corruption, PETRONAS has adopted a zero tolerance policy against all forms of bribery and corruption.

BUSINESS ETHICS

Code of Conduct and Business Ethics

Since the launch of PETRONAS' Code of Conduct and Business Ethics (CoBE) on 1 April 2012, a series of trainer workshops across the business chain to train the trainers have been conducted. The trainers are expected to train the employees in their respective businesses. The CoBE workshop has also been included as part of the on-boarding programme for new executives in the Company since 1 July 2013. As at 31 December 2013, thirty five thousand nine hundred and eighty (35,980) employees have undergone face to face training on the CoBE and a refresher training will also be conducted periodically to ensure ongoing compliance among all directors and employees. The Company will intensify the training programme by providing online training to further reach out to more employees which will be operational in 2014.

In view of the CoBE's international application, some provisions of the CoBE will be modified to adapt the CoBE to the requirements of the local jurisdictions where PETRONAS is operating. The CoBE, which emphasises and advances the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness, will have separate **Country Supplements** for countries where PETRONAS has its operations to cater for local jurisdictions' applicable legislation and social mores. The CoBE is accompanied by a **CoBE Guide** that sets out the FAQs and some "Do's and Don'ts" in relation to certain specific situations. The CoBE, the Country Supplements (where applicable) and the CoBE Guide were printed in booklets and distributed to all employees and are also available on PETRONAS' website for viewing by third parties dealing with the Company as well as the general public.

Third parties working with the Company

Recognising the importance of instilling high ethical standards to not only PETRONAS' employees but to parties that have business dealings with PETRONAS, we have rolled out the CoBE to our contractors, sub- contractors and others performing work or services for the Company. A provision for contractors to comply with the CoBE has been included in our contracts.

Training and sharing sessions on the CoBE have also been conducted with third parties to ensure their commitment to the legal and ethical behaviour expected by PETRONAS in the CoBE.

"CoBE" Helpdesk

In order to assist the understanding of the CoBE, a helpdesk cobe@petronas.com.my has been created to answer queries from employees and third parties dealing with PETRONAS on matters pertaining to the CoBE. Thus far, the CoBE helpdesk has received various queries from employees and third parties seeking clarification on CoBE provisions and issues related thereto.

Whistleblowing Policy and Procedure

On 1 April 2012, the PETRONAS Whistleblowing Policy was rolled-out to provide an avenue for all employees of PETRONAS and members of the public to disclose any improper conduct in accordance with the procedures as provided under the Policy.

Under the Policy, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable. In addition, an employee who 'blows the whistle' internally will also be protected against any adverse and detrimental actions for disclosing any improper conduct committed or about to be committed within

PETRONAS, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistleblower is mistaken as to the facts and the rules and procedures involved.

PETRONAS' Whistleblowing Committee ("the Committee") has been set up in tandem with the Policy roll out; to deliberate on the disclosure and decide on the next course of action as well as to monitor progress on the cases and the Committee meets at least once a month.

The Whistleblowing Policy is available on the Company's website. Buntings are also displayed at prominent areas in PETRONAS Twin Towers. The Committee has received numerous disclosures made via the whistleblowing channels. Appropriate actions have been taken on the reports and the whistleblowers who can be contacted have been notified of the outcome of their disclosure upon completion of the Whistleblowing procedures undertaken by PETRONAS.

Competition Law Compliance Programmes

With the increase in the number of enforcements by international competition authorities against various companies, PETRONAS has incorporated its policy with respect to competition law in the CoBE and the CoBE Guide to reflect the company's continuous intent to adhere to Competition Law. This is also in tandem with the passing of the Malaysian Competition Act 2010 and Competition Commission Act 2010 which came into force in January 2012 and April 2011 respectively.

Furthermore, as part of PETRONAS' Competition Law Compliance Programme, continuous training programmes have been and are still being conducted for our employees to instill awareness on the principles of Competition Law. In Malaysia, training has started whereby 318 employees from high risk groups such as upstream, downstream, supply chain and risk management divisions have been trained in a series of training programmes conducted by qualified Competition Law trainers. Several consultations and engagement sessions were also initiated with The Malaysian Competition Commission with respect to applications made under the Competition Act and to gain better understanding of the Act and its implications on PETRONAS' business operations. At the same time, we have also launched the PETRONAS Guidelines for Competition Law Compliance (the "Guidelines") which is aimed at ensuring our employees are in the know of the common "Do's and Don'ts" and FAQs on Competition Law. The Guidelines, which is available on PETRONAS' website, will be printed in booklets and distributed to all employees.

Planned Initiatives

With the coming into force of the Personal Data Protection Act 2010 on 15 November 2013, PETRONAS has begun a Groupwide gap analysis and intervention plan to ensure compliance with the Act which is scheduled to be completed in 2014. PETRONAS has also initiated a compliance programme for the Strategic Trade Act 2010 which will be continued in 2014.

In addition to the above initiatives, PETRONAS will be developing policies pertaining to International Trade Controls and Sanctions, and Human Rights.

PETRONAS BOARD GOVERNANCE FRAMEWORK

The Company had in May 2013 enhanced the Board Governance Framework by partially adopting the Malaysian Code of Corporate Governance 2012 (MCCG 2012) as well as enhancement of Board's functions and roles. In line with the emergence of contemporary governance rules and regulations, the Board had also adopted the Board Charter which sets out the Board's strategic intent and provides guidelines on the Board's roles and responsibilities.

In promoting an optimum Board governance framework, it is pertinent to demonstrate clarity of roles and responsibilities as between the Board and the executive management which are headed by the President & Group Chief Executive Officer (CEO). The Company believes that good governance would be best achieved by the delegation of authority to the executive management subject to defined limits and monitoring by the Board. However, as the Board has the overall responsibility to manage and supervise the affairs of the Company in accordance with the law, there are matters which therefore should be reserved for the Board's consideration.

In this regard and to reflect the enhanced Board's functions and roles, the Board had established the Schedule of Matters Reserved for the Board and this is incorporated in the Board Charter.

The Board directs the Company's strategic planning, financial, operational and resource management, risk assessment and provides effective oversight of the executive management. Certain functions are delegated to Board Committees.

The Chairman leads the Board and the President & Group CEO leads the executive management of the Company and provides direction for the implementation of the strategies and business plans as approved by the Board and the overall management of the business operations Groupwide.

In this regard, the President & Group CEO has the support of the Executive Committee and Management Committee which he chairs. The Executive Committee's role is to assist the President & Group CEO in his management of the business and affairs of the Company particularly in relation to strategic business development, high impact and high value investments and cross-business issues of the Group. It also serves as a platform for the structured succession planning for the President & Group CEO in the Company.

The Management Committee continues to act as the advisory and deliberative body that supports the President & Group CEO and the Executive Committee. The Management Committee implements all the Board's resolutions and policies, as well as supervises all management levels in the PETRONAS Group.

THE BOARD

For the year ended 2013, the Board was made up of the Non-Independent Non-Executive Chairman, the President & Group CEO, four Executive Directors and eight Non- Executive Directors of which six were Independent Directors. A list of the current Directors, with their biographies, is provided on pages 12 to 15.

The Non-Executive Chairman has assumed the position since July 2012. The Chairman's role is to provide leadership to the Board, facilitate the meeting process and ensure that the Board and its Committees function effectively. Together with the Company Secretary, he ensures that the Board members receive regular and timely information regarding the Company prior to Board meetings. The Board members also have access to the Company Secretary for any further information they may require.

The Board met a total of 11 times (which include two Special Board Meetings) during the year with a formal schedule of matters reserved to it. These include the consideration of the Company's long term strategy, plan & budget, monitoring of Management's Performance, CEO's and Executive Vice Presidents' (EVP) Performance Scorecards and the Company's Performance Review. In addition to managing the Company's financial reporting, the Board monitors and identifies material risks to PETRONAS and ensures that internal systems of risk management and control are in place to mitigate such risks.

The Special Board Meetings, which were held twice during the year, had deliberated on PETRONAS' long term strategy, plan & budget and talent management.

BOARD BALANCE AND INDEPENDENCE

MCCG 2012 emphasises board effectiveness through strengthening its composition and reinforcing its independence. In response to the MCCG's calls the Company had established the selection criteria for the appointment and re-appointment of Directors, Independent Directors guidelines and Independent Directors review process.

The current Board composition reflects a good mix of experience, backgrounds, skills and qualifications and is considered to be of an appropriate size. This diversity is identified by the members as one of the strengths of the Board.

The Non-Executive Directors combine broad business and commercial experience with independent and objective judgment. The balance between the Non-Executive and Executive Directors enables the Board to provide clear and effective leadership and maintain the highest standards of integrity across the Company's business activities.

With the appointment of the Non-Executive Chairman there is a clear separation of the positions and roles between the Chairman and the President & Group CEO to promote greater accountability and enhance check and balance.

In accordance with the provisions of the Company's Articles of Association, at least one-third of the Directors shall retire from office once every year but shall be eligible for re-election. This retirement by rotation shall only be applicable to Non-Executive Directors.

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.

Audit Committee

Established in 1985, the PETRONAS Board Audit Committee assists the Board in fulfilling its oversight functions in relation to internal controls, risk management and financial reporting of the Company. The Committee provides the Board with the assurance of the quality and reliability of the financial information issued by the Company whilst ensuring the integrity of the Company's assets.

The Board Audit Committee comprises entirely of Non-Executive Directors. The members are as shown on page 10.

Governance & Risk Committee

The Committee, as guided by its Terms of Reference, continues to be responsible in assessing the performance of the Board, reviewing management succession planning as well as identifying, nominating and orientating new Directors. The Committee also reviews the Group's Enterprise Risk Management, Country Risk Profile as well as Financial Risk Management Development and Updates.

The Committee continues to review and recommend to the Board the appropriate corporate governance policies and procedures in accordance with international governance and best practices. Among the programmes which were reviewed by the Committee include the Enhancement of Board Governance Framework Towards Boardroom Excellence, Board Performance Evaluation Process and Assessment, and Board Selection Criteria & Proposed Policy on Independent Directors. The Committee has direct access to the Corporate Governance & International Compliance Unit, Group Legal, which promotes a structured, consistent and centrally-driven integrated approach to global governance and compliance for the PETRONAS Group.

The members of the Governance & Risk Committee are as shown on page 10.

Remuneration Committee

The Remuneration Committee was established to assist the Board in discharging its responsibilities in the determination of the remuneration and compensation of the Executive Directors and certain Senior Management of the Company. The Committee determines and agrees with the Board on the remuneration policy for the President & Group CEO, the Executive Directors and certain Senior Management of the Company. The Committee also determines and agrees with the Board on the matter of the President & Group CEO's Performance Scorecard.

The members of the Remuneration Committee are as shown on page 10.

Statement of Anti-Corruption

PETRONAS is committed to complying with high ethical standards and applicable anti-corruption laws and has adopted a zero tolerance policy against all forms of bribery and corruption. The CoBE explicitly prohibits the giving and acceptance of bribes by PETRONAS employees including the giving and receiving of facilitation payments in all its business dealings. This is in line with PETRONAS' core values, business principles and various internal policies which reflect its focus on making ethics and anti-corruption an integral part of PETRONAS' business operations.

In supporting the general policy statements in the CoBE, PETRONAS has developed the PETRONAS Integrity Compliance Framework (PICF) to instil and ensure compliance of all elements related to the propagation of integrity and business ethics within the business activities of the PETRONAS Group of Companies. The Anti-Bribery and Corruption Policy and Guidelines Manual (ABC Manual) was rolled out on 19 September 2013 for implementation within the PETRONAS Group of Companies in Malaysia. It covers areas such as Dealing with Public Officials, Facilitation Payment, and Dealing with Third Parties, and handling of Gift, Entertainment and Corporate Hospitality. The ABC Manual will be rolled out in phases beginning 2014 across all international jurisdictions where PETRONAS Group operates. The ABC Manual will also be printed and distributed to all employees and directors within PETRONAS and will be published in PETRONAS' website in 2014.

Training sessions will be conducted to employees of the Company Groupwide to equip employees with sufficient knowledge and understanding on how the ABC Manual should be interpreted and applied across the Group. The training on ABC Manual commenced in September 2013. As at 31 December 2013, 222 employees from Group Legal, Group Human Resource Management, Supply Chain Management and Group Corporate Affairs Division have been identified and trained as trainers to propagate the ABC Manual to all employees within their business and operating units, and the training sessions will be part of their 2014 initiatives. A sharing session on the ABC Manual will be conducted with the management of PETRONAS companies at the regional level in Malaysia in the first quarter of 2014. This will be followed by the management team in foreign jurisdictions.

Statement on Risk Management and Internal Control

The Board is pleased to provide the following statement which outlines the nature and scope of risk management and internal control of Petroliam Nasional Berhad and its subsidiaries (PETRONAS Group) during the year in review.

BOARD'S RESPONSIBILITIES

The Board recognises the importance of having an adequate and effective Enterprise Risk Management addressing material matters on financial, operational and information technology to safeguard Group's assets and internal control practices as a critical framework for successful decision-making and for deriving value within the PETRONAS Group. Additionally, the requirement for a public company to have in place a system of internal control has been codified under the Companies Act, 1965. This was further strengthened with the adoption of the Board Charter in May 2013 which recognises corporate risk management and internal control as one of the main functions of the Board.

The Group has in place an ongoing process for managing significant risks affecting the achievement of its business objectives throughout the period which includes identifying, evaluating, managing and monitoring these risks, that has been in place for the year and up to the date of approval of the Annual Report and Financial Statements.

The Group's system of internal control seeks to manage and control risks appropriately, rather than eliminate the risk of failure to achieve business objectives. Because of the inherent limitations in all control systems, these internal control systems can only provide reasonable and not absolute assurance against material misstatement or loss or the occurrence of unforeseeable circumstances.

RISK MANAGEMENT

Having regard to managing risk as an integral part of the Group's activities, risk management and its ongoing improvement in strengthening the quantification, review and monitoring of all significant risk areas (including financial, health, safety and environment, operations, geopolitics, trading and logistics) remain a key focus of the Board 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 Board level. BGRC reviews policies, practices, principal risks and oversees the adequacy and effectiveness of 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 Group level and providing assurance on the effectiveness implementation of risk management practices with guidance and directions from 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 the Group.

Group risks are being managed on an integrated basis and their evaluation is incorporated into the Group's decision-making process such as strategic planning and project feasibility studies. Separate risk management units or functions also exist within the Group 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.

INTERNAL AUDIT FUNCTION

The Board recognises that the internal audit function is an integral component of the governance process. One of the key functions of PETRONAS' Group Internal Audit Division (GIAD) is to assist the Group in accomplishing its goals by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Group. GIAD maintains its impartiality, proficiency and due professional care, as outlined in its Internal Audit Charter, by having its plans and reports directly under the purview of the Board Audit Committee (BAC).

The internal audit function performs independent audits in diverse areas within the Group including management, accounting, financial and operational activities, in accordance with the annual internal audit plan which is presented to the BAC for approval.

The BAC receives and reviews reports on all internal audits performed under their purview, including the agreed corrective actions to be undertaken by the auditees' management. GIAD monitors the status of agreed corrective actions through Quarterly Audit Status Report submitted by the auditees which will be assessed and verified by GIAD. The consolidated reports are submitted and presented to the BAC for deliberations.

GIAD adopts the standards and principles outlined in the International Professional Practices Framework of The Institute of Internal Auditors.

OTHER ELEMENTS OF INTERNAL CONTROL

The other elements of the Group's system of internal control are tabulated below.

Organisational Structure

The internal control of the Group is supported by a formal organisational structure with delineated lines of authority, responsibility and accountability. The Board has put in place suitably qualified and experienced management personnel to head the Group's diverse operating units into delivering results and their performance are measured against approved performance indicators.

Budget Approval

Budgets are an important control mechanism used by the Group to ensure an agreed allocation of Group resources and that the operational managers are sufficiently guided in making business decisions. The Group performs a comprehensive annual planning and budgeting exercise including the development and validation of business strategies for a rolling five-year period, and establishment of performance indicators against which business units and subsidiary companies are evaluated.

Variances against the budgets are analysed and reported to the Board on a quarterly basis. The Group's strategic directions are also reviewed at reasonable intervals taking into account changes in market conditions and significant business risks.

Limits of Authority

The Limits of Authority (LOA) defines decision making limits for each level of management within the Group, setting out a clear line of accountability and responsibility and identifying the approving authority for the various business transactions including matters that require Board approval. This provides a framework of authority and accountability within the Group and facilitates decision making at the appropriate level in the organisation's hierarchy.

Procurement

The Group has clearly defined authorisation procedures and authority limits set for awarding tenders and all procurement transactions covering both capital and revenue expenditure items. Tender committees with cross functional representation have been established to provide the oversight functions on tendering matters prior to approval by the approving authorities as set out in the LOA approved by the Board or the Boards of the operating units.

Financial Control Framework

The Group has developed a Financial Control Framework (FCF) with the principal objective of enhancing the quality of the Group's financial reports through a structured process of ensuring the adequacy and effectiveness of key internal controls operating at various levels within the Group at all times. FCF requires among others, documentation of key controls, remediation of control gaps as well as a regular conduct of testing of control operating effectiveness.

On a semi-annual basis, each key process owner at various management levels is required to complete and submit a Letter of Assurance which provides confirmation of compliance to key controls for the areas of the business for which they are accountable.

Corporate Financial Policy

The Corporate Financial Policy prescribes the Group's governing policies in effecting the practice of financial risk management. The policy stipulates a consistent framework in which financial risk exposures of entities within the Group are identified and strategies developed to mitigate such risks. The policies contained in the Corporate Financial Policy are intended to provide clear communication of the policy stance governing financial and risk management throughout the PETRONAS Group of Companies and consequently seeks to provide a foundation upon which financial risk management is practised across the Group.

The Financial Risk Management Department (FRMD) has a central role with oversight and supervisory functions to manage the Group's financial risks. This is to provide assurance that proper financial risk management practices are implemented across the Group in a manner that is consistent with the requirements of the Corporate Financial Policy, whilst attaining visibility of key financial risk exposures for better risk management.

FRMD's oversight role is undertaken in collaboration with the risk management functions of each individual company within the PETRONAS Group which is implemented by providing policy direction and specification of operational parameters, review and monitoring of key exposures, prescription of financial risk reporting requirements, prescription and application of consistent and best practices in financial risk methodology and guidance on baseline risk management procedures and compliance practices.

FRMD ensures that any matters concerning financial risks and managing the exposures that arise therefrom are escalated to the Management and BGRC for direction and action.

Group Health, Safety and Environment (HSE) Policy

The Group HSE Policy is supported by a HSE Mandatory Control Framework (MCF) to strengthen the HSE governance within the Group. The MCF includes clear requirements on operational safety, environment and health for consistent and effective Groupwide implementation. Key HSE focus areas include process safety, project HSE and HSE capability development.

HSE assurance is carried out to provide independent assurance on the effectiveness of HSE controls and the assurance reports are presented to the BAC. Group HSE performance is presented to the PETRONAS Board for oversight on a regular basis.

Crisis Management Plan and Business Continuity Management

The Group has in place a Crisis Management Plan that defines the structure and processes for managing emergencies including major oil spills and crises at both its domestic and international operations.

There is a three-tier response system in place which provides a clear demarcation of roles and responsibilities between emergency site management, operating unit management, corporate and authorities. Scheduled drills and exercises are carried out at facility/asset level to ensure readiness in the event of an emergency or crisis. The Crisis Management Plan is aligned to the Group's Business Continuity Plan.

The above integrated crisis management and business continuity strategies shall enhance the Group's preparedness to respond and reduce the impact of crisis as well as recover and restore the Group's critical functions within a reasonable period of time towards sustaining the Group's operational survival thus protecting businesses, partners and customers during crisis or disaster.

Employees

Senior Management sets the tone for a nurturing culture in the organisation through the Group's Shared Values, developed to focus on the importance of these four key values – loyalty, professionalism, integrity and cohesiveness. The importance of the Shared Values is manifested in the Code of Conduct and Business Ethics (CoBE) and employees are required to strictly adhere to CoBE in performing their duties.

A Whistleblowing Policy was rolled-out in order to provide an avenue for all employees of PETRONAS as well as members of the public to disclose any improper conduct committed or about to be committed within the Group. This policy addresses the Group's commitment to integrity and ethical behaviour by fostering and maintaining an environment where employees can act appropriately, without fear of retaliation. Under the policy, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable. In addition, an employee who whistleblows internally will also be protected against any adverse and detrimental actions for making the disclosure, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistleblower is mistaken as to the facts and the rules and procedures involved.

A No Gift Policy was also implemented, where PETRONAS employees are required to act in the best interests of PETRONAS and to refrain from engaging in conduct which may affect the best interests of PETRONAS. The policy prohibits employees from giving or receiving personal gifts from external parties to avoid conflicts of interest or the appearance of conflicts of interest in any ongoing or potential business dealings of PETRONAS.

Employees undergo structured training and development programmes and potential entrants or candidates are subject to a structured recruitment process. A performance management system is in place, with established performance indicators to measure employee performance and the performance review is conducted on a semi-annual basis. Action plans to address employee developmental requirements are in place. The Group believes that this will motivate employees to deliver their best so that the Group can meet its business requirements.

CONCLUSION

The Board has received assurance from the President and Group Chief Executive Officer and the Executive Vice President Finance that the Group's financial records are properly maintained and that risk management and system of internal control is operating adequately and effectively.

The Board is of the view that risk management and internal control instituted throughout the Group is sound and provides a level of confidence but not absolute assurance that the Group is not affected by any event that cannot be reasonably foreseen. In the year under review, there was no significant control failure or weakness that would have resulted in material losses, contingencies or uncertainties requiring separate disclosure in the Annual Report.

This statement is made in accordance with the resolution of the Board of Directors dated 28 February 2014.

RM317.3

billion Revenue

Revenue improved by 9% driven by higher volumes.

RM65.6

billion Net Profit

Net profit increased by 10% supported by improved upstream and record LNG production.

RM91.0

billion Cash Flow from Operations

Cash flow from Operations was higher by 17% on the back of improved performance.

Financial Results

Datuk Manharlal Ratilal

Financial year 2013 ended on a high note with the Group recording a 5% increase in profit before tax of RM94 billion. Net profit increased by 10% driven mainly by higher upstream and LNG production.

The year ended on a high note with the Group recording a 5% increase in profit before tax of RM94 billion, one of our best performances to-date. EBITDA was RM123 billion - our highest one yet. Although benchmark prices remained flat and averaged lower in 2013, the Group nevertheless recorded a 10% increase in net profit of RM66 billion. This was on the back of improved upstream production and the highest LNG sales volume recorded to-date.

Cash flows remained robust, with cash flows from operations registering about RM91 billion and cash balances ended higher at RM141 billion. Net cash flows in 2013 were sufficient to fund our ~RM60 billion CAPEX and RM37 billion in dividends to both the Malaysian Government and non-controlling shareholders. In addition, we have committed to pay RM2 billion to the National Trust Fund this year, similar to 2012, for the benefit of the nation's future generation.

In FY2013, the Group recorded 9% growth in revenue and 8% growth in net profit attributable to shareholders, respectively. The increase was mainly driven by higher sales volume of the Group's major products as a result of higher production and trading activities.

Review of Financial Results

For FY2013, the Group recorded a 9% revenue growth to RM317.3 billion. The increase was driven mainly by higher sales volume of the major product groups as a result of higher production and trading activities. It was further supported by a favourable US Dollar exchange rate against the Ringgit. In 2013, the US Dollar averaged about RM3.15 against the Ringgit, which was higher than the average of RM3.09 in the preceding year.

Extending the trend of the previous year, benchmark crude oil prices remained above USD100/bbl due to continued supply concerns arising from geopolitical tensions in the key crude oil producing regions. In 2013, prices remained flat for most of the year before finally averaging lower when compared with 2012. The Average Dated Brent, which is the Group's main crude oil benchmark, was traded at around USD109/bbl in 2013, a decrease of 2% from USD111/bbl in 2012. Similarly, for LNG, the average single month Japanese Crude Cocktail price decreased 4% from USD114/bbl to USD110/bbl over the same period. The Group's revenue growth was partially offset by decreases in these benchmark prices.

Group revenue in 2013 was primarily driven by improved operational performance. The Group's total upstream production of crude oil and gas increased by 5.8% in FY2013. A significant contributor to the increase came from our international operations, notably higher production from the Republic of South Sudan when production activities resumed in April 2013, new production from the Garraf and Majnoon fields in Iraq and higher unconventional production from Canada. On the domestic front, higher natural gas production volume was mainly contributed by enhancement programmes in existing fields as well as new fields that came onstream offshore Sarawak.

In addition, LNG sales volume recorded an 11% increase to 29 million MT. This was achieved in part due to the outstanding performance of the PETRONAS LNG Complex in Bintulu, Sarawak, which recorded its highest ever production of LNG in a single year at 26 million MT.

Against this backdrop and in line with the higher revenue achieved during the year, Group Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and net profit attributable to shareholders both increased by 3% and 8% respectively.

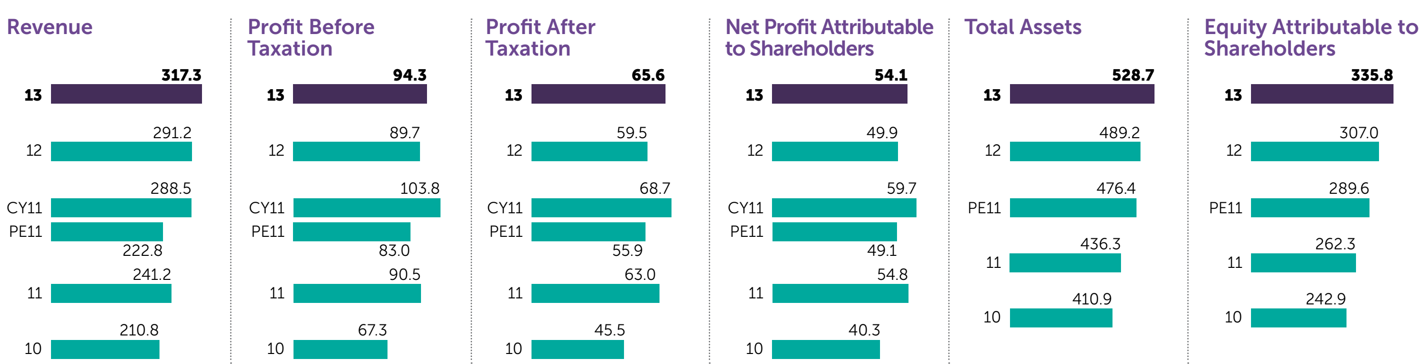
PETRONAS' KEY FINANCIAL INDICATORS

In RM Billion

	FY2013	+/-(%)	FY2012*	CY2011**	PE2011***	FY2011*	FY2010
Revenue	**317.3**	9.0%	291.2	288.5	222.8	241.2	210.8
EBITDA	**123.4**	2.5%	120.4	123.0	95.7	107.9	83.3
Profit Before Taxation	**94.3**	5.1%	89.7	103.8	83.0	90.5	67.3
Profit After Taxation	**65.6**	10.3%	59.5	68.7	55.9	63.0	45.5
Net Profit Attributable to Shareholders	**54.1**	8.4%	49.9	59.7	49.1	54.8	40.3
Total Assets	**528.7**	8.1%	489.2	476.4	476.4	436.3	410.9
Equity Attributable to Shareholders	**335.8**	9.4%	307.0	289.6	289.6	262.3	242.9

Financial Ratios	FY2013	FY2012	PE2011	FY2011	FY2010
Return on Revenue	**29.7%**	30.8%	37.1%	37.5%	31.9%
Return on Total Assets ****	**17.8%**	18.3%	23.0%	20.7%	16.4%
Return on Average Capital Employed ****	**19.0%**	17.2%	21.9%	17.6%	15.9%
Debt/Assets Ratio	**0.08x**	0.08x	0.11x	0.11x	0.13x
Gearing Ratio	**11.1%**	11.7%	15.1%	15.4%	17.6%
Dividend Payout Ratio	**49.9%**	56.1%	61.3%	54.7%	74.4%
Overall Resource Replenishment Ratio (ORRR)*****	**3.1x**	2.0x	1.7x	2.5x	1.1x

* Certain financial information and its corresponding financial ratios have been restated due to adoption of Malaysian Financial Reporting Standards (MFRS).
** Calendar Year (CY) 2011 – unaudited twelve-month period from 1 January 2011 to 31 December 2011. Included for comparative purpose.
*** Audited nine-month period from 1 April 2011 to 31 December 2011. Certain financial information and its corresponding financial ratios have been restated due to adoption of MFRS.
**** PE2011 was calculated based on annualised figures.
***** ORRR FY2013 includes Progress Energy Canada Ltd.



Financial Position and Liquidity

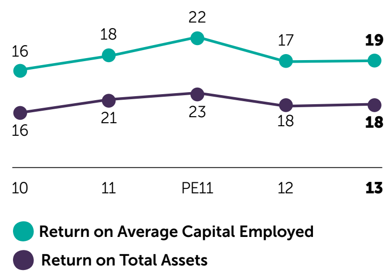
PETRONAS' financial position remained robust. As at 31 December 2013, the Group's Total Assets stood at RM528.7 billion. Property, Plant and Equipment increased by 8%, reflecting continuous capital investments by the Group to increase and sustain production and volume growth in both our upstream and downstream operations.

The Group generated RM91 billion in Cash from Operations for the year, which was 17% higher than FY2012. Net cash flows in 2013 were sufficient to sustain the current period's capital investments and dividends. Capital investments in FY2013 amounted to RM56.6 billion, of which 64% was allocated to our Exploration & Production Business to support exploration activities as well as intensify efforts to develop new fields and enhance recovery from existing mature fields. Of the RM56.6 billion, 57% was spent in Malaysia.

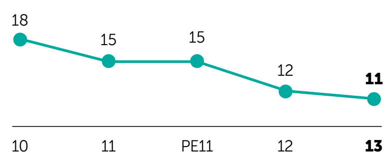
Cash, Fund and Other Investments also ended the year higher at RM140.9 billion, from RM139.1 billion in the previous corresponding period, after netting off repayment in borrowings amounting to RM13.1 billion. Cash inflows for 2013 included proceeds from the sale of our interest in Progress Energy Canada Ltd's natural gas assets in Northeast British Columbia as well as interest in the proposed Pacific Northwest LNG export facility.

In line with higher profits, the Group's Return on Average Capital Employed (ROACE) increased to 19%, whereas Return on Total Assets (ROTA) amounted to 18%.

Key Profitability Ratios
In percentage (%)



Gearing Ratio
In percentage (%)



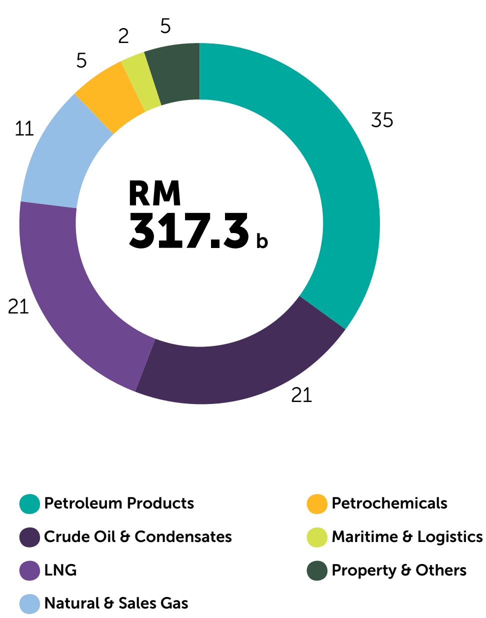
ROACE
19%
Improved in line with better performance.

ROTA
18%
Sustained from previous year, despite increase in assets.

Gearing
11%
Lower due to higher shareholders' equity despite a marginal increase in debt level.

Revenue

Revenue by Product
In percentage (%)



Petroleum Products

▼ **1%** to **RM110.5 billion** as a result of lower realised prices despite increase in trading activities

Crude Oil & Condensates

▲ **20%** to **RM66.1 billion** mainly due to higher trading and production volume recorded from the Republic of South Sudan, Iraq and Canada

LNG

▲ **8%** to **RM67.8 billion** on the back of record LNG production from PLC and higher LNG trading volume

Natural & Sales Gas

▲ **42%** to **RM35.0 billion** contributed by increase in gas storage capacity in Europe and higher Peninsular Malaysia gas delivery through additional supply from LNG Regasification Terminal in Melaka

Petrochemicals

▼ **6%** to **RM15.3 billion** resulting from decrease in sales volume mainly due to plant maintenance activities and discontinuation of the vinyl business

Note: % changes are in comparison to FY2012

Revenue by Geographical Trade

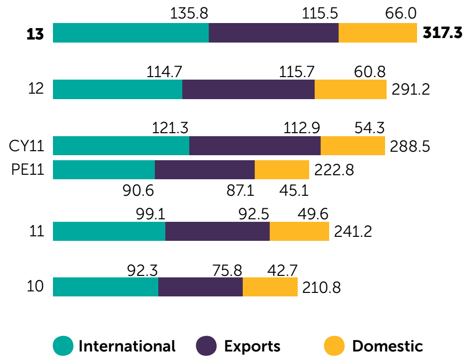
The Group's geographical trade is categorised as international, exports and domestic operations. In FY2013, revenue from international operations made up the largest contribution to Group revenue, followed by exports and domestic operations.

International operations recorded an 18% increase in revenue to RM135.8 billion, contributing to a 43% share of the Group's total revenue, a 4% increase from the previous financial year. The increase was driven by higher production volumes from the Republic of South Sudan, Iraq and Canada. After the Shut Down Order issued by the Government of the Republic of South Sudan, crude oil production was interrupted for the greater part of 2012 but resumed in April 2013, earlier than expected. In Iraq, revenue increase was attributed to the ramping up of production from the Halfaya field, while the Garraf and Majnoon fields achieved its first production during the year. Another contributing factor was an overall increase in international trading activities of major products.

Exports revenue derived mainly from LNG and crude oil sales in FY2013 remained relatively stable at RM116 billion. For the year, the Group exported a lower volume of Malaysian crude oils, particularly Labuan and Dulang crudes. Petroleum product exports also declined due to lower production volumes arising from maintenance shutdown activities at the Group's Malaysian refineries. However, the decline in crude and petroleum products was offset by higher LNG export sales and robust market prices. Revenue from exports accounted for 36% of the Group's total revenue.

Revenue derived from domestic operations increased by 9% to RM66.0 billion and accounted for 21% of the Group's total revenue. The increase was mainly due to a higher volume of sales gas on the back of higher natural gas supplies from Kertih, Terengganu as well as new gas supply from imported LNG, facilitated by the newly commissioned Regasification Terminal (RGT) in Sungai Udang, Melaka. Revenue was further boosted by higher average selling price of sales gas resulting from the introduction of an LNG-based pricing mechanism into the market post RGT implementation.

Revenue by Geographical Trade
In RM billion



Revenue by Geographical Segments

The Group's revenue by geographical segments is based on the geographical location of customers.

Malaysia
24%
Mainly sale of petroleum products and sales gas.

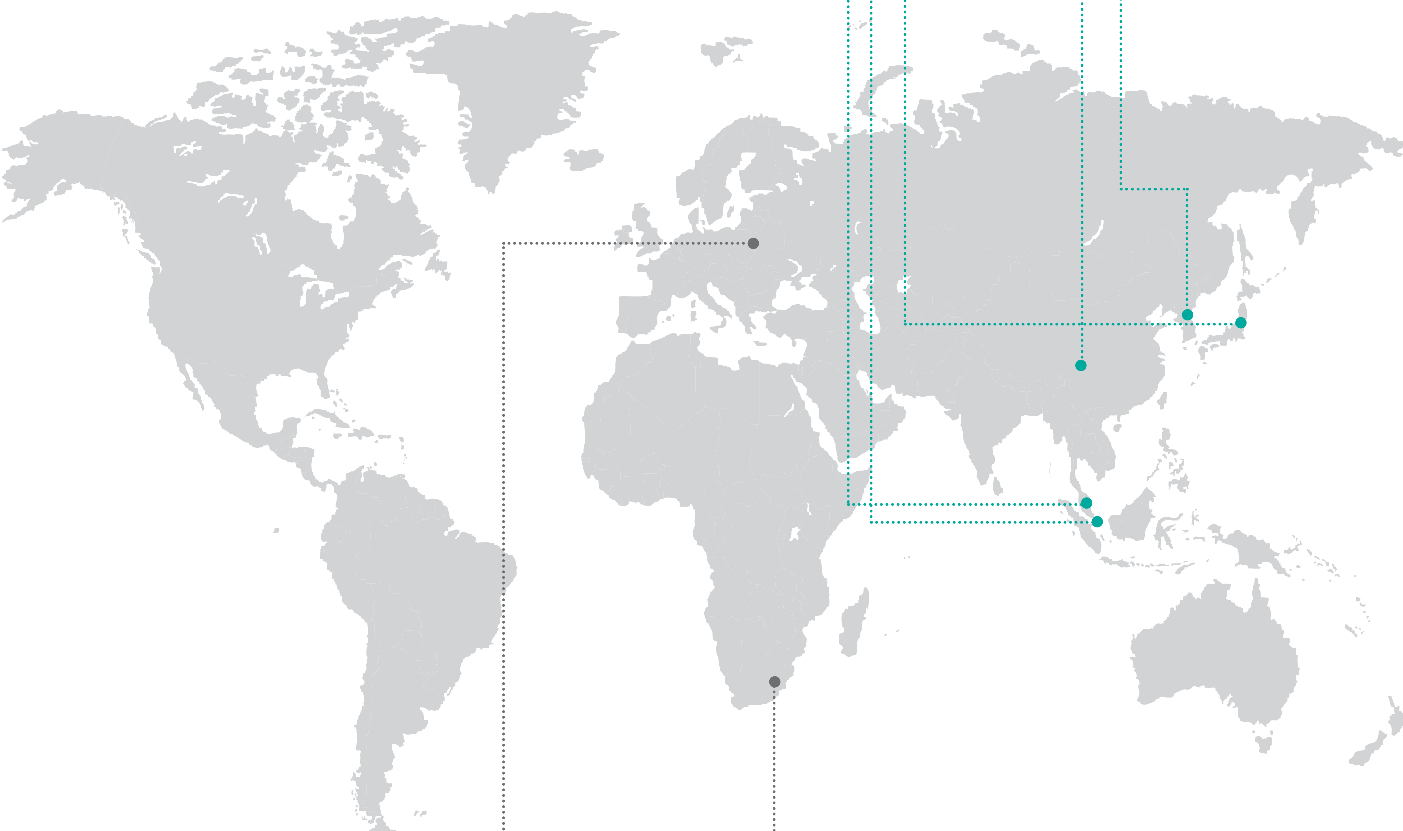
Japan
16%
Mainly sale of LNG.

China
8%
Mainly sale of crude oil and condensates.

Singapore
5%
Mainly sale of petroleum products.

Korea
4%
Mainly sale of LNG.

Rest of Asia
17%
Mainly sale of crude oil and condensates; petroleum products; and LNG.



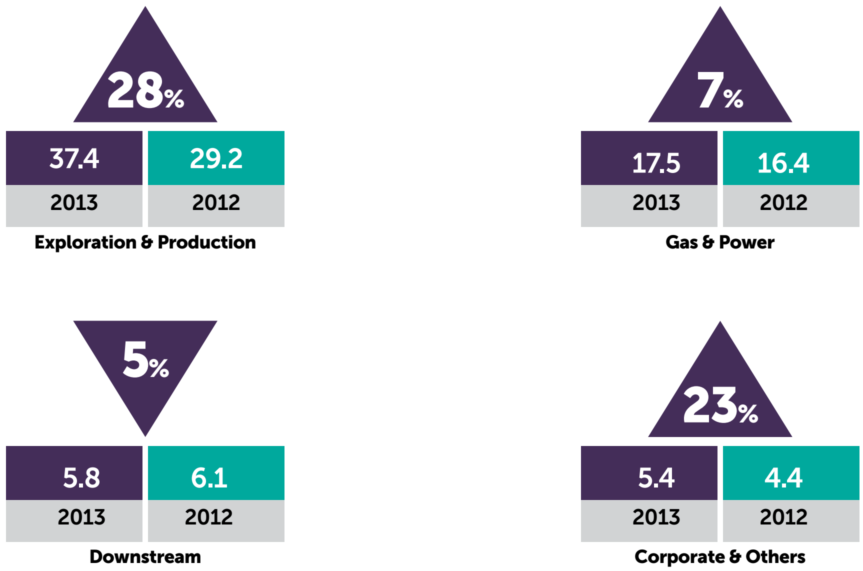
Europe
6%
Mainly sale of sales gas.

South Africa
9%
Mainly sale of petroleum products.

Rest of the World
11%
Mainly sale of crude oil and condensates.

Segment Earnings

Gross NOPAT by Business Segment



Note: FY2012 financial information have been restated due to adoption of MFRS.

The Group has four reporting operating segments comprising Exploration & Production (E&P), Gas & Power (G&P), Downstream and Corporate & Others (C&O).

During the year under review, the E&P Business recorded Net Operating Profit After Tax (NOPAT) of RM37.4 billion, compared to RM29.2 billion posted in the previous year. The 28% increase in NOPAT was achieved on the back of an increase in revenue, lower asset impairment and lower well costs. The increase in revenue was driven by 5.8% rise in oil and gas production compared to the previous year. In 2013, the E&P Business delivered its first hydrocarbons from 21 greenfield projects, of which nine are located overseas. These international projects included the Garraf (PETRONAS-operated) and Majnoon (PETRONAS-Iraq venture) fields in Iraq. Production volumes were further improved by the inclusion of unconventional energy from Canada, the earlier than expected production resumption in the Republic of South Sudan and intensified production enhancement efforts both in Malaysia and internationally.

The G&P Business recorded NOPAT of RM17.5 billion, compared to RM16.4 billion achieved in FY2012. The 7% increase in NOPAT was attributed mainly to higher LNG sales volume on the back of record production in PETRONAS LNG Complex (PLC), Bintulu, Sarawak and higher LNG trading volumes. Total LNG sales volume increased from 26 million MT in 2012 to 29 million MT in 2013. PLC's production volume increased from 24 million MT to 26 million MT over the same period. However, G&P's NOPAT was partly affected by higher impairment losses incurred in 2013.

Collectively, E&P and G&P Businesses contributed to 83% of the Group's gross NOPAT in 2013, an increase by 2% from the previous year.

The Downstream Business recorded a lower NOPAT of RM5.8 billion, a drop of RM0.3 billion from the previous year. For FY2013, the Downstream Business contributed 9% to the Group's NOPAT. The decline in NOPAT was attributed mainly to major maintenance activities, including statutory turnarounds at major plants. The Business also experienced mixed market conditions, which resulted in lower margins for refining, petrochemical and petroleum products trading.

The C&O Business consists primarily of the Group's maritime and logistics activities, property business and central treasury function. For the year under review, the C&O Business recorded NOPAT of RM5.4 billion, an increase of 23% from the previous year's RM4.4 billion. This was mainly due to improved maritime and logistics margins as a result of the cessation of the liner business in 2012.

Segment CAPEX

Group capital expenditure amounted to RM56.6 billion for FY2013, an increase of 26% from the previous year.

The E&P Business accounted for 64% or RM36.0 billion of the total investment to sustain and grow production in Malaysia and internationally. Some RM18.8 billion or 52% was invested in Malaysia to intensify efforts to enhance existing production as well as to develop new fields. Some of the key investment projects in Malaysia included the North Malay Basin pipeline and facilities; TAPIS Enhanced Oil Recovery (EOR) projects in Peninsular Malaysia and the Sabah-Sarawak Integrated Oil and Gas Projects. Another RM17.2 billion was invested overseas, notably in Canada, Iraq and Turkmenistan.

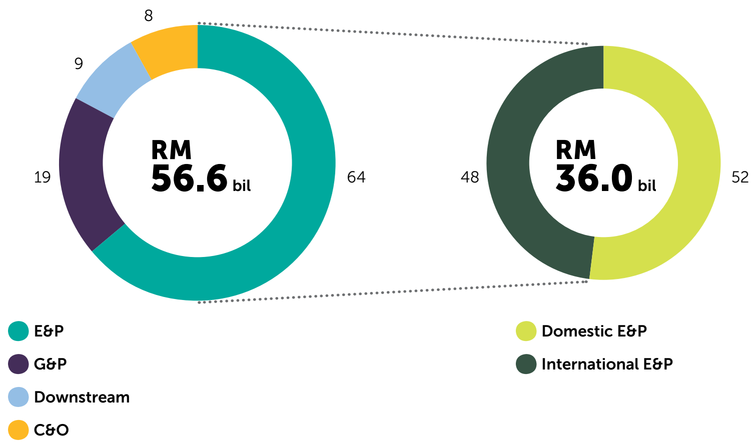
A total investment of RM11.1 billion went towards the G&P Business, an increase of RM2.3 billion from FY2012. Key investment projects included the Gladstone LNG project in Australia, LNG Train 9 project in Sarawak, the Floating LNG projects and the LNG RGT in Melaka which came into operation in May 2013. These projects are critical to not only meet the national energy requirements but also to meet our contractual export obligations and projected demand growth.

Capital investment in the Downstream Business increased by RM0.9 billion to RM5.0 billion in FY2013. Most of the capital investment was channeled towards the Refinery and Petrochemical Integrated Development (RAPID) project in Pengerang, Johor and the Sabah Ammonia Urea project (SAMUR). SAMUR project was sanctioned in June 2011 and is targeted to complete in 2016. These represent major growth projects that will further strengthen the Group's position as a key player in the Asia Pacific's downstream petroleum business, besides meeting a growing domestic demand for petroleum products.

Total capital investment in the C&O Business amounted to RM4.5 billion in FY2013, with MISC Berhad (MISC) accounting for 44%. During the year, MISC incurred CAPEX on acquiring new shipping vessels, offshore floating facilities and upgrading its yard facilities at Pasir Gudang. The balance of C&O CAPEX was mostly invested by the KLCC Group of Companies, particularly for the development of commercial and government buildings in Putrajaya, the country's federal administrative centre.

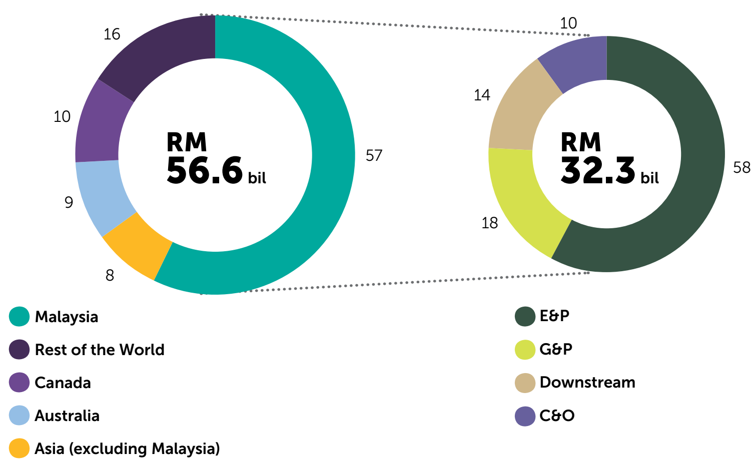
CAPEX Allocation 2013

In percentage (%)



CAPEX by Geographical Segment 2013

In percentage (%)



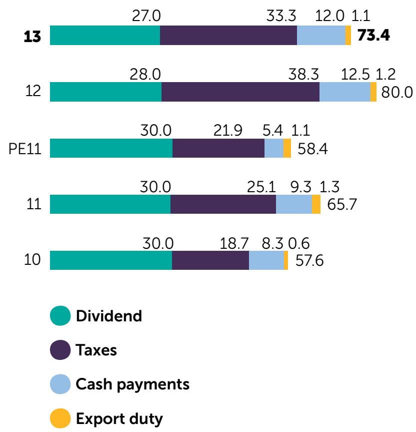
Domestic and International CAPEX Breakdown

In RM billion

* Restated due to adoption of MFRS.

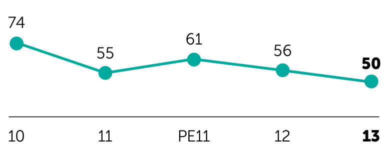
Contribution to Governments and Revenue Foregone

Components of Contribution to the Malaysian Government
In RM billion



In FY2013, PETRONAS contributed RM73.4 billion to the Federal and State Governments of Malaysia. A dividend of RM27.0 billion was declared, which translates into a dividend payout ratio of 50%, which is lower than the 56% declared in the previous year. The lower dividend payout is an acknowledgement by the Federal Government of PETRONAS' high CAPEX requirements.

Dividend Payout Ratio
In percentage (%)



Revenue Foregone	FY2013	FY2012	+/-	Cumulative total since 1997
In RM billion				
POWER SECTOR	13.7	15.6	-12.2%	137.8
- Tenaga Nasional Berhad	5.3	6.1	-13.1%	57.5
- Independent Power Producers	8.4	9.5	-11.6%	80.3
NON POWER SECTOR (including industrial, commercial, residential users and NGV)	11.2	12.3	-8.9%	69.9
Total	**24.9**	**27.9**	**-10.8%**	**207.7**

Revenue foregone as a result of the regulated pricing mechanism imposed on gas sales to customers in Peninsular Malaysia's power and non-power sectors was RM24.9 billion, a fall of 11% from the previous year. The reduction stems from the introduction of an LNG-based pricing mechanism on certain volumes post RGT implementation, which is in line with the Government's subsidy rationalisation effort.

Since its inception in 1974, PETRONAS has contributed a total of RM806 billion to both the Federal and State Governments. Revenue foregone amounted to RM207.7 billion from the time regulated gas prices came into effect in May 1997.

21 **first productions**

Achieved 21 first productions; including 2 RSCs in Malaysia and Garraf & Majnoon in Iraq.

2,131 **kboe/d**

Oil and Gas productions.

32.8 **bil boe**

Group Total Discovered Resources of 32.8 billion boe with international assets contributing more than 31%.

Exploration & Production

Dato' Wee Yiaw Hin

> We have made excellent progress in 2013 in executing and delivering our strategies to grow and strengthen our E&P Business.

The transformation of the E&P Business that we embarked on since 2011 is now seeing results and have culminated in the strong operational performance and delivery that we see in 2013. The various efforts that we have put into business structural improvements, enhancement of management systems and increased efficiencies in business processes have converged to create a high performing culture in the E&P Business.

We continue to build on our strong 2012 production performance and in 2013 delivered a 5.8% year-on-year production growth, boosted by earlier than expected production resuming in the Republic of South Sudan and various production enhancements in Malaysia.

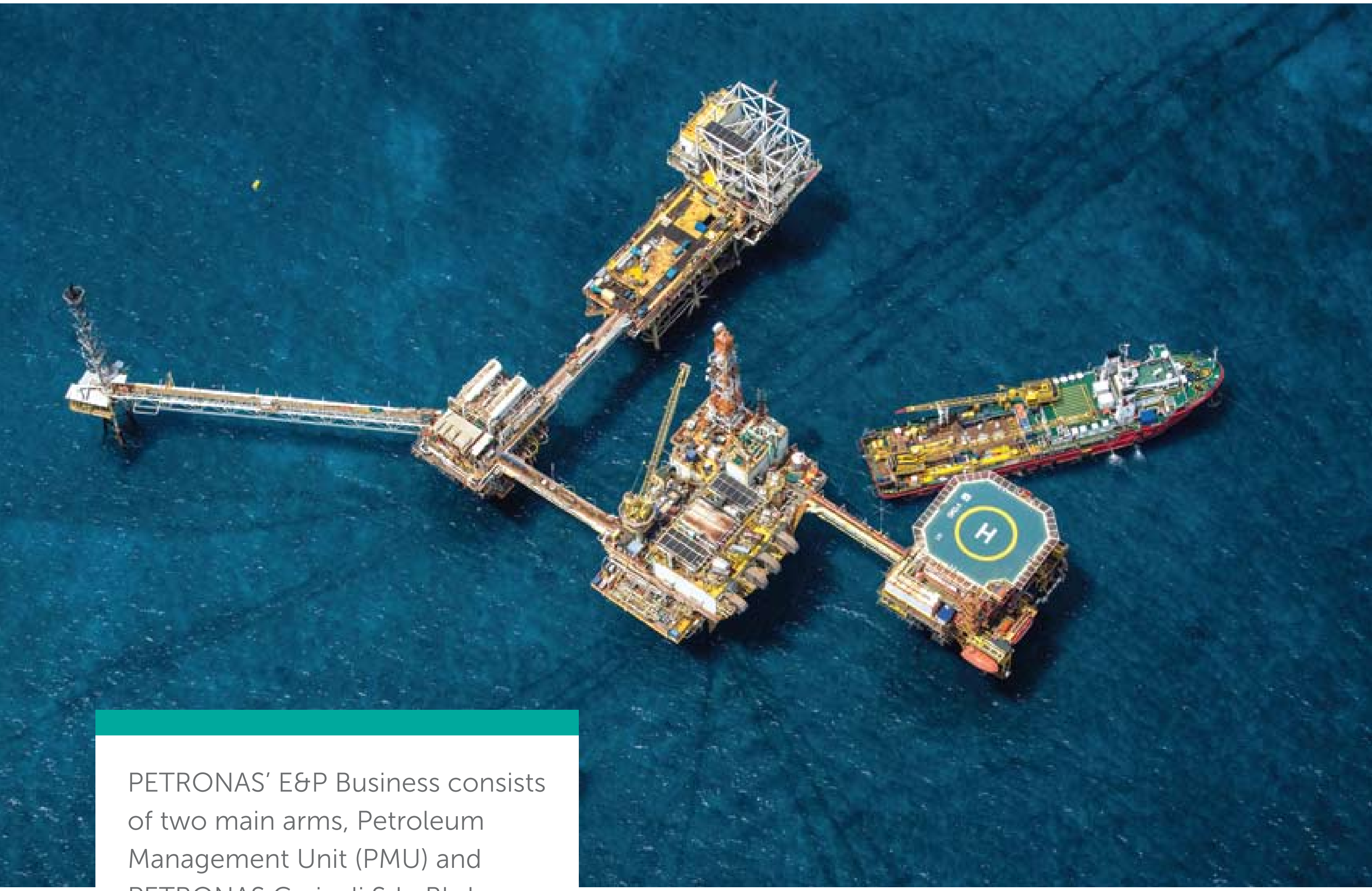
For 2013, 21 projects achieved first production including two RSCs awarded earlier in 2011 and the PETRONAS-operated Garraf field in Iraq. To sustain the E&P performance and fuel future growth, our robust portfolio of assets and the strong funnel of projects saw over 75 Final Investment Decisions (FID) and 25 Field Development Plans (FDP) approved.

The year in review also recorded exploration success in Malaysia and international operations with 15 discoveries made, contributing 3.2 billion boe of resources to PETRONAS. Our venture in Canada through Progress Energy Canada Limited also made significant progress with total reserve additions of 966 million boe and 1.6 billion boe of resource. This will provide a strong resource base for us to continue sustaining our production in the future.

HSE and Asset Integrity Management which saw milestone improvements to support our 2013 performance will remain as our key focus as we pursue sustainable growth in the E&P Business.

We remain committed to high-grading and growing our portfolio for quality assets. We will also continue to strive for capability building and the development of our human capital. We believe our comprehensive capability and leadership development system resulted in a broad and resilient group of ready leaders to manage our business.

Going forward, E&P Business will remain focused on delivering our strategies to build our portfolio and fuel our business growth. This will be done by ensuring that our ventures and projects are value driven, governed by our stringent profitability and investment discipline.



PETRONAS' E&P Business consists of two main arms, Petroleum Management Unit (PMU) and PETRONAS Carigali Sdn Bhd (PCSB). PMU is the resource owner and manager of the nation's domestic oil and gas assets. It is entrusted with the responsibility to ensure the optimal development of Malaysia's hydrocarbon resources. The oil and gas operating arm of the E&P Business is managed by its subsidiary PCSB, a hands-on operator with an established track record, working alongside global majors in Malaysia and internationally.

We achieved several important milestones in 2013 both in Malaysia and internationally. During the year in review, PETRONAS recorded 100 active PSCs in Malaysia, encompassing exploration, development and production blocks. This was driven by PETRONAS' continued policy for an enabling and effective upstream investment environment in Malaysia, which includes a vibrant local support service industry and innovative petroleum contracts with various commercial and tax incentives. Our efforts in Malaysia continued to attract investments. There are now over 30 players in the country, including established International Oil Companies (IOC) and local Malaysian contractors.

Internationally, 2013 proved to be a successful year with increasing production both in the conventional assets; from production resuming in the Republic of South Sudan and higher gas sales in Turkmenistan; as well as from PETRONAS' unconventional portfolio in Canada and Australia; through heightened activities to support unconventional gas production and reserves growth.

Overall, the E&P Business continued to build on our 2012 performance to deliver a total production of 2,131 thousand boe per day for 2013. This remarkable 5.8% year-on-year growth was realised through our continued efforts in sharper reservoir management, various production enhancement and sustainability programmes; as well as agile project management and fast project delivery, contributing towards 21 first hydrocarbons achieved for the year.

From overall exploration efforts, PETRONAS' total discovered resource for 2013 now stands at 32.8 billion boe, recording a 0.4% increase when compared to the previous year.

While we are pleased with the results achieved in 2013, we will continue to raise the bar to improve our internal processes, enhance business efficiencies and reduce costs to further ensure that our steady pipeline of projects are executed in a timely and cost effective manner. This will ensure the long-term sustainability of our upstream business and create further value for the Group and its stakeholders.

We remain committed to ensuring all our facilities are well maintained and safely operated. Our aggressive pursuit of HSE excellence in 2013 resulted in a 42% improvement in Lost Time Incident (LTI) cases with zero fatalities recorded. This was achieved on the back of over 100 million man hours recorded for the year. We will continue to build on these encouraging results in our journey toward achieving HSE excellence.

Going forward, we are confident of our robust strategy to build our portfolio and stimulate future growth. This will be further strengthened by ensuring that our ventures and projects are value driven and meeting our stringent profitability and investment criteria.

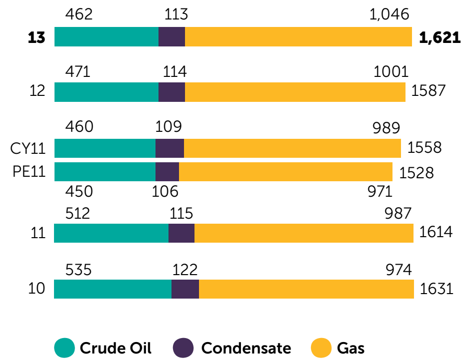
Development and Production

In 2013, PETRONAS' production of crude oil and natural gas amounted to 2,131 kboe/d, a 5.8% year-on-year increase from 2012.

In Malaysia, production has been on an upward trajectory for the fourth year in a row, addressing the decline seen in 2008. In 2013, we recorded a 2.1% increase in production to 1,621 thousand boe/d. Apart from the 12 field development projects coming onstream, the higher production was also attributed to the rigour in reservoir management resulting in intensified production enhancement and IOR activities at our maturing fields. An increase in gas production in Sarawak, despite undergoing facilities' major maintenance, has also enabled record LNG production and sale for our LNG plants in Bintulu.

To further realise Malaysia's oil potential, efforts in marginal fields remain a critical area of focus. Production contribution to the overall portfolio may not be overly substantial from RSCs, however, it is a testament of continued level of development activities and investment interest in Malaysia. Two RSCs, Balai Cluster awarded in 2011 and Kapal Banang Meranti (KBM) awarded in 2012, showed great progress with both achieving first hydrocarbon in 2013.

Malaysia Production
In kboe



FDP and FID Approved

FDP	FID
19	56
21	51
23	34
5	31

International production recorded 510 kboe/d for 2013, a significant increase of 19% compared to 2012. The increased performance was attributed to both existing and new production. The earlier than expected production resumption in the Republic of South Sudan and higher gas sales in Turkmenistan, provides an encouraging outlook of the assets future potential.

Out of the nine first hydrocarbon achieved

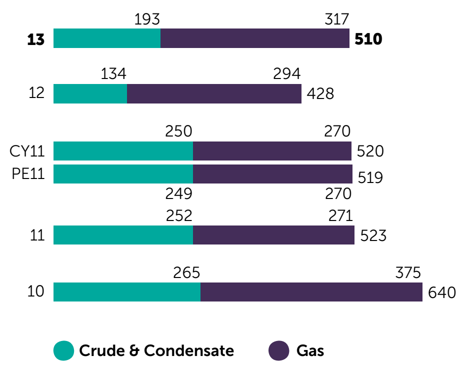
internationally, two highlights are a testament of overcoming project delivery challenges and our continued resilience. These are the PETRONAS-operated Garraf field in Iraq achieving first production in August 2013 and our Iraq-venture in the Majnoon field, recording its first oil production from September 2013. Both production from Garraf and Majnoon peaked to over 230 thousand boe per day in December 2013.

At the back of the development activities, PETRONAS recorded a total CAPEX expenditure of RM36 billion in 2013, of which an impressive RM19 billion CAPEX was spent in Malaysia's upstream sector during the year. For 2013, a total of 32 FDPs were completed while 82 FIDs were achieved to further sustain and grow the E&P Business in Malaysia and internationally.

Efforts will continue for business process improvement to enhance project execution and delivery with PETRONAS recording another milestone in its IPA benchmarking, showing a slight improvement from its position in 2012.

Production for both Malaysia and international markets are expected to further increase with major projects coming on stream in 2014, including Tapis Field EOR and Gumusut Kakap ramp up. PETRONAS is also expected to make FID for one of its offshore EOR projects in Malaysia which when completed, will be the largest integrated offshore EOR project in the world.

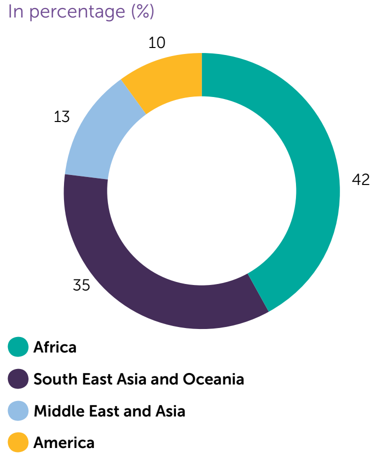
International Production
In kboe



FDP and FID Approved

FDP	FID
13	26
7	26
13	22
2	13

2013 International Production
by Region
In percentage (%)



Exploration

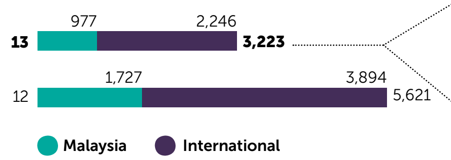
As at 31 December 2013, PETRONAS' total discovered petroleum resources stands at 32.8 billion boe, a slight increase of 0.4% from the previous year. A total CAPEX of RM2.3 billion was spent on exploration activities both in Malaysia and internationally. There are some notable achievements attributed to the sustaining of the resource base.

During the year in review, total oil and gas discovered in Malaysia increased by 1.5% from 2012, driven by gas discoveries in B14 and Tembakau fields offshore Sarawak and Peninsular Malaysia, respectively. These discoveries amounted to over 2.6 Tscf of gas resource addition for Malaysia.

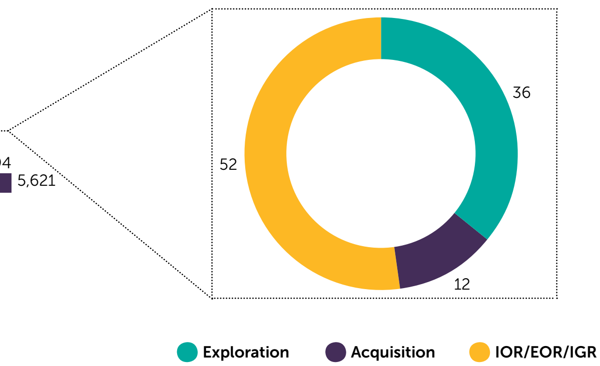
The year also saw PETRONAS awarding four deepwater blocks in offshore Sarawak. The award of exploration PSCs in the country's frontier areas is a testament that the Malaysian E&P landscape remains vibrant and continues to generate a significant level of interest among foreign oil and gas companies.

In the international arena, PETRONAS recorded discoveries in Brunei, Indonesia and Australia. Our deepwater discoveries of Kelidang and Keratau fields in Brunei's Block CA2 indicates encouraging potential of the block which PETRONAS operates with partners since 2010.

Resource Addition
In mmboe



2013 Resource Addition
by Source
In percentage (%)



PETRONAS' Group Petroleum Resources
(Billion barrels of oil equivalent)

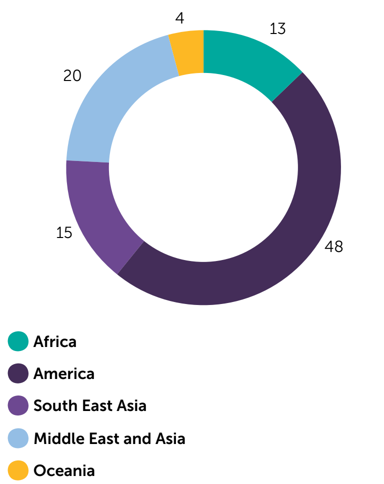
		1.1.2014	+/-	1.1.2013
Crude Oil & Condensate	Reserves (2P)	4.51	-10.6%	5.04
	Contingent Resources (2C)	3.12	-17.6%	3.79
Natural Gas	Reserves (2P)	7.82	-1.4%	7.93
	Contingent Resources (2C)	12.10	0.4%	12.05
Unconventional	Reserves (2P)	1.50	188.5%	0.52
	Contingent Resources (2C)	3.72	12.8%	3.30
Total Discovered		32.76	0.4%	32.63
PETRONAS Group Entitlement		10.15	5.7%	9.60
oRRR (3 Years Rolling Average)		**3.09x**		**3.49x**

Malaysia Petroleum Resources
(Billion barrels of oil equivalent)

		1.1.2014	+/-	1.1.2013
Crude Oil & Condensate	Reserves (2P)	3.75	1.6%	3.688
	Contingent Resources (2C)	2.05	-5.4%	2.162
Natural Gas	Reserves (2P)	6.64	0.5%	6.602
	Contingent Resources (2C)	10.14	3.6%	9.785
Total Discovered		22.57	1.5%	22.237
PETRONAS Group Entitlement		7.52	2.1%	7.366
oRRR (3 Years Rolling Average)		**1.94x**		**1.91x**

Overall for 2013, PETRONAS recorded a total of 15 new discoveries of which 10 are in Malaysia with reserves of 0.98 billion boe, while remaining international discoveries accounted for another 2.2 billion boe. PETRONAS' total resource addition for 2013 amounted to an encouraging 3.2 billion boe, which brings its three-year average Overall Resource Replenishment Ratio (oRRR) to 3.1 times and our Reserve Replacement Ration (RRR) to 1.3 times. This is an indication of a healthy balance between hydrocarbons produced and discovered. Our good performance on RRR and oRRR is a result of the prudent portfolio management and investments, hence ensuring continued long term sustainability of PETRONAS' upstream business.

Breakdown of International Resources
by Region
In percentage (%)



International Petroleum Resources
(Billion barrels of oil equivalent)

		1.1.2014	+/-	1.1.2013
Crude Oil & Condensate	Reserves (2P)	0.76	-43.8%	1.36
	Contingent Resources (2C)	1.07	-33.9%	1.62
Natural Gas	Reserves (2P)	1.18	-10.8%	1.33
	Contingent Resources (2C)	1.96	-13.7%	2.27
Unconventional	Reserves (2P)	1.50	188.5%	0.52
	Contingent Resources (2C)	3.72	12.8%	3.30
Total Discovered		10.20	-1.9%	10.39
PETRONAS Group Entitlement		2.63	17.6%	2.24
oRRR (3 Years Rolling Average)		**7.15x**		**8.95x**

Unconventional Resources

In 2013, PETRONAS' unconventional operations were vigorous in both developing production capacity and proving up reserves base. Overall equity production from Canada and Australia for the year was 49.3 thousand boe per day while total reserve additions from unconventional assets were 0.97 billion boe of 2P and 1.6 billion boe of 2C resources.

Since its acquisition in late 2013, Progress Energy Canada Limited (PECL) has seen a resource increase of 0.95 billion boe with production averaging at just over 300 mmscf per day. These encouraging results are accredited to the efforts of drilling over 160 wells with up to 28 rigs deployed in North Montney Joint Venture (NMJV) and Alberta Deep Basin. The production is expected to increase to over 1,800 msscf/d in 2019, delivering gas to the Pacific NorthWest (PNW) LNG plant when completed. PECL has also significantly contributed to PETRONAS' unconventional resource base (2P + 2C) growth from 0.38 billion boe in January 2012 to 5.2 billion boe in 2013.

PETRONAS remains committed to the integrated unconventional gas asset in Gladstone LNG (GLNG) Australia. With drilling of over 235 wells with up to 10 rigs deployed, continuing work shows future promise from the production seen in 2013. Additionally, three compressor hub stations in the GLNG project are expected to be commissioned in 2014.

PETRONAS aspires to increase its global position in unconventional energy with business development work and efforts in Argentina and China for potential future growth.

Portfolio Highgrading

In an ongoing effort to upgrade the Group's E&P portfolio, three new exploration blocks were secured in 2013, of which two were in Brunei and one in Suriname. Meanwhile, PETRONAS has exited its investments in Cuba, Oman and Venezuela. There were also dilutions and divestments concluded in Cameroon, Mozambique and Mauritania.

Notwithstanding the enormous potential from the Canada unconventional project, PETRONAS continues to practice prudence in managing major assets. The total value chain of upstream PECL to downstream PNW LNG plant was farmed-out to Japan Petroleum Exploration

Co Ltd (JAPEX) and PetroleumBRUNEI where 10% and 3% equity stakes were divested in the NMJV shale gas assets and the proposed Pacific NorthWest LNG's export facility, respectively. These transactions bring in strong partners and investors to the project and display confidence in PETRONAS' ability to bring a secure and long-term LNG supply to Asia.

PETRONAS will continue working to improve and high grade our portfolio for quality assets. Coupled with the implementation of sound strategies and clarity of our investment criterias, PETRONAS is well positioned to get the most out of its E&P assets to increase its performance and fuel future growth.

Human Capital Development

PETRONAS believes strongly in the development and enrichment of its workforce and continues to invest in enhancing the quality of its people. As part of our capability development program, PETRONAS is developing a new training facility known as the INSTEP Integrated Oil & Gas Training Centre (IIOGTC) at Batu Rakit, Terengganu. With a development cost of RM250 million, the IIOGTC replicates actual upstream and downstream facilities for an in-depth experiential learning of the Group's operations. The IIOGTC will help to increase the operational capability and competency of technical trainees before they are mobilised to onsite locations.

To develop and sustain project management excellence, PETRONAS has also established the E&P Project Management Institute to develop and implement a uniformed set of project management capabilities for fast and cost effective delivery of all PETRONAS projects.

Outlook

Globally, the E&P industry has been growing remarkably from 2009 to 2012 with total investments averaging 15% growth year-on-year and this is reflected in tandem with the steady rise of crude oil prices from USD60 per barrel in 2009 to over USD100 per barrel in 2012. The high crude oil prices have fuelled E&P investments in exploration and development in this period while driving expansion into new growth areas.

However, 2013 saw the first year-on-year decline of crude oil prices since the 2008 recession. Total investments in global E&P activities only grew 7% year-on-year for 2013. This is driven by the sluggish global economic recovery with lower forecast for future energy demand from major consumer countries such as China and India. While demand for fuel energy is weakening, the softening in energy prices is further exacerbated with the increase in fuel supply from the boom in new production of unconventionals in North America.

This has created an oversupply of energy fuel on the back of a slowing global demand for energy. With challenging economics amidst rising costs and the shrinking of margins, major E&P companies are forced to defer decisions on their key development projects and investments.

Our outlook is that the mismatch of energy supply-demand will force lower energy prices, which will persist in the short term and further challenge E&P companies to grow production and sustain profitability.

Despite the bearish global outlook, PETRONAS' E&P execution and delivery of its business strategies remain on track.

In Malaysia, PETRONAS will continue with its efforts to address the production decline through focus in production enhancement activities, mature field rejuvenation and marginal field developments. Our efforts in mature field rejuvenation through Enhanced Oil Recovery (EOR) will take center stage in 2014 as a number of FIDs will be achieved. PETRONAS is embarking on EOR in Malaysia which is set to develop over 900 MMstb of crude oil for the next 15 years.

Marginal field developments will continue to be a key focus in Malaysia as we seek to bring more marginal fields into production with innovative and cost effective development concepts. PETRONAS will also encourage more development of marginal fields through practical commercial arrangements via PSCs and RSCs.

In our international operations, the operating environment continues to be challenging, characterised by geopolitical uncertainties and escalating costs, potentially affecting PETRONAS' existing production operations and future development projects.

Although our production has resumed in the Republic of South Sudan, cultural tensions have since flared up in December 2013, forcing a partial shutdown of our operations. Our assets' performance in Iraq remains delicately influenced by geopolitical developments in the region and pose risks in meeting our production target. PETRONAS will continue to be vigilant in our international operations with focus on the safety of our people and assets in this challenging environment.

PETRONAS continues to build on our strong position in Turkmenistan and Myanmar as we seek further opportunities to invest and grow in the region. Our productions in Myanmar represent over 30% of total production in the country.

We also expect production volume from our assets in Canada and Australia to grow PETRONAS' production to over 2.5 million barrels of oil equivalent per day in the coming years.
We are keen to expand our portfolio of international assets to fuel PETRONAS' production growth. Countries on our radar include West Africa's Gabon and Angola. After a successful foray into shale gas, we are also eyeing opportunities in China and the Americas which are known to have significant unconventional reserves.

PETRONAS remains committed to HSE excellence with emphasis on a culture of safety, steered by strong leadership and ownership at all levels across the organisation.

In summary, the outlook is challenging and PETRONAS will remain steadfast with its robust strategy and effective risk management to sustain profitability whilst pursuing resource and production growth.

2,237 mmscfd

Higher PM Sales Gas delivery through additional supply from RGT.

25.96 million MT

Highest ever production of LNG by PLC.

LNG Sales Volume

increased by

10.6%

from 2012.

Gas & Power

Datuk Anuar Ahmad

Gas & Power Business performed very well and achieved several milestones in 2013. Our Health, Safety & Environment (HSE) performance was excellent, with zero fatality, major fire or major LOPC recorded for the year.

Our PETRONAS LNG Complex in Bintulu, Sarawak recorded the highest ever annual production at 25.96 million metric tonnes (MT), allowing us to ship out 422 cargoes to customers. Higher reliability and improved operational efficiency as a result of initiatives put in place over the years enabled us to achieve this feat.

Other highlights include the commercial start-up of the Melaka Regasification Terminal (RGT) in May, which will improve the security of natural gas supply in Peninsular Malaysia. It also allows third parties to import LNG and sell natural gas to domestic customers. PETRONAS is now looking into building a second RGT in Pengerang, Johor to serve the Refinery and Petrochemical Integrated Development (RAPID) project.

On the project front, we kicked off the construction of the PETRONAS Floating LNG 1 (PFLNG1) facility with the steel-cutting ceremony held in South Korea in June. PFLNG1 is on schedule to begin operations in 2016.

For the Pacific Northwest LNG project, the triple Front-End Engineering and Design (FEED) and Early Detailed Engineering were awarded ahead of schedule to three consortiums. The Final Investment Decision (FID) for this project will be made at the end of 2014.

In the meantime, PETRONAS completed the sale of 10% of the Pacific Northwest LNG project to Japan Petroleum Exploration Co Ltd and 3% to PetroleumBRUNEI. We are bringing in a few more partners into this project.

With strong performance and market prices, Gas & Power generated revenue of RM99.9 billion and Net Operating Profit After Tax (NOPAT) of RM17.5 billion. The NOPAT contribution by Gas & Power Business to the Group amounted to about 26%.

It has been a year that I am proud of, and I would like to thank members of the Gas & Power Business for their continued dedication and determination in pursuing the Company's goals and achieving commendable results. I am confident the team will continue to deliver their best and achieve the goals that we have set.

PETRONAS' Gas & Power Business is engaged in the processing, liquefaction, transmission, marketing and trading of Liquefied Natural Gas (LNG) and natural gas. It also participates in the power generation and utilities business which enhance the Group's integrated gas value chain. Over the years, the Group has developed distinctive capabilities in our fully integrated gas business and consolidated our reputation as a trusted partner and reliable supplier of gas in Malaysia and abroad.

Gas & Power Business closed the year in review on a satisfactory note, with commendable performances across the sector. For 2013, Gas & Power posted revenue of RM99.9 billion and Net Operating Profit After Tax (NOPAT) of RM17.5 billion, accounting for 31% of the Group's revenue and 26% of Group NOPAT, respectively. The improved financial performance was achieved on the back of increased production and sales volume of LNG as well as higher realised LNG prices.

Operationally, FY2013 was also an outstanding year in terms of record achievements and new milestones. Our LNG complex in Bintulu, Sarawak posted its highest ever annual production level of 25.96 million MT, which translates into 422 shipments to customers. This record performance is attributed to higher plant reliability and improved operational efficiency as a result of initiatives put in place over the years.

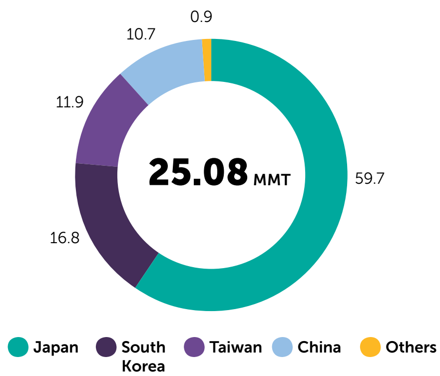
The year in review also saw the commercial start-up of the Melaka Regasification Terminal (RGT), which will improve the security of natural gas supply in Peninsular Malaysia. The country's first LNG regasification terminal delivered its first gas into the Peninsular Gas Utilisation (PGU) system on 23 May 2013. It marks a significant milestone in liberalising the domestic gas market, allowing third parties to import LNG and sell natural gas to domestic consumers. The Government has also approved an increase in regulated gas prices to the power sector by RM1.50 per mmBtu to RM15.20 effective 1 January 2014. PETRONAS is planning to build a second RGT in Pengerang, Johor which will serve the requirements of the RAPID project under construction.

For PETRONAS, enhancing the national security of gas supply has always been high on its agenda. To this end, it has secured an additional 50 mmscfd of gas supply from MTJDA Block A18 when first gas flowed on 4 December. As a longer term measure, under the Joint Development Authority (JDA) Gas Balancing Evacuation project, a further 214 mmscfd of gas will be available from 2015 onwards.

On 24 June 2013, we kicked-off the construction of PFLNG1 with a steel-cutting ceremony held at a shipyard in South Korea. Operational by 2016, PFLNG1 will change the landscape of the LNG business in Malaysia. It will play a significant role in PETRONAS' efforts to unlock and monetise the gas reserves of Malaysia's fields in remote locations that are currently deemed uneconomical to develop. Meanwhile, PETRONAS is close to reaching FID to go ahead with its second floating LNG facility.

PETRONAS' goal to grow its LNG portfolio globally will be realised through the shale-to-LNG Pacific NorthWest (PNW) project in British Columbia, Canada. The contracts to execute FEED and early detailed engineering work for the world-scale LNG export facility were awarded in May 2013. In its objective to bring in more partners to invest in the multi-billion dollar project, PETRONAS completed the sale of a 10% stake in the project to Japan Petroleum Exploration Co Ltd. A further 3% stake was sold to PetroleumBRUNEI on 18 December 2013.

PLC Sales Volume
In percentage (%)



Global LNG

The PETRONAS LNG Complex (PLC) at Bintulu, Sarawak is one of the world's largest fully integrated LNG facility at a single location. In 2013, the Group's total LNG sales volume, consisting of PLC, Egyptian LNG operations and trading, amounted to 28.9 million MT, a 10.6% increase from 26.1 million MT achieved in the preceding year. The increase in sales volume was mainly due to higher production of 26.0 million MT from PLC, compared to 24.0 million MT previously.

The Group's LNG trading arm, PETRONAS LNG Limited (PLL) handled 3.0 million MT in 2013, more than double the previous year's volume. However, sales volume achieved by our Egyptian LNG operations declined by 20% from a year ago due to lower production and increased gas deliveries to the domestic market.

PLC's performance in 2013 was boosted by improved operational performance as well as capacity-enhancement projects undertaken during the year. This has enabled PLC to maintain its unblemished record of over 6,000 timely deliveries to customers in Japan (60%), South Korea (17%), Taiwan (12%) and China (11%).

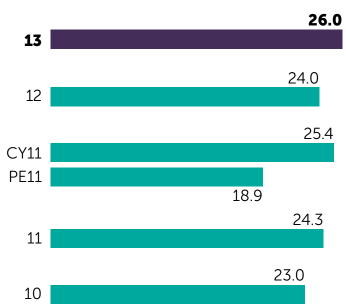
Infrastructure & Utilities (I&U)

PETRONAS continued to focus on ensuring long-term security of the gas market in Malaysia. During the year, the Group's gas processing and transmission business delivered a total of 2,716 mmscfd of gas to customers in Peninsular Malaysia, Sabah and Sarawak. The 7% increase in gas sales was attributed to higher feed gas supply from Kertih, Terengganu and higher off-take from the power sector.

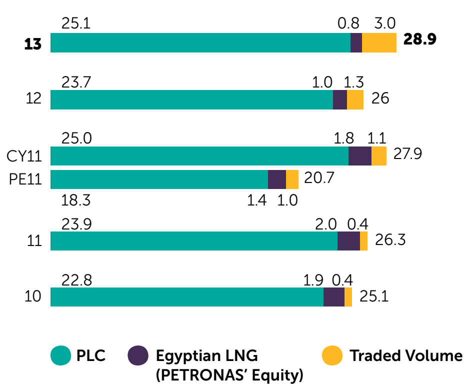
About 83% or 2,250 mmscfd of gas was delivered through the PGU system, an increase of 10% from the previous year. In Sabah and Sarawak, sales gas delivery was lower by 8% and 2% respectively due to reduced demand.

The power generation sector remained the biggest consumer of gas, accounting for 54% or 1,210 mmscfd of the total volume delivered through the PGU system. Sales to the non-power sector and exports to Singapore grew during the year, making up the remaining 38% (860 mmscfd) and 8% (180 mmscfd) respectively. Our gas processing and transmission arm continued to sustain its world-class performance to register a reliability rate of 99.97% for the PGU pipeline networks system.

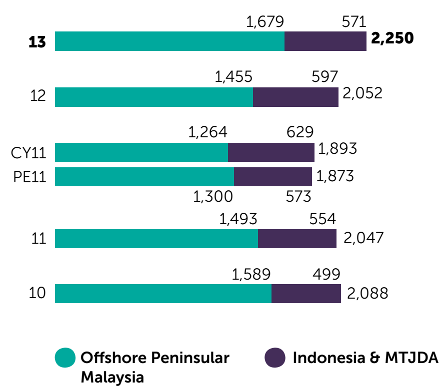
Production of PETRONAS LNG Complex (PLC)
In million tonnes



LNG Sales Volume
In million tonnes



PGU System Supply Sources
In mmscfd



Outlook

The global LNG market is projected to remain tight up to the year 2018, driven by sustained high demand from Japan and South Korea. The ongoing recovery of the advanced economies, led by the United States (US) and the Euro Zone countries is also expected to spur demand for gas as a more environmentally-friendly fuel of choice. According to market analysts, over the next five years, global LNG demand will grow by 39% while LNG supply will only grow by 27%, creating opportunities in the global LNG market.

In Asia, demand for a cleaner burning fuel is also expected to increase, led by China's push for cleaner skies. The projected increase in demand for natural gas will inadvertently trigger increased competition on the supply side. The US is leading the pack in unconventional gas production growth in North America and has already signed off on a half dozen of export licences to supply gas to countries not bound by Free Trade Agreements. More are awaiting approval in the global thirst for North American shale gas.

PETRONAS is set to tap the growth in North America's unconventional gas production and is working toward a FID on the PNW LNG Project in Western Canada. This and several projects being developed at home such as Train 9 at Bintulu, Sarawak and the two floating LNG facilities (PFLNG1 and PFLNG2) off Sabah and Sarawak will help consolidate PETRONAS' presence in the premium Northeast Asian market.

Further developments in Australia, East Africa, the Arctic and East Mediterranean are set against a backdrop where oil-linked prices will remain relevant, even as spot trades increase and rising production costs lead to more costly LNG supplies.

SAMUR Project

The project progressed by more than 50% as at December 2013.

Lubricants Business in China

PLI partnered with the Yuchai Group, China's largest and the world's largest diesel engine manufacturer, through the establishment of a Joint Venture company which marked its foray into the lubricants business in China.

RAPID

Signed Shareholders Agreement (SHA) with Versalis SpA for Elastomer Complex in November 2013. A Letter of Award was issued for Project Management Consultant (PMC) to the Consortium of Technip and Flour in December 2013. Land clearing at the site is in progress.

Downstream

Datuk Wan Zulkiflee Wan Ariffin

> The period under review was indeed a challenging one for Downstream Business as we continued to focus on quality assets through portfolio rationalisation, enhancement of governance, talent management, performance and growth despite volatile oil prices fuelled by prolonged geopolitical issues and a fragile world economy.

In 2013, Downstream Business generated a total revenue of RM157.3 billion, RM6.9 billion higher than the corresponding period last year. This translated to approximately 50% of the Group's gross revenue whilst our NOPAT was 5.8 billion, a 9% contribution to the Group.

During the year, the Group undertook significant maintenance activities, including statutory turnarounds at our major plants. Amidst operational constraints and mixed market conditions, we delivered fair results supported by stronger performance in the first half of the year.

Safety remains high on the agenda and we continue to focus our efforts to inculcate a good safety culture in our operations as well as making it a personal priority. We also pay close attention to governance and compliance in line with processes and procedures. These priorities would enable Downstream Business to achieve significant improvements in Operational Excellence and reliability.

Our efforts to acquire talent have been intensified to support major projects such as the Refinery and Petrochemical Integrated Development (RAPID) and Sabah Ammonia Urea (SAMUR). In addition, leadership development, capability building for critical positions as well as mindset and behaviour were closely monitored throughout the year.

For growth initiatives, the RAPID project is progressing with the signing of Shareholders' Agreement (SHA); commencement of (EPCC) tendering; award of Project Management Consultant, and site preparation. The SAMUR project meanwhile has progressed beyond the halfway mark and is expected to accomplish its milestones in the overall project schedule.

We expect the markets to be more challenging in 2014 and we will continue to focus on key areas such as Health, Safety and Environment (HSE) and Operational Excellence to achieve our targets.

I am encouraged by the achievements in Downstream Business as we continue to be an essential value contributor for PETRONAS. I would like to take this opportunity to acknowledge and thank each and every one of our staff and stakeholders for their respective contribution, dedication and commitment in realising our vision to become a merit-based high-performing business.

Downstream's diverse activities include the refining, trading and marketing of crude oil and petroleum products locally and internationally, as well as the manufacturing and marketing of petrochemical products.

PETRONAS Group results were all the more commendable against a backdrop of challenging industry and global issues. Disciplined and focused on improving asset quality; enhancement of governance; talent management; and performance as we continued on our path to drive long-term sustainable growth.

Significant progress was made in the ongoing construction of the world-scale Refinery and Petrochemical Integrated Development (RAPID) and the Sabah Ammonia Urea (SAMUR) projects. The year in review saw the signing of a Shareholders' Agreement for the RAPID project, commencement of EPCC tendering, award for the appointment of the Project Management Consultant and commencement of site preparation activities. Meanwhile, the development of the RM4.5 billion SAMUR project has progressed beyond the halfway stage, against the October 2015 timeline.

The shift toward higher value-added activities has created new prospects, and further underscores the need to acquire talents. In this regard, we face intense competition from the rest of corporate Malaysia to attract the best and the brightest. By focusing on leadership development and capability building, we have a promising pipeline of job-ready talents to assume critical positions when the need arises.

The high premium that we place on safety was reflected in the many awards received during the year. However, not to be lulled into complacency, PETRONAS will intensify efforts to inculcate a safety culture throughout our operations. Safety must be a personal priority for everyone. For Downstream Business, Health, Safety and Environment (HSE) practices are an integral part of the work culture. Aiming for nothing less than zero incident, zero occupational illness and zero injury, it is a goal that everyone strives to achieve across the Group.

Our performance this past year is a reflection of the hard work, dedication and professionalism of our management and staff. Focused on maintaining the momentum and improving performance in the face of macro-economic challenges and dynamic market trends, Downstream Business is well on its way towards achieving its vision to become a merit-based high-performing business.

Oil Business

PETRONAS owns and operates four refineries with a total refining capacity of 500,000 barrels per day. Three of these refineries are located in Malaysia, of which two are in Melaka, operated by our wholly-owned PETRONAS Penapisan (Melaka) Sdn Bhd (PP(M)SB) and Malaysian Refining Company Sdn Bhd (MRC), a joint venture company with Phillips66. A third refinery operated by PETRONAS Penapisan (Terengganu) Sdn Bhd (PP(T)SB) is in Kertih, Terengganu on the east coast of Peninsular Malaysia. PETRONAS also owns a refinery in Durban, South Africa through its majority shareholding in Engen Petroleum Limited.

Our Oil Business also includes the international marketing and trading of crude oil and petroleum products. This is undertaken by three wholly-owned subsidiaries of PETRONAS Trading Corporation Sdn Bhd (PETCO) namely, PETCO Trading Labuan Company Limited (PTLCL), PETCO Trading UK Limited and PETCO Trading DMCC.

In Malaysia, PETRONAS Dagangan Berhad (PDB) is responsible for the domestic marketing and retailing of a wide range of petroleum products. Within the ASEAN region, PDB has established subsidiaries namely, PETRONAS Energy Philippines Inc (PEPI), PETRONAS Vietnam Co Ltd (PVL) and PETRONAS International Marketing (Thailand) Co Ltd (PIMTCL) to market LPG and lubricant products. PETRONAS also operates service stations in South Africa and Sudan. It is the leading retailer and marketer of petroleum products in South Africa through Engen.

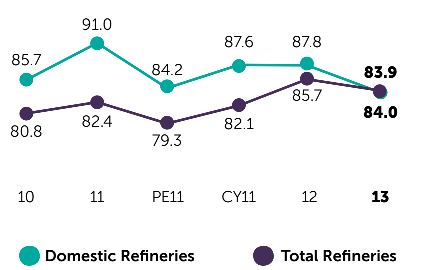
In other international markets, our marketing and retailing activities are managed by PT PETRONAS Niaga Indonesia (PTPNI) in Indonesia, PETRONAS Marketing Sudan Limited (PMSL) in Sudan and PETRONAS Marketing Ventures Limited (PMVL) in the Republic of South Sudan.

Crude Oil Refining

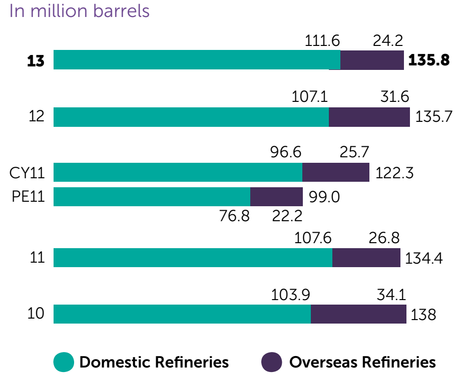
The Group's domestic refineries continue to play a strategic role in adding value to the nation's petroleum resources, as well as enhancing the security of its energy supplies.

During the year under review, the three domestic refineries collectively recorded a higher throughput volume of 111.6 million barrels as compared to the total throughput volume for FY2012 of 107.1 million barrels. The increase was mainly attributed to higher availability of condensates as feedstock and the smooth operations of the complex at PP(T)SB. However, there were several planned and unplanned maintenance shutdowns experienced in FY2013 at PP(M)SB and MRC complex, which resulted in a lower utilisation rate of 83.9% compared to 87.8% in FY2012. Nonetheless, the overall reliability rate of the domestic refineries was sustained at 98%, a testimony to the Group's continuous commitment to Operational Excellence.

Utilisation Rate for Group's Refineries
In percentage (%)



Refining Throughput
In million barrels



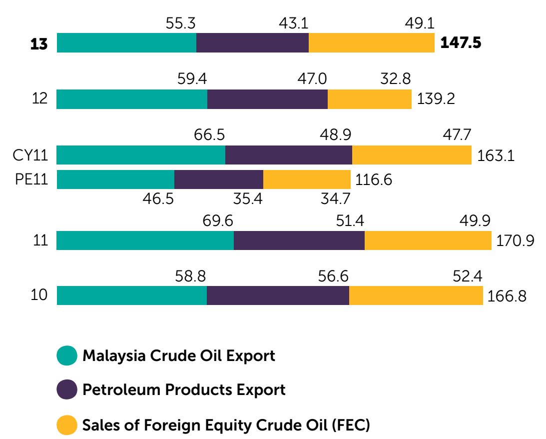
Crude Oil and Petroleum Products Marketing

The year in review saw an increase in the Group's crude oil and petroleum products marketing activities, achieving a total volume of 147.5 million barrels from 139.2 million barrels recorded in 2012. The increase was due mainly to higher production and sales of Foreign Equity Crude (FEC).

Sales of FEC rose by 50% to 49.1 million barrels from 32.8 million barrels, on a year-by-year comparison. The improved sales was attributed to crude oil production resuming in the Republic of South Sudan and higher production of Basrah Light Crude from Iraq. However, exports of Malaysian Crude Oils (MCO) moderated to 55.3 million barrels from 59.4 million barrels, mainly due to lower sales entitlement for Labuan and Dulang crudes.

Exports of petroleum products also registered a decline by 8% to 43.1 million barrels from 46.9 million barrels achieved the previous year. This was mainly due to lower refinery production volumes as a consequence of several maintenance shutdowns mentioned earlier.

Marketing
In million barrels



Petroleum Products Domestic Marketing

The Group's domestic marketing activities cover a range of petroleum products such as gasoline and diesel as well as lubricants and liquefied petroleum gas (LPG) for household and commercial uses.

Retail Business

The retail business comprises the sale of fuel and non-fuel products through more than 1,000 petrol stations and over 700 Kedai Mesra convenience stores operating under the PETRONAS banner throughout Malaysia. PETRONAS continued to strengthen its position as the largest petrol station network in Malaysia. Adopting PETRONAS' signature one-stop convenience store concept, most of our stations now has its own Kedai Mesra store, enriching the overall customer retail experience.

Commercial Business

We also undertake the bulk sales of petroleum products such as diesel, aviation fuel, fuel oil and bitumen catering to the specific needs of various business sectors in Malaysia. To stay ahead of the competition, our commercial business is supported by an extensive logistics network throughout the country, enabling us to deliver on the reliability, timeliness and quality of our products and services. FY2013 saw a significant growth in our commercial business serving key economic sectors which include manufacturing, oil and gas exploration, aviation, power generation, construction, agriculture, fishery and transportation.

LPG Business

By pursuing a growth strategy, we are now a leading supplier of cooking gas in the country. Retailed under the brand name of Gas PETRONAS, households have a choice of two cylinder sizes of 12 kg and 14 kg. We also supply LPG in 50 kg cylinders, 200 kg cylinders and in bulk for commercial and industrial purposes.

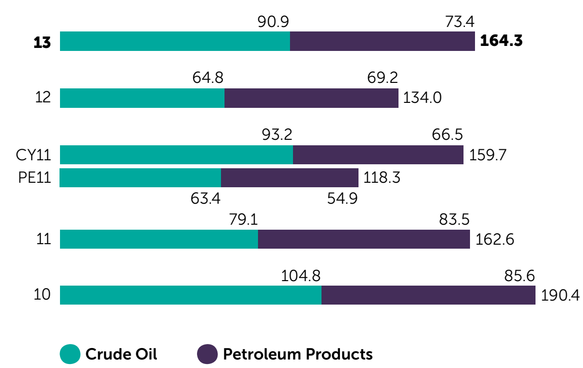
Crude Oil and Petroleum Products Trading

The total volume of crude oil and petroleum products traded in FY2013 increased to 164.3 million, up 23% from 134.0 million barrels traded in the preceding year.

In the year under review, crude oil traded increased by 40% to 90.9 million barrels, against 64.8 million barrels achieved in 2012. With PETRONAS stepping up its trading activities in the Middle East, the increase was due to higher trading volumes of Oman and Dubai crude. PETRONAS also expanded its crude oil portfolio with the addition of Basrah, Champion and Qua Iboe crude oil for opportunistic trading activities.

The volume of petroleum products traded in 2013 increased to 73.4 million barrels from the previously recorded 69.2 million barrels. Third party trading volume increased due to strong demand for naphtha to be utilised as feedstock for gasoline blending and spot buying from Taiwanese and South Korean traders. New customers secured during the year also contributed to an increase in third party trading volumes for jet oil, kerosene and fuel oil.

Trading
In million barrels



Lubricants Business

PETRONAS Lubricants International Sdn Bhd (PLI) was established in 2008 as the global manufacturing and marketing subsidiary of PETRONAS, offering a wide range of quality automotive and industrial lubricants across more than 80 countries. PETRONAS' portfolio of lubricants include its flagship brands PETRONAS Syntium for the passenger vehicles, PETRONAS Sprinta for motorcycles, and PETRONAS Urania for commercial vehicles. It is on track to achieve leadership position by focusing on innovative product offerings, expert technical support and aggressive marketing initiatives.

Global Sales

PLI has a workforce of 2,058 employees operating in 18 countries. Headquartered in Kuala Lumpur, PLI also has regional offices in Turin, Durban, Belo Horizonte and Chicago. In 2013, global lubricant sales increased 7.8% to 694.3 million litres. New products launched in 2013 include PETRONAS Syntium 800HM and PETRONAS Syntium 5000GM in Brazil and PETRONAS Syntium 7000 in China. Core PETRONAS-branded products such as PETRONAS Syntium, PETRONAS Tutela, PETRONAS Hidraulik and PETRONAS Urania have been introduced to key markets in Africa. In North and Latin America, we have launched hydraulic, auto transmission and coolant products targeted at the agricultural sector.

European markets accounted for almost 30% of the sales volume, followed by Asia (27%), Latin America (21%), Africa (17%) and North America (6%). PLI also successfully made headway in enlarging its global footprint, penetrating new markets in Egypt, Russia, Pakistan, Mexico, Sri Lanka, Morocco and Ghana. Its customer base continued to expand with the signing of new business partnerships with several Original Equipment Manufacturers (OEMs) including Daimler, BMW, Tata, Yuchai, Deere Hitachi and Atlas Copco.

Streamlining Business Operations

PLI's global aspirations are underpinned by a strategic move on the part of PETRONAS to consolidate and streamline its lubricants business. Initiatives are underway in South Africa and Indonesia to transfer PETRONAS' lubricants business in these countries into PLI's portfolio. On its part, PLI has reorganised its Global Supply Chain to incorporate PETRONAS' base oil management and marketing functions, enhancing its procurement and supply strategy. Operational support functions in the areas of Technology, Manufacturing and Engineering, Key Accounts Management and Marketing, centralised and driven through the office of the Chief Operating Officer, further streamlined global operations effectively to support the regional businesses.

A Group Industrial Lubricants Unit has been incorporated to position industrial lubricants as a key portfolio for PLI. In line with this new direction, the unit will streamline marketing approaches and technical competencies for the industrial lubricants across all regions, notably the African, Asian and Latin American markets.

In Malaysia, the route-to-market initiative has produced encouraging results. Aimed at increasing market share in the domestic lubricants business, the initiative has resulted in doubling the increase of network penetration in selected trade zones.

Expanding Capacity

PLI strives to continue enhancing its manufacturing capacity to support future supply requirements. The plant capacity at Belo Horizonte, Brazil has already been expanded to 136 million litres in 2013 and plans are now underway to increase plant capacity at Buenos Aires in Argentina to 23 million litres. In Shandong, China, a two-phased project will see the addition of a 150 million-litre capacity plant by the end of 2015. PLI has also started a pioneering project to build its own 65 million-litre plant in India, with the signing of an agreement in October 2013 to lease 25 acres of industrial land near Mumbai.

Collaboration to Expand Market Presence in China

PLI's collaboration with China's largest diesel engine manufacturer, Yuchai, has progressed further with the establishment of the Yuchai-PETRONAS Joint Venture Company in June 2013. We are already reaping the benefits of synergies in the partnership with an 11% increase in sales reported for the second half of 2013, compared with a corresponding period last year.

Research and Technology

PLI's Group Technology team successfully completed the development of new engine oils to reduce fuel consumption, improve robustness to varying fuel quality and to protect onboard emission control systems. Field trialling of PLI's new energy-saving hydraulic fluid has been independently assessed to confirm delivery of significantly reduced equipment operating costs, through optimisation of volumetric efficiency. The Technology team also worked to reduce complexity in the global product portfolio enabling cost-saving supply chain efficiencies.

PLI continued to provide unique lubricants, fuels and technical support to the MERCEDES-AMG-PETRONAS Formula 1 team throughout the 2013 season. In parallel, PLI's technology team successfully developed a new gearbox oil for Mercedes' DTM racing team. The extended collaborative programme with the F1 team to develop products for the turbocharged 1.6L V6 engine also moved into the final phase, ahead of the launch of a new engine for the 2014 season.

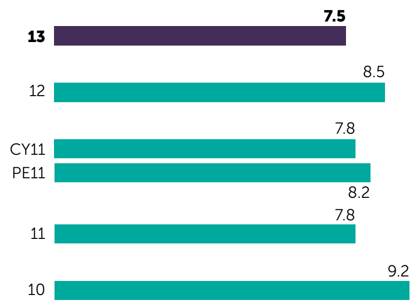
Petrochemicals

PETRONAS Chemicals Group Berhad (PCG) is the leading petrochemicals producer in Malaysia and one of the largest in Southeast Asia. Backed by more than 25 years of experience in the industry, PCG manufactures, markets and sells a diversified range of petrochemical products that include olefins, polymers, fertilisers, methanol, other basic chemicals and derivative products.

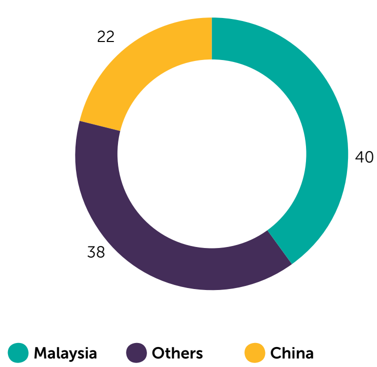
The year in review saw PCG undertaking the highest level of maintenance activities at all its plants since its listing in 2010. This included statutory turnaround activities at its primary cracker facility and related downstream facilities, in line with the mandatory requirements by the Department of Occupational Safety & Health (DOSH). Decisive action was also taken by PCG to shut down its second methanol plant in Labuan so as to comprehensively address all operational issues. Wherever feasible, maintenance activities were timed to dovetail with those of our feedstock and utilities suppliers so as to optimise the shutdown window.

As a result of the unprecedented level of maintenance activities, PCG achieved a lower plant utilisation rate of 78% compared to 83% recorded previously. Consequently, production and sales volumes both declined by 12%. Production volume for the year stood at 7.5 million metric tons (MT) against 8.5 million MT recorded in 2012. Total sales amounted to 6.0 million MT from 6.8 million MT a year ago. Total sales to production volume remained flat at 80%. Malaysia accounted for 40% of total sales, followed by China at nearly 22%, making it PCG's largest export market.

Production Volume
In million tonnes



PCG Sales Volume
In percentage (%)



Outlook

For the year 2014, the global economy is projected to expand by 3.4%, a slight improvement from the 3.2% growth in 2013, underpinned by a broader recovery in the advanced economies and sustained growth in the emerging economies. Despite the positive outlook, the business environment will continue to be challenging.

Against this backdrop, global oil demand in 2014 is expected to rise to 92.7 mbpd in tandem with a more robust global economic backdrop. On the supply side, 2014 will see steady increases in crude oil production from Non-OPEC producers, particularly in Latin America, Middle East and Africa. Non-OPEC crude oil production is expected to rise by 1.7 mbpd, while OPEC production will shrink by about 0.3 mbpd. Global demand for petroleum is projected to grow by 1.3% in 2014, driven mainly by the transportation and petrochemical sectors.

The lubricants market is forecasted to grow by 2.3% in the coming year, driven mainly by increasing vehicle ownership and industrial activities in developing countries, notably in China with the ascendency of the middle-income population. A powerful global grassroots movement is also transforming public attitudes toward the environment and there is a shift to more energy efficient vehicles, which in turn, will drive an increase in demand for premium lubricants.

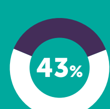
In the petrochemicals business, global demand for ethylene is projected to grow by 4% in 2014, with the Asia Pacific region accounting for 38% of demand. China is expected to be the biggest consumer, whilst demand from the Euro Zone will dip marginally. Demand from North America is expected to remain flat throughout 2014. Global supply of ethylene is expected to keep pace with demand, growing at 4% in 2014. The additional 7 mtpa capacity will be sourced from ongoing coal-to-olefins projects in China, North American shale gas projects and integrated refineries in the Middle East.

Amidst a challenging environment marked by intense competition, we remain optimistic about the growth potential of the petrochemical business. Downstream Business will continue to pursue opportunities in selective growth markets, leveraging on solid foundations and the Group's global reach.

Technology & Engineering

HIGHLIGHTS

Total Value Creation from project management, technical solutions & services and R&D in 2013: more than **RM3.0 billion**.



Enhanced Oil Recovery (EOR) technologies, including Water Alternating Gas (WAG), Chemical EOR, Thermal EOR and Enhanced WAG boosted Recovery Factor.

Solar Independent Power Producer plant in Pahang completed, producing 12 gigawatt-hours of energy and reducing CO_2 emissions by 8,000,000 kg annually.

Challenges often lead to great innovations. For PETRONAS, challenges posed by depleting reserves, ageing assets and higher levels of impurities in hydrocarbon galvanised the Group to push forward into new frontiers in technology. Facing the challenges head on, the Group invested resources in ground-breaking technology research. The result: solutions that improve production and operations, impacting the bottomline.

PETRONAS pushed the envelope and came up with some clear winners, including innovations so revolutionary that they bagged multiple international awards. A case in point is HycaPure™ Hg, the world's first ionic liquid mercury adsorbent, which swept three International IChemE Awards in 2013 and clinched the coveted IChemE Niklin Medal for best overall entry. The product is now set to hit world markets.

Another world's first is the ProAssure™ Clamp, a breakthrough in composite technology. The first ever pipeline repair clamp to be made of composite material, it is poised to become a preferred solution over conventional metal clamps.

Some solutions are game changers, like Gas Cloud Seismic Imaging, an advanced seismic imaging technology which zeroes in on "hidden" reserves obscured by gas clouds to identify potential new resources.

In the past five years, 14 PETRONAS technologies have been deployed in the Group, some of which have been commercialised with licensees. Work is in progress on more cutting-edge solutions. In the year under review, PETRONAS secured 12 new patents bringing the total to 56 patents granted from 30 inventions.

For the first time, PETRONAS engineering solutions were adopted as standard applications Groupwide: five specialised engineering solutions designed to enhance asset integrity, processes and safety were implemented in 2013.

Meanwhile, project management, faced with its own set of challenges – uncertainties in tough environments, price escalation and logistic hurdles – also found creative solutions that ensured successful delivery of capital projects on schedule and at competitive costs.

In the year under review, value creation through technical services and solutions, technology deployment, project management and category management totalled more than RM3.0 billion, through asset optimisation, yield improvement, cost avoidance and cost savings. The figures are telling: challenges are turned into opportunities for those who dare.

Enhanced Oil Recovery (EOR)

With much of the "easy oil" from reserves tapped, focus in exploration and production is now on EOR. EOR involves application of ingenious technologies that can potentially boost Recovery Factor to more than 50%. By extracting oil that would otherwise be left behind, EOR extends the lifespan of oil fields, unlocks the value of mature assets, and ensures security of supply to meet future energy demands.

EOR continues to be actively pursued by PETRONAS. In the year under review, the application of EOR technologies increased RF to 43%, edging it closer to the target of 45% by 2015. The technologies comprise Water Alternating Gas (WAG), Chemical EOR, Thermal EOR and Enhanced WAG.

New WAG hysteresis procedures developed by EOR R&D of PETRONAS Research Sdn Bhd on behalf of the Exploration & Production Technology Division (EPTD) are expected to further optimise the WAG process by improving WAG recovery by another 2-3%. Besides that, EOR R&D also developed demulsifiers and deoilers that can successfully treat produced fluids from Chemical EOR at the Angsi field to meet crude specifications and environmental regulations to improve production from the Angsi field to 30 kbpd of crude oil.

Chemical EOR formulations for the Bokor, Baram and Tapis fields are on-going, while pilot trials are scheduled in 2014 at the St. Joseph and Dulang fields. As part of EOR Phase 1 implementation, PETRONAS plans to implement EOR projects at 14 of its maturing oil fields in all, to potentially recover 750 million barrels of oil by 2017.

In the quest to discover new resources, one technology that complements EOR efforts is the Gas Cloud Seismic Imaging. This tool makes it possible to zero in on reserves that were formerly overlooked owing to gas cloud problems. The advanced seismic imaging technology enables exploration teams to identify oil and natural gas prospects more accurately, place wells more effectively, reduce the number of dry-hole drills, and reduce drilling cost and exploration time.

In FY2013, use of Gas Cloud Seismic Imaging to analyse data from the Baram Delta Offshore (BDO) and Sepat fields resulted in the identification of more "hidden" resources. Based on the new seismic data, drilling of pilot wells in BDO is planned for 2014 to optimise those reserves.

12
new patents secured bringing the total to 56 patents granted from 30 inventions.

Contaminants Removal

HycaPure™ Hg, the first ionic liquid mercury adsorbent in the world, was developed by PETRONAS Research Sdn Bhd in collaboration with Queen's University of Belfast and Universiti Teknologi PETRONAS.

The revolutionary ionic liquid technology was voted by the British Science Museum as the "Most Important British Innovation of the 21st Century" in 2012. In 2013, HycaPure™ Hg swept three awards at the International IChemE Awards held in the United Kingdom – Chemical Engineering Project of the Year; Sustainable Technology; and Outstanding Achievement in Chemical and Process Engineering – and clinched the prestigious International IChemE Niklin Medal, the first Asian company to do so. Locally, HycaPure™ Hg won the IChemE Malaysia 2013 Award for Sustainable Technology.

The adsorbent, which can remove the full range of elemental, inorganic and organic mercury species from gas streams in a single treatment at up to four times the adsorption capacity of conventional adsorbents, has been installed in PETRONAS' Gas Processing Plant 2 (GPP-2) and GPP-4 in Terengganu for dry gas feeds. Efforts are on-going to commercialise the product through collaboration with a public listed global chemical company.

Moving forward, deployment of HycaPure™ Hg is at varying stages for other types of feeds – wet gas, condensate and produced water. Two pilot plants for mercury removal are scheduled to be commissioned in 2014 – one for wet gas in MLNG in Bintulu, Sarawak, and another for condensate in the Onshore Gas Terminal in Kertih, Terengganu. On top of these, research on mercury removal from produced water is at the development stage.

Meanwhile, programmes for CO_2 removal gained momentum. The SEPSYS™ Membrane Separation System, developed for improved CO_2 removal, had a test skid successfully installed and commissioned at the Tangga Barat (TBCP-A platform) in the year under review. Another advanced CO_2 absorption technology, the Membrane Contactor developed in collaboration with China's Dalian Instititute of Chemical Physics and Universal Oil Products Malaysia Sdn Bhd, also had pilot skids installed at GPP-3. At the same time, the Gas Twister technology to separate CO_2 from natural gas proved effective and further evaluations are being carried out for application in environments with higher pressure.

Asset Integrity and Safety

The challenge of ensuring the safety and integrity of all assets is a key focus for PETRONAS, particularly with ageing facilities needing special attention. Rigorous processes are used to manage assets throughout their life cycle.

In a move to standardise technical solutions across the Group, the year under review saw five engineering solutions developed by Group Technical Solutions (GTS) adopted Groupwide – P-RBI™, P-ALS™, P-IPFM™, P-ELSOR™ and ICONR. These solutions enhance asset integrity, optimise processes and safeguard Health, Safety and Environment (HSE).

To conduct plant inspections and maintenance effectively, PETRONAS Risk Based Inspection (P-RBI™) is applied, while PETRONAS Asset Life Study (P-ALS™) assesses a plant near the end of its design life to plan for future requirements. In addition, P-IPF™ (PETRONAS Instrumented Protective Function) prevents operations beyond safety limits and P-ELSOR™ (PETRONAS Electrical Safety and Operability Review) averts errors by verifying the safety of electrical systems during design stages. The fifth solution, iCON®, is a simulation software that enhances plant performance and process optimisation.

Upstream, challenges posed by ageing offshore platforms are addressed by the Technical Integrity Process Safety (TIPS) programme. A key element within TIPS is Independent Asset Integrity Review (i-AIR), a technical solution which assesses the "health" of an asset to establish a baseline. This is then followed by corrective measures to enhance process safety and asset integrity, thereby extending the lifespan of assets. The application of i-AIR in more than 100 platforms is on-going and is targeted for completion by 2014.

Pipeline Integrity

PETRONAS is fully committed to preserving the integrity of an extensive network of over 10,000km of pipelines. Maintenance and protective technologies are well in place to secure oil supply and safeguard the environment.

To monitor the "health" status of pipelines, web-based software PIPeM™ keeps tabs and analyses on fundamental pipeline integrity key performance

Five

standardised engineering solutions adopted Groupwide: P-ALS™, P-IPF™, P-RBI™ P-ELSOR™ and iCON®. Other tools employed to maintain asset integrity: i-AIR and FnGMap™.

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procurement agreements established with local suppliers and OEMS.

indicators. The solution can be applied to a range of offshore and onshore pipelines and quickly identifies potential integrity issues which may result in major pipeline incidents. Besides deployment in group facilities, PETRONAS' Production Sharing Contract (PSC) partners have also adopted PIPeM™ for their pipeline integrity management.

PETRONAS has also developed, a full suite of Pipeline Integrity Solutions. Among them is the award-winning ProAssure™ Wrap Extreme (formerly PIPEASSURE™) pipeline repair system manufactured commercially and deployed at numerous fields. The year under review saw the appointment of Specialty Coating Pty Ltd as a licensee to manufacture the wrap for the Australian and New Zealand markets.

Further breakthrough in composite technology was achieved with the ProAssure™ Clamp, the first ever repair clamp in the world to be made of composite material. Developed by PETRONAS Research Sdn Bhd in collaboration with the Cooperative Research Centre for Advanced Composite Structures (CRC-ACS), Australia, the composite clamp has many benefits over conventional metal clamps. It is cost effective; light-weight; resistant to corrosion; and can be custom-made and fabricated quickly, making it the preferred solution in pipeline repairs.

PETRONAS continues to deploy the Aqua MTM® which uses the Magnetic Tomography Method for non-intrusive real-time inspection of subsea and buried pipelines of all sizes. Using just one tool to inspect pipelines of different sizes gives the advantage of minimised downtime and production interruptions, as well as significant cost savings. In 2013, about 250km of pipeline inspection was completed in various fields in Peninsular Malaysia as well as Sabah and Sarawak. An inspection contract using this technology was signed with a major international oil company.

Another innovation, the ProAssure™ InField Liner, is used to rehabilitate "unfit old pipelines". The flexible reinforced three-layer composite liner can be pulled over long distances inside a subsea pipeline, giving a tight fit so there is minimal loss in volume. The liner is more cost effective than pipeline replacement and requires minimal repair time given its easy installation. Its many advantages gives it outstanding commercial value with demands received from other oil and gas operations in South East Asia. ProAssure™ InField Liner was successfully deployed in pilot trials at PETRONAS Carigali Sdn Bhd facilities in 2013.

Cost savings of up to
10%
of procurement value through category management.

Number of technical professionals
grew by
10% to
673 in 2013.

Project Delivery Excellence

Technical expertise is also channeled into managing the Group's numerous capital projects. The PETRONAS Project Management System is a stage-gated approach that ensures capital projects achieve Top Quartile performance as benchmarked by Independent Project Analysis, by keeping the projects on track while emphasising safety, competitive costing and timely delivery. In total, 17 capital projects were at various stages of development in 2013.

The year under review saw capital projects completed for the Sabah Oil and Gas Terminal Kimanis, Sabah bay; the PETRONAS Second Refinery 1 - Rejuvenation Phase 1A (PSRR1) project in Melaka; and the Solar Independent Power Producer plant in Gebeng, Pahang.

FY2013 also saw two projects at the execution stage PETRONAS Floating LNG (PFLNG1), a game-changing, first-of-its-kind facility to tap "stranded" offshore gas resources, made good progress: steel cutting for the hull block was close to completion at end-2013. Meanwhile, installation of major equipment is on-going for the Sabah Ammonia Urea (SAMUR) plant which, upon completion, will produce ammonia and granulated urea using gas reserves from offshore Sabah.

Also in 2013, Front End Engineering Design (FEED) was completed for the Pengerang COGEN Plant, Second LNG Regasification Facilities, Second PETRONAS Floating LNG, Trans Thai-Malaysia Evacuation project, the PSR-1/MG3 Retrofit and the Refinery & Petrochemical Integrated Development (RAPID) project in Pengerang, Johor.

The mammoth RAPID project, the largest petrochemical complex to be undertaken in Malaysia to date, is set to change the landscape of Pengerang. The project site spans 6,333 acres, and site clearing for the first phase progressed well in 2013. A fleet of over 1,000 heavy machinery and vehicles were used to level hilly and rocky terrain, and peat soil. Pre-fabricated vertical drains were installed to facilitate the flow out of underground water, which speeds up the rehabilitation of the land for use in just five months compared to 10 years through the conventional process.

Internationaly, PETRONAS projects in Garraf proceeded on schedule, with First Commercial Production delivered on target in August 2013. Within these projects, the Garraf Light

Oil Transportation System (GLOTS) was under construction in the year under review while the Garraf Final Development Plan is on-going.

Sustainable Resources

The Solar Independent Power Producer plant at Gebeng, Pahang was successfully completed in 2013. The project is in line with national commitment to pursue renewable energy sources and to reduce carbon emissions.

In pursuing this sustainability agenda, PETRONAS successfully installed several Solar Photovoltaic Systems. The solar installation on the Suria KLCC rooftop, the largest such installation in a shopping mall in Malaysia, was named runner-up in the On Grid Category at the ASEAN Energy Awards 2013 held in Bali. It also won the National Renewable Energy Award - Best On-Grid Project Category at the KeTTHA Industry Awards 2013 organised by the Malaysian Ministry of Energy, Green Technology & Water. The Suria KLCC installation uses six different solar technologies and provides critical data on application and performance in Malaysian climate that will be taken into consideration in future installations.

Building on that success, the Solar Independent Power Producer plant at Gebeng, Pahang was also completed in 2013. It has a 10 megawatt peak capacity and produces an estimated 12 gigawatt-hours of energy annually, equivalent to the power needs of 4,500 households. The plant can potentially reduce carbon dioxide emissions by 8,000,000 kg annually. PETRONAS is committed to sustainability practices and continues to push forward in its green initiatives.

Category Management

Capital projects within the Group gained a cost advantage through Category Management, which ensured security of supply and standardised technical specifications, allowing for volume consolidation so costs are kept down. A list of 15 items under four categories – steel; mechanical items; electrical items and instrumentation; and chemicals and catalysts – are managed and procured through strategic sourcing. To date, 77 procurement agreements with local suppliers and Original Equipment Manufacturers (OEMs) have been established, half of which are Global Frame Agreements.

Category Management also nurtures local talent by stimulating the growth of regional service centres of OEMs. For instance, collaboration with GE, Rolls Royce and Solar in the Gas Turbine category has drawn an additional investment commitment of USD112 million till 2018, for the development of a regional service centre in Malaysia. In 2013, cost savings of up to 10% of procurement value was realised through Category Management.

Technical Capability Building

To support its quest for technical excellence, growing a specialist workforce remains a priority for PETRONAS. The proven Technical Capability Development Programme, a framework for upskilling and career progression, continues to groom competent technical professionals.

The Technical Professional Career Progression maps out a career path for young technical executives. Within that progression, the Accelerated Capability Development programme accelerates skills acquisition so that Time-to-Autonomy (TTA) is trimmed from nine years two months in 2009 to seven years four months in 2013. In the year under review, 34% of technical executives Groupwide were on track to reach TTA, compared with 12% when the programme first started in 2009.

Meanwhile, the Technical Trade Specialist programme is designed to retain the tacit knowledge of highly skilled technicians and operators while the PETRONAS Competency Assessment System or PECAS tracks the development of technical non-executives Groupwide.

In addition to this, the Group Technical Authority Framework was implemented in 2013 to strengthen integrity in engineering design and operations, and selection of technologies. To date, 163 Technical Authorities have been appointed.

In the year under review, 82 new technical professionals were appointed and the corps grew by 10% to 673. Through the years, PETRONAS has successfully nurtured a formidable force of technical professionals who continue to shape and influence the industry. They ensure that best practices are maintained consistently, and are poised to take on the challenges of tomorrow.

Our People

HIGHLIGHTS

Ranked

5

Hay Group's 2013 survey findings **ranked PETRONAS fifth** among Best Companies for Leadership in Asia.

PETRONAS' International Human Capital Summit 2013 themed **'Redefining Human Capital for a Sustainable Future'** was the first event organised by an industry owner for industry stakeholders .

PETRONAS continues to be the **employer of choice** for 2013 by topping M100 for two consecutive years.

The strength of our business has always been defined by the quality of our people. Our people have been a major contributing factor in earning PETRONAS the distinction of being the only Malaysian company ranked in FORTUNE Magazine's Global 500 list of the world's largest corporations.

Given the depth and breadth of the Group's operations, we have a total staff strength of 49,193 people. We have a young workforce, with 56% of our people below the age of 36. In an industry that has traditionally been dominated by men, women currently make up only 28% of our employees.

Performance counts in a highly challenging industry such as ours. That is why finding, securing and keeping exceptional talent is critical to our sustainability. We do this by providing great job opportunities, a competitive remuneration package, rewarding good performance and creating conducive work environment marked by transparency, integrity and empowerment of people at all levels.

The Group has always been and remains committed to human capital development. Our investments in human resource training and development are the vital catalysts for developing corporate robustness in driving our future performance. We thrive on meritocracy and remain attentive to the career needs of our people. Talented employees are identified early and groomed to ensure a promising pipeline of future leaders aligned with the Group's business imperatives.

As we move further up the path as a global player, our people are not only ambassadors of the Company but also of the country. For this reason, our corporate values are embedded in all we do. In business, we want to be trusted as respected partners; in the communities that we serve, we strive to be valued and worthy neighbours. Wherever we operate, our people volunteer their time and make contributions to community projects to earn our place in the fabric of society. It is by living our vision and exemplifying the human dimension of our corporate values that we will continue to differentiate ourselves in the global marketplace.

Talent Sourcing and Recruitment

People are our ultimate competitive advantage and a great deal of care and attention is given to recruit the right candidate. In this regard, we look for talents who possess not only the appropriate soft and hard skills, but also the attributes that will meet the Company's business imperatives as well as industry benchmarks. Our talent sourcing and recruitment process is continually updated to ensure its relevance in attracting the right talents. By adopting and adapting industry best practices based on proven empirical-based methods, we are able to assess a candidate's suitability in terms of leadership potential, soft skills and legacy performance.

We are proud to report that we continue to be an Employer of Choice for 2013, a position we have earned for the past several years. PETRONAS was also the M100 Employer of Choice for two consecutive years and *Syarikat Contoh* under the SL1M-GEES PETRONAS or Graduate Employability Scheme. In the Hay Group's 2013 survey findings, we were ranked fifth among the Best Companies for Leadership in Asia.

In our quest to build a dynamic work culture, we conduct an internationally recognised employee-based survey biennially to benchmark ourselves against other global organisations. This assessment helps determine where we stand vis-à-vis other world-class organisations in building and sustaining a high performance culture.

Global Talent Strategy

Our goal is to have an agile and innovative workforce, from which a new generation of leaders can be developed to drive team performance. To this end, we have put in place a Global Talent Strategy focusing on three major thrusts:

Right Talent	Right Environment	Right Leaders
to support the global growth of PETRONAS.	to facilitate the development of employees in alignment with the Group's business objectives.	to helm the advancement of performance excellence.

Diverse Global Talent Pool.	Robust Employee Value Proposition to attract and retain talents across the globe.	Agile and Innovative Workforce.	Align leadership aspiration driving team performance.

We have adopted a multi-pronged approach to effectively source the right global talents to meet the needs of our growing operations. New talents are directly sourced from the market or through secondment and job assignment. We have also piloted the Discover PETRONAS Day, an annual event that is open to all final year university students. As the name suggests, it allows students to learn more about PETRONAS and the job opportunities offered in the Group's diverse operations.

Discover PETRONAS Centre

We have also established the Discover PETRONAS Centre which provides better knowledge and understanding of the industry. As a resource centre, it showcases PETRONAS' businesses, technology, products and provides useful information on PETRONAS' education sponsorship programmes as well as employment opportunities in the oil and gas industry.

Talent Management and Capability Building

Against a backdrop of rapid growth, managing talent and building a pool of capable professionals to fill critical positions remain a key challenge and a priority. As part of our Top Talent Development initiatives, promising young talents are identified early so that they can be nurtured and equipped with the relevant functional and leadership skills. This is a responsibility shared by all our business divisions and operating units. In the very dynamic environment in which we operate, our talent management model continues to evolve in tandem with the changing needs of the Group.

One of the most significant developments of the year in review was the establishment of a Talent Council on 23 October 2013. The Council is chaired by the President of PETRONAS, attesting to the importance of talent management. Other Council members include the Executive Vice Presidents of various businesses as well as the Vice Presidents from Human Resource Management and Technology & Engineering. The primary objective of the Council is to provide guidance for the development of top talents. Down the line and across the Group, People Development Committees have also been set up to identify and make strategic decisions to manage, develop and retain talents in a structured manner.

In building capability among our workforce, we also collaborate with various partners, vendors, service providers and global multinationals to facilitate staff exchange and attachment programmes. While increasing the reach, scope and capabilities of our operations beyond national boundaries, we are also grooming our top talents to take on the challenge of going global. Having a global mindset is a pre-requisite, together with a willingness to adapt and accept the validity of differing views in a global setting.

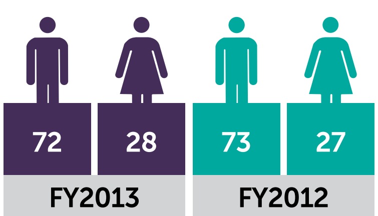
Remuneration and Benefits

One of the most serious problems confronting the global oil and gas industry, and one that we do not take lightly, is the shortage of skilled manpower. This is compounded by growing competition from the unconventional energy business that is vying for the same pool of human resources.

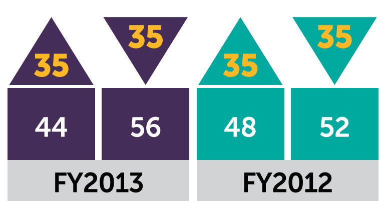
To attract and retain the right talents, PETRONAS has designed a more competitive and robust remuneration and benefits package as part of its Employee Value Proposition (EVP). Our EVP takes into consideration a myriad of factors catering to a diversified workforce, which includes, among others, the aspirations of a Gen Y workforce, the increasing number of women employees and the growing multinationals on our payroll.

We have put in place a new grade structure that emphasises deliverables as the most critical factor in assessing staff performance as opposed to the more traditional job grade benchmark. Under the new structure, employees are evaluated and remunerated based on their accountabilities, capabilities and contributions. PETRONAS will continue to closely monitor market conditions so as to remain competitive with the industry.

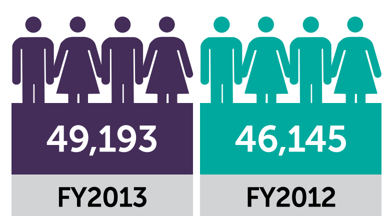
In upholding meritocracy as the guiding principle for talent management in the Company, we ensure our employees' career development is aligned with mobility and upskilling opportunities. This policy is rigorously reviewed and refined where necessary to ensure synchronisation with the energy industry trends.



Gender Distribution - Groupwide (Percentage)



Employees Above and Below Age of 35 - Groupwide (Percentage)



Total Number of Employees - Groupwide

Training and Development

The Group is in a strong position to meet the dynamics of a rapidly evolving market-place. In adopting an integrated approach to human capital development, we offer a wide array of programmes at various academic and technical institutions and education sponsorships in areas related to the oil and gas industry.

As part of our ongoing efforts to further develop Malaysia's human capital, PETRONAS undertook the rejuvenation of Institut Teknologi Petroleum PETRONAS (INSTEP) in Batu Rakit, Terengganu to become the INSTEP Integrated Oil and Gas Training Centre (IIOGTC). The first of its kind in the region, the facility replicates actual oil and gas operations at its Upstream-Downstream Training Plant, training drilling rig and simulator, and comprehensive engineering workshops. This is in-line with its aspiration to become the "Regional Education and Learning Hub for the Oil and Gas Industry".

The facility was developed with the objective of equipping INSTEP trainees and PETRONAS' workforce with the opportunity to acquire the necessary hands-on knowledge and skills in a realistic and safe plant environment. Additionally, INSTEP is also continuously assessed for certification by globally-renowned accreditation bodies such as the Business and Technology Educational Council (BTEC) and Offshore Petroleum Industry Training Organisation (OPITO) to ensure its programme delivery is aligned to the latest developments in the industry.

Meanwhile, the construction of the Kimanis Petroleum Training Centre (KTC), about 80 kilometres from Kota Kinabalu, Sabah is progressing as planned for completion by mid-2014. The KTC is another step taken by PETRONAS to develop a pool of skilled Sabahans who can participate in the domestic oil and gas industry. Operating from its temporary campus in Membakut, it has so far received three intakes for its two-year instrumentation certification programme, with a prospect of offering diploma-level qualification in the future.

In 1992, PETRONAS initiated the Vocational Institution Sponsorship and Technical Assistance (VISTA) programme to support vocational institutions serving in the vicinity of our operations nationwide. Our sponsorship is by way of providing equipment and training-of-trainers at the institutions to run

welding; building maintenance and pipe-fitting programmes; Health, Safety and Environment (HSE); as well as courses to qualify as chargemen. To date, more than 7,000 participants have benefitted from the programme.

Employee Performance Management

The enhancement of the PETRONAS Performance Management System (PMS) was approved on 15 May 2013. Now known as the PETRONAS Employee Performance Management (EPM), this was subsequently communicated to all Business Heads.

The EPM model emphasises coaching, review and feedback as key elements in driving the performance of employees. To inculcate a coaching culture, top management of PETRONAS will take the lead in the transformation process through the relevant interventions. The best practices will then be cascaded to the respective operating units. Throughout the process, employees will be given feedback on their progress and overall performance.

The year in review also saw the roll-out of several new initiatives to enhance the EPM. On 15 May 2013, the Limit of Authority (LoA) for Overall Performance Distribution and Overall Final Rating was enhanced and delegated to empower the respective heads of business units, divisions and departments, thus simplifying the appraisal process. With PETRONAS increasing its global presence, the International Posting Framework was approved on 8 March 2013. The framework establishes a standard operating practice for preparing potential assignees for international postings and to monitor their performance prior, during and post-assignment.

In driving a high performance culture, the Enhanced Career Framework was developed specifically for the Technical and Secretarial groups. The framework caters to the development of employees in these specialised groups, differentiating and rewarding them based on performance and corresponding merits.

The approval of the PETRONAS Leadership Philosophy also saw the launching of the Leaders Develop Leaders (LDL) initiative. The initiative provides a platform for leaders to continue developing not only themselves, but also to share their knowledge and experience in developing others. Some early successes of the LDL were already apparent in the various engagements organised through the LDL platform, such as Leaders Presence, Leaders Share, Leaders Coach, Leaders Facilitate and Leaders Workout.

The first cycle of the Internal Employee Potential (EP) Assessment was implemented during the year under review. The assessment served as a platform to identify promising employees the potential in order to establish a strong pool of leaders within the Group. The early identification of talents enabled us to put in place proactive development interventions so that talents can realise their full potential. The findings of the Internal EP Assessment have been further validated in a separate Development Workshop organised Groupwide.

International Human Capital Summit

The year in review also witnessed the inaugural PETRONAS International Human Capital Summit (PIHCS). Organised by an industry owner for industry stakeholders with the theme 'Redefining Human Capital for a Sustainable Future', the international event addressed the challenges of human resource management in the oil and gas industry.

The PIHCS attracted 29 high-profile speakers and panelists representing some of the biggest names in the international oil and gas business and renowned academic institutions, including Schlumberger (France), Halliburton (USA), Shell International (Netherlands), ExxonMobil Corporation (USA), General Electric (USA), Wake Forest University (USA), Trinity College (Ireland) and our own Universiti Teknologi PETRONAS (UTP) Malaysia.

These expert speakers and panelists shared their views and perspectives on various talent development approaches. PIHCS successfully concluded with a call to intensify collaboration among international and national oil companies in managing a diverse workforce through more effective human resource strategies.

Community Investments

As we strive to deliver top and bottom line growth, we continue to invest in the various communities in which we operate around the globe. By doing so, we are demonstrating a core value of putting people first and responding to the needs of society to improve the quality of life.

PETRONAS Scholarship Programmes

From our early days, PETRONAS' foremost commitment to the community has been in the area of education. To this end, we have established the PETRONAS Education Sponsorship Programme (PESP), Program Sentuhan Ilmu PETRONAS (PSIP) and the PETRONAS Education Sponsorship Programme for Overseas Talents (POTS).

Under the PESP, deserving Malaysian students were identified through a stringent selection process at the PETRONAS YoungStars Day 2013 held in Kuala Lumpur, Kota Kinabalu and Kuching. Of the 213 successful candidates, 100 were offered scholarships to pursue overseas programmes while 113 will further their studies at UTP. Since its

inception in 1975, the PESP has benefitted around 20,600 students nationwide. The PESP is also part of the Group's ongoing commitment to upgrade the nation's human capital.

Through the PSIP, we reach out to under-privileged primary and secondary school children across the country providing them with financial assistance to improve their overall academic performance. More than 34,000 students have benefitted from the PSIP, to date.

In the various international locations where we operate, PETRONAS has also awarded scholarships to deserving students giving them an opportunity to pursue their education at UTP, Malaysia. In Myanmar, a total of 38 students have received PETRONAS scholarships over the past seven years. Last year also saw 13 of South Sudan's brightest prospects receiving scholarships to study at UTP, joining 18 of their countrymen who have enrolled in graduate and undergraduate programmes there.

PESP
20,600

PSIP
34,000

Code of Conduct and Business Ethics

With increasing attention focused on matters of corporate governance, the enhanced PETRONAS Code of Conduct and Business Ethics (CoBE) sets forth the standards and ethical behaviour expected of employees and directors within the Group. Benchmarked to international standards, the CoBE serves as a beacon and moral compass promoting legal and procedural compliance to ensure that individual behaviour is in line with the PETRONAS Shared Values. The CoBE expressly prohibits improper solicitation, bribery and other corrupt activities not only by employees and directors but also third party contractors. As of 31 December 2013, 35,980 within the Group have undergone face-to-face training on the CoBe.

The CoBE as well as its accompanying documents, namely, the Country Supplement: Malaysia and the CoBe Guide are also available via PETRONAS' Intranet Portal and corporate website for third party viewing. A CoBE Helpdesk accessible via cobe@petronas.com.my has also been set up to respond to queries from employees as well as third parties.

Health, Safety & Environment

PETRONAS' business strategy to drive long-term corporate growth and profitability mandates the inclusion of Health, Safety and Environment (HSE) in its business model.

We continually strive to achieve an HSE performance that we can be proud of by safeguarding our people, assets, reputation and environment wherever we operate. Our uncompromising stand on HSE is implemented through the PETRONAS HSE Management System and the PETRONAS HSE Mandatory Control Framework (MCF).

The PETRONAS HSE MCF requirements include the Hazard and Effects Management process which provides a structured approach to identifying, managing and reporting hazards and its potential effects. Critical controls and barriers are also put in place to ensure the integrity of our assets and to provide a safe working environment for all personnel working at our sites.

Our three-tiered assurance programme, benchmarked against the ISO 19011 standard, is designed to assess the effectiveness of HSE controls, governance and compliance to regulatory requirements and plant operating procedures.

Emergency response exercises at business levels are regularly conducted to ensure readiness in the event of any emergency or crisis situation. The PETRONAS Crisis Management Plan, which was developed based on industry best practices and standards, sets out the structure and processes to ensure preparedness in managing major incidents such as oil spills, natural disasters, pandemics and fires. Large-

HIGHLIGHTS

In 2013, the Group **improved** on its overall HSE performance.

Fatal Accident Rate (FAR) of **1.23** and Lost Time Injury Frequency (LTIF) of **0.24** **saw reductions of 69%** and **38%** respectively, compared to 2012.

From 2013, all new upstream projects will strive to achieve **zero continuous** venting and flaring, whilst enhancing energy efficiency.

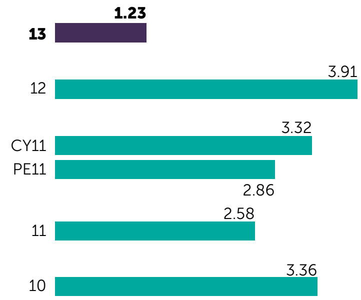
scale exercises are also routinely conducted with neighbouring facilities and government agencies to ensure seamless coordination and communication in the event of an emergency situation.

As we continue to expand our operations, we recognise that a sustainable HSE performance relies on solid HSE competency, culture and mindset. HSE fundamentals are incorporated in all PETRONAS technical training programmes to embed an HSE culture and mindset throughout the Group. Capability development programmes are also implemented to ensure our operations are supported by a pool of competent HSE practitioners and line managers.

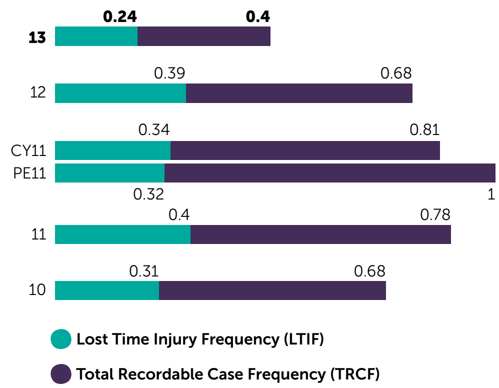
HSE Performance

2013 saw a reduction in recorded HSE incidents compared to the previous year. The Fatal Accident Rate was reduced to 1.23 per 100 million man hours from 3.91 in 2012. Lost Time Injury Frequency in 2013 was reduced by 38% to 0.24 per million man hours compared to 0.39 in the previous year.

Fatal Accident Rate
Recordable Fatalities per 100 million man hours



LTIF and TRCF for the Group
No of cases per million man hours



Safety

HSE Controls for Contractor Management and Projects

HSE controls have been further strengthened by embedding HSE elements into the contractor screening and selection process, defining minimum competency requirements for critical contractor position, and setting clear delineation of roles between owner and contractors. HSE-critical procedures for project construction, incentive and disincentive schemes and permit-to-work specifications for greenfield projects have also been introduced.

Human Factors

People are the most important factor in significantly improving safety performance. Human factor considerations are incorporated in the design, operations and maintenance systems and procedures at our facilities.

During the year, health-risk assessments were conducted at the PETRONAS Twin Towers to enhance office ergonomics, while human-error reduction measures were introduced to mitigate the impact of key factors influencing human reliability and HSE performance.

Offshore Self-Regulation Management System (OSR-MS)

The OSR-MS is a structured framework for self-regulation and was developed based on the British Standards Institution's Publicly Available Specifications (PAS) 55 Asset Management Standards for the optimal management of physical assets as well as the statutory requirements of the Department of Occupational Safety and Health (DOSH). Developed in collaboration with DOSH, the OSR-MS enables PETRONAS to self-regulate and oversee the management, safe operation and integrity of all offshore assets and facilities in Malaysian waters.

Chemical Risk Management

PETRONAS is critically aware of the effects of hazardous chemicals on human health. In 2013, PETRONAS established its procedure on Classification of Chemicals Hazardous to Human Health, which is aligned to the recently gazetted Malaysian Occupational Safety and Health (OSH) regulations for Classification, Labelling and Safety Data Sheet of Hazardous Chemicals (CLASS) 2013.

Health

Policy on Substance Misuse

The PETRONAS Policy on Substance Misuse was launched as part of our commitment to provide a safe and conducive workplace, free of drugs, alcohol and other illicit substances. PETRONAS actively communicates risks associated with substance misuse in the workplace.

Policy on HIV/AIDS

PETRONAS respects the human rights, dignity and privacy of persons living with HIV/AIDS. This has been formalised with the launch of PETRONAS Policy on HIV/AIDS, underpinning our commitment to ensure that no individual is unfairly discriminated against or stigmatised on account of his or her HIV status.

Industrial Hygiene

Industrial Hygiene in Design

Industrial hygiene considerations have been incorporated at the design stage of the Refinery and Petrochemical Integrated Development (RAPID) project. These considerations include enhanced ergonomics, low-noise equipment policy and a ban on materials containing asbestos.

Sustainable Development

Sustainability has been an integral component of PETRONAS' business model since its establishment in 1974. In aiming for sustainable development, we are committed to meeting the world's growing energy needs through economical, environmental and socially responsible efforts. Our aim is to create lasting social benefits, safeguard the health and safety of employees, contractors and neighbours, whilst minimising disruptions to the community. We are also taking proactive steps to protect the environment by reducing emissions, conserving energy and material resources and mitigating any negative effect our activities may have on ecosystems and biodiversity.

PETRONAS' Corporate Sustainability Framework emphasises seven key areas, namely, Shareholder Value, Natural Resource Use, HSE, Product Stewardship, Societal Needs, Climate Change and Biodiversity. Based on rigorous risk assessments, carbon, water and social performance have been identified as key focus areas in the short to medium term.

Our Sustainable Development Governance mechanism has also been strengthened by putting in place processes and guidelines governing, for example, carbon and water management practices. Concurrently, we are enhancing our personnels' capabilities and skills in the area of sustainable development across our various businesses through relevant training.

Carbon Commitments

PETRONAS has rolled-out specific commitments to systematically manage carbon risks across all its businesses. These are focused primarily on managing carbon emissions in upstream operations by reducing continuous flaring and venting of gas wherever feasible by 2017. We also promoted the more efficient use of energy in the Gas and Power as well as Downstream Businesses.

The design of new projects starting 2013, has embedded considerations for achieving zero continuous venting and flaring in the longer term, while enhancing energy efficiency. In support of this, we continue to strengthen our Groupwide systems and processes to monitor, report and verify carbon data more efficiently. Simultaneously, our businesses are developing comprehensive roadmaps for the realisation of PETRONAS' greenhouse gas reduction aspirations.

Water

PETRONAS is continually fortifying water management practices to maximise the use of this resource in its business activities. Among others, we streamlined our reporting on water performance in line with IPIECA's Global Water Tool for more robust accounting of fresh water withdrawal. In 2013, we also introduced a new definition for water accounting and pursued 3R (Reduce, Reuse and Recycle) efforts in selected operational facilities. Moving forward, we aspire to develop and formalise water commitments for reducing fresh water consumption and promote better management of produced water at our facilities.

Social Performance

In PETRONAS, Social Performance (SP) is measured in terms of "managing impacts arising from areas of business while contributing to society in a responsible manner." It is therefore an important consideration to facilitate holistic business and project decision making. In parallel, the PETRONAS SP Framework was introduced to promote a better tactical approach in assessing communal risks and impacts arising from our operations.

The PETRONAS SP Framework focuses on five key areas: Health; Safety; Environment; Socio-economic and Cultural; and Security. These represent key risk areas cutting across all our lines of business. Benchmarked against international standards and best practices, the framework provides clarity and guidance to strategically perform our role as a socially responsible corporate citizen. Moving ahead, we will strive to institutionalise SP considerations in all business decision making. This includes elevating the level of our current SP practices for continual improvements, while spearheading critical Groupwide capability building in this area.

BEACON (Biodiversity, Environmental and Conservation) Project

PETRONAS has implemented several biodiversity conservation projects. The BEACON Project was launched by PETRONAS in Bintulu, Sarawak and consists of two components, the Reef Ball Project as well as the Conservation, Education, Promotion and Awareness (CEPA) Programme. Commenced in 2013, PETRONAS will invest RM4.6 million over the next seven years to conserve the environment and promote biodiversity in areas of our operations.

This initiative will include, among others, the setting up of a turtle hatchery and a marine conservation programme where 1,500 artificial reef balls will be deployed off the shores of the Similajau National Park in Sarawak. The park is located a few kilometers away from the PETRONAS LNG Complex at Tanjung Kidurong.

Awards & Recognitions

PETRONAS Group was recognised for its accomplishments and continuous pursuit of excellence with numerous awards and recognitions received in 2013.

Prime Minister's Hibiscus Award 2012/2013

Notable Achievement Award
- BASF PETRONAS Chemicals Sdn Bhd
- PETRONAS Carigali Sdn Bhd, Sabah Operations (SBO)
- PETRONAS Chemicals Derivatives Sdn Bhd
- PETRONAS Penapisan (Melaka) Sdn Bhd
- PETRONAS Penapisan (Terengganu) Sdn Bhd

Terengganu State Award
- PETRONAS Penapisan (Terengganu) Sdn Bhd

Certificate of Participation
- PETRONAS Carigali Sdn Bhd, Peninsular Malaysia Operations (PMO)
- PETRONAS Gas Berhad

Malaysia Institute Of Chemistry Laboratory Excellence Awards

Area of Testing

Aromatics – Benzene and p-Xylene
- PETRONAS Penapisan (Terengganu) Sdn Bhd

Catalyst
- PETRONAS Chemicals MTBE (M) Sdn Bhd/ Polypropylene (M) Sdn Bhd

Drinking Water, Formation Water, Sea Water
- PETRONAS Research Sdn Bhd

Ethylene
- PETRONAS Chemicals Group Centralised Laboratory Services

Environmental Samples
- PETRONAS Chemicals Methanol Sdn Bhd

Gas
- PETRONAS Chemicals Methanol Sdn Bhd
- PETRONAS Gas Berhad
- PETRONAS Gas Berhad Laboratory GPPA
- PETRONAS Gas Berhad Laboratory GPPB
- PETRONAS Penapisan (Terengganu) Sdn Bhd

Methanol
- PETRONAS Chemicals Methanol Sdn Bhd

MTBE and Propylene
- PETRONAS Chemicals MTBE (M) Sdn Bhd/ Polypropylene (M) Sdn Bhd

Natural Gas
- PETRONAS Research Sdn Bhd

Polyethylene
- PETRONAS Chemicals Group Centralised Laboratory Services

Polypropylene
- PETRONAS Chemicals MTBE (M) Sdn Bhd/ Polypropylene (M) Sdn Bhd

Petroleum
- PETRONAS Penapisan (Melaka) Sdn Bhd
- PETRONAS Penapisan (Terengganu) Sdn Bhd

Petroleum Products
- PETRONAS Penapisan (Terengganu) Sdn Bhd
- PETRONAS Research Sdn Bhd

Utilities (Water)
- PETRONAS Penapisan (Terengganu) Sdn Bhd

Water
- PETRONAS Chemicals MTBE (M) Sdn Bhd/ Polypropylene (M) Sdn Bhd
- PETRONAS Chemicals Group Centralised Laboratory Services
- PETRONAS Gas Berhad
- PETRONAS Gas Berhad Laboratory GPPA
- PETRONAS Gas Berhad Laboratory GPPB
- PETRONAS Chemicals Methanol Sdn Bhd
- PETRONAS Penapisan (Melaka) Sdn Bhd
- PETRONAS Research Sdn Bhd

Wastewater
- PETRONAS Chemicals Group Centralised Laboratory Services
- PETRONAS Gas Berhad
- PETRONAS Gas Berhad Laboratory GPPA
- PETRONAS Gas Berhad Laboratory GPPB
- PETRONAS Penapisan (Terengganu) Sdn Bhd
- PETRONAS Research Sdn Bhd

Responsible Care®

Chemical Industries Council of Malaysia (CICM) Responsible Care Awards

Corporate Awards for the Six Codes of Management Practices:

Category: Petrochemicals
Gold
Community Awareness & Emergency Response Code
- PETRONAS Chemicals LDPE Sdn Bhd

Distribution Code
- PETRONAS Chemicals LDPE Sdn Bhd

Employee Health and Safety Code
- BP PETRONAS Acetyls Sdn Bhd

Pollution Prevention Code
- PETRONAS Chemicals LDPE Sdn Bhd

Process Safety Code
- PETRONAS Chemicals Fertiliser Kedah Sdn Bhd

Silver
Community Awareness & Emergency Response Code
- PETRONAS Chemicals Ethylene/Polyethylene Sdn Bhd

Distribution Code
- BASF PETRONAS Chemicals Sdn Bhd

Employee Health and Safety Code
- BASF PETRONAS Chemicals Sdn Bhd

Pollution Prevention Code
- PETRONAS Penapisan (Melaka) Sdn Bhd

Process Safety Code
- PETRONAS Chemicals LDPE Sdn Bhd

Merit
Community Awareness & Emergency Respose Code
- PETRONAS Penapisan (Melaka) Sdn Bhd
- PETRONAS Chemicals Fertiliser Kedah Sdn Bhd

Distribution Code
- BP PETRONAS Acetyls Sdn Bhd

Employee Health and Safety Code
- PETRONAS Penapisan (Melaka) Sdn Bhd
- PETRONAS Chemicals Fertiliser Kedah Sdn Bhd
- PETRONAS Penapisan (Terengganu) Sdn Bhd
- PETRONAS Chemicals Derivatives Sdn Bhd

Pollution Prevention Code
- PETRONAS Chemicals Ethylene/Polyethylene Sdn Bhd
- PETRONAS Chemicals Fertiliser Kedah Sdn Bhd
- PETRONAS Penapisan (Terengganu) Sdn Bhd

Process Safety Code
- PETRONAS Penapisan (Melaka) Sdn Bhd
- PETRONAS Penapisan (Terengganu) Sdn Bhd

M.S.O.S.H

Malaysian Society for Occupational Safety and Health (MSOSH) Awards

Result 2012
Grand Award
- PETRONAS Gas Berhad - Centralised Utility Facilities (CUF) Kertih
- PETRONAS Carigali Sdn Bhd, Peninsular Malaysia Operations (PMO) - Onshore Gas Terminal (OGT)

Gold Merit
- BP PETRONAS Acetyls Sdn Bhd
- PETRONAS Carigali Sdn Bhd, Sabah Operations (SBO) - Sabah Gas Terminal (SBGAST)
- PETRONAS Chemicals Ammonia Sdn Bhd
- PETRONAS Gas Berhad - Pasir Gudang Regional Office
- PETRONAS Gas Berhad - Pusat Operasi Penyaluran Gas & Segamat Regional Office
- PETRONAS Gas Berhad - Export Terminal
- PETRONAS Gas Berhad GPPB

Gold Class I
- BASF PETRONAS Chemicals Sdn Bhd - OXO Complex
- BASF PETRONAS Chemicals Sdn Bhd - Port Tank Farm
- PETRONAS Carigali Sdn Bhd, Sabah Operations (SBO) - Labuan Gas Terminal (LGAST)

- PETRONAS Carigali Sdn Bhd, Peninsular Malaysia Operations (PMO) - Terengganu Crude Oil Terminal (TCOT)
- PETRONAS Carigali Sdn Bhd, Terminal Gas Dan Cecair (OSC)
- PETRONAS Chemicals MTBE (M) Sdn Bhd
- PETRONAS Gas Berhad - Gurun Regional Office
- PETRONAS Malaysia LNG Sdn Bhd (MLNG)

Gold Class II

- PETRONAS Gas Berhad - Technical & Facilities Development Division

Result 2013

Gold Class 1 Award

- PETRONAS Carigali Sdn Bhd, Sabah Operations (SBO)

Gold Merit Award

- PETRONAS Carigali Sdn Bhd, Sabah Operations (SBO)

ROSPA Award

PETRONAS Chemicals Ammonia Sdn Bhd was Highly Commended in the Chemical Industry Sector in 2013

IChemE Awards 2013

- Young Chemical Engineer of the Year
- Sustainable Technology
- Innovator of the Year

Excellence Awards for Occupational Safety and Health (OSH) 2013

PETRONAS Malaysia LNG Sdn Bhd (MLNG) for the Mentor-Mentee Award category

PETRONAS Receives Commendation for Environmental Efforts

PETRONAS was bestowed with an inaugural award by the Malaysian Department of Environment (DOE) for its involvement in the following projects:

- ecoCare
- Imbak Canyon Conservation Area (ICCA)
- KLCC Park
- Putrajaya Wetlands

Brand Finance Global 500

PETRONAS was ranked 145th in the global top 500 most valuable brands in 2013.

ENGEN Corporate Awards

- Mail & Guardian newspaper's Top Company Reputation Index
- Sunday Times Top Brands survey
- Sunday Times Generation Next Awards
- Standard Bank People's Wheels Awards

Hay Group

PETRONAS is ranked fifth in Asia's Best Companies for Leadership

Malaysia's Most Popular Graduate Employer

Malaysia's Most Popular Graduate Employer in Energy/Oil & Gas/ Utilities for two consecutive years

SL1M Programme

PETRONAS is recognised as *Syarikat Contoh* for participation in SL1M Programme *(Program Skim Latihan 1 Malaysia)*; via SL1M-GEES PETRONAS or Graduate Employability Enhancement Scheme

Corporate Social Responsibility

PETRONAS' Corporate Social Responsibility (CSR) programmes embody the promise of better days and better lives ahead. Our efforts and resources invested in our CSR programmes and activities have earned the Group numerous plaudits and recognition, including the Prime Minister's CSR Award. We have come a long way but there is still work to be done. As the Group continues to grow, we will see the further evolvement of our community outreach programmes to better meet the needs of those we serve at home and abroad.

Throughout 2013, PETRONAS continued to lend its support to various community development and outreach programmes aimed at empowering individuals and communities with the relevant knowledge, skills and resources to cope in today's increasingly challenging world. Carried out in partnership with local communities, government and non-governmental organisations, they are a manifestation of PETRONAS' philosophy of being inclusive, sharing its success with the communities it serves and contributing to the well-being of the nation.

HIGHLIGHTS

More than **50,000 students** and teachers attended the Sahabat PPDa workshops since its launch in 2008.

Contribution of **RM1 million** towards the Cancer Research Initiatives Foundation.

PETRONAS reached out to **5,000 families** under its Program Sentuhan Harapan.

Program Sentuhan Ilmu Petronas (PSIP)

Introduced in 2002 in partnership with schools nationwide, the programme aims to provide a strong academic foundation for under-privileged and borderline students in communities where PETRONAS operates. By exposing young minds to new possibilities and experiences, the PSIP initiative aims to improve their confidence and self-esteem, setting them on a course to excel both academically and socially. The programme also supports the Government's goal to improve the standard of English, Mathematics and Science through academic as well as non-academic activities conducted weekly by trained school teachers.

In 2013, 45 schools nationwide participated in the PSIP. More than 1,000 learning sessions were organised in the course of the year, facilitated by over 700 PETRONAS staff volunteers. As borne out by the 2013 UPSR examinations, the results have been encouraging. Around 38% of 513 border-line students who sat for the examinations scored 2As and above out of five subjects. The percentage of students who passed the three core subjects – English, Mathematics and Science – was a high 93%. The programme also benefitted teachers, with over 70% of those who attended the PSIP Teachers' Workshop rated it effective in improving coaching and teaching delivery.

Program Kenali Anak Kita PETRONAS (KAKP)

In 2009, the Kenali Anak Kita programme was launched in a collaborative effort with PENGASIH, a non-Governmental organisation affiliated with the World Federation of Therapeutic Communities. When it started out, the primary objective of the programme was to equip parents with the necessary knowledge and skills to prevent drugs, alcohol and other substance abuse among their children.

The programme was re-launched in 2012 as the Program Kenali Anak Kita PETRONAS with a broader frame of reference. Apart from substance abuse, the KAKP addresses other social issues and aims to create effective change agents as role models in society. The highlights of 2013 included a series of seminars and workshops on social ills awareness organised by KAKP. These served as an ideal platform for parents to gain insights, discuss issues and effective ways of identifying and managing adolescent problems. Of the 3,000 participants who attended the workshops, about 85% found the programme effective. According to a survey, the average hours participants spent with their children in a day increased from 2.45 hours in 2011 to 5.0 hours in 2013 after attending the workshops.

Program Sahabat Pendidikan Pencegahan Dadah PETRONAS (Sahabat PPDa)

Complementing the KAKP is the Sahabat PPDa, where the focus is on raising awareness of substance abuse among students and teachers. Since the programme was launched in 2008, more than 50,000 students and teachers have attended courses and workshops organised in collaboration with the Ministry of Education. Apart from inculcating positive values among young Malaysians, the programme also aims to enlist schools to play a more exertive role in drug abuse prevention efforts.

Since 2012, the number of participants in the programme has increased to 12,900 students and teachers who play a key role as drug awareness change agents in their respective schools. According to an evaluation report produced by Universiti Malaysia Perlis in 2013, about 86% of students and teachers who had attended the programme gave it top marks in promoting

greater knowledge of drug abuse and its prevention. About 94% of the students rated the programme effective, an improvement from 85% achieved previously.

Program Sentuhan Harapan PETRONAS

The programme was launched in 2010 in a collaborative effort with MyKasih Foundation to provide basic assistance to selected under-privileged families nationwide.

During the year, PETRONAS provided 5,500 families with food aid. However, the programme was not designed to be merely a short-term fix but is as much about providing opportunities for families to improve their living standards and break away from the cycle of poverty. Some 1,179 families were also given basic training in financial literacy so that they can better manage their finances and determine ways to augment their family income. Training was also provided to 500 families to acquire entrepreneurial skills, while 200 families received training in sewing. About 71% and 92% respectively of participants in the two programmes reported a significant increase in household incomes after three and six months of mentoring and training.

Program Sentuhan Kasih PETRONAS

As a multi-cultural country, Malaysia is blessed with the many festivities we celebrate. Under the ambit of Program Sentuhan Kasih PETRONAS, it has been a tradition for us to celebrate these festive occasions with those living at the fringes of society, bringing festive cheer to the poor and under-privileged, orphans, single mothers, senior citizens and children with special needs.

In all our community work, we increasingly look to involve our staff to reinforce our links with the communities we serve. Last year, the programme was expanded to include initiatives such as cleaning, clearing and refurbishment activities. A total of 530 members of the PETRONAS staff volunteered their services to make a difference to the community, bringing to life the human dimension of our corporate values. In total, close to half a million Ringgit was invested in implementing our Program Sentuhan Kasih PETRONAS in 2013, benefitting some 2,653 families.

Imbak Canyon Conservation Area

In June 2011, PETRONAS joined forces with Yayasan Sabah to preserve the Imbak Canyon Conservation Area (ICCA). PETRONAS has committed RM6 million over a three-year period to help conserve the unique biodiversity in Imbak Canyon while promoting public awareness, environmental education and community outreach. Several programmes related to ethno-forestry study and documentation, formulation of the Imbak Canyon Management Plan as well as the Imbak Canyon Studies Centre are being implemented concurrently.

Several training courses were conducted during the year to help the staff of Yayasan Sabah as well as members of the local community better understand the importance of biodiversity conservation. By doing so, we hope to empower the younger generation with the relevant knowledge to conserve a national heritage for the benefit of future generations. The training courses were also designed to upgrade the skills of Yayasan Sabah staff in matters concerning the governance of the conservation area and enable them to organise relevant activities to promote the ICCA.

The year in review also saw the official opening of the Ulu Kinabatangan Information Centre and Jetty in September. The information centre is a one-stop venue for handling all enquiries pertaining to the ICCA and also serves as headquarters for the Imbak Tourist Guides and Porters Association. Membership in the Association is restricted to members of the local communities, thereby providing them with an alternative source of income. Apart from being a tourist entry point to the conservation area, the jetty also serves the local community.

First Aider in Every Home Programme (FAiEH)

PETRONAS upholds the highest standards of safety in every aspect of its operations to ensure business sustainability. Taking this commitment a step further, PETRONAS has collaborated with the Malaysian Red Crescent to implement the First Aider in Every Home Programme. This is designed to equip communities around its key project areas with the essential knowledge and skills to provide first aid care for minor injuries. The aim of this programme is to produce a qualified first aider in every household. Participants of the programme underwent training for the basic care and treatment of wounds, fractures, poisoning and burns, as well as cardiopulmonary resuscitation (CPR). About 92% of the participants rated the programme as effective.

Preservation of Malaysian Traditional Music, Arts and Culture

As a leading patron of the performing arts in Malaysia, we believe that the preservation and promotion of the country's indigenous arts and culture are important in fostering the nation's identity. For the year under review, PETRONAS contributed a sum of RM900,000 to the Geng Wak Long, Dayak Cultural Foundation, Sekolah Seni Malaysia Kuching, Sekolah Seni Malaysia Johor, Persatuan Seni Budaya Sabah, Persatuan Dondang Sayang Negeri Melaka, Lan E Tuyang and Persatuan Penggerak Warisan Seri Budaya Kedah. The grants will help support the work of the recipients in preserving Malaysian traditional dance and music in their original forms for posterity.

Geng Wak Long is known for its efforts in the preservation and promotion of traditional art forms unique to the east coast of Peninsular Malaysia, while the Dayak Cultural Foundation is a prolific proponent of the Dayak cultural heritage, particularly its dance and music. Lan E Tuyang champions the preservation of native Kenyah music on the sape, a traditional string instrument.

These unique indigenous forms of performing arts represent the rich heritage of local communities. Many of the recipients of PETRONAS' grants have gone on to achieve international acclaim. Sekolah Seni Malaysia Johor was a past winner of the World Champion Title at the World Championship of Folklore Competition, beating 197 groups from 85 countries to secure the title. Not to be outdone, Sekolah Seni Malaysia Kuching was awarded the First Gold Diploma at the International Folk Dance and Song Festival at Batumi, Georgia, while Lan E Tuyang won rave reviews at the famed Rainforest World Music Festival.

Research and Development in Healthcare

In line with our mission to contribute to the well-being of Malaysians, PETRONAS has been supporting the Cancer Research Initiatives Foundation (CARIF) since its inception in 2000 as a non-profit organisation dedicated to the prevention and cure of cancer-linked diseases in the country and the Asian region. In the past, our contributions have helped establish the Foundation's basic molecular biology laboratory and tissue culture facilities. As one of the anchor donors, PETRONAS contributed a sum of RM1 million to the Foundation in 2013 to fund its ongoing cancer research programmes.

Prime Minister Presents 2013 Merdeka Award to Five Eminent Malaysians for Fostering a Culture of Excellence and Contribution to The Nation

The Merdeka Award Trust honoured five eminent Malaysians in 2013 for their contributions in their respective fields to the nation and the people of Malaysia, awarding them the Merdeka Award, the nation's premier award for excellence.

This was the sixth year that the Merdeka Award has honoured a group of recipients, following the establishment of the Merdeka Award in 2007.

The recipients for 2013 were:

- **Tan Sri Dato' Seri Utama Arshad Ayub**, Joint Recipient of the 2013 Merdeka Award in the Education and Community Category for outstanding contribution in shaping Malaysia's education landscape through the development of professional education, education reforms and innovation that have resulted in education becoming more accessible to Malaysians.

- **Raja Tan Sri Dato' Seri Utama Muhammad Alias Raja Muhammad Ali**, Joint Recipient of the 2013 Merdeka Award in the Education and Community Category for outstanding contribution to rural development and rural reform through organising successful land settlement projects (FELDA) for the many landless, rural population in Malaysia.

- **Dr Lim Boo Liat**, recipient in the Environment Category for outstanding contribution to the conservation of Malaysia's biological diversity through the study, understanding and control of vector-borne diseases and the relationship between diseases and the environment; and for advocating the protection of our natural heritage.

- **Tan Sri Dato' Dr Yahya Awang**, recipient in the Health, Science and Technology Category for outstanding contribution to pioneering the development of clinical research and cardiac surgery in Malaysia and for his instrumental role in the establishment of the National Heart Institute (IJN).

- **Emeritus Professor Dato' Dr Lam Sai Kit**, recipient in the Outstanding Scholastic Achievement category for outstanding contribution to scholarly research and development in medical virology and emerging infectious diseases including dengue.

There was no award in 2013 in the category of Outstanding Contribution to the People of Malaysia, the only category open to non-Malaysians.

The event was graced by the Patron of the Merdeka Award, Prime Minister YAB Dato' Sri Mohd Najib Tun Abdul Razak, and hosted by the Board of Trustees of the Merdeka Award, headed by its Chairman, His Royal Highness Sultan Nazrin Muizzuddin Shah ibni Almarhum Sultan Azlan Muhibbuddin Shah Al-Maghfur-Lah, the Sultan of Perak Darul Ridzuan.

This brings the tally of Merdeka Award recipients to 22 individuals and two organisations since the Merdeka Award was established. Each recipient received the Merdeka Award Trophy, the Merdeka Award Work of Art, a Certificate of Recognition and a cash award of RM500,000.

The Merdeka Award was established by PETRONAS, ExxonMobil and Shell, to recognise and reward Malaysians and non-Malaysians who have made outstanding and lasting contributions to the nation and the people of Malaysia in their respective fields.

The choice of name, Merdeka Award, reflects the Founding Members' aim to commemorate the true spirit of independence, which transcends the conventional definition of national sovereignty. It explores the liberation of the mind and spirit – factors that foster the realisation of human potential and the pursuit of excellence.

Each year, the Merdeka Award is conferred on individuals and/or organisations whose excellent work and achievements have made an outstanding impact on the nation and its people in the following categories, namely Education and Community, Environment, Health, Science and Technology, Outstanding Scholastic Achievement and Outstanding Contribution to the People of Malaysia.

The Award categories reflect focus areas that are regarded as instrumental to the overall growth and development of a nation.

The selection of recipients is made through a stringent and rigorous process, conducted first by the Merdeka Award's five Nomination Committees, and then by the Selection Committee. The recipients are then selected by the Merdeka Award Board of Trustees.

Through its other initiatives like the Merdeka Award Roundtables and the Merdeka Award Grant for International Attachment, the Merdeka Award aims to promote thought leadership and innovation, foster a culture of excellence and encourage a world view, thereby enhancing Malaysia's standing as a dynamic, competitive 21st Century Global Player in all key sectors from science and technology to the arts.

PETRONAS' International CSR Programmes

We have long recognised that business success is integrally linked to the progress of the community wherever we operate. In today's increasingly challenging economic environment, our social responsibilities are more relevant than ever. Over the past year, we have further strengthened our commitment and support in reaching out to local communities, providing assistance in areas where it is most needed. This has gone a long way in contributing to the strength and vibrancy of local communities, establishing trust and mutually beneficial relationships along the way.

Mauritania

PETRONAS aims to make a positive contribution to the communities in which we work, leaving behind a positive legacy long after our projects have been delivered. In line with this aspiration, we have channeled funds to create a more conducive learning environment at a school in the local district of Tarhil, Secteur 18. Funds have been utilised for repairs and painting works and to purchase school supplies for the 425 students attending the school.

Republic of South Sudan

As the Republic of South Sudan turns its attention to the task of rebuilding after years of civil strife, our focus is on shoring up the capabilities of its human resources. Since 2000, PETRONAS has been awarding scholarships to deserving South Sudanese students to study at the Universiti Teknologi PETRONAS (UTP) in Malaysia. To date, there have been 65 South Sudanese beneficiaries of this educational sponsorship programme. In a departure from the norm, the year under review marked the first time a convocation was held at Juba. A total of two post-graduate and 11 under-graduate students received their degrees from the Vice-Chancellor of UTP, witnessed by government officials and the proud families of the graduating students.

Apart from the educational sponsorship programme, we have also provided opportunities for 110 South Sudanese trainees to enter INSTEP, our technical learning institution, to be trained as Production Operators & Technicians in various disciplines. We have also organised workshops in Juba for the Ministry of Petroleum, Nilepet and joint operating company personnel on technical and legal subjects. Altogether, these efforts focus on building the skills and competencies of the industry workforce.

Indonesia

A common thread running through many of our CSR programmes and activities is our continuing focus on education and supporting the development of the new generation. Last year, we sponsored 10 computer packages to benefit seven schools in the district of Sampang in East Java. By enabling access to additional educational tools and resources, our intention is to open young minds to a new world of possibilities and sustainable livelihood.

In all our community work, we never forget the less privileged and disadvantaged. Last year, our people visited orphanages and old folks' homes in and around Sampang, East Java. When natural disaster struck, we were quick to respond with food aid and other forms of assistance to victims in Jakarta.

Vietnam

The annual National Science Contest, 'Discovering Our World with PETRONAS' has resonated among schools in Vietnam. Launched in 2006 to nurture interest in the natural sciences, it is targeted at the 12-16 age group. Since its inauguration, the annual competition has seen the participation of some 1.6 million secondary students from schools throughout the nation.

As in all our operations, our people are encouraged to participate actively in local community programmes and activities. To commemorate World Environment Day 2013, PC Vietnam Limited (PCVL) staff took part in a tree-planting campaign in an effort to promote community environmental consciousness.

Egypt

From refurbishing schools and human capital development to ensuring the availability of a clean water supply to the local community in Idku, our community outreach programmes in Egypt are varied and far-reaching. In our latest initiative implemented through the Social Performance Collaboration Forum, we continue to invest in providing under-privileged children in the port city of Alexandria with basic education.

Myanmar

As the nation continues its journey toward modernisation, there are many areas where we believe we can make a meaningful contribution to the people of Myanmar. In the area of healthcare, for example, we have contributed towards the improvement of the ambulance services in the capital city of Yangon and the upgrading of primary healthcare services in the town of Dawei. We have also upgraded the water supply system, thereby ensuring that the communities of Kanbauk and Dawei have access to a reliable supply of clean water. As a Group that places a premium on safety, we have extended this commitment to the local community. Last year, we organised and conducted community safety programmes in an effort to reduce road accidents.

As in South Sudan, we are also focusing on capability development and in this regard, PETRONAS has contributed to the upgrading of a government-run technical high school in Kanbauk. The school provides vocational training for youths between the ages of 14 and 16, serving the communities of Kanbauk and Dawei. We have also helped establish a public library in these two communities, thereby strengthening the educational infrastructure. In addition to all this, PETRONAS has also provided funding for deserving students in Grades 1 to 11 to continue their education. PETRONAS has also sponsored 10 academically outstanding students to further their undergraduate studies at UTP in Malaysia.

PETRONAS has always believed that progress and sustainability need not necessarily be incompatible. We have a responsibility to current and future generations to address a range of environmental issues. During the year, we collaborated with the Yangon City Development Committee to undertake a reforestation campaign to plant 4,350 evergreen tress on 10 acres of land in the Hlawgar National Park. PETRONAS is also supporting the Tanin Tharyi Nature Reserve Programme, a conservation programme run by the Forestry Department of Myanmar.

Turkmenistan

In Turkmenistan, our commitment to good corporate citizenship is manifested in many ways, particularly in our support of young and vulnerable children. Working closely with a public association known as Yengme, we have provided social and medical support for disabled children and orphans. We have also donated bedding supplies to a boarding school for mentally challenged children in Turkmenbashy.

In 2013, PETRONAS also awarded scholarships for 10 Turkmen students to pursue undergraduate studies at UTP. For the fresh graduates of the UTP and INSTEP (Institut Teknologi Petroleum PETRONAS) programmes, a convocation ceremony was held for the first time in Turkmenistan, enabling them to celebrate their achievements with family and friends.

Iraq

The Garaff Vocational Training Centre was established by PETRONAS in collaboration with the Japan Petroleum Exploration Co Ltd (JAPEX) to provide vocational training to local communities. The centre offers courses on electrical wiring, repair and maintenance of air conditioners, English and Information Technology as well as sewing and beautician classes for women. Of the 670 individuals who received vocational training at the centre in 2013, around 20% were able to find employment or establish their own businesses within six months, thereby contributing towards the local economy. PETRONAS has contributed towards the construction of two reverse osmosis water stations at the villages of Al-Ibrahim and Al-Dehla in the vicinity of Garraf. This initiative has provided 5,000 people with access to clean water.

Wherever we operate, a cornerstone of our operating philosophy is to engage local communities, earning their trust and respect as a worthy neighbour and friend. It is therefore gratifying that we are being recognised for doing the right things. Last year, PETRONAS was singled out by the Republic of Iraq's Ministry of Oil for taking the lead in its community outreach programmes and activities, topping a list that includes other international oil companies.

Main Events

Corporate

February

PETRONAS President and Group CEO Receives Man of the Year Award

PETRONAS President and Group Chief Executive Officer YBhg Tan Dato' Sri Shamsul Azhar Abbas received The Oil & Gas Year Malaysia 2013 Man of the Year Award in conjunction with the inaugural launch of The Oil & Gas Year Malaysia 2013 book.

February

Petronet Universiti Teknologi PETRONAS Signs MOU With University Of Southampton UK

The University of Southampton, a leading UK teaching and research institution with a global reputation for high quality, top-notch research signed a Memorandum of Understanding (MOU) with Universiti Teknologi PETRONAS (UTP). The signing was a step towards opening pathways for research and academic-related collaborations between both universities.

March

PLC Awarded ISO 22000 Quality Certification and Halal Certification

PETRONAS Leadership Centre (PLC) was once again awarded the prestigious ISO 22000:2005 Food Safety Management System Standard (FSMS) by the National Institute Of Occupational Safety And Health (NIOSH) Certification.

April

KPOC KBB Substructure Transportation and Installation

Kebabangan Petroleum Operating Co Sdn Bhd (KPOC)'s KBB jacket was loaded on 12 March 2013 and the sail away was successfully conducted from Lumut, Perak on 20 March 2013. The jacket was then launched and installed at the KBB site on 1 April 2013.

May

UTP Bags 87 Medals at ITEX 2013

Universiti Teknologi PETRONAS (UTP) researchers continue their excellent achievements in research and innovation when they bagged 31 gold, 54 silver and two bronze medals at the International Invention, Innovation and Technology Exhibition (ITEX 2013).

April

PrimeSourcing International signs Long Term Price Agreement with Daewoo

PrimeSourcing International Sdn Bhd (PSI) marked another milestone when it signed a Long Term Price Agreement (PA) with Daewoo International Corporation/POSCO of Korea.

May

PETRONITA Raises Over RM500,000 for Charity

The Association of Employees' Spouses and Female Employees of PETRONAS (PETRONITA), with the support of PETRONAS' Petroleum Management Unit (PMU), successfully brought together members from the oil and gas fraternity to raise over RM500,000 to assist the underprivileged members of society. The funds were collected through the PETRONITA PETRONAS Charity Golf 2013 held at Palm Garden Golf Club.

June
PSI Signs Price Agreement With Lafarge
PETRONAS, through its wholly-owned subsidiary PrimeSourcing International Sdn Bhd (PSI) signed a new Price Agreement (PA) with Lafarge Cement Sdn Bhd (Lafarge) for the supply of Oil Well Cement, etching another milestone in their seven-year business relationship. Held at the Malaysian Petroleum Club on 18 June 2013, the PA Signing Ceremony signified the extension of the alliance between PSI and Lafarge for another four years.

June
PETRONAS and Schlumberger Sign Agreement for Training Collaboration
PETRONAS Technical Training Sdn Bhd (PTTSB) signed a master service agreement with Schlumberger Wellog (M) Sdn Bhd at Institut Teknologi Petroleum PETRONAS (INSTEP) on 23 June 2013. It marked another important milestone for INSTEP in its quest to become a regional technical learning and certification centre for the oil and gas industry.

August
PETRONAS signs Gas Sales Agreement for Purchase of Additional Gas from JDA Blocks
The signing ceremony was held at the Malaysia-Thailand Joint Authority (MTJA) office in Kuala Lumpur on 21 August 2013 and signified the inclusion of PETRONAS as the Co-Buyer to PTT Public Company Limited, under the existing Gas Sales Agreement.

September
PETRONAS' RAPID achieves 2 Million safe man-hours
This event celebrated RAPID's successful achievement of 2 Million Safe Man-hours without any Lost Time Injury (LTI) on 12 September 2013.

September
PETRONAS' First Solar Photovoltaic Project Wins at the ASEAN Energy Award 2013
PETRONAS' Solar Photovoltaic (PV) Project, installed on Suria KLCC's shopping mall rooftop, emerged as first runner-up in the Commercial Based On-Grid Category of the ASEAN Energy Award 2013. The award was presented by YBhg Datuk Seri Dr Maximus Johnity Ongkili, Minister of Energy, Green Technology and Water, Malaysia, at the 31st ASEAN Minister of Energy Meeting (AMEM) held in Bali, Indonesia on 25 September 2013.

October
Garraf Export Oil Sales Agreement (EOSA) 2013
On 1 October 2013, the Garraf Export Oil Sales Agreement (EOSA) was signed between the State Oil Marketing Company of Iraq (SOMO) and PETRONAS Carigali Iraq Holding BV, together with its fellow Garraf Contractors JAPEX Garraf Ltd and North Oil Company (NOC). The Garraf EOSA will allow the exporting and lifting of crude oil in repayment of the Garraf Operations' expenditures and remuneration fee.

October
PETRONAS Ranks Best in Corporate Reporting
PETRONAS was ranked among the best in corporate reporting for emerging market companies, according to a new corporate reporting index from the global corruption watchdog, Transparency International.

October

PETRONAS Carigali Supply Chain Management Inks Agreement With Strategic Contractors

The Signing Ceremony of the Agreed Terms & Conditions among PETRONAS Carigali Sdn Bhd and its 27 major Contractors was held on 21 October 2013 at the Malaysian Petroleum Club, Kuala Lumpur.

October

PETRONAS ranked 5th among the Best Companies for Leadership in Asia

PETRONAS was ranked fifth among the Best Companies for Leadership (BCL) in Asia, according to Hay Group's 2013 Best Companies for Leadership survey findings. The ranking was based on the company's exhibition of a profound ability to maintain balance between their ability to explore new ways into the market and to improve existing products/services to achieve business excellence.

October

PETRONAS Receives ACCA Platinum Award for Approved Training Organisation

On 23 October 2013, PETRONAS was once again conferred the Platinum Award as an Approved Training Organisation (ATO) by the Association of Certified Chartered Accountants (ACCA).

November

PETRONAS Wins International Awards for Innovation & Excellence

PETRONAS' solid-supported ionic liquid mercury removal technology, known as Hycapure Hg™, received international recognition on 7 November when it won three awards at the IChemE UK 2013 Awards held at Bolton, UK. The awards won are the Chemical Engineering Project of the Year Award, the Sustainable Technology Award and The 2013 Award for Outstanding Achievement in Chemical and Process Engineering.

Exploration & Production

January
Kepodang Gas Development Achieves Major Milestone

The Kepodang Gas Development project in Indonesia achieved a major milestone when the first steel cutting ceremony was launched on 23 January 2013 at Batam, Riau Islands. The commencement of fabrication work at the event marks the start of a journey between PETRONAS and PT McDermott Indonesia.

April
South Sudan Resumes Oil Production

The Republic of South Sudan officially resumed its oil production on 6 April 2013. This marked a significant milestone for the newly independent country after 15 months of shutdown following post-independence issues.

May
E&P SKO's Well Intervention Department Charts 3 Million Safe Man-hours

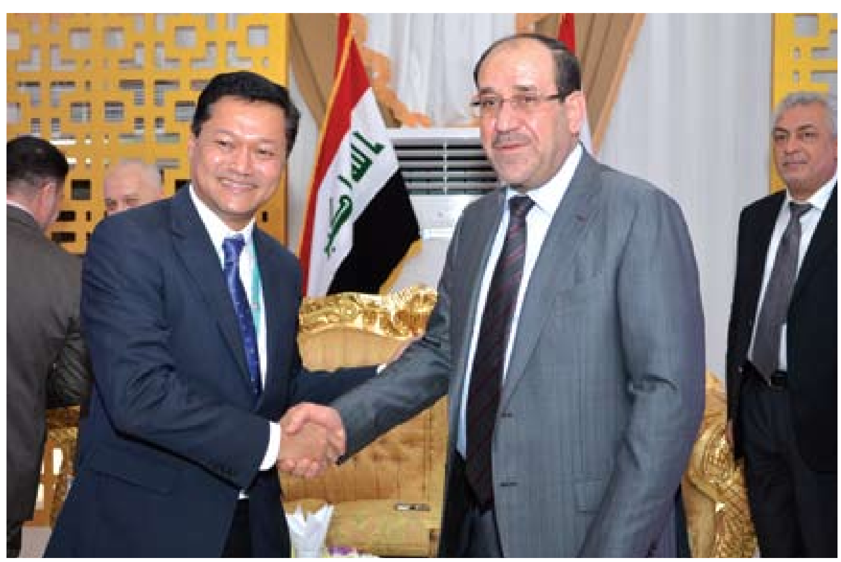
The Well Intervention Department (BWI) of PETRONAS Exploration and Production Sarawak Operations (PETRONAS E&P SKO) achieved an impressive three million man-hours without Lost Time Injury (LTI) since April 2009 to January 2013. This milestone could not have been achieved without every single employee and service provider working together to make 'safety first'.

July
PETRONAS Carigali Sets Up VESTIGO Petroleum For Marginal Fields

May
Gumusut-Kakap FPS Sailaway

September
Garraf First Oil production

PETRONAS achieved its First Oil from the Garraf oil field located in Iraq's Thi Qar Province on 31 August 2013 and to celebrate the achievement, a ceremony was held on 21 September 2013. The event was attended by His Excellency Nouri Al-Maliki, Prime Minister of Iraq; His Excellency Dr Hussain Al-Shahristani and Prime Minister Al-Maliki was impressed by the success of the Garraf Project by PETRONAS as the operator.



September
TAPIS EOR Project: Substantial Completion of Malaysia's First Large-Scale Enhanced Oil Recovery Project

PETRONAS and ExxonMobil Exploration and Production Malaysia (EMEPMI) achieved a significant milestone for the Tapis Enhanced Oil Recovery Project (EOR), Malaysia's first large-scale EOR initiative aimed at improving the security and sustainability of energy supply for the country.

September
First production for Majnoon, Iraq

11 October
First gas from NMB EPS (Bunga Kamelia)

October
First Hydrocarbon production from Balai Cluster SFRSC

October
Bukit Tua Field Development Project Jacket Loadout

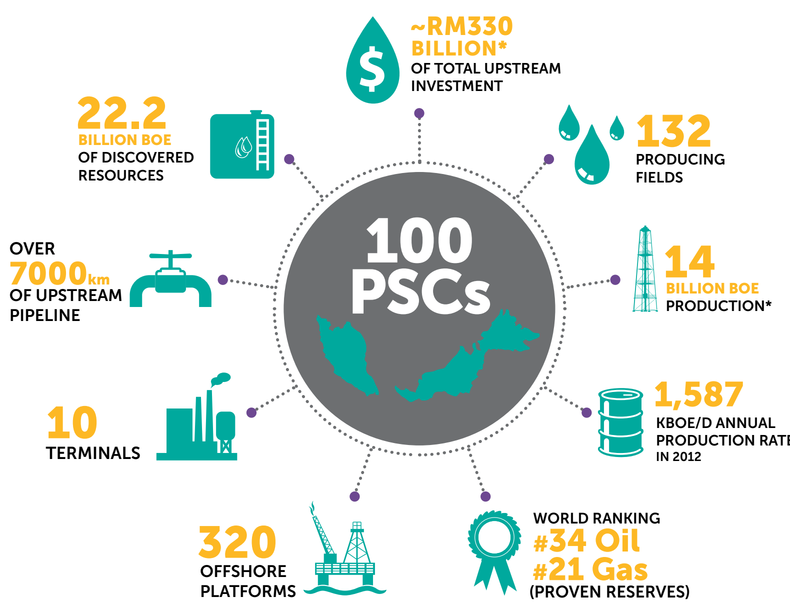
14 November
SOGT Mechanical Completion

November
PETRONAS Carigali Turkmenistan Achieves 10 Million Barrels of Kiyanly Light Crude

December
PETRONAS Celebrates 100 Active Production Sharing Contracts

Malaysia has 100 active production sharing contracts (PSCs), a significant achievement and milestone in the country's oil and gas upstream operation, following the award by PETRONAS of its latest PSC on 11 December.

The PSC, awarded to Salamander Energy Malaysia Limited and PETRONAS Carigali Sdn Bhd (PCSB), was for Block PM322, which is the first exploration acreage located in the Straits of Malacca to have been awarded by PETRONAS since 1992.



16 December
First oil production from Kapal, Banang & Meranti RSC

Gas & Power

April
MLNG launches BEACON Project

Malaysia LNG Sdn Bhd (MLNG) achieved another milestone in its commitment towards sustainable development through its BEACON (Biodiversity, Environmental and Conservation) Project launched on 12 April 2013. The project is a collaboration between MLNG and Sarawak Forestry.

April
PETRONAS and Progress Energy Canada closes LNG investment transaction with Japan Petroleum Exploration Co Ltd

The signing ceremony was held on 29 April 2013 in Tokyo, Japan. Attending the ceremony were Progress Energy Chairman YBhg Dato' Wee Yiaw Hin; JAPEX President Osamu Watanabe; President & Group CEO of PETRONAS YBhg Tan Sri Dato' Shamsul Azhar Abbas; JAPEX Chairman Yuji Tanahashi; Pacific NorthWest LNG Chairman YBhg Datuk Anuar Ahmad; and JAPEX Executive Vice President Hiroshi Sato.

June
PETRONAS Iraq Operations Achieves First Power

The Garraf project and UMW Synergistic Generation Sdn Bhd (UMWSG) successfully commissioned and started up the Garraf Phase 1 Power Plant, delivering an initial three Megawatt (MW) of first power to Garraf operations on 15 June 2013. This marks a significant milestone in the overall development of the Garraf Project leading to the pre-commissioning and commissioning work.

June
PETRONAS Floating LNG First Steel Cutting Ceremony

It was a momentous occasion and major milestone when PETRONAS held the first steel cutting for the PETRONAS FLNG 1 (PFLNG 1) Project on 24 June 2013 in Okpo, South Korea.

Downstream

January

PETRONAS and Evonik Industries AG signed a Letter of Intent (LOI) to jointly embark on the development of production facilities of specialty chemicals within PETRONAS' Refinery & Petrochemical Integrated Development (RAPID) project in Pengerang, Johor. Under the LOI, the two parties will endeavour to form a partnership to jointly own, develop, construct and operate facilities for the production of hydrogen peroxide, C4 co-monomer and oxo-products within RAPID.

April

PETRONAS Dagangan Berhad (PDB) opened its first fully branded automobile workshop, the PETRONAS LubeXperts, at Auto Deutsch Desa Pandan, as a testimony to the Company's commitment to deliver superior automotive fluid solutions and innovative customer-centric offerings. For the initial roll-out, PDB aims to engage 40 workshops to embrace the PETRONAS LubeXperts concept.

April
PETRONAS Introduces SYNTIUM 7000

As part of the Company's commitment to anticipate and meet the demands of the evolving automotive industry, the Company successfully launched SYNTIUM 7000 in China.

May

The signing ceremony of the joint-venture agreement between PETRONAS and the lubricant business of Yuchai Machinery Group is testimony to PETRONAS' aggressive growth and strategy in key markets. Yuchai is the largest diesel engine manufacturer in China and the second largest in the world.

August

PDB launched the improved SmartPay Chip Card as part of its efforts to ensure transaction security and prevention of counterfeit fleet card for its customers. The SmartPay Chip Card, which replaces the previous magnetic strip-based version, provides customers with security features and high speed transaction process as well as excellent durability.

September

MERCEDES AMG PETRONAS Formula One Team driver, Lewis Hamilton was appointed Technical Performance Consultant and brand ambassador for PETRONAS SYNTIUM. He will provide invaluable input and feedback on the performance of SYNTIUM, PLI's range of premium automotive lubricants products, on the racetrack.

October

The signing ceremony between PETRONAS Lubricants International (PLI) and PETROSEL, a Pakistani lubricant distributor paves the way for PLI to expand its market reach in Pakistan.

October

PLI signed a land-lease agreement for the initiation of a Greenfield plant in India, reaffirming the company's intention to develop its market presence in India.

October

Official opening of PETRONAS Mesralink Customer Experience Centre. The new PETRONAS Mesralink Customer Experience Centre at Hampshire Place, Kuala Lumpur provides a warm ambience to welcome and serve walk-in customers.

October

PETRONAS Chemical Group Berhad (PCG) and BASF completed the Front-End Engineering Design (FEED) for an integrated aroma ingredients project. The project is part of PCG's existing joint venture with BASF in Gebeng, Pahang which aims to meet the growing demands of customers in the flavour and fragrance industry, especially in Asia Pacific.

November

PCG entered into an agreement to divest all its interest in Phu My Plastics and Chemical Company Ltd (PMPC), a company located in Vietnam, to Asahi Glass Co Ltd and Mitsubishi Corporation. The divestment is part of PCG's plan to discontinue its vinyl business, in line with its portfolio optimisation strategy.

November

PETRONAS signed a Shareholders Agreement and other relevant term sheets with Italy-based Versalis SpA to jointly own, develop, construct and operate elastomer plants within the Refinery and Petrochemical Integrated Development (RAPID) complex in Pengerang, Johor. The proposed joint venture will produce and market synthetic rubbers using Versalis' technology license and technical expertise.

November

Engen introduced Hydrokin ESF, a hydraulic fluid with excellent energy saving properties to its customers in South Africa. Hydraulic power is used in industries to precisely control the movement of machinery and material.

Glossary

Industry terms as generally understood

A

Additives
Chemicals added in small quantities to fuel or lubricants to control engine deposits and improve lubricating performance.

B

Barrel
A standard unit of measurement for oil production. One barrel contains 159 litres of oil.

Barrels of oil equivalent (boe)
A unit of measurement to quantify the amount of crude oil, condensates and natural gas. Natural gas volumes are converted to barrels on the basis of energy content.

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.

Basin
A low-lying area beneath the Earth's surface filled with thick layers of sediment, often a source of valuable hydrocarbons.

Brent price
The benchmark crude oil price in Europe, as traded on the International Petroleum Exchange in London. Brent crude refers to a particular grade of crude oil, which is slightly heavier than WTI crude. See **WTI price**.

C

CO_2
Carbon dioxide, one of the primary greenhouse gases.

Coal Bed Methane
A form of natural gas extracted from coal beds, as opposed to the conventional natural gas found in reservoirs.

Condensates
Liquid hydrocarbons produced with natural gas, separated by cooling and other means.

D

Deadweight tonne (dwt)
A ship's maximum carrying capacity in tonnes of cargo, including passengers, crew, stores, ballast and fuel.

Deepwater
In Malaysia offshore exploration, deepwater is demarcated at water depths exceeding 200 m. Unique methods are required to produce the oil and gas from the ocean bed at such depths. See **Floating Production Unit**.

Development
Drilling, construction and related activities following discovery that are necessary to begin production and transportation of crude oil and natural gas.

Dividend Payout Ratio
Dividend paid during the year as a percentage of net profit attributable to PETRONAS shareholders.

Downstream
All segments of a value chain that add value to the crude oil and natural gas produced, for example, oil refining, gas processing, gas liquefaction, petrochemical manufacturing, marketing of petroleum and petrochemical products, storage and transportation.

E

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)
Profit before taxation 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.

Energy Loss Management (ELM)
An initiative to improve energy efficiency and reduce greenhouse gas (GHG) emissions.

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

Exploration
The search for crude oil and/or natural gas by geological and topographical studies, geophysical and seismic surveys, and drilling of wells.

F

Feed-in-Tariff (FiT)
Malaysia's FiT system is a policy mechanism designed to accelerate investment in renewable energy technologies. It requires Distribution Licensees (DLs) to buy electricity produced from renewable resources from Feed-in Approval Holders (FIAHs) and sets the rate. The DLs will pay for renewable energy supplied to the electricity grid for a specific duration. The goal of FiT is to offer cost-based compensation to renewable energy producers, providing the price certainty and long-term contracts that help finance renewable energy investments.

Field
A geographical area overlying a hydrocarbon reservoir.

Floating Liquefied Natural Gas (FLNG)
Either a ship or barge that can sail or be towed to offshore gas fields, extract gas, freeze it to Liquefied Natural Gas (LNG) and offload the LNG to tankers for shipping.

Floating Production Unit (FPU)
Floating structures of various designs used in offshore production. These 'floaters' replace traditional fixed platforms and they are moored to the ocean bed. FPU is more commonly used in deepwater. See **Deepwater**.

Floating Production, Storage and Offloading (FPSO)
A converted or custom-built ship-like structure, with modular facilities to process oil and gas and for temporary storage of the oil prior to transfer to tankers.

Floating, Storage and Offloading (FSO)
A converted or custom-built ship-like structure for temporary storage of the oil prior to transfer to tankers.

Floating Storage Unit (FSU)
A converted or custom-built ship-like structure to receive and store LNG.

G

Gas Processing
An activity to turn streams of natural gas into commercial products, in addition to treating gas deposits.

Gas To Liquids (GTL)
A refinery process to convert natural gas or other gaseous hydrocarbons into longer chain hydrocarbons, such as gasoline or diesel fuel. It is used predominantly in the creation of high-quality transportation fuels.

Gearing ratio
Total borrowing expressed as a percentage of total borrowing plus equity attributable to shareholders of PETRONAS.

Greenhouse gases (GHG)
Gases that trap heat in the Earth's atmosphere, e.g. carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

H

Heavy Oil/Bitumen
Unlike conventional crude oil that can be pumped without being heated or diluted, heavy oil is oil that cannot be extracted in its natural state via a well and conventional production methods. This definition is also applicable to bitumen.

High Pressure High Temperature well
Well with a surface shut-in pressure greater than 10,000 psi and a bottomhole temperature greater than 150ºC.

Heads of Agreement (HOA)
A non-binding document outlining the main issues relevant to a tentative partnership agreement. HOA represents the first step on the path to a full legally binding agreement or contract, and serves as a guideline for the roles and responsibilities of the parties involved in a potential partnership before any binding documents are drawn up.

I

Integrated oil and gas company
A company that engages in all aspects of the oil and gas industry - exploring for and producing crude oil and natural gas (upstream); refining, marketing and transporting crude oil, natural gas and refined products (downstream); as well as manufacturing and distributing petrochemicals.

Ionic liquids
Liquids that comprise entirely of positive and negatively charged ions. Ionic liquids are being explored for an array of applications, e.g. as environmentally friendly substitutes for volatile organic compounds in the oil and gas industry.

Improved Oil Recovery (IOR)
Improved Oil Recovery that is commonly used to describe 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.

Improved Gas Recovery (IGR)
Refers to the recovery of gas by injection of fluids beyond the normal recovery through conventional methods. In recent times, carbon dioxide is used as a lubricant fluid to recover additional gas from the reservoir and thereby provides an avenue for storing the captured carbon dioxide.

J

Joint-venture
A partnership between two or more companies to undertake a specific project and share the resulting profit and loss.

L

Liquefied Natural Gas (LNG)
Natural gas that is liquefied under extremely cold temperatures of about minus 260 degrees Fahrenheit to facilitate storage or transportation in specially designed vessels.

Liquefied Petroleum Gas (LPG)
Light gases, such as butane and propane, that can be maintained as liquids while under pressure.

Lost Time Injury (LTI)
This is defined as an occurrence that results in a fatality, permanent disability or time lost from work including days off, off shift, weekends or public holidays.

Lost Time Injury Frequency (LTIF)
This refers to the total LTI cases per million exposure hours worked during the period.

Lubricant
A substance to reduce friction and wear among moving surfaces, resulting in improved efficiency. It contains about 90% base oil and about 10% additives.

M

Million metric British thermal unit (mmBtu)
It measures the energy content in fuel and is used in the power, steam generation, heating and air conditioning industries.

Million metric standard cubic feet per day (mmscfd)
It is a unit of measurement for natural gas. Liquefied Petroleum Gas (LPG), compressed natural gas and other gases that extracted, processed or transported in high quantities.

Mobile Offshore Production Unit (MOPU)
Self installing and re-usable production jack-ups.

Million tonnes per annum (mtpa)
It is a standard measurement of output for the year.

N

Natural gas
A clean burning, odourless, colourless, highly compressible mixture of hydrocarbons found occurring naturally in gaseous form. Natural gas is made up of methane but may also include ethane, propane and butane.

Net Operating Profit After Tax (NOPAT)
Net operating profit after tax 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.

Naphtha
Usually an intermediate product between gasoline and benzene, naphtha is a colourless and volatile petroleum distillate used as a solvent or fuel.

O

Original Equipment Manufacturer (OEM)
Refers to a company that acquires a product or component, then reuses or incorporates it into a new product with its own brand name.

Olefins
Any from a class of unsaturated open-chain hydrocarbons such as ethylene, having the general formula CnH2n; an alkene with only one carbon-carbon double bond.

Operational Performance Improvement (OPI)
A set of tools and methodologies that emphasise on instilling operational discipline, with the aim of improving operational excellence of PETRONAS' producing assets.

P

Peninsular Gas Utilisation System (PGU)
The PGU system was developed to spearhead the use of natural gas in Malaysia. The natural gas produced from offshore Terengganu is processed in six Gas Processing Plants in Kertih and are then fed into a 2,505 km pipeline system that delivers natural gas to the power, industrial, petrochemical and other sectors throughout Peninsular Malaysia and Singapore.

Petrochemicals
Organic and inorganic compounds and mixtures derived from petroleum, used principally to manufacture chemicals, plastics and resins, synthetic fibres, detergents, adhesives and synthetic motor oils.

Production Sharing Contract (PSC)
A contractual agreement between a company and a host government, whereby the company bears all exploration, development and production costs in return for an agreed-upon share of production.

R

Regasification Terminal (RGT)
RGT, also known as a receiving terminal, is usually a coastal plant that accepts deliveries of LNG and processes it back into gaseous form for injection into a pipeline system.

Refining
A purification process for natural resources which includes hydrocarbons, using distillation, cooling and/or compression.

Renewable energy
Energy derived from natural sources that are replaceable.

Reserves
Hydrocarbons which are anticipated to be recovered from known accumulations of hydrocarbons.

Reservoir
Any porous and permeable rock (usually sandstone or limestone/chalk and occasionally a normally impermeable rock which has been heavily fractured), thus providing interconnecting spaces through which oil/gas can flow.

Resources
Resources are defined as the total estimated quantities of petroleum at a specific date to be contained in, or that have been produced from known accumulations of hydrocarbon.

Resource Replenishment Ratio
Figures reported are calculated based on a formula of (Difference of Resource Base of current year and previous year + Production Volume of previous year) / (Production Volume of previous year).

Return on Average of Capital Employed (ROACE)
NOPAT expressed as a percentage of average of equity attributable to shareholders of PETRONAS and long-term debt during the period.

Return On Revenue (ROR)
Profit before taxation expressed as a percentage of total revenue.

Risk Service Contract (RSC)
In the context of this report, RSC refers to a petroleum arrangement between PETRONAS and any other company for the appraisal, development and/or production of petroleum in a contract area on behalf of PETRONAS whereby the PA Contractors are remunerated on a set based on achieved Key Performance Indicators consisting of the agreed Cost, Schedule and Production level.

Return on Total Assets (ROTA)
Profit before taxation expressed as a percentage of total assets.

S

Seismic data
The collection of stratigraphic data obtained by creating shockwaves through the rock layers. Reflection of these waves from anomalies within the rock layers are electronically recorded at surface. These recordings are then analysed to produce a stratigraphic representation of the surveyed area, which helps to deduce the structure of the underlying rock layers.

Shale Gas
Natural gas found in shale rock derived from underground shale deposits that are broken up by hydraulic fracturing. The process is needed to produce gas in commercial quantities as shale has low matrix permeability.

T

Throughput
The amount of output produced by a system, e.g. a refinery, plant, or pipeline, in a given period of time.

Total Reportable Case (TRC)
The sum of injuries resulting in fatalities, permanent total disabilities, permanent partial disabilities, lost workday cases, restricted work cases and medical treatment cases, but excluding first aid cases.

Total Reportable Case Frequency (TRCF)
This refers to the number of total reportable cases per million exposure hours worked during the period.

U

Unconventional oil and gas
Oil and gas that cannot be produced or extracted using conventional methods.

Upstream
Segment of value chain pertaining to finding, developing and producing crude oil and natural gas. These include oil and gas exploration, development and production operations; also known as Exploration & Production (E&P).

W

WTI price
Stands for West Texas Intermediate, the benchmark crude oil price in the US measured in USD per barrel, which refers to a type of high quality light crude oil.

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Financial Statements

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year remained unchanged and consist of exploitation of oil and gas, the marketing of petroleum and petroleum products and investment holding. The principal activities of key subsidiaries, associates and joint ventures are stated in note 45, note 46 and note 47 to the financial statements respectively.

RESULTS

In RM Mil	**Group**	**Company**
Profit for the year	65,586	45,578
Attributable to:		
Shareholders of the Company	54,114	45,578
Non-controlling interests	11,472	-

DIVIDENDS

During the financial year, the Company paid:

(i) a remaining dividend of RM539 million out 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 billion in respect of the financial period ended 31 December 2011.

(ii) a dividend of RM27 billion out of the approved tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM270,000 per ordinary share amounting to RM27 billion in respect of the financial year ended 31 December 2012.

The Company declared a tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM50,000 per ordinary share amounting to RM5 billion in respect of the financial year ended 31 December 2013, of which RM2 billion and RM1 billion were paid on 30 January 2014 and 28 February 2014 respectively. The remaining of RM2 billion will be paid on 31 March 2014.

The Directors propose a 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 2013 for shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2014.

RESERVES AND PROVISIONS

There were no material movements to and from reserves and provisions during the year other than as disclosed in the financial statements.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Mohd Sidek bin Hassan (Chairman)
Tan Sri Dato' Shamsul Azhar bin Abbas (President and Group CEO)
Datuk Anuar bin Ahmad (Executive Vice President)
Datuk Wan Zulkiflee bin Wan Ariffin (Chief Operating Officer and Executive Vice President)
Datuk Mohd Omar bin Mustapha
Tan Sri Dato' Seri Hj Megat Najmuddin bin Datuk Seri Dr. Hj Megat Khas
Datuk Muhammad bin Ibrahim
Dato' Mohamad Idris bin Mansor
Datin Yap Siew Bee
Krishnan C K Menon
Datuk Manharlal Ratilal (Executive Vice President)
Dato' Wee Yiaw Hin @ Ong Yiaw Hin (Executive Vice President)
Tan Sri Amirsham bin Abdul Aziz
Tan Sri Dr. Mohd Irwan Serigar bin Abdullah
Dato' Siti Halimah binti Ismail (alternate to Tan Sri Dr. Mohd Irwan Serigar bin Abdullah – appointed as alternate director on 7 August 2013)

In accordance with Article 71(1) of the Company's Articles of Association, Datuk Mohd Omar bin Mustapha, Datuk Muhammad bin Ibrahim and Tan Sri Dato' Seri Hj Megat Najmuddin bin Datuk Seri Dr. Hj Megat Khas retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 71(2) of the Company's Articles of Association, the Chairman, President and Group CEO and Executive Vice Presidents shall not be subject to retirement by rotation except in the first year of appointment where they are required to retire in accordance with Article 68.

DIRECTORS' INTERESTS

The Directors in office at the end of the year who have interests in the shares of the Company's related corporations other than wholly-owned subsidiaries (including the interests of the spouses and/or children of the Directors who themselves are not directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each in PETRONAS Gas Berhad			
Name	**Balance at 1.1.2013**	**Bought**	**Sold**	**Balance at 31.12.2013**
Datin Yap Siew Bee	7,000	-	-	7,000
Tan Sri Amirsham bin Abdul Aziz:				
- others	2,000	-	-	2,000

DIRECTORS' INTERESTS (continued)

Name	Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
	Number of ordinary shares of RM1.00 each in PETRONAS Dagangan Berhad			
Datuk Anuar bin Ahmad	2,000	-	(2,000)	-
Tan Sri Amirsham bin Abdul Aziz:				
- others	2,000	-	-	2,000

Name	Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
	Number of ordinary shares of RM0.10 each in PETRONAS Chemicals Group Berhad			
Tan Sri Dato' Shamsul Azhar bin Abbas	20,000	-	-	20,000
Datuk Anuar bin Ahmad	20,000	-	-	20,000
Datuk Wan Zulkiflee bin Wan Ariffin	20,000	-	-	20,000
Datuk Mohd Omar bin Mustapha	10,000	-	-	10,000
Tan Sri Dato' Seri Hj Megat Najmuddin bin Datuk Seri Dr. Hj Megat Khas	20,000	-	-	20,000
Datuk Muhammad bin Ibrahim	20,000	-	-	20,000
Dato' Mohamad Idris bin Mansor	10,000	-	-	10,000
Datin Yap Siew Bee	20,000	-	-	20,000
Krishnan C K Menon	20,000	-	-	20,000
Datuk Manharlal Ratilal	20,000	-	-	20,000
Dato' Wee Yiaw Hin	20,000	-	-	20,000

Name	Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
	Number of ordinary shares of RM1.00 each in KLCC Property Holdings Berhad			
Datuk Manharlal Ratilal	5,000	-	-	5,000

Name	Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
	Number of ordinary shares of RM1.00 each in MISC Berhad			
Tan Sri Amirsham bin Abdul Aziz:				
- own	11,600	-	-	11,600
- others	4,000	-	-	4,000

DIRECTORS' INTERESTS (continued)

Name	Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013
	Number of ordinary shares of RM0.50 each in Malaysia Marine and Heavy Engineering Holdings Berhad			
Datuk Wan Zulkiflee bin Wan Ariffin	10,000	-	-	10,000
Tan Sri Amirsham bin Abdul Aziz:				
- own	6,000	-	-	6,000
- others	6,000	-	-	6,000

None of the other Directors holding office at 31 December 2013 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which transacted with certain companies within the Group in the ordinary course of business.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the issued and paid up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) all known bad debts have been written off and adequate provision made for doubtful debts, and

(ii) any current assets which were unlikely to realise, in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

OTHER STATUTORY INFORMATION (continued)

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

Messrs KPMG, have indicated their willingness to accept appointment in place of the retiring auditors, Messrs KPMG Desa Megat & Co.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

....
Tan Sri Mohd Sidek bin Hassan

....
Tan Sri Dato' Shamsul Azhar bin Abbas

Kuala Lumpur,
Date: 28 February 2014

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 119 to 239, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2013 and of their financial performance and cash flows for the year ended on that date.

Signed on behalf of the Board of Directors
in accordance with a resolution of the Directors:

....

Tan Sri Mohd Sidek bin Hassan

....

Tan Sri Dato' Shamsul Azhar bin Abbas

Kuala Lumpur,
Date: 28 February 2014

STATUTORY DECLARATION

I, **Datuk Manharlal Ratilal**, the Director primarily responsible for the financial management of **PETROLIAM NASIONAL BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 119 to 239 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **Datuk Manharlal Ratilal** at **Kuala Lumpur** in **Wilayah Persekutuan** on 28 February 2014.

BEFORE ME:

COMMISSIONER FOR OATHS
No. W 530
TAN SEOK KETT
MALAYSIA

Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

In RM Mil	Note	31.12.2013	31.12.2012 Restated	1.1.2012 Restated
ASSETS				
Property, plant and equipment	3	243,537	224,518	204,656
Investment properties	4	10,674	10,753	11,024
Land held for development	5	1,907	1,579	1,601
Prepaid lease payments	6	1,017	960	625
Investments in associates	8	3,768	3,474	4,427
Investments in joint ventures	9	8,307	7,784	7,397
Intangible assets	10	34,364	33,340	20,685
Long term receivables	11	10,677	3,618	4,084
Fund and other investments	12	9,252	8,209	3,495
Deferred tax assets	14	6,611	6,445	3,887
Cash and cash equivalents	15	-	164	89
TOTAL NON-CURRENT ASSETS		330,114	300,844	261,970
Trade and other inventories	16	16,107	14,187	12,366
Trade and other receivables	17	50,425	42,574	38,218
Assets classified as held for sale	18	362	755	631
Fund and other investments	12	14,534	22,319	36,378
Cash and cash equivalents	15	117,118	108,474	126,799
TOTAL CURRENT ASSETS		198,546	188,309	214,392
TOTAL ASSETS		528,660	489,153	476,362
EQUITY				
Share capital	19	100	100	100
Reserves	20	335,703	306,871	289,527
Total equity attributable to shareholders of the Company		335,803	306,971	289,627
Non-controlling interests	21	36,502	32,001	31,741
TOTAL EQUITY		372,305	338,972	321,368
LIABILITIES				
Borrowings	22	29,002	30,773	38,930
Deferred tax liabilities	14	11,483	14,331	13,408
Other long term liabilities and provisions	24	28,506	26,458	23,938
TOTAL NON-CURRENT LIABILITIES		68,991	71,562	76,276
Trade and other payables	25	64,790	58,365	50,072
Borrowings	22	12,844	9,964	12,651
Taxation		4,730	9,751	15,995
Dividend payable		5,000	539	-
TOTAL CURRENT LIABILITIES		87,364	78,619	78,718
TOTAL LIABILITIES		156,355	150,181	154,994
TOTAL EQUITY AND LIABILITIES		528,660	489,153	476,362

The notes set out on pages 130 to 239 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

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

The notes set out on pages 130 to 239 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

		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 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 upon disposal		-	-	-	(1,326)
Other comprehensive income		-	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

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The notes set out on pages 130 to 239 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013 (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 upon disposal		-	-	(1,326)	-	(1,326)
Other comprehensive income		-	-	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 notes set out on pages 130 to 239 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013 (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, restated		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 upon disposal		-	-	-	(196)
Other comprehensive (expenses)/income		-	(29)	-	-
Total other comprehensive (expenses)/income for the year		-	(29)	7,741	(1,065)
Profit for the year		-	-	-	-
Total comprehensive (expenses)/ income 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 notes set out on pages 130 to 239 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013 (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, restated		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 upon disposal		-	-	(196)	-	(196)
Other comprehensive (expenses)/income		-	38	9	9	18
Total other comprehensive (expenses)/income for the year		-	38	6,685	925	7,610
Profit for the year		-	54,114	54,114	11,472	65,586
Total comprehensive (expenses)/ income 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

continued from previous page

The notes set out on pages 130 to 239 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

The notes set out on pages 130 to 239 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

In RM Mil	Note	31.12.2013	31.12.2012 Restated	1.1.2012 Restated
ASSETS				
Property, plant and equipment	3	12,507	11,441	3,225
Investments in subsidiaries	7	54,265	47,008	46,479
Investments in associates	8	302	302	302
Investments in joint ventures	9	1,460	1,385	1,385
Long term receivables	11	85,756	75,411	69,716
Fund and other investments	12	9,112	8,348	2,570
Deferred tax assets	14	4,850	4,932	2,558
TOTAL NON-CURRENT ASSETS		168,252	148,827	126,235
Trade and other inventories	16	279	45	24
Trade and other receivables	17	68,898	78,523	50,690
Assets classified as held for sale	18	-	47	-
Fund and other investments	12	9,004	15,934	28,356
Cash and cash equivalents	15	46,874	52,015	75,608
TOTAL CURRENT ASSETS		125,055	146,564	154,678
TOTAL ASSETS		293,307	295,391	280,913
EQUITY				
Share capital	19	100	100	100
Reserves	20	204,992	191,316	173,126
TOTAL EQUITY		205,092	191,416	173,226
LIABILITIES				
Borrowings	22	16,802	20,151	21,612
Other long term liabilities and provisions	24	23,623	21,327	18,743
TOTAL NON-CURRENT LIABILITIES		40,425	41,478	40,355
Trade and other payables	25	35,966	55,044	49,878
Borrowings	22	4,931	566	6,357
Taxation		1,893	6,348	11,097
Dividend payable		5,000	539	-
TOTAL CURRENT LIABILITIES		47,790	62,497	67,332
TOTAL LIABILITIES		88,215	103,975	107,687
TOTAL EQUITY AND LIABILITIES		293,307	295,391	280,913

The notes set out on pages 130 to 239 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

In RM Mil	**Note**	**2013**	**2012**
Revenue		128,665	125,340
Cost of revenue		(68,341)	(62,473)
Gross profit	26	60,324	62,867
Selling and distribution expenses		(498)	(372)
Administration expenses		(6,304)	(5,405)
Other expenses		(312)	(2,334)
Other income		8,835	7,561
Operating profit	27	62,045	62,317
Financing costs		(1,736)	(1,678)
Profit before taxation		60,309	60,639
Tax expense	28	(14,731)	(14,332)
Profit for the year		45,578	46,307
Other comprehensive income/(expenses)			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available-for-sale financial assets		98	(117)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		45,676	46,190

The notes set out on pages 130 to 239 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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

The notes set out on pages 130 to 239 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

In RM Mil	**Note**	**2013**	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		101,508	106,280
Cash paid to suppliers and employees		(73,377)	(69,564)
		28,131	36,716
Interest income from fund and other investments		2,779	2,361
Interest expenses paid		(895)	(1,302)
Taxation paid		(18,956)	(21,277)
Net cash generated from operating activities		11,059	16,498
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash generated from/(used in) investing activities	30	9,359	(3,612)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	31	(28,051)	(35,060)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,633)	(22,174)
NET FOREIGN EXCHANGE DIFFERENCES		932	(140)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		53,808	76,122
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		47,107	53,808
CASH AND CASH EQUIVALENTS			
Cash and bank balances and deposits	15	46,874	52,015
Short term marketable securities	12	233	1,793
		47,107	53,808

The notes set out on pages 130 to 239 are an integral part of these 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"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Company had adopted new and revised MFRS and amendments to MFRS (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in note 42.

The Group and the Company have early adopted the amendments to MFRS 132 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* which are effective for annual periods beginning on or after 1 January 2014. The early adoption of the amendments to MFRS 132 has no impact on the financial statements other than reclassification in statements of financial position as disclosed in note 48.

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 43. Pronouncements that are not relevant to the operations of the Group and of the Company are set out in note 44.

The financial statements were approved and authorised for issue by the Board of Directors on 28 February 2014.

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 40 : 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.

In the previous financial years, control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Potential voting rights are considered when assessing control only when such rights are presently exercisable and the Group did not consider de facto power in its assessment of control.

Since the beginning of the financial year, the Group has adopted MFRS 10 *Consolidated Financial Statements*, where control exists when the Group is exposed, 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 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 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 in note 48.

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 intercompany transactions are also eliminated unless cost cannot be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

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.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

Loss of control

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. 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.

2.2 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 re-measured. 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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

In the previous financial years, joint arrangements were classified and accounted for as either jointly controlled entity or jointly controlled asset or jointly controlled operation. The Group accounted for its interest in jointly controlled entity using the equity method. Jointly controlled assets or jointly control operations were accounted for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors.

Upon adoption of MFRS 11 *Joint Arrangements* in the current financial year, 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.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 11. The effects from the adoption of MFRS 11 are disclosed in note 48.

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 asset 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation (continued)

Depreciation 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).

Property, plant and equipment individually costing less than RM5,000 are expensed off in the year of purchase.

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Investment properties (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leased assets (continued)

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.

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 fifty years or more. Short lease is defined as a lease with an unexpired lease period of less than fifty years.

2.8 Investments

Long term investments in subsidiaries, associates and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Intangible assets (continued)

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Exploration and development expenditure (continued)

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).

2.11 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 or 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(i) Financial assets (continued)

Initial recognition *(continued)*

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.

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 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(vii) Derecognition of financial instruments (continued)

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.

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment (continued)

(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.

2.14 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Construction work-in-progress (continued)

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 selling expenses.

Cost of crude oil and condensates includes costs of bringing the inventories to their present location and condition and is determined on a weighted average basis.

Cost of petroleum products includes crude oil costs, export duty, transportation charges and processing costs and is determined on a weighted average basis.

Cost of liquefied natural gas ("LNG") and petrochemical products includes raw gas costs and production overheads and is determined on a weighted average basis.

Cost of material stores and spares consists of the invoiced value from suppliers and import duty charges and is determined on a weighted average basis.

Cost of developed properties held for sale 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.

In the previous financial years, all spare parts were classified as inventories. In the current financial year, the Group adopted amendment to MFRS 116 *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)* and classified spare parts as part of inventories unless the item of spare part is held for own use and expected to be used during more than one period in which it is classified as property, plant and equipment. The change in accounting policy has been applied retrospectively. Nevertheless, there is no significant impact to the financial statements.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Provisions (continued)

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.

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.

2.19 Taxation (continued)

Deferred tax *(continued)*

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 34.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Since the beginning of the reporting period, the Group adopted MFRS 13 *Fair Value Measurement* which prescribed that 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.

In accordance with transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than additional disclosures.

3. PROPERTY, PLANT AND EQUIPMENT

Group **2013** *In RM Mil*	**At 1.1.2013** **As previously reported**	**Effect of the adoption of pronouncements**	**As restated**	**Additions**
At cost:				
Freehold land	2,528	-	2,528	62
Leasehold land	2,350	-	2,350	12
Lease properties	1,217	-	1,217	1
Oil and gas properties	164,963	208	165,171	2,783
Buildings	16,230	-	16,230	314
Plant and equipment	75,973	-	75,973	1,065
Office equipment, furniture and fittings	2,160	-	2,160	163
Computer software and hardware	2,440	-	2,440	160
Motor vehicles	531	-	531	57
Vessels	35,929	(1,307)	34,622	569
Projects-in-progress				
- oil and gas properties	52,602	-	52,602	23,505
- other projects	23,929	(700)	23,229	14,993
	380,852	(1,799)	379,053	43,684

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Accumulated depreciation and impairment losses:	**At 1.1.2013** **As previously reported**	**Effect of the adoption of pronouncements**	**As restated**	**Charge for the year**
Freehold land	-	-	-	-
Leasehold land	531	-	531	30
Lease properties	827	-	827	45
Oil and gas properties	78,878	47	78,925	16,786
Buildings	4,994	-	4,994	450
Plant and equipment	46,925	-	46,925	3,630
Office equipment, furniture and fittings	1,702	-	1,702	147
Computer software and hardware	1,977	-	1,977	194
Motor vehicles	357	-	357	44
Vessels	15,114	(305)	14,809	1,091
Projects-in-progress				
- oil and gas properties	3,452	-	3,452	-
- other projects	36	-	36	-
	154,793	(258)	154,535	22,417

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group **2013** *In RM Mil*	**Disposals/ write-offs**	**Transfers/ reclass/ adjustment**	**Translation exchange difference**	**At 31.12.2013**
At cost:				
Freehold land	(13)	61	4	2,642
Leasehold land	(14)	185	(4)	2,529
Lease properties	-	(186)	12	1,044
Oil and gas properties	(2,699)	22,691	5,677	193,623
Buildings	(26)	656	(6)	17,168
Plant and equipment	(280)	5,347	1,216	83,321
Office equipment, furniture and fittings	(43)	248	21	2,549
Computer software and hardware	(65)	278	2	2,815
Motor vehicles	(23)	(8)	(14)	543
Vessels	(1,247)	(4,967)	2,233	31,210
Projects-in-progress				
- oil and gas properties	(661)	(16,190)	418	59,674
- other projects	(28)	(9,008)	802	29,988
	(5,099)	[a,b] (893)	10,361	427,106

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Accumulated depreciation and impairment losses:	**Impairment loss/ (write-back)**	**Disposals/ write-offs**	**Transfers/ reclass/ adjustment**	**Translation exchange difference**	**At 31.12.2013**
Freehold land	-	-	-	-	-
Leasehold land	-	(1)	20	(4)	576
Lease properties	-	-	(20)	(1)	851
Oil and gas properties	4,803	(627)	999	2,780	103,666
Buildings	66	(9)	190	(20)	5,671
Plant and equipment	3	(256)	(71)	844	51,075
Office equipment, furniture and fittings	-	(37)	34	6	1,852
Computer software and hardware	1	(58)	(23)	5	2,096
Motor vehicles	-	(20)	(9)	1	373
Vessels	25	(940)	(410)	1,081	15,656
Projects-in-progress					
- oil and gas properties	(615)	-	(1,134)	11	1,714
- other projects	6	(1)	(2)	-	39
	4,289	(1,949)	[c] (426)	4,703	183,569

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[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 2012 *In RM Mil*	At 1.1.2012 As previously reported	Effect of the adoption of pronouncements	As restated	Additions	Acquisition of subsidiary
At cost:					
Freehold land	2,482	-	2,482	8	-
Leasehold land	2,400	-	2,400	152	-
Lease properties	1,224	-	1,224	-	-
Oil and gas properties	133,465	215	133,680	1,524	6,187
Buildings	15,553	-	15,553	296	-
Plant and equipment	76,772	-	76,772	878	-
Office equipment, furniture and fittings	2,169	-	2,169	81	-
Computer software and hardware	2,372	-	2,372	88	-
Motor vehicles	544	-	544	38	-
Vessels	30,176	(1,357)	28,819	1,281	-
Projects-in-progress					
- oil and gas properties	50,072	-	50,072	22,334	-
- other projects	18,174	16	18,190	13,251	-
	335,403	(1,126)	334,277	39,931	6,187

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Accumulated depreciation and impairment losses:	At 1.1.2012 As previously reported	Effect of the adoption of pronouncements	As restated	Charge for the year	Acquisition of subsidiary
Freehold land	-	-	-	-	-
Leasehold land	554	-	554	28	-
Lease properties	772	-	772	62	-
Oil and gas properties	57,114	26	57,140	15,408	-
Buildings	4,630	-	4,630	403	-
Plant and equipment	44,542	-	44,542	3,592	-
Office equipment, furniture and fittings	1,683	-	1,683	140	-
Computer software and hardware	1,898	-	1,898	192	-
Motor vehicles	343	-	343	50	-
Vessels	15,289	(253)	15,036	1,003	-
Projects-in-progress					
- oil and gas properties	2,971	-	2,971	-	-
- other projects	52	-	52	-	-
	129,848	(227)	129,621	20,878	-

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group **2012** *In RM Mil*	**Disposals/ write-offs**	**Transfers/ reclass/ adjustment**	**Translation exchange difference**	**At 31.12.2012**
At cost:				
Freehold land	(14)	68	(16)	2,528
Leasehold land	(10)	(172)	(20)	2,350
Lease properties	(1)	-	(6)	1,217
Oil and gas properties	-	25,792	(2,012)	165,171
Buildings	(39)	596	(176)	16,230
Plant and equipment	(245)	(296)	(1,136)	75,973
Office equipment, furniture and fittings	(26)	48	(112)	2,160
Computer software and hardware	(139)	132	(13)	2,440
Motor vehicles	(31)	5	(25)	531
Vessels	(330)	5,991	(1,139)	34,622
Projects-in-progress				
- oil and gas properties	-	(19,553)	(251)	52,602
- other projects	(93)	(7,804)	(315)	23,229
	(928)	[a,b] 4,807	(5,221)	379,053

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Accumulated depreciation and impairment losses:	**Impairment loss/ (write-back)**	**Disposals/ write-offs**	**Transfers/ reclass/ adjustment**	**Translation exchange difference**	**At 31.12.2012**
Freehold land	-	-	-	-	-
Leasehold land	(38)	(2)	(1)	(10)	531
Lease properties	-	-	(4)	(3)	827
Oil and gas properties	5,941	-	1,109	(673)	78,925
Buildings	80	(12)	25	(132)	4,994
Plant and equipment	175	(74)	(675)	(635)	46,925
Office equipment, furniture and fittings	1	(25)	(15)	(82)	1,702
Computer software and hardware	-	(139)	31	(5)	1,977
Motor vehicles	-	(23)	-	(13)	357
Vessels	256	(48)	(793)	(645)	14,809
Projects-in-progress					
- oil and gas properties	1,097	-	(611)	(5)	3,452
- other projects	-	-	(16)	-	36
	7,512	(323)	[a,c] (950)	(2,203)	154,535

continued from previous page

[a] Includes revision to future cost of decommissioning of oil and gas properties amounting to RM5,134 million and corresponding depreciation charges of RM498 million.

[b] Includes net transfers of (RM327 million) comprising transfer from intangible assets of RM2,025 million and transfers to assets held for sale of (RM2,297 million), other receivables of (RM40 million), and investment properties of (RM15 million).

[c] Includes net transfers of (RM1,448 million) comprising transfer from intangible assets of RM2 million and transfer to assets held for sale of (RM1,450 million).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **2013** *In RM Mil*	**At 1.1.2013**	**Additions**	**Disposals/ write-offs**	**Transfers/ reclass/ adjustment**	**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] Represents 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 **2012** *In RM Mil*	**At 1.1.2012**	**Additions**	**Disposals**	**Transfers/ reclass/ adjustment**	**At 31.12.2012**
At cost:					
Freehold land	53	-	-	(47)	6
Leasehold land	125	-	-	-	125
Lease properties	367	-	-	-	367
Oil and gas properties	6,088	213	-	5,911	12,212
Buildings	253	-	-	-	253
Plant and equipment	12	1	-	-	13
Office equipment, furniture and fittings	113	1	(8)	-	106
Computer software and hardware	450	7	(139)	58	376
Motor vehicles	25	3	(4)	-	24
Projects-in-progress					
- oil and gas properties	809	1,169	-	(777)	1,201
- other projects	821	3,545	-	(1,052)	3,314
	9,116	4,939	(151)	[a,b] 4,093	17,997

Accumulated depreciation:	**At 1.1.2012**	**Charge for the year**	**Disposals**	**Adjustment**	**At 31.12.2012**
Freehold land	-	-	-	-	-
Leasehold land	36	2	-	-	38
Lease properties	328	4	-	-	332
Oil and gas properties	5,057	234	-	498	5,789
Buildings	55	1	-	-	56
Plant and equipment	9	1	-	-	10
Office equipment, furniture and fittings	69	12	(8)	-	73
Computer software and hardware	320	60	(139)	-	241
Motor vehicles	17	4	(4)	-	17
Projects-in-progress					
- oil and gas properties	-	-	-	-	-
- other projects	-	-	-	-	-
	5,891	318	(151)	[a] 498	6,556

[a] Represents revision to future cost of decommissioning of oil and gas properties amounting to RM5,134 million and corresponding depreciation charges of RM498 million.

[b] Includes net transfers of (RM1,041 million) comprising transfers to amount due from subsidiaries of (RM994 million) and assets held for sale of (RM47 million).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Group		Company	
	Carrying amount		Carrying amount	
In RM Mil	2013	2012 Restated	2013	2012
Freehold land	2,642	2,528	6	6
Leasehold land	1,953	1,819	86	87
Lease properties	193	390	33	35
Oil and gas properties	89,957	86,246	7,940	6,423
Buildings	11,497	11,236	219	197
Plant and equipment	32,246	29,048	-	3
Office equipment, furniture and fittings	697	458	20	33
Computer software and hardware	719	463	67	135
Motor vehicles	170	174	4	7
Vessels	15,554	19,813	-	-
Projects-in-progress				
- oil and gas properties	57,960	49,150	289	1,201
- other projects	29,949	23,193	3,843	3,314
	243,537	224,518	12,507	11,441

Security

Property, plant and equipment of certain subsidiaries costing RM4,505,502,000 (2012: RM3,937,829,000) 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 RM8,256,000 (2012: RM116,571,000). The interest rate on borrowings capitalised ranges from 2.42% to 5.59% (2012: 1.42% to 5.70%) 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 an increase in cost of oil and gas properties by RM2,692,000,000 (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 2013, the Group and the Company recognised net impairment losses on certain property, plant and equipment amounting to RM4,289,000,000 (2012: RM7,512,000,000) and RM233,000,000 (2012: RM Nil) respectively. In arriving at the impairment loss amount, the carrying amount of each impaired cash generating unit is compared with the recoverable amount of the cash generating unit.

The recoverable amount is determined from the value in use calculations, using cash flow projections. The Group uses a range of long term assumptions including prices, volumes, margins and costs based on past performance and management's expectations of market development. The projected cash flows were discounted using discount rates ranging between 7.5% and 10% (2012: 9% and 10%).

4. INVESTMENT PROPERTIES

Group 2013 *In RM Mil*	At 1.1.2013	Additions	Disposal	Transfers	Translation exchange difference	At 31.12.2013
At cost:						
Freehold land	1,172	95	-	(35)	-	1,232
Buildings	11,846	17	(5)	978	14	12,850
Projects-in-progress	1,122	248	-	(917)	-	453
	14,140	360	(5)	[a] 26	14	14,535

Accumulated depreciation:	At 1.1.2013	Charge for the year	Disposal	Transfers	Translation exchange difference	At 31.12.2013
Freehold land	-	-	-	-	-	-
Buildings	3,387	463	(1)	-	12	3,861
Projects-in-progress	-	-	-	-	-	-
	3,387	463	(1)	-	12	3,861

2012 *In RM Mil*	At 1.1.2012	Additions	Disposal	Transfers	Translation exchange difference	At 31.12.2012
At cost:						
Freehold land	1,172	-	-	-	-	1,172
Buildings	11,823	24	-	11	(12)	11,846
Projects-in-progress	962	155	-	5	-	1,122
	13,957	179	-	[b] 16	(12)	14,140

Accumulated depreciation:	At 1.1.2012	Charge for the year	Disposal	Transfers	Translation exchange difference	At 31.12.2012
Freehold land	-	-	-	-	-	-
Buildings	2,933	462	-	-	(8)	3,387
Projects-in-progress	-	-	-	-	-	-
	2,933	462	-	-	(8)	3,387

Group *In RM Mil*	Carrying amount 2013	2012
Freehold land	1,232	1,172
Buildings	8,989	8,459
Projects-in-progress	453	1,122
	10,674	10,753

[a] Comprises transfer from property, plant & equipment of RM30 million and transfer to intangible assets of (RM4 million).

[b] Comprises transfers from property, plant and equipment of RM15 million and trade and other inventories of RM8 million and transfer to trade and other receivables of (RM7 million).

4. INVESTMENT PROPERTIES (continued)

Certain investment properties with carrying amount of RM2,353,165,000 (2012: RM2,387,960,000) 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 2013 to be RM19,036,368,000 (2012: RM17,833,975,000).

The fair value of investment properties are categorised as follows:

Group **2013** *In RM Mil*	**Level 3**
Freehold land	2,564
Buildings	16,472
	19,036

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

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 RM1,277,000,000 (2012: RM1,012,000,000).

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 2012 *In RM Mil*	**At 1.1.2012**	**Additions**	**Disposals**	**Transfers**	**Translation exchange difference**	**At 31.12.2012**
At cost:						
Leasehold land						
- long lease	132	15	-	-	-	147
- short lease	58	1	(8)	-	-	51
Prepaid rental	677	237	(1)	163	-	1,076
	867	253	(9)	[c] 163	-	1,274

Accumulated amortisation:	**At 1.1.2012**	**Charge for the year**	**Disposals**	**Transfers**	**Translation exchange difference**	**At 31.12.2012**
Leasehold land						
- long lease	9	2	-	-	-	11
- short lease	28	3	(2)	-	-	29
Prepaid rental	205	36	-	33	-	274
	242	41	(2)	[d] 33	-	314

[a] Comprises transfers to other receivables of (RM6 million), assets held for sale of (RM5 million) and property, plant & equipment of (RM1 million).

[b] Comprises transfer to assets held for sale of (RM2 million).

[c] Comprises transfer from intangible assets of RM163 million.

[d] Comprises transfer from intangible assets of RM33 million.

6. PREPAID LEASE PAYMENTS (continued)

Group	**Carrying amount**	
In RM Mil	**2013**	**2012**
Leasehold land		
- long lease	150	136
- short lease	23	22
Prepaid rental	844	802
	1,017	960

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**	**2012**
Investments at cost in Malaysia		
- quoted shares	17,064	16,284
- unquoted shares	33,291	26,511
Fair value adjustments on loans and advances and financial guarantee	5,806	5,732
	56,161	48,527
Less: Impairment losses		
- unquoted shares	(1,896)	(1,519)
	54,265	47,008
Market value of quoted shares	104,799	85,010

Details of key subsidiaries are stated in note 45 to the financial statements.

8. INVESTMENTS IN ASSOCIATES

In RM Mil	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Investments at cost				
- quoted shares in Malaysia	256	256	302	302
- unquoted shares	2,649	2,497	-	-
Share of post-acquisition profits and reserves	1,926	1,781	-	-
	4,831	4,534	302	302
Less: Impairment losses				
- unquoted shares	(1,063)	(1,060)	-	-
	3,768	3,474	302	302
Market value of quoted shares	984	918	984	918
Contingent liabilities:				
Guarantees extended to third parties	(3,320)	(2,763)	-	-

Details of key associates are stated in note 46 to the financial statements.

9. INVESTMENTS IN JOINT VENTURES

In RM Mil	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Investments at cost				
- unquoted shares	5,137	4,484	752	677
Fair value adjustments on loans and advances and financial guarantee	1,289	1,358	717	717
Share of post-acquisition profits and reserves	2,126	2,001	-	-
	8,552	7,843	1,469	1,394
Less: Impairment losses	(245)	(59)	(9)	(9)
	8,307	7,784	1,460	1,385
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 47 to the financial statements.

10. INTANGIBLE ASSETS

Group 2013 *In RM Mil*	At 1.1.2013 As previously reported	Effect of the adoption of pronouncements	As restated	Additions	Disposals/ write-offs
At cost:					
Goodwill	5,538	-	5,538	-	-
Exploration expenditure	26,656	84	26,740	7,877	(3,808)
Other intangible assets	7,499	-	7,499	3,683	-
	39,693	84	39,777	11,560	(3,808)

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Accumulated amortisation and impairment losses:	At 1.1.2013 As previously reported	Effect of the adoption of pronouncements	As restated	Charge for the year	Disposals/ write-offs
Goodwill	212	-	212	-	-
Exploration expenditure	3,903	-	3,903	-	-
Other intangible assets	2,322	-	2,322	2,496	-
	6,437	-	6,437	2,496	-

continue to next page

2012	At 1.1.2012 As previously reported	Effect of the adoption of pronouncements	As restated	Additions	Disposals/ write-offs
At cost:					
Goodwill	5,512	-	5,512	63	-
Exploration expenditure	12,975	71	13,046	4,084	(2,120)
Other intangible assets	5,389	-	5,389	2,501	(78)
	23,876	71	23,947	6,648	(2,198)

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Accumulated amortisation and impairment losses:	At 1.1.2012 As previously reported	Effect of the adoption of pronouncements	As restated	Charge for the year	Disposals/ write-offs
Goodwill	222	-	222	-	-
Exploration expenditure	1,692	-	1,692	-	-
Other intangible assets	1,348	-	1,348	1,032	-
	3,262	-	3,262	1,032	-

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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

2012	**Transfers**	**Acquisition of subsidiary**	**Translation exchange difference**	**At 31.12.2012**
At cost:				
Goodwill	-	-	(37)	5,538
Exploration expenditure	(2,011)	14,480	(739)	26,740
Other intangible assets	(184)	-	(129)	7,499
	[c] (2,195)	14,480	(905)	39,777

continued from previous page

Accumulated amortisation and impairment losses:	**Impairment loss**	**Transfers**	**Acquisition of subsidiary**	**Translation exchange difference**	**At 31.12.2012**
Goodwill	6	-	-	(16)	212
Exploration expenditure	2,266	-	-	(55)	3,903
Other intangible assets	-	(38)	-	(20)	2,322
	2,272	[d] (38)	-	(91)	6,437

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 transfers to property, plant and equipment of (RM2,025 million), prepaid lease payments of (RM163 million) and assets held for sale of (RM7 million).

[d] Comprises transfers to prepaid lease payments of (RM33 million), assets held for sale of (RM3 million) and property, plant and equipment of (RM2 million).

10. INTANGIBLE ASSETS (continued)

Group *In RM Mil*	**Carrying amount** **2013**	 **2012 Restated**
Goodwill	5,405	5,326
Exploration expenditure	22,267	22,837
Other intangible assets	6,692	5,177
	34,364	33,340

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 (2012: 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 2014 to 2018, adjusted with an estimated terminal value. The cash flow assumes a long term growth rate of 3.1% (2012: 2.9%) and is discounted to present value using discount rate of between 8.4% and 8.7% (2012: 8.4% and 9.1%).

Based on the above, the recoverable amount of the unit was determined to be higher than its carrying amount 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 RM307,000,000 and would result in an impairment loss of RM62,000,000.

(ii) An increase of 0.25 percentage point in discount rate used would have reduced the recoverable amount by approximately RM203,000,000 but would not result in impairment loss.

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 at 9% (2012: 9%).

Based on the above, the carrying amount of other goodwill of certain units were determined to be lower than their recoverable amount, thus no impairment loss was recognised during the year. In 2012, impairment losses of RM6,000,000 was recognised.

11. LONG TERM RECEIVABLES

In RM Mil	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Term loans and advances:				
Loans and advances due from subsidiaries	-	-	85,616	75,914
Loans and advances due from associates and joint ventures	1,600	1,643	-	-
	1,600	1,643	85,616	75,914
Finance lease receivables	6,545	490	-	-
Other receivables and prepayments	3,105	2,020	250	-
Derivative assets (note 13)	1	-	-	-
	11,251	4,153	85,866	75,914
Less: Impairment losses				
- Term loans and advances	(170)	(158)	(110)	(503)
- Other receivables and prepayments	(404)	(377)	-	-
	10,677	3,618	85,756	75,411

Included in the Company's loans and advances due from subsidiaries is an amount of RM84,440,339,000 (2012: RM75,217,600,000), which bears interest at rates ranging from 1.45% to 7.88% (2012: 1.31% to 7.88%) per annum.

Included in the Group's loans and advances due from associates and joint ventures is an amount of RM1,116,788,000 (2012: RM1,115,049,000), which bears interest at rates ranging from 4.26% to 7.00% (2012: 4.26% to 10.00%) per annum.

Term loans due from subsidiaries were on-lending of term loans obtained by the Company, on terms and conditions similar as those of the principal loan agreements entered into by the Company.

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 2012
Minimum lease receivables:		
Not later than 1 year	1,101	88
Later than 1 year and not later than 2 years	809	88
Later than 2 years and not later than 5 years	2,430	263
Later than 5 years	7,217	387
	11,557	826
Less: Future finance income	(4,029)	(309)
Present value of finance lease assets	7,528	517

11. LONG TERM RECEIVABLES (continued)

Finance lease receivables (continued)

In RM Mil	Group 2013	2012
Present value of finance lease assets:		
Not later than 1 year	983	27
Later than 1 year and not later than 2 years	670	32
Later than 2 years and not later than 5 years	1,842	130
Later than 5 years	4,033	328
	7,528	517
Analysed as:		
Due within 12 months (note 17)	983	27
Due after 12 months	6,545	490
	7,528	517

The effective interest rate of the Group's finance lease receivables is between 5.99% to 16.37% (2012: 14.74% to 16.11%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM75,660,000 (2012: RM14,444,000).

12. FUND AND OTHER INVESTMENTS

In RM Mil	Group 2013	2012 Restated	Company 2013	2012
Non-current				
Loans and receivables				
Unquoted securities	742	690	-	-
Held-to-maturity				
Malaysian Government Securities	2,658	3,413	2,638	3,393
Corporate Private Debt Securities	5,031	3,431	6,398	4,879
	7,689	6,844	9,036	8,272
Available-for-sale				
Quoted shares				
- in Malaysia	339	401	-	-
Quoted securities	25	-	-	-
Unquoted shares	460	277	76	76
	824	678	76	76
Less: Impairment losses				
Unquoted shares	(3)	(3)	-	-
	821	675	76	76
Total non-current investments	9,252	8,209	9,112	8,348

12. FUND AND OTHER INVESTMENTS (continued)

In RM Mil	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Current				
Available-for-sale				
Quoted shares				
- in Malaysia	247	150	247	150
- outside Malaysia	5,075	5,760	-	-
Short term marketable securities	233	485	233	485
	5,555	6,395	480	635
Fair value through profit or loss				
Designated upon initial recognition				
Quoted shares				
- in Malaysia	323	288	-	-
- outside Malaysia	-	2	-	-
Quoted securities				
- in Malaysia	874	758	-	-
- outside Malaysia	188	174	187	174
Malaysian Government Securities	3,231	7,835	3,225	7,521
Corporate Private Debt Securities	4,363	5,559	5,112	6,296
Short term marketable securities	-	1,308	-	1,308
	8,979	15,924	8,524	15,299
Total current investments	14,534	22,319	9,004	15,934
Total fund and other investments	23,786	30,528	18,116	24,282
Representing items:				
At amortised cost	8,913	7,808	9,112	8,348
At fair value	14,873	22,720	9,004	15,934
	23,786	30,528	18,116	24,282

Included in corporate private debt securities of the Company are securities issued by subsidiaries amounting to RM2,496,000,000 (2012: RM2,472,000,000).

13. DERIVATIVE ASSETS/LIABILITIES

In RM Mil	Note	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Derivative assets					
Non-current					
Forward foreign exchange contracts		1	-	-	-
Current					
Commodity swaps		-	14	-	-
Forward gas contracts		60	54	-	-
Forward foreign exchange contracts		114	574	83	430
Forward oil price contracts		1	-	-	-
		175	642	83	430
Included within:					
Long term receivables	11	1	-	-	-
Trade and other receivables	17	175	642	83	430
		176	642	83	430
Derivative liabilities					
Non-current					
Interest rate swaps		(4)	(7)	-	-
		(4)	(7)	-	-
Current					
Commodity swaps		(25)	(12)	-	-
Interest rate swaps		(1)	(117)	-	-
Forward gas contracts		(13)	(15)	-	-
Forward foreign exchange contracts		(380)	(50)	(217)	(127)
Forward oil price contracts		(3)	-	-	-
		(422)	(194)	(217)	(127)
Included within:					
Other long term liabilities and provisions	24	(4)	(7)	-	-
Trade and other payables	25	(422)	(194)	(217)	(127)
		(426)	(201)	(217)	(127)

Included in the Company's derivative liabilities are forward foreign exchange contracts entered into with certain subsidiaries in relation to loans due from the subsidiaries amounting to RM Nil (2012: RM118,000,000).

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 2013, the balance recognised under capital reserves in equity amounts to RM161,000,000 (2012: RM135,000,000) while the ineffective portion recognised under other expenses in profit or loss amounts to RM15,000,000 (2012: gain of RM869,000). 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 As previously reported	Effect of the adoption of pronouncements	As restated	Charged/ (credited) to profit or loss
Deferred tax liabilities				
Property, plant and equipment	16,096	136	16,232	(3,652)
Others	117	-	117	286
	16,213	136	16,349	(3,366)
Deferred tax assets				
Property, plant and equipment	293	-	293	(98)
Unused tax losses	(5,388)	-	(5,388)	531
Unabsorbed capital allowances	(283)	-	(283)	33
Unused reinvestment allowances	(258)	-	(258)	23
Unused investment tax allowances	(1,406)	-	(1,406)	(793)
Others	(1,421)	-	(1,421)	473
	(8,463)	-	(8,463)	169

continue to next page

Group 2012 *In RM Mil*	At 1.1.2012 As previously reported	Effect of the adoption of pronouncements	As restated	Charged/ (credited) to profit or loss
Deferred tax liabilities				
Property, plant and equipment	14,563	141	14,704	(1,990)
Others	223	-	223	55
	14,786	141	14,927	(1,935)
Deferred tax assets				
Property, plant and equipment	(52)	-	(52)	341
Unused tax losses	(2,896)	-	(2,896)	(2,504)
Unabsorbed capital allowances	(558)	-	(558)	241
Unused reinvestment allowances	(9)	-	(9)	(249)
Unused investment tax allowances	(1,000)	-	(1,000)	(406)
Others	(891)	-	(891)	(473)
	(5,406)	-	(5,406)	(3,050)

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14. DEFERRED TAX (continued)

Group **2013** *In RM Mil*	**Equity**	**Translation exchange difference**	**At 31.12.2013**
Deferred tax liabilities			
Property, plant and equipment	-	227	12,807
Others	(47)	22	378
	(47)	249	13,185
Deferred tax assets			
Property, plant and equipment	-	(12)	183
Unused tax losses	4	(48)	(4,901)
Unabsorbed capital allowances	2	-	(248)
Unused reinvestment allowances	-	-	(235)
Unused investment tax allowances	-	-	(2,199)
Others	17	18	(913)
	23	(42)	(8,313)

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Group **2012** *In RM Mil*	**Acquisition of subsidiary**	**Equity**	**Translation exchange difference**	**At 31.12.2012**
Deferred tax liabilities				
Property, plant and equipment	3,733	-	(215)	16,232
Others	-	(176)	15	117
	3,733	(176)	(200)	16,349
Deferred tax assets				
Property, plant and equipment	-	-	4	293
Unused tax losses	-	(7)	19	(5,388)
Unabsorbed capital allowances	-	-	34	(283)
Unused reinvestment allowances	-	-	-	(258)
Unused investment tax allowances	-	-	-	(1,406)
Others	-	(79)	22	(1,421)
	-	(86)	79	(8,463)

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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)
2012			
Deferred tax liabilities			
Property, plant and equipment	4	168	172
Others	65	(54)	11
	69	114	183
Deferred tax assets			
Unused tax losses	(2,593)	(2,021)	(4,614)
Others	(34)	(467)	(501)
	(2,627)	(2,488)	(5,115)

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:

In RM Mil	**Group** **2013**	**Group** **2012** **Restated**	**Company** **2013**	**Company** **2012**
Deferred tax assets				
Deferred tax liabilities	1,248	1,502	12	183
Deferred tax assets	(7,859)	(7,947)	(4,862)	(5,115)
	(6,611)	(6,445)	(4,850)	(4,932)
Deferred tax liabilities				
Deferred tax liabilities	11,937	14,847	-	-
Deferred tax assets	(454)	(516)	-	-
	11,483	14,331	-	-

14. DEFERRED TAX (continued)

No deffered tax has been recognised for the following items:

In RM Mil	2013	Group 2012
Deductible temporary differences	85	41
Unabsorbed capital allowances	1,300	1,247
Unused tax losses	8,138	6,342
Unused investment tax allowances	77	1,677
	9,600	9,307

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 RM28,559,000,000 (2012: RM27,894,000,000) and RM17,383,000,000 (2012: RM18,456,000,000) 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 RM9,240,000,000 (2012: RM7,301,000,000) and RM979,000,000 (2012: RM1,032,000,000) respectively, which give rise to the recognised and unrecognised deferred tax assets above.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
In RM Mil	2013	2012 Restated	2013	2012
Non-current				
Deposits placed:				
Banks	-	164	-	-
Current				
Cash and bank balances	8,632	4,171	1,685	1,829
Deposits placed:				
Banks	108,486	104,298	79,830	68,581
Finance companies	-	5	-	-
	117,118	108,474	81,515	70,410
Less: Subsidiaries' cash with PETRONAS Integrated Financial Shared Service Centre	-	-	(34,641)	(18,395)
	117,118	108,474	46,874	52,015
	117,118	108,638	46,874	52,015

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.

15. CASH AND CASH EQUIVALENTS (continued)

Included in cash and bank balances of the Group are interest-bearing balances amounting to RM8,424,967,000 (2012: RM4,144,538,000).

Included in cash and bank balances of the Group is an amount of RM1,667,000,000 (2012: RM2,867,000,000) 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 RM66,957,000 (2012: RM49,105,000) held pursuant to the requirement of the Housing Development (Housing Development Account) Regulations 2002 and are therefore restricted from use in other operations.

Included in deposits placed with licensed financial institutions of the Group is an amount of RM315,850,000 (2012: RM642,216,000) being deposits held under designated accounts for repayment of term loan and redemption of Islamic Financing Facilities.

16. TRADE AND OTHER INVENTORIES

		Group		Company
In RM Mil	**2013**	**2012**	**2013**	**2012**
Crude oil and condensate	4,126	4,070	-	-
Petroleum products	6,506	4,998	25	45
Petrochemical products	560	591	-	-
Liquefied natural gas	1,781	1,189	254	-
Stores, spares and others	1,742	2,281	-	-
Developed properties held for sale	550	358	-	-
Properties under development	842	700	-	-
	16,107	14,187	279	45

17. TRADE AND OTHER RECEIVABLES

		Group		Company
In RM Mil	**2013**	**2012 Restated**	**2013**	**2012 Restated**
Trade receivables	35,804	31,125	6,276	4,601
Other receivables, deposits and prepayments	12,910	10,749	2,672	1,917
Amount due from:				
- contract customers	1,411	1,359	-	-
- subsidiaries	-	-	61,412	71,881
- associates and joint ventures	1,220	974	74	98
Tax recoverable	2,069	517	-	-
Finance lease receivables (note 11)	983	27	-	-
Derivative assets (note 13)	175	642	83	430
	54,572	45,393	70,517	78,927
Less: Impairment losses				
Trade receivables	(4,067)	(2,533)	(1,225)	(45)
Amount due from subsidiaries	-	-	(379)	(344)
Other receivables, deposits and prepayments	(80)	(286)	(15)	(15)
	50,425	42,574	68,898	78,523

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**	**2012**
Aggregate costs incurred to date	12,770	11,187
Add: Attributable profit	-	22
	12,770	11,209
Less: Progress billings	(11,359)	(9,850)
	1,411	1,359

18. ASSETS CLASSIFIED AS HELD FOR SALE

		Group		Company
In RM Mil	**2013**	**2012**	**2013**	**2012**
Vessels	218	374	-	-
Land and building	23	214	-	47
Plant and equipment	106	111	-	-
Intangible assets	4	4	-	-
Other assets	11	52	-	-
	362	755	-	47

The above amount represents carrying values of assets owned by the Group and the Company with the intention of disposal in the immediate future. The carrying amounts of these assets immediately before reclassification are not materially different from their fair values.

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 RM240,569,000.

Fair value of assets classified as held for sale are categorised as follows:

Group
2013

In RM Mil	**Level 2**
Vessels	218
Land and building	23
	241

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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.

19. SHARE CAPITAL

	Company	
In RM Mil	**2013**	**2012**
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. Subject to agreement by the Inland Revenue Board, the Company has sufficient retained earnings as at 31 December 2013 to distribute dividends out of its Section 108 balance and tax exempt income account.

The Finance Act, 2007 introduced a single tier dividend distribution system with effect from year of assessment 2008. Pursuant to Schedule 9 – Transitional and Savings Provisions of the Income Tax Act, 1967, the Company can distribute dividends out of its Section 108 balance until the amount is fully utilised but any remaining balance as at 31 December 2013 will be disregarded as at 1 January 2014.

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**	**2012 Restated**	**2013**	**2012**
Non-current				
Secured				
Term loans	1,700	3,182	-	-
Islamic financing facilities	1,427	1,425	-	-
Total non-current secured borrowings	3,127	4,607	-	-
Unsecured				
Term loans	5,988	285	-	-
Notes and Bonds	16,802	17,769	16,802	15,569
Islamic financing facilities	3,085	8,112	-	4,582
Total non-current unsecured borrowings	25,875	26,166	16,802	20,151
Total non-current borrowings	29,002	30,773	16,802	20,151
Current				
Secured				
Term loans	988	347	-	-
Islamic financing facilities	339	473	-	-
Total current secured borrowings	1,327	820	-	-
Unsecured				
Term loans	291	5,927	-	-
Notes and Bonds	2,301	566	-	566
Islamic financing facilities	5,816	123	4,931	-
Revolving credits	2,576	1,415	-	-
Bank overdrafts	533	1,113	-	-
Total current unsecured borrowings	11,517	9,144	4,931	566
Total current borrowings	12,844	9,964	4,931	566
Total borrowings	41,846	40,737	21,733	20,717

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	2,688	988	702	637	361
Islamic financing facilities	1,766	339	93	1,248	86
	4,454	1,327	795	1,885	447
Unsecured					
Term loans	6,279	291	193	5,459	336
Notes and Bonds	19,103	2,301	2,056	-	14,746
Islamic financing facilities	8,901	5,816	14	1,655	1,416
Revolving credits	2,576	2,576	-	-	-
Bank overdrafts	533	533	-	-	-
	37,392	11,517	2,263	7,114	16,498
	41,846	12,844	3,058	8,999	16,945
Company					
Unsecured					
Notes and Bonds	16,802	-	2,056	-	14,746
Islamic financing facilities	4,931	4,931	-	-	-
	21,733	4,931	2,056	-	14,746

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**	**2012**
USD Term loans	US$1,048	US$1,004
RM Term loans	RM504	RM504
EURO Term loans	€442	€859

These unsecured term loans bear interest at rates ranging from 1.00% to 5.20% (2012: 1.64% to 4.46%) per annum and are fully repayable at their various due dates from 2014 to 2020.

22. BORROWINGS (continued)

Unsecured Notes and Bonds

The unsecured Notes and Bonds comprise:

In Mil	2013	2012
USD Notes and Bonds:		
6 1/8% Notes due 2014*	US$700	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	2012 Restated
USD Term loans	Secured by way of a charge over certain vessels, property, plant and equipment and investment properties, together with assignments of earnings, charter agreements and insurance of the relevant vessels, property, plant and equipment of certain subsidiaries.	US$1,017	US$1,017
RM Term loans	Secured by way of a charge over certain vessels, property, plant and equipment and investment properties, together with assignments of earnings, charter agreements and insurance of the relevant vessels, property, plant and equipment of certain subsidiaries.	RM1,685	RM1,685

The secured term loans bear interest at rates ranging from 1.83% to 8.00% (2012: 1.66% to 8.00%) per annum and are fully repayable at their various due dates from 2014 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 0.40% to 8.00% (2012: 1.08% to 6.00%) per annum.

22. BORROWINGS (continued)

Certain borrowings obtained by the Company are on-lent to subsidiaries. At the reporting date, the outstanding amounts on-lent to subsidiaries are as follows:

		Company	
In RM Mil		**2013**	**2012**
Subsidiaries	- repayable within twelve months (note 17)	-	454

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**	**2012 Restated**
Al Bai'bithaman Ajil Facilities	300	806
Bai' Al-Dayn Note Issuance Facilities	85	69
Al Murabahah Medium Term Notes	2,200	2,200

23. ISLAMIC FINANCING FACILITIES (continued)

Secured Islamic Financing Facilities (continued)

The secured Islamic financing facilities bear a yield payable ranging from 4.00% to 6.72% (2012: 4.00% to 6.57%) per annum and are fully repayable at their various due dates from 2014 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**	**2012 Restated**
Murabahah Note Issuance Facilities	RM2,800	RM2,800
Sukuk Musyarakah	RM3,982	RM3,180
Ijarah Muntahiyah Bit Tamleek	RM660	RM660
Bai' Al-Dayn Note Issuance Facilities	RM83	RM83
Trust Certificates^	US$1,500	US$1,500

^ Obtained by the Company via a subsidiary.

The unsecured Islamic financing facilities bear a yield payable ranging from 3.48% to 6.72% (2012: 3.48% to 6.25%) per annum and are fully repayable at their various due dates from 2014 to 2023.

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 RM2,063,000,000 (2012: RM2,389,000,000) 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.

24. OTHER LONG TERM LIABILITIES AND PROVISIONS

		Group		**Company**
In RM Mil	**2013**	**2012 Restated**	**2013**	**2012**
Provision for decommissioning of:				
- oil and gas properties	19,758	19,195	16,780	16,148
- other property, plant and equipment	306	236	-	-
Financial guarantees	454	449	526	489
Derivative liabilities (note 13)	4	7	-	-
Others	7,984	6,571	6,317	4,690
	28,506	26,458	23,623	21,327

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 2013 was 4.32% (2012: 4.42%) per annum and 3.30% (2012: 3.00%) 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 year 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

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 RM358,000,000;
ii. increase in cost of property, plant and equipment by RM1,567,000,000; and
iii. increase in net profits by RM1,925,000,000.

25. TRADE AND OTHER PAYABLES

		Group		**Company**
In RM Mil	**2013**	**2012 Restated**	**2013**	**2012 Restated**
Trade payables	29,102	26,173	2,493	1,352
Other payables	34,223	31,024	13,383	13,580
Amount due to:				
- Subsidiaries	-	-	19,831	39,915
- Associates and joint ventures	1,043	974	42	70
Derivative liabilities (note 13)	422	194	217	127
	64,790	58,365	35,966	55,044

25. TRADE AND OTHER PAYABLES (continued)

Included in other payables of the Group are security deposits of RM103,689,000 (2012: RM98,592,000) 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 RM159,431,000 (2012: RM148,294,000).

Amount due to subsidiaries, associates and joint ventures arose in the normal course of business.

26. GROSS PROFIT

		Group		**Company**
In RM Mil	**2013**	**2012 Restated**	**2013**	**2012**
Revenue				
- sales of oil and gas	294,715	269,864	92,228	89,949
- others	5,990	5,984	12,313	11,977
	300,705	275,848	104,541	101,926
- rendering of services	3,829	3,073	68	54
- shipping and shipping related services	6,147	6,118	-	-
- sale and rental of properties	2,358	2,090	-	-
	12,334	11,281	68	54
- dividend income				
in Malaysia (Quoted)				
- subsidiaries	-	-	3,289	2,048
- associates	-	-	40	49
- investments	5	16	5	5
in Malaysia (Unquoted)				
- subsidiaries	-	-	17,814	17,863
- investments	21	28	21	28
outside Malaysia (Quoted)				
- investments	244	72	-	-
outside Malaysia (Unquoted)				
- joint ventures	-	-	73	143
	270	116	21,242	20,136
- interest income	4,005	3,981	2,814	3,224
	317,314	291,226	128,665	125,340
Cost of revenue				
- cost of sales	(194,646)	(173,036)	(68,341)	(62,473)
- cost of services	(10,135)	(10,311)	-	-
	(204,781)	(183,347)	(68,341)	(62,473)
Gross profit	112,533	107,879	60,324	62,867

27. OPERATING PROFIT

In RM Mil	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Included in operating profit are the following charges:				
Audit fees	30	29	2	2
Amortisation of:				
- intangible assets	2,496	1,032	-	-
- prepaid lease payments	45	41	-	-
Contribution to Tabung Amanah Negara	2,000	2,000	2,000	2,000
Depreciation of property, plant and equipment and investment properties	22,880	21,340	1,472	318
Impairment losses on:				
- property, plant and equipment	5,962	7,765	233	-
- intangible assets	1,199	2,469	-	-
- investments in associates and joint ventures	186	808	-	-
- trade and other receivables	1,411	509	1,180	-
- loan and advances to associates, joint ventures and subsidiaries	-	156	-	-
- investments in subsidiaries	-	-	536	579
- receivables from subsidiaries	-	-	-	58
Inventories written down to net realisable value	27	210	-	-
Loss on disposal of subsidiaries	-	65	-	8
Net loss on foreign exchange	700	-	-	1,387
Operating lease rental	616	782	570	612
Property, plant and equipment written off	449	97	418	-
Rental of:				
- plant, machinery, equipment and motor vehicles	549	564	10	33
- land and buildings	480	473	19	32
Research and development expenditure	94	82	-	77
Staff costs				
- wages, salaries and others	7,946	7,381	1,097	830
- contributions to Employee's Provident Fund	798	754	182	173

27. OPERATING PROFIT (continued)

In RM Mil	Group 2013	Group 2012 Restated	Company 2013	Company 2012
and credits:				
Gain on disposal/partial disposal of:				
- other investment	288	1,580	-	169
- property, plant and equipment	947	186	62	-
- associates	92	100	-	-
- subsidiaries	-	-	-	120
Interest income - others	373	470	3,415	2,626
Rental income on land and buildings	310	292	306	202
Write back of impairment losses on:				
- property, plant and equipment	1,673	253	-	-
- intangible assets	89	197	-	-
- trade and other receivables	-	45	12	45
- investments in subsidiaries	-	-	159	16
- loan and advances to associates, joint ventures and subsidiaries	-	-	345	-
Net gain on foreign exchange	-	107	2,289	-

28. TAX EXPENSE

In RM Mil	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Current tax expenses				
Malaysia				
Current year	30,234	32,201	15,187	16,706
Prior year	(1,001)	208	(538)	-
Overseas				
Current year	2,662	2,856	-	-
Prior year	(26)	(63)	-	-
Total current tax expenses	31,869	35,202	14,649	16,706
Deferred tax expense				
Origination and reversal of temporary differences	(3,748)	(4,819)	(824)	(2,374)
Under/(over) provision in prior year	551	(166)	906	-
Total deferred tax expenses	(3,197)	(4,985)	82	(2,374)
Total tax expenses	28,672	30,217	14,731	14,332

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	%	2013	%	2012 Restated
Group				
Profit before taxation		94,258		89,741
Taxation at Malaysian statutory tax rate	25	23,565	25	22,435
Effect of different tax rates in foreign jurisdictions	-	(100)	1	612
Effect of different tax rates between corporate income tax and petroleum income tax	7	6,420	8	7,496
Effect of changes in tax rates	-	268	-	(13)
Non deductible expenses, net of non assessable income	2	1,589	3	2,645
Tax exempt income	(2)	(1,991)	(3)	(2,357)
Tax incentives	(1)	(976)	(1)	(556)
Effect of net utilisation deferred tax benefits previously not recognised	-	70	-	(5)
Foreign exchange translation difference	-	303	-	(19)
	31	29,148	33	30,238
Over provision in prior years		(476)		(21)
Tax expense		28,672		30,217
Company				
Profit before taxation		60,309		60,639
Taxation at Malaysian statutory tax rate	25	15,077	25	15,160
Effect of different tax rates between corporate income tax and petroleum income tax	8	5,055	10	5,909
Effect of changes in tax rates	-	172	-	-
Non assessable income, net of non deductible expenses	(1)	(780)	(3)	(1,881)
Tax exempt income	(9)	(5,161)	(8)	(4,856)
	23	14,363	24	14,332
Under provision in prior years		368		-
Tax expense		14,731		14,332

29. DIVIDENDS

In RM Mil	Company 2013	2012
Ordinary:		
Final:		
Tax exempt dividend of 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 2012 (2012: 31 December 2011)	27,000	28,000
Interim:		
First tax exempt dividend of RM50,000 (2012: RM Nil) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967 in respect of financial year 31 December 2013 (2012: 31 December 2012)	5,000	-
	32,000	28,000
Proposed:		
Final:		
Tax exempt dividend of 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 2013 (2012: 31 December 2012)	22,000	27,000

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 2013, 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:

In RM Mil	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Acquisition of:				
- subsidiaries, net of cash acquired	-	(17,751)	-	-
- additional shares in subsidiaries	-	-	(6,201)	(290)
Dividends received	271	105	20,462	20,136
Investment in:				
- associates, joint ventures and unquoted companies	(644)	(424)	(75)	-
- securities	(3,818)	(14,372)	(3,451)	(13,821)
Long term receivables and advances (to)/repaid from:				
- subsidiaries	-	-	(5,058)	(29,214)
- associates and joint ventures	(317)	323	-	-
Other long term receivables	(882)	(170)	-	-
Proceeds from disposal/partial disposal of:				
- investment in subsidiaries, net of cash disposed	-	145	-	157
- investment in associates	9	144	-	-
- property, plant and equipment, prepaid lease payments and intangible assets	5,055	963	110	-
- securities and other investment	8,460	25,494	5,437	21,978
Purchase of property, plant and equipment, prepaid lease payments and intangible assets	(56,555)	(44,991)	(1,865)	(2,574)
Redemption of preference shares in subsidiaries	-	-	-	16
	(48,421)	(50,534)	9,359	(3,612)

31. NET CASH USED IN FINANCING ACTIVITIES

The cash used in financing activities comprise:

In RM Mil	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Dividends paid	(27,539)	(27,461)	(27,539)	(27,461)
Dividends paid to non-controlling interests	(8,954)	(6,525)	-	-
Drawdown of:				
- Islamic financing facilities	822	1,305	-	-
- term loans, notes and bonds	6,532	402	-	-
- revolving credits and bankers' acceptances	5,052	2,483	-	-
Repayment of:				
- Islamic financing facilities	(554)	(1,621)	-	-
- term loans, notes and bonds	(8,616)	(8,688)	(512)	(7,599)
- revolving credits and bankers' acceptances	(3,944)	(3,774)	-	-
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	62	16	-	-
	(37,139)	(43,925)	(28,051)	(35,060)

32. SIGNIFICANT DISPOSALS

On 26 April 2013 and 18 December 2013, the Group via its wholly-owned subsidiary Progress Energy Canada Ltd. ("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.

33. SIGNIFICANT EVENT

On 8 November 2013, PECL entered into a Purchase and Sale Agreement with Talisman Energy Canada and Talisman Energy Inc. to acquire 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 approximately CAD1.5 billion. A CAD30 million deposit has been paid for the acquisition, which is subject to relevant approvals. The transaction is expected to complete in the first quarter of 2014.

34. 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 17 and 23 years.

The future minimum lease payments 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	**2013**	**2012**
Less than one year	1,225	1,231
Between one and five years	4,945	4,918
More than five years	14,020	15,272
	20,190	21,421

Leases as lessee

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

		Group		**Company**
In RM Mil	**2013**	**2012**	**2013**	**2012**
Less than one year	1,122	853	599	596
Between one and five years	3,188	2,893	2,337	2,358
More than five years	2,201	3,353	4,783	5,361
	6,511	7,099	7,719	8,315

35. COMMITMENTS

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

In RM Mil	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Property, plant and equipment				
Approved and contracted for				
Less than one year	28,514	22,204	6,459	1,559
Between one and five years	41,241	20,163	18,808	1,177
More than five years	-	1,429	-	20
	69,755	43,796	25,267	2,756
Approved but not contracted for				
Less than one year	10,678	21,562	599	436
Between one and five years	30,472	41,461	-	531
More than five years	213	-	-	-
	41,363	63,023	599	967
	111,118	106,819	25,866	3,723
Share of capital expenditure of joint venture				
Approved and contracted for				
Less than one year	11,152	10,393	-	-
Between one and five years	1,011	64	-	-
More than five years	699	-	-	-
	12,862	10,457	-	-
Approved but not contracted for				
Less than one year	5,064	3,513	-	-
Between one and five years	24,479	34,625	-	-
More than five years	549	-	-	-
	30,092	38,138	-	-
	42,954	48,595	-	-
Total commitments	154,072	155,414	25,866	3,723

36. CONTINGENT LIABILITIES (UNSECURED)

In RM Mil	Group 2013	Group 2012 Restated	Company 2013	Company 2012
Guarantees extended to third parties	533	468	-	-
Claims filed by/disputes with various parties	29	27	-	-
Contingent payments	92	94	-	-
	654	589	-	-

36. CONTINGENT LIABILITIES (UNSECURED) (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 there is no merit in the claim by the Kelantan State Government.

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. As at the reporting date, the plaintiffs have yet to file an appeal to the Court of Appeal.

In July 2013, Momoto Sdn. Bhd. ("Momoto") filed a suit at the Kuala Lumpur High Court against PETRONAS Technical Services Sdn. Bhd. ("PTSSB"), a wholly owned subsidiary of the Company claiming damages of RM260 million for breach of contract. The suit relates to the sales of the FP1 superbikes by PTSSB to Momoto, where Momoto is alleging that PTSSB had failed to pay all the duties and taxes relating to the FP1 superbikes at the point of the transfer of ownership of the FP1 Superbikes to Momoto. On 31 October 2013, PTSSB obtained an order for stay of the court proceedings pending resolution of the dispute by way of arbitration as provided under the contract. As at the reporting date, Momoto has yet to issue the notice of arbitration.

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.

37. 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	**2013**	**2012**
Directors remuneration:		
- Fees	4	4
- Emoluments	29	23

The estimated monetary value of Directors' benefits-in-kind is RM204,000 (2012: RM171,000).

37. 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*	**2013**	**2012**
Federal and State Governments of Malaysia:		
Petroleum proceeds	12,089	12,286
Lease income receivable	1,264	1,269
Sale of petroleum products	388	347
Government of Malaysia's related entities:		
Sales of petroleum products, processed gas and utilities	8,740	6,335
Associate companies:		
Sales of petrochemical products, processed gas and utilities	3,975	3,696
Purchase of petrochemical products, processed gas and utilities	(104)	(65)
Lease and rental expenses	(302)	(284)
Other expenses	-	(21)
Other income	60	231
Joint ventures:		
Sales of petrochemical products, processed gas, petroleum products and general merchandise	407	593
Interest receivable from joint ventures	26	74
Gas processing fee payable	(379)	(383)
Other expenses	(197)	(184)
Other income	603	682

Company		
Federal and State Governments of Malaysia:		
Petroleum proceeds	12,089	12,286
Government of Malaysia's related entities:		
Sales of petroleum products, processed gas and utilities	4,362	2,056
Subsidiaries:		
Sales of crude oil, petroleum products, processed gas and natural gas	57,437	57,010
Interest receivable from subsidiaries	3,397	2,587
Purchase of crude oil, natural gas and liquefied natural gas	(37,003)	(32,697)
Gas processing fee payable	(3,084)	(2,182)
Research cess	170	128
Supplemental payments	6,049	5,655
Contribution to fund	150	243
Associate companies:		
Sale of processed gas	1,952	1,798
Joint ventures:		
Gas processing fee payable	(379)	(383)

Information regarding outstanding balances arising from related party transactions as at 31 December 2013 are disclosed in note 11, note 17 and note 25.

37. 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. The above has been stated at contracted amount.

38. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which 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:

- Exploration and production - activities include oil and natural gas exploration, development and production, together with related pipeline and transportation activities.
- Gas and power - activities include gas processing and 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.
- Corporate and others - 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.

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 joint ventures and other non-operating income and expenses, as included in the internal management reports. Segment NOPAT is used to measure performance as the Executive Committee believes that such information is the most relevant in evaluating the results of the segments.

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.

38. OPERATING SEGMENTS (continued)

Group **2013** *In RM Mil*	**Exploration and Production**	**Gas and Power**	**Downstream**	**Corporate and Others**	**Consolidation adjustments and eliminations**	**Total**
Revenue						
Third parties	53,628	94,030	155,199	14,457	-	317,314
Inter-segment	66,795	5,879	2,080	4,915	(79,669)	-
Total revenue	120,423	99,909	157,279	19,372	(79,669)	317,314
Reportable segment profit	37,359	17,530	5,789	5,404	603	66,685
Included in the measure of segment profit are:						
Depreciation and amortisation	(19,373)	(1,677)	(2,232)	(2,139)	-	(25,421)
Impairment losses	(4,577)	(2,224)	(42)	(153)	-	(6,996)
Tax expense	(18,290)	(7,006)	(1,512)	(1,864)	-	(28,672)
Segment assets	227,548	90,677	84,193	148,120	(21,878)	528,660
Included in the measure of segment assets are:						
Investments in associates and joint ventures	1,463	3,902	1,491	5,219	-	12,075
Additions to non-current assets other than financial instruments and deferred tax assets	35,699	11,801	5,008	3,685	-	56,193

38. OPERATING SEGMENTS (continued)

Group 2012 Restated *In RM Mil*	Exploration and Production	Gas and Power	Downstream	Corporate and Others	Consolidation adjustments and eliminations	Total
Revenue						
Third parties	49,649	79,176	148,407	13,994	-	291,226
Inter-segment	59,924	6,720	1,928	4,224	(72,796)	-
Total revenue	109,573	85,896	150,335	18,218	(72,796)	291,226
Reportable segment profit	29,213	16,423	6,070	4,369	1,325	57,400
Included in the measure of segment profit are:						
Depreciation and amortisation	(16,528)	(1,559)	(2,293)	(2,033)	-	(22,413)
Impairment losses	(10,217)	(47)	(190)	(445)	-	(10,899)
Tax expense	(22,500)	(5,928)	(1,544)	(245)	-	(30,217)
Segment assets	200,556	72,659	87,066	165,985	(37,113)	489,153
Included in the measure of segment assets are:						
Investments in associates and joint ventures	1,784	3,958	1,084	4,432	-	11,258
Additions to non-current assets other than financial instruments and deferred tax assets	29,382	8,211	4,102	5,377	-	47,072

Reconciliations of reportable segment profits

Group *In RM Mil*	2013	2012 Restated
Total reportable segment profit	66,685	57,400
Financing cost, net of tax	(1,915)	(1,926)
Share of profits of associates and joint ventures, net of tax	1,397	1,576
Unrealised foreign exchange (losses)/gains	(2,108)	871
Other non-operating income, net of tax	1,527	1,603
Profit for the year	65,586	59,524

38. OPERATING SEGMENTS (continued)

Products and services segments

The following are revenue from external customers by products and services:

Group *In RM Mil*	**2013**	**2012 Restated**
Petroleum products	110,471	111,655
Crude oil and condensates	66,137	54,975
Liquefied natural gas	67,794	62,468
Sales and natural gas	35,014	24,604
Petrochemicals	15,299	16,162
Shipping services	6,147	6,118
Investment income	4,005	3,981
Others	12,447	11,263
	317,314	291,226

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in associates and joint ventures) and deferred tax assets.

		Revenue
Group *In RM Mil*	**2013**	**2012 Restated**
Asia	107,850	94,401
Malaysia	75,615	69,234
Japan	50,094	50,855
South Africa	29,705	31,312
Rest of the world	54,050	45,424
	317,314	291,226

		Non-current assets
Group *In RM Mil*	**2013**	**2012 Restated**
Malaysia	203,464	188,708
Asia	27,826	24,515
Rest of the world	60,209	57,927
	291,499	271,150

Major customers

As at 31 December 2013 and 31 December 2012, there are no major customers with revenue that contribute to more than 10 percent of Group revenue.

39. 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. However, the values of these inventories are not taken up in the financial statements of PETRONAS.

39. 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.

40. 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")

40. 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)
2012 (Restated)							
Financial assets							
Long term receivables	*	3,394	-	-	-	-	3,394
Fund and other investments	12	690	15,924	-	7,070	6,844	30,528
Trade and other receivables	*	40,640	-	642	-	-	41,282
Cash and cash equivalents	15	108,638	-	-	-	-	108,638
		153,362	15,924	642	7,070	6,844	183,842
Financial liabilities							
Borrowings	22	(40,737)	-	-	-	-	(40,737)
Other long term liabilities	*	(449)	-	(7)	-	-	(456)
Trade and other payables	*	(54,187)	-	(194)	-	-	(54,381)
Dividend payable		(539)	-	-	-	-	(539)
		(95,912)	-	(201)	-	-	(96,113)

* 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.

40. 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	*	68,815	-	83	-	-	68,898
Cash and cash equivalents	15	46,874	-	-	-	-	46,874
		201,445	8,524	83	556	9,036	219,644
Financial liabilities							
Borrowings	22	(21,733)	-	-	-	-	(21,733)
Other long term liabilities	*	(526)	-	-	-	-	(526)
Trade and other payables	*	(35,749)	-	(217)	-	-	(35,966)
Dividend payable		(5,000)	-	-	-	-	(5,000)
		(63,008)	-	(217)	-	-	(63,225)
2012							
Financial assets							
Long term receivables	11	75,411	-	-	-	-	75,411
Fund and other investments	12	-	15,299	-	711	8,272	24,282
Trade and other receivables	*	39,153	-	430	-	-	39,583
Cash and cash equivalents	15	52,015	-	-	-	-	52,015
		166,579	15,299	430	711	8,272	191,291
Financial liabilities							
Borrowings	22	(20,717)	-	-	-	-	(20,717)
Other long term liabilities	*	(489)	-	-	-	-	(489)
Trade and other payables	*	(16,125)	-	(127)	-	-	(16,252)
Dividend payable		(539)	-	-	-	-	(539)
		(37,870)	-	(127)	-	-	(37,997)

* 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.

40. 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 exploration and production, gas and power, 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 throughout the world and there is no significant concentration of credit risk at reporting date.

40. 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:

In RM Mil	2013	Group 2012 Restated	2013	Company 2012
At net				
Current	29,248	24,609	4,221	3,902
Past due 1 to 30 days	974	1,753	329	253
Past due 31 to 60 days	560	513	121	21
Past due 61 to 90 days	416	514	295	50
Past due more than 90 days	539	1,203	85	330
	31,737	28,592	5,051	4,556
Representing:				
Trade receivables (note 17)	35,804	31,125	6,276	4,601
Less: Impairment losses (note 17)	(4,067)	(2,533)	(1,225)	(45)
	31,737	28,592	5,051	4,556

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:

In RM Mil	2013	Group 2012	2013	Company 2012
Opening balance	2,533	2,235	45	90
Impairment loss/(reversal) recognised	1,327	430	1,180	(45)
Impairment written off	(11)	(16)	-	-
Translation exchange difference	218	(116)	-	-
Closing balance	4,067	2,533	1,225	45

40. FINANCIAL INSTRUMENTS (continued)

Fund and other investments

The Group and the Company are also exposed to counterparty credit risk from financial institutions through fund investment activities comprising primarily money market placement and investments in bonds, and trade facilities. 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 undertakes a credit risk management activities similar to the credit management and monitoring procedures for receivables.

As at the reporting date, the Group and the Company has invested 95% (2012: 96%) and 99% (2012: 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, joint ventures and associates ("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 RM736,960,000 (2012: RM1,079,838,000) and RM2,712,000,000 (2012: RM4,524,000,000) 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:

40. 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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40. 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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40. FINANCIAL INSTRUMENTS (continued)

***Maturity analysis** (continued)*

Group **2012** *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	559	5.00	612	191
USD floating rate loan	988	2.04	1,122	120
RM fixed rate loan	534	6.41	604	63
RM floating rate loan	584	4.07	663	61
Other fixed rate loan	189	4.93	211	2
Other floating rate loan	675	5.45	690	14
Unsecured Term Loans				
USD floating rate loan	2,319	1.68	2,361	2,344
RM floating rate loan	278	4.47	320	121
EURO floating rate loan	3,478	2.99	3,584	3,575
Other fixed rate loan	72	3.81	82	28
Other floating rate loan	65	8.54	80	36
Unsecured Notes and Bonds				
USD Notes	5,261	7.10	7,689	307
USD Guaranteed Notes	9,065	5.25	12,254	482
USD Bonds	3,443	7.69	5,442	265
JPY Bonds	566	3.40	577	577
Unsecured revolving credits				
RM revolving credits	491	3.45	508	508
GBP revolving credits	818	2.00	834	834
Other revolving credits	106	2.14	107	107
Unsecured bank overdrafts				
EURO bank overdrafts	115	1.00	116	116
ZAR bank overdrafts	913	6.25	970	970
Other bank overdrafts	85	14.69	97	97
Secured Islamic financing facilities				
RM Islamic financing facilities	1,898	5.50	2,540	589
Unsecured Islamic financing facilities				
USD Islamic financing facilities	4,582	4.25	4,898	195
RM Islamic financing facilities	3,653	4.30	4,671	365
Trade and other payables	54,187	-	54,187	54,187
Dividend payable	539	-	539	539
Fair value through profit or loss – held for trading				
Derivative liabilities	201	-	201	194
	95,664		105,959	66,887

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40. FINANCIAL INSTRUMENTS (continued)

Maturity analysis *(continued)*

Group **2012** *In RM Mil*	**1-2 years**	**2-5 years**	**More than 5 years**
Loans and borrowings			
Secured Term Loans			
USD fixed rate loan	183	238	-
USD floating rate loan	174	532	296
RM fixed rate loan	495	38	8
RM floating rate loan	57	429	116
Other fixed rate loan	43	148	18
Other floating rate loan	223	442	11
Unsecured Term Loans			
USD floating rate loan	16	1	-
RM floating rate loan	120	79	-
EURO floating rate loan	4	4	1
Other fixed rate loan	18	32	4
Other floating rate loan	27	17	-
Unsecured Notes and Bonds			
USD Notes	2,511	723	4,148
USD Guaranteed Notes	482	1,446	9,844
USD Bonds	265	2,356	2,556
JPY Bonds	-	-	-
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	547	967	437
Unsecured Islamic financing facilities			
USD Islamic financing facilities	4,703	-	-
RM Islamic financing facilities	1,050	1,872	1,384
Trade and other payables	-	-	-
Dividend payable	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	7	-	-
	10,925	9,324	18,823

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40. 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	35,749	-	35,749	35,749
Dividend payable	5,000	-	5,000	5,000
Fair value through profit or loss – held for trading				
Derivative liabilities	217	-	217	217
	62,699		69,839	47,092

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2012				
Loans and borrowings				
Unsecured Notes and Bonds				
USD Notes	3,061	7.88	5,325	241
USD Guaranteed Notes	9,065	5.25	12,254	482
USD Bonds	3,443	7.69	5,442	265
JPY Bonds	566	3.40	577	577
Unsecured Islamic financing facilities				
USD Islamic financing facilities	4,582	4.25	4,898	195
Trade and other payables	16,125	-	16,125	16,125
Dividend payable	539	-	539	539
Fair value through profit or loss – held for trading				
Derivative liabilities	127	-	127	127
	37,508		45,287	18,551

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40. 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

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2012	**1-2 years**	**2-5 years**	**More than 5 years**
Loans and borrowings			
Unsecured Notes and Bonds			
USD Notes	241	723	4,120
USD Guaranteed Notes	482	1,446	9,844
USD Bonds	265	2,356	2,556
JPY Bonds	-	-	-
Unsecured Islamic financing facilities			
USD Islamic financing facilities	4,703	-	-
Trade and other payables	-	-	-
Dividend payable	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	-	-	-
	5,691	4,525	16,520

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Market risk

Market risk is the risk or uncertainty arising from changes 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 include 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.

40. 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**	**2012 Restated**	**2013**	**2012**
Fixed rate instruments				
Financial assets	133,620	130,545	117,677	117,191
Financial liabilities	(36,475)	(37,340)	(21,733)	(20,717)
	97,145	93,205	95,944	96,474
Floating rate instruments				
Financial assets	1,753	2,834	31,430	34,098
Financial liabilities	(5,376)	(3,521)	-	-
	(3,623)	(687)	31,430	34,098

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.

40. 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**	**2012** **Restated**
Denominated in USD		
Financial assets		
Loan and advances to subsidiaries	53,356	50,909
Cash and cash equivalents	8,692	14,766
Trade and other receivables	12,551	10,974
Long term receivables	299	301
Fund and other investments	243	174
Other financial assets	91	504
	75,232	77,628
Financial liabilities		
Loan and advances from holding company	(33,892)	(28,036)
Borrowings	(22,012)	(20,151)
Trade and other payables	(10,633)	(7,816)
Other financial liabilities	(470)	(502)
	(67,007)	(56,505)
Net exposure	8,225	21,123
Denominated in MYR		
Financial assets		
Cash and cash equivalents	5,222	3,054
Trade and other receivables	1,136	1,466
Fund and other investments	-	9
	6,358	4,529
Financial liabilities		
Trade and other payables	(7,536)	(9,007)
Net exposure	(1,178)	(4,478)

40. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk *(continued)*

Group *In RM Mil*	**2013**	**2012 Restated**
Denominated in AUD		
Financial assets		
Cash and cash equivalents	437	678
Trade and other receivables	10	7
Fund and other investments	133	110
Other financial assets	-	122
	580	917
Financial liabilities		
Trade and other payables	(297)	(277)
Other financial liabilities	(188)	-
	(485)	(277)
Net exposure	95	640
Company		
Denominated in USD		
Financial assets		
Loan and advances to subsidiaries	48,941	46,872
Cash and cash equivalents	8,106	13,809
Trade and other receivables	32,930	23,674
Fund and other investments	187	174
	90,164	84,529
Financial liabilities		
Borrowings	(21,733)	(20,151)
Trade and other payables	(5,784)	(3,205)
Other financial liabilities	(454)	(451)
	(27,971)	(23,807)
Net exposure	62,193	60,722

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2013 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2013 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.

40. FINANCIAL INSTRUMENTS (continued)

***Foreign exchange risk** (continued)*

The sensitivity analysis is hypothetical and should not be considered to be predictive of future performance because the Group's actual exposure to market prices is constantly changing with changes in the Group's portfolio of among others, commodity, debt and foreign currency contracts. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a given market variable is calculated independently of any change in another assumption and mitigating actions that would be taken by the Group. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following currency exchange rates:

2013 *In RM Mil*	**Appreciation in foreign currency rate %**	**Reserve**	**Group Profit or loss**	**Reserve**	**Company Profit or loss**
USD	5	1,856	(1,846)	-	3,110
MYR	5	-	(59)	-	-
AUD	5	-	14	-	-
2012					
USD	5	1,682	231	-	3,036
MYR	5	-	(272)	-	-
AUD	5	-	32	-	-

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.

40. 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:

In RM Mil	2013	Group 2012 Restated	2013	Company 2012
Local equities	909	839	247	150
Foreign equities	5,075	5,762	-	-
	5,984	6,601	247	150

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 *In RM Mil*	Increase in price based on average change in index rate %	Reserve	Group Profit or loss	Reserve	Company Profit or loss
Local equities	15	88	48	37	-
Foreign equities	15 to 20	766	-	-	-
2012 (restated)					
Local equities	15	101	43	23	-
Foreign equities	15 to 20	868	-	-	-

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.

40. 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. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Input 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).

Group 2013	**Fair value of financial instruments carried at fair value**		
In RM Mil	**Level 1**	**Level 2**	**Total**
Financial Assets			
Quoted shares	5,984	-	5,984
Short term marketable securities	-	233	233
Quoted securities	25	1,062	1,087
Malaysian Government Securities	-	3,231	3,231
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)

40. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Group 2013 *In RM Mil*	**Fair value of financial instruments not carried at fair value** Level 2	Level 3	Total	**Carrying amount**
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)
Long term liabilities	-	(273)	(273)	(454)
	(26,728)	(15,125)	(41,853)	(39,191)

Group 2012 (restated) *In RM Mil*	**Fair value of financial instruments carried at fair value** Level 1	Level 2	Total
Financial Assets			
Quoted shares	6,601	-	6,601
Short term marketable securities	-	1,793	1,793
Quoted securities	-	932	932
Malaysian Government Securities	-	7,835	7,835
Corporate Private Debt Securities	-	5,559	5,559
Forward foreign exchange contracts	-	574	574
Commodity swaps	-	14	14
Forward gas contracts	54	-	54
	6,655	16,707	23,362
Financial Liabilities			
Interest rate swaps	-	(124)	(124)
Forward foreign exchange contracts	-	(50)	(50)
Commodity swaps	-	(12)	(12)
Forward gas contracts	(15)	-	(15)
	(15)	(186)	(201)

40. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Group **2012 (restated)** *In RM Mil*	**Fair value of financial instruments not carried at fair value***	**Carrying amount**
Financial assets		
Unquoted securities	690	690
Corporate Private Debt Securities	3,395	3,431
Unquoted shares	274	274
Malaysian Government Securities	3,423	3,413
Long term receivables	2,904	2,904
Finance lease receivables	490	490
	11,176	11,202
Financial liabilities		
Notes and Bonds	(22,719)	(18,335)
Term loans	(9,609)	(9,741)
Islamic financing facilities	(10,703)	(10,133)
Long term liabilities	(249)	(449)
	(43,280)	(38,658)

Company **2013**	**Fair value of financial instruments carried at fair value**		
In RM Mil	**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)
	-	(217)	(217)

* Fair value hierarchy has not been disclosed for comparative figures by virtue of transitional provision given in MFRS13.C2.

40. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Company 2013 *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	2,579	-	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)
Financial guarantee	-	(273)	(273)	(526)
	(24,475)	(273)	(24,748)	(22,259)

Company 2012 *In RM Mil*	**Fair value of financial instruments carried at fair value** Level 1	Level 2	Total
Financial assets			
Quoted shares	150	-	150
Short term marketable securities	-	1,793	1,793
Quoted securities	-	174	174
Malaysian Government Securities	-	7,521	7,521
Corporate Private Debt Securities	-	6,296	6,296
Forward foreign exchange contracts	-	430	430
	150	16,214	16,364
Financial liabilities			
Forward foreign exchange contracts	-	(127)	(127)
	-	(127)	(127)

40. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Company **2012** *In RM Mil*	**Fair value of financial instruments not carried at fair value***	**Carrying amount**
Financial assets		
Unquoted shares	76	76
Malaysian Government Securities	3,403	3,393
Corporate Private Debt Securities	4,898	4,879
Long term receivables	79,388	75,411
	87,765	83,759
Financial liabilities		
Notes and Bonds	(20,374)	(16,135)
Islamic financing facilities	(4,816)	(4,582)
Financial guarantee	(249)	(489)
	(25,439)	(21,206)

* Fair value hierarchy has not been disclosed for comparative figures by virtue of transitional provision given in MFRS13.C2.

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.

40. FINANCIAL INSTRUMENTS (continued)

Income/(expense), net gains and losses arising from financial instruments

Group 2013 *In RM Mil*	**Interest income**	**Interest expense**	**Impairment loss**	**Others**	**Total**
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
2012 (restated)					
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

40. 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
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

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.

41. 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 and ensures compliance with all covenants.

There were no changes in the Group's approach to capital management during the year.

42. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

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*.

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 in note 48.

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.

42. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (continued)

ii. MFRS 11 *Joint Arrangements* (continued)

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 in note 48.

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.

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.

42. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (continued)

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 in note 48.

43. 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 January 2014

Amendments to MFRS 10 *Consolidated Financial Statements: Investment Entities*
Amendments to MFRS 12 *Disclosure of Interests in Other Entities: Investment Entities*
Amendments to MFRS 127 *Separate Financial Statements (2011): Investment Entities*
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*

Effective for annual periods beginning on or after 1 July 2014

Amendment to MFRS 2 *Share-based Payment (Annual Improvements to MFRSs 2010-2012 Cycle)*
Amendment to MFRS 3 *Business Combinations (Annual Improvements to MFRSs 2010-2012 Cycle and 2011-2013 Cycle)*
Amendment to MFRS 8 *Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)*
Amendment to MFRS 13 *Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)*
Amendment to MFRS 116 *Property, Plant and Equipment (Annual Improvements to MFRSs 2010-2012 Cycle)*
Amendments to MFRS 119 *Employee Benefits – Defined Benefit Plans: Employee Contributions*
Amendment to MFRS 124 *Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)*
Amendment to MFRS 138 *Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle)*
Amendment to MFRS 140 *Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)*

Effective for a date yet to be confirmed

MFRS 9 *Financial Instruments (2009)*
MFRS 9 *Financial Instruments (2010)*
MFRS 9 *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
Amendments to MFRS 7 *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company are expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The Group and the Company is currently assessing the impact of adopting the above pronouncements.

44. NEW PRONOUNCEMENT NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued a pronouncement which is not yet effective, but for which is 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 January 2014

IC Interpretation 21 *Levies*

Effective for annual periods beginning on or after 1 July 2014

Amendment to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*

45. KEY SUBSIDIARIES AND ACTIVITIES

The key subsidiary undertakings of the Company at 31 December 2013 and the Group percentage of share capital are set out below:

		Effective Percentage Holding		Country of Incorporation	Principal Activities
		2013 %	2012 %		
*	PETRONAS Carigali Sdn. Bhd.	100	100	Malaysia	Petroleum exploration, development and production
	Doba Pipeline Investment Inc.	100	100	Cayman Islands	Investment holding
	PETRONAS Carigali (Chad EP) Inc.	100	100	Cayman Islands	Petroleum operations
	PETRONAS Carigali Chad Exploration & Production Inc.	100	100	Cayman Islands	Investment holding
	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 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

45. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013	2012		
	%	%		
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 Canada B.V.	100	100	Netherlands	Investment holding
Progress Energy Canada Ltd.	100	100	Canada	Petroleum and gas exploration, development and production
PETRONAS Carigali Iraq Holding B.V.	100	100	Netherlands	Petroleum operations
PETRONAS Carigali Myanmar Inc.	100	100	Liberia	Petroleum operations
PETRONAS Carigali Nile Ltd.	100	100	Republic of Mauritius	Petroleum operations
PETRONAS (E&P) Overseas Ventures Sdn. Bhd.	100	100	Malaysia	Investment holding
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
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
PETRONAS Marketing Sudan Limited	100	100	Sudan	Marketing of petroleum products

45. KEY SUBSIDIARIES AND ACTIVITIES (continued)

		Effective Percentage Holding 2013 %	Effective Percentage Holding 2012 %	Country of Incorporation	Principal Activities
∞*	Energas Insurance (L) Limited	100	100	Malaysia	Offshore captive insurance business
∞	MITCO Labuan Co. Limited	100	100	Malaysia	General merchandise trading
∞	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 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 Dagangan Berhad	69.9	69.9	Malaysia	Marketing of petroleum products and operation of service stations
*	PETRONAS Penapisan (Melaka) Sdn. Bhd.	100	100	Malaysia	Refining and condensation of crude oil
*	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

45. KEY SUBSIDIARIES AND ACTIVITIES (continued)

		Effective Percentage Holding 2013 %	Effective Percentage Holding 2012 %	Country of Incorporation	Principal Activities
	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
	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

45. KEY SUBSIDIARIES AND ACTIVITIES (continued)

		Effective Percentage Holding 2013 %	Effective Percentage Holding 2012 %	Country of Incorporation	Principal Activities
	PETRONAS Chemicals Derivatives Sdn. Bhd.	64.3	64.3	Malaysia	Manufacturing and selling ethylene and propylene derivative products
	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
*	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
	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
∞	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

45. KEY SUBSIDIARIES AND ACTIVITIES (continued)

		Effective Percentage Holding		Country of Incorporation	Principal Activities
		2013 %	2012 %		
	Kuala Lumpur Convention Centre Sdn. Bhd.	100	100	Malaysia	Property investment
	Midciti Resources Sdn. Bhd.	75.5	76.1	Malaysia	Property investment
	Putrajaya Holdings Sdn. Bhd.	64.4	64.4	Malaysia	Property owner and developer
@	KLCC Property Holdings Berhad	75.5	52.6	Malaysia	Investment holding and property investment
	Suria KLCC Sdn. Bhd.	45.5	31.6	Malaysia	Property investment
	Arena Merdu Sdn. Bhd.	75.5	51.0	Malaysia	Property investment
*	Institute of Technology PETRONAS Sdn. Bhd.	100	100	Malaysia	Institute of higher learning
∞*	PETRONAS Capital Limited	100	100	Malaysia	Investment holding
∞	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
∞	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.

46. KEY ASSOCIATES AND ACTIVITIES

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013 %	2012 %		
BASF PETRONAS Chemicals Sdn. Bhd.	25.7	25.7	Malaysia	Own and operate acrylic acid and oxo plants
Bintulu Port Holdings Berhad	32.8	32.8	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 Bhd.	9.0	9.0	Malaysia	Selling, marketing, distribution and promotion of natural gas
IDKU Natural Gas Liquefaction Company S.A.E.	38.0	38.0	Egypt	Manufacturing and production of LNG for the purpose of export
Pacificlight Power Pte Ltd (formerly known as GMR Energy (Singapore) 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
Guangxi Nanning Yuchai Lube Co., Ltd	38.4	-	China	Marketing of lubricants
Guangxi Beihai Yuchai High Quality Lube Co., Ltd	38.4	-	China	Marketing of lubricants

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 associate’s board of directors.

47. KEY JOINT VENTURES AND ACTIVITIES

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2013 %	2012 %		
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 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 Island	Transportation of gas
Malaysia Deepwater Floating Terminal (Kikeh) Ltd.	31.8	31.8	Malaysia	Floating production storage and off-loading ("FPSO") owner

48. IMPACT OF THE ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

The following table summarise the impacts of the adoption of new and revised pronouncements, as stated in Note 42 on the Group's and the Company's financial position, performance and cash flows.

a) 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

48. IMPACT OF THE ADOPTION OF NEW AND REVISED PRONOUNCEMENTS
(continued)

a) 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

48. IMPACT OF THE ADOPTION OF NEW AND REVISED PRONOUNCEMENTS
(continued)

b) 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

48. IMPACT OF THE ADOPTION OF NEW AND REVISED PRONOUNCEMENTS
(continued)

b) 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

48. IMPACT OF THE ADOPTION OF NEW AND REVISED PRONOUNCEMENTS
(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

48. IMPACT OF THE ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

(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

REPORT OF THE AUDITORS TO THE MEMBERS

Report on the Financial Statements

We have audited the financial statements of Petroliam Nasional Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 119 to 239.

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 about 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.

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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Appendix I to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG Desa Megat

KPMG Desa Megat & Co.
Firm Number: AF 0759
Chartered Accountants

Johan Idris
Partner
Approval Number: 2585/10/14(J)
Chartered Accountant

Petaling Jaya, Malaysia

Date: 28 February 2014

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS

KLCC (Holdings) Sdn. Bhd. and its subsidiaries:

- Putrajaya Homes Sdn. Bhd.
- Hartamas Riang Sdn. Bhd.
- Convex Malaysia Sdn. Bhd.
- Gas District Cooling (M) Sdn. Bhd.
- Gilang Cendana Sdn. Bhd.
- Hasrat Intisari (M) Sdn. Bhd.
- HLP Bina Sdn. Bhd.
- Impian Bebas Sdn. Bhd.
- Kenyalang Murni Sdn. Bhd.
- KLCC Projeks Sdn. Bhd.
- KLCC Real Estate Management Sdn. Bhd.
- KLCC Projeks Services Sdn. Bhd.
- Kuala Lumpur City Park Berhad
- Layar Intan Sdn. Bhd.
- Menara Putrajaya Sdn. Bhd.
- Purnama Sepi Sdn. Bhd.
- Putrajaya Development Sdn. Bhd.
- Putrajaya Group Sdn. Bhd.
- Putrajaya Projects Sdn. Bhd.
- Putrajaya Resources Sdn. Bhd.
- Senandung Asli Sdn. Bhd.
- Tapak Senja Sdn. Bhd.
- Gas District Cooling (KLIA) Sdn. Bhd.
- Antara Merdu Sdn. Bhd.
- Pelangi Maksima Sdn. Bhd.
- Arena Johan Sdn. Bhd.
- Asas Klasik Sdn. Bhd.
- KLCC Parking Management Sdn. Bhd.
- Kompleks Dayabumi Sdn. Bhd.
- Midciti Resources Sdn. Bhd.
- KLCC REIT Management Sdn. Bhd.
- Midciti Sukuk Berhad
- Arah Moden Sdn. Bhd.
- City Centre Convention Centre Sdn. Bhd.
- Gagasan Ria Sdn. Bhd.
- Gas District Cooling (Putrajaya) Sdn. Bhd.
- Heritage Lane Sdn. Bhd.
- Ilham Merpati Sdn. Bhd.
- Idaman Putrajaya Sdn. Bhd.
- Impian Moden Sdn. Bhd.
- Kelana Perkasa Sdn. Bhd.
- KLCC Convention Centre Sdn. Bhd.
- KLCC Properties Sdn. Bhd.
- Komponen Abadi Sdn. Bhd.
- Kuala Lumpur City Centre Holdings Sdn. Bhd.
- Kuala Lumpur Convention Centre Sdn. Bhd.
- Lembah Putrajaya Sdn. Bhd.
- Metro Kemasik Sdn. Bhd.
- Pedoman Semarak Sdn. Bhd.
- Putrajaya Holdings Sdn. Bhd.
- Putrajaya Management Sdn. Bhd.
- Putrajaya Properties Sdn. Bhd.
- Putrajaya Ventures Sdn. Bhd.
- Serba Harapan (M) Sdn. Bhd.
- Gas District Cooling (Holdings) Sdn. Bhd.
- Gas District Cooling (UTP) Sdn. Bhd.
- Indah Putrajaya Sdn. Bhd.
- Suria KLCC Sdn. Bhd.
- Arena Merdu Sdn. Bhd.
- Impian Cemerlang Sdn. Bhd.
- KLCC Urusharta Sdn. Bhd.
- KLCC Property Holdings Bhd.
- KLCC Real Estate Investment Trust

Marmel Incorporated and its subsidiaries:

- Darton Ltd.
- GCB Associates, LLC
- Sparknight, LLC
- Paterson, LLC
- WG Parcel B, LLC
- Darton U.S. Holdings, Inc.
- Grabhorn Properties, LLC
- World Gateway Investments, Inc.
- World Gateway Property Owners Association

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

MISC Berhad and its subsidiaries:

- AET Agencies Inc.
- AET Inc. Limited
- AET Offshore Services Inc.
- AET Shipmanagement (India) Pte. Ltd.
- AET Shipmanagement (Singapore) Pte. Ltd.
- AET Tanker Holdings Sdn. Bhd.
- Asia LNG Transport Sdn. Bhd.
- Bunga Kasturi (L) Pte. Ltd.
- MISC Nigeria Ltd. (□)
- Malaysian Maritime Academy Sdn. Bhd.
- MISC Offshore Floating Terminals Dua (L) Ltd.
- Misan Logistics B.V.
- MISC Agencies (India) Pvt. Ltd.
- MISC Agencies (Netherlands) B.V.
- MISC Agencies (U.K.) Ltd.
- MISC Capital (L) Ltd.
- MISC Ferry Services Sdn. Bhd.
- MISC Haulage Services Sdn. Bhd.
- MISC International (L) Ltd.
- MISC Offshore Holdings (Brazil) Sdn. Bhd.
- MISC Ship Management Sdn. Bhd.
- MISC Tanker Holdings (Bermuda) Limited
- MTTI Sdn. Bhd.
- Malaysia Marine and Heavy Engineering Holdings Berhad (@)
- Puteri Delima Satu (L) Pte. Ltd.
- Puteri Firus Satu (L) Pte. Ltd.
- Puteri Intan Satu (L) Pte. Ltd.
- Puteri Nilam Satu (L) Pte. Ltd.
- Puteri Zamrud Satu (L) Pte. Ltd.
- Puteri Zamrud Sdn. Bhd.
- Malaysia Marine and Heavy Engineering (Turkmenistan) Sdn. Bhd.
- AET Tanker Kazakhstan LLP
- AET Shipmanagement (USA) LLC
- AET Tankers (Suezmax) Pte. Ltd.
- AET Shuttle Tankers Sdn. Bhd.
- AET MCV Alpha L.L.C.
- AET MCV Gamma L.L.C.
- AET Brasil Services Maritamos Ltda
- AET MCV Beta Pte. Ltd.
- AET Holdings (L) Pte. Ltd.
- AET Lightering Services LLC
- AET Petroleum Tanker (M) Sdn. Bhd.
- AET Shipmanagement (Malaysia) Sdn. Bhd.
- AET Azerbaijan Limited
- AET Tanker India Pte. Ltd.
- AET UK Ltd.
- AET Tankers Pte. Ltd.
- Asia LNG Transport Dua Sdn. Bhd.
- FPSO Ventures Sdn. Bhd.
- Malaysia Deepwater Production Contractors Sdn. Bhd.
- Malaysia Marine and Heavy Engineering Sdn. Bhd.
- MILS Cold Chain Logistics Sdn Bhd (formerly known as MILS - Seafrigo Sdn. Bhd.)
- MILS Cold Hub Sdn. Bhd. (formerly known as MILS - Seafrigo Cold Chain Logistics Sdn. Bhd.)
- MISC Agencies Sdn. Bhd.
- MISC Agencies (Singapore) Pte. Ltd.
- MISC Enterprises Holdings Sdn. Bhd.
- MISC Offshore Mobile Production (Labuan) Ltd.
- MISC Integrated Logistics Sdn. Bhd.
- MISC Offshore Floating Terminals (L) Ltd.
- MISC Properties Sdn. Bhd.
- MISC Tanker Holdings Sdn. Bhd.
- MMHE-SHI LNG Sdn. Bhd.
- MISC Trucking and Warehousing Services Sdn. Bhd.
- Gas Asia Terminal (L) Private Ltd.
- MISC Tankers Sdn. Bhd.
- Puteri Delima Sdn. Bhd.
- Puteri Firus Sdn. Bhd.
- Puteri Intan Sdn. Bhd.
- Puteri Mutiara Satu (L) Pte. Ltd.
- Puteri Nilam Sdn. Bhd.
- Techno Indah Sdn. Bhd.
- MISC PNG Shipping (L) Ltd.
- AET Sea Shuttle AS
- AET MCV Delta Sdn. Bhd.
- AET MCV Beta L.L.C.
- AET MCV Alpha Pte. Ltd.
- AET Brasil Servicos STS Ltda (formerly known as AET Brasil STS Ltda)
- GK O & M (L) Limited

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS Carigali Sdn. Bhd. and its subsidiaries:

- Doba Pipeline Investment Inc.
- PC Gulf Ltd.
- PC (North East Madura IV) Ltd.
- PC (SE Palung Aru) Ltd.
- PC (Timor Sea 06-102) Ltd.
- PETRONAS Carigali (Australia) Pty. Ltd.
- PETRONAS Carigali (Chad EP) Inc.
- PETRONAS Carigali (Ketapang) Ltd.
- PETRONAS Carigali (Surumana) Ltd.
- PETRONAS Carigali (Tanjung Jabung) Ltd.
- E&P O&M Services Sdn. Bhd.
- PETRONAS Chad Marketing Inc.
- PC Algeria Ltd. (ϒ)
- PETRONAS Carigali Niger Exploration & Production Ltd.
- PETRONAS Carigali White Nile (5B) Ltd.
- PETRONAS Carigali Vietnam (Blocks 10 & 11-1) Ltd.
- PETRONAS Carigali (Mandar) Ltd.
- PETRONAS Carigali (Oman) Ltd.
- PETRONAS Iraq Garraf Ltd.
- PETRONAS Carigali Iraq (Halfaya) Ltd.
- PETRONAS Carigali Iraq Holding B.V.
- PETRONAS Carigali Iraq (Badra) Ltd.
- E&P Malaysia Venture Sdn. Bhd.
- PC Lampung II Ltd.
- PC Randugunting Ltd.
- PC (South Pars 11) Ltd.
- PC Venezuela Ltd.
- PETRONAS Carigali (Baisun) Operating Company LLC
- PETRONAS Carigali (Karapan) Ltd.
- PC Ketapang II Ltd.
- PETRONAS Carigali (Tanjung Aru) Ltd.
- PETRONAS Carigali Chad Exploration & Production Inc.
- PETRONAS Carigali International Sdn. Bhd.
- PETRONAS Carigali Mozambique E&P Ltd.
- PETRONAS Carigali Nigeria Limited
- PETRONAS Carigali Overseas Sdn. Bhd.
- Seerat Refinery Investment Inc.
- PC Mozambique (Rovuma Basin) Ltd.
- PETRONAS Carigali Cameroon Ltd.
- PETRONAS Carigali (Baisun) Ltd.
- PETRONAS Carigali (West Glagah Kambuna) Ltd.
- PETRONAS Carigali Iraq (Majnoon) Ltd.
- E&P Venture Solutions Co. Sdn. Bhd.
- Vestigo Petroleum Sdn. Bhd.

PETRONAS Chemicals Group Berhad's subsidiaries:

- Kertih Port Sdn. Bhd.
- PETRONAS Chemicals Ammonia Sdn. Bhd.
- Phu My Plastics and Chemicals Co. Ltd.(☐)
- PETRONAS Chemicals Glycols Sdn. Bhd.
- Vinyl Chloride (Malaysia) Sdn. Bhd.
- PETRONAS Chemicals LDPE Sdn. Bhd.
- PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd.
- PETRONAS Chemicals Derivatives Sdn. Bhd.
- PETRONAS Chemicals Olefins Sdn. Bhd.
- Mitco Labuan India Private Limited

PETRONAS Hartabina Sdn. Bhd. and its subsidiary:

- Prince Court Medical Centre Sdn. Bhd.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS International Corporation Ltd. and its subsidiaries:

- Aktol Chemicals (Pty.) Ltd.
- Azania Petroleum (Pty.) Ltd.
- Citycat Properties (Pty.) Ltd.
- Chemico (Pty.) Ltd.
- Engen African Minority Holdings
- Engen Gabon S.A.
- Engen Group Funding Trust
- Engen Holdings (Ghana) Ltd.
- Engen International Holdings (Mauritius) Ltd.
- Engen Lesotho (Pty.) Ltd.
- Engen Marketing Botswana (Pty.) Ltd.
- Engen (Nigeria) Ltd. (☐)
- Engen Offshore Holdings (Mauritius) Ltd.
- Engen Swaziland (Pty.) Ltd.
- Engen Rwanda Ltd.
- Engen Petroleum Zimbabwe (PVT) Ltd.
- Engen Petroleum (Mocambique) Ltd.
- Engen Petroleum Zambia Ltd.
- Enpet Insurance Ltd.
- Federico Trading (Pty.) Ltd.
- Ivory Properties (Pty.) Ltd.
- Imtrasel (Pty.) Ltd.
- Labuan Energy Corporation Ltd.
- New Jack Trading (Pty.) Ltd.
- PAPL (Upstream) Pty Ltd.
- PC JDA Ltd.
- PC Muriah Ltd.
- PC Myanmar (Hong Kong) Limited
- PAPL Services Pty Limited
- PAPL (Upstream II) Pty Ltd.
- Petroleum Investment Holding Ltd.
- PETRONAS Energy Trading Limited
- PETRONAS Carigali Myanmar Inc.
- PETRONAS Carigali Nile Ltd.
- PETRONAS Carigali Greenland Holding Ltd.
- PETRONAS Carigali Greenland A/S
- PETRONAS Carigali Myanmar III Inc.
- PETRONAS Philippines Inc. (☐) (ϒ)
- PETRONAS Carigali (Urga) Ltd.
- PETRONAS Marketing Sudan Ltd
- Argentinean Pipeline Holding Company S.A. (☐) (ϒ)
- PETRONAS Thailand Co. Ltd. (☐)
- PETRONAS International Power Corporation BV (☐)
- Japan Malaysia LNG Co. Ltd.
- Kabuye Depot Holding Company Rwanda Ltd.
- PICL Siri Company Limited (☐)
- PSE Kinsale Energy Ltd.
- PETRONAS LNG Ltd.
- BGI Properties Ltd.
- Cavallo Engineering & Construction (Pty.) Ltd.
- Durban Liquid Storage Pty. Ltd.
- Engen African Holdings
- Engen Botswana Limited (☐)
- Engen Ghana Ltd.
- Engen Holdings (Pty.) Ltd.
- Engen Holdings Zimbabwe (PVT) Ltd.
- Engen Kenya Ltd.
- Engen Limited
- Engen Marketing Ltd.
- Engen Marketing Zimbabwe Ltd.
- Engen Namibia (Pty.) Ltd.
- Engen Producing (Nigeria) Ltd. (☐)
- Oil Tanking Ltd.
- Engen Petroleum (Burundi) Ltd.
- Engen Petroleum (DRC) Ltd.
- Engen Petroleum Ltd.
- Engen Petroleum Tanzania Ltd.
- Engen Petroleum Zimbabwe (PVT) Ltd.
- Enpet Africa Insurance Ltd.
- MITCO Labuan Co. Limited
- Myanmar PETRONAS Trading Co. Ltd.
- LEC Ireland Employment Ltd.
- Nada Properties Co. Ltd.
- Natuna 1 B.V.
- Engen Petroleum (Mauritius) Ltd.
- Pakenzyl (Pty.) Ltd.
- Parsi International Ltd.
- PC Madura Ltd.
- PAPL (Downstream) Pty Ltd.
- PC Myanmar Holdings Limited (ϒ)
- PC Vietnam Ltd.
- Petrarch Petroleum (Pty.) Ltd.
- PETRONAS Australia Pty. Ltd.
- PETRONAS Carigali (Jabung) Ltd.
- PETRONAS Carigali (Turkmenistan) Sdn. Bhd.
- PETRONAS Carigali (Urga) Operating Company LLC (ϒ)
- Engen Reunion SA
- PETRONAS (E&P) Overseas Ventures Sdn Bhd
  (formerly known as PETRONAS Natuna Sdn. Bhd.)
- PETRONAS Brasil E&P Limitada
- PETRONAS Sierra Leone E&P Ltd.
- PICL (Egypt) Corporation Ltd.
- PSE Ireland Limited
- PSE Seven Head Ltd.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS International Corporation Ltd. and its subsidiaries (continued):

- PT PETRONAS Niaga Indonesia
- PC Mauritania I Pty Limited (□)
- PC Mauritania II B.V. (□)
- PETRONAS Carigali Brunei Co. Ltd.
- PETRONAS LNG Sdn. Bhd.
- PETRONAS LNG (UK) Ltd.
- Quickstep 285 (Pty.) Ltd.
- Renaissance Petroleum (Pty.) Ltd.
- SEP Burundi
- PETRONAS Marketing Ventures Limited
- Trek Petroleum (Pty.) Ltd.
- Zenex Oil (Pty.) Ltd.
- Engen Oil Lesotho (Pty.) Ltd.
- Engen DRC SARL
- Overseas Gas Storage Limited
- Humbly Grove Energy Services Ltd
- PETRONAS Carigali International E&P B.V.
- Pacific Northwest LNG Ltd. (□)
- Pacific Northwest LLP (□)
- Petal Petroleum Limited
- Quickstep 284 (Pty.) Ltd.
- Quickstep 286 (Pty.) Ltd.
- Rockyhill Properties (Pty.) Ltd.
- Sirri International Ltd.
- Sonap Petroleum (South Africa) (Pty.) Ltd.
- ENGEN Ltd. (Malawi)
- Valais Investments (Pty.) Ltd.
- PETRONAS Carigali Canada B.V.
- Progress Energy Co. Ltd.
- PETRONAS Myanmar Limited
- Ximex Energy Holdings (PVT) Ltd.
- Societe de Transport Mace SA
- Engen Company (Mauritius) Ltd.
- Engen Properties (Pty.) Ltd.
- Engen Marketing Tanzania Ltd.
- Engen Oil Zimbabwe (PVT) Ltd.
- Gas Storage Limited
- Humbly Grove Energy Ltd.
- PETRONAS Suriname E&P B.V.
- Progress Energy Canada Ltd. (□)

PETRONAS Maritime Services Sdn. Bhd. and its subsidiary:

- Sungai Udang Port Sdn. Bhd.

PETRONAS Assets Sdn. Bhd. and its subsidiaries:

- PETRONAS ICT Sdn. Bhd.
  (formerly known as iPerintis Sdn. Bhd.)
- Virtus iP Sdn. Bhd.
- Petrofibre Network (M) Sdn. Bhd.

PETRONAS Lubricants International Sdn. Bhd.'s subsidiaries:

- PETRONAS Lubricants Italy S.p.A (□)
- PETRONAS Lubrificantes Brasil S.A. (□)
- PETRONAS Lubricants France S.a.s. (□)
- PETRONAS Lubricants Netherlands B.V. (□)
- PETRONAS Madeni Yaglar TIC LTD STI (□)
- PETRONAS Lubricants Spain S.L.U. (□)
- PETRONAS Lubricants Portugal Lda (□)
- PETRONAS Lubricants China Company Limited (□)
- PLI (Netherlands) B.V.
- Finco (UK) Ltd.
- PETRONAS Lubricants Africa Ltd. (□)
- PETRONAS Marketing China Co. Ltd. (□)
- PETRONAS Lubricants Belgium N.V. (□)
- Viscosity Oil Co. (ϒ)
- PETRONAS Lubricants Poland Sp.Zo.o(□)
- PETRONAS Lubricants Argentina S.A. (ϒ)
- PETRONAS Lubricants Great Britain LTD(□)
- PETRONAS Lubricants Deutschland Gmbh(□)
- FL Nominees Ltd. (ϒ)
- PETRONAS Lubricants (India) Private Limited (ϒ)
- PETRONAS Marketing (Netherlands) B.V. (□)
- PETRONAS Lubricants Shandong Co. Ltd. (□)
- PETRONAS Lubricants Russia LLC (□)
- PLAL Egypt LLC (ϒ)

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS Trading Corporation Sdn. Bhd.'s subsidiaries:

- PETCO Trading (UK) Limited (☐)
- PETCO Trading DMCC (☐)

PETRONAS Technical Services Sdn. Bhd.'s subsidiary:

- PTSSB JLT

Subsidiaries held directly by the Company:

- Energas Insurance (L) Limited
- PETRONAS Management Training Sdn. Bhd.
- PETRONAS South Africa (Pty.) Ltd. (☐)
- PETRONAS NGV Sdn. Bhd.
- Institute of Technology PETRONAS Sdn. Bhd.
- PETRONAS e-Learning Solutions Sdn. Bhd.
- PETRONAS Technical Training Sdn. Bhd.
- PETRONAS Capital Limited

ϒ Consolidated based on management financial statements.
☐ Audited by affiliates of KPMG Desa Megat & Co.
@ The shares of this subsidiary are quoted on the Main Market of Bursa Malaysia Securities Berhad.
☐ The shares of this subsidiary are quoted on the Botswana Stock Exchange.

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