

**PETRONAS GROUP RESULTS FOR THE
FINANCIAL YEAR ENDED 31 MARCH 2010**

	FINANCIAL YEAR ENDED 31 MARCH			
	2010	+/-	2009 (Restated)	2008
	(in RM billion)			
Revenue	216.4	(18.1%)	264.2	223.1
Profit Before Taxation	67.3	(24.5%)	89.1	95.5
EBITDA	85.3	(22.2%)	109.6	109.9
Net Profit After Minority Interests	40.3	(23.2%)	52.5	61.0
Total Assets	410.9	5.4%	389.8	339.3
Shareholder's Funds	242.9	4.7%	232.1	201.7
	(in USD billion)			
Revenue	62.5	(18.8%)	77.0	66.2
Profit Before Taxation	19.4	(25.4%)	26.0	28.4
EBITDA	24.7	(22.6%)	31.9	32.6
Net Profit After Minority Interests	11.6	(24.2%)	15.3	18.1
Total Assets	125.7	17.9%	106.6	106.0
Shareholder's Funds	74.3	17.0%	63.5	63.0
<i>Average RM/US\$ exchange rate</i>	3.4604		3.4318	3.3690

KEY FINANCIAL AND OPERATIONAL RATIOS

	FINANCIAL YEAR ENDED 31 MARCH	
	2010	2009
Return on Revenue (PBT/Revenue)	31.1%	33.7%
Return on Total Assets (PBT/Total Assets)	16.4%	23.0%
Return on Average Capital Employed	25.0%	36.8%
Debt / Assets Ratio	0.13x	0.11x
Reserves Replacement Ratio		
- Domestic	1.6x	1.1x
- International	-0.4x	4.1x
- Total	1.1x	1.8x

OVERVIEW

The Financial Year Ended 31 March 2010 was an unusually difficult and challenging year for the PETRONAS Group, as the first peace-time global recession since the Great Depression took its toll on the global oil and gas industry. Amid a collapse in global consumer spending and falling industrial output, world primary energy demand suffered its first contraction in nearly three decades, led by declines in the demand for oil and gas.

World oil demand eased for the second consecutive year to 84.4 million barrels per day as positive contributions from pockets of demand growth in key emerging economies were more than overwhelmed by demand weaknesses elsewhere. Meanwhile, world production capacity climbed further to 89.4 million barrels per day following the completion and coming onstream of major oil developments in key OPEC countries, as well as from higher output from non-OPEC.

These developments combined to push surplus crude oil production capacity — already significant at the start of the year — even higher, to levels substantially above recent historical experience. Reflecting this situation, oil prices came under sustained downward pressures, although efforts by OPEC to stabilise the market through production cutbacks of approximately 4.2 million barrels per day succeeded in preventing price declines from having been more pronounced. For the year under review, the average price of benchmark crude West Texas Intermediate (WTI) eased 20 percent to USD70.59, while that of Malaysian Crude Oil (MCO) declined similarly to USD72.69.

Weaker oil prices were also similarly mirrored in the price declines of other energy commodities, including natural gas and liquefied natural gas (LNG), as well as in those of petrochemical products, as similarly substantial surplus capacities had also developed all along the oil and gas value-chain.

This challenging industry environment severely tested the resilience of oil majors and national oil companies (NOCs) alike and was reflected in widespread year-on-year declines in their performance for the year. Revenues typically fell by 20 percent, in line with the magnitude of decline in oil prices, while profits fell to a more significant extent as margins continued to remain suppressed. In this respect, while the global recession had provided some reprieve in cost pressures, these were more than outweighed by the adverse effects of lower prices.

Against the backdrop of this difficult operating environment, however, PETRONAS delivered a resilient performance for the year — thanks to its strategy of integration, adding value and globalisation that continues to sustain the Group's competitiveness, robustness and operational efficiency.

REVIEW OF FINANCIAL RESULTS

Highlights

- **The Group's revenue for the year stood at RM216.4 billion, 18.1% lower than the previous year, as a result of lower sales prices and despite higher sales volume.**
- **Revenue from international operations remained the largest contributor to the Group's revenue, at RM98.1 billion or 45.3% of total revenue.**
- **Profit before taxation declined by 24.5% to RM67.3 billion, as a result of lower revenue and partially offset by lower production and operations costs.**
- **Total assets increased by 5.4% to RM410.9 billion and shareholder's funds by 4.7% to RM242.9 billion.**
- **Return on Total Assets and Return on Average Capital Employed remained at par with established players in the industry, at 16.4% and 25.0% respectively.**

The PETRONAS Group recorded a revenue of RM216.4 billion for the year under review, amid a difficult and challenging operating environment. This is 18.1% lower compared to the previous year despite positive contributions from higher volumes sold and was largely due to lower sales prices. The Group's profit before taxation meanwhile amounted to RM67.3 billion, a decline of 24.5% on the year and less profound compared to the -35% average achieved by oil and gas majors and slightly below the -22% average for national oil companies. Nevertheless, the Group's Return on Revenue and Return on Total Assets remained higher than those of other oil and gas majors and national oil companies for the same period.

The Group's payments to the Federal and State governments during the year amounted to RM57.6 billion, a decline of 22.2% from previous year. This comprised of a dividend payment of RM30.0 billion, taxes of RM18.7 billion, petroleum proceeds of RM8.3 billion and export duties of RM0.6 billion. Dividend paid for the financial year of RM30.0 billion represented a Dividend Payout ratio of 74% for the year, against the 57% recorded for the previous year.

In addition to payments to government, PETRONAS also continued to bear subsidies associated with the supply of gas to the domestic power and non-power sectors at regulated prices. Despite upward revisions in those prices during the year, PETRONAS bore a gas subsidy of RM18.9 billion, slightly lower than last year's RM19.5 billion — this brings the total cumulative subsidy borne by the Group since regulated gas prices came into effect in May 1997 to RM116.4 billion. Subsidies to the power sector were lower by 11.8% as a result of lower average marked-to-market prices as well as lower off-take by Independent Power Producers (IPP). Gas subsidies to non-power sector meanwhile increased by 13.2% to RM7.7 billion.

The Group's capital expenditure for the year eased by 15.7% to RM37.1 billion. As in previous years, the bulk of this amount was spent in Malaysia, representing 72% of this year's Group's total capital expenditure. A total of RM26.4 billion, or 71% of this year's Group's capital expenditure, was allocated to the Exploration and Production (E&P) business. Some 69% of this allocation was in turn spent in Malaysia, reflecting ongoing exploration efforts aimed at expanding the nation's hydrocarbons resource base, as well as sustaining current and future oil and gas production.

Total assets increased by 5.4% to RM410.9 billion and shareholder's funds improved by 4.7% to RM242.9 billion. Return on Total Assets and Return on Average Capital Employed, at 16.4% and 25.0% respectively, remained at par with the more established players in the industry, which averaged 13.0% and 22.7% respectively.

REVENUE BY PRODUCTS (in RM billion)		
	2010	2009
Petroleum Products	80.7	91.7
Crude Oil & Condensates	49.8	64.4
LNG	37.0	48.5
Natural Gas	14.3	15.7
Petrochemical Products	12.7	13.1
Shipping	7.5	11.2
LPG	6.2	7.9
Properties	2.9	2.7
Others	5.3	9.0
Total	216.4	264.2

The adverse effects of lower sales prices during the year was partially cushioned by higher sales volume. This in turn was enabled by improved operational efficiency and asset reliability across the Group's businesses.

- Refined petroleum products retained its top spot as the Group's main revenue generator with sales for the year amounting to RM80.7 billion. This was 12.0% lower compared to the previous year and reflects the effects of lower sales prices, despite being partially offset by a higher sales volume of 254.1 million barrels.
- Revenue from the sale of crude oil and condensates, which accounted for 23% of Group's revenue, declined by 22.7% to RM49.8 billion as a result of both lower sales prices and volume.
- Liquefied natural gas (LNG) sales during the year, which contributed 17% to the Group's revenue, amounted to RM37.0 billion, a decline of 23.7% that primarily reflects lower realised prices of LNG and was despite a 4.0% increase in sales volume having been achieved.
- Revenue from the sale of petrochemical products during the year, which represented 6% of the Group's total revenue, totalled RM12.7 billion — lower by 3.1% compared to the previous year despite higher sales volume of 17.5%.

The Group's manufacturing activities, which comprised of the refining of crude oil into petroleum products, the processing and liquefaction of natural gas, as well as the manufacture of various petrochemical products, continued to remain an important vehicle for adding value to the nation's oil and gas resources. Revenue from the Group's manufacturing activities for the year stood at RM121.6 billion, 14% lower compared to the previous year but had the volumes of oil and gas that the Group utilised within its manufacturing operations been sold in their raw forms, revenue would have been lower by a further RM70.4 billion.

Revenue from international operations continued to make the largest contribution to the Group's revenues and reflects favourably on the Group's globalisation strategy. For the year under review, revenues from international operations stood at RM98.1 billion, representing 45.3% of the total. Revenue from exports, meanwhile, declined by 22.9% to RM75.7 billion, mainly due to lower revenue from LNG, crude oil and condensates exports — this represented about 13% of Malaysia's total exports over the same period. Revenue from the domestic market constituted 19.7% of Group revenue, amounting to RM42.6 billion.

REVIEW OF BUSINESS

EXPLORATION & PRODUCTION BUSINESS

Highlights

- Strong Group total reserves of 27.12 billion barrels of oil equivalent (boe) amid strong contribution of 24.2% from international reserves.
- Reserves Replacement Ratio (RRR) of 1.1 times for the Group, with RRR of 1.6 times in Malaysia and -0.4 times internationally.
- Attained a total production of 1.75 million boe per day, amid higher contribution from international production of 639.6 thousand boe per day, equivalent to 36.5% of the Group's total production.
- Awarded four new Production Sharing Contracts (PSCs) in Malaysia, which included the involvement of a new player, MDC Oil & Gas, a subsidiary of Abu Dhabi's Mubadala Development Corporation.
- Secured 17 new PSCs abroad – including 4 Development and Production service contracts in Iraq and 6 PSCs in Greenland, bringing the number of international upstream ventures to 76 in 23 countries.

MALAYSIA'S RESERVES AND PRODUCTION AT A GLANCE		
	2010	2009
Reserves (billion boe)		
As at 1 January	20.56	20.18
<i>Crude oil and condensates</i>	5.80	5.52
<i>Natural gas</i>	14.76	14.66
Production		
('000 boe per day)	1,631.2	1,659.0
<i>Crude oil and condensates</i>	657.2	678.8
<i>Natural gas</i>	974.0	980.2
Reserves Replacement Ratio	1.6x	1.1x

Domestic Exploration & Production

As at 1 January 2010, Malaysia's total reserves increased by 1.9% to 20.56 billion barrels of oil equivalent (boe) from 20.18 billion boe last year mainly due to upward revision of oil reserves in existing fields, resulting from new EOR projects (i.e. Dulang FDP and Samarang Redevelopment), as well as additions from new discoveries from Siakap North, Kawang and Anjung Kecil fields. Crude oil and condensates reserves increased by 5.1% to 5.80 billion boe, while natural gas reserves increased marginally to 14.76 billion boe from 14.66 billion boe. The Reserves Replacement Ratio (RRR) for the year was 1.6 times.

Malaysia's total average production decreased by 1.7% to 1.63 million boe per day. Production of crude oil and condensates amounted to an average of 657.2 thousand barrels per day while gas production averaged at 5.8 billion cubic feet per day (equivalent to 974.0 thousand boe per day).

Total PETRONAS Group's average domestic production for the year, which comprises of PETRONAS' entitlement of total national production as well as PETRONAS Carigali's (PCSB) domestic production, accounted for 1.1 million boe per day or 68.2% of total average national production. This is a decrease from last year's share of 70.4% and reflects the effects of lower entitlements.

Despite maturing acreages, foreign companies continue to exhibit keen interest to bid and operate blocks in Malaysia. In particular, four (4) new PSCs were awarded during the year, namely the 2008 PSC offshore Peninsular Malaysia, Block SK320 PSC offshore Sarawak, and Block SB309 and Block SB310 PSC offshore Sabah, bringing the total number of PSCs in operation to 72. The year also saw the emergence of a new player on the domestic E&P front — namely, MDC Oil & Gas, a subsidiary of Abu Dhabi's Mubadala Development Corporation, which was jointly awarded Block SK320 with PCSB.

Two (2) new gas fields were brought onstream during the year – Golok and PC4 – increasing the total number of producing fields in Malaysia to 106 (68 oil and 38 gas fields).

INTERNATIONAL RESERVES AND PRODUCTION AT A GLANCE		
	2010	2009
Reserves (billion boe)		
As at 1 January	6.56	6.84
<i>Crude oil and condensates</i>	2.08	2.20
<i>Natural gas</i>	4.08	4.28
<i>Coal Seam Gas</i>	0.40	0.36
Production		
('000 boe per day)	639.6	629.0
<i>Crude oil and condensates</i>	264.5	275.9
<i>Natural gas</i>	375.1	353.1
Reserves Replacement Ratio	-0.4x	4.1x

International Exploration & Production

The Group's international reserves stood at 6.56 billion boe, compared to 6.84 billion boe last year primarily as a result of a number of downward reserve revisions. In particular, crude oil and condensates reserves were lower by 5.5% at 2.08 billion boe, while gas reserves declined by 3.4% to 4.48 billion boe. Consequently, the Group saw an RRR of -0.4 times for its international E&P operations.

Total average production from the Group's international operations was 639.6 thousand boe per day, an increase of 1.7% from the previous year. Crude oil and condensates production decreased to 264.5 thousand boe per day from 275.9 thousand boe per day, reflecting the expiry of the South Pars 2 & 3 service contract in Iran, in July 2009, which reduced condensates production by about 20 kb/d. Nevertheless, average gas production increased 6.2% to 375.1 thousand boe per day, mainly due to higher production from Malaysia-Thailand Joint Development Area and higher gas production in Myanmar.

The Group secured 17 new international Production Sharing Contracts (PSCs) and Development and Production service contracts during the year, namely North Damietta in Egypt; Sigguk, Eqqua, Kingittoq, Saqqamiut, Uummannarsuaq and Salliit in Greenland; West Gelagah in Indonesia; Badra, Gharraf, Halfaya and Majnoon in Iraq; M10 in Mozambique; MD4, MD5 and MD6 in Myanmar; and Natih in Oman. The Group's E&P Business now operates in 23 countries globally with a total of 76 international ventures. Of these,

PETRONAS is the operator for 31 ventures, joint operator for thirteen and an active partner in the remaining 32 ventures.

The year also saw the achievement of First Production in five of the Group's international projects — namely, West Delta Deep Marine (WDDM) Ph 5 & WDDM Ph 6 (Egypt), Yetagun Infill (Myanmar) Block 3 & 7 (Sudan) and Bunga Kekwa (PM3 CAA).

Overall, the Group's total reserves stood at 27.12 billion boe, of which 24.2% was from international ventures. The Group's total average production decreased by 2.5% from 1,796.2 thousand boe per day to 1,751.4 thousand boe per day, with production from international operations accounting for 36.5% of the combined production.

GAS BUSINESS

Highlights

- **Delivered a sales gas volume of 2,546 million standard cubic feet per day (mmscfd) to domestic markets, a decrease of 0.7% from previous year.**
- **PGB maintained a 99.97% reliability rate for the PGU system pipeline network, exceeding the world class standard of 99.90%.**
- **Higher LNG sales volume of 26.1 million tonnes, with 22.8 million tonnes from PETRONAS LNG Complex, 1.9 million tonnes from Egyptian LNG (ELNG) and 1.4 million tonnes from trading activities.**
- **Successfully commissioned the Dragon LNG regasification terminal.**
- **Delivered its first LNG cargo to Shanghai LNG.**

GAS BUSINESS AT A GLANCE		
	FY 2010	FY 2009
Total Average Sales Gas Volume (mmscfd)	2,546	2,563
Average Sales Gas through PGU (mmscfd)	2,088	2,146
LNG Sales Volume (million tonnes)	26.1	25.0
<i>Malaysia LNG (MLNG)</i>	22.8	22.3
<i>Egyptian LNG (ELNG)</i>	1.9	1.8
<i>Additional 3rd party volume from trading activities</i>	1.4	0.9

Gas Processing & Transmission

During the review period, the Group sold an average volume of 2,546 mmscfd of gas in Malaysia, a decrease of 0.7% compared to 2,563 mmscfd sold the previous year. Of that, an average of 2,088 mmscfd was sold through the Peninsular Gas Utilisation (PGU) system, a decrease of 2.7% from last year's average volume of 2,146 mmscfd due to upstream reservoir management and maintenance activities which affected the feedgas volume processed.

To meet the demand and to make up for the lower supply from the fields offshore Terengganu, the Group imported 499 mmscfd gas into the PGU system. The gas imports were sourced from Indonesia and Malaysia-Thailand Joint Development Area (MTJDA).

The power sector continued to be the largest consumer of gas, taking up an average of 1,176 mmscfd or 56.3% of the total volume, of which 55.4% of that volume was utilised by the

Independent Power Producers (IPPs). The non-power sector, comprising industrial, petrochemical and other users, consumed an average of 787 mmscfd or 37.7% of the total volume while the balance of 6.0% was exported to Singapore.

The Group's gas processing and transmission arm, PETRONAS Gas Berhad (PGB) sustained world class operations standards for its Gas Processing Plants and pipeline network with reliability rates of 99.70% and 99.97% respectively.

Liquefied Natural Gas

The Group's total LNG production increased to 24.7 million tonnes from 24.1 million tonnes previously mainly as a result of higher production from the PETRONAS LNG Complex in Bintulu. This was enabled by lower unscheduled plant downtime, which allowed for a higher production of 22.8 million tonnes to be sustained.

About 56% of production from Bintulu, amounting to 12.7 million tonnes, was exported to Japan, about 24% or 5.6 million tonnes was sold to South Korea, 13% or 2.9 million tonnes to Taiwan, and 3% or 0.7 million tonnes was sold to China, mostly under long-term contracts. PETRONAS maintained its strong presence in LNG trade as evidenced by the increase in its market shares in Japan and South Korea.

PETRONAS also successfully delivered its first LNG cargo to Shanghai LNG Company Limited, pursuant to a 25-year sale and purchase agreement (SPA) signed in 2006. The SPA, which is PETRONAS' first long-term LNG contract with China, marks a major breakthrough for PETRONAS in China's energy sector. Total deliveries to China for the year had allowed the Group to garner an 11% market share in the country.

The Group successfully improved its LNG plant's reliability to 97.4% following lower unscheduled downtime as compared to the previous financial year. This reinforced the Group's reputation as a reliable supplier of LNG.

PETRONAS continued to seek business opportunities presented by the growing LNG spot market. During the year, an additional 1.4 million tonnes of LNG were sourced from third parties to support the Group's global LNG trading activities.

PETRONAS also signed a Heads of Agreement (HoA) to purchase 2 million tonnes per annum (mtpa) of LNG with the option for an additional 1 mtpa from the integrated LNG facilities in Gladstone, Australia. The Agreement covers the sale and delivery of LNG to PETRONAS for a period of 20 years beginning 2014. The Agreement is nevertheless conditional only upon the GLNG project reaching a final investment decision.

Other Downstream Gas Ventures

Dragon LNG regasification terminal was successfully commissioned during the year as part of PETRONAS' effort to build complimentary assets to support its global Gas and LNG aspirations. PETRONAS also successfully completed the acquisition of Marathon Petroleum Venus Limited's entire equity shareholding in Marathon Oil Ireland Limited (MOIL), an Irish upstream and gas storage company.

PETGAS Trading (UK) Limited (PETGAS) — PETRONAS trading arm in the UK — marked another significant milestone when it signed an LNG Put Option Agreement with Gazprom Global LNG Limited (GGLNG). The signing of the Agreement further strengthens the relationship between PETRONAS and Gazprom, signifying the Group's continuous effort to enhance its collaboration with the world's biggest gas supplier.

DOWNSTREAM BUSINESS

Highlights

- Higher traded volume of crude oil and petroleum products of 190.3 million barrels, enabled through further expansions in trading portfolio.
- Higher petroleum product retail sales volume of 151.4 million barrels on sustained growth in both domestic and international operations, an increase of 11% despite intense market competition.
- Stronger market presence in key focus lubricants markets through more aggressive marketing as well as the introduction of new product ranges – namely URANIA, Syntium Moto and M-Plus.
- Signed a 5-year partnership agreement with Mercedes GP in Formula One to support international business expansion efforts, particularly with regard to the Group's lubricants business.
- Launched *Dynamic* Diesel nationwide, Malaysia's first diesel fuel to have met the EURO 2M standards.
- Higher production level of petrochemical products of 9.7 million tonnes compared to the previous year's of 9.2 million tonnes on the back of higher plant reliability rate of 96.2%.
- Strengthened PETRONAS' regional position in the olefins and derivatives business through acquisition of Dow Chemicals's shares in OPTIMAL group of Companies.

REFINING AND TRADING AT A GLANCE		
	FY 2010 (in million barrels)	FY 2009 (in million barrels)
Crude Oil Refining		
Processing of MCO	100.0	105.4
Processing of non-MCO	52.7	53.0
Marketing		
Export of Malaysian Crude Oil (MCO)	58.8	76.4
Exports of Petroleum Products	55.6	60.3
Sale of Foreign Equity Crude Oil (FEC)	52.4	51.8
Trading		
Crude Oil	104.8	96.8
Petroleum Products	85.5	75.2

DOWNSTREAM MARKETING AT A GLANCE		
	FY 2010 (in million barrels)	FY 2009 (in million barrels)
Petroleum Products Retail		
Domestic (including commercial)	81.9	78.8
International	69.5	57.6

Downstream Business continued to play a strategic role in adding further value to the nation's oil and gas resources through its integrated activities in petroleum refining, marketing and trading, lubricants marketing and retailing, as well as petrochemicals manufacturing and marketing.

Crude Oil & Petroleum Products Marketing

The Group's crude oil and petroleum products marketing activities for the year were impacted by lower crude oil and condensate production upstream. Amid lower volumes available for sale, total marketed crude oil and petroleum products declined 11.5% on the year to 166.8 million barrels — exports of Malaysian Crude Oil (MCO) in particular declined to 58.8 million barrels. More than 80% of MCO exports were marketed within Asia and the balance in Australia, New Zealand and the US. Similarly, the Group also exported lower volumes of petroleum products of 55.6 million barrels.

Sales of Foreign Equity Crude Oil (FEC) nevertheless increased 1.2% to 52.4 million barrels despite lower international crude oil and condensate production. This reflects higher entitlements from the Group's international operations amid lower crude oil prices for the year.

Crude Oil & Petroleum Products Trading

Lower marketing volumes were nevertheless compensated for through higher trading activities. Total volume of crude oil traded for the year increased 8.2% to 104.8 million barrels, while that of petroleum products rose 13.7% to reach 85.5 million barrels. The increase in volumes was achieved generally on the back of further expansions in the Group's trading portfolio, including the addition of 16 new crudes from various countries in Asia, the Middle East and the Caspian region. In the case of petroleum products, higher traded volumes reflected the Group's intense efforts to capture market opportunities globally with a focus on newly established trading frontiers in Europe and Russia.

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, the Group's domestic refineries collectively achieved a throughput volume of 118.6 million barrels and reflects a lower utilisation rate of 85.7% mainly attributable to the planned shutdown of subsidiary Malaysian Refining Corporation (MRC) for a plant revamp and turnaround exercise. Upon completion, this exercise is expected to strengthen MRC's refining capabilities, as well as provide room for greater flexibility in crude sourcing.

Despite the lower domestic refinery utilisation rate, however, the overall reliability rate increased further to 98.9%, a testimony to the Group's continued operational excellence. This strong emphasis on safe operations was recognised at both the international and national levels, with both PETRONAS Penapisan (Melaka) Sdn Bhd and MRC having received awards for Occupational Health & Safety as well as the Special Award (Environmental) during the 2010 Royal Society for Prevention of Accidents (RoSPA) Awards.

The Group's refinery in Durban, South Africa, owned and operated by leading South African fuels and lubricants marketer and subsidiary Engen Ltd., recorded a marked improvement in both its refinery utilisation and reliability rates, which strengthened to 68.1% and 95.6% respectively during the year. This had enabled the Group's international refining operations to achieve a higher throughput of 34.1 million barrels.

Petroleum Product Retailing

The Group's domestic and international retail operations achieved a higher sales volume of 151.4 million barrels of petroleum products, amounting to an increase of 11.0% from the previous year.

Amidst stiff competition, PDB registered a higher sales volume of 81.9 million barrels of petroleum products (including commercial sales) and continued to defend its position as the nation's leading marketer of petroleum products with a total estimated market share of 43.2%. Efforts to improve its network outreach saw the addition of 13 new stations during the year, bringing the number of total stations in its retail network to 925.

In South Africa, Engen retained its market dominance despite market pressures sustained from more aggressive pricing from competitors and achieved higher sales volumes, particularly to the transportation and commercial sectors.

As part of its growth strategy in the sub-Saharan Africa, Engen also succeeded in growing its business particularly in Namibia and Botswana, where it commands a sizeable market share of 35% and 27% respectively. Engen also expanded its retailing presence in the Democratic Republic of Congo through the acquisition of FinaCongo's assets. With these acquisitions, Engen achieved an expanded network across the African continent of 1,489 retail stations.

In Sudan, PETRONAS Marketing Sudan Limited (PMSL) attained higher sales volumes reflecting improved performance of its retail operations, as well as increased sales to the United Nations' (UN) operations in the country. During the year, PMSL also expanded its network reach, which now boasts a total of 78 stations.

Lubricants

The Group's lubricants business, led by PETRONAS Lubricants International (PLI), continued to deliver a resilient performance during the year. Despite unfavourable market conditions, PLI successfully defended its market share in Italy, and strengthened its presence further in Brazil, South Africa and Malaysia. This was achieved thanks to more aggressive marketing efforts and to the pursuit of large-scale Original Equipment Manufacturer (OEM) business opportunities. To this end, the introduction of new product ranges – namely, Urania, Syntium Moto and M-Plus – also helped strengthen the Group's competitive positioning.

Following the 5-year partnership agreement between PETRONAS and the Mercedes GP team in Formula One, the Group's lubricants business is poised to gain from increased global exposure to its product portfolio as well as from increased global marketing footprint.

PETROCHEMICAL AT A GLANCE		
	FY 2010	FY 2009
Production Volume (million tonnes)	9.7	9.2
<i>Subsidiaries</i>	8.1	6.9
<i>Associates</i>	1.6	2.3
Sales Volume (million tonnes)	6.7	5.7
<i>Marketing</i>	5.9	5.0
<i>Trading of third-party volumes</i>	0.8	0.7
Overall plant reliability rate	96.2%	94.9%

During the year under review, the Group (including its associates) produced 9.7 million tonnes of petrochemical products, a 5% increase from the 9.2 million tonnes produced in the previous year. Higher production reflects both the effect of first full-year operation of Mega Methanol plant as well as improved operational performance. The Group's petrochemical plants also achieved a higher reliability rate during the year in line with its pursuit of operational excellence.

Sales volume recorded a 17% increase from 5.7 million tonnes to 6.7 million tonnes, having benefited from the Group's ability to market its products in various regional economies whose demand proved comparatively more resilient in the face of the global downturn.

During the year, the Group also strengthened its regional position in the olefins and derivatives business with the acquisition of The Dow Chemical Company's shareholding in the OPTIMAL Group of Companies. With the purchase, PETRONAS now holds an 88% equity stake in Optimal Olefins Malaysia Sdn Bhd, and 100% stakes in both Optimal Glycols Malaysia Sdn Bhd and Optimal Chemicals Malaysia Sdn Bhd.

LOGISTICS AND MARITIME BUSINESS

Highlights

- Took delivery of two Aframaxes and five chemical tankers.
- Vessel utilization stood at 94.4% during the year, lower than the 97.2% attained in the previous year amid a challenging industry environment.
- Entered into a joint venture agreement with Vitol Tank Terminals International B.V. ("VTTI") and VTTI Tanjung Bin S.A., for the purpose of constructing, commissioning and operating an oil terminal at Tanjung Bin, Johor.
- Entered into a joint venture agreement with Al-Hilal Shipping Agency LLC to incorporate a JV company in UAE as the sole and exclusive shipping agent for MISC, and to carry out other allied shipping activities in UAE.

LOGISTICS AND MARITIME BUSINESS AT A GLANCE		
	Fleet Numbers by Business	
	FY 2010	FY 2009
LNG	29	29
Petroleum	44	45
Chemical	17	17
FPSO/FSO	9	9
Liner	18	19
Total	117	119

Despite the challenging environment which had placed pressure on shipping rates, the Group's Logistics and Maritime Business, led by subsidiary MISC Berhad, continued to position itself for potential business growth as market moves into the recovery phase.

During the year, MISC took delivery of five (5) chemical carriers – Bunga Akasia, Bunga Alamanda, Bunga Allium, Bunga Alpinia and Bunga Bakawali, - to strengthen its presence at Red Sea into Middle East – Far East route, as well as the delivery of two (2) Aframaxes - Eagle Kuching and Eagle Kuantan. MISC also disposed of five (5) chemical carriers and three (3) petroleum product vessels – all single hull vessels.

During the year, MISC Group's vessel utilization was at 94.4%, a decline from 97.2% due to the ongoing reduction in global trade coupled with surplus tonnage. Slot utilisation rate for

Liner Business declined further to 62.2% mainly as a result of a rationalisation of its Asia-Europe Trade routes.

The Offshore Business initiated its first venture into Vietnam through a strategic partnership with Petroleum Technical Services of Vietnam (PTSC) and MISC for FPSO Ruby II. The Business also created another milestone by collaborating with Global Process System (“GPS”) to supply, operate and maintain the two MOPUs – MOPU Satu and MOPU Dua – at Block SK305 offshore Sarawak for PCPP Operating Company Sdn Bhd (PCPP).

The recent slump in economic activities had also resulted in the worst-ever freight rates for the Liner Business. During the year, the business took proactive steps to redeploy from Asia-Europe trade routes and refocused their shipping activities to more profitable trade routes of the Intra Asia, finding its niche and specialization within the Global Halal trade. Besides its Halal Service, the Liner Business also launched 3 new Intra-Asia services – Malaysia East Asia Service (MES), East India Service (EIS) and Siam-Singapore Service (SSS) – to complement the current services and to improve MISC’s position in the region. Currently, MISC is ranked 6th in terms of capacity deployed in the Intra Asia region.

MISC and its wholly-owned subsidiary, MISC International (L) Limited, entered into a Joint Venture Agreement with Vitol Tank Terminals International B.V. (“VTTI”) and VTTI Tanjung Bin S.A., to participate in a JV company which will hold 100% shares of ATT Tanjung Bin Sdn Bhd (“ATB”). ATB is established for the purpose of constructing, commissioning and operating an oil terminal with a base capacity of approximately 741,200 m³ at Tanjung Bin, Johor.

MISC’s subsidiary, Malaysia Marine and Heavy Engineering Sdn Bhd (MMHE) continued to chart progress in the marine and heavy engineering business. During the year, MMHE completed three fabrication projects, three marine conversions, as well as marine repair works for 74 vessels.

CONCLUSION

The resilient performance delivered against the backdrop of a difficult operating environment characterised by weak market fundamentals, lower prices and comparatively high cost levels demonstrate the PETRONAS Group's ability to remain resilient amidst overwhelming odds.

Driving this performance excellence is the Group's proven strategy of integration, adding value and globalisation that has served the PETRONAS Group well in addressing industry challenges, and enabled the organisation to evolve and grow into what it is today. The strategy is complemented by the Group's philosophy of mutually beneficial partnerships and alliances anchored on long term relationships based on mutual trust, respect and understanding.

One of the key enablers to the successful implementation of the Group's strategy and philosophy is its people, firmly guided by the organisation's *Shared Values* of Loyalty, Integrity, Professionalism and Cohesiveness in discharging their responsibility as trustees to the people and the nation. These values have become the soul of this organisation and are key differences between PETRONAS and many of its competitors, instilling in its people the resolve to deliver a superior performance and to leave a legacy for future generations.

Going forward, the Group faces significant and growing challenges in an increasingly difficult industry environment. Existing domestic acreages are maturing, with both reserves and production set to decline unless more investments are ploughed into increasing recoverability from existing oil and gas fields, as well as to test new plays. At the same time, access to commercially attractive reserves internationally have also become more difficult, as sizeable discoveries are increasingly to be found at greater geographical distances from the market, in geologically more complex formations and often subject to tighter fiscal terms. The emergence of new, game-changing technologies, particularly in natural gas, while presenting the Group with new opportunities, also creates challenges in managing their implications for our existing portfolio.

In confronting these challenges, PETRONAS remains focused on the long-term. We will continue building our capacity and capabilities to enable superior project execution under technically- and operationally-challenging environments.

We will also continue to elevate a performance-driven and results-oriented corporate culture within the organisation. In this respect, the requirement for continuous reinvestment on quality assets is expected to increase as PETRONAS seeks to expand both domestically and internationally.

To this end, PETRONAS remains committed to this tested and proven long-term strategy of integration, value adding and globalisation while investing in capacity and capability to enhance its ability to compete effectively and efficiently amid stiffer industry competition. It will continue to forge mutually beneficial partnerships and alliances based on mutual trust, respect and understanding. With full support from its stakeholders, PETRONAS is ready to face the challenges and remains devoted to raising the level of its performance to not only meet but exceed the expectations of all its stakeholders.

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