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

INTERIM FINANCIAL REPORT FOR FIRST QUARTER 2012

The Board of Directors of Petroliam Nasional Berhad ("PETRONAS" or the "Company") is pleased to announce the following unaudited condensed consolidated financial statements of PETRONAS Group for the first quarter ended 31 March 2012 which should be read in conjunction with the Explanatory Notes on pages 6 to 21 and Appendix 1 on pages 22 to 24.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended 31 March	
In RM Mil	**2012**	**2011**
Revenue	75,173	65,642
Cost of revenue	(41,713)	(37,280)
Gross profit	33,460	28,362
Selling and distribution expenses	(1,236)	(1,249)
Administration expenses	(2,662)	(6,404)
Other expenses	(682)	(1,052)
Other income	1,626	1,400
Operating profit	30,506	21,057
Financing costs	(823)	(893)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entities	355	586
Profit before taxation	30,038	20,750
Tax expense	(9,294)	(7,982)
PROFIT FOR THE PERIOD	20,744	12,768
Other comprehensive (expenses)/ income		
Net movements from exchange differences	(4,461)	(1,340)
Available-for-sale financial assets		
- Changes in fair value	813	1,349
- Transfer to profit or loss upon disposal	(468)	-
Other comprehensive income	45	83
	(4,071)	92
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16,673	12,860
Profit attributable to:		
Shareholders of the Company	18,212	10,554
Non-controlling interests	2,532	2,214
PROFIT FOR THE PERIOD	20,744	12,768
Total comprehensive income attributable to:		
Shareholders of the Company	14,537	11,009
Non-controlling interests	2,136	1,851
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	16,673	12,860

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

INTERIM FINANCIAL REPORT FOR FIRST QUARTER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	**As at 31.3.2012**	**As at 31.12.2011**	**As at 1.4.2011**
ASSETS			
Property, plant and equipment	206,431	205,555	190,949
Investment properties, land held for development and prepaid lease payments	13,050	13,250	12,753
Investments in associates and jointly controlled entities	12,449	12,323	11,561
Intangible assets	19,692	20,614	13,272
Fund and other investments	4,559	3,495	11,824
Cash and cash equivalents	65	89	108
Other non-current assets	8,018	7,971	7,268
TOTAL NON-CURRENT ASSETS	264,264	263,297	247,735
Trade and other inventories	13,631	12,366	10,274
Trade and other receivables	37,859	37,349	33,099
Fund and other investments	22,399	35,383	37,869
Cash and cash equivalents	142,174	125,358	106,556
Other current assets	1,562	1,393	792
TOTAL CURRENT ASSETS	217,625	211,849	188,590
TOTAL ASSETS	481,889	475,146	436,325
EQUITY			
Share capital	100	100	100
Reserves	273,325	286,797	262,172
Total equity attributable to shareholders of the Company	273,425	286,897	262,272
Non-controlling interests	32,234	32,079	31,283
TOTAL EQUITY	305,659	318,976	293,555
LIABILITIES			
Borrowings	38,304	39,674	44,354
Deferred tax liabilities	12,839	13,267	12,865
Other long term liabilities and provisions	24,552	23,977	24,544
TOTAL NON-CURRENT LIABILITIES	75,695	76,918	81,763
Trade and other payables	42,912	50,408	38,122
Borrowings	11,389	12,849	3,457
Taxation	18,234	15,995	13,428
Dividend payable	28,000	-	6,000
TOTAL CURRENT LIABILITIES	100,535	79,252	61,007
TOTAL LIABILITIES	176,230	156,170	142,770
TOTAL EQUITY AND LIABILITIES	481,889	475,146	436,325

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

INTERIM FINANCIAL REPORT FOR FIRST QUARTER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Non-distributable			
In RM Mil	**Share Capital**	**Capital Reserves**	**Foreign Currency Translation Reserve**	**Available-for-sale Reserve**
Quarter ended 31 March 2011				
Balance at 1 January 2011	100	13,110	(12,666)	5,583
Net movements from exchange differences	-	-	(911)	-
Changes in fair value of available-for-sale financial assets	-	-	-	1,326
Other comprehensive income	-	40	-	-
Total other comprehensive income/(expenses) for the period	-	40	(911)	1,326
Profit for the period	-	-	-	-
Total comprehensive income/ (expenses) for the period	-	40	(911)	1,326
Additional issuance of shares to non-controlling interests	-	-	-	-
Additional equity interest in a subsidiary	-	-	-	-
Dividends	-	-	-	-
Other movements	-	300	-	-
Total contribution from/ (distribution to) shareholders	-	300	-	-
Balance at 31 March 2011	100	13,450	(13,577)	6,909
Effect of transition to MFRS	-	-	13,403	-
Balance at 1 April 2011	100	13,450	(174)	6,909
Quarter ended 31 March 2012				
Balance at 1 January 2012	100	13,405	4,305	1,974
Net movements from exchange differences	-	-	(4,021)	-
Available-for-sale financial assets				
- Changes in fair value	-	-	-	802
- Transfer to profit or loss upon disposal	-	-	-	(468)
Other comprehensive income	-	12	-	-
Total other comprehensive income/(expenses) for the period	-	12	(4,021)	334
Profit for the period	-	-	-	-
Total comprehensive income/ (expenses) for the period	-	12	(4,021)	334
Dividends	-	-	-	-
Other movements	-	(3)	-	-
Total distribution to shareholders	-	(3)	-	-
Balance at 31 March 2012	100	13,414	284	2,308

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PETRONAS

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

INTERIM FINANCIAL REPORT FOR FIRST QUARTER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company				
	Distributable				
In RM Mil	**General Reserve**	**Retained Profits**	**Total**	**Non-controlling Interests**	**Total Equity**
Quarter ended 31 March 2011					
Balance at 1 January 2011	12,000	240,620	258,747	32,372	291,119
Net movements from exchange differences	-	-	(911)	(429)	(1,340)
Changes in fair value of available-for-sale financial assets	-	-	1,326	23	1,349
Other comprehensive income	-	-	40	43	83
Total other comprehensive income/(expenses) for the period	-	-	455	(363)	92
Profit for the period	-	10,554	10,554	2,214	12,768
Total comprehensive income/ (expenses) for the period	-	10,554	11,009	1,851	12,860
Additional issuance of shares to non-controlling interests	-	-	-	66	66
Additional equity interest in a subsidiary	-	-	-	(18)	(18)
Dividends	-	(6,000)	(6,000)	(2,147)	(8,147)
Other movements	-	(268)	32	2	34
Total contribution from/ (distribution to) shareholders	-	(6,268)	(5,968)	(2,097)	(8,065)
Balance at 31 March 2011	12,000	244,906	263,788	32,126	295,914
Effect of transition to MFRS	-	(14,919)	(1,516)	(843)	(2,359)
Balance at 1 April 2011	12,000	229,987	262,272	31,283	293,555
Quarter ended 31 March 2012					
Balance at 1 January 2012	12,000	255,113	286,897	32,079	318,976
Net movements from exchange differences	-	-	(4,021)	(440)	(4,461)
Available-for-sale financial assets					
- Changes in fair value	-	-	802	11	813
- Transfer to profit or loss upon disposal	-	-	(468)	-	(468)
Other comprehensive expenses	-	-	12	33	45
Total other comprehensive income/(expenses) for the period	-	-	(3,675)	(396)	(4,071)
Profit for the period	-	18,212	18,212	2,532	20,744
Total comprehensive income/ (expenses) for the period	-	18,212	14,537	2,136	16,673
Dividends	-	(28,000)	(28,000)	(1,965)	(29,965)
Other movements	-	(6)	(9)	(16)	(25)
Total distribution to shareholders	-	(28,006)	(28,009)	(1,981)	(29,990)
Balance at 31 March 2012	12,000	245,319	273,425	32,234	305,659

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

INTERIM FINANCIAL REPORT FOR FIRST QUARTER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Quarter ended 31 March
In RM Mil	**2012**	**2011**
Cash receipts from customers	73,449	61,850
Cash paid to suppliers and employees	(49,286)	(34,283)
	24,163	27,567
Interest income from fund and other investments	1,139	778
Interest expenses paid	(687)	(649)
Taxation paid	(7,120)	(9,305)
Cash flows from operating activities	17,495	18,391
Acquisition of/additional interest in subsidiaries, net of cash acquired	-	(34)
Investment in securities	(6,254)	(4,462)
Proceeds from disposal of:		
- property, plant and equipment, prepaid lease payments and intangible assets	118	1,915
- securities and other investment	18,589	965
Purchase of property, plant and equipment, prepaid lease payments and intangible assets	(8,674)	(10,415)
Others	(60)	62
Cash flows from investing activities	3,719	(11,969)
Repayment of borrowings	(1,437)	(451)
Drawdown of borrowings	59	610
Dividends paid to non-controlling interests	(1,965)	(2,147)
Others	(16)	-
Cash flows from financing activities	(3,359)	(1,988)
Net increase in cash and cash equivalents	17,855	4,434
Decrease/(increase) in deposits restricted	139	(73)
Net foreign exchange differences	(744)	(611)
Cash and cash equivalents at beginning of the period	124,283	102,327
Cash and cash equivalents at end of the period	141,533	106,077
Cash and cash equivalents		
Cash and bank balances and deposits	142,239	106,664
Negotiable certificate of deposits	623	490
Bank overdrafts	(698)	(75)
Less: Deposits restricted	(631)	(1,002)
	141,533	106,077

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

INTERIM FINANCIAL REPORT FOR FIRST QUARTER 2012

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

For all periods up to and including 31 December 2011, PETRONAS prepared its consolidated financial statements in accordance with Financial Reporting Standards ("FRS") as issued by the Malaysian Accounting Standards Board ("MASB"). From 1 January 2012, PETRONAS and its subsidiaries ("PETRONAS Group" or the "Group") adopted Malaysian Financial Reporting Standards ("MFRS") framework which is equivalent to International Financial Reporting Standards ("IFRS") framework. Consequently, the Condensed Consolidated Financial Statements for First Quarter 2012 represent the Group's first application of MFRS and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In 2011, PETRONAS Group changed its financial year end from 31 March to 31 December. Therefore, the immediate preceding financial period which will form the basis for comparative information for the Group's first MFRS-compliant annual financial statements that is, 31 December 2012, is a shorter 9-month period from 1 April 2011 to 31 December 2011. The Group has elected 1 April 2011, being the beginning date of the immediate preceding financial period, as the Group's date of transition to MFRS accordingly.

FRS differs in certain respects from MFRS and comparative figures for the 9-month period from April 2011 to December 2011 have been restated as necessary in accordance with MFRS. Reconciliations and descriptions of the effect of the transition from FRS to MFRS on income, equity, financial position and cash flows are set out in Note 2, Note 3 and Appendix 1, including a description of the nature of significant changes in accounting policies.

However, for the purpose of the Group's interim quarter reporting in 2012, comparative information other than for consolidated statement of financial position, will be reported based on a 12-month period from January 2011 to December 2011. The comparative information presented in this interim report is for a period from January 2011 to March 2011 (i.e. the "first quarter of 2011") which is not part of the immediate preceding financial period of the Group. In addition, this comparative period falls prior to the Group's transition date to MFRS and therefore, has been prepared on the basis of the previously-adopted FRS.

The Condensed Consolidated Financial Statements for First Quarter 2012 has been prepared in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* other than the presentation of comparative information as described in the preceding paragraph. MFRS 134 and IAS 34 require comparative statements to be presented from the immediate preceding financial year and restated as necessary in accordance with the MFRS framework. Nevertheless, the comparatives in this report are disclosed as such in order to present a comparable and unambiguous review of performance of the Group's operations and business activities. In addition, the adoption of MFRS is not expected to have a significant impact on the Group's previously-reported income, equity and cash flows if applied to the first quarter of 2011 as described in Appendix 1.

The results for this interim period are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the period ended 31 December 2011.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2012 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2011, the impact of which is set out in Note 3.

3. EFFECT OF FIRST TIME ADOPTION OF MFRS

The Condensed Consolidated Financial Statements for First Quarter 2012 represents the Group's first application of MFRS and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

The general principle that should be applied on first-time adoption of MFRS is that accounting standards in force at the first annual reporting date that is, 31 December 2012 for PETRONAS Group, should be applied retrospectively. However, MFRS 1 contains a number of exemptions which first-time adopters are permitted to apply. PETRONAS has elected:

- to adopt MFRS 3 *Business Combinations* retrospectively from 30 September 2009;
- to measure certain items of property, plant and equipment at their fair value at 1 April 2011 and use that fair value as their deemed cost at that date;
- to deem cumulative currency translation differences to be zero at 1 April 2011; and
- to adopt MFRS 121 *The Effects of Changes in Foreign Exchange Rates* prospectively from 1 April 2011.

The impact of the above election of MFRS 1 transitional exemptions are set out below:

i. Retrospective application of MFRS 3 *Business Combinations*

MFRS 1 provides the option to apply MFRS 3 prospectively from the date of transition or retrospectively from a designated date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition. Where MFRS 3 is applied retrospectively from a designated date, MFRS 127 *Consolidated and Separate Financial Statements* shall be applied from the same date.

The Group has elected to apply MFRS 3 retrospectively from 30 September 2009. As such, all business combinations subsequent to 30 September 2009 are accounted for in compliance with MFRS 3 and MFRS 127 which include among others, the following requirements applicable to the Group:

- when a business combination is achieved in stages (i.e. step acquisition), the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss; and
- increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity and therefore previously-recognised goodwill, if any, shall be taken to retained profits.

3. EFFECT OF FIRST TIME ADOPTION OF MFRS (continued)

i. Retrospective application of MFRS 3 *Business Combinations* (continued)

The impact from electing the above transitional exemption is summarised as follows:

In RM Mil	**As at 31.12.2011**	**As at 1.4.2011**
Decrease in intangible assets	(1,990)	(2,117)
Decrease in deferred tax liabilities	(341)	(373)
Decrease in non-controlling interests	(589)	(622)
Decrease in retained profits	(1,060)	(1,122)

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

The Group has elected to measure certain items of property, plant and equipment at 1 April 2011 at their fair value and use that fair value as deemed cost at that date. These property, plant and equipment will continue to be measured using the cost model subsequent to 1 April 2011. The Group recognises the fair value adjustments directly in retained profits.

The aggregate fair value of these property, plant and equipment was determined to be RM1,068,000,000 compared to their carrying amount of RM1,694,000,000 at 1 April 2011. The detailed impact is summarised as follows:

In RM Mil	**As at 31.12.2011**	**As at 1.4.2011**
Decrease in property, plant and equipment	(562)	(626)
Decrease in deferred tax liabilities	(20)	(20)
Decrease in non-controlling interests	(194)	(217)
Decrease in retained profits	(348)	(389)

iii. Cumulative currency translation differences deemed as zero

The Group has elected to apply the transition exemption to deem the amount of foreign currency translation reserve to be zero at 1 April 2011, other than reserve amount recorded by entities within the Group which had already adopted the International Financial Reporting Standards ("IFRS") prior to 1 January 2012.

The gain or loss on subsequent disposal of any foreign operations of the Group shall exclude translation differences that arose before 1 April 2011 and shall include translation differences subsequent to 1 April 2011.

The impact from electing the above transitional exemption is summarised as follows:

In RM Mil	**As at 31.12.2011**	**As at 1.4.2011**
Increase in foreign currency translation reserve	13,233	13,403
Decrease in retained profits	(13,233)	(13,403)

3. EFFECT OF FIRST TIME ADOPTION OF MFRS (continued)

iv. Prospective application of MFRS 121 *The Effects of Changes in Foreign Exchange Rates*

MFRS 121 requires assets and liabilities of foreign operations to be translated to the presentation currency at closing rate at the end of reporting period including goodwill and fair value adjustments. The Group has elected not to apply MFRS 121 retrospectively to goodwill and fair value adjusments arising from business combinations that occurred before 1 April 2011. As such, the carrying amounts of goodwill and fair value adjustments at 1 April 2011 are fixed and not subsequently re-translated.

There is no financial impact to the Group's statement of financial position and retained profits as a result of electing the above transitional exemption.

In addition to the above impact resulting from electing certain transitional exemptions under MFRS 1, other adjustments to the Group's statement of financial position and retained profits are summarised below. These adjustments arose mainly due to changes in revenue recognition for property development activities from stage of completion to full completion method for certain subsidiaries within the Group.

In RM Mil	**As at 31.12.2011**	**As at 1.4.2011**
Increase in other non-current assets	7	4
Increase in trade and other inventories	601	574
Decrease in trade and other receivables	(15)	(63)
Decrease in other current assets	(507)	(441)
Increase in trade and other payables	98	83
Decrease in non-controlling interests	(7)	(4)
Decrease in retained profits	(5)	(5)

Further detailed reconciliations and explanations of how the transition from the previous FRS to MFRS has affected the Group's financial position, income and cash flows is set out in Appendix 1.

4. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

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

5. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

6. EXCEPTIONAL ITEMS

There was no exceptional item during the quarter under review.

7. DIVIDENDS

During the quarter ended 31 March 2012, the shareholders of the Company approved a tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM280,000 per ordinary share amounting to RM28.0 billion in respect of the financial period ended 31 December 2011, which is paid/payable in eight installments between April and November 2012.

8. SIGNIFICANT AND SUBSEQUENT EVENT

As disclosed in the previous interim report, the Group's petroleum operations in Blocks 1,2&4, Blocks 3&7 and Block 5A located in the Republic of South Sudan ("RSS") were shut down progressively in January and February 2012 following a Shut Down Order issued by the Government of the RSS. In April 2012, the Group's operations in Heglig were also shut down for approximately twenty three days due to escalating conflict between the two countries. To date, production from Heglig has restarted but productions from Blocks 1,2&4, Blocks 3&7 and Block 5A have yet to resume.

The conflict situation between the RSS and the Republic of Sudan ("RoS") has yet to be resolved amidst growing assistance from international organisations including the African Union. In May 2012, the United Nations Security Council passed a resolution that calls for the RSS and RoS to end hostilities and resume negotiations to settle critical issues including payments by the RSS for oil shipment to Port Sudan in the North. Subsequently, both Governments had announced their agreement to recommence negotiations.

The above shut downs are not expected to have material impact on the Group's financial results for the year. The Group continues to undertake various measures to preserve the oil facilities and other key infrastructures as well as conducting ongoing discussions with senior officials from both countries.

9. CHANGES IN COMPOSITION OF THE GROUP

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

10. SIGNIFICANT RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities. The Company's related parties include subsidiaries, associates, jointly controlled entities as well as the Government of Malaysia and its related entities as the Company is wholly-owned by the Government of Malaysia.

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

	Quarter ended 31 March	
In RM Mil	**2012**	**2011**
Federal and State Governments of Malaysia		
Petroleum proceeds	3,272	2,444
Sale of petroleum products	108	66
Government of Malaysia's related entities		
Sales of petroleum products, processed gas and utilities	1,304	1,291

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

11. OPERATING SEGMENTS

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

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

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

11. OPERATING SEGMENTS (continued)

11.1 Revenue

						Quarter ended 31 March
	2012	2011	2012	2011	2012	2011
In RM Mil	Third Parties		Inter-segment		Gross Total	
Exploration and Production[1]	13,884	12,707	16,094	14,489	29,978	27,196
Gas and Power	21,389	16,033	1,836	1,871	23,225	17,904
Downstream	36,263	34,170	496	425	36,759	34,595
Corporate and Others	3,637	2,732	877	1,850	4,514	4,582
Total	75,173	65,642	19,303	18,635	94,476	84,277

11.2 NOPAT

		Quarter ended 31 March
In RM Mil	2012	2011
Exploration and Production	11,238	10,435
Gas and Power	5,130	1,049
Downstream	2,105	2,078
Corporate and Others	666	(108)
Total NOPAT for reportable segments	19,139	13,454
Elimination of inter-segment transactions	184	(1,046)
Consolidated NOPAT	19,323	12,408

11.3 Reconciliation of reportable segment NOPAT

		Quarter ended 31 March
In RM Mil	2012	2011
Consolidated NOPAT	19,323	12,408
Financing cost, net of tax	(568)	(560)
Share of profits of associates and jointly controlled entities, net of tax	355	586
Unrealised foreign exchange gains	1,024	332
Other non-operating income, net of tax	610	2
Profit for the period	20,744	12,768

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

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

INTERIM FINANCIAL REPORT FOR FIRST QUARTER 2012

PART B – OTHER EXPLANATORY NOTES

12. REVIEW OF GROUP PERFORMANCE

In RM Mil	**31.3.2012**	**31.12.2011**	**Quarter ended 31.3.2011**
Revenue	75,173	78,046	65,642
Profit for the period	20,744	15,847	12,768
NOPAT	19,323	15,291	12,408
EBITDA[2]	35,084	31,118	27,256

In RM Mil	**As at 31.3.2012**	**As at 31.12.2011**
Total assets	481,889	475,146
Shareholders' equity	273,425	286,897
Total debt to total assets	0.10x	0.11x
ROACE[3]	24.2%	19.3%

PETRONAS Group recorded improved revenue of RM75.2 billion compared with RM65.6 billion in the corresponding quarter a year ago. Profit for the quarter was RM20.7 billion compared with RM12.8 billion in the corresponding quarter a year ago.

First quarter 2012 revenue benefited from strong crude oil prices and other energy products, particularly LNG. The strong oil price was supported by an improving US economy as well as concerns over disruption of oil supply due to the escalating geopolitical crises in major crude oil producing countries. Prices of benchmark crude registered an upward trend with Dated Brent rising by 13% and Tapis OSP increasing by 20.6%. Asia Pacific's LNG reference price, the JCC, also rose by 20.3% during the quarter. The improved revenue performance was also supported by higher crude oil trading volume on the back of stronger demand from customers.

Profit for the quarter increased by RM8.0 billion year-on-year in line with higher revenue as well as improved margin. Similarly, NOPAT and EBITDA were higher at RM19.3 billion and RM35.1 billion respectively.

Total assets increased to RM481.9 billion as at 31 March 2012 compared to RM475.1 billion as at 31 December 2011 on the back of profit generated during the quarter. The increase in total assets was partially negated by lower translated balance of foreign assets due to stronger Ringgit against the US Dollar.

Shareholders' equity of RM273.4 billion as at 31 March 2012 showed a reduction of RM13.5 billion compared to 31 December 2011 reflecting the Company's final dividend amounting to RM28.0 billion in respect of the financial period ended 31 December 2011 which was approved during the quarter.

Total debt to total assets ratio of 0.10x remains comparable against that of 31 December 2011. ROACE increased to 24.2% as at 31 March 2012 compared to 19.3% as at 31 March 2011 in line with the increase in NOPAT.

[2] EBITDA consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortisation and impairment loss on property, plant and equipment and intangible assets and financing costs, and the exclusion of interest income.
[3] Return on average capital employed (ROACE) is calculated as NOPAT divided by average shareholders' equity and long term debt during the period/year.

13. REVIEW OF PERFORMANCE - EXPLORATION AND PRODUCTION SEGMENT

Financial Indicators			**Quarter ended**
In RM Mil	**31.3.2012**	**31.12.2011**	**31.3.2011**
Revenue			
Third party	13,884	13,545	12,707
Inter-segment	16,094	17,684	14,489
	29,978	31,229	27,196
NOPAT	11,238	11,471	10,435

			Quarter ended
Operational Indicators	**31.3.2012**	**31.12.2011**	**31.3.2011**
Production			
('000 boe[4] per day)			
Crude oil and condensates	773	828	872
Natural gas	1,338	1,268	1,315
	2,111	2,096	2,187
Oil and gas entitlement			
('000 boe[4] per day)			
Crude oil and condensates	531	550	571
Natural gas	868	920	913
	1,399	1,470	1,484

Revenue for the quarter ended 31 March 2012 was RM30.0 billion compared to RM27.2 billion in the corresponding quarter a year ago. The higher revenue reflected the impact of higher realised prices for crude oil and condensates. NOPAT increased to RM11.2 billion compared to RM10.4 billion in the corresponding quarter a year ago on the back of higher revenue.

Total production for the quarter was 2,111 thousand boe per day compared to 2,187 thousand boe per day in the corresponding quarter a year ago. Crude oil and condensates production was lower at 773 thousand boe per day as compared to 872 thousand boe per day mainly due to natural field depletion, reservoir performance and operational challenges including security challenges in some international operations. Natural gas production was higher at 1,338 thousand boe per day compared to the same quarter last year mainly due to new production from Turkmenistan.

[4] boe: barrels of oil equivalent

14. REVIEW OF PERFORMANCE - GAS AND POWER SEGMENT

Financial Indicators			**Quarter ended**
In RM Mil	**31.3.2012**	**31.12.2011**	**31.3.2011**
Revenue			
Third party	21,389	21,063	16,033
Inter-segment	1,836	1,953	1,871
	23,225	23,016	17,904
NOPAT	5,130	4,127	1,049

			Quarter ended
Operational Indicators	**31.3.2012**	**31.12.2011**	**31.3.2011**
Malaysia average sales gas volume (mmscfd)[5]	2,507	2,273	2,476
LNG sales volume (million tonnes)	7.05	7.37	7.29

Gas and Power segment registered RM23.2 billion revenue for the quarter ended 31 March 2012, an increase of RM5.3 billion or 29.7% compared to the corresponding quarter in 2011 on the back of higher realised LNG prices.

Total LNG sales volume in the quarter was however lower by 0.24 million tonnes or 3.3% as compared to the previous year due to lower sales from the PETRONAS LNG Complex in Bintulu, Sarawak as well as lower entitlement volume from operations in Egypt.

Average sales gas volume was higher by 31 mmscfd or 1.3% compared to the same period last year mainly from additional feedgas supply sourced from the Malaysia-Thailand Joint Development Area as well as higher feedgas supply from Kertih, Terengganu.

The segment registered higher NOPAT at RM5.1 billion for the period, an increase of RM4.1 billion compared to the corresponding quarter a year ago, in line with the increase in revenue but partially offset by higher cost from increase in feedgas prices.

15. REVIEW OF PERFORMANCE – DOWNSTREAM SEGMENT

Financial Indicators			**Quarter ended**
In RM Mil	**31.3.2012**	**31.12.2011**	**31.3.2011**
Revenue			
Third party	36,263	39,362	34,170
Inter-segment	496	271	425
	36,759	39,633	34,595
NOPAT	2,105	1,417	2,078

			Quarter ended
Operational Indicators	**31.3.2012**	**31.12.2011**	**31.3.2011**
Petroleum products sales volume (in million barrels)	70.4	80.5	71.0
Crude oil sales volume (in million barrels)	43.3	55.3	42.5
Petrochemical sales volume (in million metric tonnes)	1.8	1.5	1.8

Revenue for the quarter was RM36.8 billion, an increase of RM2.2 billion compared to the corresponding quarter a year ago. The higher revenue was contributed mainly by higher realised prices of crude oil and petroleum products.

Petroleum products sales volume was 70.4 million barrels, slightly lower than the corresponding quarter a year ago by 0.6 million barrels mainly due to lower market demand affected by the high price environment.

Crude oil sales volume increased by 0.8 million barrels compared to the corresponding quarter a year ago mainly contributed by higher crude trading activities.

Downstream's NOPAT was RM2.1 billion, slightly higher than the corresponding quarter a year ago mainly due to higher petrochemical margin.

16. REVIEW OF PERFORMANCE - CORPORATE AND OTHERS SEGMENT

Financial Indicators			**Quarter ended**
In RM Mil	**31.3.2012**	**31.12.2011**	**31.3.2011**
Revenue			
Third party	3,637	4,027	2,732
Inter-segment	877	1,081	1,850
	4,514	5,108	4,582
NOPAT	666	(1,479)	(108)

Revenue for the quarter was RM4.5 billion, lower by RM0.1 billion or 1.5% as compared to the corresponding quarter a year ago primarily attributable to lower revenue from maritime and logistics' liner services and heavy engineering sectors. The impact of lower revenue from maritime and logistics was partially negated by higher fund investments income. NOPAT stood at RM0.7 billion compared to the previous quarter's net operating loss of RM0.1 billion.

17. COMPARISON WITH PRECEDING QUARTER'S RESULT

		Quarter ended
In RM Mil	**31.3.2012**	**31.12.2011**
Revenue	75,173	78,046
Profit for the period	20,744	15,847
NOPAT	19,323	15,291
EBITDA	35,084	31,118

First quarter 2012 revenue of RM75.2 billion is RM2.9 billion or 3.7% lower compared to the preceding quarter, on the back of lower trading volume for crude oil and condensates, LNG and petroleum products coupled with weaker US Dollar against the RM. The impact of lower trading volume and weaker US Dollar is partially negated by higher realised prices for most products as well as higher upstream production and improved operational performance resulting in higher marketing volume for crude oil and condensates, LNG and sales gas.

Despite lower revenue, EBITDA and profit increased by RM4.0 billion and RM4.9 billion respectively supported by the aforesaid higher upstream production and improved operational performance. In addition, the preceding quarter's profit was lower due to provisions made pursuant to the Group's decision to exit its liner shipping business as disclosed in the preceding quarter's interim report.

18. CURRENT FINANCIAL YEAR PROSPECTS

Risks associated with geopolitics and sovereign debt are expected to remain uncertain for the rest of the year. The oil and gas industry remains highly competitive amidst continuing volatility in oil prices and the US Dollar as well as rising costs. In this challenging environment, PETRONAS remains focused towards enhancing operational excellence along with robust mitigation strategies and risk management to deliver superior returns for our stakeholders. On the balance, the Board expects the current year performance of PETRONAS Group to be satisfactory.

PART B – OTHER EXPLANATORY NOTES (continued)

19. TAXATION

In RM Mil	Quarter ended 31 March 2012	2011
Current tax expenses		
Malaysia	8,790	6,557
Overseas	824	1,003
Deferred tax expenses		
Origination and reversal of temporary differences	(320)	422
	9,294	7,982
Effective tax rate	30.9%	38.5%

The Group's effective tax rates for the current quarter of 30.9% is lower than the corresponding quarter a year ago of 38.5% mainly due to higher non-deductible expenses recorded in the corresponding quarter a year ago. Excluding the impact of these non-deductible expenses, the effective tax rate for the corresponding quarter would be 31.7%.

20. CASH, FUND AND OTHER INVESTMENTS

In %	As at 31.3.2012	As at 31.12.2011
By Currency		
RM	78.9	78.6
USD	17.5	16.5
Others	3.6	4.9
	100.0	100.0
By Maturity[6]		
< 1 year	94.1	95.7
1 to 5 years	4.5	4.0
5 to 10 years	1.4	0.3
	100.0	100.0
By Type		
Money market	87.3	78.3
Government securities	6.0	13.7
Corporate bonds	2.4	2.0
Equities	4.3	6.0
	100.0	100.0

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

[6] Refers to instrument maturity dates; exclude equities.

21. BORROWINGS

The details of the Group borrowings as at 31 March 2012 are as follows:

In RM Mil	**As at 31.3.2012**	**As at 31.12.2011**
Non-Current		
Secured		
Term loans	3,200	3,380
Islamic financing facilities	1,662	1,863
Total non-current secured borrowings	4,862	5,243
Unsecured		
Term loans	7,488	7,672
Notes and Bonds	18,397	19,039
Islamic financing facilities	7,557	7,720
Total non-current unsecured borrowings	33,442	34,431
Total non-current borrowings	38,304	39,674
Current		
Secured		
Term loans	639	743
Islamic financing facilities	430	300
Total current secured borrowings	1,069	1,043
Unsecured		
Term loans	348	675
Notes and Bonds	6,137	6,357
Islamic financing facilities	1,166	1,137
Revolving credits	1,971	2,729
Bank overdrafts	698	908
Total current unsecured borrowings	10,320	11,806
Total current borrowings	11,389	12,849
Total borrowings	49,693	52,523

21. BORROWINGS (continued)

	As at 31.3.2012	%	As at 31.12.2011	%
In RM Mil				
By Currency				
USD	35,209	70.9	36,575	69.6
RM	8,869	17.8	9,824	18.7
EUR	3,634	7.3	3,678	7.0
JPY	599	1.2	653	1.2
ZAR	1,121	2.3	1,019	1.9
Others	261	0.5	774	1.6
	49,693	100.0	52,523	100.0
By Repayment Schedule				
< 1 year	11,389	22.9	12,849	24.5
1 to 5 years	24,164	48.7	24,129	45.9
5 to 10 years	11,044	22.2	11,539	22.0
10 to 20 years	3,096	6.2	4,006	7.6
	49,693	100.0	52,523	100.0

22. STATUS OF CORPORATE PROPOSALS

There was no corporate proposal announced as at the date of this report.

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 31 March 2012.

24. MATERIAL LITIGATION

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

On 21 March 2012, following the application by the Terengganu State Government, the legal suit brought against the Company has been withdrawn.

PART B – OTHER EXPLANATORY NOTES (continued)

25. PROFIT FOR THE PERIOD

In RM Mil	2012	Quarter ended 31 March 2011
Included in profit for the period are the following charges:		
Bad debt written off	13	146
Depreciation and amortisation	4,741	3,206
Impairment losses on:		
- receivables	633	179
- intangible assets	558	364
- property, plant and equipment	139	3,757
Loss on derivatives	154	40
Net loss on foreign exchange	-	603
and credits:		
Dividend income	-	93
Gain on disposal of other investment and properties	480	191
Interest income	1,215	766
Net gain on foreign exchange	682	-
Write back of impairment losses on:		
- receivables	16	458
- property, plant and equipment	-	146

26. DIVIDENDS

As disclosed in Note 7.

27. EXCHANGE RATES

			Quarter ended
US dollar/RM	**31.3.2012**	**31.12.2011**	**31.3.2011**
Average rate	3.0607	3.1515	3.0468
Closing rate	3.0685	3.1715	3.0255

By order of the Board

Dato' Mohammed Azhar Osman Khairuddin (LS 0004053)
Company Secretary
Kuala Lumpur
31 May 2012

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

INTERIM FINANCIAL REPORT FOR FIRST QUARTER 2012

APPENDIX 1 – EXPLANATION OF TRANSITION TO MFRS

a) Reconciliation adjustments to the statement of financial position

In RM Mil	Note	FRS	Effect of transition to MFRS 31 December 2011	MFRS
ASSETS				
Property, plant and equipment	3(ii)	206,117	(562)	205,555
Investment properties, land held for development and prepaid lease payments		13,250	-	13,250
Investments in associates and jointly controlled entities		12,323	-	12,323
Intangible assets	3(i)	22,604	(1,990)	20,614
Fund and other investments		3,495	-	3,495
Cash and cash equivalents		89	-	89
Other non-current assets	3	7,964	7	7,971
TOTAL NON-CURRENT ASSETS		265,842	(2,545)	263,297
Trade and other inventories	3	11,765	601	12,366
Trade and other receivables	3	37,364	(15)	37,349
Fund and other investments		35,383	-	35,383
Cash and cash equivalents		125,358	-	125,358
Other current assets	3	1,900	(507)	1,393
TOTAL CURRENT ASSETS		211,770	79	211,849
TOTAL ASSETS		477,612	(2,466)	475,146
EQUITY				
Share capital		100	-	100
Other reserves	3(iii)	18,451	13,233	31,684
Retained profits	(e)(i)	269,759	(14,646)	255,113
Total equity attributable to shareholders of the Company		288,310	(1,413)	286,897
Non-controlling interests	(e)(ii)	32,869	(790)	32,079
TOTAL EQUITY		321,179	(2,203)	318,976
LIABILITIES				
Borrowings		39,674	-	39,674
Deferred tax liabilities	3(i), 3(ii)	13,628	(361)	13,267
Other long term liabilities and provisions		23,977	-	23,977
TOTAL NON-CURRENT LIABILITIES		77,279	(361)	76,918
Trade and other payables	3	50,310	98	50,408
Borrowings		12,849	-	12,849
Taxation		15,995	-	15,995
Dividend payable		-	-	-
TOTAL CURRENT LIABILITIES		79,154	98	79,252
TOTAL LIABILITIES		156,433	(263)	156,170
TOTAL EQUITY AND LIABILITIES		477,612	(2,466)	475,146

APPENDIX 1 – EXPLANATION OF TRANSITION TO MFRS (continued)

a) Reconciliation adjustments to the statement of financial position (continued)

In RM Mil	Note	FRS	Effect of transition to MFRS 1 April 2011	MFRS
ASSETS				
Property, plant and equipment	3(ii)	191,575	(626)	190,949
Investment properties, land held for development and prepaid lease payments		12,753	-	12,753
Investments in associates and jointly controlled entities		11,561	-	11,561
Intangible assets	3(i)	15,389	(2,117)	13,272
Fund and other investments		11,824	-	11,824
Cash and cash equivalents		108	-	108
Other non-current assets	3	7,264	4	7,268
TOTAL NON-CURRENT ASSETS		250,474	(2,739)	247,735
Trade and other inventories	3	9,700	574	10,274
Trade and other receivables	3	33,162	(63)	33,099
Fund and other investments		37,869	-	37,869
Cash and cash equivalents		106,556	-	106,556
Other current assets	3	1,233	(441)	792
TOTAL CURRENT ASSETS		188,520	70	188,590
TOTAL ASSETS		438,994	(2,669)	436,325
EQUITY				
Share capital		100	-	100
Other reserves	3(iii)	18,782	13,403	32,185
Retained profits	(e)(i)	244,906	(14,919)	229,987
Total equity attributable to shareholders of the Company		263,788	(1,516)	262,272
Non-controlling interests	(e)(ii)	32,126	(843)	31,283
TOTAL EQUITY		295,914	(2,359)	293,555
LIABILITIES				
Borrowings		44,354	-	44,354
Deferred tax liabilities	3(i), 3(ii)	13,258	(393)	12,865
Other long term liabilities and provisions		24,544	-	24,544
TOTAL NON-CURRENT LIABILITIES		82,156	(393)	81,763
Trade and other payables	3	38,039	83	38,122
Borrowings		3,457	-	3,457
Taxation		13,428	-	13,428
Dividend payable		6,000	-	6,000
TOTAL CURRENT LIABILITIES		60,924	83	61,007
TOTAL LIABILITIES		143,080	(310)	142,770
TOTAL EQUITY AND LIABILITIES		438,994	(2,669)	436,325

APPENDIX 1 – EXPLANATION OF TRANSITION TO MFRS (continued)

b) Reconciliation adjustments to the statement of comprehensive income

The comparative information for statement of comprehensive income presented in this interim report is for a period from January 2011 to March 2011 which falls prior to the Group's transition date to MFRS and therefore, has been prepared on the basis of the previously-adopted FRS.

The adoption of MFRS if applied to the first quarter of 2011 would result in higher profit for the period by RM129 million primarily due to the impact of retrospective application of MFRS 3 *Business Combinations*.

c) Reconciliation adjustments to the statement of changes in equity

The adoption of MFRS if applied to the first quarter of 2011 would result in lower opening balance of the Group's total equity as at 1 January 2011 by RM2,354 million primarily due to the impact of retrospective application of MFRS 3 *Business Combinations* as well as fair valuation of property, plant and equipment as deemed cost.

d) Reconciliation adjustments to the statement of cash flows

The adoption of MFRS would not result in material differences to the Group's statement of cash flows if applied to the first quarter of 2011 previously prepared on the basis of FRS.

e) Notes to reconciliations

i. Retained profits

The changes that affected retained profits are as follows:

In RM Mil	**Note**	**As at 31.12.2011**	**As at 1.4.2011**
Retrospective application of MFRS 3 and MFRS 127	3(i)	1,060	1,122
Fair value of property, plant and equipment as deemed cost	3(ii)	348	389
Cumulative currency translation differences deemed as zero	3(iii)	13,233	13,403
Others	3	5	5
Decrease in retained profits		14,646	14,919

ii. Non-controlling interests

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

In RM Mil	**Note**	**As at 31.12.2011**	**As at 1.4.2011**
Retrospective application of MFRS 3 and MFRS 127	3(i)	589	622
Fair value of property, plant and equipment as deemed cost	3(ii)	194	217
Others	3	7	4
Decrease in non-controlling interests		790	843