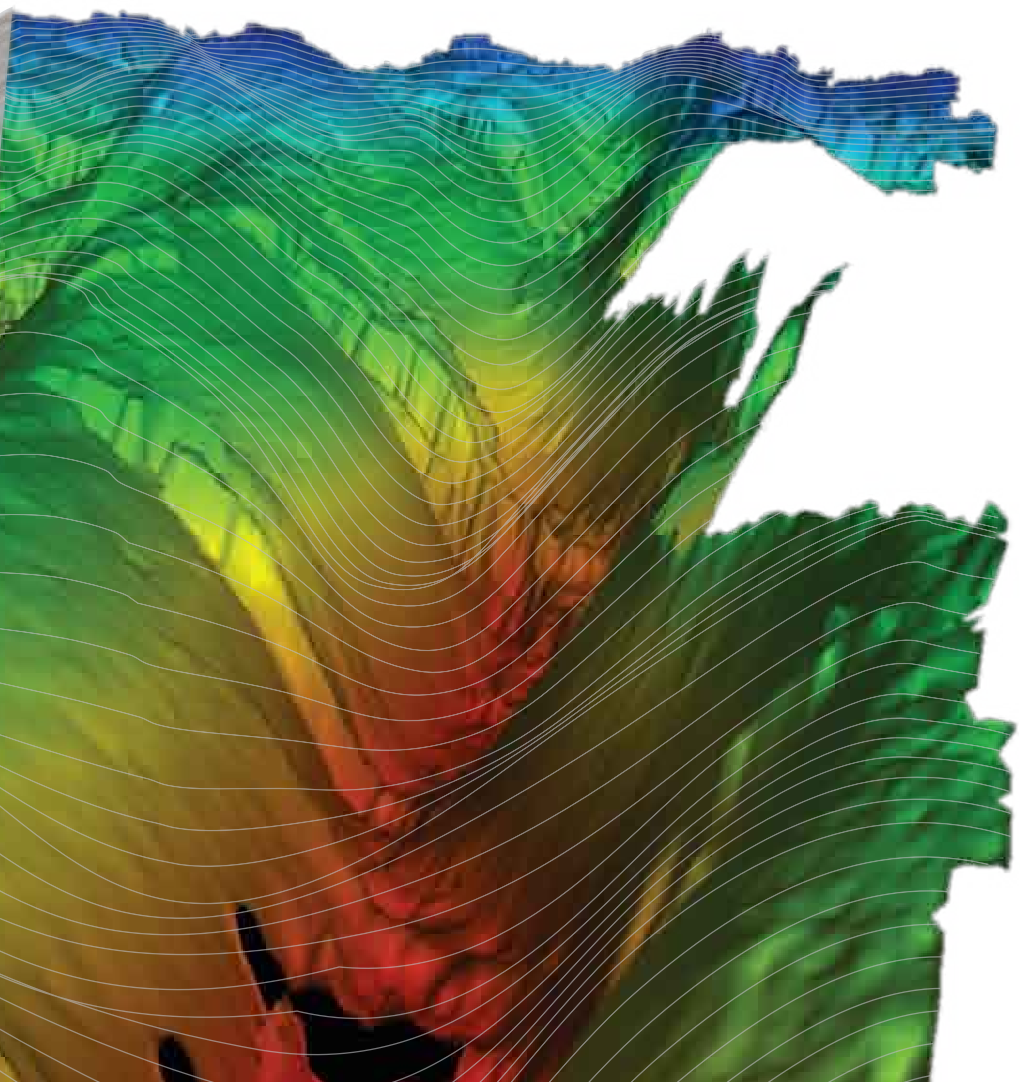
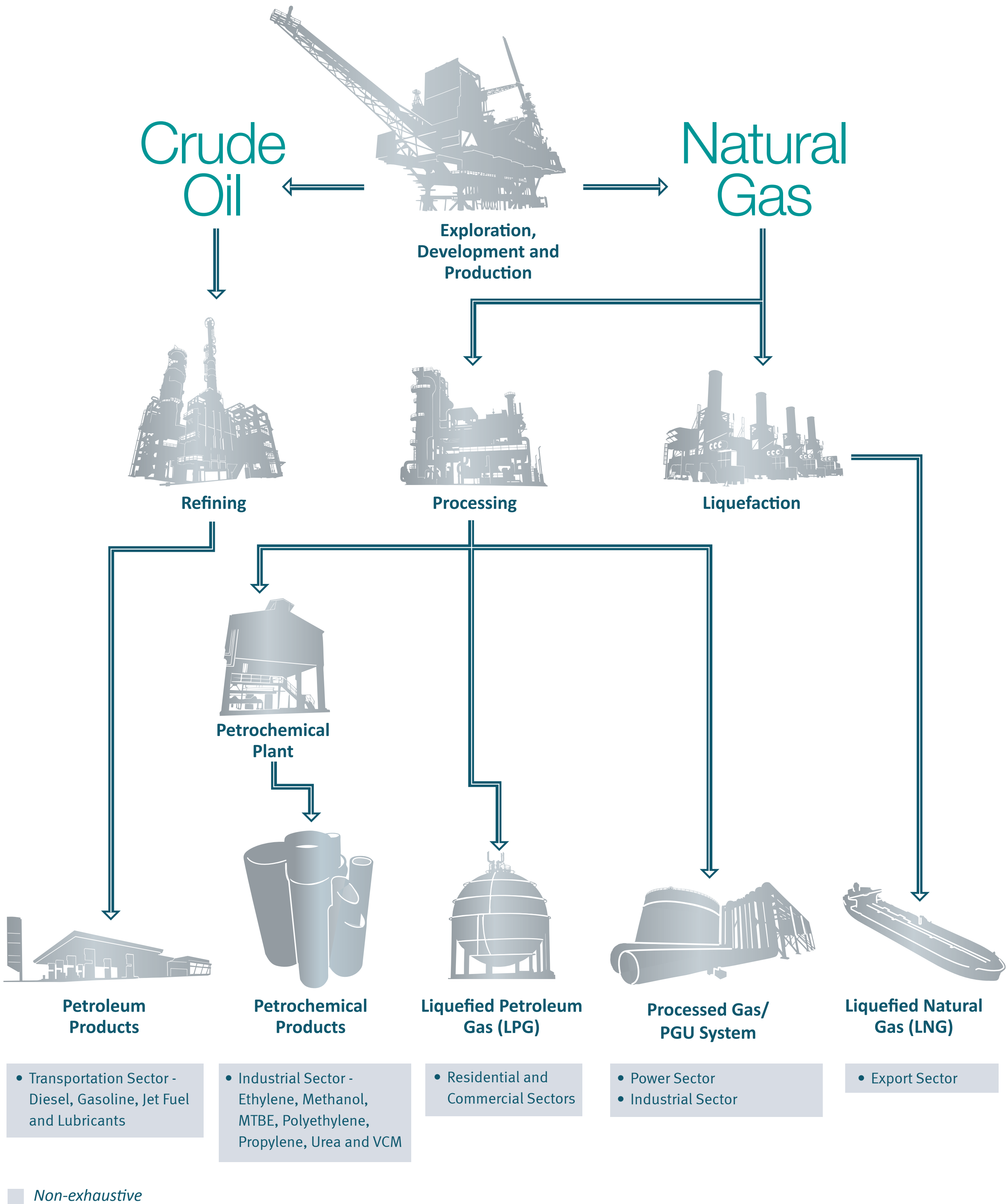
PETRONAS

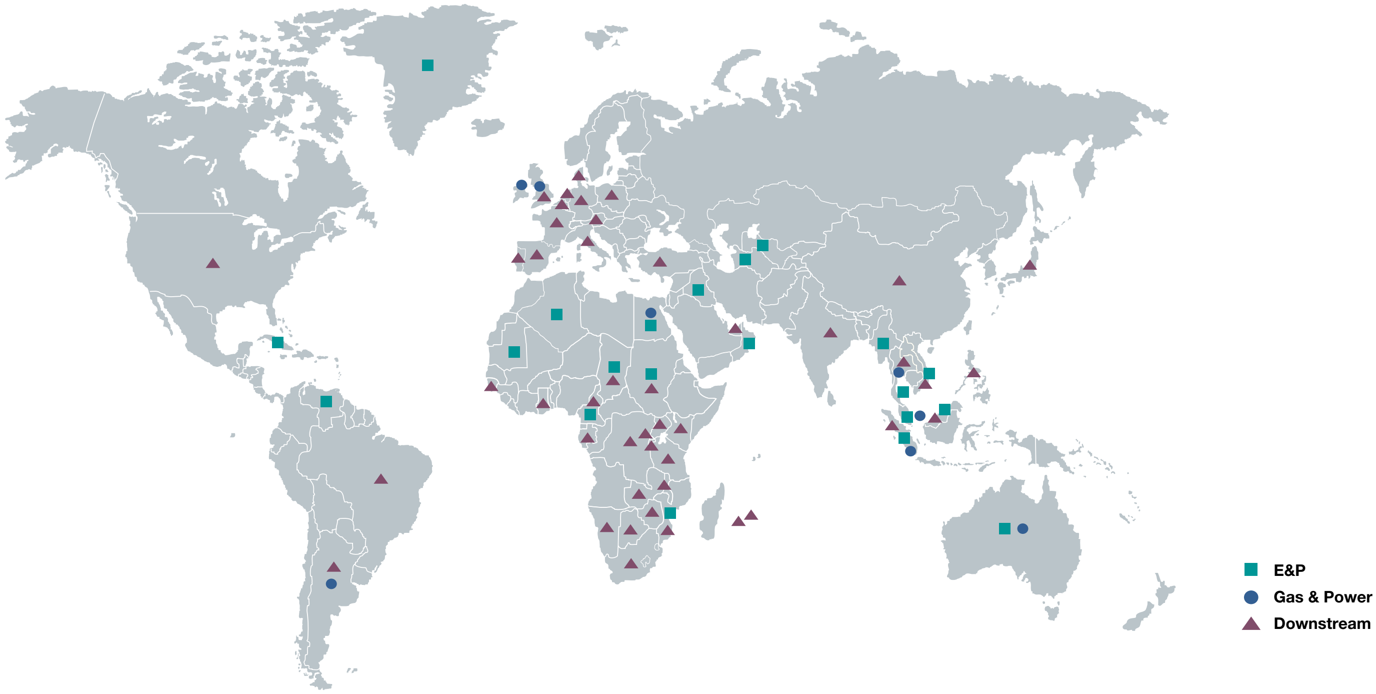
2011
Annual Report



Our Business



Our Presence



Exploration & Production (E&P)

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

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

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

Latin America
- **Cuba** – Exploration • **Venezuela** – Development

Middle East
- **Iraq** – Development • **Oman** – Exploration

North America
- **Greenland** – Exploration

Gas & Power

Africa
- **Egypt** – LNG

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

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

Latin America
- **Argentina** – Infrastructure

Downstream*

Africa
- **Botswana** – Oil Business • **Burundi** – Oil Business • **Cameroon** – Oil Business • **Chad** – Oil Business
- **Democratic Republic of the Congo** – Oil Business • **Gabon** – Oil Business • **Ghana** – Oil Business • **Guinea Bissau** – Oil Business
- **Kenya** – Oil Business • **Malawi** – Oil Business • **Mauritius** – Oil Business • **Mozambique** – Oil Business
- **Namibia** – Oil Business • **Réunion** – Oil Business • **Rwanda** – Oil Business • **South Africa** – Oil Business • **Sudan** – Oil Business
- **Tanzania** – Oil Business • **Uganda** – Oil Business • **Zambia** – Oil Business • **Zimbabwe** – Oil Business

Asia Pacific
- **China** – Oil & Petrochemical Businesses • **India** – Oil & Petrochemical Businesses • **Indonesia** – Oil & Petrochemical Businesses
- **Japan** – Oil & Petrochemical Businesses • **Malaysia** – Oil & Petrochemical Businesses • **Philippines** – Oil & Petrochemical Businesses
- **Thailand** – Oil & Petrochemical Businesses • **Vietnam** – Oil & Petrochemical Businesses

Europe
- **Austria** – Oil Business • **Belgium** – Oil Business • **Denmark** – Oil Business • **France** – Oil Business • **Germany** – Oil Business
- **Italy** – Oil Business • **Netherlands** – Oil Business • **Poland** – Oil Business • **Portugal** – Oil Business • **Spain** – Oil Business
- **Turkey** – Oil Business • **United Kingdom** – Oil Business

Latin America
- **Argentina** – Oil Business • **Brazil** – Oil Business

Middle East
- **United Arab Emirates** – Oil & Petrochemical Businesses

North America
- **United States of America** – Oil Business

Includes Engen subsidiaries and marketing and trading offices.

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Corporate Statements

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 nation and corporation

Integrity

Honest and upright

Professionalism

Committed, innovative and proactive and always striving for excellence

Cohesiveness

United in purpose and fellowship

Corporate Profile

PETRONAS at a Glance

PETRONAS, the acronym for Petroliam Nasional Berhad, was incorporated on 17 August 1974 under the Companies Act, 1965. It is wholly-owned by the Malaysian Government and is vested with the entire ownership and control of the petroleum resources in Malaysia through the Petroleum Development Act, 1974. Over the years, PETRONAS has grown to become a fully integrated oil and gas corporation and is ranked among the FORTUNE Global 500® largest corporations in the world.

Exploration & Production Business

As custodian of Malaysia's oil and gas resources, PETRONAS is entrusted with the responsibility to develop and add value to the nation's hydrocarbon resources. In the early years, PETRONAS focused its efforts on managing the production sharing contractors who were exploring Malaysian acreages, but PETRONAS soon saw the need to take on a bigger and more proactive role in augmenting the nation's oil and gas reserves. PETRONAS has also reintensified efforts to strengthen Malaysia's upstream industry through the enhancement of fiscal terms and the introduction of new petroleum solutions, leveraging on the Government's new tax incentives.

Through its Exploration & Production (E&P) subsidiary, PETRONAS Carigali Sdn Bhd (PETRONAS Carigali), PETRONAS has developed capability as a hands-on operator with a track record of successful oil and gas developments. PETRONAS Carigali works alongside a number of petroleum multinational corporations through Production Sharing Contracts (PSCs) to explore, develop and produce oil and gas in Malaysia. Abroad, PETRONAS continues to strengthen its position by securing new acreages while undertaking various development projects.

The Petroleum Management Unit of PETRONAS acts as resource owner and manager of Malaysia's domestic oil and gas assets. It manages the optimal exploitation of hydrocarbon resources and enhances the prospectivity of domestic acreages to attract investment and protect the national interest. One of the key drivers of its business growth is deepwater E&P, with many positive prospects emerging in Malaysian acreages.

PETRONAS continues to harness and develop new technologies to maximise opportunities and further strengthen its capabilities as part of its ongoing efforts to become a leading global E&P player.

Gas & Power Business

PETRONAS' Gas & Power Business aspires to be a leading integrated gas, liquefied natural gas (LNG) and power player. To create greater focus in these core areas of growth, the business has been restructured and streamlined into two major portfolios; Global LNG business and Infrastructure, Utilities & Power business.

Global LNG

PETRONAS' global LNG business comprises the production and sale of LNG through its domestic operations in Bintulu, Sarawak (PETRONAS LNG Complex) and overseas operations in Egypt (Egyptian LNG). PETRONAS operates one of the world's largest LNG facilities in Bintulu, Sarawak, which consists of three plants, MLNG, MLNG Dua and MLNG Tiga, with a combined capacity of 24 million tonnes per annum.

PETRONAS is also involved in LNG and energy trading activities through its marketing arms in Malaysia and Europe (PETRONAS LNG Ltd and PETRONAS Energy Trading Ltd).

At present, PETRONAS commands a sizeable LNG market share in the Far East. Over the years, PETRONAS has sustained its market position and preserved its reputation as a reliable supplier of LNG, having sold more than 7,000 cargoes since the establishment of its first LNG plant in 1983.

As a global LNG player, PETRONAS is determined to defend its significant traditional Far East market and seize opportunities on the growing spot market, while continuing to grow its LNG presence in the Atlantic basin.

PETRONAS is also establishing its foothold in European energy trading, which includes electricity and carbon trading.

Infrastructure, Utilities & Power

PETRONAS' Infrastructure, Utilities & Power business focuses its efforts towards ensuring long term security and sustainability of the gas market in Malaysia and expanding its portfolio of infrastructure and power positions in high growth markets. The business is leveraging on its widely respected operational excellence and sustainable energy developments.

PETRONAS, through its majority-owned subsidiary, PETRONAS Gas Berhad (PGB), operates the Peninsular Gas Utilisation (PGU) system, comprising six processing plants and approximately 2,505 km of pipelines to process and transmit gas to end-users in the power, industrial and commercial sectors in Peninsular Malaysia. PETRONAS also exports gas for power generation to Singapore.

The PGU system is the principal catalyst for the development of Peninsular Malaysia's offshore gas fields, the use of natural gas products for power generation and utilities, and the expansion of Malaysia's petrochemical industry through the use of gas derivative products, such as ethane, propane, butane and condensates.

PGB is also developing Malaysia's first LNG Regasification Terminal in Melaka, which is due for completion in July 2012. This will facilitate the importation of LNG by PETRONAS and third parties towards ensuring security of gas supply for the nation in the future.

Globally, PETRONAS has investments in pipeline operations in Argentina, Australia, Indonesia and Thailand, as well as gas storage and LNG regasification facilities in Europe.

PETRONAS is also committed to further grow in the power and renewable energy business, leveraging on existing capabilities and venturing into opportunities in key focus markets in Asia and the Middle East. Entry into the power business will support PETRONAS' vision to be an integrated energy company.

Downstream Business

PETRONAS' Downstream Business plays a strategic role in adding further value to petroleum resources through its integrated operations in refining & trading, marketing, and petrochemicals.

Refining & Trading

PETRONAS owns and operates three refineries in Malaysia, two in Melaka (collectively known as the Melaka Refinery Complex) and another in Kertih (the Kertih Refinery). The first refinery in Melaka is 100% owned by PETRONAS while the second refinery is 53% owned by the Group. PETRONAS also operates a Group III base oil refining (MG3) plant in the Melaka Refinery Complex.

PETRONAS also has an oil refining presence in Africa through its 80% owned subsidiary, Engen Petroleum Limited (Engen), a leading South African refining and marketing company that owns and operates a refinery in Durban, South Africa.

To carry out trading activities in crude oil and petroleum products in the Malaysian and international markets (including Asia, Africa and the Indian subcontinent), PETRONAS formed a wholly-owned subsidiary, PETRONAS Trading Corporation Sdn Bhd (PETCO). PETCO also trades in crude oil and petroleum products produced by affiliates and third parties, and has trading operations in Dubai and London via its wholly-owned subsidiaries PETCO Trading DMCC and PETCO Trading UK Limited, respectively.

Downstream Marketing

PETRONAS is engaged in domestic marketing and retailing activities through PETRONAS Dagangan Berhad (PDB), a majority-owned subsidiary, which markets a wide range of petroleum products, including gasoline, Liquefied Petroleum Gas (LPG), jet fuel, kerosene, diesel, fuel oil, asphalt and lubricants. Natural Gas for Vehicles (NGV) is marketed through PDB's wholly-owned subsidiary PETRONAS NGV Sdn Bhd. PDB also has interest in Malaysia's Multi-Product Pipeline and the Klang Valley Distribution Terminal that transports gasoline, jet fuel and diesel oil from the refineries to major demand centres in the Klang Valley. Besides marketing activities, PDB also jointly operates a jet fuel storage facility and hydrant line system at the Kuala Lumpur International Airport.

PETRONAS has also established its downstream marketing presence in key Asian markets. PT PETRONAS Niaga Indonesia, a wholly-owned subsidiary, operates retail stations as well as markets petroleum products to industrial and commercial customers, and manages a network of local lubricant distributors in Indonesia. In Thailand similar activities are undertaken by PETRONAS Retail (Thailand) Co Ltd that also supplies jet fuel to the Don Muang International Airport and the Suvarnabhumi International Airport, Bangkok. In China and India, the Group's lubricant products are sold through PETRONAS' wholly-owned subsidiary, PETRONAS Marketing China Company Ltd and PETRONAS Marketing India Private Ltd (PMIPL), respectively. PMIPL also has exclusive supply arrangements and collaborations with major Original Equipment Manufacturer (OEM) partners and car manufacturers.

In Africa, PETRONAS' subsidiary Engen has the largest retail network of service stations in South Africa as well as a strong retail presence in the Sub-Saharan region in countries including Botswana, Burundi, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Réunion, Swaziland, Tanzania, Zambia and Zimbabwe. In the Sudan, PETRONAS Marketing Sudan Limited (PMSL), a wholly-owned subsidiary is engaged in the marketing and retailing of petroleum products and lubricants, as well as owns and operates retail stations. PMSL also provides into-plane service at the Khartoum International Airport and El-Obeid International Airport, which is the main base for the UN World Food Programme's operations in the Sudan. PMSL also supplies fuel to the UN-African Union Mission peacekeeping force in Darfur and operates refueling stations and depots.

With a presence in more than 20 countries worldwide, PETRONAS Lubricants International Sdn Bhd (PLISB) is the lubricants arm of PETRONAS. PLISB has established a manufacturing base and distribution channel to sell its products in the European market by virtue of acquiring the FL Selenia Group, (re-named PL Italy Group) and offers lubricants, transmission, anti-freeze and functional fluids for automobiles, trucks, agricultural tractors and earth moving machinery as well as for other industrial equipment to the market.

Leveraging on PL Italy Group's strong OEM relationships and world-class research and development capabilities, PLISB currently has a long-term supply, technical, collaborative and commercial agreement for the exclusive right to supply lubricants to Fiat Italy via PL Italy Group.

Also in the lubricants marketing sector, PETRONAS Base Oil (M) Sdn Bhd, a wholly-owned subsidiary of PETRONAS, undertakes the marketing of MG3 base oil in Malaysia and the Asia Pacific region whereas marketing in Europe is handled by PETRONAS Marketing Netherlands BV. PETRONAS markets its base oil products under the brand ETRO.

Apart from eight LPG bottling plants in Malaysia, PETRONAS also has LPG facilities in selected Asian countries namely in India, the Philippines and Vietnam, either through a joint venture or wholly-owned subsidiary.

PETRONAS Aviation Sdn Bhd, a wholly-owned subsidiary of PETRONAS, markets PETRONAS' aviation fuel in the global market, including to Malaysia Airlines, as well as to Shell, Ceylon Petroleum Corporation and Repsol YPF for locations in Buenos Aires, Colombo and Hong Kong.

Petrochemicals

PETRONAS first ventured into the production of basic petrochemical products in the mid-1980s and later embarked on several large scale petrochemical projects with multinational joint venture partners. PETRONAS' joint venture partners have included The Dow Chemical Company, BASF Netherlands BV, BP Chemicals, Idemitsu Petrochemical Co Ltd, Mitsubishi Corporation, and Sasol Polymers International Investments (Pty) Ltd.

With a view to strengthening integration and improving economies of scale, PETRONAS recently consolidated its petrochemical business under the PETRONAS Chemicals Group Berhad (PCG). The leading integrated petrochemical producer in Malaysia and one of the largest in South East Asia, PCG is the listed holding entity for all of PETRONAS' petrochemical production, marketing and trading subsidiaries and has a total combined production capacity of over 11 million tonnes per annum.

The petrochemical business which has been consolidated under PCG, through joint ventures with multinational petrochemical companies, developed two Integrated Petrochemical Complexes (IPCs) at Kertih and Gebeng, along the eastern corridor of Peninsular Malaysia. The concept underlying the development of these IPCs is to achieve a competitive edge through the integration of petrochemical projects using common or related feedstock and common facilities within a self-contained complex.

PETRONAS' Kertih IPC consists principally of ethylene-based petrochemical projects, which include two ethylene crackers, a polyethylene plant, an ethylene oxide/ethylene glycol plant, a multi-unit derivatives plant, vinyl chloride monomer (VCM) and polyvinyl chloride (PVC) plants, ammonia/synthesis gas plants, an acetic acid plant, an aromatics complex and a low-density polyethylene plant. The petrochemical projects are fully integrated with the surrounding infrastructure facilities and other process plants in Kertih, including PGB's six gas processing plants and the Kertih Refinery, all of which are located within the IPC. A joint venture comprising PETRONAS (40%), Dialog Equity Group Sdn Bhd (30%) and Vopak Terminals Penjuru (Jurong) Pte Ltd (30%) owns and operates the storage and distribution terminal, which has a throughput of approximately 2.7 million tonnes per annum. The Kertih marine facilities include six berths that can accommodate chemical tankers up to 40,000 dead-weight metric tonnes.

The Gebeng IPC comprises mainly of propylene-based petrochemical projects. The anchor project at the Gebeng IPC is a joint venture between PETRONAS and BASF, which owns and operates an acrylic acid/acrylic esters plant, an oxo-alcohols complex and a butanediol plant. PETRONAS, through PCG owns and operates an MTBE/propylene plant, a propane dehydrogenation plant and a polypropylene plant. The Gebeng IPC is also host to a number of multinational chemical companies, such as BP Chemicals, which owns and operates a purified terephthalic acid plant, and Eastman Chemicals, which owns and operates a copolyester plastic resin plant.

Both the Kertih and Gebeng IPCs are a major step towards establishing Malaysia as a regional petrochemical production hub.

The integrated development of Malaysia's petrochemical industry is expected to promote the development of the country's industrial base, especially the plastics and chemical based component manufacturing industry.

Corporate Enhancement Programme – A Year On

As an oil and gas corporation, PETRONAS continues to evolve and re-invent itself, changing the way it carries out its business in order to match the challenging realities of the world around it.

Today's world is characterised by greater economic and social volatility, stiffer competition for dwindling resources and greater scrutiny of corporate conduct and behaviour. Clearly, the changing milieu presents a compelling case for PETRONAS to initiate real and meaningful change.

Given the imperative to raise the performance bar for the organisation and elevate its strategic and operational robustness to international standards, PETRONAS in early 2010 embarked on a Corporate Enhancement Programme (CEP).

The CEP was implemented to transform the Group's structure and supporting elements, to help drive PETRONAS through the challenges for the next phase of growth. The CEP was conceptualised to:

- Ensure greater Ownership & Accountability
- Elevate Governance & Transparency to international standards
- Focus resources to Core Business activities
- Establish clear and visible Succession Planning & Leadership Development

Realising the direct link between behaviours and structures that govern its actions and motivations in the corporate setting, PETRONAS' management had set out to introduce key structural changes from the very pinnacle of the organisation downwards which include:

- The re-constitution of the Board to consist of independent industry professionals and eminent personalities, selected for their experience and credibility to guide PETRONAS through the next phase of growth.
- The establishment of Board Committees including the Governance and Risk and Remuneration Committees, in addition to the existing Board Audit Committee to elevate standards of corporate governance.
- The creation of the Executive Committee (EXCO) as a guiding coalition allowing for collective decision making, a leadership bench and a platform for clear succession planning.
- The refinement of PETRONAS' organisational structure aimed at aligning our core businesses along its integrated core activities.

PETRONAS has been able to elevate the Group's levels of openness and transparency, driven by other self-imposed initiatives including regular and consistent disclosure of its financial performance, as well as timely public announcements of its initiatives and its future plans and goals. This allows stakeholders including the public-at-large to assess the health of the Corporation and take an informed position in response to its business performance and pipeline of ventures moving forward. At the same time, the announcement of its performance on a quarterly basis allows the management and staff of PETRONAS to track and measure its business performance and increase efforts towards meeting or exceeding planned targets.

Positive changes have occurred during the last year resulting in more dynamic and impactful decisions and initiatives. The growth momentum has been intensified, driven by strategic stewardship from the Board on PETRONAS' direction, with elevated standards of corporate governance mindful of balancing returns with risks.

In its own capacity, the EXCO has successfully driven strategic execution expediently, integrating relevant portions of the PETRONAS value chain to achieve optimal returns for the Group. Stringent risk parameters govern all decision making processes cascaded throughout the organisation, from the Board. The effectiveness of the newly established EXCO structure, in achieving impactful integrated solutions was acknowledged and replicated by the Executive Vice Presidents (EVPs) for their respective core businesses. The mirroring of functions in driving strategic growth and operational efficiency is done in an integrated manner.

The EXCO is at the forefront of the CEP, leading by example and instituting wide-ranging changes in their respective businesses, in driving desired high performance behaviour to be eventually embedded in the DNA and culture of PETRONAS.

The refinement of PETRONAS' organisational structure to support its core businesses has helped prioritise its allocation of capital, energy and time on investments that will contribute better to its growth. There is greater discipline in controlling costs and stronger focus on the bottom line. Similarly, the new way of thinking has guided PETRONAS to objectively divest non-performing ventures. All of this has made PETRONAS' operations better geared to achieve hard business targets.

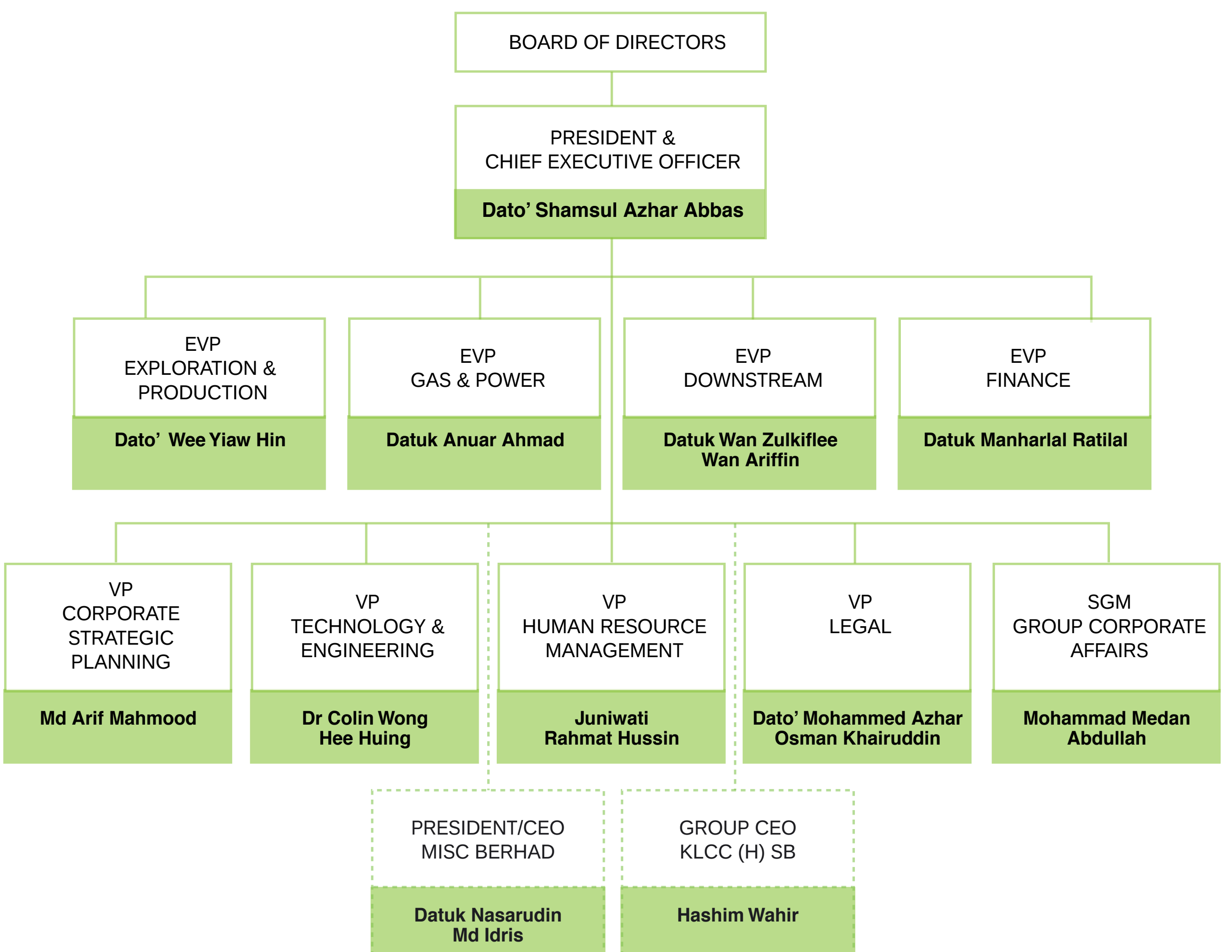
To reinforce the urgency for change and to cascade this to the individual level, the Key Performance Indicators (KPIs) of PETRONAS' top management are cascaded down to the KPIs of the individual staff. In this way, the success of achieving the larger scorecard targets will be the result of the cumulative effort of each and every one within the organisation.

As such, in driving accountability, the performance of each individual, at all levels, will be subjected to a rigorous appraisal process to reward the high performers, develop those with potential and ensure consequence management where necessary. To support the successful realisation of PETRONAS' hard and soft targets, a premium is placed on greater ownership and accountability, that brings with it a corresponding responsibility to initiate decision making, so long as this contributes positively towards the attainment of PETRONAS' key goals.

The all encompassing CEP includes dynamic human resource management policies and strategies, incorporating key improvements to meet the changing needs of PETRONAS' globally diverse workforce. With a strong emphasis on meritocracy, recognising and rewarding performance and rigorous consequence management, PETRONAS is reinvigorating its Human Resource practices designed to retain critical professionals and attract experienced and capable talents to infuse the Group with the industry's best, who will bring with them value-adding knowledge, practices and new vitality.

Clearly, the CEP aims to strengthen PETRONAS while providing nimbleness to capitalise on opportunities and reinforce its foundations to weather external shocks in a fast-changing, volatile and often unpredictable industry environment. This allows the Corporation to move decisively in initiating key efforts in favour of business growth and strengthen a culture of high-performance and excellence among staff.

PETRONAS Corporate Structure



*Executive Committee comprises the President & Chief Executive Officer and the four Executive Vice Presidents

EVP - Executive Vice President
VP - Vice President
SGM - Senior General Manager

Exploration & Production Business Leadership Team

EVP
Exploration & Production
Dato' Wee Yiaw Hin

- VP & CEO
  PETRONAS Exploration
  Effendy Cheng Abdullah
- VP & CEO
  PETRONAS Development & Production
  Datuk Abdullah Karim
- VP
  Petroleum Management
  Ramlan A Malek

Gas & Power Business Leadership Team

EVP
Gas & Power
Datuk Anuar Ahmad

- VP
  Global LNG
  Adnan Zainol Abidin
- VP
  Infrastructure & Utilities
  Pramod Kumar Karunakaran

Downstream Business Leadership Team

- EVP Downstream — **Datuk Wan Zulkiflee Wan Ariffin**
  - VP Downstream Marketing — **Amir Hamzah Azizan**
  - VP Refining & Trading — **M Farid Adnan**
  - VP Downstream Operations — **Ir Kamarudin Zakaria**
  - President/CEO PCG — **Dr Abd Hapiz Abdullah**

Finance Division Leadership Team

- EVP Finance — **Datuk Manharlal Ratilal**
  - VP Treasury — **Nuraini Ismail**
  - SGM Finance & Accounts Services — **Rashidah Alias**
  - VP Supply Chain & Risk Management — **M Rashid Yusof**
  - Head Tax — **Bhupinder Singh**

Board of Directors

01 **Dato' Shamsul Azhar Abbas**

Acting Chairman of the PETRONAS Board,
President & Chief Executive Officer

Dato' Shamsul Azhar Abbas was appointed to the PETRONAS Board as Acting Chairman and as President and Chief Executive Officer of PETRONAS on 10 February 2010. He also serves as Chairman of the Board of several of the Group's subsidiaries, including wholly-owned exploration and production arm PETRONAS Carigali Sdn Bhd, South Africa-based petroleum refining and marketing company Engen Petroleum Limited and public-listed MISC Berhad. Prior to his current appointment, Dato' Shamsul, who began his career with PETRONAS in 1975, held various senior management positions within the Group.

02 **Tan Sri Dr Wan Abdul Aziz Wan Abdullah**

Independent Director

Tan Sri Dr Wan Abdul Aziz is a member of the PETRONAS Board and currently serves as the Secretary-General of Treasury in the Ministry of Finance. He also sits on the Board of various organisations including Malaysian Airline System Berhad, Bintulu Port Holdings Berhad, Bank Negara Malaysia, Retirement Fund Incorporated and the Federal Land Development Authority (FELDA).

03 **Dato' Muhammad Ibrahim**

Independent Director

Dato' Muhammad Ibrahim was appointed to the PETRONAS Board in April 2010. He is currently the Deputy Governor of Bank Negara Malaysia. His areas of expertise include finance, banking, supervision and regulation, strategic planning, insurance and financial markets. He is a trustee of the Tun Ismail Ali Chair Council, a former commissioner of the Securities Commission of Malaysia and Senior Associate of the Institute of Bankers Malaysia. He sits on the Board of the Retirement Fund Incorporated and is a member of the Malaysian Institute of Accountants.

04 **Krishnan CK Menon, FCA**

Independent Director,
Chairman of the PETRONAS
Board Audit 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 Putrajaya Perdana Berhad, SCICOM (MSC) Berhad, KLCC Property Holdings Berhad and KLCC (Holdings) Sdn Bhd. He is a non-executive director of MISC Berhad and is also the Chairman of the Board Audit Committee in MISC Berhad.

05 **Tan Sri Dato' Seri Hj Megat Najmuddin Datuk Seri Dr Hj Megat Khas**

Independent Director,
Chairman of the PETRONAS
Governance & Risk Committee

Tan Sri 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 (FPLC) and the Malaysian Institute of Corporate Governance (MICG). He currently serves as the Non-Executive Chairman of several public listed companies and is active in Non-Governmental Organisations (NGOs).

06 **Datin Yap Siew Bee**

Independent 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.

07 **Dato' Mohamad Idris Mansor**

Independent Director

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. He is a Board member of PETRONAS Carigali Sdn Bhd. He was also the International Business Advisor to PTT Exploration and Production Company of Thailand prior to his current appointment.

08 **Datuk Mohd Omar Mustapha**

Independent Director

Datuk Mohd Omar Mustapha was appointed to the PETRONAS Board in September 2009. He is the Founder and Chairman of Ethos & Company, a boutique Malaysian-based management consulting firm and a General Partner of Ethos Capital, a leading regional private equity fund. He is a member of the Economic Council chaired by the Prime Minister, an independent director of Symphony House Berhad and Air Asia Berhad, an Eisenhower Fellow, a founding member of the World Islamic Economic Forum's Young Leaders Roundtable and a YGL member of the World Economic Forum in Davos.

09 **Datuk Wan Zulkiflee Wan Ariffin**

Executive Director

Datuk Wan Zulkiflee Wan Ariffin is a member of the PETRONAS Board, the Executive Committee, Management Committee and serves on various Boards of several Joint Ventures and subsidiary companies in the PETRONAS Group. He is the Executive Vice President of Downstream Business. He is the Chairman of two of PETRONAS' public listed subsidiaries namely PETRONAS Chemicals Group Berhad and PETRONAS Dagangan Berhad. He is also a member of the Board of Directors of MISC Berhad and is the Industry Advisor to the Engineering Faculty of Universiti Putra Malaysia.

10 **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 appointment, he served as Vice President of Human Resource Management Division and, earlier, as Vice President of Oil Business. He also sits on the Board of several companies within the PETRONAS Group.

11 **Dato' Wee Yiaw Hin**

Executive Director

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

12 **Datuk Manharlal Ratilal**

Executive Director

Datuk Manharlal Ratilal is a member of the PETRONAS Board, Executive Committee and Management Committee. He is the Executive Vice President of Finance. He also sits on the Board of several subsidiaries of PETRONAS. His areas of expertise include corporate finance, mergers and acquisitions, and the capital markets.

13 **Dato' Mohammed Azhar Osman Khairuddin**

Company Secretary

Dato' Mohammed Azhar Osman Khairuddin is the Company Secretary of PETRONAS since 1 April 2000. He joined PETRONAS in 1979 as a Legal Officer and currently holds the position of Vice President, Legal. He is a member of the PETRONAS Management Committee and serves on the Board of Directors of several companies within the PETRONAS Group. He is also a member of the International Bar Association.

14 **Faridah Haris Hamid**

Joint Company Secretary

Faridah Haris Hamid is the Head of Legal Finance & Corporate Secretariat, Legal Division. She spent 10 years in the banking sector before joining PETRONAS in 1992. She is the Joint Secretary to the PETRONAS Board of Directors and Secretary to the Executive Committee of PETRONAS. Her areas of legal expertise include corporate finance, capital markets and corporate governance.

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Board Committees

Audit Committee

Krishnan CK Menon, FCA
Chairman

Dato' Mohamad Idris Mansor

Tan Sri Dr Wan Abdul Aziz Wan Abdullah

Dato' Muhammad Ibrahim

Governance & Risk Committee

Tan Sri Dato' Seri Hj Megat Najmuddin Datuk Seri Dr Hj Megat Khas
Chairman

Dato' Muhammad Ibrahim

Krishnan CK Menon, FCA

Remuneration Committee

Datin Yap Siew Bee
Chairperson

Datuk Mohd Omar Mustapha

Datuk Anuar Ahmad

Executive Committee

Dato' Shamsul Azhar Abbas
President & Chief Executive Officer

Datuk Wan Zulkiflee Wan Ariffin
Executive Vice President
Downstream

Datuk Anuar Ahmad
Executive Vice President
Gas & Power

Dato' Wee Yiaw Hin
Executive Vice President
Exploration & Production

Datuk Manharlal Ratilal
Executive Vice President
Finance

Faridah Haris Hamid
Secretary

Management Committee

Dato' Shamsul Azhar Abbas
President & Chief Executive Officer

Datuk Anuar Ahmad
Executive Vice President
Gas & Power

Datuk Manharlal Ratilal
Executive Vice President
Finance

Dr Colin Wong Hee Huing
Vice President
Technology & Engineering

Datuk Wan Zulkiflee Wan Ariffin
Executive Vice President
Downstream

Dato' Wee Yiaw Hin
Executive Vice President
Exploration & Production

Ramlan Abdul Malek
Vice President
Petroleum Management

Datuk Nasarudin Md Idris
President/CEO
MISC Berhad

Md Arif Mahmood
Vice President
Corporate Strategic Planning

Mohammad Medan Abdullah
Senior General Manager
Group Corporate Affairs

Juniwati Rahmat Hussin
Vice President
Human Resource Management

Dato' Mohammed Azhar Osman Khairuddin
Vice President
Legal

Hazleena Hamzah
Secretary

President & CEO and Acting Chairman's Message

In discharging its responsibilities as a custodian to the people and the nation, the PETRONAS Group of Companies delivered a solid financial and operational performance for the Financial Year Ended 31 March 2011 that reflects the enduring strength of its proven strategy of integration, adding value and globalisation, as well as the gains that have accrued from further progress in the Groupwide implementation of its Corporate Enhancement Programme (CEP), reaffirming once again PETRONAS' ability to return greater value to its stakeholders.

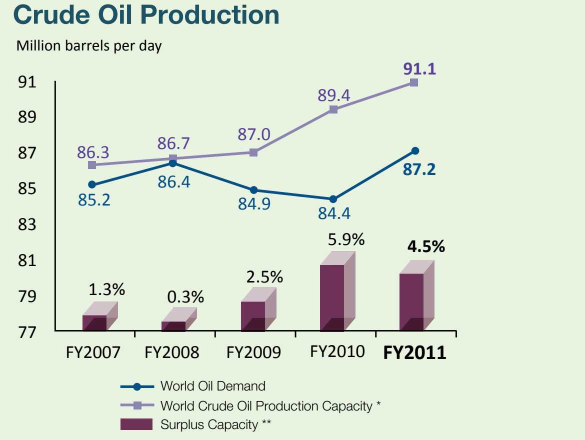
Dato' Shamsul Azhar Abbas

Group revenue for the year stood at RM241.2 billion, an increase of 14.4% from last year — achieved despite significant headwinds posed by the strengthening of the Ringgit against the US dollar. Profit Before Tax (PBT) rose 34.5% to RM90.5 billion and enabled the Group to more than comfortably meet its dividend obligations as well as sustain its capital expenditure (CAPEX) requirements for the year; Shareholder's Funds meanwhile having increased further by 8.6% to RM263.8 billion. Return on Average Capital Employed (ROACE) was higher at 17.5% against last year's 15.9%, comparable to those of its peers — namely, oil majors and other national oil companies.

A marked turnaround in industry conditions provided the backdrop against which this performance was attained. During the year, world oil and gas demand staged an exceptionally vigorous rebound as momentum in the global economic recovery, led primarily by the emerging economies, continued to strengthen. Stronger demand, coupled with the effects of a steadily weakening US dollar and rising geopolitical risks in the Middle East and North Africa as the year drew to a close, helped propel crude oil prices higher. Average key crude benchmark prices for the year increased 23% relative to the previous year's; Malaysia's Tapis averaging USD89.38 per barrel against last year's USD72.69 per barrel.

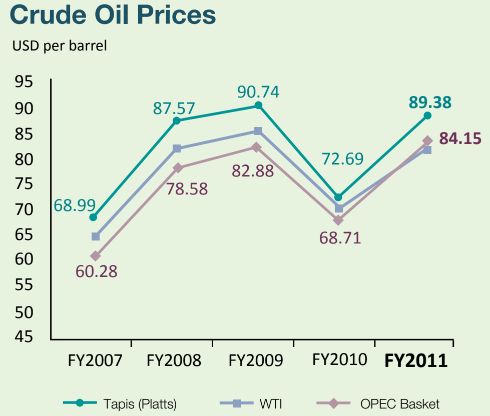
However, equally important were the concerted efforts expended by the Group to grow and improve the efficient conduct of its business that had strengthened its ability to capture the opportunities afforded by the industry upswing, both immediate and longer-term. In Malaysia, eleven new PSCs were awarded, ten new discoveries were made and three new fields were brought onstream. Abroad, five Petroleum Arrangements were secured, including the Group's first upstream venture in South America — the Carabobo 1 Project in Venezuela's Orinoco Region. Combined efforts in exploration, intensified and enhanced recovery, as well as acquisitions, succeeded in adding two-and-a-half barrels of oil equivalent to Total Group Petroleum Resources for every barrel that was produced during the year. Management's resolve to highgrade the Group's international upstream portfolio was brought to bear with PETRONAS exiting Ethiopia and Timor Lesté, as well as divesting its interests in Pakistan — moves that pave the way for the redeployment of vital resources in favour of ventures that will bring greater focus and synergy to the Group's broader strategic goals.

Crude Oil Production



* includes non-OPEC production, OPEC crude oil production capacity and OPEC natural gas liquids
** as a percentage of demand

Crude Oil Prices



Source: EIA

The year also saw PETRONAS embarking on numerous key initiatives aimed at revitalising growth in the Malaysian oil and gas industry, as well as support efforts in nation-building.

Developments in other areas of operations similarly reflected efforts to expand and enhance the efficiency of the business. Improved plant performance during the year was a key contributing factor in having enabled the PETRONAS LNG Complex (PLC) in Bintulu achieve its highest-ever levels of production and exports of LNG. Similarly, improved utilisation rates sustained higher volumes of crude processing at the Group's Malaysia refineries. PETRONAS' maiden venture in the unconventional gas business — the Gladstone LNG (GLNG) in Queensland, Australia — also took a major step forward towards commercialisation, with all project partners having committed to a Final Investment Decision (FID). GLNG, whose commissioning cargo is expected by 2015, will not only seal the Group's presence in a dynamic and increasingly important segment of the global gas value-chain, but also make a profound contribution towards enhancing the security of supply of natural gas to Peninsular Malaysia in the years ahead.

The year also saw PETRONAS embarking on numerous key initiatives aimed at revitalising growth in the Malaysian oil and gas industry, as well as support efforts in nation-building. Leveraging on new tax incentives provided by the Government of Malaysia, PETRONAS introduced a new petroleum arrangement solution — the Risk Service Contract (RSC) — designed to unleash the potential of Malaysia's small and marginal fields on a fast-track development basis. The first RSC was awarded in January 2011 for the Berantai Field, offshore Peninsular Malaysia and First Gas is expected to be achieved by end-2011.

Work on the country's first LNG Regasification Terminal in the state of Melaka also commenced during the year and is achieving satisfactory progress towards its targeted completion date of July 2012. The import of LNG into Peninsular Malaysia promises not only to unlock latent high-value gas demand in helping to support the growth of the country's manufacturing sector, but also potentially allow significant reductions in its total annual energy costs by expanding the fuel options available to Malaysian manufacturers.

PETRONAS also initiated the Refinery and Petrochemical Integrated Development (RAPID) project, a major downstream investment to be located in Pengerang, Johor aimed at strengthening the Group's ability to ride the expected robust growth in energy and chemicals demand in East Asia, particularly in the specialty chemicals segment. The project is a significant contribution by the Group that will support wider efforts to position southern Johor as an oil and gas hub for the region, leveraging on the pre-existing strengths of, and mutually complementing Singapore. Furthermore, it will provide the impetus to spur the area's economic development in the same manner PETRONAS' investments in Kertih 20 years ago had had a transformational impact on the locality, help diversify Malaysia's export capabilities and contribute to building a critical mass of human talent in the country through the creation of up to 4,000 employment opportunities of highly-skilled oil and gas professionals.

PETRONAS also listed two of its subsidiaries on Bursa Malaysia's main market during the year — namely, Malaysia Marine and Heavy Engineering Holdings Berhad (MHB), a subsidiary of the Group's shipping arm MISC Berhad and PETRONAS Chemicals Group Berhad (PCG). Both listings have not only helped broaden and deepen Malaysia's capital market — indeed, PCG's Initial Public Offering (IPO) was the largest-ever in Southeast Asia — but also provided avenues through which the investing public can now participate directly in the growth of the various PETRONAS businesses.

Financial Highlights

- Group Revenue improved in tandem with higher oil prices and volumes sold.
- EBITDA margin increased to 44.7% despite rising costs and the negative impact of the Ringgit's strengthening against the US dollar.
- Achieved a higher ROACE of 17.5%, comparable to those of the oil majors and other national oil companies — a reflection of improved overall performance.

Operational Highlights

- Secured 17 new upstream ventures in Malaysia and abroad, including the Carabobo 1 Project in Venezuela and also the award of the country's first Risk Service Contract (RSC).
- Attained a higher Group Resource Replenishment Ratio (Triple-R) of 2.5 times for combined oil and gas resources.
- Achieved the highest-ever level of production and exports of LNG from the PETRONAS Liquefied Natural Gas Complex (PLC).
- Announced the Refinery and Petrochemical Integrated Development (RAPID) project, a major integrated refinery and petrochemicals complex to be located in southern Johor.
- Listed two subsidiaries on Bursa Malaysia — Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) and PETRONAS Chemicals Group Berhad (PCG).

Looking ahead, the Group's business priorities and key areas of focus will continue to be shaped by an all-out push for growth, consistent with efforts to further secure the long-term sustainability of its business.

Looking ahead, the Group's business priorities and key areas of focus will continue to be shaped by an all-out push for growth, consistent with efforts to further secure the long-term sustainability of its business. To this end, PETRONAS will be guided by the strategic imperatives of its Corporate Agenda, which have been conceived explicitly to support its aspiration of becoming a "Global Energy Champion Known for its Resilience and Distinctiveness", and will continue to leverage on the transformational objectives of the CEP to create a high-performance culture throughout the Group. PETRONAS will also seek to distinguish itself as an organisation that "dares-to-be-different", possessing both the will and energy to drive flawless execution even under challenging circumstances — a resolve neatly embodied by its new corporate positioning statement, "Reimagining Energy".

Through this single-minded pursuit for growth and performance excellence, PETRONAS is forging ahead as an entity with a clear strategic focus, enhanced organisational robustness and a more distinctive performance-oriented, capability-driven culture — all of which will enhance its ability to continue creating and returning greater value to its stakeholders.

By way of a final note, I would like to take this opportunity to place on record my sincere appreciation to all PETRONAS employees whose dedication, sacrifice and steadfast adherence to the Company's Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness was instrumental in having made this year's achievements possible. I would also like to thank members of the PETRONAS Board of Directors for their wise counsel, guidance and stewardship of the Corporation. A heartfelt tribute goes out to my colleagues in the Executive Committee (EXCO), whose resolve, vision and commitment to PETRONAS were instrumental in driving the solid performance the Group achieved within such a brief period of time, and also to the members of the Management Committee each of whom played a vital enabling role to this end.

I would also like to express my deepest gratitude to the Government of Malaysia for the continued trust and support granted to PETRONAS, and likewise to our host governments and various communities as well as stakeholders that play host to our operations. My sincere thanks also goes to our business partners for their understanding and co-operation, as well as our clients and customers for their continued loyalty and confidence in us. Indeed, your continued support, partnership and friendship lies at the heart of PETRONAS' success — an honour that PETRONAS deeply appreciates and will seek always to uphold.

DATO' SHAMSUL AZHAR ABBAS
President & CEO and Acting Chairman

Key Strategies and Plans

Exploration & Production
- Pursue a 3.5% CAGR production growth over 5 years
- Resource Replenishment Ratio >1 on a 3-year rolling average basis
- Maximise value creation and growth within Malaysia
- Highgrade portfolio of international assets
- Anchor capability building on EOR & CO_2 developments
- Explore new play types

Gas & Power
- Secure supply and maximise value of gas within Malaysia
- Strengthen and grow LNG position in Asia Pacific and Atlantic
- Establish and grow energy trading in Europe

Downstream
- Strengthen presence in selected markets and pursue opportunistic growth in attractive markets
- Rationalise non-value adding assets
- Grow refining and petrochemical capacity and product range
- Build global trading and marketing portfolio

Statement of Corporate Governance

Corporate Governance & Transparency

PETRONAS believes that good Corporate Governance is fundamental to ensuring the organisation's competitiveness, growth and sustainability. Implementing best practices in Corporate Governance is important to PETRONAS given the Group's strong global orientation and the growing expectations of stakeholders worldwide for good corporate citizenship.

Furthermore, enhanced standards of governance and transparency will serve to strengthen the Group's organisational effectiveness and drive a high-performance culture within the organisation, and are both essential for PETRONAS to compete successfully in today's challenging industry environment.

In cognisance of this, the Board maintains and requires the Management to uphold the highest standards of governance, transparency and ethical conduct. PETRONAS has adhered to the highest standards in governance throughout its corporate history, and indeed responsible business has always been a central tenet, as inscribed in our Mission Statement. Today, with a well-established global footprint, PETRONAS continues to pave the way towards ensuring the sustainability of good corporate governance based on international standards.

Following the Corporate Transformation exercise of 2010 and to further elevate the importance of governance and transparency for the Group, the Management of PETRONAS established a Corporate Governance & International Compliance Unit, under the purview of the Legal Division. This unit assists the Management and the Board via the Governance & Risk Committee on a range of current issues relating to Corporate Governance.

As part of PETRONAS' on-going efforts to enhance the application of the highest standards of governance across the Group in line with best global practices, the Company has a Board Education Programme for all Board members under the PETRONAS Group. The programme is designed to keep the Company's directors appraised of critical developments relating to 21st Century boardroom and global governance issues such as corruption, ethics & integrity and governance in emerging markets.

Business Ethics

PETRONAS is committed to complying with the highest ethical standards and applicable anti-corruption laws. This is in line with PETRONAS' core values, business principles and various internal policies which reflect the continuous focus on making ethics and anti-corruption an integral part of PETRONAS' business operations. Such focus has helped to promote strong ownership in relation to compliance and ethics at all levels.

PETRONAS Board Governance Framework

The Board governance framework was redesigned following the corporate enhancement measures adopted in April 2010.

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 consisting of Non-Executive Directors as detailed in later sections.

The Chairman leads the Board, and the President & Chief Executive Officer (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 Group-wide.

In this regard, the President & CEO has the support of the Executive Committee and Management Committee which he chairs.

The Executive Committee's role is to assist the President & 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 & CEO in the Company.

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

The Board

For the period up to FY 2010/11, the Board was made up of the Acting Chairman and President & CEO, five Executive Directors including the CEO and seven Non-Executive Directors. A list of the current Directors, with their biographies, is provided on pages 14 to 15.

Currently, the position of the Chairman is vacant, and the President & CEO is assuming the responsibility until such time as the shareholder makes an official appointment.

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.

During the review period, the Board met a total of 18 times (which include five Special Board Meetings) 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 Performance, introduction of CEO's and Executive Vice Presidents' (EVP) Performance Scorecards, Talent Management and the Company's Performance Review. In addition to managing the Company's financial reporting, the Board needed to monitor and identify material risks to PETRONAS and ensure that internal systems of risk management and control are in place to mitigate such risks.

The Special Board Meetings, which were held five times in the FY 2010/11, have also given the directors the opportunity to engage in intensive deliberation on PETRONAS' long term strategy, plan & budget and talent management. These meetings have also been used as a platform for the induction and orientation of the Independent Non-Executive Directors. Such induction and orientation practice is crucial as it provides an informative environment for the Independent Non-Executive Directors to understand the business more closely. In fact, two out of the five meetings were held in the vicinity of business operations to allow the Independent Non-Executive Directors to witness for themselves PETRONAS' commercial and performance scales.

Through these Special Board meetings, the Board of Directors had gained a better understanding and appreciation of the challenges and issues faced by the Company and the Group and also a greater understanding of PETRONAS' business, plans, strategies and financial performances. These special meetings were also designed to foster greater collaboration and networking amongst the directors and the management as well as all staff at all levels.

Echoing the 2010 Corporate Transformation imperatives of "Greater Ownership & Accountability", the Board has also sanctioned the introduction of the CEO's and EVPs' Performance Scorecards with a view to enhancing the performance of the top management of the Company.

Board Balance and Independence

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.

All Non-Executive Directors are considered by the Board to be wholly independent.

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 subsequent 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 is comprised entirely of Non-Executive Directors. The members are as shown on page 16.

Governance & Risk Committee

Reflecting the greater emphasis by the Board on risk management, the Nomination and Corporate Governance Committee was recently renamed Governance & Risk Committee. It now undertakes the oversight of this function for the Board.

The Committee continues to be responsible in the assessing of the performance of the Board, reviewing management succession planning as well as identifying, nominating and orientating new Directors.

The Committee also reviews and recommends to the Board the appropriate corporate governance policies and procedures in accordance with international governance and best practices. The Committee will have access to the Corporate Governance & International Compliance Unit, recently established by the Management under the purview of the Legal Division, to ensure 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 17.

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 & 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 & CEO's Performance Scorecard.

The members of the Remuneration Committee are as shown on page 17.

Statement of Anti-Corruption

PETRONAS is committed to complying with the highest ethical standards and applicable anti-corruption laws. The PETRONAS Code of Conduct and Discipline expressly prohibits the giving and acceptance of bribes by PETRONAS employees. 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. PETRONAS' management is committed to communicating the vital importance of strong ethics and anti-corruption practices to all levels of the organisation.

Statement on Internal Control

The Board is pleased to provide the following statement which outlines the nature and scope of 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 sound internal control and risk management practices to good corporate governance with the objective of safeguarding the shareholders' investment and the Group's assets. The Board affirms its overall responsibility for the Group's system of internal controls and for reviewing the adequacy and integrity of those systems including financial and operational controls, compliance with relevant laws and regulations and risk management.

The Group has in place an ongoing process for managing the 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 inherent part of the Group's activities, risk management and the ongoing improvement in corresponding control structures in all significant risk areas including among others, financial, health, safety and environment, operations, geopolitics, trading and logistics, remain a key focus of the Board in building a successful and sustainable business.

A Risk Management Committee (RMC) has been established to serve as a central platform of the Group to assist the Management in identifying principal risks at the Group level and providing assurance on effective implementation of risk management on a Group-wide basis. The RMC also promotes sound risk management practices through sharing of information and best practices to enhance the risk culture across the Group. The RMC seeks advice and direction from the Board Governance and Risk Committee.

Group risks are being managed on an integrated basis and their evaluation is incorporated into the Group's decision-making process such as the 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 level.

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 (GIA) Division 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. GIA maintains its impartiality, proficiency and due professional care 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 was presented to the BAC for approval.

The BAC receives and reviews reports on all internal audits performed including the "agreed corrective actions" to be carried out by the Management. GIA monitors the status of agreed corrective actions through the Quarterly Audit Status Report in which they are recorded and assessed. The consolidated reports are submitted and presented to the BAC for deliberations.

GIA adopts the principles of the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.

Other Elements Of Internal Control

The other elements of the Group's system of internal control are as follows:

Organisational Structure

The internal control of the Group is supported by a formal organisation 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 5-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 revenue and capital expenditure spending limits for each level of management within the Group. These limits cover among others, authority for payments, capital and revenue expenditure spending limits and budget approvals. This LOA manual provides a framework of authority and accountability within the organisation 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.

Financial Control Framework

The Group has developed a Financial Control Framework (FCF) with the principal objective of enhancing the quality of the Company's financial reports through a structured process of ensuring the adequacy and effectiveness of key internal controls operating at various levels within the Company 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 level 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. FCF implementation is currently ongoing throughout the Group.

Corporate Financial Policy

The Group has established a Corporate Financial Policy and Guidelines for adoption and implementation by companies across the Group. This attempts to prescribe 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.

Group Health, Safety and Environment

There is a Group Health, Safety and Environment (GHSE) Division which drives various HSE sustainable initiatives and defines the framework that exemplifies the Group's effort to continuously meet legal compliance and industry best practices. GHSE also drives strategies and monitors and reports performance to the Executive Committee to ensure HSE risks are reduced to as low as reasonably practicable.

Crisis Management

The Group Contingency Planning Standard (GCPS) is designed to provide guidelines for responding to any major emergency or crisis by defining the framework and delineation of roles and responsibilities which enable support and assistance where required. The Group has implemented a three-tier response system which seeks to provide a clear demarcation of roles and responsibilities between emergency site management, operating unit management, corporate and authorities. In the event of major emergency or crisis, the response system will be activated and the Group's priority is the protection of people, environment, asset and reputation.

Business Continuity Plan

The Group is currently enhancing its Business Continuity Plans for both plant and non-plant operations. These plans seek to provide clear procedures to enhance the Group's preparedness in managing the impact of crisis. The main objective is to minimise impact, avoid disruption as well as recover and restore the Group's critical functions within a short 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, integrity, professionalism and cohesiveness. The importance of the Shared Values is manifested in the Corporation's Code of Conduct for Officers and Staff which is issued to all employees upon joining. Employees are required to strictly adhere to the Code in performing their duties.

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 enable employees to deliver their performance indicators so that the Group can meet its future management requirements.

Conclusion

The Board is of the view that the system of internal control instituted throughout the Group is sound and provides a level of confidence on which the Board relies for assurance. 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.

The Board provides for a continuous review of the internal control system of the Group to ensure ongoing adequacy and effectiveness of the system of internal control and risk management practices to meet the changing and challenging operating environment.

This statement is made in accordance with the resolution of the Board of Directors dated 30 May 2011.

Financial Results

Datuk Manharlal Ratilal

Executive Vice President
Finance

The Group's results for the year under review reflect better underlying performance in all segments aided by higher crude oil and gas prices. Earnings for the year after minority interests, though affected by a 9% strengthening of the Ringgit, increased by 36.0% to RM54.8 billion. Cash flow from operations increased to RM70.8 billion, an increase of 26.2% from the previous year. During the year, capital expenditure amounted to RM34.9 billion. Our financial position remained robust and we returned RM30 billion in dividends to our shareholder.

With effect from the first quarter of the year under review, we commenced quarterly reporting of our results (unaudited) under FRS 134 Interim Financial Reporting and core operating segments under FRS 8 Operating Segments.

Recognising increased challenges in our industry with regard to volatility and investment risks, we have elevated oversight of risk management to a Board Committee - the Governance & Risk Committee.

Financial Results Highlights for FY2011

RM241.2
billion in Revenue
Revenue of RM241.2 billion for the year, up by 14.4% on the back of stronger prices and demand.

RM107.9
billion in EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation increased by 29.5% to RM107.9 billion after accounting for IPO gains of RM9.2 billion.

RM439.0
billion in Total Assets
Total Assets increased by 6.8% to RM439.0 billion reflecting a stronger balance sheet.

RM263.8
billion in Shareholder's Funds
Shareholder's Funds expanded by 8.6% to RM263.8 billion.

20.6%
Return on Total Assets
Return on Total Assets of 20.6% in line with the trends shown by major players in the industry.

17.5%
Return on Average Capital Employed (ROACE)
ROACE of 17.5% - an improvement from 15.9% recorded in FY2010.

Review of Financial Results

The Group recorded improved results benefiting from higher crude oil and gas prices and demand as a result of continuing regional growth and to some extent the uncertainty of supply driven by the political unrest in the Middle-East and North Africa region.

In spite of a 9% strengthening of the Ringgit, Group revenue increased by 14.4% to RM241.2 billion aided by higher realised prices in major product categories and higher sales volume.

Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the year increased to RM107.9 billion which included a net gain of RM9.2 billion arising from the Initial Public Offerings (IPOs) of Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) and PETRONAS Chemicals Group Berhad (PCG) on Bursa Malaysia.

Profit before taxation was RM90.5 billion, an increase of 34.5% over the previous year.

Five-Year Group Financial Highlights

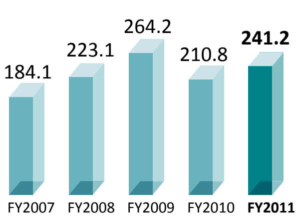
In RM billion	**FY2011**	+/- (%)	FY2010	FY2009	FY2008	FY2007
Revenue*	**241.2**	14.4%	210.8	264.2	223.1	184.1
EBITDA*	**107.9**	29.5%	83.3	105.7	105.9	84.8
Profit Before Taxation (PBT)	**90.5**	34.5%	67.3	89.1	95.5	76.3
Net Profit after Minority Interests	**54.8**	36.0%	40.3	52.5	61.0	46.4
Total Assets	**439.0**	6.8%	410.9	389.8	339.3	294.6
Shareholder's Funds	**263.8**	8.6%	242.9	232.1	201.7	171.7

Ratios	**FY2011**	FY2010	FY2009	FY2008	FY2007
Return on Revenue (PBT/Revenue)	**37.5%**	31.9%	33.7%	42.8%	41.4%
Return on Total Assets (PBT/Total Assets)	**20.6%**	16.4%	23.0%	28.1%	25.9%
Return on Average Capital Employed (ROACE)*	**17.5%**	15.9%	22.0%	28.0%	24.0%
Debt/Assets Ratio	**0.11x**	0.13x	0.11x	0.11x	0.12x
Debt/Equity Ratio	**15.3%**	17.6%	15.9%	15.8%	17.4%
Dividend Payout Ratio	**54.7%**	74.4%	57.1%	39.3%	38.8%
Resource Replenishment Ratio (Triple-R)	**2.5x**	1.1x	1.8x	0.9x	1.8x

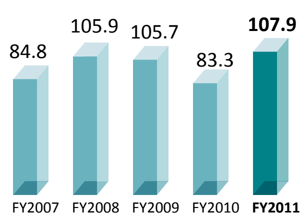
*Revenue for FY2010 and EBITDA and ROACE for FY2007 to FY2010 have been restated to ensure consistency with the current year's presentation basis.

In RM billion

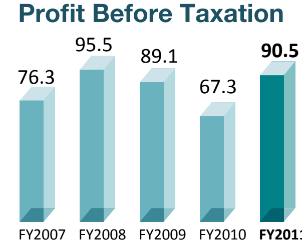
Revenue



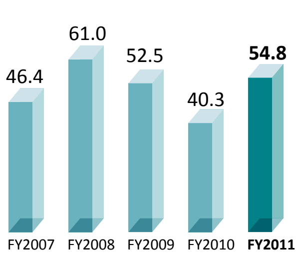
EBITDA



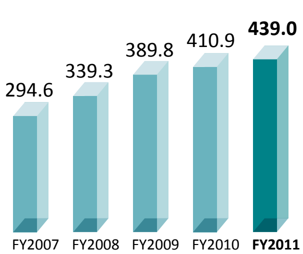
Profit Before Taxation



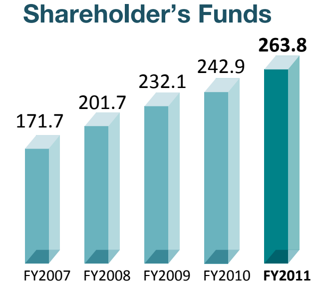
Net Profit after Minority Interests



Total Assets



Shareholder's Funds



Accordingly, net profit after minority interests amounted to RM54.8 billion, recording an increase of 36.0%. NOPAT or net operating profit after tax was up 18.2% to RM52.6 billion, compared to RM44.5 billion for the previous year.

The Group's total assets increased by 6.8% to RM439.0 billion and shareholder's funds improved by 8.6% to RM263.8 billion. Cash-flow from operations in the year under review was RM70.8 billion which was 26.2% higher than the previous year.

The Group's improved performance was also reflected in our key financial ratios for the year. Pre-tax Return on Revenue and Pre-tax Return on Total Assets stood at 37.5% and 20.6% respectively, which are higher than in the previous year. These ratios are in line with the trends shown by major players in the industry.

Overall Group performance was robust with Return on Average Capital Employed (ROACE) at 17.5% comparing favourably with selected industry players.

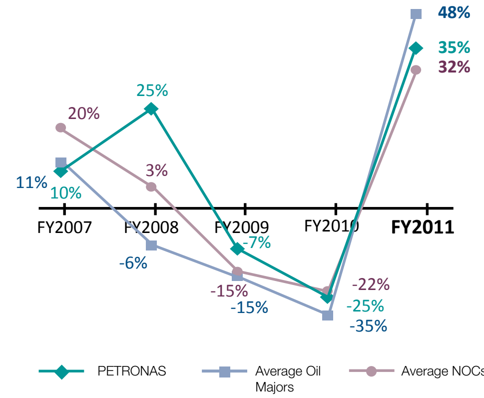
The Group's Debt/Equity ratio continued to improve to 15.3%, benefiting from the stronger Ringgit which had lowered the translated value of US Dollar denominated debts.

The Group's capital expenditure (CAPEX) for the year under review was RM34.9 billion. As in previous years, Exploration & Production (E&P) business accounted for the bulk of our CAPEX at 64% which reflects the Group's efforts to replenish the nation's maturing resources and sustaining petroleum production to meet growing domestic and commercial needs. Apart from E&P CAPEX, the bulk of our spending was in Malaysia in line with our focus on expansion of the Group's value chain and carrying out improvements to maintain the integrity of our assets.

Revenue by Products

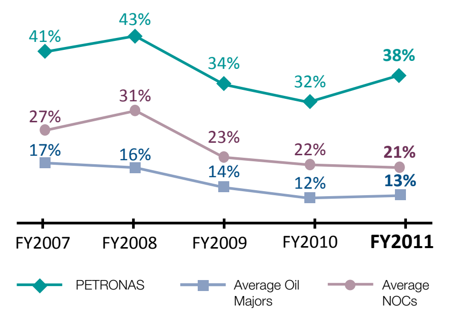
The increase in the Group's revenue for the year under review was supported by higher revenue streams from our core products. Prices of our products moved higher in tandem with higher crude prices coupled with improved demand for our products as a result of increased economic activities across the globe.

Profit Before Taxation

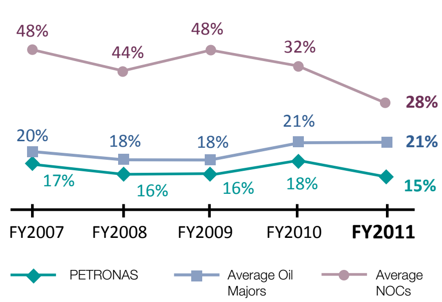


Note: year-on-year percentage change

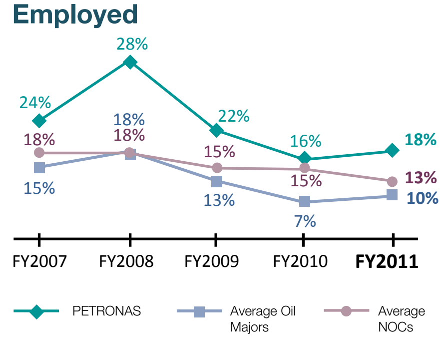
Pre-tax Return on Revenue



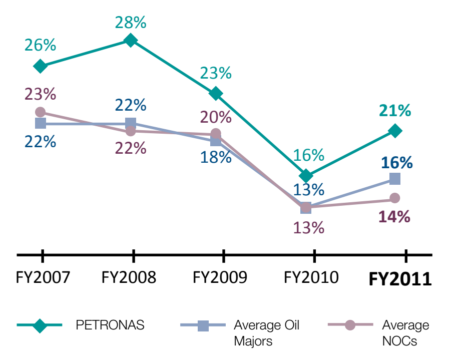
Debt/Equity Ratio



Return on Average Capital Employed



Pre-tax Return on Total Assets

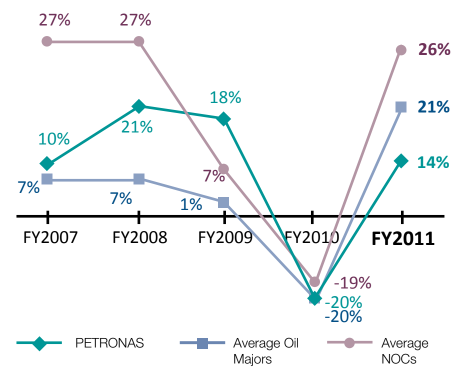


Refined petroleum products retained its top spot as the Group's main revenue generator with sales amounting to RM93.1 billion in the year under review. This was 14.7% higher than in the previous year and reflects the effects of higher sales price and higher sales volume of 266.4 million barrels. This in turn was driven by higher demand from customers and promotions for the retail segment. The second largest contributor to Group revenue was the sale of crude oil and condensates, which at RM52.6 billion accounted for 21.8% of the Group's total revenue. This was up 11.2% from the previous year, attributed to higher sales price despite a marginal fall of 1.6% in sales volume.

Liquefied natural gas (LNG) contributed RM45.3 billion or 18.8% to the Group's revenue, an increase of 22.4% from the previous year, due to higher realised prices of LNG as well as increase in sales volume by 4.5%. Sales of petrochemical products contributed RM14.5 billion to the Group's revenue, comprising 6.1% of total revenue and 14.2% higher than the previous year, as a result of higher margins and consolidation of sales volume in newly acquired subsidiaries, OPTIMAL Glycols (M) Sdn Bhd, OPTIMAL Chemicals (M) Sdn Bhd, and Polyethylene Malaysia Sdn Bhd.

The Group's manufacturing activities, comprising the refining of crude oil into petroleum products, the processing and liquefaction of natural gas, as well as the manufacturing of various petrochemical products, continued to add value to the nation's oil and gas resources. Revenue from manufacturing activities stood at RM140.1 billion, 15.2% higher than the previous year.

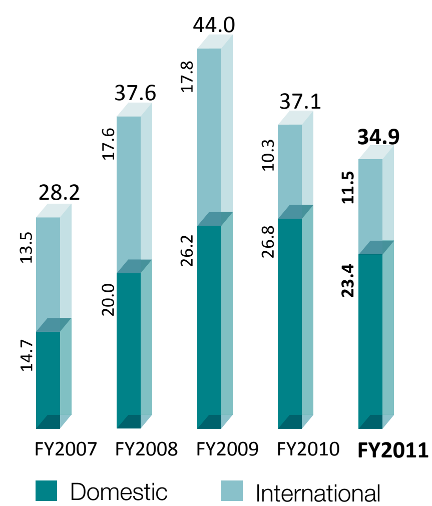
Revenue



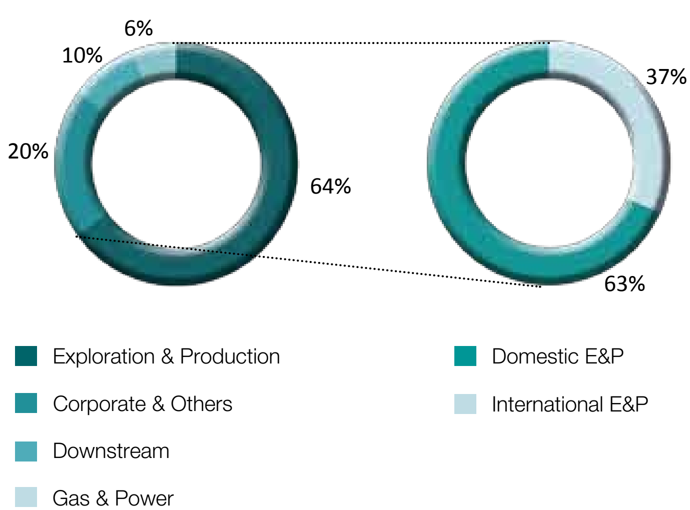
Note: year-on-year percentage change

Domestic and International CAPEX Breakdown

In RM billion



CAPEX Allocation for FY2011



Note

Results of oil majors and NOCs have been normalised to be consistent with PETRONAS' financial period, based on publicly available information. The oil majors consist of Shell, Chevron, ExxonMobil, BP and Total, while NOCs consist of PetroChina, Petrobras, Statoil and Rosneft.

Revenue by Geographical Trade

For the fourth year running, revenue from international operations continued to make the largest contribution to the Group's revenue at RM99.1 billion or 41.1% of total revenue. Revenue from exports increased by 22.0% to RM92.5 billion, mainly due to higher revenue earned from the export of LNG, crude oil and condensates, representing about 73.9% of total exports in the year under review. Consequently, revenue from exports contributed 38.3% to the Group's revenue, where it continued to earn valuable foreign exchange revenue for the nation and contributed positively to the country's balance of payments. Revenue generated from domestic operations, meanwhile, increased by 16.2% to RM49.6 billion.

Segment Earnings

E&P recorded the highest Net Operating Profit After Tax (NOPAT) with RM34.0 billion compared to RM30.8 billion in the previous year, representing an increase of 10.4%. The increase was mainly due to higher realised crude oil and natural gas prices partly offset by lower production in Malaysia.

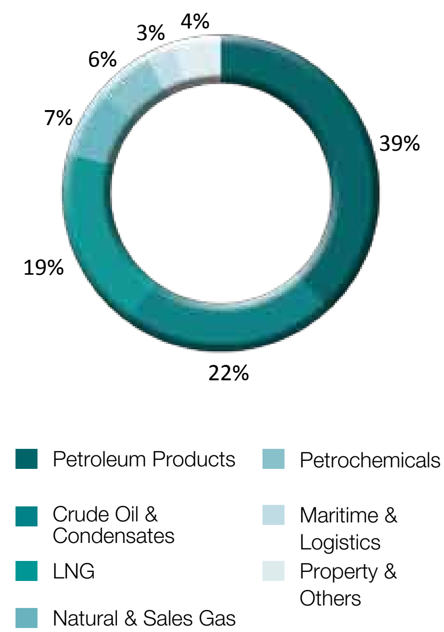
NOPAT for Gas & Power amounted to RM11.2 billion compared to RM8.9 billion in the previous year, representing an increase of 25.8%. The increase was mainly due to higher realised LNG prices and sales volume.

Downstream generated a NOPAT of RM7.2 billion compared to RM4.8 billion in the previous year, representing an increase of 50.0%, driven by improved refining and downstream marketing margins and improved product spreads in the petrochemical business.

NOPAT from Corporate & Others amounted to RM1.4 billion compared to RM0.9 billion in the previous year, representing an increase of 55.6%, as a result of higher profits generated from other business activities.

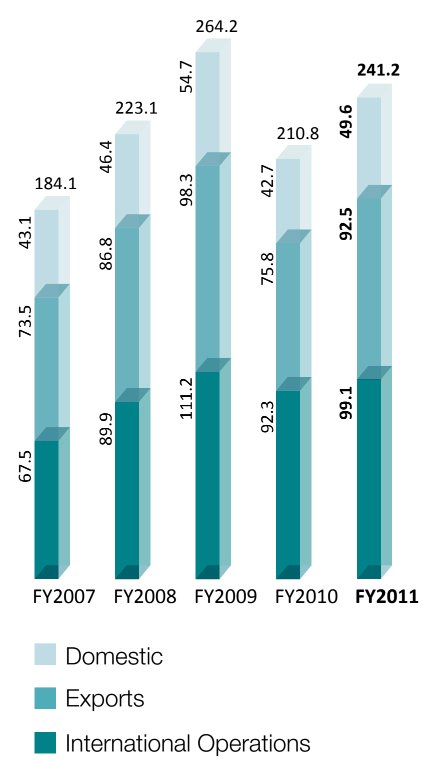
During the year, the Group undertook two IPOs, MHB and PCG on the Bursa Malaysia. Gains arising from these IPOs amounted to RM9.2 billion.

Revenue by Products



Revenue by Geographical Trade

In RM billion



Payments to Governments and Subsidies

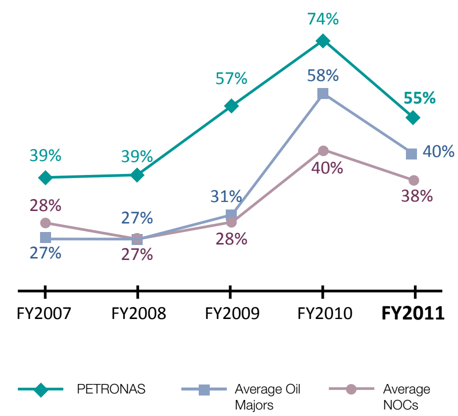
PETRONAS' payments to Malaysia's Federal and State Governments in the year under review amounted to RM65.7 billion. This comprised a dividend payment of RM30 billion, taxes of RM25.1 billion, petroleum proceeds of RM9.3 billion and export duties of RM1.3 billion.

PETRONAS returned RM30 billion as dividend payments to the Federal Government for the year under review. Overall Group's Dividend Payout ratio, which is the fraction of net profits paid out as dividends, was 55%.

In addition to payments to Federal and State Governments, PETRONAS continued with subsidies (representing potential revenue foregone) associated with the supply of gas to the domestic power and non-power sectors at regulated prices. In the year under review, PETRONAS' potential revenue foregone amounted to RM20.1 billion, an increase of 6.3% from the previous year. Potential revenue foregone related to the power sector was higher by 3.6% as a result of higher average marked-to-market prices despite lower volume off-take by Independent Power Producers (IPPs). Meanwhile, the potential revenue foregone related to the non-power sector increased by 10.4% to RM8.5 billion as a result of higher volume off-take.

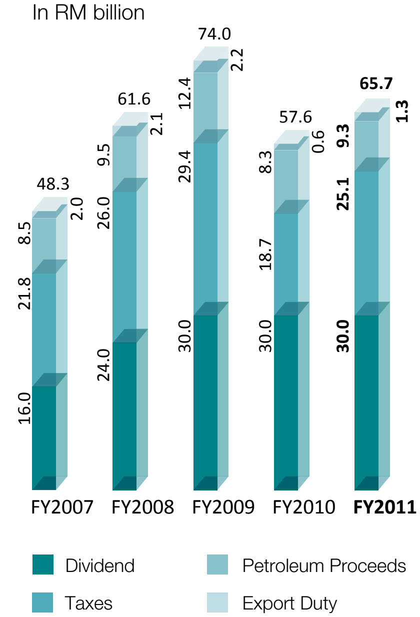
To date, PETRONAS has returned RM594.6 billion to both Federal and State Governments and, in addition, has foregone potential revenue of RM136.5 billion since regulated prices came into effect in May 1997.

Dividend Payout Ratio



Payments to the Malaysian Government

In RM billion



Subsidies (Potential Revenue Foregone)	FY2011	+/- (%)	FY2010	Cumulative total since 1997
In RM billion				
POWER SECTOR	**11.6**	3.6%	11.2	98.2
- Tenaga Nasional Berhad	**4.9**	-2.0%	5.0	42.2
- IPPs	**6.7**	8.1%	6.2	56.0
NON POWER SECTOR - including industrial, commercial, residential users and NGV	**8.5**	10.4%	7.7	38.3
Total	**20.1**	6.3%	18.9	136.5

28.3

billion boe

Strong Group total resources of 28.3 billion barrels of oil equivalent (boe) amid robust contribution of 26% from international resources.

2.5x

Resource Replenishment Ratio (Triple-R) of 2.5 times for the Group, up from 1.1 times in the previous year. About three quarters of those resources reside in Malaysia.

driving change




2.14

million boe per day

Achieved total production of 2.14 million boe per day comprising contribution from international production of 523 thousand boe per day, equivalent to 25% of the Group's total production.

Exploration & Production Business

Dato' Wee Yiaw Hin

Executive Vice President
Exploration & Production

The year under review was a year of transition for me and my team. Recognising early that decisions made must be based on sustainable solutions, E&P Business focused on key structural changes at various levels to address the source rather than symptoms of our challenges.

In this regard, I am pleased to report that E&P has progressed well in establishing a performance-driven culture across the business, supported by a value-driven rather than process-driven management system. At the same time, we have set challenging goals for the medium and long term growth. Strategies were put in place to address the production depletion trend in Malaysia and to highgrade our international portfolio. The need for clear plans to strengthen competencies is also recognised.

To achieve our goal of driving production growth of 3.5% for the next five years and replenishing resources, the E&P EXCO and I will need to drive change deeper into the organisation. It is important that collectively and individually, we step up to face the new challenges in PETRONAS' transformation.

Highlights

Malaysia

11 PSCs, 2 EOR projects and awarded 1st RSC

Awarded 11 new Production Sharing Contracts in Malaysia compared to 4 in the previous year and sanctioned 2 new Enhanced Oil Recovery (EOR) projects. Awarded the first Risk Service Contract (RSC) for the Berantai Field to a consortium in January 2011.

International

Petroleum Contracts Overseas

Secured 5 new petroleum contracts overseas, including establishing our presence in Venezuela through the Carabobo 1 project.

Overview

PETRONAS' Exploration & Production (E&P) Business is focused on developing and adding value to our domestic and international oil and gas resources. We promote and undertake exploration, development and production of oil and natural gas activities, as resource owner in Malaysia and a global E&P player.

In Malaysia, PETRONAS has been successfully developing the nation's oil and gas resources for over three decades. Despite maturing fields and challenges posed by poor reservoir performance, we have endeavoured to maximise upstream value through enhancing production, while increasing the prospectivity of Malaysia acreages through de-risking efforts. PETRONAS carries out upstream activities in Malaysia through partnerships with leading global oil and gas players as well as our wholly-owned E&P subsidiary PETRONAS Carigali Sdn Bhd (PETRONAS Carigali).

In the year under review, three key strategies were established for Malaysia. Firstly, to intensify focus in sweating our assets by maximising recovery through dilligent reservoir management and pursuing EOR potential. Secondly, to drive the development of effective solutions to monetise marginal fields and stranded gas. To support future growth, aggressive exploration is the third strategy, by focusing on maximising remaining potential in our mature basins and pursuing new play types. To achieve our goals, PETRONAS Carigali relentlessly pursued efforts in production enhancement and monetisation of resources this year.

Underlying PETRONAS' revitalised role as an enabler for industry development, new petroleum arrangements such as the RSC and improvements in fiscal terms are some measures that were put in place during the year under review to create a more favourable environment for sustaining investment in the upstream sector. This will in turn spur new exploration activities that will increase production and our resource base in Malaysia.

Our close collaboration with the Government has led to a landmark arrangement in Malaysia with the introduction of new petroleum tax incentives to promote the development of resources from marginal fields, deepwater, high CO_2 content gas fields as well as in EOR and High Pressure High Temperature (HPHT) potential.

In the international arena, E&P will focus in highgrading its portfolio. To enhance asset quality in the geological focus areas, efforts have been intensified on divestment of assets which are not optimum in the portfolio. Simultaneously, continued acquisition of quality assets especially those in development or production stage, is imperative to sustain and grow our business overseas.

The year under review saw PETRONAS divesting three assets while we were successful in acquiring five ventures in three countries. These acquisitions have provided PETRONAS with a foothold in new countries as well as contributing significant growth to the Group's resource base. Meanwhile, efforts continue to ensure delivery and value in our international assets with Iraq making good progress towards First Commercial Production and First Oil achieved in the Pearl and Topaz fields in Vietnam.

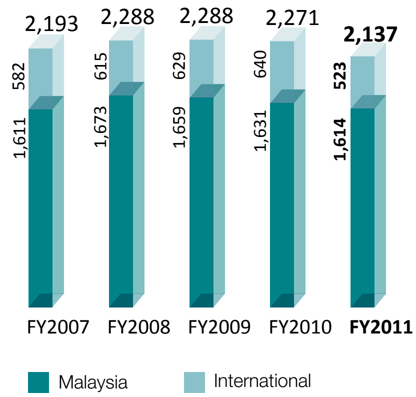
Overall, total production for PETRONAS was lower at 2.14 million barrels of oil equivalent (boe) per day compared to 2.27 million boe per day in the previous year despite various production enhancement efforts. This was due largely to maturing fields, poor reservoir performance and the expiry of petroleum agreements overseas.

Of this, PETRONAS Group's production share amounted to 1.44 million boe per day.

Despite our maturing prospects in Malaysia, we successfully maintained our domestic Resource Replenishment Ratio (Triple-R) at a relatively stable level. At the same time, we have also improved our international Triple-R through organic and inorganic resource growth. For the year under review, Group total new resource addition was 1.7 billion boe, improving our Triple-R significantly to 2.5 times for the Group. It is also worthwhile to note that efforts to augment our resources showed a good balance, with 48% coming from exploration, 20% from recovery efforts and 32% from

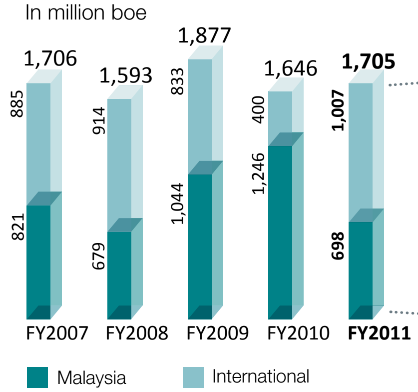
PETRONAS' Group Oil and Gas Production

In '000 boe per day



PETRONAS' Group Resource Addition

In million boe



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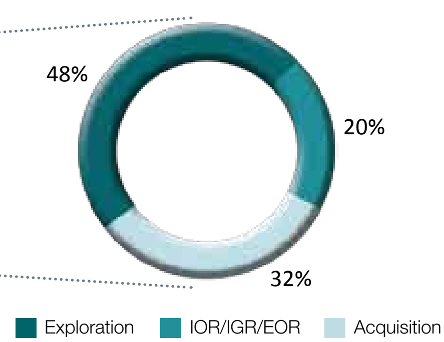


PETRONAS' Group Petroleum Resources

In billion boe

		1 January 2011	+/- (%)	1 January 2010
Crude Oil & Condensate	Reserves (2P)	**4.689**	0.2%	4.680
	Contingent Resources (2C)	**3.879**	21.3%	3.197
Natural Gas	Reserves (2P)	**8.508**	-5.4%	8.996
	Contingent Resources (2C)	**10.789**	9.5%	9.852
Unconventional	Reserves (2P)	**0.233**	9.4%	0.213
	Contingent Resources (2C)	**0.188**	2.2%	0.184
Total Discovered Resources		**28.286**	4.3%	27.122
PETRONAS Entitlement		**8.575**		*
Overall Resource Replenishment Ratio		**2.5x**		1.1x

** PETRONAS Entitlement disclosed from 1 January 2011* acquisitions. This has resulted in a strong Group oil and gas resource base of crude oil and condensate for 2P and 2C of 4.69 and 3.88 billion barrels, respectively, and natural gas for 2P and 2C of 8.51 and 10.79 billion boe, respectively. This was complemented by reserves and contingent resources of 0.23 billion boe and 0.19 billion boe respectively from unconventional resources. In total, Group oil and gas resource showed an increase of over 4% to 28.3 billion boe from 27.1 billion boe in the previous year, with approximately three quarters of those resources residing in Malaysia. One of the key challenges for us moving forward is to maintain favourable Triple-R as we ramp up production.

Malaysia's Exploration & Production

As a resource owner, PETRONAS is responsible for managing and sustaining the domestic production of oil and gas. In the year under review, Malaysia's total production decreased marginally by 1% to 1.61 million boe per day from 1.63 million boe per day in the previous year.

The challenge to sustain current production levels is due to maturing fields, and are further compounded by poor reservoir performance from our deepwater field which is a major contributor to oil production. Additionally, ageing facilities necessitated scheduled shutdowns for continued reservoir management and facilities maintenance to ensure asset integrity and safe operations.

Despite these challenges, the production of crude oil and condensates amounted to an average of 627 thousand barrels per day. This was 5% lower than the previous year's 657 thousand barrels per day.

Natural gas production fared better averaging 5.92 billion cubic feet per day (equivalent to 987 thousand boe per day), 1% higher than the previous year's 5.84 billion cubic feet per day (974 thousand boe per day).

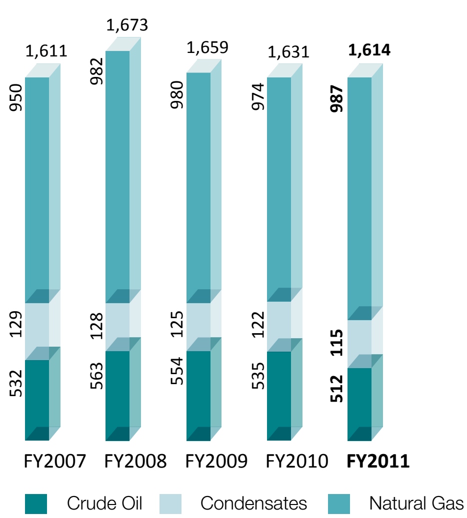
Production was sustained by the addition of one new gas field (Serampang) and two new oil fields (West Belumut & D30) that were brought on-stream during the year under review. This increased the total number of producing fields in Malaysia to 117, comprising 73 oil fields and 44 gas fields.

On the back of higher average oil prices, PETRONAS' share of total average domestic production, inclusive of PETRONAS Carigali's domestic production, accounted for 1.11 million boe per day or 69% of Malaysia's total average production, a slight increase from the previous year's share of 68%.

Our efforts in EOR have resulted in the sanctioning of two major projects, namely

Malaysia's Average Oil & Gas Production

In '000 boe per day



Malaysia's Petroleum Resources

In billion boe

		1 January 2011	+/- (%)	1 January 2010
Crude Oil & Condensate	Reserves (2P)	**3.572**	-1.7%	3.634
	Contingent Resources (2C)	**2.286**	5.6%	2.165
Natural Gas	Reserves (2P)	**6.660**	-4.7%	6.989
	Contingent Resources (2C)	**8.337**	7.2%	7.776
Total Discovered Resources		**20.855**	1.4%	20.564
Overall Resource Replenishment Ratio		**1.5x**		1.6x

Tapis and Guntong fields, offshore Peninsular Malaysia. PETRONAS expects to see EOR production from these fields, which are operated by ExxonMobil, within the next three years. We also signed a strategic cooperation agreement with China National Petroleum Corporation (CNPC) as part of efforts to complement internal capabilities and strengthen the implementation of EOR in Malaysia.

As at 1 January 2011, Malaysia's total discovered resource base increased by 1.4% to 20.9 billion boe from 20.6 billion boe in the previous year. This is mainly due to the upward revision of resources in existing fields and more significantly, additions from new discoveries. Among the major discoveries in the year under review were NC3, Spaoh, Bunga Bakawali and Anjung Kecil. Crude oil and condensate resources improved marginally to 5.9 billion boe from 5.8 billion boe, while natural gas resources increased by 1.6% to 15.0 billion boe from 14.8 billion boe previously. The Triple-R for the year was 1.5 times for total oil and gas resources in Malaysia.

Despite maturing acreages, there is still interest shown by companies to bid and operate blocks in Malaysia. Eleven new PSCs were awarded in the year under review, namely PM313, PM315, PM330, 2010 PM6/12 & Sepat Oil for offshore Peninsular Malaysia; SK306, SK313, SK315 & SK317B in offshore Sarawak; and DW Block 2G/2J & SB307/308 in offshore Sabah, bringing the total number of PSCs in operation to 82. A new production sharing contractor on the domestic front was UK-based Nio Petroleum Limited, an independent oil and gas company which was awarded Block SB307/308 jointly with operator Lundin Petroleum BV and partner PETRONAS Carigali.

An area of focus for PETRONAS is the development of marginal and small fields in Malaysia. In this regard, PETRONAS has awarded the first RSC for the development and production of the Berantai field which is expected to deliver first gas by December 2011. This RSC is expected to unleash the potential of our marginal fields and revitalise Malaysia's upstream sector.

This RSC will enhance the commercial viability of small field development through a new risk sharing model between the contractors and PETRONAS as the resource owner. This mutually-beneficial partnership encourages the participation of niche players to develop small fields more quickly and efficiently, while the resource owner gains by ensuring the oil and gas is monetised. The effort also reflects PETRONAS' far-sightedness in addressing the changing needs of Malaysia's oil & gas landscape and the continued drive to attract investments from key players. To develop the capacity and capability of local oil and gas companies, PETRONAS awarded the RSC to Petrofac Energy Developments Sdn Bhd as lead operator, with Kencana Energy Sdn Bhd and Sapura Energy Ventures Sdn Bhd as full equity partners.

Besides the new petroleum arrangement, a significant milestone was achieved following the announcement of new petroleum tax incentives by the Malaysian Government. These incentives enhance further the fiscal terms and economic viability of developing challenging domestic resources such as small, marginal, deepwater, high CO_2 gas and HPHT fields in order to attract investments from global oil and gas players.

Overall, a total of RM24.0 billion was spent in Malaysia's upstream sector during the year. Of this, RM17.1 billion or 71% was for development projects, RM5.2 billion or 22% for exploration activities, and RM1.8 billion or 7% for operational expenditure.

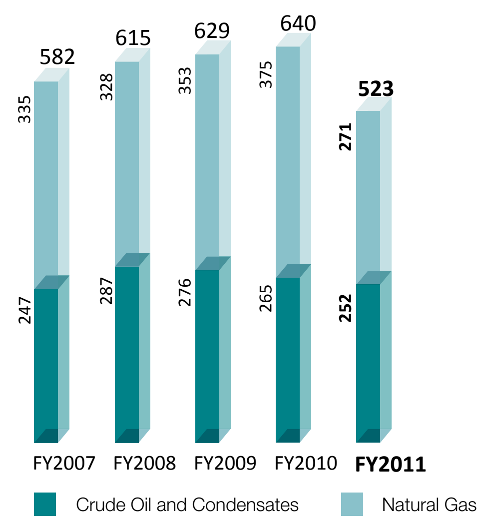
International Exploration & Production

The Group's international E&P business continued to be strong despite the challenging global operating environment.

Total average production from the Group's international operations was 523 thousand boe per day, a decrease of 18% from the previous year. Crude oil and condensates production decreased to 252 thousand boe per day from 265 thousand boe per day, as a result of depleting fields in the Sudan and Vietnam. Average gas production was 271 thousand boe per day, down from 375 thousand boe per day in the previous year, mainly due to the expiry of our contract in Iran.

PETRONAS' International Oil and Gas Production

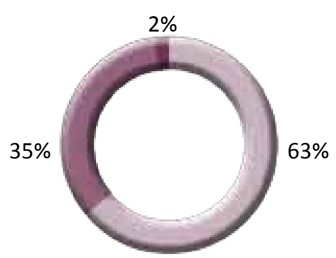
In '000 boe per day



By region, Africa continues to dominate the Group's international portfolio with a contribution of 63% to international production. The year also saw the first production from five of the Group's international projects, namely Pearl and Topaz fields in Vietnam; Teng-Mish Mish in the Sudan; and Phase 1 Muda Jengka and MDD Project in the Malaysia-Thailand Joint Development Area (MTJDA).

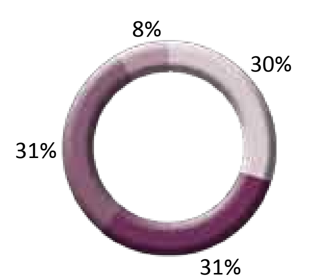
The year also saw all four of our ventures in Iraq achieving pre-development plan approval by the government of Iraq, and they are on track to achieving first commercial production by 2012.

Breakdown of International Production by Region



Note: South East Asia excludes Malaysia production

Breakdown of International Resources by Region



Note: South East Asia excludes Malaysia resources

In the year under review, we strengthened our international resource base which accounted for 26% of total Group resources.

International discovered resources stood at 7.4 billion boe, up from 6.6 billion boe in the previous year, showing an increase of 13% mainly augmented by the successful asset acquisition in Venezuela's Carabobo 1 Project. Crude oil and condensate resources increased significantly by 30% to 2.7 billion boe from 2.1 billion boe previously while our gas resources showed an increase of 5% to 4.7 billion boe from 4.5 billion boe. Our strong international resource base is the result of contribution from new resource addition with 43% coming from exploration and enhanced recovery and the rest coming from acquisitions. Consequently, the Triple-R for our international operations remained strong at 5.6 times for total oil and gas resources. Our resources are mainly located in Africa, Middle East and Asia, and South East Asia and Oceania, and comprise about 30% each.

In the year under review, decisions were made to exit a number of countries – Ethiopia, Pakistan and Timor Lesté – as part of efforts to highgrade our international portfolio.

PETRONAS secured five new international petroleum agreements during the year, namely Venezuela Carabobo 1, Brunei Block CA1 & Block CA2 and Australia WA402P & WA403P. This brings the total of the Group's international E&P ventures to 75 in 23 countries. Of these, PETRONAS is the operator for 27 ventures,

PETRONAS' International Petroleum Resources

In billion boe

		1 January 2011	+/- (%)	1 January 2010
Crude Oil & Condensate	Reserves (2P)	**1.117**	6.8%	1.046
	Contingent Resources (2C)	**1.593**	54.4%	1.032
	Entitlement (2P)	**0.471**	-	-
Natural Gas	Reserves (2P)	**1.848**	-7.9%	2.007
	Contingent Resources (2C)	**2.452**	18.1%	2.076
	Entitlement (2P)	**0.766**	-	-
Coal Bed Methane	Reserves (2P)	**0.233**	9.4%	0.213
	Contingent Resources (2C)	**0.188**	2.2%	0.184
	Entitlement (2P)	**0.206**	-	-
Total Discovered Resources		**7.431**	13.3%	6.558
Total PETRONAS Entitlement		**1.443**	-	-
Overall Resource Replenishment Ratio		**5.6x**		(0.4x)

joint operator in 14 and an active partner in the remaining 34 ventures.

The most notable signing for a new block in the year was the Carabobo 1 asset which is PETRONAS' first contract in Venezuela. It also signifies our entry into a major development project involving heavy oil while establishing a stronger foothold in the South American region. Our partners in this venture are Repsol YPF, ONGC Videsh Limited, Petroleos De Venezuela SA (PDVSA), Indian Oil Corporation Limited and Oil India Limited.

A total of RM16.6 billion was invested in our international E&P ventures, of which 57% was for development, 6% for exploration activities, while the remaining was for the operation of existing producing assets.

Outlook

The global upstream sector is expected to remain vibrant in 2011, driven by strong oil prices and lower risk aversion among major E&P companies.

Oil prices are expected to remain bullish in the coming year, thus providing an incentive for E&P companies to invest, with global investments expected to rise from the previous year.

In 2011, we anticipate IOCs and NOCs to continue to post strong financial results.

Continued challenges to access resources will drive investment into newer areas in deepwater, Arctic, and the Middle East, and this is expected to result in greater development of unconventional resources. To thrive in this environment, companies are expected to strengthen their capabilities and proficiencies in niche technologies.

The wave of consolidation that is currently taking place in the upstream sector is expected to result in the creation of colossal companies that specialise in providing a range of services to the industry. The concentration of skills and expertise in the hands of a few very large companies strengthens their bargaining power and is likely to result in the escalation of fees for services.

Despite this challenging outlook, there are opportunities for companies who are on the lookout to acquire quality assets in the upstream sector and to establish strategic alliances with select partners for sustained growth.

For PETRONAS, our focus will be on intensifying activities in Malaysia and highgrading our international portfolio to ensure improved yields that will commensurate with the risk involved. We will relentlessly pursue our production and resource replenishment targets in the coming year as well as our efforts to improve delivery of projects to acquire quality assets.

In Malaysia our focus will continue to be in pursuing aggressive exploration, especially in exploring new play types and more challenging prospects including deepwater and HPHT plays. We will continue to accelerate developments in marginal fields, leveraging on the new tax incentives announced by the Government, as well as on the new innovative petroleum arrangement solutions such as the RSC. We will also intensify our efforts in EOR and development of gas resources with high CO_2 content. Moving forward, key focus areas will be on new solutions to enhance commerciality of gas development.

To enable this, PETRONAS will continue to harness technology and technical solutions to overcome E&P challenges.

We are fully committed to HSE excellence. We recognise that good HSE performance is essential to our business success and we expect high standards of ethical business conduct from our people while they perform their tasks.

We have put in place several measures to strengthen HSE practices in our work culture and these are designed to support best corporate responsibility practices.

Disclaimer on forward-looking statements: Forward-looking statements involve inherent risks and uncertainties. Should one or more of these or other uncertainties or risks materialise, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed, and anticipated improvements in capacity, performance or profit levels might not be fully realised. Although PETRONAS believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, you are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they are made. PETRONAS undertakes no obligation to update or revise any of them, whether as a result of new information, future developments or otherwise.

RM11.2
billion

Higher NOPAT of 26% compared to previous year on the back of higher LNG prices and sales volume, which contributed around 21% to the overall Group profit for the year.

99.97%

PETRONAS Gas Berhad achieved a 99.97% reliability rate for the Peninsular Gas Utilisation (PGU) system pipeline network, exceeding the world class standard of 99.90%.

agility

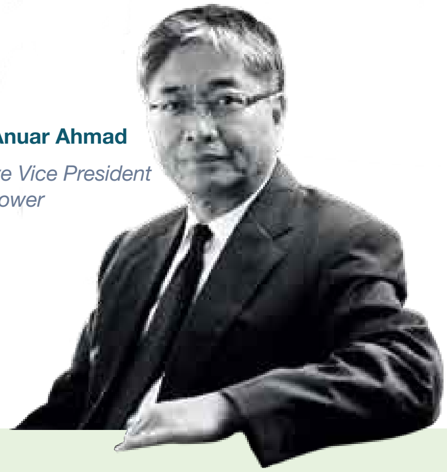



24.3

million tonnes

PETRONAS LNG Complex achieved highest ever LNG production volume due to improved plant performance.

Gas & Power Business



Datuk Anuar Ahmad

Executive Vice President
Gas & Power

It has been a challenging year for the Gas & Power Business as we strive to strike a balance between our domestic and international strategic growth agendas, both of which are equally important to the sustainability of our business.

Domestically, the Gas & Power Business has been entrusted with the responsibility of building critical gas infrastructure that would guarantee Peninsular Malaysia's security of gas supply to meet growing needs and to prepare the nation in facing challenges of a truly open and competitive gas market. Ambitious targets have been set for the rollout of Malaysia's first LNG Regasification Terminal in Melaka, and we are truly committed to realising the success of this project as envisioned.

Beyond our shores, we are evolving to meet the changing dynamics of the global LNG market, working hard to sustain our strong position in the Asia Pacific region, that we have built over decades, while establishing a foothold in the unconventional gas-to-LNG industry, which promises to be the next wave of industry growth.

Highlights

GLNG

Achieved FID

The Gladstone Coal Bed Methane (CBM) to LNG project in Australia, with a total capacity of 7.8 million tonnes per annum (mtpa), achieved Final Investment Decision (FID) in January 2011.

FLNG

FEED contract signed for FLNG project

Front End Engineering Design (FEED) contract signed for the Floating LNG (FLNG) project in January 2011.

LNG RGT

EPCIC awarded for RGT

Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) was awarded for the first LNG Regasification Terminal (RGT) project in Malaysia in January 2011. The project is located in Melaka.

KIMANIS

EPCC awarded for Kimanis Power Plant project

Site preparation work has been completed. In March 2011, the Engineering, Procurement, Construction and Commissioning (EPCC) contract was signed and limited notice to proceed issued.

Overview

PETRONAS' Gas & Power Business is engaged in the processing, liquefaction, transmission, marketing and trading of LNG and gas. It also participates in power generation and utilities business, which adds synergistic value in the integrated gas value chain.

During the year under review, Gas & Power Business contributed around 21% to the Group's profit. The strong financial results for the business were achieved on the back of higher LNG production and prices, coupled with sustained sales gas volume delivered to our customers.

PETRONAS LNG Complex (PLC) production volume of 24.3 million tonnes achieved during the year was the highest ever attained in our history. This is as a result of improvements in plant reliability in the second half of the year under review and debottlenecking efforts in the MLNG Dua plant.

During the year, the Group was able to sustain and ensure continuous sales gas delivery to customers in Peninsular Malaysia. This was also made possible with PETRONAS Gas Berhad (PGB) sustaining its performance throughout the year, exceeding world class operations standards.

Going forward, initiatives are being undertaken to ensure the security of gas supply for Malaysia and positioning PETRONAS as a global LNG player, leveraging on our world class operations and infrastructure facilities.

Significant progress has been achieved on the Group's growth initiatives. The Gladstone CBM to LNG project in Australia, with a total capacity of 7.8 mtpa, achieved FID in January 2011 and is expected to deliver its first LNG cargo in 2015.

FEED contract for our FLNG project was signed in January 2011. The project will enable the monetisation of our marginal and stranded gas fields to enhance the Group's LNG supply portfolio.

Construction of Malaysia's first LNG RGT and the 300 megawatt Kimanis Power Plant projects have commenced and are expected to be completed by July 2012 and end of 2013 respectively.

The Group is also committed to further grow our power and renewable energy business, leveraging on existing capabilities and by seeking new opportunities.

Global LNG

In the year under review, the Group's total LNG sales of 26.3 million tonnes was higher by 4.78% compared to 25.1 million tonnes* in the previous year, mainly driven by higher volume from PLC.

Exports of LNG from PLC were mainly to term customers in Japan (60%), South Korea (18%), Taiwan (13%) and China (5%).

This achievement was only made possible as a result of concerted efforts within the Group and the continuing commitment of our LNG subsidiaries in addressing the various operational challenges during the year under review.

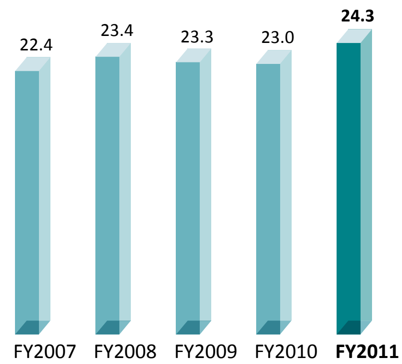
During these challenging times, PETRONAS LNG Ltd (PLL), previously known as Asean LNG Trading Company Ltd (ALTCO) effectively played its role as a system balancer to address shortfalls from the plants towards meeting our contractual obligations. PLL handled 0.8 million tonnes of LNG volume over and above its trading volume of 0.4 million tonnes.

It was with this effort that PETRONAS' LNG business maintained our market position and preserved our reputation as a reliable supplier of LNG.

**Adjusted figure to exclude inter-company volumes*

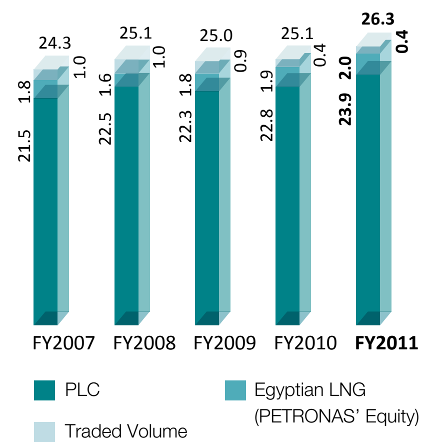
PLC Production Volume

In million tonnes

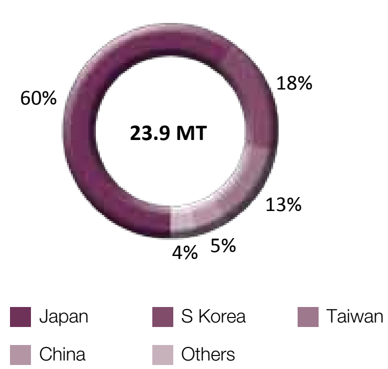


LNG Sales Volume

In million tonnes

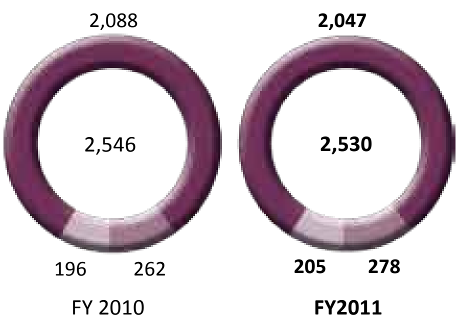


PLC Sales Volume



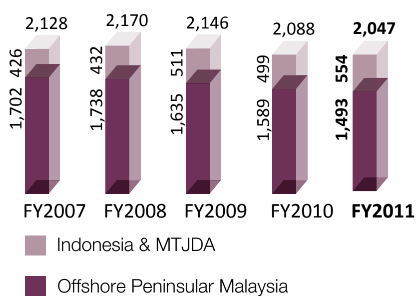
Average Sales Gas Volume Delivery

In mmscfd



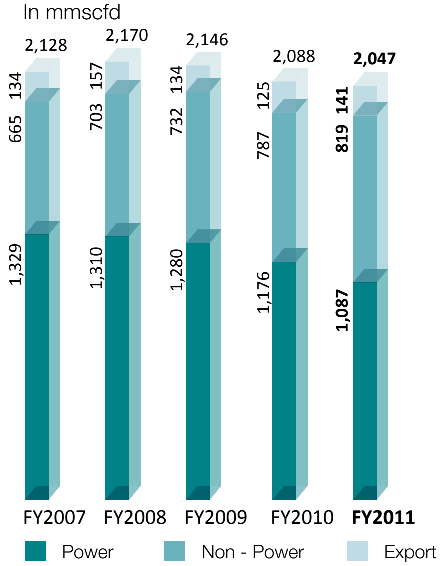
PGU System Supply Sources

In mmscfd



Average Sales Gas Through the PGU System

In mmscfd



Infrastructure, Utilities & Power

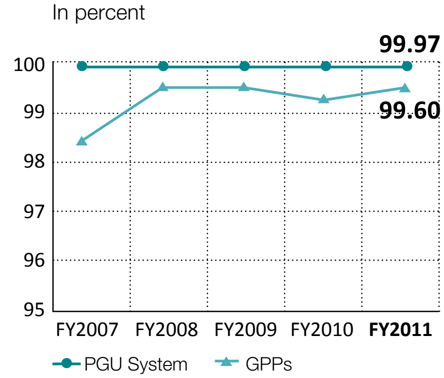
The Group sold an average volume of 2,530 million metric standard cubic feet per day (mmscfd) of gas in Malaysia, a marginal decrease of 0.6% from 2,546 mmscfd delivered in the previous year. Of that, 80.9% or an average of 2,047 mmscfd was sold through the PGU system, a decrease of 2.0% from the previous year of 2,088 mmscfd. This was mainly due to upstream reservoir management and maintenance activities, which affected the feedgas volume processed.

To complement the domestic gas supply portfolio, the Group sourced 554 mmscfd of gas for the PGU system from Indonesia and Malaysia-Thailand Joint Development Area (MTJDA), higher by 11.0% than the previous year's volume of 499 mmscfd. This has ensured continuous sales gas delivery for our customers throughout the year under review.

Sales gas delivery within the PGU system was largely consumed by the power sector with an average of 1,087 mmscfd or 53.1% of the total volume. The non-power sector, comprising industrial, petrochemical and other users, consumed an average of 819 mmscfd or 40.0% of the total volume, while the remaining 141 mmscfd or 6.9% was exported to our customers in Singapore.

PGU System and GPP Reliability Rate

In percent



PGB, the Group's gas processing and transmission arm, sustained world class operations standards at its gas processing plants (GPPs) and PGU system, with reliability rates of 99.60% and 99.97% respectively. PGB has also embarked on plant rejuvenation and revamp activities on its aging facilities to ensure the sustainability of our operations.

Major Gas Ventures

Gladstone LNG (GLNG) in Queensland, Australia

GLNG is a joint venture between PETRONAS (27.5%), Santos (30%), Total (27.5%) and Kogas (15%).

The project includes the development of CBM resources in the Bowen and Surat Basins in south-east Queensland, construction of a 420 km gas transmission pipeline from the gas fields to Gladstone, and two LNG processing trains with a combined nameplate capacity of 7.8 mtpa.

On 13 January 2011, FID was achieved for the project and subsequently the Engineering, Procurement and Construction (EPC) contract was awarded for the upstream surface facilities, development of the LNG plant and gas transmission pipeline.

GLNG's first LNG cargo is expected to be delivered in 2015 with PETRONAS' minimum contracted off-take volumes of 3.5 mtpa. This strategic venture will further enhance PETRONAS' global LNG supply portfolio.

Regasification Terminal in Melaka

PETRONAS is developing the first LNG RGT in Malaysia, which will allow for the importation of LNG and ensure continuous and sustainable gas supply for the nation in the future.

The LNG RGT is located in Melaka and designed to receive, store and regasify LNG with a maximum capacity of 3.8 mtpa.

In December 2010, PGB signed a Heads of Agreement with PETRONAS for the development of LNG RGT. Subsequently, PGB awarded the contract for the EPCIC for the construction of an island jetty with a regasification system and subsea pipeline.

The LNG RGT project is targeted for completion in July 2012.

Outlook

Gas demand is projected to remain positive during this decade, primarily driven by the resumption of economic recovery and growth in Asian countries, notably in China and India. The recent earthquake and tsunami in Japan have led to heightened demand for LNG in the short to medium term, although the magnitude of the global impact remains uncertain. The current oversupply in the gas market is expected to shift to a balanced market before the middle of this decade.

Apart from North America and Australia where the shale gas and CBM developments are extensive, unconventional gas development is expected to be moderate over the next five years. PETRONAS will continue to assess opportunities within this sector, beyond the Gladstone CBM to LNG venture, to strengthen our resource position for the medium to long term growth.

Gas pricing remains non-uniformed based on geographical market dynamics, with gas contracts in Asia and much of Europe to remain oil-indexed. In contrast, gas prices in North America and to some extent Europe will be heavily influenced by the regional price benchmark. Amidst this gas price fragmentation, PETRONAS will continue to leverage on the long term oil-indexed LNG supply contracts, supplying primarily to the traditional buyers in East Asia. At the same time, PETRONAS will continue to strive to be a global LNG player through trading activities, diversification of supply sources and market expansion, including increasing its presence in the Atlantic Basin.

On the domestic front, ensuring the security of gas supply to meet rising demand remains the main focus. Gas importation into Peninsular Malaysia is inevitable and PETRONAS is undertaking several measures to address the long term domestic supply needs, including the construction of an LNG RGT and the introduction of third-party access to facilitate the importation of LNG and the transportation of gas through the PGU network.

The demand for power generation is also expected to be steady in line with global economic growth, especially in the emerging markets. The push for renewable energy for power generation, driven by environmental and energy security considerations, is gaining momentum as more governments are promoting green policies. PETRONAS will continue to explore growth opportunities in this sector via an integrated play through monetisation of gas reserves and future positioning in selected renewable energy ventures.

Enhanced

Governance

Restructuring of PETRONAS' global marketing and trading of crude oil & petroleum products under a single entity, supported by an enhanced risk management system.

Innovative

product value proposition

Spearheading the development of Fluid Techology Solutions™ for the Mercedes GP PETRONAS Team and the introduction of improved product offerings such as PRIMAX 95 Xtra, PETRONAS Nautimar Fishing Boat Oil and NGV Lube.

focus

Collaboration
with BASF

PETRONAS initiated a study together with international petrochemicals player BASF towards our expansion into producing high-value specialty chemicals.

Downstream Business

The year under review was indeed an exciting year for Downstream Business as our focus was mainly in the area of organisational and business enhancement with emphasis on governance as well as driving strategic growth initiatives to position our business to deliver higher sustainable value. Moving forward, we will continue to focus on the business enhancement initiatives for safe and reliable operations which remain a top priority. Active portfolio management with focus on quality assets in selected geographies will continue to be undertaken. Business growth will be underpinned by strategic investments such as a Refinery and Petrochemical Integrated Development (RAPID) project in Southern Johor, a fertiliser plant in Sabah and expanding the lubricants business in selective high growth markets.

Supporting our vision for Downstream to be a Merit Based High Performing Business, we are committed to enhance performance tracking focusing on execution, strengthening competencies and continuously benchmarking with our peers. I would like to take this opportunity to thank our dedicated team in Downstream Business for all their professionalism, determination and commitment in making this year a significant success.

Datuk Wan Zulkiflee Wan Ariffin
Executive Vice President Downstream

Highlights

Successful

Listing of PCG

PETRONAS Chemicals Group Berhad (PCG) was successfully listed on Bursa Malaysia and was acclaimed as the largest Initial Public Offering in South East Asia in 2010.

Growth

Expansion in Africa and China

Engen Petroleum Limited acquired Chevron's assets in seven countries across Africa and PETRONAS Lubricants International builds on presence in China through the acquisition of Shandong St Maria Lubricating Oil Company Limited.

Overview

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

PETRONAS owns and operates three refineries in Malaysia and one in South Africa with a total refining capacity of 500,000 barrels per day. Two of the Malaysian refineries are located in Melaka and comprises PETRONAS Penapisan (Melaka) Sdn Bhd (PPMSB), a 100% owned PETRONAS entity and Malaysian Refining Company Sdn Bhd (MRC), a joint venture refinery with ConocoPhilips. The other refinery is located on the East Coast of Malaysia in Kertih. PETRONAS also owns the Engen Refinery (Enref) in Durban, South Africa through its majority shareholding in Engen Petroleum Ltd. Through its wholly-owned global trading and marketing subsidiary PETRONAS Trading Corporation Sdn Bhd (PETCO), PETRONAS further enhances the value of its own equity crude and petroleum products.

In Malaysia, PETRONAS Dagangan Berhad (PDB) manages all domestic marketing and retailing activities of a wide range of petroleum products. PETRONAS also operates service stations in various international markets including Indonesia, South Africa, the Sudan and Thailand. PETRONAS is the leading marketer of petroleum products in Malaysia with a total market share of 42.7%. Through its South African subsidiary Engen, PETRONAS is the leading retailer and marketer of petroleum products in Southern Africa.

PETRONAS Lubricants International Sdn Bhd (PLISB) has manufacturing and marketing infrastructure and presence in more than 20 countries globally. The PLISB product range includes lubricants and system fluids for both the automotive and industrial markets as well as a range of car care products.

PETRONAS' petrochemicals arm, PCG, is the leading petrochemical producer in Malaysia and one of the largest producers in Southeast Asia, involved primarily in manufacturing, marketing and selling a diversified range of petrochemical products, including olefins, polymers, fertilisers, methanol and other basic chemicals and derivative products. PCG has over 25 years of combined experience in the petrochemical industry.

Refining & Trading

PETRONAS owns and operates four refineries with a total refining capacity of about 500,000 barrels a day. Our crude oil and petroleum products marketing and trading activities span the globe and our crude oil portfolio includes a range of significant grades from several regions.

Crude Oil Refining

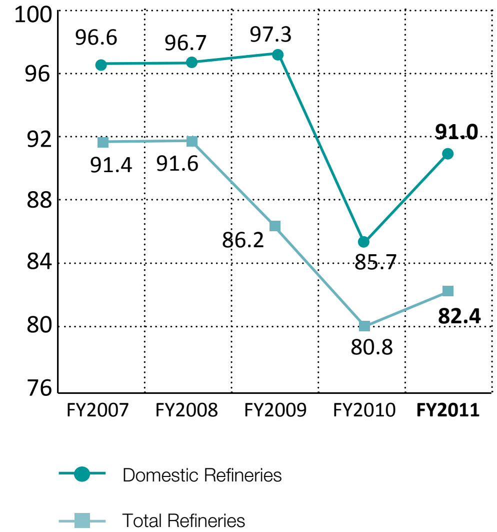
The Group's domestic refineries continue to play a strategic role in adding value to the nation's petroleum resources, as well as enhancing the security of its energy supplies. During the year under review, the Group's domestic refineries collectively achieved a higher throughput volume of 107.6 million barrels and reflected a higher utilisation rate of 91.0% after bouncing back from a plant revamp and turnaround exercise of subsidiary MRC in 2010. Post revamp, MRC has strengthened its refining capability to an average of 154 thousand barrels per day, higher than the average of 110 thousand barrels per day in the preceding year. The revamp has also provided greater flexibility to MRC in the sourcing of imported crudes.

The overall reliability rate of the domestic refineries at 98.3% is testimony to the Group's continued operational excellence. The strong emphasis on safe operations was recognised with both PPMSB and PETRONAS Penapisan (Terengganu) Sdn Bhd, winning major awards in the oil and gas sector – Malaysian Society of Occupational Safety & Health (MSOSH) Awards 2009 and Chemical Industries Council of Malaysia (CICM) Awards 2009, in the year under review.

The Group's refinery in Durban, South Africa, recorded a lower throughput volume of 26.8 million barrels from 34.1 million barrels in the previous year mainly due to a plant shutdown. As a result, refinery utilisation and reliability rates have decreased to 60.0% and 94.1% from 68.0% and 95.6% respectively in the preceding period. The shutdown is part of a

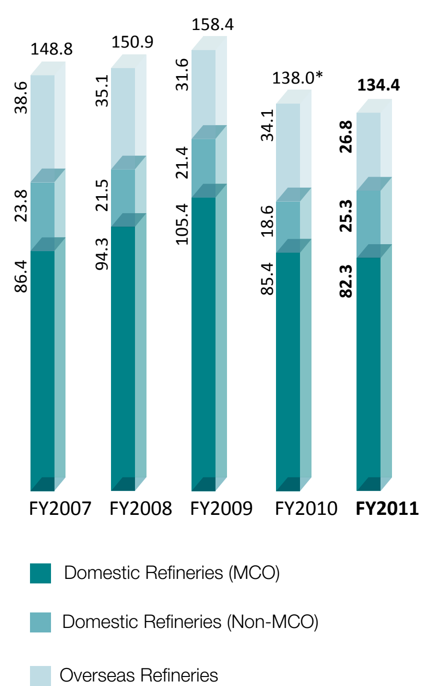
Utilisation Rate for Group's Refineries

In percent



Refining Throughput

In million barrels



*Adjusted figures due to reclassification of volumes safety programme to ensure plant integrity and safe operations. The refinery has also received awards in the Chemical Manufacturing category and for Innovation, at the KwaZulu-Natal Waste Management Awards 2010 in South Africa.

Crude Oil & Petroleum Products Marketing

The Group's crude oil and petroleum products marketing activities increased in the year under review to 170.9 million barrels backed by higher exports of Malaysian Crude Oil (MCO). PETRONAS' MCO entitlement grew 16% year on year to 69.6 million barrels amid higher crude oil prices.

The Group, however, exported lower volumes of petroleum products of 51.4 million barrels mainly due to lower products available for export resulting from higher Malaysian domestic consumption.

Similarly, the Group's sales of Foreign Equity Crude Oil decreased by 5% to 49.9 million barrels, reflecting lower entitlements from the Group's International Operations amid higher global crude oil prices.

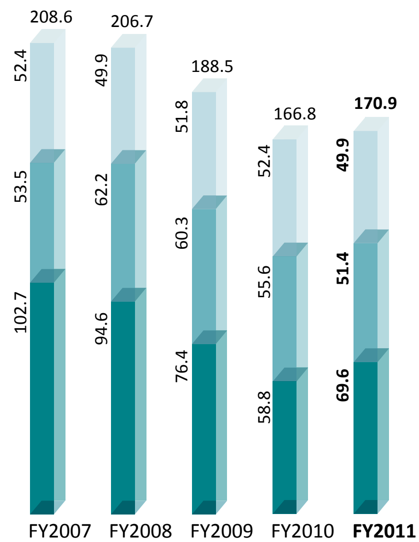
Crude Oil & Petroleum Products Trading

The Group's volume of crude oil and petroleum products traded for the year under review decreased by 14.6% to 162.6 million barrels.

The total volume of crude oil and petroleum products traded decreased to 79.1 million barrels and 83.5 million barrels respectively. The decrease in crude volume was generally due to lower risk trading appetite in the Group's West of Suez trading region caused by lower crude demand, while the decrease in products volume was mainly caused by geopolitical events particularly in the Middle East that led to trading risk exposures.

Marketing Volumes

In million barrels



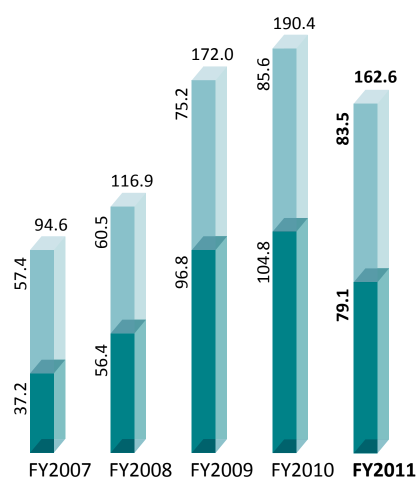
Malaysian Crude Oil Export

Petroleum Products Export

Sales of Foreign Equity Crude Oil (FEC)

Trading Volumes

In million barrels



Crude Oil

Petroleum Products

Downstream Marketing

Petroleum Products Retail

PETRONAS' subsidiaries, PDB and Engen Petroleum Ltd are retail market leaders in Malaysia and South Africa respectively. PETRONAS also supplies aviation fuel in the Asia and Africa regions.

PETRONAS operates a network of more than 2,700 retail stations through PDB as the domestic retail arm and Engen as the main international retail arm in addition to PETRONAS Marketing Sudan Limited (PMSL), PT PETRONAS Niaga Indonesia (PTPNI) and PETRONAS Retail Thailand Co Ltd. In terms of business growth, Engen achieved another major step forward in its growth strategy with the acquisition of Chevron's downstream interest in Sub-Saharan Africa.

PETRONAS' sales volume grew by 7.58% in tandem with the global economic recovery, with international subsidiaries contributing 49.6% of total sales volume. By segment, retail was the largest contributor to total sales volume at 41.5%.

In the year under review, PDB registered a higher sales volume of 85.2 million barrels of petroleum products with a total market share of 42.7%. PDB has also increased its retail station network to 955 stations and has the largest network of convenience stores at retail stations in Malaysia with more than 600 *Kedai Mesra* convenience stores opened to-date.

As part of the on-going commitment to improve its value proposition to its customers and position the Company at the forefront of innovation, PDB has launched a number of new products including PRIMAX 95 Xtra, PETRONAS Nautimar Fishing Boat Oil and NGV Lube.

PRIMAX 95 Xtra, which was developed in the year under review, was launched in April 2011. PRIMAX 95 Xtra is a new fuel inspired by F1 technology, proven to deliver more power, better acceleration and enhanced fuel economy, replacing the previous PRIMAX 95.

PDB has also entered into partnership and collaboration with several partners such as the agreement to become the Exclusive Partner and Lubricant Supplier to national car distributor PROTON Edar Sdn Bhd.

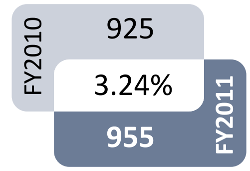
In South Africa, Engen maintained its market dominance. The acquisition of 100% of Chevron's interest in Malawi, Mauritius, Mozambique, Réunion, Tanzania, Zambia, and Zimbabwe has increased the number of affiliates outside South Africa to 410 service stations bringing the total of its retail stations throughout the African continent to 1,572.

The commercial business also made great strides by winning some significant supply contracts, particularly to the mining industry.

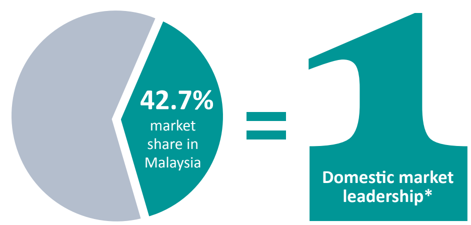
In conjunction with the FIFA World Cup 2010 in South Africa, Engen rolled out its dynamic African Welcome programme to internal and external stakeholders over a six-month period leading up to the event. This programme focused on providing a superior level of service at all Engen sites, while welcoming visitors to Africa and South Africa in particular, reflecting Engen's brand promise of "With Us You Are Number One".

NUMBER OF RETAIL STATIONS IN MALAYSIA

PETRONAS DAGANGAN



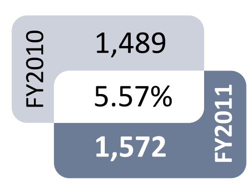
Petroleum Products Retail in Malaysia



* Combined retail, commercial and LPG sectors

NUMBER OF RETAIL STATIONS ACROSS AFRICA

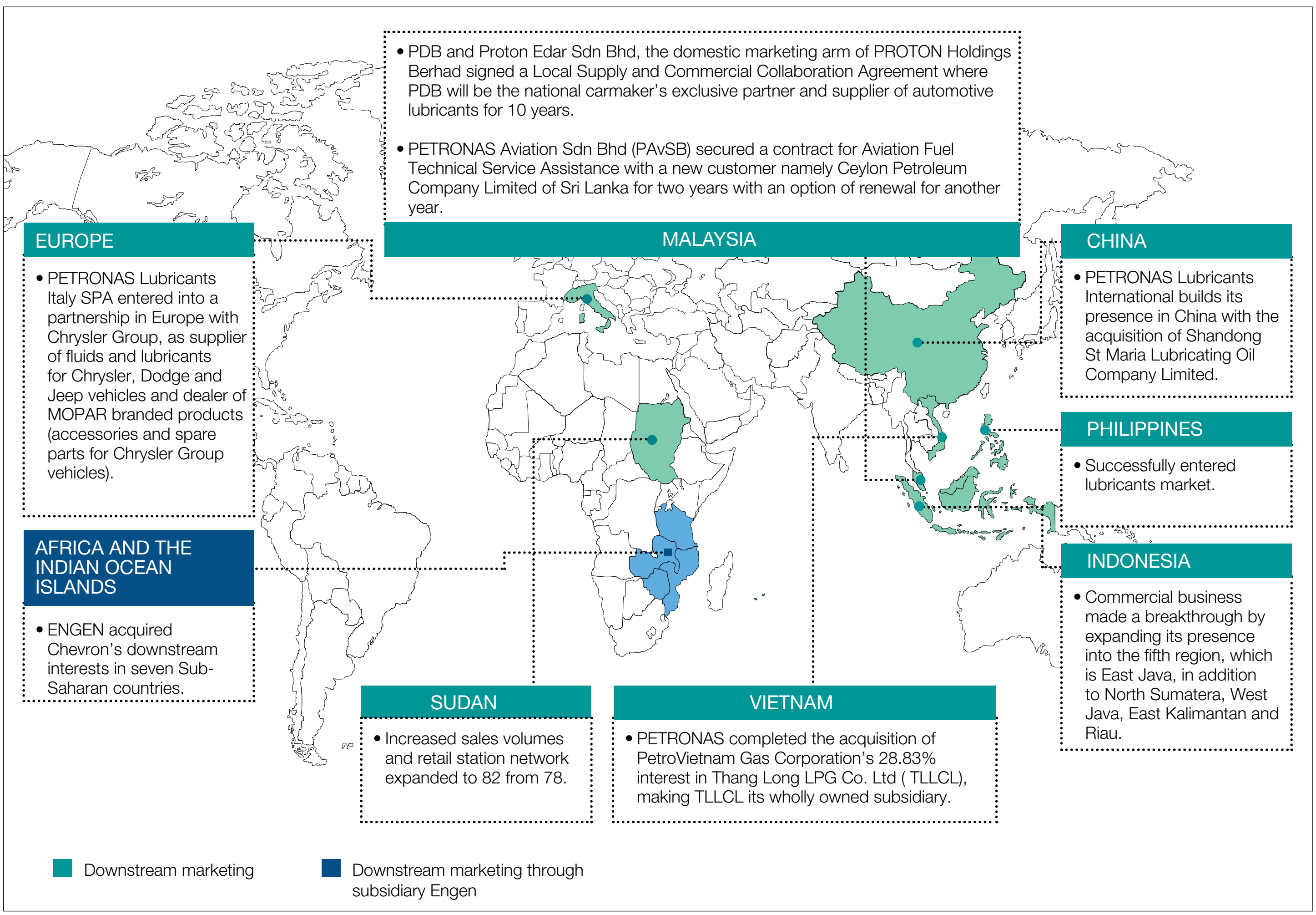
ENGEN



In the Sudan, PMSL achieved higher sales volumes reflecting improved performance of its retail operations, as well as increased sales to support the United Nation's operations in the country. During the year, PMSL also expanded its network reach, which now boasts a total of 82 stations.

In Indonesia, the number of retail stations under PTPNI was maintained at 19. PTPNI's retail business continues to supply subsidised fuel in Medan. Its commercial business made a breakthrough by expanding its presence into the fifth region, which is East Java, in addition to North Sumatera, West Java, East Kalimantan and Riau.

Downstream Marketing Highlights for the Year under Review



Lubricants

The Group's lubricants business, led by PLISB, continued to deliver a resilient performance during the year. Through acquisition and strategic partnerships, PLISB aspires to be a leading lubricants and functional fluids company with a global market share and recognised as among the top players.

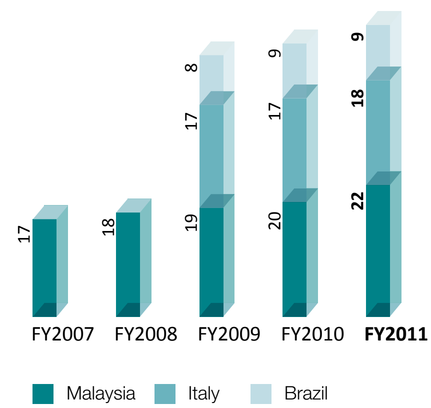
PLISB has made its first acquisition in China by acquiring Shandong St Maria Lubricating Oil Company Limited.

The Company also took another significant step forward by signing long-term exclusive technical and supply agreements with Daimler AG and Mercedes GP respectively in September 2010 for the development and supply of Fluid Technology Solutions™ for the Mercedes GP PETRONAS Team which includes fuel, engine oils, hydraulic and gear oils as well as transmission fluids for Formula 1 application. This opportunity will help to further enhance PETRONAS' credibility and image as a serious, competent and reliable partner in motorsports and in the automotive world.

PETRONAS aims to be the lubricant market leader in Malaysia in five to 10 years by introducing enhanced lubricant products and rolling out aggressive marketing campaigns. Currently, PETRONAS controls 22% of the local lubricants market. The Company has also signed an exclusive lubricants agreement to supply Syntium to all Chevrolet and six Cycle & Carriage service outlets throughout Malaysia.

Lubricants Market Share

Percentage market share



Petrochemicals

The year under review saw the recovery of the olefins and polyolefins market from the residual effects of the economic crisis of 2009. Low density polyethylene (LDPE) prices increased by 17% compared to the previous year due to the tightening of supplies. Polypropylene prices gained 19% year-on-year on the back of healthy demand from emerging economies. The aromatics spot market had been bullish, driven mainly by strong demand for paraxylene, which is used in the production of purified terephthalic acid. The monoethylene glycols market had also been strong during the year under review supported by the rally in fibre intermediate product prices. The market for vinyls also picked up steadily throughout the year.

Average annual price for methanol was higher by 27% compared to the previous year. The methyl tertiary butyl ether (MTBE) market also strengthened throughout the year. In addition, agricultural commodity prices soared to record highs in view of improved demand, leading to stronger prices for urea and ammonia globally.

Overall, petrochemical product prices have improved tremendously across the board from the low levels seen in the second half of 2009. Most petrochemical products demonstrated strong growth momentum buoyed by improved economic growth and demand from the Asia Pacific markets, especially from China and India, as well as the continuous upward movement in crude oil prices.

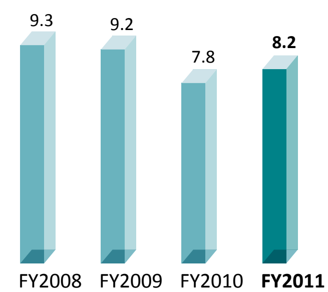
As a result, PETRONAS' petrochemical business arm, PCG performed well, with total production reaching 8.2 million tonnes compared to 7.8 million tonnes in the previous financial year. PCG sold 3.3 million tonnes of olefins and derivatives and 3.4 million tonnes of fertilisers and methanol, representing increases of 10% and 6% respectively compared to the previous year. Higher sales volume was achieved for the year mainly due to additional volume from newly acquired subsidiaries, Optimal Glycols (Malaysia) Sdn Bhd, Optimal Chemicals (Malaysia) Sdn Bhd and Polyethylene (Malaysia) Sdn Bhd.

Overall, plant utilisation rate for the year was slightly lower at 81% compared to 82.5% in the previous financial year mainly due to maintenance shutdowns of some plants.

In running a petrochemical complex, it is vital that the facilities are well maintained. Hence, PCG's production facilities are periodically shut down for scheduled maintenance. Compliance with maintenance and regulatory requirements is in line with its commitment to PETRONAS' Health, Safety and Environment (HSE) policy. PCG follows a stringent maintenance schedule, which would in turn enhance product yields and quality, increase plant efficiency and safety, reduce the possibility of future unscheduled plant shutdowns and allow required regulatory equipment inspections to be performed.

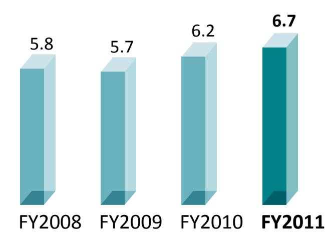
Production Volume

In million tonnes



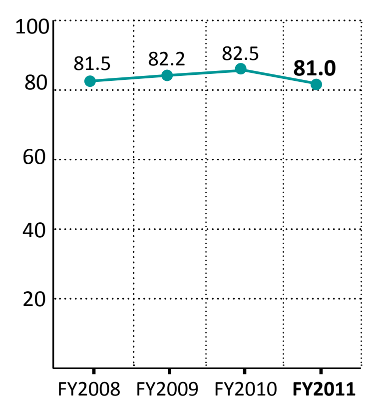
Sales Volume

In million tonnes



Utilisation Rate

In percent



Outlook

The global economic recovery is underway witnessed by a gradual recovery in the developed world to pre-crisis levels, while the developing world continues to surge ahead although at a slower pace. Despite what appears to be a rebound, concerns over increasing inflation levels, particularly in China and India, coupled with increasing interest rates, withdrawal of government stimulus packages and increasing sovereign debt concerns in Europe, can dampen a robust recovery.

In the light of supply disruptions in key oil producing countries such as Libya, OPEC will be expected to take the lead in the control and re-balancing of global oil prices. However, delays in OPEC's response to current oil prices portray its reluctance in boosting production as OPEC is of the opinion that the high oil prices are driven by speculation, rather than fundamentals.

The outlook for refiners in the East outshines that for the West in 2011 as demand in mature markets remain fairly weak. Global oil demand is expected to rise by 1.8 million barrels per day while global refinery throughput will grow 200,000 barrels per day less than that. This gap will easily be substituted by alternative fuels and might even lead to an increase in product inventories. In Asia where end product demand is high and capacity addition slows significantly, refining margins are expected to remain strong.

Capitalising on the opportunity to expand and enhance our Downstream Business, in May 2011, PETRONAS announced the RAPID project in Pengerang, Johor. With a potential cost of US$20 billion, the components include a 300,000 barrels per day refinery and petrochemical complex with a total three million tonne per annum olefins capacity. If sanctioned, the RAPID project provides, among others, the opportunity for PETRONAS to further expand its petrochemical business through volume growth and a more diversified products portfolio by moving into high value and premium specialty chemicals.

In addition, a joint feasibility study between PETRONAS and BASF to produce specialty chemicals in Malaysia is currently underway and is expected to be completed by December 2011. As the petrochemical business arm of PETRONAS, PCG will evaluate the outcome of the feasibility study and will undertake the collaboration with BASF going forward, if viable.

Also, PETRONAS is in the final stage of assessing the viability of a greenfield ammonia and urea plant in East Malaysia. If sanctioned, this will position PETRONAS as the largest urea exporter in South East Asia.

Growth opportunities remain as demand for petrochemicals in the Asia Pacific is expected to strengthen in line with population growth, increasing living standards and improving regional economies. PCG, with its strong integration, diversified product portfolio and advantaged feedstock cost structure, is well-positioned to benefit from an up-cycle in the petrochemical industry.

The plans outlined are in line with PETRONAS' determination to ensure that our Downstream Business remains resilient. We will continue to maximise value creation and selectively expand our business presence in predefined growth markets, while continuously assessing the quality of our portfolio of assets in order to optimise and maximise returns for the Group.

Disclaimer on forward-looking statements: Forward-looking statements involve inherent risks and uncertainties. Should one or more of these or other uncertainties or risks materialise, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed, and anticipated improvements in capacity, performance or profit levels might not be fully realised. Although PETRONAS believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, you are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they are made. PETRONAS undertakes no obligation to update or revise any of them, whether as a result of new information, future developments or otherwise.

Maritime & Logistics Business

Highlights

MHB
Initial Public Offering
Raised RM2.03 billion from the listing of Malaysia Marine and Heavy Engineering Holdings Bhd (MHB) during the year.

Global
tank terminal business
Acquisition of 50% in Vitol Tank Terminals International (VTTI) BV gives us presence in 11 locations in 10 countries.

Foothold
in South America
Secured 15 year time-charter with Petrobras for 2 Dynamic Positioning (DP) Aframax shuttle tankers.

Overview

Led by subsidiary MISC Berhad, PETRONAS' maritime and logistics business is involved in the business of ship owning, ship operating, owning and operating of tank terminals and offshore floating facilities as well as marine repair, marine conversion and engineering and construction works.

MISC, with more than 100 vessels and a combined tonnage of more than 10 million deadweight tonnes (dwt), is the leading owner operator of Liquefied Natural Gas (LNG) carriers and the third largest owner of Aframax fleet in the world.

Fleet Size

MISC-Owned Fleet by Business	FY2011	FY2010
LNG Carriers	29	29
Petroleum Tankers	50	44
Chemical Tankers	19	17
Liner	18	18
Offshore Facilities		
FPSO	5	4
FSO	5	5
MOPU	1	-
Total Fleet Size	**127**	**117**

The Year in Review

MISC continued to experience a challenging operating environment amidst the backdrop of unpredictable and volatile global economic and geopolitical conditions. In particular, shipping rates remained under pressure as record new deliveries continued to put pressure on an industry already weighed down by excess tonnage.

Despite the difficult operating conditions, the period under review saw the achievement of two significant milestones. Firstly, the acquisition of a 50% stake in VTTI BV completed in September 2010, effectively propelled MISC into the global tank terminal business arena with immediate access to 11 locations in 10 countries. Secondly, MISC undertook the listing of its wholly-owned heavy engineering business, MHB on Bursa Malaysia. The public listing of MHB was one of the most successful and best performing IPOs for the year in Malaysia.

MISC's LNG business safely delivered 22.34 million tonnes of LNG cargo, comprising 10% of global demand. Cumulatively, since its maiden voyage in 1983, MISC's LNG vessels have now made 6,234 voyages carrying 311.76 million tonnes of LNG for an expanding portfolio of clients. MISC also recently secured medium-term contracts with BG Group plc and International Gas Transportation Co for the North West Shelf project.

MISC's wholly owned subsidiary, AET Tanker Holdings Sdn Bhd, faced one of the more difficult operating environments during the year as the petroleum tanker segment was besieged by heavy delivery of new vessels. With half of its vessel portfolio under term contracts which offered rate protection, AET dynamically managed contract renewals during the year to mitigate the impact of low spot rates. However, amid the challenging environment, AET scored several successes. First, it secured a new 15-year time charter for two DP Aframax shuttle tankers with Petrobras commencing 2012. In addition, several term contracts were also renewed for longer tenures, providing longer term earnings stability. AET also took delivery of three Aframax tankers as part of its fleet rejuvenation and expansion programme, bringing the number of Aframax tankers in its fleet to 37.

In the year under review, MISC took delivery of 10 new chemical vessels of between 19,000 and 45,000 dwt and returned four in-chartered vessels. The last five newbuildings (4 x 19,000 dwt from Fukuoka Shipbuilding Co Ltd and 1 x 45,000 dwt from SLS Shipbuilding Co Ltd) from its fleet rationalisation programme which started in 2007, are scheduled for delivery within the next 12 months. By then, the chemical tanker fleet will comprise 29 vessels, totaling 898,117dwt, of which 19 vessels are owned.

While enjoying initial success in the turning around of the liner business during the early part of the year following the new focus on Intra-Asia trade services, operating conditions in the second half of the year deteriorated, greatly impacted by natural disasters such as the earthquake in New Zealand and floods in Queensland, Australia as well as weather disruptions in North Asia. Port calls were disrupted which affected the volume of liftings.

In the offshore business, MISC saw maiden contributions from two new assets, namely, FPSO Ruby II and MOPU Satu. FPSO Ruby II, operating on Block 01 and 02 of the Ruby Field, offshore Vietnam officially received First Oil on 9 June 2010, marking MISC's second asset deployed in the waters off Vietnam, in collaboration with our strategic partner, PetroVietnam Technical Services Corporation. This FPSO is owned and operated by Vietnam Offshore Floating Terminals Ruby Ltd, a joint venture between MISC and PTSC, of which MISC has a 40% equity stake.

MISC's other subsidiary, MHB was successfully listed on Bursa Malaysia in October 2010, raising a total of RM2.03 billion for the Company. In conjunction with the IPO, Technip SA, a renowned project management, engineering and construction service provider in the oil and gas industry, was invited to participate as an 8% strategic shareholder. This further strengthens both parties' previous collaboration in Turkmenistan but more importantly, provided MHB with the technical platform to expand and develop its capabilities to compete with the best in the world.

MHB successfully completed three major projects, namely, the 14,505 metric tonne Tangga Barat Central Platform for a cluster of gas fields offshore Terengganu, Malaysia; the Magtymguly Collector Riser Platform for Turkmenistan Block 1 Phase 1 Gas Development Project; and the BP Angola External Turret System. Construction of the 38,000 metric tonne Gumusut-Kakap semi-submersible Floating Production System (FPS) (Gumusut) will be MHB's biggest project on site this year. Designed to process 150,000 barrels per day from 19 subsea wells and operating in up to 1,200 metres water depth, Gumusut will be Asia's first deepwater semi-submersible FPS. MHB's orderbook stands at RM3.1 billion.

Our People

Highlights

41,628
staff

PETRONAS employees Group-wide increased by 1.6% to 41,628, as at 31 March 2011, reflecting the expansion of the business.

Nurturing High Performance Culture

PETRONAS emphasises on building a high performance culture. We are constantly improving our people practices in our efforts to motivate employees to deliver their best and bring real change that will add value to the organisation.

Overview

As PETRONAS continues to expand its business at home and around the world, people remain at the heart of our agenda. We believe that nurturing a high-performance culture is crucial in managing, motivating and inspiring our employees to produce extraordinary results.

In the year under review, several key initiatives to harness the talent and commitment of our people have been implemented to elevate talent management to a more strategic level.

Talent Attraction & Sourcing

As the organisation continues to grow rapidly, timely and effective talent sourcing is critical. As a result, PETRONAS is empowering the businesses to make their own decisions over recruitment matters. All Business Heads will drive talent management within their respective businesses to identify the right candidate for the job as well as to put in place a clear succession plan.

Meritocracy is the basis for talent management in PETRONAS. In sourcing talents, selection is based not just on performance but also on soft skills, and potential. During the year under review, a total of 1,382 candidates were recruited, of which 1,283 are locals and 99 are international hires.

Talent Development

In the year under review we established People Development Committees (PDCs) at various levels in the organisation to provide greater line ownership and better talent management. The committee members in the PDCs are well represented to ensure balanced, objective and fair decisions are made in talent development, performance and consequence management, and mobility.

The PETRONAS Leadership Development Framework has also been implemented to ensure that we are able to identify and develop more top talents in the organisation to support our business growth and expansion.

As at 31 March 2011, a total of 131 Corporate Top Talents and 282 Business Top Talents were identified to fill corporate critical positions and business critical positions, respectively.

Talent Retention

The young talents of today in PETRONAS will determine our direction tomorrow. With the younger generation representing about 70% of the workforce in PETRONAS, our investments in people are focused on developing and managing our young talents and our mid-career staff.

To ensure that our young and mid-career staff are committed to the organisation for the long-term, we have implemented a differentiated remuneration package in the year under review.

Rewards are now distinguished through differentiated remuneration to enable the recognition of an individual staff's performance, skills and competencies.

To further motivate staff, we also embarked on flexible working arrangements and introduced Smart-Casual Fridays as part of our commitment to ensure a better working environment and to increase productivity.

With the implementation of these and other initiatives, we hope to create a more conducive working environment for our people in our effort to cultivate a high performance culture within the organisation.

Enhanced HR Operating Model

To improve the efficiency and effectiveness of managing our workforce, and to ensure consistent and measurable services to our employees, we have strengthened our Human Resource (HR) Operating Model. With the implementation of this enhanced model in the year under review, HR professionals will be able to focus more on the formulation of strategies and development while the routine transactional and administrative HR activities will be undertaken by various other units.

In the year under review, PETRONAS introduced Project SAPPHIRE, a global integrated system which will include a Shared Services Centre to manage HR services, applications, processes, people and innovations. Project SAPPHIRE will also introduce myPASSPORT as a self-service portal for staff. This will support the Enhanced HR Operating Model in line with HR's role of becoming a strategic partner to the Group.

Education & Sponsorship

In the year under review, we have streamlined our education efforts following the implementation of the Education Transformation initiative where our learning institutions will now play a greater role in developing and nurturing talents for the organisation, as well as for the industry.

Our Universiti Teknologi PETRONAS, which offers undergraduate and post-graduate courses related to the oil & gas industry, is on track to achieving Research University (RU) status by 2013, obtaining 62% of the RU score in 2010 compared to 57% in the previous year. The research university status is granted by the Malaysian Ministry of Higher Education and it provides access to much needed funding and grants for research, development and commercialisation activities.

In the year under review, a total of 15,500 employees from the PETRONAS Group and its affiliates attended various leadership development programmes at the PETRONAS Management Training centre while at Institut Teknologi Petroleum PETRONAS (INSTEP), more than 11,500 engineers and technicians attended various upgrading programmes. INSTEP also produces skilled technicians and operators through its Petroleum Technology Programme.

Akademi Laut Malaysia (ALAM) continues to provide quality maritime education for the shipping industry. In December 2010, 416 students graduated from ALAM.

Graduates

Institution	**No. of Graduates in 2010**	No. of Graduates in 2009
UTP	**1190**	1167
INSTEP	**613**	797
ALAM	**416**	427

Each year, PETRONAS provides sponsorship to deserving tertiary students. Sponsorships are given for critical disciplines relevant to PETRONAS' business needs.

To ensure that the scholars are well-rounded, PETRONAS continually monitors their academic performance and organises student development programmes that focus on strengthening academic, as well as soft skills.

In the year under review, PETRONAS sponsored a total of 278 students to institutions of higher learning, 211 locally and 67 overseas. During the same period, a total of 411 graduates were recruited to join PETRONAS' workforce.

In line with our aspiration of becoming the Regional Education and Learning Hub for the oil & gas industry, PETRONAS' education approach focuses on academy-industry partnerships that emphasise industry-oriented learning and research excellence. Our education and R&D centres focus on technology development, knowledge management, leadership and capability building in our quest to compete globally.

Technology & Engineering

Overview

Technology plays a fundamental role in the development of the oil and gas industry. For PETRONAS, technology is an enabler that drives our growth and helps us remain competitive. In an industry environment increasingly fraught with challenges such as depleting resources, more complex and difficult to monetise unconventional hydrocarbon resources, gas fields with high CO_2 content and crudes and gas with high contaminants, we are committed to delivering integrated, innovative and value-adding technology solutions and projects across the Group. Developing and applying appropriate technology solutions are central to the success of our projects and operational excellence.

PETRONAS has identified Enhanced Oil Recovery (EOR) and CO_2 Management as critical Exploration & Production (E&P) areas to build capability that will extend the life of our current assets, improve hydrocarbon recovery and enable the development of challenging assets. With this in mind, PETRONAS is setting up an Exploration & Production (E&P) Technology Centre to focus on developing EOR and CO_2 Management technologies.

In the year under review, our Technology & Engineering (T&E) Division has taken on an additional portfolio to deliver downstream capital projects to support PETRONAS' business expansion. These projects will be carried out in compliance with the PETRONAS Project Management System which ensures that capital projects are delivered within cost, on schedule, comply with HSE requirements and will assure operability.

Integrated teams comprising experienced project managers and engineers, equipment & material category managers and technical solution experts are responsible for the full spectrum of a project, from engineering design, identifying cost and value engineering opportunities to executing the project to meet best-in-class asset delivery performance.

Our T&E Division has also put together a team of technical professionals to provide innovative and value-adding technology solutions, enhance technical standards and governance, and drive the technical capability development for Group-wide sustainable plant operations in helping us strengthen Operational Excellence. Focus areas include process safety management, asset integrity and reliability programmes where solutions and services have progressively shown results in increasing production.

Over the years we have significantly reduced our dependency on third party technical services, reflecting the strength of our in-house technical capabilities to deliver value to the Group.

EOR & CO_2 Management

Faced with the prospects of depleting oilfields, EOR is being pursued by PETRONAS to increase the recovery factor (RF) of existing fields. The RF for Malaysia's oil producing fields is targeted to reach 45% and we are well on our way to achieving this target. As at 1 January 2011, our RF was 39%. EOR technology programmes focusing on Water Alternating Gas, Chemical EOR (CEOR) and Thermal EOR have been planned for implementation at our oil fields in Malaysia and the Sudan. CEOR has been successfully applied at the Angsi field, off Terengganu in Peninsular Malaysia.

In the year under review, PETRONAS collaborated with China National Petroleum Corporation (CNPC) to develop CEOR in four phases. The first phase was completed with the development of low-cost super surfactants and polymers that are capable of withstanding high temperature and high salinity. The application of this technology is targeted for Peninsular Malaysia's Dulang field and other potential fields.

In managing high content of CO_2 in gas fields, PETRONAS is pursuing CO_2 management technology in collaboration with Universiti Teknologi Malaysia for the development of membrane technology to remove CO_2 at offshore platforms. In addition, together with US-based Cameron International Corporation, PETRONAS has successfully developed and

tested a new multi-fibre membrane separation technology for more efficient and cost-effective removal of CO_2 from natural gas.

Unlike current membrane designs made with the same type of fibre materials with a single set range of performance characteristics, the new multi-fibre design uses two or more different types of membrane fibres with different performance characteristics. This allows for, among others, reduction in CO_2 separation stages, increase in separation performance and maximisation of overall gas processing capacity. The main benefit of this technology is the significant reduction in the total deck footprint and weight of the membrane skids used offshore which would be translated into lower costs.

This technology has been tested at PETRONAS' operations at the Cakerawala field with results meeting the test's stated parameters. The technology will be commercially applied at the JDA-GBE Project undertaken by PETRONAS Carigali Sdn Bhd. With the recent establishment of PETRONAS' E&P Technology Centre, other specific developments relating to the capture, transport, storage and utilisation of CO_2 will be undertaken with the aim of developing target application in PETRONAS' high CO_2 gas fields.

Ionic Liquids

Some of our oil and gas fields have higher levels of contaminants. These challenging environments require new and effective technologies to remove the impurities.

Since 2007, PETRONAS has been collaborating with Queen's University of Belfast in Northern Ireland, and our own Universiti Teknologi PETRONAS to develop Ionic Liquids which are capable of removing the impurities. The performance of Ionic Liquids in removing mercury from gas and condensates are five to six times better than that of existing commercially available technology. The development of Ionic Liquids in general, has produced results which have far exceeded our plant operation requirements. These Ionic Liquids will be deployed at PETRONAS Gas Berhad plants and facilities, PETRONAS Carigali Sdn Bhd On-Shore Gas Terminal and at our Melaka Refinery.

Pipeline Integrity

PETRONAS is actively rejuvenating our subsea infrastructure including our pipeline systems. In this regard, PETRONAS has collaborated with Australia's Commonwealth Scientific & Industrial Research Organisation (CSIRO) and successfully developed a novel pipeline repair system that uses composite material consisting of a fibreglass reinforcement saturated in a resin matrix.

Unlike other available technologies in the market, the system, trademarked PIPEASSURE™, is highly durable and resistant to moisture and is capable of withstanding conditions subsea pipelines are exposed to. The technology functions as an overwrap to protect and repair damaged sections of oil and gas pipelines.

PIPEASSURE™ allows repairs to be performed efficiently and in a cost-effective manner, avoiding lengthy pipeline shutdowns. PIPEASSURE™ also extends the lifespan of compromised pipelines, enabling operators to schedule installation of a replacement pipeline at a later date, with minimum downtime.

To date, PIPEASSURE™ has been applied at PETRONAS' offshore facilities in Sarawak with satisfactory results. The development of other smart pipeline materials and repair systems are ongoing with targeted usage in PETRONAS' operations in the near future.

Renewable Energy

In line with our commitment to operate in a sustainable manner, PETRONAS has taken steps to explore the application of solar and waste-to-energy technologies. In collaboration with Mitsubishi Corporation, we have embarked on a Solar Photovoltaic project for the installation of solar panels at various PETRONAS facilities in Malaysia.

PETRONAS has also collaborated with technology provider Waztec Pte Ltd and with solid-waste management company Alam Flora Sdn Bhd for a detailed feasibility study to design, build and operate a waste-to-energy plant which will convert organic waste to electricity The project will move to engineering design stage, once the feasibility study has been completed.

Project Management & Delivery

By applying the PETRONAS Project Management System (PPMS) which was established in 2009, a consistent and transparent project delivery could be achieved, resulting in a greater level of project planning and definition in line with best-in class performance for PETRONAS.

PPMS is a key enabler to attain project excellence in both upstream and downstream projects by adoption of best practices to ensure schedule effectiveness and project cost optimisation.

To ensure the successful delivery of projects, execution of category management for equipment and materials is critical to achieve cost and delivery advantages. This strategic sourcing consolidates purchases of high value and/or high impact items and establishing alliance with suppliers and service providers. Hence, T&E undertakes engineering category management for material and equipment to achieve cost and delivery advantage for projects.

As the front-end design determines the success of delivery, T&E strengthens its capability development in Front End Engineering Design (FEED) through various initiatives which include collaboration with third party vendors and engineering contractors to acquire the relevant capabilities. Due to knowledge and technical transfer, many of our engineers have become FEED experts in various projects and have built in-house FEED capabilities.

Among the key projects are the Refinery and Petrochemical Integrated Development (RAPID), Sabah Ammonia Urea Project, PETRONAS Floating Liquefied Natural Gas (FLNG) and Sabah Oil & Gas Terminal (SOGT).

Operational Excellence

To ensure Operational Excellence, PETRONAS in 2006 established the Group Technical Solutions (GTS) to provide technical solutions and enhance technical standards for the Group.

With GTS becoming a centre of excellence, PETRONAS has successfully deployed the right technical solutions and best-in-class technical standards for operational requirements. There has been an increase in demand for technical solutions and services provided to the PETRONAS Group of Companies by PETRONAS engineers, resulting in a chargeable manhour utilisation of 72%, which exceeded the industry level of 65%.

In attaining a competitive level of Operational Excellence, PETRONAS has developed the Integrated Plant Operations Capability System (iPOCS) which provides a comprehensive and systematic approach to drive consistent and quality improvement across the businesses. iPOCS also ensures technical governance, optimisation of operations and business processes which have increased PETRONAS' plant performance through high reliability and utilisation. A total of 13 operating units (OPUs) have been assessed since September 2009, of which seven OPUs were assessed in 2010. The assessment of the remaining six OPUs will be completed by 31 December 2011.

In the year under review, PETRONAS has intensified efforts to undertake optimisation and reliability programmes to ensure asset reliability and integrity. This includes platform optimisation programmes that are being applied at various fields in Malaysia, which has led to a significant increase in oil production and reduction in deferment values.

The PETRONAS Risk Based Inspection (PRBI), which essentially is a tool implemented within the PETRONAS Group, manages the integrity of our assets through an effective and optimised inspection programme. It was successfully deployed at several key OPUs which include the PETRONAS LNG Complex, PETRONAS Gas Berhad and PETRONAS Fertilizer (Kedah) Sdn Bhd. The commercial and industrial viability of PRBI was effectively demonstrated on the global front through its deployment at the Engen Refinery in South Africa in 2010. In addition, PRBI has been accepted by the Department of Occupational Safety and Health (DOSH) as the equipment integrity system in managing Certificate of Fitness (CoF) for DOSH's registered equipment.

The deployment of technical services solutions implemented Group-wide has resulted in value creation of about RM1 billion for the Group in the year under review through yield improvement, cost savings and opportunity loss avoidance. At the same time, less than 10% of technical services were outsourced to third party contractors in regards to technical solutions deployed Group-wide.

Technology Commercialisation & Intellectual Property Management

The commercialisation of Technology has paved the way for PETRONAS to generate returns on investments made from our proprietary technology. PETRONAS has collected RM1.38 million in royalties from previously commercialised technologies and has also filed 12 patents in the year under review.

We have also commercialised the NE01 engine with Star Power Engine Inc for the China market. The start of production for the first engine variant is expected in March 2013.

In the year under review, four more technological breakthroughs have been endorsed for commercialisation and they are:

- Mass Transfer Technology for gas and liquid separation.
- Multi Layer Fibre Membrane for CO_2 removal process.
- Aqua Magnetometry Tomography Methods (MTM) for non-intrusive subsea pipeline inspection.
- SmartCen, an online real-time metering supervisory system.

Technical Capability Building

PETRONAS continues to build a sufficient pool of technical professionals (TP), technical executives and technical trade specialists through a concerted effort for technical capability development. TPs are expected to drive superior business performance through their technical leadership and expertise.

The Accelerated Capability Development (ACD) programme introduced since 2006, has reduced the duration for technical executives to reach the desired competency level while strengthening their ability to work independently, known in the industry as time to autonomy (TTA). For the year under review, the TTA was 8.4 years compared to 9.2 years in the previous year. PETRONAS is well on the way to meeting our target of 7 years.

Health, Safety & Environment (HSE)

Highlights

OSRL

membership

Became a Participant Member of the Oil Spill Response Limited (OSRL), a specialist that provides spill response support and services internationally, in June 2011.

90%

coverage

Health Risk Assessment (HRA) completed for Malaysia operations.

22.2

million mmBtu

Cumulative energy savings for domestic downstream operations.

Overview

As a good corporate citizen PETRONAS is committed to responsible HSE management practices in every aspect of our operations. Cultivating a culture of HSE Excellence is central to the Company's long-term sustainability.

In the year under review PETRONAS continued to place strong emphasis on HSE in all aspects of our operations by integrating essential practices into our business activities in line with international standards and practices.

The Deepwater Horizon disaster last year is an important reminder for us to be constantly on guard in observing HSE standards and best practices. The key lessons from such incidents are systematically shared Group-wide to ensure that we understand the catastrophic impact to business as well as reputation and address key HSE concerns by taking preventive measures at all levels of our operations. At the same time we continue to ensure that our operations are governed by HSE environmental standards that are based on industry best practices.

To safeguard our people, environment, assets and reputation, PETRONAS' HSE strategies are focused on strengthening HSE leadership, culture and mindset, and enhancing HSE risk management and HSE governance.

Initiatives

HSE KPIs for Senior Management

To strengthen and elevate a commitment to HSE among PETRONAS' senior management, HSE Key Performance Indicators (KPIs) have been incorporated into their scorecards. Senior management will be assessed based on the performance of their respective businesses' Fatal Accident Rate (FAR), Lost Time Injury Frequency (LTIF), major Loss of Primary Containment (LOPC) incidents and major fires. The inclusion of these KPIs will help drive improvement in the Group's safety, sustainable development and capability performance.

PETRONAS has also aggressively strengthened its HSE organisation Group-wide by employing experienced and competent HSE experts to enhance the governance of HSE compliance. This initiative, which shall be continued consistently, reflects the seriousness of the management and business in improving the Group's HSE capability and performance.

Risk Management

HSE risk management is reinforced through the implementation of ZeTo or Zero Tolerance Rules for high-risk activities, land transport safety programme, formulation of guidelines for occupational health and measurement of product carbon footprint by inventorising greenhouse gasses throughout the lifecycle of a product.

Launched in 2010, ZeTo Rules aim to improve the safety performance of the Group by enforcing consequence management on employees and contractors who violate the rules. During the year under review there were 52 cases of ZeTo Rules violations and consequence management was carried out on the 25 staff and 27 contractors involved.

Fire risk assessments were conducted in more than 40 sites since 2006 with three assessments conducted during the year under review with the objective of identifying issues on fire prevention, detection and protection.

Another area of focus is process safety which is balanced with the need for personal safety. Process safety means making sure our facilities are well designed, safely operated and properly maintained. In this respect, three management workshops for process safety leadership were organised, one in August 2010 and two in February 2011, to reinforce understanding among senior leaders of their role in preventing major process safety incidents.

These sessions will be expanded to improve their effectiveness in inculcating process safety behaviour into the PETRONAS safety culture.

In line with our focus on managing growing health risks and to ensure a healthy workforce PETRONAS completed 90% of HRA for our domestic operating units in the year under review and we have received authority approval to conduct Chemical Health Risk Assessment using the HRA methodology. In addition, we have developed best practices in fatigue management and fitness to work as well as organised personal health management programmes to reduce lifestyle-related health problems among employees.

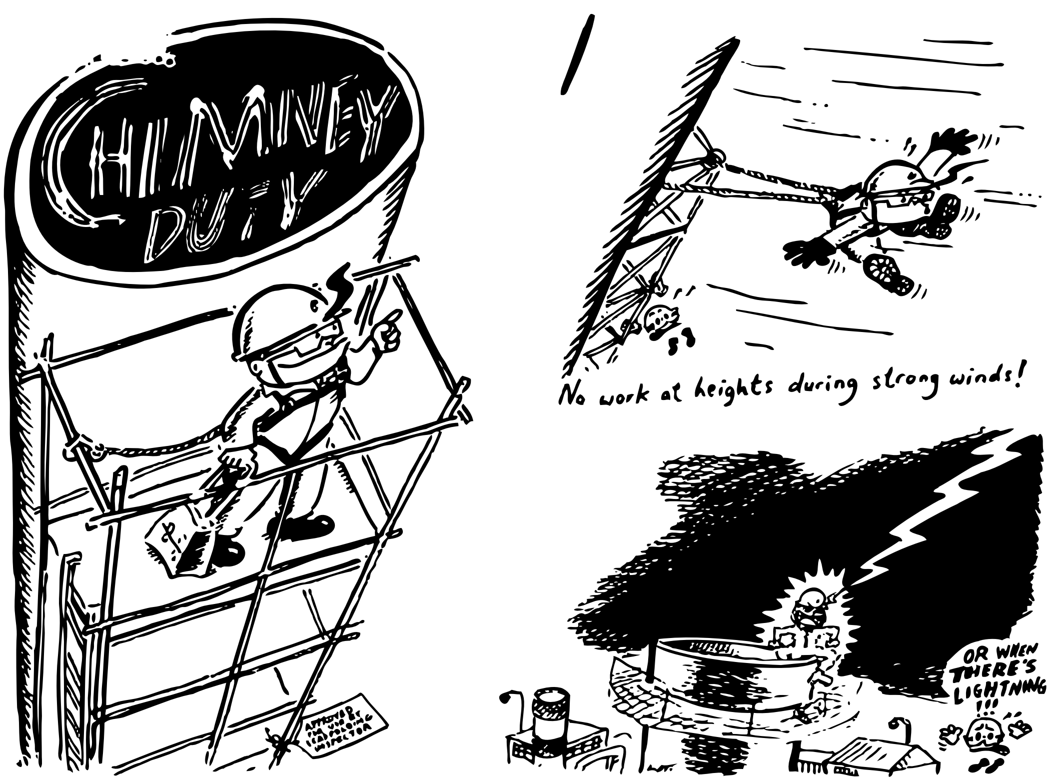
Oil Spill Preparedness and Response

Recognising the potential catastrophic impact of major oil spills on the environment, PETRONAS embarked on a programme to reassess the effectiveness of our oil spill preparedness and response. The outcome of the assessment will also be used to establish a longer term strategy in oil spill preparedness and response. As part of ensuring effective preparedness and response, PETRONAS became a Participant Member of the OSRL in June 2011. One of the key benefits of being a Participant Member of this organisation, apart from round the clock response for all our operations globally, is access to rapid aerial dispersant spraying facilities, one of the most effective methods for combating major oil spills.

In collaboration with the International Maritime Organisation (IMO), International Petroleum Industry Environmental Conservation Association (IPIECA) and Petroleum Industry of Malaysia Mutual Aid Group (PIMMAG), PETRONAS organised a two-day workshop on Dispersant in Oil Spill Response, in February 2011. The workshop brought together oil spill response practitioners from the Malaysian government and from around the region to help enhance the industry's understanding of the dispersants to combat oil spills more effectively. PETRONAS continues to play an active role in PIMMAG which we initiated in 1993.

Waste Minimisation Programme

The establishment of a waste minimisation programme helps PETRONAS to reduce our environmental footprint. Some of the hazardous and domestic waste minimisation initiatives include the recovery of spent catalysts by PETRONAS Penapisan (Melaka) Sdn Bhd refinery, establishment of an integrated waste management plan at the Engen Refinery in Durban, South Africa, recovery of copper slag and domestic and office waste reduction campaigns at the PETRONAS Twin Towers in Kuala Lumpur, Universiti Teknologi PETRONAS in Perak and other operating units. The Group will continue to look into other waste minimisation opportunities across our various businesses within the Group globally.



Protect yourself against a fall when working at height.

Energy Savings

PETRONAS continued to improve the energy efficiency of our upstream and downstream operations through an Energy Loss Management (ELM) initiative. Increased energy efficiency reduces the greenhouse gas (GHG) footprint of our operations while using natural resources more prudently.

In the year under review, PETRONAS registered energy savings of 2.5 million mmBtu from its domestic downstream operations. This takes the cumulative savings to 22.2 million mmBtu as at 31 March 2011. The savings were achieved primarily through energy efficiency projects carried out at PETRONAS LNG Complex and PETRONAS Gas Berhad facilities. These projects, which include the Strategic Energy Review at PETRONAS LNG Complex, contributed to more than 60% of total downstream savings achieved. In the domestic upstream sector, energy efficiency initiatives have contributed to savings of 0.5 million mmBtu.

HSE Performance

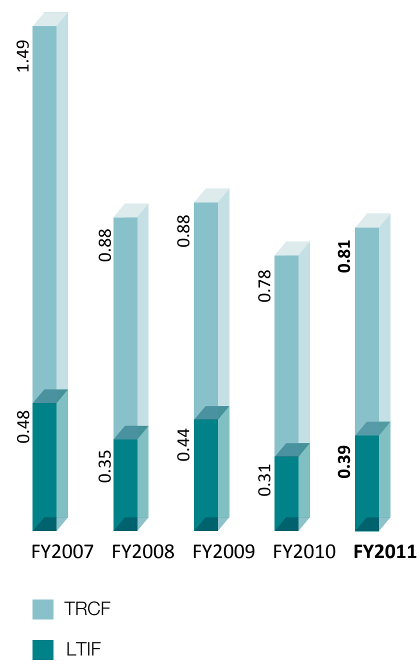
Overall, the Group recorded an improvement in our FAR to 2.58 in the year under review from 3.36 in the previous year. This was attributed to a 23% reduction in the number of fatalities despite a 1.49% increase in the total man hours recorded.

However, regrettably, seven people lost their lives in the year under review, all involving contractors working on PETRONAS projects. This was two less than in the previous year. The fatalities were due to road accidents, falling from heights at the workplace and being hit by objects.

The Group's LTIF rose to 0.39 during the financial year, from 0.31 in the previous year. A similar trend was also demonstrated by the Group's Total Reportable Case Frequency (TRCF) of 0.81 in the year under review compared to 0.78 in the previous year.

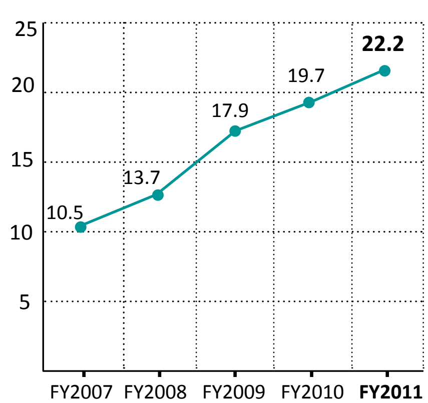
LTIF and TRCF for the Group

No. of cases per one million man hours



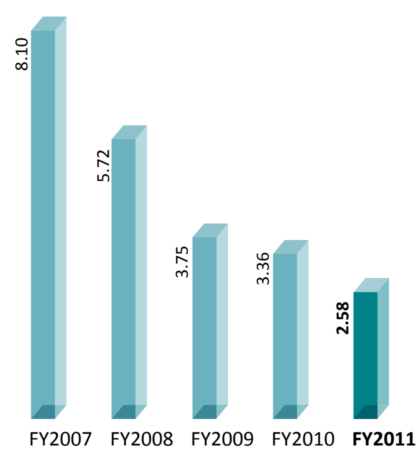
Cumulative Energy Savings in Domestic Downstream Operations

In million mmBtu



Fatal Accident Rate

Reportable Fatalities per 100 million man hours



Awards & Recognitions

Awards and recognitions are a testimony to the Group's continuous search for excellence. We are delighted to have been bestowed with numerous awards and recognitions in the year under review by our peers, authorities and others in recognition of our accomplishments.

Royal Society for the Prevention of Accidents (RoSPA) Occupational Health and Safety Awards 2010

Since 1956, RoSPA has organised this prestigious national award scheme to recognise excellence in work-related health and safety performance by private and public sector organisations. The scheme is based on an assessment of a broad portfolio of evidence on the level of development and performance of an entrant's occupational health and safety management system, and also takes into account the entrant's reportable accident rate and enforcement experience.

Sector Awards

Winner

Category - Oil & Gas

- PETRONAS Penapisan (Melaka) Sdn Bhd

Highly Commended

Category - Transport, Storage & Distribution

- Kertih Terminals Sdn Bhd

Achievement Awards

Winners

Gold

- PETRONAS Ammonia Sdn Bhd
- Star Energy Group Limited
- Asean Bintulu Fertilizer Sdn Bhd
- Egyptian LNG

Silver

- PETRONAS Fertilizer (Kedah) Sdn Bhd
- Petlin (Malaysia) Sdn Bhd

Malaysian Society for Occupational Safety and Health (MSOSH) Awards 2010

The MSOSH Award is an annual award presented to companies in Malaysia with proven outstanding Occupational Safety and Health (OSH) performance. Identified companies are subjected to stringent document and site verification audits by MSOSH Panel of Auditors in order to be considered for the award. The panel members comprise representatives from the Department of Occupational Safety and Health (DOSH), Social Security Organisation (SOCSO), National Institute for Occupational Safety and Health (NIOSH), SIRIM Berhad, QAS International and Federation of Malaysian Manufacturers (FMM).

Winners

Category - Petroleum, Gas, Petrochemical and Allied Sectors

Grand

- PETRONAS Ammonia Sdn Bhd
- PETRONAS Fertilizer (Kedah) Sdn Bhd
- PETRONAS Penapisan (Melaka) Sdn Bhd
- Polypropylene Malaysia Sdn Bhd
- Asean Bintulu Fertilizer Sdn Bhd
- PETRONAS Gas Berhad, Centralised Utility Facilities Gebeng
- PETRONAS Gas Berhad, Gas Processing Plant, Complex B
- PETRONAS Gas Berhad, Technical and Facilities Development Division
- Petlin (Malaysia) Sdn Bhd

Gold Merit

- MTBE/Polypropylene Malaysia Sdn Bhd
- PETRONAS Carigali Sdn Bhd, Sabah Operations
- Vinyl Chloride (Malaysia) Sdn Bhd
- PETRONAS Gas Berhad, Centralised Utility Facilities Kertih
- PETRONAS Gas Berhad, Export Terminal
- PETRONAS Gas Berhad, Kertih Regional Office
- PETRONAS Gas Berhad, Transmission Operations Division, Segamat Regional Operations
- Kertih Terminals Sdn Bhd
- BP PETRONAS Acetyls Sdn Bhd

Gold (Class I)

- PETRONAS Carigali Sdn Bhd, Peninsular Malaysia, Onshore Gas Terminal
- PETRONAS Carigali Sdn Bhd, Peninsular Malaysia, Terengganu Crude Oil Terminal
- PETRONAS Penapisan (Terengganu) Sdn Bhd
- Aromatics Malaysia Sdn Bhd
- PETRONAS Gas Berhad, Bintulu Operations

Gold (Class II)

- PETRONAS Methanol (Labuan) Sdn Bhd
- MISC Integrated Logistics Sdn Bhd

Chemical Industries Council of Malaysia (CICM) Responsible Care Awards 2009

The Chemical Industries Council of Malaysia or CICM, is the umbrella body representing the various sub-sector chemical groups ranging from oleochemicals, paints, fertilisers, petrochemicals, agriculture chemicals, industrial gases, coating resins and biodiesel sectors.

The Responsible Care Awards is organised annually to promote greater awareness of the Responsible Care Programme and its principles and to give recognition to those organisations that have made most progress in implementing the Responsible Care's Six Codes of Management Practices in Malaysia. The Codes developed are the Distribution Code, Process Safety Code, Pollution Prevention Code, Product Stewardship Code, Community Awareness and Emergency Response Code and the Employee Health and Safety Code.

Winners

Category - Petrochemicals

Platinum

- BASF PETRONAS Chemicals Sdn Bhd

Gold

- MTBE/Polypropylene Malaysia Sdn Bhd
- PETRONAS Penapisan (Melaka) Sdn Bhd
- PETRONAS Penapisan (Terengganu) Sdn Bhd
- Aromatics Malaysia Sdn Bhd
- BASF PETRONAS Chemicals Sdn Bhd

Silver

- MTBE/Polypropylene Malaysia Sdn Bhd
- OPTIMAL Chemicals (Malaysia) Sdn Bhd
- Ethylene/Polyethylene Malaysia Sdn Bhd
- BASF PETRONAS Chemicals Sdn Bhd

Merit

- MTBE/Polypropylene Malaysia Sdn Bhd
- OPTIMAL Chemicals (Malaysia) Sdn Bhd
- PETRONAS Penapisan (Melaka) Sdn Bhd
- PETRONAS Penapisan (Terengganu) Sdn Bhd
- Ethylene/Polyethylene Malaysia Sdn Bhd
- Aromatics Malaysia Sdn Bhd
- Petlin (Malaysia) Sdn Bhd
- BASF PETRONAS Chemicals Sdn Bhd

National Occupational Safety and Health Excellence Award

The National Occupational Safety and Health Excellence Award is an initiative by the National Council of Occupational Safety and Health, Ministry of Human Resources. It is intended to give credit and acknowledgement to organisations, employers and employees in various sectors in the industry that have achieved excellence in managing safety and health systems in their workplace.

Winners

Category - Heavy Industry Sector (Petroleum/Gas/Chemical)

- PETRONAS Fertilizer (Kedah) Sdn Bhd

Category - Gas Utilities

- PETRONAS Gas Berhad, Transmission Operations Division, Kuantan Regional Operations

Category - Storage

- Kertih Terminals Sdn Bhd

International Association of Oil & Gas Producers (OGP)

The International Association of Oil & Gas Producers (OGP) is a unique global forum in which members identify and share best practices to achieve improvements in every aspect of health, safety, the environment, security, social responsibility, engineering and operations.

OGP encompasses most of the world's leading publicly-traded, private and state-owned oil & gas companies, industry associations and major upstream service companies.

Recognition

PETRONAS Carigali Sdn Bhd (PETRONAS Carigali) ranked second among the 41 Exploration and Production companies in OGP for recording Total Reportable Case Frequency (TRCF) of 0.54. The average TRCF for OGP is 1.68.

PETRONAS Carigali also achieved a Lost Time Injury Frequency of 0.23, better than OGP's average of 0.42 and ranked seventh among other players.

19th Annual National Irish Safety Organisation (NISO)/ Northern Ireland Safety Group (NISG) Safety Awards

This award is given to the winners of the Supreme Safety Award which have demonstrated continued commitment to health and safety.

Winners are assessed on how they have maintained and improved their HSE Performance under the following categories:-

- Health and Safety Management
- Hazard Identification and Risk Assessment
- Implementation and Operation of Health and Safety Policies and Procedures
- Emergency Preparedness and Response
- Health and Safety Communication, Consultation and Promotion
- Health and Safety Training
- Proactive Health and Safety Management
- Reactive Health and Safety Management
- Demonstration of Superior Performance in Health and Safety

Platinum Award
Winner

- PSE Kinsale Energy Limited

Wall Street Journal Asia 200 Survey

The Asia 200 Survey, conducted by the Wall Street Journal, is the ultimate performance review of Asia's leading companies. Winners are determined by the readers of the magazine.

Winner

Top Ten Companies in Malaysia

- PETRONAS Gas Berhad

Anugerah Sumbangsih Jabatan Pelajaran Negeri Kedah

The Sumbangsih Award, which is the sole award in the Corporate Category is in recognition of the corporate sector's contribution in the field of education in Kedah.

Winner

- PETRONAS Fertilizer (Kedah) Sdn Bhd

NACRA 2010

The National Annual Corporate Report Awards (NACRA) is a collaborative effort of Bursa Malaysia Berhad, Malaysian Institute of Accountants (MIA), and the Malaysian Institute of Certified Public Accountants (MICPA). Winning the prestigious NACRA award has increasingly become a target of many organisations, which clearly demonstrates the wide recognition of NACRA as the benchmark for excellence in corporate reporting. The awards aim to promote greater corporate accountability and more effective communication by organisations through the publication of timely, informative, factual and reader-friendly annual reports.

Industry Excellence Award

Winner

Category - Industrial Product and Technology

- PETRONAS Gas Berhad

Malaysian Business-CIMA Enterprise Governance Award

The Award confers due recognition for excellence in enterprise governance among Malaysian companies. The winners were evaluated based on business and corporate governance principles and best practices.

Overall Merit Award

Winner

Category - Best Return to Shareholders Award

- PETRONAS Gas Berhad

The Platts Global Energy Awards 2011

The Energy Efficiency Programme of the Year category aims to recognise a long-term, systematic commitment to energy efficiency. The strongest entries here will have embraced efficiency in a way that seeks to make it work now and for the foreseeable future.

Award of Excellence

Finalist

- PETRONAS

The Oil Council's Awards of Excellence 2010

The awards, which were held for the first time, aim to recognise the industry's best performing companies and executives in the areas of operations, corporate governance, shareholder return and track record for the year 2010.

National Oil Company of the Year

Nominee

- PETRONAS

Corporate Social Responsibility

Highlights

33%

increase in consumer participation

Percentage increase in participation in the National Consumer Campaign (3K) across Malaysia.

22%

improvement in UPSR exam results

Percentage increase in the number of students scoring As in their UPSR exams as a result of Program Bakti Pendidikan PETRONAS.

Program Sentuhan Harapan PETRONAS

launched for hardcore poor families

5,000 families to receive food aid and skills training from PETRONAS.

Imbak Canyon

Conservation Area in Sabah

Support and commitment to environmental conservation, in partnership with Yayasan Sabah.

Community

PETRONAS supports community development programmes that provide the skills and resources to help make a positive and lasting difference to the lives and prospects of people and communities that we come in contact with, in places where we operate.

Our long-term engagement programmes, carried out in partnerships with local communities, industries, government and non-governmental organisations, are in line with our mission to ensure that the development of the earth's precious natural resources is conducted responsibly and in a manner that would bring robust and sustainable shareholder returns so as to allow us to contribute to the well-being of peoples, communities and nations where we operate.

Program Bakti Pendidikan PETRONAS

Introduced in 2002 in partnership with schools nationwide, this outreach programme is targeted at providing underprivileged and academically challenged children in communities where PETRONAS operates, with a strong academic foundation. In support of the Government's efforts to improve the levels of academic achievement in Science, Mathematics and the

English language among students, the focus of this programme is on these core subjects, taught through academic and non-academic activities conducted weekly by professional teachers, and once a month, by PETRONAS staff facilitators.

In the year under review, 39 schools participated in this programme. Over 1,000 academic and fun learning sessions were held in the respective schools nationwide, benefiting over 3,000 Year 4 to Year 6 pupils. This programme is made possible through the participation of over 700 PETRONAS staff facilitators. There was a 22% increase in the number of students who achieved As in their examinations compared to the previous year. Some 402 students under this programme achieved three to five As in the core subjects.

National Consumer Campaign

In partnership with the Federation of Malaysian Consumers Association, PETRONAS sponsored the 3K Campaign in support of efforts to educate and raise consumer awareness about smart and sustainable consumerism.

In the year under review, over 200 talks and workshops were carried out reaching over 20,000 Malaysians nationwide, a 33% increase from the previous year.

Kempen Kenali Anak Kita

In partnership with PENGASIH, a non-Governmental organisation and self-help group affiliated with the World Federation of Therapeutic Communities that addresses drug, alcohol and other substance abuse, PETRONAS launched this programme in 2009 to support the Government's effort to combat the use and abuse of illegal drugs.

While raising awareness on the dangers of substance abuse, this programme also equips parents with the knowledge to help prevent children from substance use and abuse and promote a healthy lifestyle. Over 5,000 parents attended a series of dialogue sessions, seminars and workshops conducted in 2010 on the dangers of substance abuse.

An informal survey in 2010 showed that the programme was well received by more than 86% of those who participated.

3K

Change Begins With Me

Sahabat Pendidikan Pencegahan Dadah (PPDa) PETRONAS

While PETRONAS works closely with parents in the Program Kempen Kenali Anak Kita, the Sahabat PPDa PETRONAS is aimed at raising awareness among students and teachers about substance use and abuse. Various initiatives under this programme were organised in collaboration with Malaysia's Ministry of Education. In 2010, Sahabat PPDa PETRONAS was the Ministry's sole nationwide drug awareness and prevention programme. The programme has reached out to more than 10,000 students and teachers who are currently playing a role as drug awareness change agents in their respective schools.

Program Sentuhan Harapan PETRONAS

Launched in 2010, this programme involves the distribution of food aid to selected hardcore poor families through PETRONAS *Mesra* stores in places where we operate. Sentuhan Harapan (A Touch of Hope) aims to enable recipient families to overcome poverty through various programmes to assist them to transform their lives socially and economically. In 2010, PETRONAS contributed RM572,460 in food aid to families in 10 states - Johor, Kedah, Kelantan, Melaka, Pahang, Perak, Sabah, Sarawak, Selangor and Terengganu.

Sentuhan Kasih

During Hari Raya, Chinese New Year, Deepavali, Hari Gawai (Sarawak) and Tadau Ka'amatan (Sabah) festivals in the year under review, PETRONAS hosted a series of gatherings for underprivileged children from orphanages and shelter homes in and around our areas of operations, in the spirit of sharing and caring. Between 300 and 500 staff volunteers provided cash donations and engaged with more than 1,000 children who participated in the programme in 2010.

Merdeka Award

The Merdeka Award was founded in 2007 by PETRONAS, ExxonMobil and Shell as a symbol of the oil and gas industry's contribution to Malaysia's enduring legacy, and to celebrate half-a-century of our growth and progress as an independent nation. Each year, the Merdeka Award is presented for outstanding achievements in five categories - Education and Community; Environment; Health, Science and Technology; Outstanding Scholastic Achievement; and Outstanding Contribution to the People of Malaysia. These categories represent key areas which are critical to Malaysia's continued growth and development. These categories are also development areas which are supported by the Founding Members through their various Corporate Social Responsibility initiatives in Malaysia. In 2010, four outstanding individuals received the Merdeka Award from the Patron, the Prime Minister of Malaysia.

Imbak Canyon Conservation Area

PETRONAS, in partnership with Yayasan Sabah, has contributed substantial funds in support of the Imbak Canyon Conservation Area, a region of unexplored and pristine jungle with a potential for rich biodiversity. This is in line with our commitment to environmental conservation. Our contribution will be used to set up the Imbak Canyon Study Centre which will manage the area and conduct various activities including research, environmental education and outreach programmes. Imbak Canyon serves as a wildlife corridor linking the Danum Valley and Maliau Basin, areas which also fall under the purview of Yayasan Sabah. Imbak Canyon is expected to play a key role in future forest rehabilitation, while at the same time promote greater interest in environmental education and nature tourism for Sabah and Malaysia in general.

PETRONAS also continued to actively contribute to community projects abroad via our international operations.

Myanmar

In Myanmar, PETRONAS continues to manage our socio-economic and humanitarian projects under the Yetagun Socio-Economic Development Programme. In 2010, PETRONAS organised computer skills and capability development training programmes for more than 3,200 students. These programmes are designed to help improve the students' chances of gaining employment.

South Sudan

PETRONAS extended support for school refurbishment projects in Juba, South Sudan. In addition to some restoration work for selected schools, PETRONAS also supplied the schools with new tables, desks and chairs for students and teachers. To usher in the new academic year in South Sudan, PETRONAS also distributed new school bags and stationery under the Back-To-School programme. More than 1,800 students received assistance under this project.

Sudan

In the Sudan, PETRONAS' ongoing community programmes continued to gain momentum in the year under review. The PETRONAS Mobile Library has reached 56 schools, up from 44 in the previous year and has spread the joy of reading to 57,000 students, up from 55,000 a year earlier.

Main Events

CORPORATE

1 September 2010

An agreement was signed with the Formula One Group to extend PETRONAS' title sponsorship of the Malaysian round of the FIA Formula One World Championship for another five years. The partnership will also see a change in name, which from 2011 will be known as Formula One PETRONAS Malaysia Grand Prix.

4 October 2010

The PETRONAS Group's first quarterly financial results was announced to the media for the first time in the Company's history in line with reporting practices by public listed companies. Net Profit after Minority Interest soared 59.7% year-on-year to RM12.3 billion. The achievement was due to enhanced operational efficiencies and cost optimisation initiatives executed by the Group despite operating in a challenging and dynamic environment.

9 December 2010

PETRONAS Group Corporate Affairs played host to some 20 journalists from Malaysia, Brunei, the Philippines, Indonesia, Mongolia and Uzbekistan in a tour of the PETRONAS Twin Towers, Galeri PETRONAS and Petrosains. The annual programme is designed to bring together early-career journalists from across the globe to be trained in Kuala Lumpur, fostering relationships and exchanging ideas, experience and knowledge among the participants.

26 January 2011

A Technology Commercialisation Agreement was signed between PETRONAS Technical Services Sdn Bhd and AMT International Inc. The signing commemorates another milestone in achievement between the two parties which further enhances the current strategic alliance in Mass Transfer Technology.

7 February 2011

PETRONAS debuted the new Silver Arrow Mercedes GP PETRONAS Formula One Team car in Kuala Lumpur City Centre and subsequently launched the 2011 Motorsports campaign.

11 February 2011

PETRONAS organised a *Majlis Ramah Mesra* to bolster ties with the Melaka State Government for future oil and gas developments. The event underscored the need for PETRONAS and the Melaka State Government to foster closer ties to drive major oil and gas projects planned under the National Key Economic Areas as well as to foster socio-economic development in the State.

EXPLORATION & PRODUCTION

11 March 2011

A SmartCen™ agreement between PETRONAS Technical Services Sdn Bhd and Spirit IT BV was signed in an effort to upgrade all metering systems in both onshore and offshore operations for controlling, monitoring, diagnosing and troubleshooting matters.

24 March 2011

PETRONAS signed contracts for the provision of external Creative Advertising Above the Line initiatives, Below the Line initiatives and Media Specialist Services to the Group.

5 April 2010

PETRONAS and China National Petroleum Corporation (CNPC) signed a Memorandum of Understanding (MoU) to collaborate in the area of Enhanced Oil Recovery (EOR). This MoU will enable PETRONAS to enhance its EOR technology and capability by tapping into CNPC's expertise.

13 May 2010

PETRONAS, together with partners Repsol YPF, ONGC Videsh Limited, Indian Oil Corporation Limited and Oil India Limited, signed a joint venture agreement with Petroleos De Venezuela SA for the development and production of hydrocarbons from the Carabobo Project in the Orinoco Region of Venezuela. The award of the project to the joint venture company followed an extensive international selection process conducted by Venezuela's Ministry of Energy and Petroleum from late 2008 to 2009.

20 May 2010

PETRONAS awarded Blocks SB307 and SB308 offshore Sabah under a single Production Sharing Contract to a partnership comprising Lundin Malaysia BV, Nio Petroleum Ltd and PETRONAS Carigali Sdn Bhd. Under the terms of the PSC, Lundin Malaysia, with a participating interest of 42.5%, will operate both Blocks. Nio Petroleum, a newcomer to the Malaysian E&P scene, will own another 42.5% interest whereas PETRONAS Carigali, the exploration and production arm of PETRONAS, will own the remaining 15%.

20 August 2010

PETRONAS Carigali Overseas Sdn Bhd made a commercial declaration for the Ham-Rong field discoveries to Petrovietnam and the Vietnam Host Authority.

13 September 2010

The signing ceremony of a Technical and Operating Services Agreement between PETRONAS Technical Services Sdn Bhd and PETRONAS Carigali Iraq Holding BV (PCIHBV) saw the ratification of a comprehensive agreement in providing the required technical and business support to PCIHBV in delivering its major tasks in Iraq in the Garraf, Halfaya, Badra and Majnoon fields.

8 November 2010

PETRONAS Carigali Vietnam Limited celebrated First Oil from the Topaz field which reached the Ruby II FPSO on schedule. It marked another major milestone after the successful start-up of the new Ruby II FPSO in early June 2010 and the Pearl field's First Oil in early August 2010.

19 November 2010

PETRONAS awarded a Production Sharing Contract (PSC) for offshore Sarawak deepwater Block SK317B to Total E&P Malaysia, a subsidiary of Total SA, and PETRONAS Carigali Sdn Bhd. Under the terms of the PSC, Total E&P Malaysia, with a participating interest of 85%, will operate the Block whereas PETRONAS Carigali Sdn Bhd will own the remaining 15% interest.

31 January 2011

PETRONAS awarded a Risk Service Contract (RSC) to Petrofac Energy Developments Sdn Bhd, Kencana Energy Sdn Bhd and Sapura Energy Ventures Sdn Bhd for the development and production of the Berantai field, offshore Peninsular Malaysia. The Berantai RSC is the first contract awarded by PETRONAS under this new petroleum arrangement in Malaysia. The RSC model strikes a balance in the sharing of risks with fair returns for the development and production of already discovered fields.

GAS & POWER

5 October 2010

PETRONAS signed a Sales and Purchase Agreement with Industrial Gas Solution Sdn Bhd and Mox-Linde for the supply of 100,000 tonnes per annum of raw carbon dioxide for a period of 15 years beginning 1 August 2010.

18 October 2010

PETRONAS signed an agreement with Mitsubishi Corporation for the launch of its maiden solar project, which will test different solar technologies and provide data on their respective performances in Malaysia's climate. It also acts as a catalyst for PETRONAS to explore further opportunities in renewable energy that offers synergy with PETRONAS' existing core businesses. The installation of the solar photovoltaic system will take place at the roof top of Suria KLCC and a new PETRONAS Dagangan Berhad service station in 2011.

9 November 2010

PETRONAS Gas Berhad (PGB) and PFC Engineering Sdn Bhd signed an Engineering, Procurement, Construction and Commisioning Contract for the Plant Rejuvenation & Revamp 2 project. The project will look to rejuvenate and revamp PGB facilities which have passed their 20-year life span, and is aimed for completion by 2013.

13 January 2011

PETRONAS, Santos, Total and Kogas have taken the final investment decision for developing the Gladstone LNG project near Gladstone in Queensland, Australia. The approval paves the way for major works for upstream field development, a pipeline and LNG plant facilities at Gladstone.

26 January 2011

PETRONAS announced the development of Liquefied Natural Gas Regasification Facilities by PETRONAS Gas Berhad. The project will be located in the vicinity of Sungai Udang Port, Melaka. The project is expected to be completed by July 2012.

28 January 2011

PETRONAS signed a Front End Engineering Design contract with MISC Berhad and a consortium of Technip France SAS, Technip Geoproduction (M) Sdn Bhd and Daewoo Shipbuilding & Marine Engineering Co Ltd, for the Floating LNG (FLNG) project. The FLNG project scope involves developing floating facilities as a strategic solution to monetise marginal and stranded gas fields.

30 March 2011

Kimanis Power Plant Sdn Bhd, a joint venture company between PETRONAS and Yayasan Sabah, signed and Engineering, Procurement, Construction and Commissioning contract for the power plant project in Kimanis Bay, Papar, Sabah.

DOWNSTREAM

6 April 2010

PETRONAS Ammonia Sdn Bhd received the RoSPA Gold award, which is the highest award in the achievement category of RoSPA's Occupational Health and Safety Awards 2010.

30 July 2010

PETRONAS Penapisan (Melaka) Sdn Bhd (PPMSB) was accorded the Malaysian Society for Occupational Safety and Health, Occupational Safety and Health Grand Award Winner for 2009 under the category Petroleum, Gas, Petrochemical and Allied Sectors. This is the very first time PPMSB has clinched the Grand Award in this category after 15 years in operation.

22 September 2010

PETRONAS Dagangan Berhad (PDB) and Proton Edar Sdn Bhd (PESB) signed an agreement, appointing PDB as an exclusive partner and lubricant supplier for PESB. It is estimated to generate a total revenue of RM260 million for PDB's Syntium range of lubricants.

2 November 2010

PETRONAS Chemicals Group Berhad launched the prospectus for its landmark Initial Public Offering on the Main Market of Bursa Malaysia. Held at the Kuala Lumpur Convention Centre, the launch was officiated by Deputy Prime Minister Tan Sri Muhyiddin Mohd Yassin, who represented Prime Minister Dato' Sri Mohd Najib Tun Haji Abdul Razak.

26 November 2010

PETRONAS Chemicals Group Berhad (PCG) closed 2.1% higher on its trading debut on Bursa Malaysia. During the day, PCG was the most actively traded stock on Bursa Malaysia, with 637 million shares changing hands, reflecting investors' strong interest in the stock.

6 December 2010

PETRONAS and BASF inked a Memorandum of Understanding to conduct a joint feasibility study for producing specialty chemicals in Malaysia. The development of new specialty chemicals products portfolio will be an important component of PETRONAS' long-term plan to further grow the downstream petrochemical business as part of its integrated plan to be a key player in the region as well as to spur domestic investments in the oil, gas and petrochemicals industries.

22 December 2010

PETRONAS launched the 'Gas PETRONAS: Order Here' Campaign at selected PETRONAS Service Stations in the Klang Valley. The effort is in line with the Company's objective to further expand and strengthen its line of services as the leading Liquefied Petroleum Gas or cooking gas retailer in the domestic downstream petroleum products market. With this new service, customers can now conveniently place orders for and purchase Gas PETRONAS cylinders at 50 selected PETRONAS Service Stations in the Klang Valley, and have them delivered to their homes.

21 February 2011

PETRONAS Aviation Sdn Bhd successfully secured a contract for Aviation Fuel Technical Service Assistance to a new customer, Ceylon Petroleum Company Limited of Sri Lanka, for two years with an option of renewal for another year.

29 March 2011

Malaysian Prime Minister Dato' Sri Mohd Najib Tun Haji Abdul Razak received a courtesy call by a delegation comprising senior executives of BASF and PETRONAS to explore avenues for boosting BASF's investment in Malaysia, among other matters.

MARITIME & LOGISTICS

10 May 2010

MISC Berhad held a joint-naming ceremony of two 38,000 deadweight tonnes chemical tankers, Bunga Aster and Bunga Azalea in Korea. Bunga Aster was named by our Lady Sponsor, Datin Sharifah Salwa Syed Kamaruddin, wife of the Guest of Honour, President & CEO of PETRONAS and Chairman of MISC Dato' Shamsul Azhar Abbas. Bunga Azalea was named by Lady Sponsor Dato' Halipah Esa, a member of the MISC Board.

17 May 2010

MISC signed a Sales and Purchase Agreement via subsidiary MTTI Sdn Bhd (MTTI), to acquire 50% of the shares in VTTI BV (VTTI), a wholly-owned subsidiary of Vitol. VTTI owns and operates a network of petroleum products terminals with a gross combined capacity of nearly 6 million cubic metres, which is set to expand to nearly 8 million cubic metres by 2012.

10 August 2010

AET, a subsidiary of MISC signed a contract with Brazil state-owned oil & gas company Petrobras for the 15-year time charter of two new sophisticated Dynamic Positioning Aframax tankers for shuttle tanker operations off the coast of Brazil. This contract, scheduled to commence in spring 2012, significantly strengthens the partnership between AET and Petrobras, and, more importantly, heralds MISC's entrance into the shuttle tanker market.

6 October 2010

Malaysia Marine and Heavy Engineering Holdings Berhad (MHB) launched its Prospectus for its initial public offering (IPO) on the Main Market of Bursa Malaysia. The launch was officiated by PETRONAS President & CEO, Dato' Shamsul Azhar Abbas.

29 October 2010

Malaysia Marine and Heavy Engineering Holdings Bhd (MHB), a subsidiary of MISC debuted strongly on Bursa Malaysia marking a successful listing exercise with 1.42 billion shares changing hands on the first day of trading against Bursa Malaysia's total trading volume of 1.62 billion shares.

22 July 2010

PETRONAS successfully launched its community outreach initiative, Program Sentuhan Harapan, in Miri, Sarawak. The Prime Minister of Malaysia Dato' Sri Mohd Najib Tun Haji Abdul Razak, accompanied by PETRONAS President & CEO Dato' Shamsul Azhar Abbas, presented hampers comprising basic food items to the representives of 50 deserving families.

3 August 2010

Two teams from PETRONAS participated in The Edge™ – Bursa Malaysia KL Rat Race® co-organised by The Edge and Bursa Malaysia. In the 4.5 km race, participants had to run through the streets of Kuala Lumpur.

1 September 2010

More than 200 underprivileged children from five homes and organisations in the Klang Valley enjoyed a day of fun and merriment at PETRONAS' annual Sentuhan Kasih Programme held in Kuala Lumpur.

26 October 2010

Four recipients were honoured at the Merdeka Award 2010 presentation ceremony to celebrate and acknowledge Malaysians and non-Malaysians who have made outstanding achievements and contributions to the nation and people.

7 November 2010

The Terry Fox Run - Kuala Lumpur, an annual charity event held in aid of cancer research, which was attended by staff from PETRONAS, continues to inspire Malaysians after 30 years. The run is non-competitive, as its primary objective is for participants to have fun whilst contributing meaningfully towards cancer research initiatives.

12 November 2010

Children from schools adopted under Program Bakti Pendidikan PETRONAS (Program Bakti) were treated to a fun-filled annual camp where students were provided motivational and fun activities for them to excel in studies as well as build self-confidence and character. Themed

"Children around the World", the camp gave the children the opportunity to 'venture' into several countries where PETRONAS is present. These include Egypt, India, Ireland, Japan, Nigeria, Russia, the Sudan and Vietnam.

16 November 2010

The F1 in Schools Technology Challenge at the PETRONAS National Finals 2010 was held with the aim of producing a new generation of skilled engineers, while bridging the technology gap between urban and rural schools. A rookie team, VelospeedF1 from Sekolah Menengah Sains Hulu Selangor took home the overall champion's trophy. The team also won four additional awards for Best Newcomer, Best Portfolio, Best Booth Display and the PETRONAS Knockout Champion award.

23 November 2010

PETRONAS continued its commitment to cancer research in Malaysia by contributing RM3 million to the Cancer Research Initiatives Foundation (CARIF) for the study, prevention, treatment and cure of the disease.

20 December 2010

More than 70 children together with staff of the Juba Orphanage in South Sudan celebrated Christmas with senior officials from PETRONAS and the Government of South Sudan.

Glossary

Industry terms as generally understood

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

- **Barrel**
  A standard unit of measurement for oil production. There are 159 litres in a barrel.

- **Barrels of oil equivalent (boe)**
  A unit of measure to quantify crude oil, condensates and natural gas amounts using the same basis. 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 accumulated 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.

- **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 more conventional natural gas occurring in reservoirs.

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

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

- **Deepwater**
  In 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.

- **Downstream**
  All segment of a value chain that adds 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.

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

- **Enhanced oil recovery (EOR)**
  A technique to increase the amount of crude oil and natural gas that can be extracted from an oil and gas field. EOR is also referred to as improved oil recovery or tertiary recovery.

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

- **Field**
  A geographical area overlying a hydrocarbons 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 deepwater production. These 'floaters' replace traditional offshore shallow water platforms that are able to sit on the ocean bed. 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.

- **Gas Processing**
  An activity to turn streams of natural gas into saleable 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.

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

- **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 method. 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.

- **Integrated oil and gas company**
  A company engaged 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 consist 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.

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

- **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.

- **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.

- **mmBtu**
  Million metric British thermal unit.

- **mmscfd**
  Million metric standard cubic feet per day.

- **mtpa**
  Million tonnes per annum.

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

- **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.

- **OEM**
  Original Equipment Manufacturer. Refers to the company that acquires a product or component and 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.

- **Peninsular Gas Utilisation (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 the Peninsular.

- **Petrochemicals**
  Organic and inorganic compounds and mixtures derived from petroleum, used principally for the manufacture of 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.

- **Regasification Terminal (RGT)**
  Also known as a receiving terminal, an RGT is usually a coastal plant that accepts deliveries of liquefied natural gas and processes it back into gaseous form for injection into the pipeline system.

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

- **Renewable energy**
  Energy derived from natural sources that are replaceable.

- **Reserves**
  Crude oil or natural gas contained in underground rock formations called reservoirs.

- **Reservoir**
  A subsurface pool of hydrocarbons predominantly trapped in porous or fractured rock formations.

- **Resources**
  Resources in this case refers to 2P+2C estimates.

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

- **Risk Service Contract (RSC)**
  A contract between the host authority and contractors where the host authority is the project owner and the contractors will recover the development cost and are paid a fixed fee for services rendered, based on their performance, relevant to the development execution and subsequent production.

- **Seismic data**
  Visual rendering of the sub-surface geology of an area composed by reflecting sound waves off underground strata; useful in determining the possible existence of hydrocarbons.

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

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

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

- **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 in gravity crude oil.

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Financial Statements

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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 March 2011.

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 through production sharing contracts, the marketing of petroleum and petroleum products and investment holding. The principal activities of significant subsidiaries, associates and jointly controlled entities are stated in note 47, note 48 and note 49 to the financial statements respectively.

RESULTS	**Group RM Mil**	**Company RM Mil**
Profit for the year	63,008	50,472
Attributable to:		
Shareholders of the Company	54,848	50,472
Minority interest	8,160	-

DIVIDENDS

During the financial year, the Company:

(i) paid a third tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM60,000 per ordinary share amounting to RM6 billion in respect of the financial year ended 31 March 2010;

(ii) paid a tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM100,000 per ordinary share amounting to RM10 billion in respect of the financial year ended 31 March 2010;

(iii) paid a first tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM60,000 per ordinary share amounting to RM6 billion in respect of the financial year ended 31 March 2011;

(iv) paid a second tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM80,000 per ordinary share amounting to RM8 billion in respect of the financial year ended 31 March 2011; and

(v) declared a third tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM60,000 per ordinary share amounting to RM6 billion in respect of the financial year ended 31 March 2011, of which RM4 billion was paid on 29 April 2011 and the remaining RM2 billion to be paid on 31 May 2011.

DIVIDENDS (continued)

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 March 2011 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 period ending 31 December 2011.

Subsequent to the end of the current financial year, the Company declared a first tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM20,000 per ordinary share amounting to RM2 billion in respect of the financial period ending 31 December 2011. The dividend will be paid and accounted for in equity as an appropriation of retained profits in the financial period ending 31 December 2011.

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:

Directors
Dato' Shamsul Azhar bin Abbas (Acting Chairman, President and CEO)
Datuk Anuar bin Ahmad (Executive Vice President)
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah
Datuk Wan Zulkiflee bin Wan Ariffin (Executive Vice President)
Mohd Omar bin Mustapha
Tan Sri Dato' Seri Hj Megat Najmuddin bin Datuk Seri Dr. Hj Megat Khas
Dato' 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)
Dato' Siti Halimah binti Ismail (alternate to Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah)
Abdul Kadir bin Md Kassim (resigned on 30 June 2010)

In accordance with Article 71(1) of the Company's Articles of Association, Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah and Mohd Omar bin Mustapha 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 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 as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each in PETRONAS Dagangan Berhad			
Name	Balance at 1.4.2010	Bought	Sold	Balance at 31.3.2011
Datuk Anuar bin Ahmad	2,000	-	-	**2,000**

	Number of ordinary shares of RM1.00 each in KLCC Property Holdings Berhad			
Name	Balance at 1.4.2010	Bought	Sold	Balance at 31.3.2011
Datuk Manharlal Ratilal	5,000	-	-	**5,000**

	Number of ordinary shares of RM0.10 each in PETRONAS Chemicals Group Berhad			
Name	Balance at 1.4.2010	Bought	Sold	Balance at 31.3.2011
Dato' Shamsul Azhar bin Abbas	-	20,000	-	**20,000**
Datuk Anuar bin Ahmad	-	20,000	-	**20,000**
Tan Sri Dr. Wan Abdul Aziz bin Wan Abdullah	-	20,000	-	**20,000**
Datuk Wan Zulkiflee bin Wan Ariffin	-	20,000	-	**20,000**
Mohd Omar bin Mustapha	-	20,000	(10,000)	**10,000**
Tan Sri Dato' Seri Hj Megat Najmuddin bin Datuk Seri Dr. Hj Megat Khas	-	20,000	-	**20,000**
Dato' Muhammad bin Ibrahim	-	20,000	-	**20,000**
Dato' Mohamad Idris bin Mansor	-	20,000	-	**20,000**
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 @ Ong Yiaw Hin	-	20,000	-	**20,000**

	Number of ordinary shares of RM0.50 each in Malaysia Marine and Heavy Engineering Holdings Berhad			
Name	Balance at 1.4.2010	Bought	Sold	Balance at 31.3.2011
Dato' Shamsul Azhar bin Abbas	-	10,000	-	**10,000**
Datuk Wan Zulkiflee bin Wan Ariffin	-	10,000	-	**10,000**
Krishnan C K Menon	-	10,000	(10,000)	**-**

The other Director holding office at 31 March 2011 had no 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.

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

(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.

OTHER STATUTORY INFORMATION (continued)

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.

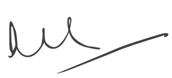
In the opinion of the Directors, except as disclosed in note 46 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 March 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor 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

The auditors, Messrs KPMG Desa Megat & Co., have indicated their willingness to accept re-appointment.

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

....
Dato' Shamsul Azhar bin Abbas



....
Datuk Anuar bin Ahmad

Kuala Lumpur,
Date: 30 May 2011

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 101 to 213, are drawn up in accordance with 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 March 2011 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:

Dato' Shamsul Azhar bin Abbas

Datuk Anuar bin Ahmad

Kuala Lumpur,
Date: 30 May 2011

STATUTORY DECLARATION

I, **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 101 to 213 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
Manharlal Ratilal at **Kuala Lumpur** in
Wilayah Persekutuan on 30 May 2011.

BEFORE ME:

PESURUHJAYA SUMPAH
No: W347
Hj. Zailan Bin Hj. Mohamed
MALAYSIA

Suite 2-1-45, Tingkat Satu,
Wisma Rampai, Jalan 34/26,
53300 Setapak, Kuala Lumpur

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011

	Note	2011 RM Mil	2010 RM Mil (Restated)
ASSETS			
Property, plant and equipment	3	**191,575**	189,508
Investment properties	4	**10,561**	8,790
Land held for development	5	**1,641**	1,690
Prepaid lease payments	6	**551**	527
Investments in associates	8	**5,725**	5,321
Investments in jointly controlled entities	9	**5,836**	3,051
Intangible assets	10	**15,389**	16,922
Long term receivables	11	**3,289**	3,150
Fund and other investments	12	**11,824**	17,268
Deferred tax assets	14	**3,975**	3,431
Cash and cash equivalents	15	**108**	288
TOTAL NON-CURRENT ASSETS		**250,474**	249,946
Property development costs	16	**441**	473
Trade and other inventories	17	**9,700**	8,565
Trade and other receivables	18	**33,162**	27,985
Tax recoverable		**446**	358
Assets classified as held for sale	19	**346**	40
Fund and other investments	12	**37,869**	19,681
Cash and cash equivalents	15	**106,556**	103,837
TOTAL CURRENT ASSETS		**188,520**	160,939
TOTAL ASSETS		**438,994**	410,885
EQUITY			
Share capital	20	**100**	100
Reserves	21	**263,688**	242,802
Total equity attributable to shareholders of the Company		**263,788**	242,902
Minority shareholders' interests	22	**32,126**	24,972
TOTAL EQUITY		**295,914**	267,874
LIABILITIES			
Borrowings	23	**44,354**	48,788
Deferred tax liabilities	14	**13,258**	12,485
Other long term liabilities and provisions	25	**24,544**	25,782
TOTAL NON-CURRENT LIABILITIES		**82,156**	87,055
Trade and other payables	26	**38,039**	32,387
Borrowings	23	**3,457**	3,082
Taxation		**13,428**	14,487
Dividend payable		**6,000**	6,000
TOTAL CURRENT LIABILITIES		**60,924**	55,956
TOTAL LIABILITIES		**143,080**	143,011
TOTAL EQUITY AND LIABILITIES		**438,994**	410,885

The notes set out on pages 110 to 213 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 RM Mil	2010 RM Mil
Revenue		241,228	210,797
Cost of revenue		(143,427)	(128,447)
Gross profit	27	97,801	82,350
Selling and distribution expenses		(4,291)	(4,249)
Administration expenses		(12,072)	(10,145)
Other expenses		(2,766)	(2,243)
Other income	46	13,221	2,642
Operating profit	28	91,893	68,355
Financing costs		(3,473)	(2,526)
Share of profit after tax and minority interest of equity accounted associates and jointly controlled entities		2,076	1,471
Profit before taxation		90,496	67,300
Tax expense	30	(27,488)	(21,811)
Profit for the year		63,008	45,489
Other comprehensive income/(expenses)			
Net movements from exchange differences		(7,417)	(7,522)
Changes in fair value of available-for-sale financial assets		2,274	6,561
Other comprehensive expenses		(171)	(87)
Total other comprehensive expenses for the year		(5,314)	(1,048)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		57,694	44,441
Profit attributable to:			
Shareholders of the Company		54,848	40,286
Minority interests		8,160	5,203
PROFIT FOR THE YEAR		63,008	45,489
Total comprehensive income attributable to:			
Shareholders of the Company		50,871	40,759
Minority interests		6,823	3,682
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		57,694	44,441

The notes set out on pages 110 to 213 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

		Attributable to shareholders of the Company			
		Non-distributable			
	Note	**Share Capital RM Mil**	**Capital Reserves RM Mil**	**Foreign Currency Translation Reserve RM Mil**	**Available-for-sale Reserve RM Mil**
Balance at 1 April 2009		100	13,261	(1,496)	(1,884)
Total comprehensive income		-	(53)	(6,016)	6,542
Share of reserves of associates and jointly controlled entities		-	60	-	-
Transfer to capital reserves		-	49	-	-
Redemption of preference shares		-	1	-	-
Additional issuance of shares to minority interest		-	-	-	-
Additional equity interest in a subsidiary		-	-	-	-
Dividends	31	-	-	-	-
Balance at 31 March 2010		100	13,318	(7,512)	4,658
Balance at 1 April 2010		100	13,318	(7,512)	4,658
Total comprehensive income		-	(163)	(6,065)	2,251
Share of reserves of associates and jointly controlled entities		-	15	-	-
Transfer to capital reserves		-	271	-	-
Redemption of preference shares		-	9	-	-
Additional issuance of shares to minority interest		-	-	-	-
Additional equity interest in a subsidiary		-	-	-	-
Dividends	31	-	-	-	-
Balance at 31 March 2011		100	13,450	(13,577)	6,909

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The notes set out on pages 110 to 213 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011 (continued)

		Attributable to shareholders of the Company				
		Distributable				
	Note	**General Reserve RM Mil**	**Retained Profits RM Mil**	**Total RM Mil**	**Minority Interest RM Mil**	**Total Equity RM Mil**
Balance at 1 April 2009		12,000	210,102	232,083	25,006	257,089
Total comprehensive income		-	40,286	40,759	3,682	44,441
Share of reserves of associates and jointly controlled entities		-	-	60	-	60
Transfer to capital reserves		-	(49)	-	-	-
Redemption of preference shares		-	(1)	-	(17)	(17)
Additional issuance of shares to minority interest		-	-	-	1,955	1,955
Additional equity interest in a subsidiary		-	-	-	(371)	(371)
Dividends	31	-	(30,000)	(30,000)	(5,283)	(35,283)
Balance at 31 March 2010		12,000	220,338	242,902	24,972	267,874
Balance at 1 April 2010		12,000	220,338	242,902	24,972	267,874
Total comprehensive income		-	54,848	50,871	6,823	57,694
Share of reserves of associates and jointly controlled entities		-	-	15	-	15
Transfer to capital reserves		-	(271)	-	-	-
Redemption of preference shares		-	(9)	-	(28)	(28)
Additional issuance of shares to minority interest		-	-	-	7,180	7,180
Additional equity interest in a subsidiary		-	-	-	(292)	(292)
Dividends	31	-	(30,000)	(30,000)	(6,529)	(36,529)
Balance at 31 March 2011		**12,000**	**244,906**	**263,788**	**32,126**	**295,914**

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The notes set out on pages 110 to 213 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 RM Mil	2010 RM Mil
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		233,712	210,903
Cash paid to suppliers and employees		(134,410)	(128,944)
		99,302	81,959
Interest income from fund and other investments		2,466	1,894
Interest expenses paid		(2,388)	(2,080)
Taxation paid		(28,615)	(25,672)
Net cash generated from operating activities		70,765	56,101
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	32	(29,183)	(23,284)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	33	(36,613)	(21,429)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,969	11,388
(INCREASE)/DECREASE IN DEPOSITS RESTRICTED		(257)	42
NET FOREIGN EXCHANGE DIFFERENCES		(2,338)	(2,502)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		103,703	94,775
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		106,077	103,703
CASH AND CASH EQUIVALENTS			
Cash and bank balances and deposits	15	106,664	104,125
Negotiable certificate of deposits	12	490	630
Bank overdrafts	23	(75)	(307)
		107,079	104,448
Less: Deposits restricted	15	(1,002)	(745)
		106,077	103,703

The notes set out on pages 110 to 213 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011

	Note	2011 RM Mil	2010 RM Mil (Restated)
ASSETS			
Property, plant and equipment	3	**3,025**	3,950
Investments in subsidiaries	7	**45,778**	34,418
Investments in associates	8	**302**	839
Investments in jointly controlled entities	9	**1,385**	1,402
Long term receivables	11	**71,813**	74,295
Fund and other investments	12	**76**	76
Deferred tax assets	14	**2,108**	1,785
TOTAL NON-CURRENT ASSETS		**124,487**	116,765
Trade and other inventories	17	**49**	42
Trade and other receivables	18	**12,519**	14,861
Fund and other investments	12	**31,815**	20,492
Cash and cash equivalents	15	**58,164**	56,677
TOTAL CURRENT ASSETS		**102,547**	92,072
TOTAL ASSETS		**227,034**	208,837
EQUITY			
Share capital	20	**100**	100
Reserves	21	**156,877**	136,460
TOTAL EQUITY		**156,977**	136,560
LIABILITIES			
Borrowings	23	**26,591**	28,621
Other long term liabilities and provisions	25	**21,587**	22,580
TOTAL NON-CURRENT LIABILITIES		**48,178**	51,201
Trade and other payables	26	**6,712**	5,254
Taxation		**9,167**	9,822
Dividend payable		**6,000**	6,000
TOTAL CURRENT LIABILITIES		**21,879**	21,076
TOTAL LIABILITIES		**70,057**	72,277
TOTAL EQUITY AND LIABILITIES		**227,034**	208,837

The notes set out on pages 110 to 213 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 RM Mil	2010 RM Mil
Revenue		**96,540**	83,402
Cost of revenue		**(42,797)**	(37,996)
Gross profit	27	**53,743**	45,406
Selling and distribution expenses		**(351)**	(368)
Administration expenses		**(3,209)**	(3,659)
Other expenses		**(2,840)**	(4,480)
Other income		**19,609**	4,182
Operating profit	28	**66,952**	41,081
Financing costs		**(1,561)**	(950)
Profit before taxation		**65,391**	40,131
Tax expense	30	**(14,919)**	(10,969)
Profit for the year		**50,472**	29,162
Other comprehensive (expenses)/ income			
Changes in fair value of available-for-sale financial assets		**(55)**	168
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**50,417**	29,330

The notes set out on pages 110 to 213 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	Note	*Non-distributable*		*Distributable*		
		Share Capital RM Mil	**Available-for-sale Reserve RM Mil**	**General Reserve RM Mil**	**Retained Profits RM Mil**	**Total Equity RM Mil**
Balance at 1 April 2009		100	(12)	12,000	125,142	137,230
Total comprehensive income		-	168	-	29,162	29,330
Dividends	31	-	-	-	(30,000)	(30,000)
Balance at 31 March 2010		100	156	12,000	124,304	136,560
Balance at 1 April 2010		100	156	12,000	124,304	136,560
Total comprehensive income		-	(55)	-	50,472	50,417
Dividends	31	-	-	-	(30,000)	(30,000)
Balance at 31 March 2011		**100**	**101**	**12,000**	**144,776**	**156,977**

The notes set out on pages 110 to 213 are an integral part of these financial statements.

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 RM Mil	2010 RM Mil
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**77,321**	66,828
Cash paid to suppliers and employees		**(40,954)**	(42,416)
		36,367	24,412
Interest income from fund and other investments		**2,285**	2,259
Interest expenses paid		**(987)**	(681)
Taxation paid		**(14,996)**	(15,345)
Net cash generated from operating activities		**22,669**	10,645
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash generated from investing activities	32	**9,981**	11,094
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	33	**(30,000)**	(14,307)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,650**	7,432
NET FOREIGN EXCHANGE DIFFERENCES		**(1,303)**	(293)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**57,307**	50,168
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**58,654**	57,307
CASH AND CASH EQUIVALENTS			
Cash and bank balances and deposits	15	**58,164**	56,677
Negotiable certificate of deposits	12	**490**	630
		58,654	57,307

The notes set out on pages 110 to 213 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

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 Financial Reporting Standards (FRSs), generally accepted accounting principles 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 FRSs, amendments and IC interpretations (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in note 43.

The MASB has also issued new pronouncements which are not yet effective for the Group and the Company. These pronouncements including their impact on the financial statements in the period of initial application are set out in note 44. New pronouncements that are not relevant to the operations of the Group and of the Company are set out in note 45.

The financial statements were approved and authorised for issue by the Board of Directors on 30 May 2011.

1.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the 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 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.

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 25 : 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 Group entities, unless otherwise stated.

2.1 Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements 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.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests at the reporting date, 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 equity shareholders of the Company. Minority interests in the results of the Group are presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Associates

Associates are entities in which the Group has significant influence including representation on the Board of Directors, but not control or joint control, over the financial and operating policies of the investee company.

Associates are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of post-acquisition profits or losses 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 investee.

Unrealised profits arising from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially, unless cost cannot be recovered.

2.3 Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in note 2.2.

2.4 Property, plant and equipment and depreciation

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and is 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 materials 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation (continued)

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 part 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 part will flow to the Group and its cost can be measured reliably. The net book value 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.

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property at cost.

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 part of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Depreciation of producing oil and gas properties is computed based on the unit of production method using total proved 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

An investment property under construction before 1 April 2010 was classified as property, plant and equipment until construction or development is complete, at which time it is reclassified as investment property at cost. Following the amendment made to FRS 140, *Investment Property* with effect from 1 April 2010, investment property under construction is classified as investment property.

Depreciation is recognised in the profit or loss on a straight-line basis over their estimated useful lives ranging between 10 and 50 years for buildings.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2.6 Land held for development and property development costs

(i) 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 cost less accumulated impairment losses, if any.

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. Where the Group had previously recorded the land at revalued amount, it continues to retain this amount as its surrogate costs as allowed by FRS 201_{2004}, *Property Development Activities.*

Land held for development is reclassified as property development costs 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Land held for development and property development costs (continued)

(ii) Property development costs

Property development costs comprise costs associated with the acquisition of land, all costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities and interest expenses incurred during the period of active development.

Property development cost not recognised as an expense is recognised as an asset and is stated at the lower of cost and net realisable value.

2.7 Leased assets

(i) 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 at the inception of the lease. 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 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.

(ii) 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 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.

(iii) Prepaid lease payments

Prepaid rental together with leasehold land which in substance is an operating lease are classified as prepaid lease payments. The payment made on entering into a lease arrangement or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leased assets (continued)

(iii) Prepaid lease payments (continued)

The Group and the Company had previously classified leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term as an operating lease and therefore, payment made on entering into or acquiring this leasehold land is accounted for as prepaid lease payments. Following the amendment made to FRS 117, *Leases*, leasehold land which in substance is a finance lease has been reclassified to property, plant and equipment and measured as such retrospectively.

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 jointly controlled entities are stated at cost less impairment loss, if any, in the Company's financial statements.

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

(i) Goodwill

Goodwill arising from acquisitions represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities and contingent liabilities of the acquiree.

When the excess is negative (negative goodwill), it is recognised immediately in the profit or loss.

Goodwill is initially measured at cost. 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.

(ii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Intangible assets (continued)

(iii) 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 which is amortised based on actual costs recovered. 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.

(i) 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 hole. 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.

(ii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Exploration and development expenditure (continued)

(ii) Development expenditure (continued)

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.

Property, plant and equipment and investment properties once classified as held for sale are not depreciated.

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 that require delivery of financial assets within a timeframe established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the financial asset.

Fair value adjustments on shareholder's loans and advances at initial recognition, if any, are added to the carrying value of investments in the Company's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group and the Company, including separated embedded derivatives, unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in the profit or loss. The methods used to measure fair values are stated in note 2.12(vi).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, such financial assets are carried at amortised cost, using the effective interest rate method (note 2.12(vii)), less impairment losses.

Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group and the Company have 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 less impairment losses. Gains and losses are recognised in the profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

The Group and the Company did not have any held-to-maturity investments during the year ended 31 March 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 **Financial instruments** (continued)

(i) **Financial assets** (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Subsequent to initial recognition, such financial assets are 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 recognised in the profit or loss.

(ii) **Financial liabilities**

Initial recognition

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings, 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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. This category includes derivative financial instruments entered into by the Group and the Company that do not meet the hedge accounting criteria.

Financial liabilities at fair value through profit or loss are carried on the statement of financial position at 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.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(iii) Financial guarantee contracts

Financial guarantee contracts issued by the Group and the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a 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. 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.

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 when the underlying facilities are withdrawn.

(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 taken directly to 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 at 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 taken to 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(vi) Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is 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. Where fair value cannot be reliably estimated, assets are carried at cost less impairment losses.

(vii) 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.

(viii) Derecognition of financial instruments

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement without retaining control of the asset or substantially all the risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment (continued)

(i) Financial assets (continued)

Loans and receivables

For loans and receivables carried at amortised cost, individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is measured as the difference between an 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 and the amount of the loss is recognised in the profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Available-for-sale financial investments

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount comprising the difference between its cost and its fair value is transferred from equity to the profit or loss.

If, in a subsequent period, the fair value of an available-for-sale financial investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in the profit or loss.

Impairment losses recognised in the profit or loss relating to investment in an equity instrument classified as available-for-sale is not to be reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of assets, other than inventories, property development costs, deferred tax assets and financial assets (financial assets in this context exclude investments in subsidiaries, associates and jointly controlled entities), are reviewed at each reporting date to determine whether there is any indication of impairment. For certain classes of assets, the carrying amounts are reviewed more frequently if events or changes in circumstances indicate that the carrying value may be impaired, as described in the respective assets' accounting policies.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment (continued)

(ii) Non-financial assets (continued)

A cash-generating-unit is the smallest identifiable asset group that generates cash flows 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 cash flow statement, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

2.15 Amount due from contract customers

Amount due from contract customers on construction contracts is included in trade and other receivables and is stated at cost plus attributable profits less foreseeable losses and less progress billings. Cost includes all direct construction costs and other related costs. Where progress billings exceed the aggregate amount due from contract customers plus attributable profits less foreseeable losses, the net credit balance on all such contracts is included in trade and other payables as amount due to contract customers.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Inventories (continued)

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 consists of costs associated with the acquisition of land, direct costs and appropriate proportions of common costs attributable to developing the properties to completion.

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 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 expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities unless the possibility of an outflow of economic resources is considered remote.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in note 25.

2.18 Employee benefits

(i) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(ii) 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 and 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.

(i) 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.

(ii) 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 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 unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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 statutory tax rates at the reporting date.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 a 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. The income and expenses are translated at the average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operation, are recognised in the Company's income statement. Such exchange differences are reclassified to other comprehensive income and accumulated under foreign currency translation reserve in equity in the Group's consolidated statement of comprehensive income. Upon disposal of the investment, the cumulative exchange differences previously recorded in equity are recognised in the consolidated profit or loss.

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 year in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 property development activities is recognised based on the stage of completion measured by reference to the proportion that property development costs incurred for work performed to-date, bear to the estimated total property development costs. Where the financial outcome of a property development activity cannot be reliably estimated, property development revenue is recognised only to the extent of property development costs incurred that is probable will be recoverable, and property development costs on the development units sold are recognised as an expense in the period in which they are incurred. Any expected loss on a development project, including costs to be incurred over the defects liability period, is recognised immediately in the profit or loss.

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 are recognised when the shareholders' right to receive payment is established.

2.23 Financing costs

Financing costs comprise interest payable on borrowings and profit share margin on Islamic Financing Facilities, as well as any 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(i).

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 component. 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, and for which discrete financial information is available.

3. PROPERTY, PLANT AND EQUIPMENT

2011 Group	Opening balance RM Mil	At 1.4.2010 Effect of adopting FRS 117 RM Mil	Restated RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil
At cost:					
Freehold land	2,531	-	2,531	6	52
Leasehold land	-	2,495	2,495	36	8
Lease properties	1,188	-	1,188	-	2
Oil and gas properties	108,147	-	108,147	1,297	-
Buildings	14,969	-	14,969	652	212
Plant and equipment	74,532	-	74,532	1,274	756
Office equipment, furniture and fittings	1,988	-	1,988	144	11
Computer software and hardware	2,330	-	2,330	92	19
Motor vehicles	524	-	524	57	7
Vessels	34,803	-	34,803	349	-
Projects-in-progress					
- oil and gas properties	44,101	-	44,101	18,611	-
- other projects	11,836	-	11,836	6,884	7
	296,949	2,495	299,444	29,402	1,074

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	Opening balance RM Mil	At 1.4.2010 Effect of adopting FRS 117 RM Mil	Restated RM Mil	Charge for the year RM Mil	Acquisition of subsidiaries RM Mil
Accumulated depreciation and impairment losses:					
Freehold land	22	-	22	-	-
Leasehold land	-	403	403	112	5
Lease properties	665	-	665	58	-
Oil and gas properties	45,396	-	45,396	6,108	-
Buildings	4,087	-	4,087	463	53
Plant and equipment	39,494	-	39,494	3,534	498
Office equipment, furniture and fittings	1,470	-	1,470	176	10
Computer software and hardware	1,772	-	1,772	191	18
Motor vehicles	308	-	308	58	7
Vessels	14,109	-	14,109	1,147	-
Projects-in-progress					
- oil and gas properties	2,128	-	2,128	-	-
- other projects	82	-	82	-	-
	109,533	403	109,936	11,847	591

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The fair value of property, plant and equipment of subsidiaries acquired during the year is presented on a gross basis, where cost is separately presented from accumulated depreciation and impairment losses.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

2011 Group	Disposals/ write offs RM Mil	Transfers/ reclass/ adjustment RM Mil	Translation exchange difference RM Mil	At 31.3.2011 RM Mil
At cost:				
Freehold land	(8)	(53)	(15)	**2,513**
Leasehold land	(22)	-	(9)	**2,508**
Lease properties	(2)	(4)	(8)	**1,176**
Oil and gas properties	(3,290)	8,585	(2,647)	**112,092**
Buildings	(217)	191	(56)	**15,751**
Plant and equipment	(1,580)	3,723	(1,662)	**77,043**
Office equipment, furniture and fittings	(45)	74	(14)	**2,158**
Computer software and hardware	(152)	47	(19)	**2,317**
Motor vehicles	(64)	2	(4)	**522**
Vessels	(1,053)	(434)	(3,167)	**30,498**
Projects-in-progress				
- oil and gas properties	(649)	(7,316)	(842)	**53,905**
- other projects	(1,097)	(5,631)	(752)	**11,247**
	(8,179)	[ab] (816)	(9,195)	**311,730**

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	Impairment loss RM Mil	Disposals/ write offs RM Mil	Transfers/ reclass/ adjustment RM Mil	Translation exchange difference RM Mil	At 31.3.2011 RM Mil
Accumulated depreciation and impairment losses:					
Freehold land	-	-	-	-	**22**
Leasehold land	63	(12)	-	(6)	**565**
Lease properties	-	(1)	(1)	(3)	**718**
Oil and gas properties	528	(51)	(99)	(1,352)	**50,530**
Buildings	72	(80)	(14)	(19)	**4,562**
Plant and equipment	2,315	(1,039)	11	(1,015)	**43,798**
Office equipment, furniture and fittings	3	(38)	-	(7)	**1,614**
Computer software and hardware	2	(133)	(1)	(17)	**1,832**
Motor vehicles	1	(52)	(1)	(2)	**319**
Vessels	529	(734)	(286)	(1,388)	**13,377**
Projects-in-progress					
- oil and gas properties	596	-	-	-	**2,724**
- other projects	12	-	-	-	**94**
	4,121	(2,140)	[ac] (391)	(3,809)	**120,155**

continued from previous page

[a] Includes revision to future cost of dismantlement, removal or restoration of oil and gas properties amounting to (RM684 million) and corresponding depreciation charges of (RM73 million).
[b] Includes net transfers of (RM132 million) comprising transfer from intangible assets of RM2,102 million and transfers to investment properties of (RM1,424 million), assets held for sale of (RM527 million) and other receivables of (RM283 million).
[c] Includes transfer to assets held for sale of (RM318 million).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

2010
Group

	Opening balance RM Mil	At 1.4.2009 Effect of adopting FRS 117 RM Mil	Restated RM Mil	Additions RM Mil	Acquisition of subsidiaries RM Mil
At cost:					
Freehold land	2,543	-	2,543	15	1
Leasehold land	-	2,139	2,139	325	86
Lease properties	1,181	-	1,181	-	-
Oil and gas properties	91,005	-	91,005	1,906	2,320
Buildings	14,345	-	14,345	345	55
Plant and equipment	68,676	-	68,676	1,131	2,818
Office equipment, furniture and fittings	1,780	-	1,780	102	14
Computer software and hardware	2,054	-	2,054	81	48
Motor vehicles	455	-	455	56	7
Vessels	37,103	-	37,103	597	-
Projects-in-progress					
- oil and gas properties	36,284	-	36,284	21,873	-
- other projects	11,046	-	11,046	8,300	52
	266,472	2,139	268,611	34,731	5,401

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	Opening balance RM Mil	At 1.4.2009 Effect of adopting FRS 117 RM Mil	Restated RM Mil	Charge for the year RM Mil	Acquisition of subsidiaries RM Mil
Accumulated depreciation and impairment losses:					
Freehold land	22	-	22	-	-
Leasehold land	-	405	405	33	11
Lease properties	614	-	614	48	-
Oil and gas properties	36,848	-	36,848	6,949	1,770
Buildings	3,479	-	3,479	390	12
Plant and equipment	36,283	-	36,283	3,342	1,023
Office equipment, furniture and fittings	1,349	-	1,349	131	11
Computer software and hardware	1,555	-	1,555	204	35
Motor vehicles	271	-	271	51	6
Vessels	14,849	-	14,849	1,197	-
Projects-in-progress		-			
- oil and gas properties	1,818	-	1,818	-	-
- other projects	67	-	67	-	-
	97,155	405	97,560	12,345	2,868

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The fair value of property, plant and equipment of subsidiaries acquired during the year is presented on a gross basis, where cost is separately presented from accumulated depreciation and impairment losses.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

2010 Group	Disposals/ write offs RM Mil	Transfers/ reclass/ adjusment RM Mil	Translation exchange difference RM Mil	At 31.3.2010 RM Mil
At cost:				
Freehold land	(14)	(17)	3	2,531
Leasehold land	(41)	-	(14)	2,495
Lease properties	-	-	7	1,188
Oil and gas properties	(62)	15,609	(2,631)	108,147
Buildings	(124)	311	37	14,969
Plant and equipment	(221)	4,252	(2,124)	74,532
Office equipment, furniture and fittings	(28)	118	2	1,988
Computer software and hardware	(76)	190	33	2,330
Motor vehicles	(27)	21	12	524
Vessels	(1,034)	1,527	(3,390)	34,803
Projects-in-progress				
- oil and gas properties	(17)	(13,027)	(1,012)	44,101
- other projects	(166)	(6,784)	(612)	11,836
	(1,810)	[ab] 2,200	(9,689)	299,444

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	Impairment loss RM Mil	Disposals/ write offs RM Mil	Transfers/ reclass/ adjustment RM Mil	Translation exchange difference RM Mil	At 31.3.2010 RM Mil
Accumulated depreciation and impairment losses:					
Freehold land	-	-	-	-	22
Leasehold land	-	(35)	-	(11)	403
Lease properties	-	-	-	3	665
Oil and gas properties	1,695	(116)	(386)	(1,364)	45,396
Buildings	270	(67)	(3)	6	4,087
Plant and equipment	315	(138)	2	(1,333)	39,494
Office equipment, furniture and fittings	1	(27)	2	3	1,470
Computer software and hardware	-	(48)	(2)	28	1,772
Motor vehicles	-	(21)	-	1	308
Vessels	34	(465)	(66)	(1,440)	14,109
Projects-in-progress					
- oil and gas properties	310	-	-	-	2,128
- other projects	15	-	-	-	82
	2,640	(917)	[ac] (453)	(4,107)	109,936

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[a] Includes revision to future cost of dismantlement, removal or restoration of oil and gas properties amounting to RM1,168 million and corresponding depreciation charges of (RM386 million).

[b] Includes net transfers of RM1,032 million comprising transfer from intangible assets of RM1,905 million and transfers to investment properties of (RM401 million), assets held for sale of (RM107 million) and other receivables of (RM365 million).

[c] Includes transfer to assets held for sale of (RM67 million).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

2011 Company	Opening balance RM Mil	At 1.4.2010 Effect of adopting FRS 117 RM Mil	Restated RM Mil	Additions RM Mil
At cost:				
Freehold land	53	-	53	-
Leasehold land	-	127	127	-
Lease properties	367	-	367	-
Oil and gas properties	7,825	-	7,825	68
Buildings	200	-	200	-
Plant and equipment	10	-	10	-
Office equipment, furniture and fittings	182	-	182	2
Computer software and hardware	408	-	408	12
Motor vehicles	16	-	16	6
Projects-in-progress				
- other projects	160	-	160	257
	9,221	127	9,348	345

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	Opening balance RM Mil	At 1.4.2010 Effect of adopting FRS 117 RM Mil	Restated RM Mil	Charge for the year RM Mil
Accumulated depreciation:				
Freehold land	-	-	-	-
Leasehold land	-	35	35	1
Lease properties	311	-	311	10
Oil and gas properties	4,704	-	4,704	501
Buildings	49	-	49	3
Plant and equipment	9	-	9	-
Office equipment, furniture and fittings	48	-	48	24
Computer software and hardware	229	-	229	47
Motor vehicles	13	-	13	2
Projects-in-progress				
- other projects	-	-	-	-
	5,363	35	5,398	588

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

2011 Company	Disposals RM Mil	Reclass/ adjustment RM Mil	At 31.3.2011 RM Mil
At cost:			
Freehold land	-	-	**53**
Leasehold land	(2)	-	**125**
Lease properties	-	-	**367**
Oil and gas properties	-	(746)	**7,147**
Buildings	-	-	**200**
Plant and equipment	-	-	**10**
Office equipment, furniture and fittings	-	(2)	**182**
Computer software and hardware	-	2	**422**
Motor vehicles	-	-	**22**
Projects-in-progress			
- other projects	(6)	-	**411**
	(8)	(746)	**8,939**

continued from previous page

	Disposals RM Mil	Reclass/ adjustment RM Mil	At 31.3.2011 RM Mil
Accumulated depreciation:			
Freehold land	-	-	**-**
Leasehold land	(1)	-	**35**
Lease properties	-	-	**321**
Oil and gas properties	-	(71)	**5,134**
Buildings	-	-	**52**
Plant and equipment	-	-	**9**
Office equipment, furniture and fittings	-	-	**72**
Computer software and hardware	-	-	**276**
Motor vehicles	-	-	**15**
Projects-in-progress			
- other projects	-	-	**-**
	(1)	(71)	**5,914**

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

2010 Company	Opening balance RM Mil	At 1.4.2009 Effect of adopting FRS 117 RM Mil	Restated RM Mil	Additions RM Mil
At cost:				
Freehold land	53	-	53	-
Leasehold land	-	99	99	28
Lease properties	367	-	367	-
Oil and gas properties	5,813	-	5,813	868
Buildings	191	-	191	9
Plant and equipment	10	-	10	-
Office equipment, furniture and fittings	98	-	98	5
Computer software and hardware	306	-	306	33
Motor vehicles	13	-	13	-
Projects-in-progress				
- other projects	206	-	206	162
	7,057	99	7,156	1,105

continue to next page

	Opening balance RM Mil	At 1.4.2009 Effect of adopting FRS 117 RM Mil	Restated RM Mil	Charge for the year RM Mil
Accumulated depreciation:				
Freehold land	-	-	-	-
Leasehold land	-	31	31	4
Lease properties	302	-	302	9
Oil and gas properties	4,528	-	4,528	577
Buildings	46	-	46	3
Plant and equipment	9	-	9	-
Office equipment, furniture and fittings	35	-	35	13
Computer software and hardware	194	-	194	35
Motor vehicles	11	-	11	2
Projects-in-progress				
- other projects	-	-	-	-
	5,125	31	5,156	643

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

2010 **Company**	**Disposals/ write offs RM Mil**	**Reclass/ adjustment RM Mil**	**At 31.3.2010 RM Mil**
At cost:			
Freehold land	-	-	53
Leasehold land	-	-	127
Lease properties	-	-	367
Oil and gas properties	-	1,144	7,825
Buildings	-	-	200
Plant and equipment	-	-	10
Office equipment, furniture and fittings	-	79	182
Computer software and hardware	-	69	408
Motor vehicles	-	3	16
Projects-in-progress			
- other projects	(57)	(151)	160
	(57)	1,144	9,348

continued from previous page

	Disposals/ write offs RM Mil	**Reclass/ adjustment RM Mil**	**At 31.3.2010 RM Mil**
Accumulated depreciation:			
Freehold land	-	-	-
Leasehold land	-	-	35
Lease properties	-	-	311
Oil and gas properties	-	(401)	4,704
Buildings	-	-	49
Plant and equipment	-	-	9
Office equipment, furniture and fittings	-	-	48
Computer software and hardware	-	-	229
Motor vehicles	-	-	13
Projects-in-progress			
- other projects	-	-	-
	-	(401)	5,398

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Group Net Book Value 2011 RM Mil	Group Net Book Value 2010 RM Mil (Restated)	Company Net Book Value 2011 RM Mil	Company Net Book Value 2010 RM Mil (Restated)
At cost :				
Freehold land	**2,491**	2,509	**53**	53
Leasehold land	**1,943**	2,092	**90**	92
Lease properties	**458**	523	**46**	56
Oil and gas properties	**61,562**	62,751	**2,013**	3,121
Buildings	**11,189**	10,882	**148**	151
Plant and equipment	**33,245**	35,038	**1**	1
Office equipment, furniture and fittings	**544**	518	**110**	134
Computer software and hardware	**485**	558	**146**	179
Motor vehicles	**203**	216	**7**	3
Vessels	**17,121**	20,694	**-**	-
Projects-in-progress				
- oil and gas properties	**51,181**	41,973	**-**	-
- other projects	**11,153**	11,754	**411**	160
	191,575	189,508	**3,025**	3,950

Security

Property, plant and equipment of certain subsidiaries costing RM8,175,757,000 (2010: RM9,644,798,000) have been pledged as security for loan facilities as set out in note 23 and note 24 to the financial statements.

Projects-in-progress

Included in additions to projects-in-progress of the Group is finance costs capitalised during the year of RM126,232,000 (2010: RM195,889,000). The interest rate on borrowings capitalised ranges from 2.48% to 5.9% (2010: 2.63% to 5.9%) per annum.

Restriction of land title

The titles to certain freehold land are in the process of being registered in the subsidiaries' name.

Change in estimates

During the year, the Group revised the estimated future cost of dismantlement, removal or restoration of certain property, plant and equipment. The revision was accounted for prospectively as a change in accounting estimates resulting in lower depreciation charges which is not material in relation to the consolidated net profit for the year (refer note 25).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Group and the Company investment decision-making process. They are also an important element in testing for impairment. 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. While it is crucial to know the quantity of these oil and gas reserves to the exact volume, in all cases, oil and gas reserves are only estimates.

Estimation of oil and gas reserves are normally conducted using industry-recognised method. Sufficient availability of key technical information are critical to ensure reserves estimates are technically sound while recognising the existence of uncertainties present in the oil and gas reservoirs. Reserves estimates are normally presented alongside the range of level of certainties namely the P1 (proved reserves; high level of certainty), P2 (probable reserves; mean level of certainty) and P3 (possible reserves; low level of certainty). Level of certainties are related to 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 Group adopts the 2P (or P1 + P2) reserves estimation approach for its reporting and investment decision making purposes. This approach is in line with the general industry-wide applications supported by the Society of Petroleum Engineers (SPE), World Petroleum Congress (WPC) and Society of Petroleum Evaluators and Estimators (SPEE).

The reserves are further subdivided into developed and undeveloped category. Developed reserves are reserves expected to be recovered through existing wells and facilities under the operating conditions that have been designed for. Whereas the undeveloped reserves are reserves to be recovered from approved and sanctioned projects and remain so until the wells are drilled and completed and ready for production which would by then be classified as developed.

In the annual reporting, these reserves may be revised based on new data that may become available (e.g. additional wells, actual production) or changes in economic parameters (e.g. cost, oil prices). These changes will eventually affect the financial and accounting measures such as the standardised measure of discounted cash flow, depreciation and amortisation charges and decommissioning provisions. Ultimately, these changes will also affect profit.

Impairment

In 2011, the Group recognised impairment losses on certain property, plant and equipment amounting to RM4,121,000,000 (2010: RM2,640,000,000).

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 a discount rate between 9% to 10% (2010: 9%).

4. INVESTMENT PROPERTIES

Group

2011

	At 1.4.2010 RM Mil	Additions RM Mil	Disposal RM Mil	Transfers RM Mil	Translation exchange difference RM Mil	At 31.3.2011 RM Mil
At cost :						
Freehold land	1,116	3	(152)	137	-	**1,104**
Buildings	9,968	616	(164)	1	(17)	**10,404**
Projects-in-progress	-	396	(27)	1,311	-	**1,680**
	11,084	1,015	(343)	[a] 1,449	(17)	**13,188**

	At 1.4.2010 RM Mil	Charge for the year RM Mil	Disposal RM Mil	Transfers RM Mil	Translation exchange difference RM Mil	At 31.3.2011 RM Mil
Accumulated depreciation :						
Freehold land	-	-	-	-	-	**-**
Buildings	2,294	364	(22)	-	(9)	**2,627**
Projects-in-progress	-	-	-	-	-	**-**
	2,294	364	(22)	-	(9)	**2,627**

2010

	At 1.4.2009 RM Mil	Additions RM Mil	Disposal/ write offs RM Mil	Transfers RM Mil	Translation exchange difference RM Mil	At 31.3.2010 RM Mil
At cost :						
Freehold land	1,058	36	(18)	40	-	1,116
Buildings	9,467	2	(23)	553	(31)	9,968
	10,525	38	(41)	[b] 593	(31)	11,084

	At 1.4.2009 RM Mil	Charge for the year RM Mil	Disposal/ write offs RM Mil	Transfers RM Mil	Translation exchange difference RM Mil	At 31.3.2010 RM Mil
Accumulated depreciation :						
Freehold land	-	-	-	-	-	-
Buildings	1,967	352	(6)	-	(19)	2,294
	1,967	352	(6)	-	(19)	2,294

[a] Comprises transfers from property, plant and equipment of RM1,424 million and land held for development of RM25 million.
[b] Comprises transfers from property, plant and equipment RM401 million, land held for development of RM22 million and assets held for sale of RM170 million.

4. INVESTMENT PROPERTIES (continued)

Group	Net Book Value 2011 RM Mil	Net Book Value 2010 RM Mil
Freehold land	**1,104**	1,116
Buildings	**7,777**	7,674
Projects-in-progress	**1,680**	-
	10,561	8,790

The Directors have estimated the fair values of investment properties as at 31 March 2011 to be RM18,300,651,000 (2010: RM16,580,358,000). The fair values have been determined by discounting the estimated future cash flows or by reference to market evidence of transaction prices for similar properties.

Certain investment properties with net book value of RM3,465,042,000 (2010: RM3,266,159,000) have been pledged as securities for loan facilities as set out in note 23 and note 24 to the financial statements.

The title to certain freehold land is in the process of being registered in the subsidiary's name.

5. LAND HELD FOR DEVELOPMENT

Group	Opening balance RM Mil	Additions RM Mil	Disposal/ write offs RM Mil	Transfers/ reclass RM Mil	Translation exchange difference RM Mil	Closing balance RM Mil
2011						
At cost :						
Freehold land	1,186	-	(5)	(48)	(1)	1,132
Leasehold land	50	-	-	-	-	50
Infrastructure development	454	15	(5)	3	(8)	459
	1,690	15	(10)	[a] (45)	(9)	1,641
2010						
At cost :						
Freehold land	1,337	-	(23)	(125)	(3)	1,186
Leasehold land	50	-	-	-	-	50
Infrastructure development	380	6	(10)	90	(12)	454
	1,767	6	(33)	[b] (35)	(15)	1,690

[a] Comprises transfers to investment properties of (RM25 million) and property development cost of (RM20 million).
[b] Comprises transfers to investment properties of (RM22 million) and property development costs of (RM13 million).

6. PREPAID LEASE PAYMENTS

Group 2011	Opening balance RM Mil	At 1.4.2010 Effect of adopting FRS 117 RM Mil	Restated RM Mil	Additions RM Mil
At cost :				
Leasehold land				
- long lease	1,266	(1,191)	75	14
- short lease	536	(481)	55	3
Prepaid rental	1,421	(823)	598	33
	3,223	(2,495)	728	50

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	Opening balance RM Mil	At 1.4.2010 Effect of adopting FRS 117 RM Mil	Restated RM Mil	Charge for the year RM Mil
Accumulated amortisation and impairment losses :				
Leasehold land				
- long lease	209	(203)	6	1
- short lease	196	(172)	24	2
Prepaid rental	199	(28)	171	22
	604	(403)	201	25

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2010	Opening balance RM Mil	At 1.4.2009 Effect of adopting FRS 117 RM Mil	Restated RM Mil	Additions RM Mil
At cost :				
Leasehold land				
- long lease	1,160	(1,099)	61	14
- short lease	483	(434)	49	6
Prepaid rental	1,181	(606)	575	24
	2,824	(2,139)	685	44

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	Opening balance RM Mil	At 1.4.2009 Effect of adopting FRS 117 RM Mil	Restated RM Mil	Charge for the year RM Mil
Accumulated amortisation and impairment losses :				
Leasehold land				
- long lease	212	(207)	5	1
- short lease	215	(193)	22	2
Prepaid rental	156	(5)	151	20
	583	(405)	178	23

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6. PREPAID LEASE PAYMENTS (continued)

Group
2011

	Transfers RM Mil	Disposals RM Mil	Translation exchange difference RM Mil	At 31.3.2011 RM Mil
At cost :				
Leasehold land				
- long lease	-	-		**89**
- short lease	-	-	-	**58**
Prepaid rental	-	-	(1)	**630**
	-	-	(1)	**777**

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	Transfers RM Mil	Impairment losses RM Mil	Translation exchange difference RM Mil	At 31.3.2011 RM Mil
Accumulated amortisation and impairment losses :				
Leasehold land				
- long lease	-	-	-	**7**
- short lease	-	-	-	**26**
Prepaid rental	-	-	-	**193**
	-	-	-	**226**

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2010

	Transfers RM Mil	Disposals RM Mil	Translation exchange difference RM Mil	At 31.3.2010 RM Mil
At cost :				
Leasehold land				
- long lease	-	-	-	75
- short lease	-	-	-	55
Prepaid rental	-	(1)	-	598
	-	(1)	-	728

continued from previous page

	Transfers RM Mil	Impairment losses RM Mil	Translation exchange difference RM Mil	At 31.3.2010 RM Mil
Accumulated amortisation and impairment losses :				
Leasehold land				
- long lease	-	-	-	6
- short lease	-	-	-	24
Prepaid rental	-	-	-	171
	-	-	-	201

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6. PREPAID LEASE PAYMENTS (continued)

Company

2011

	At 1.4.2010 RM Mil	Effect of adopting FRS 117 RM Mil	Restated at 1.4.2010/ At 31.3.2011 RM Mil
At cost :			
Leasehold land			
- long lease	117	(117)	-
- short lease	10	(10)	-
	127	(127)	-
Accumulated amortisation :			
Leasehold land			
- long lease	32	(32)	-
- short lease	3	(3)	-
	35	(35)	-

2010

	At 1.4.2009 RM Mil	Effect of adopting FRS 117 RM Mil	Restated at 1.4.2009/ At 31.3.2010 RM Mil
At cost :			
Leasehold land			
- long lease	69	(69)	-
- short lease	30	(30)	-
	99	(99)	-
Accumulated amortisation :			
Leasehold land			
- long lease	11	(11)	-
- short lease	20	(20)	-
	31	(31)	-

	Group 2011 RM Mil	Group 2010 RM Mil (Restated)	Company 2011 RM Mil	Company 2010 RM Mil (Restated)
Carrying amount :				
Leasehold land				
- long lease	82	69	-	-
- short lease	32	31	-	-
Prepaid rental	437	427	-	-
	551	527	-	-

Restrictions of land title

The titles to certain leasehold land are in the process of being registered in the subsidiaries' 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 2011 RM Mil	2010 RM Mil
Investments at cost		
- quoted shares		
- in Malaysia	16,284	7,497
- unquoted shares	24,117	20,647
Fair value adjustments on loans and advances and financial guarantee	6,325	7,531
	46,726	35,675
Less: Impairment losses		
- unquoted shares	(948)	(1,257)
	45,778	34,418
Market value of quoted shares	84,756	41,255

Details of significant subsidiaries are stated in note 47 to the financial statements.

8. INVESTMENTS IN ASSOCIATES

	Group 2011 RM Mil	2010 RM Mil	Company 2011 RM Mil	2010 RM Mil
Investments at cost				
- quoted shares				
- in Malaysia	256	256	302	302
- unquoted shares	2,512	2,593	-	537
Share of post-acquisition profits and reserves	3,029	2,559	-	-
	5,797	5,408	302	839
Less: Impairment losses				
- unquoted shares	(72)	(87)	-	-
	5,725	5,321	302	839
Market value of quoted shares	852	817	852	817
Summary of financial information on associates:				
Total assets (100%)	25,320	27,258	1,021	3,673
Total liabilities (100%)	(13,092)	(15,066)	(176)	(804)
Revenue (100%)	12,659	11,982	455	3,778
Profit (100%)	4,512	3,543	150	549
Contingent liabilities:				
Guarantees extended to third parties	(12)	(23)	(2)	(14)

Details of significant associates are stated in note 48 to the financial statements.

9. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Investments at cost				
- unquoted shares	**4,116**	1,375	**677**	778
Fair value adjustments on loans and advances and financial guarantee	**1,275**	1,300	**717**	717
Share of post-acquisition profits and reserves	**492**	389	**-**	-
	5,883	3,064	**1,394**	1,495
Less: Impairment losses	**(47)**	(13)	**(9)**	(93)
	5,836	3,051	**1,385**	1,402

Summary of financial information on jointly controlled entities:

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Total assets (100%)	**18,038**	11,950	**3,875**	5,130
Total liabilities (100%)	**(11,733)**	(9,620)	**(2,139)**	(2,978)
Revenue (100%)	**3,091**	3,660	**615**	2,701
Profit (100%)	**592**	503	**249**	490
Contingent liabilities:				
Guarantees extended to third parties	**(2)**	(2)	**(2)**	(2)

The Group's share of the current year and cumulative losses of certain jointly controlled entities amounting to RM3,383,000 (2010: RM18,925,000) and RM154,361,000 (2010: RM150,978,000) respectively have not been recognised in the Group's profit or loss as equity accounting has ceased when the Group's share of losses of these jointly controlled entities exceeded the carrying amount of its investment in these jointly controlled entities. The investments in these jointly controlled entities have been fully impaired in the respective companies' financial statements.

Details of significant jointly controlled entities are stated in note 49 to the financial statements.

10. INTANGIBLE ASSETS

Group

2011

At cost :	**At 1.4.2010 RM Mil**	**Additions RM Mil**	**Disposal/ write-offs RM Mil**	**Transfer RM Mil**
Goodwill	6,551	-	(28)	(792)
Exploration expenditure	9,521	3,637	(2,777)	(2,200)
Other intangible assets	2,309	549	(50)	794
	18,381	4,186	(2,855)	[a] (2,198)

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Accumulated amortisation and impairment losses :	**At 1.4.2010 RM Mil**	**Charge for the year RM Mil**	**Disposal/ write-offs RM Mil**	**Impairment loss RM Mil**
Goodwill	191	-	-	351
Exploration expenditure	121	-	(121)	965
Other intangible assets	1,147	305	(11)	47
	1,459	305	(132)	1,363

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2010

At cost :	**At 1.4.2009 RM Mil**	**Additions RM Mil**	**Write-offs RM Mil**	**Transfer RM Mil**
Goodwill	5,521	-	(67)	67
Exploration expenditure	10,469	3,342	(1,652)	(1,974)
Other intangible assets	4,162	252	(1,972)	2
	20,152	3,594	(3,691)	[b] (1,905)

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Accumulated amortisation and impairment losses :	**At 1.4.2009 RM Mil**	**Charge for the year RM Mil**	**Write-offs RM Mil**	**Impairment loss RM Mil**
Goodwill	165	-	-	23
Exploration expenditure	-	-	-	121
Other intangible assets	2,975	154	(1,923)	-
	3,140	154	(1,923)	144

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[a] Comprises transfer to property, plant and equipment of (RM2,102 million) and transfer to assets held for sale of (RM96 million).
[b] Comprises transfer to property, plant and equipment of (RM1,905 million).

10. INTANGIBLE ASSETS (continued)

Group 2011 At cost :	Acquisition of subsidiaries RM Mil	Translation exchange difference RM Mil	At 31.3.2011 RM Mil
Goodwill	442	263	**6,436**
Exploration expenditure	-	(382)	**7,799**
Other intangible assets	569	(40)	**4,131**
	1,011	(159)	**18,366**

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Accumulated amortisation and impairment losses :	Acquisition of subsidiaries RM Mil	Translation exchange difference RM Mil	At 31.3.2011 RM Mil
Goodwill	-	-	**542**
Exploration expenditure	-	-	**965**
Other intangible assets	-	(18)	**1,470**
	-	(18)	**2,977**

continued from previous page

2010 At cost :	Acquisition of subsidiaries RM Mil	Translation exchange difference RM Mil	At 31.3.2010 RM Mil
Goodwill	1,308	(278)	6,551
Exploration expenditure	-	(664)	9,521
Other intangible assets	-	(135)	2,309
	1,308	(1,077)	18,381

continued from previous page

Accumulated amortisation and impairment losses :	Acquisition of subsidiaries RM Mil	Translation exchange difference RM Mil	At 31.3.2010 RM Mil
Goodwill	-	3	191
Exploration expenditure	-	-	121
Other intangible assets	-	(59)	1,147
	-	(56)	1,459

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10. INTANGIBLE ASSETS (continued)

	Carrying Amounts	
	2011	2010
	RM Mil	RM Mil
Group		
Goodwill	5,894	6,360
Exploration expenditure	6,834	9,400
Other intangible assets	2,661	1,162
	15,389	16,922

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 recoverable amount is deemed to be the value in use.

Included in goodwill is an amount of RM3,986,000,000 (2010: 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 2011 to 2015, adjusted with an estimated terminal value. The cash flow assumes a long term growth rate of 2.9% (2010: 2.5%) and is discounted to present value using discount rate of between 8.1% and 8.4% (2010: 6.6% and 8.4%).

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 a half percentage point in long term growth rate used would have reduced the recoverable amount by approximately RM325 million but would not result in impairment loss.

(ii) An increase of a one percentage point in discount rate used would have reduced the recoverable amount by approximately RM564 million 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 ranging from 7% to 9% (2010: 9%).

Based on the above, the carrying amount of other goodwill of certain units were determined to be higher than their recoverable amount and impairment losses of RM351,000,000 (2010: RM23,000,000) was recognised. The impairment loss was allocated to goodwill and is included in administration expenses.

11. LONG TERM RECEIVABLES

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Term loans and advances:				
Loans and advances due from subsidiaries	-	-	**67,151**	69,328
Term loans due from subsidiaries	-	-	**3,502**	3,713
Loans and advances due from associates and jointly controlled entities	**918**	1,607	-	180
Term loans due from associates and jointly controlled entities	-	112	-	112
	918	1,719	**70,653**	73,333
Derivative assets (note 13)	**433**	398	**1,663**	1,219
Other receivables	**2,317**	1,419	-	-
	3,668	3,536	**72,316**	74,552
Less: Impairment losses				
- Term loans and advances	**(68)**	(19)	**(503)**	(226)
- Other receivables	**(311)**	(336)	-	-
	3,289	3,181	**71,813**	74,326
Receivable within twelve months (note 18)	-	31	-	31
Receivable after twelve months	**3,289**	3,150	**71,813**	74,295
	3,289	3,181	**71,813**	74,326

Included in the Company's loans and advances due from subsidiaries is an amount of RM44,436,480,000 (2010: RM51,142,499,000), which bears interest at rates ranging from 3.10% to 7.88% (2010: 1.21% to 7.88%) per annum.

In 2010, the Company's loans and advances due from associates and jointly controlled entities bears interest at rates ranging from 2.14% to 3.82% per annum.

Included in the Group's loans and advances due from associates and jointly controlled entities is an amount of RM538,809,000 (2010: RM938,799,000), which bears interest at rates ranging from 3.22% to 10.00% (2010: 2.14% to 10.00%) per annum.

Term loans due from subsidiaries, associates and jointly controlled entities 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.

12. FUND AND OTHER INVESTMENTS

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Non current				
Loans and receivables				
Other unquoted securities	682	737	-	-
Available-for-sale				
Quoted shares				
- in Malaysia	373	337	-	-
- outside Malaysia	10,344	15,767	-	-
Unquoted shares	428	430	76	76
	11,145	16,534	76	76
Less: Impairment losses				
Unquoted shares	(3)	(3)	-	-
	11,142	16,531	76	76
Total non-current investments	11,824	17,268	76	76
Current				
Available-for-sale				
Quoted shares				
- in Malaysia	284	340	286	342
- outside Malaysia	6,731	-	-	-
Treasury Bills	18,450	11,259	18,450	11,259
Negotiable Certificate of Deposits	-	130	-	130
	25,465	11,729	18,736	11,731
Fair value through profit or loss				
Designated upon initial recognition				
Quoted shares				
- outside Malaysia	104	78	-	-
Quoted securities				
- outside Malaysia	1,351	478	1,351	478
Malaysian Government Securities	6,286	4,952	6,193	4,892
Unquoted Corporate Private Debt Securities	3,918	1,764	5,045	2,891
Negotiable Certificate of Deposits	490	500	490	500
Other unquoted securities	250	160	-	-
Loan Stock	5	20	-	-
	12,404	7,952	13,079	8,761
Total current investments	37,869	19,681	31,815	20,492
Total fund and other investments	49,693	36,949	31,891	20,568
Representing items:				
At amortised cost	1,107	1,164	76	76
At fair value	48,586	35,785	31,815	20,492
	49,693	36,949	31,891	20,568

Included in unquoted corporate private debt securities of the Company are securities issued by a subsidiary amounting to RM1,127,000,000 (2010: RM1,127,000,000).

13. DERIVATIVE ASSETS / LIABILITIES

	Note	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Derivative assets					
Non-current					
Forward foreign exchange contracts		**433**	398	**1,663**	1,219
Current					
Commodity swaps		**4**	16	**-**	-
Forward foreign exchange contracts		**74**	47	**17**	21
		78	63	**17**	21
Included within:					
Long term receivables	11	**433**	398	**1,663**	1,219
Trade and other receivables	18	**78**	63	**17**	21
		511	461	**1,680**	1,240
Derivative liabilities					
Non-current					
Interest rate swaps		**(303)**	(298)	**-**	-
Forward foreign exchange contracts		**-**	-	**(164)**	(129)
		(303)	(298)	**(164)**	(129)
Current					
Commodity swaps		**(51)**	(19)	**-**	-
Interest rate swaps		**(4)**	(4)	**-**	-
Forward foreign exchange contracts		**(70)**	(10)	**(9)**	(2)
Forward oil price contracts		**(121)**	(2)	**-**	-
		(246)	(35)	**(9)**	(2)
Included within:					
Other long term liabilities and provisions	25	**(303)**	(298)	**(164)**	(129)
Trade and other payables	26	**(246)**	(35)	**(9)**	(2)
		(549)	(333)	**(173)**	(131)

Included in non-current derivative assets and derivative liabilities are forward foreign exchange contracts entered into with certain subsidiaries in relation to loans due from the subsidiaries amounting to RM1,230,000,000 (2010: RM821,000,000) and RM164,000,000 (2010: RM129,000,000) respectively.

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.

The calculation of fair value for derivative financial instruments depends on the type of instruments. The fair value of derivative interest rate contract (e.g. 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 of forward foreign currency exchange contracts is based on forward exchange rates.

14. DEFERRED TAX

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Group 2011	Opening balance RM Mil	Charged/ (credited) to profit or loss RM Mil	Acquisition of subsidiaries RM Mil	Equity RM Mil	Translation exchange difference RM Mil	Closing balance RM Mil
Deferred tax liabilities						
Property, plant and equipment	13,321	857	66	-	(367)	**13,877**
Other items	228	(13)	491	52	22	**780**
	13,549	844	* 557	52	(345)	**14,657**
Deferred tax assets						
Property, plant and equipment	48	(48)	-	-	-	**-**
Unused tax losses	(2,123)	(508)	(3)	-	17	**(2,617)**
Unabsorbed capital allowances	(480)	(100)	(36)	-	(15)	**(631)**
Unused reinvestment allowances	(40)	17	-	-	-	**(23)**
Unused investment tax allowances	(522)	(597)	-	-	-	**(1,119)**
Other items	(1,378)	412	(3)	-	(15)	**(984)**
	(4,495)	(824)	(42)	-	(13)	**(5,374)**
2010						
Deferred tax liabilities						
Property, plant and equipment	12,082	1,506	(11)	-	(256)	13,321
Other items	51	(22)	47	57	95	228
	12,133	1,484	36	57	(161)	13,549
Deferred tax assets						
Property, plant and equipment	(25)	72	-	-	1	48
Unused tax losses	(1,824)	(299)	-	-	-	(2,123)
Unabsorbed capital allowances	(841)	361	-	-	-	(480)
Unused reinvestment allowances	(73)	33	-	-	-	(40)
Unused investment tax allowances	(376)	(146)	-	-	-	(522)
Other items	(759)	99	(267)	(196)	(255)	(1,378)
	(3,898)	120	(267)	(196)	(254)	(4,495)

* Includes deferred tax liability of RM264,000,000 which relates to adjustment arising from finalisation of purchase price allocation on acquisition of certain subsidiaries in the previous year.

14. DEFERRED TAX (continued)

Company 2011	Opening balance RM Mil	Charged/ (credited) to profit or loss RM Mil	Closing balance RM Mil
Deferred tax assets			
Property, plant and equipment	78	(49)	29
Unused tax losses	(1,717)	(493)	(2,210)
Others	(146)	219	73
	(1,785)	(323)	(2,108)
2010			
Deferred tax assets			
Property, plant and equipment	12	66	78
Unused tax losses	(1,305)	(412)	(1,717)
Others	(123)	(23)	(146)
	(1,416)	(369)	(1,785)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are as follows:

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Deferred tax assets				
Deferred tax liabilities	**681**	371	**-**	-
Deferred tax assets	**(4,656)**	(3,802)	**(2,108)**	(1,785)
	(3,975)	(3,431)	**(2,108)**	(1,785)
Deferred tax liabilities				
Deferred tax liabilities	**13,976**	13,178	**-**	-
Deferred tax assets	**(718)**	(693)	**-**	-
	13,258	12,485	**-**	-

14. DEFERRED TAX (continued)

No deferred tax has been recognised for the following items:

		Group
	2011	2010
	RM Mil	RM Mil
Deductible temporary differences	-	33
Unabsorbed capital allowances	771	969
Unused tax losses	3,885	3,203
Unused investment tax allowances	1,863	1,963
	6,519	6,168

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 RM14,353,000,000 (2010: RM11,695,000,000) and RM8,840,000,000 (2010: RM6,868,000,000) 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 RM6,339,000,000 (2010: RM4,051,000,000) and RM92,000,000 (2010: RM160,000,000) respectively, which give rise to the recognised and unrecognised deferred tax assets above.

15. CASH AND CASH EQUIVALENTS

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Non-current				
Deposits placed :				
Banks	**108**	288	**-**	-
Current				
Cash and bank balances	**2,510**	2,595	**2**	2
Deposits placed :				
Banks	**98,850**	96,244	**54,654**	54,183
Finance companies	**42**	22	**-**	-
Other corporations	**5,154**	4,976	**3,508**	2,492
	106,556	103,837	**58,164**	56,677
	106,664	104,125	**58,164**	56,677

Included in cash and bank balances of the Group are interest-bearing balances amounting to RM1,901,221,000 (2010: RM2,356,482,000).

Included in cash and bank balances of the Group are amounts of RM26,692,000 (2010: RM38,300,000) 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 RM1,001,700,00 (2010: RM745,000,000) being deposits held under designated accounts for repayment of term loan and redemption of Islamic Financing Facilities. Deposits held in respect of repayments which are not due within the next 12 months are presented as non-current.

16. PROPERTY DEVELOPMENT COSTS

Group 2011	Opening balance RM Mil	Costs incurred/ (charged) during the year RM Mil	Transfer from land held for development RM Mil	Reversal of completed projects RM Mil	Translation exchange differences RM Mil	Closing balance RM Mil
Freehold land	22	1	16	-	-	39
Development costs	453	68	4	(67)	(2)	456
Less:						
Accumulated costs charged to profit or loss	(2)	(119)	-	67	-	(54)
	473	(50)	20	-	(2)	441
2010						
Freehold land	537	7	7	(529)	-	22
Development costs	417	180	6	(147)	(3)	453
Less:						
Accumulated costs charged to profit or loss	(31)	(17)	-	46	-	(2)
	923	170	13	(630)	(3)	473

Included in property development costs incurred during the year is finance costs capitalised during the year of RM11,560,000 (2010: RM7,796,000).

The interest rate on the borrowings capitalised is 5.77% (2010: 5.80%) per annum.

17. TRADE AND OTHER INVENTORIES

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Crude oil and condensate	**2,072**	1,854	**-**	-
Petroleum products	**4,885**	3,511	**49**	42
Petrochemical products	**100**	623	**-**	-
Liquefied natural gas	**485**	164	**-**	-
Stores, spares and others	**1,809**	2,012	**-**	-
Developed properties held for sale	**349**	401	**-**	-
	9,700	8,565	**49**	42

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	RM Mil	RM Mil	RM Mil	RM Mil
Trade receivables	**24,451**	20,091	**3,066**	2,995
Staff housing and vehicle loans	**338**	378	**336**	376
Other receivables, deposits and prepayments	**7,330**	6,135	**328**	385
Amount due from:				
- contract customers	**271**	1,811	**-**	-
- subsidiaries*	**-**	-	**9,090**	11,948
- associates and jointly controlled entities*	**1,147**	430	**28**	37
Term loans due from associates and jointly controlled entities (note 11)	**-**	31	**-**	31
Derivative assets (note 13)	**78**	63	**17**	21
	33,615	28,939	**12,865**	15,793
Less: Impairment losses				
Trade receivables	**(428)**	(868)	**(90)**	(489)
Amount due from subsidiaries	**-**	-	**(238)**	(399)
Other receivables, deposits and prepayments	**(25)**	(86)	**(18)**	(44)
	33,162	27,985	**12,519**	14,861

* Amount due from subsidiaries, associates and jointly controlled entities arose in the normal course of business.

Amount due from contract customers:

	Group	
	2011	2010
	RM Mil	RM Mil
Aggregate costs incurred to date	**2,246**	10,255
Add : Attributable profit	**311**	296
	2,557	10,551
Less : Progress billings	**(2,286)**	(8,740)
	271	1,811

Included in trade receivables of the Group are rental receivables amounting to RM7,295,000 (2010: RM7,923,000), which have been pledged for loan facilities as set out in note 23 and note 24 to the financial statements.

19. ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2011	2010
	RM Mil	RM Mil
Plant and equipment	152	1
Intangible assets	96	-
Vessels	52	39
Land and building	5	-
Other assets	41	-
	346	40

The above amount represents carrying values of assets owned by the Group 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.

20. SHARE CAPITAL

	Company	
	2011	2010
	RM Mil	RM Mil
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

21. RESERVES

Pursuant to Section 84 of the Petroleum (Income Tax) Act 1967, dividends paid out on income derived from petroleum operations are not chargeable to income tax. Subject to agreement by the Inland Revenue Board, the Company has sufficient income derived from petroleum operations, Section 108 tax credit and tax exempt income to distribute all its distributable reserves at 31 March 2011, if paid out as dividends.

The Financial Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the remaining Section 108 tax credit as at 31 March 2011 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

Capital Reserves

Capital reserves represent primarily reserves created upon redemption of preference shares 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 Group's presentation currency.

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.

22. MINORITY SHAREHOLDERS' INTERESTS

This consists of the minority shareholders' proportion of share capital and reserves of partly-owned subsidiaries.

23. BORROWINGS

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Current				
Secured				
Term loans	**602**	503	-	-
Islamic financing facilities	**679**	328	-	-
Total current secured borrowings	**1,281**	831	-	-
Unsecured				
Term loans	**536**	570	-	-
Islamic financing facilities	**1,250**	700	-	-
Revolving credits	**274**	674	-	-
Bankers' acceptances	**41**	-	-	-
Bank overdrafts	**75**	307	-	-
Total current unsecured borrowings	**2,176**	2,251	-	-
Total current borrowings	**3,457**	3,082	-	-
Non-current				
Secured				
Term loans	**2,463**	3,249	-	-
Islamic financing facilities	**2,292**	2,958	-	-
Total non-current secured borrowings	**4,755**	6,207	-	-
Unsecured				
Term loans	**8,167**	8,835	-	-
Notes and Bonds	**24,195**	26,077	**22,055**	23,727
Islamic financing facilities	**7,237**	7,669	**4,536**	4,894
Total non-current unsecured borrowings	**39,599**	42,581	**26,591**	28,621
Total non-current borrowings	**44,354**	48,788	**26,591**	28,621
Total borrowings	**47,811**	51,870	**26,591**	28,621

23. BORROWINGS (continued)

Terms and debt repayment schedule

Group	Total RM Mil	Under 1 year RM Mil	1-2 years RM Mil	2-5 years RM Mil	Over 5 years RM Mil
Secured					
Term loans	3,065	602	536	1,810	117
Islamic financing facilities	2,971	679	454	578	1,260
	6,036	1,281	990	2,388	1,377
Unsecured					
Term loans	8,703	536	396	7,648	123
Notes and Bonds	24,195	-	6,068	4,587	13,540
Islamic financing facilities	8,487	1,250	1,050	5,516	671
Revolving credits	274	274	-	-	-
Bankers' acceptances	41	41	-	-	-
Bank overdrafts	75	75	-	-	-
	41,775	2,176	7,514	17,751	14,334
	47,811	3,457	8,504	20,139	15,711

Company	Total RM Mil	Under 1 year RM Mil	1-2 years RM Mil	2-5 years RM Mil	Over 5 years RM Mil
Unsecured					
Notes and Bonds	22,055	-	6,053	2,479	13,523
Islamic financing facilities	4,536	-	-	4,536	-
	26,591	-	6,053	7,015	13,523

Islamic financing facilities

Details of Islamic financing facilities are included in note 24.

Unsecured term loans

The unsecured term loans obtained by the subsidiaries comprise:

	2011 (In million)	2010 (In million)
USD Term loan	**US$1,098**	US$1,112
RM Term loan	**RM2,328**	RM2,512
BAHT Term loans	**BAHT714**	BAHT1,000
EURO Term loans	**€859**	€881

These unsecured term loans bear interest at rates ranging from 1.10% to 6.00% (2010: 1.24% to 5.12%) per annum and are fully repayable at their various due dates from 2011 to 2023.

23. BORROWINGS (continued)

Unsecured Notes and Bonds

The unsecured Notes and Bonds comprise:

	2011	In million 2010
USD Notes and Bonds		
7% Notes due 2012^	**US$2,000**	US$2,000
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
Samurai Bonds		
6th Series 3.4% due 2013	**¥16,000**	¥16,000

* Obtained by a subsidiary.
^ Obtained by the Company via a subsidiary.

Secured term loans

The secured term loans obtained by the subsidiaries comprise:

	Securities	2011	In million 2010
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$1,499**	US$2,109
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.	**RM1,312**	RM1,335

The secured term loans bear interest at rates ranging from 1.05% to 7.00% (2010: 1.12% to 7.00%) per annum and are fully repayable at their various due dates from 2011 to 2021.

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 2.57% to 6.74% (2010: 2.75% to 7.12%) per annum.

23. BORROWINGS (continued)

Certain borrowings obtained by the Company are on-lent to subsidiaries, associates and jointly controlled entities. At the reporting date, the outstanding amounts on-lent to subsidiaries, associates and jointly controlled entities are as follows:

		Company	
		2011 RM Mil	2010 RM Mil
Subsidiaries	- after twelve months	**3,502**	3,713
Associates and jointly controlled entities	- within twelve months	-	31
	- after twelve months	-	81
		-	112

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 outstandings 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.

24. ISLAMIC FINANCING FACILITIES

Secured Islamic Financing Facilities

The secured Islamic financing facilities obtained by the subsidiaries comprise:

	In million	
	2011	**2010**
Al Bai'bithaman Ajil long term facilities	**RM2,450**	RM3,764
Bai' Al-Dayn Note Issuance Facilities	**RM399**	RM387
Al Murabahah Medium Term Notes	**RM2,200**	RM5,700

The secured Islamic financing facilities bear a yield payable ranging from 3.4% to 8.3% (2010: 3.4% to 8.3%) per annum and are fully repayable at their various due dates from 2011 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 million	
	2011	**2010**
Murabahah Note Issuance Facilities	**RM5,000**	RM1,500
Sukuk Musyarakah	**RM1,500**	RM300
Ijarah Muntahiyah Bit Tamleek	**RM95**	RM95
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 3.08% to 6.20% (2010: 3.60% to 6.25%) per annum and are fully repayable at their various due dates from 2011 to 2019.

In the previous year, the Company has obtained the 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 net book value of RM2,710,383,000 (2010: RM3,034,000,000) 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.

25. OTHER LONG TERM LIABILITIES AND PROVISIONS

	Group		Company	
	2011	2010	2011	2010
	RM Mil	RM Mil	RM Mil	RM Mil
Dismantlement, removal or restoration of property, plant and equipment	**22,354**	22,683	**20,743**	21,552
Financial guarantees	**425**	558	**680**	899
Derivative liabilities (note 13)	**303**	298	**164**	129
Others	**1,462**	2,243	**-**	-
	24,544	25,782	**21,587**	22,580

Provision for dismantlement, removal or restoration of property, plant and equipment is recognised when there is an obligation to dismantle 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. The amount recognised is the present value of the estimated future costs determined in accordance with local conditions and requirements.

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 occurs are uncertain. Because actual timing and 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 account of such changes. The interest rate and inflation rate used to determine the obligation as at 31 March 2011 was 4.42% (2010: 4.42%) and 3.0% (2010: 3.0%) respectively. Changes in the expected future costs are reflected in both the provision and the asset.

The movement of provision for dismantlement, removal or restoration of property, plant and equipment during the financial year are as follows:

	Group	Company
	RM Mil	RM Mil
At 1 April 2010	22,683	21,552
Net changes in provision	(1,250)	(1,677)
Provision utilised	(7)	-
Unwinding of discount	962	868
Translation exchange difference	(34)	-
At 31 March 2011	22,354	20,743

25. OTHER LONG TERM LIABILITIES AND PROVISIONS (continued)

Net changes in provision includes 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 Group and the Company revised their estimated future costs of dismantlement, removal or restoration of property, plant and equipment resulting from changes in estimated cash flow. The revision was accounted for prospectively as a change in accounting estimates resulting in the following:

i. decrease in provisions by RM1,745,000,000;
ii. decrease in net book value of property, plant and equipment by RM675,000,000; and
iii. increase in net profits by RM1,070,000,000.

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	RM Mil	RM Mil	RM Mil	RM Mil
Trade payables	**14,416**	13,013	**1,050**	1,110
Other payables	**23,034**	18,976	**4,187**	2,733
Amount due to:				
Subsidiaries*	**-**	-	**1,447**	1,408
Associates and jointly controlled entities*	**343**	363	**19**	1
Derivative liabilities (note 13)	**246**	35	**9**	2
	38,039	32,387	**6,712**	5,254

Included in other payables of the Group are security deposits of RM75,929,000 (2010: RM67,462,000) 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 and other payables of the Group are retention sums on construction contracts amounting to RM188,180,000 (2010: RM159,110,000) and RM36,201,000 (2010: RM15,338,000) respectively.

* Amount due to subsidiaries, associates and jointly controlled entities arose in the normal course of business.

27. GROSS PROFIT

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Revenue				
- sales of oil and gas	**226,496**	195,366	**78,014**	66,392
- others	**1,154**	1,465	**-**	-
	227,650	196,831	**78,014**	66,392
- rendering of services	**2,914**	2,990	**48**	50
- shipping and shipping related services	**6,726**	7,482	**-**	-
- sale and rental of properties	**791**	826	**-**	-
	10,431	11,298	**48**	50
- dividend income				
in Malaysia (Quoted)				
- subsidiaries	**-**	-	**2,190**	1,765
- associates	**-**	-	**49**	54
- investments	**13**	10	**13**	10
in Malaysia (Unquoted)				
- subsidiaries	**-**	-	**14,008**	13,263
- associates	**-**	-	**263**	122
- investments	**57**	35	**57**	35
outside Malaysia (Quoted)				
- investments	**285**	243	**-**	-
	355	288	**16,580**	15,249
- interest income	**2,792**	2,380	**1,898**	1,711
	241,228	210,797	**96,540**	83,402
Cost of revenue				
- cost of sales	**(136,189)**	(119,882)	**(42,797)**	(37,996)
- cost of services	**(7,238)**	(8,565)	**-**	-
	(143,427)	(128,447)	**(42,797)**	(37,996)
Gross profit	**97,801**	82,350	**53,743**	45,406

28. OPERATING PROFIT

	Group 2011 RM Mil	Group 2010 RM Mil (Restated)	Company 2011 RM Mil	Company 2010 RM Mil (Restated)
Included in operating profit are the following charges:				
Audit fees	**30**	30	**1**	1
Amortisation of:				
- intangible assets	**305**	154	**-**	-
- prepaid lease payments	**25**	23	**-**	-
Bad debts written off:				
- trade and other receivables	**73**	23	**56**	-
Contribution to Tabung Amanah Negara	**500**	100	**500**	100
Depreciation of property, plant and equipment and investment properties	**12,211**	12,697	**588**	643
Goodwill written off	**28**	67	**-**	-
Impairment losses on:				
- property, plant and equipment	**4,267**	2,640	**-**	-
- intangible assets	**1,363**	144	**-**	-
- trade and other receivables	**-**	195	**-**	86
- receivables from subsidiaries	**-**	-	**-**	113
- loan and advances to associates, jointly controlled entities and subsidiaries	**49**	5	**277**	27
- investments in subsidiaries	**-**	-	**-**	828
- investments in associates and jointly controlled entities	**34**	11	**-**	-
- unquoted shares	**-**	3	**-**	-
Inventories:				
- written down to net realisable value	**61**	2	**-**	-
- written off	**46**	14	**-**	-
Loss on disposal of property, plant and equipment	**1,564**	50	**-**	-
Net loss on foreign exchange	**1,050**	1,330	**2,817**	3,056
Operating lease rental	**212**	301	**411**	344
Property, plant and equipment:				
- written off	**118**	66	**-**	-
- expensed off	**19**	17	**2**	1
Rental of:				
- land and buildings	**442**	305	**36**	23
- plant, machinery, equipment and motor vehicles	**527**	586	**21**	50
Research and development expenditure	**85**	64	**33**	36
Staff costs				
- wages, salaries and others	**7,008**	6,233	**624**	583
- contributions to Employee's Provident Fund	**760**	704	**128**	116

28. OPERATING PROFIT (continued)

		Group		Company
	2011	2010	2011	2010
	RM Mil	RM Mil (Restated)	RM Mil	RM Mil (Restated)
and credits:				
Gain on disposal of:				
- property, plant and equipment	**148**	19	**-**	-
- subsidiaries, associates and jointly controlled entities	**291**	-	**7,200**	-
- other investments	**-**	2	**-**	-
Net gain from subsidiaries' initial public offering (note 46)	**9,190**	-	**7,275**	-
Interest income - others	**164**	63	**2,886**	3,313
Negative goodwill	**51**	141	**-**	-
Reversal of write down of inventories to net realisable value	**12**	15	**-**	-
Rental income on land and buildings	**160**	158	**130**	122
Reversal of contingent payment	**607**	762	**-**	-
Write back of impairment losses on:				
- property, plant and equipment	**146**	-	**-**	-
- investments in subsidiaries	**-**	-	**309**	-
- investments in associates and jointly controlled entities	**15**	-	**84**	-
- trade and other receivables	**168**	-	**26**	-
- receivables from subsidiaries	**-**	-	**161**	-

29. OPERATING LEASES

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

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Less than one year	**678**	2,183	**349**	349
Between one and five years	**3,109**	3,195	**175**	524
More than five years	**4,347**	2,393	**-**	-
	8,134	7,771	**524**	873

30. TAX EXPENSE

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Current tax expenses				
Malaysia				
Current year	**24,909**	20,583	**14,849**	12,029
Prior year	**215**	(1,926)	**393**	(691)
Overseas				
Current year	**2,321**	1,514	**-**	-
Prior year	**23**	36	**-**	-
Total current tax expenses	**27,468**	20,207	**15,242**	11,338
Deferred tax expense				
Origination and reversal of temporary differences	**296**	1,114	**(519)**	(665)
(Over)/under provision in prior year	**(276)**	490	**196**	296
Total deferred tax expenses	**20**	1,604	**(323)**	(369)
Total tax expenses	**27,488**	21,811	**14,919**	10,969

30. 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:

	%	2011 RM Mil	%	2010 RM Mil
Group				
Profit before taxation		90,496		67,300
Taxation at Malaysian statutory tax rate	25	22,624	25	16,825
Effect of different tax rates in foreign jurisdictions	1	992	2	1,219
Effect of different tax rates between corporate income tax and petroleum income tax	5	4,672	6	4,342
Effect of changes in tax rates	-	37	-	(23)
Non deductible expenses, net of non assessable income	5	4,412	7	4,581
Net gain from initial public offering, non assessable income	(3)	(2,298)	-	-
Tax exempt income	(3)	(2,632)	(6)	(3,844)
Tax incentives	-	(134)	-	(74)
Effect of deferred tax benefits not recognised net of utilisation of deferred tax benefits previously not recognised	-	88	1	430
Foreign exchange translation difference	-	(235)	-	(245)
	30	27,526	35	23,211
Over provision in prior years		(38)		(1,400)
Tax expense		27,488		21,811
Company				
Profit before taxation		65,391		40,131
Taxation at Malaysian statutory tax rate	25	16,348	25	10,033
Effect of different tax rates between corporate income tax and petroleum income tax	7	4,650	10	3,877
Non deductible expenses, net of non assessable income	1	586	2	946
Net gain from initial public offering, non assessable income (including related gain on disposal)	(6)	(3,619)	-	-
Tax exempt income	(6)	(3,635)	(9)	(3,492)
	21	14,330	28	11,364
Under/(over) provision in prior years		589		(395)
Tax expense		14,919		10,969

31. DIVIDENDS

		Company 2011 RM Mil	2010 RM Mil
Ordinary:			
Final:			
2010	- Tax exempt dividend of RM100,000 (2009 : RM100,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	**10,000**	10,000
Interim:			
2011	- First tax exempt dividend of RM60,000 (2010 : RM60,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	**6,000**	6,000
2011	- Second tax exempt dividend of RM80,000 (2010 : RM80,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	**8,000**	8,000
2011	- Third tax exempt dividend of RM60,000 (2010: RM60,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act,1967	**6,000**	6,000
		30,000	30,000
Proposed:			
Final:			
2011	- Tax exempt dividend of RM220,000 (2010: RM100,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	**22,000**	10,000

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 March 2011, has not been accounted for in the financial statements.

32. NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES

The cash (used in)/generated from investing activities comprise:

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Acquisition of:				
- subsidiaries, net of cash acquired (note 34)	**(1,180)**	(2,253)	**-**	-
- additional shares in subsidiaries	**-**	(132)	**-**	(5,968)
Dividends received	**355**	288	**15,592**	11,712
Investment in:				
- associates, jointly controlled entities and unquoted companies	**(2,688)**	(361)	**-**	(72)
- securities	**(13,951)**	(9,743)	**(13,732)**	(9,351)
Long term receivables and advances (to)/ repaid from:				
- subsidiaries	**-**	-	**(5,885)**	(11,808)
- associates and jointly controlled entities	**1,008**	(667)	**179**	70
Net cost incurred in property development cost	**(68)**	(180)	**-**	-
Other long term receivables	**(829)**	(36)	**-**	-
Proceeds from disposal of:				
- investment in associates and jointly controlled entities	**9**	-	**-**	-
- property, plant and equipment, prepaid lease payments and intangible assets	**3,560**	1,247	**-**	-
- securities	**2,677**	26,595	**2,573**	25,665
Proceeds from initial public offering	**16,773**	-	**11,144**	-
Purchase of:				
- property, plant and equipment, prepaid lease payments and intangible assets	**(34,877)**	(37,090)	**(18)**	(46)
- other investments	**(52)**	(1,246)	**-**	-
Redemption of preference shares in:				
- subsidiaries	**-**	-	**48**	692
- associates	**80**	294	**80**	200
	(29,183)	(23,284)	**9,981**	11,094

33. NET CASH USED IN FINANCING ACTIVITIES

The cash used in financing activities comprise:

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Dividends paid	**(30,000)**	(30,000)	**(30,000)**	(30,000)
Dividends paid to minority	**(6,529)**	(5,283)	-	-
Drawdown of:				
- Islamic financing facilities	**1,193**	7,713	-	5,269
- term loans, notes and bonds	**1,030**	10,995	-	10,424
- revolving credits and bankers' acceptances	**3,020**	5,751	-	-
Repayment of:				
- Islamic financing facilities	**(1,046)**	(1,950)	-	-
- term loans, notes and bonds	**(984)**	(4,548)	-	-
- revolving credits and bankers' acceptances	**(3,269)**	(6,045)	-	-
Payment to minority shareholders on redemption of shares	**(28)**	(17)	-	-
Proceeds from shares issued to minority shareholders	-	1,955	-	-
	(36,613)	(21,429)	**(30,000)**	(14,307)

34. SIGNIFICANT ACQUISITIONS

i. Significant acquisitions of subsidiaries

Ethylene Malaysia Sdn. Bhd. ("EMSB") and Polyethylene Malaysia Sdn. Bhd. ("PEMSB")

On 2 September 2010, the Group acquired additional equity interest in EMSB and PEMSB for a total purchase consideration of USD272.4 million (approximately RM851.8 million) via a share purchase agreement with BP Chemicals Investment Limited ("BP Chemicals"). On 8 October 2010, the Group acquired another 2.21% additional stake in EMSB from BP Chemicals for USD37.1 million (approximately RM115.0 million).

As a result, the Group increased its equity interest in EMSB from 72.5% to 87.5% while PEMSB which was previously a jointly controlled entity become a wholly-owned subsidiary of the Group. The net profits contributed by the additional equity holdings in PEMSB from the date of acquisition to the year ended 31 March 2011 is not material in relation to the Group consolidated net profit for the year.

Other acquisition of subsidiaries

During the year, the Group also acquired several other companies for a total purchase consideration of RM332 million. As a result, these companies became subsidiaries of the Group. The net profits contributed by these companies from the date of acquisition to the year ended 31 March 2011 is not material in relation to the consolidated net profit for the year.

34. SIGNIFICANT ACQUISITIONS (continued)

i. Significant acquisitions of subsidiaries (continued)

The net effect of acquisitions of subsidiaries on the cash flows and fair values of assets and liabilities acquired are as follows:

	At initial recognition RM Mil	Fair value adjustment RM Mil	At fair value RM Mil
Property, plant and equipment	483	-	483
Intangible assets	5	564	569
Cash and cash equivalents	119	-	119
Other assets	447	-	447
Deferred taxation	(24)	(227)	(251)
Other liabilities	(722)	-	(722)
	308	337	645
Add : Share of fair value of net identifiable assets relating to additional equity interests in subsidiary			292
Less : Interests previously held as jointly controlled entities			(29)
			908
Add : Goodwill on acquisition			442
Less : Negative goodwill on acquisition			(51)
Purchase consideration			1,299
Less : Cash and cash equivalents of subsidiaries acquired			(119)
Cash flow on acquisition, net of cash acquired (note 32)			1,180

ii. Significant acquisition of jointly controlled entity

On 17 May 2010, the Group via its subsidiary, MISC Berhad, acquired 50% equity interest in VTTI B.V., a company incorporated in Netherlands, for a purchase consideration of USD882 million (approximately RM2,669 million) via Sale and Purchase Agreement ("SPA") with Martank B.V., a wholly-owned subsidiary of Vitol Holding B.V. The share of profit contributed by VTTI B.V. from the date of acquisition to the year ended 31 March 2011 is not material in relation to the consolidated net profit for the year.

35. COMMITMENTS

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

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Property, plant and equipment				
Approved and contracted for				
Less than one year	**10,824**	19,293	**15**	75
Between one and five years	**16,086**	4,030	**337**	182
More than five years	**67**	-	**-**	-
	26,977	23,323	**352**	257
Approved but not contracted for				
Less than one year	**20,027**	13,245	**17**	170
Between one and five years	**37,338**	35,743	**23**	484
More than five years	**2,461**	10	**2,451**	-
	59,826	48,998	**2,491**	654
	86,803	72,321	**2,843**	911
Share of capital expenditure of joint venture				
Approved and contracted for				
Less than one year	**10,401**	4,342	**-**	-
Between one and five years	**6,121**	1,848	**-**	-
	16,522	6,190	**-**	-
Approved but not contracted for				
Less than one year	**5,354**	11,951	**-**	-
Between one and five years	**49,310**	34,523	**-**	-
	54,664	46,474	**-**	-
	71,186	52,664	**-**	-
Investment in shares				
Approved and contracted for				
Less than one year	**79**	305	**-**	-
Approved but not contracted for				
Less than one year	**547**	306	**-**	-
	626	611	**-**	-
Total commitments	**158,615**	125,596	**2,843**	911

36. CONTINGENT LIABILITIES (UNSECURED)

	Group		Company	
	2011	2010	2011	2010
	RM Mil	RM Mil	RM Mil	RM Mil
Guarantees extended to third parties	155	638	-	-
Claims filed by/disputes with various parties	3	277	3	-
Contingent payments	258	210	-	-
	416	1,125	3	-

The Terengganu and Kelantan States Government filed legal suits against the Company in the year 2000 and 2010 respectively claiming that they were entitled to certain cash payments arising out of the production of crude oil and gas beyond the territorial waters of the States concerned. The amount of the cash payments has been fully accounted for in the financial statements. The legal suits are still on-going as at year end.

37. RELATED PARTY DISCLOSURES

Key management personnel compensation

	Company	
	2011	2010
	RM Mil	RM Mil
Directors remuneration:		
- Emoluments	15	9

The Company also paid fees to certain Directors amounting to RM2,189,000 (2010: RM167,500).

The estimated monetary value of Directors' benefits-in-kind is RM152,000 (2010: RM118,300).

Significant transactions with related parties

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.

37. RELATED PARTY DISCLOSURES (continued)

Significant transactions with related parties (continued)

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	2011 RM Mil	2010 RM Mil
Associate companies:		
Sales of petrochemical products, processed gas and utilities	**3,795**	2,902
Lease and rental expenses	**(247)**	(145)
Other expenses	**(174)**	(167)
Other income	**22**	2
Jointly controlled entities:		
Sales of petrochemical products, processed gas, petroleum products and general merchandise	**178**	676
Purchase of petrochemical products, processed gas and utilities	**(310)**	(760)
Interest receivable from jointly controlled entities	**91**	73
Gas processing fee payable	**(279)**	(339)
Other income	**141**	3

Company	2011 RM Mil	2010 RM Mil
Subsidiaries:		
Sales of crude oil, petroleum products and natural gas	**43,597**	39,711
Interest receivable from subsidiaries	**2,135**	1,903
Purchase of crude oil and natural gas	**(18,489)**	(17,586)
Gas processing fee payable	**(2,747)**	(2,020)
Research cess	**107**	105
Supplemental payments	**3,127**	2,292
Handling and storage fees	**(41)**	(37)
Associate companies:		
Sales of processed gas	**1,375**	1,359
Jointly controlled entities:		
Interest receivable from jointly controlled entities	**5**	14
Gas processing fee payable	**(279)**	(339)

37. RELATED PARTY DISCLOSURES (continued)

Significant transactions with related parties (continued)

Information regarding outstanding balances arising from related party transactions as at 31 March 2011 are disclosed in note 11, note 18 and note 26.

Information regarding impairment losses on receivables and bad debts written off during the financial year are disclosed in note 28.

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 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 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 2011	Exploration and Production RM Mil	Gas and Power RM Mil	Downstream RM Mil	Corporate and Others RM Mil	Consolidation adjustments and eliminations RM Mil	Total RM Mil
Revenue						
Third parties	43,263	57,027	128,466	12,472	-	241,228
Inter-segment	50,010	6,945	1,520	6,730	(65,205)	-
Total revenue	93,273	63,972	129,986	19,202	(65,205)	241,228
Reportable segment profit	33,969	11,229	7,175	1,385	(1,145)	52,613
Included in the measure of segment profit are:						
Depreciation and amortisation	(5,339)	(2,488)	(2,687)	(2,027)	-	(12,541)
Impairment losses	(1,796)	(1,898)	(1,339)	(631)	-	(5,664)
Tax expense	(20,116)	(4,744)	(1,582)	(1,046)	-	(27,488)
Segment assets	135,528	60,167	82,085	175,404	(14,190)	438,994
Included in the measure of segment assets are:						
Investments in associates and JCEs	2,278	4,587	1,018	3,678	-	11,561
Additions to non-current assets other than financial instruments and deferred tax assets	22,559	3,593	2,098	5,869	-	34,119

38. OPERATING SEGMENTS (continued)

Group 2010	Exploration and Production RM Mil	Gas and Power RM Mil	Downstream RM Mil	Corporate and Others RM Mil	Consolidation adjustments and eliminations RM Mil	Total RM Mil
Revenue						
Third parties	35,833	47,565	114,105	13,294	-	210,797
Inter-segment	45,663	6,057	1,291	7,691	(60,702)	-
Total revenue	81,496	53,622	115,396	20,985	(60,702)	210,797
Reportable segment profit	30,776	8,912	4,788	883	(830)	44,529
Included in the measure of segment profit are:						
Depreciation and amortisation	(5,875)	(2,897)	(2,003)	(2,099)	-	(12,874)
Impairment losses	(943)	(1,183)	(78)	(591)	-	(2,795)
Tax expense	(16,166)	(3,398)	(1,707)	(540)	-	(21,811)
Segment assets	134,796	55,808	73,607	170,016	(23,342)	410,885
Included in the measure of segment assets are:						
Investments in associates and JCEs	2,150	4,264	1,135	823	-	8,372
Additions to non-current assets other than financial instruments and deferred tax assets	26,084	2,463	3,766	5,848	-	38,161

38. OPERATING SEGMENTS (continued)

Reconciliations of reportable segment profits

Group	2011 RM Mil	2010 RM Mil
Total reportable segment profit	52,613	44,529
Financing cost, net of tax	(2,418)	(1,707)
Share of profits of associates and jointly controlled entities, net of tax	2,076	1,471
Unrealised foreign exchange gains	1,264	892
Net initial public offering gain	9,190	-
Other non-operating income, net of tax	283	304
Profit for the year	63,008	45,489

Products and services segments

The following are revenue from external customers by product and service:

Group	2011 RM Mil	2010 RM Mil
Petroleum products	93,130	81,241
Crude oil and condensate	52,642	47,334
Liquified natural gas	45,345	37,032
Sales and natural gas	16,609	14,130
Petrochemicals	14,543	12,707
Shipping services	6,726	7,482
Investment income	2,792	2,380
Others	9,441	8,491
	241,228	210,797

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 jointly controlled entities) and deferred tax assets.

	Revenue		Non-current assets	
Group	2011 RM Mil	2010 RM Mil	2011 RM Mil	2010 RM Mil
Asia	121,955	108,191	22,730	19,936
Malaysia	52,394	49,071	162,892	158,321
South Africa	27,633	23,039	2,784	3,523
Rest of the world	39,246	30,496	31,311	35,657
	241,228	210,797	219,717	217,437

38. OPERATING SEGMENTS (continued)

Major customers

As at 31 March 2011, there are no major customers with revenue that contribute to more than 10 percent of Group revenue.

39. PRODUCTION SHARING CONTRACTS (the "PSC")

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 by means of production sharing contracts with international oil and gas companies and with its subsidiaries. Under the terms of the various PSCs that PETRONAS has entered into, the PSC Contractors bear all 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, 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 costs of dismantling 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.

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")

Group 2011	Note	L&R/ (L&B) RM Mil	FVTPL - DUIR RM Mil	FVTPL - HFT RM Mil	AFS RM Mil	Total carrying amount RM Mil
Financial assets						
Long term receivables	*	2,636	-	433	-	3,069
Fund and other investments	12	682	12,404	-	36,607	49,693
Trade and other receivables	*	32,794	-	78	-	32,872
Cash and cash equivalents	15	106,664	-	-	-	106,664
		142,776	12,404	511	36,607	192,298
Financial liabilities						
Borrowings	23	(47,811)	-	-	-	(47,811)
Other long term liabilities	*	(425)	-	(303)	-	(728)
Trade and other payables	*	(36,945)	-	(246)	-	(37,191)
Dividend payable		(6,000)	-	-	-	(6,000)
		(91,181)	-	(549)	-	(91,730)
2010						
Financial assets						
Long term receivables	*	2,579	-	398	-	2,977
Fund and other investments	12	737	7,952	-	28,260	36,949
Trade and other receivables	*	27,166	-	63	-	27,229
Cash and cash equivalents	15	104,125	-	-	-	104,125
		134,607	7,952	461	28,260	171,280
Financial liabilities						
Borrowings	23	(51,870)	-	-	-	(51,870)
Other long term liabilities	*	(558)	-	(298)	-	(856)
Trade and other payables	*	(31,601)	-	(35)	-	(31,636)
Dividend payable		(6,000)	-	-	-	(6,000)
		(90,029)	-	(333)	-	(90,362)

* 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 2011	Note	L&R/ (L&B) RM Mil	FVTPL - DUIR RM Mil	FVTPL - HFT RM Mil	AFS RM Mil	Total carrying amount RM Mil
Financial assets						
Long term receivables	*	70,150	-	1,663	-	71,813
Fund and other investments	12	-	13,079	-	18,812	31,891
Trade and other receivables	*	12,499	-	17	-	12,516
Cash and cash equivalents	15	58,164	-	-	-	58,164
		140,813	13,079	1,680	18,812	174,384
Financial liabilities						
Borrowings	23	(26,591)	-	-	-	(26,591)
Other long term liabilities	*	(680)	-	(164)	-	(844)
Trade and other payables	*	(6,661)	-	(9)	-	(6,670)
Dividend payable		(6,000)	-	-	-	(6,000)
		(39,932)	-	(173)	-	(40,105)
2010						
Financial assets						
Long term receivables	*	73,076	-	1,219	-	74,295
Fund and other investments	12	-	8,761	-	11,807	20,568
Trade and other receivables	*	14,835	-	21	-	14,856
Cash and cash equivalents	15	56,677	-	-	-	56,677
		144,588	8,761	1,240	11,807	166,396
Financial liabilities						
Borrowings	23	(28,621)	-	-	-	(28,621)
Other long term liabilities	*	(899)	-	(129)	-	(1,028)
Trade and other payables	*	(5,235)	-	(2)	-	(5,237)
Dividend payable		(6,000)	-	-	-	(6,000)
		(40,755)	-	(131)	-	(40,886)

* These balances exclude non-financial instruments balances.

40. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

The fair value of borrowings is shown on page 200. For all other financial instruments, the carrying amount is either the fair value, or are not materially different from the fair value.

The fair value movements for financial assets categorised as at fair value through profit or loss are mainly attributable to changes in market price.

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, investment securities and financial guarantees given to financial institutions for credit facilities granted to subsidiaries, jointly controlled entities 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.

40. FINANCIAL INSTRUMENTS (continued)

Receivables (continued)

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.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment amount as at the end of the reporting period is analysed below:

		Group		Company
	2011	2010	2011	2010
	RM Mil	RM Mil	RM Mil	RM Mil
At net				
Current	**21,306**	17,511	**2,760**	2,286
Past due 1 to 30 days	**1,002**	397	**27**	24
Past due 31 to 60 days	**579**	417	**25**	47
Past due 61 to 90 days	**288**	72	**25**	21
Past due more than 90 days	**848**	826	**139**	128
	24,023	19,223	**2,976**	2,506
Representing:				
Trade receivables (note 18)	**24,451**	20,091	**3,066**	2,995
Less: Impairment losses (note 18)	**(428)**	(868)	**(90)**	(489)
	24,023	19,223	**2,976**	2,506

With respect to the Group'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. Certain receivables past due are secured by bank guarantees and cash deposits valued at RM19,384,000 (2010: RM7,233,000).

The movements in the allowance for impairment losses of trade receivables during the year are as follows:

		Group		Company
	RM Mil	RM Mil	RM Mil	RM Mil
	2011	2010	2011	2010
Opening balance	**868**	707	**489**	411
(Reversal)/ Impairment loss recognised	**(41)**	195	**-**	78
Impairment written off	**(399)**	(34)	**(399)**	-
Closing balance	**428**	868	**90**	489

40. FINANCIAL INSTRUMENTS (continued)

Fund and other investment

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 defines 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 97% (2010: 94%) of the investments in domestic securities and 3% (2010: 6%) in foreign securities.

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, jointly controlled entities 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 amounted to RM4,890,000,000 (2010: RM4,550,000,000) 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 25.

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 **2011**	**Carrying amount** **RM Mil**	**Contractual interest rates per annum** **%**	**Contractual cash flows** **RM Mil**	**Within 1 year** **RM Mil**
Loans and borrowings				
Secured Term Loans				
USD fixed rate loan	823	5.39	933	206
USD floating rate loan	1,222	4.08	1,322	432
RM fixed rate loan	539	6.52	665	59
RM floating rate loan	466	3.01	544	36
Other fixed rate loan	15	7.75	17	6
Unsecured Term Loans				
USD floating rate loan	3,302	3.85	3,621	144
RM fixed rate loan	1,378	4.83	1,554	484
RM floating rate loan	182	3.61	281	25
EURO fixed rate loan	15	5.16	17	3
EURO floating rate loan	3,663	3.40	4,284	144
BAHT floating rate loan	71	2.97	78	30
Other fixed rate loan	34	6.75	56	9
Other floating rate loan	58	9.34	63	23
Unsecured Notes and Bonds				
USD Notes	11,220	7.07	14,757	794
USD Guaranteed Notes	8,984	5.25	12,972	477
USD Bonds	3,405	7.69	5,839	262
JPY Bonds	586	3.40	633	20
Unsecured revolving credits				
BAHT revolving credits	92	2.93	94	94
RM revolving credits	182	3.20	188	188
Unsecured bankers' acceptances				
RM bankers' acceptances	41	3.05	42	42
Unsecured bank overdrafts				
EURO bank overdrafts	39	7.00	42	42
ZAR bank overdrafts	36	6.80	38	38
Secured Islamic financing facilities				
RM Islamic financing facilities	2,971	6.33	3,427	753
Unsecured Islamic financing facilities				
USD Islamic financing facilities	4,536	4.25	5,185	193
RM Islamic financing facilities	3,951	4.48	4,532	1,377
Trade and other payables	36,945	-	36,945	36,945
Dividend payable	6,000	-	6,000	6,000
Fair value through profit or loss – held for trading				
Derivative liabilities	549	-	549	246
	91,305		104,678	49,072

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40. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Group **2011**	**1-2 years** **RM Mil**	**2-5 years** **RM Mil**	**More than** **5 years** **RM Mil**
Loans and borrowings			
Secured Term Loans			
USD fixed rate loan	200	482	45
USD floating rate loan	345	545	-
RM fixed rate loan	58	528	20
RM floating rate loan	35	412	61
Other fixed rate loan	11	-	-
Unsecured Term Loans			
USD floating rate loan	152	3,325	-
RM fixed rate loan	359	711	-
RM floating rate loan	25	70	161
EURO fixed rate loan	2	7	5
EURO floating rate loan	128	4,012	-
BAHT floating rate loan	31	17	-
Other fixed rate loan	3	12	32
Other floating rate loan	20	20	-
Unsecured Notes and Bonds			
USD Notes	6,484	2,989	4,490
USD Guaranteed Notes	477	1,430	10,588
USD Bonds	262	2,586	2,729
JPY Bonds	20	593	-
Unsecured revolving credits			
BAHT revolving credits	-	-	-
RM revolving credits	-	-	-
Unsecured bankers' acceptances			
RM bankers' acceptances	-	-	-
Unsecured bank overdrafts			
EURO bank overdrafts	-	-	-
ZAR bank overdrafts	-	-	-
Secured Islamic financing facilities			
RM Islamic financing facilities	586	788	1,300
Unsecured Islamic financing facilities			
USD Islamic financing facilities	193	4,799	-
RM Islamic financing facilities	1,199	1,203	753
Trade and other payables	-	-	-
Dividend payable	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	2	301	-
	10,592	24,830	20,184

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40. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Group 2010	**Carrying amount RM Mil**	**Contractual interest rates per annum %**	**Contractual cash flows RM Mil**	**Within 1 year RM Mil**
Loans and borrowings				
Secured Term Loans				
USD fixed rate loan	2,062	5.35	2,255	426
USD floating rate loan	628	2.34	666	98
RM fixed rate loan	575	6.44	877	93
RM floating rate loan	480	2.96	558	31
Other fixed rate loan	7	7.25	7	7
Unsecured Term Loans				
USD fixed rate loan	74	9.70	91	18
USD floating rate loan	3,604	5.06	4,088	145
RM fixed rate loan	1,263	5.52	1,423	268
RM floating rate loan	489	3.14	535	324
EURO fixed rate loan	24	3.60	26	3
EURO floating rate loan	3,744	1.24	4,053	56
BAHT floating rate loan	137	1.52	140	22
Other fixed rate loan	70	12.41	94	25
Unsecured Notes and Bonds				
USD Notes	12,149	7.07	17,007	715
USD Guaranteed Notes	9,686	5.25	15,024	515
USD Bonds	3,675	7.69	6,609	242
JPY Bonds	567	3.40	630	19
Unsecured revolving credits				
BAHT revolving credits	64	2.88	65	65
USD revolving credits	128	4.10	133	133
RM revolving credits	458	2.85	471	471
Other revolving credits	24	7.00	26	26
Unsecured bank overdrafts				
USD bank overdrafts	3	3.16	3	3
EURO bank overdrafts	11	6.13	12	12
ZAR bank overdrafts	293	7.12	313	313
Secured Islamic financing facilities				
RM Islamic financing facilities	3,286	5.61	4,191	545
Unsecured Islamic financing facilities				
USD Islamic financing facilities	4,894	4.25	5,803	208
RM Islamic financing facilities	3,475	4.45	3,879	838
Trade and other payables	31,601	-	31,601	31,601
Dividend payable	6,000	-	6,000	6,000
Fair value through profit or loss – held for trading				
Derivative liabilities	333	-	333	35
	89,804		106,913	43,257

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40. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Group **2010**	**1-2 years RM Mil**	**2-5 years RM Mil**	**More than 5 years RM Mil**
Loans and borrowings			
Secured Term Loans			
USD fixed rate loan	430	1,218	181
USD floating rate loan	236	266	66
RM fixed rate loan	92	656	36
RM floating rate loan	33	94	400
Other fixed rate loan	-	-	-
Unsecured Term Loans			
USD fixed rate loan	33	40	-
USD floating rate loan	171	3,772	-
RM fixed rate loan	180	948	27
RM floating rate loan	22	64	125
EURO fixed rate loan	16	4	3
EURO floating rate loan	98	3,896	3
BAHT floating rate loan	29	67	22
Other fixed rate loan	34	26	9
Unsecured Notes and Bonds			
USD Notes	715	10,180	5,397
USD Guaranteed Notes	515	1,545	12,449
USD Bonds	242	726	5,399
JPY Bonds	19	592	-
Unsecured revolving credits			
BAHT revolving credits	-	-	-
USD revolving credits	-	-	-
RM revolving credits	-	-	-
Other revolving credits	-	-	-
Unsecured bank overdrafts			
USD bank overdrafts	-	-	-
EURO bank overdrafts	-	-	-
ZAR bank overdrafts	-	-	-
Secured Islamic financing facilities			
RM Islamic financing facilities	762	1,350	1,534
Unsecured Islamic financing facilities			
USD Islamic financing facilities	208	5,387	-
RM Islamic financing facilities	1,198	1,622	221
Trade and other payables	-	-	-
Dividend payable	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	187	111	-
	5,220	32,564	25,872

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40. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Company 2011	**Carrying amount RM Mil**	**Contractual interest rates per annum %**	**Contractual cash flows RM Mil**	**Within 1 year RM Mil**
Loans and borrowings				
Unsecured Notes and Bonds				
USD Notes	9,080	7.29	12,218	662
USD Guaranteed Notes	8,984	5.25	12,972	477
USD Bonds	3,405	7.69	5,839	262
JPY Bonds	586	3.40	633	20
Unsecured Islamic financing facilities				
USD Islamic financing facilities	4,536	4.25	5,185	193
Trade and other payables	6,661	-	6,661	6,661
Dividend payable	6,000	-	6,000	6,000
Fair value through profit or loss – held for trading				
Derivative liabilities	173	-	173	9
	39,425		49,681	14,284

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2010				
Loans and borrowings				
Unsecured Notes and Bonds				
USD Notes	9,799	7.29	14,621	715
USD Guaranteed Notes	9,686	5.25	15,024	515
USD Bonds	3,675	7.69	6,871	283
JPY Bonds	567	3.40	630	19
Unsecured Islamic financing facilities				
USD Islamic financing facilities	4,894	4.25	5,803	208
Trade and other payables	5,235	-	5,235	5,235
Dividend payable	6,000	-	6,000	6,000
Fair value through profit or loss – held for trading				
Derivative liabilities	131	-	131	2
	39,987		54,315	12,977

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40. FINANCIAL INSTRUMENTS (continued)

Maturity analysis *(continued)*

Company **2011**	**1-2 years** **RM Mil**	**2-5 years** **RM Mil**	**More than** **5 years** **RM Mil**
Loans and borrowings			
Unsecured Notes and Bonds			
USD Notes	6,351	715	4,490
USD Guaranteed Notes	477	1,430	10,588
USD Bonds	262	2,586	2,729
JPY Bonds	20	593	-
Unsecured Islamic financing facilities			
USD Islamic financing facilities	193	4,799	-
Trade and other payables	-	-	-
Dividend payable	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	-	164	-
	7,303	10,287	17,807

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2010			
Loans and borrowings			
Unsecured Notes and Bonds			
USD Notes	715	7,828	5,363
USD Guaranteed Notes	515	1,545	12,449
USD Bonds	283	849	5,456
JPY Bonds	19	592	-
Unsecured Islamic financing facilities			
USD Islamic financing facilities	208	5,387	-
Trade and other payables	-	-	-
Dividend payable	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	-	129	-
	1,740	16,330	23,268

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40. FINANCIAL INSTRUMENTS (continued)

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 price, 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.

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
	2011 RM Mil	2010 RM Mil	2011 RM Mil	2010 RM Mil
Fixed rate instruments				
Financial assets	**123,658**	120,426	**113,693**	120,003
Financial liabilities	**(42,088)**	(46,860)	**(27,272)**	(28,621)
	81,570	73,566	**86,421**	91,382
Floating rate instruments				
Financial assets	**4,434**	1,476	**15,211**	11,939
Financial liabilities	**(6,030)**	(5,105)	**-**	-
	(1,596)	(3,629)	**15,211**	11,939

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.

40. FINANCIAL INSTRUMENTS (continued)

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 is 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.

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:

		2011		2010
		Denominated in		Denominated in
	USD	MYR	USD	MYR
Group	**RM Mil**	**RM Mil**	**RM Mil**	**RM Mil**
Financial assets				
Loan and advances to subsidiaries	**62,250**	**-**	53,892	-
Cash and cash equivalents	**15,319**	**2,040**	18,123	6,139
Trade and other receivables	**7,722**	**1,052**	5,752	634
Long term receivables	**1,846**	**-**	609	-
Fund and other investments	**989**	**33**	341	77
Other financial assets	**1,303**	**-**	841	-
	89,429	**3,125**	79,558	6,850
Financial liabilities				
Loan and advances from holding company	**(16,360)**	**(2,962)**	(16,682)	(9,192)
Borrowings	**(26,466)**	**-**	(28,421)	-
Trade and other payables	**(6,362)**	**(2,537)**	(3,490)	(2,019)
Other financial liabilities	**(1,311)**	**-**	(835)	-
	(50,499)	**(5,499)**	(49,428)	(11,211)
Net exposure	**38,930**	**(2,374)**	30,130	(4,361)

40. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk *(continued)*

Company	Denominated in USD 2011 RM Mil	2010 RM Mil
Financial assets		
Loan and advances to subsidiaries	**53,314**	48,294
Cash and cash equivalents	**13,461**	17,490
Trade and other receivables	**3,773**	2,778
Fund and other investments	**989**	341
Other financial assets	**1,247**	1,565
	72,784	70,468
Financial liabilities		
Borrowings	**(26,004)**	(28,054)
Trade and other payables	**(1,026)**	(1,256)
Other financial liabilities	**(500)**	(574)
	(27,530)	(29,884)
Net exposure	**45,254**	40,584

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 March 2011 assuming that a reasonably possible change in the relevant market variable had occurred at 31 March 2011 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.

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.

40. FINANCIAL INSTRUMENTS (continued)

***Foreign exchange risk** (continued)*

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:

2011	Appreciation in foreign currency rate %	Group Reserve RM Mil	Group Profit or loss RM Mil	Company Reserve RM Mil	Company Profit or loss RM Mil
USD	5	993	904	-	2,473
MYR	5	-	(118)	-	-
2010					
USD	5	1,093	254	-	2,187
MYR	5	-	(215)	-	-

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 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 decision 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.

The Group's and the Company's exposure to equity price risk based on carrying amounts as at the reporting date is as follows:

	Group 2011 RM Mil	Group 2010 RM Mil	Company 2011 RM Mil	Company 2010 RM Mil
Local equities	**657**	778	**286**	342
Foreign equities	**17,179**	15,845	**-**	-
	17,836	16,623	**286**	342

40. FINANCIAL INSTRUMENTS (continued)

Equity price risk (continued)

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:

		Group		Company	
2011	**Increase in price based on average change in index rate %**	**Reserve RM Mil**	**Profit or loss RM Mil**	**Reserve RM Mil**	**Profit or loss RM Mil**
Local equities	15	99	-	43	-
Foreign equities	20	2,629	23	-	-
2010					
Local equities	15	117	-	51	-
Foreign equities	20	3,153	16	-	-

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

The fair values of financial liabilities measured at amortised cost, together with the carrying amounts are as follows:

Group	Note	2011 Carrying amount RM Mil	2011 Fair value RM Mil	2010 Carrying amount RM Mil	2010 Fair value RM Mil
Loans and borrowings					
Notes and Bonds	23	**24,195**	**27,084**	26,077	28,541
Term loans	23	**11,768**	**11,834**	13,157	13,023
Islamic financing facilities	23	**11,458**	**11,701**	11,655	12,440
Revolving credits	23	**274**	**274**	674	674
Bankers' acceptances	23	**41**	**41**	-	-
Bank overdrafts	23	**75**	**75**	307	307

Company	Note	2011 Carrying amount RM Mil	2011 Fair value RM Mil	2010 Carrying amount RM Mil	2010 Fair value RM Mil
Loans and borrowings					
Notes and Bonds	23	**22,055**	**24,758**	23,727	25,993
Islamic financing facilities	23	**4,536**	**4,773**	4,894	4,932

40. FINANCIAL INSTRUMENTS (continued)

Income/ (expense), net gains and losses arising from financial instruments

Group 2011	**Interest income RM Mil**	**Interest expense RM Mil**	**Reversal/ (impairment loss) RM Mil**	**Others RM Mil**	**Total RM Mil**
Financial instruments at fair value through profit or loss					
- Held for trading	-	-	-	35	35
- Designated upon initial recognition	331	-	-	(37)	294
Available-for-sale					
- recognised in profit or loss	794	-	-	407	1,201
- recognised in equity	-	-	-	2,251	2,251
Loans and receivables					
- recognised in profit or loss	1,831	-	119	(861)	1,089
- recognised in equity	-	-	-	(1,737)	(1,737)
Financial liabilities at amortised cost	-	(2,511)	-	(234)	(2,745)
Total	2,956	(2,511)	119	(176)	388
2010					
Financial instruments at fair value through profit or loss					
- Held for trading	-	-	-	23	23
- Designated upon initial recognition	505	-	-	22	527
Available-for-sale					
- recognised in profit or loss	698	-	(3)	283	978
- recognised in equity	-	-	-	6,489	6,489
Loans and receivables					
- recognised in profit or loss	1,240	-	(200)	(1,787)	(747)
- recognised in equity	-	-	-	(1,047)	(1,047)
Financial liabilities at amortised cost	-	(2,027)	-	265	(1,762)
Total	2,443	(2,027)	(203)	4,248	4,461

40. FINANCIAL INSTRUMENTS (continued)

Income/ (expense), net gains and losses arising from financial instruments (continued)

Company 2011	**Interest income RM Mil**	**Interest expense RM Mil**	**Reversal/ (impairment loss) RM Mil**	**Others RM Mil**	**Total RM Mil**
Financial instruments at fair value through profit or loss					
- Held for trading	-	-	-	410	410
- Designated upon initial recognition	365	-	-	(40)	325
Available-for-sale					
- recognised in profit or loss	397	-	-	57	454
- recognised in equity	-	-	-	(54)	(54)
Loans and receivables	4,022	-	(90)	(2,820)	1,112
Financial liabilities at amortised cost	-	(693)	-	-	(693)
Total	4,784	(693)	(90)	(2,447)	1,554

2010					
Financial instruments at fair value through profit or loss					
- Held for trading	-	-	-	431	431
- Designated upon initial recognition	440	-	-	(52)	388
Available-for-sale					
- recognised in profit or loss	359	-	-	35	394
- recognised in equity	-	-	-	168	168
Loans and receivables	4,225	-	(226)	(2,994)	1,005
Financial liabilities at amortised cost	-	(504)	-	-	(504)
Total	5,024	(504)	(226)	(2,412)	1,882

Others relates 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. CHANGE OF FINANCIAL YEAR END

The Group and the Company will change their financial year end from 31 March to 31 December which will be implemented after the close of financial year 31 March 2011. The first new financial year end will fall on 31 December 2011 with a shorter 9-month financial period from 1 April 2011 to 31 December 2011. Thereafter, the Group's and the Company's financial year will revert to the usual 12 months from 1 January to 31 December.

43. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS

On 1 April 2010, the Group and the Company adopted the following new and revised FRSs, amendments and IC interpretations that have been issued by the Malaysian Accounting Standards Board which are effective for annual periods beginning on or after 1 January 2010 (unless otherwise specified):

FRS 4, *Insurance Contracts*

FRS 8, *Operating Segments* (effective for annual periods beginning on or after 1 July 2009)

FRS 101, *Presentation of Financial Statements (revised)*

FRS 123, *Borrowing Costs (revised)*

Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

Amendment to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*

Amendment to FRS 8, *Operating Segments*

Amendment to FRS 107, *Statement of Cash Flows*

Amendment to FRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*

Amendment to FRS 110, *Events After the Reporting Period*

Amendment to FRS 116, *Property, Plant and Equipment*

Amendment to FRS 117, *Leases*

Amendment to FRS 118, *Revenue*

Amendment to FRS 119, *Employee Benefits*

Amendment to FRS 123, *Borrowing Costs*

Amendment to FRS 127, *Consolidated and Separate Financial Statements*

Amendment to FRS 128, *Investments in Associates*

Amendment to FRS 131, *Interests in Joint Ventures*

Amendments to FRS 132, *Financial Instruments: Presentation ("Puttable Financial Instruments and Obligations Arising on Liquidation")*

Amendments to FRS 132, *Financial Instruments: Presentation ("Separation of Compound Instruments" and "Classification of Rights Issues") (effective for annual periods beginning on or after 1 January 2010 and 1 March 2010 respectively)*

Amendment to FRS 134, *Interim Financial Reporting*

Amendment to FRS 136, *Impairment of Assets*

Amendment to FRS 138, *Intangible Assets*

Amendments to FRS 139, *Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC 9, Reassessment of Embedded Derivatives*

Amendment to FRS 140, *Investment Property*

IC 14, *FRS 119-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

43. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (continued)

Other than the mandatory adoption of FRS 8 by certain companies within the Group, the Company has also adopted FRS 8 as of the beginning of the current financial year, on a voluntary basis.

The principal changes in accounting policies and their effects are set out below:

i. FRS 8, *Operating Segments*

As of 1 April 2010, the Company determine and present operating segment based on 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. An operating segment's operating results are reviewed regularly by the Group's chief operating decision maker, which in this case is the PETRONAS Executive Committee, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Comparative segment information has been included. Since the adoption of this standard only impacts presentation and disclosure aspects, there is no impact on the Group's and the Company's reported income or net assets.

ii. FRS 101, *Presentation of Financial Statements (revised)*

The Group applies revised FRS 101 which became effective as of 1 April 2010. Arising from the adoption of FRS 101 (revised), income statements are presented as statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on the Group's and the Company's reported income or net assets.

iii. Amendment to FRS 117, *Leases*

The adoption of Amendment to FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land.

Prior to the adoption of Amendment to FRS 117, the Group and the Company had previously classified leases of land as operating leases and had recognised the amount of payments made on entering into or acquiring the land as prepaid lease payments. These land are amortised over the lease term in accordance with the pattern of benefits provided.

On adoption of Amendment to FRS 117, the Group treats such leases of land that meets the definition of finance leases as property, with the unamortised carrying amount classified as leasehold land within property, plant and equipment. These land are then accounted for in these financial statements in accordance with the accounting policy for property, plant and equipment. The effects of adopting Amendment to FRS 117 had been accounted for retrospectively in accordance with transitional provisions of the standard, and comparatives have been restated (note 50).

This change in accounting policy does not have material impact on the Group's and the Company's reported income and net assets.

43. ADOPTION OF NEW AND REVISED PRONOUNCEMENTS (continued)

iv. Amendment to FRS 140, *Investment Property*

Prior to 1 April 2010, an investment property under construction was classified as property, plant and equipment until construction or development is complete, at which time it is reclassified as investment property at cost. Following the amendment made to FRS 140, with effect from 1 April 2010, investment property under construction is classified as investment property.

This change in accounting policy has been made prospectively in accordance with the transitional provisions of FRS 140. Since the change only affects presentation aspects, there is no impact on the Group's and the Company's reported income or net assets.

44. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT

The following revised FRSs, amendments and IC Interpretations that have been issued by the Malaysian Accounting Standards Board will become effective for future financial reporting periods and have not yet been adopted by the Group.

Effective for annual periods beginning on or after 1 July 2010

FRS 1, *First-time Adoption of Financial Reporting Standards (revised)*
FRS 3, *Business Combinations (revised)*
FRS 127, *Consolidated and Separate Financial Statements (revised)*
Amendment to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
Amendments to FRS 138, *Intangible Assets*
IC 12, *Service Concession Arrangements*
IC 16, *Hedges of a Net Investment in a Foreign Operation*
IC 17, *Distribution of Non-cash Assets to Owners*
Amendments to IC 9, *Reassessment of Embedded Derivatives*

Effective for annual periods beginning on or after 30 August 2010

Amendment to IC 15, *Agreements for the Construction of Real Estate*

Effective for annual periods beginning on or after 1 January 2011

Amendment to FRS 1, *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
Amendments to FRS 1, *Additional Exemptions for First-time Adopters*
Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
Amendments to FRS 3, *Business Combinations*
Amendments to FRS 7, *Improving Disclosures about Financial Instruments*
Amendments to FRS 7, *Financial Instruments: Disclosures*
Amendments to FRS 101, *Presentation of Financial Statements*
Amendments to FRS 121, *The Effects of Changes in Foreign Exchange Rates*
Amendments to FRS 128, *Investments in Associates*
Amendments to FRS 131, *Interests in Joint Ventures*
Amendments to FRS 132, *Financial Instruments: Presentation*
Amendments to FRS 134, *Interim Financial Reporting*
Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
IC 4, *Determining whether an Arrangement contains a Lease*
IC 18, *Transfer of Assets from Customers*
Amendments to IC 13, *Customer Loyalty Programmes*

44. NEW AND REVISED PRONOUNCEMENTS YET IN EFFECT (continued)

Initial application of these pronouncements for the Group and the Company will be effective from the annual period beginning 1 April 2011. By virtue of the exemptions in paragraph 30AA of IC 12, the impact of applying IC 12 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed.

The adoption of other FRSs, amendments and IC Interpretations are not expected to have any material impact on the financial statements of the Group and of the Company in the period of initial application.

45. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued amendments to FRSs which are not yet effective, but for which are not relevant to the operations of the Group and the Company and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 July 2010
Amendments to FRS 2, *Share-based Payment*

Effective for annual periods beginning on or after 1 January 2011
Amendments to FRS 2, *Group Cash-settled Share-based Payment Transactions*

The following revised FRS, amendments and IC interpretations which will be effective for the Group and the Company from the annual period beginning 1 January 2012, will not be applicable as the Group's and the Company's financial statements are expected to be prepared in accordance with the International Financial Reporting Standards framework.

Effective for annual periods beginning on or after 1 July 2011
IC 19, *Extinguishing Financial Liabilities with Equity Instruments*
Amendments to IC 14, *Prepayments of a Minimum Funding Requirement*

Effective for annual periods beginning on or after 1 January 2012
FRS 124, *Related Party Disclosures (revised)*
IC 15, *Agreements for the Construction of Real Estate*

46. SIGNIFICANT EVENTS

During the financial year, the Group listed its heavy engineering arm, Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB") and petrochemical business, PETRONAS Chemicals Group Berhad ("PCGB") respectively on the Main Market of Bursa Malaysia Securities Berhad.

The listing of PCGB and MHB contributed an additional net cash of approximately RM16.8 billion to the Group and PETRONAS' effective equity holdings in PCGB and MHB reduced from 100% to 64.3% and 62.6% to 41.6%, respectively. The Group recorded a net gain of RM9.2 billion upon completion of the listings which has been included in other income.

The net impact to the Group consolidated net profit for the year ended 31 March 2011 arising from the reduction of shareholdings in PCGB and MHB from the date of dilution of interest to the year ended 31 March 2011, is not material in relation to the Group's results.

47. SIGNIFICANT SUBSIDIARIES AND ACTIVITIES

The significant subsidiary undertakings of the Company at 31 March 2011 and the Group percentage of share capital are set out below.

		Effective Percentage Holding 2011 %	Effective Percentage Holding 2010 %	Country of Incorporation	Principal Activities
	AET Inc. Limited	62.6	62.6	Bermuda	Ship-owning and operations
	Aromatics Malaysia Sdn. Bhd.	45.0	70.0	Malaysia	Production and sale of aromatics products
	Asean Bintulu Fertilizer Sdn. Bhd.	40.9	63.5	Malaysia	Production and sale of urea and ammonia
∞	PETRONAS LNG Ltd. (formerly known as Asean LNG Trading Co. Ltd.)	100.0	100.0	Malaysia	Trading of liquefied natural gas ("LNG")
	Engen Limited	80.0	80.0	South Africa	Refining of crude oil and marketing of refined petroleum products
	Doba Pipeline Investment Inc.	100.0	100.0	Cayman Islands	Investment holding
	Engen Petroleum Ltd.	80.0	80.0	South Africa	Refining and distribution of petroleum products
	Ethylene Malaysia Sdn. Bhd.	56.3	72.5	Malaysia	Production and sale of ethylene
*	Institute of Technology PETRONAS Sdn. Bhd.	100.0	100.0	Malaysia	Institute of higher learning
*	KLCC (Holdings) Sdn. Bhd.	100.0	100.0	Malaysia	Property investment related activities and property development
*@	KLCC Property Holdings Berhad	52.6	52.6	Malaysia	Property investment, hotel and recreation
	Kuala Lumpur Convention Centre Sdn. Bhd.	100.0	100.0	Malaysia	Property investment
∞	Malaysia Deepwater Floating Terminal (Kikeh) Limited	31.8	31.8	Malaysia	Floating production storage and off-loading ("FPSO") owner
*	Malaysia LNG Sdn. Bhd.	90.0	90.0	Malaysia	Liquefaction and sale of liquefied natural gas
*	Malaysia LNG Dua Sdn. Bhd.	60.0	60.0	Malaysia	Liquefaction and sale of liquefied natural gas
*	Malaysia LNG Tiga Sdn. Bhd.	60.0	60.0	Malaysia	Liquefaction and sale of liquefied natural gas
	Malaysian International Trading Corporation Sdn. Bhd.	64.3	100.0	Malaysia	Petrochemicals and general trading

47. SIGNIFICANT SUBSIDIARIES AND ACTIVITIES (continued)

		Effective Percentage Holding 2011 %	Effective Percentage Holding 2010 %	Country of Incorporation	Principal Activities
*	Malaysian International Trading Corporation (Japan) Sdn. Bhd.	100.0	100.0	Malaysia	Trading and procurement of equipment spares and materials
*	Malaysian Refining Company Sdn. Bhd.	53.0	53.0	Malaysia	Refining of crude oil
@	Malaysia Marine and Heavy Engineering Holdings Berhad (formerly known as MSE Holdings Sdn. Bhd.)	41.6	62.6	Malaysia	Investment holding
	Midciti Resources Sdn. Bhd.	76.1	76.1	Malaysia	Property investment
@*	MISC Berhad	62.6	62.6	Malaysia	Shipping and shipping related activities
∞	MITCO Labuan Co. Ltd.	100.0	100.0	Malaysia	Petrochemicals and general merchandise trading
	MTBE Malaysia Sdn. Bhd.	64.3	100.0	Malaysia	Production and sale of methyl tertiary butyl ether and propylene
	Optimal Olefins (Malaysia) Sdn. Bhd.	56.6	88.0	Malaysia	Manufacturing and marketing of ethylene, propylene and other hydrocarbon products
	Optimal Chemicals (Malaysia) Sdn. Bhd.	64.3	100.0	Malaysia	Manufacturing and selling ethylene and propylene derivative products
	Optimal Glycols (Malaysia) Sdn. Bhd.	64.3	100.0	Malaysia	Manufacturing and selling ethylene oxide, ethylene glycol and other glycols
	PAPL (Upstream) Pty. Ltd.	100.0	100.0	Australia	Exploration and production of coal seam gas
	PC JDA Ltd.	100.0	100.0	Republic of Mauritius	Petroleum operations
	PC Vietnam Ltd.	100.0	100.0	Republic of Mauritius	Petroleum operations
	PETRONAS Ammonia Sdn. Bhd.	64.3	100.0	Malaysia	Production and sale of ammonia, syngas and carbon monoxide
	PETRONAS Australia Pty. Ltd.	100.0	100.0	Australia	Investment holding
∞	PETRONAS Capital Ltd.	100.0	100.0	Malaysia	Investment holding

47. SIGNIFICANT SUBSIDIARIES AND ACTIVITIES (continued)

		Effective Percentage Holding 2011 %	2010 %	Country of Incorporation	Principal Activities
*	PETRONAS Carigali Sdn. Bhd.	100.0	100.0	Malaysia	Petroleum exploration, development and production
	PETRONAS Carigali (Chad EP) Inc.	100.0	100.0	Cayman Islands	Petroleum operations
	PETRONAS Carigali Chad Exploration and Production Inc.	100.0	100.0	Cayman Islands	Petroleum operations
	PETRONAS Carigali (Jabung) Ltd.	100.0	100.0	Bahamas	Petroleum operations
	PETRONAS Carigali Nile Ltd.	100.0	100.0	Republic of Mauritius	Petroleum operations
	PETRONAS Carigali Overseas Sdn. Bhd.	100.0	100.0	Malaysia	Investment holding and petroleum operations
	PETRONAS Carigali (Turkmenistan) Sdn. Bhd.	100.0	100.0	Malaysia	Petroleum operations
@*	PETRONAS Chemicals Group Berhad (formerly known as Kuantan Terminals Sdn. Bhd.)	64.3	100.0	Malaysia	Investment holding
@*	PETRONAS Dagangan Berhad	69.9	69.9	Malaysia	Marketing of petroleum products and operation of service stations
	PETRONAS Fertilizer (Kedah) Sdn. Bhd.	64.3	100.0	Malaysia	Production and sale of urea, ammonia and methanol
@*	PETRONAS Gas Berhad	60.6	60.6	Malaysia	Processing and transmission of natural gas
∞	PETRONAS Global Sukuk Limited	100.0	100.0	Malaysia	Investment holding
∞*	PETRONAS International Corporation Ltd.	100.0	100.0	Malaysia	Investment holding
	PETRONAS Lubricants Italy S.p.A	100.0	100.0	Italy	Manufacturing and marketing of lubricant products
*	PETRONAS Lubricants International Sdn. Bhd.	100.0	100.0	Malaysia	Investment holding, manufacturing and trading of lubricant products
	PETRONAS Marketing Sudan Ltd.	100.0	100.0	Sudan	Marketing of petroleum products
	PETRONAS Methanol (Labuan) Sdn. Bhd.	64.3	100.0	Malaysia	Production and sale of methanol

47. SIGNIFICANT SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding 2011 %	Effective Percentage Holding 2010 %	Country of Incorporation	Principal Activities
* PETRONAS Penapisan (Melaka) Sdn. Bhd.	100.0	100.0	Malaysia	Refining and condensation of crude oil
* PETRONAS Penapisan (Terengganu) Sdn. Bhd.	100.0	100.0	Malaysia	Refining and condensation of crude oil
MISC Tankers Sdn. Bhd. (formerly known as PETRONAS Tankers Sdn. Bhd.)	62.6	62.6	Malaysia	Investment holding and provision of management services
* PETRONAS Trading Corporation Sdn. Bhd.	100.0	100.0	Malaysia	Trading of crude oil and petroleum products
∞ PICL (Egypt) Corporation Ltd.	100.0	100.0	Malaysia	Investment holding, exploration, and production of oil and gas
Putrajaya Holdings Sdn. Bhd.	64.4	64.4	Malaysia	Property owner and developer
Star Energy Group Plc	100.0	100.0	United Kingdom	Provision of gas storage facilities, exploration, development and production of crude oil, sale of natural gas and electricity generation
Suria KLCC Sdn. Bhd.	31.6	31.6	Malaysia	Property investment

* 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.

48. SIGNIFICANT ASSOCIATES AND ACTIVITIES

	Effective Percentage Holding 2011 %	Effective Percentage Holding 2010 %	Country of Incorporation	Principal Activities
BASF PETRONAS Chemicals Sdn. Bhd.	25.7	40.0	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 Sdn. Bhd.	12.1	12.1	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
PP Oil & Gas (Indonesia- Jabung) Limited	50.0	50.0	United Kingdom	Exploration and production of oil and gas
Taninthayi Pipeline Co. LLC	40.9	40.9	Cayman Islands	Transportation of gas
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

49. SIGNIFICANT JOINTLY-CONTROLLED ENTITIES AND ACTIVITIES

	Effective Percentage Holding 2011 %	2010 %	Country of Incorporation	Principal Activities
BP PETRONAS Acetyls Sdn. Bhd.	19.3	30.0	Malaysia	Manufacture, sell and distribute acetic acid
Dragon LNG Group Ltd.	30.0	30.0	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
Indianoil PETRONAS Private Limited	50.0	50.0	India	Manufacture and bottling services of LPG
VTTI B.V.	31.3	-	Netherlands	Owning, operating and managing a network of oil product storage terminals and refineries

50. COMPARATIVE FIGURES

Certain comparative figures of the Group and the Company have been reclassified as a result of changes in accounting policies as stated in note 43 and to ensure consistency with the current year's presentation.

	Group		Company	
2010	**As restated RM Mil**	**As previously stated RM Mil**	**As restated RM Mil**	**As previously stated RM Mil**
Statements of financial position				
Non-current assets				
Property, plant and equipment	189,508	179,648	3,950	3,858
Properties	-	7,768	-	-
Prepaid lease payments	527	2,619	-	92

Comparatives for 31 March 2009 have also been restated accordingly. These restatements have not been included in the consolidated statements of financial position of the Group and statements of financial position of the Company as required by FRS 101, *Presentation of Financial Statements* as the impact of the restatements, as set out below, is not material.

	Group		Company	
2009	**As restated RM Mil**	**As previously stated RM Mil**	**As restated RM Mil**	**As previously stated RM Mil**
Statements of financial position				
Non-current assets				
Property, plant and equipment	171,051	161,948	2,000	1,932
Properties	-	7,369	-	-
Prepaid lease payments	507	2,241	-	68

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 March 2011 of the Group and of the Company, and the statements of 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 notes, as set out on pages 101 to 213.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are 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 have been properly drawn up in accordance with 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 as of 31 March 2011 and of their financial performance and cash flows for the year then ended.

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 & Co.

KPMG Desa Megat & Co.
Firm Number: AF 0759
Chartered Accountants

Abdullah Abu Samah
Partner
Approval Number: 2013/06/12(J)
Chartered Accountant

Petaling Jaya, Malaysia

Date: 30 May 2011

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS

Gas District Cooling (Holdings) Sdn. Bhd. and its subsidiaries:

- Gas District Cooling (KLIA) Sdn. Bhd.
- Gas District Cooling (UTP) Sdn. Bhd.

KLCC (Holdings) Sdn. Bhd. and its subsidiaries:

- Aliran Moden Sdn. Bhd.
- Cititower 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.
- Indah Putrajaya 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.
- Pedoman Purnama Sdn. Bhd.
- Purnama Sepi Sdn. Bhd.
- Putrajaya Corporate Services Sdn. Bhd.
- Putrajaya Group Sdn. Bhd.
- Putrajaya Homes Sdn. Bhd.
- Putrajaya Projects Sdn. Bhd.
- Putrajaya Resources Sdn. Bhd.
- Senandung Asli Sdn. Bhd.
- Tapak Senja Sdn. Bhd.
- 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 Capital Management Sdn. Bhd.
- Putrajaya Development Sdn. Bhd.
- Putrajaya Holdings Sdn. Bhd.
- Putrajaya Management Sdn. Bhd.
- Putrajaya Properties Sdn. Bhd.
- Putrajaya Ventures Sdn. Bhd.
- Serba Harapan (M) Sdn. Bhd.

KLCC Property Holdings Berhad and its subsidiaries:

- Arena Johan Sdn. Bhd.
- Asas Klasik Sdn. Bhd.
- KLCC Parking Management Sdn. Bhd.
- Kompleks Dayabumi Sdn. Bhd.
- Suria KLCC Sdn. Bhd.
- Arena Merdu Sdn. Bhd.
- Impian Cemerlang Sdn. Bhd.
- KLCC Urusharta Sdn. Bhd.
- Midciti Resources Sdn. Bhd.

Marmel Incorporated and its subsidiaries:

- Darton Ltd.
- GCB Associates LLC
- Sparknight LLC
- WG Parcel B LLC
- Darton U.S. Holdings Inc.
- Grabhorn Properties LLC
- WG Parcel B Management LLC
- World Gateway Investments Inc.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRM OF ACCOUNTANTS (continued)

MISC Berhad and its subsidiaries:

- AET Agencies Inc.
- AET Inc. Limited
- AET Offshore Services Inc.
- AET Shipmanagement (India) Private Limited
- AET Shipmanagement (Singapore) Pte. Ltd.
- AET Tanker Holdings Sdn. Bhd.
- Asia LNG Transport Sdn. Bhd.
- Bunga Kasturi (L) Pte. Ltd.
- Leo Launches Private Limited
- Malaysia Deepwater Floating Terminal (Kikeh) Limited
- Malaysian Maritime Academy Sdn. Bhd.
- MILS - SterilGamma Sdn. Bhd.
- MISAN Logistics B.V.
- MISC Agencies (Australia) Pty. Ltd.
- MISC Agencies (India) Pvt. Ltd.
- MISC Agencies (Netherlands) B.V.
- MISC Agencies (Sarawak) Sdn. Bhd.
- MISC Agencies (U.K.) Ltd.
- MISC Capital (L) Limited
- MISC Ferry Services Sdn. Bhd.
- MISC Haulage Services Sdn. Bhd.
- MISC International (L) Limited
- MISC Nigeria Ltd.
- MISC Offshore Holdings (Brazil) Sdn. Bhd.
- MISC Ship Management Sdn. Bhd.
- MISC Tanker Holdings (Bermuda) Limited
- MMHE-ATB Sdn. Bhd.
- MTTI Sdn. Bhd.
- Malaysia Marine and Heavy Engineering Holdings Berhad (formerly known as MSE Holdings Sdn. Bhd.)
- Puteri Delima Satu (L) Private Limited
- Puteri Firus Satu (L) Private Limited
- Puteri Intan Satu (L) Private Limited
- Puteri Nilam Satu (L) Private Limited
- Puteri Zamrud Satu (L) Private Limited
- Puteri Zamrud Sdn. Bhd.
- AET Holdings (L) Pte. Ltd.
- AET Lightering Services LLC
- AET Petroleum Tanker (M) Sdn. Bhd.
- AET Shipmanagement (Malaysia) Sdn. Bhd.
- AET Tanker Azerbaijan Limited
- AET Tanker (India) Pvt. Ltd.
- AET (UK) Limited
- 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 - Seafrigo Sdn. Bhd.
- MILS - Seafrigo Cold Chain Logistics Sdn. Bhd.
- MISC Agencies Sdn. Bhd.
- MISC Agencies (Japan) Ltd.
- MISC Agencies (New Zealand) Limited
- MISC Agencies (Singapore) Private Limited
- MISC Enterprises Holdings Sdn. Bhd.
- MISC Floating Production System (Gumusut) Ltd.
- MISC Offshore Mobile Production (Labuan) Ltd
- MISC Integrated Logistics Sdn. Bhd.
- MISC Offshore Floating Terminals (L) Limited
- MISC Properties Sdn. Bhd.
- MISC Tanker Holdings Sdn. Bhd.
- MISC Trucking and Warehousing Services Sdn. Bhd.
- MMHE-SHI LNG Sdn. Bhd.
- MSE Corporation Sdn. Bhd.
- MISC Tankers Sdn. Bhd. (formerly knows as PETRONAS Tankers Sdn. Bhd.)
- Puteri Delima Sdn. Bhd.
- Puteri Firus Sdn. Bhd.
- Puteri Intan Sdn. Bhd.
- Puteri Mutiara Satu (L) Private Limited
- Puteri Nilam Sdn. Bhd.
- Techno Indah Sdn. Bhd.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRM 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. (fka PETRONAS Carigali Bahrain 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.
- PETRONAS Carigali Equatorial Guinea Ltd.
- PETRONAS Chad Marketing Inc.
- PETRONAS Carigali Myanmar II Inc.
- PETRONAS Carigali Niger Exploration & Production Ltd.
- PETRONAS Carigali White Nile (5B) Ltd.
- PETRONAS Carigali Vietnam (B10 & B11-1) Ltd.
- PETRONAS Carigali (Mandar) Ltd.
- PETRONAS Carigali (Oman) Ltd.
- PETRONAS Iraq (Garraf) Ltd.
  (formerly known as PETRONAS Carigali Iraq (Garraf) Ltd.
- PETRONAS Carigali (West Glagah Kambuna) Ltd.
- PETRONAS Carigali Iraq Holding B.V.
- PC Algeria Ltd. (Υ)
- 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.
- PETRONAS Carigali Ketapang II Ltd.
- PETRONAS Carigali (Surkhanski) Operating Company LLC
- 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.
- PETRONAS Carigali Mozambique (Rovuma Basin) Ltd.
- PETRONAS Carigali Cameroon Ltd.
- PETRONAS Carigali (Baisun) Ltd.
- PETRONAS Carigali Iraq (Halfaya) Ltd.
- PETRONAS Carigali Iraq (Majnoon) Ltd.
- PETRONAS Carigali Iraq (Badra) Ltd.

PETRONAS Chemicals Group Berhad and its subsidiaries:

- Kertih Port Sdn. Bhd
- PETRONAS Ammonia Sdn. Bhd.
- Phu My Plastics and Chemicals Company Ltd.(α)
- Optimal Glycols (Malaysia) Sdn. Bhd.
- Vinyl Chloride (Malaysia) Sdn. Bhd.
- PETLIN (M) Sdn. Bhd.
- PETRONAS Fertilizer (Kedah) Sdn. Bhd.
- Optimal Chemicals (Malaysia) Sdn. Bhd.
- Optimal Olefins (Malaysia) Sdn. Bhd.

PETRONAS Hartabina Sdn. Bhd. and its subsidiary:

- Prince Court Medical Centre Sdn. Bhd.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRM OF ACCOUNTANTS (continued)

PETRONAS International Corporation Ltd. and its subsidiaries:

- Aktol Chemicals (Pty.) Ltd.
- Azania Petroleum (Pty.) Ltd.
- BGI Properties Ltd.
- Cavallo Engineering & Construction (Pty.) Ltd.
- Durban Liquid Storage
- Engen African Holdings
- Engen Botswana Limited (β)
- 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.
- Engen Uganda 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.
- Gas Storage Limited
- MITCO Labuan Co. Limited.
- Myanmar PETRONAS Trading Co. Ltd.
- LEC Ireland Employment Ltd.
- MITCO Labuan India Private Ltd.
- Nada Properties Co. Ltd. (ϒ)
- Natuna 1 B.V.
- Oil Tanking EPZ (Pty.) Ltd.
- Pakenzyl (Pty.) Ltd.
- Parsi International Ltd.
- PC Madura Ltd.
- PAPL (Downstream) Pty. Ltd.
- PC Myanmar Holdings Ltd. (ϒ)
- PETRONAS Carigali Myanmar Inc.
- PETRONAS Carigali Nile Ltd.
- PC Greenland Holdings Ltd.
- PC Greenland A/S
- PETRONAS Australia Pty. Ltd. (ϒ)
- PETRONAS Carigali (Jabung) Ltd.
- PETRONAS Carigali (Turkmenistan) Sdn. Bhd.
- PETRONAS Carigali (Urga) Operating Company LLC (ϒ)
- PETRONAS LNG Ltd.
  (formerly known as Asean LNG Trading Co. Ltd.)
- Citycat Properties (Pty.) Ltd.
- Chemico (Pty.) Ltd.
- Engen African Minority Holdings
- Engen Gabon S.A. (Piza Shell 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 Zimbabwe (PVT) Ltd.
- Engen Petroleum International Ltd.
- Engen Petroleum (Mocambique) Limitada
- Engen Petroleum Zambia Ltd.
- Engen Guinea-Bissau Ltd.
- Enpet Insurance Ltd.
- Federico Trading (Pty.) Ltd.
- Ivory Properties (Pty) Ltd.
- Imtrasel (Pty) Ltd.
- Labuan Energy Corporation Limited
- New Jack Trading (Pty.) Ltd.
- Overseas Gas Storage Limited
- PAPL (Upstream) Pty. Ltd.
- PC JDA Ltd.
- PC Muriah Ltd.
- PC Myanmar (Hong Kong) Ltd. (ϒ)
- PAPL Services Pty. Ltd.
- PAPL (Upstream II) Pty. Ld.
- Petroleum Investment Holding Ltd.
- PETRONAS Energy Trading Ltd.
  (formerly known as PETGAS Trading UK Ltd)(ϒ)
- PC Vietnam Ltd.
- Petrarch Petroleum (Pty.) Ltd.
- Argentinean Pipeline Marketing Pty. Ltd.
  (formerly known as PETRONAS Argentina S.A.) (α)
- PETRONAS Carigali (Pakistan) Ltd.
- PETRONAS Carigali Myanmar III Inc.
- PETRONAS Energy Philippines, Inc.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRM OF ACCOUNTANTS (continued)

PETRONAS International Corporation Ltd. and its subsidiaries (continued):

- PETRONAS Carigali (Urga) Ltd.
- PETRONAS Marketing (China) Co. Ltd. (ϒ)
- PETRONAS Marketing Sudan Ltd.
- PETRONAS Myanmar Limited.
- PETRONAS Philippines Inc. (α)
- PETRONAS (Thailand) Co. Ltd.
- PETRONAS Vietnam Co. Ltd.
- PICL Siri Company Limited
- PICL Downstream (Mauritius) Ltd.
- PSE Kinsale Energy Ltd.
- PT PETRONAS Niaga Indonesia (α)
- PC Mauritania 1 Pty. Ltd.
- PC Mauritania 2 II BV
- PC Brunei Co. Ltd.
- PAPL (Upstream II) Pty. Ltd.
- Quickstep 285 (Pty.) Ltd.
- Renaissance Petroleum (Pty.) Ltd.
- Star Energy Gas Storage Services Limited
- Star Energy HG Gas Storage Limited
- Star Energy Oil and Gas Limited
- Star Energy Weald Basin Limited
- Dansk Gaslager ApS
- Thang Long LPG JV Company Ltd.
- Universal Property Company Limited
- Zenex Oil (Pty.) Ltd.
- Valais Investments (Pty.) Ltd.
- PETRONAS Marketing (India) Private Ltd.
- PETRONAS Marketing (Thailand) Co. Ltd.
- PETRONAS Natuna Sdn. Bhd.
- PETRONAS Retail (Thailand) Co. Ltd.
- PETRONAS Retail Property (Thailand) Co. Ltd.
- PICL Marketing Thailand Ltd. (ϒ)
- PICL (Egypt) Corporation Ltd.
- PSE Ireland Limited
- PSE Seven Head Ltd.
- Quickstep 284 (Pty.) Ltd.
- Quickstep 286 (Pty.) Ltd.
- Rockyhill Properties (Pty.) Ltd.
- Sirri International Ltd.
- Sonap Petroleum (South Africa) (Pty.) Ltd.
- ENGEN (Malawi) Ltd.
- ENGEN DRC SARL (formerly known as Shell Republique Democratique Du Congo)
- SEP Burundi
- Star Energy (East Midlands) Limited
- Star Energy Group Plc
- Star Energy Limited
- Star Energy Oil UK Limited
- The Fifth Retail Ltd.
- Trek Petroleum (Pty.) Ltd.
- Ximex Energy Holdings (PVT) Ltd.

PETRONAS Maritime Services Sdn. Bhd. and its subsidiary:

- Sungai Udang Port Sdn. Bhd.

PETRONAS Assets Sdn. Bhd. and its subsidiaries:

- iPerintis Sdn Bhd.
- Petrofibre Network (M) Sdn. Bhd.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRM OF ACCOUNTANTS (continued)

PLI (Netherlands) B.V. and its subsidiaries:

- PETRONAS Lubricants Italy S.p.A (α)
- PETRONAS Lubrificantes Brasil S.A.(α)
- PETRONAS Lubricants France S.A.S.
- PETRONAS Lubricants Netherlands B.V. (α)
- PETRONAS Madeni Yaglar TIC LTD STI (α)
- PETRONAS Lubricants Spain S.L.U. (α)
- PETRONAS Lubricants Portugal Lda (α)
- PETRONAS Lubricants Belgium N.V. (α)
- Viscosity Oil Co. (α)
- PETRONAS Lubricants Poland Sp.Zo.o (α)
- PETRONAS Lubricants Argentina S.A. (α)
- PETRONAS Lubricants Great Britain Ltd. (α)
- PETRONAS Lubricants Deutschland GmbH (α)
- Viscosity Oil Finco LLC (α)

Subsidiaries held directly by the Company:

- Energas Insurance (L) Limited
- PETRONAS Management Training Sdn. Bhd.
- PETRONAS South Africa (Pty.) Ltd. (α)
- Styrene Monomer (Malaysia) Sdn. Bhd.
- Institute of Technology PETRONAS Sdn. Bhd.
- PETRONAS e-Learning Solutions Sdn. Bhd.
- PETRONAS India (Holdings) Co. Pte. Ltd. (α)
- PETRONAS NGV Sdn. Bhd.

Υ Consolidated based on management financial statements.
α Audited by affiliates of KPMG Desa Megat and Co.
@ The shares of this subsidiary are quoted on the Main Market of Bursa Malaysia Securities Berhad.
β The shares of this subsidiary are quoted on the Botswana Stock Exchange.

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